

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



Senate
Office of the Secretary

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SENATE

S. No. 466

RECEIVED BY: *ja*

Introduced by Senator Ralph G. Recto

Explanatory Note

Mandated to be the protector of the people and the state, the Armed Forces of the Philippines has always committed itself in adhering to national policy regarding the improvement of its capability. Republic Act No. 7898, otherwise known as the "AFP Modernization Act", as amended by Republic Act No. 10349, establishing the "Revised AFP Modernization Program" signaled a turning point in efforts to bring the military to a higher level of effectiveness and competence to defend the sovereignty and patrimony of the Filipino people.

The modernization program provides the AFP with the guidance to gauge its progress in enhancing its capabilities. It also serves as a blueprint on how the armed forces can better and more effectively address both internal and external security challenges. In the past years however, prioritization and focus were given to modernizing the internal security capabilities leaving behind external security.

The recent re-emergence of territorial threats particularly in the West Philippine Sea brought along the realization that capabilities to respond to external threats must also be given priority. Hence, a gradual shift from internal to external security as the focus of the modernization program is being undertaken.

A closer look at the past implementation of the AFP modernization program however, reveals that it has gone through a slow pace. Regular review of its accomplishment shows that the slow implementation was due to the lack of funds coming from the national government. While the law provides for a ceiling for annual appropriations for the program, in reality, only a small fraction of it was provided.

In order to augment the limited appropriations for the AFP modernization program, other sources of funds were identified. One among these other sources is the Malampaya Natural Gas to Power Project (MNGP) which has an aggregate government share amounting to P94.441 Billion as of February 2012. Such amount can be tapped to substantially support the P75 Billion funding requirements of the AFP modernization program, for the acquisition of 39 projects intended to boost the armed forces' capabilities in the next five years, which includes acquisition of communications equipment, lead-in fighter trainer jets, closed air support aircraft, long-range patrol aircraft, radar systems and engineering equipment, among others.

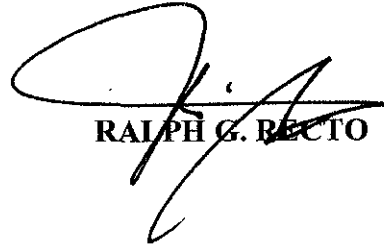
In fact, in 2011, President Aquino himself has authorized the release of P5.32 Billion Malampaya Fund to beef up the AFP's territorial defense capabilities, including the purchase of a USS Hamilton-class cutter for the Philippine Navy.

Along this line, this bill seeks to include the Malampaya Natural Gas to Power Project as one of the fund sources for the AFP Modernization Act Trust Fund. Under this proposed law, thirty percent (30%) of the annual net government share from the

Malampaya proceeds will be earmarked for the implementation of the revised AFP modernization program.

Furthermore, to make the disbursement of the Malampaya Fund transparent and free from discretion and abuse, the bill also mandates that its allocation to augment the AFP Modernization Act Trust Fund should be clearly provided for in the General Appropriations Act.

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



RALPH G. RECTO



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SENATE

S. No. 466

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AN ACT
PROVIDING ADDITIONAL FUNDS FOR THE REVISED AFP
MODERNIZATION PROGRAM, EARMARKING THE NATIONAL
GOVERNMENT SHARE IN THE MALAMPAYA NATURAL GAS TO POWER
(MNGP) PROJECT FOR SUCH PURPOSE, THEREBY AMENDING REPUBLIC
ACT NO. 7898, AS AMENDED BY REPUBLIC ACT NO. 10349

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

1 **SECTION 1.** Section 11 of Republic Act No. 7898, otherwise known as the
2 “AFP Modernization Act”, as amended by Republic Act No. 10349, establishing the
3 “Revised AFP Modernization Program”, is hereby further amended to read as follows:

4 “Sec. 11. *The Revised AFP Modernization Act Trust Fund.* – There is
5 hereby created a trust fund, to be known as the Revised AFP Modernization Act Trust
6 Fund. Said trust fund, which shall be used exclusively for the AFP modernization
7 program, including all necessary expenses to implement the procurement of equipment
8 such as expenses for pre-selection and post-qualification stages, but not to include
9 salaries and allowances, shall be funded out of the following:

10 “(a) xxx;

11 “(b) xxx;

12 “(c) xxx;

13 “(d) xxx;

14 “(e) xxx;

15 “(f) xxx;

16 “(g) xxx;

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“(h) xxx;

“(i) xxx;

“(j) xxx. AND

(K) THIRTY PERCENT (30%) OF THE ANNUAL NATIONAL GOVERNMENT SHARE IN THE MALAMPAYA NATURAL GAS TO POWER (MNGP) PROJECT AND SUCH OTHER SIMILAR OR RELATED EXPLORATIONS FOR ENERGY, AS MAY BE APPROVED BY THE PRESIDENT: PROVIDED, THAT THE AMOUNTS HEREIN ALLOCATED SHALL BE INCLUDED IN THE GENERAL APPROPRIATIONS ACT: PROVIDED, FURTHER, THAT WHEN THE REVISED AFP MODERNIZATION PROGRAM EXPIRES, THE AFOREMENTIONED COLLECTION SHALL ACCRUE TO THE GENERAL FUND.

“Funds from the foregoing sources, regardless of income source, shall be directly deposited to a special account in the general fund created specifically for the Revised AFP Modernization Program. The corresponding allotment and cash allocation shall be released to the AFP subject to the submission of a special budget. Thereafter, the cash allocation shall be transferred to the Revised AFP Modernization Trust Fund which shall be administered by the Secretary of National Defense in accordance with the existing government budgeting and auditing rules and regulations. The DND shall conduct periodic studies on how to maximize the utilization of the trust fund and how additional revenues can be generated to fund the Revised AFP Modernization Program.”

Sec. 2. Implementing Rules and Regulations. – Within sixty (60) days from the effectivity of this Act, the Department of Energy, the Department of National Defense, the Department of Finance and the Department of Budget and Management shall provide the necessary rules and regulations for the proper disposition of the said funds and the effective implementation of this Act.

1 **Sec. 3. Repealing Clause.** – All laws, decrees, issuances, rules, and regulations or
2 parts thereof inconsistent with the provisions of this Act are hereby repealed, amended or
3 modified accordingly.

4 **Sec. 4. Separability Clause.** – If, for any reason, any section or provision of this
5 Act is declared unconstitutional or invalid, the other sections or provisions not affected
6 thereby shall remain in full force and effect.

7 **Sec. 5. Effectivity.** – The Act shall take effect fifteen (15) days following its
8 publication in the Official Gazette or in at least two (2) newspapers of general circulation.

Approved,