

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
QUEZON CITY

**SEVENTEENTH CONGRESS**  
First Regular Session

House Bill No. 5404



Introduced By: Erico Aristotle C. Aumentado

**EXPLANATORY NOTE**

The explicit provisions of the 1987 Philippine Constitution, especially in Article XIV, recognizing that science and technology are essential for national development and progress and mandating that the State shall give priority to education, science, and technology, sustained efforts to promote the advancement of science, engineering and technology research and education is hereby declared as a national priority concern in view of their indispensability in achieving national development and growth and international competitiveness of the Philippines in the fields of science, engineering and technology.

In the Philippines, the contribution to the economy of the use of technology in the production system is about 40% while in developed economies it is about 70% showing that the Philippines is lagging behind in the application of technology in the production systems and that there is therefore much room for improving the economy through Research & Development (R&D).

The conduct of R&D in the country is hampered among other things by the bureaucratic procedures in financial management that are regulatory rather than facilitative thus stifling initiatives and creativity research and development activities. A dramatic example is the situation where these funds could not spend to acquire needed equipment because of constraining procurement procedures.

A long-sought solution to this situation are administrative reforms and a system of incentives that will encourage and stimulate researchers to undertake more relevant and quality R&D programs and activities vital to national development. One researcher from the University of the Philippines Los Banos states that "the primary problem that slowed down the implementation of the project was the bureaucratic system of disbursing funds including issuance of appointments to projects staff...researchers have to spend considerable time (administrative activities) which could otherwise be channeled to the research." Another researcher complained that "the funds have already been transferred to our agency but could not be used to purchase the needed equipment because of the many and difficult procurement requirements"

Finally, the proposed bill seeks to address and institutionalize reforms in the procurement and fund disbursements systems in science, engineering and technology research and development, and education programs in line with the Governments program of good governance where there is a need to streamline procedures for science, engineering and technology contracts for the expeditious implementation of research and development projects and the speedy response to the fast changing demands of science and technology while promoting transparency, impartiality and accountability in government transactions in the country.

A similar bill has been filed during the Fifteen Congress by Representative Angelo B. Palmones, Agham PartyList.

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



ERICO ARISTOTLE C. AUMENTADO

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**AN ACT MANDATING TO INSTITUTIONALIZE REFORMS IN THE  
PROCUREMENT AND FUND DISBURSEMENT SYSTEMS, IN SCIENCE,  
ENGINEERING, AND TECHNOLOGY RESEARCH AND DEVELOPMENT  
AND EXTENSION (RDE) OPERATIONS AND FOR OTHER PURPOSES**

**Article I**  
**TITLE, DECLARATION OF POLICY AND OBJECTIVES**

SECTION 1. Title - This act shall be known as the "*Procurement Reforms Act of Science, Engineering and Technology for R & D of 2017.*"

Section 2. *Declaration of Policy and Objectives* – The Philippines firmly believes that science and technology enhance the economy's potential and competitiveness and are essential to national development. It is the declared policy of the state as enshrined in the 1987 Constitution that "the State shall give priority to research and development, invention, innovation and their utilization." Furthermore, the same Constitution declares that it shall "support indigenous, appropriate and self-reliant scientific and technological capabilities, and their application to the country's productive system and national life."

For this purpose an institutionalize reforms in the procurement fund disbursement supportive and facilitative to research and development system of the Philippines shall be pursued to attain the maximum return of the country's investments. Further, improve procurement systems of fund disbursements, research development supplies and equipment procurement, and personnel management shall be established for a more effective and efficient systems suited to the needs of the scientific communities.

Section 3. *Objective* – This Act shall provide reforms in the procurement and fund disbursement systems operational guidelines relevant and supportive to the peculiar requirements and concerns of the research, development and extension sector.

Section 4. *Definition of Terms* – For the purpose of this Act the following terms will have these corresponding definitions:

**Accreditation** – refers to the process by which the Department of Science and Technology (DOST) recognize an organization as an agency undertaking research and development and related activities including extension services.

**Accredited research, development and extension institutes (RDIs)** - are research agencies of government and private sector, whether undertaking research, development and extension wholly or in part, full-time or part time such as the academic institutions that have been recognized by DOST and are authorized to use the Manual of Procedures for procurement and fund disbursements systems.

**Extension Services** - cover the totality of activities by which research, development and institutions (RDIs) transfer to another party the knowledge and/or skills developed through research, the application of which will result in improving the competence of the party to whom the knowledge or skills have been transferred or to the improvement of production or reduction of cost of production.

**Grants-in-Aid** - are funds provided by funding institutions to research, development and extensions institutes (RDIs) for the conduct of research, development and extension activities. It shall also include donations of equipment and RDE facilities, scientist exchange and technical assistance.

**Incomes** - are monies received by RDIs for services rendered such as but not limited to technical services, laboratory tests and analyses, licensing fees, training fees, the sale of developed technologies, fabricated equipment and publications and for other similar services.

**Research and development-** refers to creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and to use this stock of knowledge to devise new applications.

**Research, development and extension institutes (RDI)-** refers to a public or private organization, association, partnership, joint venture, higher education institution or corporation that performs RDE activities and is duly registered and/or licensed to do business in the Philippines, or otherwise with legal personality in the Philippines. In the case of private RDIs, they shall be owed solely by the citizens of the Philippines. In the case of private RDIs, they shall be owed solely by the citizens of the Philippines or corporations or associations at least sixty per centum of the capital of which is owned by such citizens. This does not include RDIs covered by international bilateral or multilateral agreements; Agencies undertaking only extension services without conducting research and development activities are not covered under this definition.

**Research equipment-** refers to but not limited to tools, machines (including fabricated ones), laboratory tables and chairs, computers, cameras, calculating machines, and others that are needed in the conduct of research, development and extension activities.

**Research supplies and materials** - includes but not limited to chemical, reagents, plants, animals, minerals, office supplies that are necessary in the conduct of research, development and extension activities by RDIs.

### ARTICLE III PROCUREMENT REFORMS FUND DISBURSEMENTS PROCEDURES

Section 5. *Coverage of this Act*- This Act shall apply to government research and development on science, engineering and technology research and development as well as non-government RDIs that receive government funds for the conduct of research, development and extension activities. Research and development planning councils of government shall likewise be covered by this Act but not agencies that undertake only extension services without conducting research and development.

Section 6. - *Procurement Management Reforms Procedure* – The Department of Science and Technology (DOST) in consultation with the Department of Budget and Management (DBM) and the Commission on Audit (COA), and other concerned agencies of government shall formulate the rules, regulations and operational procedures on accounting and budgeting systems for the research, development and extension institutes (RDIs). Within 90 days from the approval of this Act the DOST shall issue a Manual of Procedures for use by accredited RDIs of the country. This manual shall be revised or updated to meet changing needs and requirements of the scientific communities.

The DOST in consultation with concerned agencies shall develop a criteria for accreditation of RDIs which shall be authorized to use the Manual of Procedures for procurement and disbursement management reforms issued under SECTION 6 as part of the implementing rules and regulations of this Act.

Section 7. *Uniformity of Accounting Procedures for the Scientific Communities* - All science, engineering, and technology research and development and extension operations systems shall have a uniform procurement by adopting the Manual of Procedures for procurement reforms, fund disbursements procedures in science, engineering, and technology research and development and extension operations systems issued under SECTION 6 as part of the implementing rules and regulations of this Act.

Section 8. *Disbursement of funds* – Grants-in-aids funds released to the all science, engineering, and technology research and development and extension shall be deposited in a government depository bank as Trust Accounts. The provisions of EO 338 (Directing the deposit of cash balances to the national Treasury) on the prohibition in the establishment of trust funds are hereby revoked for the purposes of this Act.

Funds regardless of sources intended for the conduct of research, development can be realigned to meet the requirement of the projects.

Unexpected fund balances at the termination/conclusion of research, development extension to all science, engineering, and technology research and development infrastructure projects shall not revert back to the National Treasury for three years and can be utilized to fund projects related to the original project with proper recording and reporting. The head of the institute is hereby given the authority to realign the unexpected balances but must inform the DBM for funds provided under the government annual appropriations (GAA) or the funding institution if funds are grants-in-aid. If after three years there are still balances from a specific project such balances shall revert back to the National Treasury.

Section 9. *Use of Income and Revolving Fund* – All income of science, engineering, and technology research and development infrastructure projects funded by public funds and fees from technical services such as but not limited to laboratory tests and analyses, licensing fees, training fees sale of developed technologies, fabricated equipment and facilities, testing and calibration facilities, printing and sale of publications, and income from contract research shall be constituted as a revolving fund for use of the research and development infrastructure undertaking research, development and extension activities, deposited in an authorized government depository bank subject to accounting and auditing rules and regulations; *Provided*, That said income shall be used to defray costs and expenses for research and development, science and technology capability building, and technology transfer activities; *Provided, Further*, That no amount of said income shall be used for payment of salaries and other allowances. In case the income after payment of all costs and expenses for research, development and extension activities and management, shall exceed ten percent 10% of the annual budget of the RDI, a minimum of (70%) of the excess income shall be remitted to the Bureau of Treasury; *Provided*, That this shall apply only if the government funding agency has solely funded the research, development or extension activity; *Provided*, finally, That this paragraph shall not apply to State Universities and Colleges and Government Owned and Controlled Corporations, which enjoy fiscal autonomy under their respective charters or other applicable laws.

Section 10. *Honoraria and per diems* – A uniform set of honoraria and per diems shall be adopted for science, engineering, and technology research and development and extensions infrastructure projects. The DOST in consultation with other government institutions shall prescribe the set of honoraria and such shall become part of the implementing rules and regulations of this Act.

## ARTICLE IV

### PROCUREMENT OF SCIENCE, ENGINEERING, AND TECHNOLOGY AND (RDE) RESEARCH, EQUIPMENT AND SPECIALIZED SUPPLIES AND MATERIALS

Section 11. *Procurement of equipment, supplies and materials for research development and extension activities* – The Government Procurement Policy Board ( GPPB) created under RA No. 9184 (Government Procurement Reform Act) in consultation with DOST, DBM, and COA shall promulgate procurement rules and regulations designed to facilitate the conduct of research, development and extension activities. Such rules and regulations shall form part of the Implementing Rules and Regulations of this Act.

Section 12. *Exemption from Customs Duties and other Taxes* – All items of equipment, supplies and materials, including vehicles for research, development and extension and related activities imported by RDIs shall be exempt from payment of custom duties or other taxes; Provided that for non-government RDIs only research equipment, supplies and materials including vehicles identified and enumerated in the approved research project shall be covered under this Section.

Likewise, specialized equipment for science and technology education shall be exempted from payment of customs duties.

Section 13. *Customs Procedures on Importation of RDE Equipment and Other Supplies and materials* – The DOST and the Department of Finance (DOF) shall establish the rules and regulations on the exemptions of taxes on the importation of RDE equipment and supplies and materials including vehicles as well as educational equipment. Such rules and regulations shall form part of the implementing rules and regulations of this Act.

There shall be established a special lane (express lane) at the Bureau of Customs in all ports of entry for imported RDE equipment, supplies and materials and the express lane mechanism shall commence from the release of imported equipment, supplies and materials from the ship/vessel. The DOST Secretary or head of the RDI whether public or private shall issue a certification that importation of equipment/instruments, supplies and materials including vehicles is necessary in the conduct of RDE activities. Accountability on the propriety of importation is vested in the head of the RDI.

Section 14. *Lease, sale or donation of research equipment by RDIs* - may lease, sell or donate research equipment and facilities that they no longer need or use but are still operable and in good working condition. All RDIs who have such equipment and facilities shall furnish the DOST a list of the equipment and facilities including their pertinent descriptions and specifications. The DOST shall establish a list of available research equipment and facilities and shall provide information to other institutions through publication or any other suitable means.

The lease, sale or donation of research equipment and facilities shall be exempt from existing laws, rules and regulations covering such lease, sale or donation.  
All incomes from the lease or sale of research equipment and facilities shall be used under SECTION 9 of this Act.

## ARTICLE V MISCELLANEOUS PROVISION

Section 15. *Implementing Rules and Regulations* – The DOST in consultation with concerned agencies of government shall formulate the implementing rules and regulations within 90 days approval of this Act.

Section 16. *Separability Clause* – If any section or provision of this Act shall be declared invalid or unconstitutional, such shall not invalidate any other section or provision of this Act.

Section 17. *Repealing Clause* – All laws, decrees, executive orders, rules and regulations or parts thereof which are in conflict with the provisions of this Act are hereby repealed or modified accordingly.

Section 18. *Effectivity* - This Act shall take effect thirty (30) days following its full publication in the Official Gazette or two (2) major newspaper of general circulation.

Approved,