

Implementing the Philippine Defense Reform Program in Partnership with US Department of Defense Support of Philippine Defense Institutions*

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Begun in 2004, the Philippine Defense Reform (PDR) Program affected the entire Philippine defense establishment. Its goal was to create more-capable armed forces. To do that, the PDR required the support of senior leaders at all levels of the Department of National Defense (DND) and the Armed Forces of the Philippines (AFP)—as well as a substantial commitment of people.

This article explains why, from a Philippine perspective, senior leaders within the Philippines defense sector felt reform was needed and how it was implemented. It also describes how the United States Department of Defense (DOD) partnered with the Republic of the Philippines to implement PDR with a particular focus on defense-force planning and budgeting.

Based on observations gleaned from interviews with Philippine officials and the firsthand accounts of the authors, who were involved in the PDR effort from 2004 to 2012, the article highlights several lessons that can be derived from the Philippine experience. Specifically, defense reforms: (1) should never lose sight of improving combat effectiveness; (2) should amplify the self-identity of the organization; (3) have systemic effect on nearly all armed-forces activities; (4) are a concern not only of the armed forces but also civilian policy makers; (5) could be part of wider efforts to improve not only the armed forces but also the whole

* This article is derived from a study by the Institute for Defense Analyses (IDA), IDA Paper NS P-8589, *Defense Governance and Management Implementing the Philippine Defense Reform Program through the Defense System of Management*, October 2017.

defense and national security apparatus; and, (6) should be owned by defense and military leaders at all levels of the organization.

Introduction

In September 1991, the 1947 Military Bases Agreement¹ between the United States and the Philippines expired, and US military bases in the Philippines² closed.³ Consequently, revenue drawn from annual rentals of approximately \$200 million was no longer available to the AFP. This led to structural deficits in the Philippine defense budget and growing capability gaps. In 1995 the Philippine Congress authorized the AFP to convert some military bases to alternative civilian use to generate funds for capability upgrades and military modernization.⁴ Unfortunately, due to an economic recession fueled by the Asian financial crisis of 1997, none of the money authorized for the defense sector was provided through budget appropriation acts. Consequently, the capability of the AFP further deteriorated.

In March 2000, after nine consecutive years of AFP deterioration, Pres. Joseph Estrada opted to wage war in Mindanao against Muslim separatist groups. The increased operating tempo exposed significant gaps in AFP capability. Furthermore, the limited resources for the operating units were centrally managed at the General Headquarters AFP and major services headquarters where corruption was further weakening a force already hollowed out by declining appropriations.

During the same period, civilian leadership never provided the military with prioritized security-policy strategic guidance. The absence led to assorted efforts to address current and emerging security challenges that were difficult to sustain, as priorities were never agreed upon. As a result, internal security threats grew while the capability of the armed forces declined.

The counterinsurgency struggle gave birth to a comprehensive defense reform program. This article examines why and how the Philippine's DND partnered with the US government (USG) to institute reforms to improve its systems of defense management. Further, the article provides an assessment of what was effective in terms of the USG's participation and highlights lessons learned that could be applied to similar situations in the future.

Framing and Implementing Defense Reform

In October 1999, Philippine Secretary of National Defense (SND) Orlando Mercado requested assistance from US Secretary of Defense William Cohen to upgrade Philippine defense capability.⁵ Cohen and Mercado agreed to a four-year joint US-Philippine assessment of the capability of the AFP to perform its es-

sential missions. Completed in September 2003, the Joint Defense Assessment (JDA) had 10 primary recommendations to address 272 deficiencies.⁶ Many of the findings rated the capability of the AFP to execute its critical missions as poor [(-) *Partial Mission Capable*]. The negative condition of Philippine military capability was largely attributed to systemic institutional deficiencies.

The following month presidents Gloria Macapagal Arroyo and George W. Bush endorsed the findings of the JDA and issued a joint statement committing to an effort to implement its recommendations.⁷ The PDR Program was established, and shortly after, Plans of Action and Milestones (POA&M) were created that served as sail plans for implementing the JDA's 10 key recommendations.

Not surprisingly, efforts to implement the PDR were met with both active and passive resistance. Those with the power to affect change had vested interests in maintaining the status quo, while those who favored change saw it as a futile effort without leadership support. To achieve reform, the Philippine government had to maintain a balance between forcing change and maintaining critical political support from senior military officers.⁸

Anticipating resistance, President Arroyo created the Office of the Undersecretary of Internal Control on 23 September 2003.⁹ Its mandate was to institutionalize reforms in the DND.¹⁰ Subsequent to the president's actions, SND Avelino Cruz created the PDR Board, which defined workflow and decision-making processes and responsibilities of the DND and the AFP.

Initially, the PDR was funded by the Philippine and US governments.¹¹ The Philippines deposited \$28.5 million to a US Treasury account, while the United States contributed \$61 million for the same purpose.¹² From 2007 to 2010, the Congress of the Philippines appropriated an additional 765 million Philippine pesos (PHP) for the PDR. Finally, in 2014, there was another 519 million PHP appropriated.

The PDR spanned through President Arroyo's term and to the end of Pres. Benigno S. Aquino's term in June 2016.¹³ The program's key areas of reform were:

1. Implementation of a policy-driven, multiyear defense planning system;
2. Improve operational and training capacity;
3. Improve logistics capacity;
4. Develop effective personnel management systems;
5. Plan, program, and execute a multiyear capability upgrade program for the AFP;
6. Optimize the defense budget and improve management controls;
7. Create a professional acquisition workforce and establish a centrally managed defense acquisition system;

8. Increase the capability of the AFP to conduct civil-military operations; and,
9. Develop accurate baseline data on critical AFP functional areas.¹⁴

PDR served as the overall framework to redesign management systems and improve the quality of AFP personnel. The program followed a three-phased implementation plan. Projects in each phase were to build upon the success of the preceding phase. This approach is depicted in figure 1.¹⁵ The rest of the article focuses on USG assistance to items 1 and 5–7 above.

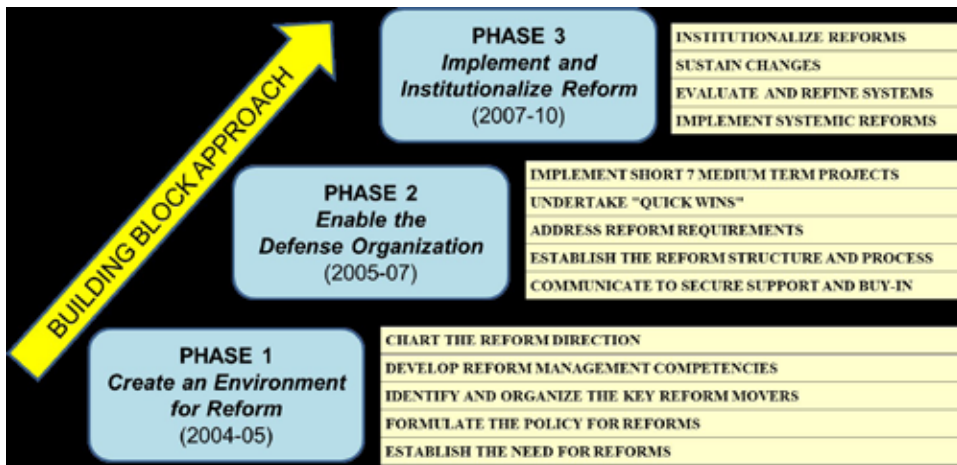


Figure 1. Building block approach to PDR implementation

USG's Role in PDR

In addition to funding, another aspect of US support was the employment of subject matter experts (SME) to provide technical expertise and advice on specific programs. Initially, the USG deployed military reservists, who acted as SMEs on a rotational basis. Later on, SMEs from Anteon Corporation contracted to work with DND to address the various areas of concern replaced the reservists. Additionally, a team from Institute for Defense Analyses (IDA) worked closely with the DND on a consistent, episodic basis. The IDA team was primarily responsible for assisting the DND to establish an integrated system of management and for progress of PDR Priority Programs 1, and 5–7. USG support to the PDR continued until the departure of the last SMEs in 2012.

The rest of this section will focus on USG support to the following components of the PDR program.

A. Multi-Year Capability Planning System (MYCaPS)

- B. Major Defense Equipment Acquisition Study
- C. Full Cycle of Contemporary Defense System of Management (DSOM)
 - a. Defense Strategic Planning System (DSPS)
 - b. Defense Capability Assessment and Planning System (DCAPS)
 - c. Defense Acquisition System (DAS)
 - d. Defense Resource Management System (DRMS)
- D. Implementing and Institutionalizing (DSOM)

The DOD refers to support for these components as defense institution building activities.¹⁶

Multi-Year Capability Planning System (MYCaPS)

Prior to 2003, the AFP's annual program and budget submissions were developed by the deputy chief of staff for comptrollership on behalf of the chief of staff of the AFP (CSAFP). The program and budget were centrally managed at General Headquarters AFP and major service headquarters. These organizations were the major budget account holders of the AFP.

During budget execution, a certain percentage of the annual appropriations were withheld at headquarters levels to form contingency funds. These centrally managed funds were released at the discretion of military service commanders to support other requirements not foreseen nor specifically included in the regular program budget.

SND Cruz decided to end this practice and issued a directive to institute MYCaPS in August 2004.¹⁷ MYCaPS was supposed to be the DND's overarching system to link defense policy and strategy to force planning, budget planning, and budget execution for the development and maintenance of defense capabilities. Another aim of MYCaPS was to reduce centrally managed funds held at headquarters level.

SMEs from IDA worked with the DND Proper staff to develop the MYCaPS resource management subsystem.¹⁸ This was a medium-term resource-planning process supported by a computer analytical model that related force structure to costs.¹⁹ The MYCaPS process flow and its program structure are depicted in figures 2 and 3, respectively.



Figure 2. MYCaPS process flow



Figure 3. MYCaPS program structure

The resource-management framework provided for centralized defense policy and resource planning and allocation. It included resource managers and budget account holders to facilitate resource planning and decision making as shown in table 1. Having the same person serve as resource manager and budget account holder for both the program and the budget account aligned responsibility, au-

thority, and accountability during programming, budgeting, and spend-plan development as well as during program-performance and budget-execution reviews.

Table 1. MYCaPS major programs and resource managers

Major Programs and Budget Accounts	Resource Managers and Budget Account Holders
1. Land Forces 2. Air Forces 3. Naval Forces 4. Joint C2, Support & Training 5. Central Administration	1. CG, Philippine Army 2. CG, Philippine Air Force 3. FOIC, Philippine Navy 4. VCSAFP 5. USEC for Defense Affairs

The submission of the CSAFP's Programming Advice (CSPA) in December 2004 marked the start of the first MYCaPS cycle. Taking into consideration the unified commanders' operational requirements that were included in the CSPA, the SND issued the first ever Philippine Defense Planning Guidance (DPG).²⁰ The DPG intended to institutionalize a defense planning system driven by policy and strategy and responsive to the priority capability needs of the AFP. The DPG identified seven defense-sector mission areas for the DND to assess, prioritize, and develop capabilities for.²¹ These were:

- A. Internal Security;
- B. Territorial Defense;
- C. Disaster Response;
- D. Support to National Development;
- E. International Defense and Security Engagements;
- F. International Humanitarian Assistance and Peacekeeping Operations;
- and,
- G. Force-level Command and Control, Support, and Training.

The DPG also directed the preparation of a six-year defense program covering 2006–2011. The guidance prioritized readiness of specified units of the AFP to cover shortfalls in fuel and ammunition. The change in how the budget was developed is seen by comparing tables 2 to 3. Table 2 is the old, function-based budget. Table 3 is a program-based budget organized by mission areas.²²

Table 2. Functional-based 2006 DND Budget

PROGRAMS/PROJECTS/ ACTIVITIES	PS	MOOE	CO	TOTAL
A. PROGRAMS	731,344	401,829	50	1,133,223
I. General Admin & Support	3,528,217	1,026,902	10,000	4,565,119
II. Support to Operations	31,585,749	9,161,473	35,874	40,783,096
III. Operations	-	-	-	-
B. PROJECTS	35,845,310	10,590,204	45,924	46,481,438
Locally-Funded Projects	2,290	23,315	-	26,605
TOTAL DND REGULAR BUDGET	35,847,600	10,613,529	45,924	46,507,403

Table 3. Proposed 2006 DND budget by mission area

MISSION AREAS	PS	MOOE	CO	TOTAL
MA1 – Internal Security Operations	22,386,731	5,495,329	328,514	28,210,574
MA2 – Territorial Defense	873,698	244,521	-	1,118,219
MA3 – Disaster Response	175,659	126,585	10	302,254
MA4 – Support to National Development	1,653,252	723,893	3,214	2,380,359
MA5 – International Defense and Security Engagement	-	104,334	-	104,334
MA6 – Humanitarian Assistance and Peacekeeping Operations	-	5,823	-	5,823
MA7 – Force-Level Central Command and Control (C2), Training, and Support	8,847,400	5,348,044	190,036	14,385,480
DND-WIDE TOTAL	33,936,740	12,048,529	521,774	46,507,043

Major Defense Equipment Acquisition Study

Starting in April 2004, the IDA team studied how current acquisition processes could be streamlined. Major equipment acquisition was a circuitous process that took a long time to complete before a decision was made. This process is depicted in figure 4.

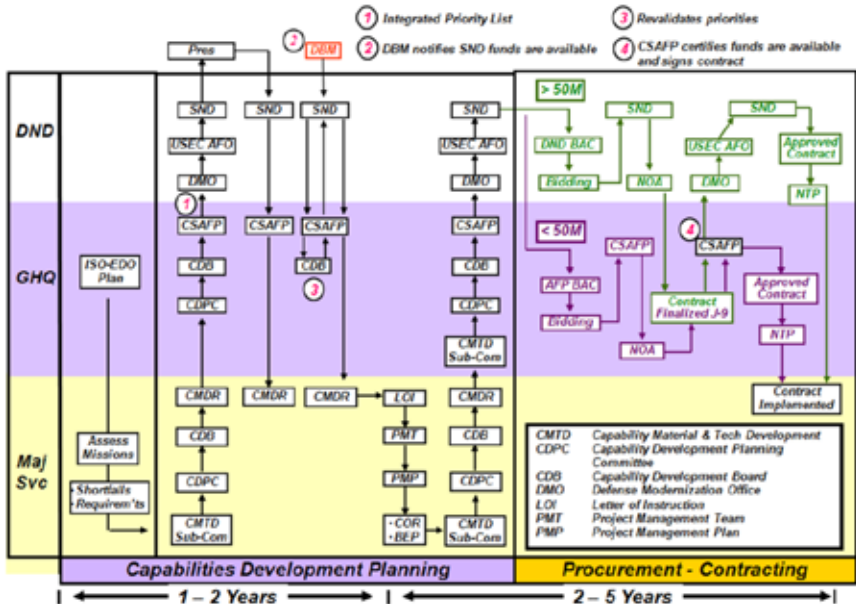


Figure 4. Major equipment acquisition process (2004)

The process was driven from the bottom up and did not consider requirements from a joint operational perspective. Moreover, the lifecycle cost of major equipment acquisitions and other capital outlays (e.g., infrastructure) were not included in the decision analysis. As a solution, the IDA team recommended DND develop an integrated management structure with four mutually supporting systems—strategic planning, capability assessment and planning, acquisition planning, and resource management. This eventually came to be known as the DSOM, which is depicted in figure 5.

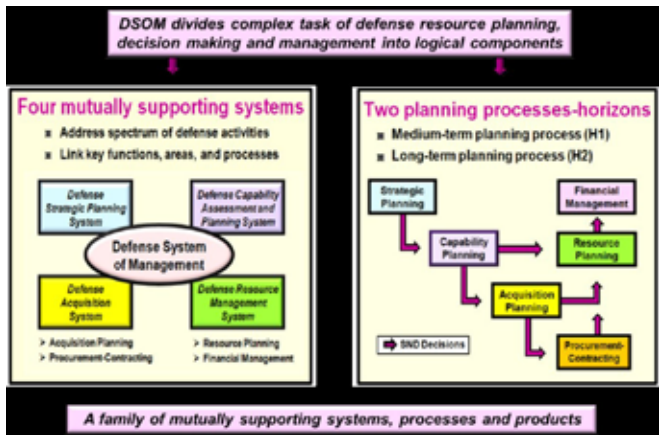


Figure 5. Defense System of Management (DSOM) processes

Full Cycle of Contemporary Defense System of Management (DSOM)

Acting upon the recommendation of the IDA team, Secretary Cruz issued guidance to implement MYCaPS, Phase II (i.e., DSOM) in November 2006.²³ Two subsequent secretaries—Teodoro and Gazmin—continued support for this effort after SND Cruz left office. Secretary Teodoro issued DSOM II²⁴ in September 2008 and Secretary Gazmin implemented DSOM III in July 2011.²⁵

At the change of each SND, there were two-year-long interregnums in DSOM implementation. These delays were characterized by reorganizations of DND Proper staff under the new SND and institutional resistance to reform efforts hoping to convince each new SND to discontinue DSOM. Figure 6 depicts the implementation schedule.

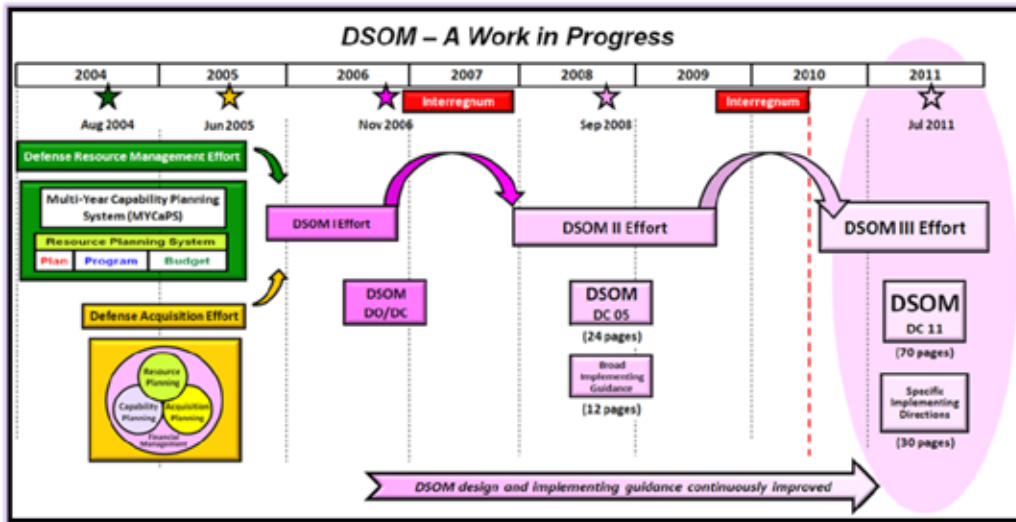


Figure 6. Evolution of DSOM

Another issue in 2011 was whether the new president would continue the reform effort. Once President Aquino directed full implementation of DSOM,²⁶ SND Gazmin issued a revised circular that:

- Defined four mutually supporting systems and how they are intended to operate (figure 7); and,
- Established policy and assigned functions and responsibilities for DSOM that conform to the organization and internal operating procedures of the DND Proper.²⁷

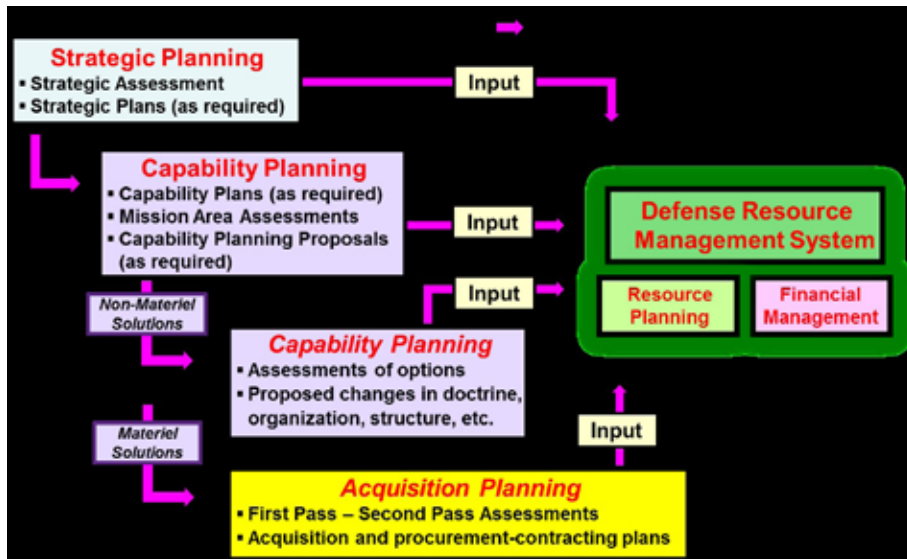


Figure 7. DSOM processes and products

A key improvement in DSOM III guidance was the definition and goals of different planning horizons. These are shown in figure 8.

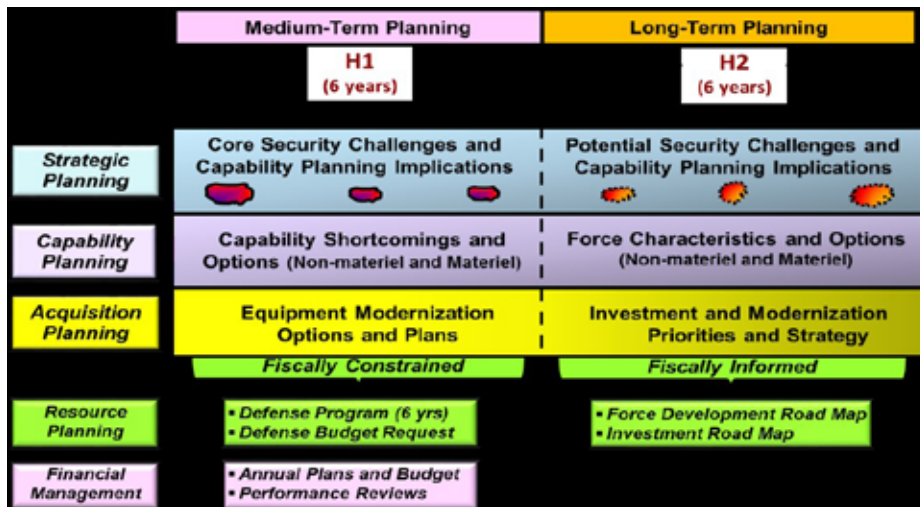


Figure 8. DSOM planning horizons

Strategic Planning—DSPS. DSPS identifies core and peripheral security issues of greatest concern and their implications for defense planning and programming. Presidential national security objectives are the bases for the conduct of assessments undertaken by DPSP.

Developed biennially, DSPS assessments describe challenges and identify broad planning options that could be taken to address them. The assessments are used to direct planning and programming toward highest priority challenges. DSPS products and their relationship to the rest of DSOM are depicted in figure 9.

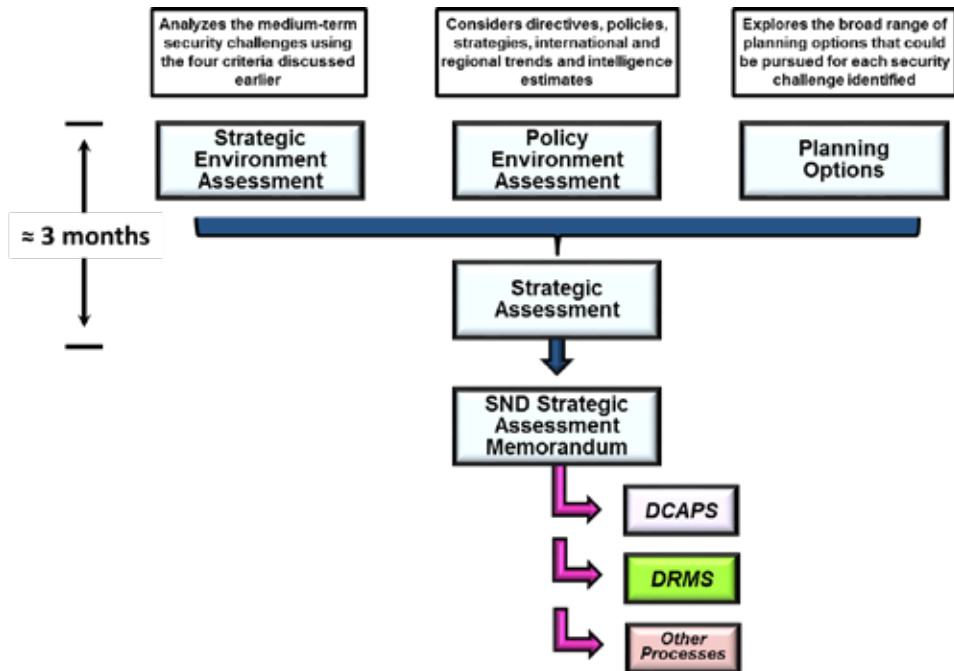


Figure 9. DSPS assessments and products

Defense Capability Assessment and Planning System (DCAPS). DCAPS is a force-planning system. It identifies priority capability gaps in the force structure and analyzes potential changes required to close those gaps. The output of DCAPS is DPG.

The first full implementation of DCAPS was in 2011.²⁸ DCAPS has three major components illustrated by figure 10:

- a) **Senior Leader Roundtable Discussions** on AFP capability and resource-planning challenges;
- b) **AFP Defense Mission Area Assessments:** These evaluate the adequacy of AFP capabilities already in the Defense Program; and
- c) **Capability Planning Proposals:** These define capability gaps in broad operational terms, assess the merits of a range of potential solutions, and propose courses of actions for senior leader consideration and SND decision.

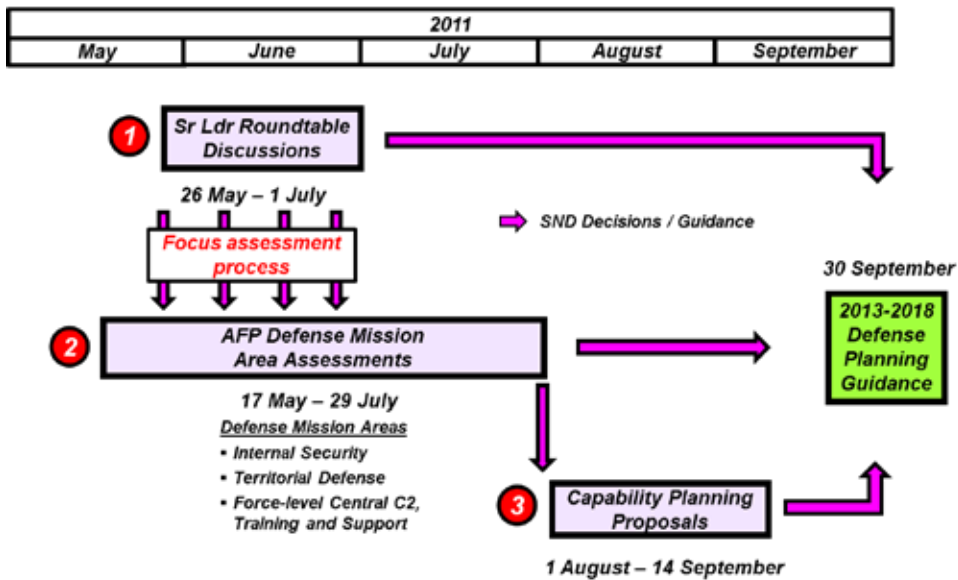


Figure 10. DCAPS process flow

In August 2011, the SND signed a memorandum that contained the findings and conclusions of the assessment teams.²⁹ Included in the memorandum were instructions on how capability gaps and capabilities of declining relevance should be addressed in the 2013–2018 Defense Program.

The assessment teams developed several proposals to address the identified gaps in the SND's memo, and after considering the proposals, the SND issued two Capability Planning Decision Memoranda to address the capability shortfalls.³⁰ Proposals included materiel and nonmateriel approaches. Options requiring materiel solutions were forwarded to the DAS, while those requiring nonmateriel or a combination of both approaches continued to be addressed by the DCAPS process.

Defense Acquisition System (DAS). DAS was designed to evaluate potential options for obtaining major equipment items and for developing fiscally constrained acquisition plans. The DND developed a two-pass assessment technique based on an approach employed by the Australian Department of Defense.³¹

The first pass assesses merits of approaches approved for further study during the DCAPS process and identifies the most-promising approaches.³² The second pass focuses on the most-promising approaches and identifies a limited set of key performance parameters that addresses operational needs and allows suppliers to submit bids. The outcomes of the DAS are documented in an Acquisition Decision Memorandum. Once an acquisition decision is made, procurement and con-

tracting activities formally begin. These activities follow the government-wide procurement procedures mandated by Philippine law. The DAS process is depicted in figure 11.

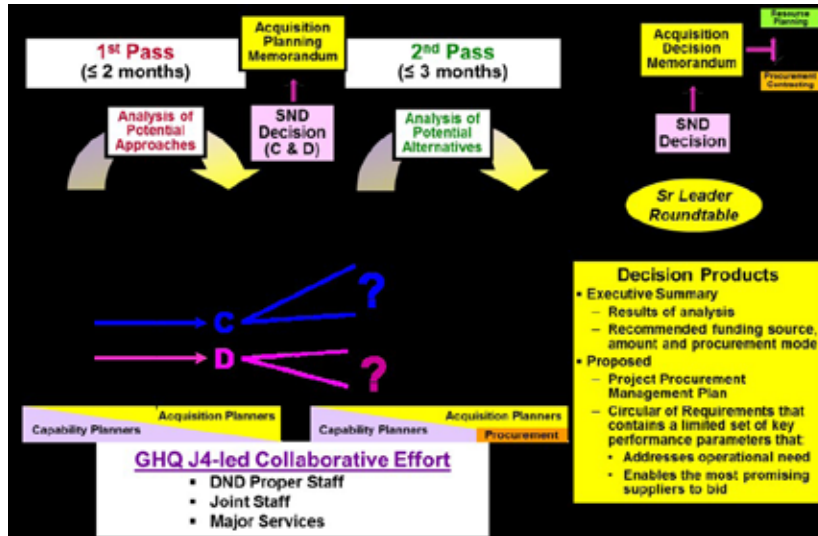


Figure 11. DAS process flow

Defense Resource Management System (DRMS). DRMS has two components—the Planning, Programming, and Budgeting System (PPBS) and the Financial Management System (FMS). These allocate limited resources among competing priorities across the defense sector, and for evaluating results.

The purpose of DRMS is to link policy and planning guidance to spending and performance. To coordinate these efforts, SND issue guidance for all DSOM planning efforts and established the DSOM master planning calendar (figure 12) with specific timelines for PPBS and FMS.³³

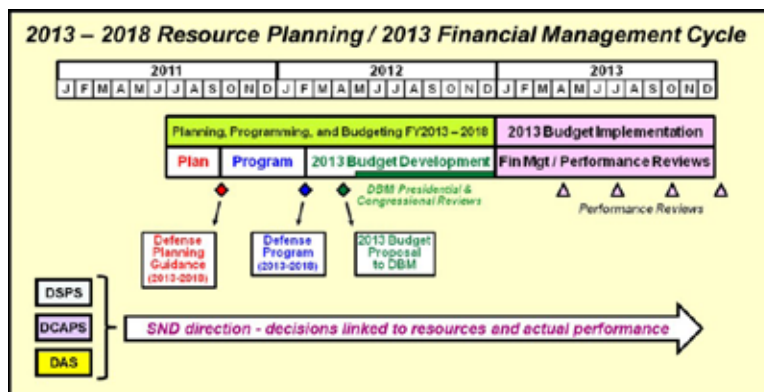


Figure 12. DSOM master planning calendar

PPBS's purpose is to provide DND resource managers analytic support for program decisions. The defense program is resource constrained, so the decisions are always about where to allocate resources to build capability in one area at the expense of another. PPBS produces a number of products:

- a) **Defense Program:** Contains the programs of designated resource managers, showing how they intend to achieve the SND's objectives and priorities; and
- b) **Annual Defense Budget Proposal:** Includes the resource managers' proposed budgets and spending plans.

FMS operates continuously throughout each year. It is a basis for controlling spending to ensure resources are applied to their intended purposes. FMS conducts quarterly joint SND–CSAFP performance reviews that assesses results achieved and reports money spent by each major program. The FMS produces a broad range of products:

- a) Annual Spending Plans and Budgets;
- b) Quarterly Program Performance and Budget Execution Reports: Record how resources were spent and what was achieved; and
- c) Budget Realignment Directives: Reallocate funds from one purpose to another to ensure priority performance objectives are attained.

During the FY13–18 planning cycle, the SND noted differences between program proposals and DPG objectives. The Program Decision Memorandum (PDM) 2013–2018, issued in May 2012, reiterated SND's objective to improve the readiness of the AFP operating forces and to merge or deactivate similar-type units with low readiness rates to form more fully capable units.³⁴

Implementing and Institutionalizing DSOM

In July 2011, Secretary Gazmin issued the *Guidance for Implementing and Institutionalizing the Defense System of Management*. The objective of the implementation plan was to establish and institutionalize a management framework and a set of supporting processes and products that incorporate the president's directions and ensure those directions are extended down to the lowest units. The intent was to implement, improve, and institutionalize DSOM in three phases (figure 13).

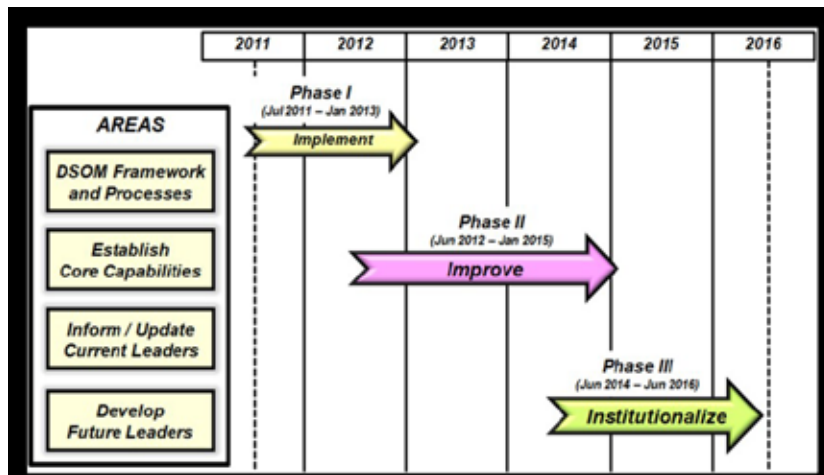


Figure 13. DSOM implementation phases

At the request of the military assistant for DSOM, the IDA team developed a DSOM training simulation for use by the AFP. The simulation is an educational tool to facilitate the implementation and institutionalization of DSOM.

The IDA team provided assistance to the DND Proper staff in the implementation of Phases I and II (as shown in figure 13) until their last visit in November 2012. The SND's Military Assistant for DSOM coordinated ongoing education and technical assistance throughout the AFP after the end of IDA assistance.³⁵

A result of these process improvements was that funds for the readiness of AFP operating forces increased through the FY16 budget. Further improvement will require the major services to align their programs and budgets with the president's and the SND's guidance. Further, the quality of the proposed budget depends on the quality of financial and physical information that resource managers feed into the process. Their ability to translate plans and budgets into well-designed programs and projects is another challenge that cuts across other reform areas, particularly budget execution and performance management. Finally, the most pronounced gap is the weak technical ability of the major services' staffs to fit the design of their programs to their respective mandates and the medium-term goals of the DND and the security sector.³⁶

Assessment of USG's Role

The US government's support of PDR was shaped by senior officials from the Office of the President of the Philippines, the DND Proper, the AFP, the US Embassy in the Philippines, the DOD, US Pacific Command, and the Defense

Institute for Defense Analyses (IDA) Support

Originally, IDA was to assist DND officials with the design and implementation of a DRMS and a DAS, which were two components of a multiyear Strategic Defense Planning and Execution System³⁸ concept that DND had developed. Initially, these efforts were sponsored by OSD PA&E and funded by the Defense Resource Management Studies program.

In fact, because the implementation of a strategy-driven, multiyear defense planning system was recognized as the first priority reform effort, the USG offered DRMS assistance even before the mechanism for PDR work has been established. The team operated in accordance with broad mission-type orders and guidelines established by the SND, the CSAFP, and the OSD PA&E DRMS program manager from 2004 to 2010. This arrangement enabled the IDA team to tailor and adapt their assistance throughout their period of work and to accommodate changes in the work plan when the SND changed.

A drawback of this ambiguous management setup was confusion in running PDR POA&Ms 1, 6, 7, and 8, which were covered by the IDA team's work. The PDR Board did not have oversight of IDA assistance, nor did it provide guidance and direction on the execution of these POA&Ms. The situation improved in mid-2011 when the DND Office for Defense Reforms took over responsibility for monitoring all POA&Ms.

For the most part, assistance provided by IDA team was effective because of close coordination between IDA personnel and the SND and his immediate staff.³⁹ Because IDA worked directly under the sponsorship of the SND, the team was accepted by DND staff to include the assistant secretaries of the four core offices central to implementing DSOM.

IDA team members played a behind-the-scenes role in crafting main DSOM documents and their annexes. They recommended the organization of implementing offices from DND Proper, civilian bureaus, and AFP headquarters down to the major services and provided initial training on technical aspects of DSOM. The SND also allowed IDA's analysts to immerse themselves in the processes of the DND and the AFP and to assist members of these organizations to produce key document and products.⁴⁰

Until mid-2011, IDA SMEs would lecture and directly advocate for defense reform to designated action officers, offices, and units throughout the armed forces. In hindsight, this was not very effective—and not only because of obvious differences in language, culture, operational experience, and perspective. IDA's SMEs were teaching the mechanical or day-to-day activities needed to implement a given process without authority to communicate the rationale, fundamen-

tals, and theories of the new systems and processes.⁴¹ This seemingly minor issue contributed to the slow progress of implementation.

More rapid progress began in mid-2011 when Philippine staff and officials took the lead in explaining processes and implementing DSOM. This demonstrated “ownership” resulted in notable progress in a comparatively short period.

IDA assistance focused on the development and implementation of the DRMS, DCAPS, and DAS components of DSOM. Little attention was given to the improvement of the DSPS process. For this, the DND Proper staff was left on its own.⁴² According to former Secretary Teodoro, the Philippines’ strategic planning is mostly reactive to situations on the ground: “We [needed] expertise not only in the DND but also at the Department of Foreign Affairs and the National Security Council, as well.”⁴³ Additionally, the DND lacked long-term strategic planning capabilities.⁴⁴

Anteon (General Dynamics) Assistance Effort

In addition to IDA, Anteon International Corporation provided SMEs in support of the PDR. Anteon organized a team responsible for developing and implementing training, operations, logistics, strategic communications, and other programs of interest to both countries.

Anteon SMEs deployed to Manila in January 2005 and operated in accordance with the directions provided by the Undersecretary for PDR and the PDR Board. Anteon also played a leading role in developing the top-level plans the SND subsequently approved for implementing POA&Ms 2, 3, 4, 5, 9, and 10.

On-site Anteon SMEs periodically briefed the ESC on the status of the PDR programs they were supporting and continued to assist DND Proper and AFP officials implement PDR program initiatives. In 2006, General Dynamics Corporation purchased Anteon and performed the mission at reduced levels through 2012. The most-significant recorded result that came out of the General Dynamics effort was the design of the DAS in collaboration with IDA.

Lessons Learned and Conclusion

Though the PDR officially ended in June 2016, a new program, the Philippine Defense Transformation Roadmap (PDTR) 2028 is expected to carry on the institutionalization of the reform measures begun under the PDR.⁴⁵ PDTR is a strategic plan to continuously improve the organization and its ability to perform its mission and roles more effectively and efficiently (see figure 15).



Figure 15. PDTR Roadmap

Originally, the DND began its reforms because its military was not mission capable and because the AFP was a military with a history of continually changing or expanding roles with capability development and modernization policies always playing catch-up in an undisciplined manner. Through the PDR and its follow-on efforts, the Philippine government has brought more discipline to its defense planning and resource allocation processes. Though the nation is under significant resource constraints compared to the United States or most all NATO countries, the PDR produced an ability to make deliberate decisions about risk and tradeoffs given constraints.

Several lessons can be derived from the PDR. First, defense reforms should never lose sight of their primary focus: improvement in combat effectiveness. In the final analysis, the performance of armed forces will be the measurement of reform efforts.

Second, defense reforms need to amplify the concepts of self-identity of the organization, making it clear to its each and every member the answer to the questions: “Who are we?”⁴⁶ “What is our purpose?”, and “What do we need?”⁴⁷ The issue has now assumed a critical dimension considering the expanding role of the military in noncore functions. In this connection, one of the targets of future

reform efforts should be doctrines.⁴⁸ Doctrine is significant because it documents the existing operational–tactical proclivities of militaries that may act as barriers to reform, serve as areas for reform, or provide clues to how the military can be agents of reform.

Third, defense reforms are not just improvements of individual components but also are systemic and will affect the whole of armed forces activities. These usually involve changes in doctrine, organization, training, capability development, professional military education, or facility management. Done right, these institutional level processes drive military transformation.

Fourth, defense capability is a concern of the armed forces and civilian policy makers. The latter cannot limit their attention on policy making and leave operational and tactical improvements solely to the military. Civilians have a responsibility to support and oversee the development of armed-forces capability.

Fifth, openness and transparency in dealings with all parties involved in a reform effort is a must.⁴⁹

Sixth, the PDR was supported throughout by a comprehensive strategic communications campaign directed at all levels of the AFP to ensure gains were attributed to the PDR, so service members at all levels believed the PDR was a positive program that would benefit them. A goal of this communication campaign was to create an irreversible trend toward reform that would extend past early stages and into future administrations.

Last, but not the least, is the importance of “ownership” of the reform effort among defense leaders at all levels.⁵⁰ Implementing defense reform should not be limited to the senior leaders but should permeate the mid-grade and junior levels. Common ownership also reflects a unity of purpose among members of the organization that adds to the credibility of the reform effort.

As the DND continues with the PDTR, it is hoped that senior defense leaders and civilian policy makers will not lose sight that the success of their efforts will be ultimately tested in the battlespace. The realization of these efforts cannot be achieved by the DND on its own. The department needs support and cooperation from various sectors of society. Their participation will ensure that strategies are responsive to the needs of the Filipino people. **JIPA**

Notes

1. Agreement between the United States of America and the Republic of the Philippines Concerning Military Bases, 14 March 1947 as amended by the Bohlen-Serrano Agreement of 1966, <https://www.loc.gov/law/help/us-treaties/bevans/b-ph-ust000011-0055.pdf>.

2. The two most important were the Naval Base Subic Bay and Naval Air Station Cubi Point in Olongapo City and Clark Air Base in Angeles City. Other ancillary facilities included Camp John Hay in Baguio City, Naval Communications Station San Miguel in Zambales Province, Naval Communication Transmitting Facility Capas, Camp O'Donnell, and Crow Valley Range in Tarlac Province, Wallace Air Station in La Union Province, and Naval Link Station Mount Sta. Rita in Bataan Province.

3. Senate of the Philippines, 8th Congress, Resolution No. 1259, *Non-Concurrence to the Treaty of Friendship, Cooperation, and Security between the Republic of the Philippines and the United States of America* (Manila: Senate of the Philippines, 1991).

4. Congress of the Philippines, Republic Act No. 7227, *An Act Accelerating the Conversion of Military Reservations into Other Productive Uses, Creating the Bases Conversion and Development Authority for this Purpose, Providing Funds Therefor and for Other Purposes* (Quezon City: Congress of the Philippines, 1992).

5. Anthonette Velasco-Allones, former head executive assistant to Secretary of National Defense Orlando S. Mercado, to the author, Facebook text message, 7 March 2017.

6. Department of National Defense, *2003 Joint Defense Assessment (JDA)* (Quezon City: DND, 2003).

7. Office of the Press Secretary, The White House, *Joint Statement Between the United States of America and the Republic of the Philippines* (Washington, DC: White House, 18 October 2003), <https://2001-2009.state.gov/p/eap/rls/ot/25447.htm>.

8. Though not covered in this article, the Oakwood Mutiny of July 2003 and the findings of the commission that investigated the event rattled senior political leaders in the Philippine government and was another significant impetus to reform.

9. Former chairperson of Presidential Anti-Graft Commission Brig Gen Constancia P. De Guzman, AFP (Reserves), to author, text message, 25 February 2017.

10. Malacañán Palace, Executive Order No. 240, *Mandating the Undersecretary for Internal Control of the Department of Defense to Institutionalize Reforms in the Procurement and Fund Disbursement Systems in the Department of National Defense and the Armed Forces of the Philippines* (Manila: Malacañán, 2003).

11. VADM Ariston Delos Reyes, AFP, retired, interview by author, 20 January 2017.

12. Former Chief of the Office for Defense Reforms, DND Brig Gen Michael Beverlyn J. Manquiquis, AFP, retired, interview by author, Quezon City, 18 January 2017.

13. Rene Acosta, "Gazmin Closes Philippine Defense Reform Program," *Business Mirror*, 23 June 2016, <http://www.businessmirror.com.ph/gazmin-closes-philippine-defense-reform-program/>.

14. Manquiquis interview.

15. The original goal of the PDR program was to complete the effort in 2010, the end of President Arroyo's term.

16. See DOD Directive 5205.82, <http://www.esd.whs.mil/Portals/54/Documents/DD/issuances/dodd/520582p.pdf>.

17. Director Dinna Anna Lee Cartujano, Office of the Assistant Secretary for Financial Management, DND, interview by author, Quezon City, 19 January 2017; and Department of National Defense, Directive 01-2004, *Multi-Year Capability Planning System* (Quezon City: DND, 2004).

18. *DND Proper* refers to Office of the SND and his undersecretaries, assistant secretaries, and directors. The DND by itself refers to the Office of the SND (or DND Proper), as well as the AFP and civilian bureaus such as the Government Arsenal, National Defense College of the Philippine, Philippine Veterans Affairs Office, and Office of Civil Defense.

19. The IDA team developed and provided the software and helped organize the Office of the AFP Deputy Chief of Staff for Plans to administer the model. See IDA publication D-4318, January 2013, *Force Oriented Cost Information System*, for a detailed explanation of the software.

20. Department of National Defense, *Defense Planning Guidance 2006-2011* (Quezon City: DND, 2004).

21. Pursuant to Department Circular No. 3 dated 11 April 2013, "Issuing the Implementing Rules and Regulations of the Revised AFP Modernization Act," the seven mission areas were later reduced to four: (1) Territorial Defense, Security, and Stability; (2) Disaster Risk Reduction and Response; (3) International Engagements, Humanitarian Assistance, and Peace Support Operations; and (4) Force Level C2, Support, and Training.

22. The horizontal axis in tables 2 and 3 summarize DND budget account structure. PS = personnel services, MOOE = Maintenance and Other Operating Expenses, and CO = Capital Outlay.

23. Department of National Defense, Circular No. 1, *The Multi-Year Capability Planning System (MYCaPS), Phase II* (Quezon City: DND, 2006).

24. Department of National Defense, Circular No. 05, *The Defense System of Management (DSOM)* (Quezon City: DND, 2008).

25. Department of National Defense, Circular No. 11, *The DND Proper Organization and the Defense System of Management (DSOM)* (Quezon City: DND, 2011).

26. Malacañan Palace, Memorandum Order No. 17, *Directing the Full Implementation of a Defense Reform Program, Institutionalizing the Proper Stewardship of Public Funds by the Department of National Defense (DND) and Armed Forces of the Philippines (AFP), and Providing for the Expedient and Effective Investigation and Prosecution of Offending DND and AFP Personnel* (Manila: Malacañan, 2011).

27. Despite the change in administration in 2016, DC 11 is still in effect.

28. Department of National Defense, *2013-2018 Capability Planning Guidance (CPG) for Programs 1-4* (Quezon City: DND, 3 May 2011).

29. Department of National Defense, *Mission Area Assessment Decision Memorandum* (Quezon City: DND, 5 August 2011).

30. Department of National Defense, *Capability Planning Proposal Decision Memorandum* (Quezon City: DND, 23 September 2011); and Department of National Defense, *Capability Planning Decision Memorandum* (Quezon City: DND, 10 October 2011).

31. Tony Kausal and Stefan Markowski, ed., *A Comparison of the Defense Acquisition Systems of Australia, Japan, South Korea, Singapore, and the United States* (Fort Belvoir, VA: Defense Systems Management Press, July 2000).

32. For example, if more fire support is the capability gap, then approaches would be ground fires (artillery or mortars) airborne fire (fixed-wing ground attack, rotary-wing ground attack)

missiles, or naval fires. If ground fires is the most promising, then the second pass analyzes artillery and mortar options according to key performance parameters.

33. Department of National Defense, *Guidance for Implementing and Institutionalizing DSOM* (Quezon City: DND, 19 July 2011).

34. Office of the Chief of Staff AFP, *Chief of Staff Program Advice for the Defense Planning Guidance 2013-2018* (Quezon City: GHQ AFP, 22 August 2011); and Department of National Defense, *Program Decision Memorandum 2013-2018* (Quezon City: DND, 28 March 2012).

35. The principal author was SND's Military Assistant for DSOM from 01 April 2011 to 11 August 2015.

36. A still significant gap is the lack of a permanent law that mandates disciplined resource allocation. Cartujano interview.

37. PA&E is the precursor to the Office of Cost Assessment and Program Evaluation (CAPE).

38. Maj Gen Antonio Santos, AFP, retired, interview by author, 19 January 2017.

39. Former Secretary of National Defense Lt Gen Voltaire T. Gazmin, AFP, retired, to author, e-mail, 4 February 2017.

40. Former DSOM Program Manager Maj Gen Jon N. Aying, AFP, to author, e-mail, 7 February 2017.

41. Ibid.

42. Ibid.

43. Former Secretary of National Defense Gilberto C. Teodoro, Jr., interview by author, Makati City, 22 February 2017.

44. Former DND Assistant Secretary for Plans and Programs Brig Gen Augusto Danilo B. Francia, AFP, retired, interview by author, Taguig City, 24 January 2017.

45. Philippine Defense Transformation Roadmap 2028, <https://www.facebook.com/Defense-TransformationPH/>.

46. Gerald Michaelson and Steven Michaelson, *Sun Tzu for Success* (Avon, MA: Adams Media Corporation, 2003), 50.

47. Francia interview.

48. Delos Reyes interview.

49. Manquiquis interview.

50. Capt Jesus Ricardo Z. Nava, PN; Marife Palencia; and Jaya Arevalo, DND-AFP Central FOCIS Office, interview by author, Quezon City, 24 January 2017.

Commodore Severino Vicente T. David, AFP, retired

Commodore David started his naval career as a cadet at the Philippine Military Academy in 1979, completing a bachelor of science degree (cum laude) in 1983. He was awarded the Philippine Navy saber for graduating number one among those cadets joining the Navy. He attended career courses at the Royal Australian Naval College in Jervis Bay, Australia, in 1983 and at the United States Naval War College in Newport, Rhode Island, in 1995. He earned a master of arts in military studies degree (with honors in naval warfare) at the American Military University in Manassas, Virginia, in 2000. He was also a fellow in Advanced Security Cooperation studies at the Asia-Pacific Center for Security Studies (APCSS) in Honolulu, Hawaii, in 2010.

In his 36 years of service, Commodore David commanded five ships. Ashore, he distinguished himself in the fields of planning, programming, and budgeting. He served at the staff of the Flag Officer-in-Command, Philippine Navy, holding various resource-management billets. He was the Assistant Chief of Staff for Operations of the Philippine Fleet in 2004. He occupied a senior joint command billet as Deputy Commander, Eastern Mindanao Command in 2012-2013. He served as Deputy Commander, Philippine Fleet in 2014 and then Commander, Naval Forces Northern Luzon from 2014 until his compulsory retirement in 2015.

Aaron Taliaferro

Mr. Taliaferro is a professional research staffer for the Institute for Defense Analyses and retired USAF officer. He specializes in the assessment, monitoring, and evaluation of security cooperation programs and on the development and implementation of methods to build institutional capacity that enable effective management of armed forces by defense ministries and headquarters staff. During a 25-year Air Force career, he served in numerous HQ USAF positions, working as a weapon system cost analyst and budget planner. An expert in security cooperation policy and execution, Mr. Taliaferro served the Deputy Secretary of the Air Force for International Affairs for 13 years, managing major weapon system sales and system upgrades between the United States and Saudi Arabia, Oman, Bahrain, and the United Arab Emirates. One of the first Airmen selected for specific language training during the first efforts to reinvigorate the USAF Foreign Area Officer program in the late 1990s, he learned Farsi and became an acknowledged expert on Afghanistan. In addition to numerous TDY trips to Afghanistan, he twice deployed to serve in by-name-request positions, serving as the deputy political advisor to the ISAF commander (2007) and as a staff member of the political-military section at the US embassy in Kabul (2010). His additional government experience includes time served as a national security policy advisor to a member of the US House Armed Services Committee and as an executive support officer to the Secretary of Defense from 2000 to 2003. Mr. Taliaferro's private-sector experience includes product management, marketing, and business development, working for both Ethicon Products (a Johnson & Johnson company) and Aesculap North America. He received his BS from the USAF Academy in 1993 and his MBA from St. Mary's University, San Antonio, Texas, in 1999.