

[MEMORANDUM ORDER NO. 17, May 25, 2011]

DIRECTING THE FULL IMPLEMENTATION OF A DEFENSE REFORM PROGRAM, INSTITUTIONALIZING THE PROPER STEWARDSHIP OF PUBLIC FUNDS BY THE DEPARTMENT OF NATIONAL DEFENSE (DND) AND THE ARMED FORCES OF THE PHILIPPINES (AFP), AND PROVIDING FOR THE EXPEDITIOUS AND EFFECTIVE INVESTIGATION AND PROSECUTION OF OFFENDING DND AND AFP PERSONNEL

WHEREAS, Section 1, Article XI of the 1987 Constitution of the Philippines provides that public office is a public trust and mandates that public officers and employees must at all times be accountable to the people;

WHEREAS, allegations of graft and corruption within the Armed Forces of the Philippines (AFP) have again resurfaced involving principally the defunct Deputy Chief of Staff for Comptrollership, J6;

WHEREAS, revelations during public hearings conducted by the Senate Committee on Accountability of Public Officers and investigations (Blue Ribbon) and the House of Representatives Committee on Justice provide and dramatize the need to reiterate and institutionalize policies, guidelines and processes in the stewardship of public funds by the Department of National Defense (DND) and the AFP to prevent the recurrence of wastage and plunder of our scarce resources;

WHEREAS, the RP-US Joint Defense Assessment (JDA) that was completed in September 2003 revealed critical deficiencies in the Philippine defense and military establishment, particularly in the following specific areas: (1) systemic approach to policy planning; (2) personnel management and leadership; (3) defense expenditures and budgeting; (4) acquisition; (5) supply and maintenance; (6) quality assurance for existing industrial base; and (7) infrastructure support;

WHEREAS, the JDA recommended the establishment and institutionalization of an effective and efficient accounting and financial management system that supports the planning, programming and execution of modernization and other multi-year capability development programs;

WHEREAS, the Feliciano Fact-Finding Commission (Feliciano Commission) in 2003 also found basis for grievances involving graft and corruption in the military establishment, such as those in connection with the retirement and separation benefits system, modernization fund, and procurement system, which provide a fertile ground for the recruitment of officers and men for military intervention and the overthrow of the Government;

WHEREAS, the Feliciano Commission Report also recommended reform measures focusing on the financial management system of the AFP to reduce opportunities for

corruption, misappropriation and misuse of public funds;

WHEREAS, pursuant to DND Department Order No. 82 dated 30 November 2005 issued in the aftermath of revelations of abuses committed by the Deputy Chief of Staff for Comptrollership, J6, and on the basis of the JDA findings and the recommendations of the Feliciano Commission, the Philippine Defense Reform (PDR) Program introduced comprehensive, systemic and institutional reforms and enhanced core competencies in the DND and AFP and integrated defense and military reform agenda, together with corresponding management structures and processes,

WHEREAS, with a view to further eliminating opportunities for graft and corruption in the defense and military establishment, it is necessary to fully implement and strengthen systems that will improve financial and management controls within the defense and military establishment, optimize the defense budget and continue the implementation of the reform programs, as well as the recommendations of the JDA and Feliciano Commission; and

WHEREAS, the President, under Article VII, Section 17 of the Constitution, has the power of control over all executive departments, bureaus and offices.

NOW, THEREFORE, I, BENIGNO S. AQUINO III, President of the Philippines, by virtue of the powers vested in me by law, do hereby order the following:

Section 1. Review and Continued Implementation of a Comprehensive Defense Reform Program. To strengthen the comprehensive framework for and integrate the reform initiatives of the defense and military establishment the Secretary of National Defense is hereby directed to conduct a comprehensive and intensified review to be concluded within sixty (60) days from the issuance hereof on the status of the implementation of reform programs in the defense and military establishment, particularly those relating to:

a) The Defense System of Management (DSOM), built upon the concept of a strategy-driven, capability-based, multi-year planning process, inclusive of its four mutually supporting components: the Defense Strategic Planning System (DSPS), the Defense Capability Assessment and Planning System (DCAPS), the Defense Acquisition System (DAS) and the Defense Resource Management System (DRMS) incorporating two sub-systems the Planning, Programming, Budgeting and Execution System (PPBES) and the Financial Management System (FMS).

b) The improvement of logistics capacity to address, among others urgent requirements for combat operations;

c) The transparent implementation of AFP Capability Upgrade Program (CUP) that optimizes the use of the Modernization Trust Fund through a centralized defense acquisition system under the DND that is fully compliant with the Government Procurement Act (Republic Act No. 9184); and

d) The optimization of the defense budget and improved financial and management controls that pushes resources to operating units down to the company commanders and minimizes centrally managed funds in the AFP General Headquarters.