

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**THIRTEENTH CONGRESS**  
First Regular Session



**HOUSE BILL NO. 190**

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Introduced by **HONORABLE JOSE C. DE VENECIA, JR**

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**EXPLANATORY NOTE**

Reforming campaign finance is one key strategy for fighting corruption in the Philippines. This Bill proposes public funding for political parties that demonstrate broad national support, as a way of reducing their unhealthy dependence on interest groups for election campaign contributions.

In its many variations, public financing for political parties is widely practiced among democratic states. They include (in Europe) Austria, Belgium, Denmark, Finland, France, Greece, Germany, Hungary, Ireland, Israel, Italy, the Netherlands, Poland, Portugal, Romania, Spain, Sweden, Switzerland, Turkey, and the United Kingdom; (in the two Americas) Argentina, Brazil, Canada, Costa Rica, Mexico, Nicaragua, Puerto Rico, and the United States; (in Africa) the Union of South Africa; and (in East Asia) Australia, Japan and Taiwan.

I had the privilege to propose state financing of political parties to reduce corruption in Asia during the first meeting in history of Asia's political parties--those in power and those in opposition--from 20 countries, which we organized on September 17-20, 2000 in Manila. The proposal was approved unanimously and enshrined in the "Asian Declaration 2000" issued by the Conference.

Democratic politics cannot proceed without financial resources. Political parties would be unable to organize; politicians would be unable to reach their constituencies; and election campaigns could not be held if parties cannot raise the money to fund them. For democratic politics to function, political funding is indispensable.

Nevertheless, the financing of politics has raised severe problems in most democracies. Money lies at the root of several political evils. Of these, corruption is the most widespread. Politicians and parties are all too often tempted to give improper favors to interest groups in return for their campaign fund contributions.

We Filipinos are all too familiar with unholy alliances among high politicians and oligarchic interests organized to extract economic rent. "Money politics" distorts public policies and diverts government funds from vital social services into private pockets. In our country it helped produce what an astute student of our politics has termed "booty capitalism."

In recent times, the intervention of interest groups in national politics has become even more worrisome because criminal syndicates that have dealings in narcotic drugs, gambling, smuggling and kidnapping have begun to finance their own political candidates for national and key local offices.

### *Invigorating our party system*

Money also distorts electoral competition, if one party is able to attract disproportionately large funds from wealthy supporters. More often than not, this works to the detriment of the political opposition and of the smaller parties. Thus, public financing is a way of leveling, to some extent, the political playing field.

I also see public financing as a way of simplifying and strengthening our party system. Since 1987 many of our parties have been reduced into vehicles for individual ambition. In this Thirteenth Congress, for instance, there are 15 different parties represented in the House of Representatives.

Democracy requires vigorous and competitive parties. If parties are to offer our electorate alternative public policies instead of just attractive personalities, they must have sufficient resources to carry out policy research and to bring their platforms to the attention of the thoughtful electorate.

### *Two sources for public campaign funding*

This bill proposes two sources for public campaign funding. The first is a *check off* from personal and corporate income taxes. An individual or corporate taxpayer will be empowered to assign a portion of his yearly tax payment to the political party of his choice.

The second source is a direct allocation from the National Budget. This Budget Fund will be distributed to qualified political parties proportionate to their popular vote in the most recent elections.

The public financing of electoral campaigns will be undertaken in the context of generally stricter controls on parties and politicians. Political parties accepting public funds will be required to report all campaign contributions and expenditures and to submit to a campaign finance audit at the end of every election. The law on unfair electoral practices is also to be applied more rigorously, and stricter penalties are to be imposed for overspending and related electoral fraud.

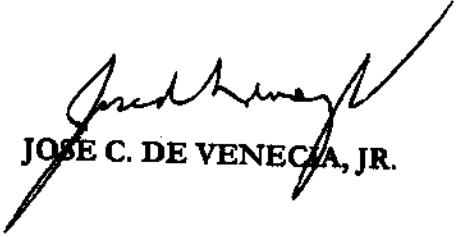
Individual politicians will also be expected to follow stricter rules of behavior, for instance, the bill proposes restraints on promiscuous party-switching.

An Electoral Oversight Committee within the Commission on Elections shall be created to administer and enforce the Campaign Finance Act.

I realize the law I propose will not solve all our electoral campaign problems. But it may initiate a popular movement toward a more responsible party system in our country.

Public financing will be worth the expense if it cuts down political corruption that so debilitates the Philippine states, encourages heightened activity by organized parties, and enables national candidates to avoid undue dependence on a few large contributors.

For all these reasons, I recommend the early approval of this bill.



JOSE C. DE VENECIA, JR.

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**AN ACT**  
**STRENGTHENING THE POLITICAL PARTY SYSTEM**  
**AND PROVIDING FUNDS THEREFOR**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

**SECTION 1. Title.** - This Act shall be known as the "Political Party Act of 2004."

**SEC. 2. Declaration of Policy.** - It is hereby declared that the State shall:

- (a) promote the institutionalization of national parties, and the adherence to and development of party platforms;
- (b) ensure political accountability and transparency in the party system;
- (c) guarantee equal access to opportunities for public service;
- (d) maintain honesty and integrity in the public service as well as take positive and effective measures against graft and corruption;
- (e) institutionalize reforms in the financing of electoral campaigns and management of operations of national parties, as well as in the pursuit of other party development activities; and,
- (f) instill party loyalty and discipline.

**SEC. 3. Coverage.** - This Act shall apply to national parties as registered with and certified to by the Commission on Elections.

**SEC. 4. Definition of Terms** - As used in this Act, the following terms shall mean:

- (a) **Candidate** - refers to any person aspiring for or seeking an elective public office, who has filed a certificate of candidacy by himself or through an accredited political party, aggregation, or coalition of parties;
- (b) **Commission** - refers to the Commission on Elections;
- (c) **Political party** - refers to an organized group of citizens advocating an ideology or platform, principles and policies for the general conduct of government and which, as

the most immediate means of securing their adoption, regularly nominates and supports certain of its leaders and members as candidates for public office;

- (d) **National party** - refers to a political party, sectoral party or sectoral organization registered with the Commission whose constituency is effectively spread over the geographical territory of at least a majority of the regions;
- (e) **Political turncoatism** - refers to 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. It shall also refer to the change of political party of any candidate not holding any elective position within six (6) months before an election: *Provided*, That political turncoatism shall not apply in any of the following instances:
  - 1. merger or coalition of political parties where a candidate is a registered member thereof,
  - 2. abolition of political parties where a candidate is a registered member thereof,
  - 3. expulsion, in writing, of the registered member from his political party; and,
  - 4. resignation or indefinite leave of any candidate from a political party, *provided* 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 party membership is the party of his choice appearing in the certificate of candidacy and the certificate of nomination from his party filed with the Commission.

- (f) **State Fund** - refers to the fund for party development and campaign activities of national parties from the annual General Appropriations Act;
- (g) **Voluntary contributions** - refer to the contributions from private individual taxpayers and corporations allowed under existing laws.

## CHAPTER 2

### Institutionalization of National Parties

**SEC. 5. Registration of National Parties.** - For purposes of this Act, 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 or 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 national party may not register anew. However, they should manifest their desire to be entitled to the rights and privileges under this Act.

**SEC. 6. Effects of Registration** - A duly registered national party referred to in the immediately preceding section shall be entitled to the rights and privileges under this Act.

National parties are likewise mandated to craft a clear policy agenda and program of governance consistent with their party philosophy and ideals. The members of the national party

shall act in accordance with the defined party platform and pursue programs to fulfill party commitments.

**SEC. 7. Selection of Candidates.** - The selection process for candidates 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 party is mandated to formulate a merit system on nomination and selection of candidates.

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

Any aggrieved member of the national party may file a verified complaint not later ten (10) days after the party convention for the violation of the rules on merit system on nomination and selection of candidates.

**SEC. 8. Changing Political Party Affiliation.** - Any candidate who changes his party affiliation under Section 4(e) of this Act shall be deemed to have committed political turncoatism.

**SEC. 9. Prohibition and Penalties on Political Turncoatism** - Any incumbent elective public official who is found guilty of political turncoatism as defined in this Act, after due notice and hearing, shall be subject to the following:

- a) prohibition from running for any elective position in the next succeeding election in which he is qualified;
- b) prohibition from being appointed or from holding any position in any public or government office for three (3) years;
- c) prohibition from assuming executive or administrative position in his/her new political party;
- d) prohibition to assume or continue holding of any elective public office within the term of office immediately following the date of the elections from which he was disqualified to participate in violation of this Act; and
- e) refund of the amount he/she received from his/her political party plus 20 a TWENTY-FIVE (25%) surcharge thereof

In the case of a candidate, other than the incumbent elective public official, who is likewise found guilty of political turncoatism he shall not be qualified to run for any elective public office immediately following his change of political affiliation.

A party-list representative who changes his/her political party or sectoral affiliation during his/her term of office shall forfeit his/her seat.

**SEC. 10. Period for Filing Petition for Disqualification.** - Any citizen of voting age, candidate, or duly registered national party may file with the Commission, upon filing of the certificate of candidacy and before proclamation, a petition to disqualify a candidate on ground provided under Section 8 hereof

**SEC. 11. Summary Proceedings.** - The petition shall be heard and decided summarily by the Commission, after due notice and hearing, within fifteen (15) days from the date of its filing.

### CHAPTER 3 National Party Finance

**SEC. 12. *Creation of a State Fund.*** - There is hereby created a State fund for registered national parties which will exclusively be used to augment the campaign expenditures as well as the operations of the national parties. The State fund shall be used equally for two major purposes: a) campaign expenditures, and b) program operations and party development. The State Fund shall be appropriated in the General Appropriations Act.

**SEC. 13. *Limits on Voluntary Contributions.*** - Voluntary contributions to any national party shall be exclusively used for campaign expenditures and be limited to the following:

- a) Individual taxpayer's contribution shall not exceed the amount of ONE HUNDRED THOUSAND PESOS (P100,000.00);
- b) A corporation can contribute up to a maximum amount of FIVE HUNDRED THOUSAND PESOS (P500,000.00).

**SEC. 14. *Period of Voluntary Contributions to National Party.*** - Any voluntary contribution to a national party shall be deposited with any accredited bank by the Commission within six months prior to the campaign period but not later than fifteen (15) days before the election day. For this purpose, each national party shall open an account with any accredited bank that shall issue a corresponding receipt to the contributor on the amount contributed. Said accredited banks shall submit a statement of account of each national party to the Commission.

The Commission shall cause the publication of the account of any national 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. 15. *Allowable Party Development Activities.*** - Due to vital role played by national parties in the country's political development and in order to promote professionalism and accountability among members of the party, only the following party development activities shall be allowed:

- (a) branch administration, membership, 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 expenses that will help in strengthening the party.

**SEC. 16. *Authorized Expenses of National Parties.*** - The amount that a registered national party may spend for 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 said amount pegged on consumer price index every three (3) years thereafter.

## CHAPTER 4

### Eligibility for State Fund

**SEC. 17. *Eligibility for State Fund.*** - The provision of State Fund shall be apportioned according to the number of seats gained in the national legislature.

**SEC. 18. *State Fund Distribution Scheme.*** - The State Fund shall be distributed according to the following:

1. Five percent (5%) of the State Fund shall accrue to the Commission to be used exclusively for administration, monitoring of national parties and voter's education;
2. Forty-five percent (45%) of the State Fund shall be proportionately and ratably distributed to political parties in the Senate based on the number of seats obtained in the most recent general elections; and,
3. Fifty percent (50%) of the State fund shall be proportionately and ratably distributed to national parties in the House of Representatives based on the number of seats obtained in the most recent general elections.

**SEC. 19. *Lead Agency.*** - The Commission on Elections is hereby instituted as the independent regulatory agency charged with administering and enforcing the provisions of this Act.

## CHAPTER 5

### Public Disclosure and Auditing of the Fund

**SEC. 20. *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 21. *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. 22. *Full Disclosure of Funds Sources and Expenditures.*** - The officials of the registered national party shall submit a sworn statement of their assets and liabilities to the

Commission regardless of whether or not they hold public office. Said documents shall form part of public record.

All national parties and candidates shall be required to make a public disclosure of all the contributions as well as the expenditures incurred for the utilization of the fund through the official website of the Commission and/or in a publication of general circulation.

Specifically, the following shall be reported:

1. The amount of contribution, the date of bank receipt, mid the full name and exact address of the person from whom the contribution was received in which shall be included in the pre-election disclosures to the Commission. Aside from these contributions, they must furnish the Commission of its full report of expenditures and receipts incurred during the campaign.
2. Post-election disclosure statements must be submitted to the Commission within thirty (30) days after the day of the election. The late submission of statements shall subject national parties and candidates to fine. The Commission will consider the waiver of the payment of fines upon good and valid causes.

**SEC. 23. *Prohibited Acts.*** - The following shall be punishable:

1. Misuse of funds received by national parties both from the State and the voluntary contributions which goes beyond the allowable expenditures set under this Act and other existing laws;
2. Inability to account for all incoming contributions from whatever source and or failure to submit pre-election as well as post election disclosure statements to the Commission; and
3. False reporting or any misrepresentation in the financial statement reports.

**SEC. 24. *Penalties.*** - (a) Any candidate or officer of any national party who violate Section 23 of this Act shall constitute an election offense without prejudice to the imposition of other penalties under existing laws; (b) Failure of any national party to comply with any of the documentary requirements as identified in Sections 5, 6, 7, 21 and 22 shall be subject to administrative sanctions which the Commission may impose, including temporary or permanent cancellation of the party's registration, as well as payment of fines consistent with existing laws and regulations.

**SEC. 25. *Appropriations.*** The Commission on Elections shall include in its program the implementation of this Act, the funding of which shall be included in the Annual General Appropriations Act.

**SEC. 26. *Applicability.*** - The provisions of Batas Pambansa Big. 88 1, As Amended, otherwise known as the "Omnibus Election Code of the Philippines," and other election laws not inconsistent with this Act shall apply.

**SEC. 27. *Rules and Regulations;*** - The Commission shall promulgate the necessary rules and regulations to effectively implement the provisions of this Act.

**SEC. 28. *Repealing Clause.*** - The inclusion of Section 99 as among election offenses under Section 262 of the Omnibus Election Code (Batas Pambansa Big. 881) is hereby repealed.

All laws, orders, issuances, rules and regulations or part thereof inconsistent with the provisions of this Act are hereby repealed, modified or amended accordingly.

**SEC. 29. *Separability Clause.*** -- If any part of this Act is held invalid or unconstitutional, the other parts or provisions thereof shall remain valid and effective.

**SEC. 30. *Effectivity.*** - This Act shall take effect fifteen (15) days from its publication in the Official Gazette or in at least two (2) national newspapers of general circulation, whichever comes first.

Approved,