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**SENATE**  
**S. B. No. 1161**

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Introduced by Senator SONNY ANGARA

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**AN ACT**  
**GRANTING ONE-TIME CONDONATION OF INTEREST ARREARAGES AND**  
**PENALTIES IN FAVOR OF QUALIFIED LOCAL WATER DISTRICTS (LWDs)**  
**PERTAINING TO THEIR LOANS WITH THE LOCAL WATER UTILITIES**  
**ADMINISTRATION (LWUA)**

EXPLANATORY NOTE

Presidential Decree No. 198 or the Provincial Water Utilities Act of 1973 mandated the creation, operation, maintenance and expansion of reliable and economically viable and sound water supply and wastewater disposal system in the country as an objective of national policy of high priority. In this regard, PD 198 created the Local Water Utilities Administration (LWUA), a government-owned and controlled corporation (GOCC), with a specialized lending function, mandated to promote and oversee the development of water supply systems in provincial cities and municipalities outside of Metropolitan Manila.

In the past few years, a number of LWDs were not able to make the necessary loan amortizations to the LWUA on time resulting in substantial loan arrearages, interests and penalties. If these arrearages are to be collected and paid, LWDs would be faced with the difficult choice of recovering their substantial loss either by increasing the water rate charged to their clients or by contracting new loans from LWUA. Either way, the quality of services offered by LWDs will be seriously affected.

This bill seeks to grant a one-time condonation of arrearages, interests and penalties assessed against local water districts (LWDs) pertaining to their late payment or non-payment of loan amortizations to the Local Water Utilities

Administration (LWUA). This one-time condonation of loan arrearages, interests and penalties is necessary to give LWDs a chance to use any savings they have to improve and/or expand their services, or to prevent any increase in water rate charges.

In view of the foregoing, approval of this bill is earnestly sought.



**SONNY ANGARA**

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**ADMINISTRATION (LWUA)**

*Be it enacted by the Senate and the House of Representatives of the Philippines in Congress assembled:*

1 Section 1. *Short Title.* – This Act shall be known as the “Condonation of Loan  
2 Interest Arrearages and Penalties in Favor of Local Water Districts (LWDs) Act of  
3 2019.”

4 Sec. 2. *Declaration of Policy.* – It is hereby declared the policy of the State:

- 5 a) To ensure the effective and efficient operation of the LWDs in the country;  
6 and  
7 b) To ensure that the LWDs provide quality service to its concessionaires at  
8 reasonable cost.

9 Sec. 3. *Scope.* – The Act shall provide framework for the granting of one-time  
10 condonation of outstanding interest arrearages and penalties in favor of qualified  
11 LWDs. The subject interest arrearages and penalties are being assessed by the Local  
12 Water Utilities Administration (LWUA) against the said LWDs in connection with their  
13 loans with the former that are outstanding as of the effectivity of this Act.

14 Sec. 4. *Qualified LWDs.* – LWDs that are qualified for the one-time condonation  
15 of outstanding interest arrearages and penalties assessed by the LWUA shall be  
16 those which do not have enough financial capacity to pay on time their loan  
17 amortization as may be determined by the LWUA. The LWUA shall come up with an

1 updated list of LWDs, which qualify for the one-time condonation of outstanding  
2 interest arrearages and penalties.

3       Sec. 5. *One-Time Condonation.* – The condonation of loan interest arrearages  
4 and penalties shall be undertaken only once to assist qualified water districts in  
5 updating their loan amortizations to LWUA. After the said condonation, the LWDs  
6 benefited thereby shall no longer be qualified to another condonation of similar  
7 nature in the future.

8       Sec. 6. *Implementing Rules and Regulations.* – The LWUA, in coordination with  
9 the National Economic Development Authority and the Department of Finance, shall  
10 promulgate the necessary Implementing Rules and Regulations (IRR) within six (6)  
11 months from the effectivity of this Act.

12       Sec. 7. *Separability Clause.* – If for any reason, any provision of this Act is  
13 declared unconstitutional or invalid, the remainder of this Act or any provision hereof  
14 not affected thereby shall remain in full force and effect.

15       Sec. 8. *Applicability and Repealing Clause.* – The provisions of Presidential  
16 Decree (PD) No. 198 or the "Provincial Water Utilities Act of 1973", as amended,  
17 shall continue to have full force and effect except insofar as they are inconsistent  
18 with this Act. All laws, orders, issuances, circulars, rules and regulations or parts  
19 thereof, which are inconsistent with the provisions of this Act are hereby repealed or  
20 modified accordingly.

21       Sec. 9. *Effectivity.* – This Act shall take effect fifteen (15) days after its complete  
22 publication either in the Official Gazette, or in at least two (2) newspapers of general  
23 circulation.

Approved,