



## The LWUA-Water District Primer

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### For water supply development, why LWUA and water districts?



Modern, safe and dependable water supply is for the poor. It is also for the rich. And it, too, is for every Filipino family living a life in between.

But modern, safe and dependable water supply does not come free. And it is also everyone's responsibility.

These are the premises from which countryside water supply development is being pursued in the Philippines.

Time was when that effort was measured in terms of the physical structures it generated: water reservoirs, pumphouses, distribution lines and the like. But as the same structures deteriorated and became dilapidated, these became symbols of neglect by those operating the water system, the indifference of the very population for which the systems were built, and of the attitude of mendicancy and dependence spawned among the people.

Provincial water supply development was approached in an unprofessional manner. This gave rise to similar lackadaisical attitude among the intended beneficiaries. Consumers hardly paid bills. Thus, not enough funds were raised even for basic maintenance of the water systems, much less for expansion of the service. Local government subsidies which, for a while, kept the systems going, were not enough. It was only in the early part of the 1970s that people participation in their community's water system was seen as vital as the construction of the waterworks itself.

That strategy was proven correct for Philippine conditions. The change in development strategy took roots with the promulgation of Presidential Decree No. 198 otherwise known as the Provincial Water Utilities Act of 1973 on May 25, 1973. PD 198, as amended, created the Local Water Utilities Administration or LWUA and provided for the formation of Water Districts. It gave birth to a development partnership that revolutionized water service in the provinces. This partnership is now known as the LWUA-Water District Concept.

Fourteen years later, LWUA's mission and area of responsibility were expanded to include provision of Level II (communal faucet system) service to small towns and Rural Waterworks and Sanitation Associations (RWSAs), virtually covering the 1,500 or so cities and municipalities of the country.

Then in 1999, it was tapped to implement the potable water supply component of the poverty alleviation program of the government aimed at the poorest Filipino families.

### What is LWUA?



The Local Water Utilities Administration (LWUA) is a specialized lending institution mandated by law to promote and oversee the development of provincial waterworks systems in the Philippines..

The Agency was established by virtue of **Presidential Decree No.198**, as amended, on September 18, 1973. Amendments are contained in Presidential Decree Nos. 768 and 1479, Letter of Instruction Nos. 683, 700, 744, and Republic Act No. 7286.

It is run by a five-man Board of Trustees through an Administrator who implements the policies set by the Board.

LWUA functions through five services, namely: Office of the Administrator, Office of the Senior Deputy Administrator, Investments & Financial Services, Area Operations, and Administrative & Institutional Development Services.

## Who can avail of LWUA's services?



LWUA extends its various services to duly-formed Water Districts (WDs) and Rural Waterworks and Sanitation Associations (RWSAs).

A duly-formed WD is one that has undergone the **LWUA formation process** and thus has been issued a Conditional Certificate of Conformance (CCC).

As of December 2001, a total of 587 WDs had been issued CCCs out of the 600 or so WDs formed since 1973.

## What is a Water District?



A Water District is a local corporate entity established on local option basis to operate a water supply system in one or more provincial cities and municipalities. It is formed in either urban or rural communities outside of the geographical jurisdiction of Metro Manila.

It is governed by a five-man Board of Directors and a General Manager who executes the policies set by the former.

Water districts were first considered quasi-private entities until the Philippine Supreme Court handed an en banc decision on 13 September 1991 declaring them as government owned or controlled corporations (GOCCs) with original charter (Davao City Water District et.al. vs. Civil Service Commission et.al. case).

Water Districts are classified into five categories, namely: Very Large, Large, Big, Medium, Average, and Small. Categorization is based on the WD's gross receipts, total fixed assets, net income before depreciation and interest, number of service connections, number of employees, and nature of operation (pumping, gravity, etc.)

## How are water supply projects financed?



Funds are secured by LWUA from national government equity subscriptions, and from local as well as foreign lending institutions such as the following:

- World Bank (WB)
- Danish International Development Agency (DANIDA)
- Japanese International Cooperation Agency (JICA)
- Asian Development Bank
- Japan's Overseas Economic Cooperation Fund
- Australia's AUSAID
- French Protocol
- German KFW or Kreditanstalt fur Wiederaufbau

These funds come in the form of loans guaranteed by the national government, or as grants. Loans are relented to water districts through LWUA's financial assistance program.

## What is LWUA's assistance program?

LWUA extends financial, institutional development, technical, and watershed management assistance to duly-organized water districts. These same services are also extended to duly-registered Rural Waterworks and Sanitation Associations or RWSAs on a smaller-scale.

## What constitutes LWUA's financial assistance program?



Water districts are provided access to fund sources not normally available to them, or are beyond their reach. These funds are extended as loans at concessionary terms based on the WD's potential for development or continued viability.

Loans extended to WDs are of two forms: soft and regular.

disbursement.

A **soft loan** is interest-free for the first five years while a **regular loan** earns interest immediately after

Water districts can avail of the following loans from LWUA:

**Level III loans.** Available either as soft or regular loan. These loans are intended to finance the construction of a new Level III water system which consists of individual household connections, reactivation of a non-operational water system, expansion of water systems, sewerage systems, and training.

**Level II loans.** These are intended to finance the construction of a Level II water system or a communal faucet system.

**Special loans.** These loans are intended to finance the construction of a WD administration building; purchase or acquisition of service vehicles, communications equipment, computers and equipment or facilities which are not part of the major improvement loans; watershed management projects; restoration of facilities damaged by calamities; and initial or emergency operational requirements at a maximum of three months of operation and maintenance expenses.

**Commodity loans.** These are intended to finance the purchase of materials obtained by the WDs from the LWUA stockyard.

**NOTE:** Also check out LWUA's **Revised Financial Policies** and **Board Resolution No. 41 Series of 2006**

## What forms of institutional development assistance does LWUA extend?



From the time a water district is formed, LWUA provides a wide range of services geared towards making the WD institutionally sound. These services are designed to keep water district service and revenue generation at their optimum. These include:

- advisory support to and training of water district directors on policy-making, and of its management and staff on all aspects of operation
- evaluation of water district performance and installation of uniform commercial practices system
- public relations and marketing assistance programs
- review of water rates
- operation and maintenance program or OMAP

In case of defaulting water districts, LWUA is empowered to take over -- fully or partially -- the management and/or policy-making of the concerned water district until such time that the latter becomes institutionally stable.

## What are the types of technical assistance given by LWUA?

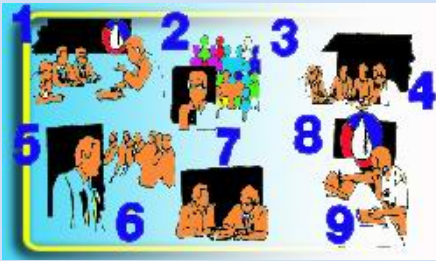


LWUA provides the water districts with professional technical expertise on planning, design and construction of water supply facilities.

LWUA charges minimal fees for these services. Fees are covered by LWUA board resolutions.

In addition, the agency also extends watershed management assistance to water districts. It coordinates watershed activities with the Philippine government's Department of Environment and Natural Resources. This service is extended in recognition of the need to protect, conserve and rehabilitate the country's water sources.

## How is a Water District formed?



A water district referred to as duly-organized and thus eligible to LWUA's assistance program is one that underwent the following formation process:

**One:** LWUA conducts preliminary talks and consultation with interested local government entities.

**Two:** The local government conducts public hearings to arrive at a consensus on whether to form a water district or not.

**Three:** The local legislative body (*the Sangguniang Bayan/Lunsod or Sangguniang Panlalawigan, as the case may be*) secures nominations for candidates for the water district board of directors from business, civic, professional, education and women sectors of the community concerned.

**Four:** The Sanggunian secretary collates all nominations and forwards the same to the appointing authority.

**Five:** Mayor or Governor appoints the directors.

**Six:** The local legislative body deliberates and enacts a resolution to form a water district stating therein the name and terms of office of the duly appointed board of directors.

**Seven:** Mayor or Governor approves resolution, submits the same to LWUA.

**Eight:** LWUA reviews the resolution to determine compliance with **Presidential Decree No. 198** (Provincial Water Utilities Act of 1973) and LWUA requirements.

**Nine:** If resolution complies with requirements, LWUA files this and a water district is born.

## Is water supply provided by a Water District free?



Water is free.

What water users pay for are the services extended by the water district in bringing water to their homes. Those services include ensuring that water reaching the user's home is potable and safe, that water service is reliable.

The continued development and expansion of water services by a water district depend on the religious payment by the water users of their water bills.

## How are water rates determined and implemented?

Water rate is determined by the following factors:

- cost of systems expansion
- operation and maintenance cost
- number of connectors
- debt service needs of the water district
- ten percent reserves

Water rates are implemented only after they are presented in a public hearing and after review and approval by LWUA

To ensure that an average water user in the province can afford the water service provided by the water district, water rates are set through a socialized pricing scheme. Big water users such as industries and commercial establishments are charged higher rates which, in effect, subsidizes the smaller but more numerous water users.

### What benefits does a community derive from having a water district?



A community or group of communities served by an efficient water system benefits from the following:

**Improved health and sanitation.** Water users are provided with a first line of defense against water-borne diseases since only disinfected and potable water is made available to every water consumer's home.

**Better standard of living.** A water district frees water consumers from the time- and effort-consuming chore of fetching water from unsafe community wells. With more time on their hands, water users are able to pursue productive endeavors or engage in leisurely activities.

**Fire protection.** The community is provided with a reliable fire-fighting capability.

**A helping hand during inopportune times.** Since a water district is community-based and service-oriented, it becomes another of the community's reliable partners during social activities or, more importantly, during calamities.

**More responsible citizens.** The professional and businesslike operation of a water district encourages the formation and development of positive consumer values among its clients. The culture of paying for every drop of water consumed is reinforced. Discipline, too, is upheld since consumers are made to understand that they have to pay their dues on time. Majority of active water districts nationwide boasts of a high collection efficiency without the need for bill collectors.

**More development projects for the community.** A water district frees the local government from the problems of operating and maintaining the community's water system, and from subsidizing the operations of a utility. This enables the city or municipal government to direct its efforts and resources to other equally urgent projects such as roads and school buildings.

**More economic opportunities.** An efficient water system stimulates commercial activities. Additional jobs and better economic opportunities become available to residents. Land value in the community is increased.

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