


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

7 NOV -5 P3:08

Senate
S.B. No. 1804

RECEIVED BY: 

Introduced by Sen. Juan Ponce Enrile

EXPLANATORY NOTE

For more than 30 years now, the Local Water Utilities Administration (LWUA) has been mandated by law to establish, finance and administer as well as promote and develop potable water supply systems used nationwide. Since 1973, LWUA has been working in close cooperation with local government units in creating water districts to supply provincial residents with safe, dependable, sufficient and affordable water supply for their daily needs.

As a result of this, more than 400 water districts have been formed covering 680 cities and towns throughout the country. Potable water supply is being directly served to some 12.6 million Filipinos thereby bringing health, economic and other benefits to these communities. However, some 55% or 820 towns and cities all over the Philippines are still not yet serviced by water districts.

Under its charter, LWUA's authorized capital stock in the form of national government subscription is P2 billion and, as early as 1990, this has already been fully subscribed by the agency. Since then, LWUA has been largely dependent on government subsidy for peso counterpart to their foreign loans. Cognizant of the urgent necessity and the vital role that improved water supply systems play in the overall socio-economic progress of the nation, there is indeed a need for LWUA to increase its capitalization.

This bill, therefore, seeks to increase the authorized capitalization of LWUA to P25 billion to enable it to further spread the benefits of improved potable water systems particularly to the yet unserved areas of the country. Moreover, the bill proposes to amend the borrowing authority granted to LWUA and allow the same to borrow money from all domestic loan sources up to P10 billion, and from foreign sources up to \$700 million.

Apart from strengthening its financial capacity to implement its programs, the amendments proposed herein will effect a smoother and a more precise dispensation of LWUA functions and activities.

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


JUAN PONCE ENRILE
Senator

FOURTEENTH CONGRESS OF THE)
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7 NOV -5 P3:09

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AN ACT
FURTHER AMENDING PRESIDENTIAL DECREE NO. 198,
OTHERWISE KNOWN AS THE PROVINCIAL WATER UTILITIES ACT,
AS AMENDED, PROVIDING FUNDS THEREFOR
AND FOR OTHER PURPOSES

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

SECTION 1. Section 67 of Presidential Decree 198, as amended, is hereby amended to read as follows:

SEC. 67. *Capital Stock.* – The authorized capital stock of the Local Water Utilities Administration is [Two] TWENTY-FIVE billion [Five Hundred Thousand pesos] (₱25,000,000,000.00) divided into [Twelve] SIXTY-TWO million Five Hundred Thousand (₱62,500,000.00) shares of stock with a par value of Four Hundred Pesos per share which shall be subscribed by the National Government Financial Institutions and opened to subscription by private investors or government financial institutions.

SEC. 2. Section 72 of Presidential Decree 198 shall be hereby amended to read as follows:

SEC. 72. *Domestic Borrowing Authority.* – The Administration shall have the authority to borrow money from all domestic loan sources whether government or private: Provided, That its loans outstanding from domestic sources at any one time shall not exceed [One] TEN billion pesos (₱ 10,000,000,000.00).

SEC. 3. Section 73 of Presidential Decree 198 shall be hereby amended to read as follows:

SEC. 73. *Authority to Contract Foreign Loan.* – The Administration is hereby authorized to contract loans, credits, in any convertible foreign currency or capital goods, and to incur indebtedness from time to time with foreign governments, or any international financial institutions or fund sources, including suppliers credits or deferred payment

arrangements, the total outstanding amount of which, excluding interests, shall not exceed [five] SEVEN hundred million United States dollars (US\$700,000,000.00) or the equivalent thereof in other currencies, on terms and conditions promulgated by the Secretary of Finance and the Monetary Board for the accomplishment of its objectives; and to enter into and execute contracts and other documents specifying such terms and conditions.

The President of the Philippines, by himself, or through his duly authorized representative, is hereby authorized to negotiate and contract with foreign governments or any financial institution or fund sources in the name and on behalf of the Administration, one or several loans for the purpose implementing the Administration's program for the promotion and development of local water utilities through the Administration's financing or lending operations.

The President of the Philippines, by himself or through his duly authorized representative, is hereby further authorized to guarantee, absolutely and unconditionally, as primary obligor and not mere surety, in the name and on behalf of the Republic of the Philippines, the payments of the loans, credits and indebtedness up to the amount herein authorized, over and above the amounts which the President of the Philippines pursuant to loan agreements entered into with foreign governments or any international financial institution or fund sources.

The loans, credits and indebtedness contracted under this section shall be in accord with the provisions of the Foreign Borrowing Act as amended."

SEC. 4. Repealing Clause. – All or any provision of the Provincial Water Utilities Act of 1973 which are contrary or inconsistent with any provisions hereof are hereby repealed or modified accordingly.

SEC. 5. Effectivity. – This Act shall take effect after fifteen (15) days following its publication in two (2) newspapers of general circulation.

Approved ,