REPUBLIC OF THE PHILIPPINES HOUSE OF REPRESENTATIVES

Quezon City

EIGHTEENTH CONGRESS First Regular Session

House Bill No. 2246



Introduced by MAGDALO Party-List Representative HON. MANUEL DG. CABOCHAN III

EXPLANATORY NOTE

The latency of Presidential Decree 415, which was signed on March 19, 1974 has undeniably caused much to diminish its relevance especially in the face of continuously evolving security threats, transformations in the Philippine defense community and the overall outlook of the Filipino people towards national security. Now, more than ever, the wisdom behind the decree's conceptualization and realization cannot be discounted in the light of the prevailing security issues and the opportunities that an indigenous defense industry has to offer.

A closer look at the self-reliant defense posture (SRDP) programs of other states show just how intense their appreciation of defense self-reliance is, not only for the preservation of their national interests, but most especially for their national security and survival. Defense research and development agencies like Singapore's Defense Science and Technology Agency (DSTA) and South Korea's Defense Acquisition Program Administration are unique for their extensive capabilities as an R&D organizational backbone for their domestic defense industry.

So far, Philippine SRDP has resulted to insufficient defense articles produced from previous SRDP projects and a rather disappointing defense industry, to say the least. Consequently, there is no clear cut direction as to where and how the existing framework for the Philippine SRDP program is going despite its recent revival. Moreover, even with the AFP publishing a 20-year strategic plan and the 2013 revival of the SRDP advocacy of the DND, the program continues to stagnate.

Clearly, the aforementioned situations may be considered as dire defense positions, especially in the midst of the continuously perilous security environment in and out of the country. Under this proposed measure, Presidential Decree No. 415 shall be repealed and reinstituted as a Republic Act; the Secretary of National Defense directed to formulate and adopt a National SRDP Roadmap; and the Defense Research and Development Agency established as the primary defense research and development arm of the Department of National Defense.

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

MANUEL DG CABOCHAN III

Representative

Magdalo Para sa Pilipino Party-List

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AN ACT

ESTABLISHING A PHILIPPINE SELF-RELIANT DEFENSE POSTURE PROGRAM REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO. 415 AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. – This Act shall be known as "Self-Reliant Defense Posture Program Act."

SEC. 2. Declaration of Policy. –It is hereby declared the policy of the State to promote and spur the growth of an independent national defense by establishing a self-reliant defense posture program that shall prioritize the development of the country's national defense capabilities, including a competent domestic defense industry. Under this Act, Presidential Decree No. 415 shall be repealed and reinstituted as a Republic Act; the Secretary of National Defense directed to formulate and adopt a National SRDP Roadmap; and the Defense Research and Development Agency established as the primary defense research and development and procurement arm of the Department of National Defense.

SEC. 3. Self-Reliant Defense Posture Program. – The self-reliant defense posture program, herein referred to as the "SRDP" is hereby established and instituted as the State's tool to undertake the development of a domestic defense industry. The underlying concept is to produce locally, when feasible, materiel for our defense forces through partnership between the military and civilian establishments, while importing those that cannot be locally produced with the ultimate objective of acquiring the technology for the production of these materiel. Paramount to this objective is the primordial role of the military and government agencies of providing technical and financial assistance to civilian defense manufacturers.

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SEC. 4. Authorization to Enter into Contracts. - The Secretary of National Defense, in behalf of the Government of the Republic of the Philippines, is hereby authorized to award contracts, upon such terms and conditions as are set forth in an agreement between the parties, through a public bidding process as provided for in Republic Act No. 9184 or the Government Procurement Reform Act, with any natural or legal person, for the manufacture or procurement of supplies, equipment, or components thereof, facilities, utilities and appurtenances thereto which are necessary for the manufacture, servicing, or operating of such supplies, equipment or components thereof needed for national defense and covered by R.A. 7898, as amended by R.A. 10349, otherwise known as the AFP Modernization Program, and the Self-Reliant Defense Posture Program approved by the President of the Philippines and other related laws; Provided, that accrued interests of Bank Guarantee Deposits made with Philippine Veterans Bank and Philippine National Bank (or any authorized banking institution) in favor of the SRDP Defense contractors covering the amounts stipulated in above mentioned contracts shall automatically be reverted to SRDP funds for utilization within the program; provided that the Program of Expenditure shall be submitted to and approved by the Secretary of National Defense; Provided further that these accounts have been properly accounted for and reported to the Department of Budget and Management and the Commission on Audit; any provision of lawand other related laws to the contrary notwithstanding.

SEC. 5. Incentives for Prime Contractors. – Foreign and local prime contractors engaged or proposing to engage in the manufacture and/or fabrication of defense materiel for the government in accordance with the SRDP may be registered and avail of the incentives under Republic Act No. 5186 as amended, with respect to defense industries covered by the program and listed under a supplemental annual investment priority plan, upon recommendation of the Department of National Defense and the National Economic Development Authority. In the interest of national security, publication of the above supplemental list shall be dispensed with and the Board of Investments shall adopt a special procedure in the processing of application for registration by defense contractors under this Program.

SEC. 6. Loans. – For the purpose of this Act and any provision of law to the contrary notwithstanding, the president of the Philippines is hereby authorized in behalf of the Republic of the Philippines, to contract such loans, credits, or indebtedness including supplier's credit, deferred payment arrangements upon such terms and conditions as maybe agreed upon with any local or foreign source or lender not exceeding one hundred billion Pesos (?), or its equivalent in other foreign currencies at the exchange rate prevailing at the time of the contracting of the loans, credits,

or indebtedness, supplier credits and deferred payment arrangements and at terms of payment of not less than ten years and to enter into and conclude bilateral agreements involving other forms of official assistance such as grants and commodity credit arrangement or indebtedness as may be necessary with Government of foreign countries with whom the Philippines has diplomatic or trade relations or which are members of the United Nations, their agencies, instrumentalities or financial institutions or with reputable international organizations or non- governmental national or international lending institutions or firms extending supplier's credit or deferred payment arrangements; provided, that such loan, credit or indebtedness shall be incurred only after the plans for such project have been prepared by the Department of National Defense and approved by both the President of the Philippines and Congress; provided, further, that such loans, credits or indebtedness shall be incurred only when the Secretary of Budget and Management has certified that for the fiscal year in question, funds are appropriated and programmed to meet the servicing of the external debt of the public sector, including the loan, credit or indebtedness proposed to be contracted, and that the counterpart peso funding requirements of the projects for which such loans, credits or indebtedness are being contracted have been programmed and shall be available as and when needed for the completion of the project.

SEC. 7. Authorization for Lending. – The President may authorize the lending of the proceeds of such loans, credits or indebtedness to the Development Bank of the Philippines, which shall administer said proceeds in accordance with the agreement with the foreign director, for relending, subject to terms and conditions which the President may impose, to the principal contractor or sub-contractor, to meet the direct peso costs of projects authorized under this Act; provided, that the Development Bank of the Philippines shall pay the Republic of the Philippines at least the principal, interest and other charges on such loans, credit or indebtedness turned over to it. The Development Bank of the Philippines, with the approval of the President of the Philippines, may also guarantee such loans, credits or indebtedness secured by a principal contractor or sub-contractor directly from local or foreign sources to cover all or part of the cost of performance of contracts herein referred to.

SEC. 8. Debt Payment. – Any provision of law to the contrary notwithstanding and in order to enable the Republic of the Philippines to pay the principal, interest, taxes and other normal banking charges on the loans, credits or indebtedness, all revenues realized from the projects financed by such loans, credits or indebtedness shall be turned over in full, after deducting actual and necessary expenses for operation and maintenance of said projects, to the National Treasury by the Department of National Defense, which is hereby appropriated for the purpose as when they

shall become due. In cases where the revenues realized are insufficient to cover the principal, interests and other charges, such portion of the budgetary savings may be necessary to cover the balance or deficiency shall be set aside by the Department of National Defense exclusively for this purpose; Provided, That if there still remain a deficiency, the necessary amount is hereby appropriated out of the funds in the National Treasury to cover the payment of principal and interest of such loans, credits and indebtedness as and when they shall become due; Provided, further, That the Monetary Board of the Central Bank shall make provisions out of current foreign exchange receipts for the foreign exchange requirements to service the external debts.

SEC. 9. Exemption on Taxes, Charges and Other Levies. – Upon recommendations of the Secretary of Finance in consultation with the National Economic and Development Authority and approval of the President of the Philippines, loans, agreements, as well as, contracts, unless otherwise falling under Section 5 of this Act, involving the availment of or utilization of the proceeds of loans, credits or indebtedness obtained under the provisions of this Act, may provide for the exemption from taxes, charges or other levies. Loans, credits or indebtedness incurred pursuant to this Act, the payment of the principal, interests and other charges thereon, which are secured from Government of foreign countries or from lending institutions of organizations owned or controlled by said foreign governments, shall be exempted from the payment of all taxes, fees, and other charges.

SEC. 10. *Developing a National SRDP Roadmap.* – The Secretary of National Defense is hereby directed to adopt, as basis for the National SRDP roadmap, the strategic direction provided by the Philippine Defense Transformation Program of the Department of National Defense, including relevant provisions from the AFP 20-Year SRDP Strategic Plan, the NEDA's Philippine Development Plan and other appropriate strategies as may be deemed necessary by the Secretary.

SEC. 11. Defense Research and Development Agency. -

a) Definitions. - In this section, unless the context otherwise requires—

Agency means the Defense Research and Development Agency (DRDA) established under subsection (b);

Board means the board of directors of the Agency;

1	Chairman means the chairman of the board and includes any temporary
2	chairman of the board;
3	
4	Director General means the Director General of the Agency appointed under
5	subsection (g) and includes any person acting in that capacity;
6	
7	Director means the director of the board;
8	
9	b) Establishment and incorporation of the Agency—
10	
11	1) There is hereby established a body to be known as the Defense Research
12	and Development Agency (DRDA) which shall be a body corporate under the
13	control and supervision of the Department of National Defense, with a
14	perpetual succession and a common seal and shall, by that name, be capable
15	of—
16	
17	A) suing and being sued;
18	
19	B) acquiring, owning, holding, and developing or disposing of
20	property, both movable and immovable; and
21	
22	C) doing and suffering all such other acts or things as a body
23	corporate may lawfully do or suffer.
24	
25	c) Common seal—
26	
27	1) All deeds and other documents requiring the seal of the Agency shall be
28	sealed with the common seal of the Agency and such instruments to which
29	the common seal is affixed shall be signed by any two (2) directors generally
30	or specially authorized by the Agency for the purpose or by one director and
31	the Director General.
32	
33	2) All courts, judges, and persons acting judicially shall take judicial notice of
34	the common seal of the Agency affixed to any document and shall presume
35	that it was duly affixed.

d) Structure of the Agency—The Agency is hereby authorized to create its own internal structure, including its own compensation and position classification system pursuant to the provisions of the Batas PambansaBlg. 68 or the Corporation Code of the Philippines and Republic Act No. 10149, otherwise known as the Government-Owned and Controlled Corporations Governance Act.

e) Board of directors of the Agency

1) There shall be a board of directors of the Agency which shall be responsible for the policy and general administration of the affairs and business of the Agency.

2) The board shall consist of—

- A) the Secretary of National Defense as ex-officio chairman;
- B) the Secretary of Science and Technology as ex-officio vice chairman;
- C) the Secretary of Information and Communications Technology and three (3) retired AFP officers with at least a rank of Brigadier General or its equivalent from the Army, Navy, and Air Force, as appointed by the Chairman, as ex-officio members; and
- D) two (2) representatives from the private sector, as appointed by the Chairman, subject to the confirmation of the Board of Directors. The appointed representatives shall serve for a fixed term of six years.
- 3) Qualifications of the Board—The Chairman shall, in appointing the representatives from the AFP and the private sector, decide based on the following qualifications:

1	A) a comprehensive understanding of defense research and
2	development, materiel and technology, and procurement processes
3	and laws;
4	
5	B) international experience and education on defense and security-
6	related matters;
7	
8	C) the aptitude and experience to fully appreciate the legal
9	responsibilities of a director and the governance processes of a
10	government owned and controlled corporation;
11	
12	D) a willingness to commit, as well as have, sufficient time to
13	discharge his or her duties to the Board.
14	
15	4) Monthly Meetings-The Board of Directors is hereby directed to conduct
16	a meeting at least once a month to assess the progress and overall operations
17	of the corporation. In such cases that the Secretary of Defense, Science and
18	Technology, and Information and Communications Technology proves
19	unable to attend a meeting, their respective Undersecretaries shall represent
20	them. Provided, That a letter containing the reason/s for such absence be
21	presented to the Board and be included in the minutes of the meeting.
22	
23	f) Missions and functions of the Agency—
24	
25	1) The Agency shall harness and exploit science and technology, and provide
26	technological and engineering support, to meet the defense and national
27	security needs of the Philippines.
28	
29	2) The functions of the Agency shall be—
30	
31	A) to advise the Department of National Defense on all matters
32	relating to defense science and technology;
33	
34	B) to provide defense science and technology services and facilities to
35	the Department of National Defense;

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C) to promote and facilitate the development of the defense science and technological capabilities of the Philippines;

D) to manage the acquisition of air force, navy, and army equipment and materielpursuant to the provisions of Republic Act 7898 or the AFP Modernization Act, as amended by R.A. 10349;

- E) to manage the acquisition of defense systems, provide engineering support for such systems, provide quality assurance and systems engineering services, and forecast and assess future defense systems, for the Department of National Defense;
- F) to manage the acquisition of command, control, communications, computer and simulation systems, develop software and provide engineering support for such systems, and forecast and assess such future systems, for the Department of National Defense;
- G) to manage the design and development of defense buildings and infrastructure, and manage the maintenance of such buildings, infrastructure, and defense estates, for the Department of National Defense;
- H) to manage the acquisition of management information systems and information technology infrastructure, and develop, maintain and support such systems and infrastructure and forecast and assess future developments in information technology and formulate standards, for the Department of National Defense;
- I) to conduct research on military medicine and perform human factors engineering studies, for the Department of National Defense;
- J) to manage contracts for the purchase of defense systems, spares and services, maintain a catalogue of stocked items, and manage the

1	disposal of old stocks and equipment, for the Department of National
2	Defense;
3	
4	K) to manage technological cooperation with other persons, and
5	conduct and manage research and development programs, for the
6	Department of National Defense;
7	
8	L) to manage the transfer of defense technology and intellectual
9	property rights to and from the Agency in pursuance of the provisions
10	of R.A. 10055 or the Philippine Technology Transfer Act of 2009.
11	
12	M) to undertake any other activity considered necessary or desirable
13	to achieve a cost-effective defense science and technological
14	capability in the Philippines; and
15	
16	N) to perform any such other functions as are conferred on the
17	Agency by any other written law.
18	
19	3) The Agency may undertake such other functions as the Secretary may
20	assign to the Agency and in so doing, the Agency shall be deemed to be
21	fulfilling the purposes of this Act and the provisions of this Act shall apply to
22	the Agency in respect of such functions.
23	
24	4) Nothing in this subsection shall be construed as imposing on the Agency,
25	directly or indirectly, any form of duty or liability enforceable by proceedings
26	before any court.
27	
28	g) Powers of the Agency
29	
30	1) The Agency shall have the power to do anything for the purpose of
31	discharging its functions under this section or under any other written law, or
32	which it may consider advantageous, necessary or convenient to the discharge
33	of those functions and, in particular, may-
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A) enter into contracts, through the public bidding process, for itself or the Government for defense systems, facilities, technology, equipment, materials or services or for the execution of works or any other contract as may be necessary for the discharge of its duties and functions;

- B) acquire all defense technology transfers and intellectual property rights for the Department of National Defense, subject to the provisions of R.A. No. 10055 or the Philippine Technology Transfer Act of 2009;
- C) licensing of all defense technology and intellectual property rights developed and produced by the Agency to the Government Arsenal and local defense manufacturers for commercialization, subject to the provisions of R.A. No. 10055 or the Philippine Technology Transfer Act of 2009;
- D) engage alone or in conjunction with other persons in the design and development of defense systems and the provisions of systems design services;
- E) form or participate in the formation of any company or enter into any joint venture or partnership for the purposes of this section;
- F) provide technical advice, training and assistance to any government body or statutory board and to defense authorities of other countries;
- G) levy such charges and fees as may be reasonable for services and facilities provided by the Agency;
- H) provide financial loans, advances, grants, aid or assistance to any person for all or any purposes of this section;

1	I) collect, compile, analyze and disseminate by any convenient means
2	information of a statistical nature or otherwise concerning matters
3	relating to its functions;
4	
5	J) provide scholarships and training grants in the fields of defense
6	science and technology;
7	
8	K) receive donations, grants, gifts, subsidies, and contributions from
9	any source and raise funds by all lawful means;
10	
11	L) make provisions for gratuities, pensions, allowances or other
12	benefits for employees or former employees of the Agency;
13	
14	M) initiate, supervise, and coordinate theproduction activities of the
15	Government Arsenal;
16	
17	N) do such other acts as are incidental to any of its functions or
18	powers.
19	
20	2) The Agency may, in addition to the powers vested in it by subparagraph
21	(1), exercise such other powers as the Secretary may in writing authorize the
22	Agency to exercise.
23	
24	3) This subsection shall not be construed as limiting any power of the Agency
25	conferred by or under any other written law.
26	
27	h) Appointment of Director General—
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29	1) The Agency shall, with the approval of the Secretary, appoint a Director
30	General of the Agency on such terms and conditions as the Agency may
31	determine.
32	
33	2) The Director General shall—
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1	A) be responsible to the Agency for the proper administration and
2	management of the functions and affairs of the Agency in accordance
3	with the rules and regulations laid down by the Agency; and
4	
5	B) not be removed from office without the consent of the Secretary.
6	
7	C) be known by such designation as the Agency may determine;
8	
9	i) Funds and property of the Agency
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11	1) The funds and property of the Agency shall consist of—
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13	A) all moneys paid to the Agency for the purposes of the Agency;
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15	B) all moneys paid to the Agency by way of grants, subsidies,
16	donations, gifts, and contributions;
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18	C) all moneys received by the Agency by way of charges and fees for
19	services rendered by the Agency to any person;
20	
21	D) all moneys, dividends, royalties, interest or income received from
22	any transactions made pursuant to the powers conferred on the
23	Agency under this Act;
24	
25	E) all moneys borrowed by the Agency under this Act;
26	
27	F) all other moneys and property lawfully received by the Agency for
28	the purposes of the Agency; and
29	
30	G) all accumulations of income derived from any such moneys or
31	property.
32	
33	j) Core Industries of the Agency-The Agency shall, through the Government
34	Arsenal, prioritize the development and production of the following defense capabilities:
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1	1) small arms, shells, artillery, tank, and naval ammunitions, including its
2	different variants;
3	
4	military-grade weapons and armaments;
5	
6	2) armored and mechanized vehicles;
7	
8	3) integrated helicopters;
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10	4) fixed-wing close air support aircraft capable of real-time communications
11	with ground units and provide direct air support to ground forces engaged in
12	combat;
13	
14	5) small naval craft, armed with small-caliber weapons capable of patrolling
15	coastal waters or lay mines for defensive operations;
16	
17	6) support naval craft capable of air/surface search, guided missile targeting,
18	and naval gun fire support;
19	
20	7) frigates with defensive capabilities for escorting other naval craft;
21	
22	8) destroyers designed to provide land attack capability as well as air, water,
23	surface, and submarine defense capabilities; and
24	
25	9) jamming and interception devices.
26	
27	Provided, That the Agency, should it successfully produce en masse the defense
28	capabilities as provided beforehand, proceed into developing and producing more advanced
29	defense capabilities.
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31	k) Annual estimates
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33	1) The Agency shall in every financial year have annual estimates of income
34	and expenditure of the Agency for the ensuing financial year.

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2) A copy of all annual estimates and supplementary estimates shall, upon their adoption by the Agency, be sent forthwith to the Secretary who may approve or disallow any item or portion of any item shown in the estimates, and shall return the estimates as amended by the Secretary to the Agency, and the Agency shall be bound thereby.

1) Annual report

- The Agency shall, as soon as practicable after the end of each fiscal year, submit to the Secretary an annual report on the activities of the Agency during that fiscal year.
- 2) The Secretary shall send a copy of every such report to the President, Senate, and House of Representatives.

m) Symbol or representation of the Agency-

- 1) The Agency shall have the exclusive right to the use of such symbol or representation as it may select or devise and thereafter display or exhibit such symbol or representation in connection with its activities and affairs; and
- 2) Any person who uses a symbol or representation identical with that of the Agency or which so resembles the Agency's symbol or representation as to deceive or cause confusion, or to be likely to deceive or to cause confusion, shall be guilty of an offense and shall be liable on conviction to a fine not exceeding P400,000 or to imprisonment for a term not exceeding 6 months or to both.
- n) Dedicated Employee Training No one shall be assigned to a position in the Defense Research and Development Agency without the requisite qualifications and training in defense science and technology, defense acquisition and logistics.
- o) Defense Acquisition Program- The Defense Research and Development Agency, in coordination with the National Defense College of the Philippines shall develop a defense acquisition curriculum that shall offer defense acquisition, technology, and logistics training

1	to military, government civilian staff, government contractors and other such persons
2	currently affiliated with the Philippine government.
3	
4	p) Internal Rules and Regulations - The Agency shall formulate the necessary rules
5	and regulations for the implementation of all provisions as provided in this section.
6	
7	SEC. 12. Procurement Authority The Defense Research and Development Agency shall
8	henceforth be the sole agency responsible for the procurement of defense-related acquisitions of the
9	Department of National Defense.
10	
11	SEC. 13. Subsidiary Company.—The Government Arsenal shall henceforth, pursuant to the
12	provisions of Republic Act No. 10149 otherwise known as the GOCC Governance Act, be
13	converted as a subsidiary company of the Defense Research and Development Agency.
14	
15	SEC. 14. Performance Evaluation System.—The Agency shall adopt a performance
16	evaluation system, including performance scorecards pursuant to Section 5 (f) of Republic Act No.
17	10149 otherwise known as the GOCC Governance Act of 2011.
18	
19	SEC. 15. Appropriations To carry out the purpose of this Act, an initial fund of one
20	hundred million pesos (P100,000,000.00) is hereby appropriated out of any funds in the National
21	Treasury not otherwise appropriated.
22	
23	SEC. 16. Repealing Clause Presidential Decree No. 415 is hereby repealed. All other
24	provisions of existing laws, orders, and regulations contrary to, or inconsistent with this Act are
25	hereby repealed or modified accordingly.
26	
27	SEC. 17. Separability Clause - If any provision, section or part of this Act shall be declared
28	unconstitutional or invalid, such judgment shall not affect, invalidate or impair any other
29	provisions, sections or parts thereof.
30	
31	SEC. 18. Implementing Rules and Regulations The Department of National Defense,
32	within ninety (90) days after the approval of this Act shall formulate the necessary rules and
33	regulations for the implementation of the provisions of this Act.
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- 1 SEC. 19. Effectivity. This Act shall take effect immediately after its publication in the
- 2 Official Gazette and two (2) newspapers of general circulation.

Approved,