

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
Second Regular Session

H. No. 3426



Introduced By Representative Teofisto "TG" L. Guingona III

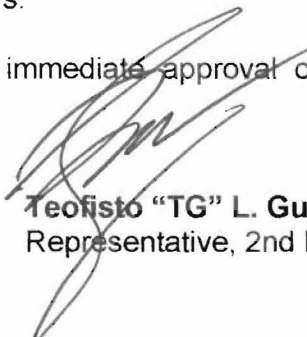
EXPLANATORY NOTE

This bill seeks to decentralize the budgeting and procurement system in the Armed Forces of the Philippines (AFP), primarily to: a) make the system more responsive to the needs of officers and men, particularly those that are in the battlefield; b) reduce the bureaucratic layers that requests for budget, and procurement of supply currently go through, thereby shortening the process and the processing time; c) lessen opportunities for graft and corruption; and d) improve the efficiency and effectiveness of the AFP

Unlike other government institutions, whose budgets are much more detailed and are released directly to their regional or field units, that of the AFP is highly centralized. Their budget is released to the General Headquarters, the Headquarters of the Army, Navy, and Air Force, which in turn manage the flow of funds to their sub-units. Their procurement system has a similar defect.

These systems of budgeting and procurement had opened a lot of opportunities for corruption, as found by the Feliciano Commission and further corroborated by testimonies before the Congressional Investigation on the alleged unexplained wealth of a former Comptroller and his Chief Budget Officer. Thus, this representation believes that it is high time for Congress to act on these findings, otherwise the country may be faced with another Oakwood Mutiny or discover more officers with unexplained wealth, which will further weaken the morale of honest officers and men in the AFP, and further reduce the efficiency and effectiveness of the AFP organization. It is therefore on this premise of saving the AFP as an organization, and in safeguarding our national security that this representation seeks to respond to the following recommendations of the Feliciano Commission: a) simplify AFP procurement procedure; b) control the discretionary powers over centrally-managed fund; and c) reduce the amount of centrally-managed fund under the control of the general headquarters and service headquarters.

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


Teofisto "TG" L. Guingona III
Representative, 2nd District of Bukidnon

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AN ACT DECENTRALIZING THE BUDGETING AND PROCUREMENT
SYSTEM IN THE ARMED FORCES OF THE PHILIPPINES, 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 the "AFP Budget and Procurement Decentralization Act of 2004."

Section 2. *Declaration of Policy.* — It is the policy of the State, to maintain honesty and integrity in all aspects of public service, and to take effective measures against graft and corruption. Whereas the current centralized system of budgeting and procurement in the Armed Forces of the Philippines (AFP) is criticized for being prone to corruption and not responsive to the actual needs of officers and men in the field. In response therefore, this Act seeks to decentralize the system to make it more responsive, transparent, and to mitigate the problems of corruption.

Section 3. *Decentralized and Transparent Budget.* — Starting with fiscal year 2006, the annual budget of the AFP shall be presented in reasonable detail down to the brigade level in each of the regional commands or similar geographical commands of each of the major services, and the said budget shall be directly and regularly released to the said commands by the Department of Budget and Management (DBM).

Section 4. *Decentralized Procurement System.* -- The regional commands or similar geographical commands of each of the major services, shall also directly undertake the procurement of their needs in accordance with existing laws: *Provided*, that equipment and materials that in the opinion of the AFP Chief of Staff, and approved by the Secretary of National Defense, concurred

with by the DBM Secretary and the Chairman of the Commission on Audit (COA), are more prudent to be exempted from this provision, shall be procured by the AFP General Headquarters, or by the main headquarters of the army, navy and air force.

Section 5. *Organizational Reforms.* — The Department of National Defense and the DBM, in coordination with the AFP, shall jointly design a reorganization plan in response to the decentralization of the budgeting and procurement system. The said plan shall be submitted to the President for approval: *Provided*, that the failure of the President to act on the said plan within forty-five (45) days upon submission, the same shall be deemed approved.

Section 6. *Implementing Rules and Regulations.* — The Department of National Defense and the Department of Budget and Management in coordination with the AFP and the COA, shall jointly formulate and issue the implementing rules and regulations necessary for the effective implementation of this Act.

Section 7. *Repealing Clause.* — All laws, rules and regulations, and other issuances or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

Section 8. *Separability Clause.* — In case any provision of this Act or any portion thereof is declared unconstitutional by a competent court, other provisions shall not be affected thereby.

Section 9. *Effectivity.* — This Act shall take effect immediately upon its approval.

Approved,