

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



Senate  
Office of the Secretary

'13 JUL -1 P12 :49

SENATE  
S.B. No. 98

RECEIVED BY: *ja*

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Introduced by Senator LOREN LEGARDA

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#### EXPLANATORY NOTE

Despite the Philippines being an archipelagic country within the tropics, a study by the Asian Development Bank finds that 16 million Filipinos or around 20% of the country's population have no access to potable water. And yet, a separate study done by the Department of Environment and Natural Resources River Basin Control Office (DENR-RBCO) finds that 112 billion cubic meters of the country's water resources are wasted every year.

At present, there are more than 30 government agencies and departments that work on water and water-related program though water resource management and development are directed by four main institutions—the National Economic Development Authority (NEDA) which serves as the country's premier social and economic development planning and coordinating body; the National Water Resources Board (NWRB) which is the national apex body for water resource management and development; the Department of Environment and Natural Resources (DENR) which is responsible for the conservation, management, development, and proper use of the country's environment and natural resource; and the River Basin Control Office (RBCO) under the DENR which is tasked to manage and develop the country's priority basins.

By institutionalizing sustainable water resource management, this bill seeks to do the following:

- (1) to institute reforms in the water industry;
- (2) to improve the rationalization, allocation and distribution of service areas;
- (3) to provide incentives for infrastructure development, or for new, clean, efficient and ecological technologies;
- (4) to re-organize the national water resources board; and
- (5) to create local water supply and sanitation companies.

In view of the foregoing, approval of the said measure is earnestly sought.

  
LOREN LEGARDA  
Senator

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AN ACT INSTITUTING REFORMS IN THE WATER INDUSTRY, PROVIDING FOR THE RATIONALIZATION, ALLOCATION AND DISTRIBUTION OF SERVICE AREAS, PROVISION OF INCENTIVES FOR INFRASTRUCTURE DEVELOPMENT OR FOR NEW, CLEAN, EFFICIENT AND ECOLOGICAL TECHNOLOGIES, REORGANIZING THE NATIONAL WATER RESOURCES BOARD AND CREATION OF LOCAL WATER SUPPLY AND SANITATION COMPANIES, AMENDING FOR THE PURPOSE PD 1067 AND OTHER LAWS AND FOR OTHER RELATED PURPOSES

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

CHAPTER I

TITLE AND DECLARATION OF POLICY

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

1 **Section 1. Short Title.** - This Act shall be known as the "Water Sector Reform Act of  
2 2013."

3 **Sec. 2. Declaration of Policy.** - It is hereby declared the policy of the State:

4 (a) that all waters in the Philippines shall belong to the State, pursuant to the 1987  
5 Philippine Constitution;

6 (b) that the State, as owner of all waters in the Philippines, may control and regulate  
7 the use, exploitation, development appropriation, protection and conservation of  
8 water in order to protect and promote life, public health and welfare, and the  
9 environment, including imposing such conditions and restrictions, as may be  
10 warranted, on existing holders of licenses;

11 (c) to recognize that water is a human right, and it is the obligation of the State to  
12 ensure that there is "sufficient, safe, accessible and affordable water, without  
13 discrimination;"

14 (d) to ensure that all Filipinos shall have access to clean, safe, affordable and  
15 adequate supply of water;

16 (e) to ensure reasonable, and yet cost-reflective, prices of water which protect both  
17 the interests of the consumers and the service providers;

1 (f) to monitor and regulate the quality and supply of water in the Service Areas to  
2 protect life, public health and the environment;

3 (g) to integrate the supply and distribution of water and the provision of sanitation  
4 services in provinces or regions to ensure adequacy and efficiency in the supply of  
5 water;

6 (h) to develop and maintain a centralized, comprehensive and unified data and  
7 information base on water resources, and key industry data to ensure the efficient  
8 evaluation, analysis, dissemination and enforcement of applicable standards on  
9 water resource development, utilization, demand and pricing;

10 (i) to provide incentives to and a predictable regulatory environment for investors in  
11 order to promote and develop the water industry and allow investors a reasonable  
12 return on their investments;

13 (j) to rationalize the operation of water utilities and the grant of Public-Private  
14 Partnership (PPP) arrangements [or the provision of water and/or sanitation  
15 services;

16 (k) to foster competition among existing and future Water Service Providers to  
17 maintain price stability conducive to a balanced and sustainable growth of the  
18 industry;

19 (l) to organize the Water and Sanitation Regulatory Authority in order to achieve  
20 the foregoing State policies; and

21 (m) to monitor and regulate the sewerage service industry in relation to the proper  
22 collection, treatment, transport and disposal of septage, sewage and wastewater.

23 **Section 3. Scope.** - This Act shall provide a framework for the restructuring and  
24 reformation of the water industry, from sourcing, storage, treatment, distribution,  
25 sewerage treatment and reuse, including the provision of incentives to promote  
26 investment in new infrastructure for modernization of the industry and the  
27 rationalization of the powers, duties, responsibilities and obligations of relevant  
28 government agencies and Water Service Providers.

29 **Section 4. Definition of Terms.** - For purposes of this Act, the term:

30 (a) "Authority" - refers to the Water and Sanitation Regulatory Authority;

31 (b) "Flood Control" - refers to the methods, acts, and protocols to be observed in  
32 order to prevent and reduce the detrimental and catastrophic effects of flood waters;

33 (c) "Flood Risk Management" or "FRM" - refers to such acts of defining and  
34 determining the appropriate methods, acts and protocols geared in preventing and  
35 reducing the risk of incurring loss of both life and property due to flood waters. It  
36 also includes, but is not limited to, the implementation of precautionary measures,  
37 as well as the installation of infrastructures and the determination of post-flood  
38 clean-up activities in order to arrest the residual effects of flood waters;

39 (d) "Integrated Water Resource Management" or "IWRM" - refers to a systematic,  
40 collaborative and multi-stakeholder process, which promotes the coordinated  
41 development and management of water, land and related resources within hydro  
42 geological boundaries, in order to maximize the resultant economic and social  
43 welfare in an equitable manner and without compromising the sustainability of  
44 vital ecosystems.

- 1 (e) "License" - refers to the authority granted to a person, entity or consortium to  
2 provide water and/or sanitation services to a particular Service Area; This term  
3 shall include management contracts, PPP Agreements and similar arrangements  
4 through which a person, entity or consortium is granted the right to provide water  
5 and/or sanitation services to the Service Area.
- 6 (f) "Licensee" - refers to a person, entity or consortium which has been granted a  
7 license to operate and provide water and/or sanitation services to a particular  
8 Service Area under the provisions of this Act; These terms shall cover persons,  
9 entities or consortium who were granted the right to operate and provide water  
10 and/or sanitation services through a management contract, PPP Agreement or  
11 similar arrangement.
- 12 (g) "Local Government Unit" - refers to the territorial and political subdivisions of  
13 the Philippines as defined under the 1987 Constitution of the Philippines, which  
14 includes provinces, cities, municipalities and *barangays*;
- 15 (h) "Local Water District" - refers to districts created pursuant Title II of Presidential  
16 Decree No. 198, as amended;
- 17 (i) "Local Water Supply and Sanitation Company" or "LWSSC" - refers to a  
18 government-owned and controlled corporation, which shall have supervision,  
19 control and jurisdiction over all waterworks and sewerage systems in a designated  
20 PWRZ which shall be created pursuant to the provisions of this Act;
- 21 (j) "LWUA" - refers to the Local Water Utilities Administration created pursuant to  
22 Presidential Decree No. 198, as amended;
- 23 (k) "NWRB" - refers to the National Water Resources Board created pursuant to  
24 Presidential Decree No. 424, as amended;
- 25 (l) "NEDA" - refers to the National Economic and Development Authority;
- 26 (m) "Private Sewerage System" - refers to a sewerage system owned, operated and  
27 controlled by private entities;
- 28 (n) "Provincial Water Resource Zone" or "PWRZ" - refers to the territories and  
29 boundaries of which shall be equivalent to the areas comprising each existing  
30 province created under Republic Act No. 7160 and other laws, with Metro Manila,  
31 the autonomous regions, special economic zones and other special areas considered  
32 as separate PWRZs;
- 33 (o) "Public-Private Partnership Agreement" or "PPP Agreement" - refers to  
34 management contracts, concession agreements or other similar arrangements  
35 between the government and a private person or entity for the provision of water  
36 and/or sanitation services in a particular Service Area pursuant to the provisions of  
37 this Act;
- 38 (p) "Public Sewerage System" - refers to a sewerage system owned, operated and  
39 controlled by the National or Local Government;
- 40 (q) "Relevant Information" - refers to information or data concerning the Water  
41 Industry and Water Service Providers essential to its effective monitoring and  
42 regulation, and the introduction and maintenance of effective competition, such as  
43 but not limited to pricing, performance, quality of service, area of coverage, and  
44 water quality;

- 1 (r) "River Basin Cluster" - refers to a grouping of PWRZs *and/or* portions thereof  
2 primarily based upon the proximity of PWRZs and/or portions thereof to the major  
3 river basins, subject rules to be promulgated by the Authority;
- 4 (s) "River Basin Organization" or "RBO" - refers to organizations, which plan,  
5 coordinate and monitor activities within an RBC;
- 6 (t) "Service Area" - refers to a province, region or geographic area identified and  
7 designated to a Licensee to provide and operate water and/or sanitation services;
- 8 (u) "Septage" - refers to the sludge produced on individual on-site wastewater  
9 disposal systems, principally septic tanks and cesspool;
- 10 (v) "Sewage" - refers to water-borne human or animal wastes, excluding oil or oil  
11 waste, which are removed from residences, buildings, institutions, industrial and  
12 commercial establishments together with such groundwater, surface water and  
13 storm water, as may be present, including such waste from vessels, offshore  
14 structures, other receptacles intended to receive or retain waste or other places or the  
15 combination thereof;
- 16 (w) "Sewers" - refers to pipes or such other civil works or structures which are built  
17 and constructed to treat, carry, transport and dispose sewage;
- 18 (x) "Sewerage System" - refers, but is not limited to any system or network of  
19 pipeline, ditches, channels or conduits including pumping stations, lift stations and  
20 force mains, service connections including other constructions, devices, and  
21 appliances appurtenant thereto, which includes the collection, transport, pumping  
22 and treatment of sewage to a point of disposal;
- 23 (y) "Sewerage Service Provider" - refers to a person, entity or consortium engaged in  
24 the business of collecting, treating, transporting and disposing of wastewater,  
25 sewage and septage, including maintaining and operating sewerage systems, and  
26 who are required to register with and secure a license from the Authority before  
27 they may conduct their business or operations in a particular Service Area;
- 28 (z) "Tariff" -- refers to an amount which may be charged by Licensees or Water  
29 Service Providers for the supply of water and/or sanitation services within their  
30 Service Area;
- 31 (aa) "Wastewater" - refers to waste in liquid state containing pollutants;
- 32 (bb) "Water Service Provider" or "WSP" - refers to a person, entity or consortium  
33 engaged in the business of allocating, collecting, treating, supplying and distributing  
34 water to the public. The term includes Local Water Districts, Water Utilities owned  
35 and/or operated by Local Government Units, Rural Waterworks and Sanitation  
36 Associates, Barangay Waterworks and Sanitation Associations, Local Water  
37 Cooperatives and Local Water Supply and Sanitation Companies (LWSSC);
- 38 (cc) "Water Supply System" -refers to the whole of a system incorporating public  
39 mains, pipes, chambers, treatment plants, pumping stations, service or balancing  
40 reservoirs or any combination thereof and all other structures, installations,  
41 buildings, equipment and appurtenances used, and the lands where the same are  
42 located for the storage, abstraction, collection, conveyance, treatment, distribution  
43 and supply of water; and
- 44 (dd) "Water Supply Services" - means the treatment of water abstracted from  
45 watercourses and the distribution and supply of treated water consumers and  
46 includes the operation and maintenance of a water supply system.

1 CHAPTER II

2 REFORM IN THE WATER SERVICES INDUSTRY

3 **Section 5. *Organization of the Water Industry.*** - The organization of the water industry  
4 shall be accomplished in order to introduce higher efficiency, enhanced private  
5 sector participation, consumer protection, competitive pricing, greater innovation  
6 and improving access to safe water, incorporating for these purposes, Integrated  
7 Water Resources Management thrust in every activity. For this purpose, any law to  
8 the contrary notwithstanding, regulatory power over all WSPs shall be exclusively  
9 lodged in the Authority. The NWRB, the LWUA and other similar agencies and  
10 offices, shall cooperate with the Authority to ensure the immediate and smooth  
11 consolidation of regulatory functions; *Provided* that, the LWUA may, with respect to  
12 Local Water Districts with remaining financial obligations to it, institute temporary  
13 monitoring systems to ensure the compliance with such outstanding obligations  
14 only until they are satisfied; *Provided* further, that the enforcement of such systems  
15 shall be with the supervision of the Authority.

16 **Section 6. *Provincial Water Resource Zones and River Basin Clusters.*** - There are hereby  
17 created Provincial Water Resource Zones (PWRZs), the territories and boundaries of  
18 which shall be equivalent to the areas comprising each existing province created  
19 under Republic Act No. 7160 and other laws, with Metro Manila, the autonomous  
20 regions, special economic zones and other special areas considered as separate  
21 PWRZs; *Provided* that the Authority may redefine or modify the geographic  
22 boundaries of a PWRZ based on the existence of special geographic conditions, the  
23 location of water sources or other circumstances which warrant such redefinition of  
24 boundaries.

25 Consistent with the principles of Integrated Water Resources Management, PWRZs  
26 and/or portions thereof shall be grouped into River Basin Clusters (RBCs) for  
27 purposes of water resource management applying the river basin/watershed  
28 approach to ensure rational, efficient and ecologically sustainable allocation of water  
29 within the RBC. The grouping of PWRZs and/or portions thereof into RBCs shall  
30 primarily be based upon the proximity of PWRZs and/or portions thereof to the  
31 major river basins, subject rules to be promulgated by the Authority.

32 Subject to the provisions of Presidential Decree No. 1067, otherwise known as the  
33 Water Code of the Philippines, the Authority shall exercise power and authority  
34 over water resources, and if applicable, existing water utilities and providers within  
35 the PWRZ and RBCs. In the case of Metro Manila and special economic zones, the  
36 Metropolitan Waterworks and Sewerage System (MWSS) and the appropriate  
37 special economic zone authority, respectively, shall continue to exercise jurisdiction  
38 and authority.

39 **Section 7. *Amalgamation of Existing WSPs.*** - The creation, selection or assignment of  
40 WSPs, which shall service a PWRZ shall be subject to the provisions of this Act. The  
41 number of WSPs servicing each PWRZ shall be determined and limited by the  
42 Authority created hereunder for the purpose of achieving economies of scale,  
43 effective competition and efficiency of service: *Provided* that, in no case shall the  
44 number of WSPs be reduced to an extent where it will result in anti-competitive  
45 practices.

46 For this purpose, within two (2) years from the passage of this Act, the LWUA shall  
47 cause and implement the amalgamation of WSPs within each PWRZ into one or  
48 more LWSSCs, in accordance with the rules and regulations that the Authority shall  
49 promulgate. The Authority shall exercise overall supervision over the amalgamation

1 process and shall develop the necessary rules and guidelines during the transition  
2 period to ensure that there shall be no diminution of service levels and quality for  
3 consumers.

4 The Authority shall provide technical support and training to WSPs and their  
5 personnel in order to aid them during the amalgamation process. Where applicable,  
6 personnel of existing WSPs that will be amalgamated shall, subject to the provisions  
7 of this Act, be absorbed by the resulting LWSSC to the extent that it is  
8 administratively viable; *Provided*, that the rights accorded to such personnel  
9 pursuant to civil service laws shall not be impaired.

10 Subject to the application of Section 24 of this Act on amalgamation of water assets,  
11 an existing and operating WSP shall, upon approval by the LWUA and the  
12 Authority, have the option to provide, operate and maintain the Water Supply  
13 System and/or Sewerage System in its current area of operation within a  
14 corresponding PWRZ, upon the showing that the WSP meets financial and  
15 operational benchmarks, including capital 16 investments, price levels, service  
16 quality, customer satisfaction, profitability, productivity gains, expansion of basic  
17 services, subsidies, functioning of new and existing markets, and other performance  
18 metrics set by the Authority. In such cases, the License covering the PWRZ, or a  
19 portion thereof, as defined and contemplated in this Act may be granted to the WSP  
20 itself; *Provided* that in addition to the mandatory clauses and provisions for Licenses  
21 granted under this Act, said License shall expressly state that the failure of the WSP  
22 to comply with the Authority's standards for two (2) years shall be a ground to  
23 automatically cancel the License without need of judicial recourse. The WSP shall be  
24 monitored and supervised by the Authority in all aspects of its operation necessary  
25 to ensure compliance with the provisions of this Act and the rules to be issued by  
26 the Authority thereunder.

27  
28 An existing and operating WSP may, upon approval of the LWUA and the  
29 Authority and upon compliance with financial and operational benchmarks to be set  
30 by the Authority, act as the lead entity in the amalgamation process and constitute  
31 itself into the LWSSC that will exercise jurisdiction over the PWRZ or a portion  
32 thereof. Said resulting LWSSC shall be subject to the authority and jurisdiction of the  
33 Authority herein created.

34  
35 All employees and personnel, if qualified, of existing WSPs in a particular PWRZ  
36 shall be given preference in the hiring of personnel by the LWSSC or subsequent  
37 Licensee in the said PWRZ. All displaced or separated personnel from the service as  
38 a result of the aforesaid amalgamation of WSPs shall be entitled to separation pay  
39 and other benefits in accordance with existing laws, rules or regulations.

40 **Section 8. Creation of a Unified Database for Water Industry.** - In furtherance of the  
41 policies set forth in this Act, all information regarding the water industry, WSPs,  
42 including the rights and contracts involved in the utilization of water resources shall  
43 be lodged with the Authority. It shall be the Authority's duty to receive and  
44 consolidate basic data, to act as a central registry or central repository of  
45 information, and to provide access to reliable, standardized information on the  
46 water industry and WSPs.

1 For this purpose, the Authority shall assume the power, authority and responsibility  
2 of creating and maintaining a unified, publicly accessible, computerized and  
3 centralized database of all relevant information as defined in this Act, including but  
4 not limited to, the use of benchmarking techniques to process information related to  
5 pricing, performance, quality of service, and coverage targets of all WSPs within and  
6 across PWRZs.

7  
8 WSPs, their subsidiaries and affiliates, and other entities that provide water services  
9 are required to submit Relevant Information on a regular basis to the Authority.

10  
11 The Authority may request and collect data from other offices and agencies in the  
12 government in order to ensure the timeliness, accuracy and relevance of the  
13 database. It shall be the duty of the government official receiving such request from  
14 the Authority to facilitate the transfer of requested information at the soonest  
15 possible time, subject only to the restrictions on confidentiality, as implemented by  
16 other laws or valid agreements.

17  
18 The Authority shall, on a quarterly basis, issue a consolidated report containing the  
19 performance, pricing and quality data gathered from WSPs. Each report shall  
20 contain graphical representations of the above data reflecting the relative  
21 performance of WSPs within a PWRZ and across PWRZs. The public shall have, as a  
22 matter of right, ready and immediate access to Relevant Information possessed and  
23 collected by the Authority. In order to encourage effective competition and  
24 consumer participation, the Authority shall ensure that online access to data  
25 pertinent to the monitoring of the water industry is free and open. For non-web  
26 based requests, the Authority is empowered to charge reasonable fees to recoup  
27 costs incurred in producing copies for the requesting party.

28  
29 Any provision of law notwithstanding, the functions of the LWUA related to data  
30 and information gathering, evaluation, inspection, and analysis of the water  
31 industry and WSPs are hereby transferred to the Authority. The LWUA shall, within  
32 six (6) months from the passage of this Act, transfer to the Authority all accumulated  
33 data and information, including methodologies and best practices in generating the  
34 same, relating to the water industry and WSPs. Both entities shall coordinate in  
35 order to ensure a smooth transmission of functions and the integrity of accumulated  
36 information.

37  
38 A continuing nationwide educational campaign shall be developed and undertaken  
39 by the Authority to promote the benefits of a unified information system to the  
40 economy; to create awareness on the rights of consumers; and to brief consumers of  
41 other related information.

42  
43 **Section 9. Declaration of the Water Industry as a Priority Investment Sector.** - The Water  
44 Industry is hereby declared a priority investment sector that will regularly form part  
45 of the country's Investment Priority Plan, unless declared otherwise by law.



1  
2 **Section 10. Incentives for Investment in the Water Industry.** - LWSSCs, WSPs, Licensees,  
3 developers and operators of water industry facilities formed and organized under  
4 this Act shall, upon certification by the Authority, in consultation with the Board of  
5 Investments, be entitled to the following incentives:

6 (a) Income Tax Holiday (ITI-I) - For the first ten years (10) of its commercial  
7 operations, the duly registered developer or operator shall be exempt from  
8 income taxes levied by the national government.

9 Additional investments in the project shall be entitled to additional income  
10 tax exemption on the income attributable to the investment.

11 (b) Duty-free Importation of Machinery, Equipment and Materials - Within the  
12 first ten (10) years upon the issuance of a certification by the Authority, the  
13 importation of machinery and equipment, and materials and parts thereof,  
14 including control and communication equipment, shall not be subject to tariff  
15 duties; *Provided, however,* that the said machinery, equipment, materials and  
16 parts are directly and actually needed and used exclusively in the facilities  
17 for processing, distribution and delivery of water to the point of use and  
18 covered by shipping documents in the name of the duly registered operator  
19 to whom the shipment will be directly delivered by customs authorities:  
20 *Provided, further,* that endorsement of the Authority is obtained before the  
21 importation of such machinery, equipment, materials and parts are made.

22 Endorsement of the Authority must be secured before any sale, transfer or  
23 disposition of the imported capital equipment, machinery or spare parts is  
24 made.

25 When the aforementioned sale, transfer or disposition is made under any of  
26 the conditions provided for in the foregoing paragraphs after ten (10) years  
27 from the date of importation, the sale, transfer or disposition shall no longer  
28 be subject to the payment of taxes and duties;

29 (c) Special Realty Tax Rates on Equipment and Machinery. - Any law to the  
30 contrary notwithstanding, realty and other taxes on civil works, equipment,  
31 machinery, and other improvements of a registered WSP actually and  
32 exclusively used for WSP facilities shall not exceed one and a half percent  
33 (1.5%) of their original cost, less accumulated normal depreciation or net book  
34 value.

35 (d) Net Operating Loss Carry-Over (NOLCO). - The NOLCO of a WSP during  
36 the first three (3) years from the start of commercial operation which had not  
37 been previously offset as deduction from gross income shall be carried over  
38 as a deduction from gross income for the next seven (7) consecutive taxable  
39 years immediately following the year of such loss: *Provided, however,* that  
40 operating loss resulting from the avilment of incentives provided for in this  
41 Act shall not be entitled to NOLCO;

42 (e) Accelerated Depreciation. - If, and only if, a WSP fails to receive an III-I before  
43 full operation, it may apply for Accelerated Depreciation in its tax books and  
44 be taxed based on such: *Provided,* that if it applies for Accelerated  
45 Depreciation, the project or its expansions shall no longer be eligible for an  
46 ITH. Accelerated depreciation of plant, machinery, and equipment that are  
47 reasonably needed and actually used for the exploration, development and  
48 utilization of water resources may be depreciated using a rate not exceeding

1 twice the rate which would have been used had the annual allowance been  
2 computed in accordance with the rules and regulations prescribed by the  
3 Secretary of the Department of Finance and the provisions of the National  
4 Internal Revenue Code (NIRC) of 1997, as amended. Any of the following  
5 methods of accelerated depreciation may be adopted:

6 (i) Declining balance method; and

7 (ii) Sum-of-the years digit method.

8 (f) Tax Credit on Domestic Capital Equipment and Services. - A tax credit  
9 equivalent to one hundred percent (100%) of the value of the value-added  
10 tax and custom duties that would have been paid on the machinery,  
11 equipment, materials and parts, had these items been imported, shall be  
12 given to a WSP who purchases machinery, equipment, materials, and parts  
13 from a domestic manufacturer for purposes set forth in this Act: *Provided*, that  
14 prior approval by the Authority was obtained by the WSP: *Provided, further*,  
15 that the acquisition of such machinery, equipment, materials, and parts shall  
16 be made within the validity of the WSP's contract, license or other agreement  
17 to service as a PWRZ.

18 The availment of incentives under this Act shall be regulated by the  
19 Authority. Should an existing WSP be entitled to incentives under another  
20 law, the WSP shall be required to state whether it prefers to adopt the  
21 incentives laid out in this Act in lieu of other incentives under other laws.  
22 Such statement shall be in a public document addressed to the Authority for  
23 its approval.

### 24 CHAPTER III

#### 25 RIVER BASIN CLUSTERS AND RIVER BASIN ORGANIZATIONS

26 **Section 11.** *IWRM Principles in River Basin Clusters.* - Principles of Integrated Water  
27 Resources Management (IWRM) shall be adopted as the strategy for the  
28 management and administration of the River Basin Clusters (RBCs) defined  
29 pursuant to Section 6 of this Act. The appropriation and utilization of water in RBCs  
30 for domestic, municipal, irrigation, power generation, fisheries, livestock raising,  
31 recreational and other purposes shall be in accordance with IWRM principles  
32 including the following:

33 (a) Fresh water, a resource which is limited and vulnerable, is vital in the sustenance  
34 of life, progress and development;

35 (b) Water, capable of being appropriated to various uses, possesses economic value  
36 and thus should be considered an economic good; and

37 (c) A collaborative multi-stakeholder approach shall be utilized in the development  
38 and management of water resources.

39 The Authority, in collaboration with the DENR and other relevant agencies shall  
40 promulgate rules and regulations to implement the foregoing policies.

41 **Section 12.** *Creation and Composition of River Basin Organizations* - The Authority shall  
42 create River Basin Organizations (RBOs) for each River Basin Cluster (RBC) which  
43 shall be composed of:

44 (a) One (1) representative [or each LWSSCs within the RBC;

45 (b) One (1) representative for each provincial or city government within the RBC;

1 (c) Two (2) representatives from the private sector appointed by the Authority. The  
2 private sector representatives must have recognized competence in the relevant  
3 Gelds in the water and sanitation industry and shall be knowledgeable principles of  
4 Integrated Water Resource Management; and

5 (d) Other multi-sectoral members and key stakeholders in the water industry to be  
6 determined by the Authority.

7 **Section 13. Functions of River Basin Organizations.** - The River Basin Organizations  
8 shall have the following functions:

9 (a) To plan, coordinate and monitor all activities within the river basin located in the  
10 RBC;

11 (b) To engage in Flood Risk Management (FRM) with respect to the RBC;

12 (c) To create a special task force in extreme cases of disasters brought about by flood  
13 waters in coordination with the respective LGUs where the RBCs are located;

14 (d) To formulate Integrated Water Resources Management (IWRM) policies and  
15 plans and recommend the same [or the approval of the Authority;

16 (e) To set-up efficient assessment procedures of available water in different sectors  
17 (i.e. commercial, municipal, agricultural) in order to achieve supply optimization,  
18 including, but not limited to water balances, wastewater reuse, and environment  
19 impacts of distribution and use options;

20 (f) To oversee and coordinate the implementation, promotion, revision and  
21 enhancement of the IWRM Plan; and

22 (g) To secure funding sources to support the identified projects and programs for  
23 the river basin within the RBC.

24  
25 **Section 14. Integration of Planning, Management, Rehabilitation and Development of River**  
26 **Basins.** - Adopting the river basin or watershed approach to water resource  
27 management, the Authority shall integrate and rationalize the planning,  
28 management, rehabilitation and development of river basins, including but not  
29 limited to river basin infrastructure development, flood control, environmental  
30 protection and integrated water resources management. The Authority shall  
31 coordinate initiatives, programs and projects of local government units, non-  
32 government organizations and other entities concerning the development and  
33 rehabilitation of river and catchment basins. In order to create an effective policy  
34 environment for the management of river basins, the Authority shall harmonize,  
35 consolidate and enhance all relevant river basin policies, rules and 15 regulations.

36  
37 To ensure that an equitable access to water within an RBC, the Authority shall  
38 set guidelines in the effective and efficient water allocation and distribution. The  
39 Authority shall identify the character of the water available in the various river and  
40 catchment basins and shall ensure the effective water distribution in accordance  
41 with the needs of the different sectors found in the RBC.

42  
43 In order to prevent and reduce the dire effects of flood waters, the Authority shall  
44 make disaster awareness and preparedness a priority, and will develop measures to

1 ensure that the methods used in flood control will effectively minimize the damage  
2 brought about by flood waters. The Authority shall also focus on "post-flood"  
3 activities such as clean-up, restoration and renovation of infrastructures that were  
4 affected by the flood waters.

5 **Section 15. *River Basin Database Management.*** ~ The Unified Database for the Water  
6 Industry created pursuant to Section 8 of this Act shall also serve as the central river  
7 basin database to which all River Basin Organizations, government agencies and  
8 other organizations with relevant mandates and developmental initiatives within  
9 the river basins are required to regularly submit their updated databases for  
10 integration and consolidation.

11 **Section 16. *River Basin Conservation, Protection and Rehabilitation.*** ~ The Authority, in  
12 coordination with the River Basin Organizations, the DENR and other appropriate  
13 agencies involved in river basin management, shall undertake river basin  
14 conservation, protection and rehabilitation and shall adopt appropriate soil and  
15 water conservation, and protection measures to safeguard the hydrological integrity  
16 of river basins and help sustain the protection of water for various purposes and  
17 uses.

## 18 CHAPTER IV

### 19 CREATION OF LOCAL WATER SUPPLY AND SANITATION COMPANIES

20 **Section 17. *Creation of Local Water Supply and Sanitation Companies.*** - There are hereby  
21 created government-owned and -controlled corporations to be known as the LWSSC  
22 which shall have supervision, control and jurisdiction over all water and sanitation  
23 systems within the PWRZs created pursuant to this Act and take ownership of all  
24 assets of WSPs within such PWRZs.

25 Water and sanitation systems in Metro Manila and in all special and economic zones  
26 shall remain under the supervision, control and jurisdiction of the MWSS and the  
27 appropriate special/economic zone authority, respectively.

28 **Section 18. *Purpose and Objective. Domicile and Term of Existence.*** - The principal  
29 purpose of the LWSSCs is to manage, operate and maintain the water and sanitation  
30 systems with a PWRZ and, subject to rules and guidelines to be promulgated by the  
31 Authority, to enter into PPP Agreements with eligible persons or entities.

32 Each LWSSC shall have its principal office and place of business within its  
33 jurisdictional area in its designated PWRZ.

34 LWSSCs shall exist for a period of fifty (50) years from its organization and  
35 establishment, unless otherwise provided by law.

36 **Section 19. *Powers and Functions of the Local Water Supply and Sanitation Companies.*** -  
37 The LWSSCs shall have the following powers and functions:

38 (a) To construct, maintain, and operate dams, reservoirs, conduits, aqueducts,  
39 tunnels, purification plants, water mains, pipes, fire hydrants, hydraulic structures,  
40 pumping stations, machineries and other waterworks for the purpose of supplying  
41 water to the inhabitants of its territory, for domestic and other purposes; and to  
42 purify, research and develop, regulate and control the use, as well as prevent the  
43 wastage of water;

44 (b) To construct, maintain, and operate such sanitary sewerages, as may be  
45 necessary, for the proper sanitation and other uses of the areas comprising the

- 1 PWRZ and to make sure that such sanitary sewerages are capable of accommodating  
2 the regular to heavy flow of rain water;
- 3 (c) To acquire, purchase, hold, transfer, sell, lease, rent, mortgage, encumber, and  
4 otherwise dispose of real and personal property, consistent with the purpose for  
5 which the LWSSC is created and reasonably required for the transaction of the  
6 lawful business of the same;
- 7 (d) To construct works across, over, through and/or alongside, any stream, water-  
8 course, canal, ditch, flume, street, avenue, highway or railway, whether public or  
9 private, as the location of said works may require; *Provided*, that, such works be  
10 constructed in such manner as to afford security to life and property and so as not to  
11 obstruct traffic; *Provided*, further, that the stream, water-course, canal, ditch, flume,  
12 street, avenue, highway or railway so crossed or intersected be restored without  
13 unnecessary delay to its former state. Any person or entity whose right may be  
14 prejudiced by said works shall not obstruct the same; however, he shall be given  
15 reasonable notice before the construction and shall be paid just compensation. The  
16 LWSSC shall likewise have the right to locate, construct and maintain such works  
17 on, over and/or through any street, avenue, or highway and land *and/or* real rights  
18 of the Republic of the Philippines or any of its branches, agencies and political  
19 subdivisions upon due notice to the office, or entity concerned, subject solely to the  
20 condition that the street, avenue, or highway in which said works are constructed be  
21 restored without unnecessary delay to its former state unless otherwise agreed upon  
22 by the LWSSC and the office or entity concerned;
- 23 (e) To exercise the right of eminent domain for the purpose for which the LWSSC is  
24 created;
- 25 (f) To sue and be sued;
- 26 (g) To adopt and establish the policies and goals as may be necessary or proper for  
27 the orderly conduct of its business or operations;
- 28 (h) To borrow money and incur such liabilities, including the issuance of bonds,  
29 securities or other evidences of indebtedness utilizing its assets as collateral and/or  
30 through the guarantees of the National Government; *Provided*, however, that all such  
31 debts or borrowings shall have been paid off before the end of its corporate life;
- 32 (i) To approve, regulate, and supervise the establishment, operation and  
33 maintenance of waterworks within its jurisdiction operated for commercial,  
34 industrial and governmental purposes and to fix just and equitable rates or fees that  
35 may be charged to customers thereof;
- 36 (j) To establish, operate and maintain the waterworks and sewerage system within  
37 its jurisdiction;
- 38 (k) To approve and regulate the establishment and construction of waterworks and  
39 sewerage systems in privately owned subdivisions within its jurisdiction;
- 40 (l) To have exclusive and sole right to test, mount, dismount and remount water  
41 meters within its jurisdiction;
- 42 (m) To enter into PPP Agreements with persons or entities to operate and maintain  
43 water and sanitation systems within the PWRZ, subject to the provisions of this Act;
- 44 (n) To exercise primary and exclusive jurisdiction over disputes between WSPs, or  
45 between customers and WSPs, within an LWSSC, where such cases involve  
46 contesting rates, levels and quality of service, fees, fines and penalties imposed in

1 the exercise of an LWSSC's powers, functions and responsibilities, as set forth  
2 herein; and

3 (o) To compel a PPP partner or WSP to submit required documents and information  
4 through subpoena duces tecum in the conduct of inquiry or investigation of possible  
5 violations of this Act or other related issuances and rules.

6 Section 20. *Composition, Qualification, Appointment and Tenure of the Board of Trustees.* -  
7 The corporate powers and functions of the LWSSC shall be vested in and exercised  
8 by a Board of Trustees composed five (5) members, to wit:

9 (a) One (1) member who shall be appointed by the Provincial Governor;

10 (b) One (1) member who shall be nominated by the League of Cities or  
11 Municipalities covering the jurisdictional area of an LWSSC;

12 (c) One (1) member representing the private sector who shall be appointed by the  
13 President of the Philippines;

14 (d) One (1) *ex-officio* member representing the Department of Finance, as nominated  
15 by the Secretary of Finance; and

16 (e) One (1) *ex-officio* member representing the NEDA, as nominated by the Director-  
17 General.

18 The member representing the private sector shall act as Chairman. The Chairman  
19 and the members of the Board, except the *ex-officio* members, shall serve for a term of  
20 three (3) years, except that the members initially appointed shall serve, as  
21 designated in their appointments, one for one year, one for two years and one for  
22 three years; *Provided*, that, any person chosen to fill a vacancy shall serve only for the  
23 unexpired term of the member whom he succeeds.

24 No person shall be appointed as a member of the Board unless he is a Filipino  
25 citizen, of good moral character and of recognized competence in relevant fields in  
26 the water industry or in civil engineering and/or sanitary engineering, business  
27 management, economics, finance, and law, with at least five (5) years of actual and  
28 distinguished experience in their respective fields of expertise.

29 The Authority shall issue guidelines on the appointment process for the Board of  
30 Trustees of the LWSSCs to facilitate the completion of the board compositions.

31 Section 21. *Meetings of the Board; Quorum, Required Votes.* - The Board of Trustees  
32 shall, immediately after its organization, adopt rules and procedures in the conduct  
33 of its meetings. A majority of the Board shall constitute a quorum for the transaction  
34 of business and the affirmative vote of three shall be required for the adoption of  
35 any action.

36 Section 22. *LWUA as a Specialized Lending Institution.* - After the completion of the  
37 amalgamation process in accordance with Section 7 hereof, the LWUA shall function  
38 solely as a specialized lending institution which shall provide financial services to  
39 qualified local water utilities, LWSSCs, Licensees and Water Service Providers.

## 40 CHAPTER V 41 ECONOMIC POLICY AND REGULATIONS

42 Section 23. *Operation of a Water Supply System and/or Sewerage System.* - The function  
43 and responsibility of providing, operating and maintaining a Water Supply System  
44 and/or Sewerage System in a PWRZ shall fall upon the LWSSC concerned, In the  
45 case of special and economic zones and Metro Manila, the special/economic zone

1 authority or MWSS, respectively, all of which shall be subject to guidance from the  
2 Authority.

3 Subject to the provisions of this Act and the rules to be promulgated by the  
4 Authority, an LWSSC may enter into a PPP Agreement with a person or entity for  
5 the provision, operation and maintenance of a Water Supply System and/or  
6 Sewerage System in a PWRZ; *Provided* that an LWSSC which opts to provide water  
7 and/or sanitation services in a PWRZ shall comply with performance standards  
8 which shall be determined and monitored by the Authority within a period of three  
9 (3) years. LWSSCs which fail to attain such performance standards within the  
10 aforesaid period shall be mandated to enter into a PPP Agreement with eligible  
11 persons or entities in accordance with rules to be determined by the Authority.

12 **Section 24. Amalgamation of Water Assets.** - Within the periods provided herein, the  
13 LWUA shall, under the supervision of, and based on the rules promulgated by, the  
14 Authority, cause the amalgamation of assets of WSPs pertaining to water supply  
15 and sanitation within a particular PWRZ. This is to ensure a unified and  
16 comprehensive Water Supply System and/or Sewerage System that shall supply  
17 water and sanitation services to the entire PWRZ concerned. As much as possible, a  
18 single, unified and comprehensive Water Supply and/or Sewerage System shall  
19 cover all aspects of such systems, including water resource development, treatment,  
20 storage, distribution and reuse. For this purpose, the initial sum of ten million pesos  
21 (Php10,000,000.00) shall be appropriated to facilitate the amalgamation process and  
22 this amount shall be charged against proceeds from PPP or other arrangements  
23 which may be entered as regards these assets.

24 The Authority shall guide the LWUA and the WSPs concerned to ensure an efficient,  
25 smooth and orderly amalgamation of operations and assets. WSPs undergoing  
26 amalgamation may, subject to existing laws, enter into such arrangements that will  
27 facilitate the management or temporary ownership of their assets pending  
28 amalgamation.

29 The assets of the amalgamated WSPs within a PWRZ shall, subject to just  
30 compensation, be transferred to and held by the LWUA; *Provided* that the  
31 management and ownership of the LWUA over such assets shall be transferred to  
32 the appropriate LWSSC upon the completion of the amalgamation process, as  
33 determined by the Authority. In the case of special and economic zones and Metro  
34 Manila, the entity exercising jurisdiction over such areas will exercise the  
35 aforementioned authority. For this purpose, the LWUA is empowered to acquire,  
36 sell, dispose, contract, change and transfer ownership or control of assets, rights and  
37 contracts concerning WSPs and its assets. The LWUA shall, in the exercise of this  
38 responsibility defer to the guidelines promulgated by the Authority concerning the  
39 amalgamation process.

40 **Section 25. Licensing.** - Each LWSSC is empowered and encouraged to enter into a  
41 partnership with a qualified Licensee for the provision, operation and maintenance  
42 of the Water Supply System and/or Sewerage System for its respective PWRZ,  
43 through the issuance of a License, the execution of a PPP Agreement, or any other  
44 similar arrangement; *Provided* that such partnership shall be made in accordance  
45 with the rules and regulations to be promulgated by the Authority on the matter, as  
46 well as the provisions of Republic Act No. 9184. The LWSSC shall secure the  
47 endorsement of the Provincial Government for any partnership under this section.

48

1 **Section 26. *Qualifications of Licensee.*** - Licensees must meet the following  
2 qualifications:

3 (a) Must be a citizen of the Philippines or corporations or associations organized  
4 under the laws of the Philippines at least sixty percent of the capital stock of which  
5 is owned by such citizens;

6 (b) Minimum paid-up capitalization of one million pesos (Php 1,000,000.00);

7 (c) Established track record to be defined by the Authority; and

8 (d) Any other qualifications that the Authority may deem appropriate.

9 **Section 27. *Rights and Duties of Licensees.*** - Licensees shall have the duty to ensure  
10 that its activities are conducted so as to further the public interest and, in particular,  
11 that they:

12 (a) foster the maintenance and development of efficient, coordinated, and economic  
13 cooperation of their activities;

14 (b) give priority to FRM and propose measures towards the end of developing the  
15 methods of flood control;

16 (c) ensure that their Water Supply and/or Sanitation Services are provided in a  
17 diligent, conscientious and workmanlike manner, in accordance with applicable  
18 laws and the standards and practices generally accepted in the Philippine and  
19 international water supply and/or sanitation industry; and

20 (d) comply with drinking water quality requirements.

21 Licensees shall, to the extent allowed by law and specified in the License, have the  
22 right to acquire or lease land and lay or repair water or sewerage mains and other  
23 relevant facilities in public ways, when required to fulfill their obligations. In as far  
24 as laying or repairing of water or sewerage mains are concerned, the same shall be  
25 done expeditiously and efficiently to avoid contributing to the risk of damage  
26 brought about by flood waters.

27 Subject to any condition imposed by the Authority, a Licensee may disconnect the  
28 supply of piped water services and/or sanitation services to a customer if such  
29 customer defaults in the payment of amount(s) due to that Licensee in respect of  
30 water supplied or sanitation services provided, or for acts of pilferage pursuant to  
31 Sections 8, 9, 10, and 11 of Republic Act No. 8041, otherwise known as the "National  
32 Water Crisis Act of 1995."

33 **Section 28. *Mandatory Provisions.***- Any License issued under this Act shall include  
34 provisions on the following matters:

35 (a) Incentives and disincentives for Licensees;

36 (b) Severance of affected employees and personnel;

37 (c) Dispute resolution mechanism in accordance with the Section 32 of this Act;

38 (d) Transferability of License, Management Contract, PPP Agreement or award in  
39 case of failure to meet the standard set by the Authority; and

40 (e) Any other provision the Authority or the LWSSC shall deem appropriate to  
41 achieve the stated objectives of this Act.



1 Section 29. *Non-Derogation; Effect on Existing Licenses and Similar Arrangements.*-  
2 Except for what is provided for in Section 7 hereof on the amalgamation of WSPs,  
3 nothing in this Act shall be construed as to derogate any rights arising from existing  
4 Licenses, management contracts, concession agreements and similar arrangements.

5 Section 30. *Revision and Subrogation Mechanisms.* - The Authority shall have the  
6 power to revise the terms of a License in the event of the Licensee's failure to meet  
7 the quality standards set by the Authority within a period of two (2) years from the  
8 start of its operations after observance of due process. This right includes the right to  
9 replace the current Licensee with another qualified Licensee.

10 Section 31. *Mechanism for Setting Tariffs, Rates and Other Charges.*-The Authority shall  
11 formulate an objective, rational and transparent mechanism for fixing and adjusting  
12 Tariffs, rates and other charges imposed by Licensees which (i) allows the economic  
13 viability of the provision of water and/or sanitation services; (ii) grants the  
14 Licensees a reasonable return on investments; (iii) encourages the inflow of  
15 investments in the water sector, promotes efficiency and continuous improvement in  
16 water systems and facilities; (iv) ensures affordable and reasonable rates and fees for  
17 the average consumer, and (iv) protects the welfare of consumers.

18 The aforesaid mechanism for fixing and adjusting Tariffs, rates and other charges  
19 shall apply conventional and internationally accepted rate-setting methods and shall  
20 consider the following factors, among others:

21 (a) Rational and prudent operating costs of providing water and/or sanitation  
22 services, including a reasonable rate of return on investments;

23 (b) Costs of debt in domestic and international markets and the cost of equity for  
24 utility businesses in the Philippines and abroad; and

25 (c) Service quality and performance of a Licensee based on key indicators, such as,  
26 but not limited to, water quality, availability, unaccounted for water (or non-  
27 revenue water), service coverage, including incentives for Licensees which achieve  
28 specified levels of performance benchmarked against existing industry 2 data, and  
29 disincentives for Licensees which fail to attain the same.  
30

31 Any escalation on tariffs, rates and other charges shall be primarily based upon the  
32 level of compliance with key performance metrics which shall reflect current  
33 industry standards maintained and updated in the Unified Database [or the Water  
34 Industry, as set forth in Section 8 of this Act.

35  
36 Section 32. *Arbitration.* - All disputes, controversies, or disagreements between  
37 LWSSCs and licensed WSPs or private sector partners, except where such involve an  
38 allegation of a criminal act, arising out of, in connection with or in relation to a PPP  
39 Agreement executed pursuant to this Act, which cannot be amicably settled or  
40 resolved through mutual consultations or negotiation among the parties, shall be  
41 finally settled by domestic arbitration in accordance with Republic Act No. 876  
42 (Arbitration Law), as amended, and Republic Act No. 9285 (Alternative Dispute  
43 Resolution Law of 2004), as amended. The decision of the arbitrators shall be final  
44 and conclusive on the parties.

45  
46 An Arbitration Clause reflecting the foregoing policy shall be included in all PPP  
47 Agreements executed pursuant to this Act.

1 Section 33. *Lifeline Rate.* - In line with the policy of granting universal access to water  
2 services, more particularly to the marginalized sector, the Authority shall establish a  
3 socialized pricing mechanism. This will enable the setting of a lifeline rate or a  
4 targeted subsidy on the basic water consumption of low-income market end-users  
5 who cannot afford to pay at fdl cost and ensure that the overall tariff rate supports  
6 the viability of the Licensees, as described in Section 31 of this Act. The Authority,  
7 after due notice and hearing, shall determine the level of basic water consumption  
8 and the discount rate.

9  
10 Section 34. *Missionary Water Services.* - The Authority shall encourage and promote  
11 missionary water services or the provision of water services to remote, rural and  
12 unviable areas that do not have sufficient or adequate access to water with the end  
13 in view of elevating water services in such areas to a viable and sustainable level.  
14 Missionary water service initiatives shall be funded from the revenues from water  
15 services provided in missionary areas and from such charges which may be  
16 collected from all consumers within a PWRZ, subject to implementing regulations  
17 which shall be determined and formulated by the Authority.

18  
19 Section 35. *Water Crisis Provision.* - The Authority shall adopt a proactive approach to  
20 avert a water crisis by initiating water conservation efforts and water use efficiency,  
21 incentivizing the use of efficient water distribution systems, utilizing integrated,  
22 systematic and predictive water management and monitoring systems, encouraging  
23 the financing, construction, improvement and operation of water facilities, and  
24 analogous efforts and initiatives in order to increase water supply and improve  
25 water quality. The Authority shall create plans and programs, and issue rules and  
26 regulations to accomplish the foregoing.

27  
28 In the event the President of the Philippines determines that a water crisis is  
29 impending, Congress may, through a joint resolution, authorize the employment of  
30 emergency measures to increase water supply under such terms and conditions as it  
31 may approve, and reorganize the Joint Executive-Legislative Water Crisis  
32 Commission created pursuant to Republic Act No. 8041, otherwise known as the  
33 "National Water Crisis Act of 1995", to exercise the powers and perform the  
34 functions stated in the said law.

## 35 CHAPTER VI

### 36 ORGANIZATION

37 **Section 36.** *The Authority.* - There is hereby created and established an independent  
38 Authority to be named the Water and Sanitation Regulatory Authority, hereinafter  
39 referred to as the "Authority", which shall be organized within one hundred eighty  
40 (180) days upon effectivity of this Act, primarily from but not limited to the NWRIS  
41 and similar government agencies, offices or bureaus tasked with the allocation,  
42 distribution and preservation of water as a valuable resource.

43 The Authority shall be placed under the administrative supervision of the Office of  
44 the President.

45 **Section 37.** *Powers and Functions of the Authority.* - The Authority, pursuant to Section  
46 5 of this Act, shall exercise to the exclusion of other agencies, regulatory power over  
47 all WSPs and for this purpose shall have the following powers and functions:

- 1 (a) Evaluate, review, monitor, examine and approve all applications for the  
2 appropriation, and use of waters, development of sewerage systems and treatment  
3 of wastewater.
- 4 (b) Formulate policy directions, strategies and targets to meet the goals and  
5 objectives for water sourcing, supply, allocation, distribution, including  
6 preservation, wastewater treatment and sewerage development and septic  
7 management.
- 8 (c) Issue and promulgate rules, regulations and guidelines, as may be necessary, to  
9 implement and enforce its powers and functions under this Act;
- 10 (d) Set and enforce just and reasonable technical criteria, methods, standards,  
11 benchmarks and other measurements of service;
- 12 (e) Primary jurisdiction in matters relating to the appropriation, utilization,  
13 exploitation, development, control and conservation, protection of all waters, as well  
14 as proper disposal and/or treatment of sewage, septage and wastewater in the  
15 country, including autonomous regions;
- 16 (f) Manage, administer and operate all watersheds;
- 17 (g) Establish rules and regulations to monitor, avoid and provide remedies for any  
18 abuse or anti-competitive or discriminatory act or behavior by or against any  
19 participant in the water supply and sanitation industry;
- 20 (h) Adopt and require that books, records and accounts be kept and maintained in  
21 accordance with the prescribed uniform accounting system;
- 22 (i) Fix and determine proper and adequate fees for services;
- 23 (j) Fix and determine proper and adequate rates of depreciation of properties and  
24 equipment used in water supply and sanitation industry;
- 25 (k) Impose and collect annual levies determined, as a percentage of gross revenue  
26 accruing in relation to the licensed activities, and reasonable fees and surcharges as  
27 may be necessary for achieving the purposes, powers and functions of the  
28 Authority;
- 29 (l) Require the submission of reports, documents, testimony and other Relevant  
30 Information as set forth in this Act, through subpoena ad testificandum or duces  
31 tecum if necessary;
- 32 (m) Determine and require the monitoring and submission of such data, statistics  
33 and other information from public and private entities and any or all licensees, as  
34 may be necessary, for the effective and efficient exercise of its duties, functions,  
35 powers and responsibilities;
- 36 (n) Investigate, *motu proprio* or upon complaint in writing, any matter concerning the  
37 operation of the service, and require that service be provided in proper and suitable  
38 manner;
- 39 (o) Impose penalties and fines against any Licensee or against its owners, directors,  
40 officers, agents or representatives for any violation of this Act or of the license,  
41 order, rule regulation or requirement issued by the Authority;
- 42 (p) Require any Licensee to pay the actual expenses incurred by the Authority in any  
43 investigation, if it shall be found that a Licensee violated any provision of this Act or  
44 of the license, order, rule regulation or requirement issued by the Authority;

- 1 (q) Advise, apprise and coordinate with other relevant agencies of the national or  
2 local government on any matter relating to water supply and sanitation industry;
- 3 (r) Deputize agents, whether from the public or private sector, to assist in the  
4 performance of any of the powers and functions of the Authority;
- 5 (s) Upon appeal and after due hearing, appoint an interim or temporary  
6 management committee to ensure continuity of service in case a Service Provider  
7 Licensee fails to meet conditions of the license;
- 8 (t) Appoint, hire and maintain adequate staff and personnel, advisers, and/or  
9 consultants, with suitable qualifications and experience, as necessary;
- 10 (u) Exercise exclusive appellate jurisdiction over appeals from LWSSC decisions and  
11 resolutions regarding contesting rates, levels and quality of service, fees, fines and  
12 penalties imposed in the exercise of an LWSSC's powers, functions and  
13 responsibilities, as set forth herein where said cases involve disputes between WSPs,  
14 or between customers and WSPs, within an LWSSC;
- 15 (v) Exercise primary and exclusive jurisdiction over disputes between LWSSCs and  
16 between customers and LWSSCs regarding contesting rates, levels and quality of  
17 service, and such other matters relative to the exercise of the powers and  
18 responsibilities of LWSSCs; and
- 19 (w) Such other incidental powers and functions as may be necessary to attain the  
20 objectives of this Act.

21 **Section 38. Water Resource Regulation.** - When exercising its water resource regulation  
22 functions, the Authority shall be guided by the provisions of Presidential Decree  
23 No.1067, otherwise known as the Water Code of the Philippines, on Appropriation  
24 of Waters, resolution of cases arising from water use, including conflicts between  
25 water users, as well as any other applicable provisions of the Water Code and other  
26 relevant laws or government issuances.

27 **Section 39. Composition.** - All the powers of the Authority shall be vested in and  
28 exercised by a Board of Officers, a collegial body of nine (9) members. Seven (7)  
29 members shall be full-time employees of the Authority composed of a Chairperson  
30 and six (6) Officers, appointed by the President of the Philippines. Each member,  
31 including the Chairperson shall concurrently head and serve the following  
32 Departments of the Authority: (1) Administration; ( 2 ) Registry ; ( 3 ) Tariffs; (4)  
33 Engineering and Infrastructure Development; (5) Environmental and Consumer  
34 Protection; (6) Audit and Finance; and (7) Legal and Enforcement. While the  
35 remaining two (2) officers shall be *ex-officio* members representing the Department of  
36 Finance and the National Economic Development Authority ("NEDA") nominated  
37 by the Secretary and the Director-General, respectively.

38 **Section 40. Common Qualifications for Concurrent and Ex-Officio Officers.**- Each Officer,  
39 including the Chairperson must be citizens and residents of the Philippines, at least  
40 thirty five (35) years of age, and of good moral character, recognized integrity and  
41 competence in the field of law, business, commerce, finance, accounting or public  
42 administration, water or utility economics, management, physical or engineering  
43 services, hydrology and other related services, with at least three (3) years actual  
44 and distinguished experience in their respective fields of expertise.

45  
46 **Section 41. Special Qualifications for Concurrent Officers.** - In addition to the  
47 qualifications enumerated, the Chairperson, who shall concurrently head

1 the Administration Department shall be a member of the Philippine Bar with at least  
2 ten (10) years experience in the active practice of law. The Officer who shall  
3 concurrently head the Legal and Enforcement Department shall be a member of the  
4 Philippine Bar with at least ten (10) years experience in the active practice of law;  
5 while the Officer who shall concurrently head the Audit and Finance Department  
6 shall be a certified public accountant with at least (10) ten years experience in active  
7 practice. Additional requirements and qualifications for the officers, including the  
8 Chairperson, may be set forth under the Implementing Rules and Regulations to be  
9 promulgated upon creation and formation of the Authority in conformity with this  
10 Act.

11 **Section 42. Prohibition and Disqualification.** - The Chairperson and Officers of the  
12 Authority or any of their relatives within the fourth civil degree of consanguinity  
13 or affinity, legitimate or common law, shall be prohibited from holding any interest  
14 whatsoever, either as investor, stockholder, officer or director, in any company or  
15 entity engaged in the business of transmitting, generating, supplying or distributing  
16 any form of energy and must, therefore, divest, through sale or legal disposition,  
17 any and all interests in the water sector upon assumption of office.

18 **Section 43. Term.** - The Chairperson and Concurrent Officers of the Board shall be  
19 entitled to a term of seven (7) years; *Provided*, however, that among the Officers first  
20 appointed upon creation of the Authority, the Chairperson shall serve for a period of  
21 seven (7) years, three (3) Officers shall serve for five (5) years and the remaining  
22 three (3) Officers shall serve for four (4) years without reappointment; *Provided*,  
23 further, that any member whose term has expired, as specified herein, shall serve as  
24 such until his successor shall have been appointed and qualified; *Provided*,  
25 moreover, that any appointment to fill a vacancy in the Authority arising from  
26 death, removal, retirement or resignation shall be made only for the unexpired term;  
27 *Provided*, finally, that in no case shall any member serve for more than seven (7)  
28 years in the Authority.

29 *Ex-Officio* Officers of the Authority shall serve at the pleasure of the appointing  
30 power. But in no case shall *ex-officio* member serve for more than seven (7) years in  
31 the Authority. *Ex-Officio* Officers shall participate in the activities of the Authority to  
32 the extent that the participation is not incompatible with their respective positions  
33 with the Department of Finance or NEDA, as the case may be.

34 **Section 44. Security of Tenure.** - Concurrent Officers of the Authority shall enjoy  
35 security of tenure and shall not be suspended or removed from office except for just  
36 cause, as specified by law.

37 **Section 45. Board Meetings.** - The Board shall meet at least once a week, or as often as  
38 may be necessary upon the call of the Chairman of the Board or by a majority of the  
39 Board of Officers to ensure performance of its functions, subject to holidays,  
40 calamities, emergencies or supervening events.

41 **Section 46. Quorum.** - The presence of at least five (5) Officers of the Board shall  
42 constitute a quorum, which shall be necessary for the transaction of any business.  
43 The affirmative vote of a majority of the Officers present in a quorum shall be  
44 adequate for the approval of any resolution, decision or action.

45 **Section 47. Administrative Function.** - The Chairperson, shall concurrently head the  
46 Administrative Department and shall exercise direct executive control and  
47 supervision of the internal operations of the Authority, its Officers, staff and  
48 personnel, agents and representatives. The Chairperson is also authorized to  
49 represent the Authority in all dealings and transactions with other offices, agencies,

1 and instrumentalities of the Government and with all persons and other entities,  
2 private or public, domestic or foreign.

3 Section 48. *The Registrar.* - There is hereby created and established the Water  
4 Industries and Sewerage Registry, headed by a Registrar, tasked with implementing  
5 the unified database referred to in Section 8 of this Act. The Registrar, shall conduct  
6 appropriate research and comprehensive studies to provide the necessary technical  
7 inputs to facilitate

8 Section 49. *Efficient Database Management, Confidentiality and Non-Disclosure.* - The  
9 Registrar, as custodian of vital information necessary for the development of the  
10 water and sanitation industry, shall develop cost-effective methods and systems for  
11 data accumulation and dissemination while ensuring confidentiality of sensitive  
12 information. To this end, this Authority shall establish and issue such rules and  
13 guidelines, as may be necessary, to regulate disclosure of information, establish  
14 standards, and enforcement of fines and penalties that would be imposed for any  
15 violations as set forth in this Act.

16 Section 50. *Fiscal Autonomy and Responsibility.*- The Authority shall enjoy fiscal  
17 autonomy, subject to regular audits by the Commission on Audit. The amount of  
18 thirty million pesos (Php 30,000,000.00) is hereby allocated from the existing budget  
19 of the NWRB for the initial operation of the Authority. Any balance shall initially be  
20 sourced from the Office of the President of the Philippines. Thereafter, the annual  
21 budget certified by the Authority, through its chairperson, as necessary to defray its  
22 expenses, shall be provided for in the regular or special appropriations and shall be  
23 released automatically and regularly. To ensure the fiscal independence of the  
24 Authority, the Officer and concurrent head of the Finance Department, shall be  
25 primarily responsible for the preparation and disbursement of the budget of the  
26 Authority.

27  
28 Section 51. *Compensation and Other Emoluments.* - The compensation of the Officers of  
29 the Authority and its staff shall be exempt from the coverage of Republic Act No.  
30 6758, otherwise known as the "Salary Standardization Act"; *Provided*, that the salaries  
31 of the Authority and its staff shall conform, as closely as possible, to the principles of  
32 2 R.A. 6758.

33  
34 For this purpose, the schedule of compensation of the Authority's officers and  
35 employees shall be submitted for approval of the President of the Philippines. The  
36 compensation schedule shall be implemented within six (6) months from the  
37 effectivity of this Act and maybe upgraded by the President of the Philippines, as  
38 the need arises; *Provided* further, that in no case shall the compensation of the  
39 Authority and its staff be upgraded more than once a year.

40  
41 Pertinent civil service laws, rules and regulations of the Philippines shall be  
42 applicable to the Authority.

43  
44 **Section 52. *Board Per Diems and Allowances.*** - The Officers of the Board shall receive  
45 per diem for each regular or special meeting of the Board actually attended by them,  
46 and, such other allowances as the Board may prescribe, upon approval of the  
47 Secretary of Finance, and in conformity with existing and future legislation.

1 **Section 53. *Environmental and Consumer Protection.*** - A qualified Officer of the Board,  
2 shall concurrently head a department that shall address environmental and  
3 consumer concerns in connection with applications, rights, licenses, concessions,  
4 programs, activities, investments and projects approved by or pending with the  
5 Authority.

6  
7 **Section 54. *Technical Competence.*** - Pursuant to the recommendations of the NEDA,  
8 the Authority shall effectively undertake its vital and comprehensive functions by  
9 enhancing its technical competence through continuing education and rigorous  
10 training programs in the following areas: arbitration, dispute resolution,  
11 benchmarking, evaluation of technical performance and compliance monitoring,  
12 service and performance standards, performance-based rate-setting reform,  
13 environmental standards, fiscal responsibility, profitability and such other areas as  
14 will enable the Authority to adequately perform its duties and functions.

15  
16 **Section 55. *Realignment and Supervision of Existing Water Services Related Agencies.*** -  
17 The Authority shall have primary jurisdiction in matters relating to the  
18 appropriation, utilization, exploitation, development, control and conservation,  
19 protection of all waters, as well as proper disposal and/or treatment of sewage,  
20 septage and wastewater in the country, including autonomous regions.

21  
22 Pursuant to this mandate, all existing government agencies, bureaus or offices shall,  
23 as far as practicable, be realigned with and fall under the supervision and control of  
24 the Authority. Within ninety (90) days from the creation of the Authority's Board  
25 and assumption of a majority of its Officers, the latter shall closely coordinate with  
26 representatives from the Department of Environment and Natural Resources,  
27 Department of Interior and Local Government, Department of Health, Cooperative  
28 Development Authority, Laguna Lake Development Authority and other relevant  
29 government agencies or offices to implement an effective realignment of functions  
30 and transition of resources.

31  
32 All government employees and personnel displaced or separated from the service as  
33 a result of the restructuring of realignment of or abolition of government offices,  
34 shall be entitled to separation pay and other benefits in accordance with existing  
35 laws, rules or regulations. Displaced or separated employees and personnel, if  
36 qualified, shall be given preference in the hiring of other government agencies or  
37 instrumentalities.

38  
39 **Section 56. *Reportorial Requirements.*** - The Authority shall submit an annual report to  
40 the President of the Philippines, Congress and to such other agencies as may be  
41 required by law before the end of April of each year. An annual report containing  
42 but not limited to the following matters: licenses issued, investments obtained,  
43 incentives granted, disputes resolved, revenue generated, cost saved, and such  
44 matters relevant to the performance of its functions. The Authority shall make  
45 copies of such reports available to any interested party upon payment of a charge,  
46 which reflects the printing costs.

1 The Authority shall adopt its internal rules of procedures; conduct hearings and  
2 receive testimonies, reports and technical advice; invite or summon by *subpoena ad*  
3 *testificandum* any public official, private citizen or any other person to testify before  
4 it, or require any person by *subpoena duces tecum* to produce before it such records,  
5 reports, documents or other materials as it may require to attain the purposes for  
6 which it is created and to make an accurate and comprehensive report to the  
7 President and Congress. Any public official or private citizen or entity who willfully  
8 and deliberately refuses without just cause to extend the support and assistance  
9 required by the Authority to effectively attain its objectives shall be punished as set  
10 forth in this Act.

11 **CHAPTER VII**  
12 **WATER SUPPLY SYSTEM AND SEWERAGE SYSTEM**

13 **Section 57. Construction of Sewerage System.** - The simultaneous construction of a  
14 sewerage system with the water supply system is encouraged. A water services  
15 provider licensed in a service area shall, subject to the approval of the Authority, be  
16 given an optional license to construct and maintain a sewerage system in the same  
17 service area,

18 **Section 58. Hand Over of Water Supply System and Sewerage System.** - (a) Subject to  
19 Subsections (a) and (e), a developer of a new development which is within a service  
20 licensee's water supply distribution area or sewerage services area, as the case may  
21 be, shall, upon the issuance of the certificate of compliance of the water supply  
22 system or sewerage system or part of the systems by the Authority, hand over the  
23 water supply system or sewerage system or part of the systems within the  
24 development to the water distribution licensee or the service licensee providing  
25 sewerage services, as the case may be, at no cost, for the purposes set out in  
26 Subsection (c);

27 (b) The service licensee shall accept the water supply system or sewerage system or  
28 part of the systems, as the case may be, after the service licensee is satisfied that the  
29 water supply system or the sewerage system or part of the systems meets the  
30 requirements set out in the approved plans and specifications and standards;

31 (c) Upon the water supply system or the sewerage system or part of the systems  
32 being handed over to the service licensee, the service licensee shall operate and  
33 maintain such system;

34 (d) The developer shall provide or cause the owner of the land to provide the service  
35 licensee access to the water supply system and sewerage system or part of the  
36 systems for the purposes of operating and maintaining such system; and

37 (e) The Authority may exempt any developer from the requirements of this section if  
38 the developer can establish that he has the sufficient financial, operational and  
39 technical capacity to construct, maintain and operate the water supply system or  
40 sewerage system. The Authority shall regularly assess the developer's water supply  
41 system or sewerage and may revoke any exemption upon notice and hearing.

42 **Section 59. Power to Require Premises to be Connected to Sewerage System.** - (a) The  
43 Authority may direct the owner in writing, or if the owner cannot, with reasonable  
44 diligence, be traced, the occupant, of any premises not connected to a public  
45 sewerage system, to construct or install for the premises, within the period specified  
46 in the notice, a private connection pipe of such material or size and at such level as  
47 to enable the premises to be properly and effectively connected to any sewerage  
48 system located within thirty meters from the boundary of the premises; and



1 (b) If the owner or occupant to whom a direction under Subsection (a) has been  
2 issued fails to comply with the direction within the period specified in the notice, the  
3 Authority or any person authorized by the Authority may construct or install the  
4 private connection pipe or cause the pipe to be constructed or installed and recover  
5 the expenses incurred in the construction and installation of such pipes from the  
6 owner or occupant.

7 **Section 60. Power to Require Developer to Connect Development to Public Sewerage**  
8 **System** - (a) The Authority may direct the developer of any development not  
9 connected to a sewerage system, to construct or install for the development, within  
10 the period specified in the notice, a connection pipe of such material or size and at  
11 such level as to enable the development to be properly and effectively connected to  
12 the sewerage system; and

13  
14 (b) If the developer to whom a direction under Subsection (a) has been issued fails to  
15 comply with the direction within the period specified in the notice, the Authority or  
16 any person authorized by the Commission may cause the pipe to be constructed or  
17 installed and recover the expenses incurred in the construction and installation of  
18 such pipes from the developer.

19 **Section 61. Power to Install or Construct Private Sewerage System or Septic Tank** - (a) The  
20 Authority may direct in writing the owner of any premises, or if the owner cannot,  
21 with reasonable diligence, be traced, the occupant of the premises, to install or  
22 construct a private sewerage system or septic tank for the premises, as the Authority  
23 deems necessary in accordance with guidelines provided for in the Implementing  
24 Rules and Regulations; and

25 (b) The cost of the construction or installation of the private sewerage system or  
26 septic tank shall be borne by the owner of the premises, or if the owner or cannot,  
27 with reasonable diligence, be traced, the occupant.

28 **Section 62. Power to Require Private Sewerage System to be Put in Proper Order.** - (a) If  
29 the Authority is satisfied that: (i) a private sewerage system, septic tank, individual  
30 internal sewerage piping or common internal sewerage piping on any premises or  
31 which serves any premises; or (b) a private connection pipe connecting any premises  
32 to a sewerage system, is defective or is not properly maintained or is in need of  
33 repair, the Authority may issue a notice to the owner, or occupant of such premises  
34 or the person responsible for the private sewerage system, septic tank, individual  
35 internal sewerage piping, common internal sewerage piping or private connection  
36 pipe to have such private sewerage system, septic tank, individual sewerage piping,  
37 common internal sewerage piping or private connection pipe repaired or put in  
38 proper order within the period specified in the notice;

39  
40 (b) If the Authority is satisfied that, due to any obstruction, any premises on which a  
41 septic tank is situated does not have adequate access for the purpose of desludging  
42 the septic tank, the Authority may issue a notice to the owner or occupant of such  
43 premises to remove such obstruction within the period specified in therein;

44  
45 (c) If the person to whom a notice issued under Subsection (a) or (b) fails to comply  
46 therewith within the period specified, (i) the Authority or any person authorized by  
47 the Authority may, at the expiration of such period, do the work required in the

1 notice and may recover the expenses incurred in doing so from the owner, or  
2 occupant; or (ii) the Authority may direct the service licensee in that sewerage  
3 services area to manage and operate the private sewerage system, septic tank,  
4 individual internal sewerage piping, common internal sewerage piping or private  
5 connection pipe, as the case may be, for such period, as the Authority may decide,  
6 and to charge the owner, or occupant for services rendered by that service licensee;  
7 and

8 (d) For the purposes of Subsection (c)(ii), the owner and occupant of the premises  
9 shall grant the service licensee access to the private sewerage system, septic tank,  
10 individual internal sewerage piping, common internal sewerage piping or private  
11 connection pipe, as the case may be, for the purposes of operating and maintaining  
12 the private sewerage system, septic tank, individual internal sewerage piping,  
13 common internal sewerage piping or private connection pipe, as the case may be.

14  
15 Section 63. *Duty to Operate and Maintain Private Sewerage System* - (a) The owner or  
16 occupant of any premises having a private sewerage system or septic tank shall: (i)  
17 grant the service licensee or permit holder adequate access to the septic tank for the  
18 purpose of enabling the septic tank to be serviced and desludged; (ii) cause the  
19 private sewerage system, septic tank, the private connection pipe, individual  
20 internal sewerage piping, common internal sewerage piping and all accessories  
21 thereto to be so maintained and kept so as not to be a nuisance or so that it may not  
22 be harmful to health; (iii) cause the septic tank to be desludged and, in the case of a  
23 private sewerage system, to be serviced or maintained by a service licensee or  
24 permit holder at such intervals and in such manner as may be prescribed; and (iv)  
25 grant the service licensee or permit holder adequate access to the private sewerage  
26 system for the purposes of enabling the private sewerage system to be inspected,  
27 serviced or maintained. (b) The owner or occupant of any premises, as the case may  
28 be, shall be solely responsible for the maintenance, refurbishment or replacement of  
29 the individual internal sewerage piping or the common internal sewerage piping.

30 Section 64. *Contract for Provision of Sewerage Services*. - The owner or occupant of any  
31 premises to whom sewerage services is provided shall be deemed, upon the  
32 provision of sewerage services to that premises, to have contracted with the service  
33 licensee providing sewerage services for the provision of sewerage services.

## 34 CHAPTER VIII

### 35 DEVELOPMENT OF EFFICIENT, ECOLOGICAL AND SUSTAINABLE 36 TECHNOLOGIES AND ENVIRONMENTAL PROTECTION

37 Section 65. *Incentives for Integration of Wastewater Treatment/Collection Facilities in*  
38 *Water Supply and Sewerage Systems*. - An incentive scheme is hereby provided for the  
39 purpose of encouraging WSPs to integrate wastewater treatment/collection and  
40 treatment facilities in their water supply and sewerage systems.

41 Section 66. *Tax and Duty Exemption of Donations, Legacies and Gifts*. - All legacies, gifts  
42 and donations to providers of water supply and sanitation services for the support  
43 and maintenance of the program for effective water quality management shall be  
44 exempt from donor's tax and shall be deductible from the gross income of the donor  
45 for income tax purposes.

46 Imported articles donated to, or for the account of any provider of water supply and  
47 sanitation services specifically for the exclusive use of the provider in its water

1 quality management programs shall be exempted from the payment of customs  
2 duties and applicable internal revenue taxes.

3 Wastewater treatment and/or installation of water pollution control devices shall be  
4 classified as pioneer and preferred areas of investment under the Board of  
5 Investment's annual priority plan and shall enjoy the applicable fiscal and non-fiscal  
6 incentives, as may be provided for under the Omnibus Investment Code, as  
7 amended.

8 Section 67. *Financial Assistance Program.* - Government financial institutions such as  
9 the Development Bank of the Philippines, Land Bank of the Philippines,  
10 Government Service Insurance System, and such other government institutions  
11 providing financial services shall, in accordance with and to the extent allowed by  
12 the enabling provisions of their respective charters or applicable laws, accord high  
13 priority to extend financial services to providers of water supply and sanitation  
14 services engaged in sewage collection and treatment facilities.

15 Section 68. *Availability of Technologies Developed Under the Incentive Schemes of the*  
16 *Clean Water Act.* - To the extent that they do not duplicate the incentives provided  
17 under this Act, technologies, projects, processes and techniques in water quality  
18 management developed under the incentive schemes of Republic Act No. 9275, or  
19 the Philippine Clean Water Act of 2004, shall be made available to providers of  
20 water supply and sanitation services that will integrate the said technologies,  
21 projects, processes and techniques in their water supply and sewerage systems free  
22 of applicable taxes.

23 Section 69. *Environmental Protection.* - Participants in the provision of water supply  
24 and sanitation services shall comply with all environmental laws, rules, regulations  
25 and standards promulgated by the Department of Environment and Natural  
26 Resources including, in appropriate cases, the establishment of an environmental  
27 guarantee fund.

## 28 CHAPTER IX

### 29 FINES AND PENALTIES

30 Section 70. *Prohibited Acts.* - The following acts shall be penalized by suspension or  
31 revocation of the violator's license or other right to the use of water and/or a fine of  
32 not exceeding one million Pesos (Php 1,000,000.00), in the discretion of the  
33 Authority:

34 (a) Non-compliance with reportorial rules and requirements;

35 (b) Refusal to submit reports and/or permit examination;

36 (c) Falsification or tampering of documents and/or official records to avail of the  
37 fiscal and non-fiscal incentives provided under this Act;

38 (d) Non-compliance with the established guidelines and standards promulgated by  
39 the Authority;

40 (e) Appropriation of subterranean or ground water for domestic use by an  
41 overlying landowner without registration required by the Authority;

42 (f) Failure to comply with any of the terms or conditions in a water permit or a  
43 water rights grant;

44 (g) Unauthorized use of water for a purpose other than that for which a license, right  
45 or permit or concession was granted;

- 1 (h) Construction or repair of any hydraulic work or structure without duly  
2 approved plans and specifications, when required;
- 3 (i) Failure to install a regulating and measuring device for the control of the volume  
4 of water appropriated, when required;
- 5 (j) Unauthorized sale, lease, or transfer of water and/or water rights;
- 6 (k) Failure to provide adequate facilities to prevent or control diseases when  
7 required by the Authority in the construction of any work for the storage, diversion,  
8 distribution and utilization of water; and
- 9 (l) Violation of or non-compliance with any order, rule or regulation of the  
10 Authority.

11

12 Section 71. *Fines and Penalties.* - Any violation of the mandatory provisions of this  
13 Act shall be punishable by imprisonment of six (6) years and/or fine not exceeding  
14 One Million Pesos (Php 1,000,000.00). In the case of juridical persons, the President,  
15 the Chief Executive Officer and other responsible corporate officers shall be held  
16 liable for any violation of this Act committed by the juridical person, through its  
17 employees, agents and representatives.

## 18 CHAPTER X

### 19 TRANSITORY AND FINAL PROVISIONS

20 Section 72. *Statutory Construction.* - This Act shall, unless the context indicates  
21 otherwise, be construed in favor of the establishment, promotion, preservation of  
22 competition and people empowerment so that the widest participation of the  
23 people, whether direct or indirect, is ensured.

24

25 Section 73. *Implementing Rules and Regulations.* - The Board shall, in consultation with  
26 relevant public and private stakeholders within the water services industry,  
27 promulgate the Implementing Rules and Regulations (IRR) of this Act within six (6)  
28 months from the effectivity of this Act.

29

30 Section 74. *Injunction and Restraining Order.* - The implementation of the provisions  
31 of this Act shall not be restrained or enjoined except by an order issued by the  
32 Supreme Court of the Philippines.

33

34 Section 75. *Separability Clause.* - If for any reason, any provision of this Act is  
35 declared unconstitutional or invalid, the other parts or provisions hereof which are  
36 not affected thereby shall continue to be in full force and effect.

37 Section 76. *Applicability and Repealing Clause.*- The applicable provisions of  
38 Presidential Decree No.1 067, otherwise known as the "Water Code of the  
39 Philippines", Republic Act No. 8041, otherwise known as the "National Water Crisis  
40 Act of 1995", Republic Act No. 4062, otherwise known as the "Water Power Act",  
41 Republic Act No. 6234, as amended, creating the MWSS, Presidential Decree No 198,  
42 as amended, creating the LWUA, Republic Act No. 7160, otherwise known as the  
43 "Local Government Code", and Republic Act No. 10149 otherwise known as the

1 "GOCC Governance Act of 2011" shall continue to have full force and effect except in  
2 so far as inconsistent with this Act.

3 All laws, orders, rules and regulations, or portions thereof, inconsistent with this Act  
4 are hereby repealed and modified accordingly.

5

6 Section 77. *Effectivity Clause.* - This Act shall take effect on the fifteenth day following  
7 its publication in at least two (2) national papers of general circulation.

8

9 Approved,