
Introduced by Senator Loren Legarda

EXPLANATORY NOTE

Presidential Decree 198 recognized the role of an effective system of local utilities, such as domestic water systems, to the orderly and well-balanced growth of urban areas. This law provides that local water utilities, which should be locally-controlled and managed, must also be supported on a national level in the area of technical advisory services and financing to prevent deterioration in services.

Under P.D. 198, the Local Water Utilities Administration (LWUA) was created to furnish technical assistance and provide a specialized lending institution with peculiar expertise in the financing of local water utilities. Once a water district meets the standards and requirements of LWUA, it shall be eligible to avail of financial assistance from the agency in the form of short and long term loans at concessionary rates for the development, improvement or expansion of its water supply systems. In addition, LWUA's broad spectrum of technical assistance ranges from engineering studies to project construction supervision and system start-up to operation and maintenance requiring water district management and technical personnel to undergo skills training to make them ready for technology transfer.

LWUA has been able to establish and put into operation water districts in some 600 cities and towns out of the 1,500 that fall under its coverage and directly benefiting some 14 million Filipinos in the countryside. The agency was able to attain this despite having exhausted its authorized P2 billion capital stocks many years ago.

However, this makes only 15% Filipinos served out of the country's projected 2007 population of 88.7 million. With this data, 85% of the residents in the countryside have no access to sufficient supply of safe and potable water mainly because of local government units (LGUs) not initiating yet the formation of water districts in their respective areas.

A World Bank study in 2004 pointed out that 58% of the Philippines' groundwater sampled was contaminated with coliform and requiring treatment. The World Health Organization (WHO), however, said that these water-borne diseases are preventable with the provision of safe, potable and adequate water supply and sanitation facilities. *It is time that we save these residents from the perennial threat of epidemics and water-borne diseases as a result of contaminated drinking water.*

This bill seeks to increase LWUA's authorized capital and its domestic and foreign borrowing authority, thus amending P.D. No. 198, otherwise known as the

Provincial Water Utilities Act of 1973, thus ensuring that LWUA continues to perform its functions of promoting, developing and financing autonomous and viable water districts in the provinces.

This proposal seeks to increase LWUA's authorized capital from P2.5 billion to P25 billion, and its domestic and foreign borrowing authority, from P1 billion and US\$500 million, to P10 billion and US\$700 million, respectively, addressing the need to infuse additional funding for expansion and improvement of the agency's financial and technical servicing.

LWUA must be strengthened to further spread the benefits of improved water systems in places in dire need of the services of efficient and professionally run water districts.

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



LOREN LEGARDA
Senator

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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 TWENTY-FIVE BILLION PESOS (P25,000,000,000.00) divided into SIXTY-TWO MILLION FIVE HUNDRED THOUSAND PESOS (P62,500,000.00) shares of stocks with a par value of Four hundred pesos per share which shall be subscribed by the National Government and opened to subscription by private investors or government financial institutions."

SECTION 2. Section 72 of Presidential Decree No. 198 shall hereby be 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 TEN BILLION PESOS (\$10,000,000,000.00)."

SECTION 3. Section 73 of Presidential Decree No. 198 shall be 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 supplier's credits or deferred payment arrangements, the total outstanding amount of which, excluding interests shall not exceed SEVEN HUNDRED MILLION US 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 international financial institution or fund sources in the name and on behalf of the Administration, one or several loans, for the purpose of 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 as a 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 loan credits and indebtedness contracted under this section shall be in accord with the provisions of the Foreign Borrowing Act, as amended.

SECTION 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.

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

Approved,