

**Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila**

Thirteenth Congress
Third Regular Session

House Bill No. 5537



Introduced by Honorable Catalino V. Figueroa

EXPLANATORY NOTE

This bill seeks to create the Kalidongan Integrated Lake Development Authority in the Municipality of Calbiga, Province of Samar.

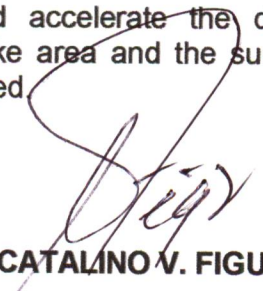
Kalidongan Lake is like an eternal spring – a mythical crater-like lake which is 90 to 100 meters in diameter lined with clean white limestone. Its clear, fresh water endlessly flows down the rapids onto the Calbiga River and, eventually, the Maqueda Bay.

There is a sinkhole of a river located 4 kilometers south-southeast from Canyawa Cave. This underground river could re-appear in Kalidongan Lake. It marks the southern limit of a catchment area.

Kalidongan Lake is about 20 kilometers away from the Calbiga town proper – one of the biggest municipalities in the Second District of Samar. The lake is about 6 to 8 hours trekking from the town. It is a major source of water of the province.

There are many eco-tourism destinations within the Kalidongan Lake perimeter. There is the Langun-Gobingob Cave which is reputed as the largest cave system in the Philippines. It has the world's third largest karst formation. The Lulugayan Falls cascade down the 14 kilometer rapids from Kalidongan Lake. It has the most majestic and panoramic scenery which is dubbed as the mini-Niagara Falls. In 2002, French spelunkers explored the Canyawa Cave which consists of 15 galleries and measures 12 kilometers long. It is the second longest cave in the country and the longest in Samar. There is also the 20-hectare natural Bermuda grass which stretches up to the neighboring town of Paranas. It also covers the Jiabong Cave system which is part of another neighboring town of Jiabong. Kalidongan Lake is a primary water source of the Suribao River and Calbiga River.

In order to lead, promote and accelerate the development and balanced growth of the Kalidongan Lake area and the surrounding places, approval of this bill is highly recommended.



CATALINO V. FIGUEROA

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**AN ACT
CREATING THE KALIDONGAN INTEGRATED LAKE DEVELOPMENT
AUTHORITY, PRESCRIBING ITS POWERS, FUNCTIONS AND DUTIES
PROVIDING FUNDS THEREFOR, AND FOR OTHER PURPOSES**

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

CHAPTER I

DECLARATION OF POLICY AND CREATION OF AUTHORITY

SECTION 1. *Declaration of Policy.* – It is the policy of this Authority to lead, promote, and accelerate the development and balanced growth of the Kalidongan Lake area and the surrounding towns hereinafter referred to as the Area, within the context of the national plans and policies for the development and socio-economic empowerment of the people through livelihood.

SECTION 2. *Kalidongan Integrated Lake Development Authority created.* – For the purpose of carrying out and effecting the declared policy, as provided for in Section one hereof, there is hereby created a body corporate to be known as the Kalidongan Integrated Lake Development Authority, hereinafter referred to as the Authority, which shall be organized within one hundred twenty (120) days after the approval of this Act. The Authority shall execute the powers and functions herein vested and conferred upon it in such a manner as will, in its judgment, aid to the fullest possible extent in carrying out the aims and purposes set forth below. This Act may be known as the Kalidongan Integrated Lake Development Authority Act of 2006.

SECTION 3. *Location of principal office.* – The Authority shall maintain its principal office at a convenient place within the Area, but it may have administrative offices in such other places as are necessary for the proper conduct of its activities.

CHAPTER II

SECTION 4. *Purposes.* – The Authority shall have the following purposes:

- a) To make a comprehensive survey of the physical and natural resources and potentialities of the Area, more particularly the development of the Kalidongan Lake resources including its social conditions, hydrological studies, power potentials, development of scenic and tourist spots, conservation of water resources and such other problems in the Area, and other basis thereof, to draft a comprehensive and detailed plan designed to promote the Area's rapid social and economic development and to implement such plan or plans;
- b) To provide the machinery for extending the necessary planning, management and technical assistance to prospective and existing investors in the Area;
- c) To make recommendation to the proper agencies on the peso or dollar financing, technical support, physical assistance and, generally, the level of priority to be accorded agricultural, industrial and commercial projects, soliciting or requiring direct help from or through the government or any of its instrumentalities;
- d) To pass over all plans, programs, project developments proposed by local governmental agencies within the Area, public corporations, and private enterprises where such plans, programs, and/or project developments are related to the development of the Area as envisioned in this Act. The Authority shall determine whether such plans, programs, and/or project developments need to be approved by the Authority under this provision and the decision of the Authority shall be final;
- e) To engage in agriculture, industry, commerce, or other activities within the Area which may be necessary or directly contributory to the socio-economic development of the Area, and, for this purpose, whether by itself or entities, to organize, finance, invest in, and operate subsidiary corporations: Provided, That the Authority shall engage only, unless public interest requires otherwise, in those activities as are in the nature of new ventures or are clearly beyond the scope, capacity, or interest of private enterprises due to consideration of geography, technical, or capital requirements, returns on investment, and risk;
- f) To plan, program and/or undertake the readjustment, relocation, or resettlement of population within the Area as may be deemed necessary, and beneficial by the Authority;

- g) To make an annual report to the stockholders regarding the operation of the Authority more particularly a statement of its financial conditions, activities undertaken, progress of projects and programs and plans of actions for the incoming years: Provided, however, That a majority of the stockholders may require the Authority to submit reports other than the annual report herein required, which report must be submitted within a period of thirty (30) days from notice thereof;
- h) To lend or facilitate the extension of financial assistance and/or act as surety or guarantor to worthwhile agricultural, industrial and commercial enterprises;
- i) To reclaim or undertake reclamation projects and/or acquire such body of lands from the lake as maybe necessary to accomplish the aims and purposes of the Authority;
- j) To seek official development assistance (ODA) from developed economies in order to accelerate the plans and projects of the Authority.

CHAPTER III

CORPORATE POWERS

SECTION 5. *The powers of the Authority.* – The Authority shall have the following powers and functions:

- a) To succeed on its corporate name;
- b) To sue and be sued in such corporate name;
- c) To adopt, alter and use a corporate seal;
- d) To adopt, amend, and repeal its by-laws;
- e) To enter into contracts of nay kind and description, to enable to carry out its purposes and functions under this Act;
- f) To acquire, buy, purchase, hold or lease, such personal and real property as it deems necessary or convenient in the transaction of its business and/or in relation with the carrying out of its purposes under this Act; and to lease, mortgage, sell alienate, or otherwise encumber or dispose any such personal and real property held by it;
- g) To exercise the right of eminent domain whenever the Authority deems it necessary for the attainment of the objectives of the Authority under this Act;
- h) To borrow funds from any local or foreign financial institutions independent of the bonds it may issue or may continue to carry out the purposes f this Authority under this Act;
- i) To purchase, hold, alienate, mortgage, pledge or otherwise dispose of the shares of the capital stock of, or any bond, securities, or other evidence of indebtedness created by any other corporation, co-partnership, or government agencies or instrumentalities; and while the owner of said stock, to exercise all the rights of ownership, including the right to vote thereon;

- j) For carrying on its business, or for the purpose of attaining or furthering any of its objectives, to perform any and all acts which a corporation, co-partnership, or natural person is authorized to perform under the laws now existing or which may be enacted hereafter;
- k) To enter into development assistance cooperation with foreign organizations, both government and non-government, to enhance the achievement of the goals and objectives of the Authority.

CHAPTER IV

SECTION 6. *Capitalization and Financing.* – The Authority shall have an authorized capital of fifty million pesos (P50,000,000.00) of which the amount of twenty five million pesos (P25,000,000.00) shall be subscribed by the stockholders. Of the subscribed capital, the amount of twenty five million (P25,000,000.00) shall be fully paid up.

The authorized capital stock of fifty million pesos (P50,000,000.00) shall be divided into 500,000 shares of stock with a par value of one hundred pesos (P100.00) per share.

The shares of stock of the Authority shall be divided into:

- (1) 350,000 common shares (voting)
- (2) 150,000 preferred shares (non-voting)

Of the subscribed common shares of 100,000, at least 60% shall be subscribed by the Municipality of Calbiga of which subscription, 25% shall be fully paid. The remaining common shares shall be open for subscription to cities, municipalities, provinces and private investors.

The preferred shares of stock of 150,000 shall be available for subscription to cities, municipalities, provinces, government corporations and to private investors: *Provided, however,* That private investors who will subscribe to the common shares shall subscribe and/or purchase one (1) preferred share for every common share held by them.

SECTION 7. *Powers of Municipal Corporations to Subscribe.* – For purposes of attaining the purposes of this Authority, municipalities, cities and provinces are hereby authorized to subscribe, own or hold shares of stock of this Authority.

SECTION 8. *Development Fund and Operating Expenses.* – For the initial development of the infrastructure and administrative offices of the Authority and for its operating expenses of the Authority, the sum of thirty five million pesos (P35,000,000.00) is hereby authorized to be appropriated annually for two (2) years from the general fund of the National Government not otherwise appropriated.

Thereafter, the Board of Directors may appropriate out of the funds of the Authority such sums as may be needed or necessary for its operating expenses.

SECTION 9. *Power to issue bonds.* – Whenever the Board of Directors may deem it necessary for the Authority to incur indebtedness or to issue bonds to carry out the provisions of this Act, it shall by resolution, so declare and state the purpose for which the proposed debt is to be incurred. The resolution shall be confirmed by the affirmative vote of the stockholders representing a majority of the subscribed capital stock outstanding and entitled to vote.

SECTION 10. *Bond limit.* – The Bonds shall be issued in such amounts as will be needed at any one time, taking into account the rate at which said bonds may be absorbed by the buying public and the fund requirements of projects ready for execution, and considering further a proper inflation shall be held to the minimum.

SECTION 11. *Form, rates, of interest, etc. of bonds.* – The Board of Directors shall prescribe the form, the rates of interest, the denominations, maturities, negotiability, convertibility and redemption features, and all other terms and conditions of issuance, placement, sale, servicing, redemption, and payment of all bonds issued by the Authority under this Act.

The bonds issued by virtue of this Act may be made payable both as to principal and interest in Philippine currency or any readily convertible foreign currency. Said bonds shall be receivable as security in any transaction with the government in which such security is required.

SECTION 12. *Exemption from tax.* – The Authority shall be exempt from all taxes, licenses, fees, and duties, incidental to its operations. This exemption shall extend to its subsidiary corporations: Provided, That its subsidiary corporations shall be subject to all said taxes, licenses, fees and duties five (5) years after their establishment under a graduated scale as follows: twenty (20) per centum of all said taxes during the sixth year, forty (40) per centum of all said taxes during the seventh year, sixty (60) per centum of all said taxes during the eighth year, eighty (80) per centum of all said taxes during the ninth year, and one hundred (100) per centum of all said taxes during the tenth year, after said establishment. Such exemption shall include any tax or fee imposed by the government on the sale, purchase or transfer of foreign exchange. All notes, bonds, debentures and other obligations issued by the Authority shall be exempt from all taxes both as to principal and interest, except inheritance and gift taxes.

SECTION 13. *Sinking fund.* – A sinking fund shall be established in such manner that the total annual contribution thereto accrued at such rate of interest as may be determined by the Board of Directors as confirmed by the stock holders representing a majority of the subscribed capital stock

outstanding and entitled to vote, shall be sufficient to redeem at maturity the bonds issued under this Act.

Such fund shall be under the custody of the manner of the Authority who shall invest the same in such manner as the Board of Directors may direct; charge all expenses of investment to said sinking fund, and credit the same with the interest on investment and other income belonging to it.

SECTION 14. *Guarantee by the government.* – The Republic of the Philippines hereby guarantees the payment by the Authority of both the principal and the interest of the bonds, debentures, collaterals, notes or such other obligations issued by the Authority by virtue of this Act, and shall pay such principal and interest in the event that the Authority fails to do so. In case the Authority shall be unable to pay the said principal and interest, the Secretary of Finance shall pay the amount thereof which is hereby appropriated out of any funds in the National Treasury not otherwise appropriated, and thereupon, to the extent of the amounts so paid, the Government of the republic of the Philippines shall succeed to all the rights of the holders of such bonds, debentures, collaterals, notes or other obligations, unless the sum so paid by the Republic of the Philippines shall be refunded by the Authority within a reasonable time.

CHAPTER V

MANAGEMENT AND PERSONNEL

Section 15. *Incorporation.* – The members of the first Board of directors shall be elected by the stockholders and the incorporation shall be held to have been effected from the date of the first meeting of such Board. The Directors shall be elected in accordance with the provisions of Section thirty-one of Act Numbered four hundred fifty-nine, as amended, otherwise known as the Corporation Law.

SECTION 16. *Board of Directors: composition.* – The corporate powers shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of seven (7) members. The Board of Directors shall elect annually from among their members a Chairman and Vice-Chairman, and a Secretary who may not be a member of the Board.

SECTION 17. *Acting Chairman.* – In case of vacancy in the position of Chairman, or in the absence of or temporary incapacity of the Chairman, the Vice-Chairman shall act as such until a new Chairman is duly elected by the Board.

SECTION 18. *Election and tenure.* – The first members of the Board shall be elected in accordance with the provisions of Section fifteen of this Act, whose terms of office shall be as follows: two at the end of the first year; two at the end of the second year; two at the end of the third year; one at the

end of the fourth year. Thereafter, the succeeding members of the Board of Directors shall serve the term of four (4) years from the date of their election.

SECTION 19. - *Vacancy before expiration of terms.* – Any member elected to fill any vacancy in the Board occurring prior to the expiration of the term for which his predecessor was elected shall serve only for the unexpired period.

SECTION 20. - *Effects of vacancies; quorum.* – Vacancies in the Board as long as there shall be four members in office shall not impair the powers of the Board to execute the functions of the Authority. The affirmative vote of four (4) members of the Board shall be necessary at all times to pass or approve any act or resolution.

SECTION 21. *Qualifications of Directors.* – All members of the Board shall be elected as a member of the Board unless he is of unquestioned integrity and competence.

Management experts and technical personnel employed in government agencies shall not be barred from serving as members of the Board and receiving per diems therefore: Provided, that the appointment of government personnel is made with the consent of their respective chiefs of office.

SECTION 22. *Prohibition against "Conflict of Interest."* – No member of the Board shall be financially interested, directly or indirectly, in any contract entered in to by the Authority or in any special privileges granted by the Authority during his term of office. All contracts entered into in violation of this provision shall automatically be null and void. Any member of the Board found violating the provision of this section by two-thirds (2/3) vote of the Board shall automatically be disqualified from serving his unexpired term, and he shall furthermore be perpetually disqualified for membership in the said Board.

SECTION 23. *Removal, courtesy resignation.* – A member of the Board may be removed from office by a vote of the stockholders holding or representing three-fourths (3/4) of the subscribed capital stock outstanding and entitled to vote. No member of the board shall be required to submit a courtesy resignation at any time during his term of office.

SECTION 24. *Board meeting.* – The Board shall meet at least once a month, but in no case shall it meet more than once a week. The Board shall be convoked by the Chairman or upon written request signed by a majority of the members.

SECTION 25. *Per diems.* – The members of the Board shall receive for every meeting attended a per diem of five hundred pesos (P500.00): Provided, That in no case will the total amount received by each exceed the sum of one thousand pesos (P1,000.00) for any one month. Members of the Board shall be reimbursed by the Authority for actual expenses including

traveling and subsistence expenses for the Authority as authorized by the Board.

SECTION 26. *Powers of General Manager.* – The General Manager shall be the chief executive of the Authority. As such, he shall have the following powers and duties.

- a) To prepare the agenda for the meeting of the Board and to submit for consideration thereof the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;
- b) To execute and administer the policies and measures approved by the Board;
- c) To direct and supervise the operation and internal administration of the Authority. The General Manager may delegate certain of his administrative responsibilities to other officers of the Authority subject
To the rules and regulations of the Board; and
- d) To exercise such other powers as maybe vested in him by the Board.

SECTION 27. *Appointment and qualification of General Manager.* – In addition to the qualifications for Director set forth in Section twenty-one of this Act, no person shall be appointed General Manager unless he be of demonstrated executive competence and experience in the field of public trial, or commercial enterprises: Provided, however, That the General Manager appointed shall be an ex-officio member of the Board without, any right to vote.

SECTION 28. *Tenure of Office of the General Manager.* – The General Manager shall serve for a fixed term of six (6) years, unless earlier removed from office by vote of the stockholders holding or representing two-thirds (2/3) of the subscribed capital stock outstanding and entitled to vote.

SECTION 29. *Compensation.* – The General Manager shall receive a compensation of two hundred forty thousand pesos (P240,000.00) per annum which shall be charged against the annual appropriation of the Authority for operating expenses. The Board of Directors shall provide per diems and allowances for the general Manager.

SECTION 30. *Residence.* – The General Manager shall establish his residence within the Area. The General Manager shall not, during his term of office, engage in any business or profession or calling other than those connected in the performance of his official duties as General Manager of the Authority.

SECTION 31. *Activities of the Authority: Key Officials.* – The activities of the Authority shall be carried out under the supervision of the General Manager through the following administrative officials who will be responsible directly to him:

- a) An Assistant General Manager who shall have such powers, duties, and functions that may be delegated to him by the General Manager, and shall act as General Manager in the absence of or during the temporary incapacity of and/or until such time as a New General Manager is duly appointed;
- b) A division chief who shall head a division for operations;
- c) A division chief who shall head a division for planning, programming and research;
- d) A corporate counsel with the rank of division head to advise and represent the Authority on legal matters, procedures and actions;
- e) A corporate treasurer, with a rank of division head, who shall have custody of the funds and properties of the Authority;
- f) Such other officials as the Board of Directors may consider necessary for the efficient conduct of the activities of the Authority.

SECTION 32. *Merit System.* – All officials, agents, and employees of the Authority shall be selected and appointed on the basis of merit and fitness in accordance with a comprehensive and progressive merit system to be established by the Authority. Personnel, including temporary workers, shall be governed by such merit system.

SECTION 33. *Appointment by Board.* - The Assistant General Manager and the division chiefs, shall be appointed by the Board upon recommendation of the General Manager.

SECTION 34. *Appointment by General Manager.* – Officials and employees below the rank of division chiefs shall be appointed to positions in the approved budget by the General Manger upon written recommendation of the head of the division concerned using as guide the standards set forth in the Authority's merit system: Provided, That the General Manager shall submit a quarterly report to the Board regarding personnel selection, placement and training.

SECTION 35. *Minimum Wage.* – All contracts entered into by the Authority which requires the employment of persons shall contain provision that not less than the minimum wage fixed by law shall be paid to such persons so employed.

SECTION 36. *Plans to be formulated within one year.* – Upon its organization, the Board of Directors shall formulate and report to the stockholders with the utmost expeditious manner, but in no case longer than one year, its plans and recommendations for the accelerated and balanced development of the Area in accordance with the aims and purposes of this Act.

SECTION 37. *Supplies ad services other than personnel.* – All purchases of supplies or contracts for services, except for personnel services, entered into by the Authority shall be done only after the proper bidding is held. Bidding shall not be required when: (1) the amount involved is five

thousand pesos (P5,000.00) or less; (2) an emergency, as certified to by the General Manager, requires immediate delivery of the supplies or performance of the services: Provided, That in comparing bids and making awards, the Authority shall consider such factors as the cost and relative quality and adaptability of supplies or services; the bidders' financial responsibility, skill, experience, integrity, and ability to furnish repairs and maintenance services; the time of delivery or performance offered; and the compliance with the specifications desired.

SECTION 38. *Auditing.* – The Board of Directors shall provide and appoint an auditor who shall formulate an auditing system for the Authority. The Auditor shall make a semestral and/or annual report covering the financial conditions and operation of the Authority to the Board. These auditing reports shall contain a statement of the resources and liabilities, including earnings and expenses, the amount of paid-up capital stock, surplus, reserves, and profits as well as losses, bad debts and such other facts which, under auditing rules and regulations, are considered necessary to accurately describe the financial conditions and operation of the Authority. The Auditor shall report and be directly responsible to the Board.

SECTION 39. *External Auditor.* – The Board of Directors shall retain and engage the services of a reputable auditing firm, which shall act as the external auditor of the organization. As such, it shall render reports concerning the financial conditions of the Authority which shall include a statement of the resources and liabilities, including earnings and expenses, the amount of paid-up capital stock, surplus, reserves, and profits as well as losses, bad debts, and such other facts which under auditing rules and regulations, are considered necessary to accurately describe the financial condition of the Authority.

SECTION 40. *Separability Clause.* – The provisions of this Act are hereby declared to be separable, and in the event any one or more of such provisions are held un-constitutional, they shall not affect the validity of other provisions.

SECTION 41. *Definition of Terms.* –

- a) *Act* – Whenever used in this Act, shall refer to the enabling Act creating the Kalidongan Integrated Lake Development Authority;
- b) *Authority* – Whenever cited in this Act shall mean the Kalidongan Integrated Lake Development Authority;
- c) *Board* – The word Board shall always refer to the Board of Directors of the Kalidongan Integrated Lake Development Authority;
- d) *Area* – The word Area in this connection mean the Kalidongan Lake area proper comprising the Municipalities of Calbiga, Jiabong, Hinabangan and Paranas;
- e) *Government instrumentalities or agencies or entities* – Whenever used in this Act shall mean instruments of the national or local governments vested with powers to accomplish a definite government aim or purpose;

- f) *Municipal Corporation* – Whenever used in this Act shall mean one that is organized for political purposes with political powers exercised for the good of the public, subject to legislative control and with officers of the government as its members to administer or discharge public duties;
- g) *Government Corporation* – Whenever used shall refer to corporations engaged in performing functions impressed with public interest;
- h) *Investor* – With regards to this Act, investors shall include public and private whether foreign or local;
- i) *External Auditor* – Shall mean a firm or a person hired outside the Authority or agency to audit the books of accounts of another corporation or agency; examine financial records, prepare audit reports on findings in the operation of the agency; review the statement on the performance report of the Authority;
- j) *Subsidiary Corporation* – A corporation that is organized or a corporation already in existence wherein at least fifty-one per cent of its shares of stock are owned or controlled by the organizing or subscribing Authority, in this case, the Kalidongan Integrated Lake Development Authority, to carry out or accomplish its purpose.
- k) *Laws repealed* – All acts, charters, executive orders, administrative orders, proclamations, rules and regulations, or parts thereof in conflict with this Act are hereby repealed or modified accordingly.
- l) *Effectivity* – This Act shall take effect upon its approval.

Approved,