

Republic of the Philippines
HOUSE OF REPRESENTATIVES

SEVENTEENTH CONGRESS
First Regular Session

House Bill No. **697**



Introduced by Representative Gloria Macapagal-Arroyo

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

EXPLANATORY NOTE

Political parties play a vital role in the country's quest for political and economic development. The political party system in the country is basically confined personalities rather than issues and political platform. There have been many attempts to reform the orientation of our political parties in the past so as to veer away from the concept of traditional politics, but unfortunately they have not been successful because of lack of legal institutional framework to govern the system of political parties.

Our history tells us that political parties in the Philippines are normally used only as political vehicles to win an election. Hence, most political aspirants change political parties for convenience, rather than because of conviction. This only shows the lack of ideological commitment to the members of a party because they choose parties based on the rise and fall of the tide of opportunity. "Turncoatism" should never be encouraged nor tolerated since it only distorts the concept of word of honor and dignity of a leader.

It is in this light that the Political Party Act should be enacted. It is imperative that political party system should be strengthened if we want to develop, achieve political development and democratization. We have to enact laws to prevent the system of ward politics and political chameleons that we have today.

A Party Development Fund shall be created to provide subsidy to political parties of national character for their operational expenses and party building activities not only for electoral campaign but also for their development programs. These funds shall be appropriated in the national budget.

A political party may qualify to receive a portion from the Party Development Fund if its national candidates garnered at east fifteen percent (15%) of the popular vote in the most recent general elections.

For their part, political parties should institute internal control mechanisms with political parties to promote accountability and transparency.


The bill also encourages the political parties to raise the funds through Party Foundation to finance their activities so that they will develop their self-sufficiency and lessen their dependence on contributions from illegal sources.

The bill envisions changing the norm of having political butterflies during and after the election period. It aims to give importance to party ideals and policy agenda rather than the political pragmatism and survival. The bill proposes that any member of the party wanting to change the party affiliation after being elected on that party's ticket, should first resign from his elective position and must seek a fresh mandate from the electorate. Likewise, defecting persons cannot be appointed nor hold any position in any

public office, until after the expiration of the term within which they were elected.

In general, the proposed bill hopes to transform the Philippine political parties from personality-oriented to issue-oriented political organizations. Thus, we can provide our constituents with better brand of party politics.

In view of the urgent need to address the irregularities in the political party system, the passage of this bill is earnestly sought.



REP. GLORIA MACAPAGAL ARROYO
Second District, Pampanga

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

CHAPTER 1
DECLARATION OF POLICY, PURPOSES AND COVERAGE

SECTION 1. Title – This Act shall be known as “*The Political Party Development Act of 2014*”.

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, platform 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 voter’s education and civic literacy programs through the political parties.

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

SEC. 5. Definition of Terms. – As used in this Act:

- (a) **Accredited political party** refers to a political party qualified to receive subsidy for party development and campaign purposes, accredited for this purpose by the Commission on Elections based on a set of criteria provided for 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 on Elections;
- (c) **Commission** refers to the Commission on Elections;

(d) **Campaign contribution** refers to any form of donation to any candidate, political party, aggrupation 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 who 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 elections. It includes the use of office space and facilities personally owned by the candidate, the monetary value 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, aggrupation or coalitions thereof to reveal the details of campaign contributions received by them and the expenditures made on account thereof. For accredited 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, aggrupation or coalition thereof;

(i) **Donee** refers to any candidate, political party, aggrupation or coalition thereof or any representative acting on their behalf or interest, to whom money, property or any other form of contributions were made;

(j) **Fund** refers to the State Subsidy Fund established under this Act;

(k) **Member of a party** refers to a natural person of good standing in a political party who complies with the requirements of party membership, including the payment of membership dues;

(l) **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;

(m) **Political opportunism** refers to any act of a party member constituting disloyalty to the party or regular non-adherence to the party's ideological principles, platform and programs, as determined by the party in accordance with its constitution and by-laws;

(n) **Political party** refers to a political party, party-list or an organized group of persons duly registered with the Commission, pursuing or advocating platform, principles and policies for the general conduct of government and which nominates and supports its members as candidates for public office;

(o) **Political turncoatism** refers to the change of political party affiliation by a party member a period of one year before or after any national elections. Any party member may legitimately change party affiliation only on the second year of a three-year term. *Provided*, that political turncoatism shall not apply in any of the following instances:

(1) Abolition, merger or coalition of political parties where a candidate is a registered member thereof; and

(2) Expulsion of the elected official in writing from one's political party: *Provided*, that the cause for such does not constitute political opportunism;

(p) **State Subsidy Fund** refers to the fund for party development and campaign activities of accredited political parties under this Act;

(q) **Voluntary contributions** refer to the contributions to candidates of political parties, aggrupation or coalitions thereof from persons, natural or juridical, allowed under existing laws.

CHAPTER II INSTITUTIONALIZATION OF POLITICAL PARTIES

SEC. 6. Registration as a Political Party. – Any organized group of persons seeking registration as a 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 thirty (30) days from the date it is submitted for decision.

Political parties already registered as such with the Commission prior to the effectivity of this Act are not required to register anew but are required to submit their intent to continue participating in elections within a period of six (6) months after the enactment of this law.

Once a political party is registered with the Commission it shall acquire legal personality with powers essential and necessary to carry out its mandate and obligation under this law and other related electoral laws. This power shall include the power to enter into contracts, to acquire properties through purchase, lease, and other modes of acquisitions, to open bank accounts under its name, and to employ staff and personnel in relation to its campaign and party development activities.

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

SEC. 8. Membership in a Political Party. – A person becomes a member of a political party upon application duly signed, filed and approved by the party, and upon compliance with the basic membership requirements of the party, including the regular payment of membership dues.

SEC. 9. Selection of Candidates. – The selection process for candidates of political parties shall be democratized through the adoption of a process that is fair, open and transparent.

Every political party is mandated to formulate a system on the nomination and selection of candidates, in which all party members are involved. Every political party shall submit to the Commission its rules governing the system on the nomination and selection of candidates not later than one hundred eighty (180) days before the election day following the effectivity of this Act.

Any aggrieved member of an accredited 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 system on the nomination and selection of candidates. The aggrieved party has the right to appeal to the Commission. Upon finding of a violation of the system, the Commission shall revert the grievance to the concerned political party. If the political party does not comply with the order of the Commission, the said party shall be disqualified from participating in the elections.

Every political party must hold conventions to nominate their official candidates not earlier than fifteen (15) days before the filing of candidacy 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 (1) registered political party, except in cases of aggrupation 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. 10. 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 the said nomination. The certificate of nomination shall be subscribed under oath by the duly authorized representative of the political party.

SEC. 11. Limits on Voluntary Contributions. – Voluntary contributions to any political party shall be limited to the following maximum amounts:

(a) Up to One Million Pesos (P1,000,000.00) from a natural person and up to Ten Million Pesos (P10,000,000.00) from a juridical person is allowed to make a voluntary contribution under existing laws; and

(b) Any contribution in cash or in kind to any political party for campaign purposes, duly reported to the Commission in accordance with Section 13 of Republic Act No. 7166, otherwise known as "The Synchronized National and Local Elections Act" shall be exempt from the donor's tax.

No foreign national or entity shall be allowed to give contributions to any political party.

SEC. 12. Voluntary Contributions to Party; How Made. – Voluntary contributions to a political party shall be deposited by the contributor to the account of the party with any reputable bank accredited by the Commission at any time 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 it may determine.

SEC. 13. Penalties for Political Turncoatism. – Political turncoats shall be deemed to have forfeited their elective office if they change their political party affiliation one (1) year before and one (1) year after any national elections. The following penalties shall thus be imposed on persons found to have committed this violation:

(a) Disqualification from running for any elective position in the next succeeding election immediately following the act of changing political party affiliation;

(b) Disqualification from being appointed or from holding any position in any public or government office for three (3) years after the expiration of the current term/office;

(c) Disqualification from assuming any executive or administrative position in the new political party; and

(d) Refund of any and all amounts received from one's former 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, aggrupation 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 Political Parties and Candidates.* – The amount that a political party and a candidate may spend for every election campaign shall be Twenty Pesos (P20.00) for every voter currently registered in the constituency or constituencies of candidacy. The Commission shall adjust the authorized amount based on the consumer price index (CPI) every three (3) years following the effectivity of this Act.

CHAPTER III 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 political parties. The fund shall be used directly and exclusively for the following purposes:

- (a) Party development;
- (b) Campaign expenditures, and
- (c) Information dissemination and monitoring activities of the Commission

SEC. 17. *Allowable Party Development Activities.* – Due to the vital role played by the 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 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 the 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 campaigns, 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 as allowed under Section 102 on Lawful Expenditures of the Omnibus Election Code.

SEC. 19. *Accreditation.* – A 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 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 and City Mayors;
- (b) Organizational strength and mobilization capability, which may include the number of political chapters, organizations nationwide and number of permanent members of the party paying their dues; and

(c) Performance and track record of the party, which may include its performance in the past elections and its ability to field candidates in the coming elections.

SEC. 21. *Effects of Accreditation.* – A duly accredited political party shall be entitled to the rights and privileges accorded under this Act. Likewise, the accredited 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 the 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) Thirty percent (30%) of the fund shall be proportionately and ratably distributed to accredited political parties represented in the Senate based on the number of seats obtained in the most recent general elections; and

(c) Sixty-five percent (65%) of the fund shall be proportionately and ratably distributed to accredited 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 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 membership dues and 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 equal to the amount raised from membership dues and 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 Fund 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 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 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 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 political party shall be allowed to use the subsidy for purposes other than those indicated in this Act.

CHAPTER IV DISCLOSURES AND PERFORMANCE MONITORING

SEC. 25. *Audit of the State Subsidy Fund.* – The COA shall examine the financial reports of the accredited political parties on their use of the State Subsidy Fund. Membership dues and voluntary contributions to any accredited 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 political parties shall institute internal control mechanisms to promote accountability and transparency. Accredited 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 the said program for internal controls, ethical standards and disciplinary procedures shall 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 by final judgment for any criminal offense.

SEC. 27. Full Disclosure. – The officials of every accredited political party shall submit a sworn statement of their assets and liabilities to the Commission which shall be made available to the public at least six (6) months before elections. All accredited political parties and their candidates shall also be required to submit to the Commission and make a public disclosure of all contributions as well as expenditures incurred for the use of the State Subsidy Fund thirty (30) days after the elections. All these disclosures shall be made through the official website of the Commission and published in a newspaper of general circulation.

SEC. 28. Other Reports. – The following shall be reported by the accredited political parties and their candidates:

(a) The amount of contributions for the elections, the date of receipt by the bank or by the duly authorized representative of the party and the full name and exact address of the person, whether natural or juridical, 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 penalized with 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 political party to comply with the provisions of this Act will result in its disqualification from receiving its share of the State Subsidy Fund. The said unused funds shall revert to the General Fund of the National Treasury, and all the rights and privileges to which the party would have been entitled under this Act shall be forfeited.

SEC. 30. Performance Monitoring and Reporting System. – The Commission and the COA shall jointly design and implement, in consultation with political parties, aggrupations 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 implementation 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 the Senate and the House of Representatives 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 V MISCELLANEOUS PROVISIONS

SEC. 32. Prohibited Acts. – The following acts shall be prohibited:

(a) Misuse of funds received by political parties, both from the State Subsidy Fund and from voluntary contributions;

(b) Giving of voluntary contributions that goes 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 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 One Hundred Thousand Pesos (P100,000.00) to Five Hundred Thousand Pesos (P500,000.00), or both. One shall likewise be disqualified to hold public office. Any political party that violates any provision of this Act shall pay a fine of not less than Five Hundred Thousand Pesos (P500,000.00) but not more than Five Million Pesos (P5,000,000.00).

(b) Any 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.

These penalties shall be applicable only to the punishable acts as stated in Section 32 and not to political turncoatism.

SEC. 34. Lead Agency. – The Commission is hereby mandated to administer and enforce the provisions of this Act.

For this purpose, there is hereby created, within the Commission, a Political Party and Campaign Finance Department, which shall perform the following functions:

1. Assist the Commission in the registration and accreditation of political parties as provided in this Act and in other related laws;
2. Receive, compile and safekeep all records and documents pertaining to political parties, including their organizational and financial reports;
3. Conduct examination, investigation and audit activities to determine compliance with the requirements of applicable laws and rules and to recommend appropriate action/s to the Commission.
4. Perform such other functions as may be found necessary by the Commission.

SEC. 35. Rules and Regulations. – Within thirty (30) days from its effectivity, the Commission shall promulgate the necessary rules and regulations to effectively implement the provisions of this Act, including those that shall provide for the proper organization of the Commission, in view of the creation of the Political Party and Campaign Finance Department.

SEC. 36. Appropriations. – The amount necessary for the implementation of the provisions of this Act shall be included in the annual General Appropriations Act.

SEC. 37. Applicability of Batas Pambansa Blg. 881. – 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. 38. Separability Clause. – If any part of this Act is held invalid or unconstitutional, the other parts or provisions hereof which are not affected thereby shall remain valid and effective.

SEC. 39. 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. 40. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved.