

REPUBLIC OF THE PHILIPPINES
HOUSE OF REPRESENTATIVES
Quezon City

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House Bill No. **6904**



Introduced by **MAGDALO Party-List Representative**
HON. GARY C. ALEJANO

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 Under this proposed measure, Presidential Decree No. 415 shall be repealed and reinstituted as a Republic Act; the Secretary of National Defense directed to formulate and adopt a National SRDP Roadmap; and the Defense Research and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.


Rep. Gary C. Alejano

1 **SEC. 4. *Authorization to Enter into Contracts.*** – The Secretary of National Defense, in
2 behalf of the Government of the Republic of the Philippines, is hereby authorized to enter into
3 contracts, under such terms and conditions as may be agreed upon, with any natural or juridical
4 person, with or without public bidding, for the manufacture or procurement of supplies, equipment,
5 or components thereof, facilities, utilities and appurtenances thereto which are necessary for the
6 manufacture, servicing, or operating of such supplies, equipment or components thereof needed for
7 national defense and covered by the Self-Reliant Defense Program approved by the President of the
8 Philippines; Provided, that accrued interests of Bank Guarantee Deposits made with Philippine
9 Veterans Bank and Philippine National Bank (or any authorized banking institution) in favor of the
10 SRDP Defense contractors covering the amounts stipulated in above mentioned contracts shall
11 automatically be reverted to SRDP funds for utilization within the program; provided that the
12 Program of Expenditure shall be submitted to and approved by the Secretary of National Defense;
13 Provided further that these accounts have been properly accounted for and reported to the Budget
14 Commission and the Commission on Audit; any provision of law, including Section Six Hundred and
15 Seven of the Revised Administrative Code, Commonwealth Act Numbered Five Hundred Forty-one,
16 Act Numbered Four Thousand Two Hundred Thirty-Nine, Republic Act Numbered Five Thousand
17 One Hundred eighty- three and other related laws to the contrary notwithstanding.

18
19 **SEC. 5. *Incentives for Prime Contractors.*** – Foreign and local prime contractors engaged or
20 proposing to engage in the manufacture and/or fabrication of defense material for the government in
21 accordance with the SRDP may be registered and avail of the incentives under Republic Act No. 5186
22 as amended, with respect to defense industries covered by the program and listed under a
23 supplemental annual investment priority plan, upon recommendation of the Department of National
24 Defense and the National Economic Development Authority. In the interest of national security,
25 publication of the above supplemental list shall be dispensed with and the Board of Investments shall
26 adopt a special procedure in the processing of application for registration by defense contractors under
27 this Program.

28
29 **SEC. 6. *Loans.*** – For the purpose of this Act and any provision of law to the contrary
30 notwithstanding, the president of the Philippines is hereby authorized in behalf of the Republic of the
31 Philippines, to contract such loans, credits, or indebtedness including supplier's credit, deferred
32 payment arrangements upon such terms and conditions as maybe agreed upon with any local or
33 foreign source or lender not exceeding three hundred million United States dollars, or its equivalent
34 in other foreign currencies at the exchange rate prevailing at the time of the contracting of the loans,
35 credits, or indebtedness, supplier credits and deferred payment arrangements and at terms of payment

1 of not less than ten years and to enter into and conclude bilateral agreements involving other forms
2 of official assistance such as grants and commodity credit arrangement or indebtedness as may be
3 necessary with Government of foreign countries with whom the Philippines has diplomatic or trade
4 relations or which are members of the United Nations, their agencies, instrumentalities or financial
5 institutions or with reputable international organizations or non- governmental national or
6 international lending institutions or firms extending supplier's credit or deferred payment
7 arrangements; provided, that such loan, credit or indebtedness shall be incurred only after the plans
8 for such project have been prepared by the Department of National Defense and approved by the
9 President of the Philippines; provided, further, that such loans, credits or indebtedness shall be
10 incurred only when the Commissioner of Budget has certified that for the fiscal year in question,
11 funds are appropriated and programmed to meet the servicing of the external debt of the public sector,
12 including the loan, credit or indebtedness proposed to be contracted, and that the counterpart peso
13 funding requirements of the projects for which such loans, credits or indebtedness are being
14 contracted have been programmed and shall be available as and when needed for the completion of
15 the project; Provided, finally, That in contracting any loan, credit or indebtedness under this Act, the
16 President of the Philippines, when necessary may agree to waive or modify the application of any
17 law granting preferences or imposing restrictions on international public bidding.

18
19 **SEC. 7. Authorization for Lending.** – The President may authorize the lending of the
20 proceeds of such loans, credits or indebtedness to the Development Bank of the Philippines, which
21 shall administer said proceeds in accordance with the agreement with the foreign director, for
22 relending, subject to terms and conditions which the President may impose, to the principal contractor
23 or sub-contractor, to meet the direct peso costs of projects authorized under this Act; provided, that
24 the Development Bank of the Philippines shall pay the Republic of the Philippines at least the
25 principal, interest and other charges on such loans, credit or indebtedness turned over to it. The
26 Development Bank of the Philippines, with the approval of the President of the Philippines, may also
27 guarantee such loans, credits or indebtedness secured by a principal contractor or sub-contractor
28 directly from local or foreign sources to cover all or part of the cost of performance of contracts herein
29 referred to.

30
31 **SEC. 8. Debt Payment.** – Any provision of law to the contrary notwithstanding and in order
32 to enable the Republic of the Philippines to pay the principal, interest, taxes and other normal banking
33 charges on the loans, credits or indebtedness, all revenues realized from the projects financed by such
34 loans, credits or indebtedness shall be turned over in full, after deducting actual and necessary
35 expenses for operation and maintenance of said projects, to the National Treasury by the Department

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

10
11 **SEC. 9. Exemption on Taxes, Charges and Other Levies.** – Upon recommendations of the
12 Secretary of Finance in consultation with the National Economic and Development Authority and
13 approval of the President of the Philippines, loans, agreements, as well as, contracts, unless otherwise
14 falling under Section 5 of this Act, involving the availment of or utilization of the proceeds of loans,
15 credits or indebtedness obtained under the provisions of this Act, may provide for the exemption from
16 taxes, charges or other levies. Loans, credits or indebtedness incurred pursuant to this Decree, the
17 payment of the principal, interests and other charges thereon, which are secured from Government of
18 foreign countries or from lending institutions of organizations owned or controlled by said foreign
19 governments, shall be exempted from the payment of all taxes, fees, and other charges.

20
21 **SEC. 10. Developing a National SRDP Roadmap.** – The Secretary of National Defense is
22 hereby directed to adopt, as basis for the National SRDP roadmap, the strategic direction provided
23 by the Philippine Defense Transformation Program of the Department of National Defense, including
24 relevant provisions from the AFP 20-Year SRDP Strategic Plan and other appropriate improvements
25 as may be deemed necessary by the Secretary. The National SRDP Roadmap shall also assume a
26 “whole-of-nation” approach as provided for in the Philippine Development Plan (PDP) and Security
27 Sector Reform (SSR).

28
29 **SEC. 11. Defense Research and Development Agency.** –

30
31 a) Definitions. – In this section, unless the context otherwise requires—

32
33 **Agency** means the Defense Research and Development Agency (DRDA)
34 established under subsection (b);
35

1 **Board** means the board of directors of the Agency;

2
3 **Chairman** means the chairman of the board and includes any temporary
4 chairman of the board;

5
6 **Chief Executive** means the Chief Executive of the Agency appointed under
7 subsection (g) and includes any person acting in that capacity;

8
9 **Director** means the director of the board;

10
11 b) Establishment and incorporation of the Agency—

12
13 1) There is hereby established a body to be known as the Defense Research and
14 Development Agency (DRDA) which shall be a body corporate under the
15 control and supervision of the Department of National Defense, with a
16 perpetual succession and a common seal and shall, by that name, be capable
17 of—

18
19 A) suing and being sued;

20
21 B) acquiring, owning, holding, and developing or disposing of
22 property, both movable and immovable; and

23
24 C) doing and suffering all such other acts or things as a body corporate
25 may lawfully do or suffer.

26
27 c) Common seal—

28
29 1) All deeds and other documents requiring the seal of the Agency shall be
30 sealed with the common seal of the Agency and such instruments to which the
31 common seal is affixed shall be signed by any two (2) directors generally or
32 specially authorized by the Agency for the purpose or by one director and the
33 Chief Executive.

1 2) All courts, judges, and persons acting judicially shall take judicial notice of
2 the common seal of the Agency affixed to any document and shall presume
3 that it was duly affixed.
4

5 d) Board of directors of the Agency
6

7 1) There shall be a board of directors of the Agency which shall be responsible
8 for the policy and general administration of the affairs and business of the
9 Agency.
10

11 2) The board shall consist of—
12

13 A) a Chairman; and
14

15 B) not less than 8 and not more than 20 other directors as the Secretary
16 may from time to time determine.
17

18 e) Missions and functions of the Agency—
19

20 1) The Agency shall harness and exploit science and technology, and provide
21 technological and engineering support, to meet the defense and national
22 security needs of the Philippines.
23

24 2) The functions of the Agency shall be—
25

26 A) to advise the Department of National Defense on all matters relating
27 to defense science and technology;
28

29 B) to provide defense science and technology services and facilities to
30 the Department of National Defense;
31

32 C) to promote and facilitate the development of the defense science and
33 technological capabilities of the Philippines;
34

1 D) to manage the acquisition of defense systems, provide engineering
2 support for such systems, provide quality assurance and systems
3 engineering services, and forecast and assess future defense systems,
4 for the Department of National Defense;

5
6 E) to manage the acquisition of command, control, communications,
7 computer and simulation systems, develop software and provide
8 engineering support for such systems, and forecast and assess such
9 future systems, for the Department of National Defense;

10
11 F) to manage the design and development of defense buildings and
12 infrastructure, and manage the maintenance of such buildings,
13 infrastructure, and defense estates, for the Department of National
14 Defense;

15
16 G) to manage the acquisition of management information systems and
17 information technology infrastructure, and develop, maintain and
18 support such systems and infrastructure and forecast and assess future
19 developments in information technology and formulate standards, for
20 the Department of National Defense;

21
22 H) to conduct research on military medicine and perform human factors
23 engineering studies, for the Department of National Defense;

24
25 I) to manage contracts for the purchase of defense systems, spares and
26 services, maintain a catalogue of stocked items, and manage the
27 disposal of old stocks and equipment, for the Department of National
28 Defense;

29
30 J) to manage technological cooperation with other persons, and conduct
31 and manage research and development programs, for the Department
32 of National Defense;

1 K) to undertake any other activity considered necessary or desirable to
2 achieve a cost-effective defense science and technological capability in
3 the Philippines; and
4

5 L) to perform any such other functions as are conferred on the Agency
6 by any other written law.
7

8 3) The Agency may undertake such other functions as the Secretary may assign
9 to the Agency and in so doing, the Agency shall be deemed to be fulfilling the
10 purposes of this Act and the provisions of this Act shall apply to the Agency in
11 respect of such functions.
12

13 4) Nothing in this subsection shall be construed as imposing on the Agency,
14 directly or indirectly, any form of duty or liability enforceable by proceedings
15 before any court.
16

17 f) Powers of the Agency
18

19 1) The Agency shall have the power to do anything for the purpose of
20 discharging its functions under this section or under any other written law, or
21 which it may consider advantageous, necessary or convenient to the discharge
22 of those functions and, in particular, may—
23

24 A) enter into contracts for itself or the Government for defense systems,
25 facilities, technology, equipment, materials or services or for the
26 execution of works or any other contract as may be necessary for the
27 discharge of its duties and functions;
28

29 B) engage alone or in conjunction with other persons in the design and
30 development of defense systems and the provisions of systems design
31 services;
32

33 C) form or participate in the formation of any company or enter into
34 any joint venture or partnership for the purposes of this section;
35

1 D) provide technical advice, training and assistance to any government
2 body or statutory board and to defense authorities of other countries;

3
4 E) levy such charges and fees as may be reasonable for services and
5 facilities provided by the Agency;

6
7 F) provide financial loans, advances, grants, aid or assistance to any
8 person for all or any purposes of this section;

9
10 G) collect, compile, analyze and disseminate by any convenient means
11 information of a statistical nature or otherwise concerning matters
12 relating to its functions;

13
14 H) provide scholarships and training grants in the fields of defense
15 science and technology;

16
17 I) receive donations, grants, gifts, subsidies, and contributions from any
18 source and raise funds by all lawful means;

19
20 J) make provisions for gratuities, pensions, allowances or other benefits
21 for employees or former employees of the Agency; and

22
23 K) initiate, supervise, and coordinate the SRDP R&D activities of the
24 AFP, GA, and NDCP

25
26 L) do such other acts as are incidental to any of its functions or powers.

27
28 2) The Agency may, in addition to the powers vested in it by subparagraph (1),
29 exercise such other powers as the Secretary may in writing authorize the
30 Agency to exercise.

31
32 3) This subsection shall not be construed as limiting any power of the Agency
33 conferred by or under any other written law.

34
35 g) Appointment of Chief Executive—

1
2 1) The Agency shall, with the approval of the Secretary, appoint a Chief
3 Executive of the Agency on such terms and conditions as the Agency may
4 determine.

5
6 2) The Chief Executive shall—

7
8 A) be responsible to the Agency for the proper administration and
9 management of the functions and affairs of the Agency in accordance
10 with the rules and regulations laid down by the Agency; and

11
12 B) not be removed from office without the consent of the Secretary.

13
14 C) be known by such designation as the Agency may determine;

15
16 h) Funds and property of the Agency

17
18 1) The funds and property of the Agency shall consist of—

19
20 A) all moneys paid to the Agency for the purposes of the Agency;

21
22 B) all moneys paid to the Agency by way of grants, subsidies,
23 donations, gifts, and contributions;

24
25 C) all moneys received by the Agency by way of charges and fees for
26 services rendered by the Agency to any person;

27
28 D) all moneys, dividends, royalties, interest or income received from
29 any transactions made pursuant to the powers conferred on the Agency
30 under this Act;

31
32 E) all moneys borrowed by the Agency under this Act;

33
34 F) all other moneys and property lawfully received by the Agency for
35 the purposes of the Agency; and

1
2 G) all accumulations of income derived from any such moneys or
3 property.
4

5 i) Annual estimates
6

7 1) The Agency shall in every financial year annual estimates of income and
8 expenditure of the Agency for the ensuing financial year.
9

10 2) A copy of all annual estimates and supplementary estimates shall, upon their
11 adoption by the Agency, be sent forthwith to the Secretary who may approve
12 or disallow any item or portion of any item shown in the estimates, and shall
13 return the estimates as amended by the Secretary to the Agency, and the
14 Agency shall be bound thereby.
15

16 j) Annual report
17

18 1) The Agency shall, as soon as practicable after the end of each fiscal year,
19 submit to the Secretary an annual report on the activities of the Agency during
20 that fiscal year.
21

22 2) The Secretary shall send a copy of every such report to the President, Senate,
23 and House of Representatives.
24

25 k) Symbol or representation of the Agency—
26

27 1) The Agency shall have the exclusive right to the use of such symbol or
28 representation as it may select or devise and thereafter display or exhibit such
29 symbol or representation in connection with its activities and affairs; and
30

31 2) Any person who uses a symbol or representation identical with that of the
32 Agency or which so resembles the Agency's symbol or representation as to
33 deceive or cause confusion, or to be likely to deceive or to cause confusion,
34 shall be guilty of an offense and shall be liable on conviction to a fine not

1 exceeding P400,000 or to imprisonment for a term not exceeding 6 months or
2 to both.

3
4 l) *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. *Appropriations.* –**

8
9 a) The amount necessary for the implementation of the provisions provided for in
10 section (11) of this Act shall be included in the budget of the Department of National Defense
11 in the annual General Appropriations Act.

12
13 b) The amount of at least one hundred million pesos is hereby appropriated yearly
14 under the SRDP Program budget of the AFP, to carry out the provisions and purposes of this
15 Act. The Budget Commission is hereby authorized to release the amount to the Department
16 of National Defense upon request thereof.

17
18 **SEC. 13. *Repealing Clause.* –** Presidential Decree No. 415 is hereby repealed. All other
19 provisions of existing laws, orders, and regulations contrary to, or inconsistent with this Act are
20 hereby repealed or modified accordingly.

21
22 **SEC. 14. *Separability Clause* –** If any provision, section or part of this Act shall be declared
23 unconstitutional or invalid, such judgment shall not affect, invalidate or impair any other provisions,
24 sections or parts thereof.

25
26 **SEC. 15. *Effectivity.* –** This Act shall take effect immediately

Approved,