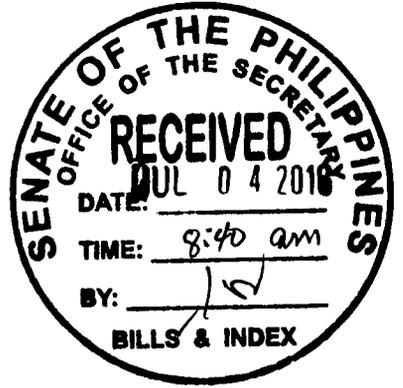


SEVENTEENTH CONGRESS )  
REPUBLIC OF THE PHILIPPINES )  
First Regular Session )



SENATE

S. B. No. 245

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Introduced by Senator LOREN LEGARDA

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**AN ACT PROMOTING INTEGRATED WATER RESOURCE MANAGEMENT IN THE USE OF THE COUNTRY'S WATER RESOURCES THROUGH THE RATIONALIZATION OF SERVICE AREAS, PROVISION OF INCENTIVES FOR INFRASTRUCTURE DEVELOPMENT OR CLEAN AND EFFICIENT TECHNOLOGIES, AND REORGANIZATION OF THE NATIONAL WATER RESOURCES BOARD, AMENDING FOR THE PURPOSE CERTAIN LAWS AND FOR OTHER PURPOSES**

Explanatory Note

Due to the combined impact of rapid population growth and climate change, a 2015 World Resources Institute study warns that the Philippines will likely experience a "severe water shortage" in the year 2040. Even though per capita water availability in the country is twice as much as the rest of Asia and around six times above the global scarcity threshold of 1,000 cubic meters per person, it still ranked 57 out of 167 countries that are highly vulnerable to severe water shortage.

Unfortunately, the continued overlapping and fragmented regulation of water supply services in the country by several government entities will hinder the enactment of a doable and long-term solution to combat this threat. In a 2010 Philippine Water Supply Sector Roadmap published by the National Economic and Development Authority with the assistance of the German Agency for Technical Cooperation, it was mentioned that apart from the National Water Resources Board and the Local Water Utilities Administration, local government units also regulate water service provision in their areas with special regulatory units such as the Metropolitan Waterworks and Sewerage System Regulatory Office and the Subic Bay Regulatory Office also in existence.

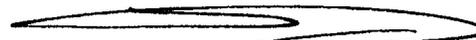
In order to address the fragmented and overlapping regulation of water supply services in the country while at the same time improving access of the population to safe drinking water, this measure aims to institutionalize the adoption of Integrated Water Resources Management principles in the management of the country's river basin clusters with the proposed Water and Sanitation Regulatory Authority exercising functions and powers in order to restructure and reform the water industry including its sourcing, storage, treatment, distribution, and on sewerage treatment.

Apart from the creation of the Authority, some of the bill's pertinent provisions include the ff:

- Creation of River Basin Organizations (RBOs) for river basin clusters as part of the adoption of IWRM principles in utilization of water resources for agricultural, commercial, industrial, and household use;
- Implementation of river basin conservation in coordination with the RBOs and the Department of Environment and Natural Resources (DENR);
- Creation of Local Water Supply and Sanitation Companies which shall have control, supervision, and jurisdiction over all water and sanitation concerns in provincial water resource zones;
- Adoption of proactive approach in averting a water crisis by initiating water conservation efforts and water use efficiency; and,
- Introduction of a lifeline rate for low-income market end-users and promotion of missionary water services in waterless areas.

With only 81.2% or 71.8 million Filipinos out of the total population of 88.4 million in 2004 having access to water—of which only 31.5 million have access to the safest and most convenient water supply, the status quo is grave and unacceptable.

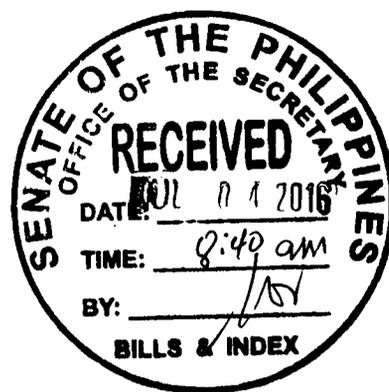
Thus, passage of the measure is earnestly requested.



**LOREN LEGARDA**

Senator

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



SENATE

S.B. No. 245

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**Introduced by SENATOR LOREN LEGARDA**

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**AN ACT**  
**PROMOTING INTEGRATED WATER RESOURCE MANAGEMENT IN THE**  
**USE OF THE COUNTRY'S WATER RESOURCES THROUGH THE**  
**RATIONALIZATION OF SERVICE AREAS, PROVISION OF INCENTIVES**  
**FOR INFRASTRUCTURE DEVELOPMENT OR CLEAN AND EFFICIENT**  
**TECHNOLOGIES, AND REORGANIZATION OF THE NATIONAL WATER**  
**RESOURCES BOARD, AMENDING FOR THE PURPOSE CERTAIN LAWS**  
**AND FOR OTHER 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**

- 1 **SECTION 1. Short Title.** - This Act shall be known as the "Water Sector  
2 Reform Act."  
3  
4 **SEC. 2. Declaration of Policy.** - It is hereby declared the policy of the  
5 State:  
6  
7 (a) to control and regulate, as owner of all waters in the Philippines, the use,  
8 exploitation, development appropriation, protection and conservation of  
9 water in order to protect and promote life, public health and welfare, and  
10 the environment, including imposing such conditions and restrictions, as  
11 may be warranted, on existing holders of licenses;  
12  
13 (c) to recognize water as a human right and the need to ensure that it is  
14 "sufficient, safe, accessible and affordable";  
15  
16 (d) to adopt a reasonable and cost-reflective price of water as a scarce  
17 resource and promote its efficient usage to protect the interest of both  
18 consumers and water service providers in the long term;  
19  
20 (e) to monitor and regulate the quality and supply of water to protect life,  
21 public health and the environment;

1 (f) to integrate the supply and distribution of water and the provision of  
2 sanitation services in provinces or regions to ensure adequacy and efficiency  
3 in the supply of water;

4  
5 (g) to develop and maintain a centralized, comprehensive and unified data  
6 and information base on water resources, and key industry data to ensure  
7 the efficient evaluation, analysis, dissemination and enforcement of  
8 applicable standards on water resource development, utilization, demand  
9 and pricing;

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

14  
15 (i) to rationalize the operation of water utilities and the grant of Public-  
16 Private Partnership (PPP) arrangements for the provision of water and/or  
17 sanitation services;

18  
19 (j) to foster competition among existing and future Water Service Providers  
20 to maintain price stability conducive to a balanced and sustainable growth  
21 of the industry;

22  
23 (j) to organize the Water and Sanitation Regulatory Authority in order to  
24 achieve the foregoing State policies; and

25  
26 (k) to monitor and regulate the sewerage service industry in relation to the  
27 proper collection, treatment, transport and disposal of septage, sewage and  
28 wastewater.

29  
30 **SEC. 3. Scope.** - This Act shall provide a framework for the restructuring  
31 and reformation of the water industry, from sourcing, storage, treatment,  
32 distribution, sewerage treatment and reuse, including the provision of  
33 incentives to promote investment in new infrastructure for modernization of  
34 the industry and the rationalization of the powers, duties, responsibilities  
35 and obligations of relevant government agencies and water service  
36 providers.

37  
38 **SEC. 4. Definition of Terms.** - For purposes of this Act, the following terms  
39 shall be defined as follows:

40  
41 (a) "Authority" - refers to the Water and Sanitation Regulatory Authority;

42  
43 (b) "Flood Control" - refers to the methods, acts, and protocols to be  
44 observed in order to prevent and reduce the detrimental and catastrophic  
45 effects of flood waters;

46  
47 (c) "Flood Risk Management" or "FRM" - refers to such acts of defining and  
48 determining the appropriate methods, acts and protocols geared in  
49 preventing and reducing the risk of incurring loss of both life and property  
50 due to flood waters. It also includes, but is not limited to, the  
51 implementation of precautionary measures, as well as the installation of  
52 infrastructure and the determination of post-flood clean-up activities in  
53 order to arrest the residual effects of flood waters;

54  
55 (d) "Integrated Water Resource Management" or "IWRM" - refers to a  
56 systematic, collaborative and multi-stakeholder process, which promotes

1 the coordinated development and management of water, land and related  
2 resources within hydro geological boundaries, in order to maximize the  
3 resultant economic and social welfare in an equitable manner and without  
4 compromising the sustainability of vital ecosystems.

5  
6 (e) "License" - refers to the authority granted to a person, entity or  
7 consortium to provide water and/or sanitation services to a particular  
8 Service Area; This term shall include management contracts, PPP  
9 Agreements and similar arrangements through which a person, entity or  
10 consortium is granted the right to provide water and/or sanitation services  
11 to the Service Area.

12  
13 (f) "Licensee" - refers to a person, entity or consortium which has been  
14 granted a license to operate and provide water and/or sanitation services to  
15 a particular Service Area under the provisions of this Act. These terms shall  
16 cover persons, entities or consortium who were granted the right to operate  
17 and provide water and/or sanitation services through a management  
18 contract, PPP Agreement or similar arrangement.

19  
20 (g) "Local Government Unit" - refers to the territorial and political  
21 subdivisions of the Philippines as defined under the 1987 Constitution of  
22 the Philippines, which includes provinces, cities, municipalities and  
23 barangays;

24  
25 (h) "Local Water District" - refers to districts created pursuant to Title II of  
26 Presidential Decree No. 198, as amended;

27  
28 (i) "Local Water Supply and Sanitation Company" or "LWSSC" - refers to a  
29 government-owned and controlled corporation, which shall have  
30 supervision, control and jurisdiction over all waterworks and sewerage  
31 systems in a designated PWRZ which shall be created pursuant to the  
32 provisions of this Act;

33  
34 (j) "LWUA" - refers to the Local Water Utilities Administration created  
35 pursuant to Presidential Decree No. 198, as amended;

36  
37 (k) "NWRB" - refers to the National Water Resources Board created pursuant  
38 to Presidential Decree No. 424, as amended;

39  
40 (l) "NEDA" - refers to the National Economic and Development Authority;

41  
42 (m) "Private Sewerage System" - refers to a sewerage system owned,  
43 operated and controlled by private entities;

44  
45 (n) "Provincial Water Resource Zone" or "PWRZ" - refers to the territories and  
46 boundaries of which shall be equivalent to the areas comprising each  
47 existing province created under Republic Act No. 7160 and other laws, with  
48 Metro Manila, the autonomous regions, special economic zones and other  
49 special areas considered as separate PWRZs;

50  
51 (o) "Public-Private Partnership Agreement" or "PPP Agreement" - refers to  
52 management contracts, concession agreements or other similar  
53 arrangements between the government and a private person or entity for the  
54 provision of water and/or sanitation services in a particular Service Area  
55 pursuant to the provisions of this Act;

56

- 1 (p) "Public Sewerage System" - refers to a sewerage system owned, operated  
2 and controlled by the National or Local Government;  
3
- 4 (q) "Relevant Information" - refers to information or data concerning the  
5 Water Industry and Water Service Providers essential to its effective  
6 monitoring and regulation, and the introduction and maintenance of  
7 effective competition, such as but not limited to pricing, performance,  
8 quality of service, area of coverage, and water quality;  
9
- 10 (r) "River Basin Cluster" - refers to a grouping of PWRZs and/or portions  
11 thereof primarily based upon the proximity of PWRZs and/or portions  
12 thereof to the major river basins, subject rules to be promulgated by the  
13 Authority;  
14
- 15 (s) "River Basin Organization" or "RBO" - refers to organizations, which plan,  
16 coordinate and monitor activities within an RBC;  
17
- 18 (t) "Service Area" - refers to a province, region or geographic area identified  
19 and designated to a Licensee to provide and operate water and/or sanitation  
20 services;  
21
- 22 (u) "Septage" - refers to the sludge produced on individual on-site  
23 wastewater disposal systems, principally septic tanks and cesspool;  
24
- 25 (v) "Sewage" - refers to water-borne human or animal wastes, excluding oil  
26 or oil waste, which are removed from residences, buildings, institutions,  
27 industrial and commercial establishments together with such groundwater,  
28 surface water and storm water, as may be present, including such waste  
29 from vessels, offshore structures, other receptacles intended to receive or  
30 retain waste or other places or the combination thereof;  
31
- 32 (w) "Sewers" - refers to pipes or such other civil works or structures which  
33 are built and constructed to treat, carry, transport and dispose sewage;  
34
- 35 (x) "Sewerage System" - refers, but is not limited to any system or network of  
36 pipeline, ditches, channels or conduits including pumping stations, lift  
37 stations and force mains, service connections including other constructions,  
38 devices, and appliances appurtenant thereto, which includes the collection,  
39 transport, pumping and treatment of sewage to a point of disposal;  
40
- 41 (y) "Sewerage Service Provider" - refers to a person, entity or consortium  
42 engaged in the business of collecting, treating, transporting and disposing of  
43 wastewater, sewage and septage, including maintaining and operating  
44 sewerage systems, and who are required to register with and secure a  
45 license from the Authority before they may conduct their business or  
46 operations in a particular Service Area;  
47
- 48 (z) "Tariff" - refers to an amount which may be charged by Licensees or  
49 Water Service Providers for the supply of water and/or sanitation services  
50 within their Service Area;  
51
- 52 (aa) "Wastewater" - refers to waste in liquid state containing pollutants;  
53
- 54 (bb) "Water Service Provider" or "WSP" - refers to a person, entity or  
55 consortium engaged in the business of allocating, collecting, treating,  
56 supplying and distributing water to the public. The term includes Local

1 Water Districts, Water Utilities owned and/or operated by Local Government  
2 Units, Rural Waterworks and Sanitation Associates, Barangay Waterworks  
3 and Sanitation Associations, Local Water Cooperatives and Local Water  
4 Supply and Sanitation Companies (LWSSC);  
5

6 (cc) "Water Supply System" -refers to the whole of a system incorporating  
7 public mains, pipes, chambers, treatment plants, pumping stations, service  
8 or balancing reservoirs or any combination thereof and all other structures,  
9 installations, buildings, equipment and appurtenances used, and the lands  
10 where the same are located for the storage, abstraction, collection,  
11 conveyance, treatment, distribution and supply of water; and  
12

13 (dd) "Water Supply Services" - means the treatment of water abstracted from  
14 water courses and the distribution and supply of treated water consumers  
15 and includes the operation and maintenance of a water supply system.  
16

## 17 **CHAPTER II** 18 **WATER SERVICES INDUSTRY**

19  
20 **SEC. 5. Organization of the Water Industry.** - The organization of the  
21 water industry shall be accomplished in order to introduce higher efficiency,  
22 enhanced private sector participation, consumer protection, competitive  
23 pricing, greater innovation and improving access to safe water,  
24 incorporating for these purposes, Integrated Water Resources Management  
25 thrust in every activity. For this purpose, any law to the contrary  
26 notwithstanding, regulatory power over all WSPs shall be exclusively lodged  
27 in the Authority.  
28

29 The NWRB, the LWUA and other similar agencies and offices, shall  
30 cooperate with the Authority to ensure the immediate and smooth  
31 consolidation of regulatory functions; Provided that, the LWUA may, with  
32 respect to Local Water Districts with remaining financial obligations to it,  
33 institute temporary monitoring systems to ensure the compliance with such  
34 outstanding obligations only until they are satisfied; Provided further, that  
35 the enforcement of such systems shall be with the supervision of the  
36 Authority.  
37

38 **SEC. 6. Provincial Water Resource Zones and River Basin Clusters.** -  
39 There are created Provincial Water Resource Zones (PWRZs), the territories  
40 and boundaries of which shall be equivalent to the areas comprising each  
41 existing province created under Republic Act No. 7160 and other laws, with  
42 Metro Manila, the autonomous regions, special economic zones and other  
43 special areas considered as separate PWRZs; Provided that the Authority  
44 may redefine or modify the geographic boundaries of a PWRZ based on the  
45 existence of special geographic conditions, the location of water sources or  
46 other circumstances which warrant such redefinition of boundaries.  
47

48 Consistent with the principles of Integrated Water Resources Management,  
49 PWRZs and/or portions thereof shall be grouped into River Basin Clusters  
50 (RBCs) for purposes of water resource management applying the river  
51 basin/watershed approach to ensure rational, efficient and ecologically  
52 sustainable allocation of water within the RBC. The grouping of PWRZs  
53 and / or portions thereof into RBCs shall primarily be based upon the  
54 proximity of PWRZs and/or portions thereof to the major river basins,  
55 subject rules to be promulgated by the Authority.  
56

1 Subject to the provisions of Presidential Decree No. 1067, otherwise known  
2 as the Water Code of the Philippines, the Authority shall exercise power and  
3 authority over water resources, and if applicable, existing water utilities and  
4 providers within the PWRZ and RBCs. In the case of Metro Manila and  
5 special economic zones, the Metropolitan Waterworks and Sewerage System  
6 (CMWSS") and the appropriate special economic zone authority, respectively,  
7 shall continue to exercise jurisdiction and authority.

8  
9 **SEC. 7. Amalgamation of Existing WSPs.** - The creation, selection or  
10 assignment of WSPs, which shall service a PWRZ shall be subject to the  
11 provisions of this Act. The number of WSPs servicing each PWRZ shall be  
12 determined and limited by the Authority created hereunder for the purpose  
13 of achieving economies of scale, effective competition and efficiency of  
14 service: Provided that, in no case shall the number of WSPs be reduced to  
15 an extent where it will result in anti-competitive practices.

16 For this purpose, within two (2) years from the passage of this Act, the  
17 LWUA shall cause and implement the amalgamation of WSPs within each  
18 PWRZ into one or more LWSSCs, in accordance with the rules and  
19 regulations that the Authority shall promulgate. The Authority shall exercise  
20 overall supervision over the amalgamation process and shall develop the  
21 necessary rules and guidelines during the transition period to ensure that  
22 there shall be no diminution of service levels and quality for consumers.

23  
24 The Authority shall provide technical support and training to WSPs and  
25 their personnel in order to aid them during the amalgamation process.  
26 Where applicable, personnel of existing WSPs that will be amalgamated  
27 shall, subject to the provisions of this Act, be absorbed by the resulting  
28 LWSSC to the extent that it is administratively viable; Provided, that the  
29 rights accorded to such personnel pursuant to civil service laws shall not be  
30 impaired.

31  
32 Subject to the application of Section 24 of this Act on amalgamation of  
33 water assets, an existing and operating WSP shall, upon approval by the  
34 LWUA and the Authority, have the option to provide, operate and maintain  
35 the Water Supply System and/or Sewerage System in its current area of  
36 operation within a corresponding PWRZ, upon the showing that the WSP  
37 meets financial and operational benchmarks, including capital 16  
38 investments, price levels, service quality, customer satisfaction, profitability,  
39 productivity gains, expansion of basic services, subsidies, functioning of  
40 new and existing markets, and other performance metrics set by the  
41 Authority.

42  
43 In such cases, the License covering the PWRZ, or a portion thereof, as  
44 defined and contemplated in this Act may be granted to the WSP itself;  
45 Provided that in addition to the mandatory clauses and provisions for  
46 Licenses granted under this Act, said License shall expressly state that the  
47 failure of the WSP to comply with the Authority's standards for two (2) years  
48 shall be a ground to automatically cancel the License without need of  
49 judicial recourse. The WSP shall be monitored and supervised by the  
50 Authority in all aspects of its operation necessary to ensure compliance with  
51 the provisions of this Act and the rules to be issued by the Authority  
52 thereunder.

53  
54 An existing and operating WSP may, upon approval of the LWUA and the  
55 Authority and upon compliance with financial and operational benchmarks  
56 to be set by the Authority, act as the lead entity in the amalgamation

1 process and constitute itself into the LWSSC that will exercise jurisdiction  
2 over the PWRZ or a portion thereof. Said resulting LWSSC shall be subject  
3 to the authority and jurisdiction of the Authority herein created.

4  
5 All employees and personnel, if qualified, of existing WSPs in a particular  
6 PWRZ shall be given preference in the hiring of personnel by the LWSSC or  
7 subsequent Licensee in the said PWRZ. All displaced or separated personnel  
8 from the service as a result of the aforesaid amalgamation of WSPs shall be  
9 entitled to separation pay and other benefits in accordance with existing  
10 laws, rules or regulations.

11  
12 **SEC. 8. Creation of a Unified Database for Water Industry.** - In  
13 furtherance of the policies set forth in this Act, all information regarding the  
14 water industry, WSPs, including the rights and contracts involved in the  
15 utilization of water resources shall be lodged with the Authority. It shall be  
16 the Authority's duty to receive and consolidate basic data, to act as a central  
17 registry or central repository of information, and to provide access to  
18 reliable, standardized information on the water industry and WSPs.

19  
20 For this purpose, the Authority shall assume the power, authority and  
21 responsibility of creating and maintaining a unified, publicly accessible,  
22 computerized and centralized database of all relevant information as defined  
23 in this Act, including but not limited to, the use of benchmarking  
24 techniques to process information related to pricing, performance, quality of  
25 service, and coverage targets of all WSPs within and across PWRZs.

26  
27 WSPs, their subsidiaries and affiliates, and other entities that provide water  
28 services are required to submit Relevant Information on a regular basis to  
29 the Authority.

30  
31 The Authority may request and collect data from other offices and agencies  
32 in the government in order to ensure the timeliness, accuracy and relevance  
33 of the database. It shall be the duty of the government official receiving such  
34 request from the Authority to facilitate the transfer of requested information  
35 at the soonest possible time, subject only to the restrictions on  
36 confidentiality, as implemented by other laws or valid agreements.

37 The Authority shall, on a quarterly basis, issue a consolidated report  
38 containing the performance, pricing and quality data gathered from WSPs.  
39 Each report shall contain graphical representations of the above data  
40 reflecting the relative performance of WSPs within a PWRZ and across  
41 PWRZs. The public shall have, as a matter of right, ready and immediate  
42 access to relevant information possessed and collected by the Authority. In  
43 order to encourage effective competition and consumer participation, the  
44 Authority shall ensure that online access to data pertinent to the monitoring  
45 of the water industry is free and open. For non-web based requests, the  
46 Authority is empowered to charge reasonable fees to recoup costs incurred  
47 in producing copies for the requesting party.

48  
49 Any provision of law notwithstanding, the functions of the LWUA related to  
50 data and information gathering, evaluation, inspection, and analysis of the  
51 water industry and WSPs are hereby transferred to the Authority. The  
52 LWUA shall, within six (6) months from the passage of this Act, transfer to  
53 the Authority all accumulated data and information, including  
54 methodologies and best practices in generating the same, relating to the  
55 water industry and WSPs. Both entities shall coordinate in order to ensure a

1 smooth transmission of functions and the integrity of accumulated  
2 information.

3  
4 A continuing nationwide educational campaign shall be developed and  
5 undertaken by the Authority to promote the benefits of a unified information  
6 system to the economy; to create awareness on the rights of consumers; and  
7 to brief consumers of other related information.

8  
9 **SEC. 9. Declaration of the Water Industry as a Priority Investment**  
10 **Sector.** - The Water Industry is hereby declared a priority investment sector  
11 that will regularly form part of the country's Investment Priority Plan, unless  
12 declared otherwise by law.

13  
14 **SEC. 10. Incentives for Investment in the Water Industry.** - LWSSCs,  
15 WSPs, Licensees, developers and operators of water industry facilities  
16 formed and organized under this Act shall, upon certification by the  
17 Authority, in consultation with the Board of Investments, be entitled to the  
18 following incentives:

19 (a) Income Tax Holiday (ITH) - For the first ten years (10) of its commercial  
20 operations, the duly registered developer or operator shall be exempt  
21 from income taxes levied by the national government.

22  
23 Additional investments in the project shall be entitled to additional  
24 income tax exemption on the income attributable to the investment.

25  
26 (b) Duty-free Importation of Machinery, Equipment and Materials - Within  
27 the first ten (10) years upon the issuance of a certification by the  
28 Authority, the importation of machinery and equipment, and materials  
29 and parts thereof, including control and communication equipment,  
30 shall not be subject to tariff duties; Provided, however, that the said  
31 machinery, equipment, materials and parts are directly and actually  
32 needed and used exclusively in the facilities for processing, distribution  
33 and delivery of water to the point of use and covered by shipping  
34 documents in the name of the duly registered operator to whom the  
35 shipment will be directly delivered by customs authorities: Provided,  
36 further, that endorsement of the Authority is obtained before the  
37 importation of such machinery, equipment, materials and parts are  
38 made.

39  
40 Endorsement of the Authority must be secured before any sale, transfer  
41 or disposition of the imported capital equipment, machinery or spare  
42 parts is made.

43  
44 When the aforementioned sale, transfer or disposition is made under any  
45 of the conditions provided for in the foregoing paragraphs after ten (10)  
46 years from the date of importation, the sale, transfer or disposition shall  
47 no longer be subject to the payment of taxes and duties;

48  
49 (c) Special Realty Tax Rates on Equipment and Machinery. - Any law to the  
50 contrary notwithstanding, realty and other taxes on civil works,  
51 equipment, machinery, and other improvements of a registered WSP  
52 actually and exclusively used for WSP facilities shall not exceed one and  
53 a half percent (1.5%) of their original cost, less accumulated normal  
54 depreciation or net book value.

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

8  
9 (e) Accelerated Depreciation. - If, and only if, a WSP fails to receive an III-I  
10 before full operation, it may apply for Accelerated Depreciation in its tax  
11 books and be taxed based on such: Provided, that if it applies for  
12 Accelerated Depreciation, the project or its expansions shall no longer be  
13 eligible for an ITH. Accelerated depreciation of plant, machinery, and  
14 equipment that are reasonably needed and actually used for the  
15 exploration, development and utilization of water resources may be  
16 depreciated using a rate not exceeding twice the rate which would have  
17 been used had the annual allowance been computed in accordance with  
18 the rules and regulations prescribed by the Secretary of the Department  
19 of Finance and the provisions of the National Internal Revenue Code  
20 (NIRC) of 1997, as amended. Any of the following methods of accelerated  
21 depreciation may be adopted:

- 22 (i) Declining balance method; and  
23 (ii) Sum-of-the years digit method.

24  
25 (f) Tax Credit on Domestic Capital Equipment and Services. - A tax credit  
26 equivalent to one hundred percent (100%) of the value of the value-added  
27 tax and custom duties that would have been paid on the machinery,  
28 equipment, materials and parts, had these items been imported, shall be  
29 given to a WSP who purchases machinery, equipment, materials, and  
30 parts from a domestic manufacturer for purposes set forth in this Act:  
31 Provided, that prior approval by the Authority was obtained by the WSP:  
32 Provided, further, that the acquisition of such machinery, equipment,  
33 materials, and parts shall be made within the validity of the WSP's  
34 contract, license or other agreement to service as a PWRZ.

35  
36 The availment of incentives under this Act shall be regulated by the  
37 Authority. Should an existing WSP be entitled to incentives under  
38 another law, the WSP shall be required to state whether it prefers to  
39 adopt the incentives laid out in this Act in lieu of other incentives under  
40 other laws. Such statement shall be in a public document addressed to  
41 the Authority for its approval.

42  
43 **CHAPTER III**  
44 **RIVER BASIN CLUSTERS AND RIVER**  
45 **BASIN ORGANIZATIONS**

46  
47 **SEC. 11. IWRM Principles in River Basin Clusters.** - Principles of  
48 Integrated Water Resources Management (IWRM) shall be adopted as the  
49 strategy for the management and administration of the River Basin Clusters  
50 (RBCs) defined pursuant to Section 6 of this Act.

51  
52 The appropriation and utilization of water in RBCs for domestic, municipal,  
53 irrigation, power generation, fisheries, livestock raising, recreational and  
54 other purposes shall be in accordance with IWRM principles including the  
55 following:

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

3 (b) Water, capable of being appropriated to various uses, possesses  
4 economic value and thus should be considered an economic good; and  
5

6 (c) A collaborative multi-stakeholder approach shall be utilized in the  
7 development and management of water resources.  
8

9 The Authority, in collaboration with the DENR and other relevant agencies  
10 shall promulgate rules and regulations to implement the foregoing policies.  
11

12 **SEC. 12. Creation and Composition of River Basin Organizations.** -The  
13 Authority shall create River Basin Organizations (RBOs) for each River  
14 Basin Cluster (RBC) which shall be composed of:  
15

16 (a) One (1) representative [or each LWSSCs within the RBC;  
17

18 (b) One (1) representative for each provincial or city government within the  
19 RBC;  
20

21 (c) Two (2) representatives from the private sector appointed by the  
22 Authority. The private sector representatives must have recognized  
23 competence in the relevant Gelds in the water and sanitation industry and  
24 shall be knowledgeable principles of Integrated Water Resource  
25 Management; and  
26

27 (d) Other multi-sectoral members and key stakeholders in the water  
28 industry to be determined by the Authority.  
29

30 **SEC. 13. Functions of River Basin Organizations.** - The River Basin  
31 Organizations shall have the following functions:  
32

33 (a) To plan, coordinate and monitor all activities within the river basin  
34 located in the RBC;  
35

36 (b) To engage in Flood Risk Management (FRM) with respect to the RBC;  
37

38 (c) To create a special task force in extreme cases of disasters brought about  
39 by flood waters in coordination with the respective LGUs where the RBCs  
40 are located;  
41

42 (d) To formulate Integrated Water Resources Management (IWRM) policies  
43 and plans and recommend the same [or the approval of the Authority;  
44

45 (e) To set-up efficient assessment procedures of available water in different  
46 sectors (i.e. commercial, municipal, agricultural) in order to achieve supply  
47 optimization, including, but not limited to water balances, wastewater  
48 reuse, and environment impacts of distribution and use options;  
49

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

52 (g) To secure funding sources to support the identified projects and  
53 programs for the river basin within the RBC.  
54

55 **SEC. 14. Integration of Planning, Management, Rehabilitation and**  
56 **Development of River Basins.** - Adopting the river basin or watershed

1 approach to water resource management, the Authority shall integrate and  
2 rationalize the planning, management, rehabilitation and development of  
3 river basins, including but not limited to river basin infrastructure  
4 development, flood control, environmental protection and integrated water  
5 resources management. The Authority shall coordinate initiatives, programs  
6 and projects of local government units, non-government organizations and  
7 other entities concerning the development and rehabilitation of river and  
8 catchment basins. In order to create an effective policy environment for the  
9 management of river basins, the Authority shall harmonize, consolidate and  
10 enhance all relevant river basin policies, rules and regulations.

11  
12 To ensure that an equitable access to water within an RBC, the Authority  
13 shall set guidelines in the effective and efficient water allocation and  
14 distribution. The Authority shall identify the character of the water available  
15 in the various river and catchment basins and shall ensure the effective  
16 water distribution in accordance with the needs of the different sectors  
17 found in the RBC.

18  
19 In order to prevent and reduce the dire effects of flood waters, the Authority  
20 shall make disaster awareness and preparedness a priority, and will develop  
21 measures to ensure that the methods used in flood control will effectively  
22 minimize the damage brought about by flood waters. The Authority shall  
23 also focus on "post-flood" activities such as clean-up, restoration and  
24 renovation of infrastructures that were affected by the flood waters.

25  
26 **SEC. 15. River Basin Database Management.** - The Unified Database for  
27 the Water Industry created pursuant to Section 8 of this Act shall also serve  
28 as the central river basin database to which all River Basin Organizations,  
29 government agencies and other organizations with relevant mandates and  
30 developmental initiatives within the river basins are required to regularly  
31 submit their updated databases for integration and consolidation.

32  
33 **SEC. 16. River Basin Conservation, Protection and Rehabilitation.** - The  
34 Authority, in coordination with the River Basin Organizations, the DENR  
35 and other appropriate agencies involved in river basin management, shall  
36 undertake river basin conservation, protection and rehabilitation and shall  
37 adopt appropriate soil and water conservation, and protection measures to  
38 safeguard the hydrological integrity of river basins and help sustain the  
39 protection of water for various purposes and uses.

40  
41 **CHAPTER IV**  
42 **CREATION OF LOCAL WATER SUPPLY**  
43 **AND SANITATION COMPANIES**  
44

45 **SEC. 17. Creation of Local Water Supply and Sanitation Companies.** -  
46 There are hereby created government-owned and -controlled corporations to  
47 be known as the LWSSC which shall have supervision, control and  
48 jurisdiction over all water and sanitation systems within the PWRZs created  
49 pursuant to this Act and take ownership of all assets of WSPs within such  
50 PWRZs.

51  
52 Water and sanitation systems in Metro Manila and in all special and  
53 economic zones shall remain under the supervision, control and jurisdiction  
54 of the MWSS and the appropriate special/economic zone authority,  
55 respectively.

1 **SEC. 18. Purpose and Objective. Domicile and Term of Existence.** - The  
2 principal purpose of the LWSSCs is to manage, operate and maintain the  
3 water and sanitation systems with a PWRZ and, subject to rules and  
4 guidelines to be promulgated by the Authority, to enter into PPP Agreements  
5 with eligible persons or entities.  
6

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

9 LWSSCs shall exist for a period of fifty (50) years from its organization and  
10 establishment, unless otherwise provided by law.  
11

12 **SEC. 19. Powers and Functions of the Local Water Supply and**  
13 **Sanitation Companies.** - The LWSSCs shall have the following powers and  
14 functions:  
15

16 (a) To construct, maintain, and operate dams, reservoirs, conduits,  
17 aqueducts, tunnels, purification plants, water mains, pipes, fire hydrants,  
18 hydraulic structures, pumping stations, machineries and other waterworks  
19 for the purpose of supplying water to the inhabitants of its territory, for  
20 domestic and other purposes; and to purify, research and develop, regulate  
21 and control the use, as well as prevent the wastage of water;  
22

23 (b) To construct, maintain, and operate such sanitary sewerages, as may be  
24 necessary, for the proper sanitation and other uses of the areas comprising  
25 the PWRZ and to make sure that such sanitary sewerages are capable of  
26 accommodating the regular to heavy flow of rain water;  
27

28 (c) To acquire, purchase, hold, transfer, sell, lease, rent, mortgage,  
29 encumber, and otherwise dispose of real and personal property, consistent  
30 with the purpose for which the LWSSC is created and reasonably required  
31 for the transaction of the lawful business of the same;  
32

33 (d) To construct works across, over, through and/or alongside, any stream,  
34 water-course, canal, ditch, flume, street, avenue, highway or railway,  
35 whether public or private, as the location of said works may require;  
36 Provided, that, such works be constructed in such manner as to afford  
37 security to life and property and so as not to obstruct traffic; Provided,  
38 further, that the stream, water-course, canal, ditch, flume, street, avenue,  
39 highway or railway so crossed or intersected be restored without  
40 unnecessary delay to its former state. Any person or entity whose right may  
41 be prejudiced by said works shall not obstruct the same; however, he shall  
42 be given reasonable notice before the construction and shall be paid just  
43 compensation. The LWSSC shall likewise have the right to locate, construct  
44 and maintain such works on, over and/or through any street, avenue, or  
45 highway and land and/or real rights of the Republic of the Philippines or  
46 any of its branches, agencies and political subdivisions upon due notice to  
47 the office, or entity concerned, subject solely to the condition that the street,  
48 avenue, or highway in which said works are constructed be restored without  
49 unnecessary delay to its former state unless otherwise agreed upon by the  
50 LWSSC and the office or entity concerned;  
51

52 (e) To exercise the right of eminent domain for the purpose for which the  
53 LWSSC is created;  
54

55 (f) To sue and be sued;  
56

1 (g) To adopt and establish the policies and goals as may be necessary or  
2 proper for the orderly conduct of its business or operations;

3  
4 (h) To borrow money and incur such liabilities, including the issuance of  
5 bonds, securities or other evidences of indebtedness utilizing its assets as  
6 collateral and/or through the guarantees of the National Government;  
7 Provided, however, that all such debts or borrowings shall have been paid  
8 off before the end of its corporate life;

9  
10 (i) To approve, regulate, and supervise the establishment, operation and  
11 maintenance of waterworks within its jurisdiction operated for commercial,  
12 industrial and governmental purposes and to fix just and equitable rates or  
13 fees that may be charged to customers thereof;

14  
15 O) To establish, operate and maintain the waterworks and sewerage system  
16 within its jurisdiction;

17  
18 (k) To approve and regulate the establishment and construction of  
19 waterworks and sewerage systems in privately owned subdivisions within its  
20 jurisdiction;

21 (l) To have exclusive and sole right to test, mount, dismount and remount  
22 water meters within its jurisdiction;

23  
24 (m) To enter into PPP Agreements with persons or entitles to operate and  
25 maintain water and sanitation systems within the PWRZ, subject to the  
26 provisions of this Act;

27  
28 (n) To exercise primary and exclusive jurisdiction over disputes between  
29 WSPs, or between customers and WSPs, within an LWSSC, where such  
30 cases involve contesting rates, levels and quality of service, fees, fines and  
31 penalties imposed in the exercise of an LWSSC's powers, functions and  
32 responsibilities, as set forth herein; and

33  
34 (o) To compel a PPP partner or WSP to submit required documents and  
35 information through subpoena duces tecum in the conduct of inquiry or  
36 investigation of possible violations of this Act or other related issuances and  
37 rules.

38  
39 **SEC. 20. Composition, Qualification, Appointment and Tenure of the**  
40 **Board of Trustees.** - The corporate powers and functions of the LWSSC  
41 shall be vested in and exercised by a Board of Trustees composed five (5)  
42 members, to wit:

43  
44 (a) One (1) member who shall be appointed by the Provincial Governor;

45 (b) One (1) member who shall be nominated by the League of Cities or  
46 Municipalities covering the jurisdictional area of an L WSSC;

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

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

51 (e) One (1) ex-officio member representing the NEDA, as nominated by the  
52 Director-General.

53  
54 The member representing the private sector shall act as Chairman. The  
55 Chairman and the members of the Board, except the ex-officio members,  
56 shall serve for a term of three (3) years, except that the members initially

1 appointed shall serve, as designated in their appointments, one for one year,  
2 one for two years and one for three years; Provided, that, any person chosen  
3 to fill a vacancy shall serve only for the unexpired term of the member  
4 whom he succeeds.

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

12  
13 The Authority shall issue guidelines on the appointment process for the  
14 Board of Trustees of the LWSSCs to facilitate the completion of the board  
15 compositions.

16 **SEC. 21. Meetings of the Board; Quorum, Required Votes.** - The Board of  
17 Trustees shall, immediately after its organization, adopt rules and  
18 procedures in the conduct of its meetings. A majority of the Board shall  
19 constitute a quorum for the transaction of business and the affirmative vote  
20 of three shall be required for the adoption of any action.

21  
22 **SEC. 22. LWUA as a Specialized Lending Institution.** - After the  
23 completion of the amalgamation process in accordance with Section 7  
24 hereof, the LWUA shall function solely as a specialized lending institution  
25 which shall provide financial services to qualified local water utilities,  
26 LWSSCs, Licensees and Water Service Providers.

27  
28 **CHAPTER V**  
29 **ECONOMIC POLICY AND**  
30 **REGULATIONS**

31  
32 **SEC. 23. Operation of a Water Supply System and/or Sewerage System.**  
33 - The function and responsibility of providing, operating and maintaining a  
34 Water Supply System and/or Sewerage System in a PWRZ shall fall upon  
35 the LWSSC concerned, In the case of special and economic zones and Metro  
36 Manila, the special/economic zone authority or MWSS, respectively, all of  
37 which shall be subject to guidance from the Authority.

38  
39 Subject to the provisions of this Act and the rules to be promulgated by the  
40 Authority, an LWSSC may enter into a PPP Agreement with a person or  
41 entity for the provision, operation and maintenance of a Water Supply  
42 System and/or Sewerage System in a PWRZ; Provided that an L WSSC  
43 which opts to provide water and/or sanitation services in a PWRZ shall  
44 comply with performance standards which shall be determined and  
45 monitored by the Authority within a period of three (3) years. LWSSCs which  
46 fail to attain such performance standards within the aforesaid period shall  
47 be mandated to enter into a PPP Agreement with eligible persons or entities  
48 in accordance with rules to be determined by the Authority.

49  
50 **SEC. 24. Amalgamation of Water Assets.** - Within the periods provided  
51 herein, the LWUA shall, under the supervision of, and based on the rules  
52 promulgated by, the Authority, cause the amalgamation of assets of WSPs  
53 pertaining to water supply and sanitation within a particular PWRZ. This is  
54 to ensure a unified and comprehensive Water Supply System and/or  
55 Sewerage System that shall supply water and sanitation services to the  
56 entire PWRZ concerned. As much as possible, a single, unified and

1 comprehensive Water Supply and/or Sewerage System shall cover all  
2 aspects of such systems, including water resource development, treatment,  
3 storage, distribution and reuse. For this purpose, the initial sum of ten  
4 million pesos (Php10,000,000.00) shall be appropriated to facilitate the  
5 amalgamation process and this amount shall be charged against proceeds  
6 from PPP or other arrangements which may be entered as regards these  
7 assets.

8  
9 The Authority shall guide the LWUA and the WSPs concerned to ensure an  
10 efficient, 2 smooth and orderly amalgamation of operations and assets.  
11 WSPs undergoing amalgamation may, subject to existing laws, enter into  
12 such arrangements that will facilitate the management or temporary  
13 ownership of their assets pending amalgamation.

14  
15 The assets of the amalgamated WSPs within a PWRZ shall, subject to just  
16 compensation, be transferred to and held by the LWUA; Provided that the  
17 management and ownership of the LWUA over such assets shall be  
18 transferred to the appropriate LWSSC upon the completion of the  
19 amalgamation process, as determined by the Authority. In the case of  
20 special and economic zones and Metro Manila, the entity exercising  
21 jurisdiction over such areas will exercise the aforementioned authority.

22  
23 For this purpose, the LWUA is empowered to acquire, sell, dispose, contract,  
24 change and transfer ownership or control of assets, rights and contracts  
25 concerning WSPs and its assets. The LWUA shall, in the exercise of this  
26 responsibility defer to the guidelines promulgated by the Authority  
27 concerning the amalgamation process.

28  
29 **SEC. 25. Licensing.** - Each LWSSC is empowered and encouraged to enter  
30 into a partnership with a qualified Licensee for the provision, operation and  
31 maintenance of the Water Supply System and/or Sewerage System for its  
32 respective PWRZ, through the issuance of a License, the execution of a PPP  
33 Agreement, or any other similar arrangement; Provided that such  
34 partnership shall be made in accordance with the rules and regulations to  
35 be promulgated by the Authority on the matter, as well as the provisions of  
36 Republic Act No. 9184. The LWSSC shall secure the endorsement of the  
37 Provincial Government for any partnership under this section.

38  
39 **SEC. 26. Qualifications of Licensee.** - Licensees must meet the following  
40 qualifications:

- 41 (a) Must be a citizen of the Philippines or corporations or associations  
42 organized under the laws of the Philippines at least sixty percent of the  
43 capital stock of which is owned by such citizens;  
44 (b) Minimum paid-up capitalization of one million pesos (Php 1,000,000.00);  
45 (c) Established track record to be defined by the Authority; and  
46 (d) Any other qualifications that the Authority may deem appropriate.

47  
48 **SEC. 27. Rights and Duties of Licensees.** - Licensees shall have the duty  
49 to ensure that its activities are conducted so as to further the public interest  
50 and, in particular, that they:

- 51 (a) foster the maintenance and development of efficient, coordinated, and  
52 economic cooperation of their activities;  
53 (b) give priority to FRM and propose measures towards the end of developing  
54 the methods of flood control;  
55 (c) ensure that their Water Supply and/or Sanitation Services are provided  
56 in a diligent, conscientious and workmanlike manner, in accordance with

1 applicable laws and the standards and practices generally accepted in the  
2 Philippine and international water supply and/or sanitation industry; and  
3 (d) comply with drinking water quality requirements.

4  
5 Licensees shall, to the extent allowed by law and specified in the License,  
6 have the right to acquire or lease land and lay or repair water or sewerage  
7 mains and other relevant facilities in public ways, when required to fulfill  
8 their obligations. In as far as laying or repairing of water or sewerage mains  
9 are concerned, the same shall be done expeditiously and efficiently to avoid  
10 contributing to the risk of damage brought about by flood waters.

11  
12 Subject to any condition imposed by the Authority, a Licensee may  
13 disconnect the supply of piped water services and/or sanitation services to a  
14 customer if such customer defaults in the payment of amount(s) due to that  
15 Licensee in respect of water supplied or sanitation services provided, or for  
16 acts of pilferage pursuant to Sections 8, 9, 10, and 11 of Republic Act No.  
17 8041, otherwise known as the "National Water Crisis Act of 1995."

18  
19 **SEC 28. Mandatory Provisions.** - Any License issued under this Act shall  
20 include provisions on the following matters:

- 21 (a) Incentives and disincentives for Licensees;  
22 (b) Severance of affected employees and personnel;  
23 (c) Dispute resolution mechanism in accordance with the Section 32 of this  
24 Act;  
25 (d) Transferability of License, Management Contract, PPP Agreement or  
26 award in case of failure to meet the standard set by the Authority; and  
27 (e) Any other provision the Authority or the LWSSC shall deem appropriate  
28 to achieve the stated objectives of this Act.

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

35  
36 **SEC. 30. Revision and Subrogation Mechanisms.** - The Authority shall  
37 have the power to revise the terms of a License in the event of the Licensee's  
38 failure to meet the quality standards set by the Authority within a period of  
39 two (2) years from the start of its operations after observance of due process.  
40 This right includes the right to replace the current Licensee with another  
41 qualified Licensee.

42  
43 **SEC. 31. Mechanism for Setting Tariffs, Rates and Other Charges.**- The  
44 Authority shall formulate an objective, rational and transparent mechanism  
45 for fixing and adjusting Tariffs, rates and other charges imposed by  
46 Licensees which (i) allows the economic viability of the provision of water  
47 and/or sanitation services; (ii) grants the Licensees a reasonable return on  
48 investments; (iii) encourages the inflow of investments in the water sector,  
49 promotes efficiency and continuous improvement in water systems and  
50 facilities; (iv) ensures affordable and reasonable rates and fees for the  
51 average consumer, and (iv) protects the welfare of consumers.

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

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

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

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

9  
10 Any escalation on tariffs, rates and other charges shall be primarily based  
11 upon the level of compliance with key performance metrics which shall  
12 reflect current industry standards maintained and updated in the Unified  
13 Database [or the Water Industry, as set forth in Section 8 of this Act.

14  
15 **SEC. 32. Arbitration.** - All disputes, controversies, or disagreements  
16 between LWSSCs and licensed WSPs or private sector partners, except  
17 where such involve an allegation of a criminal act, arising out of, in  
18 connection with or in relation to a PPP Agreement executed pursuant to this  
19 Act, which cannot be amicably settled or resolved through mutual  
20 consultations or negotiation among the parties, shall be finally settled by  
21 domestic arbitration in accordance with Republic Act No. 876 (Arbitration  
22 Law), as amended, and Republic Act No. 9285 (Alternative Dispute  
23 Resolution Law of 2004), as amended. The decision of the arbitrators shall  
24 be final and conclusive on the parties.

25  
26 An Arbitration Clause reflecting the foregoing policy shall be included in all  
27 PPP Agreements executed pursuant to this Act.

28  
29 **SEC. 33. Lifeline Rate.** - In line with the policy of granting universal access  
30 to water services, more particularly to the marginalized sector, the Authority  
31 shall establish a socialized pricing mechanism. This will enable the setting  
32 of a lifeline rate or a targeted subsidy on the basic water consumption of  
33 low-income market end-users who cannot afford to pay at fixed cost and  
34 ensure that the overall tariff rate supports the viability of the Licensees, as  
35 described in Section 31 of this Act. The Authority, after due notice and  
36 hearing, shall determine the level of basic water consumption and the  
37 discount rate.

38  
39 **SEC. 34. Missionary Water Services.** - The Authority shall encourage and  
40 promote missionary water services or the provision of water services to  
41 remote, rural and unviable areas that do not have sufficient or adequate  
42 access to water with the end in view of elevating water services in such  
43 areas to a viable and sustainable level. Missionary water service initiatives  
44 shall be funded from the revenues from water services provided in  
45 missionary areas and from such charges which may be collected from all  
46 consumers within a PWRZ, subject to implementing regulations which shall  
47 be determined and formulated by the Authority.

48  
49 **SEC. 35. Water Crisis Provision.** - The Authority shall adopt a proactive  
50 approach to avert a water crisis by initiating water conservation efforts and  
51 water use efficiency, incentivizing the use of efficient water distribution  
52 systems, utilizing integrated, systematic and predictive water management  
53 and monitoring systems, encouraging the financing, construction,  
54 improvement and operation of water facilities, and analogous efforts and  
55 initiatives in order to increase water supply and improve water quality. The

1 Authority shall create plans and programs, and issue rules and regulations  
2 to accomplish the foregoing.

3  
4 In the event the President of the Philippines determines that a water crisis is  
5 impending, Congress may, through a joint resolution, authorize the  
6 employment of emergency measures to increase water supply under such  
7 terms and conditions as it may approve, and reorganize the Joint Executive-  
8 Legislative Water Crisis Commission created pursuant to Republic Act No.  
9 8041, otherwise known as the "National Water Crisis Act of 1995", to  
10 exercise the powers and perform the functions stated in the said law.

11  
12 **CHAPTER VI**  
13 **ORGANIZATION**

14  
15 **SEC. 36. The Authority.** - There is hereby created and established an  
16 independent Authority to be named the Water and Sanitation Regulatory  
17 Authority, hereinafter referred to as the "Authority", which shall be  
18 organized within one hundred eighty (180) days upon effectivity of this Act,  
19 primarily from but not limited to the NWRB and similar government  
20 agencies, offices or bureaus tasked with the allocation, distribution and  
21 preservation of water as a valuable resource.

22  
23 The Authority shall be placed under the administrative supervision of the  
24 Office of the President.

25  
26 **SEC. 37. Powers and Functions of the Authority.** - The Authority,  
27 pursuant to Section 5 of this Act, shall exercise to the exclusion of other  
28 agencies, regulatory power over all WSPs and for this purpose shall have the  
29 following powers and functions:

30 (a) Evaluate, review, monitor, examine and approve all applications for the  
31 appropriation, and use of waters, development of sewerage systems and  
32 treatment of wastewater.

33 (b) Formulate policy directions, strategies and targets to meet the goals and  
34 objectives for water sourcing, supply, allocation, distribution, including  
35 preservation, wastewater treatment and sewerage development and septic  
36 management.

37 (c) Issue and promulgate rules, regulations and guidelines, as may be  
38 necessary, to implement and enforce its powers and functions under this  
39 Act;

40 (d) Set and enforce just and reasonable technical criteria, methods,  
41 standards, benchmarks and other measurements of service;

42 (e) Primary jurisdiction in matters relating to the appropriation, utilization,  
43 exploitation, development, control and conservation, protection of all waters,  
44 as well as proper disposal and/or treatment of sewage, septage and  
45 wastewater in the country, including autonomous regions;

46 (f) Manage, administer and operate all watersheds;

47 (g) Establish rules and regulations to monitor, avoid and provide remedies  
48 for any abuse or anti-competitive or discriminatory act or behavior by or  
49 against any participant in the water supply and sanitation industry;

50 (h) Adopt and require that books, records and accounts be kept and  
51 maintained in accordance with the prescribed uniform accounting system;

52 (i) Fix and determine proper and adequate fees for services;

53 (j) Fix and determine proper and adequate rates of depreciation of properties  
54 and equipment used in water supply and sanitation industry;

55 (k) Impose and collect annual levies determined, as a percentage of gross  
56 revenue accruing in relation to the licensed activities, and reasonable fees

1 and surcharges as may be necessary for achieving the purposes, powers and  
2 functions of the Authority;

3 (l) Require the submission of reports, documents, testimony and other  
4 Relevant Information as set forth in this Act, through subpoena ad  
5 testificandum or duces tecum if necessary;

6 (m) Determine and require the monitoring and submission of such data,  
7 statistics and other information from public and private entities and any or  
8 all licensees, as may be necessary, for the effective and efficient exercise of  
9 its duties, functions, powers and responsibilities;

10 (n) Investigate, motu proprio or upon complaint in writing, any matter  
11 concerning the operation of the service, and require that service be provided  
12 in proper and suitable manner;

13 (o) Impose penalties and fines against any Licensee or against its owners,  
14 directors, officers, agents or representatives for any violation of this Act or of  
15 the license, order, rule regulation or requirement issued by the Authority;

16 (p) Require any Licensee to pay the actual expenses incurred by the  
17 Authority in any investigation, if it shall be found that a Licensee violated  
18 any provision of this Act or of the license, order, rule regulation or  
19 requirement issued by the Authority;

20 (q) Advise, apprise and coordinate with other relevant agencies of the  
21 national or local government on any matter relating to water supply and  
22 sanitation industry;

23 (r) Deputize agents, whether from the public or private sector, to assist in  
24 the performance of any of the powers and functions of the Authority;

25 (s) Upon appeal and after due hearing, appoint an interim or temporary  
26 management committee to ensure continuity of service in case a Service  
27 Provider Licensee fails to meet conditions of the license;

28 (t) Appoint, hire and maintain adequate staff and personnel, advisers,  
29 and/or consultants, with suitable qualifications and experience, as  
30 necessary;

31 (u) Exercise exclusive appellate jurisdiction over appeals from LWSSC  
32 decisions and resolutions regarding contesting rates, levels and quality of  
33 service, fees, fines and penalties imposed in the exercise of an LWSSC's  
34 powers, functions and responsibilities, as set forth herein where said cases  
35 involve disputes between WSPs, or between customers and WSPs, within an  
36 LWSSC;

37 (v) Exercise primary and exclusive jurisdiction over disputes between  
38 LWSSCs and between customers and LWSSCs regarding contesting rates,  
39 levels and quality of service, and such other matters relative to the exercise  
40 of the powers and responsibilities of LWSSCs; and

41 (w) Such other incidental powers and functions as may be necessary to  
42 attain the objectives of this Act.

43  
44 **SEC. 38. Water Resource Regulation.** - When exercising its water resource  
45 regulation functions, the Authority shall be guided by the provisions of  
46 Presidential Decree No.1067, otherwise known as the Water Code of the  
47 Philippines, on Appropriation of Waters, resolution of cases arising from  
48 water use, including conflicts between water users, as well as any other  
49 applicable provisions of the Water Code and other relevant laws or  
50 government issuances.

51  
52 **SEC. 39. Composition.** - All the powers of the Authority shall be vested in  
53 and exercised by a Board of Officers, a collegial body of nine (9) members.  
54 Seven (7) members shall be full-time employees of the Authority composed  
55 of a Chairperson and six (6) Officers, appointed by the President of the  
56 Philippines. Each member, including the Chairperson shall concurrently

1 head and serve the following Departments of the Authority: (1)  
2 Administration; ( 2 ) Registry ; ( 3 ) Tariffs; (4) Engineering and  
3 Infrastructure Development; (5) Environmental and Consumer Protection;  
4 (6) Audit and Finance; and (7) Legal and Enforcement. While the remaining  
5 two (2) officers shall be ex-officio members representing the Department of  
6 Finance and the National Economic Development Authority ("NEDA")  
7 nominated by the Secretary and the Director-General, respectively.

8  
9 **SEC. 40. Common Qualifications for Concurrent and Ex-Officio**  
10 **Officers.** - Each Officer, including the Chairperson must be citizens and  
11 residents of the Philippines, at least thirty five (35) years of age, and of good  
12 moral character, recognized integrity and competence in the field of law,  
13 business, commerce, finance, accounting or public administration, water or  
14 utility economics, management, physical or engineering services, hydrology  
15 and other related services, with at least three (3) years actual and  
16 distinguished experience in their respective fields of expertise.

17  
18 **SEC. 41. Special Qualifications for Concurrent Officers.** - In addition to  
19 the qualifications enumerated, the Chairperson, who shall concurrently  
20 head the Administration Department shall be a member of the Philippine  
21 Bar with at least ten (10) years experience in the active practice of law. The  
22 Officer who shall concurrently head the Legal and Enforcement Department  
23 shall be a member of the Philippine Bar with at least ten (10) years  
24 experience in the active practice of law; while the Officer who shall  
25 concurrently head the Audit and Finance Department shall be a certified  
26 public accountant with at least (10) ten years experience in active practice.  
27 Additional requirements and qualifications for the officers, including the  
28 Chairperson, may be set forth under the Implementing Rules and  
29 Regulations to be promulgated upon creation and formation of the Authority  
30 in conformity with this Act.

31  
32 **SEC. 42. Prohibition and Disqualification.** - The Chairperson and Officers  
33 of the Authority or any of their relatives within the fourth civil degree of  
34 consanguinity or affinity, legitimate or common law, shall be prohibited  
35 from holding any interest whatsoever, either as investor, stockholder, officer  
36 or director, in any company or entity engaged in the business of  
37 transmitting, generating, supplying or distributing any form of energy and  
38 must, therefore, divest, through sale or legal disposition, any and all  
39 interests in the water sector upon assumption of office.

40  
41 **SEC. 43. Term.** - The Chairperson and Concurrent Officers of the Board  
42 shall be entitled to a term of seven (7) years; Provided, however, that among  
43 the Officers first appointed upon creation of the Authority, the Chairperson  
44 shall serve for a period of seven (7) years, three (3) Officers shall serve for  
45 five (5) years and the remaining three (3) Officers shall serve for four (4)  
46 years without reappointment; Provided, further, that any member whose  
47 term has expired, as specified herein, shall serve as such until his successor  
48 shall have been appointed and qualified;  
49 Provided, moreover, that any appointment to fill a vacancy in the Authority  
50 arising from death, removal, retirement or resignation shall be made only for  
51 the unexpired term; Provided, finally, that in no case shall any member  
52 serve for more than seven (7) years in the Authority.

53  
54 Ex-Officio Officers of the Authority shall serve at the pleasure of the  
55 appointing power. But in no case shall ex-officio member serve for more  
56 than seven (7) years in the Authority. Ex-Officio Officers shall participate in

1 the activities of the Authority to the extent that the participation is not  
2 incompatible with their respective positions with the Department of Finance  
3 or NEDA, as the case may be.

4  
5 **SEC. 44. Security of Tenure.** - Concurrent Officers of the Authority shall  
6 enjoy security of tenure and shall not be suspended or removed from office  
7 except for just cause, as specified by law.

8  
9 **SEC. 45. Board Meetings.** - The Board shall meet at least once a week, or  
10 as often as may be necessary upon the call of the Chairman of the Board or  
11 by a majority of the Board of Officers to ensure performance of its functions,  
12 subject to holidays, calamities, emergencies or supervening events.

13  
14 **SEC. 46. Quorum.** - The presence of at least five (5) Officers of the Board  
15 shall constitute a quorum, which shall be necessary for the transaction of  
16 any business. The affirmative vote of a majority of the Officers present in a  
17 quorum shall be adequate for the approval of any resolution, decision or  
18 action.

19  
20 **SEC. 47. Administrative Function.** - The Chairperson, shall concurrently  
21 head the Administrative Department and shall exercise direct executive  
22 control and supervision of the internal operations of the Authority, its  
23 Officers, staff and personnel, agents and representatives. The Chairperson  
24 is also authorized to represent the Authority in all dealings and transactions  
25 with other offices, agencies, and instrumentalities of the Government and  
26 with all persons and other entities, private or public, domestic or foreign.

27  
28 **SEC. 48. The Registrar.** - There is hereby created and established the  
29 Water Industries and Sewerage Registry, headed by a Registrar, tasked with  
30 implementing the unified database referred to in Section 8 of this Act. The  
31 Registrar, shall conduct appropriate research and comprehensive studies to  
32 provide the necessary technical inputs to facilitate

33  
34 **SEC. 49. Efficient Database Management, Confidentiality and Non-**  
35 **Disclosure.** - The Registrar, as custodian of vital information necessary for  
36 the development of the water and sanitation industry, shall develop cost-  
37 effective methods and systems for data accumulation and dissemination  
38 while ensuring confidentiality of sensitive information. To this end, this  
39 Authority shall establish and issue such rules and guidelines, as may be  
40 necessary, to regulate disclosure of information, establish standards, and  
41 enforcement of fines and penalties that would be imposed for any violations  
42 as set forth in this Act.

43  
44 **SEC. 50. Fiscal Autonomy and Responsibility.** - The Authority shall enjoy  
45 fiscal autonomy, subject to regular audits by the Commission on Audit. The  
46 amount of thirty million pesos (Php 30,000,000.00) is hereby allocated from  
47 the existing budget of the NWRB for the initial operation of the Authority.  
48 Any balance shall initially be sourced from the Office of the President of the  
49 Philippines. Thereafter, the annual budget certified by the Authority,  
50 through its chairperson, as necessary to defray its expenses, shall  
51 be provided for in the regular or special appropriations and shall be released  
52 automatically and regularly. To ensure the fiscal independence of the  
53 Authority, the Officer and concurrent head of the Finance Department, shall  
54 be primarily responsible for the preparation and disbursement of the budget  
55 of the Authority.

1 **SEC. 51. Compensation and Other Emoluments.** - The compensation of  
2 the Officers of the Authority and its staff shall be exempt from the coverage  
3 of Republic Act No. 6758, otherwise known as the "Salary Standardization  
4 Act"; Provided, that the salaries of the Authority and its staff shall conform,  
5 as closely as possible, to the principles of R.A. 6758.

6  
7 For this purpose, the schedule of compensation of the Authority's officers  
8 and employees shall be submitted for approval of the President of the  
9 Philippines. The compensation schedule shall be implemented within six (6)  
10 months from the effectivity of this Act and maybe upgraded by the President  
11 of the Philippines, as the need arises; Provided further, that in no case shall  
12 the compensation of the Authority and its staff be upgraded more than once  
13 a year.

14  
15 Pertinent civil service laws, rules and regulations of the Philippines shall be  
16 applicable to the Authority.

17  
18 **SEC. 52. Board Per Diems and Allowances.** - The Officers of the Board  
19 shall receive per diem for each regular or special meeting of the Board  
20 actually attended by them, and, such other allowances as the Board may  
21 prescribe, upon approval of the Secretary of Finance, and in conformity with  
22 existing and future legislation.

23  
24 **SEC. 53. Environmental and Consumer Protection.** - A qualified Officer  
25 of the Board, shall concurrently head a department that shall address  
26 environmental and consumer concerns in connection with applications,  
27 rights, licenses, concessions, programs, activities, investments and projects  
28 approved by or pending with the Authority.

29  
30 **SEC. 54. Technical Competence.** - Pursuant to the recommendations of  
31 the NEDA, the Authority shall effectively undertake its vital and  
32 comprehensive functions by enhancing its technical competence through  
33 continuing education and rigorous training programs in the following areas:  
34 arbitration, dispute resolution, benchmarking, evaluation of technical  
35 performance and compliance monitoring, service and performance  
36 standards, performance-based rate-setting reform, environmental  
37 standards, fiscal responsibility, profitability and such other areas as will  
38 enable the Authority to adequately perform its duties and functions.

39  
40 **SEC. 55. Realignment and Supervision of Existing Water Services  
41 Related Agencies.** - The Authority shall have primary jurisdiction in  
42 matters relating to the appropriation, utilization, exploitation, development,  
43 control and conservation, protection of all waters, as well as proper disposal  
44 and/or treatment of sewage, septage and wastewater in the country,  
45 including autonomous regions.

46  
47 Pursuant to this mandate, all existing government agencies, bureaus or  
48 offices shall, as far as practicable, be realigned with and fall under the  
49 supervision and control of the Authority. Within ninety (90) days from the  
50 creation of the Authority's Board and assumption of a majority of its  
51 Officers, the latter shall closely coordinate with representatives from the  
52 Department of Environment and Natural Resources, Department of Interior  
53 and Local Government, Department of Health, Cooperative Development  
54 Authority, Laguna Lake Development Authority and other relevant  
55 government agencies or offices to implement an effective realignment of  
56 functions and transition of resources.

1  
2 All government employees and personnel displaced or separated from the  
3 service as a result of the restructuring of realignment of or abolition of  
4 government offices, shall be entitled to separation pay and other benefits in  
5 accordance with existing laws, rules or regulations. Displaced or separated  
6 employees and personnel, if qualified, shall be given preference in the hiring  
7 of other government agencies or instrumentalities.

8  
9 **SEC. 56. Reportorial Requirements.** - The Authority shall submit an  
10 annual report to the President of the Philippines, Congress and to such  
11 other agencies as may be required by law before the end of April of each  
12 year. An annual report containing but not limited to the following matters:  
13 licenses issued, investments obtained, incentives granted, disputes resolved,  
14 revenue generated, cost saved, and such matters relevant to the  
15 performance of its functions. The Authority shall make copies of such  
16 reports available to any interested party upon payment of a charge, which  
17 reflects the printing costs.

18  
19 The Authority shall adopt its internal rules of procedures; conduct hearings  
20 and receive testimonies, reports and technical advice; invite or summon by  
21 subpoena ad testificandum any public official, private citizen or any other  
22 person to testify before it, or require any person by subpoena duces tecum  
23 to produce before it such records, reports, documents or other materials as  
24 it may require to attain the purposes for which it is created and to make an  
25 accurate and comprehensive report to the President and Congress. Any  
26 public official or private citizen or entity who willfully and deliberately  
27 refuses without just cause to extend the support and assistance required by  
28 the Authority to effectively attain its objectives shall be punished as set  
29 forth in this Act.

30  
31 **CHAPTER VII**  
32 **WATER SUPPLY SYSTEM AND**  
33 **SEWERAGE SYSTEM**  
34

35 **SEC. 57. Construction of Sewerage System.** - The simultaneous  
36 construction of a sewerage system with the water supply system is  
37 encouraged. A water services provider licensed in a service area shall,  
38 subject to the approval of the Authority, be given an optional license to  
39 construct and maintain a sewerage system in the same service area,  
40

41 **SEC. 58. Hand Over of Water Supply System and Sewerage System.** - (a)  
42 Subject to Subsections (a) and (e), a developer of a new development which  
43 is within a service licensee's water supply distribution area or sewerage  
44 services area, as the case may be, shall, upon the issuance of the certificate  
45 of compliance of the water supply system or sewerage system or part of the  
46 systems by the Authority, hand over the water supply system or sewerage  
47 system or part of the systems within the development to the water  
48 distribution licensee or the service licensee providing sewerage services, as  
49 the case may be, at no cost, for the purposes set out in Subsection (c);  
50 (b) The service licensee shall accept the water supply system or sewerage  
51 system or part of the systems, as the case may be, after the service licensee  
52 is satisfied that the water supply system or the sewerage system or part of  
53 the systems meets the requirements set out in the approved plans and  
54 specifications and standards;  
55

1 (e) Upon the water supply system or the sewerage system or part of the  
2 systems being handed over to the service licensee, the service licensee shall  
3 operate and maintain such system;

4  
5 (d) The developer shall provide or cause the owner of the land to provide the  
6 service licensee access to the water supply system and sewerage system or  
7 part of the systems for the purposes of operating and maintaining such  
8 system; and

9  
10 (e) The Authority may exempt any developer from the requirements of this  
11 section if the developer can establish that he has the sufficient financial,  
12 operational and technical capacity to construct, maintain and operate the  
13 water supply system or sewerage system. The Authority shall regularly  
14 assess the developer's water supply system or sewerage and may revoke any  
15 exemption upon notice and hearing.

16  
17 **SEC. 59. Power to Require Premises to be Connected to Sewerage**

18 **System.** - (a) The Authority may direct the owner in writing, or if the owner  
19 cannot, with reasonable diligence, be traced, the occupant, of any premises  
20 not connected to a public sewerage system, to construct or install for the  
21 premises, within the period specified in the notice, a private connection pipe  
22 of such material or size and at such level as to enable the premises to be  
23 properly and effectively connected to any sewerage system located within  
24 thirty meters from the boundary of the premises; and

25  
26 (b) If the owner or occupant to whom a direction under Subsection (a) has  
27 been issued fails to comply with the direction within the period specified in  
28 the notice, the Authority or any person authorized by the Authority may  
29 construct or install the private connection pipe or cause the pipe to be  
30 constructed or installed and recover the expenses incurred in the  
31 construction and installation of such pipes from the owner or occupant.

32  
33 **SEC. 60. Power to Require Developer to Connect Development to Public**

34 **Sewerage System.** - (a) The Authority shall direct the developer of any  
35 development not connected to a sewerage system, to construct or install for  
36 the development, within the period specified in the notice, a connection pipe  
37 of such material or size and at such level as to enable the development to be  
38 properly and effectively connected to the sewerage system; and

39  
40 (b) If the developer to whom a direction under Subsection (a) has been  
41 issued fails to comply with the direction within the period specified in the  
42 notice, the Authority or any person authorized by the Commission may  
43 cause the pipe to be constructed or installed and recover the expenses  
44 incurred in the construction and installation of such pipes from the  
45 developer.

46  
47 **SEC. 61. Power to Install or Construct Private Sewerage System or**

48 **Septic Tank.** - (a) The Authority may direct in writing the owner of any  
49 premises, or if the owner cannot, with reasonable diligence, be traced, the  
50 occupant of the premises, to install or construct a private sewerage system  
51 or septic tank for the premises, as the Authority deems necessary in  
52 accordance with guidelines provided for in the Implementing Rules and  
53 Regulations; and

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

1 **SEC. 62. Power to Require Private Sewerage System to be Put in Proper**

2 **Order.** - (a) If the Authority is satisfied that: (i) a private sewerage system,  
3 septic tank, individual internal sewerage piping or common internal  
4 sewerage piping on any premises or which serves any premises; or (b) a  
5 private connection pipe connecting any premises to a sewerage system, is  
6 defective or is not properly maintained or is in need of repair, the Authority  
7 may issue a notice to the owner, or occupant of such premises or the person  
8 responsible for the private sewerage system, septic tank, individual internal  
9 sewerage piping, common internal sewerage piping or private connection  
10 pipe to have such private sewerage system, septic tank, individual sewerage  
11 piping, common internal sewerage piping or private connection pipe  
12 repaired or put in proper order within the period specified in the notice;

13  
14 (b) If the Authority is satisfied that, due to any obstruction, any premises on  
15 which a septic tank is situated does not have adequate access for the  
16 purpose of desludging the septic tank, the Authority may issue a notice to  
17 the owner or occupant of such premises to remove such obstruction within  
18 the period specified in therein;

19  
20 (c) If the person to whom a notice issued under Subsection (a) or (b) fails to  
21 comply therewith within the period specified, (i) the Authority or any person  
22 authorized by the Authority may, at the expiration of such period, do the  
23 work required in the notice and may recover the expenses incurred in doing  
24 so from the owner, or occupant; or (ii) the Authority may direct the service  
25 licensee in that sewerage services area to manage and operate the private  
26 sewerage system, septic tank, individual internal sewerage piping, common  
27 internal sewerage piping or private connection pipe, as the case may be, for  
28 such period, as the Authority may decide, and to charge the owner, or  
29 occupant for services rendered by that service licensee; and

30  
31 (d) For the purposes of Subsection (c)(ii), the owner and occupant of the  
32 premises shall grant the service licensee access to the private sewerage  
33 system, septic tank, individual internal sewerage piping, common internal  
34 sewerage piping or private connection pipe, as the case may be, for the  
35 purposes of operating and maintaining the private sewerage system, septic  
36 tank, individual internal sewerage piping, common internal sewerage piping  
37 or private connection pipe, as the case may be.

38  
39 **SEC. 63. Duty to Operate and Maintain Private Sewerage System - (a)**

40 The owner or occupant of any premises having a private sewerage system or  
41 septic tank shall: (i) grant the service licensee or permit holder adequate  
42 access to the septic tank for the purpose of enabling the septic tank to be  
43 serviced and deslugged; (ii) cause the private sewerage system, septic tank,  
44 the private connection pipe, individual internal sewerage piping, common  
45 internal sewerage piping and all accessories thereto to be so maintained and  
46 kept so as not to be a nuisance or so that it may not be harmful to health;  
47 (iii) cause the septic tank to be deslugged and, in the case of a private  
48 sewerage system, to be serviced or maintained by a service licensee or  
49 permit holder at such intervals and in such manner as may be prescribed;  
50 and (iv) grant the service licensee or permit holder adequate access to the  
51 private sewerage system for the purposes of enabling the private sewerage  
52 system to be inspected, serviced or maintained. (b) The owner or occupant  
53 of any premises, as the case may be, shall be solely responsible for the  
54 maintenance, refurbishment or replacement of the individual internal  
55 sewerage piping or the common internal sewerage piping.

56

1 **SEC. 64. Contract for Provision of Sewerage Services.** - The owner or  
2 occupant of any premises to whom sewerage services is provided shall be  
3 deemed, upon the provision of sewerage services to that premises, to have  
4 contracted with the service licensee providing sewerage services for the  
5 provision of sewerage services.

6  
7 **CHAPTER VIII**

8 **DEVELOPMENT OF EFFICIENT, ECOLOGICAL AND SUSTAINABLE**  
9 **TECHNOLOGIES AND ENVIRONMENTAL PROTECTION**

10  
11 **SEC. 65. Incentives for Integration of Wastewater**  
12 **Treatment/Collection Facilities in Water Supply and Sewerage**  
13 **Systems.** - An incentive scheme is hereby provided for the purpose of  
14 encouraging WSPs to integrate wastewater treatment/collection and  
15 treatment facilities in their water supply and sewerage systems.

16  
17 **SEC. 66. Tax and Duty Exemption of Donations, Legacies and Gifts.** -  
18 All legacies, gifts and donations to providers of water supply and sanitation  
19 services for the support and maintenance of the program for effective water  
20 quality management shall be exempt from donor's tax and shall be  
21 deductible from the gross income of the donor for income tax purposes.

22  
23 Imported articles donated to, or for the account of any provider of water  
24 supply and sanitation services specifically for the exclusive use of the  
25 provider in its water quality management programs shall be exempted from  
26 the payment of customs duties and applicable internal revenue taxes.

27  
28 Wastewater treatment and/or installation of water pollution control devices  
29 shall be classified as pioneer and preferred areas of investment under the  
30 Board of Investment's annual priority plan and shall enjoy the applicable  
31 fiscal and non-fiscal incentives, as may be provided for under the Omnibus  
32 Investment Code, as amended.

33  
34 **SEC. 67. Financial Assistance Program.** - Government financial  
35 institutions such as the Development Bank of the Philippines, Land Bank of  
36 the Philippines, Government Service Insurance System, and such other  
37 government institutions providing financial services shall, in accordance  
38 with and to the extent allowed by the enabling provisions of their respective  
39 charters or applicable laws, accord high priority to extend financial services  
40 to providers of water supply and sanitation services engaged in sewage  
41 collection and treatment facilities.

42  
43 **SEC. 68. Availability of Technologies Developed Under the Incentive**  
44 **Schemes of the Clean Water Act.** - To the extent that they do not duplicate  
45 the incentives provided under this Act, technologies, projects, processes and  
46 techniques in water quality management developed under the incentive  
47 schemes of Republic Act No. 9275, or the Philippine Clean Water Act of  
48 2004, shall be made available to providers of water supply and sanitation  
49 services that will integrate the said technologies, projects, processes and  
50 techniques in their water supply and sewerage systems free of applicable  
51 taxes.

52  
53 **SEC. 69. Environmental Protection.** - Participants in the provision of  
54 water supply and sanitation services shall comply with all environmental  
55 laws, rules, regulations and standards promulgated by the Department of

1 Environment and Natural Resources including, in appropriate cases, the  
2 establishment of an environmental guarantee fund.

3  
4 **CHAPTER IX**  
5 **FINES AND PENALTIES**  
6

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

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

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

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

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

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

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

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

23 (h) Construction or repair of any hydraulic work or structure without duly  
24 approved plans and specifications, when required;

25 (i) Failure to install a regulating and measuring device for the control of the  
26 volume of water appropriated, when required;

27 (j) Unauthorized sale, lease, or transfer of water and/or water rights;

28 (k) Failure to provide adequate facilities to prevent or control diseases when  
29 required by the Authority in the construction of any work for the storage,  
30 diversion, distribution and utilization of water; and

31 (l) Violation of or non-compliance with any order, rule or regulation of the  
32 Authority.

33  
34 **SEC. 71. Fines and Penalties.** - Any violation of the mandatory provisions  
35 of this Act shall be punishable by imprisonment of six (6) years and/or fine  
36 not exceeding One Million Pesos (Php 1,000,000.00). In the case of juridical  
37 persons, the President, the Chief Executive Officer and other responsible  
38 corporate officers shall be held liable for any violation of this Act committed  
39 by the juridical person, through its employees, agents and representatives.  
40

41 **CHAPTER X**  
42 **TRANSITORY AND**  
43 **FINAL PROVISIONS**  
44

45 **SEC. 72. Statutory Construction.** - This Act shall, unless the context  
46 indicates otherwise, be construed in favor of the establishment, promotion,  
47 preservation of competition and people empowerment so that the widest  
48 participation of the people, whether direct or indirect, is ensured.  
49

50 **SEC. 73. Implementing Rules and Regulations.** - The Board shall, in  
51 consultation with relevant public and private stakeholders within the water  
52 services industry, promulgate the Implementing Rules and Regulations  
53 (IRR) of this Act within six (6) months from the effectivity of this Act.  
54

1 **SEC. 74. Injunction and Restraining Order.** - The implementation of the  
2 provisions of this Act shall not be restrained or enjoined except by an order  
3 issued by the Supreme Court of the Philippines.  
4

5 **SEC. 75. Separability Clause.** - If for any reason, any provision of this Act  
6 is declared unconstitutional or invalid, the other parts or provisions hereof  
7 which are not affected thereby shall continue to be in full force and effect.  
8

9 **SEC. 76. Applicability and Repealing Clause.** - The applicable provisions  
10 of Presidential Decree No.1 067, otherwise known as the "Water Code of the  
11 Philippines", Republic Act No. 8041, otherwise known as the "National  
12 Water Crisis Act of 1995", Republic Act No. 4062, otherwise known as the  
13 "Water Power Act", Republic Act No. 6234, as amended, creating the MWSS,  
14 Presidential Decree No 198, as amended, creating the LWUA, Republic Act  
15 No. 7160, otherwise known as the "Local Government Code", and Republic  
16 Act No. 10149 otherwise known as the "GOCC Governance Act of 2011" shall  
17 continue to have full force and effect except in so far as inconsistent with  
18 this Act.  
19

20 All laws, orders, rules and regulations, or portions thereof, inconsistent with  
21 this Act are hereby repealed and modified accordingly.  
22

23 **SEC. 77. Effectivity Clause.** - This Act shall take effect on the fifteenth day  
24 following its publication in at least two (2) national papers of general  
25 circulation.  
26

27 Approved,