

MALACAÑANG
Manila

PRESIDENTIAL DECREE No. 415 March 19, 1974

**AUTHORIZING THE SECRETARY OF NATIONAL DEFENSE TO ENTER INTO DEFENSE
CONTRACTS TO IMPLEMENT PROJECTS UNDER THE SELF-RELIANT DEFENSE
PROGRAMS AND FOR OTHER PURPOSES**

WHEREAS, it is the objective of the State to achieve a self-reliant defense posture;

WHEREAS, the achievement of this goal requires the immediate prosecution of national defense projects for the acquisition of military material;

WHEREAS, the implementation of projects under the Self-Reliant Defense Program will generate labor, spur industrial and commercial activities, and conserve foreign exchange resources;

WHEREAS, the majority of these projects will require financing from foreign sources;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Republic of the Philippines, by virtue of the powers vested in me by the Constitution as Commander-in-Chief of all the Armed Forces of the Philippines, and pursuant to Proclamation No. 1081, dated September 22, 1972, and General Order No. 1, dated September 22, 1972, as amended, do hereby order and decree as follows:

Section 1. The Secretary of National Defense, in behalf of the Government of the Republic of the Philippines, is hereby authorized to enter into contracts, under such terms and conditions as may be agreed upon, with any natural or juridical person, with or without public bidding, for the manufacture or procurement of supplies, equipment, or components thereof, facilities, utilities and appurtenances thereto which are necessary for the manufacture, servicing, or operation of such supplies, equipment or components thereof needed for national defense and covered by the Self-Reliant Defense Program approved by the President of the Philippines, any provision of law, including Section Six Hundred and Seven of the Revised Administrative Code, Commonwealth Act Numbered Five hundred forty-one, Act Numbered Four thousand two hundred thirty-nine, Republic Act Numbered Five thousand one hundred-three and other related laws to the contrary notwithstanding.

Section 2. Foreign and local prime contractors engaged or proposing to engage in the manufacture and/or fabrication of defense material for the government in accordance with the Self-Reliant Defense Program may be registered and avail of the incentives under Republic Act Numbered Five thousand one hundred eighty-six as amended, with respect to defense industries covered by the program and listed under a supplemental annual investment priority plan, upon recommendation of the Department of National Defense and the National Economic and Development Authority. In the interest of national security, publication of the above supplemental list shall be dispensed with and the Board of Investments shall adopt a special procedure in the processing of application for registration by defense contractors under this Program.

Section 3. For the purpose of this Decree and any provision of law to the contrary notwithstanding, the President of the Philippines is hereby authorized in behalf of the Republic of the Philippines, to contract such loans, credits or indebtedness including supplier's credit, deferred payment arrangements upon such terms and conditions as maybe agreed upon with any local or foreign source or lender not exceeding Three hundred million United States dollars, or its equivalent in other foreign currencies at the exchange rate prevailing at the time of the contracting of the loans, credits, or indebtedness, suppliers credits and deferred payment

arrangements and at terms of payment of not less than ten years and to enter into and conclude bilateral agreements involving other forms of official assistance such as grants and commodity credit arrangement or indebtedness as may be necessary with Government of foreign countries with whom the Philippines has diplomatic or trade relations or which are members of the United Nations, their agencies, instrumentalities or financial institutions or with reputable international organizations or non-governmental national or international lending institutions or firms extending supplier's credit or deferred payment arrangements: Provided, That such loan, credit or indebtedness shall be incurred only after the plans for such project have been prepared by the Department of National Defense and approved by the President of the Philippines; Provided, further, That such loans, credits or indebtedness shall be incurred only when the Commissioner of Budget has certified that for the fiscal year in question, funds are appropriated and programmed to meet the servicing of the external debt of the public sector, including the loan, credit or indebtedness proposed to be contracted, and that the counterpart peso funding requirements of the projects for which such loans, credits or indebtedness are being contracted have been programmed and shall be available as and when needed for the completion of the project; Provided, finally, That in contracting any loan, credit or indebtedness under this Act, the President of the Philippines, when necessary may agree to waive or modify the application of any law granting preferences or imposing restrictions on international public bidding.

Section 4. The President may authorize the lending of the proceeds of such loans, credits or indebtedness to the Development Bank of the Philippines, which shall administer said proceeds in accordance with the agreement with foreign creditor, for relending, subject to terms and conditions which the President may impose, to the principal contractor or sub-contractor, to meet the direct peso costs of projects authorized under this Decree; Provided, That the Development Bank of the Philippines shall pay the Republic of the Philippines at least the principal, interest and other charges on such loans, credit or indebtedness turned over to it. The Development Bank of the Philippines, with the approval of the President of the Philippines, may also guarantee such loans, credits or indebtedness secured by a principal contractor or sub-contractor directly from local or foreign sources to cover all or part of the cost of performance of contracts herein referred to.

Section 5. Any provision of law to the contrary notwithstanding and in order to enable the Republic of the Philippines to pay the principal, interest, taxes and other normal banking charges on the loans, credits or indebtedness, all revenues realized from the projects financed by such loans, credits or indebtedness shall be turned over in full, after deducting actual and necessary expenses for operation and maintenance of said projects, to the National Treasury by the Department of National Defense, which is hereby appropriated for the purpose as when they shall become due. In cases where the revenues realized are insufficient to cover the principal, interests and other charges, such portion of the budgetary savings may be necessary to cover the balance or deficiency shall be set aside by the Department of National Defense exclusively for this purpose; Provided, That if there still remain a deficiency, the necessary amount is hereby appropriated out of the funds in the National Treasury to cover the payment of principal and interest of such loans, credits and indebtedness as and when they shall become due; Provided, further, That the Monetary Board of the Central Bank shall make provisions out of current foreign exchange receipts for the foreign exchange requirements to service the external debts.

Section 6. Upon recommendations of the Secretary of Finance in consultation with the National Economic and Development Authority and approval of the President of the Philippines, loans, agreements, as well as, contracts, unless otherwise falling under Section 2 of this Act, involving the availment of or utilization of the proceeds of loans, credits or indebtedness obtained under the provisions of this Act, may provide for the exemption from taxes, charges or other levies. Loans, credits or indebtedness incurred pursuant to this Decree, the payment of the principal, interests and other charges thereon, which are secured from Government of foreign countries or from lending institutions of organizations owned or controlled by said foreign governments, shall be exempted from the payment of all taxes, fees,

and other charges.

Section 7. The amount of at least One hundred million pesos is hereby appropriated yearly under the SRDP Program budget of the AFP, to carry out the provisions and purposes of this Decree. The Budget Commission is hereby authorized to release the amount to the Department of National Defense upon request thereof.

Section 8. All provisions of existing laws, orders, and regulations contrary to, or inconsistent with this Decree are hereby repealed or modified accordingly.

Done in the City of Manila, this 19th day of March, in the year of Our Lord, nineteen hundred and seventy-four.