

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
1st regular Session

House Bill No. 2306

Introduced by **HONORABLE BENJAMIN C. AGARAO, JR.**

Explanatory Note

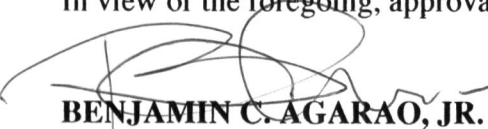
The past political exercises bore witness to the unbridled switching of party affiliation which has led to descension and antagonism to party mates themselves. Albeit parenthetically, the same has not augured well to the avowed constitutional mandate to establish a strong party system linked primarily to stabilize the softening stance of a parties organizations.

For the years that had passed, political parties stayed on an ephemeral basis depending on the opportunities they feel are congruous to the needs in order for them to survive. This has lead sometimes to debacle primarily because parties themselves do not create clear cut guidelines on how members are going to cooperate and contribute to the needs of the party. Thus, members of the party are in quadmire of doubt as what and which functions they are going to perform.

To be able to attain these objectives, a strong party system must be in place. This bill seeks to demolish the negative public perception on political parties. This will lead to a genuine political overhaul seeking to help not only the small but very promising political parties but those who have already jumpstarted but still lacked governmental and private support.

This bill seeks to establish a State Subsidy Fund designed principally for campaign expenditures, operations, and development of a political party; to preserve however proper accounting and procedures. The bill establishes a provision on check and balances requiring political parties to submit by way of an official document a complete listing of their donors and the manner by which State Funds were used.

In view of the foregoing, approval of this bill is earnestly sought.



BENJAMIN C. AGARAO, JR.

Representative

4th District, Laguna

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

THIRTEENTH CONGRESS
First Regular Session

House Bill No. 2306

Introduced by the **Honorable Benjamin C. Agarao Jr.**

AN ACT
STRENGTHENING THE POLITICAL PARTY SYSTEM
AND PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES

CHAPTER 1
Declaration of Policy, Purposes and Coverage

SECTION 1. Title. - This Act shall be known as “The *Political Party Development Act of 2004*.”

SEC. 2. Declaration of Policy. - It is hereby declared a policy of the State to institutionalize and strengthen political parties as vital foundations of the country’s democratic system. Towards this end, the State shall institute reforms in campaign financing through effective and transparent mechanisms designed to level the playing field among the candidates and political parties during election and reduce opportunities for graft and corruption. As part of the State’s thrust to strengthen the political party system, it shall uphold party loyalty and adherence to the party’s ideological principles, ideals and aspirations. The State shall also institute measures to professionalize political parties, and make them viable instruments of development and good governance.

SEC. 3. Purposes. – This Act aims to:

- (a) Institutionalize reforms in the financing of electoral campaigns, so as to promote accountability and transparency;
- (b) Provide financial subsidies to political parties, to augment their expenditures for campaign purposes and for party development;
- (c) Promote party loyalty and discipline; and
- (d) Encourage and support continuing voters’ education and civic literacy programs through the political parties.

SEC. 4. Coverage. - This Act shall apply to national political parties duly registered with, and certified as such by the Commission on Elections.

SEC. 5. Definition of Terms. – The following terms as used in this Act shall mean –

a) ***“Accredited national political party”*** refers to a political party of national character qualified to receive subsidy for campaign purposes and party development, accredited for the purpose by the Commission based on a set of criteria provided under this Act.

b) ***“Candidate”*** refers to any person aspiring for or seeking an elective public office, duly nominated by a political party, aggrupation, or coalition of parties, and who has filed a certificate of candidacy with the Commission.

c) ***“Commission”*** refers to the Commission on Elections.

(d) ***“Campaign Contributions”*** shall mean all forms of donations to any candidate, political party, aggrupation or coalition, regardless of the source, given before, during and after the holding of elections. It shall also include any gift, donation, subscription, loan, advance or deposit of money or anything of value, or those arising from a contract, pledge or agreement to contribute, whether or not legally enforceable, made for the purpose of influencing the results of the elections, but shall not include services rendered without compensation by individuals volunteering a portion or all of their time in behalf of a candidate or political party. It shall also include the use of office space, facilities, equipment, office supplies and other materials and fixtures voluntarily donated by other persons, or allowed their use for free, the monetary value of which shall be assessed based on market rates prevailing in a particular area.

e) ***“Campaign expenditures”*** shall include all types of expenses incurred, regardless of source, amount and purpose that relates, directly or indirectly, to the conduct of an electoral campaign. It involves all payments of money or anything of value, or a contract, promise or agreement to spend, for the purpose of influencing the results of the election. It shall include the use of office space and facilities personally owned by the candidate, the monetary value of the use of which shall be assessed based on the market rates prevailing in a particular area.

f) ***“COA”*** refers to the Commission on Audit.

g) ***“Disclosure requirements”*** refers to the duty of all candidates and political parties, aggrupations or coalitions to reveal the details of campaign contributions received by them, and the expenditures made on account thereof. For the accredited national political parties, “disclosure requirements” shall include expenditures and destinations of campaign and party development monies given to them as their share in the State Subsidy Fund established under this Act.

h) ***“Donor”*** refers to any person, natural or juridical, who contributes money, property or any other form of material contribution to candidate, political party, aggrupation or coalition.

i) ***“Donee”*** refers to any candidate, political party, aggrupation or coalition, or any representative acting in their behalf or interest, to whom money, property or any other form of contributions is made.

j) ***“Fund”*** refers to the State Subsidy Fund established under this Act.

k) “**National Political Party**” refers to a political party registered with the Commission whose constituency is effectively spread across the geographical territory of all or a majority of the administrative regions of the Philippines.

l) “**Political party**” refers to an organized group of persons duly registered with the Commission, pursuing or advocating a platform, principles and policies for the general conduct of government and which, as the most immediate means of securing their adoption and implementation, regularly nominates and supports its members as candidates for public office.

m) “**Political turncoatism**” refers to the change of political party affiliation by any elective public official under which he was elected from the time of the election up to the last six (6) months before the succeeding election; *Provided*, That political turncoatism shall not apply in any of the following instances:

- i. Merger or coalition of political parties where a candidate is a registered member thereof;
- ii. Abolition of political parties where a candidate is a registered member thereof;
- iii. Expulsion in writing, of the registered member from his/her political party; and
- iv. Resignation of any elective public official from a political party; *Provided*, That the elective public official remains independent during his term of office up to six (6) months before the succeeding election; *Provided, further*, that the basis of determining his/her party membership is the party of his/her choice appearing in the certificate of nomination from his/her party filed with the Commission.

n) “**State Subsidy Fund**” refers to the fund for party development and campaign activities of accredited national political parties established under this Act.

(o) “**Voluntary contributions**” refers to the contributions to candidates and/or political parties, aggregations or coalitions, from persons, natural or juridical, allowed under existing laws.

CHAPTER 2

Institutionalization of Political Parties

SEC. 6. Registration as a national political party. - Any organized group of persons seeking registration as a national party may file with the Commission a verified petition attaching thereto its constitution and by-laws, platform, principles, policies and general program of government, and such other relevant information as may be required by the Commission. The Commission shall, after due notice and hearing, resolve the petition within ten (10) days from the date it is submitted for decision.

Those who are already registered as a national political party may not register anew.

SEC. 7. Definition of policy agenda and program of governance. – National political parties are mandated to craft a clear policy agenda and program of governance consistent with their party philosophy and ideals. The members of the national political party shall endeavor to act in accordance with the defined party platform and pursue programs to fulfill party commitments.

SEC. 8. *Selection of Candidates.* - The selection process for candidates of national political parties shall be democratized through the adoption of a process that is fair, open and transparent, and would promote participation of choice from the members of the party. Towards this end, each national political party is mandated to formulate a merit system on nomination and selection of candidates.

Every national political party shall submit to the Commission its rules governing the merit system on nomination and selection of candidates not later than two hundred ten (210) days before the election day.

Any aggrieved member of an accredited national political party may file a verified complaint to its Grievance and Arbitration Committee not later ten (10) days after the party convention, for the violation of the rules governing the merit system on the nomination and selection of candidates.

SEC. 9. *Limits on Voluntary contributions.* - Voluntary contributions to any national political party shall be limited to the following amounts:

- a) A contribution from any individual shall not exceed the amount of One Hundred Thousand Pesos (P100,000.00); and
- b) A juridical entity can contribute up to a maximum amount of One Million Pesos (P1,000,000.00).

SEC. 10. *Voluntary Contributions; How made.* - Any voluntary contribution to a national political party shall be deposited by the contributor to the account of the party with any reputable bank accredited by the Commission, within six (6) months prior to the campaign period but not later than fifteen (15) days before election day. The accredited banks that shall issue a corresponding receipt to the contributor the amount contributed and shall be submitted to the Commission.

The Commission shall cause the publication of the account of any national political party in any newspaper of general circulation within a reasonable time as may be specified under the implementing Rules and Regulations of this Act.

SEC. 11. *Changing Political Party Affiliation.* - Any member of a national political party who changes his party affiliation after being elected on the ticket of that party shall be deemed to have committed political turncoatism.

SEC. 12. *Penalties on Political Turncoatism.* - The elected public officials who have committed political turncoatism shall be:

- (a) Prohibited from running for any elective position in the next succeeding election immediately following the act of changing political party affiliation;
- (b) Prohibited from being appointed or from holding any position in any public or government office for three (3) years after the expiration of his/her current term;
- (c) Prohibited from assuming executive or administrative position in his/her new political party; and
- (d) Directed to refund any and all amounts he/she received from his/her political party, plus a twenty-five percent (25%) surcharge thereon.

SEC. 13. *Petition for Disqualification.* – Any citizen of voting age, or any candidate, political party, aggrupation or coalition, may file with the Commission, upon filing of the certificate of candidacy and before proclamation, a petition to disqualify a candidate on the ground of political turncoatism as defined in this Act.

SEC. 14. *Authorized Expenses of National Political Parties.* -The amount that a national political party may spend for every election campaign shall be Eleven pesos (P11.00) for every voter currently registered in the constituency or constituencies where it has official candidates. The Commission shall adjust the authorized amount based on the Consumer Price Index every three (3) years following the effectivity of this Act.

CHAPTER 3 ***State Subsidy Fund***

SEC. 15. *Establishment of a State Subsidy Fund.* - There is hereby established a State Subsidy Fund, which shall be exclusively used to augment the operating funds of the accredited national political parties. The Fund shall be used equally for two major purposes, as follows:

- a) Campaign expenditures; and
- b) Program operations and party development.

SEC. 16. *Accreditation.* – A national political party eligible in accordance with Section 16 hereof, and which desires to be entitled to the rights and privileges as recipient of the subsidy provided for under this Act, may apply for accreditation by the Commission, under such rules and regulations as the Commission shall prescribed consistent with the provisions of this Act.

SEC. 17. *Criteria for Eligibility.* – The Commission shall accredit national political parties eligible to receive subsidy from the Fund, based on the following general criteria:

- a) Political representation, which may include the number of seats gained in the national legislature in the most recent national elections;
- b) Organizational strength and mobilization capability, which may include the number of political chapters, organizations nationwide, and number of active and permanent members of the party;
- c) Performance and track record of the party, which may include the number of years of existence of the party as well as the ability of the party to field a complete slate of candidates in the past three (3) national elections; and
- d) Capability to implement developmental programs for their members and constituents, which may include the number of projects and programs of the national political parties related to voters' education, information campaigns on national issues, trainings and other constituency-building activities.

SEC. 18. *Effects of Accreditation.* – A duly accredited national political party shall be entitled to the rights and privileges accorded under this Act. Likewise, the accredited

national political party shall be subject to the regulations set forth in this Act and its implementing rules as prescribed by the Commission.

SEC. 19. *Distribution of the Fund.* - The total amount of subsidy released annually shall be distributed as follows:

1. At least five percent (5%) but not more than ten percent (10%) of the Fund shall accrue to the Commission to be used exclusively for monitoring purposes and the conduct of information dissemination campaigns and voter's education;
2. At least forty-five percent (45%) but not more than fifty percent (50%) of the Fund shall be proportionately and ratably distributed to accredited national political parties represented in the Senate based on the number of seats obtained in the most recent general elections; and
3. At least fifty percent (50%) but not more than fifty-five percent (55%) of the Fund shall be proportionately and ratably distributed to accredited national political parties represented in the House of Representatives based on the number of seats obtained in the most recent general elections.

SEC. 20. *Schedule of Releases from the Fund.* - For purposes of this Act, all releases from the Fund during a non-election year shall be used exclusively for party development activities. The funds for campaign subsidy shall be released only during an election year. The Commission shall inform the accredited national political parties of the schedule of releases as well as the amount of the subsidy allocated at the start of every fiscal year.

SEC. 21. *Management of the Subsidy.* - The accredited national political parties availing of the subsidy shall maintain a separate financial accounts for the funds used to finance campaign activities and party development, respectively.

SEC. 22. *Allowable Party Development Activities.* - Due to the vital role played by the national political parties in the country's political development and in order to promote professionalism and accountability among members of the parties, only the following party development activities shall be allowed to be funded out of the subsidy:

- (a) Party administration, recruitment and civic education;
- (b) Research and policy development;
- (c) Education and training of members;
- (d) Institution building and constituent outreach program; and
- (e) Other reasonable logistical and operational expenses that are essential in strengthening the party.

SEC. 23. *Allowable Campaign Expenditures.* - The accredited national political parties are authorized to use the subsidy given to them only for the following campaign activities:

- a) Operating expenses of the party, which may include hiring of personnel, professional secretariat, setting up of headquarters, and other relevant electoral expenditures;
- b) Traveling expenses of the candidates and support personnel in the course of the campaign, and for personal expenses incident thereto;
- c) Information dissemination and advocacy campaigns of the political party;

- d) Production and distribution of electoral paraphernalia and other propaganda materials; and
- e) Other expenditures stipulated under Section 102 of the Omnibus Election Code.

CHAPTER 4

Disclosures and Performance Monitoring

SEC. 24. *Audit of the Fund.* - The Commission on Audit (COA) shall examine the financial reports of the national parties on the utilization of the fund. The auditing of all the financial accounts of parties shall be based on a reasonable time to be specified by COA.

Voluntary contributions to any national party shall be accounted for separately under a different set of books of accounts which shall be open to inspection by the Commission on Audit as may be requested by the Commission

SEC 25. *Party Ethics.* - In exchange for State subsidy, registered national parties that qualify to avail of the fund shall institute internal control mechanisms to promote accountability and transparency. Said national parties shall likewise develop and enforce an internal code of conduct and ethical standards for its party members to uphold the values and standards of public life, and to formulate and implement disciplinary procedures for party members: Provided, That said program for internal controls, ethical standards, and disciplinary procedures shall all be submitted and filed with the Commission and made available to the public.

In addition, no national party shall sponsor and select a candidate who has been convicted by any Court for any criminal offense.

SEC. 26. *Full Disclosure.* - The officials of every national political party shall submit a sworn statement of their assets and liabilities to the Commission. Said documents shall form part of the public record.

All accredited national political parties and their candidates shall also be required to make a public disclosure of all contributions as well as expenditures incurred for the utilization of the Fund.

All these disclosures shall be made through the official website of the Commission and in a newspaper of general circulation.

SEC. 27. *Other Reports.* The following shall be reported by the national political parties and candidates:

- a) The amount of contribution, the date of receipt by the bank, and the full name and exact address of the person from whom the contribution was received;
- b) A full report of expenditures and receipts incurred during the campaign, including those which were drawn from the Fund, if any;
- c) Post-election disclosure statements as required under existing laws, which must be submitted to the Commission within thirty (30) days after election day. Late submissions shall be subject to a fine in such amounts as may be determined by the Commission; and

- d) Detailed breakdown of expenditures for the party development activities charged against the Fund. The financial report covering the party development activities shall be submitted annually, at the end of every fiscal year. The subsidy for the succeeding year will not be released without the submission of the said report covering the preceding year.

SEC. 28. *Performance Monitoring and Reporting System.* – The Commission and the COA shall jointly design and implement, in consultation with political parties, aggrupations, coalitions, accredited citizens' arms, the private sector and non-governmental organizations, and government agencies, an integrated political party development and campaign subsidy performance monitoring and reporting system. The performance and monitoring system shall identify, define and operationalize a system of performance indicators and measures for party development and campaign subsidy deployment.

SEC. 29. *Publication and Dissemination of the Political party Development and Campaign Subsidy Performance Reports.* – The political party development and campaign subsidy performance reports shall be submitted to both houses of the Congress of the Philippines not later than June 30 of every year, and shall be made available to the public via the internet and mass media as a guide for the citizenry in evaluating, political parties for the purpose of participating their program of activities, and in supporting, affiliating with, or joining them.

CHAPTER 5

Miscellaneous Provisions

SEC. 30. *Punishable Acts.* – The following shall be punishable:

- a) Misuse of funds received by national political parties both from the State Subsidy fund and from voluntary contributions;
- b) The giving of voluntary contributions which go beyond the allowable limits set under this Act and other existing laws;
- c) Inability to account for all incoming contributions from whatever source;
- d) Failure to submit pre-election as well as post-election disclosure statements to the Commission; and
- e) False reporting or any misrepresentation in the financial statement reports.

SEC. 31. *Penalties.* – (a) Any candidate or official of any national party who commits any of the acts mentioned in Section 29 hereof shall be liable for an election offense, and shall be imposed the corresponding penalty prescribed under the Omnibus Election Code, without prejudice to the imposition of other penalties under existing laws; (b) Any national political party which fails to comply with any of the documentary requirements set forth in this Act shall be subject to administrative sanctions by the Commission, which shall include temporary or permanent cancellation of the party's registration, as well as payment of fines consistent with existing laws and regulations.

SEC. 32. *Appropriations.* The amount of Three Hundred Fifty Million Pesos (P 350,000,000.00) is hereby appropriated out of the funds of the National Treasury not otherwise appropriated, effective immediately upon the approval of this Act. Every year

thereafter, and not later than January 15 of every year, there shall be appropriated the amount Three Hundred Fifty Million Pesos (P 350,000,000.00). All such amounts appropriated pursuant to this Act shall go to the State Subsidy Fund, which shall be administered by the Commission.

The Commission and the Department of Budget and Management (DBM) shall promulgate guidelines to facilitate the release of the funds to every accredited national political party.

SEC. 33. *Lead Agency.* - The Commission on Elections is hereby mandated as the independent regulatory agency charged with administering and enforcing the provisions of this Act.

SEC. 34. *Applicability.* - The provisions of Batas Pambansa Blg. 881, as amended, otherwise known as the "Omnibus Election Code of the Philippines," and other election laws not inconsistent with this Act shall apply suppletorily.

SEC. 35. *Rules and Regulations.* - The Commission shall promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

SEC. 36. *Repealing Clause.* - All laws, orders, issuances, rules and regulations or parts thereof inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

SEC. 37. *Separability Clause.* - If any part of this Act is held invalid or unconstitutional, the other parts or provisions thereof shall remain valid and effective.