



NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

23 MAR 23 P2:44

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SENATE
S.B. No. **2046**

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
REVITALIZING AND STRENGTHENING THE SELF-RELIANT
DEFENSE POSTURE PROGRAM TO ADDRESS EXTERNAL AND INTERNAL
SECURITY THREATS AND CHALLENGES TO NATIONAL DEVELOPMENT,
INCLUDING PANDEMICS AND PROMOTING THE DEVELOPMENT OF A
NATIONAL DEFENSE INDUSTRY PUSUANT THERETO AND PROVIDING
FUNDS THEREFOR

EXPLANATORY NOTE

Article II, Section 3 of the 1987 Constitution provides that "the Armed Forces of the Philippines is the protector of the people and the State. Its goal is to secure the sovereignty of the State and the integrity of the national territory." Article XIV, Section 12 further provides that "the State shall regulate the transfer and promote the adaptation of technology from all sources for the national benefit. It shall encourage the widest participation of private groups, local governments and community-based organization of science and technology."

In recent years, the rivalry between the People's Republic of China and the United States of America has reached an all-time high and the relationship between both global superpowers has hit a new low. This rivalry continues to fuel the already escalated tensions within the Indo-Pacific Region, placing the Philippines in a precarious situation militarily and economically.

Further, the threat of technological and cyber warfare continue to highlight the need for more advanced cyber security to protect the State. Moreover, our vulnerability to outbreaks and biological warfare has been brought to the forefront by the CoVID-19 pandemic.

In light of these, in order to prepare and adapt to the evolving external and internal security threats in the 21st century and the shifting pronouncements of defense alliances between and among nations, it is imperative that the country should revitalize and strengthen its goal for self-reliance in defense.

The country's pursuit to modernize the Armed Forces of the Philippines, through the AFP Modernization Act (R.A. No. 7898, as amended), and its efforts to

achieve a minimum credible defense posture are monumental steps towards establishing a credible armed force to secure our sovereignty and the integrity of the national territory. However, the country remains heavily reliant on foreign governments, foreign defense contractors, and foreign suppliers to provide, mostly by purchase, the necessary hardware, weaponry or materiel, thereby contributing to the depletion of our foreign exchange reserve and squeezing further our budgetary constraints. Certainly, the revival and strengthening of the Self-Reliance Defense Posture (SRDP) Program will be a big boost to our modernization effort and in sustaining a credible Armed Forces of the Philippines. In fact, during the early years of the implementation of the SRDP program under Presidential Decree No. 415, which was issued on March 19, 1974, the program was able to manufacture armaments such as the M16 Assault Rifle, 60mm Mortar Tube, 81mm Mortar Tube and gun barrels; ammunitions like 5.56mm ammunition. Hand grenade MKII, and 81mm Mortar Ammunition. The country was also able to produce vehicles like the jiffy jeeps, mini cruisers, hovercraft, speed boats, marcelo boats, PCF, LCVP and whale boat.

This bill seeks to revitalize and strengthen the Self-Reliant Defense Posture (SRDP) program with the principal goal of accelerating the establishment of a defense industry in the country that will adequately address the requirements for the desired defense buildup and with maximum utilization of indigenous materials. The bill likewise seeks to capitalize on the recent amendments brought about by R.A. No. 11647 to the Foreign Investments Act of 1991. Under the amended Foreign Investments Act, foreign nationals may now manufacture defense armaments in the Philippines without the need for such armaments to have a "substantial export component." Finally, the coverage of the SRDP shall be expanded to also address non-military challenges that are regarded as serious threats to national development, such as calamities, cyber-terrorism and pandemics.

For the foregoing reasons, the passage of this bill is earnestly sought.

Imee H. Marcos
IMEE R. MARCOS



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

1 **SECTION 1. Short Title.** – This Act shall be known as the "Self-Reliance
2 *Defense Program Revitalization Act*".
3

4 **SEC. 2. Declaration of Policy.** – The State recognizes the important role of a
5 self-reliant defense posture in national development. Thus, there is a need to
6 revitalize the self-reliance defense posture program amidst the growing and
7 imminent external and internal security threats and other challenges to national
8 development, including pandemics.
9

10 The State also recognizes the dynamic nature of the security environment,
11 necessitating a drastic upgrade of defense capabilities to address conventional
12 warfare and evolving security threats such as terrorism, insurgency, illegal drugs,
13 natural calamities and public health emergencies. It is imperative that the
14 government agencies tasked to defend against these varied threats have adequate
15 and consistent access to materiel necessary to upgrade and sustain their capabilities.
16 The State also acknowledges that domestic innovation will jumpstart local
17 industrialization. Finally, the State recognizes the potential of the defense industry in
18 generating employment opportunities and spurring the growth of in-country
19 entrepreneurship.
20

1 Therefore, it is the policy of the State to ensure that the development,
2 production, assembly, repair, maintenance, or operation of materiel shall be done
3 within the country to the extent possible.
4

5 **SEC. 3.** Definition of Terms. – As used in this Act:
6

7 (a) *Countertrade* refers to international trade by exchange of goods rather
8 than by currency purchase;

9 (b) *Critical components* refer to components, systems, subsystems, and
10 related special tooling and test equipment essential to the production,
11 assembly, repair, maintenance, or operation of a weapon system or other
12 items or equipment covered by this Act.

13 (c) *In-country enterprise* refers to a Filipino-owned enterprise engaged in the
14 manufacturing, assembly, servicing, and operation of materiel in the
15 Philippines, or to a foreign-owned enterprise engaged in the manufacturing,
16 assembly, servicing and operation of materiel, and which has located a
17 substantial portion of its production activities within the Philippines;

18 (d) *Defense Materiel* refers to military technology, weapon systems, arms,
19 ammunition, combat clothing, armor, vehicles, and other similar military
20 equipment and materials;

21 (e) *Disaster-response Materiel* refers to materials, equipment, machineries,
22 and vehicles necessary to respond to calamities and disasters as well as those
23 needed to address public health emergencies such as pandemics.

24 (f) *SRDP participant* refers to an in-country enterprise that is participating in
25 one or more SRDP projects.
26

27 **SEC. 4.** *Self-Reliant Defense Posture Revitalization Council.* – There is hereby
28 created a Self-Reliant Defense Posture Revitalization Council (Council) under the
29 administrative supervision of the Office the President. The Council shall serve as the
30 policy making body and shall oversee the implementation of the revitalized self-
31 reliance defense posture programs.
32

33 **SEC. 5.** *Composition of the Council.* – The council shall be composed of the
34 Secretary of National Defense (DND) as its Chairman and the Secretary of the
35 Department of Interior and Local Government (DILG) as its Vice-Chairman, and shall
36 further be composed of the following officials as members:

- 37 a) Secretary of the Department of Foreign Affairs (DFA);
38 b) Secretary of the Department of Finance (DOF);
39 c) Secretary of the Department of Science and Technology (DOST);
40 d) Secretary of the Department of Budget and Management (DBM);
41 e) Secretary of the National Economic Development Authority (NEDA)

- 1 f) Secretary of the Department of Health (DOH);
2 g) Secretary of the Department of Information and Communication
3 Technology (DICT);
4 h) Chief of the Philippine National Police (PNP);
5 i) Chief of Staff of the Armed Forces of the Philippines (AFP);
6 k) The National Security Adviser; and
7 l) Three representatives from the private local defense sector appointed
8 by the President
9 The Council shall meet at least once every month.

10
11 **SEC. 6. *The Executive Committee.*** – The Council shall form an Executive
12 Committee that shall be composed of the Chairperson of the Council and four
13 members thereof, one of whom shall be a representative from the private sector.
14 The Council may delegate to the Executive Committee such functions and powers as
15 may be necessary to effectively and expediently implement the provisions of this
16 Act. As used in this Act, the term “Council” shall be understood to refer to the
17 Executive Committee if the particular function, power, or obligation to which such
18 term relates has been delegated by the Council to the Executive Committee.

19
20 **SEC. 7. *The Secretariat of the Council.*** – The Council shall have a Secretariat
21 to be headed by an Executive Director. The staffing pattern of the secretariat shall
22 be formulated by the Council, subject to the approval of the DBM, in accordance
23 with Executive Order No. 292, otherwise known as the “Administrative Code of
24 1987”: *Provided, That*, the Secretariat shall have the following divisions which shall
25 each to be headed by a Director having a rank of Director IV:

- 26
27 a) Research and development division;
28 b) Technology transfer division;
29 c) Project compliance monitoring division;
30 d) Administrative division; and
31 e) Audit division

32
33 The Council may, upon the recommendation of the Secretariat, create new
34 divisions as may be necessary.

35
36 The Secretariat may engage the professional or technical services of
37 consultants with proven expertise in engineering, weapons and materiel
38 development, materiel assembly and production, and similar fields.

39

1 **SEC. 8. *Functions of the Council and the Secretariat.*** – The Council shall be
2 the policy-making body for the SRDP and for the development of the defense
3 industry.

4
5 The Secretariat shall advise the Council in the formulation of policies. In
6 addition, the Secretariat shall carry out the following tasks:

- 7
8 a. Manage and administer a databank for analysis;
- 9 b. Conduct research and development, either independently or together with
10 other government agencies and/or private entities, of materiel under the SRDP
11 program. The Secretariat may outsource research and development projects to
12 reputable local colleges, universities, and research institutions, provided that the
13 necessary security clearances and confidentiality safeguards are first secured and
14 instituted in accordance with the guidelines and regulations issued by the Council;
- 15 c. Coordinate the conduct of research, design, development, assembly,
16 and/or production by government agencies and/or private entities of materiel under
17 the SRDP programs;
- 18 d. Facilitate technology transfer from foreign entities to the Government or to
19 Filipino enterprises
- 20 e. Establish or facilitate the establishment of public-private partnerships for
21 the research, design, development, assembly, and/or production of materiel under
22 SRDP programs;
- 23 f. Set up domestic and foreign collaborations;
- 24 g. Advise and recommend to the Council policies, rules and regulations on all
25 matters pertaining to SRDP and the defense industry;
- 26 h. Formulate specific SRDP projects for the design, development, production,
27 and/or assembly of materiel listed in the SRDP Program;
- 28 i. Perform such duties mentioned under this Act.

29
30 **SEC. 9. *Self-Reliant Defense Posture (SRDP) Program.*** – The Council shall
31 formulate a revitalized Self-Reliant Defense Posture Program to address the short,
32 medium, and long-term needs of the State for defense and disaster-response
33 materiel under the following guidelines:

34
35 a) It shall be designed to provide as much advantage to in-country
36 enterprises as possible, stimulate local labor, and help save on foreign currency
37 exchange.

38
39 b) It shall incentivize manufacturers to start or relocate production or
40 assembly of materiel into the country and to transfer defense and disaster-response

1 technology to the Philippines while ensuring that local defense manufacturers and
2 assemblers are amply protected against unfair competition.

3
4 c) It shall endeavor to ensure that the Philippines has sufficient access to
5 resilient supply chains of materiel or critical components thereof deemed crucial to
6 national security.

7
8 d) It shall ensure aggressive research and development undertakings by
9 the Secretariat, the member agencies of the Council, and private entities involved in
10 particular projects under the SRDP program and the utilization of new and advanced
11 technologies for the purpose of upgrading existing inventory of equipment and
12 weapons systems.

13
14 e) It shall encourage local innovative councils, invention societies,
15 universities, and other institutions of higher learning to participate actively in the
16 furtherance of science-based industrialization and shall provide the necessary
17 research grants and development subsidies to participants of the program.

18
19 f) It shall complement the Philippine Development Plan and be aligned with
20 the National Security Policy. It shall identify the current status of the country, its
21 objectives and the measures to be taken to achieve the objective. It shall define
22 development horizons to give time to the private industry to acquire the expertise
23 and technology required to respond to a future government request for products.

24
25 g) It shall be aligned with the objectives of the Philippine Innovation Act
26 enacted on April 2019 particularly on the specific objective of strengthening and
27 deepening interactions and partnerships among different actors from the public and
28 private sector, academe, MSMEs, research and development institutions, and
29 communities towards promoting inclusive growth and improving the quality of life
30 through innovation.

31
32 h) It shall contain, as far as practicable, a list of defense and disaster-
33 response materiel that will be covered by the program. It will likewise specify the
34 materiel that the Government or Government-owned and controlled corporations will
35 produce on their own, those that will be co-developed with private entities, and
36 those that will be farmed out in whole to private industry. It shall identify specific
37 areas where prospective local and foreign-owned in-country enterprises can
38 participate in, in support of attaining the overarching national goal of attaining a
39 self-reliant defense posture.

40

1 **SEC. 10. *Formulation of projects under the SRDP Program.*** – The Secretariat
2 shall formulate specific projects for the development and production of each of the
3 defense and disaster-response materiel listed in the SRDP Program.
4

5 If the materiel in question is one which the Government will develop,
6 produce, assemble, service, or operate by itself, the lead agency or lead
7 government-owned and controlled entity that will implement the development and
8 production plan shall collaborate with the Secretariat in the formulation of aforesaid
9 project.
10

11 If the materiel is one which will be developed, produced, assembled, serviced,
12 and/or operated with private entities or one whose development, production,
13 assembly, servicing, or operation will be farmed out in whole to the private sector,
14 the Secretariat shall publish in two newspapers of general circulation and on its
15 website the criteria and qualifications for participants of the project, the details and
16 mechanics of the SRDP project in question, and the terms and conditions for
17 participation in the project: Provided, however, That the Secretariat shall not publish
18 details, specifications, and such other information that must be kept confidential by
19 reason of national security.
20

21 **SEC. 11. *Implementation of projects under the SRDP.*** – No SRDP project
22 formulated by the Secretariat may be implemented without the approval of the
23 President, upon the recommendation of the Council.
24

25 For projects involving materiel that will be developed, produced, assembled,
26 serviced, and/or operated solely by the Government, the lead agency or lead
27 government-owned and controlled entity shall be primarily responsible for
28 implementing and completing the project: Provided, That, it shall be the
29 responsibility of the Secretariat to provide the lead agency or entity with the
30 research and development assistance should it become necessary, either through
31 the Secretariat's own resources or through other government agencies and entities
32 directed by the Secretariat to render such assistance.
33

34 For projects conducted jointly by a government agency or entity and private
35 enterprises, both shall be equally responsible for the implementation and completion
36 of the same: Provided, That the responsibility of the Secretariat under the preceding
37 paragraph shall likewise apply hereto.
38

39 For projects conducted solely by private entities, the implementation and
40 completion of the same shall be the responsibility of said private entities: *Provided,*
41 *That* the Secretariat shall exercise supervision and monitoring for the entire duration

1 of the project; *Provided further*, That the Secretariat shall, when circumstances
2 warrant, extend development and research assistance.

3
4 **SEC. 12.** *AFP Modernization and SRDP.* – In formulating the list of defense-
5 related materiel that will be covered by the SRDP Program, the Council shall ensure
6 that at least fifty percent (50%) of the weapons, equipment, vehicles, and other
7 materiel that shall be developed, manufactured, assembled, or serviced are among
8 those listed or critical components of those listed for acquisition by the Armed Forces
9 of the Philippines (AFP) under the Revised AFP Modernization Program and its
10 subsequent extensions or amendments, if any.

11
12 **SEC. 13.** *Enhancing the Capability and Readiness of Government Agencies to*
13 *Respond to Disasters and Public Emergencies through the SRDP Projects.* – In
14 formulating the list of disaster-response materiel under the SRDP Program, the
15 Council shall take into account the requirements of the DILG, the DND, the DOH, the
16 local government units, and other government agencies involved in disaster-
17 response in order to enhance their capability and readiness to effectively and safely
18 respond to disasters and public health emergencies.

19
20 These projects shall, whenever necessary, be accompanied by the
21 organization, training, and capacity building of special units of the government
22 agency or agencies that will be the end-users of such materiel.

23
24 **SEC. 14.** *Development of Technology and Systems to Counter*
25 *Unconventional Threats.* – The Council shall ensure that there shall be materiel
26 under the SRDP Program that are designed to develop defense and/or disaster-
27 response materiel that are necessary to effectively defend against or respond to
28 chemical, biological, radiological, nuclear, and cyber-attacks or incidents. The
29 Council shall likewise see to it that the DND, AFP, and any other government agency
30 that may be involved in responding to such attacks or incidents upgrade and
31 capacitate its special units tasked on chemical, biological, radiological and nuclear
32 emergency response and risk mitigation.

33
34 **SEC. 15.** *Government Arsenal Modernization.* – The Government Arsenal
35 shall be modernized and the Government Arsenal Defense Industrial Estate shall be
36 developed into an industrial base to serve as the take-off point for the revitalization
37 of the SRDP program.

38
39 The Secretary of National Defense shall implement a Master Development
40 Plan to modernize the Government Arsenal and fully develop the Government
41 Arsenal Defense Industrial Estate.

1 **SEC. 16.** *Modernization of the Philippine Aerospace Development*
2 *Corporation.* – The Council shall formulate a program for the Modernization of the
3 Philippine Aerospace Development Corporation (PADC) to the end that the PADC
4 shall be able to provide world-class support services and research for aerospace
5 development and that it will be able to participate in the production, repair,
6 assembly, and/or maintenance of air assets under the SRDP.

7
8 **SEC. 17.** *Participation of the Local Industry Sector.* – The local industry
9 sector representatives shall be consulted and tapped in the development and
10 implementation of the SRDP program to ensure alignment of defense and disaster-
11 response outcomes with industry requirements and add value qualifications within
12 the workplace.

13
14 An institutionalized framework to operationalize a government - private sector
15 partnership shall be established that will include guidelines in the creation of
16 memoranda of understanding for liaising between government/defense entities and
17 private sector stakeholders.

18
19 **SEC. 18.** *Exemptions from the Government Procurement Reform Act.* –
20 Notwithstanding the provisions of Republic Act 9184, otherwise known as the
21 Government Procurement Reform Act, and its implementing rules and regulations,
22 the Government, upon advice of the Council, may enter into contracts, under such
23 terms and conditions as may be agreed upon, with or without public bidding, for the
24 procurement, manufacture, delivery, assembly, servicing, or operation of facilities,
25 equipment, machineries, material, or components thereof that are necessary to
26 conceptualize, design, manufacture, assemble, service, operationalize, or service the
27 SRDP projects listed in the program: Provided, That the Secretariat shall certify that
28 the consideration for such contracts is not excessive under the circumstances.

29
30 The Government may likewise procure, with or without public bidding,
31 weapons, ammunition, systems, vehicles, equipment, and other materiel developed,
32 manufactured, or assembled under SRDP or by in-country enterprises, provided the
33 following circumstances are present:

34
35 a. The Secretariat shall certify that the weapon, ammunition, system, vehicle,
36 equipment, or other materiel that will be procured was developed, manufactured, or
37 assembled under the SRDP or by an in-country enterprise; that a substantial portion
38 thereof, as defined by the Secretariat, was developed, manufactured, or assembled
39 in the Philippines; and that the price of such weapon, ammunition, system, vehicle,
40 equipment, or materiel is not excessive;

41

1 b. The payment of the purchase/contract price shall be in Philippine Peso; and

2

3 c. The end user shall certify that such weapon, ammunition, system, vehicle,
4 equipment, or other materiel is at least of similar quality and effectiveness as those
5 manufactured by other countries and, if applicable, that the same will be
6 interoperable with existing weapons, systems, equipment, or other materiel;

7

8 The procurement or engagement of professional or technical services by the
9 Secretariat authorized under Section 6 of this Act shall likewise be exempted from
10 the provisions of R.A. No. 9184 and its implementing rules and regulations.

11

12 Finally, insofar as the procurements under this under this Act involve and
13 affect national security, the disclosure of the specific components of the
14 procurement documents, such as, but not limited to, the technical specifications,
15 requirements, and components, shall be dependent upon the head of the procuring
16 entity having due regard to the nature, classification, sensitivity and confidentiality
17 of the relevant documents.

18

19 **SEC. 19. Preference for in-country enterprises.** – In the event of a public
20 bidding for the manufacture, assembly, servicing or operation of materiel or
21 components thereof, in the evaluation of the criteria on price, when comparing
22 foreign enterprises with in-county enterprises, regardless whether such in-country
23 enterprise is an SRDP participant, the following shall be observed:

24

25 a. If the pubic bidding utilizes the standard of lowest calculated and
26 responsive bid, the bids of in-country enterprises shall be considered as having a
27 price less than that proposed by foreign enterprises as long as such bids shall not be
28 more than fifteen percent (15%) in excess of the bid of such foreign enterprise; and

29

30 b. In the event a public bidding utilizes the standard of highest rated bid, bids
31 of in-country enterprises shall be considered as having won the criteria of price as
32 long as its bid shall not be more than fifteen percent (15%) in excess of the bid of
33 such foreign enterprise

34

35 **SEC. 20. Other exemptions for SRDP participants and in-country enterprises.**
36 – The requirement under Section 4 (b) of Republic Act 7898, as amended, that
37 major equipment and weapons system that shall be purchased by the government
38 must be used by the armed forces in the country of origin or used by the armed
39 forces of at least two countries shall not apply to weapons, equipment, vehicle, and
40 other materiel produced by SRDP participants and in-country manufacturers. SRDP

1 participants and in-country enterprises shall also be exempt from the SLCC
2 requirement.

3
4 **SEC. 21. *Sale by SRDP participants and in-country enterprises of materiel.*** –
5 The sale by SRDP participants and in-country manufacturers of materiel produced in
6 the country to any entity other than the National Government or any of its agencies
7 must first be approved by Council. The Council may only deny approval of such sale
8 on the ground that the same will be prejudicial to national security or that it will be
9 violative of international law obligations of the Philippines. Unjustified failure of the
10 Council to approve or reject such sale within sixty (60) days from submission of the
11 request for permission to sell shall be deemed an approval thereof.

12
13 **SEC. 22. *Intellectual Property Office Special Lane.*** – The Intellectual Property
14 Office shall establish a special lane to handle applications for patents, industrial
15 designs, copyrights, and similar applications involving sensitive military and defense
16 technologies, inventions, processes, and software in order to fast-track the
17 evaluation and approval process and to ensure that confidential information
18 pertaining to such applications are properly safeguarded.

19
20 **SEC. 23. *The National Defense Industry.*** – For the interest of the nation, and
21 as an anchor of the SRDP, a National Defense Industry shall be developed in
22 accordance with the following objectives:

23
24 a. To develop the defense capability of the country and the development
25 support and security operations capability of the AFP, the State shall give preference
26 to in-country enterprises, allocating substantial resources and manpower to defense
27 research, utilizing to the fullest the country's natural resources as the source of the
28 country's defense and security needs, and providing relevant technical and financial
29 assistance to the private sector;

30
31 b. The State shall rely primarily on defense and security articles that are
32 being produced, manufactured or developed by in-country enterprises. The State
33 shall only use materiel from foreign sources when such materiel cannot be locally
34 produced, manufactured or otherwise competitive to international standard;
35 Provided that, importation from such foreign sources shall be for the ultimate
36 objective of acquiring technology for the production of such unavailable materiel;

37
38 c. In order to reduce foreign exchange outflow, generate local
39 employment opportunities, and enhance technology transfer to the Philippines, the
40 Secretary of National Defense shall, as far as practicable, incorporate special foreign
41 exchange reduction schemes and countertrade, in-country manufacture co-

1 production, or other innovative arrangements or combinations thereof in all
2 contracts and agreements for the manufacturing and servicing of materiel;

3
4 d. To support the development of advanced and frontier technology
5 products relevant to national defense and security manufactured by in-country
6 entrepreneurs;

7
8 e. To win the commitment of private sector stakeholders to the long
9 gestation period associated with building a viable defense and security industry; and

10
11 f. For defense and security materiel developed by or with the private
12 sector, the Government shall promote the export of locally-made materiel to other
13 countries, whether civilian or military, for an expanded market and shall provide
14 financial marketing support for such promotion to ensure the sustainability of the
15 local defense industry.

16
17 **SEC. 24. Incentives.** – (a) Any provision of law to the contrary
18 notwithstanding, foreign or local enterprises engaged or proposing to engage in the
19 development, manufacture, assembly, servicing and/or operation of materiel for
20 Government may be registered with the Board of Investments and may avail of the
21 incentives under R.A. 11534: Provided, That, such enterprises shall locate a
22 substantial portion of its development process, manufacturing, assembly, or
23 servicing in the country.

24
25 The development, manufacture, assembly, servicing and/or operation of
26 materiel shall be included in the Strategic Investment Priority Plan every year by
27 operation of law after the effectivity of this Act until otherwise removed by the Board
28 of Investments or the President; Provided, That the removal of manufacturing,
29 servicing, and/or operation of materiel from the Plan subsequent to the effectivity of
30 this Act shall not be interpreted as a bar or restriction on the Board of Investments
31 from later including the manufacturing, servicing and/or operation of materiel in the
32 Plan.

33
34 In the interest of National Security, the Board of Investment shall adopt a
35 special procedure in the processing of applications for registration by enterprises in
36 the Industry and offering goods and services to the Government.

37
38 (b) Government financial institutions are highly encouraged to support the
39 Industry by formulating and extending financial products that would benefit its
40 hastened development.

41

1 (c) In addition to the incentives under existing laws, in-country enterprises
2 engaged in the development, manufacture, assembly, servicing and/or operation of
3 materiel registered with the Board of Investment shall enjoy exemption from
4 customs duties and national internal revenue taxes payable on the importation of
5 raw materials and critical components imported for the purpose of developing,
6 manufacturing, assembling, servicing, and/or operating such materiel.

7
8 **SEC. 25. Reportorial Requirements.** – The Council shall, not later than the
9 end of the first quarter of the succeeding year, submit to the President and the
10 Congress:

- 11
12 a) An annual report on the acquisitions made under this Act;
13 b) Status of local defense industry indicating therein information, such as, but
14 not limited to, the total number of in-country enterprises, the total value and volume
15 of materiel produced by in-country enterprises, and the total Filipinos employed by
16 in-country enterprises.
17 c) Status of SRDP projects
18 d) Copies of multi-year contracts and other agreements entered into by the
19 Government for the acquisition of materiel

20
21 The NEDA shall submit to Congress not later than June 30 of each year an
22 annual review of the status of all acquisitions under this Act, identify causes of
23 delays, the reasons for bottlenecks, actual and prospective cost overruns, as well as
24 its findings on the continued viability of the SRDP and the defense industry. NEDA
25 shall likewise develop a Key Performance Indicator in the Philippine Development
26 Plan that will reflect the condition of the capability of the defense industry to provide
27 the military the defense equipment, materiel, and systems that are essential for it to
28 perform its mandate.

29
30 The Commission on Audit (COA) shall conduct an audit on each ongoing and
31 completed SRDP projects and all acquisitions under this Act.

32
33 **SEC. 26. Congressional Oversight Committee.** – There is hereby created a
34 Congressional Oversight Committee to monitor progress of the implementation of
35 the provisions of this Act. The Committee shall, among others, in aid of legislation
36 monitor and ensure the implementation of this Act.

37
38 The Committee shall be composed of six (6) members of the Senate and six
39 (6) members of the House of Representatives with the Chairpersons of the
40 Committees on National Defense and Security of both Houses as Joint Chairpersons.
41 The five (5) members from each Chamber shall be designated by the Senate

1 President and the Speaker of the House of Representatives, respectively. The
2 Minority shall have one (1) representative from both Chambers.

3
4 **SEC. 27. Appropriations.** – The sum of One billion pesos
5 (P1,000,000,000.00) is hereby appropriated as initial fund to carry out this Act,
6 taken from the current fiscal year's appropriation of the AFP modernization fund.
7 Thereafter, the amount needed for the implementation of this Act shall be included
8 in the General Appropriations Act.

9
10 **SEC. 28. Implementing Rules and Regulations.** – Within sixty (90) days
11 from the effectivity of this Act, Council shall promulgate the necessary rules and
12 regulations for the effective implementation of this Act. The Secretariat may likewise
13 promulgate the necessary rules and regulations for formulation, implementation, and
14 evaluation of SRDP projects and for the issuance of the certifications it is required to
15 issue in appropriate circumstances under this Act.

16
17 **SEC. 29. Separability Clause.** – Should any provision herein be declared
18 unconstitutional, the same shall not affect the validity of other provisions of this Act.

19
20 **SEC. 30. Repealing Clause.** – All laws, decrees, orders, rules, and
21 regulations or other issuances of parts inconsistent with the provisions of this Act are
22 hereby repealed or modified accordingly.

23
24 **SEC. 31. Effectivity.** – This Act shall take effect fifteen (15) days after its
25 publication in the *Official Gazette* or in any two (2) newspapers of general circulation
26 in the Philippines.

Approved,