LWUA CLEARANCE FOR CONTRACTING LOANS OUTSIDE OF LWUA

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Pursuant to Section 62 of Presidential Decree No. 198[1], as amended, which grants this Office the power and duty to regulate all local water districts (LWDs), all LWDs are hereby required to secure endorsement/clearance from this Office before they can contract loans or borrowings from other financing institutions even if such LWDs have no outstanding loans with this Office. Such requirement is primarily to ensure that the financial position of the LWD can adequately accommodate such loans or borrowings and to determine the reasonableness of the corresponding water rates to be applied in the event that such loan is granted.

Further, Circular No. 926, series of 2016[2], issued by the Bangko Sentral ng Pilipinas pertinently provides:

Section 2. Subsection X398.[3] is hereby added as follows:

> "X398.3 Domestic borrowings by Government-Owned and/or - Controlled Corporations (GOCCs), Local Water Districts (LWDs) and State Universities and Colleges (SUCs) pursuant to Section 123 of R.A. No. 7653. The domestic borrowings of GOCCs, LWDs, and SUCs within the Philippines, the procedures to be observed as well as the documentary requirements to be submitted, relative to the requests for Monetary Board (MB) opinion on the probable effects of the proposed credit operation on monetary aggregates, the price level and the balance of payments (BOP), pursuant to Section 123 of Republic Act No. 7653, as well as other pertinent laws and regulations shall be governed by the guidelines as contained in Appendix 57A."

Sub-pa. (iii), paragraph (b) (For LWDs), sub-item (1) (Request for MB opinion), Item III (Required documents and information) of Appendix 57A3 of Circular No. 926 specifically requires LWDs the submission of, among others, LWUA Clearance to support requests for Monetary Board (MB) opinion, to wit:

iii. Endorsement/clearance of the proposed loan by the Local Water Utilities Administration (LWUA).

Strict compliance is enjoined.

(SGD) JECI A. LAPUS
Acting Administrator

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[1] Provincial Water Utilities Act of 1973, May 25, 1973.

[2] Guidelines in Processing Requests for Monetary Board opinion on the Monetary and Balance of Payments Implications of proposed Domestic Borrowings by Government Entities pursuant to Section 123 of Republic Act No. 7553.

[3] Guidelines on Requests for Monetary Board Opinion on the Monetary and Balance of Payments Implications of Proposed Domestic Borrowings by Government-Owned and/or Controlled Corporations (GOCCs), Local Water District (LWDs) and State Universities and Colleges (SUCs) pursuant to Section 123 of R.A. No. 7653

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