


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

7 JUN 30 P4:10

SENATE
S.B. No. 227

RECEIVED BY: 

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to institutionalize and strengthen political parties in the country by introducing reforms in campaign financing and provide financial subsidies to political parties to augment their expenditures for campaign.

A political party is defined under Section 60 of the Omnibus Election Code as an organized group of persons pursuing the same ideology, political ideas or platforms of government and includes its branches and divisions. The Philippines has a multi-party system as provided for under Section 6, letter c, Article IX of the 1987 Philippine Constitution which states that a free and open party system shall be allowed to evolve according to the free choice of the people.

As of April 2001, the Commission on Elections has listed eighty-two (82) registered and accredited political parties. In the 2007 national and local elections, there were eighteen (18) political parties who participated in the national elections while ninety-three (93) participated in the party-list elections.

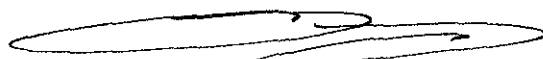
A major argument against a multi-party system is the tendency of members of political parties to change their affiliations. While this is not prohibited under our laws, this promotes divisiveness among the leaders in the community.

This bill seeks to remedy that by providing sanctions against any member of a national political party who changes party affiliation after being nominated by the political party otherwise known as political turncoats.

To further empower and professionalize political parties in the country, this proposed measure exempts voluntary contributions from any person, subject to a certain cap, from the payment of donor's tax. Likewise, there is hereby created a State Subsidy Fund to augment the operating funds of accredited national political parties.

To promote transparency and performance of mandate free from vested interest, this bill punishes the giving of voluntary contributions beyond the allowable limits set by law. This is not an unreasonable prohibition given its intent. Likewise, the State Subsidy Fund may be used instead for campaign expenditures and party development.

In view of the foregoing, immediate passage of this bill is earnestly requested.



LOREN LEGARDA
Senator

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

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

Chapter I

Declaration of Policy, Purposes and Coverage

SECTION 1. *Title.* - This Act shall be known as "*The Political Party Development Act of 2007.*"

SEC. 2. *Declaration of Policy.* - It is hereby declared a policy of the State to institutionalize and strengthen political parties as vital pillars 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 all candidates and political parties during elections, 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, platforms and programs. 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 to 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 National Political Party qualified to receive subsidy for party development and campaign purposes, accredited for this 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, aggregation or coalition thereof, and who has filed a certificate of candidacy with the Commission.

c) "Commission" refers to the Commission on Elections.

d) "Campaign Contribution" refers to any form of donation to any candidate, political party, aggregation or coalition thereof, given before, during or after the holding of elections. It includes 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, 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 also includes 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 Expenditure" refers to any type of expense incurred, regardless of source, amount and purpose, that relates, directly or indirectly, to the conduct of an electoral campaign. It includes 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 includes 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 Requirement" refers to the duty of all candidates and political parties, aggregations or coalitions thereof to reveal the details of campaign contributions received by them, and the expenditures made on account thereof.

For accredited national political parties, it includes expenditures and destinations of party development and campaign 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 a candidate, political party, aggregation or coalition thereof.

i) "Donee" refers to any candidate, political party, aggregation or coalition thereof, or any representative acting in their behalf or interest, to whom money, property, or any other form of contribution made.

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

k) "National Political Party" refers to a political party or an organized group of persons duly 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, pursuing or advocating 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.

l) "Political Turncoafism" refers to the change of political party affiliation by any candidate whether or not elected, from the time he was first nominated; Provided that, the term shall not include any such change in party affiliation before the effectivity of this Act; Provided further that, political turncoatism shall not apply in any of the following instances:

- i. Abolition, merger or coalition of political parties where a candidate is a registered member thereof;
- ii. Expulsion in writing, of the registered member from his/her political party; Provided, that the cause for such does not constitute Political Opportunism.

It includes political opportunism or any act of a party member constituting disloyalty to the party, or regular non-adherence to the party's ideological principles, platforms, and programs, as determined by the party in accordance with its constitution and by-laws.

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

n) "*Voluntary Contributions*" refers to the contributions to candidates and/or political parties, aggrupations or coalitions thereof, 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 political party may file with the Commission a verified petition attaching thereto its constitution and by-laws, platform, principles, policies and general program of government, a verified list of its national officials, members of the executive board, or its equivalent, and the heads of its regional, provincial, and city chapters, 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. National Political Parties already registered as such with the Commission prior to the effectivity of this Act are not required to register anew.

SEC. 7. *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 which promotes participation of choice from the members of the party. Towards this end, every National Political Party is mandated to formulate a merit system on nomination and selection of candidates who must be members of the party. Every National Political Party shall submit to the Commission its rules governing the merit system on nomination and selection of candidates not later than one hundred and eighty (180) days before the election day following the effectivity of this Act.

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

Every National Political Party may hold conventions or meetings to nominate their official candidates not earlier than fifteen (15) days before the start of election period and shall submit to the Commission not later than the start of the election period the names of the officials of the party authorized to nominate their official candidates.

No political party shall nominate more candidates than the number of persons required to be voted for in an elective position nor shall any candidate be allowed to accept nominations from more than one registered political party, except in cases of aggrupations or coalitions thereof. Nominations made in violation hereof shall be denied due course by the Commission and the candidates concerned shall be considered independent candidates.

The nominations of candidates of political parties shall be filed not later than the last day for filing of the certificates of candidacy as determined by the Commission.

SEC. 9. *Contents Of Certificate Of Nomination.* - The certificate of nomination shall state that the person issuing the nomination is the duly authorized representative of the political party as provided for in its constitution and by-laws, that the person named therein is the official candidate of the party for the elective position stated, and that he has accepted said nomination.

The certificate of nomination shall be subscribed under oath by the duly authorized representative of the political party.

SEC. 10. *Limits on Voluntary Contributions.* - Voluntary contributions to any National Political Party shall be limited to the following maximum amounts:

- a) Up to One Hundred Thousand Pesos (P100,000.00) from a natural person; and
- b) Up to One Million Pesos (P1,000,000.00) from a juridical person allowed to make a voluntary contribution under existing laws.

Any contribution in cash or in kind to any candidate or political party for campaign purposes, duly reported to the Commission, shall be exempt from donor's tax.

SEC.11. *Voluntary Contributions to Party; How Made.* - Voluntary contribution to a 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 the day of election. The accredited banks shall issue a corresponding receipt to the contributor on the amount deposited, and shall submit to the Commission a statement of account of every political party with deposits.

The Commission shall cause the publication of the account of all political parties in any newspaper of general circulation within a reasonable time as determined by the Commission.

SEC. 12. *Changing Political Party Affiliation.* - Any member of a National Political Party who changes party affiliation after being nominated by the party shall be deemed to have committed Political Turncoatism.

SEC. 13. *Penalties for Political Turncoatism.* - Political Turncoats shall be:

- a) Deemed to have forfeited his/her office, if he/she is an elected official who changes political party affiliation during his/her term of office;
- b) Disqualified from running for any elective position in the next succeeding election immediately following the act of changing political party affiliation;
- c) 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;
- d) Prohibited from assuming any executive or administrative position in his/her new political party; and
- e) Directed to refund any and all amounts he/she received from his/her political party, plus a twenty five percent (25%) surcharge thereon;

SEC. 14. *Petition for Disqualification.* - Any citizen of voting age, or any candidate, political party, aggregation or coalition thereof, may file with the Commission, upon the 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. 15. *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 candidate;. 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 16. *Establishment of a State Subsidy Fund.* - There is hereby established a State Subsidy Fund, which shall be used to augment the operating funds of the

Accredited National Political Parties. The fund shall be used directly and exclusively for the following purposes:

- a) Party development; and
- b) Campaign expenditures.

SEC. 17. 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, the following party development activities shall be allowed to be funded out of the State Subsidy Fund:

- 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. 18. 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 under Section 102 of the Omnibus Election Code.

SEC. 19. Accreditation. - A National Political Party eligible in accordance with Section 20 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 prescribe consistent with the provisions of this Act.

SEC. 20. Criteria for Eligibility. - The Commission shall accredit National Political Parties eligible to receive subsidy from the State Subsidy Fund, based on the following general criteria:

- a) **Political representation**, consisting of the incumbent president, vice-president, members of congress, governors, vice-governors, city/municipal mayors and vice-mayors;

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 immediately preceding national elections.

SEC. 21. *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. 22. *Distribution of the Fund*. - The total amount of State Subsidy Fund released annually shall be distributed as follows:

a) Five percent (5%) of the fund shall accrue to the Commission, to be used exclusively for monitoring purposes and the conduct of information dissemination campaigns and voters' education;

b) Forty five percent (45%) 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;

c) Fifty percent (50%) 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. The share of each of the Accredited National Political Parties in the State Subsidy Fund shall be released only upon proof that the concerned party has raised an amount equal to its share in the Fund from voluntary contributions; Provided that, the party concerned that fails to raise an amount equal to its share in the fund shall only receive an amount from its share in the fund equal to the amount raised from voluntary contributions; Provided further, that the balance, if any, from the share in the Fund of the party concerned shall be forfeited and reverted to the general funds of the Government.

SEC. 23. *Schedule of Releases from the Fund*. - For purposes of this Act, all releases from the State Subsidy Fund during a non-election year shall be used exclusively for party development activities. Funds released during an election year shall be divided as follows: seventy five percent (75%) shall be used for campaign expenditures, and twenty five percent (25%) for party development activities.

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. 24. *Management of the Subsidy*, - The Accredited National Political Parties availing of the subsidy shall maintain a separate financial account for the funds used to finance campaign activities and party development, respectively. Every Accredited National Political Party shall submit to the Commission a detailed program of activities

as well as the breakdown of expenditures drawn from the Fund by the end of December of every fiscal year. No Accredited National Political Party shall be allowed to use the subsidy for purposes other than those indicated in this Act.

Chapter 4 *Disclosures and Performance Monitoring*

SEC. 25. *Audit of the Fund.* - The COA shall examine the financial reports of the Accredited National Political Parties on their use of the State Subsidy Fund. Voluntary contributions to any Accredited National Political Party shall be accounted for separately under a different set of books of accounts, which shall be open to inspection by the COA.

SEC. 26. *Party Ethics.* - Accredited National Political Parties shall institute internal control mechanisms to promote accountability and transparency. Accredited National Political 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 duly submitted to the Commission and made available to the public. No political party shall select and nominate a candidate who has been convicted for any criminal offense.

SEC. 27. *Full Disclosure.* - The officials of every Accredited National Political Party shall submit a sworn statement of their assets and liabilities to the Commission which shall be made available to the public. 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 use of the State Subsidy Fund. All these disclosures shall be made through the official website of the Commission and in a newspaper of general circulation.

SEC. 28. *Other Reports.* I The following shall be reported by the Accredited National Political Parties and their 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 State Subsidy 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 State Subsidy 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. 29. *Failure to Comply With Disclosure and Reporting Requirements.*- Failure of the Accredited National Political Party to comply with the provisions of this Act will result in its disqualification from receiving its share in the State Subsidy Fund, which shall revert to the general funds of the Government, and forfeiture of all the rights and privileges to which it would have been entitled under this Act.

SEC.30. *Performance Monitoring and Reporting System.* - The Commission and the COA shall jointly design and implement, in consultation with political parties, aggregations or coalitions thereof, 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.

The Commission and the COA shall, based on the results of the system, publish and disseminate annual reports on the development of political parties that have received subsidies and on the distribution, use and results of the campaign subsidies provided to political parties.

SEC. 31. *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 in their program of activities, and in supporting, affiliating with, or joining them.

Chapter 5 **Miscellaneous Provisions**

SEC. 32. *Punishable Acts.* - The following acts 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. 33. *Penalties.* - a) Any candidate or official of any National Political Party who violates any provision of this Act shall be punished with imprisonment of not less than six (6) years but not more than twelve (12) years, or a fine ranging from fifty

thousand pesos (P50,000) to five hundred thousand pesos (P500,000), or both. He shall, likewise, be disqualified to hold public office.

Any National Political Party that violates any provision of this Act shall pay a fine of not less than one hundred thousand pesos (P100,000) but not more than one million pesos (P1,000,000);

b) Any National Political Party that 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. 34. Appropriations. - The amount of Three Hundred Fifty Million Pesos (P350,000,000.00) 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 (P350,000,000.00). 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. 35. Lead Agency. - The Commission is hereby mandated as the independent regulatory agency charged with administering and enforcing the provisions of the Act.

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

SEC. 38. 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. 39. Separability Clause. - If any part of this Act is held invalid or unconstitutional, the other parts or provisions thereof not affected thereby shall remain valid and effective.

SEC. 40. Effectivity. - This Act shall take effect fifteen (15) days from its publication in least two (2) national newspapers of general circulation.

Approved,