

# [ PRESIDENTIAL DECREE NO. 332, November 09, 1973 ]

## **AMENDING CERTAIN SECTIONS OF REPUBLIC ACT NUMBERED SEVENTEEN HUNDRED AND EIGHTY-NINE, AS AMENDED, OTHERWISE KNOWN AS THE REPARATIONS LAW**

**WHEREAS**, it is the policy of the Government to utilize all reparations payments from Japan in such manner as shall assure the maximum possible economic benefit to the Filipino people;

**WHEREAS**, it has been shown that majority of reparations end-users in the private sector have failed to properly utilize the reparations goods and/or services received by them, and to pay the amortizations thereon as they fall due, thus resulting in huge arrearages to the detriment of the Philippine economy; and

**WHEREAS**, such failure of the end-users in the private sector to comply with their obligations is mainly due to the very low rates of interest being charged under the existing law;

**NOW, THEREFORE, I, FERDINAND E. MARCOS**, President of the Philippines, by virtue of the powers in me vested by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 21, 1972, and General Order No. 1, dated September 22, 1972, as amended, and in order to effect the desired changes and reforms in the utilization and disposition of reparations so as to assure the maximum possible economic benefit to the Filipino people, and in order to augment the limited government resources available for public projects, do hereby order and decree the amendment of Republic Act Numbered 1789, as amended, as follows:

**SECTION 1.** Section two, paragraph (a) of Republic Act Numbered 1789, as amended, is hereby amended to read as follows:

**"SEC. 2. *Implementation.*** — To implement the policy declared in Section one hereof, the procurement, disposition and utilization of all goods and services procured from Japan under the terms of the Reparations Agreement shall be carried out as closely as possible to promote the economic rehabilitation and development of the country and in accordance with the broad program, criteria and priorities established by the National Economic and Development Authority, in addition to the following criteria:

**"(a) *Capital goods and services.*** — Pursuant to the policy declared in Section one hereof, the capital goods and services received as reparations shall be made available only after due compliance with all the conditions specified in this Act to approved government projects for each year included in the economic and social development program adopted by the National Economic and Development Authority upon application from the agency concerned and duly endorsed by the proper department head concerned and the National Economic and Development Authority, as well as to Filipino

citizens and entities wholly owned by Filipino citizens, whose applications must be accompanied in each case by the requisite project study prepared in accordance with the form prescribed for the purpose by the Commission and approved by the National Economic and Development Authority and a sworn statement as to whether the applicant has already been granted any previous application and procurement order and the value of the reparations goods and/or services involved and actually delivered, and who will themselves utilize such goods and/or services as *bona fide* producers or manufacturers: *Provided*, That no private person, private company, establishment, or entity shall be granted more than one application for reparations goods and services and in no case the aggregate total of reparations goods and services granted to any such private person, private company, establishment, or entity shall be more than one and a half million dollars, except when a greater amount is necessary for the realization of any project certified by the President of the Philippines after consultation with the National Economic and Development Authority to be vital to the economic development of the country and except further that the applicant may further apply for expansion or development purposes when so authorized by the President of the Philippines after consultation with the National Economic and Development Authority: *Provided, further*, That where there are two applicants for the same reparations goods, all other things being equal, the person who first applied shall be given preference: *Provided, finally*, That reparations intended for electrification, educational material, equipment and machinery, including those for fishery and vocational schools, cottage industries, fire-fighting equipment, telecommunications, railroad, base metal mining, steel and cement manufacturing, logging and shipping shall be given top priority. The list of projects shall be given the widest dissemination and publicity possible."

**SEC. 2.** Paragraphs (b) and (d) of Section 2 of the same Act are hereby amended to read as follows:

"(b) *Goods other than capital goods.* — Goods other than capital goods that may be procured from reparations shall be limited to such goods as may not be obtainable from the normal sources of imports and to highly essential consumer goods and construction materials not classified as capital goods, the total value and detailed listing of which shall be made by the Commission created in Section 5 hereof and approved by the President upon recommendation of the National Economic and Development Authority. Such goods shall be procured for and sold through such agency selected by the Commission only to *bona fide* retailers who are Filipino citizens or entities wholly owned by Filipino citizens who shall resell the same directly to consumers or end-users."

"(d) *Cash payment.* — The twenty million dollars cash payment shall accrue to a Trust Fund to be used exclusively for the benefit and

rehabilitation of veterans of the Philippines in World War II, and their widows and orphans, as Congress may from time to time provide: *Provided*, That the procurement of consumers goods intended to generate the trust fund for veterans, their orphans and widows, of World War II, shall be undertaken by the Commission upon the recommendation of and in consultation with the National Economic and Development Authority and the same shall be disposed by the agency selected by the Commission under paragraph (b) of this Section and the proceeds thereof shall be deposited in accordance with the provisions of this Section. There shall be advanced from the Special Economic Development Fund created in Section three of this Act such amounts as may be needed to complete the scheduled cash payments of four million United States dollars every year for a period of five years in such a manner that the total cash payments of twenty million United States dollars shall have been collected at the end of five years."

**SEC. 3.** Paragraphs (e) and (h) of Section 2 of the same Act are hereby repealed and paragraphs (f) and (g) of the same Section are hereby amended to read as paragraphs (e) and (f), respectively.

**SEC. 4.** Section 3 of the same Act is hereby amended to read as follows:

**"SEC. 3. *Special Economic Development Fund.*** — The proceeds from the sale of reparations goods and utilization of services, together with interests earned, shall be constituted into a Special Economic Development Fund out of which the National Assembly may appropriate by special laws, from time to time, such amounts as may be necessary to constitute a Special Trust Fund which shall be available to the Development Bank of the Philippines and the Philippine National Bank for loans for economic and industrial development projects as well as for construction, reconstruction, repair and/or improvement of public school buildings in amounts not exceeding eighty percent of the value of the securities and payable within a period not exceeding twenty years depending upon the kind of loan and with interest at a rate not exceeding four percent per annum: *Provided*, That the Development Bank of the Philippines and the Philippine National Bank shall charge for their services only the actual cost thereof and shall not make any profit therefrom: *Provided, further*, That fifty percent of such Special Trust Fund shall be available for industrial loans, thirty percent for agricultural loans (but not more than twenty percent of such agricultural loans may be granted on any single agricultural crop), and the remaining twenty percent which shall be given top priority, for public building construction, reconstruction, repair and/or improvement, as the National Assembly may provide from time to time. The sum of twenty million pesos shall likewise be set aside from the said Special Economic Development Fund to constitute a revolving fund which shall be used exclusively to aid in the establishment of rural banks, subject to the provisions of Republic Act Numbered Seven Hundred Twenty, otherwise known as the 'Rural Banks Act,' as amended, and the further sum of fifty million pesos for the purchase of landed estates as provided for in the Land Tenure Act and such other landed estates as provided for by other special acts."

**SEC. 5.** Paragraphs (a) and (a-1) of Section 6 of the same Act are hereby amended to read as follows:

"(a) To prepare sufficiently in advance of need, on the basis of the previously approved reparations program and approved applications for reparations goods and services, a tentative schedule of goods and services clearly indicating thereon the name of the applicant end-user and the amount allocated for each project to be procured from Japan every year which, when approved by the President of the Philippines upon recommendation of the National Economic and Development Authority, shall form the basis of consultation between the Philippine and Japanese Governments towards the formulation of the schedule called for in Article four of the Reparations Agreement. A copy each, duly certified by the Commission, of the approved applications and studies of the projects included in the tentative schedule shall be transmitted to the Mission together with the tentative schedule. No additional project, and no change involving any item or project in a tentative or agreed schedule, whether by addition, substitution or deletion, whether in kind, quantity, or value, whether partial or total, shall be submitted to the Japanese Government until the same has been endorsed by the National Economic and Development Authority and approved by the President in accordance with the foregoing, except in cases where the proposed change involves only the increase or decrease in the amount allocated for a specific item or project listed in the tentative or agreed schedule, and does not involve any addition of, or change in, any other item or project as provided above, and the total of such increase or decrease, whether effected at one time or several times, does not exceed ten percent of the amount originally allocated for the corresponding item or project in the tentative schedule. The agreed schedule, and any addition, substitution or deletion hereinabove referred to, as may thereafter be made in accordance with this Act and agreed to by the Japanese Government, shall, after its conclusion with the Japanese Government, be immediately published in full, indicating clearly the name of the end-users concerned, for three consecutive times every other day in two newspapers of general circulation, one in Tagalog and one in English by the Commission in the Philippines, and both in English by the Philippine Reparations Mission in Japan.

"(a-1) To issue procurement orders for the acquisition of reparations goods and/or services on the basis of the agreed schedule. The procurement order shall specify, among others, the following: (1) the name of the applicant end-users; (2) the item in the agreed schedule; (3) the name of the project; (4) the amount of the procurement order; and (5) the date of issuance of the procurement order. The amount of each procurement order shall be strictly in accordance with the allocation for each project as agreed upon between the Philippine and Japanese Governments. The procurement orders for all the projects shall be issued only after the conclusion of the agreed schedule. No procurement order for the acquisition of goods and/or services intended for government agencies shall be issued by the Commission until after it shall have duly ascertained and verified that the agencies concerned have (1) the capacity and have duly provided for the payment of the 2% service fee

and all incidental charges in connection with the procurement and delivery of the goods and/or services, and (2) the technical capacity to take delivery and utilize efficiently the goods applied for, and unless all the following conditions shall have been previously complied with: (1) the government agency concerned must have previously prepared and submitted to the satisfaction of the Commission a financial, economic and technological study concerning the feasibility of the project together with the complete plans and specifications thereof; (2) the application must have been previously approved by resolution of the Commission; (3) the project must be among those specifically included in the reparations schedule agreed upon and effective between the Philippine and Japanese Governments at the time of the issuance of the procurement order; and (4) the agreed schedule showing the names of the applicant end-users must have been published in accordance with this Act. No procurement order for the acquisition of reparations goods and/or services intended for private parties shall be issued by the Commission until after it shall have duly ascertained and verified that the applicant concerned (1) has enough financial resources and capacity to pay, and (2) has the technical capacity to take delivery and utilize efficiently the goods applied for, and unless all the following conditions shall have been previously complied with: (1) the private applicant end-user concerned must have previously prepared and submitted to the satisfaction of the Commission a financial, economic and technological study of the project together with the complete plans and specifications thereof favorably endorsed as prescribed in Section two of this Act, and a certification from the Securities and Exchange Commission or the Bureau of Commerce, as the case may be, attesting that the applicant end-user concerned is qualified under this Act; (2) the application must have been previously approved by resolution of the Commission; (3) the project concerned must be among those specifically included in the reparations schedule agreed upon and effective between the Philippine and Japanese Governments at the time of issuance of the procurement order: *Provided*, That no procurement order shall be issued until after the private applicant end-user concerned shall have made a cash down payment for the project applied for which shall be 10 percent of the value of the project computed at the current rate of exchange of the peso to the U.S. dollar prevailing at the time of payment; and (4) the agreed schedule showing the names of the applicant end-users must have been published in accordance with this Act. The private applicant shall be required to submit proof to substantiate that both his financial resources and capacity to pay are commensurate with the value of the goods and/or services applied for, and that he has had experience or has contracted an appropriate number of experts in the particular field. He shall also be required to put up collaterals sufficient to cover the balance of the cost of the goods and/or services: *Provided, further*, That in the case of corporations, the principal officers thereof shall be required to sign a guarantee contract whereby they shall be jointly and severally liable with the corporation to answer for the obligation so contracted. Notwithstanding the foregoing, no procurement order shall take effect until after the lapse of one week after its final publication indicating the name and address of the applicant end-user, the name of the project subject of the procurement order, and the specific item in the reparations