

Political Party Finance Reform in Southeast-Asia

RESPECT (The Asia Pacific Regional Support for Elections and Transition) Program in collaboration with:

- Perludem (Perkumpulan untuk Pemilu dan Demokrasi/The Association for Elections and Democracy) - Indonesia
- Bersih 2.0 - Malaysia
- LENTE (Legal Network for Truthful Elections) - Philippines
- PRADET (Psychosocial Recovery and Development in East Timor) and Caucus Women in Politic Foundation – Timor Leste
- International IDEA (The International Institute for Democracy and Electoral Assistance)

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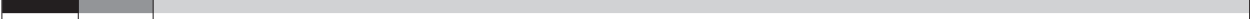
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Political Party Reform in Southeast Asia

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Money is an important element in democracy, including elections. Not only to finance the process of organizing the election, but also needed by the election participants for the cost of election contestation. The money needed in the election contestation is not small. Many assume that to be able to win in the election contestation requires large financial resources. So that political parties collect as much funds as possible to support campaign activities in elections. For this reason, it is necessary to regulate the political party finance, the money obtained and used can be reported in a transparent and accountable manner.

However, what has happened in practice is that transparency and accountability in the management of political finance have not run optimally. This is not only happening in Indonesia, but also other countries, especially in Southeast Asia. In general, what is regulated related to political party finances is the source of funds, parties who may donate funds, limits on donations and expenditure limits, and parties who have the authority to oversee the finances of political parties. Although indeed not all of these supervisory institutions are owned by all countries in Southeast Asia.

For this reason, Perludem with support from USAID through the Respect (Asia Pacific Support for Elections and Political Transitions) program conducted research on political party finance, both in terms of financial management within the party, but also the management of campaign funds. This research was conducted in four countries, namely Indonesia, Malaysia, the Philippines, and Timor Leste. These four countries have different democratic conditions that affect how political finance works in each of them. For example, Indonesia, the Philippines, and Malaysia, which had experienced democratic transitions, are currently experiencing a state of democratic decline. Meanwhile, Timor Leste as the youngest country is trying to build and organize its government. In addition, there are also similarities in these countries, namely the perception scores in these four countries are still below the global average.


This research was carried out in collaboration with Perludem partners in three other countries. For Malaysia, the research was carried out by Bersih 2.0, represented by Sharton Tan and Ooi Kok Hin. In their writings on political finance in Malaysia, it can be seen that political finance in Malaysia does not yet have an adequate regulatory framework. There is no comprehensive law regarding restrictions on money to be used in election competitions, thus opening the potential for criminal acts of corruption. In addition, the absence of this restriction causes inequality in election competition. Another thing that has not been comprehensively regulated is the reporting and audit process of political finance.

Research in the Philippines was conducted by Lente (Legal Network for Truthful Election) represented by Atty. Izah Katrina Reyes, Brizza Margareth Rosales, and also Madeline Mae Yabut. Research in the Philippines shows more or less the same thing as conditions in Malaysia. That there is no specific regulation regarding the political party finance. Meanwhile, in the context of elections, the parties who are asked to actively report on political finance are direct candidates because the personal political context is quite strong. For Research in Timor Leste, was conducted by Pradet and Caucus. The results of this research also show that there is no comprehensive and specific regulation regarding political finance. For example, there are no provisions regarding how the allocation of funds from the state is used, are there any restrictions, and includes a ban on the use of these funds.

Indonesia also experienced more or less the same condition. The advocacy agenda for improving political finance governance continues to be carried out because there is no comprehensive arrangement regarding this matter. The political party law is 10 years old and there is no plan from the government or the DPR to reform the law. Another problem that occurs is the rise of corruption cases committed by public officials which, if traced more deeply, are rooted in political corruption or related to election competition.

The process of making this research publication is also a collaboration with the International IDEA which in this case is represented by Yukihiro Hamada and Khushbu Agrawal who provide a comparative perspective on the research results that have been carried out. The comparison is made by looking at aspects of the political and electoral environment, the condition of democracy, the corruption perception index, the representation system and the electoral system, the regulatory framework, and also how effective monitoring mechanisms are related to political finance. In addition, this section also emphasizes the important role of the media and civil society in supervising political finance.

It is undeniable that the electoral process and democracy require sufficient financial support. However, the use of money in political and electoral processes must be ensured to have a comprehensive legal framework and can be reported in a transparent and accountable manner. As one of the vital institutions in democracy, political parties are expected to improve their institutional capacity in managing finances as an indicator of a modern political party.



Comparative Overview of Political Finance Systems in Indonesia, Malaysia, the Philippines and Timor-Leste: The regional context and the way forward

Yukihiko Hamada and **Khushbu Agrawal**
International IDEA

INTRODUCTION

Regulations concerning the funding of political parties and election campaigns, commonly known as *political finance*, play a critical role in safeguarding the integrity of political processes and institutions in any democracy. While money enables political participation and representation as well as the expression of political support, ineffectively designed political finance systems could lead to corruption, threatening key democratic principles and values.

Improving the quality of political finance systems is high on the global anti-corruption agenda. For example, Article 7.3 of the United Nations Convention Against Corruption (UNCAC) calls on countries to enhance ‘transparency in the funding of candidatures for elected public office and, where applicable, the funding of political parties’. Political finance reforms are particularly needed in Southeast Asia in order to mitigate corruption risks and restore public trust in politics. Recent studies (Mobrand, Casal Bértoa and Hamada 2019; Simandjuntak 2021) highlight persisting political finance challenges that are common to the region, such as the absence of regulations, intertwined business–government relations, weak bookkeeping practices of political parties, and a low level of compliance. Such findings underscore the need to intensify efforts to review the functioning of existing political finance systems at a country level in order to advance evidence-based reforms for greater transparency and accountability in politics.

The countries included in this publication are Indonesia, Malaysia, the Philippines and Timor-Leste. They have all conducted multiparty elections over the last three years. While the robustness of political finance systems and the level of implementation vary across these countries, undue influence of large donations and limited capacities of oversight agencies continue to be major bottlenecks in mitigating corruption risks in all of them. Most countries still struggle to monitor and evaluate the performance of their political finance systems and there is a shortage of objective data comparing the practices of political finance regulations in different country contexts.

This chapter provides a concise comparative overview of political finance systems in Indonesia, Malaysia, the Philippines and Timor-Leste and also puts them in a wider Southeast Asia¹ and global context. The assessment provided in this chapter mostly draws from desk research, analysis of relevant political finance regulations in the respective countries, and data from International IDEA’s Political Finance Database and Global State of Democracy (GSoD) indices. It aims to highlight similarities and differences among the political finance systems in these countries and sets the scene for the subsequent papers that look closely at the details of each country. In terms of analytical framework, this paper focuses on four key components of political finance systems—regulations of private donations, provisions of public funding, regulations on spending and oversight mechanisms—with reference to comparative data and good practices. In addition, this paper points out several emerging issues that are not currently covered under political finance systems in the region in order to provide a basis for future debates on reform. This paper also aims to analyse the level of implementation of each regulatory component. At the end of the chapter, a set of recommendations is also provided in order to enhance transparency and accountability in political finance in all four countries.

¹ In this paper, Southeast Asia refers to Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, the Philippines, Singapore, Thailand, Timor-Leste and Vietnam.

OVERVIEW OF POLITICAL AND ELECTORAL ENVIRONMENTS IN INDONESIA, MALAYSIA, THE PHILIPPINES AND TIMOR-LESTE

Southeast Asia has exceptionally diverse levels of socio-economic development, including both impoverished regions and affluent fast-growing countries. Political and electoral environments in Indonesia, Malaysia, the Philippines and Timor-Leste also reflect the diversity of the region and present both similarities and differences (Table 1).

Table 1. Comparative overview

	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Population (2019 Worldbank Data)	270,625,568	31,949,777	108,116,615	1,293,119
No. of registered voters	192,866,254	14,940,624	63,643,263	784,286
Electoral system for national legislature	List proportional representation	First past the post	Parallel system	List proportional representation
Parliamentary system	Bicameral	Bicameral	Bicameral	Unicameral
No. of political parties in the parliament	9	18	22	8
% of women in the parliament	21%	14.9%	28%	38.5%
Main institution(s) responsible for political finance oversight	General Elections Commission of Indonesia (KPU) General Election Supervisory Agency (BAWASLU)	Malaysian Electoral Commission Registrar of Societies (ROS)	COMELEC (Commission on Elections)	National Elections Commission (CNE)
Main political finance regulatory framework	Law No. 2/2011 (Law on Political Parties) Law No. 10/2016 (Law on the Government Procedures and Regulations on the Elections of the Governor, Regent, and Candidates) Law No. 7/2017 (General Election Law 2017)	(There is no dedicated law on political finance) 1954 Election Offences Act 1966 Societies Act 2009 Malaysian Anti-corruption Commission Act	Omnibus Election Code Corporation Code (2019 amendments) Republic Act No. 7166	2006 Law No. 2 (Political Parties Law) Governmental Decree Law No. 5/2017 (Regulation for the Electoral Campaign) Political Parties Decree Law No. 6/2008 (Financing of Political Parties)
Public funding to political parties	Yes, regularly provided funding	No	No	Yes, both regularly and in relation to campaigns
Year of last national election	2019	2018	2019	2018
Corruption Perceptions Index (CPI) rank out of 180 countries (2020)	102	57	115	86

SOURCES: WORLD BANK GROUP (2019), INTERNATIONAL IDEA VOTER TURNOUT DATABASE, INTER PARLIAMENTARY UNION (2021), INTERNATIONAL IDEA POLITICAL FINANCE DATABASE AND TRANSPARENCY INTERNATIONAL (2020)

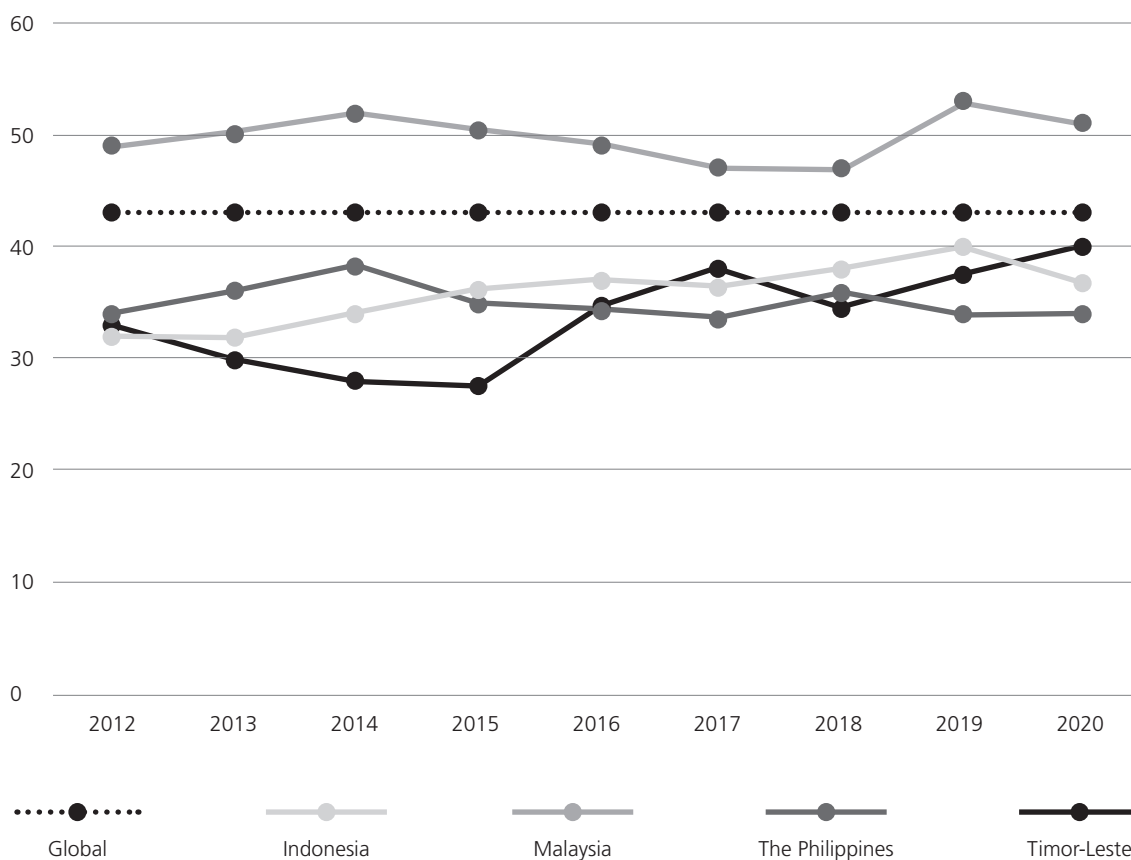
The current state of democracies in the four countries

Since the fall of the authoritarian regime in 1998, Indonesia has undergone a democratic transformation and has been the world's third largest democracy since 2000. The country now holds vibrant reform discussions and has an active civil society. The Philippines also transitioned from authoritarian rule to democracy in 1986. While having a series of democratic elections, the country recently experienced democratic backsliding, for

example in the area of social group equality (International IDEA 2019). Timor-Leste, on the other hand, is a small, young, emerging nation, with a population of 1.3 million inhabitants. While the country is still in the process of building its administration and governmental institutions, it has managed to hold several democratic elections since its independence in 1999 and the restoration of independence in 2002. Malaysia also transitioned to a democracy from one of the most persistent hybrid regimes in Southeast Asia in 2018, when an opposition alliance won the 2018 elections and ended the Barisan Nasional’s 60-year monopoly over power. A period of political turbulence in early 2020 and the collapse of the coalition, however, led to a new governing coalition involving the old ruling party, and to a break in what had seemed like a democratic transition in Malaysia (International IDEA 2020).

While the four countries experience different democratic trajectories, there is room for improvement in all of them. In particular, systematic corruption in politics is one of the areas that has not been mitigated effectively in the region (Figure 1). Corruption Perception Indices (CPI) of Indonesia, the Philippines and Timor-Leste have been consistently below the global average, while that of Malaysia has not improved significantly in the last decade. The perceived prevalence of corruption in politics underscores the need to intensify efforts to reform political finance systems to make money play a more positive role in politics.

Figure 1. Corruption Perceptions Index (CPI), 2012–2020



SOURCE: TRANSPARENCY INTERNATIONAL 2020.

Electoral and parliamentary systems

Indonesia, Malaysia and the Philippines all have bicameral legislatures, with a Senate (upper house) and a House of Representatives (lower house). In Indonesia, the members of the lower house are elected through an open-list proportional representation system from 80 constituencies; in the 2019 election, representatives from nine different political parties were elected to the Indonesian parliament (Russel 2020). In Malaysia, the members of the lower house are elected through elections in single-member constituencies using a first-past-the-post (FPTP) system. Currently, 18 political parties are represented in the Malaysian legislature (Parliament of Malaysia 2021). The Philippines uses a parallel system: 243 seats (the district representatives) are elected through a FPTP system in single-member constituencies, and 61 seats (the party-list seats) through a list proportional representation system. In the national election in 2019, representatives from 22 political parties were elected to the national parliament. Timor-Leste is the only one of the countries that has a unicameral national parliament, where the 65 seats of the parliament are elected by a closed-list proportional representation system using the d'Hondt method. Compared with other methods for seat allocation, the d'Hondt method tends to lead to less proportional results. However, it is effective in securing parliamentary operability by facilitating majority formation. Eight political parties are currently represented in the national legislature of Timor-Leste. As for representation of women in national parliaments, both Indonesia and Malaysia fall below the global average of 25.4% (IPU 2021). The Philippines and Timor-Leste have a higher percentage of women parliamentarians in their national parliaments than the global average. Timor-Leste is the only country among the four with more than 30% women parliamentarians, which is considered the 'critical mass' (IPU 2021).

Political finance regulatory frameworks

While Indonesia, the Philippines and Timor-Leste all have political finance legal frameworks in place, Malaysia does not have a formal law that regulates how political parties fund their operations. Hence, there is no mechanism to oversee or hold political parties accountable for their funding (Tayeb and Ragu 2021). All countries do, however, have at least one institution responsible for political finance oversight, including the monitoring and auditing of the financial reports of political parties. In Indonesia and Timor-Leste, political parties regularly receive public funding, while in Malaysia and the Philippines they receive no public funding (International IDEA 2020). The following section closely examines key components of political finance systems—regulations of private funding, provisions of public funding, regulations on spending, and oversight—in Indonesia, Malaysia, the Philippines and Timor-Leste with reference to global and regional comparative data.

REGULATIONS RELATING TO PRIVATE FUNDING

Private funding, mostly in the form of donations from various permissible sources, constitutes a large part of party and campaign income in many countries. Private funding allows for political expression and support by citizens. However, if inadequately regulated, private funding could be a means by which powerful undue interests could capture the policymaking process and its outcomes. In practice, regulating private funding often means banning or limiting certain sources as well as setting certain donation limits.

Corporate donations are still largely unregulated

In Southeast Asia, regulations relating to private funding are particularly important as business interests are often criticized for receiving favourable treatment in exchange for generous donations to political parties, forming patronage government-business relations (International IDEA 2019; Mietzner 2015). There are different types of donation bans for different purposes (Table 2).

Table 2. Types of banned private donations to political parties

TYPE OF DONATION BAN	MAIN RATIONALE	% OF COUNTRIES WITH A BAN (GLOBAL)	% OF COUNTRIES WITH A BAN (SOUTHEAST ASIA)	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Anonymous sources	To ensure transparency of party funding and a greater chance of monitoring compliance with political finance regulations	67.8%	62.5%	Yes	No	Yes	Yes
Foreign sources	To prevent foreign influence (principle of self-determination)	68.3%	87.5%	Yes	No	Yes	Yes
Corporations	To limit influence of financing from vested corporate interests	25.6%	12.5%	No	No	No	Yes
Corporations with government contracts	To reduce corruption risks and safeguard the integrity of public procurement systems	35%	25%	No	No	Yes	Yes
Corporations with partial government ownership	To avoid use of public funds for political purposes	48.9%	25%	No	No	No	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE; FALGUERA, JONES AND OHMAN (2014).

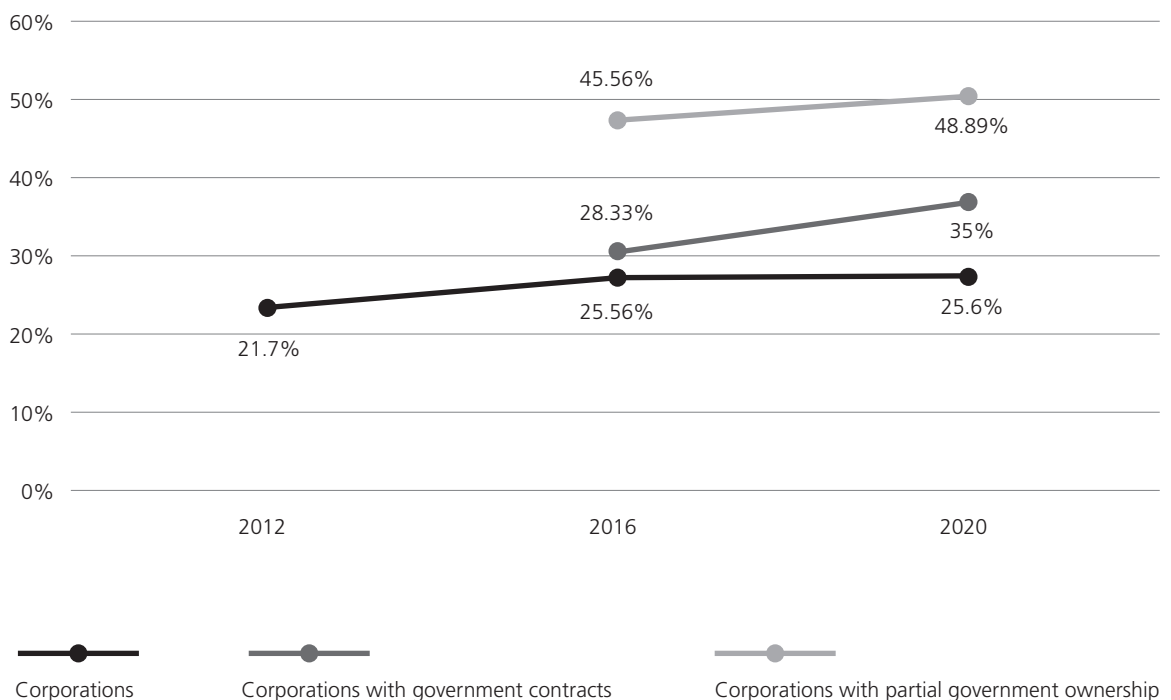
Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. The ban on anonymous donations includes a partial ban above certain thresholds. No data is found in 2.2% of countries on anonymous donations; 1.1% of countries on foreign donations; 3.3% of countries on corporate donations; 10.6% of countries on corporations with government contracts; and 12.2% of countries on corporations with partial government ownership.

While Malaysia has no law that regulates how political parties fund their operations, Indonesia, the Philippines and Timor-Leste ban both foreign and anonymous donations in line with global and Southeast Asian trends. When it comes to regulations concerning corporate donations, the data confirms that business interests are generally not subject to strict donation bans in Southeast Asia. Within the region, only Timor-Leste places a ban on corporate donations. As of 2020, 25.6% of countries around the world prohibit corporations from making donations to political parties (International IDEA n.d.-a). Globally, the number of countries with bans on corporate donations to political parties has been increasing slightly over time (Figure 2). For example, Canada, Chile and Estonia

ban all corporate donations to political parties. In Asia, South Korea also has such a ban. This was a result of incidents in which political parties received large amounts of illegal funds from corporations to cover their campaign expenses for the 2002 presidential election. In August 2005, South Korea revised the Political Funds Act so that corporations were fundamentally prohibited from making donations to political parties.

If corporate donations are allowed, it would be worth considering restrictions for certain corporate donors, such as corporations with government contracts and corporations with partial government ownership. The award of public contracts is particularly vulnerable to corruption and could be exploited by politicians to return the favour of large corporate donations. Similarly, donations from corporations with partial government ownership could end up channelling public funds into supporting particular political parties and distorting the level playing field among political parties. Globally, bans on donations from state-owned corporations and corporations with government contracts are found in 48.9% and 35% of countries, respectively; Southeast Asian countries lag behind such regulatory trends with just 25% banning these types of donations. Timor-Leste bans donations from both corporations with government contracts and those with partial government ownership, while the Philippines bans donations only from corporations with government contracts. In Asia, countries such as Japan, India and South Korea ban donations from both corporations with government contracts and those with partial government ownership. It appears that regulations concerning various types of corporate donation are one of the weakest aspects of political finance systems in Indonesia, Malaysia and the Philippines, thus creating a large loophole in the integrity of those countries' democracies.

Figure 2. Percentage of countries with a ban on various corporate donations to political parties



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Donation limits could help frame private funding in the region

In addition to various donation bans, setting a limit on the amount a donor can contribute to political parties and candidates could provide a legal safeguard against a few large donors gaining excessive influence in politics (Table 3). Donation limits could also encourage political parties and candidates to reach out to a larger number of smaller donors, creating a more diverse support base.

Table 3. Overview of the use of donation limits

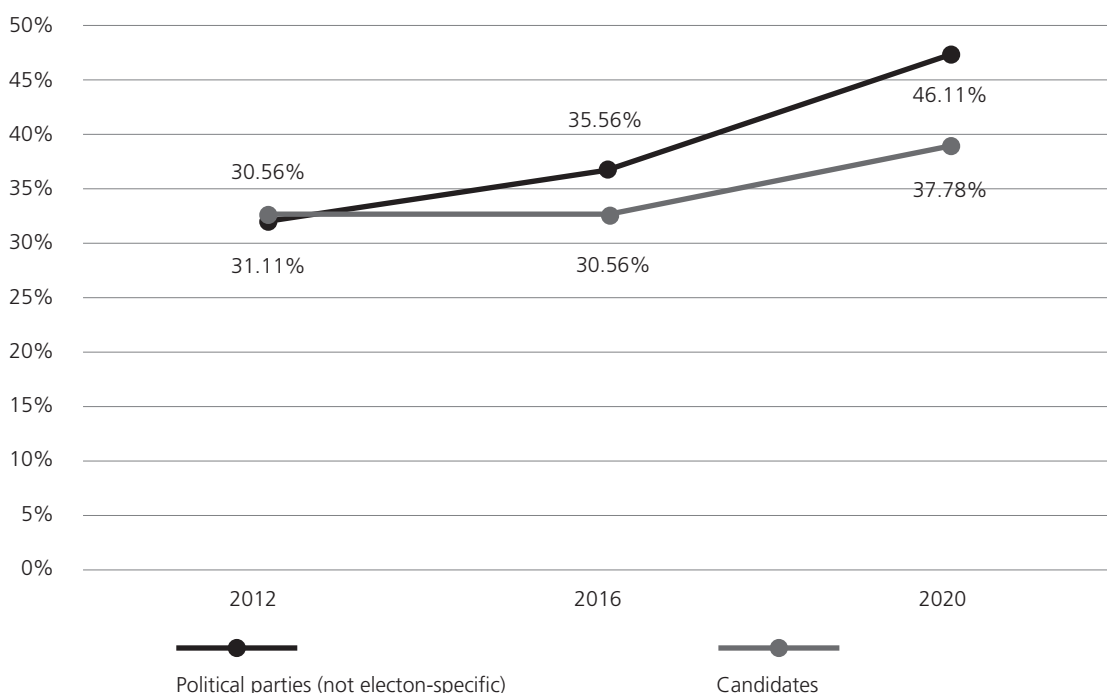
	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Donation limits to political parties (not election-specific)	46.1%	25%	Yes	No	No	No
Donation limits to political parties (election-specific)	34%	0%	No	No	No	No
Donation limits to candidates (not election-specific)	37.8%	12.5%	Yes	No	No	No

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data is found in 5.6% of countries on donations to political parties (not election-specific), 8.3% of countries on donations to political parties (election-specific) and 8.9% of counties on donation limits to candidates.

Globally, donation limits are common features of political finance regulatory regimes and 46.1% of countries have some kind of limit to contributions to political parties. Since 2012, the number of countries with donation limits to political parties and candidates has increased by 15 and 6 percentage points respectively (Figure 3).

Figure 3. Percentage of countries globally with a donation limit to political parties and candidates (not election-specific)



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Despite the increasing popularity of donation limits as a regulatory option, they do not exist in many countries in Southeast Asia. For non-election-specific periods, donation limits to political parties and candidates are present in only 25% and 12.5% of Southeast Asian countries; these figures are much lower than the global averages of 46.1% and 37.8% respectively. In Indonesia, there is a legislated limit on the amount a donor can contribute to a political party over a set time period. This limit is IDR 1,000,000,000 (USD 69,123) within the period of one fiscal year per person, and IDR 7,500,000,000 (USD 518,419 USD) within a period of one fiscal year for companies. There is also a limit on the amount a donor can contribute to a candidate. Such limits vary depending on the type of donor and candidate, but range from IDR 750,000,000 (USD 51,842) to IDR 25,000,000,000 (USD 1,728,065). Thailand is another country in Southeast Asia that imposes a legislated contribution limit: THB 10 million (USD 322,269) per year for natural persons and THB 5 million (USD 161,134) per year for legal persons. However, there is no legislated contribution limits on donations to political parties and candidates in Malaysia, the Philippines or Timor-Leste. In order to mitigate the influence of big money in politics in the region, donation limits should be considered for any future political finance reform. It is also important to note that setting the appropriate level of donation limits requires a thorough assessment of country-specific contexts: if the limit is too high, it will have little impact; and if the limit is too low, donors will find ways to circumvent it.

Self-funding, loans and revenues from commercial activities need more regulatory attention in the region

There are several activities that could circumvent bans and limits on donations. In some countries, candidates are allowed to fund their own campaigns (self-funding). Similarly, political parties and candidates are sometimes allowed to take out loans; these may be considered hidden private donations. Some political parties are also allowed to engage in commercial activities and raise funding from such businesses. Regulations concerning these activities are not so common in Southeast Asia (Table 4). One example of such regulation in the region can be found in Indonesia, where political parties are prohibited from establishing a business entity or owning shares in a business entity. Generally, if self-funding, loans and commercial activities by parties are allowed, it is even more crucial to require political parties and candidates to disclose information regarding such activities to ensure transparency and accountability in political finance systems.

Table 4. Overview of regulations concerning self-funding, loans and commercial activities

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Regulations on self-funding	26.7%	13%	No	No	No	No
Regulations on loans by political parties	19.4%	0%	No	No	No	No
Regulations on political parties engaging with commercial activities	32.3%	25%	Yes	No	No	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data is available for 13.9% of countries on self-

funding, 17.8% on loans by political parties and 15.6% on political parties engaging with commercial activities.

Regulations on the abuse of state resources are common in the region, but compliance remains unclear

The misuse of state resources by incumbent parties and candidates to promote their re-election presents a risk to the level playing field. Such abuse could take the forms of elected officials using official vehicles during election campaigns, campaign travel costs being billed as regular official travel expenses, and rallies being organized in government venues. On paper, the majority of Southeast Asian countries (75%) have a provision to regulate the abuse of state resources, exceeding the global average of 63.9% (Table 5). Indonesia, the Philippines and Timor-Leste all ban the abuse of state resources.

Table 5. Regulations on the abuse of state resources

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Regulations on the abuse of state resources	63.9%	75%	Yes	No	Yes	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. Of surveyed countries, 14.4% have no data.

However, the level of compliance with such provisions remains unclear in many countries. For example, there was a corruption allegation in the Philippines involving the abuse of state resources in relation to the Greater Medicare Access project in 2004 (Reyes, Rosales and Yabut 2020). Similarly, the abuse of state resources in Indonesian election campaigns has been pointed out by several studies (for example, Allen 2014; Naibaho, Rinwigati and Ghozi 2021). Most recently, one of Indonesia’s ministers was alleged to have used social aid funding for COVID-19 to support his election campaign (Prabowo 2020). Serious efforts to fully implement provisions to ban the abuse of state resources are much needed in the region.

THE PROVISION OF PUBLIC FUNDING

Public funding supports the sustainability and institutionalization of political parties while reducing their dependence on private funding. By attaching a condition under which public funding can be withdrawn or reduced in the case of non-compliance together with other political finance regulations such as timely reporting, public funding could also be an effective means to incentivize political parties and candidates to follow the existing regulations. Public funding can be either direct (public subsidies) or indirect (free or subsidized services or goods such as airtime on national television).

The adoption of direct public funding in the region is not as prevalent as in the rest of the world

Globally, nearly 70% of countries provide some sort of direct public funding to political parties and candidates. In Europe, it is a popular regulatory option that exists in 88.6% of

countries. In contrast to the global trend, 50% of Southeast Asian countries with multi-party elections adopt provisions for direct public funding. Indonesia and Timor-Leste regularly provide public funding to political parties while Malaysia and the Philippines do not have a public funding system (Table 6). In addition, Cambodia has provisions for public funding in relation to campaigns and Thailand has provisions for regular funding. In order to support the growth of multiparty democracy and reduce the influence of big private donors in politics, the introduction of public funding is desirable in Southeast Asia.

Table 6. Provisions for direct public funding

		GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Public funding		69.2%	50%	Yes	No	No	Yes
Frequency	Regularly	35.2%	37.5%	✓			
	In relation to campaigns	8.9%	12.5%				
	Both regularly and in relation to campaigns	25.1%	0%				✓

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. Of surveyed countries, 3.4% have no data.

For those countries with a public funding system, it is also important to consider appropriate eligibility and allocation criteria for such state subsidies. For example, Indonesia and Timor-Leste require representation in the parliament as a criterion for political parties to receive public funding. While this is a common approach in many countries, it may present a challenge for new or smaller parties to benefit from public funding. Requiring a certain share of votes in an election as an eligibility threshold for public funding might be an alternative option, so that all political parties with some proven popular support could access funding. Similarly, allocation criteria affect the level of funding provided to political parties. The most popular approach is to allocate public funding in proportion to either votes received or seats won by political parties.

Free or subsidized access to media for candidates is a popular option for indirect public funding

In addition to direct public funding, many countries also provide indirect public funding to political parties and candidates. This can take the forms of, for example, access to media, tax relief, premises for campaign meetings, and subsidized postage costs. The most common form is to provide free or subsidized access to the media for political parties and candidates. In Indonesia, the Philippines and Timor-Leste, candidates enjoy free or subsidized access to the media (Table 7). However, on average, free or subsidized access to the media for political parties and candidates is less common in Southeast Asia than in the rest of the world.

Table 7. Free or subsidized access to the media for political parties and candidates

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political parties	68.3%	37.5%	No	No	No	No
Candidates	59.8%	37.5%	Yes	No	Yes	Yes

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections. No data on access to the media for political parties and candidates is found in 8.3% and 6.1% of countries respectively.

REGULATIONS ON SPENDING

In order to reduce the advantages of political parties and candidates with access to large amounts of money, and to control overall spending on election campaigns, some countries limit the amount of money that political parties and candidates are allowed to spend during election campaigns. The underlying objective of imposing such limits is to reduce the overall cost of elections and prevent a spending race between political parties.

Globally, 35% of countries place a limit on the amount a political party can spend, and 49.2% of countries place a limit on the amount a candidate can spend. In Southeast Asia, three out of eight countries (including the Philippines) have a spending limit for political parties, and five out of eight countries (including Indonesia, Malaysia and the Philippines) have a legislated spending limit for candidates (Table 8).

Table 8. Percentage of countries with spending limits for political parties and candidates

	GLOBAL	SOUTHEAST ASIA	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political party	35%	37.5%	No	No	Yes	No
Candidate	49.2%	62.5%	Yes	Yes	Yes	No

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

Between 2012 and 2020, the number of countries in the world imposing a legislated spending limit for political parties increased from 28.3% to 35%, and for candidates from 43.9% to 48.9% (Figure 4).

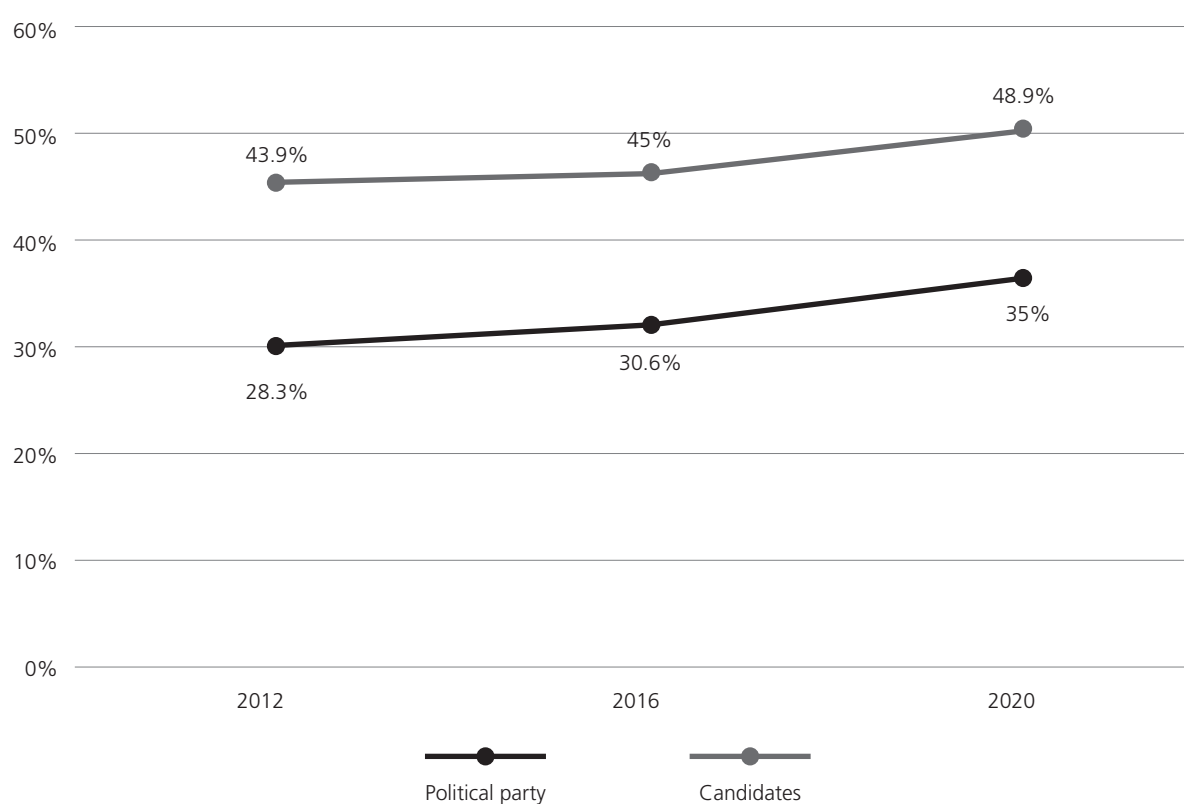
Of the four countries under study, the Philippines is the only one that has a limit on the amount a political party can spend. However, all countries but Timor-Leste have a legislated spending limit for candidates (Table 9).

In Malaysia, spending limits are applied only to candidates, not to political parties. This means that political parties can spend on behalf of candidates without falling under legal obligations to remain below any spending cap. Additionally, political parties with more access to resources can spend significant amounts of money, putting other smaller parties at a disadvantage. Research

has also indicated that candidates have underreported their spending during campaigns (Tan and Ooi 2021). Candidates reported the limit to be too low considering the high cost of electioneering in some constituencies. No variation in spending limit is permitted in relation to the electoral district's size or other constituency characteristics, whether it is urban or rural (Gomez and Tong 2017).

In the case of the Philippines, CSOs point out that spending limits are unrealistic vis-à-vis the cost of elections (Reyes et al. 2021). The purchasing power of the Philippine peso has continuously diminished since 1991, when the Republic Act (R.A.) No. 7166 took effect, which makes the expenditure limit too low for current circumstances.² The outdated law has resulted in non-compliance; in 2010 and 2013, thousands of candidates received notices to explain overspending from COMELEC (Reyes et al. 2021).

Figure 4. Percentage of countries with spending limits for political parties and candidates, 2012–2020



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Table 9. Spending limits for political parties and candidates

	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Political party	No provision	No provision	PHP 5 (USD 0.10) for every registered voter in the constituency where it has official candidates	No provision

² The House Bill 6095, which is currently in Congress for discussion, proposes that candidates for national positions can spend Php 50 per registered voter and candidates for local positions can spend Php 30 per registered voter in the constituency where s/he seeks elections. Political parties can spend the same amount for their nominated candidates.

	INDONESIA	MALAYSIA	THE PHILIPPINES	TIMOR-LESTE
Candidate	Based on: i) number of voters; ii) coverage/area; and iii) regional cost standards	<p>Election to the Dewan Rakyat: MYR 200,000 (ca. USD 48,414)</p> <p>Election to the Legislative Assembly: MYR 100,000 (ca. USD 24,207)</p> <p>Election to a local authority other than local council: MYR 10,000 (ca. USD 2,420)³</p> <p>Election to a local council: MYR 3,000 (ca. USD 726)</p>	<p>Presidential and vice-presidential candidates: PHP 10 (USD 0.21) for every registered voter</p> <p>Other candidates with a political party: PHP 3 (USD 0.06) for every registered voter in the constituency where the candidate filed a certificate of candidacy</p> <p>Other candidates without a political party: PHP 5 (USD 0.10) for every registered voter in the constituency where the candidate filed a certificate of candidacy</p>	No provision

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Vote buying, although prohibited, is a prevalent feature

One type of campaign spending banned in many countries is the buying (and selling) of votes: in other words, offering or providing financial or material incentives for voters to vote in a certain way or to abstain from voting. Given the gravity of vote buying for the normal functioning of the democratic process, many countries ban any form of vote buying or election bribery. In fact, 92% of countries (166 out of 180 countries) around the world ban any form of vote buying, with all countries in Asia banning such practices. In Southeast Asia, vote buying, although prohibited by law, continues to be a prevalent feature, taking place either directly via cash payments to voters or through donations for village and town facilities that serve the whole community. In many countries, including Indonesia, vote buying is often organized by vote traders who facilitate the transaction between voters and candidates. Given the socio-economic situation of many voters, cash handouts are far too attractive for poor communities to resist (Sachsenröder 2019).

OVERSIGHT MECHANISMS

In order for political finance regulations to have a positive effect, a proper oversight regime that involves reporting, disclosure and control is a prerequisite.

Accurate and detailed reporting is fundamental to effective political finance oversight

Regular and sufficiently detailed reporting makes it easier for those responsible for enforcing donation and spending bans and limits to oversee whether these rules are being followed. Globally, 76.1% (137 out of 180 countries) require political parties to report regularly on their finances, and 60.6% (109 out of 180 countries) require them to report on their campaign finances. Similarly, 68.9% of countries require that candidates report on their campaign finances. In Southeast Asia, all countries require political parties to regularly report on their finances; the only exception is the Philippines. In contrast, only 50% of Southeast Asian countries (Cambodia, Indonesia, the Philippines and Thailand) require political parties to report on their campaign finances, while all Southeast Asian countries require candidates to report on their campaign finances (Table 10). In addition,

³ Local elections in Malaysia have been suspended since 1965 to this day.

it is important that reporting provisions require sufficient level of details in order to enable meaningful scrutiny. Also, developing standardized reporting templates for political parties facilitates effective oversight and subsequent publication of these reports.

Table 10. Reporting requirements for political parties and candidates

	REGULAR REPORTING		REPORTING ON CAMPAIGN FINANCES	
	GLOBAL	SOUTHEAST ASIA	GLOBAL	SOUTHEAST ASIA
Political party	76.1%	87.5%	60.6%	50%
Candidate	N/A	N/A	68.9%	100%

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

In Indonesia, political parties are required to submit their income and expenditure report once a year to be examined by the Audit Board of Indonesia. In relation to election campaigns, political parties as well as candidates are required to submit a preliminary report on their campaign finances and special bank account 14 days prior to the first day of their campaign launch in the form of a general meeting, in the case of political parties, and within 14 days after the candidate is designated as a contestant in the case of candidates.

Political parties in Malaysia are required to submit their annual audited account to the Registrar of Societies (ROS) within 60 days of holding their annual general meeting, or, if no meeting is held, within 60 days of the end of the calendar year. While political parties are not required to submit campaign finance reports, candidates should do so within 30 days of publication of results of an election in the Gazette. Although there is a standard form that candidates need to fill in to report their expenditure, there is a lack of uniformity and enforcement in reporting expenditures (Tan and Ooi 2021). Moreover, the absence of a limit on expenditures by political parties combined with the lack of a requirement for them to submit campaign finance reports leaves room for circumventing legislation meant for candidates.

In the Philippines, while political parties are not required to do regular reporting, they are required to submit to COMELEC a Statement of Contributions and Expenditures (SOCE) within 30 days after the election day, and so are candidates. The SOCE should contain a full, true and itemized statement of all election expenditures. In Timor-Leste, political parties are required to submit detailed financial reports annually, 45 days before the end of the financial year. There is no provision for political parties or candidates to report on their campaign finances.

In Timor-Leste, political parties that receive funds from government report and account for only those funds to the CNE. Given that political parties are not required to report on their campaign finances, there is no accountability for the funds received by political parties during elections. Studies have also found that most political parties in the country have failed to provide any information on the use of state subsidies and private donations, nor have they declared their assets (Da Fonseca and Baysa-Barredo 2021).

Comprehensive political finance disclosure enhances transparency and accountability

Even if political parties and/or candidates are required to submit financial reports, full transparency is not achieved unless these reports (or the information they contain) are made available to the public in a timely manner. These should be easy to understand and presented in easily accessible and searchable formats, such as via the Internet. Globally, 62.2% of countries require reports submitted by political parties and candidates to be made public, while in Southeast Asia, all but two countries (Cambodia and Malaysia) require reports submitted by political parties and candidates to be made public, and the Philippines requires them to be made public in some cases (Table 11).

Table 11. Reporting requirements by political parties and candidates

COUNTRY	PROVISION
Indonesia	The General Election Commission, Provincial General Election Commission and District/City General Election Commission shall announce the result of the audit of campaign funding to the public no later than 10 days after the report on the auditing result is received
Malaysia	No requirement to make reports public
The Philip-pines	All statements of contributions and expenditures shall be kept and preserved at the office where they are filed and shall constitute part of the public records thereof for five years after the election to which they pertain
Timor-Leste	Financial reports are made public by the CNE after reviewing and approving them

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

In Indonesia, although the current law requires political parties to disclose donations, incomes and expenditures, the level of details in the reports varies across political parties. This makes it difficult not only for the General Elections Commission (KPU) to undertake proper audit but also for the public to make meaningful scrutiny of the submitted reports (Aji Sukma 2019).

In Malaysia, while political parties are obliged to submit audited financial reports to the ROS every year, these reports are not always accessible by the public. As a result, it is very difficult for the public to engage in scrutiny of the accounts or to hold political parties and candidates accountable. In Timor-Leste, despite the legal requirement to make public the financial reports submitted by political parties, this has not been implemented in practice.

None of the countries have a requirement to make the reports available on the Internet. Online reporting and disclosure platforms tend to render financial reports easily accessible to voters and other electoral stakeholders. Making information readily available on the Internet also significantly increases the degree of transparency and accessibility. Such a practice would be in line with the Open Government Partnership (OGP) principles. The rapid digitalization of government agencies, political parties and citizens alike has significantly expanded the potential to use digital tools to enhance transparency. For this reason, a growing number of countries assert that the broader global demand for financial transparency is best met by having political parties, candidates and other reporting entities file reports online with the oversight agency, which then makes this data publicly available on the agency's website. The open nature of databases puts pressure on political actors to regularly submit accurate and detailed data on their finances.

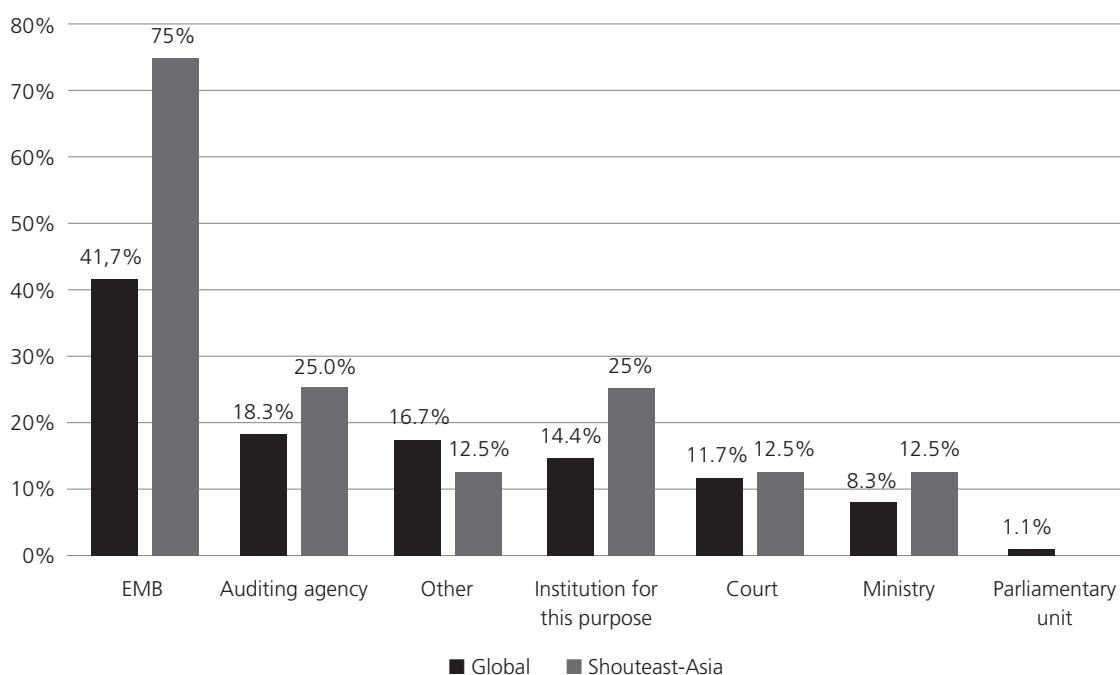
Oversight bodies lack full independence and suffer from a lack of human resources capacity

Effective implementation of political finance regulations requires an oversight body with a clear mandate and sufficient resources to carry out its political finance oversight duties. It is imperative that oversight authorities are impartial as well as independent of political pressure. The type of oversight institution ranges from governmental or parliamentary to judicial or administrative.

Globally, most countries (41.7%) empower their electoral management bodies (EMBs) to examine financial reports from political parties/candidates; 14.4% of countries have created a special organ with such a function; and some countries prefer to empower an auditing agency (18.3%), judicial body (11.7%) or governmental institution, i.e. a ministry (8.3%) (Figure 5).

In Indonesia, the General Election Commission (KPU) is responsible to monitor political finance and all investigatory powers reside in the General Election Supervisory Agency (BAWASLU). The KPU appoints independent auditors to review financial reports from parties and candidates. If auditors report irregularities in the reports, BAWASLU has the mandate to investigate any report of violations related to elections, including campaign finance violations. Should BAWASLU uncover any evidence of criminal conduct, it issues recommendations to the KPU and/or the National Police for administrative sanctions or prosecution. The KPU has been said to suffer from ‘poor documentation, and weak monitoring and auditing mechanisms’. As a result, the enforcement of campaign finance laws has been weak, with both overspending and underreporting occurring (Tan 2020).

Figure 5. Institution(s) responsible for examining financial reports and/or investigating violations (multiple answers allowed)



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

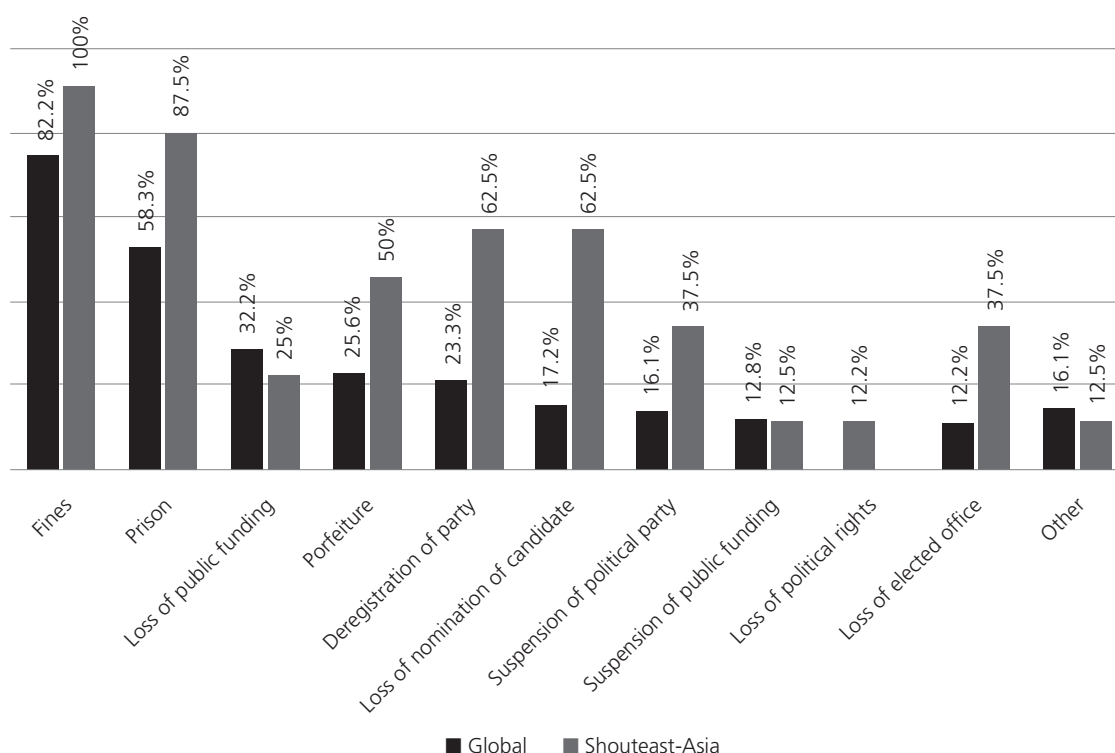
Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

In Malaysia, the ROS, which is responsible for political finance oversight, is not considered an independent authority since the Home Minister can exercise significant influence on its decisions, raising questions on its suitability to receive reports from political parties (Tan and Ooi 2021). In the Philippines, COMELEC’s Campaign Finance Office (CFO) has the duty to audit all reports, statements and contracts and determine compliance by candidates, parties, contributors and election contractors, including by inspecting the books and records of candidates, parties and mass media entities. The CFO suffers from poor auditing capacity as it faces a lack of trained human resources with the capacity to audit accounts submitted by political actors. In Timor-Leste, there is a lack of human resources in the CNE to audit the financial reports submitted by political parties; this has proven to be a challenge to ensuring full accountability and transparency.

Sanction regimes are clear, but enforcement remains weak

Sanctions are needed to provide for the effective enforcement of rules and to punish those who violate them. Sanctions should always be meaningful, clear, realistic, enforceable, dissuasive and proportionate to the nature of the violation. They could range from a warning or a small fine (for failing to submit reports on time) to withholding public funding or larger fines (for continued refusal to submit reports despite reminders). Globally, fines are the most adopted sanctions, with 82.2% of countries including some type of fine in their legislation, followed by prison sentences (58.3%) and loss of public funding (32.2%). In Southeast Asia, fines, imprisonment, deregistration of the party and loss of a candidate’s nomination are the most commonly applied sanctions for political finance infractions. Suspension of the political party, loss of elected office and suspension of public funding are less common types of sanctions (Figure 6).

Figure 6. Types of sanctions for political finance infractions



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

Note: Global data includes 180 countries. Southeast Asia data does not include information for Vietnam, Brunei or Laos since the Political Finance Database covers only countries with multiparty elections.

Table 12. Applicable sanctions for violations of political finance regulations

COUNTRY	SANCTIONS
Indonesia	<ul style="list-style-type: none"> • Loss of nomination of candidate • Loss of elected office • Loss of public funding • Fines (up to IDR 12,000,000) • Imprisonment (up to one year)
Malaysia	<ul style="list-style-type: none"> • Loss of nomination of candidate • Loss of elected office • Forfeiture • Deregistration of party • Imprisonment (up to two years) • Fines (1,000–5,000 ringgit)
The Philippines	<ul style="list-style-type: none"> • Loss of elected office • Loss of political rights • Fines (Php 1,000–60,000) (ca USD 21–1,250) • Imprisonment (one–five years) for election offence
Timor-Leste	<ul style="list-style-type: none"> • Suspension of public funding • Fines (USD 1,500–15,000) • Imprisonment (six months–two years)

SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

While sanctions are clear, they are not always strictly enforced. For example, in the Philippines, during the 2013 elections, COMELEC extended the deadline for political parties and candidates to submit their SOCE by more than a year following requests from candidates, political parties and party-list organizations. Similar extensions were made in the 2016 elections, putting in question the intention of COMELEC to impose the strict enforcement of penalties against violators (Reyes et al. 2021). Similarly, in the case of Timor-Leste, although there have been cases where CNE's audit of political parties found inappropriate use of government funds, it did not have the capacity to impose sanctions on political parties.

The role of civil society organizations and the media should be strengthened in monitoring compliance

In addition to state oversight, scrutiny of political finance by the media and civil society can be an important element. The media and civil society organizations (CSOs) can serve as effective watchdogs and can play an instrumental role in promoting transparency and anti-corruption efforts in political finance. Publication of financial disclosures in the media allows for public oversight of compliance with political finance regulations and lets members of the public report suspected cases of non-compliance, false disclosures and other violations to the oversight bodies. An independent and competent oversight body, a free and vibrant press and an active and robust civil society are all indispensable in the regulation of political finance, and in creating a fair electoral playing field.

In Malaysia, after the 1 MDB scandal, civil society renewed efforts to push for political finance reforms to make political funding more transparent and accountable. The proposals included regulating political contributions and expenditure, banning secret

and foreign funding, establishing reporting requirements and public disclosure for political parties' sources of financing and expenditure, mandatory audit of political parties' and candidates' election expenses, and the banning of party ownership of businesses (Simandjuntak 2021; Tan and Hin 2021). In Indonesia, CSOs such as Indonesia Corruption Watch have long demanded fair regulation of political finance that guarantees a level playing field during elections, as well as transparency and accountability from political parties which receive public funding (Ufen and Mietzner 2015). As for the media as a watchdog, Rappler in the Philippines, for example, continues to report a number of alleged corruption scandals in the country despite political pressure and legal cases filed by various government agencies.

EMERGING ISSUES

Third-party spending remains largely unregulated, with the potential for exploitation

Regulating spending by third parties (**neither political parties nor candidates**) is also a pressing issue for political finance because it has a direct influence on election results. **Such third parties typically take the form of supposedly independent foundations and interest groups. Many countries struggle to define and regulate third-party campaigning to prevent the re-channelling of election spending through such non-party campaigners (OECD 2016).** Globally, 31% of countries have some sort of limitation on the amount that third parties can spend on election campaign activities—they are either banned from spending on election campaign activities, there are limits to the amount they can spend, or the spending limit for political parties/candidates includes spending by others on their behalf. **Countries such as the UK and Canada set specific campaign-related spending limits on third parties.**

Only two out of seven countries in Southeast Asia (Myanmar and Thailand) have limits on the amount third parties can spend on election campaign activities. In Thailand, the spending limits for a political party or candidate include the spending by any other person on behalf of the candidate or the political party. In Myanmar, the spending limit for total campaign expenses of a candidate include third-party donations. None of the countries under study have a limit on third-party spending, a regulatory loophole that has the potential to be exploited by interest groups.

Appropriate legislation on online campaign expenditure is non-existent

With the increasing number of Internet and social media users worldwide, political parties, candidates and third-party campaigners around the world are spending significant amounts of money on online campaigning, including in Southeast Asia. **The use of the Internet and social media has become an integral part of electoral campaigns and political party activities in all four countries, as political parties and candidates are actively using social media platforms to reach out to voters and supporters. In Indonesia, Rp 11,200,692,503 (USD 776,250) was spent on a total of 42,665 Facebook advertisements relating to social issues, elections or politics between August 2020 and April 2021 (Facebook Ad Library 2021a). Similarly, in Malaysia, a total of MYR**

1,550,632 (USD 376,100) was spent on 18,612 Facebook advertisements relating to social issues, election or politics between August 2020 and April 2021 (Facebook Ad Library 2021b). However, these numbers do not necessarily reflect the actual spending, as political actors also employ bots and trolls, the cost of which is not included in platforms' libraries. In addition, political parties and candidates engage in 'organic' online campaigning, whose use is not possible to track or put a value to.

Despite the growing use of online political campaigning, none of the four countries, nor any other countries in Southeast Asia, have regulations on online campaign spending, **thereby creating a regulatory gap.** In the Philippines, COMELEC made an attempt to increase transparency of social media campaigning during the 2019 elections by introducing new guidelines, requiring politicians to include social media spending in their SOCE. Several weaknesses, however, remain. Taking into consideration the new reality of political campaigning, it is important that countries address the transparency and accountability risks by updating political finance regulations for the digital era. By doing that, countries can realize the full potential of online advertising while at the same time ensure that the financing of online campaigns is transparent.

The accelerating use of cryptocurrencies poses a potential risk to the transparency and accountability of money in politics

Cryptocurrencies present several potential challenges to legislators and oversight agencies working on political finance around the world. There are now more than 800 such currencies in the market, which is dominated by bitcoin (Trading View, n.d.). Their use is increasing in all realms, including political activities such as campaign finance. The main policy concerns regarding their use are anonymity, volatility and a lack of oversight (Bloomberg 2018).

In Southeast Asia, the adoption of cryptocurrency is accelerating, including in the Philippines, Malaysia and Indonesia (Chang 2020). There is no documented evidence of the use of cryptocurrencies to finance political activities in any of the four countries under study, nor are there clear guidelines on their use. However, their increasing use, particularly for cross-border payments in these countries, merits attention and forward thinking on the part of oversight agencies to develop clear guidelines and regulations. Potential regulations should ideally be debated at both the national and the international level, involving all parties (e.g. political parties, oversight agencies and the tech industry). These discussions should aim to ensure that these technologies open up, rather than limit, the avenues for political fundraising and that they enhance transparency in the discussion of money in politics.

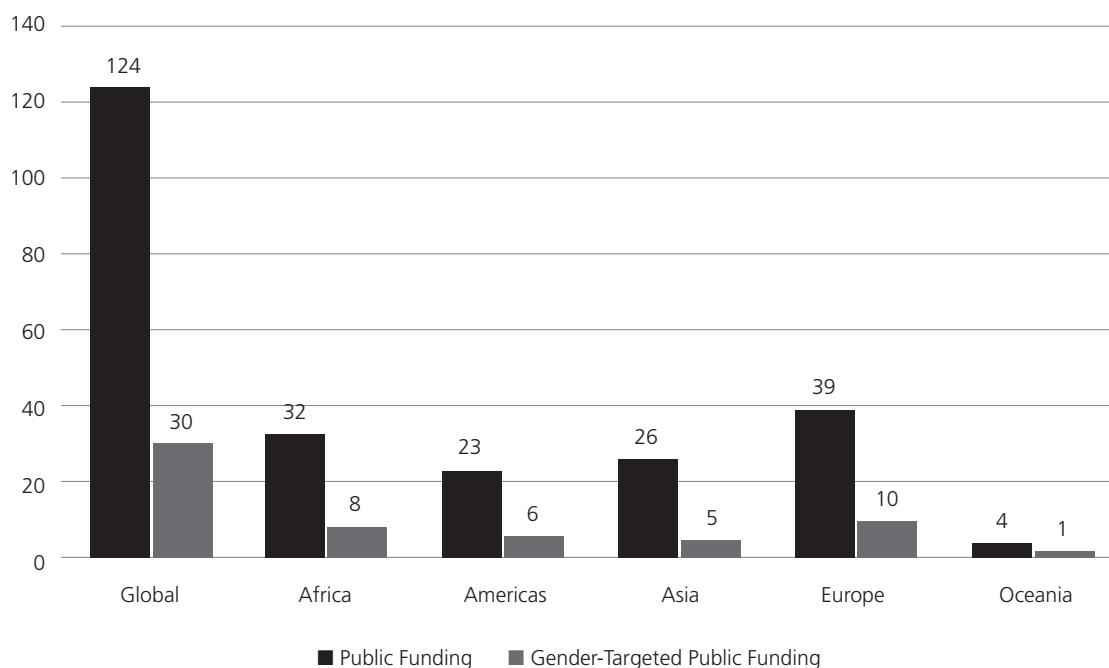
Allocating public funding for political parties based on their gender inclusion policies could make way for more women in politics

All around the world, women remain underrepresented in politics and continue to face multiple barriers, including structural, legal, cultural, socio-economic and psychological barriers. In Southeast Asia, on average women constitute 21.2% of national parliaments; this is lower than the global average of 25.5% (IPU 2021). The proportion of women parliamentarians in the Philippines and Timor-Leste stands at 28% and 38.5% respectively, higher than both the Southeast Asian and the global average. In Indonesia and Malaysia,

women parliamentarians constitute 21% and 14.9% seats respectively, below the global average and lower than 30%, which is considered to be the ‘critical mass’ (IPU 2021). One of the major barriers to women’s political participation is financial constraints. Women frequently have less access than men to the resources needed to successfully seek a party nomination or stand in an election, including lack of access to moneyed networks or to credit and political clientelism. In developing countries, in particular, the inability to pay even modest candidate registration fees can exclude women from the election process (Ballington and Kahane 2014).

A growing number of countries are using public funding of political parties and election campaigns to encourage gender equality. Gender-targeted public funding means that either the eligibility of a political party to receive a certain amount of public funding (or all of it) is connected to the level of gender equality among the candidates it puts up for election (or manages to get elected), or a certain proportion of public funding that a political party receives is formally tied to provisions relating to gender, or earmarked for gender-related activities, including the training and development of female members, developing a gender action plan or gender sensitization within the ranks of the political party (Ohman 2018). Such gender-targeted public funding exists in around 30 countries around the world.

Figure 7. Provision of public funding and gender-targeted public funding around the world



SOURCE: INTERNATIONAL IDEA, POLITICAL FINANCE DATABASE.

In Indonesia and Timor-Leste, political parties receive direct public funding, whereas Malaysia and the Philippines⁴ do not have a public funding system. Neither Indonesia nor

⁴ In the Philippines, there are pending bills filed before the Senate in relation to the subject of political finance. Senate Bill No. 12, ‘Strengthening the Political Party System in the Philippines’, and Senate Bill No. 421, ‘An Act Strengthening the Political Party System

Timor-Leste have any sort of gender-targeted public funding mechanisms for political parties. By introducing public funding in countries that do not have such a mechanism, and by tying eligibility and allocation criteria to political parties' inclusion policies, political parties will be inclined to nominate more women candidates.

COMMON CHALLENGES ACROSS FOUR COUNTRIES AND THE WAY FORWARD

A comparative overview of political finance systems in Indonesia, Malaysia, the Philippines and Timor-Leste provides an opportunity to highlight common challenges that need to be addressed in order to advance anti-corruption efforts and restore public trust in politics in these countries.

Legislative shortcomings and the absence of regulation

There is a clear absence of political finance regulations in Malaysia. While other countries have some forms of political finance regulations, there are some noticeable shortcomings. Most countries have few effective limitations on corporate donations and little public funding for political parties. This is mostly likely due to the strong presence of business interests in politics in the region. In order to mitigate the undue influence of large business interests and ensure a level playing field, the expansion of existing regulations of private donations—such as banning certain sources and introducing donation limits—should be considered in all countries. In addition, providing public funding can be an effective means to reduce the dependence of political parties and candidates on private donations. It is important to carefully design eligibility and allocation criteria for public funding so that all parties can benefit from such funding. As the political representation of women is still a major challenge in all countries, public funding can be used to promote gender equality, for example by earmarking a proportion of public funding to gender-specific activities. In addition, many aspects of political finance have gone digital, such as the use of online political advertisements, and this trend is likely to continue in the future. Current political finance systems in all four countries will need to be reformed to effectively deal with such emerging issues as well.

Weak oversight of political finance regulations

While all countries have one or more institutions responsible for political finance oversight, a number of political finance scandals in the region have highlighted that many of them still struggle to obtain sufficient authority and capacity to conduct meaningful oversight. In some cases, partisanship within these institutions hinders effective oversight. It is also important to note that political finance oversight at the local level is even more challenging. One way of facilitating effective political finance oversight is to develop digital solutions for political finance reporting and disclosure. Such online portals could increase political finance transparency and support public scrutiny over the flow of money in politics. In addition, there is currently a lack of reliable data to assess the functioning of political finance systems in the region. Political finance oversight bodies should develop

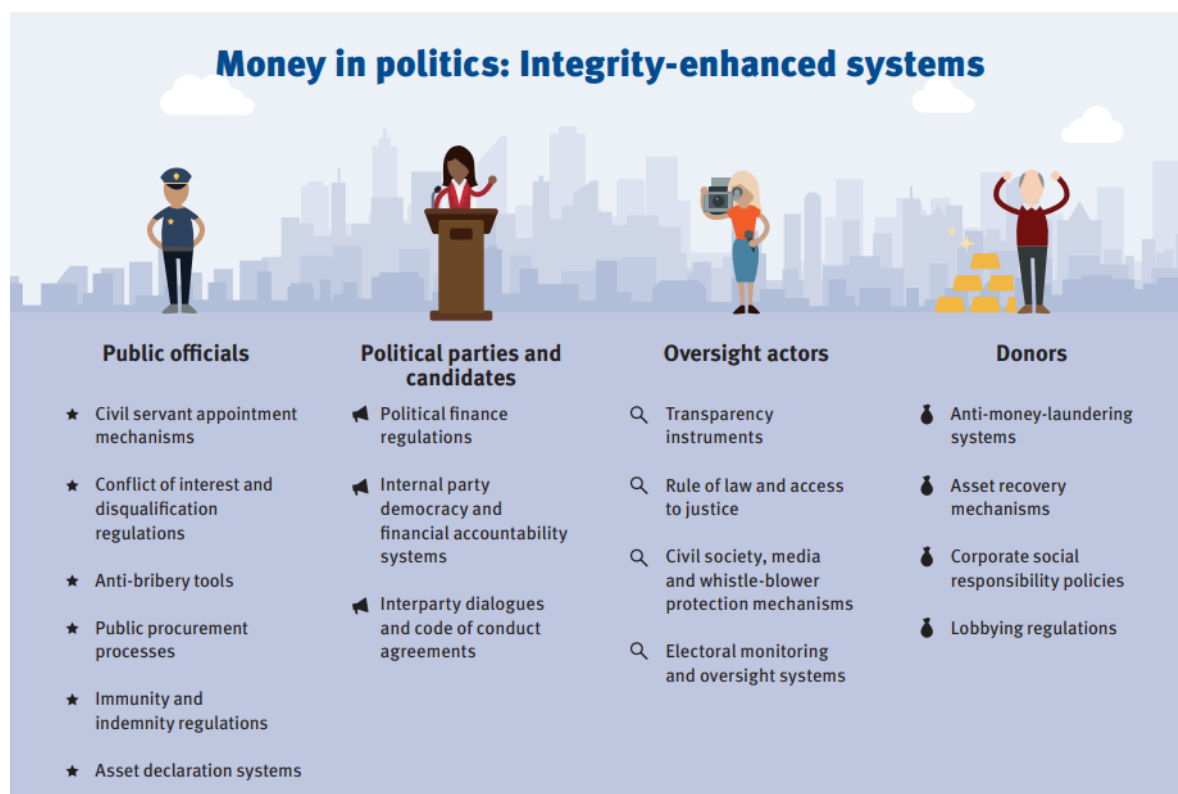
of the Philippines, *Creating a State Subsidy Fund, and for Other Purposes*, make provisions for the establishment of a state subsidy fund for party development and expenditures.

indicators to measure the effectiveness of political finance regulations; these could include compliance rates by political parties, the number and types of sanctions applied to political financial misconduct, and the time required for the audit and subsequent publication of political finance reports. Such data will greatly facilitate evidence-based political finance reform. Furthermore, enforcing political finance regulations alone will have a limited impact on tackling corruption unless other regulations relating to money laundering, public procurement and lobbying are addressed at the same time. Political finance oversight bodies should cooperate closely with anti-corruption agencies and other stakeholders in order to regulate political finance in a comprehensive manner.

Lack of political will and weak bookkeeping practices of political parties

The slow progress to reform political finance systems in the region is also due to the lack of political will among political leaders and political parties. In some cases, political parties and candidates also lack expertise in managing their accounts. Under such conditions, popular pressure exerted by CSOs and the media can be very effective in accelerating political finance reform and fighting political corruption.

Figure 8. Example of holistic Integrity-enhanced systems



SOURCE: INTERNATIONAL IDEA, THE GLOBAL STATE OF DEMOCRACY: EXPLORING DEMOCRACY'S RESILIENCE (STOCKHOLM: INTERNATIONAL IDEA, 2017), <[HTTPS://WWW.IDEA.INT/PUBLICATIONS/CATALOGUE/GLOBAL STATEDEMOCRACY-EXPLORING-DEMOCRACYS-RESILIENCE](https://www.idea.int/publications/catalogue/global-state-democracy-exploring-democracys-resilience)>, ACCESSED 25 MAY 2021

Need for more holistic and comprehensive approach to money in politics

One of the major lessons learned from all four country case studies is that political finance regulations alone cannot resolve the problems of money in politics. For example, awarding of public procurement contracts is often highlighted as a corruption risk area in which elected officials “return the favour” to their donors. However, most political

finance regulations do not prevent such practices. Similarly, control of the flow of illicit funding in politics that is raised through money laundering, drug trafficking and other means requires a coordination of wider anti-corruption measures. In order to effectively increase transparency and accountability of political finance, it is important to connect political finance regulations with other related issues such as asset declaration systems, public procurement data, whistle-blower protections and lobbying registers (Figure 8).

RECOMMENDATIONS

Political finance oversight bodies

- Provide training and capacity building to political actors (political parties, candidates, third parties) to ensure that they understand and comply with political finance regulations.
- Conduct regular and systematic reviews of political finance legislation and regulations to ensure their relevance and efficacy in mitigating corruption risks.
- Strengthen political finance reporting and disclosure procedures by ensuring that financial reports are audited independently and are made publicly available in a timely manner. Development of an online reporting and disclosure platform can improve efficiency and transparency.
- Ascertain that reporting and oversight processes are clearly defined (i.e. clear timeframes and reporting guidelines).
- Create structured networks of coordination and information sharing between the various oversight bodies (e.g. tax agencies and anti-corruption agencies).

National governments and parliaments

- Make provision for public funding to political parties to level the political playing field, while ensuring that allocation and distribution criteria are fair and reasonable.
- Consider allocating state subsidies as matching funds to minimize parties' reliance on public funds and to improve their engagement with the voters by raising small, private donations.
- Provide gender-targeted public funding to political parties and place a condition that at least a certain number of women candidates must be nominated by a political party to gain access to this funding. Additional funding could be earmarked to promote the participation of youth and other traditionally underrepresented groups.
- Place fair and reasonable restrictions on contributions from legal persons.
- Introduce limits for individual contributions to candidates and political parties in order to mitigate the influence of big money in politics. Proper measures should be put in place to calculate these contribution limits, taking into consideration country-specific factors such as inflation, cost of living, minimum monthly wages, etc.
- Place appropriate limits on the amount political parties and candidates are allowed to spend during election campaigns. Appropriate measures should be put in place to calculate such spending caps (as above).

- Ensure that appropriate measures are put in place to regulate in-kind donations and that there is a mechanism to objectively and independently estimate their value.
- Any donation, regardless of its value, should be channelled through the banking system to facilitate improved oversight.
- Ensure the impartiality and independence of the oversight body from any kind of political influence.
- Ensure that oversight authorities have a clear mandate, sufficient resources and the capacity to undertake their political finance oversight duties, including conducting investigations for political finance infractions and applying appropriate sanctions.
- Ensure that the sanction regime is fair and well-understood by the general public. Sanctions should be legitimate, enforceable, dissuasive, and proportionate to the political finance violation.
- Place political finance regulations within a holistic anti-corruption mechanism that also deals with lobbying, conflicts of interest, asset disclosure and other related issues.

Political parties

- Ensure that party finances are properly recorded and updated following standard bookkeeping practices, and that financial reports are submitted to the oversight bodies in a regular and timely manner.
- Ensure that financial reports are comprehensive, with details on itemized income and spending, and easy to understand by the public.
- Ensure that compliance with political finance regulations starts from within the party, and that party members who infringe the rules face relevant penalties.

Civil society

- Explore opportunities for cooperation and engagement with political parties and other stakeholders to make a meaningful impact on potential political finance reform measures.
- Serve as a watchdog to complement the efforts of oversight agencies in detecting political finance violations by political actors. Advocate for updating current legislation and practices to fill any regulatory gaps and promote transparency and fairness.
- Invest in developing internal technical capacities to monitor political finance, and build partnerships among civil society groups and with the media to continue advocating for policy changes to bring about a fair and transparent political finance regime.

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Political Party Finance in Indonesia: A Never Ending Reform

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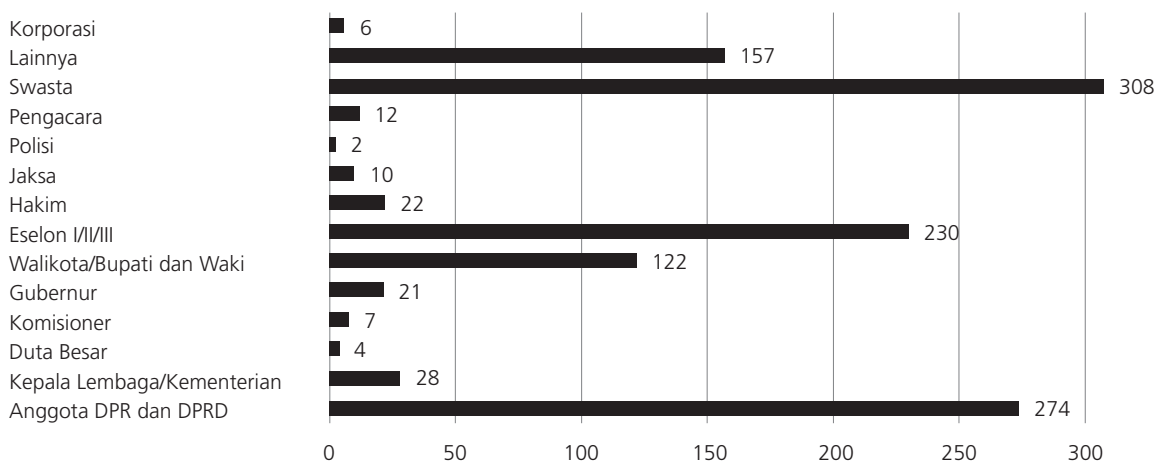
BACKGROUND

Political party finance reform is still unfinished homework in Indonesia. There are at least three main financial problems of political parties in Indonesia. First, the lack of financial transparency and accountability of political parties. Since 1975 Indonesia has introduced political party finance regulation through Law Number 3 of 1975 concerning Political Parties, but to this day the openness of where political parties get money to use for any activity and the money owned by political parties is still not carried out optimally by political parties in Indonesia.

As a public organization that has the function to manage various public affairs in the government, it is proper to implement the principle of public transparency. Moreover, one of the sources of funds received by political parties comes from the public through state finance assistance and individual/group donations. So it is appropriate for political parties to publish their finance management as a form of responsibility and accountability of political parties to donors.

Second, is the issue of the high number of members of political parties involved in illegal fundraising or corruption. Based on data from the Corruption Eradication Commission (KPK) in 2020, corruption cases handled were political corruption involving political parties in executive or legislative positions. Since its establishment in 2004 and until 2020, the KPK has handled 1,262 corruption cases, the majority of which involve political parties or politicians. Based on KPK data from 2004 to 2020, there were 274 legislative members and 143 regional heads involved in corruption cases.

Figure 1. Number of Corruption Cases by Profession/Position 2004-2020



SOURCE: PROCESSED FROM STATISTICAL DATA ON CORRUPTION BASED ON PROFESSION/POSITION PUBLISHED BY THE KPK [HTTPS://WWW.KPK.GO.ID/STATISTIK/PENINDAKAN/TPK-BERDASARKAN-PROFESI-JABATAN](https://www.kpk.go.id/statistik/penindakan/tpk-berdasarkan-profesi-jabatan)

The practice of corruption involving members of political parties is spread into various types of corruption with different motives. However, in some cases of corruption, the flow of funds resulting from corruption goes internal to political parties. For example, the corruption case in the construction of the Hambalang National Education and Training Centre and Sport School (P3SON) in 2010-2012, involving several members of the Democratic Party, which at that time was the government party.¹ The case of the Electronic Identity Card (E-KTP) corruption scandal,

1 See <https://nasional.kompas.com/read/2021/03/26/06000091/kasus-hambalang-dari-nazaruddin-anas-hingga-dugaan-keterlibatan-ibas?page=all>.

which was claimed to have cost the state IDR 2.3 trillion, involved among others the chairman of the People's Representative Council (DPR) who also served as the General Chair of the Golkar Party (Golkar), Setya Novanto².

Marcus Mietzner (2007) in his study *“Party Financing in Post Soeharto Indonesia: Between States Subsidies and Political Corruption”* explained that in the midst of the financial crisis faced by political parties as a result of reduced state funding assistance to political parties and the increasingly competitive electoral arena, the impact on the increasing need for political party campaign funds led to the search for party financial sources through illegal practices such as corruption (*illicit financing activities*). Likewise, Kuskridho Ambardi's study (2009) *“Uncovering Cartel Politics: A Study of the Political Party System in Indonesia during the Reformation Era”* saw the phenomenon of cartelization of political parties in Indonesia, which increasingly depended on sources of state funds to meet their needs. This dependence is not on state financial assistance which is officially obtained by political parties every year, but on the practice of rent seeking.

A study by the Association for Elections and Democracy (2011) explains that the amount of state finance assistance for parties is IDR 108 per vote, and that this is estimated to only be able to meet 1.32 percent of the needs of political parties per year. So that in the midst of this situation it became natural that there were illegal fund-raising practices carried out by political party members. For this reason, several studies of party finance in Indonesia suggest an increase in state finance assistance for political parties³.

Third, the high political costs required by political parties in elections are often used as the reason behind efforts to restore the mechanism for regional head elections through the Regional People's Representative Council (DPRD). The Indonesian Ministry of Home Affairs (Kemendagri) often raises discourse on the abolition of direct regional head elections which are considered to have a negative impact. The results of the evaluation of the Ministry of Home Affairs indicated that a candidate for regional head must at least allocate funds of around IDR 20 billion to IDR 30 billion⁴. This high political cost is then believed to be the source of the corrupt practice of elected regional heads as a means to repay the financial capital that has been spent during the campaign. If this is the case, rearranging the nominal amount of the limit on campaign finance spending is one solution that can be considered compared to abolishing the direct election mechanism for regional heads.

Based on these three issues, the issue of reforming the governance of political party finance in Indonesia is important to be elaborated further in order to seek recommendations on this issue. Even though Indonesia has long had a legal framework that regulates political party finance, both in the political party law and the election law, in reality the design of these regulations has not been able to provide a transparent political party financial management that is able to minimize corrupt practices. Based on this, this study will discuss political party financial reform in terms of two dimensions, namely political party finance and political party campaign funds.

2 See <https://nasional.tempo.co/read/1042459/kpk-setya-novanto-terdakwa-e-kt-pertama-dari-partai-politik>

3 A study conducted by the Corruption Eradication Commission together with the Indonesian Institute of Sciences (LIPI), for example, recommends increasing the amount of state financial assistance for political parties to IDR 8,461 per vote or 50% of the total requirement of IDR 16,992 per vote. See <https://mediaindonesia.com/politik-dan-hukum/277176/kpk-usulkan-kenaikan-dana-bantuan-parpol>

4 See <https://republika.co.id/berita/q0t6xu320/nasional/politik/19/11/08/q0mohm415-mendagri-usul-pilkada-langsung-direview-balik-lewat-dprd>

LEGAL FRAMEWORK OF POLITICAL PARTY FINANCE

Political party finance is simply defined as the use of money in every business or activity of a political party in carrying out its functions. Political party finances are dichotomized into two categories, namely money received and used outside the election stage and money received or used at the election stage, which is known as campaign funds. Van Beizen (2003), for example, explains that political finance in terms of the source of the money comes from and is used for what is classified in two forms: “political party financing” and “election financing”.

Meanwhile, Nassmacher (2009 in Sukamajati & Perdana ed. 2018: 5) sees political funds in two different models based on the dimensions of party organization and electoral dimensions. As such, political party finances are divided into two categories, namely political party finance, which is used to meet the activities and needs of daily political party organizations outside the election, and campaign funds whose users are intended to fulfill political party campaign activities in order to gain the most votes.

The selection of these two variants of political party finance is also reflected in the legal framework of political party finance in Indonesia which is divided into two laws, namely the law on political parties and the election law. These two laws regulate at least three main dimensions of political party finance: (1) sources of revenue and expenditure of political parties; (2) the mechanism for reporting and auditing political parties’ finances; (3) prohibitions and sanctions.

CAMPAIGN FUNDS ARRANGEMENT

The arrangement of political party campaign funds in Indonesia is regulated in three electoral laws for three different elections, namely: legislative elections, presidential and vice presidential elections, and regional head elections. These three campaign finance arrangements have different approaches in regulating the receipts and expenditures of campaign funds. However, all three have similarities in the following aspects: (1) prohibition of accepting campaign fund donations from foreign parties and government agencies; and (2) The General Election Commission (KPU) is tasked with receiving party financial reports and auditing of campaign funds is carried out by a public accountant appointed by the KPU.

Legislative Election Campaign Funds Arrangement

The limits on campaign fund contributions from the four sources of revenue are further regulated by the KPU. However, all existing legislative election laws do not impose limits on spending campaign funds for election participants in carrying out various campaign activities and do not impose limits on donations of campaign funds originating from political parties or legislative candidates. The fundamental difference between Law 3/1999 and other legislative election laws is the implementation of administrative sanctions for political parties participating in the election that do not report campaign funds to the KPU.

The administrative sanctions are temporary suspension of state funding assistance and not being allowed to participate in the election in the next election for political parties participating in the election who are found to have received campaign fund donations that exceed the specified contribution limit. This administrative sanction provision only applies to the 1999 general election, while for the next four elections with four different election laws, the provision of fines and criminal sanctions for political parties participating

in the election were prioritized.

Ahead of the 2004 general election, Commission II of the House of Representatives (DPR) revised the provisions for regulating campaign funds which were previously regulated in Law 3/1999 and which became the legal umbrella for the 1999 election. Law 12/2003 removed the source of campaign fund revenues from state funds. In addition, this regulation adds to the sources of campaign fund revenues, which could not only come from individuals but also from groups. In addition, this 2004 Election regulation adds provisions for the source of campaign funds from candidates for legislative members in line with the implementation of a semi-open proportional election system with ballots that include the names of candidates for legislative members and the implementation of a voting method that can choose a party logo or name of legislative candidates. However, the mechanism for determining the elected candidate is not based on the most votes obtained by the candidate as the basic character of the open list proportional electoral system. Instead, only candidates for legislative members who obtain votes equal to the number of voter divisors can be determined as the elected candidate based on the candidate's vote.

Law 12/2003 initiated inclusion of the nominal amount of campaign fund donations for third parties. For individuals, the maximum campaign fund contribution was IDR 100,000,000 while for private parties or groups this was IDR 750,000,000. Unfortunately, Law 12/2003 does not explain the origin or the mechanism for calculating the limits on campaign fund contributions. In this case, the legislative election regulations apply a fixed amount mechanism or a fixed limit on campaign fund contributions. On the other hand, Law 12/2003 stipulates the obligation for political parties participating in the election to report donations of campaign funds received in excess of IDR 5,000,000. Meanwhile, if there is a campaign fund contribution below the nominal amount, the political party is not obliged to report it in the campaign finance report submitted to the KPU.

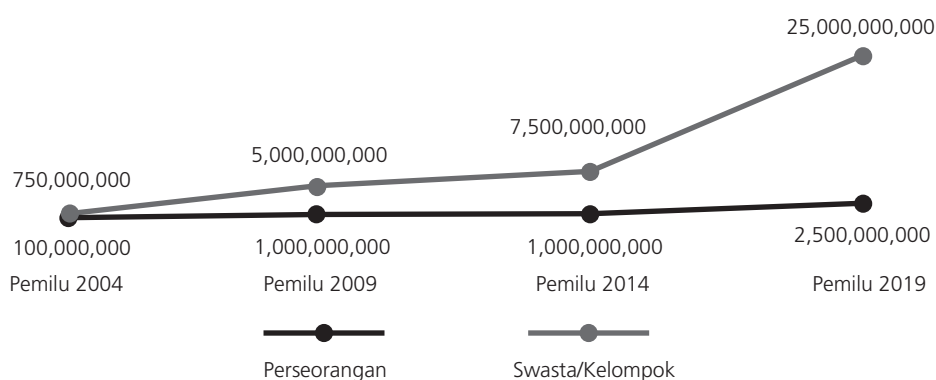
In the run up to the 2009 general election, there was another revision of the election law which then had an impact on setting limits on campaign fund contributions and the mechanism for reporting campaign funds. Law 10/2008 begins to set limits on the receipt of campaign funds for candidates for members of the Regional Representatives Council (DPD) in the amount of IDR 250,000,000 for donations from individuals and IDR 500,000,000 for donations coming from groups or private sources. In addition, this election regulation increases tenfold the limit on donations of campaign funds for the DPR and DPRD elections from individuals, which was originally IDR 100,000,000 to IDR 1,000,000,000. Meanwhile, donations from groups and the private sector were originally IDR 750,000,000 to IDR 5,000,000,000.

Law 10/2008 enforced initial campaign finance reports for participating political parties to be submitted to the KPU seven days before the campaign stage begins. In addition, this law further emphasizes the obligation of political parties to submit reports on the receipt and expenditure of campaign funds, as well as the obligation of election administrators to publish the campaign finance reports. As for the audit mechanism, there is no change in the arrangement where the election administrator appoints a public accountant to audit compliance with campaign finance reports submitted by election participants.

The next two election laws for the 2014 and 2019 elections again changed the nominal

amount of the limit on campaign fund contributions from third parties and the time for submitting campaign finance reports. The limit on donations for campaign funds for the DPR and DPRD elections from groups/private parties was again increased from IDR 5,000,000,000 to IDR 7,500,000,000 in Law 8/2012. Whereas in Law 7/2017 there is an increase in the limit on donations of campaign funds originating from individuals and the private sector and groups for the election of DPR, DPD, and DPRD. For the DPR and DPRD elections, the limit for individual contributions is IDR 2,500,000,000 and Private/group IDR 25,000,000,000. Meanwhile, for the DPD election, donations from individuals were limited to IDR 750,000,000 and from private sources/groups at IDR 1,500,000,000. As for the submission of the campaign finance report, previously the initial campaign finance report must be submitted seven days before the campaign stage begins. This was changed to 14 days before the campaign stage begins.

Development of Limits on Contribution of Funds for the Election Campaign for DPR and DPRD



Law 7/2017 begins to enforce state finance assistance for political parties in an indirect form (in kind) through the financing of three campaign methods by the state facilitated by the KPU. The three campaign methods funded by the state include: (1) installation of campaign props; (2) print, electronic, and internet mass media advertisements; and (3) public debate.

Executive Election Campaign Fund Arrangement

The arrangement of campaign funds in the executive election is divided into two election categories, namely the presidential and vice presidential elections and regional head elections to elect governors and deputy governors, regents and deputy regents, as well as mayors and deputy mayors. These two categories of executive elections have their respective electoral laws with different regulatory patterns. After the purification of the presidential government system, which was marked by the direct election of the president and vice president through elections, there are three election laws that regulate the provisions of presidential election campaign funds. As for the regional head elections, after these were held for the first time in 2005, there have been three regional head election laws that regulate campaign funds.

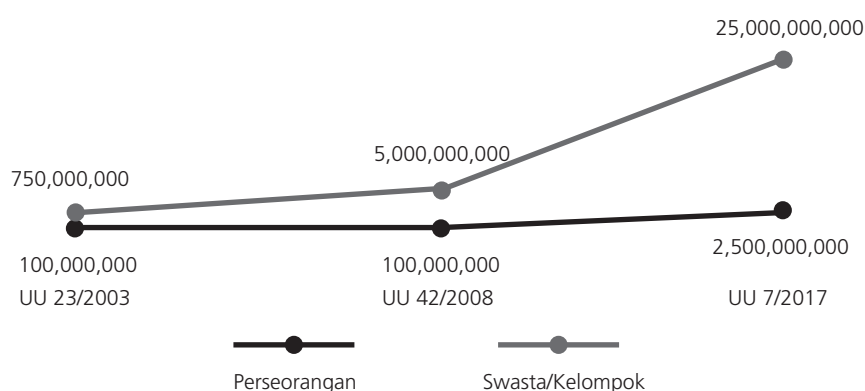
The sources of campaign fund donations for the presidential and vice presidential elections, as well as regional head elections, are not different from each other, and namely are from: candidate pairs, political parties or a combination of political parties, individuals, and business entities/groups. Of the four sources of campaign fund donations, only donations originating from individuals and business entities/groups are subject

to restrictions on campaign fund donations. Meanwhile, campaign fund donations originating from candidate pairs and political parties or coalitions of political parties are not subject to restrictions on campaign fund contributions.

For the presidential and vice-presidential elections, the three presidential and vice-presidential election laws set different limits on campaign fund contributions. In the 2004 presidential election, which was the first presidential election in Indonesia, the limit for donations to campaign funds for individuals was IDR 100,000,000 and for business entities or groups of IDR 750,000,000. Ahead of the 2004 general election, there was a revision of Law 23/2003 to Law 42/2008 which resulted in an increase in the limit on contributions from private and group companies to five billion rupiah. Meanwhile, the limit for donations originating from individuals remains unchanged at one billion rupiah. The provisions on the limit on donations in Law 42/2008 will still apply in the 2014 election because there is no revision of the presidential election law ahead of the 2014 election.

However, after the decision of the Constitutional Court in 2013 which synchronized the presidential election with the legislative election, there was a codification of the legislative election law with the presidential election into Law 7/2017. In this election regulation, there is an increase in the limit on the contribution of campaign funds originating from individuals and private business entities/groups. For individuals, the maximum limit for campaign fund donations is 2.5 billion rupiah and for private business entities or groups it is 25 billion rupiah, an increase of five times from the previous donation limit.

Development of Limits on Donations of Presidential Election Campaign Funds



The increase in the limit on donations from third parties also occurred in the regional head election regulations. Initially, the legal framework for regional head elections in Indonesia was regulated in Law 32/2004 on regional government. In this case, there was no special election law that regulated regional head elections. The limit for campaign fund donations for individuals was 50 million rupiah, while the campaign fund contribution from business entities/groups was 350 million rupiah.

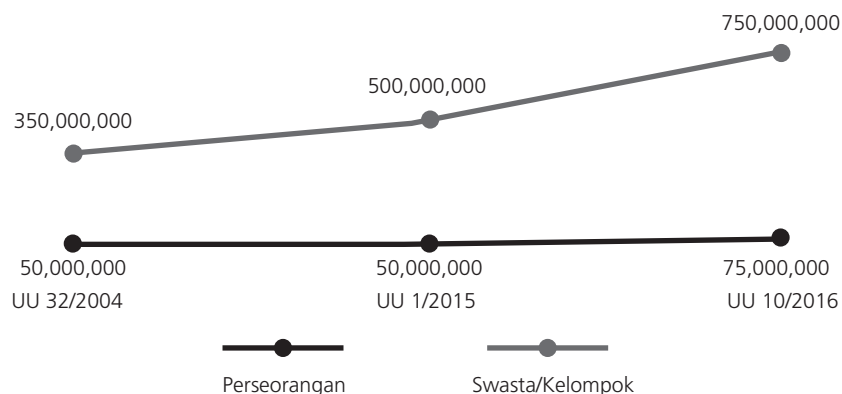
After the revision of Law 32/2004 in 2014, the legal framework for regional head elections was regulated in a separate law. Previously, regional head elections were held in accordance with the terms of office of regional heads which differed between regions. However, after the separation of the regional head election law with the regional government law, there was a change in the design of the timing of the regional elections, which were previously separated, to be simultaneous. The regulation regarding regional

head elections regulates five election waves including:

1. Simultaneous Pilkada 2015 for regional heads whose term of office expires in 2015 and regional heads whose term of office expires from January to June 2016. The number of regions for 2015 Simultaneous Pilkada was 270, including 9 Provinces, 37 Cities, and 224 Regencies;
2. Simultaneous Pilkada 2017 for regional heads whose term of office expired in July to December 2016 and regional heads whose term of office expired in 2017. The number of regions for the 2017 Simultaneous Pilkada was 101, including 7 Provinces, 18 Cities, and 76 Regencies;
3. Simultaneous Pilkada 2018 for regional heads whose terms of office expired in 2018 and 2019. The number of regions for the 2018 Simultaneous Pilkada was 171, including 17 Provinces, 115 Regencies, and 39 Cities.
4. Simultaneous Pilkada 2020 for regional heads resulting from the 2015 Simultaneous Pilkada with the number of regions 270;
5. Simultaneous Pilkada 2024 for all regional heads in Indonesia consisting of 34 provinces, 93 cities, and 415 districts (514 regions).

The separation of the legal framework for the election of regional heads with regional governments has an impact on increasing the limits on campaign fund contributions from third parties. Law 1/2015 changes the limit on donations from business entities and groups, which was originally IDR 350,000,000 to IDR 500,000,000. Meanwhile, for individual donations, it remains IDR 50,000,000. Ahead of the 2017 Simultaneous Pilkada, Law 1/2015 was revised to Law 10/2016, which again increased the limit for third party contributions to IDR 75,000,000 from individuals and IDR 750,000,000 for donations from private business entities or groups.

Development of Limits on Contribution of Regional Head Election Campaign Funds



In contrast to the regulation of campaign funds for the legislative and presidential elections, the legal framework for the election of regional heads imposes limits on the expenditure of campaign funds. The Pilkada Law gives the KPU the authority to further determine the limits on campaign fund contributions in each regional election. Law

10/2016 Article 74 Paragraph (9) states “Limitations on campaign funds for pairs of candidates shall be determined by the Provincial KPU and Regency/Municipal KPU by taking into account the number of voters, coverage/area, and regional cost standards”. In this case, there are three main variables to determine the limits of spending on campaign funds, namely the number of voters, the area, and the standard of regional costs. These three variables have consequences for different campaign budget spending limits in each region.

Furthermore, KPU regulation 5/2017 stipulates the formula for calculating the amount of campaign fund spending limits as follows:

- a. general meeting = number of participants x frequency of activities x standard regional costs;
- b. limited meeting = number of participants x frequency of activities x standard regional costs;
- c. face-to-face meetings = number of participants x frequency x standard area fees;
- d. preparation of campaign materials = number of activities x (30% (thirty percent) x number of voters) x IDR 25,000.00 (twenty five thousand rupiah);
- e. management/consultant service;
- f. campaign props that are financed by the Candidate Pairs whose numbers are guided by the decisions of the Provincial KPU/Aceh KIP or Regency/Municipal KPU/KIP;
- g. campaign materials financed by the Candidate Pairs are guided by the amount of the decisions of the Provincial KPU/Aceh KIP or Regency/Municipal KPU/KIP.

The limitation of spending on campaign funds is only for five campaign methods, namely general meetings, limited meetings, face-to-face meetings, making campaign materials, and campaign props. As for print and electronic mass media advertisements, there are no restrictions on spending on campaign funds because campaign advertisements in mass media are financed by the Regional Revenue and Expenditure Budget (APBD).

Development of Campaign Fund Arrangements in the Legislative Election Law

ELECTION LAW	RECEIPT SOURCE	MAXIMUM DONATION LIMIT	CAMPAIGN FUND SPENDING LIMITS	CAMPAIGN FUND REPORT	AUDIT	SANCTION
Law 15/1969	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated
Law 4/1975	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated
Law 2/1980	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated	Unregulated

ELECTION LAW	RECEIPT SOURCE	MAXIMUM DONATION LIMIT	CAMPAIGN FUND SPENDING LIMITS	CAMPAIGN FUND REPORT	AUDIT	SANCTION
Law 3/1999	<ol style="list-style-type: none"> Political party participating in the election State funds Individual Private business entity 	Regulated by KPU	Unregulated	Reported to KPU 15 days before voting and 25 days after voting	Audited by Public Accountant and reported to election organizer	<ol style="list-style-type: none"> Administrative sanction--termination of state funding assistance for those who do not report campaign funds. Administrative sanction--ineligibility to be participants in the next election for those who exceed the contribution limit
Law 12/2003	<ol style="list-style-type: none"> Political party participating in the election and candidate of legislative member Individual Group/Private business entity 	<ol style="list-style-type: none"> Individual IDR 100,000,000 Private/group IDR 750,000,000 	Unregulated	Donations of more than IDR 5,000,000 must be reported to the election organizer complete with the identity of the contributor and announced	Audited by Public Accountant and reported to election organizer	Criminal sanctions for those who receive and give more than the limit of campaign fund donations
Law 10/2008	<ol style="list-style-type: none"> Political party participating in the election and candidate of legislative member Individual Group/Private business entity 	<p>DPR and DPRD Elections:</p> <ol style="list-style-type: none"> Individual IDR 1,000,000,000 Private/group IDR 5,000,000,000 <p>DPD Election</p> <ol style="list-style-type: none"> Individual IDR 250,000,000 Private/group IDR 500,000,000 	Unregulated	<ol style="list-style-type: none"> Submit the initial campaign finance report 7 days before the campaign starts Submit a report on receipt and expenditure of campaign funds Campaign finance reports are announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations
Law 8/2012	<ol style="list-style-type: none"> Political party participating in the election and candidate of legislative member Individual Group/Private business entity 	<p>DPR and DPRD Elections:</p> <ol style="list-style-type: none"> Individual IDR 1,000,000,000 Private/group IDR 7,500,000,000 <p>DPD Elections</p> <ol style="list-style-type: none"> Individual IDR 250,000,000 Private/group IDR 500,000,000 	Unregulated	<ol style="list-style-type: none"> Submit an initial campaign finance report 14 days before the campaign starts Submit a report on receipt and expenditure of campaign funds Campaign finance reports are announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations

ELECTION LAW	RECEIPT SOURCE	MAXIMUM DONATION LIMIT	CAMPAIGN FUND SPENDING LIMITS	CAMPAIGN FUND REPORT	AUDIT	SANCTION
Law 7/2017	<ol style="list-style-type: none"> Political party participating in the election and candidate of legislative member Individual Group/Private business entity 	DPR and DPRD Elections: <ol style="list-style-type: none"> Individual IDR 2,500,000,000 Private/group IDR 25,000,000,000 DPD Election: <ol style="list-style-type: none"> Individual IDR 750,000,000 Private/group IDR 1,500,000,000 	Unregulated	<ol style="list-style-type: none"> Submit an initial campaign finance report 14 days before the campaign starts Submit a report on receipt and expenditure of campaign funds Campaign finance reports are announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations

Development of Campaign Fund Arrangements in the Presidential Election Law

ELECTION LAW	RECEIPT SOURCE	MAXIMUM DONATION LIMIT	CAMPAIGN FUND SPENDING LIMITS	CAMPAIGN FUND REPORT	AUDIT	SANCTION
UU 23/2003	<ol style="list-style-type: none"> Pairs of presidential and vice presidential candidates Political party or coalition of political parties Individual Private business group/entity 	<ol style="list-style-type: none"> Individual IDR 100,000,000 Private business entity/group IDR 750,000,000 	Unregulated	Donations of more than IDR 5,000,000 must be reported to the election organizer complete with the identity of the contributor and announced	Audited by Public Accountant and reported to election organizer	Criminal sanctions for those who receive and exceed the limit of campaign fund donations
UU 42/2008	<ol style="list-style-type: none"> Pairs of presidential and vice presidential candidates Political party or coalition of political parties Individual Group/Private Business Entity 	<ol style="list-style-type: none"> Individual IDR 1,000,000,000 Private business entity/group IDR 5,000,000,000 	Unregulated	<ol style="list-style-type: none"> Submit a report on receipt of campaign funds 1 day after voting; Submit a campaign finance spending report 14 days after the campaign ends 	Audited by Public Accountant and reported to election organizer	Criminal sanctions for those who receive and exceed the limit of campaign fund donations
UU 7/2017	<ol style="list-style-type: none"> Pairs of presidential and vice presidential candidates Political party or coalition of political parties Individual Group/Private Business Entity 	<ol style="list-style-type: none"> Individual IDR 2,500,000,000 Private Business Entity / group IDR 25,000,000,000 	Unregulated	<ol style="list-style-type: none"> Submit an initial campaign finance report 14 days before the campaign starts Submit a report on receipt and expenditure of campaign funds Campaign finance reports are announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations

Development of Campaign Fund Arrangements in the Regional Head Election

ELECTION LAW	RECEIPT SOURCE	MAXIMUM DONATION LIMIT	CAMPAIGN FUND SPENDING LIMITS	CAMPAIGN FUND REPORT	AUDIT	SANCTION
Law 32/2004	<ol style="list-style-type: none"> 1. Pairs of candidates for regional head and deputy regional head 2. Political party or coalition of political parties 3. Individual 4. Private business group/entity 	<ol style="list-style-type: none"> 1. Individual IDR 50,000,000 2. Private business entity/group IDR 350,000,000 	Unregulated	<ol style="list-style-type: none"> 1. Donations of more than IDR 2,500,000 must be reported to the election organizer complete with the identity of the contributor and announced 2. The campaign fund contribution report is submitted to the election organizers 1 day before the campaign and 1 day after the end of the campaign period 3. Campaign finance reports are announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations
Law 1/2015	<ol style="list-style-type: none"> 1. Pairs of candidates for regional head and deputy regional head 2. Political party or coalition of political parties 3. Individual 4. Group/Private Business Entity 	<ol style="list-style-type: none"> 1. Individual IDR 50,000,000 2. Private business entity/group IDR 500,000,000 	Determined by election organizers	<ol style="list-style-type: none"> 1. Reports on donations and expenditures of campaign funds are submitted to the election organizers 1 day before the campaign and 1 day after the end of the campaign period 2. Campaign finance report announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations
Law 10/2016	<ol style="list-style-type: none"> 1. Pairs of candidates for regional head and deputy regional head 2. Political party or coalition of political parties 3. Individual 4. Group/Private Business Entity 	<ol style="list-style-type: none"> 5. Individual IDR 75,000,000 6. Private business entity/group IDR 750,000,000 	Determined by election organizers	<ol style="list-style-type: none"> 1. Reports on donations and expenditures of campaign funds are submitted to the election organizers 1 day before the campaign and 1 day after the end of the campaign period 2. Campaign finance report announced to the public 	Audited by a Public Accountant and announced to the public	Criminal sanctions for those who receive and exceed the limit of campaign fund donations

CAMPAIGN FUNDS IN INDONESIAN ELECTIONS

After the fall of the authoritarian New Order regime in 1998, Indonesia has held five legislative elections (1999, 2004, 2009, 2014, 2019), four presidential elections (2004, 2009, 2014, 2019), and regional head elections from 2004 until 2020. The three types of elections have different amounts of campaign funds under different campaign finance arrangements. This section will specifically assess the campaign finance reports of election participants at three election levels which were reported to the KPU in the last election. There are two main issues that will be explained in this section, namely the amount of campaign fund contributions obtained by election participants and the amount of campaign fund expenditure.

Legislative Election Campaign Fund

Legislative elections in Indonesia are held under a proportional electoral system. From the 1999 elections to the 2004 elections, the proportional electoral system used was closed proportional. Meanwhile, from the 2009 general election to the 2019 simultaneous elections, the legislative election system used was the open list proportional election system. Implementation of the open list proportional electoral system has implications for the pattern of campaign funding in candidate-centric legislative elections. This situation

is inseparable from the provision of space for voters to directly choose the names of candidates listed on the ballot and the method of determining the elected candidates based on the majority of votes. So there is a shift in competition that was previously based between parties to between candidates.

The dominance of sources of campaign funds originating from candidates is reflected in the last two elections (2014 and 2019). In the 2014 DPR election, most of the campaign fund receipts came from candidates for legislative members. Referring to the 2014 DPR Election Campaign Fund Receipt and Expenditure Report, as much as 85.1% or 2.5 billion rupiah of the total receipt of campaign funds obtained by 14 political parties participating in the election came from candidates for members of the DPR. Meanwhile, the source of receipt coming from political parties is only 13.3% of the total political parties participating in the 2014 DPR election.

There is not a single political party participating in the election that contributes to campaign funds in an amount that exceeds the contribution of campaign funds given by candidates for members of the legislature. Golkar, Hanura, and Nasdem are the political parties that make the three highest contributions to campaign funds compared to eleven other political parties. Likewise, donations from third parties, whether individuals, groups, or private corporations, are not overly significant in the overall amount of campaign fund donations.

Amount of Campaign Fund Donations in the 2014 DPR Election

Political Party	Third Funding Donation			Election Participants Donation		Total
	Individual	Group	Private Cooperate	Political Party	Candidates	
PKB				55.481.156.786	183.619.326.072	239.100.482.858
Gerindra	4.100.000.000		26.998.426.750	-	423.986.102.501	455.084.529.251
PDIP	2.937.190.562	7.166.500.000	20.372.500.000	31.624.141.250	327.181.722.596	389.282.054.408
Golkar			1.000.000.000	72.498.750.000	328.673.017.636	402.171.767.636
Nasdem	629.000.000	5.570.000.000	4.000.000	56.640.184.435	153.574.778.019	216.417.962.454
PKS	2.245.000.000		200.000.000	3.104.375.803	115.693.372.415	121.242.748.218
PPP		1.600.000.000		4.333.252.613	151.242.054.946	157.175.307.559
PAN	4.425.000.000		25.472.559.116	81.304.252	242.037.365.295	272.016.228.663
Hanura			450.000.000	64.608.067.370	297.144.618.689	362.202.686.059
Demokrat	2.852.972.020	5.943.462.000	4.700.000.000	37.723.404.705	258.000.770.140	309.220.608.865
PBB			2.180.000.000	1.226.675.000	68.001.667.631	71.408.342.631
PKPI				8.085.119.453	44.877.816.528	52.962.935.981
Total	17.189.162.582	20.279.962.000	81.377.485.866	335.406.431.667	2.594.032.612.468	3.048.285.654.583
Percentage	0,6	0,7	2,7	11,0	85,1	

SOURCE: LPPDK OF 2014 DPR ELECTION

The high donations of campaign funds originating from personal candidates for legislative members also occurred in the 2019 simultaneous elections. The amount of campaign fund receipts originating from personal candidates for DPR members was 1.9 billion rupiah or 84.7% of the total campaign fund receipts for the 16 political parties participating in elections. Meanwhile, sources of receipts from political parties and third parties, whether from individuals, groups, or private corporations, are relatively low.

Demokrat Party, PKPI, and PSI are the political parties with the highest number of

campaign funds received from third party individuals compared to other political parties. Meanwhile, PKB and PSI are the two political parties that report high amounts of campaign fund donations from companies, compared to Golkar and Nasdem, which also report receiving campaign funds from private corporations.

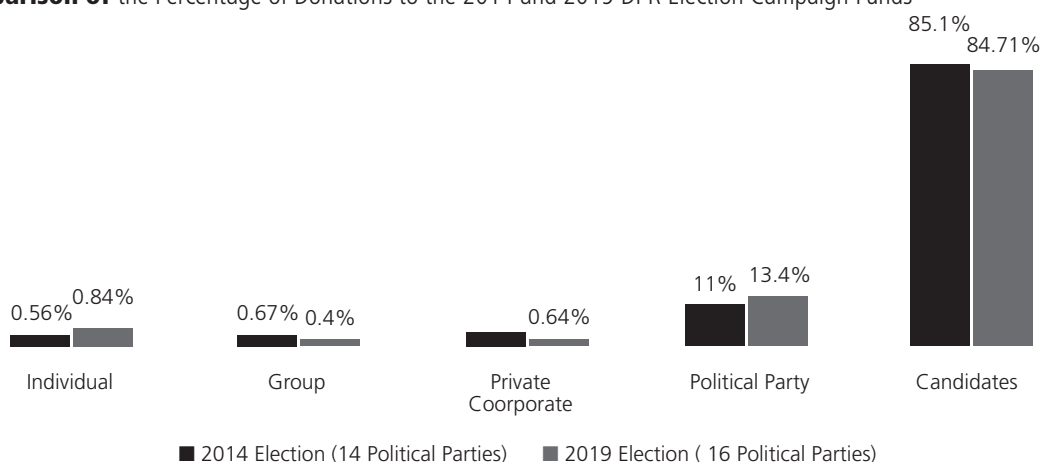
Amount of Campaign Fund Donations in the 2019 DPR Election

Political Party	Third Funding Donation			Election Participants Donation		Total
	Individual	Group	Private Cooperate	Political Party	Candidates	
PKB	1.300.000.000		7.425.000.000	10.000.000	133.587.647.279	142.322.647.279
Gerindra				1.006.771.946	133.715.077.635	134.721.849.581
PDIP				6.675.680.601	338.339.772.456	345.015.453.057
Golkar	100.000.000		395.000.000	72.010.000.000	235.131.587.510	307.636.587.510
Nasdem			1.000.000.000	80.610.513.963	177.863.557.751	259.474.071.714
Garuda	400.000.000			31.000.000	3.044.515.041	3.475.515.041
Berkarya	1.200.000.000			100.000.000	105.864.300.058	107.164.300.058
PKS	1.000.000.000			9.376.131.477	139.666.622.439	150.042.753.916
Perindo				88.134.658.000	123.606.099.035	211.740.757.035
PPP				12.413.250.000	64.138.502.526	76.551.752.526
PSI	3.809.570.046		6.270.503.540	31.922.379.050	42.657.646.880	84.660.099.516
PAN				100.000.000	168.948.328.526	169.048.328.526
Hanura	13.000.000	9.522.500.000		11.104.310.300	28.858.287.278	49.498.097.578
Demokrat	7.158.137.000			1.700.957.452	180.871.110.071	189.730.204.523
PBB				501.534.722	117.356.000.002	117.857.534.724
PKPI	4.761.004.000			-	1.530.743.254	6.291.747.254
Total	19.741.711.046	9.522.500.000	15.090.503.540	315.697.187.511	1.995.179.797.741	2.355.231.699.838
Percentage	0,8	0,4	0,6	13,4	84,7	

SOURCE: LPPDK OF 2019 DPR ELECTION

There was a decrease in the amount of campaign fund receipts from legislative candidates between the 2014 and 2019 elections. In the 2014 election, the amount of campaign fund donations from candidates for DPR members reached 2.5 billion rupiah, while in the 2019 election it was 1.9 billion rupiah. This decline in the number of campaign funds received from candidates for legislative members is somewhat odd for the following reasons: First, in terms of the number of political parties participating in the general election, the number of political parties in the 2019 election was more than the 2014 election. There were 14 political parties; Second, the number of candidates for members of the DPR in the 2019 election was much higher than the 2014 election. This increase in the number of candidates was not only due to the increasing number of political parties participating in the election, but there was also an increase in the number of DPR seats in the 2019 election, from 560 DPR seats in the 2014 election to 575 seats DPR in the 2019 election.

Comparison of the Percentage of Donations to the 2014 and 2019 DPR Election Campaign Funds



SOURCE: LPPDK OF 2014 AND 2019 ELECTIONS

The decline in the number of campaign fund donations from candidates between the 2014 and 2019 elections was indeed greatly influenced by many factors, such as not needing too much campaign funds or receiving campaign fund donations from political parties or third parties. That said, the percentage of support for donations from political parties in the 2019 election campaign only increased by 2.4% compared to the 2014 election. The lack of transparency and accountability, especially the honesty of legislative candidates in reporting the actual amount of campaign funds, including submitting campaign finance reports to the KPU, is the main factor behind the existence of a decrease in the amount of receipts from campaign funds for the 2019 legislative elections. Referring to the report on receipt and expenditure of campaign funds, of the 8,077 total candidates for DPR members in the 2019 election, there were 560 candidates for DPR members who did not report campaign funds.

Number of Candidates Submitting Campaign Fund Reports to Political Parties in the 2019 Election in Campaign Fund Receipt and Expenditure Reports

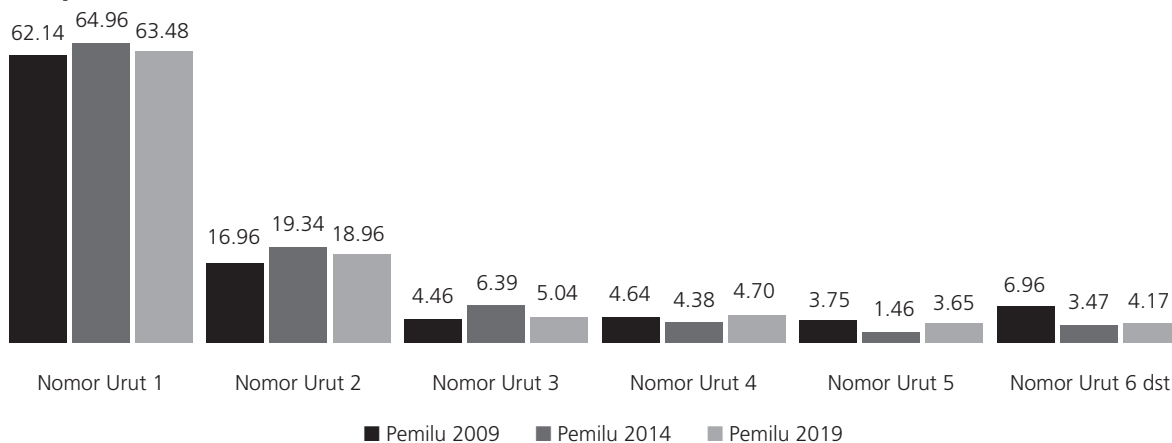
NO	POLITICAL PARTY	NUMBER OF CANDIDATES	NUMBER OF CANDIDATES REPORTING CAMPAIGN FUND	%
1	PKB	575	572	99.48%
2	Gerindra	575	575	100.00%
3	PDIP	573	572	99.83%
4	Golkar	574	570	99.30%
5	Nasdem	575	575	100,00%
6	Garuda	226	225	99.56%
7	Berkarya	554	545	98.38%
8	PKS	533	531	99.62%
9	Perindo	568	346	60.92%
10	PPP	554	360	64.98%
11	PSI	574	573	99.83%
12	PAN	575	575	100.00%
13	Hanura	427	424	99.30%
14	Demokrat	572	453	79.20%
19	PBB	485	484	99.79%
20	PKPI	137	137	100.00%
To- tal		8077	7517	93.07%

SOURCE: LPPDK OF 2019 ELECTION

This candidate-centric source of campaign funds is also influenced by the serial numbers obtained by legislative candidates. Even though Indonesia implements an open list proportional election system with a mechanism for determining the elected candidates based on the majority of votes. In reality, the electability of candidates for legislative members is strongly influenced by the serial number owned by the candidate. Since it was first implemented in the 2009 election, most of the candidates for legislative members elected in the general election are those who occupy serial number one. From

the last three elections, more than 60% of the candidates who occupy the number one position were elected as members of the legislature. Meanwhile, those who received serial numbers from two to ten (the number of seat allocations in each electoral district for the DPR is a minimum of 3 to a maximum of 10) had low electoral prospects.

Comparison of Elected Candidates for DPR Members based on Candidate Serial Numbers



SOURCE: PERLUDEM 2019 AND PUSKAPOL UI 2014

The electability of candidates based on this serial number is in fact inseparable from the amount of campaign funds spent. Based on reports on the receipt of campaign funds and expenditures for campaign funds, candidates for legislative members who received serial number one spent a fairly large amount of campaign funds compared to other serial numbers. There is no positive correlation between the greater the serial number obtained by the candidate, the less the amount of campaign funds spent. However, referring to the campaign finance report data, most of those who received serial numbers one and two spent much larger campaign funds compared to the candidates occupying other serial numbers.

Comparison of Campaign Funds for Candidates for DPR Members by Serial Number

SERIAL NUMBER OF CANDIDATE	TOTAL CANDIDATE CAMPAIGN FUNDS	AVERAGE PER-CANDIDATE CAMPAIGN FUND
1	549,024,901,722	758,321,687
2	293,200,116,643	405,532,665
3	166,104,400,504	230,380,583
4	183,071,359,918	257,295,278
5	150,467,229,788	243,081,147
6	70,610,476,981	117,488,314
7	65,579,136,779	141,639,604
8	46,820,713,040	139,347,360
9	25,302,417,692	143,763,737
10	18,135,909,941	185,060,306

In the aspect of campaign funds expenditure, the largest portion of the use of campaign funds is for services in the form of DPR candidate campaigns. Meanwhile, in the operational aspect of the campaign, the distribution of campaign materials to the public was the highest expenditure for campaign funds, with a total of 77 billion rupiah from all 16 political parties participating in the DPR election—even though in Law 7/2017 there are three campaign methods funded by the state, namely: the installation of campaign props, advertisements in print/electronic mass media, and public debate. Campaign fund expenditures for the manufacture/production of advertisements in print and electronic mass media are still relatively high with a total of 74.7 billion rupiah from all political parties participating in the 2019 election. Likewise with campaign props with a total cost of 60 billion rupiah.

Total Campaign Fund Expenditures for the 16 Political Parties Contesting the 2019 DPR Election

TOTAL EXPENDITURE	2,342,184,451,968
Operational Expenditure	2,340,050,677,968
a. Limited Meeting	26,802,059,443
b. Face-to face Meeting	6,173,892,752
c. Creation/Making of Advertisements in Print and Electronic Mass Media	74,774,949,291
d. Making of Campaign Props Design	60,577,507,375
e. Distribution of Campaign Materials to Public	77,332,797,492
f. Public Meeting/Rally	6,198,808,278
g. Other Activities that Do Not Violate Campaign Prohibition and Legislation	5,392,154,112
h. Miscellaneous	1,940,785,760,946
1. Donations to DPR Member Candidates	24,278,875,666
2. Services in the Form of Campaigns for DPR Member Candidates	1,991,508,797,739
3. Miscellaneous Operations	66,010,734,820
Capital Expenditure	2,133,875,000
a. Vehicle Purchase	-
b. Equipment Purchase	649,870,000
c. Other Capital	1,484,005,000

SOURCE: LPPDK OF 2019 ELECTION

Of the 16 political parties participating in the general election, PDIP is the political party with the largest expenditure on campaign funds compared to 15 other political parties in the DPR election with total expenditures reaching 345 billion rupiah. The second position is occupied by the Golkar Party with total expenditures reaching 307 billion rupiah. The smallest amount of expenditure on campaign funds was occupied by the new party, Garuda, with a total expenditure of 3.3 billion rupiah.

Comparison of Total Campaign Funding Receipt and Expenditure

NO	PARTY	TOTAL OF RECEIPT	TOTAL OF EXPENDITURE
1	PKB	142,322,647,279	141,012,647,279
2	Gerindra	134,721,849,581	134,717,249,021
3	PDIP	345,025,077,816	345,006,553,771
4	Golkar	307,638,877,704	307,471,571,477
5	Nasdem	259,474,071,714	232,113,494,650
6	Garuda	3,475,515,041	3,361,424,903
7	Berkarya	107,164,300,058	107,159,300,058
8	PKS	150,042,753,916	150,025,870,027
9	Perindo	228,238,374,435	228,116,161,935
10	PPP	76,551,752,526	76,551,752,526
11	PSI	84,660,186,785	84,657,844,428
12	PAN	169,048,328,526	169,048,328,526
13	Hanura	49,498,116,814	49,485,201,423
14	PD	189,732,653,608	189,410,785,377
15	PBB	117,857,534,724	117,756,600,000
16	PKPI	6,291,747,254	6,289,666,567

SOURCE: LPPDK OF 2019 ELECTION

Campaign fund expenditures reported by political parties are not able to reflect the actual amount of funds spent by political parties to carry out campaign activities. This is evident from the details of campaign finance expenditure activities reported by political parties in the reports of campaign funds receipts and expenditures. Limited and face-to-face meetings, for example, are a form of campaign activity that is routinely carried out by legislative candidates to meet directly with their constituents. However, the fact is that in the reports of receipts and expenditures of campaign funds, many political parties do not report it.

As for limited meeting activities, for example, only Nasdem, PKS, PSI, and PKPI parties included reports on the expenditure of campaign funds for these activities. Likewise with face-to-face meetings, for which only Gerindra and PSI reported campaign finance expenditures. Meanwhile, the other 14 political parties did not include reports regarding these activities. The same situation also occurs in other campaign activities such as making advertisements in the mass media, making props, and public meetings, which are the dominant campaign activities carried out by political parties. So this raises the important question of whether campaign activities that are not reported in the campaign finance report are indeed not carried out by political parties or have been included in the aggregate operational expenditures of political parties (Agustyati 2019, 338).

Operational Expenditures in the Campaign Fund Revenue and Expenditure Report

POLITICAL PARTY	OPERATIONAL EXPENDITURES									
	LIMITED MEETING	FACE TO FACE MEETING	MAKING ADVERTISEMENTS IN MASS MEDIA	MAKING OF CAMPAIGN PROPS DESIGN	DISTRIBUTION OF CAMPAIGN MATERIALS TO PUBLIC	PUBLIC MEETING	OTHER ACTIVITIES THAT DO NOT VIOLATE THE LAW	DONATIONS TO DPR CANDIDATES	SERVICES IN THE FORM OF DPR CANDIDATE CAMPAIGN	OTHER OPERATION
PKB	-	-	-	-	-	-	-	-	V	V
Gerindra	-	V	-	-	V	-	-	-	V	V
PDIP	-	-	-	-	-	V	-	V	V	V
Golkar	-	-	V	V	V	V	-	V	V	V
Nasdem	V	-	V	V	V	-	-	-	V	V
Garuda	-	-	V	-	-	-	-	V	V	-
Berkarya	-	-	V	V	-	-	-	-	V	-
PKS	V	-	V	V	V	-	V	-	V	V
Perindo	-	-	-	V	V	-	V	V	V	V
PPP	-	-	-	-	V	-	-	-	V	V
PSI	V	V	V	V	V	-	-	V	V	V
PAN	-	-	-	-	-	-	-	-	V	-
Hanura	-	-	V	V	V	-	-	-	V	V
PD	-	-	V	-	-	-	-	V	V	V
PBB	-	-	-	V	V	-	-	-	V	-
PKPI	V	-	V	V	V	-	V	-	V	V

SOURCE: AGUSTYATI 2019, 338

Presidential Election Campaign Fund

In 2004, Indonesia held direct presidential and vice presidential elections for the first time. From 2004 to 2021, Indonesia had held presidential and vice presidential elections four times. Presidential and vice presidential nominations can only be carried out by political parties or a coalition of political parties in the parliament, supported by a minimum of 20% of the seats in the DPR.

Pair of Candidates for President and Vice President in the 2004-2019 Elections

ELECTION YEAR	PAIR OF CANDIDATES	PROMOTING PARTIES
2004	Wiranto and Salahuddin Wahid	Golkar
	Megawati Soekarno Putri and Hasyim Muzadi	PDIP
	Amien Rais and Siswono Yudo Husodo	PAN
	Susilo Bambang Yudhoyono and Jusuf Kalla	Demokrat, PBB, PKPI
2009	Megawati Soekarno Putri and Prabowo Subianto	PDIP, Gerindra
	Susilo Bambang Yudhoyono and Boediono	Demokrat, PKS, PAN, PPP, PKB
	Jusuf Kalla and Wiranto	Golkar, Hanura

ELECTION YEAR	PAIR OF CANDIDATES	PROMOTING PARTIES
2014	Prabowo Subianto and Hata Rajasa	Golkar, Gerindra, PAN, PKS, PPP, PBB
	Joko Widodo and Jusuf Kalla	PDIP, PKB, Nasdem, Hanura
2019	Joko Widodo and Ma'ruf Amin	PDIP, Golkar, Nasdem, Hanura, PKB, PPP
	Prabowo Subianto and Sandiaga Salahudin Uno	Gerindra, Demokrat, PAN, PKS

The subject of campaign fund regulation in the presidential and vice presidential elections is not much different from the legislative elections, such as the sources of campaign fund receipts from candidates, political parties, and donations from third parties (individuals, groups, and private companies). The basic difference lies in the maximum limit for campaign fund donations. However, the presidential election law is similar to the legislative election law which does not impose a maximum limit on the contribution of campaign funds sourced from candidates and political parties.

Campaign finance became a central issue in the first presidential election in 2004. After the election was held, there was one presidential candidate who revealed that there was an illegal flow of funds in campaign funds in the presidential election. Amien Rais as the presidential candidate promoted by the Partai Amanat Nasional [National Mandate Party], admitted that he received 200 million rupiah from the Ministry of Maritime Affairs and Fisheries (DKP) non-budgetary funds and accused all other presidential candidates in the 2004 general election of participating in obtaining the funds⁵. Former vice-presidential candidate promoted by Golkar, Salahuddin Wahid, also admitted that he received the funds but the funds were not used to finance the campaign but rather for social activities⁶.

This issue began with the trial of the corruption case of the former Minister of Maritime Affairs and Fisheries, Rokhmin Dahuni, who accused all pairs of presidential and vice presidential candidates in the 2004 election of receiving funds from the corruption case⁷. However, several other presidential candidate pairs denied receiving the funds. According to the Election Supervisory Committee (Panwas) for the 2004 General Election, if a pair of candidates was proven to have received the funds, it could be categorized as a form of violation of campaign fund receipts, in particular the provisions for limiting campaign fund donations.

However, this needs to be reviewed further from the campaign finance reports submitted, especially the list of donors. If there is Rokhmin Dahuri's name in the list of contributors to campaign finance reports in each pair of presidential candidates, it violates the provisions on the limit on campaign fund donations of more than IDR 100 million, which is regulated in Law 23/2003. Likewise, if the campaign finance report contains a contributor with the name DKP, it is considered an election violation because the government is prohibited from donating campaign funds to pairs of presidential and vice presidential candidates⁸.

5 See <https://www.liputan6.com/news/read/142270/dana-siluman-kampanye-calon-presiden>

6 See <https://www.liputan6.com/news/read/141999/gus-solah-mengaku-menerima-dana-dkp>

7 See <https://www.liputan6.com/news/read/142270/dana-siluman-kampanye-calon-presiden>

8 See <https://www.liputan6.com/news/read/142270/dana-siluman-kampanye-calon-presiden>

2004 Presidential Election Campaign Fund

PAIR OF CANDIDATES	TOTAL OF CAMPAIGN FUND RECEIPT	TOTAL OF CAMPAIGN FUND EXPENDITURE
Wiranto and Salahuddin Wahid		
Megawati Soekarno Putri and Hasyim Muzadi	104,860,148,709	85,940,551,128
Amien Rais and Siswono Yudo Husodo	34,264,015,774	34,316,744,412
Susilo Bambang Yudhoyono and Jusuf Kalla	71,712,588,310	71,225,675,216
Hamzah Haz and Agum Gumelar	16,248,561,463	16,248,378,120

SOURCE: [HTTPS://NEWS.DETIK.COM/BERITA/D-174358/LAPORAN-DANA-KAMPANYE-PILPRES-MULAI-DIAUDIT](https://news.detik.com/berita/d-174358/laporan-dana-kampanye-pilpres-mulai-diaudit)

Three pairs of candidates participated in the 2009 presidential and vice presidential elections. Megawati Soekarno Putri again ran as a presidential candidate paired with Prabowo, who was promoted by PDIP and Gerindra. Susilo Bambang Yudhoyono, re-nominated as the incumbent presidential candidate, paired with an academician Boediono, promoted by five political parties: Democrat, PKS, PAN, PPP, and PKB. Jusuf Kalla, as vice president of the 2004 general election, paired with Wiranto, who was promoted by Golkar and Hanura.

2009 President Election Campaign Fund

PAIR OF CANDIDATES	TOTAL
Megawati and Prabowo	20,005,000,000
Susilo Bambang Yudhoyono and Boediono	20,300,010,000
Jusuf Kalla and Wiranto	10,250,000,000

SOURCE: [HTTPS://NEWS.DETIK.COM/PEMILU/D-1141436/DANA-KAMPANYE-PILPRES-SBY-BOEDIONO-TERBESAR-JK-WIRANTO-TERKECIL](https://news.detik.com/pemilu/d-1141436/dana-kampanye-pilpres-sby-boediono-terbesar-jk-wiranto-terkecil)

Of the three pairs of presidential and vice presidential candidates, Susilo Bambang Yudhoyono and Boediono garnered the largest campaign funds. This pair of candidates received the most donations from the Democratic Party as the main promoting party and from private companies⁹. Jusuf Kalla and Wiranto, obtained campaign funds from the Golkar Party amounting to 7 billion rupiah and Hanura in the amount of 3 billion rupiah. The campaign funds from Prabowo totaled 15 billion rupiah compared to Megawati with 5 billion rupiah¹⁰.

Indonesia Corruption Watch (ICW) as a civil society organization, provided notes on the campaign fund reports submitted by the three pairs of candidates in the 2009 presidential election. ICW notes on the campaign fund reports are as follows:

⁹ See <https://money.kompas.com/read/2009/06/02/20284220/juli.dana.kampanye.pilpres.diaudit>

¹⁰ Ibid

Notes on ICW's Findings on the 2009 Presidential Election Campaign Fund Report

MEGAWATI AND PRABOWO	<ul style="list-style-type: none"> • Only donations from pair of candidates are listed and do not include a list of contributors; • Does not explain the account details of the contributors; • There is a discrepancy because the evidence is a checking account but the receipt is in cash.
SUSILO BAMBANG YUDHOYONO AND BOEDIONO	<ul style="list-style-type: none"> • There are indications of violation of the accumulated contribution limit on 4 company donations; • There were also found indications of private donations from companies and company donations; • There is receipt of donations with unclear identities; • There is no account information of the contributor.
JUSUF KALLA AND WIRANTO	<ul style="list-style-type: none"> • Incongruity of a cash deposit with considerable quantities without account transfer; • There are personal contributors on behalf of political parties without a clear identity.

SOURCE: FARIZ & ILYAS 2018: 36

In the 2014 presidential election, ICW found the same problem with reports on campaign funds from two pairs of presidential candidates. The results of ICW's investigation of campaign fund reports are suspected to have indications of fictitious contributors of 5.2% of the total contributors; 10.3% of contributors are indicated to have no economic capacity (Fariz & Ilyas 2018: 38).

Results of Searching for Contributors to the 2014 Presidential Election by ICW

CRITERIA	FINDING RESULTS			PERCENTAGE OF FINDINGS		
	YES	NO	UNKNOWN	YES	NO	UNKNOWN
Fictitious Contributor	5	88	4	5.2%	90.7%	5.2%
Have Economic Ability	72	10	15	74.2%	10.3%	74.2%
Acknowledging Donation	37	2	58	38.1%	2.1%	38.1%
Showing evidence	0	32	65	0.0%	33.0%	0.0%
Donate according to nominal	35	8	54	36.1%	8.2%	36.1%
Donate More Than Once	8	31	58	8.2%	32.0%	8.2%

SOURCE: ICW IN FARIZ & ILYAS 2018: 38-39

In the 2014 election there were two pairs of presidential candidates, namely Prabowo Subianto and Hatta Rajasa (Prabowo-Hatta) promoted by Golkar, Gerindra, PAN, PKS, PPP, PBB and Joko Widodo and Jusuf Kalla (Jokowi-JK) promoted by PDIP, PKB, Nasdem, Hanura. Referring to the campaign fund reports and audit results published by the KPU, the Jokowi-JK pair of candidates garnered the largest campaign fund receipts with the highest sources of campaign fund receipts coming from political parties or a coalition of promoting political parties with a total of more than 200 billion rupiah. Prabowo-Hatta's main source of campaign funds came from political parties or a coalition of political parties in the amount of 100 billion rupiah.

2014 Presidential Election Campaign Fund Receipt and Expenditure Report

DESCRIPTION		PRABOWO - HATTA	JOKOWI - JK
A. Special Account Balance		10,002,000,000	3,000,000
B. Receipt			
	Pair of candidates	-	6,000,000,000

DESCRIPTION	PRABOWO - HATTA	JOKOWI - JK
Political Party/Coalition of Political Party	101,767,202,684	200,528,657,775
Individual	1,926,770,000	42,744,462,048
Group	1,000,000,000	-
Business Corporation	51,843,428,970	63,100,000,000
Others	-	-
Bank Interest Receipt	20,065,287	-
Total	166,559,466,941	312,376,119,823
C. Operational Expenditure:		
Limited Meeting	-	-
Face to Face Meeting	3,718,000,000	19,618,858,450
Print/Electronic Mass Media	88,267,202,684	151,280,157,963
Distribution of General Campaign Materials	13,100,000,000	121,811,581,187
General Props Installation	-	251,500,000
Public Meeting	3,968,428,970	-
Other Activities Not Violate the Rules	57,502,424,057	169,950,000
Capital Expenditure		
Vehicle Purchase	-	-
Equipment Purchase	-	383,328,000
Miscellaneous	-	-
Other Expenditure		
Accounts Receivable	-	-
Debt Payment	1,770,000	-
State Treasury Refund	1,641,229	-
D. Special Account Balance		
Cash in Bank Account	-	129,679,222
Cash	-	347,062,776
Total	166,559,466,940	293,992,117,598

SOURCE: KPU CAMPAIGN FUND AUDIT RESULTS

Law 42/2008, which is the legal framework for the 2009 and 2014 presidential elections, does not apply indirect state financial assistance for campaigns in print or electronic mass media. This is different from Law 7/2017 which began to impose in-kind subsidies for advertisements in print or electronic mass media. As such, in the 2014 presidential election, campaigning in print or electronic mass media was the responsibility of each pair of presidential candidates.

Based on reports on campaign finance expenditures, Prabowo-Hatta spent 88,267,202,684 rupiah and Jokowi-JK spent 151,280,157,963 rupiah on advertisements in print or electronic mass media. However, based on the results of monitoring carried out by Sigi Kaca Pariwara and Satu Dunia in five regions, the actual costs incurred by the Prabowo-Hatta candidate pair for campaign advertisements in print and electronic mass

media were 90,588,305,961 rupiah, representing a difference of Rp. 2,321,103,277 from those reported (ICW 2014). In contrast, the Jokowi-JK candidate pair's actual expenditure is considered more realistic or in accordance with what is reported. Based on the monitoring of Sigi Kaca Pariwara and Satu Dunia in five regions, the actual expenditure of campaign funds for advertising in print and electronic mass media was 93,625,742,587 (ICW 2014).

In the 2019 simultaneous elections, Law 7/2017 applied campaign fund subsidies indirectly for advertisements in print or electronic mass media for each pair of presidential and vice presidential candidates. However, the production costs of creating campaign advertising content in print and electronic mass media were charged to each pair of presidential and vice presidential candidates. In this case, the KPU, through state funds, only bears the cost of advertising in print or electronic mass media with an equivalent duration, spot, or number of advertisements. However, the fact is indirect campaign subsidies from the state does not have a significant impact on the efficiency of campaign funds for advertising in print or electronic mass media in the 2019 presidential election.

Based on reports on receipts and expenditures of campaign funds for the 2019 presidential and vice presidential elections, the Jokowi-Maruf candidate pair spent 85,107,710,565 rupiah in print or electronic mass media advertising costs. Meanwhile, the Prabowo-Sandi candidate pair spent 396,135,000 rupiah for the making or production of advertisements in print or electronic mass media.

2019 Presidential Election Campaign Fund Expenditure

CAMPAIGN FUND EXPENDITURE	JOKOWI-MARUF	PRABOWO-SANDI
Operational Expenditure:	545,799,505,163	207,778,900,809
Limited Meeting	7,858,131,122	5,328,192,928
Face to face Meeting	12,837,218,600	21,072,696,805
Making/Production of Print and Electronic Mass Media Advertisement	85,107,710,565	396,135,000
Making of Campaign Props Design	106,573,274,000	8,824,743,200
Distribution of Campaign Materials	104,638,443,800	60,824,891,733
Public Meeting	37,752,439,400	33,706,066,541
Other Activities Not Violate the Rules	153,018,955,390	40,696,122,808
Miscellaneous	38,014,332,286	36,930,051,764
Capital Expenditure	3,431,930,469	3,685,870,004
Vehicle Purchase	234,500,000	
Equipment Purchase	817,227,469	115,667,649
Miscellaneous	2,380,253,000	3,570,202,355
Other Expenditure		
Account receivable		
Debt payment		
Total	549,231,435,632	211,464,770,813

SOURCE: LPPDK OF 2019 PRESIDENT AND VICE PRESIDENT ELECTION.

In terms of campaign fund receipts, there was an increase in the amount of campaign fund receipts between the 2014 presidential election and the 2019 presidential election. Previously, the Prabowo-Hatta candidate pair in the 2014 election received a total campaign fund receipt of 166,559,466,941 rupiah. In the 2019 election, the Prabowo-Sandi Candidate Pair received campaign fund donations of 210,780,974,526 rupiah with the largest source of campaign fund receipts from individual donations. Meanwhile, the Jokowi-JK Candidate Pair in the 2014 general election received campaign funds of 312,376,119,823 rupiah. Meanwhile, in the 2019 election, the Jokowi-Maruf Candidate Pair received campaign fund receipts of 594,883,534,772 with the largest source of campaign fund revenue coming from donations from political parties or a combination of political parties.

Campaign Fund Receipt of 2019 President and Vice President Election

RECEIPT	PAIR OF CANDIDATES 01 JOKOWI-MA'RUF	PAIR OF CANDIDATES 02 PRABOWO-SANDI
Pair of candidates	0	192,515,335,542
Political Party/Coalition of Political Parties	76,386,689,296	4,779,624,494
Other Party Donations Individual	20,867,377,794	9,290,095,055
Other Party Donations Group	251,144,135,481	1,159,688,510
Other Party Donations Business Corporation	246,403,219,400	2,925,000,000
Others	82,112.800	111,230,925
Total	594,883,534,772	210,780,974,526

SOURCE: LPPDK OF 2019 ELECTION

Regional Head Election (Pilkada) Campaign Fund

One of the fundamental differences in the regulation of campaign funds in the Pilkada as opposed to the legislative or presidential elections is the imposition of limits on campaign fund expenditure. The calculation of the amount of the limits on campaign fund expenditure in the Pilkada is determined based on the main variable of the standard regional cost multiplied by the number of campaign participants, the frequency of the number of activities, and the number of campaign equipment used. In this case, the limits on spending campaign funds apply to every campaign method listed in the election law, including: public meetings, limited meetings, face-to-face meetings, props, and campaign materials.

In the 2018 West Java Provincial Pilkada, for example, the standard regional cost in West Java Province is 30,000 rupiah. Then the standard cost of this area is multiplied by each frequency of the campaign method. The following are details of the limits for campaign fund expenditure in the 2018 West Java Provincial Pilkada:

Limit of 2018 West Java Pilkada Campaign Fund Expenditure

CAMPAIGN METHODS	FORMULA FOR CALCULATION OF CAMPAIGN EXPENDITURE LIMIT	CAMPAIGN FUND EXPENDITURE LIMIT
Public meeting	<ul style="list-style-type: none"> Number of participant x activity frequency x local cost standard 10,000 x 2 x IDR 30,000 	IDR 600,000,000
Limited, face to face meetings, and other activities	<ul style="list-style-type: none"> Number of participant x activity frequency x local cost standard 2,000 x 81 x IDR 30,000 	IDR 4,860,000,000
Making of campaign materials	<ul style="list-style-type: none"> Number of activity x 6% x total voter x IDR 25,000 9 x 6% x 34,183,756 x IDR 25,000 	IDR 461,480,706,000
Consultant Management Service	-	IDR 500,000,000
Campaign Props Billboard	<ul style="list-style-type: none"> Can be printed at most 150% 150% x 5 x 27 regencies/cities x IDR 600,000 	IDR 121,500,000
Campaign Props Flags	<ul style="list-style-type: none"> Can be printed at most 150% 150% x 10 x 627 districts x IDR 50,000 	IDR 470,250,000
Campaign Props Banner	<ul style="list-style-type: none"> Can be printed at most 150% 150% x 2 x 5.957 x Rp. 600.000 	IDR 4,020,975,000
Campaign materials Leaflet	<ul style="list-style-type: none"> Can be printed at most 100% of the total head of the family [KK] (15,615,095) 10% x 15,300,569KK x IDR 275 	IDR 420,765,647.50
Campaign materials flyer	<ul style="list-style-type: none"> Can be printed at most 100% of the total head of the family [KK] (15,615,095) 10% x 15,300,569KK x IDR 150 	IDR 229,508,535
Campaign materials pamphlet	<ul style="list-style-type: none"> Can be printed at most 100% of the total head of the family [KK] (15,615,095) 10% x 15,300,569KK x IDR 300 	IDR 459,017,070
Campaign materials poster	<ul style="list-style-type: none"> Can be printed at most 100% of the total head of the family [KK] (15,615,095) 1% x 15,300,569KK x IDR 1,500 	IDR 229,508,535
Total Limitation of Campaign Fund Expenditure		IDR 473,392,230,787

WEST JAVA PROVINCIAL KPU DECREE NUMBER: 35/PL.03.5-KPTS/32/PROV/II/2018

The formula for calculating the limit on campaign fund expenditure is like generating a fairly large nominal fee. Whereas one of the main objectives of its implementation is to create efficiency in campaign funds and an equal playing battle field. When juxtaposed with the report on the campaign fund expenditure for the regional head candidate pairs in the 2018 West Java Regional Head election, none of the pairs of candidates who spent campaign fund reached or even approached the specified limit for campaign fund expenditure.

The highest amount of campaign fund expenditure in the West Java Pilkada was experienced by the candidate pairing of Deddy Mizwar and Dedi Mulyadi with a total of 10,316,733,119 billion rupiah. This amount is only 2.18% of the total limit for campaign fund expenditure determined by the West Java Provincial KPU. Likewise with the other three pairs of candidates who, when compared between the total expenditure of campaign funds and the limit on campaign fund expenditure, have quite a large difference between 2% and 0.43% of the total limit for campaign fund expenditure.

Comparison of West Java Pilkada Campaign Fund Expenditures with Campaign Fund Expenditures Limits

REGIONAL HEAD CANDIDATE PAIRS	CAMPAIGN FUND EXPENDITURE *	LIMITATION OF CAMPAIGN FUND DONATION	DIFFERENCE WITH CAMPAIGN FUND EXPENDITURE LIMITS	
			AMOUNT	%
Deddy Mizwar & Dedi Mulyadi	10,316,733,110	473,392,230,787	463,075,497,677	2.18
Sudrajat & Ahmad Syaikh	9,570,537,068	473,392,230,787	463,821,693,719	2.02
Ridwan Kamil & Uu Ruzhanul Ulum	6,741,609,887	473,392,230,787	466,650,620,900	1.42
TB Hasanudin & Anton Charliyan	2,045,859,000	473,392,230,787	471,346,371,787	0.43

*SOURCE: [HTTPS://NEWS.DETIK.COM/BERITA-JAWA-BARAT/D-4109748/AUDIT-DANA-KAMPANYE-PILGUB-KPU-JABAR-EMPAT-PASANGAN-PATUH](https://news.detik.com/berita-jawa-barat/d-4109748/audit-dana-kampanye-pilgub-kpu-jabar-empat-pasangan-patuh)

The high gap between the limits on campaign fund expenditures and campaign fund expenditures reported by regional head candidates also occurred in the 2020 simultaneous regional head elections. Of the nine gubernatorial and deputy governor elections in nine provinces, for example, not a single candidate pair reached the maximum limit for campaign fund expenditures that had been determined in each Pilkada province. The highest difference between the expenditure of campaign funds and the maximum limit of expenditure on campaign funds occurred in the Pilkada of Central Kalimantan with a total of 64.74% of the total limit for spending campaign funds. While for the rest, the total expenditure of campaign funds reported by each pair of candidates was 50% of the nominal limit for campaign fund expenditures that had been determined.

Comparison of 2020 Provincial Pilkada Campaign Fund Expenditure with Campaign Fund Expenditure Limit

PROVINCE	HEAD AND DEPUTY HEAD OF REGIONAL CANDIDATE PAIRS	AMOUNT OF CAMPAIGN FUND EXPENDITURE (LPPDK)	CAMPAIGN FUND EXPENDITURE LIMITS	DIFFERENCE WITH CAMPAIGN FUND EXPENDITURE LIMITS	
				AMOUNT	%
Bengkulu	Helmi Hasan & Muslihan DS	760,082,000	67,606,340,000	66,846,258,000	1.12
	Rohidin Mersyah & E Rosjonsyah	1,072,243,400	67,606,340,000	66,534,096,600	1.59
	Agusrin Maryono & H.M. Imron Rosyadi	1,391,200,000	67,606,340,000	66,215,140,000	2.06
Jambi	Fachrori Umar & Syafril Nursal	4,330,238,835	67,606,340,000	63,276,101,165	6.41
	Al Haris & Abdullah Sani	4,765,393,504	67,606,340,000	62,840,946,496	7.05
	Cek Endra & Ratu Munawroh	6,001,022,265	67,031,220,000	61,030,197,735	8.95
South Kalimantan	Denny Indrayana & Difriadi	836,799,400	67,031,220,000	66,194,420,600	1.25
	HSahbirin Noor & Muhidin	2,556,306,500	67,031,220,000	64,474,913,500	3.81
Central Kalimantan	Ben Brahim S. Bahat & Ujang Iskandar	11,910,890,000	53,567,433,500	41,656,543,500	22.24
	Sugianto Sabran & Prutowo	34,680,532,391	53,567,433,500	18,886,901,109	64.74
North Kalimantan	Irianto Lambrie & Irwan Sabr	351,343,496	57,403,598,000	57,052,254,504	0.61
	Zainal Arifin Paliwang & Yansen TP	1,016,788,608	57,403,598,000	56,386,809,392	1.77
	Udin Hianggio & Undunyah	2,535,578,398	57,403,598,000	54,868,019,602	4.42
Riau Islands	Isdianto & Suryani	611,001,026	19,000,000,000	18,388,998,974	3.22
	Soerya Respationo & Iman Sutiawan	1,957,401,573	19,000,000,000	17,042,598,427	10.30
	Ansar Ahmad & Marlin Agustina	10,064,582,329	19,000,000,000	8,935,417,671	52.97

PROVINCE	HEAD AND DEPUTY HEAD OF REGIONAL CANDIDATE PAIRS	AMOUNT OF CAMPAIGN FUND EXPENDITURE (LPPDK)	CAMPAIGN FUND EXPENDITURE LIMITS	DIFFERENCE WITH CAMPAIGN FUND EXPENDITURE LIMITS	
				AMOUNT	%
Central Sulawesi	Rusdy Mastura & Ma'mun Amir	4,234,656,257	19,684,548,000	15,449,891,743	21.51
	Mohamad Hidayat Lamakarate & Bartholomeus Tandigala	8,025,174,726	19,684,548,000	11,659,373,274	40.77
North Sulawesi	Vonnie Anneke Panambunan & Hendry C M Runtuwene	50,000,000	28,459,324,800	28,409,324,800	0.18
	Olly Dondokombey & Steven O.E Kandouw	4,799,594,000	28,459,324,800	23,659,730,800	16.86
	Christiany E. Paruntu & Sehan S Landjar	6,820,778,500	28,459,324,800	21,638,546,300	23.97
West Sumatera	Nasrul Abit & Indra Catri	6,109,156,200	80,069,987,800	73,960,831,600	7.63
	Fakhrizal & Genius Umar	7,035,250,000	80,069,987,800	73,034,737,800	8.79
	Mulyadi & Ali Mukhni	7,127,484,477	80,069,987,800	72,942,503,323	8.90
	Mahyeldi & Audy Joinaldy	10,164,654,500	80,069,987,800	69,905,333,300	12.69

SOURCE: PROCESSED FROM [HTTPS://INFOPEMILU2.KPU.GO.ID/PILKADA2020/DANA_KAMPANYE/](https://infopeMilu2.kpu.go.id/pilkada2020/dana_kampanye/)

The high gap between the total of campaign fund expenditure and the limit of campaign fund expenditure is very likely due to the non-reporting of the actual costs incurred by the candidate pairs for regional heads in the Pilkada. In these cases, the report submitted is only an administrative formality.

In the case of the Madiun City Pilkada, for example, according to the Report on Receipt and Expenditure of Campaign Fund submitted to the Madiun City KPU, the individual candidate Harryadin Mahardhika spent IDR 841,913,440. However, based on the results of a study by Arya Budi (et.al 2019: 178) who traced the actual cost of campaign funds spent, the candidate's expenditure was IDR 7,020,500,000.

Comparison of Formal and Informal Expenditures of Campaign Funds for Individual Candidates for Regional Head Elections in Madiun City

EXPENDITURES REPORTED		
EXPENDITURES DESCRIPTION	NOMINAL	REMARKS
Operational Expenditure	200,000	Operational car gasoline
	35,000	Operational car wash
	50,000	Operational car gasoline
	5,265,000	Consumption of campaign teams and volunteers
	265,000	Buy cooking utensils
	148,863,440	Payment of 5,000 t-shirts
	25,000,000	Payment of Campaign Props
	25,000,000	Payment of Campaign Props
	587,500,000	Payment of 25,000 batik clothes
	25,000,000	Payment of Campaign Props
	25,000,000	Payment of Campaign Props
Total	841,913,440	

EXPENDITURES ANALYSIS		
EXPENDITURES DESCRIPTION	NOMINAL	REMARKS
Nomination Fee	1,500,000,000	Collecting ID cards and increasing popularity
Team building	560,000,000	Forming and paying campaign team salaries from the city to the RT
Campaign Costs	180,000,000	Face-to-face meetings with the community in the first three months of the campaign period
Campaign Costs	381,000,000	Costs of cheap groceries and free ta'jil in the last month of the campaign period
Attributes of campaigns, media coverage, and political consultants	2,000,000,000	These goods and services are provided in the form of non-cash by the candidate for deputy mayor
Costs of using a politician's network	200,000,000	Funding a political machine belonging to one of the politicians in Madiun City to help secure votes
TPS (poll) witness	62,000,000	Paying 620 TPS witnesses
Outside TPS (poll) witness	1,550,000,000	Paying 15,500 outside TPS witnesses
Batik clothes	587,500,000	Buying 25,000 batik clothes for potential voters
Total	7,020,500,000	

SOURCE: BUDI, A, SUKMAJATI, M & PRASETYO, W 2018: 178-179

The Absence of Affirmative Financing for Women

The UN Women survey in 2013 stated that 80 percent of respondents acknowledged that one of the biggest challenges faced by female candidates in elections was the lack of access to funding (Falguera et.al 2014: 334). The lack of funding support faced by women in elections greatly affects various political activities, especially the campaigns carried out by female candidates. Even if money alone is not enough, money is very important for the success of the campaign because the campaign has an influence on the election results and the campaign will not run without money (Jacobson 1980: 33).

The low access to funding is also experienced by female legislative candidates in Indonesia. A study conducted by the Association for Elections and Democracy (Perludem) (2020) in the electoral district of DKI Jakarta II shows that most female legislative candidates must struggle independently to meet their campaign funding needs. This, despite the fact that Indonesia since the 2004 elections has implemented an affirmative policy in the form of a candidacy quota whereby 30% of the list of candidates must be women and for every three candidates there must be one woman. In fact, political parties' financial support for female legislative candidates tends to be low.

Referring to the Report on Receipt of Campaign Fund Donations (LPSDK) in the electoral district of DKI Jakarta II, most of the candidates for legislative office have to spend their own money to fulfill their campaign activities. Political party support is relatively low and is in the form of goods such as campaign materials and campaign props. One of the legislative candidates, Lena Maryana Mukti as a candidate for DPR member from the DKI Jakarta II electoral district, for example, said that in the 2004 general election, when the electoral system was still in a closed proportional system, campaigns were mostly carried out by parties. While in the open list proportional system, the source of funding is mostly from candidates. (Lena, 2020, interview on Friday, 10 January, in Agustyati dan Pratama 2020).

Comparison of Sources of Campaign Fund Receipt for Women and Men Legislative Candidates for the DKI Jakarta II Electoral District in LPSDK

POLITICAL PARTIES	GENDER	SOURCES FROM KANDIDAT			SOURCE FROM POLITICAL PARTIES			TOTAL
		MONEY	GOODS	SREVICES	MONEY	GOODS	SREVICES	
PKB	Women	5.000.000	14.300.000	50.000.000				69.300.000
	Men	105.550.000	193.965.500	1.200.000				300.715.500
Gerindra	Women	148.250.000						148.250.000
	Men	120.000.000						120.000.000
PDIP	Women							-
	Men					98.300.000		98.300.000
Golkar	Women	487.000.000						487.000.000
	Men	635.000.000						635.000.000
Nasdem	Women	187.300.000				157.240.000		344.540.000
	Men							-
Garuda	Women							-
	Men							-
Berkarya	Women	75.000.000						75.000.000
	Men	70.000.000						70.000.000
PKS	Women	249.592.000						249.592.000
	Men	577.700.000						577.700.000
Perindo	Women	1.000.000.000						1.000.000.000
	Men	92.000.000			30.000.000	16.920.000		138.920.000
PPP	Women	310.000.000						310.000.000
	Men	135.000.000						135.000.000
PSI	Women	387.349.600	188.150.000					575.499.600
	Men	395.598.000						395.598.000
PAN	Women	380.000.000						380.000.000
	Men	670.000.000						670.000.000
Hanura	Women	185.100.000						185.100.000
	Men	147.000.000						147.000.000
Demokrat	Women	710.000.000						710.000.000
	Men	70.000.000						70.000.000
PBB	Women	4.500.000						4.500.000
	Men	35.500.000						35.500.000
PKPI	Women	1.385.000						1.385.000
	Men							-
TOTAL		7.183.824.600	396.415.500	51.200.000	30.000.000	272.460.000	-	7.933.900.100

SOURCE: PROCESSED FROM 2019 DPR ELECTION LPSDK IN AGUSTYATI & PRATAMA 2020

Funding support from political parties she received in the 2019 election was more in the form of campaign props that showed more party symbols or logos than candidates for legislative office. In fact, the electoral system used is open list proportional where voters are given the space to choose candidates directly rather than party symbols. This is also recognized by other female legislative candidates in the electoral district of DKI Jakarta II. Perludem's study (2020) shows that political parties are campaigning more for party symbols than their candidates.

Total Campaign Funds Donation for Men and Women Candidates in LPPDK in the DKI Jakarta II electoral district

POLITICAL PARTY	WOMEN CANDIDATES	REMARK*	MEN CANDIDATES	REMARK*
PKB	171,403,947	3 of 3	2,580,040,000	4 of 4
Gerindra	1,698,386,235	3 of 3	771,803,300	4 of 4
PDIP	340,697,600	3 of 3	6,084,690,505	4 of 4
Golkar	744,550,401	2 of 3	1,854,689,000	3 of 4
Nasdem	2,576,853,280	2 of 4	2,814,700,000	1 of 3
Garuda	-	-	-	-

POLITICAL PARTY	WOMEN CANDIDATES	REMARK*	MEN CANDIDATES	REMARK*
Berkarya	504,519,000	3 of 3	1,175,000,000	4 of 4
PKS	1,006,148,000	4 of 4	2,863,706,000	3 of 3
Perindo	1,697,867,000	2 of 3	85,059,688	1 of 4
PPP	217,050,000	2 of 4	984,881,000	3 of 3
PSI	580,911,237	2 of 3	675,462,599	3 of 4
PAN	380,000,000	3 of 3	3,008,286,750	4 of 4
Hanura	232,623,243	3 of 3	159,315,700	2 of 3
Demokrat	3,667,821,640	3 of 3	1,026,215,273	2 of 4
PBB	40,000,000	2 of 2	80,000,000	4 of 4
PKPI	2,585,000	1 of 3	5,150,000	1 of 2
Total	13,861,416,583		24,168,999,815	

SOURCE: PROCESSED FROM 2019 DPR ELECTION LPPDK DKI JAKARTA II ELECTORAL DISTRICT IN AGUSTYATI & PRATAMA 2020

*Remark is the number of candidates who reported campaign funds.

The disparity in the amount of campaign funds between men and women is very visible in the electoral district of DKI Jakarta II. Of the 16 political parties participating in the election, the amount of campaign funds for women candidates for female DPR members in DKI Jakarta II was IDR 13,861,416,583, while the men candidates for DPR members was IDR 24,168,999,815. However, it is important to underline that formal reporting of campaign funds to election organizers often does not reflect the actual total expenditure (actual cost) of candidates (Agustyati & Pratama 2020). On the other hand, the serial number again affects the amount of campaign funds issued by the candidate. Most of the women legislative candidates in DKI Jakarta II in the serial number one position spent higher campaign funds compared to those in lower serial numbers.

Amount of Campaign Funds Receipt for Men and Women Candidates in DKI Jakarta II Based on Serial Number

WOMEN CANDIDATES					
SERIAL NUMBER	TOTAL OF CANDIDATES	LPSDK RECEIPT	REMARK*	LPPDK RECEIPT	REMARK*
1	7 People	3,233,700,000	7 of 7	6,284,917,441	7 of 7
2	6 People	516,385,000	6 of 6	1,773,133,643	6 of 6
3	8 People	25,000,000	1 of 8	2,004,218,640	5 of 8
4	9 People	213,340,000	4 of 9	627,053,235	6 of 9
5	8 People	274,941,600	5 of 8	2,516,295,077	7 of 8
6	6 People	262,830,000	4 of 6	478,613,547	5 of 5
7	5 People	14,000,000	1 of 5	177,185,000	3 of 5
		4,540,196,600		13,861,416,583	

MEN CANDIDATES					
SERIAL NUMBER	TOTAL OF CANDIDATES	LPSDK RECEIPT	REMARK*	LPPDK RECEIPT	REMARK*
1	9 People	750,950,000	7 of 9	9,099,080,750	6 of 9
2	11 People	186,920,000	5 of 11	5,138,357,393	10 of 11
3	7 People	232,249,600	4 of 7	1,210,515,500	5 of 7
4	6 People	230,898,800	5 of 6	2,739,524,773	5 of 6
5	7 People	296,565,500	5 of 7	1,637,215,000	6 of 7
6	8 People	626,200,000	4 of 8	2,427,620,550	5 of 8
7	7 People	1,069,949,600	6 of 7	1,916,685,849	6 of 7
		3,393,733,500		24,168,999,815	

SOURCE: 2019 ELECTION LPPDK DKI JAKARTA II ELECTORAL DISTRICT IN AGUSTYATI & PRATAMA 2020

*Remark is the number of legislative candidates who include campaign fund donations in LPSDK & LPPDK from the total number of candidates in each political party

Based on this, the Perludem study recommends three main things, namely:

1. Affirmation policies in elections do not stop at the nomination level of at least 30% women from the list of candidates proposed by political parties. Affirmations need to be present in the campaign arena through state funding assistance to facilitate women's campaigns through advertisements in print/electronic mass media and at least 30% campaign props for female legislative candidates in each political party;
2. Public fundraising or individual donations from members and non-members should increasingly be carried out by the women's wing of political parties, caucuses, and organizations that have a focus on women's representation in order to shape women's political work and support women's funding in the next election.
3. From state funds for political parties that have won legislative seats and are obtained regularly every year, a minimum of 30% should be allocated for women's political empowerment activities to prepare women legislative candidates for elections (Agustyati & Pratama 2020)

Paid Political Advertising on Digital Platform Arrangements

In elections, digital platforms, especially social media, play an important role for voters and candidates. For voters, the digital platform can be a channel for getting to know candidates as well as communicating their needs to be accommodated by candidates' visions and missions. For candidates, social media is a strategic space for self-introduction campaigns—to offer a vision, mission, program or platform to voters, and ultimately influence the public to vote for them in elections.

Campaigns on digital platforms, especially social media, are becoming increasingly popular along with the changing patterns of dissemination and consumption of political information since the invention of the internet. More interactive digital platforms have replaced traditional information media such as newspapers, television, and radio. Campaigns on digital platforms are also increasingly relevant after the Covid-19 pandemic, which has limited face-to-face interactions.

However, there are still dark areas from the use of digital platforms, especially social

media, in elections which if not regulated properly can have side effects that have the potential to damage elections and democracy. In Indonesia, the Civil Society Coalition for Guidelines for Campaigning on Social Media identified nine risks on social media that are most vulnerable to occur during the campaign period. This mapping is based on the availability of regulations that are able to mitigate risks and also the impact on the course of elections and democracy from several previous election experiences.

The nine risks are:

- hoaxes, fake news, and disinformation. In these cases, the material is intentionally fabricated and disguised as truth in order to undermine the integrity and credibility of the election.
- misinformation or false information that is not intended to mislead.
- coordinated inauthentic behaviour, whereby a number of coordinated accounts try to mislead platform users through the dissemination of content using the clickbait method or with the help of “buzzers”.
- a coordinated “black campaign” that aims to damage the reputation of the opponent/opposition using false accusations, unproven issues, or through things that are not relevant to her/his performance and professionalism as a candidate.
- the use of bot algorithms and automation or systems that simulate humans to direct trending topics or encourage certain issues to be popular and even manipulate public opinion on certain issues or topics.
- the use of influencers and buzzers who encourage certain topics/issues to become viral information or be discussed.
- the non-transparent flow of campaign funds, particularly related to advertising spending on social media, which allows micro-targeting. Through this micro-targeting voters have the potential to receive biased information.
- promotion of a “polarizing atmosphere” that encourages identity politics. Atmospheric polarization or the emergence of two opposing extreme poles is a consequence of the previous risks outlined above.
- the use of fake/anonymous accounts to mobilize various issues and topics. The use of fake or anonymous accounts makes tracking hoaxes and fake news more difficult and more complex.

Regarding campaign advertising on social media, Perludem found alleged violations, such as campaign advertisements carried out outside the schedule, the use of various account categories outside those specified for paid campaign advertisements, as well as the reality of advertisement spending that was out of sync with the candidate’s campaign funds report. Perludem also noted that the transparency of campaign advertising by social media platforms needs to be improved. Some paid campaign advertisements have transparently displayed the advertiser’s name, phone number, email, website, and address. However, there are still many advertisements that only show the name. This makes it difficult to trace the affiliation of the advertisement payer with the candidate as well as the compatibility with the official campaign finance report submitted to the KPU. Social media platforms are also still passing paid campaign advertisements that do not

contain the disclaimer information “advertisement financed by” (Maharddhika, 2021).

The lack of advertising transparency—such as disclosing information about what kind of advertisements appear and are distributed to which users and who pays for them—has been proven to have been used by political parties, certain interest groups, and foreign advertising companies such as Cambridge Analytica to distort circulating political issues in public.

These risks can be very dangerous for democracy and are increasingly an emergency call for policy makers to prepare clear rules that can mitigate the risks that occur in social media. These findings are expected to be a trigger for regulating social media, especially those used during campaigns, not to limit freedom of expression but to make social media a healthy space for voters to access or obtain equal and clear information about the implementation of elections and the candidates who will be elected—or even become a space for dialogue—so that future democracy will also remain healthy.

The regulation of paid political advertising has become the most urgent matter because the previously mentioned risks are often fabricated through paid political advertising on social media. Disinformation, for example, is used as paid political advertising material targeted at specific users. The most possible regulatory approach to paid political advertising is by demanding political parties, candidates, campaign teams, and social media platforms to be transparent about paid political advertising methods and campaign funds spent for these methods.

The Reality of Advertising Spending Out of Sync with Campaign Funds Reporting

Perludem monitors paid campaign advertising on social media platforms. Perludem utilized Facebook’s Ad Library feature, which contains data on political advertising that runs on its platform. Perludem monitored advertisements published from August to November 2020. In the Ad Library feature, there are 20,213 advertisements about social issues, elections, or politics. The amount of money spent on the advertisements reached IDR 4,269,116,809.

Of the 20,213 advertisements that aired in the period from August 4 - November 9 2020, Perludem selected/sampled ads from page accounts that allocated at least IDR 1,000,000 for advertising spending. As a result, there were 401 pages with a total number of 12,291 advertisements for a total amount of IDR 3,942,504,461.

Of the 12,291 advertisements, there were 5,675 advertisements related to the 2020 Regional Head Elections (Pilkada) advertised by 159 page accounts—the rest were other political advertisements not related to the 2020 Pilkada. These advertisements were spread not only in big cities such as Surabaya, Depok, and South Tangerang, but also scattered in less populated areas, such as Dumai, Belu, and Rokan Hilir. The five Pilkada regions with the highest number of paid campaign advertising were:

1. Central Sulawesi (834 advertisements),
2. Makassar (560 advertisements),
3. Surabaya (364 advertisements),
4. Sidoarjo (339 advertisements), and
5. Central Kalimantan (329 advertisements).

The five candidate pairs with the most paid campaign advertising spending were:

1. Munafri Arifuddin, SH and Dr Abd Rahman Bando, SP, M.Si in Makassar City Pilkada (510 advertisements; IDR 983,535,911);
2. Andrei Angouw and dr. Richard Henry Marten Sualang in Manado City Pilkada (65 advertisements; IDR 112,753,557);
3. H. Rusdy Mastura and Drs. Ma'mun Amir in Central Sulawesi Pilkada (807 advertisements; IDR 66,513,305);
4. Ir. Ben Brahim S. Bahat, MM., MT and Dr. H. Ujang Iskandar, ST., M.Si in Central Kalimantan Pilkada (239 advertisements; IDR 61,066,255); and
5. Drs. Machfud Arifin, SH. and Mujiaman in Surabaya Pilkada (306 advertisements; IDR 43,185,601).

Details of candidate pairs with the total allocation of paid campaign advertising funds of more than IDR 10,000,000 can be seen in the following table.

Table Actual Spending Amount on Advertisements on Facebook from August 4, 2021 to November 9, 2021

NO.	NAME OF CANDIDATE PAIRS	PILKADA REGION	AMOUNT OF ADS	AMOUNT OF FUNDS (IDR)
1.	MUNAFRI ARIFUDDIN, SH & DR ABD RAHMAN BANDO, SP, M.SI	Makassar City	510	983,535,911
2.	ANDREI ANGOUW & dr. RICHARD HENRY MARTEN SUALANG	Manado City	65	112,753,557
3.	H. RUSDY MASTURA & Drs. MA'MUN AMIR	Central Sulawesi	807	66,513,305
4.	Ir. BEN BRAHIM S. BAHAT, MM., MT & Dr. H. UJANG ISKANDAR, ST., M.SI	Central Kalimantan	239	61,066,255
5.	Drs. MACHFUD ARIFIN, S.H. & MUJIAMAN	Surabaya City	306	43,185,601
6.	NURDIN RANGGABARANI, SH.,MH & H. BURHANUDDIN JAFAR SALAM, SH.,MH	Sumbawa	46	33,325,299
7.	ERI CAHYADI, S.T., M.T. & IR. ARMUDJI	Surabaya City	58	28,867,131
8.	H. KELANA APRILIANTO, SE & Dr. DWI ASTUTIK, S.Ag., MSi.	Sidoarjo	328	28,329,152
9.	Irjen. Pol. Drs. H. Fakhrizal, M. Hum & Dr. H Genius Umar, S.Sos, M. Si	West Sumatera	6	20,837,874
10.	Drs. H MUHAMAD, M. Si & RAHAYU SARASWATI D. DJOJHADIKUSUMO	South Tangerang City	16	18,584,909
11.	Prof. Dr. Sutrisna Wibawa, M.Pd & Mahmud Ardi Widanto, S.IP	Gunung Kidul	21	18,467,521
12.	SAYED ABUBAKAR A. ASSEGGAF & Hj. RENI NURITA, S.Hut	Siak	90	17,102,259
13.	Prof H Denny Indrayana, S.H., LL.M., Ph.D. & Drs H DIFRIADI	South Kalimantan	4	14,776,798
14.	H. Abdul Halim Muslih & Joko B Purnomo	Bantul	49	13,449,927
15.	Ir. H Mulyadi & Drs.H Ali Mukhni	West Sumatera	122	12,953,572
16.	Olly Dondokambey, SE. & Drs. Steven O. E. Kandouw	North Sulawesi	48	12,291,693
17.	JUNAIDI, SP, M.Si & SAHRANI	Ketapang	120	11,117,332
18.	IRMAN YASIN LIMPO, SH & ANDI MUH. ZUNNUN ARMIN NURDIN HALID	Kota Makassar	38	10,565,128

NO.	NAME OF CANDIDATE PAIRS	PILKADA REGION	AMOUNT OF ADS	AMOUNT OF FUNDS (IDR)
19.	Dr. H. IRIANTO LAMBRIE & H. IRWAN SABRI, SE	North Kalimantan	175	10,102,534
20.	H ISDIANTO, S.Sos. MM & SURYANI, S.E	Riau Islands	28	10,091,000

PKPU 12/2020 concerning Election Campaign Funds requires candidate pairs to compile and submit a campaign fund report consisting of a Campaign Fund Initial Report (LADK), a Campaign Fund Donation Receipt Report (LPDK), and a Campaign Fund Receipt and Expenditure Report (LPPDK). In the LPPDK, there is a column for the expense description “Other Activities That Do Not Violate the Prohibition of Campaigns and Legislation.” This column is filled with the amount of expenditure related to costs for other activities that do not violate the campaign prohibition, one of which is campaigning through social media. Expenditures for other activities which include, among others, cultural activities (art performances, harvest festivals, music concerts), sporting activities (casual walks, leisurely bicycles), social activities (bazaars, blood donations, competitions, birthdays) are also recorded in this column.

By looking at the candidates’ campaign fund reports reported to the KPU, it can be seen that the candidates have not reported advertising spending honestly and correctly in the campaign finance reports. For example, the Munafri Arifuddin, SH and Dr Abd Rahman Bando, SP, M.Si pair in the Makassar City Pilkada published 510 advertisements with a total advertising expenditure of IDR 983,535,911 financed by the Bosowa company. However, when you check the Campaign Fund Initial Report (LADK) for the period 23-24 September 2020, the paid campaign advertising spending on social media of 12 advertisements in the September period has not been reported. In the Campaign Fund Receipt and Expenditure Report (LPPDK) for the period of September 23 until December 5, 2020, it was stated that the amount of donations received in the form of money was IDR 11,505,000,000 and in the form of services, it was worth IDR 3,127,000,000. Meanwhile, expenditures for “Other Activities That Do Not Violate Campaign Prohibition and Legislation” were recorded at 2,580,572,867. It is not clear what the exact spending for campaigns on social media is.

Other candidate pairs in the Makassar City Election have also not honestly and correctly reported spending on paid campaign advertising. In the LADK for the period 23-24 September 2020 belonging to Irman Yasil Limpo and Andi Zunnun Armin Nurdin which was reported to the KPU, there have been no reports of paid campaign advertising spending on social media. In fact, there have been about 17 advertisements that aired during that period. In the LPPDK, spending on campaigns on social media in the column “Other Activities Not Violating Campaign Prohibitions and Legislations” is written as 0.

A comparison of actual spending on advertising on Facebook during the period August 4 to November 9, 2020 with campaign spending on social media in the LPPDK, in the column “Expenditures on Other Activities That Do not Violate Campaign Prohibitions and Legislation”, can be seen in the following table.

Table Comparison of Actual Spending on Facebook Ads with Reported Spending

NO	NAME OF CANDIDATE PAIR	PILKADA REGION	ACTUAL SPENDING ON ADVERTISING ON SOCIAL MEDIA (4 AUGUST TO 9 NOVEMBER 2020)	EXPENDITURES ON OTHER ACTIVITIES THAT DO NOT VIOLATE CAMPAIGN PROHIBITIONS AND LEGISLATION IN LPPDK
1.	MUNAFRI ARIFUDDIN, SH & DR ABD RAHMAN BANDO, SP, M.SI	Makassar City	983,535,911	2,580,572,867
2.	ANDREI ANGOUW & dr. RICHARD HENRY MARTEN SUALANG	Manado City	112,753,557	0
3.	H. RUSDY MASTURA & Drs. MA'MUN AMIR	Central Sulawesi	66,513,305	56,323,750
4.	Ir. BEN BRAHIM S. BAHAT,, MM., MT & Dr. H. UJANG ISKANDAR, ST., M.Si	Central Kalimantan	61,066,255	0
5.	Drs. MACHFUD ARIFIN, S.H. & MUJIAMAN	Surabaya City	43,185,601	721,993,685
6.	NURDIN RANGGABARANI, SH.,MH & H. BURHANUDDIN JAFAR SALAM, SH.,MH	Sumbawa	33,325,299	N.A
7.	ERI CAHYADI, S.T., M.T. & IR. ARMUDJI	Surabaya City	28,867,131	0
8.	H. KELANA APRILIANO, SE & Dr. DWI ASTUTIK , SAg., MSi.	Sidoarjo	28,329,152	0
9.	Irjen. Pol. Drs. H. Fakhrizal, M. Hum & Dr. H Genius Umar, S.Sos, M. Si	West Sumatera	20,837,874	0
10.	Drs. H MUHAMAD, M. Si & RAHAYU SARASWATI D. DJOJHADIKUSUMO	South Tangerang City	18,584,909	0
11.	Prof. Dr. Sutrisna Wibawa, M.Pd & Mahmud Ardi Widanto, S.IP	Gunung Kidul	18,467,521	0
12.	SAYED ABUBAKAR A. ASSEGGAF & Hj. RENI NURITA, S.Hut	Siak	17,102,259	0
13.	Prof H Denny Indrayana, S.H., LL.M., Ph.D. & Drs H DIFRIADI	South Kalimantan	14,776,798	0
14.	H. Abdul Halim Muslih & Joko B Purnomo	Bantul	13,449,927	30,000,000
15.	Ir. H Mulyadi & Drs.H Ali Mukhni	West Sumatera	12,953,572	0
16.	Olly Dondokambey, SE. & Drs. Steven O. E. Kandouw	North Sulawesi	12,291,693	0
17.	JUNAIDI, SP, M.Si & SAHRANI	Ketapang	11,117,332	0
18.	IRMAN YASIL LIMPO, SH & ANDI MUH. ZUNNUN ARMIN NURDIN HALID	Makassar City	10,565,128	0
19.	Dr. H. IRIANTO LAMBRIE & H. IRWAN SABRI, SE	North Kalimantan	10,102,534	0
20.	H ISDIANTO, S.Sos. MM & SURYANI, S.E	Riau Islands	10,091,000	0

From the table above, it can be concluded that the majority of candidates (80 percent) does not report spending on advertising on social media in the column “Other Activities that Do not Violate Campaign Prohibitions and Legislations” in the LPPDK. In fact, Law No. 10/2016 Article 187 Paragraph (7) states that anyone who intentionally provides false information in a campaign fund report is subject to a minimum of two months imprisonment or a maximum of 12 months and a fine.

Transparency of Campaign Fund Expenditure for Paid Political Advertising

Virtual campaigns through political advertising posted on digital platforms, including social media, are becoming increasingly popular because they have several advantages over conventional media. First, parties and candidates can make personalized advertisements that vary according to the behavior of constituents on the network (online) so that the message prepared can be more relevant. Second, advertising distribution can be targeted specifically at certain groups according to demographics, geographic location, age, issues of concern, and others. Both of these things are possible to do by utilizing digital platform user voter data that is mined by digital platforms or by parties and candidates themselves.

This method of virtual campaigning through political advertising also carries some risks. For individuals, the targeting of political advertisements can threaten privacy. The collection of users' personal data and browsing behavior online can provide sufficient information for advertisers to uncover and map the trends of users' political preferences. From this mapping, individuals are susceptible to receiving manipulation of information. This is where disinformation and deep fakes can thrive and escape scrutiny because they can only be seen by users of certain targeted digital platforms.

Political advertising on digital platforms can also have an impact on parties. The cost of political advertising on social media can provide greater profits for parties that have more campaign funds than other parties. It can keep political ideas, from parties with small campaign funds, from being widely distributed to the public. Parties will also increasingly rely on digital platforms to run their modern political campaigns. For the wider public, the targeting of political advertising can create fragmentation. The public is increasingly insulated with groups that fit a single issue that is personally relevant to them.

Unfortunately, there are no adequate regulations that can protect voters from the onslaught of personalization of political advertisements on digital platforms. In Indonesia, the regulation of political advertising still focuses on technical matters such as ad content and delivery time—not yet touching on the transparency and accountability behind the advertising content.

There are various possibilities for regulating paid political advertising on digital platforms including social media—ranging from being completely unregulated, as in the United States, to being banned at certain periods of the electoral process, as in some countries in Europe. Between these two extremes of regulation, there are a number of setting options that aim to make the process and methods of campaigning on social media more transparent.

In campaigns, candidates with large campaign funds can weed out opposing votes by flooding social media feeds, video portals, and search engines with political advertisements. Any candidate with deep pockets can easily pay for political advertising to reach millions of people in no time on the internet. This will happen at the expense of other candidates who are weaker financially. In commercial advertising such distribution may be justified, but in politics it raises questions about

the fairness of political competition. Such a practice is a form of discrimination in favor of candidates who have money that can cause opinions and other political candidates - who have less financial influence - to sink.

To ensure fairness of competition and avoid intervention by rich capitalists, there are several approaches to regulating campaign spending for paid political advertising on digital platforms (Jaurisch, 2020). First, limiting the number of paid political advertisements on digital platforms. The minimum amount can be related to the average number of advertisements per week, not airtime in minutes as in broadcast criteria. A fair amount cap is better than a ban on advertising that could potentially harm a small, lesser-known party or candidate. Advertising restrictions usually clash with free speech because they limit the ability of people and organizations to voice their opinions. However, this restriction only applies if people want to pay to place messages in other people's newsrooms and information. Parties, candidates, politicians, political organizations and citizens still have the freedom to talk about any political topic. The restrictions only apply to candidates or political parties that pay to reach voters.

This approach was taken by France. Their electoral code prohibits, for six months before the election, "the use of any commercial advertisement in the press or other means of audiovisual communication." This rule also covers online public communications. But in 2018, France introduced a new rule with the stipulation that within three months before the election, online platforms must provide users with information about who pays for the promotion of content related to debates of general interest. Users should be provided with fair, clear and transparent information about the use of personal data in the context of promoting information content related to public interest debates.

The second approach is setting up an advertiser verification mechanism by a digital platform. Limiting the number of political advertisements will certainly not prevent bad actors from trying to circumvent the rules. For example, if there is a limit to the number of advertisements a party can run, that party may try using a different account to buy more advertisements. Therefore, it is very important to improve the verification mechanism by digital platforms and the process can be checked by an independent body. Big platforms like Facebook and Google have set up verification mechanisms for political advertisers. The voluntary actions of these platforms are helpful, but have drawbacks that need to be addressed. The convoluted and different verification mechanisms on each platform make it sometimes difficult for political advertisers to pay to spread their message. This mechanism also makes it difficult for outside observers to examine the mechanism. Verification requirements can also be easily circumvented leading to some political advertisements not being included in the platform's ad library. Platforms should continue to be required to invest in improving their verification processes. If voluntary action is insufficient, mandatory rules with the option of sanctions should be enforced. For example, platforms may be asked to report their verification process, including errors in verifying political ad accounts. However, verification of political parties or political advertiser candidates should not be solely imposed on digital platforms. In the United States, Google

requires advertisers to provide a Federal Election Commission-provided ID if they wish to purchase political advertising. This allows cross-checking by other agencies.

Third, the modernization of transparency and accountability rules for campaign funds reporting that takes into account changes in political communication through paid advertising. Transparency and accountability are the main principles of campaign funds management. In this case, political parties must be open to all processes of managing and receiving campaign funds, such as opening a list of contributors and campaign fund reports that record all campaign receipts and expenditures. This transparency of campaign funds will show accountability for the management of party campaign funds by ensuring the compliance of political parties and candidates with rational, ethical, and not violating regulations. (Supriyanto, 2015).

The campaign fund reports already required for political candidates and parties could be expanded to allow supervisors or auditors to obtain more information about campaign finance spending. For example, campaign fund expenditures can be broken down to show what advertising costs are being spent on which advertising platforms.

In the UK, a number of electoral law reform recommendations were put in place for online political advertising. Among the reforms is that campaigners should be asked to provide more detailed and meaningful invoices from their digital platforms to increase transparency.

Paid Political Advertising Method Transparency

Transparency of campaign processes and methods on digital platforms, especially social media, also demands commitment from digital platforms—such as social media sites, video applications, search engine sites, and perhaps in the future other applications that allow advertising such as market place applications. Some platforms have found ways to be transparent about political advertising. However, their voluntary actions have not been sufficient to provide meaningful transparency.

To avoid this problem and to recognize the algorithms that underlie all types of social media ad targeting, meaningful transparency is needed for all advertisements, including political advertisements. Transparency is needed to enable public scrutiny. The public can better understand and better identify the strategies of political actors who advertise malicious content.

Ad transparency requires digital platforms to have an ad library with minimum technical standards—covering accessibility, design, and functionality—which was developed through a multi-stakeholder process so that the features of this ad library can truly meet the needs of public transparency. These technical standards include, first, the ad libraries provided by each platform must be compatible with each other. Second, advertising content in the form of images, videos, and other content must be provided in a machine-friendly format. Words in images or audio should be provided in text format for easy search. Third, the search field function must be able to accommodate searches based on ad content text, advertiser profiles, and

advertisements serving date ranges.

There are some minimum standards regarding information that must be disclosed which were formulated by a coalition of civil society in Europe coordinated by the European Partnership for Democracy (2020). This information includes:

First, information about the exact cost or amount of expenditure for serving political advertisements. Spending information in a range format, for example IDR 100,000–500,000, is not very meaningful to monitors or researchers who want to know exactly how much is spent on advertising.

Second, advertiser information. This advertiser's information must be accurate and complete. Third parties such as agencies, which advertise on behalf of other entities, must also transparently disclose who assigned them to place advertisements. Information on the candidate or party who orders and finances political advertising must be disclosed in the ad library.

Third, identify advertisers. The platform must facilitate the connection between advertiser information on the platform and identifiers such as tax numbers, registered letters with the Ministry of Law and Human Rights for political parties, official company names, etc.

Fourth, the targeting mechanism. Mechanisms such as similar user/audience grouping, in which the platform chooses the users, and any data used for that grouping to other mechanisms for implementing targeting should be disclosed in the ad library.

Fifth, targeting criteria. Information about targeting criteria needs to be disclosed with the same level of detail that advertisers obtain. This information should include the choices made by the advertiser about who this ad wants to be delivered to and which users have seen the targeted ad and engagement (share, like, comment) on the ad content.

Sixth, the ad library must display the information above, including for advertisements that have been removed by the platform because they do not meet community standards. Information about the type and category of content as well as the reasons and process for deletion should be displayed.

Recommendations

Technological developments that have influenced campaign patterns and methods require updating the legal framework to mitigate the risks arising from these new methods. Current regulations are inadequate to deal with changing technology and the potential risks associated with paid political advertising on digital platforms. The existing legal framework still uses a regulatory approach for political advertisements in the offline realm and in the realm of broadcast media.

Therefore, this paper recommends reforming the regulation of paid political advertising on social media by, first, changing the regulatory approach. The most feasible regulatory approach is to demand transparency instead of using a prohibition approach, which often conflicts with the principle of freedom of

expression and leads to illegal practices. Transparency regarding the methods or workings of targeted paid political advertising as well as the campaign funds spent on these methods is necessary so that the public can participate in monitoring.

Second, the regulation with a transparency insistence approach is not only intended for candidates or political parties, but also for digital platforms, especially social media where paid political advertisements are distributed to users. The major social media platforms have indeed made voluntary efforts to increase transparency. However, such efforts are prone to error and offer only rudimentary information to the public. There must be certain standards regarding the transparency and accountability of digital platforms, especially social media that allows public oversight of political advertisements.

Election campaigns and political movements are increasingly being built online. Political parties, candidates, and other political advertisers have spent a lot of money on advertising on digital platforms such as social media, video portals, and web search engines. Digital platforms offer paid political communication opportunities that are different from communications in conventional media. An increasingly relevant and up-to-date legal framework is needed so that the digital realm becomes an equal space for candidates to introduce themselves and their programs and at the same time can protect voters from unhealthy campaign practices.

Recalculating the Maximum Receipt and Expenditure of Campaign Funds

One of the fundamental problems in regulating campaign funds in Indonesian elections is the limitation of campaign fund donations and campaign fund expenditures. The limit on campaign fund donations only applies to third parties, namely individuals and private business entities. Meanwhile, donations to campaign funds originating from political candidates and parties are not subject to a maximum contribution limit. Likewise, campaign fund expenditures are only applied to regional head elections, while presidential and legislative elections do not apply limits on campaign fund expenditures.

This provision is, of course, contrary to the spirit of campaign fund efficiency as well as equal competition for election participants. For example, as a result of not applying a limit to the donation of campaign funds originating from political candidates or political parties, candidates or political parties who have financial resources can maximize their financial capacity to finance various campaign activities. Meanwhile, parties and candidates who do not have financial resources have limitations in carrying out campaign activities. So there is an inequality in the campaign process.

There is no clear argument and background behind the non-enforcement of limits on donations to campaign funds originating from political candidates and parties. Based on data from The International Institute for Democracy and Electoral Assistance (IDEA), there are 27 countries that specifically impose limits on the receipt of campaign funds for candidates from a total of 180 countries studied¹¹.

On the other hand, the limits on campaign fund donations from third parties to individuals and private business entities, which always increase in each revision of the

11 See <https://www.idea.int/data-tools/question-view/284507>

election law, are not accompanied by a clear calculation formula of origin. This despite the fact that these third party donations are a potential source of campaign funds for election participants to meet their financial needs. However, an open mechanism for calculating the limit of campaign fund donations is needed with clear calculation indicators.

In practice, in many countries, there are indeed several formulas for calculating the maximum limit for campaign fund donations. Based on the International IDEA database, there are three types of formulas for calculating the limits for campaign fund donations, namely: fixed amount, based on the applicable minimum wage, and based on previous election campaign fund expenditures. Indonesia is included in the type of country that applies a fixed amount of campaign fund donation limits. Italy and France are other examples of countries that apply this type of fixed amount. In France, the maximum limit for campaign donations from candidates and political parties is set out directly in the law at €7,500. In Italy, the maximum limit for campaign donations set by law is €100,000.

The second type is where the maximum limit for campaign fund donations is determined by the minimum wage. This applies in several countries such as Portugal, Paraguay, and Brazil. In Portugal third parties such as individuals and businesses can donate campaign funds of at least 60 times the salary received by the donor. The maximum limit for campaign fund donations in Paraguay is the equivalent of 10,000 days of minimum salary earned by the donor. Meanwhile in Brazil, the maximum limit for campaign fund donations is 10% of the total income of donors in one year.

The third type of formula for calculating the maximum limit for campaign fund donations is determined by referring to the expenditure of campaign funds for candidates or political parties in the previous election. In South Korea, for example, the limit on campaign fund donations from third parties is equivalent to 10% of the campaign funds spent by election participants in the previous election. Likewise with Mexico, which imposed a maximum limit on campaign fund donations of 10% of the total limit on campaign fund expenditure in the previous election. Meanwhile, in Argentina, the limit for donations to campaign funds for private parties is equivalent to the limits for spending on campaign funds and public funds obtained by the party.

These three types certainly each have advantages and disadvantages. For the fixed amount type, the main drawback is that the public, including election participants, do not know how the maximum nominal limit for campaign fund donations is calculated. Meanwhile, the second type is based on the minimum wage, which results in differences in the limits of campaign fund donations in each region, according to the minimum wage standards in the respective region. However, this type can measure the level of a person's ability to donate campaign funds. While for the third type, which refers to the last campaign fund expenditure or the limit on campaign fund expenditure, one of the drawbacks is that the donation and campaign limit is determined by how little or how much campaign funds are spent by other contestants in the previous election.

Limitations on campaign fund donations based on minimum wage standards in each region tend to be relevant compared to the other two types. This is because by using the standard variable for calculating the minimum wage, donations given to pairs of candidates by third parties or from candidates tend to be more measurable and it is easier to carry out audit and verification processes.

On the other hand, by using the minimum wage variable, the limits for campaign fund donations in each region are different at the provincial or regency/city levels, which are adjusted to the election level. For legislative elections, the limit for campaign fund donations is calculated based on the minimum wage standards in the Province for the election of DPR and Provincial DPRD and the regency/city minimum wage for Regency/City DPRD. In this case the determination of the minimum wage is in accordance with the administrative area, which is the electoral district for the legislative election.

Meanwhile, for the presidential election, campaign fund donations are calculated from the total minimum wage in all Indonesian provinces that are electoral districts for the presidential election. The regional head elections, such as for governors, are calculated based on the provincial minimum wage standard where the gubernatorial election is held. Likewise, the election of regents/mayors is calculated based on the minimum wage standard at the district/city level where the election is held. Meanwhile, the amount can be calculated with several options, such as a maximum of 12 times or 24 times the minimum wage.

Simulation of Calculation of Maximum Donation of Campaign Funds Based on Minimum Wage in West Java Province 2021

REGENCY/CITY IN WEST JAVA PROVINCE	MINIMUM WAGE 2021*	MAXIMUM LIMIT OF CAMPAIGN FUND DONATION	
		12 TIMES MINIMUM WAGE	24 TIME MINIMUM WAGE
Karawang Regency	4,798,312	57,579,744	115,159,488
Bekasi City	4,782,936	57,395,228	114,790,455
Bekasi Regency	4,791,844	57,502,127	115,004,254
Depok City	4,339,515	52,074,177	104,148,354
Bogor City	4,169,807	50,037,679	100,075,358
Bogor Regency	4,217,206	50,606,472	101,212,944
Purwakarta Regency	4,173,569	50,082,823	100,165,647
Bandung City	3,742,276	44,907,318	89,814,636
West Bandung Regency	3,248,283	38,979,399	77,958,799
Sumedang Regency	3,241,930	38,903,156	77,806,312
Bandung Regency	3,241,930	38,903,156	77,806,312
Cimahi City	3,241,929	38,903,148	77,806,296
Sukabumi Regency	3,125,445	37,505,337	75,010,673
Subang Regency	3,064,218	36,770,617	73,541,234
Cianjur Regency	2,534,799	30,417,588	60,835,176
Sukabumi City	2,530,183	30,362,192	60,724,383
Indramayu Regency	2,373,073	28,476,882	56,953,763
Tasikmalaya City	2,264,093	27,169,119	54,338,239
Tasikmalaya Regency	2,251,788	27,021,455	54,042,910
Cirebon City	2,271,202	27,254,421	54,508,842
Cirebon Regency	2,269,557	27,234,681	54,469,362
Garut Regency	1,961,086	23,533,028	47,066,057

REGENCY/CITY IN WEST JAVA PROVINCE	MINIMUM WAGE 2021*	MAXIMUM LIMIT OF CAMPAIGN FUND DONATION	
		12 TIMES MINIMUM WAGE	24 TIME MINIMUM WAGE
Majalengka Regency	2,009,000	24,108,000	48,216,000
Kuningan Regency	1,882,642	22,591,708	45,183,417
Ciamis Regency	1,880,655	22,567,854	45,135,709
Pangandaran Regency	1,860,591	22,327,096	44,654,192
Banjar City	1,831,885	21,982,618	43,965,236
Total	82,099,752	985,197,023	1,970,394,045

*SOURCE: [HTTPS://FINANCE.DETIK.COM/BERITA-EKONOMI-BISNIS/D-5265016/INI-DAFTAR-LENGKAP-UMK-JAWA-BARAT-2021-17-KABKOTA-NAIK](https://finance.detik.com/berita-ekonomi-bisnis/d-5265016/ini-daftar-lengkap-umk-jawa-barat-2021-17-kabkota-naik)

For example, the minimum wage in 27 regions in West Java Province in 2021 is 82,099,752 rupiah. If using the amount of 12 times the minimum wage, then the maximum limit for campaign fund contributions in the election of governor and deputy governor of West Java is 985,197,023 rupiah. Meanwhile, if using the amount of 24 times or two years, the minimum wage is 1,970,394,045 rupiah. This provision also applies to the maximum contribution limit for the Election of DPR and DPRD in West Java where the basis for the formation of electoral districts is the regency/city in the province.

Likewise, this applies to the election of mayors or regents in regencies or cities in West Java Province, which adjusts to the minimum wage in each regency/city. For the Banjar City Pilkada, for example, the minimum wage applicable in 2021 is 1,831,885 rupiah, so the maximum campaign fund donation for the election of mayor and deputy mayor in Banjar is 21,982,618 rupiah for a count of 12 times the minimum wage or 43,965,236 rupiah for 24 times the minimum wage in Banjar City. This maximum donation limit also applies to the Banjar City DPRD Election where the basis of the applicable electoral district administration area is the city.

The maximum limit on campaign fund expenditure is also important to apply not only in the regional head elections, but also in the legislative and presidential elections. Although the main objective of imposing a limit on campaign expenditure is to create a space for equal competition and efficiency, its implementation is often faced with a choice between reducing high political costs by presenting quality campaigns and respecting the political rights of candidates to campaign. A proportional calculation formula is needed so that the political arena is equal without having to sacrifice the quality of inclusive campaign activities (Ohman in Flagure et.al 2014).

The formula for calculating the limits on campaign funds regulated in the regional head election law tends to produce the nominal amount that limits the space for campaign activities. This is because the formula for calculating campaign limits is carried out using the standard regional cost variable multiplied by the types of campaign activities. Even though the aim is to equalize access and frequency of campaigns between candidates, this provision limits the space for candidates' campaigns when they want to maximize certain campaign methods.

As an illustration, if there are candidates who only want to maximize their campaign with the face-to-face meeting method compared to distributing campaign materials, then the amount of funds spent should not exceed the limit of campaign funding expenditures

in the predetermined face-to-face meeting method. Even if the candidate is not maximizing other campaign methods. For this reason, it is very important to change the formula for calculating the limits on campaign fund expenditures that give election participants the widest possible autonomy to use certain campaign methods or activities but still do not exceed the spending limits that have been determined.

Based on the publication of the political finance database of International IDEA, there are four formula models for calculating the limits of campaign fund expenditure. First, the fixed cost campaign budget expenditure limit is determined and stated directly in the law. Second, the calculation of the amount of campaign funds that makes the number of voters or the number of residents as a calculated variable. Through this formula, a small number or a large number of voters or residents affects the size or size of the limit on campaign fund expenditure. Third, the limit for campaign fund expenditure uses the minimum wage calculation variable. Fourth, the limit for campaign fund expenditure is calculated through other variables such as the amount of public funds received.

Four Models of Calculation of Campaign Fund Expenditure Limits

VARIABLES FOR CALCULATION OF CAMPAIGN FUND EXPENDITURE LIMITS	EXAMPLES OF COUNTRIES THAT APPLY
Fixed Cost	<ol style="list-style-type: none"> 1. New Zealand: Political parties may not spend more than NZD 1,169,000 campaign spending, while for candidates it should not exceed NZD 27,500; 2. Austria: can spend a maximum of 7 million euros on campaign spending.
Number of voters	<ol style="list-style-type: none"> 1. United Kingdom: maximum campaign spending limits are set at £30,000 per voter or £810,000, then £120,000 in Scotland, £60,000 Wales and £30,000 per voter in Northern Ireland; 2. Spain: National elections are determined by the mechanism of €0.24 per-population in an electoral district. As for the regional head election, it is €0.07 per population.
Minimum wage	<ol style="list-style-type: none"> 1. Kazakhstan: limits on campaign spending equal to 500 minimum wages for senate elections and 15,000 minimum wages for presidential elections; 2. Portugal: limits on campaign fund expenditures equivalent to 150 to 12,500 monthly minimum wages depending on the type of election; 3. Paraguay: the minimum wage is combined with the variable number of voters to determine the maximum amount of campaign fund expenditure with a mechanism of 10% of the minimum wage for each registered voter.
Others	<ol style="list-style-type: none"> 1. Albania: the limit on campaign fund expenditure cannot exceed 10 times the amount of public funds received by political parties; 2. Cape Verde: limit on campaign fund expenditure equal to 80% of state funding subsidies to political parties; 3. Georgia: the limit on campaign fund expenditure is equal to 0.1% of Gross Domestic Product in the previous year.

SOURCE: PROCESSED FROM [HTTPS://WWW.IDEA.INT/DATA-TOOLS/QUESTION-VIEW/562](https://www.idea.int/data-tools/question-view/562) AND [HTTPS://WWW.IDEA.INT/DATA-TOOLS/QUESTION-VIEW/560](https://www.idea.int/data-tools/question-view/560)

These four models do not impose any limits on campaign fund expenditure based on campaign methods or activities. In this case, election participants are allowed to use any campaign method or activity regulated by law as long as it does not exceed the limit on campaign fund expenditure that has been determined in accordance with the choice of model for calculating the limit of campaign fund expenditure. For this reason, Indonesia can at least use several models for calculating the limits on campaign fund expenditure. One of them is by combining the minimum wage with the number of voters as follows:

Simulation of Calculation of Limits on Campaign Fund Expenditure Based on Election Variables and Minimum Wage in West Java Province

NO.	REGENCY/CITY IN WEST JAVA PROVINCE	2021 MINIMUM WAGE (UMR)*	2019 ELECTION PERMANENT VOTER LIST (DPT)**	PER-VOTER (0,1% UMR X NUMBER OF VOTERS)	
1	Karawang Regency	4,798,312	1,669,959	4,798	8,012,984,309
2	Bekasi City	4,782,936	1,682,120	4,783	8,045,471,699
3	Bekasi Regency	4,791,844	2,053,546	4,792	9,840,271,873
4	Depok City	4,339,515	1,309,338	4,340	5,681,891,538
5	Bogor City	4,169,807	716,473	4,170	2,987,553,830
6	Bogor Regency	4,217,206	3,467,603	4,217	14,623,596,177
7	Purwakarta Regency	4,173,569	687,100	4,174	2,867,658,992
8	Bandung City	3.742.276	1,734,652	3,742	6,491,547,381
9	Bandung Barat Regency	3,248,283	1,190,084	3,248	3,865,729,959
10	Sumedang Regency	3,241,930	864,168	3,242	2,801,571,879
11	Bandung Regency	3,241,930	2,360,659	3,242	7,653,090,453
12	Cimahi City	3,241,929	380,292	3,242	1,232,879,663
13	Sukabumi Regency	3,125,445	1,826,011	3,125	5,707,096,439
14	Subang Regency	3,064,218	1,149,540	3,064	3,522,441,252
15	Cianjur Regency	2,534,799	1,666,979	2,535	4,225,456,686
16	Sukabumi City	2,530,183	232,691	2,530	588,750,726
17	Indramayu Regency	2,373,073	1,353,210	2,373	3,211,266,737
18	Tasikmalaya City	2,264,093	484,389	2,264	1,096,701,880
19	Tasikmalaya Regency	2,251,788	1,366,465	2,252	3,076,989,380
20	Cirebon City	2,271,202	238,003	2,271	540,552,825
21	Cirebon Regency	2,269,557	1,702,668	2,270	3,864,301,652
22	Garut Regency	1,961,086	1,895,779	1,961	3,717,785,087
23	Majalengka Regency	2,009,000	980,117	2,009	1,969,055,053
24	Kuningan Regency	1,882,642	851,417	1,883	1,602,913,710
25	Ciamis Regency	1,880,655	939,911	1,881	1,767,647,889
26	Pangandaran Regency	1,860,591	320,118	1,861	595,608,775
27	Banjar City	1,831,885	147,553	1,832	270,300,102
Total					109,861,115,947

SOURCE:

*[HTTPS://FINANCE.DETIK.COM/BERITA-EKONOMI-BISNIS/D-5265016/INI-DAFTAR-LENGKAP-UMK-JAWA-BARAT-2021-17-KABKOTA-NAIK](https://finance.detik.com/berita-ekonomi-bisnis/d-5265016/ini-daftar-lengkap-umk-jawa-barat-2021-17-kabkota-naik)**[HTTPS://DATABOKS.KATADATA.CO.ID/DATAPUBLISH/2019/04/17/JUMLAH-DPT-DI-PROVINSI-JAWA-BARAT-33-JUTA](https://databoks.katadata.co.id/datapublish/2019/04/17/jumlah-dpt-di-provinsi-jawa-barat-33-juta)

POLITICAL PARTY FUNDS ARRANGEMENT

Political party funds are the use of money for the needs of political parties in carrying out day-to-day party organization, including carrying out their party functions. Concrete examples of political funds are building rent, electricity/water/internet fees, salaries of party administrators, costs for routine party meetings, party membership recruitment, political education, and party congresses or conferences.

Political party laws are the legal umbrella governing the political party funding system. Law 3/1975 on Political Parties and Working Groups is the first party law that regulates political party funds. This law is the first to introduce four main sources of funding for political parties including: membership dues, non-binding donations, other legitimate businesses, and assistance from the state/government. However, this law does not specifically regulate how political party funds are managed, including the limits on the four sources of revenue.

There are four political party laws that have regulated the political party finance system after the fall of the authoritarian New Order regime, namely: Law 2/1999, Law 31/2002, Law 2/2008, and Law 2/2011. There are five main dimensions that govern political party finance from the four Party Laws: (1) where political party funds come from; (2) limits on funding sources that political parties may receive from third parties; (3) state finance assistance mechanism for political parties; (4) mechanism for reporting and auditing political party funds; and (5) sanctions provisions.

Comparison of Political Party Fund Arrangements in Political Party Law

ARRANGEMENT DIMENSION	LAW 2/1999	LAW 31/2002	LAW 2/2008	LAW 2/2011
Source	Member fees; donations; other legitimate business; state funds.	Member fees; donations; state funds	Member fees; donations; state funds	Member fees; donations; state funds
Limit of Contribution	Individual maximum of IDR 15 million; business entities maximum of IDR 150 million in a year.	Individual maximum of IDR 200 million; business entities maximum IDR 800 million in a year.	Individual non-member maximum IDR 1 billion; business entities maximum of IDR 4 billion in a year.	Individual non-member maximum IDR 1 billion; business entities maximum IDR 7.5 billion in a year
State assistance	<ul style="list-style-type: none"> Political parties that gain votes in elections. 	<ul style="list-style-type: none"> Political parties that have seats in the DPR/DPRD; proportionately based on the number of seats. 	<ul style="list-style-type: none"> Political parties that have seats in the DPR/DPRD. proportionately based on the number of votes. 	<ul style="list-style-type: none"> Political parties that have seats in the DPR/DPRD. proportionately based on the number of votes.
State fund reporting	(unregulated)	(unregulated)	Submit an accountability report to the government after being audited by the BPK.	Submit an accountability report to BPK for audit.
Sanctions on state fund reporting	(unregulated)	(unregulated)	Termination of state funds until the report is received by the government.	Termination of state funds until the report is received by the government.

SOURCE: SUPRIYANTO & WULANDARI 2012: 17-19.

Member fees, donations from third parties, and allocation of state funds are the three main sources that are always regulated in the post-reform political party laws. Specifically for third party contributions, both individuals and private business entities, the Political Party Law regulates the maximum amount of donations that parties may receive. Meanwhile, contributions from members of political parties and political party administrators are not subject to a contribution limit.

State finance assistance for political parties has been introduced since the New Order government. The main requirement for political parties to obtain state funds is to gain votes in elections and obtain seats in the legislature. There are two main objectives of providing state financial assistance to political parties, namely to assist the activities and administration of political parties. State finance assistance for political parties at the DPR level comes from the State Revenue and Expenditure Budget (APBN). Meanwhile, state financial assistance for political parties at the DPRD level comes from the Regional Revenue and Expenditure Budget (APBD).

In 2005, Government Regulation no. 29 of 2005 concerning Finance Assistance for Political Parties regulates the amount of allocation of state funds for political parties based on the seats of political parties in the legislature. Political parties that have seats in the DPR are entitled to receive IDR 21 million per DPR seat every year. Meanwhile, for political parties that have seats in the Provincial DPRD and Regency/Municipal DPRD, the nominal amount is not stated, but the following provisions are given: (1) The amount of finance assistance to political parties that have seats in Provincial DPRD does not exceed finance assistance to political parties with DPR seats; (2) The amount of finance assistance to political parties that have seats in the Regency/Municipal DPRD does not exceed finance assistance to political parties that have seats in Provincial DPRD.

Government Regulation No. 29 of 2005 was changed to Regulation No. 5 of 2009 which had an impact on changing the mechanism for calculating the amount of state finance assistance for political parties. Previously, political party state finance assistance was calculated per DPR/DPRD seat owned by a political party, but this regulation changed it based on the per-vote obtained by political parties in elections to obtain DPR/DPRD seats. The calculation formula for determining the nominal amount of state finance assistance for political parties is as follows:

1. Finance assistance for political parties that gain seats in the DPR:
The amount of finance assistance from the APBN for the previous fiscal year divided by the number of votes gained from the results of the DPR Election for political parties that gained seats in the previous period;
2. Finance assistance for political parties that gain seats in the Provincial DPRD:
The amount of finance assistance from the provincial APBD for the previous fiscal year divided by the number of votes gained from the results of the Provincial DPRD Election for political parties that gained seats in the previous period;
3. Finance assistance for political parties that gain seats in the Regency/City DPRD:
The amount of finance assistance from the Regency/City APBD for the previous fiscal year divided by the number of votes gained from the Regency/City DPRD elections for political parties that gained seats in the previous period;

Previously, state finance assistance for political parties was intended to assist party activities and administration. This regulation changes the allocation of political party finance assistance into two areas: political education and political party operations. Political education is indeed the main function of political parties in Indonesia. Specifically Government Regulation No. 29 of 2005 explains that political education carried out by parties is: (a) increasing awareness of the rights and obligations of the community in the life of society, nation and state; (b) increasing political participation and community initiatives in the life of society, nation and state; and (c)

increasing independence, maturity, and building the nation's character in order to maintain national unity and integrity.

In addition, government regulations require political parties in conducting political education to pay attention to aspects of gender equality which are specifically described in Article 10 Paragraph (2) Government Regulation no. 29 of 2005: "political education activities are carried out by paying attention to justice and gender equality to build ethics and political culture in accordance with Pancasila".

Government Regulation No. 5 of 2009 was again revised into Government Regulation No. 83 of 2012. The revision of this government regulation does not change the mechanism for calculating party finance assistance, which is based on the votes acquired by political parties to gain legislative seats. However, this regulation only emphasizes the provisions on the use of state finance assistance for political parties in the form of political education for members of political parties and the public at least 60% of the total budget. In addition, this government regulation also regulates the substance of political education which includes:

1. Exploration of the four pillars of the nation and state, namely Pancasila, the 1945 Constitution, Bhinneka Tunggal Ika, and the Unitary State of the Republic of Indonesia;
2. Understanding of the rights and obligations of Indonesian citizens in building ethics and political culture;
3. The cadre of members of political parties in stages and continuously.

Government Regulation No. 5 of 2009 was revised again in 2018, which later became Government Regulation No. 1 of 2018. The basic changes from this government regulation regarding the nominal amount of state financial assistance for political parties in the DPR and DPRD are made in stages as follows:

1. The amount of finance assistance to political parties at the central level that gain seats in the DPR is IDR 1,000 per valid vote;
2. The amount of finance assistance to political parties at the provincial level that gain seats in the provincial DPRD is IDR 1,200 per valid vote. However, for provinces that have allocated the amount of state finance assistance of more than IDR 1,200 the allocation of financial assistance for political parties is equal to the amount of financial assistance for political parties for the current fiscal year;
3. The amount of finance assistance to political parties at the provincial level that gain seats in the Regency/City DPRD is IDR 1,500 per valid vote. However, for regencies/cities that have allocated the amount of state finance assistance of more than IDR 1,200 the allocation of finance assistance for political parties is equal to the amount of finance assistance for political parties for the current fiscal year.

POLITICAL PARTY FINANCES BEYOND THE ELECTION

Political party finances beyond the election stage are regulated by political party laws. The arrangements are not much different, such as sources of receipt coming from members of political parties, third party donations, and allocation of state funds. The basic difference between the regulation of campaign funds and the finance arrangements of political parties

beyond the election stage is that political parties are given independent space to manage their sources of funding as long as they do not exceed the donation limit specified in the law.

For membership fees, for example, political parties are allowed to regulate these independently in their Articles of Association and Bylaws (AD/ART) or political party regulations. However, specifically for funds obtained from the state, the Political Party Law requires every political party to submit finance reports on the use of state funds for audit.

Table of Political Parties Funding Sources Arrangements in the Party's AD/ART

POLITICAL PARTY	FUNDING SOURCE
Demokrat Party	<ol style="list-style-type: none"> 1. Membership dues. 2. Dues for faction members at all levels. 3. Legitimate donations according to applicable regulations. 4. Finance assistance from APBN/APBD.
Golkar Party	<ol style="list-style-type: none"> 1. Mandatory dues. 2. Voluntary contributions. 3. Individual donations. 4. Donations of agencies or institutions. 5. Other legitimate businesses. 6. Assistance from APBN/APBD.
PDIP	<ol style="list-style-type: none"> 1. Registration fee and membership dues. 2. Non-binding donations. 3. Other legitimate income.
PKS	<ol style="list-style-type: none"> 1. Membership fee. 2. Halal (lawful) and legal sources as well as non-binding and in accordance with the legislation. 3. Assistance from state budget.
PAN	<ol style="list-style-type: none"> 1. Membership fee 2. Business, infaq donation. 3. Grants and wills. 4. Legislative member fee. 5. Executive member fee. 6. Other sources that are lawful, not binding and do not conflict with the legislation.
PPP	<ol style="list-style-type: none"> 1. Registration fee and membership dues. 2. Non-binding donations. 3. Halal (lawful) business and receipt. 4. Assistance from the state/government.
PKB	<ol style="list-style-type: none"> 1. Membership dues. 2. Other business made by the party. 3. Donations that are halal (lawful) and not binding. 4. Transfer of rights to and on behalf of the party.
Gerindra Party	<ol style="list-style-type: none"> 1. Membership dues. 2. Legal and non-binding donations. 3. Finance assistance from APBN/APBD. 4. Donations from party legislators in the amount of 25% of the salary received.

(SUPRIYANTO (ED.) 2011: 68-69)

Party Finance Receipt Sources

When we look at the financial arrangements of political parties in the AD/ART of each political party in parliament, it states that the sources of their party's finance receipts are member fees with various mechanisms, donations from third parties, and finance assistance from the APBN/APBD. However, some parties also include the nomenclature of 'other income' or 'other legitimate businesses', such as those found in the AD/ART

of PDIP, Golkar, PKB, Nasdem, and PAN. Only Gerindra, PKS, Demokrat, and PPP have determined that financial receipts are only from member fees, third party donations, and finance assistance from the state budget/APBN.

Regarding membership fees, each political party has a different mechanism. For example, in Gerindra's AD/ART it is explained that there is a distribution of membership dues such as mandatory contributions, voluntary contributions, party management fees, and contributions for cadres who sit in the DPR/DPRD at a rate of 25% of monthly salaries and allowances. Furthermore, the AD/ART PKB distinguishes between registration fees and membership dues, and also regulates the allocation to DPP, DPW, and DPC.

The Demokrat party AD/ART has arrangements similar to Gerindra's, where the membership dues are divided into two, namely dues for all members and dues for faction members at all levels. The PPP has also done the same. The difference is, in addition to party members who sit in legislative positions, PPP also requires party members who are executive officers and officials of other government institutions to pay special fees other than membership fees. Like PPP, PAN also obliges members in the legislature and the executive to pay mandatory dues.

However, from all the AD/ART of the political parties, there is no regulation regarding the limit on donations for members. Unfortunately, Law 2/2011 on Political Parties also does not regulate this. In fact, setting the limit on the donation limit of party members will have a significant impact on party finances and the party's internal democratization. The absence of this arrangement has become an opportunity to build an oligarchy in the party, with internal competition of members based on the number of donations. So there is no surprise if a tycoon who has just become a party member immediately occupies an important position in the party. Therefore, it is necessary to look at the comparison of party financial revenue arrangements in the respective AD/ART, which can be seen in the table below:

Comparison of Political Party Finance Receipt Arrangements Based on the respective AD/ART

POLITICAL PARTY	MANDATORY MEMBER-SHIP DUES	LEGISLATIVE MEMBER DUES	EXECUTIVE MEMBER DUES	LIMIT OF MEMBER DONATIONS	PARTY OFFICIAL DUES	LEGITIMATE THIRD PARTY DONATIONS	BAN-PARPOL (POLITICAL PARTY ASSISTANCE)	OTHER LEGITIMATE BUSINESS/INCOME
PDIP	V	-	-	-	-	V	V	V
Gerindra	V	V	-	-	V	V	V	-
Golkar	V	-	-	-	-	V	V	V
PKB	V	-	-	-	-	V	V	V
Nasdem	V	-	-	-	V	V	(no state finance assistance clause)	-
PKS	V	-	-	-	-	V	V	-
Demokrat	V	V	-	-	-	V	V	-
PPP	V	V	V	-	-	V	V	-
PAN	V	V	V	-	-	V	V	V

SOURCE: PROCESSED BY THE AUTHOR, 2021

Based on the table above, it can be concluded that the regulation regarding the source of party finance receipts in Law 2/2011 concerning Political Parties was later adopted by each political party through their respective AD/ART. It is also interesting to see the arrangement regarding the withdrawal of membership dues. There are five political parties which, in addition to collecting dues to all members, also collect special fees from certain members such as legislative officials, executive officers or party officials. However, there are no political parties that set limits on member donations. The absence of such regulation is very risky because it will hinder the internal democratization of political parties. On the other hand, there are also political parties whose receipts are obtained from other efforts, apart from the three main sources regulated by the Political Party Law.

Membership dues

Membership dues for political parties are one of the most important sources of funding for political parties' finances. In addition to meeting the daily needs of running a party organization, membership dues have a function to further strengthen members' sense of belonging to political parties which leads to higher party identification (Party ID). However, this will only happen if the membership dues are carried out periodically and carried out by all party members down to the grassroots level. The problem is that membership dues are not able to run optimally and comprehensively for all party members.

In the context of Indonesia, membership dues can be divided into three types, including: (1) Membership dues from all members of political parties who have party membership cards; (2) Membership dues from party management; and (3) Membership dues from party members elected in the general election (legislative or executive members). The first type of membership dues is usually done by collecting registration fees from those becoming party members and voluntary donations by party members every month. However, this first type of membership dues is usually not able to run optimally for three reasons:

1. Membership dues are seen as burdensome to members so that it is actually a disincentive to strengthening political party institutions, especially for the needs of member recruitment;
2. The mechanism for collecting membership dues is technically difficult to implement and ineffective if enforced;
3. The amount obtained from the collection of membership dues is not significant (Supriyanto et al 2011: 85)

Membership dues from party members elected in the legislative and executive elections are relatively smoothly. Salary deduction is one of the usual mechanisms to collect membership dues from members elected in elections. The amount varies depending on the internal policies of each political party. Usually political parties have determined the minimum percentage of membership dues from members of the legislature or executive that must be given every month from the total salary earned each month. Based on a study conducted by Perludem in 2011 on nine political parties in the DPR, the provision for regular salary cuts is in party regulations and meeting decisions. Only Gerindra clearly regulates this mechanism in the AD/ART of political parties. In addition, the salary deduction mechanism also applies at the regional level for party members elected in the DPRD and regional heads.

Basic Policy and Amount of Donations Withdrawal from DPR Members
(To Basic Salary and Allowances IDR 44,347,200/Month)

POLITICAL PARTY	NUMBER OF SEAT	BASIC POLICY	AMOUNT OF DONATION	TOTAL DONATION
Demokrat Party	148	DPP meeting	IDR 5 million	IDR 984,507,850
Golkar Party	106	DPP meeting	IDR 5 million	IDR 530,000,000
PDIP	94	DPP Decree	20%-30%	IDR 833,727,360
PKS	57	DPP meeting	10%	IDR 252,779,040
PAN	46	DPP meeting	30%	IDR 611,991,360
PPP	38	DPP meeting	IDR 10-12 million	IDR 380,000,000
PKB	28	DPP meeting	IDR 12 million	IDR 336,000,000
Gerindra Party	26	AD/ART	25%	IDR 288.256,800
Hanura Party	17	DPP meeting	15%	IDR 113,085,360

SUPRIYANTO (ED.) 2011: 87

Membership dues from party members who are elected in the election are not only in the form of money but in-kind in the form of goods or services. Indirect donations are usually given when political parties conduct certain events or activities. Party cadres who occupy executive positions are usually asked to finance certain activities or events organized by political parties, such as congresses, national conferences, national meetings, birthday celebrations, etc. (Supriyanto ed.2011:87). These contributions are limited and come from party members who have significant financial capital.

Of the nine political parties in the DPR as a result of the 2019 Election, only the Gerindra Party officially publishes on its website the amount of receipts obtained through membership dues on its official website. Based on the report on the finance position of the Gerindra Party central leadership board on December 31, 2019, the membership dues of the Gerindra Faction in the DPR is IDR 10,678,500,000 and membership dues from members of the Provincial DPRD and Regency/City DPRD are IDR 73,556.376,338, with the management donation of IDR 2,000,000,000¹².

The basic problem with membership dues is the absence of a maximum limit for donations. Law 2/2011 only regulates the maximum donation from third parties, individuals and business entities. Meanwhile, contributions from party members are not regulated. Transparency and accountability are the fundamental problems of the absence of this maximum contribution limit. On the other hand, party members who have sufficient financial capital can make donations of fantastic amounts which lead to the creation of an oligarchy within the internal political party. Starting from the goal of helping to meet the operational needs of the party, over time the party members are given preferential treatment by occupying strategic positions in the party management, which determines the policies of political parties.

Third Party Donations

Third party donations or donations from individuals and private business entities are a potential source of funds for political parties to meet the basic needs of their organization.

12 See [http://partaigerindra.or.id/ppid2020/LaporanKeuanganTahun2019\(audited\).pdf](http://partaigerindra.or.id/ppid2020/LaporanKeuanganTahun2019(audited).pdf)

The Law on Political Parties stipulates that the maximum limit for private business entities' contributions is IDR 7.5 billion in one year. The main purpose of imposing a maximum limit on donations from business entities is to maintain the party's autonomy and independence from the interests of certain business entities. In this case, in order to reduce the risk of donations that are quid pro quo, namely with the motive to get work contracts from government departments for business entities that make donations to political parties.

Based on a study by International IDEA, there are 45 countries that specifically prohibit certain private companies from making donations to political parties (see <https://www.idea.int/data-tools/question-view/529>). The actual impact of restrictive regulation may vary depending on the level of intensity; if the limit is too high, the impact will not be significant because the circulating donations are not reduced, but if the limit is too low, political parties and candidates will look for loopholes to circumvent the limit (Falguera et.al 2014:23).

Transparency is the main issue of business entity donations. In practice it is not easy to trace from which private business entities political parties get donations, including whether the amount of donations given does not exceed the maximum donation limit specified. The tendency is that donations from business entities are given directly to party officials who have strategic positions to make decisions in political parties.

A study conducted by Supriyanto (ed. 2011) confirms that donations from business entities are the main source of party funding with the motive of obtaining government projects. Donations are given not only in the form of money but in-kind. Almost all administrators of national political parties admit that activities such as congresses, national conferences, national meetings and the like are always supported by hotel owners. If they are not free, the party gets significant discounts (Supriyanto ed. 2011: 93). For this reason, in order to maintain the autonomy of political parties and minimize trade of influence, donations from private business entities need to be specifically regulated, including reporting and auditing mechanisms.

Of the nine political parties in the DPR as a result of the 2019 election, again only the Gerindra Party publishes the amount of third party donations it receives on its official website. Based on the report on the finance position of the Gerindra Party central leadership board on December 31, 2019, the third party contributions obtained by the Gerindra Party in 2019 was IDR 8,442,500,000. Unfortunately, the finance report does not provide detailed information regarding the origin of the third party contributions, whether from individuals or business entities.

Public Funding

State funds are state budgets obtained from the public (and, therefore, often known as public funds) for political parties every year. State funds for parties are often used as an instrument to solve problems arising from donations from private companies. In this case, they can minimize the dependence of political parties on investors. In addition, the provision of state funds to political parties is expected to encourage political parties to be more oriented to the public interest, because the source of funds obtained comes from the public. Furthermore, state funds for parties are also considered the best way to

minimize the corrupt behavior of party members through rent seeking, which is usually used to meet party needs.

The other objectives of implementing sources of funding for political parties from the state are as follows:

1. Ensure that all actors involved in the political process have equal resources, so as to increase pluralism and diversity of political choices for voters;
2. Limit competitors who have access to unlimited funding sources;
3. Encourage transparency and accountability of political parties in managing their finances (Falguera et.al 2014:23).

These goals will only be maximally achieved if they are maximally regulated in the law, starting from the provisions for obtaining, allocating, and reporting. Based on the database of International IDEA in 180 countries, there are seven criteria for political parties to obtain state funds, including:

1. Having seats in government institutions (executive or legislative);
2. Share of votes in previous election;
3. Registered as political party;
4. Share of seats in previous election;
5. Participation in election;
6. Number of members owned by political party;
7. Share of votes in next election (see <https://www.idea.int/data-tools/question-view/549>).

AMOUNT	0% STATE ASSISTANCE	STATE ASSISTANCE LESS THAN DONATIONS	STATE ASSISTANCE EQUAL TO DONATIONS	STATE ASSISTANCE MORE THAN DONATIONS	100% STATE ASSISTANCE
Country	New Zealand	United Kingdom, Italy, Australia	French, Denmark, Japan	Austria, Sweden, Mexico	Uzbekistan

SOURCE: OHMAN & ZAINULBHAI 2009

In Indonesia, political parties that are entitled to receive state funds are only political parties that obtain seats in the DPR and DPRD. These funds are given proportionally in accordance with the votes obtained by the parties in the general election. Law 2/2011 Article 34 Paragraph (3a) and (3b) stipulates that the allocation of state funds is prioritized to carry out political education for party members and the public. Further provisions on state funds are regulated in government regulations (PP).

PP 5/2009 initially set the amount of state funds for political parties at IDR 108 per vote for the DPR level, while for the Provincial DPRD and Regency/City DPRD levels depending on the capabilities of the Regional Revenue and Expenditure Budget (APBD). So for the regional level the amount of state funds tends to vary. Based on a study conducted by Didik Supriyanto and Lia Wulandari (2012), state funds for political parties are only able to meet 1.32% of the needs of party organizations. Meanwhile, political parties rely for the rest on donations from individuals, business entities, or other illegal practices that lead to corruption.

Increasing the amount of state funds for political parties has become a constant public discourse. The Corruption Eradication Commission (KPK) and the Indonesian Institute of Sciences (LIPI) believe that increasing state funds for political parties can minimize corrupt practices. For this reason, in 2018 the government issued PP 1/2018 which revised PP 5/2009 regarding the amount of state funds for political parties. This provision revises the amount of IDR 108 per vote by increasing it to:

1. IDR 1,000 per vote for political parties with DPR seats;
2. IDR 1,200 per vote for political parties having seats in Provincial DPRD;
3. IDR 1,500 per vote for political parties having seats in Regency/Municipal DPRD.
4. Specifically for state funds for political parties in the DPRD, the amount can be increased in accordance with the regional financial capacity.

PP 1/2018 also adds to the use of state funds given to political parties. Whereas previously it was prioritized for political education of party members and the public, the increase in state funds for political parties could now be used for the operations of the secretariat of political parties. While the reporting provisions have not changed and must be reported for audit by the Supreme Audit Agency (BPK), if they do not report they will be subject to sanctions in the form of financial assistance being withheld until the accountability report is examined by the BPK.

At the end of 2019, the KPK re-proposed that state funds for political parties be increased from IDR 1,000 to IDR 8,461 on the condition that the system of political party integrity (SIPP) is applied¹³. This increase discourse needs to be accompanied by an evaluation of the increase in state funds from Rp. 108 to Rp. 1000. Is this increase able to improve the party's performance? Is it enough to help the operational needs of the party? And, has it been able to encourage transparency and accountability of political parties? These questions need to be answered first before deciding to increase state funding for parties.

The system of integrity of political parties can be used as the main prerequisite if state funds for political parties are increased. The mechanism of intra-party democracy can be used as a benchmark for the performance of political parties. This could include when political parties are able to reflect democratic principles and ways of working in running the organization, such as open political recruitment, open circulation of party management elites, ethical standards, and opening up space for women's participation.

Another provision that can be used as another prerequisite is to specify the allocation of state funds to support certain party functions, such as increasing women's representation. Based on the IDEA study, state funds to increase women's representation can be arranged in four forms, including the following:

1. Reducing the amount of public fund subsidies for parties that do not meet the quota requirements for female candidates;
2. Withdrawal of public fund subsidies for parties that do not carry a certain number of female candidates;
3. Additional subsidies for public funds for parties that meet the requirements for the

13 See <https://www.cnnindonesia.com/nasional/20191211174716-20-456120/surati-presiden-kpk-usul-dana-parpol-rp8461-per-suara>

- number of candidates that must be promoted;
4. Additional public funding subsidies for parties in which a number of female candidates have won (Flaguera et.al 2014: 343).

Table of State Fund Arrangements for Women's Representation

COUNTRY	ARRANGEMENTS
France	Not allowed that more than 51% of candidates are from one gender. If the gender difference between candidates reaches 2%, the subsidy will be reduced by three-quarters.
Georgia	20% of candidates must be women; the Party will receive additional subsidies if it nominates 20% of women candidates out of every 10 candidates promoted.
Bosnia & Herzegovina	10 percent of the total state funds for parties will be distributed to parliament in proportion to the number of seats occupied by gender minorities.
Italy	Representation of both genders must not exceed two-thirds of the total candidates promoted by the party. If this provision is violated, the subsidy fund will be reduced according to the number of candidates who exceed the specified quota (50%). The remaining funds as a result of the reduction will be given to parties that successfully meet the requirements.
Finland	State funds for political parties must be used to form the wings of women's organizations.

SOURCE: FLAGUERA ET.AL 2014

On the other hand, efforts to increase the amount of state funds for political parties need to be accompanied by transparency in finance reporting. The political party law stipulates that every political party that has a legislative seat and is entitled to receive state funding assistance is required to report state funding assistance received to be audited by the Supreme Audit Agency (BPK).

The problem is that not all political parties publish financial reports from state funds obtained every year. Of the nine political parties that won DPR seats in the 2019 election, for example, only the Gerindra Party and the Demokrat Party published through their official website the results of the BPK audit regarding state fund reports obtained in 2019. While other political parties have published the results of the BPK audit regarding the state funds report for political parties in previous years, there are also political parties that did not publish the results of the BPK audit of their finance statements on the party's official website.

Report on the Amount of State Funds Receipt and Expenditure in 2019

POLITICAL PARTY	CALCULATION OF THE AMOUNT OF STATE FUNDS OBTAINED	STATE FUNDS RECEIVED IN 2019	EXPENDITURE TYPE	
			POLITICAL EDUCATION	SECRETARIAT OPERATIONS
Gerindra*	$(9/12 \times 14,750,043 \text{ votes}) + (3/12 \times 17,594,839 \text{ votes}) \times \text{IDR } 1,000$	15,461,241,999	14,438,107,000	1,023,134,999
Demokrat	$(9/12 \times 112,724,509 \text{ votes}) + (3/12 \times 10,876,057 \text{ votes}) \times \text{IDR } 1,000$	12,262,395,999	7,492,323,955	4,770,072,044

*SEE [HTTP://PARTAIGERINDRA.OR.ID/FILES/KIP/AUDIT%20BPK%202019.PDF](http://PARTAIGERINDRA.OR.ID/FILES/KIP/AUDIT%20BPK%202019.PDF)
 **SEE [HTTPS://WWW.DEMOKRAT.OR.ID/LAPORAN-KEUANGAN/](https://WWW.DEMOKRAT.OR.ID/LAPORAN-KEUANGAN/)

BPK Audit Mechanism and Sanctions

In Law 15/2006 concerning the Supreme Audit Agency (BPK), the entire management and responsibility of state finances is examined by the BPK. State finances are all state rights and obligations that can be valued in money in any form, either goods or money itself. The management of state finances is generally audited by the BPK through a process

of problem identification, analysis, and evaluation carried out independently, objectively, and professionally based on audit standards.

In this regard, in Law 2/2011 concerning Political Parties, one of the sources of funding or finance for political parties is finance assistance from the APBN/APBD (Banparpol/ Political Party Assistance). The assistance is given proportionally to political parties that get seats in the DPR/DPRD based on votes. Its use is prioritized for political education activities for members of political parties and the public. Therefore, Banparpol can be classified as state finances, so that their management cannot be separated from the object of the BPK audit.

Political parties are required to submit an accountability report on the receipts and expenditures of Banparpol to the Supreme Audit Agency (BPK) once a year. This report on the use of Banparpol is then audited by the BPK no later than three months after the end of the fiscal year. The audit results are then given to political parties no later than one month after being audited.

Technically, the examination of the Banparpol Accountability Report is regulated by BPK Regulation 2/2015. In this regulation, political parties are divided into three layers, starting from the DPP [Central Leadership Board] at the national level, to the DPD [Regional Leadership Board] at the provincial level, and the DPC [Branch Leadership Board] at the district/city level. Assistance to each level is distributed respectively by the Ministry of Home Affairs, the Provincial Government, and the Regency/City Government to a special account for political parties. The DPP, DPD, or DPC of political parties that receive political party funds are required to submit an Accountability Report to the BPK. The DPP submits its report to the Central BPK, and the DPD and the DPC submit their accountability reports (LPJ) to the Representative BPK in their respective provinces.

In the BPK regulation, the Banparpol LPJ must contain a recapitulation of the realization of the receipt and expenditure of the political party, as well as the details of the political party expenditure per activity. In addition, the accountability report must also contain a recapitulation of inventory/capital goods (physical), consumables, and use of services financed by Banparpol. The report must also be accompanied by complete and valid supporting evidence documents.

After the Banparpol LPJ is submitted to the BPK, an examination is carried out on the documents received from the political parties. If the documents are considered incomplete, the BPK may ask the political parties to complete the documents. The BPK can also confirm or perform other audit procedures in accordance with the applicable State Finance Audit Standards (SPKN) and other guidelines. The examination is completed no later than three months after the Accountability Report is received. After the inspection, the BPK prepares the Audit Result Report (LHP).

The LHP is then submitted to the political parties and the Ministry of Home Affairs or the Governor/Regent/Mayor according to the relevant level, as evidenced by the Minutes of Handover. The LHP is also submitted to the DPR/DPD/DPRD according to the respective level. Political parties are obliged to follow up on the LHP and provide answers or explanations about the follow-up to the LHP to the BPK. However, normatively, there are no further sanctions after the examination by the BPK. Sanctions are only given to political parties if they have not submitted an Accountability Report for the use of

Banparpol. The sanctions are also only administrative in nature, namely the stopping of assistance from the APBN/APBD until the report is received.

BPK Findings

In the context of the Banparpol LPJ audit, the auditor needs to check whether the realization of the receipt and use of assistance is in accordance with the plans submitted by political parties when submitting requests for assistance to the state. If the realization is not appropriate, the auditor asks the political party to clarify or provide an explanation (BPK-RI, 2013). From this, there are two main findings that are often obtained by the BPK. First, reports on the use of political party funds are not in accordance with the provisions, such as their use not for political education but for other political party operations. Second, there is no complete and valid proof of transactions¹⁴.

Furthermore, the objectives of the Banparpol LPJ audit are: 1) the suitability of the account number to receive the Banparpol with the general cash account of the political party, 2) the suitability of the number of political Banparpol distributed with the LPJ, 3) the completeness and validity of supporting evidence for the LPJ, and 4) the suitability of priorities for the use of the political party with the provisions applicable (BPK-RI, 2019). In the Summary of Semester Audit Results (IHPS) - I 2019, for example, the BPK examined 10 Banparpol accountability reports from the national political party DPP. A total of IDR 121.92 billion in Banparpol funds was disbursed from the 2018 State Budget. Based on this, the majority of political parties (7 political parties) did not have valid proof of accountability for Banparpol funds (BPK-RI, 2019).

In the regions, it is even worse. Many political parties in the regions receive finance assistance that is not through special accounts. As a result, the accountability reports of political parties in nominal terms often do not match the amount disbursed by the regional government. The Accountability Report is also not accompanied by valid and complete supporting evidence. The use of assistance is also not prioritized for the implementation of political education. Due to some of these problems, and for the Banparpol LPJ from the APBD in IHPS I-2019, the result was that there were 2,610 LPJs that met the criteria, 1,964 LPJs that met the criteria with exceptions, 148 LPJs that did not meet the criteria, and did not state conclusions in 193 LPJs. (BPK-RI, 2019).

Problems of BPK Audit

Based on the data above, the administration and reports of political parties' finance are still not in order¹⁵. This is also exacerbated by the absence of comprehensive finance accounting standards in examining the finance statements of political parties. The standard used today is PSAK 45, which is commonly used

14 <https://money.kompas.com/read/2019/09/18/103000726/bpk---banyak-masalah-dalam-pertanggungjawaban-dana-bantuan-parpol?page=all>

15 <https://nasional.kompas.com/read/2011/10/10/19355380/Kuangan.Parpol.Tak.Bisa.Diaudit>

for finance reporting of non-profit organizations. This standard is not sufficient because the characteristics of political parties are very different to those of non-profit organization (Hafild, 2008).

Furthermore, the finance assistance of political parties is also very small, which makes the political party administrators manage the assistance minimally. Finally, the management has not paid too much attention to the guidelines for the use of political parties and the preparation of their accountability reports (Supriyanto, 2012). Due to the careless use and preparation of reports, there are actually many BPK findings as can be seen in the previous discussion. However, there are no harsh sanctions against political parties. Sanctions for delaying assistance by the Ministry of Home Affairs or the Regional Government are also not carried out seriously and consistently (Supriyanto (ed.), 2011).

The flow of submission of the LHP for Banparpol audits by BPK is also a problem. The LHP that has been prepared by the BPK is then submitted to the Ministry of Home Affairs/Local Government and the DPR/DPRD. Ideally, the Ministry of Home Affairs and the DPR, as well as Regional Governments and DPRD in the regions, function to ensure whether the recommendations and findings are followed up by political parties. However, these two agencies are usually filled by political party cadres, so there is a high possibility of conflict of interest. It is reasonable to suspect that the conflict of interest has caused a lack of awareness of political parties to follow up on the LHP from the BPK, even though many LPJs are in accordance with the criteria with exceptions, do not meet criteria, and do not state conclusions (*disclaimer*).

ENCOURAGING TRANSPARENCY AND FINANCE INVESTIGATIVE AUDITS OF POLITICAL PARTIES

The fundamental issue of political party finance in Indonesia is transparency. Even though the electoral law and the political party law have regulated the sources of receipt and expenditure of political parties, including the reporting mechanism, the fact is that few political parties openly report and publish their receipts and expenditures seriously based on field facts. So far, the political party finance reporting has only been limited to administrative matters.

A survey conducted by Kompas Daily Newspaper from 26-28 October 2020 with a total of 522 respondents, shows:

1. A total of 31.7% of respondents answered that pairs of candidates running for regional head elections required large funds of up to billions of rupiahs; 28% of respondents answered that pairs of candidates for regional heads needed funds of up to hundreds of millions of rupiahs;
2. A total of 66.1% of respondents answered that pairs of candidates in the regional head election were not transparent in submitting campaign data; 9.8% answered that they were transparent;
3. A total of 32.9% of respondents answered that donations from political parties that were most vulnerable were conveyed non-transparently by candidate pairs, then 25.4% contributions from entrepreneurs who were vulnerable were conveyed non-transparently, 6.5% from candidate pairs, and 9.3% of the general public;

4. Regarding aspects that need to be improved in increasing campaign finance supervision: 60.7% stated strict regulations with legal sanctions, 24.8% additional field audit personnel, and 1.1% transparency¹⁶.

However, in fact, the data believed by the public regarding Pilkada campaign funds are not reflected in the campaign fund reports of the candidate pairs in the Pilkada as described in the previous section. One of the fundamental problems of the non-transparency of political parties and candidate pairs to report their finances in real terms is due to the audit mechanism, which is a compliance audit and not an investigative audit. The compliance audit only sees that finance reporting procedures have met accounting standards and are aware of existing statutory provisions, for example, that there is no third party who donates more than the contribution limit set by law, including not exceeding the specified expenditure limit and that this is listed in the submitted report.

Meanwhile, investigative audits do not only examine party finances in accordance with accounting standards and the provisions on donations and expenses listed in the report alone. Investigative audits attempt to trace the validity of the report by juxtaposing the facts of the investigation. This is because an investigative audit is a process of collecting and evaluating evidence conducted by a competent and independent person about measurable information from an economic entity with the aim of considering and reporting the level of conformity of the information referred to with predetermined criteria¹⁷. As such, one of the things that can be done to encourage finance transparency of political parties is to change the audit mechanism from compliance to investigative.

CONCLUSIONS AND RECOMMENDATIONS

Even though Indonesia has long had a regulatory framework that regulates the finances of political parties through election laws and political party laws, the fact is that the design of these regulations has not been able to encourage improvements in the governance of political parties finance in Indonesia. This study is at least able to show the six basic problems of political parties finance regulation in Indonesia.

First, the limits on the campaign funds donations and the limits on the donations of political parties finance beyond the election stage are still too large and there is no clarity on the origin of the calculation formula from which the nominal amount of the limit on the donation funds comes from.

Second, limits on campaign funds donations or limits on donations beyond the election stage only apply to third parties, individuals and private business entities. Meanwhile, donations from political parties and members of political parties, including candidates, are not given a limit, which has an impact on high political costs and unequal competition in election campaigns.

Third, the limit on spending on campaign funds is only applied in the regional head elections, while in the legislative elections and the presidential and vice-presidential elections it is not applied. In fact, the legislative and presidential elections have the same election principles and

16 Jejak Pendapat Kompas, Mengawal Dana Kampanye Calon, Kompas Daily, Monday, 2 November 2020, p. 3

17 See <https://aclc.kpk.go.id/wp-content/uploads/2019/08/Audit-Investigatif.pdf>

the same election participants, namely political parties. As a result, we see high political costs incurred in the legislative and presidential elections.

Fourth, the limits on spending campaign funds regulated in the Pilkada Law are based on regional cost standards and campaign method variables, resulting in a relatively high nominal amount of campaign fund expenditure limits. In addition, limits on campaign expenditure involving campaign activity method variables tend to limit the space for political parties or candidates to be creative in campaigns.

Fifth, the increase in state funding assistance for political parties is not accompanied by an increase in the transparency of political parties in reporting their finances and is not accompanied by efforts to provide affirmative financing to increase women's representation.

Sixth, the compliance audit mechanism of political party finance is one of the causes of the non-transparency of political parties in reporting party finances.

Based on these six issues, it is important to carry out reforms for political parties finance in Indonesia, one of which is by revising various provisions for political party finance regulation in the election law and political party law. Recommendations for political party finance regulation in Indonesia are as follows:

1. Imposing limits on campaign fund donations for political parties and candidates in the election in order to reduce the high cost of politics and create more equal competition;
2. Limits on campaign fund donations are calculated with a clear formula and no longer based on a fixed method whose nominal amount is directly stated in the law. The calculation formulas that can be carried out include, among others, involving regional minimum wage variables in each region of Indonesia;
3. Limits on campaign fund expenditure are not only regulated in the regional head election law but throughout the general election law which also applies to legislative and presidential elections;
4. Limits on campaign fund expenditures are calculated with a clear formula and no longer based on a fixed method whose nominal amount is directly stated in the law. The calculation formulas that can be carried out include, among others, the variables of the regional minimum wage and the number of voters in each region of Indonesia;
5. State funding assistance for political parties needs to regulate affirmative financing mechanisms, one of which is through a special allocation of 30% of state funds for political parties to be used for women's political empowerment;
6. The audit mechanism of political parties finance no longer uses compliance audit procedures but uses investigative audits to produce transparency of political party finance in Indonesia.

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Political Party Financing in Malaysia

Sharon Tan and **Ooi Kok Hin**

Bersih 2.0

EXECUTIVE SUMMARY

Political financing in Malaysia is critically unregulated. There is no comprehensive law on monitoring and restricting the money going into and out of political parties and candidates. Since the amount and identity of political donations are not disclosed to the public, that leaves a lot of room for corruption and political patronage. There is a serious need to revamp existing laws and even to enact new legislation and policies to increase transparency, accountability and sustainability of political funding in Malaysia.

This study probes the landscape of political financing in Malaysia through two spheres of activities: funds for political parties and elected representatives to provide services, organise activities, and maintain regular day-to-day operations; and funds for electoral campaigns. The unequal playing field is especially striking when it comes to election spending as parties, especially the big and established ones, can go on a spending spree, creating an unlevel playing field. This is because there is currently no legal limit to the political donations to political parties. There is a spending limit for candidates contesting in elections, but this limit is frequently circumvented by using other individuals as proxies. For a meaningful and vibrant democracy, and also to restore public confidence in Malaysian party politics, we need to properly regulate the money going into and out of political parties and candidates.

Malaysia lacks a comprehensive law regulating political financing. The existing legal framework on political financing is piecemeal regulation scattered across multiple legislation -- namely, the Election Offences Act 1954, Societies Act 1966, and The Malaysian Anti-Corruption Commission Act 2009 (MACC Act 2009). Oversight on how elected representatives spend their allocation from the Constituency Development Fund is non-existent. There is no legislation that compels political parties and candidates to disclose political donations, nor is there any cap on political donations - be these from local or foreign donors.

In terms of income and expenditure, political parties derive their revenue from various sources such as membership fees, mandatory contributions by elected representatives and appointed local councillors, tickets for fundraising dinners, public donations through boxes that are passed around during party events such as *ceramah* (political rallies) and dinners, private donations from undisclosed individuals, donations in kind, and profits from party-owned businesses. Based on accounts provided by our interviewees, political parties appear to rely heavily on (mandatory) contributions from their elected representatives to fund party operations. Some depend more on fundraising, whether from the public or individual businessmen. Both sources of income are declining due to the Covid-19 pandemic, which makes fundraising difficult. Mainstream parties' overdependence on elected representatives to contribute their salaries also leaves them financially vulnerable when they suffer electoral setbacks or when there is a mass exodus or defections to rival parties - which has happened more regularly since the 2018 election. Opposition and new parties may also find themselves to be at a disadvantage since they have fewer elected representatives or none at all.

Many candidates interviewed rued the lack of financial support from their own party to cover election expenses and had to fundraise the campaign on their own. Some candidates even borrowed from their relatives or spent their savings. This lack of funding for aspiring candidates privileged those with more money to get into politics. Exorbitant costs are a barrier for low-income groups to participate in politics.

Annual expenditure incurred by political parties (during non-election seasons) ranges from a hundred thousand to a few million Ringgits. Also, internal party elections can be costly for parties with large memberships and branches. Importantly, internal party elections are seldom scrutinised by both the public and enforcement agencies, which is conducive to money politics.

In addition, there is a glaring lack of reporting and independent auditing of party financial records. To resolve the issues highlighted above, we propose 10 recommendations to promote proper regulation and provision of political finance.

Recommendation 1: Introduce a comprehensive law governing political finance

A comprehensive law should be created to regulate funds going in and out of political parties and key office holders. Existing regulations are insufficient and are scattered across multiple legislation and enforcement agencies.

Recommendation 2: Introduce public funding for political parties

Introducing vote-based public funding of political parties can reduce the influence of private money in politics, to promote a more level playing field, to provide incentives and assistance for informed debates and parliamentary duties, and to moderate partisanship by changing the incentives of electoral politics. Public funding, or state subsidies, for political parties exist in approximately two-thirds of countries in the world.

Recommendation 3: Enforce realistic election spending limits for candidates and parties

There is a need to enforce a realistic and equitable election campaign spending cap for candidates and their political parties. Issues such as the increased cost of living, price of goods and services, and the geographical area of the constituency must be taken into account. There is currently no limit on political party spending during elections.

Recommendation 4: Ban foreign donations to political parties

Foreign donations to political parties that are used for election campaigns are tantamount to foreign intervention in Malaysian democracy. The outcome of elections in Malaysia should be decided by the Malaysian people without monetary influence from foreign sources. This ban is only applicable to foreign donations intended for election expenses, and excludes contributions by foreign institutions to assist with party training, research, and programs - which should be capped at a certain amount.

Recommendation 5: Publicise audited accounts and disclose big donors

Individuals contributing above a certain threshold for donations should be disclosed. As in Australia, the public should know the identity of the biggest political party donors. Not all donors need to be named, as this only applies to the big donors exercising disproportionate influence on party politics.

Recommendation 6: Empower the Election Commission and the Malaysian Anti-Corruption Commission

The Election Commission currently does not exercise penalties or enforcement that are strong enough to act as deterrence for violations of campaign contributions and spending. Their enforcement capabilities must be strengthened and be made impartial. Similarly, the Malaysian Anti-Corruption Commission's (MACC) current power to investigate is only confined to some offences and is still limited.

Recommendation 7: Regulate the Constituency Development Fund to promote accountability and fairness

There should be a Constituency Development Fund (CDF) law to ensure proper documentation, reporting and auditing for CDF allocations. In addition, the CDF must be made equally available to all elected representatives as it is taxpayers' money and it is only fair to the constituents they represent.

Recommendation 8: Introduce local elections to increase responsiveness and reduce clientelism.

Members of Parliament (MPs) and state assemblypersons (ADUNs) are currently bogged down by the day to day complaints of administration matters, infrastructure and amenities in their constituencies, and therefore in need of funds to address these issues. However, a constituent should not need an MP or an assemblyperson to highlight their issues such as clogged drains. A local government election should be introduced to make the local government agencies more efficient and responsive in addressing community issues at the constituency level.

Recommendation 9: Earmark a fund for elected representatives to promote research capabilities

Given the scarcity of funds, parties do not prioritise policy research. This seriously undermines their ability to debate policy issues, propose well-informed ideas, and scrutinise the government. To increase the effectiveness of political parties and elected representatives as legislators or/and policymakers, a fund should be created to assist them financially to hire policy researchers.

Recommendation 10: Monitor internal party elections

Internal party elections should be monitored by the relevant enforcement agencies to curb money politics. Illicit funds are not only distributed in general elections, but also during party elections. Given the estimates provided by our interviewees on the amount of money required to run for parliamentary and state elections, we can deduce that a similar scenario exists in internal party elections. The unregulated nature of party elections leaves the door open for moneyed candidates to buy their way into party leadership and entrenches corrupt political culture in Malaysia.

INTRODUCTION

In all democracies, political parties are necessary vehicles to represent the voters. Parties need funds to operate, not only during electoral campaigns but also during regular non-campaign periods to serve their constituents, conduct research on policies, and hire adequate staff to provide effective services.

In Malaysia, political parties receive funds from many sources which are often shrouded in secrecy. This is especially so because there is a lack of regulation and enforcement on political financing, thus giving tremendous leeway for political parties and individual politicians to raise and spend money.

While long-established dominant parties seem to have better access to funds, smaller parties make do with what little they have. Some fundraising is conducted publicly, such as selling ticket tables for fundraising dinners and passing donation boxes, but there are many other aspects of funding that happen away from the public eye.

Given the lack of proper regulation on political financing, there is a need to study how political parties manage their finances to cover routine day-to-day operations and election expenses.

By understanding how party insiders currently operate, researchers and policymakers will be better equipped to recommend reforms that take into consideration the realities faced by political parties and will help create a more healthy and vibrant democracy.

Background

Several concerns provided the impetus for this research. Chiefly, the gravity of poor regulation related to political financing was exposed when former Prime Minister Najib Razak was revealed to have received \$700 million in donations into his personal account. The money was used to finance election expenses and lavish purchases.

Najib's scandal highlighted the need for transparency in receiving political funds. Parties and candidates must be made accountable for how they raise and spend money during election periods.

Research objectives

This research provides an insight into the financial realities faced by political parties and candidates in Malaysia. The objective is to garner information on their revenue and expenses to sustain their day-to-day operations and election campaigns. In particular, this research aims:

1. To collect and study the revenue and expenditure required by political parties and candidates to run their activities to increase public understanding of political financing
2. To share insiders' accounts and perspectives on political financing
3. To provide recommendations on how to reform political financing

Methodology

This research utilises both qualitative and quantitative methods. For the qualitative component, interviews were conducted with former and present elected representatives as well as senior leaders from numerous political parties. Given the delicate nature of the topic (internal financial figures are viewed as sensitive information), most of the interviewees agreed to the interview on the condition of anonymity. For the quantitative component, we managed to obtain some data on income and expenditure recorded by either parties or candidates. Although a lot more information could not be obtained or accessed, it is hoped that this research will at least provide a starting point to understand the state of political financing in Malaysia.

LEGAL FRAMEWORK

Malaysia lacks a comprehensive law regulating political financing. There is no legislation that compels political parties and candidates to disclose political donations, nor is there any cap on political donations - be these from local or foreign donors. Existing regulations related to political financing are scattered across multiple laws and enforcement agencies.

Election Offences Act 1954

The Election Offences Act 1954 (EOA 1954) is legislation to prevent electoral offences and corrupt and illegal practices at elections; to provide for the establishment of enforcement

teams and for matters connected therewith; to provide for the appointment of election agents and to control election expenses; and to provide for election petitions.¹

It also spells out the spending limitation for candidates and their election agents during the campaign period.² Crucially, there is no spending limit for political parties or their proxies. Section 19 states that,

19. (1) Subject to such exception as may be allowed in pursuance of this Act, no sum shall be paid and no expense shall be incurred by a candidate at an election or by his election agent, after the date of publication of the notice of the election in the Gazette, during or after an election, on account of or in respect of the conduct or management of such election, in excess of— (a) two hundred thousand ringgit in the case of an election to the Dewan Rakyat; (b) one hundred thousand ringgit in the case of an election to a Legislative Assembly;

The EOA 1954 only limits the spending of candidates - RM100,000 for a state contest and RM200,000 for a parliamentary contest during the official campaign period. Hence, an incumbent or a candidate who has been earmarked to contest in a particular constituency could well start laying his or her groundwork months ahead without any restrictions. Political parties are not limited in their spending or expenditures, which would in any way benefit the candidates whether directly or indirectly. Section 15A of Election Offences Act states that, “No expenses shall, with a view to promoting or procuring the election of a candidate, be incurred during the campaign period, by any person other than the candidate, his election agent and persons authorized in writing by the election agent.” Legally speaking, this would include political party spending for a candidate. But this clause has never been enforced.

There are also no restrictions of how much donations parties or candidates can receive from individuals or businesses. Nor is there a law that requires the party or candidate to reveal the identity of anonymous donors. Parties and candidates are not required to disclose the amount of funds received or to return any excess.

One more noteworthy regulation is that Section 23 of EOA requires candidates to file a return and declaration of election expenses to the Election Commission within 31 days after the date of election results is gazetted.

As a former assembly person puts it, the election season is a time for all to make money from the local branch leaders right up to the candidates. The opportunities are abundant without any penalty. For instance, a branch leader would set up an operation centre and insist the election candidate pay for it.

Another interviewee, a senior party official, pointed out that the EOA only penalises the candidate and his/her appointed agent. The law is silent on those who are connected to the candidate and party. In its current form, the legislation contains many loopholes which proxies (entrusted by the candidate or party) can easily circumvent.

1 Election Offences act 1954 (Incorporating all amendments up to 1 January 2006). Laws of Malaysia.

2 Ibid.

Societies Act 1966

In Malaysia, all political parties must be registered under the Societies Act 1966 (Act 335).³ They are subject to the rules and regulations of the Act. Section 2 defines a political party as,

- (a) *any society which by any of its objects or rules, regardless whether such object or rule is its principal object or rule, or constitutes merely an object or rule which is ancillary to its principal object or objects or to its principal rule or rules, makes provision for the society to participate, Societies 9 through its candidates, in elections to the Dewan Rakyat, or to a Dewan Undangan Negeri, or to a local authority, or makes provision for it to seek the appointment or election of a person proposed or supported by it to the Dewan Negara;*
- (b) *any society which, notwithstanding anything contained in its objects or rules, carries on any activity or pursues any objective which involves its participation, through its candidates, in elections to the Dewan Rakyat, or to a Dewan Undangan Negeri, or to a local authority, or which involves its seeking the appointment or election of a person proposed or supported by it to the Dewan Negara;*

Section 14 of the Act requires a political party to submit a yearly audited account within sixty days after the holding of its annual general meeting or, if no annual general meeting, within sixty days after the end of each calendar year.⁴

These include the accounts of the last financial year of the society, together with a balance sheet showing the financial position at the close of the last financial year of the society; the name and address of any society, association, trade union or any other body of persons, incorporated or unincorporated, outside Malaysia to which the society is in any way associated or affiliated; the description of any money or property, any pecuniary benefit or advantage received by the society from any person ordinarily resident outside Malaysia or an organization, authority, government, or agency of any government, outside Malaysia; and such other information as the Registrar may from time to time require.

However, the disclosure of the annual audited account is only for the Registrar of Societies (ROS) and a member or subscriber or person having interest in its fund under Section 29 or Section 30.⁵ An important context here is that the ROS falls under the purview of the Home Minister, a position often held by a senior politician of a ruling party. There have been multiple allegations that the Home Minister used ROS to entice political rivals or make things difficult for them. For example, former Youth and Sports Minister, Syed Saddiq Syed Abdul Rahman, claimed that the current Home Minister is withholding his new party's registration and offered to grant ROS approval if the new party pledges allegiance to the

³ Societies Act 1966 (Incorporating all amendments up to 1 January 2006). Laws of Malaysia.

⁴ Ibid.

⁵ Ibid.

minister's coalition.⁶ Another important feature is that information disclosed to the ROS - such as a political party's audited account - are not made known to the public. For this research report, we have had no access to such accounts through the ROS.

The Malaysian Anti-Corruption Commission Act 2009

The MACC Act 2009 was enacted for the establishment of the Malaysian Anti-Corruption Commission (MACC), as an effort to deal with corruption more effectively. Sections 3 and 7 of the Act empower the commission to take action against parties, their agents and members who breach the provisions of EOA 1954.

Section 3(c) of the MACC Act⁷ defines "prescribed offences" as offences which include "an offence under Part III of the Election Offences Act 1954".

Section 7 of the MACC Act⁸ reads, "The officers of the Commission shall have the following functions:

- (a) *to receive and consider any report of the commission of an offence under this Act and investigate such of the reports as the Chief Commissioner or the officers consider practicable;*
- (b) *to detect and investigate— (i) any suspected offence under this Act; (ii) any suspected attempt to commit any offence under this Act; and (iii) any suspected conspiracy to commit any offence under this Act."*

Constituency Development Fund

There is no legal framework, but only administrative rules, for the Constituency Development Fund (CDF), which was introduced in 1971⁹ to allow the Barisan Nasional politicians the opportunity to apply for minor development projects within each constituency. The CDF remains an important source of funds for politicians to meet constituency demands. The CDF helps politicians to be seen to do their work by dishing out funds for matters such as upgrading or repair work or even sponsorship of events in their constituency.

However, not all assemblypersons and MPs receive CDF, let alone in equal sums. During its inception, the CDF was not available to the members of the opposition. Even when Pakatan Rakyat (PR) came into power in several states, they started to give CDF to both the state legislators and the MPs within their state, both only to those from their own ranks. Lawmakers from state opposition - BN in most cases - are denied access to the CDF. However, the BN opposition were able to get support from the federal government through the Implementation and Coordinating Unit¹⁰(ICU), which comes under the Prime Minister's Office (PMO).

6 V Anbalagan, "Hamzah set 'support PN and we'll approve Muda' condition, claims Syed Saddiq," *Free Malaysia Today*. January 24, 2021

7 Malaysian Anti-Corruption Commission Act 2009 (As at 1 June 2015). Laws of Malaysia.

8 Ibid.

9 Tricia Yeoh, "The Political Economy of Federal-State Relations: How the centre influences resource distribution to the periphery," IDEAS Policy IDEAS No. 63. May 2020.

10 Ibid.

After the Pakatan Harapan government took over in 2018, there was a slight improvement but the MPs were still treated unequally. PH's MPs received RM500,000 in allocation and also RM 300,000 for maintenance of service centres, while opposition MPs received only an allocation of RM100,000.¹¹ The allocation for opposition was stagnant at a meagre RM 100,000 while the total amount for the government MPs had risen from RM 0.8 million to RM 3.8 million when the PH government collapsed in February 2020.¹² A year into the Perikatan Nasional (PN) government, some opposition MPs complained in February 2021 that they had yet to receive any notification of their annual allocation of RM 100,000.¹³

However, as a result of fragmentation in the PN camp and tacit cooperation between BN and PH, states such as Perak and Johor have allocated equal or close amounts of funds to assemblypersons from both sides of the political divide. On the other end of the spectrum is Sarawak where the government assemblypersons received some RM8 million while the members of the opposition did not get a single cent. The table below shows the annual CDF allocation and also special allocation for Covid-19. However, the information may not be complete as not all funds are publicly disclosed.

Table 1: Existing annual CDF allocation in Malaysia

STATE	GOVERNMENT	OPPOSITION
Perlis	Not available	Amount not announced
Kedah	Not available	Not available
Penang ²	Exco – RM400,000 ADUN – RM500,000 ADUN Angkat – RM150,000 RM30,000 (for Covid-19 relief)	RM30,000 (for Covid-19 relief)
Perak ³	RM200,000	RM200,000
Selangor ⁴⁵	RM800,000 RM100,000 (for Covid-19 relief)	RM200,000 (Coordinators) RM100,000 (for Covid-19 relief)
Negeri Sembilan	Not available	Not available
Melaka	Not available	Not available
Johor ⁶	RM200,000	RM200,000
Pahang ⁷	RM6,000 (special allocation for Covid-19)	RM6,000 (special allocation for Covid-19)
Terengganu	Not available	Not available
Kelantan	Not available	Not available
Sabah ⁸	Not available	RM100,000 (special allocation)
Sarawak ⁹	RM8 million	RM0

There is no requirement to publish detailed accounts on how MPs spend their CDF allocations. Hence not many MPs and assemblypersons list their disbursement of funds openly. Among the few MPs who consistently published their allocations and spending

11 The Star Online, "Bersih wants Pakatan Harapan to explain reduced allocation to opposition MPs," June 7, 2018.

12 Kiniguide, "A close look into the 'MP allocation' cookie jar", *Malaysiakini*, November 2, 2020. <https://www.malaysiakini.com/news/549075>

13 Robin Augustin, "No news on funding is bad news for opposition MPs," *Free Malaysia Today*. February 6, 2021.

are PKR's Wong Chen¹⁴ and DAP's Hannah Yeoh.¹⁵ Yeoh lists her total allocation and disbursement on an annual basis while Wong publishes his service centre account and CDF spending in his constituency annual newsletter.

SOURCE OF REVENUE AND INCOME

Parties

Political parties derive their income from various sources such as membership fees, mandatory contributions by elected representatives and appointed local councillors, tickets for fundraising dinners, public donations through boxes that are passed around during party events such as *ceramah* (political rallies) and dinners, private donations from undisclosed individuals, donations in kind, and profits from party-owned businesses. Long-dominant established parties such as UMNO and MCA own properties and stakes in various companies, which help generate income for the parties. According to a report by The Edge¹⁶, MCA's party assets were said to amount to around RM2 billion in 2018. MCA's prominent holdings include stakes in Star Media Group Bhd, Matang Bhd and properties such as Wisma MCA and Menara Multi Purpose which sit in the city centre. In the case of UMNO - the grand old party - its prominent assets include the Putra World Trade Centre and the adjacent Seri Pacific Hotel while Gabungan Kasturi Sdn Bhd has long been known as the party's investment arm.¹⁷ However, the full extent of UMNO's assets and wealth has never been properly quantified and revealed because some are held by proxies entrusted by key party leaders.

Scholars have long pointed out issues of unlimited anonymous donations to parties from businesses and private individuals, unequal access to public funds allocated selectively by the ruling parties, undisclosed contributions made by government-linked companies, and most recently, foreign donations.¹⁸ The issue of foreign donations garnered public attention when former Prime Minister Najib Razak admitted to receiving a foreign donation of RM2.6 billion into his personal account.¹⁹ The money was subsequently deployed to fund the various political parties in his coalition during the 13th General Election. Unlike most countries around the world, there is no law in Malaysia that regulates political donations, whether from local or foreign sources.²⁰ Despite lobbying efforts from civil society, attempts to introduce a Political Party Act has been futile thus far.

Three parties agreed to provide details on party revenue and expenditure for this

14 Wong Chen provided us with access to his office's financial expenditures. Some papers are available at his website and social media pages.

15 See "Annual Allocation Expenditure" under Hannah Yeoh's website. The latest report is available at: <http://www.hannahyeoh.com/wp-content/uploads/2021/03/2020.pdf>.

16 Tan Choe Choe and Chester Tay, "Cover Story: A battle for control of MCA's business empire," *The Edge Malaysia*. November 8, 2018.

17 Kamarul Azhar, "Cover Story: What do the others own?" *The Edge Malaysia*, November 8, 2018/

18 Gomez, Edmund Terence and Tong, Joseph, Financing Politics in Malaysia: Reforming the System (March 21, 2018). *Australian Journal of Asian Law*, Vol. 18, No. 2, Article 3, 2017. See also Dettman, Sebastian, and Edmund Terence Gomez. "Political financing reform: Politics, policies and patronage in Malaysia." *Journal of Contemporary Asia* 50, no. 1 (2020): 36-55.

19 Emmanuel Santa Maria Chin and Kenneth Tee, "SRC Trial: Najib maintains money deposited into personal account between 2011 and 2013 were donations from Saudi's royal," *Malay Mail*, 4 December 2019.

20 See Ooi, K.H. (2021). "Public Funding of Political Parties in Malaysia: Debates, Case Studies and Recommendations," *Bersih 2.0*. <https://www.bersih.org/wpcontent/uploads/2021/01/Bersih-Policy-Research-Public-Funding-of-Political-Parties.pdf>

research: Parti Keadilan Rakyat (PKR), Parti Sosialis Malaysia (PSM), and a regional party with 150,000 members (Regional Party). Other than obtaining access to some of their financial reports, we also interviewed a number of party leaders to get an insider's perspective on how the parties manage their finances.

Parti Keadilan Rakyat

In the case of Parti Keadilan Rakyat (PKR), much of its annual income of about RM4 million comes from the salary deduction of MPs and assemblypersons. According to a party leader, the party of one million members relies heavily on their lawmakers which contribute 70% of the funds to sustain party operations.

The amount contributed by the lawmakers varies according to state and whether they are MPs, ADUNs, or local councillors nominated by the party. In the states of Selangor, Negeri Sembilan and Penang, where PKR is part of Pakatan Harapan state governments, the MPs and assemblypersons are required to contribute 20% of their monthly salaries while local councillors contribute one-month of salary annually. The elected representatives from other states (where PKR is not part of the state governments) contribute a lesser amount - 10% monthly.

Fundraising events bring in another 23% of income. This includes fundraising dinners, festival events or sales of festive goodies such as money packets, mooncakes during Mid-Autumn Festival, and murukku during Deepavali. Sales of party merchandise generate another 3% of income. Despite having a million party members, membership fees account for only 2% of their income. Party elections also raise some revenue through fees levied on aspiring candidates, but the revenue raised from party elections are almost completely spent to organise the election.

Table 2: Estimates for PKR income sources by a party leader

SOURCES OF INCOME	PERCENTAGE
Salary deductions from elected representatives	70%
Sales of merchandise	3%
Branch registration & renewal fees	2%
Membership fees	2%
Fundraising events	23%

Table 3: PKR statement of income for financial year 2018

REVENUE	AMOUNT (ROUNDED OFF)
Fees	RM 72,190
Contributions from MPs and ADUNs	RM 1,546,143
Public donations	RM 442,698
Profits from disposal of investments	RM 197,850
Party elections	RM 3,804,210
Total revenue	RM 6,063,090

This reliance on contributions from elected representatives leaves the party financially vulnerable. Due to the volatile outcomes of electoral contests and the frequency of party hopping (where elected representatives defect to another rival party), contributions can drop drastically when the party has a fewer number of elected representatives. After being hit by a series of defections in 2020, a party leader admits that the party had to do “some cost cutting” as the income from their elected representatives were reduced.

Parti Sosialis Malaysia

For a smaller party like Parti Sosialis Malaysia (PSM), its annual income of RM150,000 depends very much on donations from supporters who contribute up to 70% of the amount. The remainder comes from members subscriptions and party activities.

Table 4:PSM statement of expenditure 2018

INCOME	YEAR	
	2018	2017
Annual dinner donations	62,210	14,950
Bsosialis	11,570	24,847
Conference fee	8,735	14,340
Donations	156,282	36,835
Flag	42,026	
Hall deposit (refund)		1,597
Membership fees	2,605	4,245
Total	283,428	96,814

Regional Party

Parties in Sabah and Sarawak seem to require substantial income to cover their expenses. Due to the geographical size of both regions, it can be more expensive for parties to operate, provide services, and campaign there.

Financial statements provided by a regional party (“Regional Party” hereafter) over the course of ten years provide an indication that regular party operations need at least RM 1 million per year. During an election year, a revenue of at least RM 6 million is necessary. Contributions from the party’s own politicians (party leaders, members and elected representatives) make up a regular source of revenue, followed by events and souvenir sales during festive celebrations. A noteworthy item is that when the party was part of a ruling coalition, they once received direct revenue from their coalition to be spent.

Membership fees do not account for much in terms of Regional Party’s financial revenue. The party is able to raise more from public contributions (especially during an election year), although the number of donors or the average amount of donations are not made known.

Table 5: Regional Party's statement of income, 2016-2019

REVENUE	2016	2017	2018	2019
Contributions from politicians	55,700	83,167	97,250	59,100
Advertisement in program souvenirs	28,700	18,000	32,450	43,150
Events organized by party	105,646	148,785	135,010	158,655
Anniversary party	83,000	56,700	60,800	72,200
Contributions received	632,783	3,158,220	6,480,345	2,257,000
Collection during party meeting				
Membership fees				
Others	13,975	3,400	2,000	41,500
Contributions from members				
Contribution from political coalition				
Total	919,804	3,468,272	6,807,855	2,631,605

Candidates (for election campaign purposes)

A surprising finding from the interviews conducted for this research is how little political parties financially support some of their candidates during an election campaign. Most candidates claimed that they raise their own funds with minimal contribution from the parties they represent. Candidates tend to raise election funds from their own savings, borrowings from family and friends, fundraising dinners, and public as well as private donations. Occasionally, candidates also support each other. For example, a candidate who raises a substantial amount of funds may channel some to fellow candidates who do not have enough.

Another finding is that even when parties financially support their candidates, there is no uniformity with regards to the procedures, channels, and amount of contribution. The arbitrary nature of party contributions to candidates raises allegations of favouritism and entrenches factionalism within the parties. One interviewee, a former member of parliament, admitted that candidates who are seen as close to the party president tend to receive more money from the party than those who are seen as 'rebellious.'

A couple of common threads emerged from these interviews, which are summarised in the following sections.

Candidate incomes from the 2020 Sabah state election

While every candidate is legally compelled to submit financial accounts within 31 days after elections, such accounts are not made public and are destroyed after six months. This means invaluable historical records of past electoral finance were destroyed. Those reports are obtainable at a cost of RM 10 per file opened and RM 2 per page for photocopying. As Sabah had its last state election on 26 September 2020, we managed to buy these returns and Table 6 shows the funds received by 11 selected candidates, who were senior leaders from various parties contesting in a variety of constituencies.

Table 6: Funding Sources for 11 Selected Candidates in the 2020 Sabah state election

CANDIDATE	PARTY	FUNDING SOURCES FOR STATE ELECTION CAMPAIGN				TOTAL (RM)
		PARTY	DONATION	ALLOCATION	(STATED)	
Darell Leiking	Warisan	-	-	-	93,631	93,631
Jeffrey Gapan Kitigan	Star	-	-	97,448	-	97,448
Mohd Shafie Apdal	Warisan	-	-	-	93,710	93,710
Masidi Manjun	Bersatu	50,000	-	45,000	-	95,000
Rubin Balan	Bebas	-	-	-	84,350	84,350
Jonnybone J Kurum	PBS	60,000	-	35,000	-	95,000
Christina Liew Chin Jin	PKR	-	80,000	-	-	80,000
Bung Mokhtar Radin	UMNO	-	-	-	94,476	94,476
Ewon Benedick	UPKO	50,000	-	49,501	-	99,501
Md Salleh Md Said Keruak	UMNO	-	-	-	83,000	83,000
Frankie Poon Ming Fung	DAP	-	-	89,921	-	89,921

Insider perspectives from election candidates

Below are excerpts from interviews with several present and past lawmakers as well as party officials who were involved in election campaigns. Given that political finances are regarded as a sensitive issue, most interviewees requested anonymity in condition for sharing the information about their finances.

Some recurring themes and takeaways from these interviews are that candidates often lack the financial infrastructure to run an effective campaign, often had to do last-minute fundraising efforts on their own, and had to jumpstart their campaigns with minimal to little money from their party.

“For my first term, I borrowed money from family and friends to pay for my deposit and campaign. In subsequent campaigns, donors and supporters chipped in. Most of the donations came from constituents, supporters and also collections from ceramah. There were also in-kind donations such as mineral water and meals (lunch/dinner box/teatime) for the volunteers. There were also donation boxes in my operations centre and branches for people to donate. Those collected at the branches were used to cover their campaign in their respective areas...The one thing that stood out was donors prefer to remain anonymous.”

—A former MP from Perak²¹

21 Interview conducted in December 2020 via email and WhatsApp chat.

“I spent about RM 250,000 but I received only RM10,000 from my party [president]. The remaining amount I fundraised through supporters and donors. With the amount raised, I paid all my expenses including the SPR deposit.”

–A current MP from Perak²²

“In my 24-year MP career, I never received a single dime from my party [as a candidate]. And to my understanding, [among those who received some money] not every candidate received the same amount [to spend during election campaigns]. Those who are favoured by the party President tend to receive more. There was money given out to the division in my constituency but I [the candidate] never saw any of the money. This sum of money was seen as a reward from the party every five years, hence the division chief has absolute discretion over it. In my own fund raising, I only managed to solicit small amounts of below RM20,000 from friendly businesspeople, some of whom were known to have donated substantial amounts to the powers that be.”

–A former MP from Selangor²³

“I did get some money from the state leadership. The state leadership were given a certain amount from the party and it is then distributed among the candidates. I practically self-funded all the elections I contested in. I also had donations from well-wishers. A state exco member or minister would tend to raise more money because of their position.”

–A former ADUN in Selangor²⁴

“Our candidates raise their own funds for campaigns. The party would help the poorer candidates with some funds. Those who can afford are on their own. They have their donors and supporters who will help them...Our donations are mostly in cash and the donors want to remain anonymous. With cash, there is less of a money trail.”

–A former senior party leader from a Malay-based party²⁵

“Usually for state assembly seats (ADUNs), we [needed] RM2 million per seat. And if you [were also] contesting for parliament, then [your Party would] add another million... [a total of] RM5 million to contest comfortably... That [was] the experience. If your [seats were] all Barisan Nasional (BN) [strongholds], then you spend a bit less. But if you [had] one opposition seat in your constituency, then you [would] spend more on that particular (opposition) seat. Being part of a component party [of a ruling coalition], some funds [would] come from there. About 30%. The rest we [would] raise ourselves through supporters.”

–A current senior party leader in Sabah²⁶

22 Interview conducted in December 2020 via phone call and email.

23 Interview conducted January 2021 via email and WhatsApp chat.

24 Interview conducted in December 2020 in person and WhatsApp chat.

25 Interview conducted in February 2021 via phone call.

26 Interview conducted in January 2021 via telephone call.

Constituency Service Center

Elected representatives are expected to set up a constituency service centre. This costs money to maintain and provides services to their constituents. According to our interviewees, few elected representatives keep a detailed record of their office's income and expenses, let alone are willing to disclose it publicly for transparency and accountability. A rare exception is Wong Chen, MP of Subang, a two-term parliamentarian from Selangor, whose constituency service centre provides us a detailed account from 2013 to 2020. (Table 7)

Table 7: Funding Sources for the Constituency Service Centre of Wong Chen, MP of Subang, 2013-2020

YEAR	INCOME						TOTAL
	FEDERAL	STATE	DONATION	LOAN FROM THE MP	BANK INTEREST	OTHERS	
2013	-	26,388.05	30,845.00	20,927.71	34.69	100.00	78,295.45
2014	-	50,000.00	81,673.40		70.96	3,989.95	135,734.31
2015	-	56,688.80	60,838.00	34,334.58	40.31	611.00	152,512.69
2016	-	50,000.00	70,381.15	47,971.34	-	-	168,352.49
2017	-	50,000.00	92,021.25	27,861.28	-	-	169,882.53
2018	200,000.00	-	54.00	4,666.00	-	-	204,720.00
2019	300,000.00	-	538.00	-	-	-	300,538.00
2020	300,000.00	16,667.00	-	120,716.00	1,198.00	-	438,581.00
Total	800,000.00	223,355.80	305,505.80	235,549.20	1,309.27	4,600.95	1,570,321.02

While less systematic and comprehensive, a few former and current representatives shared perspectives on the revenue required to operate a service centre based on their experience.

“A service centre needs about RM10K each month. You will have one ketua pejabat, two kerani and one office boy. If you are a government ADUN, the area will be taken care of by the unit pemimpin/pegawai pembangunan masyarakat. This is the ADUN’s machinery. This comes under the CM office. This unit will do most of the work.”

–A party leader in Sabah²⁷

“I used my own shop lot so I only pay salary for two staff, which came to about RM3000+. The rest is all out of pocket. I also get RM500,000 from the state but that was used on the community, for example for associations, welfare.”

–A former ADUN in Selangor²⁸

27 Interview conducted in January 2021 via telephone call.

28 Interview conducted in December 2020 in person and via WhatsApp chat.

Shadowy sources of income

The issue of political parties and politicians receiving slush funds from businesses and businessmen to build up war chests has long been talked about. There was a lack of evidence to substantiate these claims in court, until the 1Malaysia Development Bhd (1MDB) scandal.

Secret donations to the Prime Minister's personal account

Former Prime Minister Najib Razak was alleged to have distributed funds from his private accounts to a few UMNO leaders.²⁹ Tanore Finance Corporation (BVI) at Falcon Bank in Singapore had originally transferred US\$681 million into Najib's AmPrivate Bank account in March 2013. Najib had then returned US\$650 million to this account in August after the 2013 election.

The leaders included then Barisan Nasional Backbenchers Club (BNBBC) chairman Tan Sri Shahrir Samad, who was alleged to have received RM1 million, then UMNO information chief Datuk Ahmad Maslan, who allegedly received RM2 million, while then Puteri UMNO chief Datuk Mas Ermieyati Samsudin allegedly received RM50,000.

Shahrir said he was not aware the source of the funds that he received in 2013.³⁰ "I received the funds in November 2013, when I went to see him (Najib). He was the party president, and I was the division chief. I have asked for funds to assist me in my political activities in Johor Baru, so, for me, it was a straightforward political fund," he said.

He also said that he regarded these as political funds, not illicit or illegitimate funds. "There is no law on financial funding in our country. This should be legal as it is a political donation," he asserted.

Undisclosed contributions to individual politicians

In another example, UMNO treasurer Tengku Adnan Tengku Mansor admitted in court during his trial in 2020 that he received a RM2 million cheque from businessman Tan Sri Chai Kin Kong on June 14, 2016.³¹ However, he claimed the money was for the campaign expenses of the Sungai Besar (Selangor) and Kuala Kangsar (Perak) by-elections on June 18 the same year. Tengku Adnan, who was found guilty, told the court that the RM2 million given by Chai was like "pocket money" to him.

During the trial, Tengku Adnan had told the court that Chai had been making donations to UMNO and BN since he was appointed UMNO chief secretary in 1999, while also insisting that he had never intended to receive the RM2 million for himself and that he did not need the RM2 million as he was already a successful businessman before joining the Cabinet.

29 The Malaysian Insider, "Accepting funds from Najib is normal, says Shahrir Samad," *The Edge Malaysia*, August 17, 2015.

30 Teoh Pei Ying and Mohd Husni Mohd Noor, "Shahrir confirms his account frozen by 1MDB taskforce," *New Straits Times*, July 3, 2018.

31 Sharanjit Singh and Rahmat Khairulrijal, "<https://www.nst.com.my/news/crime-courts/2020/12/651066/ku-nan-guilty-accepting-rm2-million-bribe-businessman-2013>," *New Straits Times*, December 21, 2020.

Secret account for slush fund

Most recently, in February 2021, a Supreme Council member of Prime Minister Tan Sri Muhyiddin Yassin's BERSATU party called for an investigation into an allegation of a secret UMNO slush fund.³² The slush fund was alleged to have been in existence since 1988.

The allegation of a secret bank account was made in a suit filed by the government to seize funds which were allegedly linked to 1MDB. UMNO claimed that money the government wanted to seize belonged to the party. However, the prosecution claimed that the money was held in a secret unaudited account used to receive political donations and contravened provisions of the Societies Act.

These cases have shone light on slush funds - and they are the ones who got caught by the law. There are many more transactions that have gone undetected. The issue of slush funds will continue to persist and create an uneven playing field for political parties until such time as all agree on a political funding mechanism and law.

EXPENDITURE

Political Party Expenses (day-to-day operations, from headquarters to branches)

For a political party to perform its roles adequately, it needs to spend on a myriad of operation costs. These expenses include office overhead, staff salaries, outreach programmes, policy research, annual party meetings as well as internal elections. Depending on the size of party membership and branches, these operation costs range from a few hundred thousand to a few million Ringgit per year.

PKR's expenses

According to its party leader, PKR needs about RM2.75 million yearly to sustain the party's regular operations. This amount excludes the cost involved to organise the party's annual general meeting, which cost RM855,000 in 2019. The amount also balloons every four years when the party holds its party election.

The two biggest items on the list are office overhead and staff salaries, which amount to RM2.02 million annually. This amount also includes office rentals (between RM1,500 to RM2,000) and salary of at least one staff (RM2,500) in the 10 states which are currently not governed by Pakatan Harapan (PH), the coalition of which PKR is a member. The offices in states under PH are left to raise their own funds.

Meanwhile, the amount to run the state headquarters and divisions varies from RM5,000 to RM10,000. The party has also added a new expenditure, the Keadilan Impact Grant, amounting to RM20,000 monthly, for which the 222 divisions can apply to organise programs that have social impact.

32 FMT Reporters, "PPBM man calls for probe into 'secret Umno slush fund,'" *Free Malaysia Today*, February 10, 2021.

Table 8: Estimates of PKR headquarters' annual expenses

EXPENSES	AMOUNT (RM)
Office overhead	725,000.00
Staff salaries	1,300,000.00
Outreach programmes/activities	40,000.00
Party AGM (2019)	855,000.00
Internal meetings and meetings with component parties	50,000.00
Other expenses	30,000.00
Party internal elections (every 4 years)	4,000,000.00

Table 9: PKR's statement of expenditure in 2018

EXPENDITURE	AMOUNT (RM)
Program assistance	45,480
Headquarters' programs	55,783
Salary and allowances	1,301,516
Office tools	23,544
Rental for state offices	122,095
Rental for parking spaces	7,123
Security services	65,177
Printing	144,833
Utilities	127,660
Travel allowances	3,989
Assessment tax	9,282
Party congress	746,116
Party newspaper	112,000
Party election	4,049,761
Courier	54,947
Bank charges	148
Miscellaneous spending	42,357
Membership system	54,050
Depreciation	2,597
Total	6,968,459

PSM's expenses

At the other end of the spectrum, a party like Parti Sosialis Malaysia (PSM) operates on a smaller budget annually.

“An amount of RM250,000 for party headquarters and RM60,000 for the branch would be more comfortable,” said honorary treasurer Soh Sook Hwa adding that most of the party's research work and other activities are carried out on voluntary basis.

Table 10: PSM annual party spending for 2018

EXPENSES	AMOUNT (RM)
Office overhead	36,000.00
Staff salaries	108,000.00
Outreach programmes	10,000.00
Meetings and AGM	15,000.00

Table 11: PSM Statement of Expenditure, 2017-2018

EXPENDITURE	2018 (RM)	2017 (RM)
Accommodation	7,982	2,269
Audit fees	2,000	2,000
Bank charges	96	56
Banner and brochure printing	76,602	11,159
Party newspapers	43,407	34,397
Donations		6,550
EPF contributions	5,262	4,828
Food reservations	20,999	28,124
Insurance	842	842
Internet expenses		2,812
Medical fee	43	145
Postage		734
Printing and stationery	5,128	835
Hall rental	8,132	9,565
Office rental	16,500	16,500
Salary and allowances	42,364	38,965
Sundry expenses	5,036	4,886
Transportation expenses	2,777	10,969
Upkeep of office	387	3,269
Water and electricity	3,463	1,884
Depreciation of plant and equipment	1,062	1,062
Total	242,080	181,850

Regional Party's expenses

Regional Party has generously provided several years of their financial statements for this research. It is noteworthy that the party spent quite substantially on their staff, subsidies for divisions, festivals and events. From what we can deduce in Regional Party's records, the party spent heavily in anticipation of an election year. However, political parties also tend to raise more money during an election campaign so some of their expenditure can be recuperated through public donations during the brief campaign period. Crucially, not all parties are able to function in this manner - for example, by paying for banners up front and recovering some of the printing costs by organising well-attended fundraising dinners.

Table 12: Regional Party's Statement of Expenditure, 2016-2019

EXPENDITURE	2016 (RM)	2017 (RM)	2018 (RM)	2019 (RM)
Bank charges	294	235	195	78
Assessment tax	5,069	5,318		
Donation	7,400	26,950	33,695	5,000
Overtime allowance	600	969	3,246	1,717
Electricity and water	16,200	14,721	15,836	15,763
Salary and wages	396,617	413,536	414,540	722,748
Audit fee	5,800	5,900	6,100	6,000
Insignia	67,500			
Insurance	1,430	1,430	1,429	
Office cleaning	742			455
Division cleaning	2,770	5,700		
Leisure	4,028	3,618		
Consultancy	4,500			
EIS contribution			704	1,248
EPF contributions	51,879	54,138	54,288	91,239
Public service	8,800			
Miscellaneous expenses	39,281	13,050	8,373	35,580
Maintenance and upgrading				
Services and repairs	3,384	4,965	2,726	4,075
Website development	345	220	275	275
Accommodation and travel	76,087	74,556	40,253	22,543
Building maintenance	9,746	1,451	350	553
Festivals' expenses	322,869	304,448	350,466	635,663
Transportation expenses	1,710	1,840		
Convention expenses	255,436			
Anniversary expenses	90,028	75,195	47,613	37,470
Meeting expenses	16,891	15,112	61,809	23,831
Election preparation expenses		731,761	5,106,113	
Printing and stationery	53,699	44,517	48,202	43,003
Social security	6,609	6,970	6,825	11,621
Medical	3,264	3,012	4,902	4,472
Publicity		5,260	5,344	
Seminar	12,452	67,626	2,617	59,651
Postage	1,374	992	21,138	1,173
Office rental	12,000	12,000	12,000	12,000
Division subsidies	420,000	487,000	412,000	430,195
Newspapers	1,200	1,200	1,200	1,300
Depreciation of assets	40,174	40,719	21,874	20,826

EXPENDITURE	2016 (RM)	2017 (RM)	2018 (RM)	2019 (RM)
Condolences	2,469	200	5,540	6,549
Phone bills	8,680	9,021	11,689	10,326
Bonus			34,545	
Party wings' expenses	0	0	2,300	216,100
Branch registration				
Party's 25th anniversary			15,795	62,812
Jogathon expenses	179,196	196,588	122,985	185,376
Delegations' conference				
Building assessment			5,567	5,860
Conference speech			284,696	
PERKESO				
Division upgrade			20,500	
Return of donation				820,000
Subscription				221
Vehicle running expenses			3,479	1,220
Extraordinary convention			98,176	84,324
Total	2,100,273	2,581,305	7,289,385	3,581,267

Election Expenses

Elections are getting more sophisticated and competitive, which means more resources are required. In short, they are getting more expensive. Fundraising has become the priority for parties and candidates when they have to pay for higher election expenses.

Party election expenses

While the EOA 1954 imposed spending limitations for candidates, there are no restrictions enforced on political parties' spending. As a candidate's spending in his constituency could be well supplemented by her/his party or proxies, s/he could exceed the limitation without this being reflected in her/his account. This is a loophole that results in an uneven playing field without any checks and balances.

Party expenses for electioneering are also difficult to be traced due to the lack of standardisation, documentation, and tracking of distribution of party funds to their candidates. Multiple interviewees stated that they had to raise most of the funds required to run effective campaigns, with little contributions from their party's headquarters. But this does not mean that political parties spend less on election campaigns. It is more likely that parties spend a lot, but not necessarily through the candidate or with the knowledge of the candidate, for example by giving funds to state party leadership or division chiefs or spending on nationwide digital campaigns and call centres.

There is no law that requires a political party to submit its spending at the

conclusion of every election. Only candidates are required to submit a spending report, which functions as a mere formality. Therefore, the public could only speculate on the amount judging from the election paraphernalia, advertisements and various activities and events that take place during the campaign.

PSM, which did not win any seats in the 14th General Election in 2018, raised and spent some RM100,000 on campaign materials. For the record, PSM contested in four parliamentary constituencies and 12 state constituencies.³³ The party's treasurer said 80% was spent on flags while the rest was on printed materials.

Candidate election expenses (reported expenses and estimates of unreported expenses)

According to Section 23 of EOA 1954, every candidate must submit his or her election expenditure statement via Form B within 31 days after the election result has been gazetted. Candidates will have to show the amount of funds received and used in the election campaign and the breakdown according to various categories set out in the form. From there, the public could see where the candidate derived the funds and how he or she had spent these.

With the limitation imposed, all the forms would indicate that the candidates had spent within the stipulated amount. However, that's not often the case as a few candidates interviewed admitted that they spent more than was allowed.

Case studies from the 2020 Sabah state election

In a quick and simple comparison study of 11 candidates from the 2020 Sabah state election (whose funding sources were reported in Table 6), we documented all reported expenditure under the threshold of RM100,000 during the campaign period.

The records provoke many questions about the reported expenditure. For instance, candidates and their agents had a free hand in arbitrarily reporting the amount spent on printing - some spent thousands while other candidates did not spend anything. Logically, candidates must spend a lot on printing costs but they must have reported it under another category. It is also unknown whether these reported expenditures are properly checked or are a mere formality to be completed. There is a lack of uniformity and enforcement in how candidates report their expenses, and thus this loophole is often exploited.

Questions also arise as to how the PBS candidate for Telupid spent RM92,000 for an area of 2197 sq km while the PKR candidate for Api Api spent RM93,000 on a town area which is only 4 sq km. Another peculiarity is that the PKR candidate for Api Api paid RM42,000 for his/her polling/counting agent, clerk and messenger in five polling districts while the UPKO candidate for Kedamaian paid RM32,000 for his agents in 16 polling districts and the independent candidate for Kemabong paid a handsome RM64,800 for his agents in 12 polling stations.

33 Febriansyah, Muhammad, and Sharifah Nursyahidah Syed Annuar. "Parti-Parti Politik Kiri dalam Pilihan Raya Umum Ke-14 (Left Political Parties In 14th General Election)." *Jebat: Malaysian Journal of History, Politics & Strategic Studies* 45, no. 2 (2018).

Table 13: Candidate expenditures from the 2020 Sabah state election

CANDIDATE	PARTY	AGENT, CLERK & DISPATCH FEES (RM)	TRAVEL ALLOWANCE FOR AGENTS, CLERKS & COURIERS (RM)	TRAVEL ALLOWANCE OF ELECTION MACHINERY (RM)
Darell Leiking	Warisan	18,620	11,400	3,600
Jeffrey Gapan Kitigan	Star	30,000	2,000	-
Mohd Shafie Apdal	Warisan	6,000	2,700	4,250
Masidi Manjun	Bersatu	20,000	15,000	-
Rubin Balan	Bebas	32,400	32,400	-
Jonnybone J Kurum	PBS	38,000	-	19,000
Christina Liew Chin Jin	PKR	26,000	1,600	8,700
Bung Mokhtar Radin	UMNO	5,000	3,800	3,500
Ewon Benedick	UPKO	19,680	12,800	-
Md Salleh Md Said Keruak	UMNO	5,000	3,800	3,500
Frankie Poon Ming Fung	DAP	19,603	-	-

The comparison of the spending statements of the 11 candidates gives rise to more questions than answers. The fact that some details were glaringly missing also makes it hard to determine spending.

Insider perspectives on candidates' election spending

"I spent within the limit set out. I paid for election materials and use of sound system. Many meals for volunteers were donated while the logistics for ceramahs were handled by the various branches. A candidate needs to have at least RM50,000 of his own money to contest. The rest could depend on the goodwill of volunteers and supporters. But that again also depends on the efficiency of branches and location of constituency. The size/area, number of voters (and density), rural, semi or city are factors that determine the amount needed for campaign. I am sure some constituencies in Sabah and Sarawak would need a bigger sum for campaign(ing)."

—A former MP in Perak³⁴

"The bulk of the expenses went to paying the election and counting agents, election materials and setting up of tents in various housing areas to check voting status. I was very lucky that I had volunteers who worked for free. I paid RM30 for each agent for a four-hour shift and there were some who returned the money to me...All in I spent just about RM75,000. I was very frugal and made sure that my

34 Interview conducted in December 2020 via email and WhatsApp chat

EXPENDITURE								
PRINTING (RM)	ADVERTISE- MENT (RM)	STATIONERY (RM)	POSTAGE AND PHONE BILLS (RM)	MEETING ROOM RENTAL	LICENSE (PBT)	MISCELLANEOUS EXPENSES (RM)	EXPENSES BY AUTHORIZED PERSONS (RM)	TOTAL (RM)
21,500	-	6,214	-	-	9,000	23,298		93,631
21,700	2,925	1,430	750	17,000	3,000	13,643	5,000	97,448
29,500	11,200	900	2,500	21,000	-	9,660	6,000	93,710
20,000	-	15,000	-	10,000	-	15,000	-	95,000
8,550	-	-	-	-	-	11,000	-	84,350
4,000	-	1,000	-	-	-	30,000	-	92,000
1,750	19,444	5,385	200	16,325	2,001	12,003	-	93,408
13,000	58,176	3,000	-	-	-	8,000	-	94,476
11,888	4,100	-	-	-	-	51,033	-	99,501
30,000	30,000	3,000	-	-	-	8,000	-	83,300
-	70,054	264	-	-	-	-	-	89,921

materials were printed ahead of the nomination day. That saved me some cost as anything printed after nomination day is more expensive. The party HQ gave me some election materials, which probably amounted to RM5,000 to RM10,000.”

–A current ADUN in Pahang³⁵

Almost all candidates interviewed said the expenditure amount limited by the Elections Offences Act is too low and should be increased in line with the higher cost of living, prices of goods, transportation and also geographical areas. For instance, a constituency in Perlis would probably need less as compared to one in Sabah or Sarawak that covers the interior constituencies. Thus, a single national ceiling on expenditure is not realistic or desirable.

Expenses of Constituency Service Centre

For any elected representative to represent the constituency well, the key lies in having a well-staffed and funded constituency service centre (CSC) to serve the constituents. Funding has always been an issue as there is no existing law that provides for the funding of the centres. While some states have an allocation for their MPs and assemblypersons, it is usually not equitable. The allocation in most cases favours those in ruling government while the opposition get a lower sum or nothing at all. Most often, those on the opposition bench would have to raise funds for their centre.

The Covid-19 pandemic has also been detrimental to fundraising efforts. Holding big dinners or ceramah, which were the traditional methods of fundraising, is no longer possible as there are limitations to big gatherings over the past year. Three elected

³⁵ Interview conducted in March 2021 via email, Zoom and WhatsApp chat.

representatives provide an account of the expenses required to maintain their constituency service centres.

Kelana Jaya Member of Parliament Wong Chen receives an annual allocation of RM50,000 from the Selangor state since he was first elected in 2013 for his CSC. However, the amount is insufficient (used for staff salaries) and he has to raise funds twice a year (via movie premieres) to ensure there are enough funds to run his office. From his published annual accounts, Wong has been extending a loan to his office when there is a shortfall in any particular year.

On a realistic number to run a CSC, Wong said he needs RM1 million a year to run a professional office.

“I need two community officers, two researchers, one media person, one personal assistant and one accountant for a proper office of international standard. We don’t need community funds but we need funds to run a proper office so that we can be good policymakers,” he said, giving examples of his ASEAN counterparts who had fulltime lawyers in their offices to vet papers.

Wong also receives the CDF which is spent on welfare, associations and small projects. The Selangor state provides an annual RM250,000 but stopped providing for the MPs in 2018 when PH came in to power at the federal level. In 2019, Wong received RM3.5 million in CDF from the Prime Minister’s Office (PMO) for his constituency, which was spent on welfare, school projects, small projects and associations. He did not receive the money directly into his constituency account though. The funds were dispensed through the Implementation Coordination Unit (ICU) in the PMO. MPs only provide recommendations with supporting documents and monitor the projects. All appointment of contractors are by the government. Cheques for welfare and associations are also issued by the government based on the recommendation of MPs.

However, Wong is not in favour of CDF as it takes up resources and time. He and his officers need to go through the long process of identifying, interviewing, recommending, monitoring, disbursing and reporting. CDF, in Wong’s opinion, also creates an opportunity for corruption as it is easy for a MP to disburse projects and welfare to his supporters

Table 14: Expenditure from parliamentary service centre of Wong Chen, MP of Subang, 2013-2020

YEAR	EXPENSES					
	SALARIES & ALLOWANCES	EPF, SOCSO & EIS	RENTAL OF PREMISE	UTILITIES	GENERAL EXPENSES	OFFICE MAINTENANCE
2013	26,678.65	5,151.20	14,300.00	2,499.60	2,546.30	200.00
2014	57,137.60	7,745.00	15,629.10	6,380.85	4,601.65	203.00
2015	75,403.85	18,877.20	16,225.10	10,079.80	2,400.00	-
2016	89,895.53	20,028.00	19,141.68	9,902.72	2,090.00	-
2017	79,793.86	24,143.20	18,262.84	12,053.31	1,300.00	-
2018	67,782.00	13,728.00	18,400.00	8,838.00	-	-
2019	187,177.00	19,490.00	24,000.00	15,038.00	13,265.00	3,269.00
2020	117,433.00	15,109.00	26,000.00	14,221.00	4,991.00	2,476.00
Total	701,301.49	124,271.60	151,958.72	79,013.28	31,193.95	6,148.00

through many channels.

“If the government wants to do CDF then must have some form of formula in deciding the amount and not just a random amount,” said Wong, adding that the amount should be based on population size while geographical location of the constituency should also be taken into account.

“A reasonable CDF is RM1 million as beyond that amount takes up too much time to allocate spending. But if you are in the rural area, you probably deserve a bit more for your constituency,” Wong said. However, he likened CDF to a form of vote buying and suggested this system should be put to an end in the next decade.

Wong also said that the welfare and development of a constituency should be handled by the various state and local government agencies. It should not be the job of a lawmaker to dispense welfare and development funds.

The state assemblyperson for Semambu, Lee Chean Chung, received RM15,000 for 2019 and 2020 from the Pahang state government where his party is not part of the government. The funds go to projects and welfare in his constituency and are disbursed by the state based on his recommendations. He does not get support from his party, be that at the state or national level, in terms of funding.

The two-time assemblyperson funds his service centre through dinners, sales of a party newsletter and donations from the public. Leftovers from funds raised during general elections are also channelled to the service centre. The Semambu assemblyperson needs at least RM7,000 a month to operate his service centre which includes rental, utilities and staff salaries. When the service centre fund is low, he often has to dip into his own pocket to keep the operations running. He admits that an ideal figure would be RM10,000, which would enable him to have three assistants while an additional RM5,000 would enable him to run programs and welfare.

The COVID-19 pandemic has affected his fundraising effort the past year as big gatherings have been banned for over a year. Big dinners of a few hundred attendees are a thing of the past for now. PH’s loss of power at the federal level in February 2020 has also somewhat affected his funding as many supporters are disappointed with the turn

	OFFICE SUPPLIES	RENOVATION	BANK CHARGES	EVENT	INTERN ALLOWANCE	OTHERS	TOTAL
	1,200.00	18,430.00	15.00	-	-	7,274.70	78,295.45
	291.77	-	15.00	-	-	45,212.80	137,216.77
	5,239.80	-	164.86	7,842.95	13,350.35	2,928.78	152,512.69
	3,268.35	-	55.28	5,297.88	15,227.80	3,445.25	168,352.49
	6,190.25	-	51.94	6,860.00	18,683.83	2,543.30	169,882.53
	4,325.00	83,546.00	-	5,104.00	-	2,997.00	204,720.00
	20,362.00	3,730.00	989.00	-	-	6,390.00	293,710.00
	1,680.00	-	834.00	-	-	3,000.00	185,744.00
	42,557.17	105,706.00	2,125.08	25,104.83	47,261.98	73,791.83	1,390,433.93

of events. For him, it is essential that an elected representative gets funds to run his/her service centre so that he is able to carry out his work.

Meanwhile for Penang state assemblyperson for Machang Bubok, Lee Khai Loon, he has the support from the Penang state government as his party is part of the coalition government there. (Table 15) He receives RM15,000 for staff salary and another RM6,000 for the service centre, which covers rental, utilities and day-to-day running of the office. Staff salaries are paid straight out of the state secretary department.

Annually, he has RM300,000 in the form of CDF and another RM200,000 for outright grants. To utilise the CDF, the Machang Bubok assemblyperson would have to identify and submit a proposal on projects in his constituency to the district office. The district office would have the final decision on the project in terms of approval, appointing contractors and disbursement of funds.

“Whenever I submit a project proposal, the district office would update me on the amount available,” said Lee, adding that the RM300,000 must be spent within the year as it cannot be carried forward. Events such as festive celebrations also come under the development fund.

As for the RM200,000 outright grant, RM50,000 is banked into his constituency account quarterly. Grants are issued via cheques signed by him and are usually for emergencies, welfare and associations in his constituency. His office submits a quarterly report on his utilisation of the funds, which is usually in the form of a bank statement, to the state government.

Lee said he does not need to raise funds for his service centre as the amount allocated is enough for day-to-day operations, although he would still incur out-of-pocket costs from time to time for emergency cases which require immediate relief, such as fire victims and token sums for funerals or weddings that he attends.

Table 15: Assemblyperson Lee Khai Loon’s annual funding to cover operations and development expenses from the Penang state government

FUNDS	MONTHLY AMOUNT (RM)	ANNUAL TOTAL (RM)
Development Fund	-	RM300,000.00
Outright Grant	-	RM200,000.00
Staff Salaries	RM15,000.00	RM180,000.00
Office Overheads	RM6,000.00	RM72,000.00

Shadowy expenditure

Vote-buying is a common ‘shadowy expenditure’ during elections in Malaysia. Whether through monetary bribery or goodies provided during election campaigns, these are types of vote-buying which would be strictly penalised in a healthier democracy. However, there is another form of shadowy expenditure that is getting more popular and sophisticated in the past few elections: the deployment of cybertroopers.

A cybertrooper is defined as person who is paid to disseminate political propaganda on the internet, particularly on social media platforms, or an activist who uses cyberspace. These cybertroopers have become an integral part of the political parties in the past

decade during which battles are fought online and through messaging systems. They disseminate party propaganda, send out feelers for certain issues and defend their party or leaders' decisions or attack those from the opposing camp.

According to a 2020 media manipulation survey by the Oxford Internet Institute (OII), organised social media manipulation campaigns have been found in 81 countries and misinformation is being produced on an industrial scale by major governments, public relations firms and political parties.³⁶ In particular, OII claims that Malaysian cybertrooper teams showed clear evidence of “medium-capacity” capabilities, with a more consistent form and strategy, involving full-time staff members who are employed year-round to control the information space.

These cybertroopers are paid to influence political opinions, and become more lucrative during election seasons. Rizal Mansor, an aide of former Prime Minister's wife Rosmah Mansor, provided testimony in court about the extent of cybertroopers in Malaysia.³⁷ He told the court that he was given RM100,000 a month to fund a team of cybertroopers to “defend” her from online slander and negative reports. He further testified that his ex-boss asked him to form a team of cybertroopers in 2012 out of concern for her image and reputation and that there were 30-40 troopers working from the period of 2012 - 2018 while being paid between RM2,000 to RM4,000 monthly. However, he could not determine the source of the funds.

Cybertroopers will continue to play a huge role in Malaysian politics and it is an issue that needs to be addressed. It is a thriving industry protected by a cloud of secrecy, which emboldens some cybertroopers to commit doxing, manipulation, and harassment.

On the condition of anonymity, a pro-government interviewee claims that there are many cybertrooper groups that operate together but on different issues. Several key personnel would dictate the agenda, and the cybertroopers would blast out the given narratives.

“Most of the time, they don't know each other. They work on various issues from political matters to government policies. They all have their own set of issues to tackle and usually there are a few groups who work on similar issues but they may not know of each other...Some are paid by companies that have been set up for such purposes. Then there are those who are on the payroll of certain companies or foundations that are aligned to the said political parties or politicians.”

—A pro-government interviewee on Malaysian cybertrooper groups³⁸

Cybertroopers are getting more sophisticated, funded, and perhaps even institutionalised—for instance, the Unit Media Baru being setup by UMNO's supporters. The cybertrooper industry is a profitable business, although the actual amount of revenue could not be determined. Their work is done year-round and intensifies as elections loom. Some troopers are well-paid, while others are mostly hardcore party supporters who are not properly funded, if at all.

36 G. Prakash, “Report: Malaysian cybertrooper teams employ full-time staff, used by politicians and businesses alike,” *Malay Mail*, January 14, 2021.

37 Hafiz Yatim, “Rizal: 30 to 40 cybertroopers were working for Rosmah from 2012 to 2018,” *The Edge Malaysia*, September 17, 2020.

38 Interview conducted in March 2021 in person.

REPORTING & AUDIT PROCESS

Political parties under Societies Act

Political parties in Malaysia are required to submit their annual audited account to the Registrar of Society (ROS). However, this information is not disclosed to the public. The ROS is not an independent authority since the Home Minister can exercise significant influence on its decisions. This raises the question of whether the ROS is really the suitable authority for political parties to report their income and expenditure to.

In addition, it is unknown whether any authority verifies the consistency and accuracy of the details in the financial statements submitted by political parties to ROS. For example, some financial statements contained a few discrepancies likely due to data entry errors. While these errors could be attributed to genuine human error, they raise the question of whether parties' financial statements are just treated by ROS as formalities without scrutiny and auditing.

Candidates under Election Offences Act

While candidates are required to submit their spending statements to the Election Commission, there is not a requirement for the forms to be filled in detail. Candidates do not have to disclose their source of income and it is not mandatory to give a breakdown of election and polling agents. There is also a wide disparity in the expenditure breakdowns, and the arbitrariness indicates that the current procedure is mere formality. It is not clear if there is a proper auditing process on the details of the statements.

Accountability for CDF funds

There is no accountability for how elected representatives spend their CDF allocations. The candidates (MPs or ADUNs) are not required to submit an audit to any authority or even a report to their own party regarding income and expenses under their service centres. Tellingly, an interviewee justified the practice by saying that since parties do not provide funds to the candidates or elected representatives, the latter owe no accountability to the former.

RECOMMENDATIONS

Following inputs from the interviews and data in the preceding chapters, outlined below are recommendations for adoption and discussion. These recommendations seek to close the loopholes in existing regulations - which are often exploited to receive and spend illicit funds - and to increase the level of transparency in political financing. Importantly, insiders' perspectives have been taken into consideration so that these recommendations are both realistic and ideal to advocate for cleaner and more professionalised politics.

The recommendations can be broadly categorised into two changes: legislative changes that involve amendments to existing laws and regulations, and policy/institutional changes that may be introduced by governments at both federal and state levels.

Recommendation 1: Introduce a comprehensive law governing political finance

A comprehensive law should be created to regulate funds going in and out of political parties and key office holders. Existing regulations are insufficient and are scattered across multiple legislation and enforcement agencies.

Civil society and academics previously advocated for the formation of a Political Parties Act to limit political contributions and expenditure, establish reporting requirements and public disclosure, introduce guidelines for a caretaker government and ban party ownership of business.³⁹ This call remains relevant today.

The Pakatan Harapan government was considering a less extensive proposal called the Political Funding Bill, which is primarily intended to monitor funds going into political parties.⁴⁰ However, the government collapsed before any reform was enacted. The current and subsequent governments should move quickly to enact a comprehensive regulation on political financing before the damage to Malaysian democracy becomes too corrupting and irreversible.

Recommendation 2: Introduce public funding for political parties

The three political parties surveyed in this study demonstrate that parties tend to face volatile income and expenses. Parties can have surplus in a particular year and incur a huge deficit in the following years. Given the party's overdependence on the contributions from their elected representatives (up to 70% according to one party's estimate), this means that parties are financially vulnerable because that source of income is often at risk of depletion due to electoral defeats or/and defections to rival parties. This creates a volatile political landscape, disadvantages new or opposition parties who have fewer elected representatives, and forces reliance on private donors.

Introducing vote-based public funding of political parties can reduce the influence of private money in politics, promote a more level playing field, provide incentives and assistance for informed debates and parliamentary duties, and moderate partisanship by changing the incentives of electoral politics.⁴¹ Public funding, or state subsidies, for political parties exist in approximately two-thirds of countries. Malaysia is an exception.

Recommendation 3: Enforce realistic election spending limits for candidates and parties

There should be an increase in the enforcement on election spending limits for candidates. It is challenging for candidates to work within the current parameters of RM100,000 and RM200,000 for state and Parliament seats taking into account the increased cost of living and goods coupled with inflation. Most interviewees admitted having spent beyond the limit, and there is no enforcement when candidates circumvent the rules and overspend in elections.

There is a need for a realistic and equitable spending cap. Issues such as the increased cost of living, the price of goods and services, and the geographical area of the constituency must be taken into account.

39 See Edmund Terence Gomez, "Political Financing Reforms," *Bersih 2.0*, 2016.

40 Azura Abas and Hashini Kannan, "Political Funding Bill to monitor money given to political parties," *New Straits Times*, September 19, 2019.

41 Ooi, K.H. (2021). "Public Funding of Political Parties in Malaysia: Debates, Case Studies and Recommendations," *Bersih 2.0*. <https://www.bersih.org/wpcontent/uploads/2021/01/Bersih-Policy-Research-Public-Funding-of-Political-Parties.pdf>

There is no limit on political party spending during elections. Presently, there is no law that requires them to disclose. Hence, there is no knowing where the funds originate from or how they are spent. There should be a new law governing campaign contributions, limitations to parties' spending and funding sources. Contributions, whether in cash or in kind, or sponsorship of goods, services or venues ought to be regulated and capped for a more equitable playing field for all. There must be better enforcement of monitoring of candidates during the election campaign.

Recommendation 4: Ban foreign donations to political parties

Foreign donations to political parties which are used for election campaigns are tantamount to foreign intervention in Malaysian democracy. It is not far-fetched to claim that it undermines our sovereignty. The outcome of elections in Malaysia should be decided by the Malaysian people without monetary influence from foreign sources. This ban is only applicable to foreign donations intended for election expenses, and excludes contributions by foreign institutions to assist with party training, research, and programs - which should be capped at a certain amount.

Recommendation 5: Publicize audited accounts and disclose big donors

Individuals contributing above a certain threshold for donations should be disclosed. Like in Australia, the public should know the identity of the biggest donors for their political parties. Not all donors need to be named, as this only applies to the big donors exercising disproportionate influence on party politics.

As the Act that compels the political parties to submit their annual audited account, it is timely for an amendment to be made to the Societies Act to set out the criteria for political funding or donations so that political parties' sources of income would be transparent.

Presently, only the Registrar and a member or subscriber or person having interest in its fund can view the account. It is recommended that an independent committee scrutinise these accounts for accountability and transparency.

Recommendation 6: Empower the Election Commission and the Malaysian Anti-Corruption Commission

The Election Commission currently does not exercise penalties or enforcement that are strong enough to act as deterrence for violations of campaign contributions and spending. Their enforcement capabilities must be strengthened and be made impartial.

Similarly, MACC's current power to investigate is only confined to offences under Part III (corrupt practices) of the EOA. Its power should be expanded as per Hong Kong's Independent Commission Against Corruption (ICAC), which is empowered to investigate alleged offences under the Elections (Corrupt and Illegal Conduct) Ordinance—a law like the EOA.⁴²

42 Fadia Nadwa Fikri, "Report On the Roles and Functions of the Election Commission and the Malaysian Anti-Corruption Commission in Addressing Corrupt Practices at Elections," *C4 Center*, November 2017 (Updated edition: April 2018).

Recommendation 7: Regulate Community Development Fund to promote accountability and fairness

CDF must be made equally available to all elected representatives regardless of which side of the divide as it is taxpayers' money and it is only fair to the constituents they represent. Presently, the CDF comes from the PMO or the Chief Minister's budget. There ought to be a law to deal specifically with allocations of the CDF. There must be proper accounting and auditing of the fund. MPs and state assemblypersons must be made to publish their accounts every six months or annually so that their constituents can hold them accountable. This is to ensure transparency and that there is no *quid pro quo* in administering the allocation. CDF should not be a long term fixture as lawmakers' primary work should be formulating policy and not disbursing development funds, which should be managed by local government agencies.

All elected representatives must also be given a similar amount across the board to run their service centres to promote a more level playing field.

Recommendation 8: Local elections to increase responsiveness and reduce clientelism.

MPs and assemblypersons are bogged down by the day to day complaints of administration matters, infrastructure and amenities in their constituencies. A constituent should not need an MP or an assemblyperson to highlight their issues such as clogged drains.

A local government election should be introduced to make the local government agencies more efficient and responsive in addressing community issues at the constituency level.

Recommendation 9: Earmark a fund for elected representatives to promote research capabilities

Given the scarcity of funds, parties do not prioritise policy research. This seriously undermines their ability to debate policy issues, propose well-informed ideas, and scrutinise the government. To increase the effectiveness of elected representatives as legislators and/or policymakers, a fund should be created to assist them financially to hire policy researchers and to conduct research on policies.

Recommendation 10: Monitor internal party elections

Internal party elections should be monitored by the relevant enforcement agencies to curb money politics. Illicit funds are not only distributed in general elections, but also during party elections. Given the estimates provided by our interviewees on the amount of money required to run for parliamentary and state elections, we can deduce that a similar scenario exists in internal party elections. The unregulated nature of party elections leaves the door open for moneyed candidates to buy their way into party leadership and entrenches corrupt political culture in Malaysia.

CONCLUSION

Due to the lack of proper regulation on political finance, Malaysian voters are not able to know how much an election campaign costs exactly. In addition, both the amount and identity

of political donations made to political parties and candidates are not disclosed to the public and enforcement agencies.

When parties and candidates contest an election, they have to spend pre-election, during election and post-election. This excludes the funds required to operate constituency service centres and organise party activities on day-to-day basis.

Until we change the rules and policies related to political financing, this will continue to happen.

However, change will only happen when there is a strong collective demand and political will to make meaningful changes to promote accountability and a more level playing field for all candidates and parties. New legislation on party funding and spending must also come with better enforcement and monitoring so that public confidence in our democracy can be restored. Otherwise, any new proposal would merely be window dressing.





Political Party Finance in The Philippines

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BACKGROUND

Problem Statement

“Money in politics, or political finance, is linked to key aspects of any modern society. Management of political finance is necessary for credible and genuine elections and electoral campaigns because it has the potential to skew competition between contestants. Proper management ensures the country is governed effectively, however, corruption can easily damage good governance”¹

Kofi Annan, in *Funding of Political Parties and Election Campaigns*,² further declares: “[t]he[re] is increasing evidence that corruption and unregulated donations are exercising undue influence on politics and undermining the integrity of elections. In some countries, money from organized crime has infiltrated politics to gain control over elected officials and public institutions. These threats to democratic politics help explain why large numbers of people around the world are losing faith in politicians and democratic processes.” Annan concludes that “[t]here is clearly an urgent need to better control political finance. Governments should regulate political donations and expenditures effectively. This will require full transparency and disclosure of donations, with penalties for non-compliance. Effective monitoring and enforcement of regulations are crucial.”

The concept of a political party as an aggregator and representative of interests is declared under Philippine laws. By definition, political parties in the Philippines should ideally be programmatic parties. In reality, political parties in the Philippines have not developed as such and may be characterized as loosely structured electoral parties, with personalistic or clientilistic-charismatic identities.

The internal structure and mechanisms of political parties in the Philippines are not regulated. Political party finance, which focuses on money for party functions outside the elections, is similarly not regulated since political parties are mostly inactive outside the elections.

In contrast, political party campaign finance, which focuses on money obtained and used by political parties to win voter support at the campaign stage, is regulated in conjunction with individual candidates’ campaign finance because of the personalistic political context.

Money in Philippine politics should therefore be examined as falling under political party finance and electoral campaign finance. Electoral campaign finance comprises political party campaign finance and individual candidates’ campaign finance.

Effective regulation as well as monitoring and enforcement of regulations related to political party finance and electoral campaign finance are needed to avoid undue influence on politics, weakening of the integrity of elections and democratic processes, and corruption.

1 Magnus Ohman, “Controlling Money in Politics: An Introduction,” International Foundation for Electoral Systems, last modified 2013, https://www.ifes.org/sites/default/files/a_brief_introduction_to_money_in_politics_final_magnus_ohman.pdf

2 Falguera, E., S. Jones, and M. Ohman, eds. *Funding of Political Parties and Election Campaigns: A Handbook on Political Finance*. Sweden: International Institute for Democracy and Electoral Assistance, 2014, <https://www.idea.int/sites/default/files/publications/funding-of-political-parties-and-election-campaigns.pdf>.

Research Objectives and Method

The following are the objectives of this research: 1) to analyze and review the design of political party finance and electoral campaign finance laws and regulations in the Philippines; 2) to identify the problems related to political party finance and electoral campaign finance in the Philippines; and 3) to draft policy recommendations to improve political party finance and electoral campaign finance in the Philippines.

The researchers utilized qualitative methods³ of research primarily through interviews and the analysis of articles relevant to the subject.

Theory Framework

Political Context

a. Institutional Design

As a constitutional democracy⁴, the Philippines is governed by a constitution. The 1987 Constitution, which was ratified on 2 February 1987, declares that the Philippines is a democratic and republican state.

There are three co-equal branches of government in the Philippines: 1) the executive branch; 2) the legislative branch; and 3) the judiciary. The same Constitution provides that executive power shall be vested in the President of the Philippines.

A Vice-President is elected at the same time as the President. The legislative branch pertains to the Congress of the Philippines, which is composed of the Senate and House of Representatives. The judiciary refers to the Supreme Court and such other lower courts created by law.

Except for the members of the House of Representatives under the party-list system, elected officials under the 1987 Constitution are elected by a plurality of votes, viz:

1. the President and the Vice-President shall be elected by direct vote of the people;
2. twenty-four Senators shall be elected at large by qualified voters of the Philippines;
3. two hundred and fifty members of the House of Representatives shall be elected from legislative districts.

Local elected officials are similarly elected at large in their respective units by qualified voters under the Local Government Code of the Philippines.

3 Qualitative research is an approach for exploring and understanding the meaning individuals or groups ascribe to a social or human problem. The process of research involves emerging questions and procedures, data typically collected in the participant's setting, data analysis inductively building from particulars to general themes, and the researcher making interpretations of the meaning of the data. The final written report has a flexible structure. Those who engage in this form of inquiry support a way of looking at research that honors an inductive style, a focus on individual meaning, and the importance of rendering the complexity of a situation. John W. Creswell, "The Selection of a Research Approach," in *Research Design: Qualitative, Quantitative, and Mixed Methods Approaches* (Thousand Oaks: SAGE Publishing, Inc., 2014), 4.

4 The contemporary political systems that combine constitutionalism and democracy share a common basis in the primacy they accord to the will of the majority of the people as expressed in free elections. In all such systems, political parties are key institutions, for they are the agencies by which majority opinion in a modern mass electorate is mobilized and expressed. D. Allan Heslop, "Political System," *Encyclopedia Britannica*, last modified October 30, 2020, <https://www.britannica.com/topic/political-system>.

In *Political Party Formation in Presidential and Parliamentary System*,⁵ Aurel Croissant and Wolfgang Merkel found that “[a] presidential system appears to hinder the development of stable, well-institutionalized, programmatic, weakly polarized party systems.⁶ Furthermore, plurality systems in single-member or small electoral districts are candidate-centered electoral systems. They stimulate competition between individual candidates, not parties.⁷”

b. Clientilistic-Charismatic Political Parties

Croissant and Merkel further discussed three types of political parties as: 1) programmatic; 2) charismatic; and 3) clientilistic. Programmatic parties base their work on specific party programs and are most conducive to the consolidation and stability of democratic regimes.

On the other hand, the leadership of a charismatic person defines charismatic parties. Charismatic parties deprive their constituencies of programmatic choices as politics is reduced to the personal dimension. Clientilistic parties provide personal favors, partisan benefits and services for their loyal clientele, which usually refer to party members and voters/supporters.

The Philippines was classified as having clientilistic-charismatic parties as the dominant party type in the same article.⁸ Interviews conducted by the researchers with political party representatives support this classification. It was observed during the interview of one political party representative belonging to one of the ten major political parties in the Philippines in the 2019 national and local elections that references were repeatedly made to its charismatic leader as the driving force behind the party. In the same interview, the representative stated that the political party engages in transactional dealings with party supporters.

LEGAL AND REGULATORY ASPECTS

The Omnibus Election Code (OEC), which is the codification of legal provisions relating to elections, took effect in 1985 under the 1973 Constitution. The OEC defines a political party, and regulates the acquisition of juridical personality or qualification for accreditation as follows:

- A political party is defined as an organized group of persons pursuing the same ideology, political ideas or platforms of government.⁹
- To register as a national or regional political party, the organized group must file a verified petition before the Commission on Elections (COMELEC) and attach its constitution and by-laws, platform or program of government, and such other information as may be required by COMELEC.¹⁰

5 Aurel Croissant and Wolfgang Merkel, *Political Party Formation in Presidential and Parliamentary System*, (Friedrich Ebert Stiftung, 2004), <https://library.fes.de/pdf-files/bueros/philippinen/50072.pdf>.

6 *Ibid.*, p. 15.

7 *Ibid.*, p. 13.

8 *Ibid.*, p. 17.

9 *Batas Pambansa Blg. 881, S. 1985, (1985)*, s. 60, <https://www.officialgazette.gov.ph/1985/12/03/batas-pambansa-blg-881-s-1985/>.

10 *Ibid.*, s. 61.

- The petition for registration must then be published in at least three newspapers of general circulation.¹¹
- The organized group is not a religious sect and does not seek to achieve its goal through violence to be entitled to accreditation.¹²

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- The petition for registration must then be published in at least three newspapers of general circulation.¹⁵
- The organized group is not a religious sect and does not seek to achieve its goal through violence to be entitled to accreditation.¹⁶

Thereafter, the 1987 Constitution took effect and the power to register political parties on the following conditions remained with COMELEC¹⁷:

1. the political party must present their platform or program of government and such other requirements as may be mandated;
2. the political party is not a religious denomination and sect;
3. the political party does not seek to achieve their goals through violence or unlawful means;
4. the political party upholds and adheres to the 1987 Constitution;
5. the political party is not supported by any foreign government; and,
6. registration shall be allowed after sufficient publication.

Contributions

The OEC uses an inclusionary definition of a contribution as follows: 1) a gift, donation, subscription, loan, advance or deposit of money or anything of value; 2) a contract, promise or agreement to contribute regardless of legal enforceability; 3) use of facilities voluntarily donated by other persons as long as the same is made for the purpose of influencing the results of elections. However, the definition excludes services rendered by individuals without compensation or on a voluntary basis in favor of a candidate or a political party.

11 Ibid., s. 62.

12 Ibid., s. 61.

13 Batas Pambansa Blg. 881, S. 1985, (1985), s. 60, <https://www.officialgazette.gov.ph/1985/12/03/batas-pambansa-blg-881-s-1985/>.

14 Ibid., s. 61.

15 Ibid., s. 62.

16 Ibid., s. 61.

17 Philippine Constitution, art. IX-C, Section 2, cl.

There are persons who by their status, nature or circumstance, are absolutely prohibited from being a contributor, as follows:

1. public or private financial institutions;
2. those operating a public utility, or those in possession of or exploiting any natural resource of the Philippines;
3. those who supply the government with goods or services, or those who perform construction or other works for the government;
4. those granted with franchises, incentives, exemptions, allocation or similar privileges or concessions by the government;
5. those who have been granted loans or accommodations of more than P100,000 by the government within 1 year before election day;
6. educational institutions which received public funds of P100,000 or more;
7. civil service officials or employees, or Armed Forces of the Philippines' members; foreigners and foreign corporations;¹⁸ and, any foreign national, government, or entity.¹⁹

Come election period,²⁰ it is prohibited to raise campaign funds through holding dances, lotteries, cockfights, or such other entertainment or performances. Finally, the OEC mandates that contributions shall be recorded in the true name of the person who made the contribution.²¹

Expenditures

Likewise under the OEC, an expenditure includes the following: 1) payment or delivery of money or anything of value; 2) a contract, promise or agreement to make an expenditure; and, 3) use of facilities personally owned by a candidate.

Come campaign period,²² on election day and the day after election, a candidate²³ is prohibited from making any donation or undertaking to spend for the construction or repair of any structure for public use, or for use of any religious or civic organization.²⁴

Republic Act (R.A.) No. 7166 provides for an expenditure limit²⁵ for candidates depending on the position they are vying for and whether or not they are nominated by a political party as follows:

1. Candidates
 - a) President and Vice-President: Php 10.00²⁶ (USD 0.21) for every registered voter;
 - b) Other candidates with a political party: Php 3.00 (USD 0.06) for every registered voter in the constituency where candidate filed a certificate of candidacy;

18 Batas Pambansa Blg. 881, S. 1985, (1985), s. 95, <https://www.officialgazette.gov.ph/1985/12/03/batas-pambansa-blg-881-s-1985/>.

19 Ibid., s. 96.

20 90 days before election day and 30 days after election day. Ibid., s. 3.

21 Ibid., s. 98.

22 45 days before election day. Ibid., s. 3.

23 Including his or her spouse, relative within the second degree of consanguinity or affinity, any agent or representative. Ibid., s. 104.

24 Ibid., s. 104.

25 Republic Act No. 7166, (1991), s. 13, <https://www.officialgazette.gov.ph/1991/11/26/republic-act-no-7166/>

26 USD 1.00 = Php 48.14. [Php is the international currency code for the Philippine peso.

- c) Other candidates without a political party: Php 5.00 (USD 0.10) for every registered voter in the constituency where candidate filed a certificate of candidacy; and
2. Political Parties: Php 5.00 for every registered voter in the constituency/ies where it has official candidates.

R.A. No. 9006, or the Fair Elections Act, is the current law regulating election propaganda. Among the election propaganda regulated are print, television and radio advertisements as follows:

1. print advertisements shall not exceed $\frac{1}{4}$ page in broadsheet or $\frac{1}{2}$ page in tabloids thrice a week;
2. television advertisements shall not be more than 120 minutes for a candidate or political party involving a national elective office or 60 minutes for a candidate or political party involving a local elective office; and
3. radio advertisements shall not be more than 180 minutes for a candidate or political party involving a national elective office or 90 minutes for a candidate or political party involving a local elective office.²⁷

Election propaganda shall be identified by reasonably legible or audible words “political advertisement paid for” followed by the name and address of the candidate or party for whose benefit said propaganda was printed or aired.²⁸ If broadcast is given free of charge, said election propaganda shall be identified by words “airtime for this broadcast was free of charge” followed by the name and address of the broadcast entity.²⁹

R.A. No. 9006 likewise provided for discounted rates for election propaganda, which was amended by R.A. No. 11207 in 2019. The following discounted rates were enacted:

1. fifty percent (50%) for television;
2. forty percent (40%) for radio; and
3. ten percent (10%) for print, all from the average of the published rates charged in the last 3 years before the election.³⁰

Reporting

R.A. No. 7166 mandates that each candidate and political party treasurer shall be required to file with COMELEC a Statement of Contributions and Expenditures (SOCE) within 30 days after election day. The SOCE shall contain a full, true and itemized statement of all election expenditures.³¹

27 Republic Act No. 9006 (2001), s. 6, <https://www.officialgazette.gov.ph/2001/02/12/republic-act-no-9006/>.

28 Ibid., s. 4.

29 Ibid., s. 4.

30 Ibid., s. 11.; Republic Act No. 11207 (2019), s. 1, <https://www.officialgazette.gov.ph/2019/02/14/republic-act-no-11207/>.

31 Republic Act No. 7166, (1991), s. 14, <https://www.officialgazette.gov.ph/1991/11/26/republic-act-no-7166/>.

Enforcement

R.A. No. 7166 likewise provides for the penalties for the failure to submit the required SOCE³² as follows:

1) Bar from Assuming Office

A candidate shall not be allowed to enter the duties of his/her office in the event that he/she failed to file his/her SOCE. Candidate/s nominated by the political party shall not be allowed to enter duties of his/her office should a political party fail to file SOCE.

2) Administrative Fine

Candidates who fail to file the required SOCE, except candidates for barangay offices, shall pay an administrative fine ranging from Php 1,000 (USD 20.77) to Php 30,000 (USD 623.22) for a first offense.

For a second or subsequent offense, candidates shall pay an administrative fine ranging from Php 2,000 (USD 41.55) to Php 60,000 (USD 1,246.43).

3) Perpetual Disqualification to Hold Public Office

In addition to the administrative fine mentioned above, candidates who fail to file the required SOCE for a second time are subject to perpetual disqualification to hold public office under RA No. 7166.

DEVELOPMENTS IN LEGAL AND REGULATORY FRAMEWORK

There are current pending bills filed before the Congress of the Philippines in relation to the subject of political party financing and electoral campaign financing. House Bill (H.B.) No. 6095 seeks to amend the expenditure limit under R.A. No. 7166 and was approved on third reading by the House of Representatives on 1 June 2020. The same proposal is presently awaiting action from the Senate of the Philippines. Under H.B. No. 6095, the expenditure limit of candidates will be as follows:

1) Candidates:

- a) President, Vice-President and Senator: Php 50.00 (USD 1.04) for every registered voter;
- b) Other candidates: Php 30.00 (USD 0.62) for every registered voter in the constituency where candidate filed a certificate of candidacy;

2) Political Parties:

- a) National candidates: Php 50.00 for every registered voter; and,
- b) Local candidates: Php 30.00 for every registered voter in the constituency where it has official candidates.

H.B. No. 6095 likewise provides that COMELEC³³ shall adjust the expenditure limit based on the inflation rate and consumer price index every 6 years. Other pending bills on the subject are: 1) Senate Bill (S.B.) No. 12 entitled An Act Strengthening the Political Party System of the Philippines;³⁴ and 2) S.B. No. 421 entitled An Act Strengthening the Political Party System of

32 Ibid., s. 14.

33 In consultation with the Bangko Sentral ng Pilipinas, National Economic and Development Authority, and Philippine Statistics Authority.

34 Philippine Congress, Senate. An Act Strengthening the Political Party System of the Philippines SB 12, 18th Cong. <http://legacy.senate.gov.ph/lisdata/3022827057!.pdf>.

the Philippines, Creating a State Subsidy Fund, and For Other Purposes.³⁵ These proposals are presently still before the Senate of the Philippines. Salient provisions of S.B. Nos. 12 and 421 are:

	S.B. NO. 12	S.B. NO. 421
Nomination and Selection of Candidates	merit system on nomination and selection of candidates who must be members of the party (Section 6)	merit system on nomination and selection of candidates who must be members of the party (Section 7)
Campaign Contribution Limit and Reportorial Requirement	voluntary contributions to any national political party shall be up to P1,000,000 per person (Section 8)	contributions to any candidate or political party shall be: 1) up to Php 5,000,000 from a natural person; 2) up to Php 500,000,000 from a juridical person COMELEC shall adjust the amounts based on the Consumer Price Index every 3 years (Section 14) accredited banks shall submit to COMELEC a statement of account of political party with deposits within 6 months prior to the campaign period but not later than 15 days before election day. COMELEC shall publish the account within a reasonable time (Section 15)
Political Turncoatism	prohibition and penalties against political turncoatism (Sections 11 & 12)	prohibition and penalties against political turncoatism (Sections 9 & 10) a national political party that accommodates a political turncoat shall result in its disqualification from availing of the benefits of the state subsidy fund (Section 12)
Campaign Expenditure Limit	a national political party may spend P20 for every voter currently registered in the constituency/ies where it has official candidate/s COMELEC shall adjust the authorized amount based on the Consumer Price Index every 3 years (Section 13)	a national political party may spend a national political party may spend P20 for every voter currently registered in the constituency/ies where it has official candidate/s COMELEC shall adjust the authorized amount based on the Consumer Price Index every 3 years (Section 16)
State Subsidy	establishment of a state subsidy fund for party development and expenditures (Section 14)	establishment of a state subsidy fund for party development and expenditures (Section 17)

POLITICAL PARTY FINANCE

Political party finance pertains to money for party functions outside the elections. Outside an election season, political parties in the Philippines depend mainly on membership fees for financing, based on interviews conducted with national political party representatives. These membership fees are, however, of insignificant amounts. The table below represents an estimate of how much money each national political party has outside the elections as of the interview dates in August 2020:

	POLITICAL PARTY 1	POLITICAL PARTY 2	POLITICAL PARTY 3	POLITICAL PARTY 4
Number of members				
a) non- elected	No specific data given	1000	1000	500
b) elected	No specific data given	400		
Membership fee per member				
a) non- elected	No specific data given	250/year	1,500/year	100/year
b) elected	No specific data given	10,000 to 20,000/month		
Total amount of money annually	--	*48,250,000	1,500,000	50,000

*All amounts in Philippine Peso

*Total amount was obtained by using 10,000/month since interviewee response is that elected members who are local elective officials pay the fees at this rate and more elected members hold local elective positions.

35 Philippine Congress, Senate. An Act Strengthening the Political Party System of the Philippines, Creating a State Subsidy Fund, and For Other Purposes SB 421, 18th Cong. <http://legacy.senate.gov.ph/lisdata/3080627679!.pdf>.

The activities and expenses of said political parties outside the election season are shown below:

	POLITICAL PARTY 1	POLITICAL PARTY 2	POLITICAL PARTY 3	POLITICAL PARTY 4
Expenses	<ul style="list-style-type: none"> • salary for skeleton workforce 	<ul style="list-style-type: none"> • salary for workforce • rental for office/ head-quarters • costs related to maintenance of website and social media accounts 	<ul style="list-style-type: none"> • operational costs (not specified) 	<ul style="list-style-type: none"> • salary of skeleton workforce • meal expenses
Activities	<ul style="list-style-type: none"> • recruitment of members 	recruitment of members	<ul style="list-style-type: none"> • recruitment of members • political education 	<ul style="list-style-type: none"> • recruitment of members • advocacy- related (e.g. issuance of party stand on relevant issues)

Although the four interviewed national political parties perform recruitment activities outside the election season, three representatives stated that it has been difficult for them to recruit members. These representatives cited different reasons for the recruitment issue as follows: 1) decrease in popularity of the party figurehead; 2) reluctance to pay membership fees; and, 3) persons’ unwillingness to be recruited when there is no upcoming election.

The paper Political Party Programming Guide³⁶ explains that political parties target and achieve the goal of representing constituents by performing three main functions: 1) propose public policies on how the country should be governed; 2) compete for power through elections, ideally by promoting the policies they formulate; and, 3) govern either by implementing their policy proposals or by advocating for these policies.³⁷

Political party behavior, on the other hand, is driven by the following contextual factors: 1) political space: the ecosystem within which political parties operate and the freedom that organizations, groups and individuals have to participate in the democratic process; 2) political will: motivations of various stakeholders, including political leaders, activists, and groups which influence behavior in one way or another; and, 3) capacity: skills, information, systems, relationships, and financial resources needed to conduct outreach, manage an organization, and formulate policies.³⁸

The above-stated theories and interviews lead to the conclusion that political parties in the Philippines do not achieve the goal of effectively representing their respective constituents. As shown above, membership in Philippine political parties is limited in number. Furthermore, party-switching of elected officials and candidates is prevalent because of the lack of firm ideological bases and clear party platforms as well as clientelistic tendencies in supporting the party of the incumbent President.³⁹

The relevant query, therefore, is how will political parties in the Philippines be able to effectively represent their respective constituents? Ideally, political parties in the Philippines should be able to shift from clientelistic-charismatic party types to programmatic party types.

36 National Democratic Institute, Political Party Programming Guide, (Washington, 2014), https://www.ndi.org/sites/default/files/Political_Party_Programming_Guide.pdf.

37 Ibid., p. 9.

38 Ibid., pp. 13-16.

39 Michael Bueza, “Party Switching: ‘Perversion’ of Political System,” Rappler, last modified May 11, 2019, <https://www.rappler.com/newsbreak/in-depth/party-switching-perversion-of-political-system>.

First, as discussed under the topic of Political Context, the institutional design of the Philippine government hinders the development of well-institutionalized programmatic parties. In *Political Party Formation in Presidential and Parliamentary System*, Croissant and Merkel concluded that a constitutional change of government, e.g. presidential to parliamentary, is not an apt measure to influence the formation of parties and party systems.⁴⁰ One of the reasons cited in favor of this conclusion is that the link between the type of government and party system structure is not statistically supported. Croissant and Merkel, however, posited that a reform of the electoral system, e.g. plurality in single-member districts to proportional representation, is a suitable measure to create a system of stable programmatic parties.⁴¹

Second, a key component of political space is the formal institutional context, which refers to official rules that govern political parties. Aside from the requirement to register and seek accreditation with COMELEC on the basis of generally acceptable principles, political parties in the Philippines are able to conduct their business and activities freely. Although minimal regulation is not necessarily a hindrance to political party development, the Philippine context on political parties shows the need for specific regulation to foster internal party democracy⁴² and to provide state subsidies.

There are two ways by which a formal institutional context may be established. The more effective method is through the passage or enactment of a statute or law since the provision of state subsidies is likewise sought and the Congress of the Philippines must approve such appropriation.⁴³ The second method is through the issuance of an administrative regulation. It is therefore essential that proposals like S.B. Nos. 12 and 421 be considered and deliberated upon at the earliest possible opportunity. The following are recommendations to further improve S.B. Nos. 12 and 421:

1. regulation should cover all political parties. state subsidies may be limited to national political parties;
2. members of political parties, as long as they retain their membership, should abide by the party's platforms, principles, policies and general program of government. Political parties should enforce party discipline mechanisms against erring members. Failure to enforce party discipline mechanisms against erring members should affect party's accreditation. A range of penalties may be imposed, such as a fine and a warning on the first offense, and cancellation of accreditation in extreme cases;
3. penalties for political parties which accommodate political turncoats should include proceedings against their accreditation. A range similar to the second recommendation may be considered;
4. consider the creation of a new department in COMELEC to handle the monitoring of political parties and enforcement of penalties against these parties; and,

40 Croissant and Markel, *Political Party Formation*, 11.

41 *Ibid.*, p. 14.

42 Internal party democracy can be defined as "implementation of a minimum set of norms within the organization of political parties". This minimum set of norms should provide a bottom-up approach to forming a decision in the party and the internal distribution of power at different levels, bodies, and individuals. The minimum set of norms are "internal rules and procedures that give ordinary members greater influence on issues such as candidate selection, leadership selection and policy platform". The most engaging models of internal party democracy are inclusive, participatory, deliberate, responsible and include fair distribution of power. "Intra – Party Democracy," Political Youth Network, last modified February 15, 2019, <https://politicalyouthnetwork.org/intra-party-democracy/>.

43 Philippine Constitution, art. VI, section 29, cl. 1.

5. requirement for equitable representation of women as leaders and official candidates of political parties.⁴⁴

In the alternative and without the enactment of law, it is suggested that COMELEC preliminarily issue a resolution requiring political parties to submit documents, which declare a merit system on nomination and selection of candidates and party discipline mechanisms of each party. Financial documents may likewise be required to be submitted. These documents relate to the internal structure of political parties and fall under the phrase “in addition to other requirements” stated under the 1987 Constitution.

In *The dissolution of political parties: The problem of internal democracy*,⁴⁵ Yigal Mersel posits that to achieve some crucial elements of internal democracy in political parties, adherence to a minimal definition thereof and enforcement through party-ban jurisprudence are necessary.

I maintain, however, that these historical and pragmatic explanations must give way to the justification already given for imposing a duty of internal democracy on political parties, and that one of the most effective ways to impose the duty could be through provisions for a party ban. In countries that explicitly impose it, the ban would be simply a matter of enforcing the constitutional provisions. In countries whose constitutions merely refer to the obligation of parties to behave democratically, the courts should interpret these provisions as requiring the internal party structure to be democratic as well. So long as the proposed safeguards are maintained (that is, a minimal definition of democracy is satisfied, as adjudicated by a neutral court), internal democracy should be an essential element of party definition behavior. We need democracy in order to maintain democracy.

Democracy implies, as well, the need for parties to act democratically and includes the need for them to be democratically structured. Failing to maintain party internal democracy is inconsistent with these principles and perhaps even dangerous.⁴⁶

The term party ban is similar to a cancellation of registration in our jurisdiction. The Congress of the Philippines and COMELEC may therefore consider cancellation of registration as an enforcement measure against political parties in extreme cases that parties are found to be internally non-democratic. Although there is a legitimate fear that the concept may be used as a means for one party to oppress a rival,⁴⁷ Mersel submits that the advantages are more compelling and recommends the following measures: 1) the adoption of a narrow definition of internally non-democratic parties; and 2) the enforcement of internal democracy must be assigned to a neutral institution.⁴⁸

Finally, it is recommended that provisions for state subsidies be included in the law to capacitate parties in performing their functions. S.B. Nos. 12 and 421 both require parties to comply with eligibility and allocation thresholds. For the eligibility threshold, it is suggested that

44 Philippine Congress, House. An Act Promoting Women Participation and Equitable Representation in and by Political Parties, Giving Incentives Therefor, Creating The Women in Political Parties Empowerment Fund, and for Other Purposes (Women Participation and Representation in Political Parties Act of 2020) HB 7179, sections 5 & 6, 18th Cong. http://congress.gov.ph/legisdocs/basic_18/HB07179.pdf

45 Yigal Mersel, “The dissolution of political parties: The problem of internal democracy,” *International Journal of Constitutional Law* 4, no. 1 (January 2006), <https://doi.org/10.1093/icon/moi053>.

46 *Ibid.*, p. 109.

47 *Ibid.*, p. 106.

48 *Ibid.*, p. 101.

the above-discussed internal party mechanisms and faithful compliance thereof be included as criteria.

The allocation thresholds of S.B. Nos. 12 and 421 both consider votes or seats/positions won in an election. S.B. No. 12 then proposes a second-level matching system wherein subsidies shall be released only after the party raises an amount equal to its share. For reference, the advantages and disadvantages of the main options on allocation are shown below:

CONSIDERATION	MAIN OPTIONS	COMMENT
Allocation criteria (how should the money be distributed among those that have reached the threshold?)	All eligible parties get the same amount	Supports pluralism, but may create party fragmentation; risk of waste of public funds
	By vote or seats won	Connects financial support to electoral popularity (but may lead to largest parties getting the bulk of the money).
	Related to candidates fielded	More active parties get more funding (though fielding candidates may not be a good indicator of level of activity).
	Share of expenses reimbursed	Support private fundraising activities (but may reward parties with good business contacts) ¹¹²

It is noted that the positions of President and Vice-President were omitted in both allocation proposals. The President and Vice-President seats should be included and may be joined with the Senate seats with 30% allocation, while the House of

Representatives' seats may be given 20% allocation, and seats related to local government may be given 40% allocation. This recommendation is based on general factors of scope of territory covered and number of seats.

In sum, the plurality in single-member districts, lack of specific law or regulation, and insufficient financial resources are contributing factors to weak political parties in the Philippines. A reform of the electoral system from plurality in single-member districts to proportional representation should be considered. To foster internal party democracy, specific legislation and/or regulation of political parties are immediately needed. Financial resources may subsequently be provided to capacitate political parties.

Proposals for the passage of a law on political party strengthening, however, have been pending for several congresses without result. Recent developments show that the decline of political parties in other countries is being observed.⁵⁰ Furthermore, the idea that political parties might be heading to extinction or obsolescence has been suggested.⁵¹ In Malaysia, there is a move to crowd-fund independent candidates for members of parliament.⁵² Should political parties in the Philippines remain in their current state, the relevant question to be considered is whether the concept of political parties should remain under Philippine laws.

49 Falguera, Jones, and Ohman, *Funding of Political Parties and Election Campaigns*, 26.

50 Patrick Liddiard, "Are Political Parties in Trouble?," Wilson Center, last modified December 2018, <https://www.wilsoncenter.org/publication/are-political-parties-trouble>.

51 Jan Oravec and F. A. Hayek Foundation, "Political Parties Heading for Extinction?," 4Liberty.eu, last modified January 23, 2019, <https://4liberty.eu/political-parties-heading-for-extinction/>.

52 Radzi Razak, "Gerak Independent Wants Malaysians to Retake Political Power from Parties," Malay Mail, last modified October 12, 2020, <https://www.malaymail.com/news/malaysia/2020/10/12/gerak-independent-wants-malaysians-to-retake-political-power-from-parties/1911785>.

ELECTORAL CAMPAIGN FINANCE

This section on electoral campaign finance will identify issues relating to political party campaign finance and individual candidate’s campaign finance in order to comprehensively understand the money that flows into Philippine politics during election season.

CONTRIBUTIONS

No Limit on Contributions

A review of Philippine electoral campaign finance laws and regulations reveals that there is currently no limit set on campaign contributions. In 2018, R.A. No. 11232, or the Revised Corporation Code of the Philippines, granted domestic corporations the power to give donations in aid of any political party or candidate or for purposes of partisan political activity. This grant may be construed from a comparison of the same provision under the former Corporation Code of the Philippines, which prohibits domestic corporations from making these kinds of donations. The Revised Corporation Code of the Philippines presently prohibits only foreign corporations from giving donations in aid of any political party or candidate or for purposes of partisan political activity.

B.P. BILANG 68 CORPORATION CODE OF THE PHILIPPINES	R.A. NO. 11232 REVISED CORPORATION CODE OF THE PHILIPPINES
Section 36. Corporate powers and capacity. – Every corporation incorporated under this Code has the power and capacity:	Section 35. Corporate powers and capacity. - Every corporation incorporated under this Code has the power and capacity:
xxx xxx xxx	xxx xxx xxx
9. To make reasonable donations, including those for the public welfare or for hospital, charitable, cultural, scientific, civic, or similar purposes: Provided, That no corporation, domestic or foreign, shall give donations in aid of any political party or candidate or for purposes of partisan political activity; ¹¹⁶	(i) To make reasonable donations, including those for the public welfare or for hospital, charitable, cultural, scientific, civic, or similar purposes: Provided, That no foreign corporation shall give donations in aid of any political party or candidate or for purposes of partisan political activity; ¹¹⁷

It would appear from the same provision that donations in aid of any political party or candidate or for purposes of partisan political activity must be within the notion of “reasonable donations”. Faith Stevelman, in *Legislatures, Courts and the SEC: Reflections on Silence and Power in Corporate and Securities Law*,⁵⁵ explained that the “reasonableness” standard has been interpreted in the United States as follows:

xxx Indeed, it is this question of ‘reasonable’ versus ‘wasteful’ charitable contributions which is ultimately the relevant and more trenchant one. In giving content to the standard of reasonableness, the courts (first in *Theodora*, and then in both opinions in *Kahn v. Sullivan*) implicitly analogized the corporation to a natural person. That is, in defining ‘reasonableness in amount’ the courts looked to the firms’ capacity to alienate assets without impairing their overall financial condition- something approximating the

53 Batas Pambansa Blg. 68, (1980), s.36, <https://www.officialgazette.gov.ph/1980/05/01/batas-pambansa-bilang-68/>.

54 Republic Act No. 11232, (2019), s. 35, <https://www.officialgazette.gov.ph/downloads/2019/02feb/20190220-RA-11232-RRD.pdf>.

55 Faith Stevelman, *Legislatures, Courts and the SEC: Reflections on Silence and Power in Corporate and Securities Law*, (New York Law School, 1996), https://digitalcommons.nyls.edu/cgi/viewcontent.cgi?article=2157&context=fac_articles_chapters.

‘reasonableness in amount’ of a natural person’s charitable gifts. They also weighed the financial benefits (including tax benefits) potentially accruing to the corporate donors from their gifts in calculating their actual cost to the corporation and its shareholders--and hence their reasonableness in amount. But the analogy to natural persons’ philanthropy ignores the operation of the corporate agency problem arising from managers’ control over corporate contributions--a fact which bears fundamentally on the reasonableness of any amount of corporate charitable contributions. Just as problematically, this line of reasoning fails to generate a definite, predictable standard for determining the maximum allowable annual amount of a company’s charitable contributions.

- xxx Accordingly, the ‘reasonableness in purpose’ inquiry, as elaborated in both *Theodora* and *Kahn v. Sullivan*, has been limited to the question of the appropriate recipients of corporate charitable contributions, consistent with the beneficiaries enumerated in the statutes (e.g., public welfare, community fund, hospital, charitable, educational, scientific, civic or similar purposes).
- Ultimately, in order to resolve the ambiguities surrounding the determination of ‘reasonable’ contributions, the Delaware courts, in both the *Theodora* and the *Kahn* decisions, relied on standards imported from the Federal Income Tax Code. The Code’s maximum annual allowance for the deductibility of corporate contributions under § 170--currently ten percent of corporate pre-tax income--has been accepted as the appropriate standard for ‘reasonableness in amount’ and the set of groups qualifying for status as charitable organizations under § 501(c)(3) of the Code has been adopted as the standard for determining ‘reasonableness in purpose’. These tax-based standards have lent definiteness to the interpretation of ‘reasonableness’, and have allowed the courts to escape further personification of the corporation.⁵⁶

The above-stated theories may be accepted as applicable in the Philippines because our Corporation Code is based on US corporate laws. It would then follow that the provision under R.A. No. 8424, or the National Internal Revenue Code, which generally allows a maximum of five percent (5%) of the corporation’s taxable income from trade, business or profession⁵⁷ as charitable or other contributions⁵⁷ may be accepted as the standard for “reasonableness in amount”.

There are forecasts that the legalization of corporate donations in aid of any political party or candidate or for partisan political activity will cause a significant increase in electoral campaign finance in the 2022 national and local elections, during which a new President will be elected into office. Should this be accepted as true, corporate donations will compound the present problem where there are no limits on campaign contributions under Philippine laws.

The US case of *Buckley v. Valeo* discusses in detail the provisions on contribution limitations under the Federal Election and Campaign Act of 1971. The US Supreme Court upheld the constitutionality of said provisions and found that the governmental interest advanced by provisions on contribution limitations is to limit the actuality and appearance

⁵⁶ *Ibid.*, pp. 1129-1131.

⁵⁷ Republic Act No. 8424, (1997), s. 34(h), <https://www.officialgazette.gov.ph/1997/12/11/republic-act-no-8424/>.

of corruption resulting from large individual financial contributors.⁵⁸ The US Supreme Court went further to state that the integrity of [the] system of representative democracy is undermined to the extent that large contributions are given to secure political quid pro quo from current and potential office holders although the scope of such pernicious practices can never be reliably ascertained.⁵⁹

To cite an example in the Philippine context, Dennis A. Uy contributed Php 30,000,000 (USD 623,215.72) to President Rodrigo Duterte's campaign in the 2016 national and local elections.⁶⁰ Since then, Filipinos have noted the spectacular rise and growing business empire of Uy leading to allegations of cronyism.⁶¹

The limitation in the amount of campaign contributions is therefore a logical solution to actual or perceived corruption, which stems from large contributions given to political parties and candidates in elections. In fact, the Senate deliberations on the amendment of B.P. Bilang 68 to allow corporate donations in aid of any political party or candidate or for purposes of partisan political activity reveal that lawmakers are aware of the issue. They proposed the imposition of a limit under the OEC:

- Senator De Lima said that if the Body were to consider the deletion of the prohibition of contributions by corporations to political candidates' campaign funds, the necessary safeguards must be put in the Omnibus Election Code and in the Corporation Code. She said that the Committee on Electoral Reforms and People's Participation would start looking into the matter and come up with an appropriate legislative measure which could be a parallel action to the bill currently under consideration.
- Senator Ejercito asked whether it would be possible to do away with the limits as to the amount of contributions. Senator Drilon said that there would be a limit, it should be indicated in the Omnibus Election Code and not in the Corporation Code.⁶²

A review of pending measures filed before the Congress of the Philippines shows that there are two bills containing provisions on campaign contribution limits:

1. S.B. No. 12 proposes that the limit be fixed at Php 1,000,000 (USD 20,773.86) per person;
2. S.B. No. 421 proposes that the limit be fixed at: a) Php 5,000,000 (USD 103,869.29) per natural person; and b) Php 500,000,000 (USD 10,386,928.69) per juridical person.

58 Buckley v. Valeo, No. 75-436 (Columbia, 1976)

59 Ibid.

60 Michael Bueza, "Who's Who in Duterte's Poll Contributors List," Rappler, last modified December 9, 2016, <https://www.rappler.com/newsbreak/iq/duterte-contributors-list-2016-presidential-elections>.

61 Aurora Almendral, "Crony Capital: How Duterte Embraced the Oligarchs," Nikkei Asia, last modified December 4, 2019, <https://asia.nikkei.com/Spotlight/The-Big-Story/Crony-capital-How-Duterte-embraced-the-oligarchs>. ; "Duterte and the New Oligarchs," Asia Sentinel, last modified July 30, 2020, <https://www.asiasentinel.com/p/duterte-and-the-new-oligarchs>.

62 Philippine Congress, Journal of the Senate of the Philippines, 17th Congress, 1st Session, January 31, 2017, 886.

The contribution limit amounts of other Southeast Asian countries are shown below for comparison:

COUNTRY	CONTRIBUTION LIMIT AMOUNT	CONVERSION TO PHILIPPINE PESO (AS OF DATE OF WRITING)
Indonesia	Individual: Rp 2,500,000,000 Group, Company or Non- governmental enterprise: Rp 25,000,000,000	Individual: Php 8,219,350.45 Group, Company or Non- governmental enterprise: Php 821,935,045.06
Thailand	THB 10,000,000/year	Php 14,506,200/year

It was discussed in the Funding of Political Parties and Election Campaigns that the correct level of donation limits depends on the political goals that the regulation is attempting to achieve and on how able political parties and candidates are to raise sufficient funds from sources other than large donations.⁶³ As explained in the topic of Political Party Finance, the goal of political parties in the Philippines to represent their respective constituents is sought to be achieved through the following: a) enacting a law and/or imposing specific regulation related to the improvement of its internal structures and mechanisms, and, b) providing state subsidies to financially capacitate said parties.

From this perspective, it is recommended that the amount of contribution limit in the Philippines be fixed at either the low range as proposed under S.B. No. 12, or a moderate range. A moderate range of limit, such as Php 1,000,000 per individual and Php 10,000,000 (USD 207,738.57) per corporation, may likewise be considered. On the other hand, a high range as suggested under S.B. No. 421 may be deemed as not in consonance with the goal discussed under Political Party Finance and further detrimental to the current state of Philippine politics.

Incumbent's Advantage: State Resources

The OEC criminally penalizes a public official or employee for the release, disbursement and expenditure of public funds related to public works, social welfare and housing projects 45 days before an election.⁶⁴ The prohibition is subject to some exceptions such as the maintenance of completed public works, emergency works in case of a public calamity, or normal and routine expenses (e.g. salaries of personnel).⁶⁵

The intention of such a provision is to prevent public officials and employees from utilizing government resources to influence the voters in their choice of candidates; to ensure that public funds and properties are insulated from partisan political activities and that government works shall not be used for electioneering purposes; and, to prevent incumbent public officials from enjoying undue advantage of government resources over which they have easy and convenient access to bolster their campaign.⁶⁶

Despite this legal prohibition and COMELEC regulations, candidates continue to attempt circumvention. This issue has presently resurfaced in the Philippines due to corruption issues surrounding the Philippine Health Insurance Corporation (PhilHealth),

63 Falguera, Jones, and Ohman, *Funding of Political Parties and Election Campaigns*, 22.

64 60 Batas Pambansa Blg. 881, (1985), s. 261(v), <https://www.officialgazette.gov.ph/1985/12/03/batas-pambansa-blg-881-s-1985/>.

65 Ibid.

66 Edwin D. Velez v. People of the Philippines, G.R. No. 215136 (Manila, 2019).

which holds and manages the state health insurance fund. A PhilHealth official claimed that the corporation suffered financial troubles due to unpaid premiums linked to the Greater Medicare Access (GMA) project in 2004. It should be noted that former President Gloria Macapagal-Arroyo, who is popularly known as GMA, authorized implementation of the same project via executive order⁶⁷ and was a candidate for President in the 2004 national and local elections.⁶⁸

The slow administration and dispensation of justice in the Philippines further weakens the provision. In *Velez v. People of the Philippines*, a case involving a prosecution under the above-mentioned provision of the OEC, the violation was committed in 1998. The ruling of the trial court convicting the accused of violating the prohibition was rendered in 2006 and became final in 2019.

As early as 2010, former Senator Miriam Defensor Santiago filed a bill entitled An Act Prohibiting Public Officers From Claiming Credit Through Signage Announcing A Public Works Project. This proposal has not been approved despite having been proposed in the 17th Congress⁶⁹ and the 18th Congress. The present version is H.B. No. 71, which prohibits the following: 1) affixing, or causing to be affixed the name, initials, logo or image of any public official to a signage announcing a proposed, on-going or completed public works; and, 2) affixing, or causing to be affixed the name, initials, logo or image of any public official to a signage crediting an individual officer, or bearing his or her image, on ant and all kinds of public service projects and motor vehicles. As a further improvement, the prohibition should not only cover “signage[s]” which is defined under the bill as including “any form of written announcement, installed, posted, hanged, painted or otherwise displayed in a public place.” It is suggested that the prohibition be expanded to other representations of government projects (e.g. health cards). Finally, H.B. No. 71 is not clear as to the penalty prescribed, but earlier versions propose the criminal penalty of imprisonment.

The issue of slow administration and dispensation of justice would be a hindrance to the effectiveness of the prohibition. It is thus suggested that a campaign be simultaneously undertaken to educate citizens on good governance standards for public services. Elected officials who have successfully implemented such a proposal may be engaged as champions, such as current Pasig Mayor Vico Sotto who is known to have removed name and picture references on local government projects.⁷⁰ Although it can be said that there has been an increase in awareness of these issues in highly urbanized cities of the Philippines, similar practices remain prevalent in less urbanized areas. Since the election of national officials is largely dependent on the voting population in less urbanized areas, these voters should likewise be targeted and informed on good governance standards.

67 Exec. Order No. 276 (January 29, 2004), <https://www.officialgazette.gov.ph/2004/01/29/executive-order-no-276-s-2004/>.

68 Dona Magsino, “PHILHEALTH MESS: Arroyo Rewarded Duque with DOH Seat After ‘Plan 5M,’ Says Lacson,” GMA News Online, last modified August 19, 2020, <https://www.gmanetwork.com/news/news/nation/752091/arroyo-rewarded-duque-with-doh-seat-after-plan-5m-says-lacson/story/>.

69 Philippine Congress, Senate. An Act Prohibiting Incumbent Government Officials to Name Government Projects After Them or Other Persons Whose Name or Identity May in Any Manner Be Associated with Said Officials And/Or From Claiming Credit Through Signage Announcing A Public Works Project (Anti-Epal Law, 2017) HB 1535, 17th Cong. <http://legacy.senate.gov.ph/lisdata/26413227171.pdf>

70 Kristine Sabillo, “Change in Pasig: How Vico Sotto Toppled a Dynasty,” ABS-CBN News, last modified May 22, 2019, <https://news.abs-cbn.com/news/05/22/19/change-in-pasig-how-vico-sotto-toppled-a-dynasty>.

EXPENDITURES

Unrealistic Expenditure Limit vis-à-vis Cost of Allowable Election Paraphernalia

As discussed above, H.B. No. 6095⁷¹ seeks to amend and increase the campaign expenditure limit under R.A. No. 7166. H.B. No. 6095 is a substitute bill of the earlier seven House bills filed in relation to the same subject. The explanatory notes of these seven House bills reveal the following circumstances as motivations for the proposed amendment and increase in the campaign expenditure limit as follows:

1. the controversy generated by the disqualification of former Governor E.R. Ejercito for election overspending;
2. thousands of candidates in the 2010 and 2013 elections received notices to explain overspending from COMELEC and are still awaiting rulings;
3. purchasing power of the Philippine peso has continuously diminished from the time R.A. No. 7166 took effect in 1991 up to the present time. Based on Consumer Price Index of 2013, 1 Philippine peso in 1991 was equivalent to 3.41 Philippine peso in 2013; and,
4. outdated laws invite contempt and non-compliance. A number of candidates do what they think is best for their own interest - they “massage” the amount of expenses or “tweak” their reports so as not to come out as violators.

The case of Emilio Ramon “E.R.” Ejercito is a recognized case of disqualification due to campaign overspending. Ejercito was the incumbent Governor of the Province of Laguna for the 2010-2013 term and filed his certificate of candidacy for the same position seeking re-election. Three days before the election, Edgar San Luis filed a petition for disqualification against Ejercito before COMELEC claiming that Ejercito spent for television advertisements in excess of the expenditure limit for Laguna by P4,576,566.⁷² Elections were held on 13 May 2013 and Ejercito was proclaimed as the duly-elected Governor of Laguna on 17 May 2013. COMELEC ruled to disqualify Ejercito after finding that he spent at least P6,409,235.28 in television advertisements. Ejercito questioned COMELEC’s ruling before the Supreme Court via a petition for certiorari docketed as G.R. No. 212398. The Supreme Court upheld COMELEC’s ruling on 25 November 2014.

The Ejercito case triggered discussions on whether the campaign expenditure limit under R.A. No. 7166 is realistic based on the economic conditions of the Philippines.⁷³ The intended answer to this issue is H.B. No. 6095, which proposes that candidates for national positions can spend Php 50.00 per registered voter and candidates for local positions can spend Php 30.00 per registered voter in the constituency where he/she seeks elections. Political parties can spend the same amount for their nominated candidates.

The table below shows a comparison of the amounts of expenditure limit under R.A.

71 Philippine Congress, House. In substitution of House Bills Numbered 1381, 1479, 3731, 3838, 4091, 4191 and 5187 HB 6095, 18th Cong. http://congress.gov.ph/legisdocs/first_18/CR00208.pdf.

72 The amount was computed based on the product of the total number of registered voters in Laguna and the allowable amount of expense per registered voter under R.A. No. 7166 ($P4,576,566 = 1,525,522 \times P3$).

73 Kristine Sabillo, “Law to Increase Campaign Spending Limit Sought,” INQUIRER.net, last modified October 6, 2013, <https://newsinfo.inquirer.net/501427/law-to-increase-campaign-spending-limit-sought>; Maricel Cruz, “Poll Spending Limit Unrealistic — Solon,” Manila Standard, last modified December 11, 2014, <https://manilastandard.net/news/-main-stories/165337/poll-spending-limit-unrealistic-solon.html>

No. 7166 and the proposed H.B. No. 6095 if passed into law based on the total number of registered voters in the 2019 national and local elections:

	TOTAL NO. OF REGISTERED VOTERS	EXPENDITURE LIMIT PER REGISTERED VOTER (R.A. NO. 7166) *FIGURES IN PHP	TOTAL EXPENDITURE LIMIT (R.A. NO. 7166) *FIGURES IN PHP	EXPENDITURE LIMIT PER REGISTERED VOTER (H.B. NO. 6095) *FIGURES IN PHP	TOTAL EXPENDITURE LIMIT (H.B. NO. 6095) *FIGURES IN PHP
Candidates for President, Vice-President	61, 843,771	10.00	618,437,710	50.00	3,092,188,550
Candidates for Senator		3.00	185,531,313		

Candidates for the position of Governor in the 20 provinces with the highest number of registered voters in the 2019 national and local elections will be allowed the following amounts:

	PROVINCE	TOTAL NO. OF REGISTERED VOTERS ⁷⁴	EXPENDITURE LIMIT PER REGISTERED VOTER (R.A. NO. 7166) *FIGURES IN PHP	TOTAL EXPENDITURE LIMIT (R.A. NO. 7166) *FIGURES IN PHP	EXPENDITURE LIMIT PER REGISTERED VOTER (H.B. NO. 6095) *FIGURES IN PHP	TOTAL EXPENDITURE LIMIT (H.B. NO. 6095) *FIGURES IN PHP
Candidates for Governor	Cebu	3,082,621	3.00	9,247,863	30.00	92,478,630
	Cavite	2,148,899		6,446,697		64,466,970
	Pangasinan	1,946,682		5,840,046		58,400,460
	Laguna	1,903,107		5,709,321		57,093,210
	Negros Occidental	1,889,200		5,667,600		56,676,000
	Bulacan	1,863,596		5,590,788		55,907,880
	Batangas	1,717,292		5,151,876		51,518,760
	Rizal	1,620,609		4,861,827		48,618,270
	Iloilo	1,525,168		4,575,504		45,755,040
	Nueva Ecija	1,460,448		4,381,344		43,813,440
	Pampanga	1,460,303		4,380,909		43,809,090
	Davao del Sur	1,410,190		4,230,570		42,305,700
	Leyte	1,292,882		3,878,646		38,786,460
	Quezon	1,284,444		3,853,332		38,533,320
	Camarines Sur	1,199,609		3,598,827		35,988,270
	Zamboanga del Sur	1,108,435		3,325,305		33,253,050
	Isabela	1,050,681		3,152,043		31,520,430
	Misamis Oriental	969,388		2,908,164		29,081,640
	Bohol	898,682		2,696,046		26,960,460
	Negros Oriental	888,826		2,666,478		26,664,780

74 Jodesv Gavilan, "Vote-rich Regions, Provinces in the 2019 Philippine Elections," Rappler, last modified March 28, 2019, <https://rappler.com/newsbreak/iq/vote-rich-regions-provinces-philippines>.

Among the types of election paraphernalia, television advertisements are the most expensive. Regulation of television advertisements under R.A. No. 9006, which allows 120 minutes to candidates for a national elective office and 60 minutes to candidates for a local office, has been held to be on a “per station” basis in *GMA Network, Inc. v. COMELEC, et. al.*⁷⁵ The table below demonstrates a computation of the amount of a candidate’s expenditure should he or she purchase advertisements on the two major networks in the Philippines on a 50% non-primetime slot and 50% primetime slot:

TYPE OF ELECTION PARAPHERNALIA: TELEVISION ADVERTISEMENTS	ALLOWABLE NUMBER	ESTIMATED COST OF ELECTION PARAPHERNALIA *FIGURES IN PHP	DISCOUNT (PER R.A. NO. 11207)	SUB-TOTAL (50:50 RATIO) *FIGURES IN PHP	TOTAL COST *FIGURES IN PHP
ABS-CBN	Candidate or political party involving a national elective office: 120 minutes	Non-Primetime for every 30 second-ad: 900,000 ¹³⁹	50%	54,000,000	138,000,000
		Primetime for every 30 second-ad: 1,400,000 ¹⁴⁰		84,000,000	
	Candidate or political party involving a local elective office 60 minutes	Non-Primetime for every 30 second-ad: 40,500 ¹⁴¹		1,215,000	3,105,000
		Primetime for every 30 second-ad: 63,000 ¹⁴²		1,890,000	
GMA	Candidate or political party involving a national elective office: 120 minutes	Non-Primetime for every 30 second-ad: 299,000 ¹⁴³	50%	17,940,000	47,940,000
		Primetime for every 30 second-ad: 500,000 ¹⁴⁴		30,000,000	

The computations relative to the present expenditure limit and total cost of television advertisements lead to the following conclusions:

1. candidates for the positions of President and Vice-President are able to utilize the number of minutes allowed under R.A. No. 9006 and will be allowed to spend around 70% percent more on other types of election paraphernalia;

75 *GMA Network Inc. v. Commission on Elections*, G.R. No. 205357 (Manila, 2014)

76 Karol Ilagan, “Pol Ads of Roxas, 6 Hugpong Bets Near Breach of Spending Caps in Law,” Philippine Center for Investigative Journalism, last modified March 10, 2019, <https://pcij.org/article/1671/pol-ads-of-roxas-6-hugpong-bets-br-near-breach-of-spending-caps-in-law>.

77 *Ibid.*

78 “ABS-CBN’S Ad rate more than half a million!,” Numbers Game, last modified April 3, 2013, <https://numbers-game.blogspot.com/2013/04/abs-cbns-ad-rate-more-than-half-million.html>. 75 *Ibid.*; Estimated at 4.5% of the cost of national television advertisements.

79 *Ibid.*

80 *Ibid.*

81 *Ibid.*

2. candidates for the position of Senator are able to utilize the number of minutes allowed under R.A. No. 9006 but will not be allowed to spend much more on other types of election paraphernalia; and,
3. candidates for local elective office may be able to utilize the number of minutes allowed under R.A. No. 9006 in local stations but will not be allowed to spend much more on other types of election paraphernalia.

In the sense that a candidate will not be able to spend on other types of election paraphernalia, it may be concluded that the present limit of Php 3.00 per registered voter in the constituency where said candidate filed a certificate of candidacy is unrealistic.

However, an analysis of the expenditures of the ten major political parties in the Philippines in relation to both the 2016 and 2019 national and local elections shows that all these parties have not been able to utilize the full amount of the total expenditure limit. Only one political party - the Liberal Party in the 2016 national and local elections - was able to spend a significant amount to support its nominated candidates.

TOTAL EXPENDITURE LIMIT OF POLITICAL PARTIES	2016 NLE NO. OF REGISTERED VOTERS	2016 NLE TOTAL EXPENDITURE LIMIT (R.A. NO. 7166) *FIGURES IN PHP	2019 NLE NO. OF REGISTERED VOTERS	2019 NLE TOTAL EXPENDITURE LIMIT (R.A. NO. 7166) *FIGURES IN PHP
	54,363,844	271,819,220.00	61,843,771	309,218,855.00
Ten Major Political Parties: Reported Expenditures in SOCE				
LP		241,097,372.73		194,298,417.00
UNA		90,255,083.15		2,041,926.00
NP		14,524,998.68		108,347,085.00
NPC		5,233,058.56		0.00
PDP-LABAN		139,699,835.45		43,214,513.79*
KBL		349,928.20		
LDP		1,220,000.00		153,341,071.41
LAKAS-CMD		156,786,783.62		96,914,350.71
AKSYON DEMOKRATI-KO		3,838,065.60		200,460.35
NUP		0.00		105,280.00
WPP				No SOCE**

*Computed based on the two SOCEs submitted in the name of PDP-Laban.

**SOCE was not found in the copies released by COMELEC.

***Blacked out columns indicate that the party is not among the top 10 major political parties in the relevant election.

It can therefore be concluded that the main problem which candidates are experiencing related to their campaign expenditures are caused by: 1) the fact that the Php 3.00 per registered voter in the constituency where said candidate filed a COC is unrealistic; and, 2) political parties are not able to raise campaign funds to support their nominated candidates.

Based on the above-stated findings, the proposed amounts under H.B. No. 6095 may be excessive at the present time. The proposed amounts, if passed into law, will significantly increase private funding in Philippine politics. High private funding poses a threat to the independence of elected officials. It is likewise contrary to the State's policy of guaranteeing equal opportunities for public service under the 1987 Constitution because it will broaden the disparity between affluent and influential candidates as opposed to candidates with modest backgrounds.

One solution previously discussed above is the provision of public subsidies to political parties. Although a second-level matching system is proposed, this solution will neutralize extreme reliance on private funding.

Further to public funding, another possible recommendation is to correct and strengthen the provision on COMELEC's affirmative action under Section 7 of R.A. No. 9006. The provision requires COMELEC to procure the following: 1) print space in at least 3 national newspapers of general circulation; 2) airtime on at least 3 national television networks; and, 3) airtime on at least 3 national radio networks. COMELEC is mandated to pay just compensation to media entities and allocate said space and airtime equally among candidates for national office.

Per an interview conducted with the Education and Information Department (EID) Director on 19 November 2020, COMELEC is able to comply with the legal provision by: 1) printing a ballot template which contains the names of candidates and national position sought; and, 2) playing audio clips which specify the names of candidates, national position sought, and political affiliation. The EID Director explained that media costs and the number of candidates for national positions should be considered in recommending the strengthening of affirmative action as this would increase the cost of elections. In terms of cost-effectiveness, social media advertisements may be considered as an alternative medium.

It can readily be seen that the foregoing provision overlooks the role of political parties as aggregator and representative of interests as allocation of print space and airtime is directly given to individual candidates. With the intended reforms geared towards the development of political parties in the Philippines, it is suggested that the allocation of print space and airtime be given to political parties for the purpose of informing the public on party platforms. Frequency may then be increased as member-candidates are able to campaign as a slate. Independent candidates should proportionally be allocated the same print space and airtime. Finally, it is recommended that social media advertisements be considered as an alternative to television advertisements under R.A. No. 9006.

Provisions for public funding, when implemented effectively, will decrease the need for a high level of private funding. However, effective implementation and monitoring on the part of COMELEC and civil society organizations is crucial to avoid abuse of state resources. Since it is intended that public funding be made available to parties and affirmative action be strengthened, the present expenditure limits may be increased within the range of Php 15.00 (USD 0.31) - Php 30.00 per registered voter. Note should be taken that the cost of goods and services are generally lower in less urbanized areas. Finally, the expenditure limit for political parties should be fixed at the high range since funds are allocated to several persons.

Legal Loophole Resulting in Allowance of Premature Campaigning and Pre- Campaign Expenditures

Section 80 of the OEC prohibits a person, whether a voter or a candidate, party, or association of persons from engaging in an election campaign or partisan political activity except during the campaign period. This provision is commonly known in the Philippines as a prohibition against premature campaigning.

Section 13 of R.A. No. 9369,⁸² which amended Section 15 of R.A. No. 8436, however states that COMELEC “xxx shall set the deadline for the filing of certificate of candidacy/ petition of registration/manifestation to participate in the election. Any person who files his certificate of candidacy within this period shall only be considered as a candidate at the start of the campaign period for which he filed his certificate of candidacy: Provided, That, unlawful acts or omissions applicable to a candidate shall effect only upon that start of the aforesaid campaign period. xxx”

In the case of *Penera v. COMELEC*,⁸³ the Supreme Court upheld legislative intent that a person shall only be considered a candidate at the start of the campaign period and shall be liable for an election offense for an act committed at such time. Acts committed prior to the campaign period are within the realm of the protected freedom of expression. The Supreme Court further declared:

The forum for examining the wisdom of the law, and enacting remedial measures, is not this Court but the Legislature. This Court has no recourse but to apply a law that is as clear, concise and express as the second sentence, and its immediately succeeding proviso, as written in the third paragraph of Section 15 of RA 8436, as amended by RA 9369.

Filing of COCs in the Philippines is set far ahead of the election period and campaign period to give ample time for the printing of official ballots. There is therefore an intervening period between a person’s filing of COC and the campaign period during which that person may, for example, purchase advertisements and incur expenditures in the exercise of freedom based on *Penera*. This type of expenditure, often referred to as a pre-campaign expenditure, is not considered in the computation of the expenditure limit.

In the 2019 national and local elections, the Philippine Center for Investigative Journalism reported that the combined pre-campaign expenditures in television, radio, print and outdoor advertisements of 18 senatorial candidates amounted to P2.4 Billion.⁸⁴

S.B. No. 777,⁸⁵ in its explanatory note, seeks to be the corrective legal action by proposing that persons who filed certificates of candidacy shall be considered as candidates at the time of filing. Such persons can thus be held liable for election offenses committed as such and including premature campaigning under Section 80 of the OEC.

82 Republic Act No. 9369, (2007), s. 13, <https://www.officialgazette.gov.ph/2007/01/23/republic-act- no-9369/>.

83 Rosalinda A. Penera v. Commission on Elections and Edgar T. Andanar, G.R. NO. 181613 (Manila, 2009).

84 “Head Start Advantage: PCIJ Report Bares Pre-campaign Spending,” Center for Media Freedom and Responsibility, last modified May 6, 2019, <https://cmfr-phil.org/media-ethics- responsibility/journalism-review/head-start-advantage-pcij-report-bares-pre-campaign-spending/>.

85 Philippine Congress, Senate. An Act Penalizing Premature Campaigning, Amending Section 15 of Republic Act No. 8436, As Amended by Republic Act No. 9369 SB 777, 18th Cong. <http://legacy.senate.gov.ph/lisdata/31131280301.pdf>.

Unlawful Campaign Expenditure

Money allocated for vote-buying activities remains a pervasive issue in every election conducted in the Philippines. Vote-buying is defined under the OEC as follows:

1. when a person: a) gives, offers or promises money or anything of value; b) gives or promises any office or employment, franchise or grant; or c) makes or offers to make an expenditure, or cause an expenditure to be made to any person, association, corporation, entity, or community
2. for the purpose of inducing anyone or the public in general: a) to vote for or against any candidate or withhold his vote in the election; or b) to vote for or against any aspirant for the nomination or choice of a candidate in a convention or similar process of a political party.

Vote-buying activities in the Philippines are primarily done in the context of affecting votes in an election, not party nominations. Since this is an unlawful expenditure that carries a criminal penalty, money utilized for vote-buying activities is not reported. An interview conducted by researchers reveals that money for vote-buying activities is not formally received by political parties and is distributed to informal sub-campaign groups.

R.A. No. 6646 states that a disputable presumption of involvement against a candidate and his/her principal campaign managers is established when at least one voter in different precincts representing at least 20% of the total precincts of a municipality, city or province gives proof that he/she has been offered, promised or given money by a candidate's relatives, leaders and/or sympathizers for the purpose of promoting the election of such candidate. However, the same proof likewise establishes a disputable presumption of a vote-selling conspiracy punishable with a criminal penalty.⁸⁶

This framework would readily demonstrate one of the main problems encountered in prosecutions relating to vote-buying offenses: the lack or insufficiency of evidence. Aside from possible criminal prosecution for vote-selling, voters face threats to their lives and security.

It is recommended that R.A. No. 6646 be amended to the effect that when voters in different precincts representing at least 20% of the total precincts of a municipality, city or province give proof to establish the disputable presumption of involvement, these voters shall be qualified as state witnesses and shall not be liable for the offense of vote-selling. The issue relating to threats to voters' lives would need to be resolved by improving the security and justice system in the Philippines.

REPORTING AND AUDIT

Weak Internal Political Party Control

In *Challenging the Norms and Standards of Election Administration: Political Finance*,⁸⁷

⁸⁶ Republic Act No. 6646, (1988), s. 28, <https://www.officialgazette.gov.ph/1988/01/05/republic-act-no-6646/>.

⁸⁷ Jarrett Blanc et al., *Challenging the Norms and Standards of Election Administration*, (International Foundation for Electoral Systems, 2007), 75-93, https://www.ifes.org/sites/default/files/ifes_challenging_election_norms_and_standards_wp.pdf.

Marcin Walecki explained that internal mechanisms for political finance control are essential. He states:

In any organization where money and power are so intimately connected, internal mechanisms for political finance control are essential. If political parties do not put enough emphasis on their internal control mechanisms, further restrictions will be imposed, leading eventually to total supervision over every single transaction and action. It should be stressed that political parties, when facing a universal struggle against political corruption, require a certain degree of autonomy to introduce preventive measures. Political parties will attract corrupt individuals as any other organization does. This is inevitable, and political parties should be encouraged to adopt their own procedures to eliminate dishonest politicians and prevent their financial misconduct. Detailed and persistent internal control mechanisms can provide a crucial foundation for efforts to contain the abuses that are always liable to occur, regardless of the sophistication of legal frameworks.
xxx

Among the interviews of national political party representatives, one representative cited an internal political party control mechanism practiced by its party. This representative explained that in order to avoid patronage politics, the party has a national executive committee to evaluate and decide whether local campaign contributions are in accordance with the party constitution and statutes.⁸⁸ The committee's approval is essential before a nominated candidate may receive specific campaign contributions.

Copies of the SOCEs of political parties obtained from COMELEC, however, suggest that political parties have internal party control mechanism issues. As an example, national political parties are responsible to consolidate their financial records and are required to submit only one consolidated SOCE.⁸⁹

A review of SOCEs of national political parties in relation to the 2016 and 2019 national and local elections shows that various local chapters filed their separate SOCEs from their national political parties. Since local chapters do not have separate or distinct personalities from their national political parties, the contributions received and expenditures made of these chapters should have been reported to their respective national offices for consolidation of report and filing of SOCEs to COMELEC. Another notable finding pertains to the fact that the dominant majority national political party in the 2019 national and local elections submitted two different SOCEs.

Consolidation of information regarding contributions and expenditures is a matter that requires an effective political party control mechanism. Political parties should be able to track and monitor all relevant contributions and expenditures to be able to determine proper handling and accounting of its finances.

As discussed under Political Party Finance, internal party structures and mechanisms must be defined and formalized then submitted to COMELEC for monitoring. The next

88 Dumaug, Roderico. Interview with Centrist Democratic Party of the Philippines regarding Political Party Finance. August 19, 2020

89 Commission on Elections, Resolution No. 9991, rule no. 10, s. 10 (Manila, 2015) <https://www.comelec.gov.ph/?r=2016NLE/Resolutions/res9991>.

step would be to improve the capacity of parties by providing financial resources. It is recommended that COMELEC continue to engage political parties and dialogue on relevant rules. With adequate financial resources, parties may be expected to provide training to their staff and members of these rules.

Post Election Reporting versus Prior to Election Day Reporting

Each candidate and political party treasurer is required to file with COMELEC a SOCE within 30 days after election day under R.A. No. 7166. In *Challenging the Norms and Standards of Election Administration: Political Finance*, Walecki postulated that:

An important issue to be stressed is the timing of disclosure reporting, or, rather, the delay in reporting. Ideally, election reports should be submitted and published from one week to 10 days before an election, and following an election (usually 30 days after the election). With the technology available today, information can be sent to the regulatory body in “real time” and then posted on its website. In jurisdictions such as the United States, Canada, the UK, and Lithuania, computer software is provided to the parties and/or candidates to ease the submitting of financial reports. These reports should be formatted in such a way that further statistical and/or audit study is simplified.⁹⁰

The pending bill, S.B. No. 421, contains a provision stating that campaign contributions should be coursed through accredited banks and these banks shall submit to COMELEC a statement of account of political party with deposits within 6 months prior to the campaign period but not later than 15 days before election day. COMELEC shall then publish the account within a reasonable time.

Time. As reflected in the above proposal, reporting of campaign contributions prior to election day should be considered with a publication requirement. It is suggested that publication be done a week before election day for the purpose of “enhance[ing] transparency in the funding of candidatures for elected public office, and where applicable, the funding of political parties⁹¹”, viz:

2. If donations have to be declared before the poll, transparency may permit the elector to know the identity of each candidate’s and each political party’s main backers. This information will permit the elector to be informed about the interests behind the rival contestants.⁹²

Reporting Person. Political party treasurers and candidates should be required to submit the report on contributions before election day. Accredited banks can likewise be required to submit a statement of account with deposits but for verification of information submitted by the political party treasurers and candidates.

90 Jarrett Blanc et al., *Challenging the Norms and Standards of Election Administration*, (International Foundation for Electoral Systems, 2007), 81, https://www.ifes.org/sites/default/files/ifes_challenging_election_norms_and_standards_wp.pdf.

91 Ibid., p. 77

92 Organisation for Economic Co-operation and Development, “Funding of Political Parties and Election Campaigns and the Risk of Policy Capture,” in *Financing Democracy: Funding of Political Parties and Election Campaigns and the Risk of Policy Capture* (Paris: OECD Publishing, 2016), 70, <https://doi.org/10.1787/9789264249455-en>.

Platform. Walecki noted that the submission of “real time” information to regulatory bodies is now possible through the use of available technology. To aid political parties and candidates in making timely disclosures, it is suggested that COMELEC make use of technological advancements in data gathering such as application development software for the purpose.

Weak Audit Capacity

Under Resolution No. 9991, or the Omnibus Rules on Campaign Finance, COMELEC’s Campaign Finance Office (CFO) has the duty to “[a]udit all reports, statements and contracts and determine compliance by the candidates, parties, contributors, and election contractors, including the inspection of books and records of candidates, parties and mass media entities and issue subpoenas in relation thereto and submit its findings to the Commission En Banc xxx⁹³”

The promulgation of Resolution No. 9991, which was intended to serve as clear and specific guidelines in the reporting of campaign contribution and expenditures, was one of the preliminary steps for the development of campaign finance regulation by COMELEC. Since then, the CFO has been engaging with other government agencies such as the Securities and Exchange Commission,⁹⁴ the Bureau of Internal Revenue (BIR), and the Department of Interior and Local Government. The Carter Center reported in its Limited Election Observation Mission to the Philippines June 2016 Statement:

The new regulatory framework for campaign finance includes extensive agreements and requirements for cooperation between government agencies. Winning candidates for local office must submit the certification of receipt of their campaign finance declaration by COMELEC to the Department of Local Government by June 17, and may not assume office if they have not done so. Media houses, including print, television, and radio enterprises, must report on their contractual relations with election candidates to the Bureau of Internal Revenue (BIR) so that the taxation aspects of the candidates’ campaign spending can be assessed. Non-compliance on the part of the media can attract fines and the risk of a tax audit. There is a cooperation agreement between COMELEC and the BIR that envisages crosschecking of individual political donations against tax deductions; an information-sharing agreement with the Securities and Exchange Commission against possible prohibited contributions; and the possibility for the ombudsman to cross-reference campaign-finance declarations with the statements of assets and liabilities that are required of public officials.⁹⁵

While COMELEC’s effort to develop campaign finance regulations through the engagement of relevant agencies is commendable, improvement of the CFO’s auditing capacity is yet to be completed in 2019 due to staffing issues:

93 Commission on Elections, Resolution No. 9991, rule no. 2, s. 1 (Manila, 2015) <https://www.comelec.gov.ph/?r=2016NLE/Resolutions/res9991>.

94 Doris Dumlao-Abadilla and Jocelyn R. Uy, “SEC, Comelec Join Forces Vs Illegal Political Contributions,” INQUIRER.net, last modified October 20, 2015, <https://newsinfo.inquirer.net/732791/sec-comelec-join-forces-vs-illegal-political-contributions>.

95 The Carter Center, Limited Election Observation Mission to the Philippines June 2016 Statement, (2016), 12-13, https://www.carter-center.org/resources/pdfs/news/peace_publications/election_reports/Philippines-June-2016-Election-Statement.pdf.

But even with the unequalled passion and drive of Commissioner Lim, proper auditing was simply physically impossible. The Campaign Finance Unit lacked manpower – most of them were contractuales who received minimal benefits – in the face of thousands of SOCEs being submitted to the poll body every election.⁹⁶

In an interview conducted on 25 September 2020, the COMELEC CFO Director confirmed that most of its personnel are job order casuals whose tenure are not secure and who enjoy less benefits than other government workers. A recommendation was made under the topic of Political Party Finance for lawmakers to consider the creation of a new department in COMELEC to handle the monitoring of political parties and enforcement of penalties. Monitoring and enforcement functions related to electoral campaign finance could be integrated in such a department.

Regulations that cannot be effectively monitored are empty rules. Improving audit capacity on the part of COMELEC is vital as it will ensure that political party treasurers and candidates are submitting accurate SOCEs. R.A. No 7166 mandates that the SOCE shall contain not only a full and itemized statement of all election expenditures but, more importantly, a true statement of all election expenditures.

ENFORCEMENT

Bar Against Elected Party Member from Assuming Office is NOT Strictly Enforced

Under R.A. No. 7166, candidates nominated by a political party shall not be allowed to enter duties of his/her office should a political party fail to file SOCE within 30 days after election day.

COMELEC extended the deadline set under R.A. No. 7166 in relation to the 2013 national and local elections per Resolution Nos. 9849 and 9873. The initial deadline was set as 12 June 2013 but was moved to 12 May 2014 under Resolution No. 9849.⁹⁷ The purpose cited for the modification of the deadline is to encourage disclosure by candidates and parties of their campaign contributions and expenditures and to enable COMELEC to initiate the filing of administrative cases based on R.A. 7166. COMELEC again approved another extension of the deadline from 12 May 2014 to 30 June 2014 under Resolution No. 9873 in view of the numerous requests for extension from candidates, political parties, and party-list organizations and in the interest of promoting transparency and fair play in the electoral process by encouraging candidates and parties to fully and truthfully disclose their campaign contributions and expenditures.

Relative to the national and local elections, COMELEC likewise extended the deadline set under the law through Resolution No. 10147⁹⁸ in response to “letter requests for extension to file SOCE from the Liberal Party and its presidential candidate Manuel A. Roxas, Senator Sergio Osmeña, Rafael Alunan and other local candidates.” The deadline

96 Emil Maranon III, “[OPINION] Is It Time to Amend the Philippines’ Campaign Finance Law?,” Rappler, last modified April 5, 2019, <https://www.rappler.com/voices/thought-leaders/is-it-time-amend-philippines-campaign-finance-law>.

97 Commission on Elections, Resolution No. 9849, s. 2 (Manila, 2014) https://comelec.gov.ph/php-tpls-attachments/References/ComelecResolutions/NLE/2013NLE/res_9849.pdf.

98 Commission on Elections, Resolution No. 10147 (Manila, 2016) <https://comelec.gov.ph/index.html?r=CampaignFinance/SOCE/ExtensionSOCE>.

was fixed as 8 June 2016 but was extended to 30 June 2016. COMELEC expressly stated in Resolution No. 10147 that:

We find it abhorrent to adopt the erroneous interpretation that our duly elected public officials cannot assume office simply because of the failure of the party treasurer to submit the party's SOCE within the 30-day deadline. The resulting frustration of the people's mandate, the widespread vacuum in the public service, and the likelihood of a constitutional crisis,(sic) constitute an absurdity not contemplated by the law. These are risks that the Commission is not willing to take.

Two Commissioners dissented. Commissioner Christian Robert S. Lim, who was head of the CFO at the time, noted that the alleged 'vacuum in public service' is caused by the omission of the party to file its SOCE on or before the deadline. He concluded that the reversal of COMELEC's position as to the final and non-extendible deadline of 8 June 2016 weakened the COMELEC's independence guaranteed by the Constitution, and thus in his opinion stated:

I believe that the Commission on Elections, as an independent Constitutional Commission, should stand strong on its constitutional mandate to enforce and administer election laws and regulations regardless of the party or the candidate who might be adversely affected in the fulfillment of the said mandate. The majority, by renegeing on Resolution No. 9991 and allowing the filing of SOCEs beyond the 30-day period prescribed law, had weakened the independence of this august body when they showed that they are willing to reverse their own positions to serve the parties and candidates who do not respect the rules and regulations of the Commission enough to comply with them in the first place.⁹⁹

COMELEC approved Resolution No. 10505¹⁰⁰ in relation to the 2019 national and local elections. Section 13 of this resolution declares the no elected official shall enter upon the duties of [his] office if the electoral party that nominated the winning candidate fails to file SOCE. The same provision however went on to state that an elected official has a period of 6 months from proclamation to file SOCE after which his office shall be considered as permanently vacant.

The foregoing review of COMELEC issuances reflects a liberal attitude towards the enforcement of the penalty of barring an elected official from assuming office provided under R.A. 7166. Although it is understandable that the sovereign will of the people must be respected as a general rule, regulatory agencies should be able to secure compliance of their policies for effective enforcement. The continuous change in COMELEC's position as to the

99 Commission on Elections, Resolution No. 10147: Dissenting Opinion (Manila, 2016) <https://comelec.gov.ph/index.html?r=CampaignFinance/SOCE/DissentingOpinion>.

100 Commission on Elections, Resolution No. 10505 (Manila, 2019) https://comelec.gov.ph/php-tpls-attachments/2019NLE/Resolutions/com_res_10505.pdf.

penalties provided under R.A. No 7166 does not inspire compliance. The 2016 national and local elections represented the best scenario for COMELEC to impose strict enforcement of penalties as it came up with a comprehensive guideline on the filing of SOCE. Its CFO held public consultations with the attendance of political parties to inform them of these guidelines. However, COMELEC ruled against a strict enforcement of penalties against violators.

RECOMMENDATIONS

Electoral System Reform

1. For the organization of a Constitutional Commission or Constitutional Convention to consider the shift from plurality in single-member districts to proportional representation as the manner by which the Philippines elect its House of Representatives' members.

Political Party Finance

2. For the Congress of the Philippines to hold deliberations on S.B. Nos. 12 and 421 and pass a law on political party development. Improvements on S.B. Nos. 12 and 421 are recommended as follows:
 - a) regulation should cover all political parties. State subsidies may be limited to national political parties;
 - b) members of political parties, as long as they retain their membership, should abide by the party's platforms, principles, policies and general program of government. Political parties should enforce party discipline mechanism against erring members. Failure to enforce party discipline mechanisms against erring members should affect that party's accreditation. A range of penalties may be imposed, such as a fine and a warning on the first offense, and cancellation of accreditation in extreme cases;
 - c) penalties for political parties which accommodate political turncoats should include proceedings against their accreditation. A range similar to the second recommendation may be considered;
 - d) consider the creation of a new department in COMELEC to handle the monitoring of political parties and enforcement of penalties against these parties; and,
 - e) requirement for equitable representation of women as leaders and official candidates of political parties.
3. For COMELEC to preliminarily issue specific regulation on internal party structure and mechanisms with a provision on cancellation of registration in extreme and rare cases of a party with non-democratic internal structures; and,
4. After passage of legislation related to political party development, for the Congress of the Philippines to include a provision on state subsidies utilizing eligibility and allocation criteria. Allocation criteria based on seats won should include the positions of President and Vice-President and be joined with the Senate seats with 30% allocation. The House of Representatives' seats should be given 20% allocation and seats related to local government be given 40% allocation.

Electoral Campaign Finance

5. For COMELEC to engage the assistance of the Securities and Exchange Commission and the Bureau of Internal Revenue in the issuance of regulation on “reasonable” donations in aid of any political party or candidate or for purposes of partisan political activity. It is recommended that “reasonableness in amount” be fixed at five percent of taxable income from trade, business or profession for all charitable or other contributions;
6. For the Congress of the Philippines to enact a law specifying the amount of contribution limit either at a low range of Php 1,000,000 per person, or a moderate range of Php 1,000,000 per individual or Php 10,000,000 per juridical person, including group of persons such as a family;
7. For the Congress of the Philippines to enact a law similar to An Act Prohibiting Public Officers From Claiming Credit Through Signage Announcing A Public Works Project. The prohibition should be expanded to other representations of government projects (e.g. health cards.). A clear penalty should be provided in the event of violation;
8. For the Congress of the Philippines to amend R.A. No. 9006 on the affirmative action of COMELEC by stating that the allocation of print space and airtime shall be given to political parties and independent candidates for national office for the purpose of informing the public on respective platforms, social media advertisements as an alternative to television advertisements, and the increase of frequency of affirmative action;
9. For the Congress of the Philippines to amend R.A. No. 7166 on expenditure limit by providing for amounts within the range of Php 15.00 - Php 30.00. The expenditure limit of local candidates should be fixed at the low range while the expenditure limit of political parties should be fixed at the high range;
10. For the Congress of the Philippines to enact S.B. No. 777, which seeks to further amend Section 15 of R.A. No. 8436 by considering a person who filed his/her COC as a candidate at the time of filing thereof and shall thus be liable for unlawful acts and omissions from such filing, into law;
11. For the Congress of the Philippines to amend R.A. No. 6646 to the effect that when voters in different precincts representing at least 20% of the total precincts of a municipality, city or province give proof to establish the disputable presumption of involvement, these voters shall be qualified as state witnesses and shall not be liable for the offense of vote-selling;
12. For the Congress of the Philippines to enact a law requiring political parties and candidates to submit a report on contributions with a publication requirement on the part of COMELEC at least one week before election day;
13. For COMELEC to make use of technological advancements in data gathering, such as application development software for real-time monitoring of electoral campaign finance; and,
14. For the Congress of the Philippines to integrate the function of monitoring and enforcement functions related to electoral campaign finance in the new department handling the monitoring of political parties.

Good Governance

15. For civil society organizations to undertake a citizen engagement campaign on good governance standards for public services (e.g. removal of names and photographs on public services signs).

CONCLUSION

The legal and regulatory framework geared towards the development of political parties in the Philippines is lacking. Political parties are, likewise, unable to secure adequate financing for their activities, both outside and during election season. The institutional design of plurality in single-member districts, lack of legal and regulatory framework and insufficient financial resources are contributing factors in the failure of political parties in the Philippines to develop into programmatic parties. Proposals for the passage of law to address these issues have long been pending but have not been successful as of present. This law is long overdue and is immediately needed to offer political parties in the Philippines the opportunity to develop into programmatic parties. Should the Congress of the Philippines not act on proposed reforms related to political party strengthening, the relevant question to be considered is whether the concept of political parties should remain under Philippine laws.

Present laws and regulations likewise fail to address other essential aspects of electoral campaign finance, such as contribution limits and disclosure of funding sources prior to election day. While there are rules on expenditure limits, these are outdated. Unlawful campaign expenditure, such as money spent on vote-buying activities, has not been effectively prevented. Efforts to monitor electoral campaign finance to determine compliance with current regulations are recognized. However, the audit capacity of the mandated office is not fully utilized because of organizational issues. Finally, enforcement of penalties against political parties is liberally implemented.

The Philippines is in need of the establishment of an effective legal and regulatory framework on political finance and faithful monitoring and enforcement of political finance regulations. Concrete action on the above-enumerated recommendations is therefore necessary. The achievement of these objectives is intended to lead to proper management of political finance, which ultimately supports the preservation of the integrity of elections and democratic processes, and the promotion of good governance in the country.

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Political Party Finance Reform in Timor-Leste

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INTRODUCTION

Timor-Leste, with a total population of 1,293,118, has successfully held several democratic elections. Since independence in 1999 and the restoration of independence on 20 May 2002, Timor-Leste has conducted elections - both presidential and parliamentary -- in 2002, 2007, 2012, 2017 and most recently in 2018. The national election management bodies, the Technical Secretariat for Electoral Administration (STAE) and the National Commission on Elections (CNE), are responsible for managing, planning, preparing and organizing all electoral events.

Timor-Leste's Constitution, in article 65 (The election) and article 63 (Participation by citizen in political life) section 16, guarantee participation all people in election processes and the right to participate in political life, and that no-one shall be discriminated against on grounds including physical or mental condition. Timor-Leste's Constitution, in Section 70, also guarantees the rights of political parties. The law provides the widest opportunity and freedom for every citizen to form and establish a political party. Timor-Leste is a multi-party democracy with 16 existing political parties registered at the Supreme Court and CNE.

Political party law No.2/2016 defines political parties as organisations that are permanent in nature and which are composed of citizens, which have the objective to democratically participate in the life of the country and to contribute to the formation and expression of the political will of the people, in conformity with the laws and their respective by-laws and programmes.

Of the 16 political parties registered, only 12 competed in the 2018 election. The National Parliament elections in 2018 with 784,286 registered voters resulted in eight parties winning seats in the National Parliament with the following composition: FRETILIN party with 23 seats, CNRT with 21 seats, PLP with 8 seats, PD with 5 seats, KHUNTO with 5 seats, PUDD with 1 seat, Frente Mudança with 1 seat and UDT with 1 seat, with a total of 25 female and 40 male members of the National Parliament.

Although 38.5% of political representatives in Timor-Leste's National Parliament are female, the level of women's representation in the national and local government structure is still low. The presence and involvement of female politicians in political parties is also still very low, especially regarding the number of women sitting in the party structures.

Timor-Leste has a unicameral National Parliament, in which the 65 seats of the parliament are elected by a closed-list proportional representation system. Members of Parliament (MPs) are elected through multi-nominal lists as presented by the political parties or party coalitions, and each voting citizen is entitled to one single vote for the list. Final votes are converted according to the system of proportional representation in accordance with the approved D'Hondt method.

The political parties that hold seats in the National Parliament get funds from the government budget. The amount of the budget allocated for every political party is based on the number of seats each party holds in the National Parliament. Government funds are also provided for registered political parties and candidates.

Pradet Timor-Leste and CAUCUS conducted research on Political Party Finance Reform in Timor-Leste to help strengthen political parties as the main actors of democracy, specifically to identify and analyse the problems of political party finance governance. The political parties chosen as the focus for this research are those political parties which currently hold seats in the National Parliament.

This research is being carried out through cooperation between PERLUDEM, through the RESPECT program, Pradet Timor-Leste and CAUCUS. The targets for respondents of this research activity are: (1) political party leaders; (2) political party finance persons; (3) women's organizations and youth organization leaders in political parties; (4) the CNE; and (5) civil society

The main objectives of this study are to:

1. Analyse and elaborate the design of political party finance regulations
2. Map and identify the problems of political party finance governance
3. Formulate an agenda for improving political party finance management, including identifying relevant policy makers

This report is the result of qualitative research methods of data collection through desk review of internal documents of political parties such as regulations and manuals and CNE audit reports. Interviews were also conducted to gather information from a variety of important sources, such as the leaders of political parties, finance persons of political parties, CNE, representatives of political party women and youth organizations and civil society representatives. A Focus Group Discussion also was conducted with different groups such as: finance persons and women as well as youth representative members of political parties. Analysis of political finance regulations and political finance systems was also conducted. This report provides recommendations in order to enhance transparency and accountability in political party finance in Timor-Leste.

POLITICAL PARTY FINANCE REGULATION IN TIMOR-LESTE

Timor-Leste's political finance legal framework includes:

- Political Parties Law no. 2/2016
- Political Parties Decree Law No. 6/2008 on the legal regime for the financing of political parties
- Governmental Decree Law No. 05/2017 on Regulation for the Electoral Campaign

The legal framework stipulates the principle of organizational accountability, which requires political parties to submit financial reports to the Comissão Nacional de Eleições (CNE), an institution that has the competence to supervise political party finance.

However, there are still gaps in the legal framework, including the financing of political parties. Law No. 6/2008 states that the state should help create minimum conditions for the functioning of political parties that already have representatives by providing financial support, but does not mention further about the allocation and use of these funds, include bans on the use of funds. The law also regulates about all financial sources of political parties, including private funds. However, the interpretation of political parties that have seats in the national parliament as well as the CNE is this law only applies to public funds. So, in its implementation, political parties are not required to report and publish existing private funds.

Political Party Law No. 2/2016, Article 23, regulates the types of donation bans. The law prohibits corporate donations from companies with government contracts and those with partial government ownership. Although there are regulations governing various donation restrictions, they do not regulate the number of donations/contributions that can be donated to

political parties or candidates (whether for elections or routine activities), and do not regulate buying (and selling) of votes, commonly known as money politics, only on electoral crime regulation that prohibits the use of force and coercion to obtain votes. In addition, there is no regulation on self-financing and loans, but it regulates the involvement of political parties with commercial activities.

POLITICAL PARTY FINANCE SITUATION

Political Party Funding Sources

Based on the research findings, political party financing comes from three sources: member fees, donations and financial assistance from the government budget.

Each political party statute stipulates the obligation of political party members to pay member fees and also make donations, but it does not mention the amount that each person must give to the party. From the results of interviews with political parties, all parties set a standard member fee of US\$1.00 that must be paid by each member of a political party, while contributions from members of political party who sit as members of the national parliament and also members of the government are based on the political agreement made between them and their political parties, and are not the same for each political party. For example, in the CNRT party, there is application of 7% of the salaries of members of the national parliament as well as members of the government; while the KHUNTO party applies 1% -12% based on the level of position of each member both in the government and in the national parliament. All parties do not want to provide information about the amount paid because they think this is an internal party secret.

Member fees should be required for each party member but this has not been running optimally. Only members of the national parliament and ministers from the party contribute member fees every month. The amount of member fees is regulated in the internal regulation of each political party. Political parties only require member fees from them, while other political party members are not required to pay member fees or make donations.

Donations come from individuals, groups or institutions, both from party members and non-party members. The obligation about individual donations of members of a political party is regulated in the statutes and internal regulation, while individuals, groups and companies and / or business entities that are not members of political parties depend on their capacity to contribute. And there are no restrictions on donations, depending on the contributor. All political parties interviewed did not want to provide information about the amount of contributions from political party members because they considered this to be internal information not for public consumption.

The member fees and donations are not recorded and reported transparently, and are not published by political parties. From interviews, all political parties said that contributions are considered as private funds, so that political parties did not publish the internal funds, and also because the contributor asked not to be published. Meanwhile, there is no obligation for political parties to publish their financial statements regarding private funds.

Financial assistance from government funds is given proportionally to each political party. The calculations for this assistance are based on the number of seats. Political parties receiving funds from the government only report and account to CNE, but these reports are not published by political parties. Political parties only record and report income from government funds. The financial reports of political parties are not published and are not available on the Internet.

Currently, the fixed source of funding for political parties is from government funds, while funds from membership fees and donations cannot be expected by political parties. Parties are still very dependent on funding from the government and have not thought about developing fundraising strategies.

Public Funding from the government budget

The government regularly provides public funds to political parties, both on a regular basis and in relation to campaigns. This public funding system is provided based on predetermined criteria such as having to have representation in parliament and also based on the number of votes obtained in elections. This poses a challenge for new or smaller parties to benefit from public funding.

Law No. 6/2008 guarantees financing for political parties, but does not regulate the amount of funds allocated to political parties. So it depends on the political parties sitting in the National Parliament to allocate funds. For comparison, in 2008, the National Parliament allocated funds to the party of \$1,000,000.00. In 2011 this increased to \$ 3,000,000.00 and in 2014 it increased to \$6,000,000.00. According to CNE the sum of \$6,000,000.00 is distributed among the 65 seats in the national parliament, where each seat is worth \$92,000.00. The total amount of funds received by each political party is based on the seats in the national parliament as in the table below. This provides an opportunity for political parties that have seats in the National Parliament to continue to increase the amount of government funds to them according to their interests.

From the 2019 fiscal year CNE audit report, the National Parliament approved a fund of US\$ 6,000,000.00 which was divided proportionally to political parties that have seats in Parliament as outlined below:

NO	POLITICAL PARTY	SEATS IN THE NATIONAL PARLIAMENT (EACH SEAT \$92,000.00)	TOTAL AMOUNT RECEIVED
1	Frente Revolucionária do Timor Leste Independent (FRETILIN)	23	\$2,123,077.00
2	The Congresso Nacional de Reconstrução de Timor (CNRT)	21	\$1,938,462.00
3	Partido Libertação Popular (PLP)	8	\$738,462.00
4	Kmanek Haburas Unidade National Timor Oan (KHU-NTO)	5	\$461,538.00
5	Partido Democrático (PD)	5	\$461,538.00
6	Partidu Unidade Dezenvolvimentu Demokrátiku (PUDD)	1	\$92,000.00
7	Frente Mudança (FM)	1	\$92,000.00
8	União Democrática Timorense (UDT)	1	\$92,000.00

The political parties that hold seats in the National Parliament get funds from the government budget. The table shows the allocation of funds from the state budget for the political parties in 2019. The amount of the budget allocated for every political party is based on the number of seats each party holds in the National Parliament, and each party has the freedom to use the funds for party needs and interests. Parties with many seats will receive more than those with few seats. Large parties will continue to grow because they have adequate funds, while small parties will remain small because of existing limitations.

Each political party is free to use these funds according to their needs and planned activities, including funding meetings, conferences, consolidation, operations, office support, salaries and funding social activities. In general, their activities mainly focus on consolidation and winning the election. Usually, the minimal amount of activity related to gender issues is due to the low allocation of funds for these programs. In addition, there is no prohibition of certain activities against the use of government subsidy funds, nor is there any mention or explanation of prohibited activities such as terrorism, drugs or war. Political parties also use funds from the government to carry out programs that should be the responsibility of the government, such as providing health services, clean water, micro credit and so on instead of financing political education, political recruitment, and training activities at the national level and local level, or using the funds to promote gender equality, for example by allocating some of the funds to gender-specific and inclusive activities. And because there is no specific explanation regarding the use of funds for certain activities such as women's empowerment, political parties also do not allocate these funds as affirmative funds for gender equality issues or to increase women's representation.

The government also provides other funds to political parties and candidates for the political campaign during the election processes. The amount for every political party that is running for election depends on the government policy created; for example, in the last election the government allocated \$4.00 for each vote. The total amount received by each political party and candidate depends on the political party getting votes. Sometimes these funds do not cover the expenditures of political parties and candidates during the campaign activities.

Funding for political party campaigns for general elections in 2018

NO.	POLITICAL PARTY AND COALITION	TOTAL VOTE	TOTAL RECEIVED CAMPAIGN FUNDS (\$)
1	Partido Esperança da Pátria (PEP)	5,060	\$ 20,240.00
2	Partido Democrático (PD)	50,370	\$ 201,480.00
3	Partidu Republikanu (PR)	4,125	\$ 16,500.00
4	Frente Revolucionária do Timor-Leste Independente (FRETILIN)	213,324	\$ 853,296.00
5	Movimento Social Democrata (MSD)	3,188	\$ 12,752.00
6	Movimentu Dezenvolvimentu Nasional (MDN)	4,494	\$ 17,976.00
7	Frenti Dezenvolvimentu Demokrátiku (FDD)- coalition	34,301	\$ 137,204.00
8	Aliansa Mudansa ba Progresu (AMP)-coalition	309,663	\$ 1,238,652.00

Funding for the presidential candidate election campaign in 2017

NO.	CANDIDATE	TOTAL VOTE	TOTAL RECEIVED CAMPAIGN FUNDS (\$)
1	Francisco Guterres "LU-OLO"	295,048	\$ 1,180,192.00
2	Antonio da Conceicao	167,794	\$ 671,176.00
3	Jose Luis Guterres	13,513	\$ 54,052.00
4	Jose Neves	11,663	\$ 46,652.00
5	Luis Alves Tilman	11,125	\$ 44,500.00
6	Antonio Maher Lopes	9,102	\$ 36,408.00
7	Angela Freitas	4,353	\$ 17,412.00
8	Amorim Vieira	4,283	\$ 17,132.00

The problem is that the funds obtained from the government for political party campaigns have no accountability reports, and also there is the absence of transparency from political parties regarding the source of funds to political parties during campaigns and elections. Political parties are not required to provide detailed reports on the use of campaign funds from state subsidies, as well as campaign support funds from other sources such as donations or contributions from certain individuals or groups. In addition, there is no regulation about limitations on private funding for political parties, so that donations given and received by political parties depend on the contributors, and also depend on political parties to ask for donations. The amount of money from donations/contributions will be very influential in politics.

Political finance oversight bodies - CNE (National Commission for Election)

CNE, as the institution for supervising political party finance, is responsible for conducting audits of political party finances that political parties receive based on seat allocation only. There is no audit for election campaign funds.

Political parties that sit in the national parliament receive subsidized funds from the government and must report and submit their financial statements to CNE at the end of each year (45 days before December 17 every year). Then the audit department, with support from legal parties, will work and carry out an audit process on political party finances for 30 days, with the following working mechanism:

ACTIVITY STAGE	ACTIVITY DESCRIPTION	MECHANISM
Step 1	Document analysis	Verification by auditor team
Step 2	Presentation of the verification results	Plenary
	Confirmation of data and fact	Meeting, Visit political party office
Step 3	Presentation and appreciation of the final results of the audit	Elaboration of the final audit report
	Deliberation of audit report from CNE and officially publish the audit report	Publications of audit report in "Jornal Republika"

Based on the results of verification of the financial documents of political parties, CNE will give 10 days to political parties to complete their financial statements and also

confirm the existing financial data. Then the last step is publication of audit reports in the “Jurnal Republika”

CNE stated that the audit process actually took more time due to the large number of political parties that had to be audited.

Law No. 6/2008 on Political Party Finance Article 2 ensures that the finances of political parties and election campaigns must be legal, transparent, presented, monitored and publicized. In implementing this law, the CNE as an oversight body should ensure that political party finances and election campaign finances are reported and published according to the law.

Furthermore, Article 3 also requires political parties to present and report all the income they have from various sources of funds transparently. But in reality, political parties only report and account for funds from the government to the CNE. The CNE does not have the competence to control the finances of political parties from private funding, and so only focuses on funding support from the government.

Law No. 6/2008 Articles 20, 21, 22, 23, 24 regulate the applicable sanctions for violations of political finance regulations, including suspension of public funding, fines (USD 1,500-15,000) and imprisonment (six months-two years). Although the sanctions are clear, they are not always strictly enforced. Although the CNE’s audit of political parties found inappropriate use of government funds, it does not have the capacity to impose sanctions on political parties. This is because the law does not provide competence to the CNE.

The CNE, as the institution responsible for examining the financial statements of political parties, is not firm in implementing existing laws by providing sanctions for political parties that violate the law, so that parties can also be serious and be careful in using government funds correctly and transparently. The CNE has a lack of human resources with an accounting background and to audit financial reports submitted by political parties, presenting a challenge to ensuring accountability. Additionally, there is weak oversight of political finance regulations by the CNE in terms of political party compliance, reporting time, application of sanctions and political party financial reports.

POLITICAL PARTY FINANCIAL MANAGERMENTS

This research identified problems in political party financial management such as: financial bookkeeping, supporting documents, financial reports, report deadlines, filing and documentation systems, financial supervision and control, regular audit and also financial officers. Political parties themselves also have problems in managing funds and preparing reports.

The CNE provides a standard financial report format as a reference for political parties preparing financial reports, but political parties often do not follow the existing format and have problems writing financial reports in the appropriate format due to changes in political party financial staff.

Some political parties do not implement the financial procedures, and in some cases do not even have a financial manual and professional financial staff. Transparency and accountability of reporting are problems in politics parties. Even though each political party has internal

mechanisms for managing funds and preparing reports, however based on the CNE's records there is still the need for improvement by political parties on these issues.

The fact that in-place financial systems have not yet been set up at each party is one of the existing problems. In addition, there is a lack of political will among political leaders and political parties to manage political party finances with transparency and accountability.

CONCLUSION AND RECOMMENDATIONS

Conclusion

There are three important issues in the financial management of political parties in Timor-Leste: financial sources, financial management and also transparency and accountability.

In Timor-Leste, political party financing comes from three sources, namely member fees, donations and financial assistance from the government budget. Members' fees and donations are considered as private funds and political parties are not required and have no obligation to report and publish these.

The Timor-Leste government regularly provides public funds to political parties, both on a regular basis and in relation to campaigns. This public funding system is provided based on predetermined criteria such as representation in parliament and is also based on the number of votes obtained in elections.

The eight political parties sitting in the national parliament and receiving funds from the government report and account for these funds to the CNE. However, political parties that receive election campaign funds from the government are not required to report and account for the funds received either from the government or from contribution/donations.

The Political Parties Law No. 6/2008 guarantees financing for political parties but does not regulate the amount of funds allocated to political parties and define how political parties use the funds, including bans on the use of funds. All political parties have the freedom to use the funds for party needs and interests.

The CNE is responsible for conducting audits of political party finances. It only focuses on funding support from the government and does not have the competence to control the finances of political parties from private funding. CNE also does not have the capacity to impose sanctions on political parties, even in cases where CNE's audit of political parties finds inappropriate use of government funds. This is because the law does not provide competence to the CNE.

All political parties in Timor-Leste have problems in managing funds and preparing reports, including problems with financial bookkeeping, supporting documents, financial reports, report deadlines, filing and documentation systems, financial supervision control and also financial officers. Transparency and accountability of reporting are problems identified in party politics.

Recommendations

Specific recommendations for the National Parliament and government, CNE, political parties, and civil society organizations are as follows:

National Parliament and government

- Revise Law No. 6/2008 to define the amount of funding to political parties, type of activities, allocation and use of these funds, including bans on the use of funds, and also define the same amount to be received by each political party sitting in the National Parliament
- Ensure that allocations and distributions of funds are fair to political parties
- Create a specific regulation for electoral campaign funds managements and reporting
- Minimize the dependence of political parties on funds from the government
- Ensure that government funds to political parties must also be allocated to promote gender equality and inclusiveness
- Set limits on individual contributions to political candidates and parties to reduce the influence of money in politics
- Ensure the independence of the CNE from political influence
- Ensure that the CNE has a clear mandate, adequate resources, and the capacity to carry out its political finance oversight duties, including investigating political finance violations and applying appropriate sanctions
- Ensure political finance regulations and sanctions are well understood by the public and are enforceable

Political finance oversight bodies - CNE

- Add staff with an accounting background
- Add time to carry out the process of auditing for political parties' finance staff
- Conduct training to increase the capacity and skills of audit staff
- Provide training to political parties to ensure that they understand and comply with political finance regulations
- Ensure political parties present and report on revenue and expenditures from public funding and private funding with transparency and accountability
- Ensure that there is reporting on election campaign funds, including both those subsidized by the government and donations from other parties
- Ensure political parties implement finance regulations by conducting regular reviews of political party finances
- Provide strict sanctions for political parties that violate regulations
- Cooperate with other regulatory bodies such as the Anti-Corruption Commission (CAC)

Political Parties

- Ensure that the party finances are properly recorded and updated following standard bookkeeping practices, and that financial reports are submitted to the oversight bodies in a regular and timely manner
- Political parties must record and report all revenue and expenditures from public funding and private funding, with details on itemized income and spending, publish the finance report and make the report available on the Internet
- Political parties must create mechanism to ensure all party members pay member fees and give a contribution for the party
- Develop fundraising strategies for funding sustainability
- Set up a finance system to ensure that financial management continues to run well in accordance with the existing system even though the finance person is replaced
- Provide training, information and guidance to address political party financial problems as identified to ensure political parties run well with healthy finances
- Review the political finance systems and procedures and ensure their effective implementation
- Provide training for political parties' finance persons and strengthen parties' internal practices
- Declare to the public political party assets, revenue and revenue sources, and publish annual report and audit findings
- Produce campaign and election finances report, and submitted this to the CNE, and publish the finances report

Civil Society

- Advocacy for revising laws, ensuring enforcement of regulations and promotion of transparency
- Monitor the effectiveness of political finance oversight by conducting a social audit of public funds and private funds of political parties
- Conduct surveillance to detect violations of financial regulations and political finance by political parties
- Support the internal technical capacity of political parties by providing financial management training to political parties' finance persons
- Cooperate with political parties to support political party financial reform

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Interviewed Persons

Political Party

CNRT

Jacinto Rigoberto	Deputy Secretary General
Dulce de Jesus Soares	Secretary of Women Organization (OMP)
Jorge Soares Cristovão	Vice Coordinator of Youth Organization (OJP)

FRETILIN

Flavio M.G.da Silva	Deputy General Secretary
Florentina M. Smith	General Secretary of Women Organization (OPMT)
Efrem Trinquedos	Deputy of Youth Organization
Leonia da S. Parada	Finance

PD

Jacinto Gosmão	Executive Secretary
Antonio dos Santos	Vice President of Youth Democratic Organization (OJD)
Fatima Bentu	Vice President of Women Democratic Organization(OMD)
Ivonia da Costa	Finance
Maria Benigna	Finance

PLP

Merita Correia	President of Legal Committee
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Agusta A. Soares	Coordinator Organization Women
Sejario Dias Freitas	Youth Commissioner
Maria M. Boavida	Finance Coordinator
Lidia J.F. Moreira	Finance Assistant

KHUNTO

Elda da Costa Barros	Women Organization member
Tunito Fernandes	Youth Organization member

PUDD

Alise de F. Noronha	Coordinator of Women Organization
Filisiano de Oliveira	Youth Coordinator
Cipriano da S. Freitas	Finance Coordinator

FRENTI-MUDANSA

Egídio de Jesus	President
Tersa C. Gomes	Coordinator of Women Organization
Xisto J. de Jesus	Youth Organization member

UDT

Ipoloto Fernandes	Youth Organization member
Nikson F. M. Lay	Finance

National Election Commission (CNE)

Maria Odete Belo	Commissioner, Vice President
Bernardo N. Cardoso	Commissioner, Secretary
Jose S. Fonseca	Chief Department of law

Civil Society

Karlito Nunez	International Republican Institute (IRI)
Joaquim Freitas	Konrad Adenauer Stiftung (KAS)
Daniel S. do Carmo	NGO Forum/Fongtil
Merita de Jesus Marques	Rede Feto
Cesario da Silva	Asosiasaun Defisiensia Timor-Leste (ADTL)
Gaspar Afonso	Raes Hadomi Timor Oan (RHTO)

And 15 FGD participants on 23 April 2021, in Dili Fatuhada Restaurant

Brief Description of Organizations:

BERSIH 2.0 – MALAYSIA

BERSIH 2.0 is a coalition of 56 non-governmental organizations working on various sectors. The mission statement of BERSIH 2.0 is “BERSIH 2.0 strives for democratisation with a focus on electoral reform so that all Malaysians may meaningfully determine our future.”

The priority focus of BERSIH 2.0 is electoral reform, parliamentary reform, restoring local government elections, election monitoring and observation. The organization hope to be the authoritative organization that leads and influences the direction and agenda on electoral reform, parliamentary reform, and other institutional reforms.

Executive Director: Yap Swee Seng

Address: A-2-8, Pusat Perniagaan 8 Avenue, Jalan Sungai Jernih 8/1, Petaling Jaya, 46050, Selangor, Malaysia.

www.bersih.org

LENTE – THE PHILIPPINES

Legal Network for Truthful Elections (“LENTE”) is the first and the only nationwide, non-partisan network of volunteer lawyers, law students, paralegals and other trained volunteers engaged to do election work. It envisions a genuinely and participatory Philippine society with an informed, empowered and engaged citizen, where the organization serves as a steadfast guardian of a credible and accessible electoral system. Likewise, LENTE’s mission is to ensure truthful elections and meaningful electoral participation.

LENTE’s guiding principles are primacy of the rule of law, value of empowered stakeholders, non-partisanship as integral to the organization’s credibility and the spirit of service, volunteerism, and social responsibility. All activities of LENTE are focused on its core objectives:

- 1) Public education activities;
- 2) Lobbying and advocating electoral reforms;
- 3) Pursuing criminal and administrative cases against election law violators;
- 4) Strengthening its institutional ties among citizens’ arms, private sectors and partner organizations; and
- 5) Monitoring the whole conduct of elections.

In the next five years, LENTE will remain committed to its purpose and core objectives, will continue to adapt with the changing political environment and will persistently amplify the organization’s competence and potential.

Executive Director: Atty. Rona Ann V. Caritos

Address: Unit 401, A. Francisco Gold Condominium 1 EDSA Brgy. West Kamias, Quezon City

www.lente.org.ph

PRADET – TIMOR LESTE

Psychosocial Recovery and Development in East Timor (PRADET) was established in 2002 with vision and mission is for strong, healthy community that protects and support its most vulnerable people including those who are affected by trauma, mental illness and other psychosocial problem. Other services are order to provide support to vulnerable people that experience psychosocial problem through education, counselling, social support, rehabilitation, medical and forensic services.

PRADET also provide information and socialise on election procedure for the client of GBV and disability Mental illness included 3 Prison in Timor Leste to increase their knowledge and ensure their participation in election process. PRADET as a member of Disability Association to advocate the right of the person with disability included Metal Illness disability, other mechanism is PRADET also approach and effectively communication with family of client to ensure that client of GBV, Mental illness disability and prisoner participate in registration to get legal document.

Director: Manuel dos Santos
Address: Rua Manleuana, Dili Timor Leste
<http://www.pradet.org>

WOMEN CAUCUS IN POLITIC FOUNDATION – TIMOR LESTE

CAUCUS Women in Politics or CAUCUS was established in 2001. Its work is focused on supporting women to be leaders, encouraging and motivating women to be involved in political life. CAUCUS has three main programs: capacity building, advocacy and media including publication. CAUCUS works nationally in all 13 municipalities. Most recently, CAUCUS led work in the 100% Hau Pronto Campaign, which almost doubled the number of women Xefe de Suko and training and supporting over 600 women leaders. Caucus also provide training to the potential's women from political parties. The main target of Caucus such as Political Party, Grupu Mulher Parlamentar Timor-Leste (GMPTL/Caucus Parliamentary), Community women Leaders (Women Xefe Sukus and Aldeia).

Director: Terezinha Cardoso
Address: Rua dos Martires da Pátria, Ex Obrigado Barracks, Caicoli Dili Timor-Leste.

THE INTERNATIONAL IDEA

The International Institute for Democracy and Electoral Assistance (International IDEA) is an intergovernmental organization with the mission to advance democracy worldwide, as a universal human aspiration and enabler of sustainable development. International IDEA does this by supporting the building, strengthening, and safeguarding of democratic political institutions and processes at all levels. International IDEA's vision is a world in which democratic processes, actors and institutions are inclusive and accountable and deliver sustainable development to all. In its work, International IDEA focus on three main impact areas: electoral processes; constitution-building processes; and political participation and representation. The themes of gender and inclusion, conflict sensitivity and sustainable development are mainstreamed across all our areas of work.

International IDEA provides analyses of global and regional democratic trends; produces comparative knowledge on democratic practices; offers technical assistance and capacity-building on reform to actors engaged in democratic processes; and convenes dialogue on issues relevant to the public debate on democracy and democracy building. The headquarters of International IDEA is in Stockholm, and International IDEA has regional and country offices in Africa, Asia and the Pacific, Europe, and Latin America and the Caribbean. International IDEA is a Permanent Observer to the United Nations and is accredited to European Union institutions.

<https://www.idea.int>

PERLUDEM - INDONESIA

Perkumpulan untuk Pemilu dan Demokrasi (Perludem/The Association for Elections and Democracy) is an independent non-profit organization that conducts research, advocacy, monitoring, education, and training in the areas of electoral and democratic for policy makers, organizers, participants, and voters.

Perludem realizes a concrete effort of citizen participation in strengthening election and democracy in Indonesia as well as in the region through its missions and goals to:

1. Support in building the systems of legislative election, presidential election and direct election of regional heads which appropriate with democratic principles;
2. Improve the capacity of election/direct election of regional heads organizer so they would understand the objectives of election/direct of regional heads philosophy including having adequate technical skills and knowledge to organize election/direct elections of regional heads;
3. Observe the election/direct elections of regional heads implementation hopefully aligned with election regulations and election integrity principles;
4. Enhance the capacities of elected legislative members so they can maximize their role as the people representative;
5. Support improved election integrity and electoral justice in the Asia- Pacific region.

Executive Director: Khoirunnisa Nur Agustyati
Address: Jl. Tebet Timur IV A No.1 Tebet, Jakarta-Selatan, DKI, Indonesia
www.perludem.org