



# AFP Modernization Program

2008



**Annual Accomplishment Report**



# Message



REPUBLIC OF THE PHILIPPINES  
**DEPARTMENT OF NATIONAL DEFENSE**  
Camp General Emilio Aguinaldo, Quezon City

**T**he AFP Modernization Program has remained a dynamic force in the defense establishment's intensive efforts to improve the Armed Forces. The AFP aims to be a well-equipped, genuinely responsive military institution that is capable of addressing the various internal and external thrusts. With its enactment into law as Republic Act No. 7898 in 1995, the AFPMP was welcomed with much enthusiasm and hopefulness among the leaders and members of the Armed Forces.

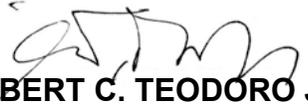
Its implementation, however, went through many difficulties over the last 14 years with transitions and challenges that our nation confronted. The regional economic scenario and security landscape were among the critical factors that made us rethink our priorities in this program. Hence, the redirection of our focus from territorial defense to internal security. We also fine-tuned our resource management approaches, and adopted reinforcing frameworks like the Philippine Defense Reform Program and the Defense Systems of Management (DSOM).

Even with the global economic crunch we are facing today, we continue to mark significant strides in the AFP's capability upgrade and development measures; thanks to the strategic vision of our past and present leaders in the institution. The difficulties we continue to face have taught us to refine our programs and thrusts, and anchor these on national ends.

Beyond the figures that we have attained in terms of equipment acquisitions, deliveries, and allocations, our uniformed personnel are now starting to feel the improvements and positive impact of our hard work. As these improvements penetrate deeper into the force, I am optimistic that the AFP will better achieve its internal security goals and stir our fellow Filipinos toward peace building and empowerment.

We are drawing closer to the 2010 deadline of containing all threats to national security and attaining strategic victory over insurgency. I urge our leaders, resource managers, project implementers, and all personnel of the Armed Forces to carry on your enthusiastic commitment to sustain the AFP Modernization Program's relevance in the attainment of this end and the defense community's other thrusts for the country.



  
**GILBERT C. TEODORO JR.**  
Secretary



# Message



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF NATIONAL DEFENSE  
**ARMED FORCES OF THE PHILIPPINES**  
**OFFICE OF THE CHIEF OF STAFF**  
Camp General Emilio Aguinaldo, Quezon City

**T**he imperative becomes more pronounced for the AFP Modernization Program as the Armed Forces of the Philippines is moving closer to the goal set by the national leadership to obtain decisive victory over the insurgents by 2010. While this objective is set, the environment surrounding the same remains ever dynamic. The Armed Forces of the Philippines remain true to its commitment to become the “right-sized, versatile and highly responsive force” through various endeavors driven by the perceptive initiatives and determined efforts of its leaders and members.

We now aim to optimize our limited resources by re-prioritizing the use of the same to provide for the needs of our forward units in order to best effect mission accomplishment. We are also fortunate that the national leadership continues to fill in the gaps in the processes and pour in more resources so that it may sustain the force in the attainment of its mandated mission. By optimizing the defense budget and improving the management controls, from planning to execution, we are now beginning to identify and address the needed improvements in the capability requirements in order to plan, to budget, to monitor & control, and to manage resources effectively.

The AFP continues to think out of the box. At the same time, we ensure maximum adherence to the comprehensive set of rules and processes that must be observed in the implementation of all intents pertaining to the Program. Our role now is to sustain our momentum and further enhance our synergy to complement the efforts that have been so far invested.

The 2008 AFPMP Annual Accomplishment Report stands as proof to our efforts. Herein lies testaments to our modest but hard won successes when it comes to our pursuit of our long term AFP Modernization plan in accordance with the Philippine Defense Reform program. With this we hope to manifest our enduring commitment and persistent efforts to accomplish this task of modernizing our organization and our service to provide better service to our stakeholders – the Filipino people.



  
**VICTOR S IBRADO**  
General AFP



# Message



REPUBLIC OF THE PHILIPPINES  
DEPARTMENT OF NATIONAL DEFENSE  
**ARMED FORCES OF THE PHILIPPINES**  
**OFFICE OF THE VICE CHIEF OF STAFF**  
Camp General Emilio Aguinaldo, Quezon City

**T**he Philippine defense community, the Armed Forces in particular, is now starting to obtain the yields of its hard work and investment, even as we endeavor to fulfill the goal of ending insurgency by 2010. The equipment acquisitions that the AFP Modernization Program pushed for help keep us on track and motivated to obtain the victory we envision.

Nonetheless, the AFP Weapons Systems Board continues to pursue the formidable task of modernizing and enhancing the capabilities of the force, to better enable our soldiers to respond dynamically to our mandate and emerging imperatives.

In all these, we have put in place enhanced procedures that will expedite the delivery of equipment and hardware necessary to the troops' efficient performance of their duties, especially in internal security operations. Hence, as we draw closer to our 2010 goal, the improvement of our move, shoot and communicate capabilities remains a priority.

With much optimism, sustained collaboration and team effort, we will definitely obtain victory, and eventually push forward the full modernization and development of the Armed Forces of the Philippines.

The AFPMP Annual Accomplishment Report for 2008 is a modest attempt of the Armed Forces to document and inform the President, our policy makers, and the Filipino people on how far we have gone through the implementation of this program. The details of accomplishments and program updates are presented in the context of this report to further provide significant information in accordance with Section 16 of Modernization Act of 1995 that mandates the submission of this annual report to the President and the Congress.



*Carlos M. Luna*  
**CARDOZO M. LUNA**  
Lieutenant General      AFP  
Chairman  
AFP Weapons Systems Board



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# Program Overview



**S**ailors aboard the USS Independence say farewell to Subic Naval Base in the Philippines, lining up on the flight deck as the ship leaves Subic Bay. The port call was the last at the base for the U.S. Navy battle group, as all American forces formally pull out of the Philippines by the end of the year. The base, which is the largest U.S. naval base in Asia, has been held by the United States since 1898.

After the RP-US Bases Agreement was terminated in 1992, the withdrawal of the US Forces from the Philippines meant that from then on the AFP had to rely solely on its own defense resources to protect the country's exclusive economic zone and territorial air-sea space. The country's claims in Spratly group of islands along with the insurgency problems have remained as the immediate concern. With these, the need to support and develop the capabilities of the AFP became very apparent. Thus came the birth of the AFP Modernization Program.

## BACKGROUND

The Armed Forces of the Philippines Modernization Act (R.A 7898) aims to modernize the Armed Forces of the Philippines (AFP) to a level where it can fully and effectively perform its constitutional mandate of upholding sovereignty and preserving the patrimony of the Republic. The basic approach of the program is the phase development of a credible defense force over a period of 15 years taking into consideration the changes in the strategic environment and the evolving roles and capabilities of the armed forces to meet the challenges of national security at the turn of century.

In developing the required capabilities, the Modernization Program involves five interlocking program components: (1) Capability, Materiel and Technology Development; (2) Bases and Support System Development; (3) Human Resource Development; (4) Doctrines Development, and; (5) Force Restructuring & Organizational Development. These components should be aligned with each other to meet the following program objectives:

|    |   |
|----|---|
| 1. | To develop the AFP's capability to uphold the sovereignty and territorial integrity of the Republic and to secure the national territory from all forms of intrusion and encroachment;  |
| 2. | To develop the AFP's capability to assist civilian agencies in the preservation of the national patrimony, including the country's living and non-living marine, submarine, mineral, forest and other natural resources located within its territory and its Exclusive Economic Zone;   |
| 3. | To enhance the AFP's capability to fulfill its mandate to protect the Filipino people not only from armed threats but 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 from all forms of ecological damage; |
| 4. | To improve the AFP's 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 substance taking place in or through Philippine territory;                              |
| 5. | To enhance the AFP's capability to assist the Philippine National Police in law enforcement and internal security operations;   |
| 6. | To enhance the AFP's capability to fulfill the country's international commitments; and,  |
| 7. | To develop the AFP's capability to support national development.  |



As stipulated under RA 7898, the AFP Modernization Act Trust Fund (AFPMATF) was created and shall be funded through the following:

|    |  |
|----|--|
| 1. | Appropriations for the AFP Modernization Program;  |
| 2. | Proceeds from the sale, lease, or joint development of military reservation, as may be authorized by Congress, include 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; |
| 3. | Share of the AFP from the proceeds of the sale of military camps provided for under Republic Act No. 7227;   |
| 4. | Proceeds from the sale of the products of the Government Arsenal;  |
| 5. | Proceeds from the disposal of excess and/or uneconomically repairable equipment and other movable assets of the AFP and the Government Arsenal;  |
| 6. | Funds from budgetary surplus, if any, as may be authorized by Congress subject to the provisions of Section 8 of RA 7227; and  |
| 7. | All interest income of the trust fund.   |



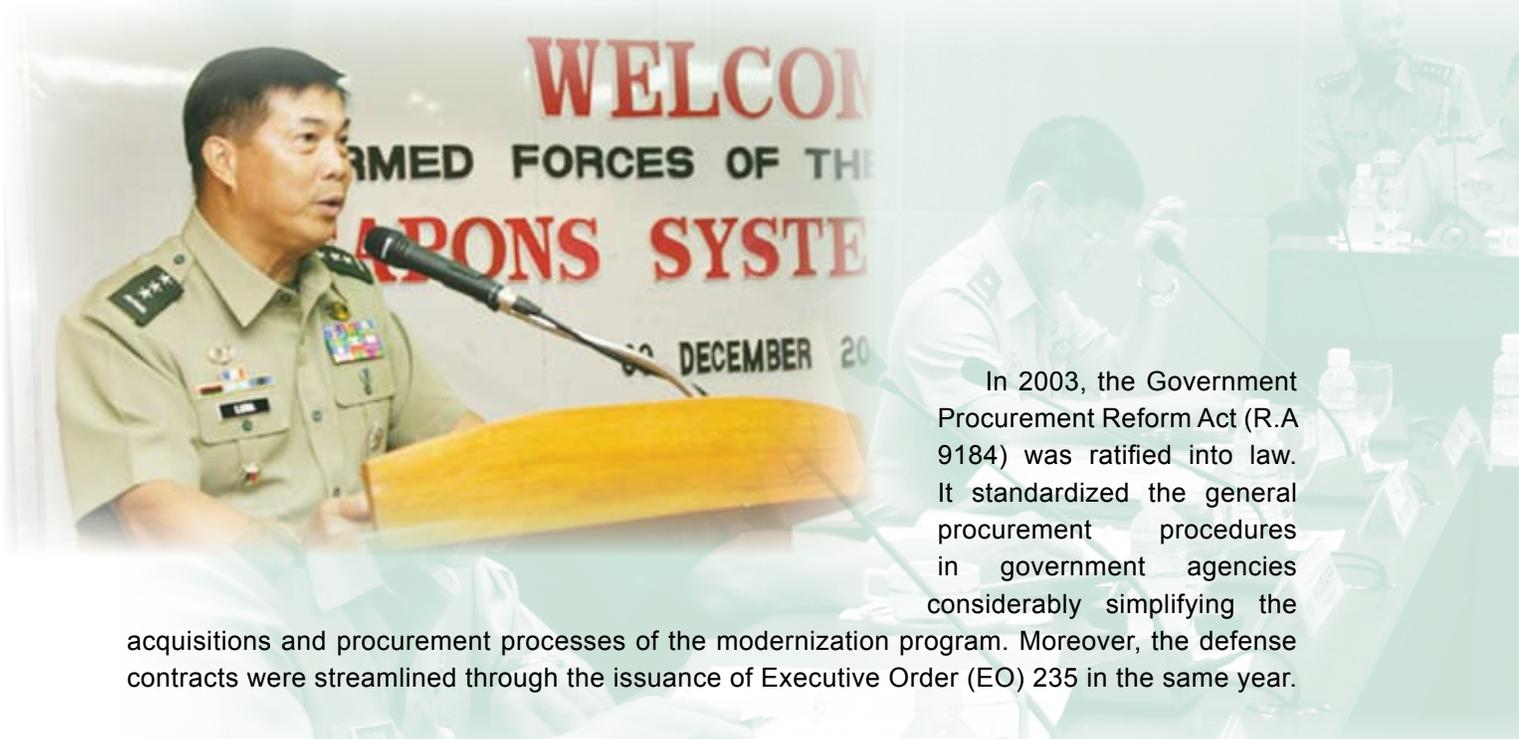
Increased hostilities in Mindanao which prompted Congress to pass RA 8551, otherwise known as the PNP Reform and Reorganization Act in 1998, transferring the counter-insurgency responsibility from the Philippine National Police back to the Armed Forces of the Philippines. The alarming domestic security situation, particularly the resurgence of internal threats, resulted to the AFP's shift in priority from external defense to internal security operations.

# Past Years in Review



Initially, organizational systems and structures were established in the Department of National Defense (DND) and the Armed Forces to effectively manage the modernization program. Many shifting regulations delayed the process which was further aggravated by the Asian financial crisis. It was also difficult to fund the program because persistent national budget deficits made its economic and social viability questionable.

However, changes in the peace and security context of the nation required the AFP to shift its priorities from external defense to internal security. The PNP Law (R.A 8551) affirmed and concretized this thrust. As a result, the program took a major turn in prioritizing activities and initiatives to enhance the Internal Security Operations (ISO) of the Armed Forces in the year 2000. The upgrade in equipment, processes, and systems has not been easy though. Complex procurement processes and acquisition structures considerably hampered its implementation.



In 2003, the Government Procurement Reform Act (R.A. 9184) was ratified into law. It standardized the general procurement procedures in government agencies considerably simplifying the acquisitions and procurement processes of the modernization program. Moreover, the defense contracts were streamlined through the issuance of Executive Order (EO) 235 in the same year.

In 2004, the Philippine Defense Reform Program through the Multi-Year Capability Planning System (MYCaPS) came into effect. MYCaPS will yield a three tier DND and AFP capability plan covering a 6-year, 12-year and 18-year horizon that outlines specific strategies, defined objectives, needed capabilities and identified resources to be provided under anticipated financial limits. Also, in the same year, President Gloria Macapagal-Arroyo approved the Revised Reprioritized Project List (RRPL). RRPL is a revision on the project lists identified in the years 2000 and 2002.

Then in 2005, the 6-year medium term Capability Upgrade Program (CUP) was initiated. The CUP aims to restore at least 70% of the critical capabilities of the AFP needed in ISO, specifically in the areas of (1) Command, Control, Computers, Intelligence, Surveillance and Reconnaissance (C4ISR), (2) mobility, (3) firepower, and (4) combat support.

In 2006, the Philippine Navy completed the weapon system upgrade of Jacinto Patrol Class Vessel (JCPV) and the shipment of Patrol Killer Medium gunboats from Korea that will be upgraded in-country while the Air Force acquired F-27-500 aircraft. Also, different medical equipment were procured for the GHQ.

Then in 2007, President Gloria Macapagal-Arroyo directed the DND-AFP to fast-track the Program. As a result, the 6-year CUP was reconstituted into Reprioritized Capability Upgrade Program (RCUP) Phases 1 and 2. In the same year, three major projects were completed, all of which constitute an improvement in the conduct of ground combat operations. These are the PAF's EDA UH-1H Refurbishment, the Light Armor Systems Upgrade Project for the Philippine Marines' V-150 Armored Personnel Carriers, and the Philippine Army's Night Fighting System Phase 1 (Lot 2).

## The AFP Modernization Act Trust Fund (AFPMATF)

The AFPMATF is for the exclusive use of the AFP Modernization Program with the Secretary of National Defense (SND) as the Administrator. The table below shows the accumulated funds received from authorized sources since its enactment in 1995.

| SOURCE / Year                 | Accumulated Amount by Year End (in Millions) |                  |
|-------------------------------|--|------------------|
|                               | 2007   | 2008             |
| Gov't Appropriations Act, GAA | 20,000.00                                    | 20,000.00        |
| BCDA                          | 6,945.034                                    | 7,091.67         |
| Government Arsenal            | 92.44  | 92.44            |
| AFP Excess Assets             | 43.25  | 43.25            |
| Interest Income               | 410.88                                       | 430.38           |
| Budgetary Surplus for FY2005  | 5,000.00                                     | 0.00             |
| Malampaya Natural Gas Project | 1,000.00                                     | 1,000.00         |
| <b>Grand Total</b>            | <b>33,491.60</b>                             | <b>28,657.74</b> |

### Developments from CY 2007 Report

As reflected above, the accumulated fund allocated for the program by year end of CY2008 amounted to Php 28,657.74 Million indicating a reduction of Php 4,833.86 Million from the amount reported in CY2007. The following are the explanations:

A total of Php 166.14 Million was generated for the year 2008 coming from BCDA remittances and interest income of the Trust Fund. As reported in the AFPMP CY2007 Annual Report, the total funds acquired from authorized sources amounted to P33,491.60 Million. The report, however, was not correct. An amount of P5.0 Billion was inadvertently included in CY2007. Thus, Php 5.0 Billion was deducted from the total amount in 2008.

Additionally, of the Php 20,000.00 Million fund from GAA, an amount of Php 2,370.88 Million was not utilized for the program due to the following:

|   |                     |
|---|---------------------|
| Expiration of SARO                              | Php 526.45          |
| Fund utilized to support AFP operations in 2008 | Php 1,844.43        |
| <b>Total</b>                                    | <b>Php 2,370.88</b> |

An amount of P526.45 Million intended for three projects was not obligated due to the expiration of its SARO last December 31, 2007. Since the fund code is 101, the fund cannot be revalidated and was returned to the national treasury.

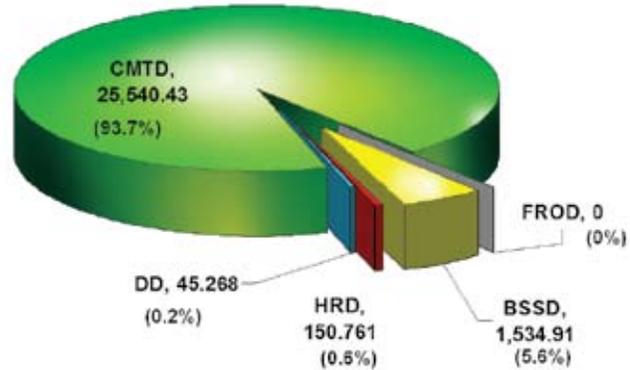
Also, in the 4th quarter of CY2008, fund from RCUP CY2007 in the amount P1.8 Billion was utilized with the approval of the President to support the high priority operational requirements of the AFP in Mindanao brought about by the conflict after the dissolution of the Memorandum of Agreement on Ancestral Domain.



On the other hand, P5.0 Billion was appropriated to the Program in 2008 for the implementation of CY2008 Reprioritized Capability Upgrade Program Phase 2. However, the SARO for the fund is yet to be issued to the AFP. As such, the amount was not yet reflected in the report.

**Fund Utilization**

**a. Approved Projects.** The total funded projects approved by the President amounts to Php 27.27 Billion and is distributed to: CMTD, Php 25,540.43M; BSSD, Php 1,534.91M; HRD, Php 150.761M; and DD, Php 45.268M. No fund was allocated for the FROD component as this will be sourced from the AFP’s Maintenance and Other Operating Expenses, MOOE.



**b. Proposed Projects.** An amount of P115 Million was allocated for the JCPV Upgrade Project (Phase-III) of the Philippine Navy and another P75 Million for the SS109 ammunition production facility of the Government Arsenal. In view of the requirements for Administrative Funds to support the implementation of projects under the program, the AFP recommended that an amount of P50Million be sourced from the AFPMATF to support ongoing projects. On the other hand, the following projects were proposed to be sourced from the AFP Modernization Act Trust Fund:

| Project Name                               | Amount (Php Million) |
|--|----------------------|
| Additional Funds for Busbus, Jolo Hospital | 18.70                |
| AFP Communications Center                  | 10.00                |
| Rocket Launcher Light (RPG)                | 94.98                |
| CAA Communications                         | 60.00                |
| CMO Audio Visual System (formerly MAVVU)   | 40.90                |
| UH-1H Acquisition Project                  | 400.00               |
| <b>TOTAL</b>                               | <b>624.58</b>        |

Past reports have always reiterated the need for the reformulation of the financing arrangements of the Program. The AFP constantly supports the House Bill 32601 which takes into consideration flexible funding terms and relevant policies fitted to the complexities of its implementation.

Also, the AFP is continuously pursuing for the transfer of the Interest Earnings of the Trust Fund to the Program. To date, interests earned from the Trust Fund are still with the Bureau of Treasury (BOT).

1 An Act Amending Republic No. 7898 Otherwise Known as the AFP Modernization Act. Sponsored by Representative Mauricio Domogan this was filed in the 12th, 13th, and 14th Congress.

# Accomplishments for CY 2008

## 1. CAPABILITY, MATERIEL, AND TECHNOLOGY DEVELOPMENT.

It aims to transform the AFP into a credible and sustainable defense force through the development of identified capabilities and acquisition of appropriate weapons systems, materiel and technological base.

There are a total of 89 priority projects that were funded since year 2000. To date there are already 31 projects completed, of which, 11 projects were completed in the year 2008. The delivery of these projects definitely provided the necessary capabilities to enhance the AFP's conduct of ISO.

### a. Completed Projects

With the completion of 11 projects last year, the AFP was able to improve its capabilities on C4ISR, mobility, firepower, and combat support.

#### **Command and Control, Communications, Computer, Intelligence, Surveillance, and Reconnaissance (C4ISR):**



**BN Islander Aircraft II Upgrade Project.** The restoration of two (2) units of BNI aircraft enhanced its surveillance and communication capabilities.



**Binocular Acquisition Project.** The binoculars allowed commanders and small unit leaders an upper hand in gathering essential information observed in the battlefield before making tactical decisions.





**The Global Positioning System (GPS) Acquisition Project.** The procurement of GPS, which is a satellitebased radio-navigation system, provided precise navigational information that aided the movement of ground forces.



**The Radio Broadcast System project.** The RBS provided a medium for information dissemination, education, peace building, and community relations to support community development initiatives of the AFP.



**Digital Camera Acquisition project.** The digital cameras allowed the ground forces to capture images from relatively long distances. The digital images can be interfaced with the existing Geographic Information System (GIS) of the Army for target research, analysis, and planning of operations.



**Integrated Radio Trunking System Project.** The IRTS provided the essential equipment needed to address multi-role requirements of the AFP including interagency cooperation and communications interoperability in times of calamities and disaster.

**JSOG Communication Equipment Project.** The acquisition of HF/SSB and VHF/UHF radio transceiver sets provided short and medium range tactical communication facility between combat and combat support units.



### Firepower and Mobility:



**The Squad Automatic Weapon Phase II Project.** The acquisition of SAW enhanced the firepower of the infantry squad without adversely affecting its capability to maneuver. It is a one-man portable weapon.

**The Patrol Killer Medium (PKM) Upgrade Project.** The project raised the operational condition of two (2) PKM/Wildcat Class gunboats. The project involved mobility upgrade, hull repair and maintenance, weapon systems repair and maintenance, and habitability and furnishing upgrade.



**The Motorcycle Acquisition Project.** The acquisition of these motorcycles enhanced the mobility of troops involved in combat support, security, liaising, and coordination among tactical operation units of the armed forces.



## Combat Support:

**The EOD Bomb Suit Acquisition Project.** The acquisition of Personal Protective Equipment (PPE) allowed the EOD Technicians to effectively perform EOD roles as it provided the necessary protection in dealing with Improvised Explosive Devices (IEDs), Unexploded Explosive Ordnance (UXO), or other highly explosive materials.



### b. On-going Projects

Other projects in the pipeline are in the following stages of the procurement cycle: 19 projects are in the Implementation Stage; six (6) in the Contracting Stage; 23 in the Procurement stage; and ten (10) in the Requirements Definition Stage. These projects are designed to reinforce the naval defense, air defense, and ground defense capabilities of the armed forces.



## 2. BASES and SUPPORT SYSTEMS DEVELOPMENT.

Military bases, camps, stations and other installations are established to support the strategic deployment of forces in accordance with the National Defense Strategy. Its thrust is to provide facilities for logistics, training, housing, and other support requirements, and staging areas for the conduct of military operations.

### Projects Funded through BCDA and Congressional Appropriations.

| Unit                 | Total | Completed Projects | On-going Projects | Not Yet Started |
|----------------------|-------|--------------------|-------------------|-----------------|
| GHQ/AFPWSSUs         | 13    | 0                  | 12                | 1               |
| Philippine Army      | 41    | 33                 | 8                 | 0               |
| Philippine Air Force | 47    | 19                 | 2                 | 26              |
| Philippine Navy      | 51    | 34                 | 2                 | 15              |
| Total                | 152   | 86<br>(56%)        | 24<br>(16%)       | 43<br>(28%)     |

**Projects Funded through Malampaya Project (Php1.0 Billion).** A total of 86 dwelling units were targeted. Of the 86 units, the Philippine Army has 28 units; the Philippine Air Force has 19 units; and the Philippine Navy has 19 units. Only 6.7% was completed, and 31.39% are still on-going construction. Details are broken down in the matrix below:

| Unit                 | Total | Completed Projects | On-going Projects | Not Yet Started |
|----------------------|-------|--------------------|-------------------|-----------------|
| GHQ/AFPWSSUs         | 20    | 0                  | 0                 | 20              |
| Philippine Army      | 28    | 0                  | 0                 | 28              |
| Philippine Air Force | 19    | 7                  | 10                | 2               |
| Philippine Navy      | 19    | 2                  | 17                | 0               |
| Total                | 86    | 9<br>(10.5 %)      | 27<br>(31.4%)     | 50<br>(58.1%)   |

## **GHQ/AFPWSSUs**

For the General Headquarters (GHQ), the titling and registration of Camp General Emilio Aguinaldo in Quezon City and the Philippine Military Academy at Fort del Pilar in Baguio City are nearly complete with the submission of all pertinent documents to the appropriate agencies. Also, the AFP Chief of Staff approved the creation of the Project Management Team (PMT) to take charge in the Master Development Plan of the AFP Medical Center (AFPMC). The team shall work on the Terms of Reference (TOR) and the other requirements of the project.

On the other hand, the construction of GHQ/UCs/AFPWSSUs housing units funded through the P1.0 Billion Malampaya proceeds is expected to start with the revalidation of fund by the Department of Budget and Management (DBM).

## **Philippine Army**

The Philippine Army has already completed a total of 33 projects under the BSSD. Conceptual Master Plans for seven (7) military camps are currently undergoing compliance evaluation by the BSSD Committee. On the other hand, the conduct of surveys and other activities in line with the improvement of other Army camps in the pipeline are still on-going.

The preliminary activities for projects funded through the P1.0 Billion Malampaya project were already undertaken by the Army. The construction of 28 units of 10-door apartments will commence upon the revalidation of fund by the Department of Budget and Management (DBM).

## **Philippine Air Force**

The Philippine Air Force reported the completion of nineteen (19) bases and support facilities during the period. On the other hand, the relocation survey of nine (9) PAF bases and the subsequent formulation of Master Development Plans were already approved by the Commanding General of the Philippine Air Force. Currently, the titling and registration of these bases are yet to be confirmed with the DENR.



For projects funded through the P1.0 Billion Malampaya housing fund, a total of seven (7) units of 10-door apartment were completed while another twelve units are still on-going.

## **Philippine Navy**

Significant gains in improving the facilities and structures in naval and marine bases were reported by the Navy. Two units of 10-door apartment funded through the P1.0 Billion housing fund were completed last year. Also, during the period, repairs of apartments and shore power stations were undertaken along with the construction of water tanks.





### 3. HUMAN RESOURCE DEVELOPMENT.

In pursuit of promoting professionalism in the Armed Forces, three fundamental areas need to be addressed; namely, individual (personal) development, career (professional) development, and organizational development. It should be aligned to meet 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 an external security-force that can secure the Republic against international terrorism, and an internal security-force that can achieve the following mission: to achieve a strategic defeat of the Communist Terrorist Movement by 2010, destroy the Abu Sayaff and other terrorist groups, and contain the Southern Philippines secessionist groups in order to establish a physically and psychologically secure environment conducive to national development;
3. To develop a compact, effective, efficient, and responsible citizen-based force;
4. To implement programs that will enable the AFP to undertake its role in environment/resource protection and multi-national peacekeeping operations;
5. To convert the AFP into a service/people-oriented and professionally united force;
6. To improve the quality of life of soldiers and their families and reorient values of all personnel in the AFP; and,
7. Doctrines development.



It also aims to make the AFP more capable of performing its traditional and other nontraditional role by focusing in the conduct of appropriate training and education programs. It is also responsible for the recruitment, training, and the development of the AFP Officers, and reserved forces (enlisted men), and civilian employees.

In March 2008 concluded a training project entitled Joint Sergeant Major Course (CL 01-07) with 61 participants attending was concluded. Also another on-going project is the Cleansing System of the AFP Pension List which is designed to provide easy update and access to pensioner information and to facilitate the smooth flow of processes needed to service the AFP pensioners effectively.

### 4. DOCTRINES DEVELOPMENT.

Doctrines Development aims to implement a systematic management of structures, resources, and processes involved in the formulation, review, evaluation, integration, publication, and dissemination of doctrines.

**Development of AFP Manuals Project.** As of 31 December 2008, a total of 120 AFP Doctrine Manuals are at various levels of development. At the same time, other projects and activities supporting the development of manuals were undertaken by the AFP. Of the 120 manuals, 24 projects were by GHQ/AFPWSSUs; 38 by the Philippine Army; 26 by the Philippine Navy, and 32 by the Philippine Air Force.

| Proponent    | No. of Projects | In-Progress | Completed | %         |
|--------------|-----------------|-------------|-----------|-----------|
| GHQ/AFPWSSUs | 24              | 15          | 9         | 38        |
| Army         | 38              | 21          | 17        | 45        |
| Navy         | 26              | 22          | 4         | 15        |
| Air Force    | 32              | 28          | 4         | 12        |
| <b>TOTAL</b> | <b>120</b>      | <b>86</b>   | <b>34</b> | <b>28</b> |

### GHQ/AFPWSSUs

There were two manuals developed in CY2008 which are awaiting promulgation. These are the AFP Office of the Strategic Studies Manual and the SOT Operations Manual. The AFP Logistics Manual is currently undergoing review and evaluation while another five manuals are in the advance stages of development.

### Philippine Army

Two manuals were promulgated by the Chief of Staff, AFP last year, the Philippine Army Doctrine Development Manual and the Writers and Editors Guide to PA Manual Preparation. On the other hand, the Provost Marshall Manual and the Office of the Ethical Standards and Public Accountability Manual are already in the test and evaluation stages. Additionally, the Philippine Army has already printed and distributed 119 accredited reference materials which are now being used by its units and personnel.

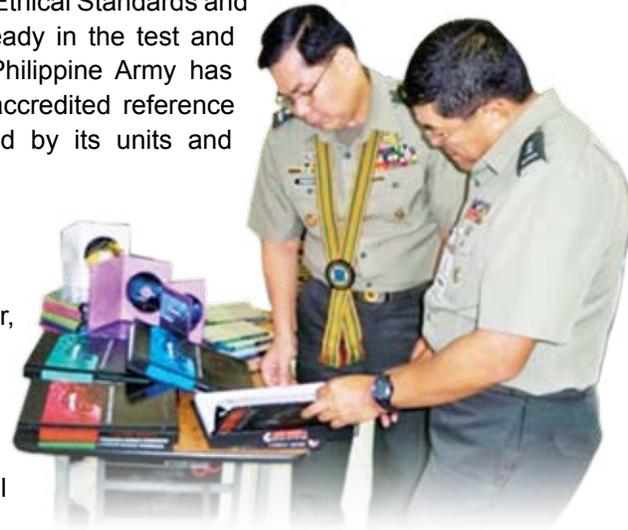
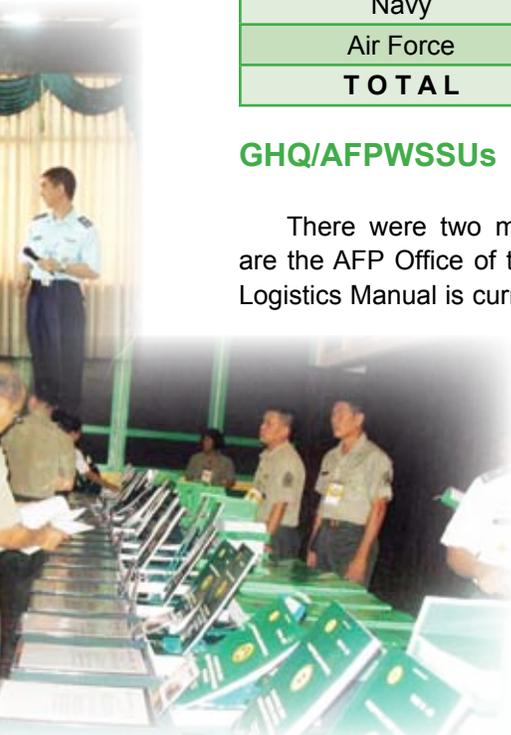
### Philippine Air Force

There were no manuals promulgated last year. However, five manuals are now in the review, test and evaluation stage of manual formulation. These are the Air Search and Rescue Manual, the AETC Organizational Manual, the Air Logistics Command Organizational Manual, the S-211 Tactical Doctrine for Weapons System, and the Air Defense Wing Organizational Manual.

### Philippine Navy

Nine manuals are in the different stages of development. Among them are the Sealift Operations Manual, the Navy Nursing Service, the Force Reconnaissance Doctrine, and the Inshore Operations Manual. There were no manuals promulgated in CY2008.

**Other Doctrines Development Projects & Activities.** Supporting projects and activities are necessary undertakings for the AFP to ensure the development of manuals. These include, among others, organizational development, enhancement of library facilities, printing of references, conduct of research and special studies, and others. The GHQ/AFPWSSUs and the Philippine Army are currently in the forefront of undertaking such activities particularly in the organizational enhancement involving restructuring, process enhancement, and library improvement.





## 5. FORCE RESTRUCTURING AND ORGANIZATIONAL DEVELOPMENT.

This component of the AFP Modernization Program involves the development of a “self-reliant and credible strategic defense force” focusing on the reconfiguration and reorientation of the AFP structure to effectively address both external and internal security challenges. Priority is given to shaping the AFP into an organization that maximizes professionalism. In addition, this component also involves streamlining the AFP, necessitating the abolition and merger of certain offices and units. Expectedly, the AFP’s focus on ISO played a huge role in reshaping the armed forces as an institution.

### GHQ/AFPWSSUS

The Office of the Deputy Chief of Staff for Education and Training, OJ8, was reactivated in CY2008 reaffirming the importance of education and training among the personnel of the AFP. Moreover, the Public Affairs Office was also activated to strengthen further the AFP’s desire to keep the public well informed.



### Philippine Army

In the pursuit of enhancing the army’s internal security operation, the 12th SF Riverine Company and Task Force Nilad were activated while the 701st Infantry Brigade and the 49th Infantry Battalion, 9ID, were reactivated. Task Force “Raptor”, on the other hand, was deactivated. Also, to improve the external mechanisms in protecting human rights, the Human Rights Section, OG1, was activated. The army also reactivated the office for Training and Education, G8,

### Philippine Air Force

The 763rd Combat Squadron was reorganized to become the 763rd CMO Squadron in order to support the AFP’s role in national development. PAF also reactivated the office for Training and Education, A8, and deactivated the Reserve Airlift and Tactical Support Center.

### Philippine Navy

The Navy has expanded its role in peace and development through the activation of the Philippine Marines Civil Military Operations Group. Likewise, to ensure good governance and operational excellence of navy units, the Center for Naval Leadership and Excellence was activated in lieu of the deactivated Naval Office of Special Studies. Like the other major services, the Navy also activated its office for Training and Education, N8.

# Significant Developments

**CMTD.** The accomplishments for 2008 reflect the hopes of the AFP to acquire ISO essential equipment and enhance its capabilities to “move”, “shoot” and “communicate” to meet the 2010 goals. Last year alone, there were 11 major CMTD projects completed. This is very substantial because it addressed the objectives set by the CUP to restore the AFP’s core capabilities.

Along with the equipment acquisition is the realization of providing significant attention to the other four components of the program. It is indispensable to do so if ISO is to be enhanced. With this, organizational improvements were undertaken.

**Doctrines Development.** The reactivation of the Office of the Deputy Chief of Staff for Education & Training, J8, provided a big boost in the AFP’s efforts to fast track the development of necessary doctrines. With OJ8 now steering the Doctrines Development Component, formulating AFP Doctrines will be more focused, relevant, timely, and even more pronounced.

**BSSD.** The BSSD Committee last year approved the evaluation criteria for Master Development Plan. This provided a standard basis in the identification of appropriate structures and support systems necessary in the development of military facilities. With this, proposals for bases development, particularly involving new constructions and refurbishment of existing buildings and facilities, shall undergo proper evaluation in line with the overall development plans of the AFP.

**FROD.** The administration of the FROD Component was officially transferred from OJ3 to OJ5 in late 2007. The move has provided the necessary direction in the development and implementation of the AFP Force Restructuring and Organizational Program beginning 2008.

**Program Implementation.** An Integrated Contracting Team (ICT) was created under the helm of AFPMPMO. It was very instrumental in the push for the efficient formulation of Bidding Documents and Contracts for projects under the Program.

Of great significance last year was the findings of the Commission on Audit on the performance evaluation of AFPMPMO. As reflected in CY2008 Audit Highlights, “the present organizational structure of AFPMPMO does not support an effective evaluation and monitoring mechanism for the attainment of the goals and objectives of the Modernization Program”. With this, a review of the existing AFPMPMO organizational structure was recommended by COA

Also last year, the different processes involved in equipment acquisition were integrated into one guiding process for the stakeholders, a significant move that led to the development of an information system infrastructure for project monitoring.

**AFPMATF.** Trade transaction terms with the Land Bank of the Philippines (LBP) were amended to allow for improvements needed to manage efficiently the fund. Simplified procedures and enhanced benefits were among the changes stipulated in the revised MOA between the AFP and LBP.

The Mindanao crisis, in the middle of 2008, prompted the AFP to realign Modernization Fund to procure the necessary operational and intelligence requirements to support counterinsurgency operations. In effect, a number of on-going projects from CY2007 RCUP were deferred and were programmed to be included in the CY2008 project list.





# Assessment, Issues and Concerns

Since the inception of the AFPMP, the Program only received P28 Billion of the P 331 Billion total budget approved under Joint Resolution Nr 28. This is only a little more than the P50Billion supposed allocation for the first five years of its implementation. Despite the limited fund allocation vis-a-vis planned objectives stipulated in RA 7898, the AFP has done its best to fulfill its obligations by utilizing judiciously the available resources.

Last year's accomplishment underscored the AFP's concentration on the CMTD component due to the shift in priority to Internal Security Operations. Obviously, very little was realized on the other four components – DD, FROD, HRD, and BSSD. Administrative Order Nr 169 specifically highlighted the AFP's ISO mission to achieve a strategic defeat of the Communist Terrorist Movement by 2010, destroy the Abu Sayaff group and other terrorist groups, and contain the southern Philippines secessionist groups<sup>4</sup>. The objective of filling-up the requirements for Internal Security Operations as a priority was addressed thru the Capability Upgrade Program (CUP) which centered on acquiring essential equipment through the CMTD. As such, the CMTD component received most of the allocated fund at P27.3 Billion through the 89 approved projects as of CY2008.

11 CMTD projects were completed last year; increasing the total number of completed CMTD projects to 31 which is 35% of the overall and funded projects.

The AFP Weapons Systems Board (AFPWSB) pushed for the quick completion of the Circular of Requirements, Technical Specifications, and the Project Procurement Management Plans. Through the Integrated Contracting Team (ICT), the Board also made it a point to fast track formulation of the Bidding Documents and the Contracts for the projects. This is the reason for the higher productivity of the program in the CY2008.

In spite of the modest accomplishments last year, there remain several challenges to be addressed. As reported in the past, the time to complete the acquisition process to meet the stated requirements has lagged behind changes in the requirement scenario and the capabilities that are provided by technology advances. The result has been extensive acquisition cycle times with our soldiers acquiring a capability late-to-need and generally lagging cutting edge technology.



Many factors can be attributed to the lag. For one, there was no regular flow of funds to the program, particularly from Government Appropriations (GAA). The Capability Upgrade Program has annual targets, however, program funds were irregular and do not seem to meet annual budget requirements. The lack of consistent funding allocation has resulted in stalled projects, price escalation, and disinterest in PMTs and proponents. It has also caused the AFP to be more cautious in planning for multi-year obligation contracts for big-ticket items. Amortizations of these types of acquisitions requires medium to long-term payments. Irregularity in funds availability may incur penalties and surcharges or cancellation of projects.

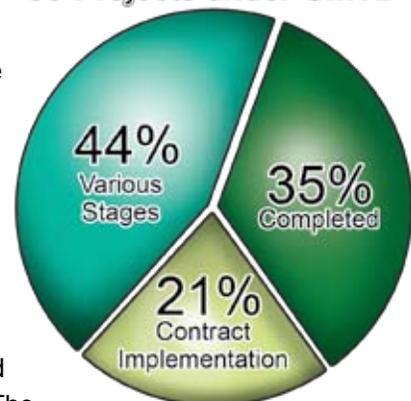
In addition, some projects require intensive technical knowledge especially in the requirements definition stage of the project design. This may pose a difficulty to the PMTs and Technical Working Groups implementing the projects whose responsibilities as PMT/TWG are secondary only to their organizational functions. Fast turnover of staff assignment also aggravates the situation. Reassignment of personnel averages three years per post; whereas, per experience, the least project-cycle time takes more than three years to complete an acquisition project including its actual turn-over to the end user. The same is also particularly true for Doctrines Development where the process of developing manuals, printing and publication, testing, and evaluating takes more than three years to complete. BSSD projects are even longer with activities such as, among others, master plan development, surveys, construction, and turn over.

The nature of project complexities was also one of contributory factors affecting project implementation. The formulation of technical specifications and contracts for weapons systems and other defense equipment are delicate and sophisticated. It requires focus, time and advanced technical expertise and knowledge in contract formulation. The AFP, though not really competent in this area, has to go through this complex process in order to comply with the provisions of RA 9184 to bid publicly.

More importantly, the unavailability of administrative funds for managing the projects significantly compounds the challenges of meeting the objectives of the Modernization Program. The unavailability of funds will affect the timing of activities and quality of work being done in the conduct of various activities attendant to accomplishing projects such as training, meetings and planning conferences, surveys, inspections, and many more. Without administrative fund, PMTs find it difficult to carry-out their mandated tasks in project management.

Lastly, the AFP Modernization Program is a 15-year program. It has a timeline with specific and clear objectives. The mandate to end insurgency by 2010 is an enormous task given the present capabilities of the Armed Forces. As previously stated, the fund allocated for the Program is far below the required amount to realize the desired capabilities; even with the recent P 5.0 Billion annual allocation from the GAA.

89 Projects under CMTD





# Recommendations

1. The most important recommendation of the AFP is to continue to lobby for the passing of legislative initiatives that would facilitate the implementation of the program and generate additional funds. These include proposed amendments to RA 7898 (AFP Modernization Act of 1995) such as House Bill 3260 which seeks to have a regular fund appropriation from Congress and a separate streamlined procurement process for the acquisition of defense materials. Other legislative initiatives include the amendment to RA 7227 (BCDA Act of 1997), creation of the Military Real Estate Development Authority, allocation and transfer of funds to the AFPMATF from the share of the national government on all taxes, royalties and charges paid by the Malampaya Natural Gas to Power (MNGP) Project, BIR collection of capital gains and value-added taxes from real estate sales.
2. There is also a need for the Defense Department to look into additional funding for the AFP in order to address the necessary expenses for the maintenance and other operating requirements of the new equipment acquired through the AFP Modernization Program. While most acquisitions include provisions for integrated logistics support, these, however are limited only to immediate logistical support for the operation of the equipment. Funds allocated to the program are capital outlay and does not include MOOE to maintain and operate the equipment.
3. Allocation of Administrative Fund is also highly recommended. There are processes in project management which require a lot of administrative functions. These include, but are not limited to, needs assessment, market analysis, testing, project administration & monitoring, research, inspection, planning conferences, meetings, documentation, and competency development. Regardless of complexity, a project is estimated to incur an administrative cost of P3.0 to P4.0 Million for it to be successfully implemented. The estimate shall include project management staff competency development through training, seminars, and workshops on project management, acquisition, and related topics. Equipping the PMTs, TWGs, Programs Managers, and project staff to effectively manage their responsibilities shall improve efficiency in project implementation; which will result to shorter project cycle-time.
4. The competence of formulating procurement plans, bidding documents, and contracts, do not reside in the AFP as an institution. While there are people in the military who are skilled to undertake these activities, the non-permanence of military personnel in any position hinders the continuous development of skills and expertise in this particular field. Thus, it is noteworthy to consider the establishment of a dedicated institution with permanent personnel that will undertake these activities for the AFP. With this, the AFP's role in the acquisition cycle will be purely the identification of its needs to fill up the required capabilities to address modernization objectives.

# Thrusts for 2009

## Thrusts for CY 2009

**T**he AFP will continue to support legislative initiatives to amend and improve some provisions in RA7898. House Bill 3260, in particular, shall greatly improve the financing challenges experienced by the program. HB 3260 will not only guarantee sustainable source of funds for the program but also allow for the predictability in program planning. Moreover, it will make the modernization effort a continuing program, and not merely for a fifteen (15) year period. It will ensure the unhampered upgrading of AFP capabilities and sustain its ability to meet evolving national security threats. Furthermore, it will allow for a simplified defense acquisition system which shall be separate and distinct from the procurement system applicable to other departments of the government.

The AFP plans to transition its strategic actions from internal defense to territorial defense. It shall prioritize the multi-role naval and air assets to support combat troops; and, to protect and preserve the territorial waters and the air space against intrusion. Acquisition planning therefore will have to be anchored on the Defense System of Management or DSOM. Big ticket acquisitions shall be coursed through the Multi-Year Obligation Authority.

The previous assumptions used in the modernization plan approved under the Joint Resolution No. 28 are already outdated and may no longer hold true for today's changing role of the military. There is an imperative need to review the existing Modernization Master Plan to be relevant with the current affairs of the State. A more responsive master plan is therefore necessary to place into consideration the changing context of defense and security challenges of the times.

The AFP shall continue to monitor the transfer of the P1.3 Billion interest earned by the trust fund from the Bureau of Treasury to the AFPMATF.

Adequate attention shall be given to the other four components of the program to complement the acquisition of hardware materials and in support to other AFP capability development efforts. Along with this, a review of the organizational structure of AFPMPMO to address the five components will also be undertaken in line with the observations of the Commission on Audit. Also, there will be a review of the existing policies and SOPs related to its implementation, especially in the assignment of and incentives for PMT membership, the functions and responsibilities of the various stakeholders, and the creation of contracting office for the program. Assignment of dedicated lawyers to the program will also be prioritized. Legal issues often arise in BSSD, particularly in titling and land use. Also, contract negotiation and formulation for the acquisition of sophisticated defense products such as ships, aircraft, and combat fighting systems, among others, require specialized skills appropriate for lawyers alone.





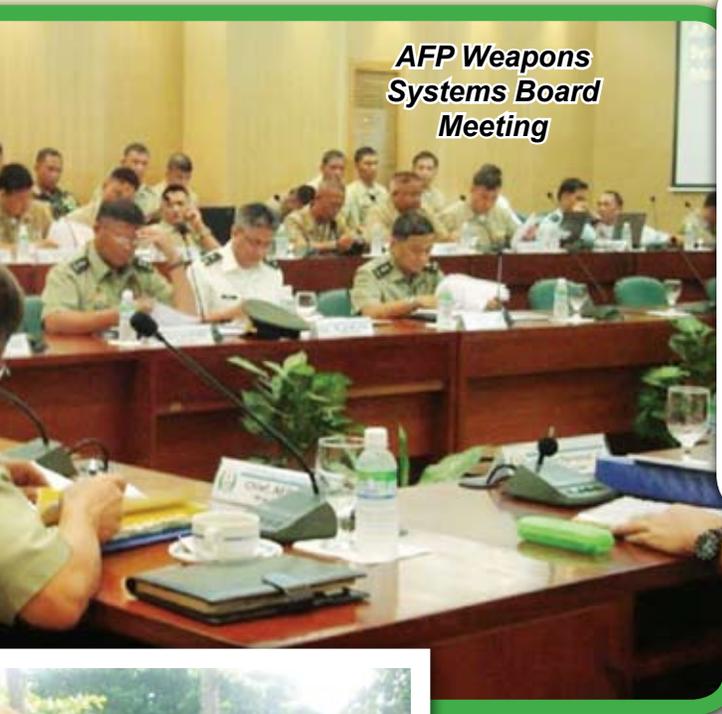
*The AFP Modernization Program Management Office headed by BGEN NICOLAS D OJEDA JR.*



*Technical Inspection and Acceptance Committee Meeting*

*Inspection of the Multi Purpose Attack Craft*





**AFP Weapons Systems Board Meeting**



**Launching of the Philippine Army Manuals**



**Project Stakeholders' Meeting**



**LTGEN CARDOZO M LUNA taking his oath as Chairman of the AFP Weapons Systems Board**



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