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ISSUING THE IMPLEMENTING GUIDELINES, RULES AND REGULATIONS OF THE REVISED ARMED FORCES OF THE PHILIPPINES MODERNIZATION ACT

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Chapter 1. GENERAL PROVISIONS

ARTICLE 1.1 General Policies, Guidelines and Objectives

1.1.1. Pursuant to Republic Act (RA) No. 10349, An Act Amending Republic Act No. 7898, Establishing the Revised AFP Modernization Program and for Other Purposes, it is the policy of the State to modernize the AFP to a level where it can effectively and fully perform its constitutional mandate to uphold the sovereignty and preserve the patrimony of the Republic of the Philippines.

1.1.2. The Revised AFP Modernization Program shall have the following objectives:

(a) To develop the capability of the AFP to uphold the sovereignty and territorial integrity of the Republic and to secure the national territory from all forms of intrusion and encroachment;
(b) To develop its capability to assist civilian agencies in the preservation of the national patrimony, including the country's living and nonliving marine, submarine, mineral, forest and other natural resources located within its territory and its exclusive economic zone;
(c) To enhance its capability to fulfill its mandate to protect the Filipino people not only from armed threats but from the ill effects of life-threatening and destructive consequences of natural and man-made disasters and calamities, including typhoons, earthquakes, volcanic eruptions, major accidents in far-flung or inaccessible terrain or at sea and from all forms of ecological damage;
(d) To improve its capability to assist other agencies in the enforcement of domestic and foreign policies as well as international covenants against piracy, white slavery, smuggling, drug trafficking, hijacking of aircraft and sea craft and the transport of toxic and other ecologically harmful substances taking place in or through Philippine territory;
(e) To enhance its capability in the conduct of Internal Security Operations (ISO), particularly in the suppression of insurgency and other serious threats to national security;
(f) To enhance its capability to fulfill the country's international commitments;
(g) To develop its capability to support national development; and
(h) To develop and transform the AFP into a multi-mission oriented force capable of effectively addressing internal and external security threats.

1.1.3 Pursuant to RA 10349, the Revised AFP Modernization Program shall have the following components:

(a) Force Restructuring and Organization Development;
(b) Capability, Materiel, and Technology Development;
(c) Bases/Support System Development;
(d) Human Resource Development;
(e) Doctrines Development

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1.1.4. The Revised AFP Modernization Program shall be implemented over a period of fifteen (15) years from 2013. However, payments for amortization of outstanding multi-year contract obligations incurred under the Revised AFP Modernization Act may extend beyond this period.

1.1.5. Core purpose of the AFP is to secure the sovereignty of the state and the integrity of the national territory. The AFP is the protector of the people and the state.

Through the implementation of RA 10349, the AFP primarily focuses to develop a credible defense posture that has a fully mission-capable regular and reserve force. Complementing the new law, the AFP shall likewise build its capabilities in joint strategic and operations planning, a systematic joint logistics support to empower Unified Commands, strengthen security alliances and partnerships with other countries, and institute new mechanisms for responsive, joint, combined and coordinated interagency operations.

1.1.5.1. Security Concerns

The Revised AFP Modernization Program strategically considers the current security environment and future security challenges. The Core Security Concerns are:

- Challenges to Territorial Integrity

- Maritime Security

- Natural Disasters

- Internal Security

- Cyber Security

1.1.5.2. Strategic Objectives

The following are the AFP strategic objectives to be pursued in line with RA 10349:

- Maintain sovereignty, defend territorial integrity and secure maritime interests;

- Achieve internal peace and security;

- Support national development and undertake disaster risk reduction and management operations;

- Contribute to regional and international peace and stability; and

- Pursue AFP Transformation.

1.1.5.3. Mission Areas

The AFP Mission Areas include:

- Territorial Defense, Security and Stability

- Disaster Risk Reduction and Response

- International Engagements, Humanitarian Assistance and Peace Support Operations

- Force-level C2, Support and Training

Art. 1.2 Purpose and Coverage

1.2.1 These Implementing Guidelines, Rules and Regulations (IGRRs) shall govern the implementation of all programs and projects under the Revised AFP Modernization Act.

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1.2.2 Chapter 8 of these IGRRs govern the Revised AFP Modernization Act Trust Fund.

1.2.3 DND Department Circular No. 11 of 01 July 2011, prescribing the functions and responsibilities under the Defense System of Management (DSOM), including the Defense Strategic Planning System (DSPS), the Defense Capability Assessment and Planning System (DCAPS), the Defense Acquisition System (DAS), the Defense Resources Management System (DRMS) are hereby adopted in the Program Components in Article 1.1.3.

Art. 1.3 Definition of Terms

For purposes of and as used in these IGRRs, the terms hereunder shall be construed as follows:

1.3.1 “AFP” refers to the Armed Forces of the Philippines.

1.3.2 “Revised AFP Modernization Act” refers to RA 10349 which was enacted into law on December 11, 2012.

1.3.3 “Revised AFP Modernization Act Trust Fund” or “Revised AFPMATF” refers to the trust fund created under Section 11 of the Revised AFP Modernization Act.

1.3.4 “Revised AFP Modernization Program” or “Program” or “Revised AFPMP” refers to the new AFP Modernization Programs established under the Revised AFP Modernization Act.

1.3.5 “Implementing Guidelines, Rules and Regulations” or “IGRRs” refers to the guidelines, rules and regulations prescribed for the Revised AFP Modernization Program.

1.3.6 “Department” or “DND” refers to the Department of National Defense.

1.3.7 “Doctrine” refers to the fundamental principles by which the armed forces or elements thereof are guided in their actions in support of national objectives.

1.3.8 “Equipment” refers to all non-expendable items needed to outfit or equip any individual and/or organizations and sub-organizations within the AFP.

1.3.9 “GA” or “Arsenal” refers to the Government Arsenal, a bureau under the Department created by Republic Act No. 1884, as amended.

1.3.10 A “Major Equipment or Weapons System” refers to one of a limited number of systems or sub-systems, which, for reasons of military urgency, criticality, or resource requirements, is determined by the DND as being vital to the interests of national defense and security.

1.3.11 A “manufacturer” refers to an entity which makes, develops, fabricates, assembles, builds or otherwise produces an equipment or weapon system.

1.3.12 “Secretary” or “SND” refers to the Secretary of National Defense.

1.3.13 “Upgrade” refers to the improvement, refurbishing, or rehabilitation of existing equipment or weapons system, and facilities in order to improve its original operational capabilities through the replacement of components or subsystems with new ones, or the installation of new additional equipment such as missiles, fire control system, and digital electronics.

1.3.14 “Weapons system” refers to a combination of one or more weapons with all related equipment, materials, services, personnel, and means of delivery and deployment (if applicable) required for self-sufficiency.

1.3.15 “Budget” is the fiscally-constrained proposal that identifies the resources required to accomplish the first year of the SND-approved Defense Program. The budget proposal includes General Appropriation Act (GAA) funds, the funds from special budgets such as the AFP Modernization Act Trust Fund, and other non-appropriated

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funds.

1.3.16 “Capability (Military)” is a military unit's ability to preplan and accomplish a mission and achieve the effects desired in an anticipated operational environment in a specified time and state of preparedness; preparedness being the sum of personnel, equipment, and training readiness and sustainment.

1.3.17 “Defense Acquisition System (DAS)” includes two distinct functions: acquisition planning which entails assessing the relative merits of different ways of satisfying an approved requirement; and, procurement and contracting which entails accomplishing the actions mandated by RA 9184, The Government Procurement Reform Act and its Implementing Rules and Regulations.

1.3.18 “Acquisition Planning” is the first stage in the DAS process for the acquisition of equipment and weapons systems under the capability, materiel and technology development component of the Revised AFP Modernization program. It shall entail a First Pass and Second Pass approach.

1.3.19 “Procurement and Contracting” is the second stage in the DAS process for the acquisition of equipment and weapons systems under the capability, materiel and technology development component of the Revised AFP Modernization Program. This stage formally begins following the issuance of an Acquisition Decision Memorandum (ADM), and follows the procedures prescribed in RA 9184 and its Revised IRR.

1.3.20 “Defense System of Management (DSOM)” is defined as strategy-driven, capability-based multi-planning and execution process. In this regard, strategic planning, capability assessment and planning, acquisition planning, procurement and contracting, and resource planning and financial management shall be treated as an integrated and holistic process.

1.3.21 “Force” is an aggregation of personnel, systems, equipment, and necessary support, or a combination thereof.

1.3.22 “Life Cycle Cost” is the sum of all recurring and one-time (nonrecurring) costs over the full life span or a specified period of a good, service, structure, or system. In includes purchase price, installation cost, operating costs, maintenance and upgrade costs, and remaining (residual or salvage) value at the end of ownership or its useful life.

1.3.23 “Resource Manager (RM)” is a designated senior executive appointed by the SND who is directly accountable to the SND for developing financially realistic program, budget, and spending plan proposals that comply with the centralized policy and planning direction provided by the SND; accomplishing established programmatic and financial management objectives established by the SND; and, reporting performance against the established objectives.

Art. 1.4. Applicability of Pertinent Laws, Rules and Regulations

1.4.1 RA 9184, An Act Providing for the Modernization, Standardization and Regulation of the Procurement Activities of the Government and for Other Purposes, and its Revised Implementing Rules and Regulations (IRRs), including applicable resolutions and other issuances of the Government Procurement Policy Board (GPPB) shall be suppletory to these IGRR.

1.4.2 RA 7227 as amended by RA 7917 and RA 9400.

1.4.3 Executive Order No. 303 dated March 29, 2004.

1.4.4 DND Department Circular No. 11 dated July 01, 2011 on The DND Proper Organization and the Defense System of Management.

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Chapter 2. IMPLEMENTATION OF FORCE RESTRUCTURING AND ORGANIZATIONAL DEVELOPMENT PROGRAM

Art. 2.1 The Revised AFP Modernization Program Force Restructuring and Organizational Development (FROD) component shall develop the AFP into a compact, efficient, responsive and modern force with the capability to engage in conventional and/or unconventional warfare, disaster relief and rescue operations, and contribute to economic development and other non-traditional military roles. It shall develop the AFP into a capability-based, strategy-driven, responsive and modern force capable of executing national policy.

Art. 2.2 This component shall likewise integrate the reserve force and affiliated reserve units into the overall force structure of the AFP. It will include an enhanced reserve force development program consistent with developing a citizen's army as enshrined in the Constitution.

Art. 2.3 The FROD component shall be a reiterative process that shall continuously assess the external security and internal policy environments to ensure that the AFP will remain responsive to its mandate.

Chapter 3. IMPLEMENTATION OF CAPABILITY, MATERIEL AND TECHNOLOGY DEVELOPMENT PROGRAM

Art. 3.1 Policies and Objectives

3.1.1 The Revised AFP Modernization Program entails the development and employment of certain capabilities needed to address assessed threats. The acquisition of these capabilities shall be governed by the following policies:

- The acquisition of air force, navy and army equipment and materiel of such types and quantities shall be made in accordance with the need to develop AFP capabilities pursuant to its modernization objectives in accordance with DSOM.

- The acquisition of new equipment and weapons systems shall be synchronized with the phase-out of uneconomical and obsolete major equipment and weapons systems in the AFP inventory.

- No major equipment and weapons systems shall be purchased if the same are not being used by the armed forces in the country of origin or used by the armed forces of at least two countries. A later modified version of such equipment or weapons system, or subsystems thereof, provided such modified version is not a prototype, shall be deemed to be the same as the original one for the purpose of this provision and shall qualify for acquisition under the provision of Section 4(b) of Revised AFP Modernization Act.

- Only offers from suppliers who are themselves the manufacturers shall be entertained.

- No supply contract shall be entered into unless such contract provides for, in clear and unambiguous terms, an after-sales services and the availability of spare parts.

3.1.2 The Revised AFP Modernization Program shall be geared towards the development of the following defense capabilities:

- Air defense capability - The Philippine Air Force, being the country's first line of external defense, shall develop its air defense capability by acquiring multi-role aircraft, air munitions, avionics, point and area defense missile system, maritime patrol and reconnaissance, and early warning and control system, as well as capabilities for strategic and battlefield airlift and limited ground attack in support of surface forces.

- Naval defense capability - Given the archipelagic and littoral nature of the Philippines, the Philippine Navy shall develop its capabilities for naval defense, amphibious warfare, sea lift and transport, and surface warfare; naval

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gunfire support, detection and maritime surveillance, search and rescue, disaster response as well as capabilities for anti-air, anti-submarine and mine warfare.

- Ground defense capability - The fragmented nature of Philippine land territory requires the Philippine Army to develop its capabilities for ground defense and internal security as well as its capability for assistance to national development, search and rescue operations, relief and rehabilitation, natural resources and environmental protection.

- General headquarters capability - The modernization of the AFP further requires the development of a joint Headquarters capability for command, control, communication, computer system, intelligence, surveillance, target acquisition and reconnaissance (C4ISTAR).

Art. 3.2 Development of AFP Capability, Materiel and Technology

3.2.1 The AFP shall develop its capabilities to address the core security concerns and effectively carry out the functions to accomplish the strategic objectives and the mission areas identified.

3.2.2 Acquisition of equipment and weapons systems will be for addressing security concerns and key mission areas as defined in Section 1.1.5.1 and 1.1.5.3 in accordance with DAS under the DSOM.

Art. 3.3. Procurement Procedures Under the Capability, Materiel and Technology Development Component of the Program

3.3.1 The Revised AFP Modernization Program Planning and Procurement shall be conducted in accordance with the Defense System of Management (DSOM) as defined under 1.3.20.

3.3.2 Under the DSOM framework, the Defense Acquisition System (DAS) shall provide a coherent framework for conducting and managing the DND-AFP acquisition and investment effort; collaboratively developing acquisition assessments and financially realistic procurement plans that meet identified capability requirements in a timely manner and at a reasonable price; and operate in accordance with RA 9184 and its Revised IRR and the issuances of the GPPB.

Art. 3.4 Equipment Acquisition

3.4.1 The DAS Acquisition Planning Phase shall objectively evaluate options and enable the Secretary of National Defense (SND), after consultation with the Chief of Staff, AFP (CSAFP), Resource Managers, and other DND-AFP senior leaders, to make timely, informed decisions on the investment or modernization program. In this regard, the Acquisition Planning phase shall entail a First Pass and Second Pass approach.

3.4.2 The First Pass shall objectively evaluate the relative merits of the approaches approved for further study by the SND as a result of the capability planning process. In determining the most promising approach or approaches, the First Pass assessment shall, as a minimum, consider: operational requirements and effectiveness; estimated annual operating and support costs and life cycle costs; the potential for competition; and affordability.

3.4.3 The SND, after consultation with the CSAFP, Resource Managers, and other DND-AFP senior leaders, shall determine the need to proceed with a Second Pass effort and identify the approach or approaches to be further evaluated. The SND decisions and guidance shall be documented in memoranda signed by the SND.

3.4.4 The Second Pass shall identify and objectively evaluate the potential alternatives that could be pursued given the SND's First Pass decision. In determining the most promising alternatives, the assessment shall, as a minimum, consider: operational requirements and effectiveness; estimated annual operating and support costs and life cycle costs; the potential for competition; potential delivery schedules and the ability to integrate the

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equipment into the force or organization; and, affordability.

3.4.5 The SND, after consultation with the CSAFP and other senior DNDAFP leaders, shall determine how to proceed. These decisions shall be documented in Acquisition Decision Memoranda signed by the SND.

3.4.6 The respective DAS Assessment Teams (DASATs) of the Major Services shall be responsible for a single project during the Acquisition Planning Phase, and shall assist in the technical aspects of the project during the Procurement and Contracting Phase.

3.4.7 The Bidding Documents shall be prepared by the DND-AFP Integrated Contracting Team (ICT) in coordination with the DASAT following the standard forms and manuals prescribed by the Government Procurement Policy Board (GPPB) created in accordance with the revised IRR of RA 9184.

3.4.8 All procurement shall be done through Competitive Bidding, provided that the DND-AFP may avail of the exceptions provided under RA 9184, its Revised IRR, and the issuances of the GPPB.

Art. 3.5 The Bids and Awards Committee (BAC) and its Composition

3.5.1 BAC Structure

3.5.1.1 The DND shall establish a single Bids and Awards Committee (BAC) for its procurement.

3.5.1.2 Alternatively, as it may be deemed fit, the SND may create separate BACS where the number and complexity of the items to be procured shall so warrant. The BACs may be organized either according to: (a) geographical location of PMO or end-user units of the Department; or (b) nature of procurement. Similar committees for decentralized and lower level offices may also be formed when deemed necessary by the SND.

3.5.2 BAC Composition

3.5.2.1 The SND shall designate at least five (5) members, but not more than seven (7) members of unquestionable integrity and procurement proficiency, to the BAC, which shall be composed of the following.

Regular Members:

a.

Chairman, who is at least a third ranking permanent official of the DND and/or the AFP, whichever is applicable;

b.

An officer, who is at least a fifth ranking permanent official with knowledge, experience and/or expertise in procurement who, to the extent possible, represents the legal or administrative area of the DND and/or the AFP, whichever is applicable;

c.

An officer, who is at least a fifth ranking permanent official with knowledge, experience and/or expertise in procurement who, to the extent possible, represents the finance area of the DND and/or the AFP, whichever is applicable;

Provisional Members:

d.

An officer who has technical expertise relevant to the procurement at hand, and, to the extent possible, has knowledge, experience and/or expertise in procurement; and

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e.

A representative from the end user unit who has knowledge of procurement laws and procedures.

The Secretary of National Defense shall designate the members of the DNDBAC, including the Chairman and Vice-Chairman. The members of the AFPBAC, including the Chairman and the Vice-Chairman, shall be designated by the Chief of Staff, AFP. Moreover, the Vice-Chairman shall be a regular member of the BAC. For purposes of this IGRR, the term “permanent” shall refer to a plantilla position within the Department.

3.5.2.2 The SND may designate alternate members to the BAC, who shall have the same qualifications as their principals as set in these Guidelines. The alternate members shall attend meetings of the BAC whenever their principals are absent. The alternate members shall have the same term as their principals. The accountability of the principal and the alternate member shall be limited to their respective acts and decisions.

3.5.2.3 In no case shall SND be the Chairman or a member of the BAC.

3.5.2.4 Unless sooner removed for a cause, the members of the BAC shall have a fixed term of one (1) year reckoned from the date of appointment, renewable at the discretion of SND. Upon expiration of the terms of the current members, they shall continue to exercise their functions until new BAC members are designated. In case of resignation, retirement, separation, transfer, reassignment, removal, or death, the replacement shall serve only for the unexpired term: Provided, however, That in case of leave or suspension, the replacement shall serve only for the duration of the leave or suspension. For justifiable causes, a member shall be suspended or removed by the SND.

Art. 3.6 Functions of the BAC

3.6.1 The BAC shall have the following functions: (a) advertise and/or post the invitation to bid/request for expressions of interest; (b) conduct preprocurement and pre-bid conferences; (c) determine the eligibility of prospective bidders; (d) receive bids; (e) conduct the evaluation of bids; (f) undertake postqualification proceedings; (g) resolve motions for reconsideration; (h) recommend award of contract to the SND; (i) recommend that imposition of sanctions in accordance with the provisions of RA 9184 and its revised IRR; (j) recommend to SND the use of Alternative Modes of Procurement as provided for by RA 9184 and its RIRR; and (k) perform such other related functions as may be necessary, including the creation of a Technical Working Group (TWG) from a pool of technical, financial, and/or legal experts to assist in the procurement process, particularly in the eligibility screening, evaluation of bids, and post-qualification.

3.6.2 The BAC shall be responsible for ensuring that DND abides by the standards set forth by the RA 9184 and the RIRR, and it shall prepare a procurement monitoring report in the form prescribed by the GPPB. The procurement monitoring report shall cover all procurement activities specified in the APP, whether ongoing and completed, from the holding of pre-procurement conference to the issuance of notice of award and the approval of the contract, including the standard and actual time for each major procurement activity. The procurement monitoring report shall be approved and submitted by SND to the GPPB in printed and electronic format within fourteen (14) calendar days after the end of each semester.

3.6.3 Quorum

A majority of the total BAC composition as designated by SND shall constitute a quorum for the transaction of business, provided that the presence of the Chairman or Vice-Chairman shall be required.

3.6.4 Meetings

The Chairman or, in his absence, the Vice-Chairman, shall preside at all meetings of the BAC. The decision of at least a majority of those present at a meeting at which there is quorum shall be valid and binding as an act of the

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BAC: Provided, however, That the Chairman or, in his absence, the Vice-Chairman, shall vote only in case of a tie.

Art. 3.7 Observers

3.7.1 To enhance the transparency of the process, the BAC shall, in all stages of the procurement process, invite, in addition to the representative of the Commission on Audit (COA), at least two (2) observers, who shall not have the right to vote, to sit in its proceedings where:

3.7.1.1 At least one (1) shall come from a duly recognized private group in sector or discipline relevant to the procurement at hand, for example:

- For infrastructure projects, national associations of constructors duly recognized by the Construction Industry Authority of the Philippines (CIAP), such as, but not limited to the following:

(1) Philippine Constructors Association, Inc.;
(2) National Constructors Association of the Philippines, Inc.; and
(3) Philippine Institute of Civil Engineers (PICE).

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For goods, a specific relevant chamber-member of the Philippine Chamber of Commerce and Industry.

- For consulting services, a project-related professional organization accredited or duly recognized by the Professional Regulation Commission or the Supreme Court, such as, but not limited to:

(1) PICE;
(2) Philippine Institute of Certified Public Accountants (PICPA); and
(3) Confederation of Filipino Consulting Organizations; and

3.7.1.2 The other observer shall come from a non-government organization (NGO).

3.7.2 The observers shall come from an organization duly registered with the Securities and Exchange Commission (SEC) or the Corporate Development Authority (CDA), and should meet the following criteria:

- Knowledge, experience or expertise in procurement or in the subject matter of the contract to be bid;

- Absence of actual or potential conflict of interest in the contract to be bid out; and

- Any other relevant criteria that may be determined by the BAC.

3.7.3 Observers shall be invited at least three (3) calendar days before the date of the procurement stage/activity. The absence of observers will not nullify the BAC proceedings, provided that they have been duly invited in writing.

3.7.4 The observers shall have the following responsibilities:

- To prepare the report either jointly or separately indicating their observations made on the procurement activities conducted by the BAC for submission to SND, copy furnished the BAC Chairman. The report shall assess the extent of the BAC's compliance with the provisions of this IGRR and areas of improvement in the BAC's proceedings;

- To submit their report to SND and furnish a copy to the GPPB and Office of the Ombudsman/Resident Ombudsman. If no report is submitted by the observer, then it is understood that the bidding activity conducted by the BAC followed the correct procedures; and

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- To immediately inhibit and notify in writing SND of any actual or potential interest in the contract to be bid.

3.7.5 Observers shall be allowed access, upon their request, subject to signing of a confidentiality agreement, to the following documents: (a) minutes of BAC meetings; (b) abstract of bids; (c) post-qualification summary report; (d) APP and related PPMP; and (e) opened proposals.

Art. 3.8 BAC Secretariat

3.8.1 SND shall create a Secretariat which shall serve as the main support unit of the BAC. An existing organic office within the Department may also be designated to serve as Secretariat. However, to strengthen and promote the professionalization of the Department, SND may create a procurement unit that may serve concurrently as BAC Secretariat in accordance with the guidelines issued by DBM. The Secretariat shall have the following functions and responsibilities:

- Provide administrative support to the BAC;

- Organize and make all necessary arrangements for BAC meetings and conferences;

- Prepare minutes of meetings and resolutions of the BAC;

- Take custody of procurement documents and other records;

- Manage the sale and distribution of Bidding Documents to interested bidders;

- Advertise and/or post bidding opportunities, including Bidding Documents, and notices of awards;

- Assist in managing the procurement processes;

- Monitor procurement activities and milestones for proper reporting to relevant agencies when required;

- Consolidate PPMPs from various units of the Department to make them available for review; and

- Act as the central channel of communications for the BAC with end users, PMOs, other units of the line agency, other government agencies, providers of goods, infrastructure projects, and consulting services, observers, and the general public.

3.8.2 The head of the Secretariat shall be at least a fifth ranking permanent employee or, if not available, a permanent employee of the next lower rank. In addition to integrity, SND shall consider procurement proficiency as a factor in designating the head of the Secretariat and Procurement Unit.

3.8.3 To expedite the procurement process, SND shall ensure that the members of the BAC and TWG shall give utmost priority to BAC assignments over all other duties and responsibilities, until the requirements for the said assignments at hand are completed.

Art. 3.9 Bidding Process

3.9.1 All procurement activities from the publication of the Invitation to Bid, preparation of the bidding documents, pre-procurement conference, pre-bid conference, receipt and opening of bids, bid evaluation, post-qualification and award, implementation and termination of the contract shall be governed by the provisions of RA 9184 otherwise known as the Government Procurement Reform Act and its revised IRR, including issuances by the Government Procurement Policy Board (GPPB), pursuant to its mandate to be the principal body responsible for procurement policy formulation and the implementation and monitoring of effective public procurement reform, to promote and achieve transparency in the procurement process; competitiveness in the participation of eligible and qualified private contracting parties; streamlined procurement process adaptable to

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modern technology advances; system of accountability of public officials directly or indirectly involved in the procurement and implementation of the contracts, and the private parties dealing with government; public monitoring of the procurement and implementation processes.

3.9.2 Subject to the prior approval of the SND, and whenever justified by the conditions provided in RA 9184, its Revised IRR and the issuances of the GPPB, the DND may, in order to promote economy and efficiency, resort to any of the alternative methods of procurement provided in the above-stated law.

Article 3.10 Self-Reliant Defense Posture Program

3.10.1 The AFP, as a self-reliance policy shall, as far as practicable, give preference to Filipino contractors and suppliers or foreign contractors or suppliers willing to locate a substantial portion of, if not the entire, production process of the item(s) involved, within the Philippines.

The DND and AFP shall initiate the coordination with the GPPB and other relevant agencies for the issuance of the necessary regulations or resolutions to implement the provisions of RA 9184, its Revised IRR and Sec. 10 of the Revised Modernization Act which provides for the SRDP program.

3.10.2 In order to reduce foreign exchange outflow, generate local employment opportunities, and enhance technology transfer to the Philippines, the SND shall, as far as feasible, incorporate in each contract/agreement special foreign exchange reduction schemes such as counter-trade, in-country manufacture, co-production, or other innovative arrangements or combinations thereof.

3.10.3 The AFP shall likewise ensure that in negotiating all applicable contracts or agreements, provisions are incorporated respecting the transfer to the AFP of the principal technology involved as well as the training of AFP personnel to operate and maintain such equipment or technology.

3.10.4 Local manufacturers shall be exempt from the requirement on the purchase of major equipment and weapons systems only when used by the armed forces in the country of origin or used by the armed forces of at least two countries as provided in 3.1.1.c.

3.10.5 The DND may establish, as it may deem necessary, a defense technology research and industry development office to institutionalize technology transfer and the development of defense industries in support of economic development and to generate employment. The organizational structure and staffing of such office may be provided for in a specific issuance for the purpose.

Chapter 4. IMPLEMENTATION OF BASES/SUPPORT SYSTEM DEVELOPMENT PROGRAM

Art. 4.1 The Revised AFP Modernization Program shall entail the development of permanent bases for land, air, and naval forces, and the establishment of coast watch and air defense radar systems. All basing requirements must be in accordance with the approved AFP Strategic Basing Plan developed by the DND-AFP.

Art. 4.2 Basing requirements must conform with national defense strategies and the government's socio-economic thrusts; provide a systematic relocation of AFP units and personnel including housing; provide training grounds, live fire exercises and gunnery ranges for maneuver and territorial forces, as well as the reserve components; and develop bases and camps along standard criteria for space allocations, zoning and efficient correlation of land areas and structure.

Chapter 5. IMPLEMENTATION OF HUMAN RESOURCE DEVELOPMENT PROGRAM

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Art. 5.1 Objectives The Human Resource Development (HRD) component of the AFP Modernization Program shall have the following objectives:

- To strengthen the patriotic spirit and nationalist consciousness of the military, and respect for people's rights in the performance of their duty;

- To develop and transform the AFP into a multi-mission oriented force capable of effectively addressing internal and external security threats;

- To develop a compact, effective, efficient, and responsible citizen-based force;

- To implement programs that will enable the AFP to perform its role in environment/resource protection and multi-national peacekeeping operations;

- To convert the AFP into a service/people-oriented and professionally united force; and

- To improve the quality of life of soldiers and their families and reorient values of all personnel in the AFP.

Chapter 6. IMPLEMENTATION OF DOCTRINES DEVELOPMENT PROGRAM

Art. 6.1 Policy

6.1.1 The DND and the AFP shall generate, evaluate, consolidate and formalize doctrines; conduct periodic review and validation thereof through field application, experience, testing and exercises; and disseminate and inculcate approved doctrines at all levels of command.

6.1.2 The AFP shall implement a paradigm shift from predominantly militaristic solution to a people-centered security strategy that is founded on broad-based consultations and engagements with key stakeholders focusing on the long term and more important effects of military operation on the people and communities beyond the immediate goal of diminishing the armed capability of threat groups. While the AFP is on the terminal state of the Internal Security Operations, doctrine should be developed for the transition to Territorial Defense focusing on Joint Trainings/Exercises.

Art. 6.2 Development of AFP Doctrines

6.2.1 Doctrines development shall be made supportive of all of the components of the revised AFP Modernization Program. Its core focus shall be geared towards building a culture of joint force and strengthening the joint force structure.

6.2.2 Pursuant to the Revised AFP Modernization Act, Doctrines Development shall focus on the following activities:

a)

Comprehensive review and assessment of current/existing AFP doctrines to align with the Revised AFP Modernization Program;

b)

Identification of doctrinal gaps in relation to the perceived effects of the AFP Modernization Program on the force structure, organization, capability, materiel and technology development;

c)

Development of new doctrines that are responsive to the objectives of the AFP Modernization Program;

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d)

Conduct of doctrines test, validation and evaluation through joint and combined training exercises;

e)

Institutionalization of doctrines developed and updated; and

f)

Continuous evaluation of the developed doctrines.

6.2.3 Doctrinal requirements on force restructuring and organizational development; capability, material and technology development; bases/support systems development; and human resources development shall be pursued toward the development and institutionalization of doctrines that will build and improve individual, organizational and materiel-based processes and procedures.

6.2.4 The DND and AFP shall emphasize a “joint” concept to maximize both resources and efforts between and among the Major Services, the AFP General Headquarters, the DND, considering the inter and intra-agency “whole of nation” approach in the development of doctrines.

Chapter 7. MODERNIZATION OF THE GOVERNMENT ARSENAL (GA)

Art. 7.1 Policies

Pursuant to the provisions and spirit of the Revised AFP Modernization Act, the Government Arsenal shall be modernized to achieve a certain level of manufacturing capabilities where it could ably provide the basic weapons, ammunition and other munitions requirements of the AFP, and the other government law enforcement and security forces. The Government Arsenal shall likewise be authorized to sell and export products in excess of AFP, PNP and the other government and security forces requirements. Provided, however, that the proceeds from such sales or export of GA products shall form part of the AFP Modernization Act Trust Fund. The GA may use such production facilities as it may own/establish or be provided with or as it may arrange under joint venture, Co-production or similar arrangements with local and foreign entities.

In pursuance of its mandate, the GA shall be fully utilized in the conduct of defense materiel related Research and Development activities in consonance with the objectives of the Self-Reliant Defense Posture Program of the government.

Chapter 8. ADMINISTRATION OF THE REVISED ARMED FORCES OF THE PHILIPPINES MODERNIZATION ACT TRUST FUND (RAFPMATF)

Art. 8.1 Purpose

This Chapter governs the administration of the Revised AFP Modernization Act Trust Fund (Revised AFPMATF), created under Section 11 of the Revised AFP Modernization Act.

Art. 8.2 General Guidelines

8.2.1 Pursuant to RA 10349, The Revised AFPMATF which shall be used exclusively for the Revised AFP Modernization Program, including all necessary expenses to implement the procurement of equipment such as expenses for preselection and post-qualification stages, but not to include salaries and allowances, shall be funded out of the following:

(a)

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Appropriations for the Revised AFP Modernization Program;

(b)

Proceeds from the sale of military reservation as may be authorized by Congress, pursuant to the provisions of existing laws and regulations governing sales of government properties, including such immovable and other facilities as may be found therein, not otherwise covered by the Bases Conversion Development Authority, as provided for in RA 7227 as amended;

(c)

The proceeds from the lease or joint development of military reservations, as may be authorized by the President, pursuant to the provisions of existing laws and regulations governing lease or joint development of government properties, including such immovable and other facilities as may be found therein, not specifically enumerated under Republic Act No. 7227, as amended;

(d)

Shares of the AFP from the proceeds of the sale of military camps provided for under Republic Act No. 7227, as amended, and at least fifty percent (50%) of the proceeds, net of direct expenses authorized to be deducted from such proceeds from the lease and/or joint venture agreements and such other dispositions pertaining to the same camps in accordance with applicable and/or existing orders, rules, regulations and issuances;

The DND or the AFP may assign to the Bases Conversion and Development Authority or designate it as disposition entity for the sale, lease or joint development of military reservations or portions thereof or facilities and immovable located therein not otherwise covered under Republic Act No. 7227, as amended, subject to the parameters set by the DND or the AFP and applicable and/or existing orders, rules, regulations and other related issuances;

To implement the foregoing, the DND may enter into a Memorandum of Agreement with the BCDA providing, among others, the specifications of the military reservation subject of the development, the nature of the transaction and development of the military reservation, and the distribution of proceeds.

(e)

The proceeds derived from public-private partnerships entered into by the DND or the AFP, as may be authorized by the President, pursuant to the provisions of existing laws and regulations;

(f)

Proceeds from the sale of the products of the Government Arsenal and/or, in case of joint venture, all incomes earned from the equity share of the Government Arsenal from the joint venture;

(g)

The proceeds from the disposal of excess and/or uneconomically repairable equipment and other movable assets of the AFP and the Government Arsenal;

(h)

Funds from budgetary surplus if any, as may be authorized by Congress subject to the provisions of Section 8 of this Act;

(i)

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Donations coming from local and foreign sources, specifically earmarked to be used for the Revised AFP Modernization Program; and

(j)

All interest income of the trust 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 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.

8.2.2 Pursuant to RA 10349, the Secretary of National Defense shall administer the trust fund in accordance with existing government auditing rules and regulations.

8.2.3 Multi-Year Contracts and Other Contractual Obligations

8.2.3.1 The Secretary of National Defense, pursuant to the Revised AFP Modernization Program, projects and appropriations approved by Congress, and subject to the approval of the President, provisions of existing laws and regulations including those of the Commission on Audit and under such terms and conditions most favorable to the government, may enter into multi-year contracts, lease and lease-purchase agreements.

8.2.3.2 For multi-year contracts, Congress shall, upon issuance of a multi-year obligational authority by the Department of Budget and Management (DBM), make the corresponding appropriation for the ensuing fiscal years: Provided, That the DND and DBM shall issue the implementing guidelines to ensure consistency with the Revised AFP Modernization Program and existing guidelines in the contracting of multi-year projects.

8.2.3.3 The Secretary of National Defense shall submit to Congress, through the Chairpersons of the Senates Committees on National Defense and Security and the chairpersons of the House Committees on National Defense and Security and Appropriations, copies of these multi-year contracts and other agreements/arrangements to enable Congress to appropriate funds.

Chapter 9. MANAGEMENT OF THE REVISED AFP MODERNIZATION PROGRAM

Art. 9.1 The Secretary is the administrator of the Revised AFP Modernization Program and shall exercise his/her functions through the Chief of Staff, AFP, unless otherwise indicated in these AIGRRs.

Art. 9.2 Reports

9.2.1 Not later than the end of the first quarter of the succeeding year, the Secretary of National Defense shall submit to the President and Congress an annual report on the status of the Revised AFP Modernization Act Trust Fund, as provided under Section 11 of RA 10349.

9.2.2 The Chief of Staff, AFP shall submit to the President and Congress, through the Secretary of National Defense, quarterly report containing the progress of the implementation of the modernization program under RA 10349 to include the AFP modernization activities implemented prior to the approval of RA 10349.

Art. 9.3 Exemption from Value-Added Tax and Custom Duties. The sale of weapons, equipment and ammunitions to the AFP, which are directly and exclusively used for its projects, undertakings, activities and

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programs under the Revised AFP Modernization Act, shall be exempt from the value-added tax: Provided, That the importation of the same by the AFP shall likewise be exempt from value-added tax and customs duties.

Chapter 10. MODIFICATION OF THE REVISED AFP MODERNIZATION PROGRAM

To meet any unforeseen national security emergency, the Secretary shall recommend to the President the modification of the AFP Modernization Program through substitution and/or revision of any component project therein; Provided, however, That he shall report such action to Congress within thirty (30) days.

Chapter 11. FINAL PROVISIONS

Art. 11.1 Separability Clause

If any provision of these Amendatory Implementing Guidelines, Rules and Regulations should be declared invalid by a competent court or tribunal, the remaining provisions hereof, unaffected thereby, shall remain valid and binding.

Art. 11.2 Repealing Clause

A.O. 169 is effectively repealed by virtue of the issuance of these Implementing Guidelines, Rules and Regulations. All other orders, circulars, memoranda and other department issuances inconsistent with these Implementing Guidelines, Rules and Regulations are hereby repealed or modified accordingly.

The entirety of DC 11, The DND Proper Organization and the Defense System of Management, remains to be effective.

Art. 11.3. Effectivity. These Implementing Guidelines, Rules and Regulations shall take effect fifteen (15) days after publication.

Approved.

(SGD.) VOLTAIRE T. GAZMIN
Secretary

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