

REPUBLIC ACT NO. 7898

AN ACT PROVIDING FOR THE MODERNIZATION OF THE
ARMED FORCES OF THE PHILIPPINES AND FOR
OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be known as the
"AFP Modernization Act."

SEC. 2. *Declaration of Policy.* – It is hereby declared the
policy of the State to modernize the Armed Forces of the
Philippines (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. Toward
this end, the principal thrusts of the modernization program under
this Act shall be:

(a) The development of a self-reliant and credible strategic
armed force along the concept of a "Citizens Armed Force"; the
reconfiguration of the Armed Forces of the Philippines structure;
and the professionalization of the AFP;

(b) The undertaking of reforms in the recruitment, training,
employment and management of AFP personnel;

(c) The development, validation or modification of AFP
doctrines;

(d) The acquisition and upgrading of appropriate technology
and equipment; and

(e) The relocation, improvement, and construction of bases
and other facilities.

SEC. 3. *Objectives of the AFP Modernization Program.* – The AFP modernization program shall be implemented in accordance with the following objectives:

(a) To develop its capability 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 (EEZ);

(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 seacraft and the transport of toxic and other ecologically-harmful substances taking place in or through Philippine territory;

(e) To enhance its capability to assist the Philippine National Police in law enforcement and internal security operations;

(f) To enhance its capability to fulfill the country's international commitments; and

(g) To develop its capability to support national development.

SEC. 4. *Components of the AFP Modernization Program.*

– The AFP modernization program shall consist of the following components:

(a) Force restructuring and organizational development - The AFP modernization program 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 nontraditional military roles.

This component of the modernization program shall likewise provide for the identification, organization, training and development of reserve force and affiliated reserve units in the AFP, especially in the Navy and Air Force.

(b) Capability, material, and technology development - The AFP modernization program entails the development and employment of certain capabilities that can address the assessed threats: *Provided*, That the acquisition of air force, navy and army equipment and material of such types and quantities shall be made in accordance with the need to develop AFP capabilities pursuant to its modernization objectives: *Provided, further*, That 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: *Provided, even further*, That no major equipment and weapons system 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: *Provided, furthermore*, That only offers from suppliers who are themselves the manufacturers shall be entertained: *Provided, finally*, That 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.

(c) Bases/support system development - The AFP modernization program shall entail the development of permanent bases for land, air, and naval forces to conform with national defense strategies and the government's socioeconomic thrusts;

provide a systematic relocation of AFP units to enhance their capability in the performance of their mission; provide adequate support systems and housing facilities to AFP units and personnel; provide training grounds 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.

(d) Human resource development - The human resource development component of the AFP modernization program shall have the following objectives:

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

(2) To develop and transform the AFP into a primarily external security-oriented force;

(3) To develop a compact, effective, efficient and responsive citizen-based force;

(4) To implement programs that will enable the AFP to perform its role in environment/resource protection and multi-national peace-keeping operations;

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

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

(e) Doctrines development - The transition of the AFP from an internal security-oriented force to an external security-oriented force requires the review, evaluation and validation of its present set of doctrines for the purpose of formalizing such doctrines. Towards this end, the Department of National Defense and the general headquarters, AFP shall be responsible for the generation, evaluation, consolidation and formalization of doctrines; the conduct of periodic review and validation of doctrines through

field application, testing and exercises; and the dissemination of approved doctrines at all levels of command.

The Secretary of National Defense shall formulate guidelines to implement this section in accordance with the objectives of the modernization program enumerated in the preceding section.

SEC. 5. Development of AFP Capabilities. – The AFP modernization program shall be geared towards the development of the following defense capabilities:

(a) Development of naval defense capability - Given the archipelagic nature of the Philippines, the Philippine Navy (PN) shall develop its capabilities for naval defense, amphibious warfare, sealift and transport, and surface warfare; naval gunfire support, detection and maritime surveillance, search and rescue, disaster response as well as capabilities for anti-air, anti-submarine and mine warfare. The enhanced navy defense capabilities shall enable the AFP to:

- (1) Develop its capabilities for naval defense;
- (2) Conduct amphibious operations for both military and civilian relief operations;
- (3) Defend the Philippine territorial seas, all its internal waters, as well as its 200-mile exclusive economic zone (EEZ), from all forms of illegal intrusion or passage;
- (4) Protect all submarine-based lines of domestic and international communication;
- (5) Identify all vessels and monitor all kinds of surface and submarine passage through Philippine territorial waters;
- (6) Protect and preserve, through the Philippine Coast Guard (PCG), all coastal, near-coastal and riparian living and nonliving marine resources;
- (7) Provide transportation of personnel and material in times of natural disaster and rescue operations; and

(8) Provide, and if practicable, manufacture, through Filipino skills and technology, its own requirements for seacraft and infrastructure supply and maintenance.

(b) Development of air defense capability - The Philippine Air Force (PAF), 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. The enhanced air defense capability shall enable the AFP to:

(1) Detect, identify, intercept and engage, if necessary, any aircraft illegally intruding into or passing through Philippine airspace, up to areas near or around Philippine territorial limits;

(2) Provide air support to Philippine ground and naval armed forces;

(3) Provide airlift, search and rescue, rapid deployment and related support in combat as well as disaster and other civilian relief operations; and

(4) Provide, and if practicable, manufacture, through Filipino skills and technology, its own requirements for aircraft and infrastructure supply and maintenance.

(c) Development of ground defense capability - The fragmented nature of Philippine land territory requires the Philippine Army (PA) 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. The enhanced army defense capabilities shall enable the AFP to:

(1) Locate and maintain adequate ground forces in strategic sites in the major islands of the country capable of carrying out independent or joint defense operations;

(2) Transport personnel and equipment rapidly through all kinds of terrain in all kinds of weather conditions;

(3) Conduct disaster relief and civilian engineering and construction operations;

(4) Monitor compliance with the enforcement, as the proper government agency may require, all laws relating to the preservation and protection of forest, wildlife and mineral resources; and

(5) Provide, and if practicable, manufacture, through Filipino skills and technology, its own requirements for personnel and infrastructure supply and maintenance.

(d) Development of general headquarters capability - The modernization of the AFP further requires the development of the general headquarters capabilities for command, control, communications, and information systems network.

SEC. 6. *Period of Implementation.* – The modernization program under this Act shall be implemented over a period of fifteen (15) years: *Provided, however,* That payments for amortization of outstanding multi-year contract obligations incurred under this Act may extend beyond this period.

SEC. 7. *Submission of the AFP Modernization Program.*
– (a) Within ninety (90) days from the effectivity of this Act, the President, upon the recommendation of the Secretaries of National Defense and Budget and Management, shall submit the AFP modernization program as provided for in this Act to Congress for its consideration and approval in a joint resolution of the House of Representatives and the Senate. The program shall indicate or show *inter alia*:

(1) The size and shape of the AFP in terms of personnel, equipment, and facilities during the various phases of the modernization program;

(2) The modernization projects under it, including the major weapon and non-weapon equipment and technology

acquisitions sought by the respective services and units of the AFP, any major infrastructure construction or improvement to be made and the particular objective(s) and component(s) under Sections 3 and 4, respectively, of this Act to which such intended acquisition, construction or improvements belongs; and

(3) The priorities, schedules as well as estimated average cost of each modernization project or upgrading to be undertaken.

(b) In the event Congress approves the AFP modernization program, the joint resolution shall be the basis for subsequent executive and legislative actions to implement the AFP modernization program from year to year until its complete and full realization.

SEC. 8. Appropriations for the AFP Modernization Program. – The annual appropriations for the AFP modernization program shall include the amounts necessary to support the funding requirements for all modernization projects approved by Congress under the preceding section.

The funds to be appropriated by Congress under this Act shall be treated as a distinct and separate budget item from the regular appropriation for the Department of National Defense (DND) and the AFP and shall be administered by the Secretary of National Defense.

The proposed program shall be based on a ceiling, for the first five (5) years, of Fifty billion pesos (P50,000,000,000): *Provided*, That thereafter, this amount may be increased commensurate to the increase in the Gross National Product (GNP).

SEC. 9. Multi-year Contracts and Other Contractual Arrangements. – (a) The Secretary of National Defense, pursuant to the AFP modernization program, projects and appropriations approved by Congress, may, subject to the approval by 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, enter into multi-year contracts, lease and lease-purchase agreements.

(b) For multi-year contracts, Congress shall, upon certification by the President, make the corresponding appropriation for the ensuing fiscal year: *Provided*, That Congress shall appropriate only such funds as may be necessary to pay any unpaid account where such funds mentioned in Section 11 of this Act are not sufficient or available to meet such payment in full or in part.

(c) The Secretary of National Defense shall submit to Congress, through the chairmen of the Senate Committees on National Defense and Security and Finance and the chairmen of the House Committees on National Defense and Appropriations, copies of these multi-year contracts and other agreements/arrangements to enable Congress to appropriate funds.

SEC. 10. *Self-Reliant Defense Posture Program.* – (a) In implementing the modernization program, the AFP shall, as far as practicable, give preference to Filipino contractors and suppliers or to foreign contractors or suppliers willing and able to locate a substantial portion of, if not the entire, production process of the item(s) involved, within the Philippines.

(b) 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 feasible, incorporate in each contract/agreement special foreign exchange reduction schemes such as countertrade, in-country manufacture, co-production, or other innovative arrangements or combinations thereof.

(c) 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.

SEC. 11. *AFP Modernization Act Trust Fund.* – There is hereby created a trust fund, to be known as the AFP Modernization Act Trust Fund. Said trust fund, which shall be used exclusively for the AFP modernization program, but not to include salaries and allowances, shall be funded out of the following:

- (a) Appropriations for the AFP modernization program;
- (b) The proceeds from the sale, lease or joint development of military reservations, as may be authorized by Congress, including such immovable and other facilities as may be found therein, not covered by the Bases Conversion Development Authority, as provided for in Republic Act No. 7227;
- (c) Shares of the AFP from the proceeds of the sale of military camps provided for under Republic Act No. 7227;
- (d) Proceeds from the sale of the products of the government arsenal;
- (e) The proceeds from the disposal of excess and/or uneconomically repairable equipment and other movable assets of the AFP and the government arsenal;
- (f) Funds from budgetary surplus if any, as may be authorized by Congress subject to the provisions of Section 8 of this Act; and
- (g) All interest income of the trust fund.

The trust fund shall be administered by the Secretary of National Defense in accordance with existing government auditing rules and regulations.

SEC. 12. *Modernization of the Government Arsenal.* – The modernization of the government arsenal, for the development of production capabilities to enhance self-sufficiency in defense requirements, shall be part of the AFP modernization program. The government arsenal shall be effectively utilized in the production of basic weapons, ammunition and other munitions for the use of the AFP and the Philippine National Police (PNP), and for the sale and export of products in excess of AFP/PNP requirements. The government arsenal may use such production facilities as it may own or be provided with under this Act or as it may arrange, under joint venture, co-production or similar agreements with local and foreign entities.

SEC. 13. *Austerity and Use of Savings.* – Effective upon the approval of this Act, the Secretary of National Defense, shall submit to Congress, within the first quarter of the succeeding year, a report on:

(a) The amount of all unused or undisbursed funds, other than unused appropriations for salaries and benefits of the AFP personnel, remaining from all previous DND and AFP appropriations; and

(b) The amount of savings from austerity measures, which are hereafter to be pursued by all services and units of the AFP, generated in the previous fiscal year.

The savings generated under this section are hereby authorized to be used to augment funds for the AFP modernization program.

SEC. 14. *AFP Procurement System.* – The DND-AFP shall strengthen its systems and procedures for equipment acquisition, taking into account new requirements under the AFP modernization program. Contract negotiations and equipment acquisition shall be treated as two sequential but separate steps, each requiring the separate decision of the Secretary of National Defense. The decision making process for equipment acquisition shall start at the appropriate service command and submitted to the AFP Weapon Systems Board, while contract negotiation shall start at general headquarters AFP level. In its system and procedures for equipment acquisition, the provisions of Presidential Decree No. 1594, as amended, and other applicable laws shall apply.

SEC. 15. *Guidance for the President.* – To meet unforeseen national security emergencies, the President, upon the recommendation of the Secretary of National Defense, may modify the program through substitution or revision of a component project therein: *Provided, however,* That he shall report such action to Congress within thirty (30) days.

SEC. 16. *Annual Reports.* – Not later than the end of the first quarter of the succeeding year:

(a) The Secretary of National Defense shall submit to the President and Congress an annual report on the status of the AFP Modernization Act Trust Fund, as provided for in Section 11 of this Act;

(b) The Chief of Staff, AFP, shall submit to the President and Congress, through the Secretary of National Defense, an annual report containing the progress of the implementation of the modernization program under this Act to include the AFP modernization activities implemented prior to the approval of this Act.

SEC. 17. *Separability Clause.* – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 18. *Repealing Clause.* – All laws, executive orders, rules and regulations inconsistent with or contrary to this Act, are hereby deemed accordingly repealed or amended.

SEC. 19. *Effectivity Clause.* – This Act shall take effect after fifteen (15) days from its publication in at least two (2) newspapers of national circulation.

Approved, February 23, 1995.