

ANNEX A

IMPLEMENTING RULES AND REGULATIONS FOR THE RATIONALIZATION OF LWUA'S INTEREST RATES

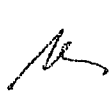

- I. **PURPOSE** – The Implementing Rules and Regulations (IRR) are promulgated pursuant to LWUA Board of Trustees Resolution No. 57, series of 2017, to govern implementation of the reduced interest rates on loans.

The IRR aims to provide guidance on appropriate terms and conditions for LWUA assistance extended to Water Districts (WDs), ensuring balance among project viability, WD's debt servicing capacity and affordability of water rates.

II. SCOPE AND COVERAGE

- A. The Implementing Rules and Regulations will apply on all new loans, debt relief assistance, technical assistance and financial assistance.
- B. Excluded are project loans and/or pre-identified WDs with existing Memorandum of Understanding/Financial Assistance Contracts under previously approved lending policies, such as but not limited to:
1. BOT Res. No. 60 series of 2012 - Amendments to Board Res. No 1, series of 2012, Entitled NLIF Policy (PSF Financial Assistance Funded by LWUA ICG);
 2. BOT Res. No. 50 series of 2013 - Classification of DPWH Funded Calamity, Tourism and Other Special Projects as "Grants";
 3. BOT Res. No. 38 series of 2014 - Approval of Financial Assistance to Water Districts Funded Under the ₱ 565 Million CY 2014 National Government Subsidy; and,
 4. BOT Res. No. 29 series of 2016 - Terms of Financial Assistance to WDs for LWUA's Subsidy Allocation in the General Appropriations Act 2016.

III. ELIGIBILITY – all Water Districts, subject to the following:

- A. Water Districts in arrears (unpaid debt service including penalties) and with unsettled Open Account Billings (OAB) - provided settlement of arrears and/or OABs are determined during loan evaluation and proposed arrears restructuring or debt relief assistance are endorsed with the new loan, for approval by the Administrator or Board of Trustees; and,
- B. Water Districts with Joint Venture Agreements or proposals for Bulk Supply only.
- C. Excluded are Water Districts with existing Joint Venture Agreements.
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IV. LOAN TERMS AND CONDITIONS

NATIONAL GOVERNMENT/ LWUA INTERNAL / PDEIF	WD CATEGORY			
	A	B	C	D
Operational loan for O&M costs, re-activation of inactive water supply system and repair or rehabilitation of system or Emergency Loans	Not applicable		1% interest with repayment period of not more than 10 years	
Operational loan for O&M costs and rehabilitation of water system damaged by disasters - natural, man-made or technological	Not applicable		1% interest with repayment period of not more than 15 years	
Water supply development, watershed management, sanitation programs and efficiency improvement projects	4% interest with repayment period of not more than 15 years		0% to 4% interest with repayment period of not more than 20 years	0% to 4% interest with repayment period of not more than 25 years
	Interests billable upon disbursement		Grace period – may be allowed during construction plus 1 year of operation	
Project loans funded by ring-fenced funds from pre-terminated WD loans sourced from Official Development Assistance (ODA) loans	Maximum 4% interest rate with repayment period of not more than 15 years per BOT Res. No. 67, series of 2017, on Relending of Ring-Fenced Funds from Pre-Terminated Water District Loans			
Others: Loans for projects not directly used in water production and/or distribution, e.g. construction of administration building	4% interest with repayment period not to exceed life of acquired asset; interests billable upon disbursement			
Purchase of vehicle and other tools and equipment	4% interest with repayment period of not more than 5 years; interests billable upon disbursement			
WD Equity	Minimum 10% of total project cost; compliance with existing policy guidelines on equity contribution, including but not limited to, BOT Res. No. 137, series of 2011, on Additional Policies for Loan Evaluation and Implementation of Level III Water Project		WD may put up equity to the water supply project	

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OTHERS:	
ADB-WDDSP FUNDED PROJECTS	4% interest with repayment period of not more than 20 years, provided maximum repayment period should not end beyond 2041 per ADB loan agreement; interests billable upon disbursement
DEBT RELIEF ASSISTANCE	4% interest with applicable repayment period and other terms and conditions pursuant to existing Debt Relief Policy

V. OTHER TERMS AND CONDITIONS

- A. Compliance with ALL existing LWUA policy guidelines;
- B. Application of actual interest rates to particular Water Districts shall be subject to the prior approval of the Board of Trustees upon recommendation of the Acting Administrator pursuant to BOT Res. No. 57, series of 2017, except for loans covered by BOT Res. No. 45, series of 2017, on Further Amendments to the Implementing Guidelines for the Administrator's Authority to Approve Financial Assistance in the Amount Not Exceeding ₱ 25 Million per BOT Res. No. 99, series of 2014;
- C. The lending rates shall take effect prospectively and be subject to review to consider the effects of inflation at least every three (3) years pursuant to BOT Res. No. 57, series of 2017, except during periods of extremely rapid inflation when annual review may be more prudent;
- D. Repricing of interest rates, based on prevailing market rate, and determined from date of loan approval, shall be stipulated in the Financial Assistance Contract,

VI. DOCUMENTARY REQUIREMENTS

- A. Documentary requirements per LWUA BOT NO. Res. 2, series of 2016, on Revised Guidelines to Preparation of Cash Flow Projections;
- B. Updated 5-year WD Business Plan covered by WD Board approval;
- C. Bank certification as to current debt service status of loans secured outside of LWUA;
- D. LWUA approved water rates;
- E. Certification, through a WD Board Resolution, that WD has no existing Joint Venture Agreement other than bulk supply contracts; and,
- F. Certification, through a WD Board Resolution, that WD will not entertain Joint Venture Agreements from private entities.

VII. REPEALING CLAUSE - All other policy and evaluation guidelines in conflict or inconsistent herewith are repealed and modified accordingly.

VIII. EFFECTIVITY - The Guidelines are effective upon approval.