



13<sup>th</sup> CONGRESS OF THE REPUBLIC )  
OF THE PHILIPPINES )  
First Regular Session )

'04 JUL -6 AIO:21

SENATE

RECEIVED BY: AS

S. Bill No. **1329**

*Introduced by Senator Ralph G. Recto*

**AN ACT  
INSTITUTING CAMPAIGN FINANCE REFORM  
AND 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:*

**CHAPTER 1**

**Declaration of Policy, Scope and Coverage**

1 SECTION I. *Title.* This Act shall be known as the " Campaign Finance  
2 Reform and Party Development Act of 2004"

3  
4 SEC. 2. *Declaration of Policy.* It is hereby declared as policy of the State  
5 to institutionalize and strengthen political parties as vital foundations of the country's  
6 democratic system. Towards this end, the State shall institute reforms in campaign  
7 financing through effective and transparent mechanisms designed to level the playing  
8 field among all candidates and political parties during elections and reduce opportunities  
9 for graft and corruption. As part of the State's thrust to strengthen political party system,  
10 it shall uphold party loyalty and adherence to the party's ideological principles, ideals and  
11 aspirations. The State shall also institute measures to professionalize political parties and  
12 make them viable instruments of development and good governance.

13  
14 SEC. 3. *Purposes.* The Act aims to:

- 15  
16 a) Institutionalize reforms in the financing of electoral campaigns so as to  
17 promote accountability and transparency  
18  
19 b) Provide state subsidies to political parties to augment expenditures for  
20 campaign and party development  
21  
22 c) Promote party loyalty and discipline  
23

- 1 d) Support continuing voters education and civic literacy program through state  
2 financing

3  
4 SEC. 4. *Coverage.* The Act shall apply to duly registered national parties  
5 as certified to by the Commission on Elections.

6  
7 SEC. 5. *Definition of Terms.* For purposes of this Act, the following are  
8 hereby defined as follows:

9  
10 a) *"Accredited Political Parties"* refer to political parties of national  
11 character that qualify to receive state subsidy for campaign financing,  
12 and party development based on a set of criteria provided under this  
13 Act.

14  
15 b) *"Candidate"* refers to any person aspiring for or seeking an elective  
16 public office, who has filed a certificate of candidacy and duly  
17 nominated by an accredited national party, aggrupation, or coalition of  
18 parties.

19  
20 c) *"Commission"* refers to the Commission on Elections.

21  
22 d) *"Campaign Contributions"* shall mean all forms of donations to any  
23 candidate, political party, organization or coalition, regardless of the  
24 source, before, during and after the holding of elections. It shall also  
25 include any gift, donation, subscription, loan, advance or deposit of  
26 money or anything of value, or those arising from a contract, pledge or  
27 agreement to contribute, whether or not legally enforceable, made for  
28 the purpose of influencing the results of the elections, but shall not  
29 include services rendered without compensation by individuals  
30 volunteering a portion of all of their time in behalf of a candidate or  
31 political party. It shall also include the use of facilities, equipments,  
32 office supplies and other materials and fixtures voluntarily donated by  
33 other persons, or allowed its use for free, the monetary value of which  
34 shall be assessed based on market rates prevailing in the area.

35  
36 e) *"Campaign expenditures"* shall include all types of expenses,  
37 regardless of source, amount and purpose that relates, directly or  
38 indirectly, incurred in the conduct of an electoral campaign. It involves

1 all payments of money or anything of value or a contract, promise or  
2 agreement to spend, for the purpose of influencing the results of the  
3 election. It shall include the use of facilities personally owned by the  
4 candidate, the monetary value of the use of which shall be assessed  
5 based on the market rates prevailing in the area.  
6

7 f) "*Disclosure requirements*" refers to the duty of all candidates national  
8 parties, organizations or coalitions to reveal all amount, sources and  
9 uses of campaign contributions.  
10

11 g) "*Donor*" refers to any person, entity or corporation, which contributes  
12 money, property or any other form of material contribution to a  
13 candidate, political party and organizations for purposes of an election.  
14

15 h) "*Donee*" refers to any candidate, political party organization or any  
16 representative acting in their behalf or interest, which receives money,  
17 property or any other form of election contribution.  
18

19 i) "*National Party*" refers to a political party, sectoral party or sectoral  
20 organization registered with the Commission whose constituency is  
21 effectively spread across the country.  
22

23 j) "*Political Party*" refers to organized group of persons pursuing the  
24 same ideology, political ideas or platform of government. To acquire  
25 juridical personality, qualify it for subsequent accreditation, and to  
26 entitle it to the rights and privileges herein granted to political parties, a  
27 political party shall first be duly registered with the Commission on  
28 Elections.  
29

30 k) "*Political turncoatism*" refers to change of political party affiliation by  
31 any elective public official under which he was elected from the time  
32 of the election up to the last six (6) months before the succeeding  
33 election. Provided, That political turncoatism shall not apply in any of  
34 the following instances:  
35

- 36 1. merger or coalition of political parties where a candidate is a  
37 registered member thereof;



1 consistent with their party philosophy and ideals. The members of the national party shall  
2 endeavor to act in accordance with the defined party platform and pursue programs to  
3 fulfill party commitments.

4  
5 SEC. 8. *Selection of Candidates.* The selection process for candidates shall be  
6 democratized through the adoption of a process that is fair, open and transparent and  
7 would promote participation of choice from the members of the party. Towards this end,  
8 each national party is mandated to formulate a merit system on nomination and selection  
9 of candidates.

10  
11 The national party shall submit to the Commission its rules on merit system on  
12 nomination and selection of candidates not later than two hundred ten days before the  
13 elections.

14  
15 Any aggrieved member of the national party may file a verified complaint to it  
16 Grievance and Arbitration committee not later than ten (10) days after the party  
17 convention for the violation of the rules on merit system on nomination and selection of  
18 candidates.

19  
20 SEC. 9. *Changing Political Party Affiliation.* Any member of any registered  
21 political party who changes party affiliation after being elected on that party's ticket shall  
22 be deemed to have committed political turncoatism.

23  
24 SEC. 10. *Penalties of Political Turncoatism.* The elected officials who have  
25 committed political turncoatism shall be:

- 26  
27 a) prohibited from running for any elective position in the next succeeding  
28 election immediately following the act of changing political party affiliation;  
29  
30 b) prohibited from being appointed or from holding any position in any public or  
31 government office for three (3) years after the expiration of his/her current  
32 term;  
33  
34 c) prohibited from assuming executive or administrative position in his/her new  
35 political party;  
36  
37 d) refund of the amount he/she received from his/her political party plus a twenty  
38 five percent (25% ) surcharge thereof.

1  
2  
3  
4  
5  
6  
7  
8  
9  
10  
11  
12  
13  
14  
15  
16  
17  
18  
19  
20  
21  
22  
23  
24  
25  
26  
27  
28  
29  
30  
31  
32  
33  
34  
35  
36  
37  
38

**CHAPTER 3**

**Political Party Finance**

SEC. 11. *Creation of a State Subsidy Fund.* There is hereby created a State Subsidy fund which will be exclusively used to augment the campaign expenditures as well as the operations of the accredited national political parties. The State Subsidy fund shall be used equally for two major purposes: a) campaign expenditures b) program operations and party development. The State Subsidy fund shall be appropriated in the General Appropriations Act.

SEC. 12. *Criteria for Eligibility.* The Commission shall accredit political parties which will be eligible to receive state subsidy for party development and campaign financing 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 complete slate of candidates in the past three national elections.
- d) Capability to implement developmental programs for their constituents which may include the number of projects and programs of the national political parties which may be related to voters education, information campaigns on national issues, trainings and other constituency-building activities.

The Commission shall promulgate specific guidelines on the accreditation of the political parties, which would qualify for the annual State Subsidy fund.

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

1           SEC. 13. *Distribution of the Fund for campaign subsidy and party development*

2  
3           The total amount of subsidy released to each political party annually shall be  
4 proportional to the number of seats obtained in the most recent national elections which is  
5 broken down as follows:

6  
7           a) Five percent (5%) of the State Fund shall accrue to the Commission to be used  
8 exclusively for monitoring purposes and conduct of information dissemination  
9 campaigns and voters education

10  
11          b) Forty five (45%) of the State Fund shall be proportionately distributed to  
12 national political parties in the Senate based on the number of seats obtained  
13 in the most recent general elections

14  
15          c) Fifty percent (50%) of the State Fund shall be proportionately distributed to  
16 national political parties in the House of Representatives based on the number  
17 of seats obtained in the most recent general elections.

18  
19           SEC. 14. *Schedule of Release of Money from the State Subsidy Fund.* For purposes  
20 of this Act, the funds, which will be released for a non-election year will be exclusively  
21 used for party development activities. The funds for campaign subsidy shall be released  
22 only during an election year. The Commission shall inform the accredited national  
23 parties of the schedule of release as well as the amount of the subsidy allocated at the  
24 start of every fiscal year.

25  
26           SEC. 15. *Management of Subsidy funds for campaign and party development.*  
27 The political parties that availed state subsidy shall maintain a separate financial account  
28 for the funds used to finance campaign activities and party development.

29  
30           Each political party shall submit to the Commission a detailed program of  
31 activities as well as the breakdown of expenditures drawn from the state subsidy provided  
32 hereon, by the end of December of every fiscal year.

33  
34           No political party is allowed to use the subsidy for other purposes, which are not  
35 provided under this Act.

36  
37           SEC 16. *Allowable Party Development Activities.* Due to the vital role played by the  
38 national parties in the country's political development and in order to promote

1 professionalism and accountability among members of the party, the following party  
2 development activities shall be allowed:

- 3
- 4 a) Party administration, recruitment and civic education;
  - 5 b) research and policy development;
  - 6 c) education and training of members;
  - 7 d) institution building and constituent outreach program and
  - 8 e) other reasonable logistical and operational expenses that are essential in  
9 strengthening the party.

10

11 SEC. 17. *Allowable Campaign Expenditures.* The accredited political parties are  
12 authorized to use the State subsidy funds for the following campaign activities:

- 13
- 14 a) Party's operating expenses, which may include hiring of personnel,  
15 professional secretariat, setting up of headquarters and other relevant electoral  
16 expenditures;
  - 17
  - 18 b) Traveling expenses of the candidates and campaign personnel in the course of  
19 the campaign and for personal expenses incident thereto;
  - 20
  - 21 c) Information dissemination and advocacy campaigns of political party
  - 22
  - 23 d) Production and distribution of electoral paraphernalia and other propaganda  
24 materials
  - 25
  - 26 e) Other expenditures stipulated under Sec 102 of the Omnibus Election Code
  - 27

28 SEC. 18. *Limits on Voluntary Contributions.* Voluntary Contributions to any  
29 national political party shall be exclusively used for campaign expenditures and be  
30 limited to the following:

- 31
- 32 a) Individual contribution shall not exceed the amount of ONE HUNDRED  
33 THOUSAND PESOS( P100,000.00)
  - 34
  - 35 b) A corporation can contribute up to a maximum amount of FIVE HUNDRED  
36 THOUSAND PESOS ( P500,000.00)
  - 37



1           SEC. 23. *Party Ethics.* In exchange for state subsidy, national political parties that  
2 qualify to avail of the fund shall institute internal control mechanisms to promote  
3 accountability and transparency.

4  
5           Said national political parties shall likewise develop and enforce an internal code  
6 of conduct and ethical standards for its party members to uphold the values and standards  
7 of public life, and to formulate and implement disciplinary procedures for party members.  
8 Provided, That said program for internal controls, ethical standards and disciplinary  
9 procedures shall all be duly submitted to the Commission and made available to the  
10 public.

11  
12           In addition, no political party should sponsor and select a candidate, who has been  
13 either convicted by any court for any criminal offense.

14  
15           SEC. 24. *Full Disclosure of Funds and Sources of Expenditures.* The officials of  
16 the registered national political party shall submit a sworn statement of their assets and  
17 liabilities to the Commission regardless of whether or not they hold public office. Said  
18 documents shall form part of public record.

19  
20           All national parties and candidates shall be required to make public disclosure of  
21 all contributions as well as expenditures incurred for the utilization of the fund through  
22 the official website of the Commission and/or in a publication of general circulation.

23  
24           Specifically, the following shall be reported:

- 25  
26           1.       The amount of contribution, on the date of bank receipt, and the full name  
27                   and exact address of the person from whom the contribution was received;  
28                   included in the pre-election disclosures to the Commission. Aside from  
29                   these contributions, they must furnish the Commission of its full report of  
30                   expenditures and receipts incurred during the campaign including those,  
31                   which are drawn from the State Subsidy Fund.  
32  
33           2.       Post election disclosure statements must be submitted to the Commission  
34                   within thirty (30) days after the day of the election. Late submissions shall  
35                   be subject to fine, but the Commission will only consider waiver of fines  
36                   upon good and valid causes for late filing.

- 1           3. Detailed breakdown of expenditures for the party development activities  
2           which are funded out of the State Subsidy Fund. The accomplishment  
3           financial report for the party development activities shall be submitted  
4           annually, at the end of every fiscal year. The subsidy for the succeeding  
5           year will not be released without the submission of the said report of the  
6           preceding year.

7  
8           SEC. 25.       *Prohibited Acts.* The following shall be punishable:

- 9  
10          1. Misuse of funds received by national parties both from the State and  
11          voluntary contributions which goes beyond the allowable expenditures set  
12          under this Act and other existing laws.  
13  
14          2. Inability to account for all incoming contributions from whatever source  
15          and or failure to submit pre-election as well as post-election disclosure  
16          statements to the Commission; and  
17  
18          3. False reporting or any misrepresentation in the financial statement reports.  
19

20          SEC. 26.       *Penalties.* a ) Any candidate or officer of any national party who  
21          violate Section 25 of this Act shall constitute an election offense without prejudice to the  
22          imposition of other penalties under existing laws b) Failure of any national party to  
23          comply to any of the documentary requirements set forth in this Act shall be subject to  
24          administrative sanctions which the Commission may impose, including temporary or  
25          permanent cancellation of the party's registration, as well as payment of fines consistent  
26          with existing laws and regulations.  
27

28          SEC. 27.       *Appropriations.* The amount of THREE HUNDRED FIFTY  
29          MILLION (P350,000,000.00) shall be initially appropriated in the General  
30          Appropriations Act for the implementation of this Act.  
31

32          SEC. 28.       *Applicability.* The provisions of Batas Pambansa Blg 881, as amended,  
33          otherwise known as the "Omnibus Election Code of the Philippines," and other election  
34          laws not inconsistent with this Act shall apply.  
35

36          SEC. 29.       *Rules and Regulations.* The Commission shall promulgate the necessary  
37          rules and regulations to effectively implement the provisions of this Act.  
38

1           SEC. 30. *Repealing Clause.* All laws, orders, issuances, rules and regulations or  
2 part thereof inconsistent with the provisions of this Act are hereby repealed, modified or  
3 amended accordingly

4  
5           SEC. 31. *Separability Clause.* If any part of this Act is held invalid or  
6 unconstitutional, the other parts of provisions thereof shall remain valid and effective.

7  
8           SEC. 32. *Effectivity.* This Act shall take effect fifteen (15) days from its  
9 publication in the Official Gazette or in at least 2 national newspapers of general  
10 circulation, whichever comes first.

11  
12           Approved,