

IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 12024

IRR of REPUBLIC ACT NO. 12024, February 27, 2025

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RULE 1 - GENERAL PROVISIONS

Section 1. - Purpose

This Implementing Rules and Regulations, hereinafter referred to as "Rules", is promulgated pursuant to Section 25 of Republic Act No. 12024[1] (RA No. 12024) for the purpose of revitalizing the country's Self-Reliant Defense Posture (SRDP) program and harnessing the full potential of the National Defense Industry.

Section 2. - Declaration of Policy

In pursuit of revitalizing the country's SRDP program, it is hereby declared the policy of the State to develop a National Defense Industry that will address the short, medium, and long-term needs for defense materiel.

Towards this end, the State shall:

a)

Rely primarily on and give preference to in-country enterprises, allocate substantial resources and manpower to defense research and development, technology development, and innovation, and provide relevant technical and financial assistance to the private sector;

b)

Utilize, in a sustainable manner, the country's natural resources as the source of the country's defense needs, and rely on material readily available, produced, manufactured, or otherwise created locally;

c)

Use material from foreign sources only when such materiel cannot be locally produced, manufactured, or created: Provided, That importation from such foreign sources shall be for the ultimate objective of acquiring technology for the production of unavailable materiel; and

d)

Support the economic and employment generation thrusts of the country by sourcing the manpower needs of the National Defense Industry requiring the engagement or hiring of civilian labor shall be sourced locally and, as far as practicable, be Filipino.

Section 3. - Scope and Limitation

These Rules govern the establishment of a National Defense Industry, but shall not, in any way, affect the procurement decisions and standards required by the Department of National Defense (DND) and any of its

agencies for its capability upgrade and/or modernization.

Section 4. - Definition of Terms

As used RA No. 12024, the following terms shall mean:

a)

Acquisition refers to the process of procuring technologies, programs, and product support that are necessary for national defense and security, in order to support the armed forces of the country. It shall include the acquisition of capital equipment, raw materials, critical components, and materiel;

b)

Allied Industries refer to various industries which are part of the supply chain in the development, production, manufacturing, assembly, servicing, or operation of materiel;

c)

Countertrade refers to a form of international trade whereby the supplier commits to introduce investments, technology transfer, training or skills upgrade, donations or related activities, including in-country production, all of which will assist in the establishment or development of local industries or technical facilities or expansion of technological and industrial capabilities of the DND and the Philippines;

d)

Critical Components refer to components, systems, subsystems, and related special tooling and test equipment essential to the production, repair, maintenance, or operation of weapon systems or other items of equipment identified as being essential to the execution of any national defense and national security strategy;

e)

In-country Enterprise refers to: (1) a Filipino-owned enterprise engaged in the development, production, manufacturing, assembly, servicing, or operation of material in the Philippines or (2) a joint venture by a Filipino enterprise with a foreign-owned enterprise in the development, production, manufacturing, assembly, servicing or operation of materiel, where, in the case of Filipino enterprise, at least sixty percent (60%) of the capital stock outstanding and entitled to vote is owned by Filipinos: Provided, That the in-country enterprise shall locate in the Philippines a substantial portion or at least fifty-one percent (51%) of their development, production, manufacturing, assembly, servicing, or operation of material: Provided, further, That the DND, the National Economic Development Authority (NEDA), and the Board of Investments (BOI) may issue a joint circular defining "substantial portion" to be based on the duly-approved SRDP Program;

f)

Integrated Logistics Support refers to an integrated and iterative process for developing a materiel and support strategy that optimizes functional support leverages existing resources, and guides the system engineering process to quantify and lower life cycle costs and decrease logistics footprints, making the system easier to support, and ensuring that defense materiel, personnel, goods, and services are at the appropriate place and time.

g)

Materiel refers to military technology, weapon systems, arms, ammunition, combat clothing, armor, vehicles, and other similar military equipment and materials;

h)

Minimum Local Content refers to the minimum percentage of intermediate goods used in the manufacturing processes to be sourced from in-country enterprises;

i)

Operation refers to the process of employing, handling, managing or utilizing materiel or facilities, utilities, and appurtenances thereto which are necessary for the manufacturing, servicing, or functioning of the materiel or its components;

j)

Offset refers to a form of international trade whereby the foregoing supplier commits to introduce investments and technology transfer in the Philippines or assist in establishing new industries or improving existing industries to generate or save foreign exchange or create increased employment, which may or may not be related to the machinery, equipment, products or goods so imported or services procured;

k)

Servicing refers to the maintenance, repair, or overhaul of materiel;

l)

Strategic Investments Priorities Plan (SIPP) refers to the government's list of priority areas and preferred activities that are entitled to tax incentives under law; and

m)

Technology Transfer refers to the process involving the transfer of scientific and novel technological knowledge for the manufacture of a product, the application of a process, or rendering of a service; and the transfer, assignment, or licensing of all forms of intellectual property rights.

RULE 2 - SELF-RELIANT DEFENSE POSTURE PROGRAM

Section 1. - Formulation of an SRDP Program

The Office of the Undersecretary for Defense Technology, Research and Industry Development (DTRID) shall formulate an SRDP program guided by the following principles:

a)

It shall be design to be advantageous to in-country enterprises, generate and prioritize local employment, an contribute to foreign currency exchange savings, in accordance with Section 12, Article XII of the Philippine Constitution;

b)

It shall promote technology transfer;

c)

It shall endeavor to secure the country's sufficient access to resilient supply chains of materiel or critical components that are vital to national security;

d)

It shall drive proactive research and development efforts and the adoption of innovative technologies to enhance the existing inventory of equipment and weapons systems;

e)

It shall promote active participation of local innovative councils, invention societies, universities, and other higher learning institutions in advancing science-based industrialization and provide research grants and development subsidies to program participants;

f)

It shall complement the Philippine Development Plan, and align with the National Security Policy and RA No. 10349 or the "Revised AFP Modernization Program", with emphasis on the modernization of the government arsenal, naval shipyards, and military bases and camps;

g)

It shall assess the current state of the country and define development goals to allow the private industry time to acquire the necessary expertise and technology for future government request for products;

It shall align with the objectives of RA No. 11293 or the "Philippine Innovation Act", particularly by fostering partnerships among various stakeholders from the public and private sector, academe, micro, small and medium enterprises (MSMEs), research and development institutions, and communities towards promotions inclusive growth and improving the quality of life through innovation

h)

It shall enumerate a comprehensive range of defense materiel covered by the program, while specifying materiel to be produced by the Government, or government-owned and -controlled corporations (GOCCs), those that will be co-developed with private entities, and those that will be wholly outsourced to private industry;

i)

It shall promote the export of locally made materiel and the in-country enterprise to other countries; and

j)

It shall prioritize the purchase of locally made materiel by national agencies, local government units, and other law enforcement agencies from in-country enterprises.

The SRDP program shall identify specific defense materiel to be covered by the program, and a further specification which among these materiel shall be produced by the national government, co-developed with private entities, or wholly outsourced to the private sector.

The SRDP program shall likewise include the following:

1)

Policies and procedures for the formulation and acquisition of projects under the SRDP program; and

2) Specific programs/projects for the development of materiel to effectively counter and address chemical, biological, radiological, nuclear, and cyber incidents.

Section 2. - Approval of Projects under the SRDP Program

All projects under the SRDP Program shall be subject to the approval of the President upon recommendation of the Secretary of National Defense.

Section 3. - Implementation of Projects under the SRDP program

The implementing entity of duly-approved projects under the SRDP program shall be as follows:

a)

For projects conducted solely by the Government, the lead government entity shall be primarily responsible for implementing and completing the project;

b)

For projects conducted jointly by a government entity and a private enterprise, both shall be equally responsible for the implementation and completion of the same; and

c)

For projects conducted solely by private entities, the implementation and completion of the same shall be the responsibility of said private entities.

The Office of the Undersecretary for DTRID shall, in all instances, exercise supervision and monitoring of the aforementioned projects.

Section 4. - Procedure for Sourcing Materiel from Private Entities

If the materiel is one which is developed, produced, assembled, serviced, or operated with private entities or one whose development, production, assembly, servicing, or operation will be wholly sourced out to the private sector, the Undersecretary for DTRID, upon approval of the Secretary of National Defense, shall publish in two (2) newspapers of general circulation and on its websites the criteria and qualifications for participants of the project, the details and mechanics of the SRDP project in question and the terms and conditions for participation in the project: Provided, That participants must obtain and maintain ISO 9001 certification and other applicable quality certifications corresponding to particular products and services such as, but not limited to, AS91000 for aerospace: Provided, further, That the Undersecretary for DTRID shall not publish details, specifications, and such other information that must be kept confidential by reason of national security.

Section 5. - Applicability of the SRDP Program to Other Uniformed Services, Law Enforcement Agencies, and GOCCs

In the exercise of their mandate and functions, other uniformed services, law enforcement agencies, and GOCCs may procure materiel, capital equipment, spare parts and accessories developed/produced under the SRDP program such as, but not limited to, guns and their accessories, ammunition, bullet-proof vests or similar protective gears, armored personnel carriers (APCs), tanks, boats, ships, unmanned aerial vehicles (UAVs), aircraft and communication equipment and software pursuant to RA No. 12024 and these Rules.

Section 6. - Approval for Other Uniformed Services, Law Enforcement Agencies, and GOCCs

The head of agency concerned shall approve the procurement of materiel, capital equipment, spare parts, and

accessories under the SRDP Program if the total amount of the approved budget for the contract (ABC) does not exceed Two billion five hundred million pesos (P2,500,000,000). If the ABC excess Two billion five hundred million pesos (P2,500,000,000), the approval of the President shall be required: Provided, That the threshold amounts shall be increased upon adoption by the Department of Budget and Management (DBM) of higher threshold amounts. Procurement of products, supplies, projects, and services not falling under RA No. 12024 and these Rules shall be covered by the regular process of procurement under existing procurement laws.

Section 7. - Prohibition on the Sale of Materiel to Private Entities

Materiel developed/produced under the SRDP program shall solely be for the use of the government, its uniformed services and other law enforcement agencies. Sale of materiel to private entities in the Philippines, both natural and juridical, shall be prohibited, unless otherwise allowed under existing laws and regulations, including but not limited to RA No. 10591 or the "Comprehensive Firearms and Ammunition Regulation Act". All sales of materiel to private entities allowed under these Rules shall be subject to value-added tax and other applicable taxes.

The prohibition shall not apply to sale to foreign governments and their agencies and to foreign private entities, subject, however, to the imposition of the applicable taxes and duties: Provided, That exports shall only be allowed upon satisfaction of the materiel requirements of the Armed Forces of the Philippines, other uniformed services, law enforcement agencies, and GOCCs: Provided, further, That sales to foreign governments and their agencies and to foreign private entities are in line with the national security interest of the Philippines.

RULE 3 - GOVERNMENT COOPERATION AND INCENTIVES

Section 1. - Cooperation of Government Agencies/Entities

The Office of the Undersecretary for DTRID shall coordinate, collaborate, and work with the DBM, NEDA, BOI, Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Transportation (DOTr), Department of the Interior and Local Government (DILG), Department of Finance (DOF), Government Procurement Policy Board (GPPB), and other government agencies in implementing RA No. 12024.

The DBM and the GPPB are further mandated to strengthen the systems and procedures for the acquisition of materiel under RA No. 12024.

Section 2. - Promotion and Marketing Support

The Government shall promote the export of locally made materiel and the local enterprises to other countries, and is encouraged to provide financial marketing support for the purposes of such promotion.

Section 3. - Incentives

a)

Any provision of law to the contrary notwithstanding, in-country enterprises engaged or proposing to engage in the development, production, manufacturing, assembly, servicing, or operation of materiel for the Government may be registered with the BOI or with Investment Promotion Agencies (IPAs) and may avail of the incentives under RA No. 11534 or the "Corporate Recovery and Tax Incentives for Enterprises Act."

In the interest of national security, the BOI shall adopt a special procedure in the processing of applicants for the

registration of enterprises that desire to participate in the industry and offer goods or services to the Government under the SRDP.

The development, production, manufacturing, assembly, servicing, or operation of materiel shall be included by operation of law in the SIPP every year after the effectivity of RA No. 12024 until otherwise removed by the BOI or the President: Provided, That such removal shall not be interpreted as a bar or restriction on the BOI from later including the same;

b)

Government financial institutions are highly encouraged to support the defense and allied industries by formulating and extending financial products that would benefit it hastened development;

c)

In addition to the incentives under existing laws, in-country enterprises engaged in the development, production, manufacturing, assembly, servicing, or operation of materiel, only in cases when the same are not locally available; and

d)

As provided under existing laws, rules, and regulations, the DOST, Intellectual Property Office of the Philippines (IPOPHL), NEDA through the National Innovation Council (NIC), and other relevant government agencies and institutions are hereby directed to provide technical and financial assistance, incentives, and mechanisms for defense innovations particularly to Filipino inventors, investors, scientists, engineers, and innovators.

Section 4. - Intellectual Property Office Special Lane

The IPOPHL shall establish a special lane to handle applications for patents, industrial designs, copyrights, and similar applications involving sensitive military and defense technologies, inventions, processes, and software in order to fast-track the evaluation and approval process and to ensure that confidential information pertaining to such applications are properly safeguarded.

Section 5. - Permits, Licenses, and Certifications

Issuance of permits, licenses, and certifications from national and local government agencies shall strictly adhere to the period provided for under RA No. 11032 or the "Ease of Doing Business and Efficient Government Service Delivery Act of 2018". In addition to this, government agencies and offices in charge of the issuance of permits, licenses and certifications to manufacture, produce, process, assemble, service, repair, and develop materiel, ordinance, ammunition and explosives, capital equipment, spare parts, and accessories, are prohibited from ordering to change, renovate, or modify a newly built manufacturing facility, or a portion thereof, if the construction of such manufacturing facility has strictly followed the building and construction plan submitted to and approved by the concerned government agency, Provided: That there are no supervening event/s which will affect the safety of the facility and its environs.

RULE 4 - RATIONALIZATION OF DEFENSE ACQUISITIONS AND CONTRACTING LOANS FOR THE SRDP PROGRAM PROJECTS

Section 1. - Rationalization of Defense Acquisitions under the SRDP Program

a)

Any provision of law to the contrary notwithstanding, the Secretary of National Defense is hereby authorized to enter into contracts on behalf of the government, under such terms and conditions as may be agreed upon, with any natural or juridical person, with or without public bidding, for the development, production, manufacturing, assembly, servicing, or operation of materiel or components thereof, facilities, utilities, and appurtenances thereto necessary for national defense in accordance with Presidential Decree No. 415 titled "Authorizing the Secretary of National Defense to Enter into Defense Contracts to Implement Projects under the Self-Reliant Defense Programs and for Other Purposes": Provided, That in the exercise of such authority, the Secretary of National Defense shall comply with the reportorial requirements under Section 22 of RA No. 12024.

b)

Any provision of law to the contrary notwithstanding, contracts for the procurement of services of local providers and for the development, production, manufacturing, assembly, servicing, or operation of materiel or components thereof, facilities, utilities, and appurtenances thereto which are necessary for national defense bidding, shall only be awarded to in-country enterprises: Provided, That such materiel or components thereof, facilities, utilities, and appurtenances thereto can be locally produced, manufactured, or otherwise created, and strictly conforms to the standards and requirements set by the DND for such materiel or components: Provided further that this Section shall not apply to novel capabilities and technologies.

c)

In-country enterprises participating in the acquisition of materiel by the DND and its bureaus, and other government agencies, covered under RA No. 12024 and these Rules shall be exempt from the Single Largest Completed Contract (SLCC) requirements and the requirement for a product to be used by at least two (2) foreign militaries.

d)

In cases where the development, production, manufacturing, assembly, servicing, or operation of materiel or components thereof, facilities, utilities, and appurtenances thereto essential to national defense cannot be made locally and several bidders participate in the public bidding, the bid submitted by foreign enterprises and in-country enterprises shall be evaluated based on the criteria set by the existing laws, further abiding by the standard set under RA No. 12009 or the "New Procurement Act" or any similar law that may exist thereafter.

e)

The procuring entity shall issue a letter of credit in favor of the contract counterparty" Provided, That no payment on the letter of credit shall be made until delivery and acceptance of the goods as certified to by the procuring entity in accordance with the delivery schedule provided for in the contract have been concluded.

f)

In cases where the development, production, manufacturing, assembly, servicing, or operation of materiel or components thereof, facilities, utilities, and appurtenances thereto essential to national defense cannot be made locally, and only foreign enterprises participate, the ultimate objective of the DND shall be technology transfer and the acquisition of knowledge for eventual local production: Provided, That foreign enterprises participating pursuant to this subsection shall formulate and undertake an understudy program to facilitate the technology transfer and train Filipino workers towards the achievement of this objective.

g)

The minimum local content required for materiel and components shall be identified under the SRDP program.

h)

Continuous vendor support and its consequent annual appropriations shall be incorporated in all contracts concerning defense-related acquisitions under the SRDP program.

i)

Nothing in RA No. 12024 and these Rules shall prohibit or restrict lawful government-to-government transactions for the development, production, manufacturing, assembly, servicing, or operation of materiel or components thereof, facilities, utilities, and appurtenances thereto, which are necessary for national defense.

Section 2. - Multi-Year Contracts

Notwithstanding existing laws to the contrary and subject to Section 1 of this Rules, the DND and its bureaus shall be authorized to enter into multi-year contracts for the purpose of acquiring materiel: Provided, That corresponding appropriations for the ensuing fiscal years shall be included in the annual General Appropriations Act (GAA) upon the issuance of a multi-year obligation authority by the DBM: Provided, further, That the DND and its bureaus shall coordinate and conduct acquisition planning for the implementation of multi-year contracts.

Section 3. - Contracting Loans, Credits, or Indebtedness for SRDP Program Projects

The President and Commander-in-Chief in behalf of the Republic of the Philippines is hereby authorized to: contract such loans, credits, or indebtedness including supplier's credit, deferred payment arrangements for SRDP program Projects upon such terms and conditions as maybe agreed upon with any local or foreign source or lender and at terms of payment of not less than ten (10) years and to enter into; and conclude bilateral agreements involving other forms of official assistance such as grants and commodity credit arrangement or indebtedness as may be necessary with governments of foreign countries with whom the Philippines has diplomatic or trade relations or which are members of the United Nations, their agencies, instrumentalities or financial institutions or with reputable international organizations or non-governmental national or international lending institutions or firms extending supplier's credit or deferred payment arrangements: Provided, That the interest of these nations are aligned with that of the Philippines: Provided further, That such loan, credit, or indebtedness shall be incurred only after the plans for such project have been prepared by the DND and approved by the President and only when the Secretary of Budget and Management has certified that for the fiscal year in question, funds are appropriated and programmed to service the external debt of the public sector, including the loan, credit, or indebtedness proposed to be contracted, and that the counterpart peso funding requirements of the projects for which such loans, credits or indebtedness are being contracted have been programmed and shall be available as and when needed for the completion of the project.

Section 4. - Policy of Countertrade and Offset

Countertrade and Offset shall be integrated as part of the procurement policy and procedures in the DND, including those of its attached agencies, bureaus, and offices, with respect to its purchase or procurement of imported capital equipment, machinery, supplies, materiel, and services, as an added value in the selection of a supplier during the procurement of goods and services.

In order to reduce foreign exchange outflow, generate local employment opportunities, and enhance technology transfer to the Philippines, the Secretary of National Defense shall ,as far as practicable, incorporate in each agreement involving the Government the development, production, manufacturing, assembly, servicing, or operation of materiel, special foreign exchange reduction schemes, Offset, and Countertrade, in-country manufacture co-production, or other innovative arrangements or combinations thereof.

RULE 5 - FINAL PROVISIONS

Section 1. - Amendment

These Rules may be amended by the Secretary of National Defense as deemed necessary for the effective implementation of RA No. 12024.

Section 2. - Repealing Clause

All other issuances, rules and regulations, or parts thereof inconsistent with these Rules are hereby repealed or modified accordingly.

Section 3. - Separability Clause

If any provision of these Rules is declared unconstitutional or invalid, the same shall not affect the validity and effectivity of the other provisions hereof.

Section 4. - Effectivity

These Rules shall take effect immediately. A copy hereof shall be filed with the Office of the National Administrative Register of the University of the Philippines Law Center and shall be published in the Official Gazette or in a newspaper of general circulation.

(SGD.) GILBERTO C. TEODORO, JR
Secretary

[1]Republic Act No. 12024, entitled "An Act Revitalizing And Strengthening The Self-Reliant Defense Posture Program and Promoting The Development Of A National Defense Industry Pursuant to And Providing Fund Therefor," dated October 08, 2024.

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