

29 March 1983

**MALACANANG
RESIDENCE OF THE PRESIDENT OF THE PHILIPPINES
MANILA**

LETTER OF INSTRUCTION NO. 1307

To: *The Executive Committee
The Minister of Finance
The Director-General, National Economic and Dev't. Authority
The Governor, Central Bank of the Phils.
The Heads of Ministry/ Bureau/ Agency/ Local Gov't. Units
The Heads of Government-Owned or Controlled Corporations and
State Universities and Colleges*

Whereas, it is necessary to conserve the foreign exchange resources of the Philippines and to utilize these only for the most urgent and necessary importations;

Whereas, government needs to ensure that the country's external debt is commensurate to its ability to generate foreign exchange receipts from exports of goods and services;

Whereas, recovery and growth in domestic industry can be accelerated by maximizing the use and procurement of locally produced goods as against imported substitutes;

Whereas, government has to lead the way in patronizing local industry and in exercising prudence in the utilization of foreign exchange resources and in international borrowings;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines do hereby Order and Instruct all instrumentalities of the government, both national and local to maximize the utilization of locally produced goods and to correspondingly minimize the use of imported substitutes and to hold external borrowings to the absolute minimum:

IMPORTATIONS AND DIRECT PAYMENTS

- 1) Government shall endeavor to use domestically produced goods particularly those with the maximum local material and labor content.
- 2) Only vehicles that are locally produced or assembled shall be acquired by government entities, including fire trucks, garbage trucks and other similar vehicles, whether or not financed from external debt.
- 3) No investments, placements or deposits shall be made in foreign enterprises without the approval of the Monetary Board, which shall give due course to such applications only in extraordinary cases.
- 4) Memberships in international associations or organizations shall be reviewed, with the aim of limiting such memberships only to the ones where direct benefit accrues to the country.
- 5) Foreign travel shall be minimized and attendance in short courses, seminars and training programs shall be limited to those with substantial foreign counterpart, and excepting duly authorized scholarship programs leading to graduate degrees.
- 6) Staff participation to international conferences and in loan negotiation missions shall be reduced. Whenever possible, staff members of the Philippine Embassy or mission in the site of the conference or negotiations shall represent the country. These representatives shall forward to the Manila agencies concerned, copies of the proceedings of the meetings attended.
- 7) Maintenance expenses of overseas offices of government agencies shall be minimized and under no circumstances, may expenses exceeding that authorized, be paid for in foreign exchange.
- 8) Government agencies or corporations shall not engage in institutional advertising, particularly in international publications that involve the outflow of foreign exchange, except where specifically approved by the President in cases where direct trade or investment related results are expected.
- 9) Government publications shall be locally printed and no foreign exchange shall be used to pay for printing such publications, except for color separations which may be done abroad when local facilities are inadequate for specialized work.

- 10) Overseas operations and personnel assignments of government offices shall be reviewed, with the aim of reducing them to the minimum possible level. Unnecessary attaches shall be recalled or reassigned to other, more pertinent posts.
- 11) No government entity may purchase, lease or other wise arrange for the use of aircraft or watercraft that involves any outflow of foreign exchange, without the approval of the President.
- 12) The hiring of foreign consultants shall be minimized. Contracts for each foreign consultants, including the mode of payment, shall be subject to the approval of the National Economic and Development Authority (NEDA) in accordance with existing rules.
- 13) The Central Bank shall not approve any requests by government officials for foreign exchange allocations in excess of that allowed by pertinent rules, particularly for additional representation allowances and similar purposes.

Approved but Undrawn Foreign Debt and Grants

- 14) To reduce the payment of commitment fees on approved loans, the Executive Committee shall review all approved but undrawn foreign loans, with the aim of seeing to (a) the prompt implementation of the projects for which the said loans were contracted or (b) the cancellation of the said loans.
- 15) As part of the review of undrawn loans, recommendations shall be submitted on the President on the need for (a) budgetary reprogramming in order to provide for the peso counterpart of foreign loans and for the provision in the expenditure program of the loan proceeds, (b) exemptions from ordinary bidding procedures in order to expedite projects awards, (c) assistance in project design or compliance with lending agencies' reimbursement requirements, or (d) other necessary action to remove any bottlenecks to implementation or loan disbursements.
- 16) All concerned agencies shall review approved but undrawn grants in aid or similar receipts from official development sources, with the aim of accelerating disbursements from such as grants.

New External Debt Approval

- 17) The Central Bank shall see to it that new foreign borrowing approvals are strictly limited to US\$2.0 billion during 1983, of which no more than half shall be from commercial sources and at least half shall be from official development assistance sources.

- 18) The maturities of new loan approvals shall also be strictly regulated to ensure that anticipated cash outflows for interest and interest and principal amortization are within the statutory debt service requirement and within the country's ability to service. Provided, That exceptions may be made on a case basis with the approval of the President for projects which have no net cash outflow for at least five (5) years.
- 19) The Central Bank shall formulate guidelines on external borrowings and foreign exchange payments for government entities, observing the criteria in these instructions, including:
- a. Foreign borrowings shall be for projects that will yield direct foreign exchange receipts or savings in a pattern that matches interest and amortization payments;
 - b. External debt of government instrumentalities shall be limited to official development assistance and shall be from commercial sources only in exceptional cases;
 - c. Short term commercial borrowings shall be strictly limited to government owned or controlled corporations for use in trade-related transactions, subject to the approval of the Central Bank. In such cases, the outstanding amount of short term external debt may not exceed the end-1982 level.

Done, in the City of Manila this 11th day of April nineteen hundred and eighty-three.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

Note: This is an excerpt from OFFICIAL GAZETTE, Vol. 79, no. 24, pages 3574-3577 dated 29 March 1983.

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Letter of Instruction No. 1307, s. 1983

Malacanang
Manila

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	The Governor, Central Bank of the Philippines
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DONE in the city of Manila this **11th** day of **April** nineteen hundred and eighty-three.

(Sgd.) **FERDINAND E. MARCOS**

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