

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

23 SEP 27 P5:20

RECEIVED BY: 

SENATE

COMMITTEE REPORT NO. 153

Submitted jointly by the Committees on National Defense and Security, Peace, Unification and Reconciliation; Ways and Means; and Finance on SEP 27 2023

RE: Senate Bill No. 2455

Recommending its approval in substitution of Senate Bill Nos. 315, 505, 682 and 2046

Sponsor: Senator Jinggoy Ejercito Estrada

MR. PRESIDENT:

The Committees on National Defense and Security, Peace, Unification and Reconciliation; Ways and Means; and Finance, to which were referred **Senate Bill No. 315**, introduced by Senators Juan Miguel F. Zubiri, Joel Villanueva and Loren Legarda 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 THEREFOR.”

Senate Bill No. 505, introduced by Senator Ramon Bong Revilla, Jr., entitled:

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

Senate Bill No. 682, introduced by Senator Jinggoy Ejercito Estrada, 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 THEREFOR”**

and **Senate Bill No. 2046**, introduced by Senator Imee R. Marcos, entitled:

**“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”**

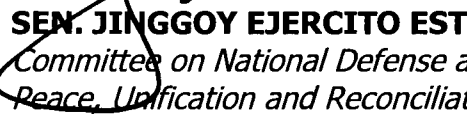
have considered the same and have the honor to report them back to the Senate with the recommendation that the attached **Senate Bill No. 2455** prepared by the Committees, entitled:

**"AN ACT
REVITALIZING AND STRENGTHENING THE SELF-RELIANT DEFENSE
POSTURE PROGRAM AND PROMOTING THE DEVELOPMENT OF A
NATIONAL DEFENSE INDUSTRY PURSUANT THERETO AND
PROVIDING FUNDS THEREFOR"**

be approved in substitution of Senate Bill Nos. 315, 505, 682 and 2046 with Senators Zubiri, Revilla, Jr., Ejercito Estrada, Marcos, Gatchalian, Villanueva and Legarda as authors thereof.

Respectfully Submitted:

Chairpersons


SEN. JINGGOY EJERCITO ESTRADA
*Committee on National Defense and Security,
Peace, Unification and Reconciliation;
Vice Chairperson, Committee on Finance*

SEN. WIN GATCHALIAN

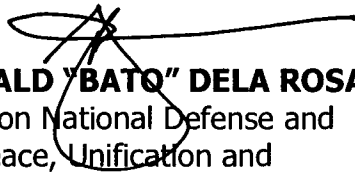
*Committee on Ways and Means;
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SEN. SONNY ANGARA

*Committee on Finance;
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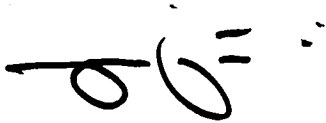
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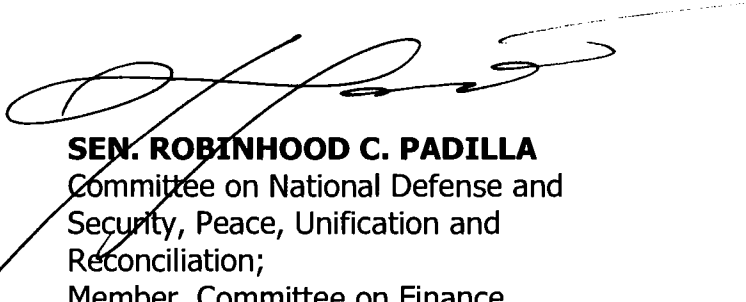
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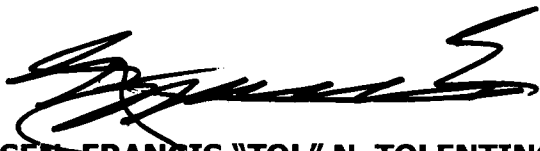
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SEN. GRACE POE *may amend or interpolate*
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SEN. ALAN PETER "COMPAÑERO" S. CAYETANO

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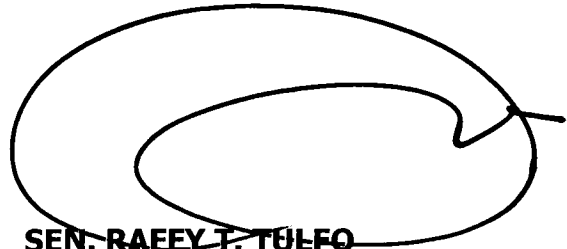
SEN. FRANCIS G. ESCUDERO

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SEN. MANUEL "LITO" M. LAPID

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SEN. RAFFEY T. TULFO

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Committee on Finance

Ex Officio Members



SEN. LOREN LEGARDA
President Pro Tempore
Senior Vice Chair, Committee on Finance

“will interpellate”



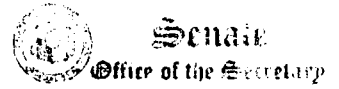
SEN. JOEL VILLANUEVA
Majority Leader



**SEN. AQUILINO "KOKO"
PIMENTEL III**
Minority Leader

HON. JUAN MIGUEL F. ZUBIRI
Senate President

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



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SENATE

S. B. No. 2455

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(In Substitution of Senate Bill Nos. 315, 505, 682 and 2046)

Prepared and submitted jointly by the Committees on National Defense and Security, Peace, Unification and Reconciliation joint with the Committees on Ways and Means and Finance with Senators Zubiri, Revilla, Jr., Ejercito Estrada, Marcos, Gatchalian, Villanueva and Legarda as authors thereof

AN ACT

REVITALIZING AND STRENGTHENING THE SELF-RELIANT DEFENSE POSTURE PROGRAM AND PROMOTING THE DEVELOPMENT OF A NATIONAL DEFENSE INDUSTRY PURSUANT THERETO AND PROVIDING FUNDS THEREFOR

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

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

3 Sec. 2. *Declaration of Policy.* — It shall be the policy of the State to serve and
4 protect its people and sovereignty at all times. The State also recognizes the important
5 role of a self-reliant defense posture in national defense. Thus, it is imperative to
6 revitalize the country's self-reliance defense posture program and to fully harness the
7 potential of the defense industry at a time where security threats are imminent and
8 continue to evolve.

9 Towards this end, the State shall undertake to develop the defense industry
10 and its capability to locally produce advanced weaponry and equipment for its armed
11 forces through technology transfer, partnerships with and incentivizing the private
12 sector.

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

- 1 (a) *Acquisition* refers to the process of procuring technologies, programs, and
2 product support that are necessary for national defense and security, in order
3 to support the armed forces of the country. It shall include the acquisition of
4 raw material, critical components, and materiel;
- 5 (b) *Critical Components* refer to components, subsystems, systems, and related
6 special tooling and test equipment essential to the production, repair,
7 maintenance, operation of weapon systems or other items of equipment
8 identified as being essential to the execution of any national defense and
9 national security strategy;
- 10 (c) *Defense materiel* refers to military technology, weapon systems, arms,
11 ammunition, combat clothing, armor, vehicles, and other similar military
12 equipment and materials;
- 13 (d) *Highest Rated Bid* refers to the offer with the highest calculated rating based
14 on criteria which shall include but not limited to capability, quality, timeliness
15 of delivery, life cycle cost, after-sales support, transfer of technology, warranty,
16 perquisites and price;
- 17 (e) *In-country Enterprises* refer to either Filipino-owned or foreign-owned
18 enterprises engaged in manufacturing, servicing, and operation of materiel in
19 the Philippines. For foreign-owned enterprises, a substantial portion of their
20 production must be located within the Philippines;
- 21 (f) *Integrated Logistics Support* refers to an integrated and iterative process for
22 developing materiel and support strategy that optimizes functional support,
23 leverages existing resources, and guides the system engineering process to
24 quantify and lower life cycle cost and decrease logistics footprint, making the
25 system easier to support;
- 26 (g) *Minimum Local Content* refers to the minimum percentage of intermediate
27 goods used in the manufacturing processes to be sourced from in-country
28 enterprises;
- 29 (h) *Operating* refers to the process of functioning or operating of materiel or
30 facilities, utilities and appurtenances thereto which are necessary for the
31 manufacturing, servicing or operating of the materiel or its components;

1 (i) *Plan* refers to the Investment Priorities Plan as provided in Executive Order No.
2 226 or the "Omnibus Investment Code of 1987," as amended;

3 (j) *Servicing* refers to the process of maintaining, repairing or overhauling materiel.

4 *Sec. 4. Creation of the Office of the Undersecretary for Defense Technology*
5 *Research and Industry Development.* – The Office of the Undersecretary for Defense
6 Technology Research and Industry Development shall be created within the
7 Department of National Defense (DND). It shall be headed by an officer with the rank
8 of Undersecretary, assisted by an Assistant Secretary, both to be appointed by the
9 President of the Philippines.

10 *Sec. 5. Powers and Functions of the Office of the Undersecretary for Defense*
11 *Technology Research and Industry Development.* – The Office shall have the following
12 powers and functions:

- 13 (a) Manage and administer a databank for analysis;
- 14 (b) Conduct research and development;
- 15 (c) Facilitate technology transfer;
- 16 (d) Promote the defense industry;
- 17 (e) Establish public-private partnerships;
- 18 (f) Set-up domestic and foreign collaborations; and
- 19 (g) Recommend and advise the Secretary on policies, rules, and regulations for
20 the development of the National Defense Industry and the implementation
21 of this Act.

22 *SEC. 6. Self-Reliant Defense Posture (SRDP) Program.* — The DND, through the
23 Office of the Undersecretary for Defense Technology Research and Industry
24 Development, shall formulate and implement the SRDP program to revitalize the
25 defense industry and address the short, medium, and long-term needs for defense
26 materiel. The following shall be the guiding principles in formulating the program:

- 27 (a) It shall be designed to be advantageous to in-country enterprises, generate
28 and prioritize local employment, and contribute to foreign currency
29 exchange savings;
- 30 (b) It shall incentivize manufacturers to establish or relocate production or
31 assembly of materiel in the Philippines while ensuring the protection of local
32 manufacturers and assemblers against unfair competition;

- 1 (c) It shall promote technology transfer;
- 2 (d) It shall endeavor to secure the country's sufficient access to resilient supply
3 chains of materiel or critical components that are vital to national security;
- 4 (e) It shall drive proactive research and development efforts and the adoption
5 of innovative technologies to enhance the existing inventory of equipment
6 and weapons systems;
- 7 (f) It shall promote active participation of local innovative councils, invention
8 societies, universities, and other higher learning institutions in advancing
9 science-based industrialization and provide research grants and
10 development subsidies to program participants;
- 11 (g) It shall complement the Philippine Development Plan, and align with the
12 National Security Policy and Republic Act No. 10349 or the "Revised AFP
13 Modernization Program";
- 14 (h) It shall assess the current state of the country and define developmental
15 goals to allow the private industry time to acquire the necessary expertise
16 and technology for future government request for products;
- 17 (i) It shall align with the objectives of Republic Act No. 11293 or the "Philippine
18 Innovation Act," particularly by fostering partnerships among various
19 stakeholders from the public and private sector, academe, MSMEs, research
20 and development institutions, and communities towards promoting inclusive
21 growth and improving the quality of life through innovation;
- 22 (j) It shall enumerate a comprehensive range of defense materiel covered by
23 the program, while specifying materiel to be produced by the Government
24 or Government-owned and controlled corporations, those that will be co-
25 developed with private entities, and those that will be wholly outsourced to
26 private industry;
- 27 (k) It shall identify specific areas where prospective local and foreign-owned in-
28 country enterprises can participate in; and
- 29 (l) It shall promote the export of locally-made materiel and the in-country
30 enterprises to other countries.

31 *SEC. 7. Formulation of Projects under the SRDP Program. —*

1 (a) If the materiel is one which the Government shall develop, produce,
2 assemble, service, or operate by itself, the lead agency or lead government-
3 owned and controlled entity that will implement the development and
4 production plan shall collaborate with the Undersecretary in the formulation
5 of aforesaid project; and

6 (b) If the materiel is one which shall be developed, produced, assembled,
7 serviced, or operated with private entities or one whose development,
8 production, assembly, servicing, or operation will be wholly sourced out to
9 the private sector, the Undersecretary shall publish in two newspapers of
10 general circulation and on its website the criteria and qualifications for
11 participants of the project, the details and mechanics of the SRDP project
12 in question, and the terms and conditions for participation in the project:
13 *Provided, however,* That the Undersecretary shall not publish details,
14 specifications, and such other information that must be kept confidential by
15 reason of national security.

16 *SEC. 8. Implementation of Projects under the SRDP.* — All projects formulated
17 shall be subject to the approval of the President.

18 (a) For projects conducted solely by the Government, the lead agency or lead
19 government-owned and controlled entity shall be primarily responsible for
20 implementing and completing the project;

21 (b) For projects conducted jointly by a government agency or entity and private
22 enterprises, both shall be equally responsible for the implementation and
23 completion of the same; and

24 (c) For projects conducted solely by private entities, the implementation and
25 completion of the same shall be the responsibility of said private entities.

26 The Undersecretary shall exercise supervision and monitoring over the project
27 in all instances.

28 *Sec. 9. Development of Technology and Systems to Counter Unconventional*
29 *Threats.* — The SRDP Program shall include materiel essential to and designed to
30 effectively counter and address chemical, biological, radiological, nuclear, and cyber-
31 attacks or incidents.

1 The DND, AFP, and all other government agencies involved in responding to
2 such attacks or incidents shall enhance the capacity and capabilities of its special units
3 tasked with chemical, biological, radiological and nuclear emergency response and risk
4 mitigation.

5 SEC. 10. *Intellectual Property Office Special Lane.* —The Intellectual Property
6 Office shall establish a special lane to handle applications for patents, industrial
7 designs, copyrights, and similar applications involving sensitive military and defense
8 technologies, inventions, processes, and softwares in order to fast-track the evaluation
9 and approval process and to ensure that confidential information pertaining to such
10 applications are properly safeguarded.

11 SEC. 11. *Incentives.* —

12 (a) Any provision of law to the contrary notwithstanding, foreign or local
13 enterprises engaged or proposing to engage in the development, manufacture,
14 assembly, servicing or operation of materiel for Government may be registered
15 with the Board of Investments and may avail of the incentives under R.A. 11534
16 or the "Corporate Recovery and Tax Incentives for Enterprises Act": *Provided,*
17 That, such enterprises shall locate a substantial portion of its development
18 process, manufacturing, assembly, or servicing in the country.

19 The development, manufacture, assembly, servicing or operation of
20 materiel shall be included in the Strategic Investment Priority Plan every year
21 by operation of law after the effectivity of this Act until otherwise removed by
22 the Board of Investments or the President: *Provided,* That the removal of
23 manufacturing, servicing, or operation of materiel from the Plan subsequent to
24 the effectivity of this Act shall not be interpreted as a bar or restriction on the
25 Board of Investments from later including the manufacturing, servicing or
26 operation of materiel in the Plan.

27 In the interest of National Security, the Board of Investments shall adopt
28 a special procedure in the processing of applications for registration by
29 enterprises in the Industry and offering goods and services to the Government.

30 (b) Government financial institutions are highly encouraged to support the Industry
31 by formulating and extending financial products that would benefit its hastened
32 development.

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

7 Sec. 12. *Rationalization of Defense Acquisition.* - (a) Notwithstanding any
8 contrary provision of law, the Secretary, on behalf of the Government, is hereby
9 authorized to negotiate with other governments for the manufacture, servicing or
10 operation of materiel or components thereof, facilities, utilities and appurtenances
11 thereto which are necessary for national defense: *Provided,* That in the exercise of
12 such authority, the Secretary shall comply with the reportorial requirements under
13 Section 14 of this Act;

14 (b) In-country enterprises participating in the acquisition of materiel by the
15 DND and its bureaus shall be exempt from the Single Largest Completed Contract
16 (SLCC) requirement;

17 (c) In cases where the manufacture, servicing or operation of materiel or
18 components thereof, facilities, utilities and appurtenances thereto essential to national
19 defense cannot be made locally and several bidders participate in the public bidding,
20 the bid submitted by foreign enterprises and in-country enterprises shall be evaluated
21 based on the following criteria on price:

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

27 (2) If the public bidding uses the standard of highest rated bid, bids of in-
28 country enterprises shall be considered as having met the criteria of price
29 as long as its bid shall not be more than fifteen percent (15%) in excess
30 of the bid of such foreign enterprise;

31 (d) In cases where the manufacture, servicing or operation of materiel or
32 components thereof, facilities, utilities, and appurtenances thereto essential to

1 national defense cannot be made locally, and only foreign enterprises participate, the
2 ultimate objective of the DND shall be technology transfer and the acquiring of
3 knowledge for eventual local production;

4 (e) In Section 12(c) and 12(d), the DND, in consultation with representatives
5 of in-country enterprises and other government agencies, shall issue regulations on
6 the minimum local content for all defense-related acquisitions; and

7 (f) In Section 12(c) and 12(d), Integrated Logistics Support must be
8 incorporated in all contracts concerning defense-related acquisitions.

9 Sec. 13. *Multi-Year Contracts.* - For the purpose of acquisition of materiel,
10 notwithstanding existing laws to the contrary, and subject to Section 12 of this Act,
11 the DND and its bureaus shall be authorized to enter into multi-year contracts:
12 *Provided,* That corresponding appropriation for the ensuing fiscal years shall be
13 included in the annual General Appropriations Act (GAA) upon issuance of a multi-year
14 obligation authority by the Department of Budget and Management (DBM): *Provided,*
15 *further,* the DND, in consultation with DBM, shall issue implementing guidelines to
16 ensure that contracts are consistent with the Revised AFP Modernization Program and
17 this Act: *Provided, finally,* the DND and its bureaus shall coordinate and conduct
18 acquisition planning for the implementation of multi-year contracts.

19 Sec. 14. *Reportorial Requirement.* - The DND Secretary shall submit the
20 following to the President and Congress at the end of the first quarter of the
21 succeeding year from effectivity of this Act:

- 22 (1) An annual report on the implementation of this Act;
- 23 (2) Copies of the multi-year contracts and other agreements entered into by the
24 DND and its bureaus; and
- 25 (3) Status of local defense industry indicating therein information, such as, but
26 not limited to, the total number of in-country enterprises, the total value and
27 volume of materiel produced by in-country enterprises, and the total Filipinos
28 employed by in-country enterprises.

29 Sec. 15. *Rule of Interpretation.* - Rights and obligations arising from existing
30 contracts as of the date of effectivity of this Act shall be governed by their original
31 terms and conditions or the law in force at the time such rights were vested.

1 This Act shall take precedence over Republic Act No. 9184 or the "Government
2 Procurement Reform Act," or any subsequent general law on procurement regarding
3 transactions subject to the requirement of public bidding. The DND Secretary shall
4 continue to serve as a member of the Government Procurement Policy Board (GPPB).

5 *Sec. 16. Implementing Rules and Regulations* – Within ninety (90) days from
6 the effectivity of this Act, the DND shall formulate and promulgate rules and
7 regulations necessary for the implementation of the law.

8 *Sec. 17. Appropriation.* - An initial funding of One billion pesos
9 (P1,000,000,000.00) shall be included in the annual appropriations of the DND for the
10 purpose of implementing this Act. Subsequent funding shall be included in the annual
11 General Appropriations Act.

12 *Sec. 18. Separability Clause.* – If any provision of this Act is declared
13 unconstitutional, the remainder thereof not otherwise affected shall remain in full force
14 and effect.

15 *Sec. 19. Repealing Clause.* - All laws, presidential decrees, executive orders,
16 letters of instruction, and administrative regulations that are inconsistent with the
17 provisions of this Act are hereby repealed, amended, or modified accordingly.

18 *Sec. 20. Effectivity.* – This Act shall take effect after fifteen (15) days following
19 the completion of its publication in the Official Gazette, or in a newspaper of general
20 circulation.

Approved,