

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

Eighteenth Congress  
Third Regular Session



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**Committee Report No. 1309**

Submitted by the Committee on National Defense and Security and the Committee on Ways and Means on **November 8, 2021**

Re: House Bill No. **10453**

Recommending its approval in substitution of House Bills numbered 206 and 2246

Sponsor: Rep. Raul "Boboy" C. Tupas

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Mr. Speaker:

The Committee on National Defense and Security and the Committee on Ways and Means, to which were referred

House Bill No. 206, introduced by Representatives Jose Enrique "Joet" S. Garcia III, "Kuya" Jose Antonio R. Sy-Alvarado, Greg G. Gasataya, Stella Luz A. Quimbo, Rozzano Rufino B. Biazon and Jericho Jonas B. Nogralas, entitled:

AN ACT

PROVIDING FOR THE DEVELOPMENT OF A NATIONAL DEFENSE INDUSTRY THROUGH THE STRENGTHENING AND REVITALIZING OF THE SELF-RELIANT DEFENSE POSTURE (SRDP) PROGRAM, INCENTIVIZING IN-COUNTRY ENTERPRISES, RATIONALIZING DEFENSE ACQUISITION, AND CREATING THE OFFICE OF THE UNDERSECRETARY FOR DEFENSE TECHNOLOGY RESEARCH AND INDUSTRY DEVELOPMENT UNDER THE DEPARTMENT OF NATIONAL DEFENSE, AND PROVIDING FUNDS THEREOF;

and House Bill No. 2246, introduced by Representative Manuel D. Cabochan III, entitled:

AN ACT

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

have considered the same and recommend that the attached House Bill No. 10453 ,  
entitled:

AN ACT

INSTITUTIONALIZING A PHILIPPINE SELF-RELIANT DEFENSE POSTURE PROGRAM  
AND PROMOTING THE DEVELOPMENT OF A NATIONAL DEFENSE INDUSTRY  
PURSUANT THERETO, REPEALING FOR THE PURPOSE PRESIDENTIAL DECREE NO.  
415

be approved in substitution of House Bills numbered 206 and 2246 with  
Representatives Introduced by Representatives Jose Enrique "Joet" S. Garcia III,  
Manuel D. Cabochan III, "Kuya" Jose Antonio R. Sy-Alvarado, Greg G. Gasataya,  
Stella Luz A. Quimbo, Rozzano Rufino B. Biazon, Jericho Jonas B. Nograles, Narciso  
R. Bravo Jr., Jose "Ping-Ping" I. Tejada, Rogelio Neil P. Roque, Eddiebong G. Plaza,  
Hector S. Sanchez, Alberto "Bobby" D. Pacquiao, Joey Sarte Salceda, Sergio C.  
Dagooc, Eric L. Olivarez, Evelina C. Escudero, Anthony Peter "Onyx" Crisologo, Jose  
Gay G. Padiernos, Arnulfo Bryan Fuentesbella, Adrian A. Ebcas, Estrellita B. Suansing,  
Alfelito M. Bascug, Virgilio S. Lacson, Sharon S. Garin, Ronnie L. Ong, Pablo John F.  
Garcia, Joseph Stephen Paduano, Mark O. Go, Cheryl Deloso-Montalla, Joselito S.  
Sacdalan, Rufus B. Rodriguez, Lorenz R. Defensor, Kristine Singson-Meehan,  
Manuel Luis T. Lopez, Angelica Natasha Co, Teodorico T. Haresco, Jr., Tyrone D.  
Agabas, Faustino Michael Carlos T. Dy III, Ron P. Salo, Joy Myra S. Tambunting,  
Aurelio Dong D.Gonzales, Jr., Wilcon "Tonton" Tan Kho, Deogracias Victor "DV" B.  
Savellano, Christopher V.P. De Venecia, Allan Benedict Reyes, Horacio P. Suansing,  
Jr., Joaquin M. Chipeco, Jr., Micaela S. Violago, Sonny L. Lagon and Raul "Boboy" C.  
Tupas as authors thereof.



**REP. JOEY SARTE SALCEDA**  
Chairperson  
Committee on Committee on  
Ways and Means

Respectfully submitted:



**REP. RAUL "BOBOY" C. TUPAS**  
Chairperson  
Committee on National Defense  
and Security

**THE HONORABLE SPEAKER**  
House of Representatives  
Quezon City

REPUBLIC OF THE PHILIPPINES  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**EIGHTEENTH CONGRESS**  
**Third Regular Session**

**House Bill No. 10453**

(in substitution to House Bills numbered 206 and 2246)

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Introduced by Representatives Jose Enrique "Joet" S. Garcia III, Manuel D. Cabochan III, "Kuya" Jose Antonio R. Sy-Alvarado, Greg G. Gasataya, Stella Luz A. Quimbo, Rozzano Rufino B. Biazon, Jericho Jonas B. Nograles, Narciso R. Bravo Jr., Jose "Ping-Ping" I. Tejada, Rogelio Neil P. Roque, Eddiebong G. Plaza, Hector S. Sanchez, Alberto "Bobby" D. Pacquiao, Joey Sarte Salceda, Sergio C. Dagooc, Eric L. Olivarez, Evelina C. Escudero, Anthony Peter "Onyx" Crisologo, Jose Gay G. Padiernos, Arnulfo Bryan Fuentebella, Adrian A. Ebcas, Estrellita B. Suansing, Alfelito M. Bascug, Virgilio S. Lacson, Sharon S. Garin, Ronnie L. Ong, Pablo John F. Garcia, Joseph Stephen Paduano, Mark O. Go, Cheryl Deloso-Montalla, Joselito S. Sacdalan, Rufus B. Rodriguez, Lorenz R. Defensor, Kristine Singson-Meehan, Manuel Luis T. Lopez, Angelica Natasha Co, Teodorico T. Haresco, Jr., Tyrone D. Agabas, Faustino Michael Carlos T. Dy III, Ron P. Salo, Joy Myra S. Tambunting, Aurelio Dong D.Gonzales, Jr., Wilcon "Tonton" Tan Kho, Deogracias Victor "DV" B. Savellano, Christopher V.P. De Venecia, Allan Benedict Reyes, Horacio P. Suansing, Jr., Joaquin M. Chipeco, Jr., Micaela S. Violago, Sonny L. Lagon and Raul "Boboy" C. Tupas

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**AN ACT**  
**INSTITUTIONALIZING A PHILIPPINE SELF-RELIANT DEFENSE POSTURE**  
**PROGRAM AND PROMOTING THE DEVELOPMENT OF A NATIONAL**  
**DEFENSE INDUSTRY PURSUANT THERETO**

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

1           SECTION 1. *Short Title.*— This Act shall be known as the "Philippine Self-Reliant  
2 Defense Posture Program Act".

3

4           Sec. 2. *Declaration of Policy.*— It is hereby declared the policy of the State to  
5 promote and spur the growth of an independent national defense by establishing a  
6 self-reliant defense posture program that shall prioritize the development of the

1 country's national defense capabilities, including a competent domestic defense  
2 industry.

3

4 In view thereof, the State shall endeavor to develop a National Defense  
5 Industry, hereinafter referred to as Industry, as an indispensable element of national  
6 defense. - The State recognizes that:

7

8 (a) The industry plays a vital role in nation-building in the achievement of  
9 the national vision of an independent and self-reliant sovereign state,  
10 capable of providing its own resources for defense, security, and national  
11 survival, specifically during war and other national emergencies;

12 (b) The active participation of development of collaborative partnerships  
13 with the private sector is an important strategy in the development of a  
14 viable, world-class defense industry and that the grant of incentives for  
15 such participation can help ensure the sector's meaningful contribution  
16 thereto;

17 (c) The continued observance of the "*Filipino First*" policy in developing the  
18 Philippine's defense capability is consistent with the country's national  
19 security aspirations; and,

20 (d) The Philippines has adequate human and other resources that can help  
21 ensure the adequate supply of affordable, globally-competitive, high-  
22 quality defense implements, equipment, machinery, systems and  
23 solutions, conduct defense technology research, provide and develop  
24 defense-related technology, as well as engineering and design education  
25 and training services that are necessary to the development of the  
26 Industry.

27 (e) Science and technology, academic research and development  
28 institutions, and technology transfer all play an important role in the  
29 development of effective defense capabilities, the undertaking of  
30 successful defense missions, and the achievement of peace and  
31 meaningful modernization.

32

1           Therefore, to foster the progressive growth of the industry and hasten defense  
2 self-sufficiency, the government shall strengthen and revitalize the Self-Reliant  
3 Defense Posture Program (SRDP), incentivize private sector participation in the  
4 Industry, rationalize defense acquisition, and create the Office of the Undersecretary  
5 for Defense Technology Research and Industry Development  
6

7           Sec. 3. *Definition of Terms.*— As used in this Act:

8           (a) *Acquisition* refers to the management and procurement process of the  
9 government that helps ensure the proper and timely investment in  
10 technologies, programs and product support necessary for the purposes of  
11 the Philippine Armed Forces in promoting national defense and security. It  
12 shall include the acquisition of raw material, competent human resources,  
13 critical components and materiel;

14           (b) *Countertrade* refers to international trade by exchange of goods rather  
15 than by currency purchase;

16           (c) *Critical components* refer to components, systems, subsystems, and  
17 related special tooling and test equipment essential to the production,  
18 repair, maintenance, or operation of weapon systems or other items of  
19 equipment identified as being essential to the execution of any national  
20 defense and national security strategy.

21           (d) *Highest rated bid* refers to the offer with the highest calculated rating  
22 based on the criteria and parameters not limited to capability, quality,  
23 timeliness of delivery, life cycle cost, after-sales support, transfer of  
24 technology, warranty, prerequisites and price;

25           (e) *In-country enterprise* refers to a Filipino-owned enterprises engaged in the  
26 manufacturing, servicing and operation of materiel in the Philippines, or to  
27 a foreign-owned enterprise engaged in the manufacturing, servicing, and  
28 operation of materiel, and which has located a substantial portion of its  
29 production activities within the Philippines;

30           (f) *Integrated logistics support* refers to an integrated and iterative process  
31 for developing materiel and a support strategy that optimizes functional  
32 support, leverages existing resources, and guides the system engineering

- 1 process to quantify and lower life cycle cost and decrease the logistics  
2 footprint, making the system easier to support;
- 3 (g) *Materiel* refers to military technology, materials and equipment, including  
4 arms and ammunition and combat clothing;
- 5 (h) *Minimum local content* refers to the minimum percentage of intermediate  
6 goods used in the manufacturing processes to be sourced from in-country  
7 enterprises;
- 8 (i) *National defense* refers to the policies, measures and initiatives intended  
9 to provide the necessary protection to the State against external and  
10 internal threats;
- 11 (j) *National security* refers to a state or condition wherein the people's  
12 welfare, well-being, way of life; government and its institutions; territorial  
13 integrity; sovereignty; and core values are enhanced and protected;
- 14 (k) *Servicing* refers to the process of maintaining, repairing or overhauling  
15 materiel;
- 16 (l) *Strategic Investments Priorities Plan (SSIP)* refers to the government's list  
17 of priority areas and preferred activities that shall be entitled to tax  
18 incentives under law.

19

20 *Sec. 4. Self-Reliant Defense Posture Program.*— The Self-Reliant Defense  
21 Posture Program is hereby established and instituted as the tool of the State to  
22 undertake the development of a national defense industry. The underlying concept of  
23 self-reliance shall be manifested in the continued preference on local production when  
24 feasible, of materiel for the country's defense forces through the partnership between  
25 the military and civilian establishments, and taking the recourse to importation only  
26 for those requirements that cannot be locally produced with the ultimate objective of  
27 acquiring the technology for the production of these materiel. Paramount to the  
28 attainment of this objective is the responsibility of the military and other government  
29 agencies to provide technical and financial assistance to civilian defense  
30 manufacturers.

31

1           Sec. 5. *National Defense Industry.* – The National Defense Industry shall be  
2 developed in accordance with the following principles:

3           (a) The foreign support for defense requirements shall be subject to this Act  
4           and the policies approved by the President;

5           (b) To develop the defense capability of the country, the State shall:

6           (1) Rely primarily on and give preference to In-country enterprises, allocate  
7           substantial resources and manpower to defense research, and provide  
8           relevant technical and financial assistance to the private sector;

9           (2) Utilize to the fullest the country’s natural resources as the source of the  
10           country’s defense needs, and rely on materiel readily available,  
11           produced, manufactured or otherwise created locally; and,

12           (3) Use materiel from foreign sources only when such materiel cannot be  
13           locally produced, manufactured or otherwise created: *Provided, That,*  
14           importation from such foreign sources shall be for the ultimate objective  
15           of acquiring technology for the production of such unavailable materiel;

16  
17           (c) In order to reduce foreign exchange outflow, generate local employment  
18           opportunities, and enhance technology transfer to the Philippines, the  
19           Secretary of National Defense, hereinafter referred to as Secretary, shall, as  
20           far as practicable, incorporate in each agreement involving the government  
21           the manufacturing, servicing or operation of materiel special foreign  
22           exchange reduction schemes and countertrade, in-country manufacture co-  
23           production, or other innovative arrangements or combinations thereof.

24  
25           Sec. 6. *Incentives.*–

26           (a) Any provision of law to the contrary notwithstanding, foreign and local  
27           enterprises engaged or proposing to engage in the manufacture, servicing  
28           and operation of materiel for the government may be registered and may  
29           avail of the incentives under and subject to the conditions in the National  
30           Internal Revenue Code of 1997, as amended: *Provided, That* the  
31           manufacture, servicing, and operation of materiel for the government as an  
32           industry sector, or its subsectors shall undergo the standard processes

1 involved in the identification of preferred activities under the Strategic  
2 Investments Priorities Plan (SIPP) and shall be accompanied  
3 by a cost-benefit analysis showing the need for incentives.  
4

5 In the interest of national security, the Board of Investments (BOI) shall  
6 adopt a special procedure in the processing of applications for registration  
7 of enterprises that desire to participate in the Industry and offer goods or  
8 services to the government under the SRDP.  
9

10 (b) Government financial institutions shall support the industry by formulating  
11 and extending financial products that would hasten its development.  
12

13 *Sec. 7. Rationalization of Defense Acquisition.–*

14 (a) Any provision of law to the contrary notwithstanding, the Secretary, in  
15 behalf of the government, is hereby authorized to enter into contracts,  
16 under such terms and conditions as may be agreed upon, with any natural  
17 or juridical person, with or without public bidding, for the manufacture,  
18 servicing or operation of materiel or components thereof, facilities, utilities  
19 and appurtenances thereto necessary for national defense: *Provided, That,*  
20 in the exercise of such authority, the Secretary shall comply with the  
21 reportorial requirements under Section 13 of this Act.

22 (b) Any provision of law to the contrary notwithstanding, contracts for the  
23 manufacture, procurement of services of local providers, servicing or  
24 operation of materiel or components thereof, facilities, utilities and  
25 appurtenances thereto which are necessary for national defense and which  
26 are determined by the Secretary as not requiring public bidding, shall only  
27 be awarded to in-country enterprises; *Provided, That* such materiel or  
28 components thereof, facilities, utilities and appurtenances thereto can be  
29 locally produced, manufactured or otherwise created.

30 (c) In the event that a public bidding is required by the Secretary, and the  
31 manufacture, servicing, or operation of materiel or components thereof,  
32 facilities, utilities and appurtenances thereto which are necessary for

1 national defense cannot be locally produced, manufactured, or otherwise  
2 created, and whenever several bidders shall participate in the bidding, the  
3 following principles shall be observed in the evaluation of the criteria on  
4 price, when comparing foreign enterprises with in-country enterprises:

5 (1) In the event a public bidding utilizes the standard of lowest and  
6 calculated and responsive bid, the bids of in-country enterprises shall  
7 be considered as having a price less than that proposed by foreign  
8 enterprises as long as such bids shall not be more than fifteen  
9 percent (15%) in excess of the bid of such foreign enterprise; and,

10 (2) In the event a public bidding utilizes the standard of highest rated  
11 bid, the bids of in-country enterprises shall be considered as having  
12 won the criteria of price as long as such bids shall not be more than  
13 fifteen percent (15%) in excess of the bid of such foreign enterprise.

14 (d) In the event that public bidding is required by the Secretary, and the  
15 manufacture, servicing or operation of materiel or components thereof,  
16 facilities, utilities and appurtenances thereto which are necessary for  
17 national defense cannot be locally produced, manufactured or otherwise  
18 created, and only foreign enterprises participate, the Department shall have  
19 the ultimate objectives of acquiring and transferring technology and  
20 knowledge, and generating local expertise towards the eventual local  
21 production of such materiel or components thereof.

22 (e) Nothing in this Act shall prohibit or restrict lawful government-to-  
23 government transactions for the manufacture, servicing or operation of  
24 materiel or components thereof, facilities, utilities and appurtenances  
25 thereto, which are necessary for national defense.

26 (f) The Department, in consultation with representatives of in-country  
27 enterprises shall issue reasonable regulations on the minimum local content  
28 for all defense-related acquisitions. The Department may consult with other  
29 government agencies to determine such minimum local content.

30 To support the economic and employment generation thrusts of the  
31 country, all manpower needs of the industry requiring the engagement or

1 hiring of civilian labor shall be sourced locally and, as far as practicable, be  
2 Filipino.

3  
4 (g) Logistics support must be incorporated in all contracts on defense-related  
5 acquisitions.

6  
7 *Sec. 8. Multi-Year Contracts and Other Contractual Arrangements.*— For the  
8 purpose of materiel acquisition, notwithstanding existing laws to the contrary, and  
9 subject to Section 13 of this Act, the Department and its bureaus shall be authorized  
10 to enter into multi-year contracts and other multi-year contractual arrangements:  
11 *Provided*, That Congress shall, upon issuance of a multi-year obligation authority by  
12 the Department of Budget and Management (DBM), make the corresponding  
13 appropriation for the ensuing fiscal years: *Provided further*, That the Department shall,  
14 in consultation with the DBM, issue implementing guidelines to ensure consistency  
15 with the Revised AFP Modernization Program and this Act: *Provided furthermore*, That  
16 the Department and its bureaus shall coordinate and conduct acquisition planning for  
17 the purpose of implementing multi-year contractual arrangements and other multi-  
18 year obligations. *Provided finally*, That the DBM shall expedite the issuance of multi-  
19 year obligation authorities as necessary:

20  
21 *Sec. 9. Performance Undertakings.*— The Department of Finance (DOF) is  
22 authorized to recognize the obligations of the Department and its bureaus with respect  
23 to acquired materiel as obligations of the Republic of the Philippines and to undertake  
24 to pay the same in the event of non-payment by the Department and its bureaus.

25  
26 *Sec. 10. Countertrade.*— Countertrade for defense-related acquisition shall be  
27 significant, meaningful and must be of benefit to the Industry.

28  
29 *Sec. 11. Exemption from the SLCC requirement.* – In-country enterprises  
30 participating in the acquisition of materiel by the Department and its bureaus shall,  
31 upon the effectivity of this Act, be exempt from the Single Largest Completed Contract  
32 (SLCC) requirement as provided for under Sec. 23.5.1.3 of the revised rules and

1 regulations issued to implement Republic Act No. 9184, otherwise known as the  
2 Government Procurement Reform Act.

3  
4       *Sec. 12. Creation of the Office of the Undersecretary for Defense Technology*  
5 *Research and Industry Development.*— There is hereby created in the Department an  
6 Office of the Undersecretary for Defense Technology Research and Industry  
7 Development. The Office shall be headed by an officer with the rank of  
8 Undersecretary, assisted by an Assistant Secretary, and supported by at least three  
9 (3) directors with the equivalent rank of Director IV. The Office will be charged with  
10 the responsibility of managing and administering a databank for analysis, conducting  
11 research and development and technology transfer, facilitating defense industry  
12 promotion, establishing public-private partnerships, and setting up domestic and  
13 foreign collaborations, and advising, recommending policies, rules and regulations to  
14 the Secretary on all matters pertaining to the development of the Industry and the  
15 implementation of this Act. Such Undersecretary, Assistant Secretary and Directors  
16 shall be appointed by the President of the Philippines.

17  
18       *Sec. 13. Reporting and Oversight.*— The Secretary shall, not later than the end  
19 of the first quarter of the succeeding year, submit to the President and the Congress:

- 20       (a) An annual report on the acquisitions made under this Act; and,  
21       (b) Copies of the multi-year contracts and other agreements entered into by  
22       the Department and its bureaus.

23  
24       Pursuant to its constitutional duties, the Executive Department, particularly the  
25 National Economic and Development Authority (NEDA), the Commission on Audit, and  
26 the Congress shall discharge oversight functions over the implementation of the  
27 program in the following manner:

- 28       (1) The NEDA shall conduct an annual review of the status of all defense-related  
29       acquisitions exercised by the Secretary in Section 7 of this Act, identify  
30       causes of delays, the reasons for bottlenecks, actual and prospective cost  
31       overruns, determine the continued viability of the SRDP and the industry,

1 and submit its findings and recommendations to the Congress not later than  
2 June 30 of each year;

3 (2) The Commission on Audit shall conduct an audit on each ongoing and  
4 completed acquisition and render a report to the Congress thereon not later  
5 than June 30 each year; and,

6 (3) There shall be a Congressional Oversight Committee composed of the  
7 Chairpersons of the Committee on National Defense and Security of both  
8 Senate and House of Representatives who shall serve as Co-Chairpersons  
9 of the Oversight Committee, the Chairpersons of the Committee on Ways  
10 and Means of both Senate and House of Representatives who shall serve as  
11 Co-Vice-Chairpersons, four (4) members each from the Senate and the  
12 House representing the majority and two (2) members each from the  
13 Senate and the House representing the minority to be designated by the  
14 leaders of the majority and minority in their respective chambers.

15  
16 Sec. 14. *Promotion and Marketing Support.*— The government shall promote  
17 the export of locally-made materiel and the in-country enterprises to other countries,  
18 and shall provide financial and marketing support for the purpose of such promotion.

19  
20 Sec. 15. *Cooperation of Government Agencies.*— The DBM, DOF, BOI,  
21 Government Procurement Policy Board (GPPB) and other government agencies are  
22 enjoined to support the provisions of this Act. The Department and its bureaus, in  
23 consultation with the DBM, AND THE GPPB, shall strengthen their systems and  
24 procedures to support the objectives of the SDRP and the acquisition of materiel under  
25 this Act.

26  
27 Sec. 16. *Appropriations.* — The amount necessary for the effective  
28 implementation of this Act shall be charged to the appropriations of the Department  
29 of National Defense under the current General Appropriations Act. Thereafter, such  
30 sum as may be necessary for its continued implementation shall be included in the  
31 annual General Appropriations Act.

32

1           Sec. 17. *Role of the GPPB.*— The GPPB shall continue to fulfill its functions as  
2 provided in Republic Act No. 9184, subject however to the provisions of this Act:  
3 *Provided,* That in no case shall the GPPB interpret Republic Act No. 9184 or any  
4 subsequent general law on procurement as overriding any of the provisions of this  
5 specific law. The Secretary shall continue to serve as a member of the GPPB.

6  
7           Sec. 18. *Rule of Interpretation.*— Rights and obligations existing on the date of  
8 effectivity of this Act and arising out of contracts shall be governed by the original  
9 terms and conditions of said contracts or the law in force at the time such rights were  
10 vested.

11  
12           Sec. 19. *Implementing Rules and Regulations; Supplementary Regulations.*—  
13 The Secretary shall issue the necessary rules and regulations and standard forms for  
14 the effective implementation of this Act and issue supplemental regulations to facilitate  
15 its implementation.

16  
17           Sec. 20. *Separability Clause.*— If any provision of this Act shall be held  
18 unconstitutional or invalid, the other provisions not otherwise affected shall remain in  
19 full force and effect.

20           Sec. 21. *Repealing Clause.*— Sections 1 and 2 of Presidential Decree No. 415,  
21 Authorizing The Secretary Of National Defense To Enter Into Defense Contracts To  
22 Implement Projects Under The Self-Reliant Defense Programs And For Other  
23 Purposes, as amended by Presidential Decree No. 1081 are hereby repealed. The  
24 following laws, orders and regulations are hereby modified or supplemented, as the  
25 case may be, in accordance with this Act:

26           (a) An exception to Government Procurement Policy Board Resolution No. 06-  
27 2003 in relation to its amendment to Section 1 of Presidential Decree No.  
28 415 shall be observed with respect to provisions of this specific law;

29           (b) An exception to Republic Act No. 10667, otherwise known as the Philippine  
30 Competition Law, in relation to its repeal of Section 4 of Commonwealth Act  
31 No. 138, entitled "An Act To Give Native Products And Domestic Entities The  
32 Preference In The Purchase Of Articles For The Government" shall be  
33 observed with respect to provisions of this specific law;

1 (c) An exception to Republic Act No. 9184 insofar as it covers procurement of  
2 materiel shall be observed;

3 (d) An exception to Republic Act No. 1884 entitled, "An Act To Establish A  
4 Government Arsenal, Provide For Its Operation And For Other Purposes",  
5 insofar as the exercise of the responsibility of the Office of the  
6 Undersecretary of Defense for Munitions in research and development; and,

7 (e) Section 9 of Republic Act No. 7898 entitled, "An Act Providing For The  
8 Modernization Of The Armed Forces Of The Philippines And For Other  
9 Purposes", as amended by Section 5 of Republic Act No. 10349 entitled, "An  
10 Act Amending Republic Act No. 7898, Establishing the Revised AFP  
11 Modernization Program and for Other Purposes" is hereby modified.  
12

13 All other provisions of existing laws, orders, and regulations contrary to or  
14 inconsistent with this Act are hereby repealed or modified accordingly.  
15

16 Sec. 22. *Effectivity.*— This Act shall take effect after fifteen (15) days from its  
17 publication in the *Official Gazette* or in a newspaper of national circulation.

Approved,

## FACT SHEET

### HB NO. 10453

In substitution of House Bills Numbered 206 and 2246

## AN ACT INSTITUTIONALIZING A PHILIPPINE SELF-RELIANT DEFENSE POSTURE PROGRAM AND PROMOTING A NATIONAL DEFENSE INDUSTRY PURSUANT THERETO

*Introduced by Representatives Jose Enrique "Joet" S. Garcia III, Manuel D. Cabochan III, "Kuya" Jose Antonio R. Sy-Alvarado, Greg G. Gasataya, Stella Luz A. Quimbo, Rozzano Rufino B. Biazon, Jericho Jonas B. Nograles, Narciso R. Bravo Jr., Jose "Ping-Ping" I. Tejada, Rogelio Neil P. Roque, Eddiebong G. Plaza, Hector S. Sanchez, Alberto "Bobby" D. Pacquiao, Joey Sarte Salceda, Sergio C. Dagooc, Eric L. Olivarez, Evelina C. Escudero, Anthony Peter "Onyx" Crisologo, Jose Gay G. Padiernos, Arnulfo Bryan Fuentesbella, Adrian A. Ebcas, Estrellita B. Suansing, Alfelito M. Bascug, Virgilio S. Lacson, Sharon S. Garin, Ronnie L. Ong, Pablo John F. Garcia, Joseph Stephen Paduano, Mark O. Go, Cheryl Deloso-Montalla, Joselito S. Sacdalan, Rufus B. Rodriguez, Lorenz R. Defensor, Kristine Singson-Meehan, Manuel Luis T. Lopez, Angelica Natasha Co, Teodorico T. Haresco, Jr., Tyrone D. Agabas, Faustino Michael Carlos T. Dy III, Ron P. Salo, Joy Myra S. Tambunting, Aurelio Dong D. Gonzales, Jr., Wilcon "Tonton" Tan Kho, Deogracias Victor "DV" B. Savellano, Christopher V.P. De Venecia, Allan Benedict Reyes, Horacio P. Suansing, Jr., Joaquin M. Chipeco, Jr., Micaela S. Violago, Sonny L. Lagon and Raul "Boboy" C. Tupas*

*Committee Referral: Committee on National Defense and Security (Primary)  
Committee Chairperson: Rep. Raul "Boboy" C. Tupas*

*Committee Referral: Committee on Ways and Means (Secondary)  
Committee Chairperson: Rep. Joey Sarte Salceda*

### OBJECTIVES:

- To strengthen the development of the national defense industry and attain self-reliance in defense materiel manufacturing and related services;
- To provide incentives for firms within the industry to locate and grow domestically;
- To streamline government processes in support of strengthening the local defense industry

### KEY PROVISIONS:

- **Enunciates the State policies that strengthen the Self-Reliant Defense Posture (SRDP) Program as follows:**

- (a) The defense industry has a key role in nation-building, hence its development must be prioritized in support of the goal of protecting national sovereignty;
- (b) The implementation of the SRDP should be consistent with the Filipino First Policy;
- (c) The attainment of a self-reliant defense posture can only be successful with the indispensable participation and cooperation of the private sector;
- (d) The pursuit of a self-reliant defense posture requires that the country improve its capability to ensure adequate supply of affordable and quality defense implements, systems, and materiel.

- **Revitalizes the National Defense Industry**

- (a) Limits the acquisition of materiel and components from foreign suppliers;
- (b) Mandates the preferential acquisition from “In-Country Enterprises”;
  - 1) Mandates the allocation of substantial resources and manpower to defense research and the utilization of the country’s natural resources in the production of defense materiel for domestic use;
  - 2) Mandates the provision of technical and financial assistance to the private sector to enhance their participation and contribution to the growth of the national defense industry.
- (c) Specifies the circumstances and conditions when foreign acquisitions may be allowed, as follows:
  - 1) When the materiel cannot be produced or manufactured locally;
  - 2) The acquisition of foreign materiel should include the transfer of technology and knowledge in order to generate domestic expertise and ensure that such locally-unavailable materiel or components can be subsequently produced locally.
- (d) Mandates certain safeguards to reduce foreign exchange outflow
  - 1) Mandates industry participants to source their manpower from the local labor supply;
  - 2) Promotes technology transfers to local manufacturers.

- **Provides incentives to industry participants**

- (a) Enterprises may avail of the incentives and conditions in the National Internal Revenue Code of 1997, as amended provided that the

manufacture, servicing, and operation of materiel for the government as an industry sector, or its subsectors shall undergo the standard processes involved in the identification of preferred activities under the Strategic Investments Priorities Plan (SIPP) and shall be accompanied by a cost-benefit analysis showing the need for incentives.

(b) Government financial institutions are directed to support the defense industry with the view to hastening its development;

- **Rationalizes Defense Acquisition**

(a) Authorizes the Secretary of National Defense, on behalf of the Government, to enter into contracts for the manufacture, servicing and/or operation of materiel or components thereof, facilities, utilities and appurtenances thereto which are necessary for the manufacturing, servicing and/or operating of such materiel or components thereof necessary for national defense and requires the Secretary to report to the President and Congress the details of such contracts;

(b) Contracts for the materiel MSO or components thereof, facilities, utilities and appurtenances thereto which are necessary for national defense and which are determined by the Secretary as not requiring public bidding shall only be awarded to in-country enterprises; *Provided*, That such materiel or components thereof, facilities, utilities and appurtenances thereto can be locally produced, manufactured or otherwise created.

(c) Provides the criteria for public bidding:

(1) If the Secretary of National Defense requires public bidding, and the materiel cannot be locally produced, and there are several bidders, the criteria for price evaluation are:

- If the public bidding utilizes the standard of lowest and calculated and responsive bid, bids of in-country enterprises shall be considered as having a price less than that proposed by foreign enterprises as long as such bids are not more than 15% of the foreign enterprise;
- If the public bidding utilizes the standard of highest rated bid, bids of in-country enterprises shall be considered as having won the criteria of price as long as its bid is not more than 15% in excess of foreign enterprises;

(2) If the Secretary of National Defense requires public bidding, and the materiel cannot be locally produced and thus only foreign enterprises

participate, the Secretary can allow the participation of foreign suppliers with the ultimate objective of transferring technology so that the materiel in question can be subsequently locally produced.

- (d) Provides that nothing in this Act shall prohibit or restrict lawful government-to- government transactions for the manufacture, servicing or operation of materiel or components thereof, facilities, utilities and appurtenances thereto, which are necessary for national defense.
- (e) Requires the Department of National Defense to issue, in consultation with representatives of in-country enterprises, reasonable regulations on the minimum local content for all defense-related acquisitions;
- (f) Mandates the incorporation of logistics support in all contracts pertaining to defense-related acquisitions.

- **Provides for Multi-Year Contracts and Other Contractual Arrangements**

- (a) Empowers the Department of National Defense (DND) and its existing bureaus to enter into multi-year contracts and other multi-year contractual arrangements provided that:
  - (1) Congress shall ensure corresponding appropriation;
  - (2) DND and DBM shall issue implementing guidelines consistent with R.A. 10349 (Revised AFP Modernization Program) and this Act;
  - (3) Multi-year obligation of funds is allowed *as necessary*;

- **Provides for the Government's performance undertakings and mandates the DOF to consider the acquisitions of the department and its bureaus as obligations of the State;**

- **Provides that countertrade for defense-related acquisitions must be *significant, meaningful, and to the benefit of the PH's defense industry*;**

- **Creates the Office of the Undersecretary for Defense Technology Research and Industry Development**

- **Provides for the specific oversight roles and obligations of the National Economic and Development Authority, Commission on Audit and the Congress in the implementation of this Act;**

- (1) The Secretary of National Defense is mandated to provide to the President and the Congress no later than the end of the first quarter of the

succeeding year, an annual report on the acquisitions made under this Act and copies of the multi-year contracts and other agreements entered into by the DND and its bureaus;

- (2) The NEDA shall conduct an annual review of all defense-related acquisitions, identify causes of delays, reasons for bottlenecks, actual and prospective cost overruns, determine the continued viability of the SRDP, and submit its findings and recommendations to the Congress not later than June 30 of each year;
  - (3) The Commission on Audit shall conduct an audit on each ongoing and completed acquisition and render a report to the Congress thereon not later than June 30 each year; and,
  - (4) The Congress shall create a Congressional Oversight Committee.
- **Provides for Promotion and Marketing Support**
    - (a) Locally made materiel will be promoted by the Government to local markets as well as to other countries;
    - (b) Mandates the provision of sufficient financing for marketing;

#### **RELATED LAWS:**

- (a) PD 415 s. 1974, the law on SRDP
- (b) RA 9184, the Government Procurement Reform Act
- (c) EO 226, the Omnibus Investments Code
- (d) RA 10667, the Philippine Competition Act
- (e) CA 138, entitled "An Act To Give Native Products And Domestic Entities The Preference In The Purchase Of Articles For The Government"
- (f) RA 1884, establishing the Government Arsenal
- (g) RA 7898, the AFP Modernization law
- (h) RA 10349, the Revised AFP Modernization Program
- (i) Revised rules and regulations implementing RA 9184
- (j) Government Procurement Policy Board Resolution No. 06-2003