

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES

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)

Second Regular Session

HOUSE OF REPRESENTATIVES
HOUSE BILL NO. 8733



Introduced by **REPRESENTATIVE VIRGILIO S. LACSON**

Our water resources are invaluable assets for the Filipino people. They contribute to the historical, political, economic and cultural development of the country. The United Nations Environment under the UN Decade on Ecosystem Restoration declared the importance of protecting of the marine environment to assure food security by preserving the ecological balance of food chains. The destruction of our bays and rivers threatens the stability of our food supply. Destructive fishing practices, massive pollution, and unmitigated land conversion of wetlands and coastal areas have also contributed to the deterioration of our water resources.

While we recognize the economic benefits brought to the country by utilizing our water resources, there must be a balance of interests between economic progress and environmental protection. No less than the Constitution provides for the right to “a balanced and healthful ecology”. Without proper management of our resources, we run the risk of losing one of the most important natural resources we have. Countless people depend on these resources for sustenance and livelihood. Additionally, its historical significance and environmental importance call for the need to create a body corporate that shall focus on its protection and preservation.

This Bill seeks to create the Manila Bay, Rivers, and Waters Authority, which shall have the sole mandate to promote, and accelerate the development, protection and balanced growth of all the water resources within the its jurisdiction with due regard and adequate provisions for environmental management and control, preservation of the quality of human life and ecological systems, and the prevention of undue ecological disturbances, deterioration and pollution. The creation of a central body, which will be in charge of managing all of our water resources in key metropolitan areas, shall ensure that there is a delicate balance between our rapid industrial and economic development, and the protection of our environmental resources.

In this regard, the approval of this Bill is urgently sought.


HON. VIRGILIO S. LACSON
Manila Teachers Partylist

Second Regular Session

HOUSE OF REPRESENTATIVES

HOUSE BILL NO. 8733

Introduced by **REPRESENTATIVE VIRGILIO S. LACSON**

**AN ACT
CREATING THE MANILA BAY, RIVERS, AND WATERS AUTHORITY
APPROPRIATING FUNDS THEREFOR**

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

Section 1. Short Title. This Act shall be known a “Manila Bay, Rivers, and Waters Authority Act”.

Section 2. Declaration of Policy. It shall be the policy of the State to promote, and accelerate the development, protection and balanced growth of all bodies of water with due regard and adequate provisions for environmental management and control, preservation of the quality of human life and ecological systems, and the prevention of undue ecological disturbances, deterioration and pollution.

Section 3. Creation of the Authority. For the purpose of carrying out and effecting the declared policy, as provided for in Section 2 hereof, there is hereby created a body corporate to be known as the Manila Bay, Rivers, and Waters 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 have jurisdiction over the Manila Bay, including all connected bodies of water and its tributaries. 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.

Section 4. Powers and Function. The Manila Bay, Rivers, and Waters Authority, otherwise known as the MBRWA, has the following powers and function:

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- 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 repeals its by-laws;
- e) To enter into contracts of any kind and description, to enable it 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 carrying out its purposes under this Act; and to lease, mortgage, sell, alienate, or otherwise encumber, utilize, exploit or dispose any such personal and real property held by it, subject to prior or existing individual or communal right of private parties or of the government or any agency or enterprise thereof.
- 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 issue, to carry out the purposes of 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 or ownership, including the right to vote thereon; *Provided*, That the Authority shall not invest its funds in any highly risky debt instruments issued without recourse to commercial banks or investment houses as well as in any highly speculative stocks.
- 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 issue such rules and regulations as may be necessary to effectively carry out the powers and purposes herein provided including the plans, programs and projects of the Authority, subject to the approval of the NEDA, the same to take effect thirty (30) days after publication thereof, in a newspaper of general circulation.

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Section 5. *Location of principal office.* The Authority shall maintain its principal office at a convenient place within Metro Manila, but it may have branch offices in such other places as are necessary for the proper conduct of its business.

Section 6. *Special Powers and Functions.* The Authority shall exercise perform the following powers and functions:

(a) To make a comprehensive survey of the physical and natural resources and potentialities of all bodies of water located under its jurisdiction, particularly its social and economic conditions, hydrologic characteristics, power potentials, scenic and tourist spots, regional problems, and on the basis thereof, to draft a comprehensive and detailed plan designed to conserve and utilize optimally the resources within the region to promote the region's rapid social and economic development and upon approval by the National Economic and Development Authority (NEDA) Board of such plan, to implement the same including projects in line with said plan: *Provided*, that implementation of all fisheries plans and programs of the authority shall require prior consensus of the Bureau of Fisheries and Aquatic Resources to ensure that such plans and programs are consistent with the national fisheries plans and programs. For the purpose of said survey, public agencies shall submit and private entities shall provide necessary data except such data which under existing laws are deemed inviolable.

(b) To provide the machinery for extending the necessary planning, management and technical assistance to prospective and existing investors in the region;

(c) To make recommendation to the proper agencies on the 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 upon and approve or disapprove all plans, programs, and projects proposed by local government offices/agencies within the region, public corporations, and private persons or enterprises where such plans, programs and/or projects are related to those of the Authority for the development of all bodies of water under its jurisdiction as envisioned in this Act. The Authority shall issue the necessary clearance for approved proposed plans, programs, and projects within thirty days from submission thereof unless the proposals are not in consonance with those of the Authority or that those will contribute to the unmanageable pollution or will bring about the ecological imbalance of the region: *Provided, further*, That the Authority is hereby empowered to institute necessary legal proceeding against any person who shall commence to implement or continue implementation of any project, plan or program in any of the water resources covered in this Act, without previous clearance from the Authority: *Provided, furthermore*, That any local government office, agency, public corporation, private person, or enterprise whose plans, programs and/or projects have been disapproved by the Authority may appeal the decision of the

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Authority to the NEDA within fifteen (15) days from receipt of such disapproval whose decision on the matter shall be final.

(e) To collect reasonable processing fees as may be fixed by the Authority's Board for the processing of such plans, programs, and/ or projects, and licensing procedures with respect to the water resources covered in this Act for the purpose of drawing up a Manila Water Resources Development Plan which shall be binding upon all parties concerned upon approval of the NEDA Board;

(f) To engage in agriculture, industry, commerce, or other activities in any of the water resources under its jurisdiction which may be necessary or directly contributory to its socio-economic development of the region, and, for this purposes, whether by itself or in cooperation with private persons 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 or private enterprises due to consideration of geography, technical or capital requirements, returns on investment, and risk;

(g) To plan, program finance/or undertake infrastructure projects such as river, flood and tidal control works, waste water and sewerage works, water supply, roads, portworks, irrigation, housing and related works, when so required within the context of its development plans and programs including the readjustment, relocation or settlement of population within the region as may be necessary and beneficial by the Authority: *Provided*, That should any project be financed wholly or in part by the Authority, it is hereby authorized to collect reasonable fees and tolls as may be fixed by its Board of Directors subject to the approval of the NEDA Board from users and/or beneficiaries thereof to recover costs of construction, operation and maintenance of the projects: *Provided, further*, That if the Authority should find it necessary to undertake such infrastructure projects which are classified, as social overhead capital projects as determined by the NEDA, the Authority shall be authorized to receive financial assistance from the government in such amount as may be necessary to carry out the said projects subject to such terms and condition that may be imposed by the government, upon recommendation of the NEDA Board: *Provided, finally*, That such amount as may be necessary for the purpose is hereby authorized to be appropriated out of the funds of the National Treasury not otherwise appropriated.

(h) 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 report or reports other than the annual report herein required, which report must be submitted within a period of thirty (30) days from notice thereof;

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(i) To lend or facilitate the extension of financial assistance and/or act as surety or guarantor to worthwhile agricultural, industrial and commercial enterprises;

(j) The provisions of existing laws to the contrary notwithstanding, to engage in fish production and other aqua-culture projects in bodies of water within its jurisdiction and in pursuance thereof to conduct studies and make experiments, whenever necessary, with the collaboration and assistance of the Bureau of Fisheries and Aquatic Resources, with the end in view of improving present techniques and practice. *Provided*, that until modified, altered or amended by the procedure provided in the following sub-paragraph, the present laws, rules and permits or authorizations remain in force;

(k) For the purpose of effectively regulating and monitoring activities, the Authority shall have exclusive jurisdiction to issue new permit for the use of the bay waters for any projects or activities in or affecting the said lake including navigation, construction, and operation of fishpens, fish enclosures, fish corrals and the like, and to impose necessary safeguards for lake quality control and management and to collect necessary fees for said activities and projects: *Provided*, That the fees collected for fisheries may be shared between the Authority and other government agencies and political sub-divisions in such proportion as may be determined by the President of the Philippine upon recommendation of the Authority's Board: *Provided, further*, That the Authority's Board may determine new areas of fisheries development or activities which it may place under the supervision of the Bureau of Fisheries and Aquatic taking into account the overall development plans and programs for all bodies of water under its jurisdiction: *Provided, finally*, That the Authority shall, subject to the approval of the President of the Philippines, promulgate such rules and regulations which shall govern fisheries development activities, which shall take into consideration among others the following: socioeconomic amelioration of bonafide resident fisherman whether individually or collectively in the form of cooperatives, lakeshore town development, a master plan for fishpen construction and operation, communal fishing ground for lakeshore town residents, and preference to lakeshore town residents in hiring laborers for fishery projects.

(l) The provisions of existing laws to the contrary notwithstanding, to exercise water rights over public waters within all bodies of water under its jurisdiction, whenever necessary to carry out the Authority's projects;

(m) To act in coordination with existing governmental agencies in establishing water quality standards for industrial, agricultural and municipal waste discharges into the lake and to cooperate with said existing agencies of the government of the Philippines in enforcing such standards, or to separately pursue enforcement and penalty actions as provided for in Section 4(d) and Section 39-A of this Act: *Provided*, That in case of conflict on the appropriate water quality standard to be enforced such conflict shall be resolved thru the NEDA Board;

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(n) To develop water supply from ground and/or lake water resources for municipal, agricultural and industrial usages, in coordination with the National Water Resources Council created by Presidential Decree No. 424 dated March 28, 1974 or its successors in interests, and to enter into agreements with municipalities, governmental agencies and corporations and the private sector to supply, distribute and market such water;

(o) Undertake studies on the improvement and maintenance of the desirable water quality of all bodies of water under its jurisdiction and in pursuance thereof, prepare a water quality management program on a continuing basis, subject to the approval of the NEDA, which the Authority shall carry out with the assistance and support of all national and local government units involved in water quality management.

Section 7. Compensation for damages. Compensation for damages to the aquatic resources in all bodies of water under the jurisdiction of the Authority resulting from failure to meet established water and effluent quality standards or from such other wrongful act or omission of a person, private or public, juridical or otherwise, punishable under the law shall be awarded to the Authority to be earmarked for water quality control and management.

Section 8. Annual Fees. The Authority is hereby empowered to collect annual fees as provided, for the use of the lake waters and its tributaries for all beneficial purposes including recreation, municipal, industrial, agricultural, fisheries, navigation and waste disposal purposes. All the fees so collected shall be used for the management and development of the lake and its watershed areas: *Provided*, That the rates of the fees to be collected shall be subject to the approval of the President of the Philippines.

Section 9. Capitalization and Financing. The Authority shall have an authorized capital of One Hundred Million Pesos (P100,000,000) of which the amount of Fifty-One Million Pesos (P51,000,000) shall be subscribed by the national government and Forty-Nine Million Pesos (P49,000,000) shall be subscribed by cities, provinces, municipalities, government corporations and private investors; *Provided*, That at least twenty-five percent of the national government's subscription shall be fully paid: *Provided, further*, That the authorized capital stock may be increased upon the recommendation of NEDA.

The authorized capital stock of One Hundred Million pesos (P100M) shall be divided into One Million (1,000,000) Shares of stock with a par value of One hundred Pesos (P100) per share.

The shares of stock of the Authority shall be divided into (1) 700,000 common shares (voting) and (2) 300,000 preferred shares (non-voting) with such fixed rates of return as shall be determined by the Board. Of the common shares of 700,000 a minimum of 400,000 shares shall be subscribed by the national government and at least sixty per cent of the balance shall be subscribed by the City of Manila, Quezon, Caloocan, Las Pinas, Makati, Malabon, Mandaluyong, Marikina, Muntinlupa, Navotas, Paranaque, Pasay, Pasig, San Juan, Taguig, Valenzuela, the municipality of Pateros, the Provinces of Bulacan, Cavite, Laguna, Rizal, Bataan in such proportion as may be agreed upon by both provincial governments in accordance with their

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respective capacities. The remaining balance of the common shares shall be open for subscription to cities, provinces, municipalities and private investors.

Of the preferred shares of stock of 300,000 a minimum of 110,000 shares shall be subscribed by the national government. The balance of the preferred shares shall be available for subscription to cities, provinces, municipalities, government corporations, and private investors; *Provided, however*, that preferred shares shall enjoy preference with respect to distribution of dividends and assets in case of dissolution.

Section 10. *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, buy and hold shares of stock of this Authority.

Section 11. *Operating Expenses.* For the operating expenses of the Authority, the sum of Twenty Million Pesos (P20,000,000) is hereby appropriated annually for five (5) years from the general fund of the National Government not otherwise appropriated from the date of approval of this Decree.

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

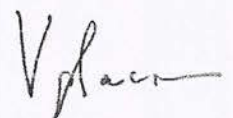
Section 12. *Power to Incur Debts and to Issue Bonds.* Whenever the Board of Directors may deem it necessary for the Authority to incur an indebtedness or to issue bonds to carry out the provisions of this Act, it shall by resolution so declare and state the purpose for which the proposed debt is to 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.

The Authority shall submit to the NEDA Board and the Monetary Board of the Central Bank for approval its proposal to incur indebtedness or to issue bonds, this shall be considered authorized upon approval of the President of the Philippines.

Section 13. *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 balanced productive and non-productive projects so that inflation shall be held to the minimum.

Section 14. *Form, rates of interest, etc. of bonds.* The Board of Directors, shall prescribe the form, the rates of interest, the denominations, maturities, negotiability, convertibility, call 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.

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Section 15. *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 corporation: *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 taxes during the tenth year, after said establishment. Such examination 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.

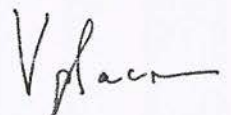
Section 16. *Sinking Fund.* A sinking fund shall be established in such manner that the total annual contribution thereto accrued at such rate of interest as may be determined by the Board of Directors as confirmed by the stockholders representing a majority of the subscribed capital stock outstanding and entitled to vote, shall be sufficient to redeem at maturity the bonds issued under this Act.

Such funds shall be under the custody of the treasurer 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 17. *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 Philippine shall succeed to all 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.

Section 18. *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.

Section 19. *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 nine (9) members, to wit: the Executive Secretary, the Secretary of Natural Resources, the Secretary of Trade and Industry, a representative from the National Capital Region, the Provinces of Bulacan, Cavite, Laguna, Rizal, Bataan, to be designated by its Provincial Board; the General Manager of the Authority to be appointed by the President of the Philippines, and a representative of the private investors, likewise to be appointed by the President of the Philippines from among a list of recommendees to be submitted by the private investors: *Provided*, That the incumbent representative of the private investors: shall continue as

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member until the President appoints his successor. The Board of Directors shall elect annually from among their members a Chairman and a Vice Chairman. There shall be a Corporate Secretary who shall be appointed the Board.

The officials next in rank to the above-mentioned member shall serve as permanent alternate members and shall attend meetings of the Board in the absence of their principals and receive the corresponding per diems.

Section 20. *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 21. *Effect 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 22. *Qualifications of Directors.* All members of the Board shall be citizens and residents of the Philippines. They shall have demonstrated executive competence and experience in the field of public administration, economic planning, resource management, or in the establishment and management of large agricultural, industrial or commercial enterprises. No person shall be nominated as member of the Board unless he be of unquestioned integrity and competence.

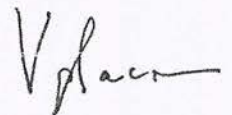
Section 23. *Prohibition against "Conflict of Interest."* No person member of the Board shall be financially interested, directly or indirectly, in any contract entered into by the Authority or in any special privileges granted by the Authority during his term of office. All contracts entered into in violation of this provision shall automatically be null and void. Any member of the Board found violating the provisions 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 24. *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 25. *Board Meetings.* The Board shall meet at least once a month. The Board shall be convoked by the Chairman or upon written request signed by a majority of the members.

Section 26. *Powers and Functions of the Board of Directors.*

- a. To formulate, prescribe, amend and repeal rules and regulations to govern the conduct of business of the Authority;

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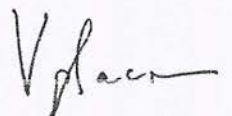
- b. To appoint and fix the compensation of all officials from division heads and above, and others of comparable rank including the Assistant General Manager upon the recommendation of the General Manager;
- c. By a majority vote of all members of the Board, to suspend, remove or otherwise discipline for just cause all officials appointed by the Board;
- d. To approve the annual and/or supplemental budgets of the Authority; and
- e. To do such other acts and perform such other functions as may be necessary to carry out the provisions of this Charter.

Section 27. *Powers and Functions of the General Manager.* The General Manager shall be the chief executive of the Authority. As such, he shall have the following powers and duties:

- a. Submit for consideration of the Board the policies and measures which he believes to be necessary to carry out the purposes and provisions of this Act;
- b. Execute and administer the policies, plans, programs and projects approved by the Board;
- c. 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.
- d. Appoint officials and employees below the rank of division heads to positions in the approved budget upon written recommendation of the division head concerned using as guide the standard set forth in the Authority's merit system;
- e. Submit quarterly reports to the Board on personnel selection, placement and training;
- f. Submit to the NEDA an annual report and such other reports as may be required, including the details of the annual and supplemental budgets of the Authority, and
- g. Perform such other functions as may be provided by law.

Section 28. *Residence.* The General Manager shall establish his residence within the region. 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.* In carrying out the activities of the Authority, the General Manager shall be assisted by an Assistant General Manager who shall have such powers, duties, and functions that may be delegated to him by the General Manager,

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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.

The Authority shall have the following divisions under the direct supervision and control of the General Manager;

- a. An Administrative Division which shall be responsible for providing services relating to personnel, training, information, records, supplies general services, equipment and security;
- b. A legal Division, to be headed by a Legal Counsel who shall represent the Authority in legal actions and proceedings. This division shall be responsible for providing staff advice and assistance on legal matters;
- c. A Finance Division which shall be responsible for providing staff advice and assistance on budgetary and financial matters, and safekeeping of corporate assets;
- d. A Project Management Division which shall be responsible for the operation of approved projects, project evaluation and management improvement matters;
- e. A Planning and Project development Division which shall be responsible for providing services relating to planning, programming, statistics and project development; and
- f. An Engineering and Construction Division which shall be responsible for providing services relating to detailed engineering plans and the construction and maintenance of project facilities.

The business and activities of each of these divisions shall be directed by an officer to be known as its division head.

The Board may create such other divisions and positions as may be deemed necessary for the efficient, economical and effective conduct of the activities of the Authority.

Section 32. Merit and Compensation 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. The recruitment, transfer, promotion and dismissal of all personnel of the authority, including temporary workers, shall be governed by such merit system: *Provided*, That the regular professional and technical personnel of the Authority shall be exempt from the coverage of the classification and compensation plans of the WAPCO and Civil Service rules and regulations: *Provided, however*, That such personnel shall be permanent instates and shall be entitled to the benefits and privileges normally accorded to government employees, such as retirement, GSIS insurance, leave and similar matters: *Provided, further*, That the Director General of the NEDA shall review and recommend the approval of the staffing pattern for

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professional and technical personnel of the Authority including modifications thereof as may be necessary for five years from the date of approval of this Decree.

Section 33. *Supervision by the NEDA.* The Authority shall be directly under the NEDA for policy and program integration.

Section 34. *Submission of Financial Statement to NEDA.* The Authority shall submit audited financial statements to NEDA within 60 days after the close of the fiscal year, and it shall continue to operate on the basis of not more than the preceding year's budget until the said financial statements shall have been submitted.

Section 35. *Management Audit by the NEDA.* The NEDA, may, at its own instance, initiate a management audit of the Authority when there is a reasonable ground to believe that the affairs of the Authority have been mismanaged. Should such audit indicate mismanagement, the NEDA shall take such appropriate measures as may be required by circumstances.

Section 36. *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 described the financial conditions and operation of the Authority. The auditor shall report and directly responsible to the Board.

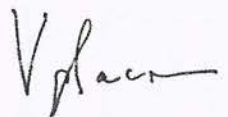
Section 37. *Penal and Civil Liability Clause.* Any person, natural or juridical, who shall violate any of the provisions of this Act or any rules or regulation promulgated by the Authority pursuant thereto shall be liable to imprisonment of not exceeding three years or to a fine not exceeding Five Thousand Pesos or both at the discretion of the Court.

If the violator be a corporation, partnership or association, the officer or officers of the organization concerned shall be liable therefor.

The authority is hereby authorized to pursue separate civil actions for damages resulting from infractions of the provisions of this Act, rules or regulations issued pursuant thereto and/or conditions embodied in the clearances or permits issued by the Authority.

Section 38. *Separability Clause.* If any provision or part of this Act is declared invalid or unconstitutional, the remaining parts or provisions not affected shall remain in full force and effect.

Section 39. *Repealing Clause.* All laws, decrees, orders, rules and regulations and other issuances or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

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Section 40. *Effectivity.* This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in any newspaper of general circulation.

Approved,