

**COMMITTEE ON NATIONAL DEFENSE AND SECURITY  
COMMITTEE ON ACCOUNTABILITY OF PUBLIC OFFICERS  
AND INVESTIGATIONS  
COMMITTEE ON HUMAN RIGHTS  
COMMITTEE ON FINANCE**

Friday, November 26, 2004  
Senator Claro M. Recto Room  
9:00 a.m.

**Members Present:** Senators Biazon, Chairman and Presiding; Lim and Osmeña III

**Members Represented:** Senators Cayetano, Lapid, Defensor-Santiago, Gordon, Angara, Estrada (J) and Madrigal

**Guests/Resource Persons:** Hon. Feliciano Gacis, *Undersecretary*, Department of National Defense (DND); Hon. Leticia Gloria, *Asst. Secretary*, DND; LGen Efren L Abu, *Chief of Staff*, Armed Forces of the Philippines (AFP); Col Alexis G. Andal, C, *The Chief Ordnance Chemical Service (TCOCS)*, AFP; MGen Antonio L Romero II, J6, GHQ; MGen Antonio O. Anciano, J4, GHQ; and BGen Benedicto C Corona, Deputy Commandant, Philippine Marines Corps (DCPMC)

**AGENDA**

**P. S. Res. No. 121** – “RESOLUTION URGING THE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INVESTIGATION, IN AID OF LEGISLATION, INTO THE ALLEGED ANOMALOUS PROCUREMENT OF THE ARMED FORCES OF THE PHILIPPINES (AFP) OF 30-ROUND PLASTIC MAGAZINES AND VINTAGE AMMUNITION FOR THE 105 MM. HOWITZER THAT ARE DEFECTIVE AND UNRELIABLE WHICH PREJUDICE AND ENDANGER THE LIVES OF THE ENLISTED PERSONNEL OF THE AFP”(Introduced by Sen. Revilla, Jr.)

**P. S. Res. No. 123** – “RESOLUTION DIRECTING THE SENATE COMMITTEE ON NATIONAL DEFENSE AND SECURITY TO CONDUCT AN INQUIRY, IN AID OF LEGISLATION, ON THE ARMED FORCES OF THE PHILIPPINES (AFP) PROCUREMENT AND FISCAL MANAGEMENT SYSTEM” (Introduced by Sen. Biazon)

**S. NO. 1823**– “AN ACT CREATING AN INDEPENDENT COMMISSION TO CONDUCT A THOROUGH FACT-FINDING INVESTIGATION OF THE ALLEGATIONS OF GRAFT AND CORRUPTION IN THE ARMED FORCES OF THE PHILIPPINES” (Introduced by Sen. Pangilinan)

Privilege Speech of Senator Miriam Defensor Santiago, entitled “**THE AFP, NOT PROTECTORS, BUT PREDATORS OF THE PEOPLE**”.

## HIGHLIGHTS

A joint public hearing was held by the Committees on National Defense and Security, Accountability of Public Officers and Investigations, Justice and Human Rights, and Finance to consider the following: 1) a bill creating a commission to investigate alleged graft and corruption in the AFP (SB 1823); 2) two resolutions (PS Res.121 and 123) which seek to inquire on the AFP's procurement system and the alleged anomalous purchase of plastic magazines and vintage ammunitions for the 105 mm howitzer of the military; and 3) privilege speech of Senator Santiago entitled: "The AFP, not protectors, but predators of the people. The hearing was held on November 26, 2004 at the Senator Recto Room, Senate of the Philippines, GSIS Bldg., Pasay City.

(Prior to the conduct of the public hearing, a briefing on the national security situation was held in an executive session.)

MGen Antonio Anciano, the deputy chief of staff for logistics (O-J4) briefed the committees on the AFP logistics system and also its procurement process by way of a power point presentation. The highlights of the presentation include the following; 1) there are seven key budgetary units (KBUs) in the AFP namely: the General Headquarters, the Philippine Army, the Philippine Navy, the Philippine Air Force, the Philippine Military Academy, the Presidential Security Group, and the AFP Medical Center; these KBUs get their releases directly from the Department of Budget and Management and reallocate the funds to their subordinate units; the budget preparation passes through the GHQ; the program director concept and project director concept are employed in the disbursement of fund to conduct the necessary acquisition of supplies, but these are being reviewed; procurement is one of the six stages where logistic system and the financial system interact; the logistics staff (J4) takes physical delivery, controls inventory; and the Program Evaluation Management and Review (PEMRD) is in charge of the pre-audit while the Commission on Audit (COA) is in charge of post-audit with regard to purchases.

The other highlights which he mentioned are as follows: the two kinds of releases (for funds) are the sub-allotment of advise which will serve as basis for the chief accountant to say that funds are available and also the Notice of Transfer of Allocation (NTA) when payment is made; the procurement policies being implemented by the AFP include RA 9184 (and its IRR issued July 27, 2004), Executive Order 235 (issued on Sept 8, 2003), Department Order 165 and Department Order 115 (issued on July 2004); there is only one Bids and Awards Committee for the whole armed forces; contracts which are authorized for approval by the Chief of Staff have passed through offices that make the review, including the J-4, the J6, and the Judge Advocate General's Office (JAGO); contracts involving P50 million and below can be signed by the Chief of Staff, contracts of P50 million above up to P300 million fall within the authority of the Secretary of National Defense, and those more than P300 million go to the Office of the President;.

At this juncture, MGen Anciano claimed that defects were noted in the plastic magazines for earlier models (1996 and earlier years) that were supplied by the Alloy Engineering Works to the AFP.

The Chair inquired on the reliability of the components of the decision-making processes in relation to the procurement made by the AFP so that one could pinpoint at what level the procedure could have gone wrong. He said that this

was the concern raised by Senator Osmeña and that the hearing was conducted because of an anomalous activity

Senator Lim, for his part, said that focus should be made to the particular unit tasked to conduct the test on the product to pinpoint responsibility but not to resort to shotgun blast of allegations of irregularity which could make other people have the impression that all are involved in the anomaly.

Senator Osmeña asked Defense Undersecretary Gacis to provide the committees a list of items which have been selected for the manufacture and development under the self reliance defense posture program or SRDP. He also scored the decision made by the Defense to conduct research and development for the M203 ammunition when the total market would only reach about P22 million. Gen. Abu, however, explained that this program started after Martial law when foreign governments, including the US, would not want to sell said kind of ammunition to the country.

At this juncture, the Chair asked the Defense officials to examine the role of the Government Arsenal, particularly on whether it would be more economical to just pay the Arsenal for the procurement of 40-mm. ammunitions for the M-79s and M-203 instead of paying the civilian company for the tooling or retooling of these ammos.

He also asked how much did the department spend for the development of the prototype of a wooden aircraft, noting that even the Germans during the Second World War used wooden aircraft but shifted to metal after finding out how disadvantageous it was to use wood.

He then called on the defense department to further study the practicality of the present SRDP, pointing out, among others, that even the Arsenal could not produce volumes and types of 9 mm and 45 cal. bullets. This, he said, was the nature of the complaint of those soldiers involved in the Pagbilao encounter.

Maj. General Anciano, however, explained that the matter was already investigated and that the magazines that were the subject of the complaint passed the test they conducted. Col. Alexis Afdal also pointed out that the magazines were Lot. Nos. 95, 96 and 97 awarded to Alloy Engineering, a company that was transacting with the defense department since 1992, which were tested repeatedly and passed all test procedures. He noted, however, that there were defects with the magazines supplied 10 years ago, or in 1992.

Senator Osmeña (S) requested the committees to subpoena the list of all purchases of all types of ammunitions, their quantity and total value, which were made by the defense department for the last five years. He also asked that the committees be provided data on the expenditures for research and development, both in-house to the AFP and to private corporations, and the AFP contracts with the Ava Corp. for the past ten years.

The Chair, for his part, asked that the committees be provided the data regarding contracts and deliveries of the Alloy Engineering Works to the AFP.

He also cited the reform measures that Gen. Abu had initiated such as the streamlining from 11 to only 7 of the J Staff and also on the conversion (of fund), both of which are relevant to the agenda of the hearing.

The other issues raised in the hearing include the consideration for increase in subsistence allowance from P60 to P100 by the Congress, the cases of Major

Ramos (for alleged indecent act/act of lasciviousness) and Lieutenant Joaquin (for alleged shoplifting of a measly worth of merchandise).

According to Gen. Abu, the officers involved are now restricted to their quarters at Fort Bonifacio and investigations are being conducted. He also issued a directive to the subordinate commanders that they now have the authority to report the misdemeanors of their subordinates to the media.

The Chair then congratulated Gen. Abu for his appointment as Chief of Staff of the AFP and also commended him for the reforms being done within the AFP organization.

The hearing was suspended at 1:11 p.m.

Prepared and submitted by **MR. ELPIDIO H. CALICA, MNSA**, *Legislative Committee Secretary*,  
Committee on National Defense and Security