

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



HOUSE OF REPRESENTATIVES

*Introduced by Representative Rufus B. Rodriguez and
Representative Maximo B. Rodriguez, Jr.*

House Bill No. **1499**

EXPLANATORY NOTE

In the water sector, the most urgent need is probably the upgrading of the water utilities outside Metro Manila. While people in the provinces now have more and better roads, electricity, telephones, cable TV, etc., very few have piped drinking water and sewerage systems.

The main responsibility for this task lies with the Local Water Utilities Administration (LWUA). The reality, however, is that the capital requirements of the water sector are so large that the LWUA is unable to fulfill its mandate. LWUA depends on government funds, which are limited, as well as ODA funds which are likewise limited.

An alternative source of financing for water utilities is the private sector. In the case of the MWSS, the government was able to pass on all the financing burden to the private sector, together with huge responsibilities for expanding and improving the system, while lowering tariffs and significantly increasing government tax revenues through VAT and income tax.

The main difficulty in privatizing water utilities in a similar way as the case of MWSS (i.e., through a concession) is the question of financial regulation. The rules are presently vague as to whether jurisdiction lies with the LWUA, NWRB or even LGUs. Also, it requires a different set of skills to properly regulate privatized water systems and we need to develop this in order to entice foreign investments.

The main objectives of the proposed bill are to ensure universal access to water supply and sanitation services, and to encourage responsible private sector participation, fostering and prioritizing infrastructure and public works that adopt innovative solutions and international best practices to address the challenges of climate change. The bill also creates a Department of Water Resources to be the primary agency responsible for the comprehensive and integrated identification and mapping of all water resources, planning, policy formulation, and management of the ownership, appropriation, utilization, exploitation, development, sustainability and protection of water resources in the Philippines except fisheries and aquaculture.

In view of the foregoing, immediate approval of this measure is earnestly requested.


RUFUS B. RODRIGUEZ


MAXIMO B. RODRIGUEZ, JR.

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**AN ACT
ESTABLISHING THE NATIONAL FRAMEWORK FOR WATER RESOURCE
MANAGEMENT AND CREATING THE DEPARTMENT OF WATER RESOURCES AND
THE WATER REGULATORY COMMISSION, DEFINING THEIR MANDATES, POWERS
AND FUNCTIONS, AND APPROPRIATING FUNDS THEREFOR**

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

**CHAPTER I
GENERAL PROVISIONS**

SECTION 1. *Short Title.* – This Act shall be known as the “National Water Resources Act”.

SEC. 2. *Declaration of Policy.* – Access to water is a basic human right. All water belongs to the State which shall govern its development and utilization for the people.

It is hereby declared the policy of the State to ensure the provision of safe, adequate, affordable, and sustainable water supply and improved sanitation services, while maintaining the protection, preservation, and revival of the quality of the country’s water resources and ecological balance.

In pursuit of this policy, this Act shall have the principal objective of ensuring and accelerating universal access to water supply and sanitation services, in a regulatory regime that encourages responsible private sector participation, and shall foster and prioritize the establishment of infrastructure and public works that adopt innovative solutions and international best practices to address the challenges of climate change. Further, all water and water treatment infrastructure projects are hereby declared as projects imbued with national interest.

SEC. 3. *Definition of Terms.* – As used in this Act:

- (a) *Bulk water supplier* refers to any entity, natural or juridical, whether public or private, supplying or intending to supply large quantities of raw or treated water to buyers for their own consumption, such as industrial companies, or for retail distribution to consumers such as water service providers or real estate developers managing their own distribution network.
- (b) *Environmental services* refer to qualitative functions of natural non-produced assets of land, water, and air, including related ecosystems, and their biota, and which may be categorized into three basic types: (a) disposal services which reflect the functions of the natural environment as an absorptive sink for residuals; (b) productive services which reflect the economic functions of providing natural resource inputs and space for production and consumption, and (c) consumer or consumption services which provide for physiological as well as recreational and related needs of human beings.
- (c) *Flood Control* refers to methods, acts, and protocols to be observed in order to prevent and reduce the detrimental and catastrophic effects of flood waters which include sediment-laden or turbid flows, and hyper-concentrated flows or debris flows.

- (d) *Flood Risk Management (FRM)* refers to acts of defining and determining the appropriate methods, acts, and protocols aimed at preventing and reducing the risk of loss of both life and property due to flood waters. Flood risk management consists of a cycle of prevention, mitigation, adaptation, preparedness and early warning, and response and recovery. The elements of FRM include: integrating land-use planning and coastal zone management into water management; adopting a holistic approach so that FRM is part of wider risk or multi-hazard management of earthquakes, landslides, droughts, and storm surges; managing risk and uncertainty as a whole so it not only mitigates hydrological uncertainties but also social, economic and political uncertainties on account of human behavior and the cultural dimensions of FRM.
- (e) *Gender Equality* refers to the principle asserting the equality of men and women and their right to enjoy equal conditions realizing their full human-potentials to contribute to and benefit from the results of development, and with the State recognizing that all human beings are free and equal in dignity and rights.
- (f) *Infrastructure and public works* refer only to wholly or primarily water-related projects and does not include projects that do not fall within the purview of the objectives, power and duties of the Department of Water Resources created under this Act.
- (g) *Integrated Water Resource Management (IWRM)* refers to a systematic, collaborative, and multi-stakeholder process which promotes the coordinated development and management of water, land, and related resources within geophysical boundaries in order to maximize the resultant economic and social welfare in an equitable manner, and without compromising the sustainability of vital ecosystems.
- (h) *License* refers to the Water Supply or Sanitation Services Operating License that the Water Regulatory Commission is authorized to grant and issue to service providers.
- (i) *Licensee* refers to a service provider to whom a license is granted or issued by the Water Regulatory Commission.
- (j) *Missionary Water Services* refer to water supply or services to areas that have no existing safe water supply and services due to geographic limitation or absence of economic and market viability.
- (k) *National Water Resources Management Plan (NWRMP)* refers to a policy document that contains a framework to guide the development and management of all the water resources in the Philippines, the general strategies and work to be pursued to ensure the sustainability of the resource towards water security, and top-level direction on the utilization of existing water resources in line with national development plans, policies, and programs in accordance with the IWRM framework. The NWRMP shall also include a water infrastructure development program or all waters of the country as well as provide general guidance on how this shall be supported within an integrated financing framework that can draw from public, private, and international development funding sources.
- (l) *Net Waste Load* refers to the difference of the initial waste load of the abstracted water and the waste load of the final effluent discharge of an industry.
- (m) *River basin* refers to an area of land drained by a stream or body of fixed water and its tributaries which have a common outlet for surface run-off.
- (n) *River Basin Organization (RBO)* refers to a multi-stakeholder organizations which plan, coordinate, and monitor activities within a river basin cluster.
- (o) *Sanitation* refers to the provision of facilities and services for the safe management of human excreta and wastewater, from collection to containment, and storage and treatment onsite or conveyance, treatment and eventual safe end use or disposal, and includes the safe management of solid waste and animal waste.
- (p) *Sediment management* refers to control of sediment erosion and deposition in rivers, reservoirs, and coastal zones through non-structural and structural measures and control works.
- (q) *Sustainable Development Goals (SDGs) also known as the 17 Global Goals* refer to the universal call to action to end poverty, protect the planet and ensure that all people

enjoy peace and prosperity by 2030 adopted by Member States of the United Nations in 2015.

- (r) *Septage* is the liquid and solid material pumped from a septic tank, cesspool, or other primary treatment source.
- (s) *Septage Management* refers to the provision of proper collection, treatment, and disposal of septage.
- (t) *Service Area* refers to the area covered by the water distribution system, sewerage or septage management services.
- (u) *Service Provider* refers to any entity, natural or juridical, whether private or public, providing or intending to provide levels II & III water supply, including bulk water suppliers, sewerage, septage treatment, and disposal services for domestic, residential, industrial, or commercial use.
- (v) *Sewage* refers to water-borne human or animal wastes, excluding oil or oil waste, removed from residences, buildings, institutions, and industrial and commercial establishments together with such groundwater, surface water and storm water as may be present including such waste from vessels, offshore structures, other receptacles intended to receive or retain waste or other places or the combination thereof.
- (w) *Sewerage* refers to any system or network of pipelines, ditches, channels or conduits including pumping stations, lift stations and force mains, service connections including other infrastructure, devices, or appliances appurtenant thereto, which include the collection, transport, pumping and treatment of sewage to a point of disposal.
- (x) *Sewers* refer to pipes or such other works or structures which are built and constructed to carry, transport, and dispose sewage.
- (y) *Social inclusion* refers to the process of improving the terms for marginalized and disadvantaged individuals, indigenous peoples, and similar groups to take part in society.
- (z) *Tariffs* refer to amounts which may be charged by licensees for their water supply and sanitation services based on principles, standards, and guidelines established by the Water Regulatory Commission.
- (aa) *Water Demand Management (WDM)* refers to any method, whether technical, economic, administrative, financial, or social, that will accomplish one or more of the following:
 - (1) Reduce the quantity or quality of water required to accomplish a specific task;
 - (2) Adjust the nature of the task or the way it is undertaken so that it can be accomplished with less water or with lower quality water;
 - (3) Reduce the loss in quantity or quality of water as it flows from source, through use, to disposal;
 - (4) Shift the timing of use from peak to off-peak periods; and
 - (5) Increase the ability of the water system to continue to serve society during times when water is in short supply.
- (bb) *Water Districts* refer to government-owned and controlled corporations, organized under Presidential Decree (PD) No. 198, as amended, or the *Local Water Utilities Administration Law*, created primarily to acquire, install, operate, maintain, and improve water supply and distribution systems for domestic, industrial and municipal uses of residents and to provide, maintain and operate waste water collection, treatment and disposal facilities within the boundaries of the district.
- (cc) *Water pollution* refers to any alteration of the physical, chemical, biological, or radiological properties of a body of water resulting in the impairment of its purity or quality.
- (dd) *Water Resource* refers to water under the ground or groundwater, water above the ground such as surface water, run-offs, floods, storm water and urban drainage, treated wastewater, water in the atmosphere or rain water, and the waters of the sea within the territorial jurisdiction of the Philippines.
- (ee) *Water resource allocation* is the process of sharing the limited water resources between competing users. This consists of (i) determining water availability, and (ii)

determining how the water should be shared among competing users. For the purposes of this Act, resource allocation shall also mean *water resources allocation*.

- (ff) *Water Resources Regions* refer to the contiguous clusters of river basins which are grouped together according to the hydrological boundaries, physiographic features, and homogeneity in climate, whether or not they straddle different local government units, for administrative purposes under the Department of Water Resources.
- (gg) *Water Service Provider (WSP)* refers to the water district, any Local Government Unit (LGU)-run water utility, Barangay Waterworks and Sanitation Association, Rural Waterworks Sanitation Association, cooperatives engaged in water service provision, or private sector entity that provides water supply services to any given area.
- (hh) *Water supply service* refers to any activity comprising Levels I, II and III water supply including bulk suppliers, suppliers to subdivisions, and other water service providers (WSPs).

CHAPTER II THE DEPARTMENT OF WATER RESOURCES

SEC. 4. *The Department of Water Resources* – There is hereby created and established the Department of Water Resources, hereinafter referred to as the Department.

SEC. 5. *Mandate of the Department*. –The Department shall be the primary agency responsible for the comprehensive and integrated identification and mapping of all water resources, planning, policy formulation, and management of the ownership, appropriation, utilization, exploitation, development, and protection of water resources in the Philippines to ensure the optimal use thereof for domestic and municipal water supply, sanitation, irrigation, hydropower, industry, navigation, flood management, and recreation, and water utilization aspects of fisheries or aquaculture.

The Department shall also be the primary agency responsible for the planning and policy formulation towards the attainment of universal access to safe, adequate, affordable, and sustainable water supply, and improved sanitation services for all Filipinos.

The Department shall be the primary national agency to enforce PD 1067, otherwise known as *The Water Code of the Philippines*.

In the implementation of Republic Act (RA) No. 9275, otherwise known as the Philippine Clean Water Act of 2004, the Department shall be responsible for preparing, formulating and implementing a five-year plan of action for a national and a regional septage management plan, which shall contain measures for the construction of wastewater treatment facilities and provision, installation, operation and maintenance and, where practicable, the integration of sewerage, septage management, storm water management and other sanitation facilities. Compliance with the mandate to implement septage management services and systems by any WSP pursuant to the Philippine Clean Water Act of 2004 shall be reckoned within five (5) years from the date of promulgation or publication of the septage management plan formulated by the Department.

SEC. 6. *Guiding Principles*. –In the pursuit of its mandate, the Department shall be guided by the following key principles:

- (a) The concept of good water governance for water security and sufficiency shall be adopted across all levels of governance by stakeholders such as the national government, local government units (LGUs), non-government organizations, private organizations, individuals, global societal actors, and in various sectors such as water supply, irrigation, fisheries, hydropower, navigation, ecosystem services, climate change, and recreation. It shall entail publicly transparent, socially accountable, and multi-stakeholder participatory water policy planning, management, and decision-making processes;
- (b) Access to safe water supply and improved sanitation is a human right that needs to be fulfilled and protected;

- (c) Integrated Water Resource Management (IWRM) shall be adopted as the basic framework which is the coordinated development and management of water, land, and related resources within hydrological boundaries to optimize economic and social welfare without compromising the sustainability of vital ecosystems. The IWRM Framework shall include an enabling environment that utilizes proper policies, legal instruments, and institutional frameworks for effective implementation, participatory and collaborative water policy and management decisions, and management instruments for efficient use of updated and accurate data, science-based decision support systems, proper information, education, communication programs, assessment and allocation tools, or regulatory functions. It shall observe the mutual accountability mechanism among stakeholders at the national, regional, and global levels reinforcing multi-stakeholder decision-making following a framework with specific, measurable, attainable, relevant, and timely actions;
- (d) Each river basin has its unique characteristics relating to the physical, socio cultural, and other aspects, and water management shall be performed at river-basin level, involving all the stakeholders at that particular river basin.
- (e) Integrated and accurate data collection and analysis and the use of scientific decision support systems shall be undertaken in water resources management including flood modeling and warning systems that are essential for an effective, efficient, and sustainable water resources management system.
- (f) The State shall prioritize the development of surface water to ensure adequate and reliable supply of water: *Provided*, That the development of water resources shall include strategies for the mitigation of water-related hazards and climate change adaptation.
- (g) Water resources shall be fairly and sustainably managed, and water services shall be provided where they are intended and most needed.
- (h) The proper operation and maintenance of waterworks systems resulting in the uninterrupted and adequate supply and distribution of potable water for domestic and other purposes, and the proper operation and maintenance of sewerage systems which are essential services to public health and safety, are to be ensured at all times; and
- (i) The State recognizes the role of the private sector and mobilization of private resources in the development of waterworks systems through concession agreements, joint venture agreements, bulk water supply agreements, management and service agreements and other contracts for water supply provision, water sanitation and treatment services, and the development, operation and maintenance of water supply and septage management systems. The State shall encourage the private sector to provide the needed investments for programs and projects to ensure adequate water supply and promote water security.

SEC. 7. *Objectives of the Department.* – The Department shall:

- (a) Promote and adopt water demand management as a national policy to ensure that water is optimized, that water efficiency and conservation become a way of life, that the recycling and reuse of water and treated wastewater are widely practiced, that water is properly priced to encourage efficient use and conservation, and that rainwater, flood waters, and run-offs are captured or harvested, stored and treated for future use;
- (b) Prioritize and seek the immediate attainment of universal access to safe, adequate, affordable and sustainable water supply and improved sanitation services for all Filipinos, either through public programs and projects or public-private partnership or other mechanisms, in a manner consistent with the protection, preservation, and revival of the quality of the country's water resources, and to adopt all needed measures to advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature: *Provided*, That the Department shall pursue universal access to clean water by 2030;

- (c) Strengthen and coordinate integrated water resources management planning and policy making to ensure sustainable and fair allocation and efficient use of water resources among competing uses and users;
- (d) Ensure that integrated water resources management is strongly coordinated with land use and coastal and multi-hazard planning and management;
- (e) Develop sustainably, and manage water sources and water resources toward water security, taking into consideration water, land, and related resources aimed at increasing water dependability for different uses, optimizing economic benefits and social welfare without compromising the sustainability of vital environmental systems;
- (f) Strengthen and coordinate policy making and planning towards ensuring the availability of water for food security and energy security, as well as towards the protection of communities and environments against flood and other water induced hazards including sediment hazards;
- (g) Ensure that the strategy for water resources development and conservation is participatory, and that planners, policymakers, and other stakeholders, including water users, community members, indigenous and marginalized peoples, are involved at all levels;
- (h) Develop a standardized pricing framework for water use, septage and sewerage services that accounts for environmental externalities and pricing considerations such as reasonable rate of return; rate adjustment mechanisms for consumer price indices and currency fluctuations; and other factors relevant to the operation of waterworks systems and infrastructure;
- (i) Ensure that all sources of water, including surface water, groundwater, rainwater and floodwater are identified, mapped, monitored, conserved and managed for productive use and the resulting wastewater is managed properly, reused, and responsibly disposed of following approved environmental standards; and
- (j) Prioritize and provide technical and financial assistance to fourth, fifth and sixth class municipalities in the Philippines in the development of water resources and waterworks systems and provision of water and sanitation services.

SEC. 8. Powers and Functions of the Department. – The Department shall have the following powers and functions:

- I. Policymaking and Planning
 - (a) Ensure that Integrated Water Resources Management (IWRM) is adopted as the strategic framework for water management policymaking and planning in the country and coordinate the implementation, promotion, revision and enhancement of IWRM plans;
 - (b) Formulate policies, strategies, and targets in coordination with other relevant entities to meet the goals and objectives for water supply and sanitation, water quality, irrigation, hydropower, flood control, storm water utilization, and urban drainage. Such policies shall, among other guidelines, integrate the issues of water and sanitation, food security, energy, environment and flood control, and climate change;
 - (c) Formulate and develop policies to promote universal access to safe, adequate, affordable, and sustainable water supply, and improved sanitation services for all Filipinos;
 - (d) Prepare the NWRMP in consultation with other agencies and stakeholders, following the IWRM framework and integrating therein a national land use plan, submit the NWRMP to the National Economic and Development Authority (NEDA) Board for approval and eventual adoption, and regularly update, every five years or as deemed necessary by the Department, in order to ensure its relevance to the times;
 - (e) Undertake river basin survey, inventory and appraisal of water and related resources, and develop comprehensive basin-wide plans of storage, retardation, and control to maximize conservation and multipurpose use of water in the basin;

- (f) Conduct continuing hydrological and hydrometeorological surveys and studies of the country's renewable water supply, and establish, operate, and maintain observation station networks;
- (g) Formulate long-term policies to balance the sustainability and optimal multiple use of water resources, define the hydrologic boundaries of basins of the existing water supply sources, and develop or update existing River Basin Master or Comprehensive Plans which includes all aspects of water management and development such as water supply and sanitation, irrigation, flood control and storm water or urban drainage, drought risk management, water resource development systems and other public water works projects, including phasing of implementation;
- (h) Identify, based on the river basin master plans, priority packages for water infrastructure development per river basin, including water supply, sanitation, irrigation, hydropower, flood control and storm water or urban drainage, drought risk management, water resource development systems and other public works projects;
- (i) Evaluate and appraise all regional and inter-regional infrastructure water development plans and programs as to their feasibility and consistency with approved strategies and medium and long-term plans;
- (j) Formulate policy, strategies, master plans and programs on flood risk management in the context of integrated flood management (IFM) which integrates water, land, coastal zone and multi-hazard management. In integrating land use planning and water management, the Department shall harmonize and synthesize plans to enable the sharing of information between land-use planning and water management authorities. In this regard, a holistic approach shall be adopted by making the IFM a part of a wider risk or multi-hazard management system that includes earthquakes, landslides, fires, tsunamis, droughts, and other calamities of the same gravity or nature;
- (k) Strengthen and coordinate policy making and planning for flood management, integrated with storm water or urban drainage and appropriate retention or retarding basins in order to harvest and reuse water, and to plan against, prevent, and minimize the detrimental and catastrophic effects of flooding;
- (l) Assist and provide the NEDA with the required data and input from the water sector in the formulation of the country's short-term and long-term strategic development plans and actions, and recommend to the NEDA Board the adoption of general policies and guidelines for water resources development;
- (m) Review, approve, and provide oversight over all water-related development plans and programs of any agency within the context of the NWRMP, and overall national plans and programs: *Provided*, That the approval of water-related projects entered into by implementing agencies shall be governed by existing laws. Nothing in this Act shall be interpreted as adding other approval requirements for water-related government projects;
- (n) Develop and implement, in coordination with other relevant agencies, effective codes, standards, benchmarks, and reasonable guidelines on project investigation, formulation and planning of water resources infrastructure, to ensure the safety of all public and private water structures in the country, and assure efficiency and proper quality in the construction of water, sanitation, irrigation, hydropower, flood control and drainage infrastructure;
- (o) Ensure that gender equality, social inclusion, environmental protection, climate resiliency, disaster risk reduction, and indigenous knowledge systems and practices are integrated into any water resource management planning, policy making, and the design and construction of water infrastructure;
- (p) Ensure that the planning of water infrastructure considers the highest efficiency and most appropriate technology and quality, in accordance with national development objectives;
- (q) Review existing guidelines appropriate for private sector participation in the water sector and submit recommendations to the Public-Private Partnership (PPP) Center of NEDA and other concerned agencies to promote and enable more PPPs in the sector;

- (r) Gather, analyze, and organize needed statistical data and information; for those water-related data generated by other concerned agencies, establish, in coordination with these agencies, the guidelines, standards, methodologies, and protocols for data collection that will be officially recognized by the Department, and institute mechanisms for coordination with other agencies as regards their submission and certification of submitted water-related data to the Department
- (s) In case of gaps in data collection by other agencies, under item (r) above, the Department may be authorized to collect the said data in accordance with the established guidelines, standards, methodologies and protocols, and in coordination with the respective agencies: *Provided*, That both the Department and other agencies ensure that duplication of roles in data collection is prevented;
- (t) Ensure continued stakeholder engagement through the creation of a Multi-Sectoral Stakeholder Council with representatives from all water sector stakeholder sectors, including vulnerable and indigenous communities: *Provided*, That the Multi-Sectoral Stakeholder Council shall be the primary avenue for all multi-sectoral consultations mandated under this Act, and shall be consulted in the formulation of all national plans, programs, and policies of the Department: *Provided further*, That the sectoral representatives shall be appointed by the President of the Philippines, hereinafter referred to as the President;
- (u) Build a central repository of water data and effect inter-sectoral, inter-agency, and inter-departmental coordination on all aspects of data gathering and management for water resources development planning and compel the submission of statistics and data on water utilization with the aim of operationalizing the integrated approach to water resources management;
- (v) Ensure the effective implementation of all the provisions of PD 1067;
- (w) Promote Philippine participation in information sharing and education on best practices in support of international efforts to achieve universal access to safe water and improved sanitation; and the integration of water, energy, environment and food security;
- (x) Ensure that the easements provided for in Title VII, Chapter 2, Section 2 of RA 386, otherwise known as the *Civil Code of the Philippines* and other relevant laws are enforced, especially in all the esteros and waterways, as well as abate the dumping of untreated wastewater and sewage into water bodies, including all acts and omissions in violation of PD 984, also known as *National Pollution Control Decree of 1976*, as amended, and other related laws; and
- (y) Issue and promulgate rules, regulations and guidelines as may be necessary to implement and enforce its powers and functions under this Act.

II. Resource Allocation and Regulation

- (a) Manage and conserve the country's water resources to ensure the optimal use thereof for domestic water supply, sanitation, irrigation, hydropower, navigation, flood control, and recreation purposes, and enhance and maintain water quality, conserve watersheds, control water pollution, and restore the environment, without compromising the natural ecosystem functions and services;
- (b) Regulate and control the utilization, abstraction, diversion and development of water resources, taking in consideration their equitable distribution among competing demands and determine the standards of beneficial and priority uses of water in times of crisis and national emergencies;
- (c) Formulate, promulgate, and enforce rules and regulations for the development and optimum use of water resources and its administration and management, including coherent water protocols, operating rules of all existing and future water infrastructure; general criteria, methods and standards for basic data collection and project identification, formulation and planning, and appropriate sanctions to be imposed for non-compliance;

- (d) Regularly review regulations prescribed by any government agency pertaining to water use, exploitation, development, and conservation or protection of waters, water resources, and watershed or basin areas with respect to this Act;
- (e) Impose fees or charges, as may be deemed necessary for water resources development, conservation and protection, such as:
 - (1) Polluter's Fee, which shall be based on the net waste load depending on the wastewater charge formula pursuant to Section 13 of Republic Act No. 9275: *Provided*, that the implementation of which shall be transferred from the Department of Environment and Natural Resources to the Department of Water Resources
 - (2) Raw water price, which shall take into account, among others, the scarcity of water; and
 - (3) Appropriate payment structures for ecosystem services, which shall not exceed five centavos (P0.05) per cubic meter of water consumption.
- (f) Deputize LGUs to collect the national fees or charges for resource regulation within their respective jurisdictions;
- (g) Collect, regularly update, monitor, and analyze water resources data including climatology, hydrological and other water-related data and ensure that such data is easily accessible by relevant and authorized users;
- (h) Establish, operate, and maintain observation station networks and a centralized water resources data center for the scientific survey and appraisal of surface and groundwater potentials of the country, and determine the annual renewable water available per water resources region;
- (i) Maintain a database that will contain updated relevant information on water data which will be accessible by relevant and authorized users;
- (j) Develop and continuously update a computerized decision support system that incorporates data management systems relating to acquisition and database, model base in terms of physical design, planning and decision models, and user-friendly interface concerning graphical and visualization tools;
- (k) Conduct and promote special studies and research on water economics and other aspects of water resources development and management as may be needed to support the policy and plan proposals of the Department, such as, but not limited to, impacts of climate change, weather modification, flood monitoring and modeling, environmental quality, and desalination;
- (l) Raise public awareness through information, education and communications programs, and build capacities for informed participation in water resources management at the national and river-basin level; and
- (m) Review the status of water permits issued and outstanding as of the date of the effectivity of this Act and compliance by the water permit holders with the terms of their respective water permits.

If, in the determination of the Department, acting on the basis of information, records and reports submitted by any holders of such water permits, there is non-use of the water resource covered by such water permits for a period of one (1) year from the date of issuance thereof, the Department shall cause the termination or cancellation of any such water permits to the National Water Resources Allocation Board: *Provided*, That the review made by the Department shall be considered *prima facie* evidence of non-use in respect of any affected water permit. For purposes of this Section, "non-use" refers to the failure of the water permit holder to utilize the water resource or construct substantial works, facilities, systems or other infrastructure had been constructed in pursuit of or for the purpose stipulated in the water permit.

The Department shall submit a report to Congress on the completion of its review under this section within one (1) year from the effectivity of this Act.

III. Institutional Arrangement with Public Water Agencies and Organizations

- (a) Develop guidelines including rules of partnership, between and among the Department, field offices of national government agencies, LGUs and other stakeholders in water resource management, and facilitate the establishment of multi-stakeholder river basin organizations (RBOs) per river basin, and strengthen and support existing RBOs and monitor their activities;
- (b) Coordinate the planned and ongoing river basin initiatives of government agencies and corporations, to which the Department shall review and endorse approval and funding from the national budget thereof, as may be provided under existing laws, rules and regulations;
- (c) Harmonize all relevant national river basin policies and formulate new policies and create enabling policy environment that shall allow effective and efficient management and governance of the country's river basins. To this end, all concerned national government agencies and corporations shall consult with the Department in such planning and implementation;
- (d) Serve as the national policy coordination office for LGUs and non-governmental organizations in the development and sustainability of all river and catchment basins, for which the Department shall recommend the approval and funding thereof of national government agency and corporations' support to such local and nongovernment river and catchment basin initiatives;
- (e) Serve as the government's central river basin database management agency, to which all government agencies and existing river basin organizations with relevant mandates and developmental initiatives within the river basins are required to cooperate and regularly submit their updated databases for integration and consolidation;
- (f) Develop materials for capacity building and training of prospective RBOs, as well as other concerned units of the Department and other water-related agencies, LGUs, and WSPs particularly in the areas of integrated water resources management and river basin master planning;
- (g) Authorize its representatives or any deputized agent to enter any property of public dominion with prior notice and consent: and any private land, building or enclave, whether inhabited or not, for the purpose of conducting hydrologic surveys and investigations, including assessing and evaluating the conditions of water facilities installed, and determining compliance with water laws and standards;
- (h) Provide technical assistance to water users including farmers, communities, and LGUs and other WSP whether directly or in coordination with other agencies on all aspects of integrated water resources management;
- (i) Respond to consumer complaints, and ensure the adequate promotion of consumer interests;
- (j) Deputize agents, whether from the public or private sector, to assist in the performance of any of the powers and functions of the Department; and
- (k) Appoint, hire, and maintain adequate staff and personnel, advisers or consultants with suitable qualifications and experience, as necessary, subject to existing rules and regulations.

IV. Coordination

- (a) Coordinate and integrate water resources development activities of the country within the context of national plans and policies for social and economic development;
- (b) Coordinate with other government agencies, universities, academe and private professional groups in all aspects of data gathering, the conduct of special studies and research on all related aspects of water resources management and development such as climate change, environmental quality, desalination, and the development of operating strategies, procedures, and protocols and accompanying computerized decision tools for major water facilities;
- (c) Coordinate with the concerned and relevant agencies engaged in flood control, flood risk management, and drought risk management; and

- (d) Coordinate proactively with LGUs to ensure the integration of water resources development plans into their comprehensive land use plans, Comprehensive Development Plans or Provincial Physical Framework and Development Plan.

V. Other Functions

- (a) Create when there are no existing water resources or operators, water resource subsidiaries, instrumentalities, and entities to engage in water source development, water supply, water transmission, water distribution, waste water treatment and management, missionary water access, storm water management, and sanitation in accordance with existing laws, without prejudice to private entities capable of and willing to engage in the aforementioned activities through concession agreements, joint venture agreements, bulk water agreements, or service agreements or contracts. For this purpose, the Department shall ensure compliance with existing frameworks, rules, regulations and guidelines for private sector participation in water transmission, water distribution, waste water treatment and management, storm water management, and sanitation.
- (b) Enter into contracts, joint venture agreements or understanding, public-private partnerships, and memorandum of agreements or understanding, either domestic or foreign, relating to investment and financing water-related projects, under such terms and conditions as the Department may deem proper and reasonable subject to existing laws: *Provided*, That government entities with mandates to enter into contracts with private entities under existing laws shall continue to have such authority: *Provided further*, That nothing in this Act shall be interpreted as adding approval, endorsement, or consent requirements for water-related government projects; and
- (c) Exercise such other powers and functions necessary or incidental to the effective administration and management of the country's water resources.

SEC. 9. *Composition.* - The Department shall be composed of the Office of the Secretary, and the various bureaus and services, and regional offices. The Office of the Secretary shall house the Office of the Department Secretary, the Offices of the Undersecretaries, the Offices of the Assistant Secretaries, and their immediate support staff.

SEC. 10. *Secretary of the Department of Water Resources.* – The authority and responsibility for the exercise of the mandate of the Department and for the discharge of its powers and functions shall be vested in the Secretary of the Department, hereinafter referred to as the Secretary of Water Resources, who shall be appointed by the President. The Secretary of Water Resources shall:

- (a) Submit to the NEDA Board the Department's recommendations on policies on water resources requiring presidential decision, and advise the President on the promulgation of executive or administrative orders, regulations, proclamations and other issuances relative to matters under the jurisdiction of the Department;
- (b) Establish the policies and standards for the operation of the Department pursuant to the President's guidelines;
- (c) Advise the President on the status of water management and supply in the country, recommend to the President the declaration of a state calamity in areas affected by water supply, and submit proposals to restore normalcy in the affected areas;
- (d) Promulgate rules and regulations necessary to carry out the objectives, policies, and functions of the Department;
- (e) Exercise supervision and control over all bureaus and offices under the Department;
- (f) Supervise all attached agencies and corporations in accordance with law;
- (g) Represent the Department in contracts, awards, and other similar agreements;
- (h) Delegate authority for the performance of any power or function, as defined herein to officials and employees under his direction as deemed appropriate;
- (i) Act as the Chairperson of the governing board of the attached agencies of the Department;

- (j) Designate and appoint officers and employees of the Department, excluding the Undersecretaries, Assistant Secretaries, and Regional and Assistant Regional Directors, in accordance with the civil service laws, rules and regulations;
- (k) Discipline the officials and employees of the Department, including officials and employees of all the bureaus and offices under it, in accordance with civil service laws, rules, and regulations.; and
- (l) Perform such other duties and responsibilities as may be provided by law.

The Secretary of Water Resources shall also serve as a voting member of the NEDA Board, the Governing Boards of the Climate Change Commission, the National Disaster Risk Reduction and Management Council, and the National Land Use Committee .

SEC. 11. *Undersecretaries and Assistant Secretaries.* – The Secretary of Water Resources shall be assisted by not more than three (3) Undersecretaries and three (3) Assistant Secretaries, all of which shall be appointed by the President upon the recommendation of the Secretary of Water Resources: *Provided*, That at least one (1) Undersecretary and one (1) of the Assistant Secretaries shall be career officers.

The Secretary of Water Resources is hereby authorized to delineate and assign the respective functional areas of responsibility of the Undersecretaries and Assistant Secretaries in accordance with the mandate and objectives of the Department. Within their respective functional areas of responsibility, the Undersecretaries and Assistant Secretaries shall have the powers and functions as provided for in Chapter 2, Book IV of the Administrative Code of 1987.

SEC. 12. *Qualifications and Appointment.* No person shall be appointed Secretary, Undersecretary, and Assistant Secretary of the Department unless the person is a citizen and resident of the Philippines, of good moral character, of proven integrity, competence and expertise in water resource management.

SEC. 13. *Department Bureaus and Services, and Regional Offices.* – The Department shall establish, operate, and maintain the Bureaus and Services under it such as, but not limited to:

- (a) Policy and Planning Bureau;
- (b) Decision Support System Bureau;
- (c) Bureau of Technical Services;
- (d) Legal and Legislative research Service;
- (e) Internal Audit Service;
- (f) Public Affairs Service;
- (g) Administrative and Human Resources Service;
- (h) Flood Control and Drainage Coordination Service; and
- (i) Comptrollership and Financial Management Service.

A Water Resources Regional Office shall be organized per water resources region and shall be responsible for implementing the mandates, powers, and duties of the Department at the field level, except for policymaking which will be vested solely in the Department.

The Bureaus, Services and Regional Offices shall each be headed by a Director, who shall be responsible for the efficient and effective discharge of the functions of the Bureau, Service, or Office concerned. The Bureau Director and Regional Director shall be assisted by one (1) Assistant Director.

The Department shall retain existing Project Management Offices as may be required, which shall be under the supervision and control of the appropriate official determined by the Secretary of Water Resources.

SEC. 14. *Attached agencies.* - The following agencies shall be attached to the Department for purposes of policy and program coordination, monitoring, and evaluation:

- (a) The Local Water Utilities Administration (LWUA), whose mandate, powers, and functions are defined in PD 198, as amended, shall be transferred from the

Department of Environment and Natural Resources (DENR) and attached to the Department: *Provided*, That its economic regulatory functions over local water districts shall be fully absorbed by the Water Regulatory Commission created under this Act: *Provided further*, That its specialized lending functions shall be limited to the issuance of guarantees for loans of Local Water Districts from the Land Bank of the Philippines or the Development Bank of the Philippines. In the implementation of its functions, the LWUA shall:

- (1) provide technical assistance and personnel including training programs for accounting and fiscal practices of local water utilities;
- (2) monitor and evaluate local water standards; and
- (3) effect system integration, joint investment and operation, district annexation and de-annexation whenever economically warranted, in accordance with Section 49 of - PD 198, as amended by Section 22 of PD 768.

The authority of LWUA to review, approve and regulate the tariff rates of local water utilities to whom it has extended loans or other financing under Section 64 of PD 198, as amended, is hereby transferred to the Water Regulatory Commission as provided in this Act.

- (b) The Metropolitan Waterworks and Sewerage System (MWSS), whose mandate, powers, and functions are defined under RA 6234, as amended entitled, *An Act Creating the Metropolitan Waterworks and Sewerage System and Dissolving the National Waterworks and Sewerage Authority; and For Other Purposes*, shall be transferred from the DENR and attached to the Department: *Provided*, That the MWSS shall continue to facilitate the exercise by the concessionaires of their responsibility; carry out accounting and notification functions; monitor, report, and administer loans; perform related functions in connection with existing projects; manage, operate, and dispose its retained assets: *Provided further*, that its regulatory arm, the MWSS – Regulatory Office, shall be fully absorbed by the Water Regulatory Commission created under this Act.
- (c) The National Irrigation Administration (NIA), whose mandate, powers, and functions are defined under RA 3601 entitled *An Act Granting the National Irrigation Administration*, as amended by PD 552 and PD 1702;
- (d) The Laguna Lake Development Authority (LLDA), whose mandate, powers and functions are defined under RA 4850, as amended entitled, *An Act Creating the Laguna Lake Development Authority, Prescribing Its Powers, Functions and Duties, Providing Funds Therefor, and For Other Purposes* shall be transferred from the DENR and attached to the Department. The LLDA shall continue to serve as the lake management and development authority similar to a multi-stakeholder river basin organization and shall ensure the implementation of the Laguna Lake Master Plan which shall be updated by the Department to ensure alignment with the NWRMP.

The Secretary of Water Resources shall be the Chairperson of the Governing Boards of the aforementioned government-owned and controlled corporations to be attached under the Department. In case existing laws, rules and regulations provide for a specific process in appointing the agency's Chairperson, the Secretary of Water Resources shall serve as Co-Chairperson.

Any other agency performing water resources management, conservation and protection functions may be transferred to the Department as the President deems necessary.

SEC. 15. Offices, Functions and Personnel to be Completely Subsumed under the Department. – The following offices with their applicable powers, functions, personnel, funds and appropriations, records, equipment and property shall be subsumed under the Department:

- (a) The National Water Resources Board (NWRB) with its divisions and sections, whose mandate, powers and functions are provided in PD 424 creating the

National Water Resources Council, now NWRB, as amended: *Provided*, That its water utility regulation units and functions vested under Commonwealth Act No. 146, also known as the Public Service Act, as amended, shall be absorbed by the Water Regulatory Commission created under this Act: *Provided, further*, That its resource allocation or regulation units vested under PD 1067 shall be absorbed by the National Water Resources Allocation Board and the Resource Allocation Office, also created under Section 18 of this Act;

- (b) The River Basin Control Office (RBCO) of the DENR whose mandate, powers and functions are provided in Executive Order (EO) No. 510, Series of 2006 and EO 816, Series of 2009, as amended: *Provided*, That its function pertaining to watershed reforestation activities shall be transferred to the DENR-Forest Management Bureau, but the targeting of priority watershed areas shall be coordinated with the Department;
- (c) The Manila Bay Coordinating Office of the DENR which was strengthened by virtue of DENR Administrative Order 2011-01 to coordinate the efforts of the fourteen (14) national agencies covered by the Mandamus Order of the Supreme Court to rehabilitate Manila Bay;
- (d) The Water Supply and Sanitation Unit of the Department of the Interior and Local Government (DILG); and
- (e) The Water Resources Management Office of the DENR whose mandate, powers and functions are provided in EO 22, series of 2023.

SEC. 16. *Functions to be Transferred to the Department.* – The following functions of the respective agencies, bureaus, and units shall be transferred to the Department:

- (a) The planning, programming, administration, monitoring, management of the National Sewerage and Septage Management Program (NSSMP) of the Department of Public Works and Highways (DPWH); and
- (b) The following functions of the dissolved Pasig River Rehabilitation Commission and transferred to the Manila Bay Task Force per EO 93 series of 2019:
 - (1) Updating and leading in the overall implementation of the Pasig River Rehabilitation Master Plan; and
 - (2) Ensuring that the easements provided for in the Civil Code and other relevant laws are enforced, especially in all the esteros and waterways as well as abating the dumping of untreated wastewater and sewage into water systems, including all acts and omissions in violation of PD 984, as amended, and other related laws.

CHAPTER III INTERDEPARTMENTAL RELATIONS AND INSTITUTIONAL ARRANGEMENTS OF THE DEPARTMENT

SEC. 17. *Interface and Institutional Arrangements with Other Agencies.* –

- (a) The Department of Health (DOH) shall continue to have primary authority and responsibility for setting and enforcing drinking water quality standards. The Department shall coordinate with the DOH in this aspect, and shall ensure consistency of standards and targets, as well as the compliance of permittees with mandated standards;
- (b) The DENR shall continue to have primary authority and responsibility for protecting the environment and managing the country's watersheds. Further, the Pollution Adjudication Board shall remain to have jurisdiction with respect to adjudication of pollution cases based on exceedance of the DENR Effluent Standards and other acts defined as prohibited under Section 27 of RA 9275 and filed by this Department. Furthermore, the Department shall coordinate with the DENR regarding the establishment of protocols for management of all water-related data being collected by the DENR;

- (c) The Department of Energy (DOE) and the National Power Corporation shall continue to have primary authority and responsibility for establishing and operating hydropower plants, but shall ensure that hydropower plant development plans are consistent with the National Water Development and Management Plan;
- (d) The Department shall coordinate with the Department of Agriculture (DA) to ensure agricultural development that reduces long-term pollution for surface water and groundwater, and agricultural and industrial economic development that employs water efficiency, water recycling or reuse, and the appropriate treatment of wastewater. Furthermore, the Department shall coordinate with the DA and its Bureau of Soils and Water Management (BSWM) regarding the establishment of protocols for management of all water-related data being collected by DA, as well as the outputs of research and studies by BSWM which may serve as input to policy formulation by the Department;
- (e) The Department shall coordinate with the National Disaster Risk Reduction and Management Council to ensure that its plans and designs for flood control, flood risk management and drought risk management are aligned with the objectives and plans of the Department;
- (f) The Department shall coordinate with Climate Change Commission, Philippine Atmospheric, Geophysical and Astronomical Services Administration, and National Mapping and Resource Information Authority for scientific studies, integrated surveys, mapping, charting, and decision support systems;
- (g) The Department shall coordinate with the Department of Tourism on recreational or visual use of water resources;
- (h) The Department shall coordinate with the Philippine Reclamation Authority, Tourism Infrastructure and Enterprise Zone Authority and economic zone authorities on water resources development and water requirements within reclamation areas, tourism development areas, and economic zones, respectively;
- (i) The Department shall coordinate with the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM), specifically its Economic and Development Council, Disaster Risk Reduction and Management Council, and Ministry of Environment, Natural Resources and Energy, regarding the preparation of master plans of river basins that overlap with the inland waters within the BARMM's jurisdiction, and ensure the alignment of these plans with the NWRMP and the Bangsamoro Development Plan and other related regional plans of BARMM;
- (j) The Department shall coordinate with the DPWH as regards the construction of water projects including flood control and other related projects within the purview of the DPWH: *Provided*, That the flood management plans are aligned with the NWRMP, and that flood waters be considered and harnessed as potential water source: *Provider further*, That the Department shall coordinate with the DPWH regarding the establishment of protocols for management of all water-related data being collected by the DPWH and its Bureaus;
- (k) The Department shall coordinate with the LGUs that own the specific areas or land where raw water will be sourced, as regards the implementation of Section 38 of this Act, specifically on the sharing of the total income generated from raw water pricing;
- (l) The Department shall coordinate with the Department of Human Settlements and Urban Development in planning, monitoring and enforcing integrated land use and water resources management in the Comprehensive Land Use Development Plans and Zoning Ordinances of the LGUs to ensure, among others, the protection of water sources and that water availability is factored in proposed land use development plans and projects;
- (m) The Department shall coordinate with relevant government agencies, including LGUs, with respect to development projects and shall ensure cross-cutting collaboration between and among all water subsectors and facilitate inter-agency subsector coordination, strategic development, planning, monitoring and provision

- of technical, institutional and financial capacity building support to their different stakeholders at the water subsector level; and
- (n) All other departments and agencies of the government implementing water-related functions and projects shall ensure that the programs and projects are consistent with the national water management plan of the Department.

CHAPTER IV
NATIONAL WATER RESOURCES ALLOCATION BOARD
AND THE RESOURCE ALLOCATION OFFICE

SEC. 18. Reconstitution of the National Water Resources Board (NWRB) as the National Water Resources Allocation Board. – The NWRB is hereby reconstituted and shall henceforth be known as the National Water Resources Allocation Board, hereafter called the “Board”. The water resources allocation and regulation functions of the NWRB are hereby transferred to the Board, which shall supervise the effective appropriation and regulation of the water resources in the country in accordance with PD 1067.

The Board shall be composed of the Secretary of Water Resources as the Chair, with the Secretary of Environment and Natural Resources as the Vice-Chairperson, and the heads of agencies of the NEDA, Department of Justice, Department of Science and Technology, and the University of the Philippines – National Hydraulic Research Center as members.

SEC. 19. *Functions of the Board.* The Board shall perform the following functions:

- (a) Promulgate, among others, rules and regulations for the exploitation and optimum utilization of water resources, in accordance with PD 1067 and other existing laws, including the imposition on water appropriators of such fees or charges by the Department of Water Resources: *Provided*, that the imposition and collection of such fees and charges shall be implemented by the Department of Water Resources;
- (b) Approve the guidelines and processes pertaining to water regulation, as recommended by the Secretariat;
- (c) Review and decide on requests for permits to extract or utilize the country’s water resources and grant the corresponding water rights, upon recommendation of the Resource Allocation Office: *Provided*, That the water rights are exercised within five (5) years of granting of such rights: *Provided further*, that applicants for water permits shall submit proof of land ownership of, or right to use the property where the water source is located: *Provided further*, That, if the applicant is currently using the water source being applied for domestic or municipal purposes upon effectivity of this Act, such applicant may submit such proof of prior use of possession of said property in lieu of ownership or right to use;
- (d) Exercise appellate jurisdiction over decisions in cases involving the following:
 - (1) violations and disputes relating to the appropriation, utilization, exploitation, development, control, conservation and protection of waters;
 - (2) violations and disputes on raw water fees; and
 - (3) violations and disputes involving water permits, administrative allocation of water resources and transfer of water rights;
- (f) Issue *subpoena duces tecum* and *subpoena ad testificandum*;
- (g) Cite any person or party in contempt for refusal to appear, testify or comply with the lawful orders of the Board in relation to any matter subject to its investigation;
- (h) Hear, receive evidence, and decide on cases falling within its jurisdiction;
- (i) Impose the appropriate sanctions over violations committed by appropriators in accordance with existing laws, rules and regulations as well as future rules and regulations which the Board shall promulgate;
- (j) Review, update, and revise all fees, charges, and penalties imposed on all water appropriators as stated under Chapter VII and VIII of PD1067, upon

recommendation by the Secretariat, and based on scientific and evidence-based studies;

- (k) Delegate specific tasks vested unto the Board that may be undertaken by the Executive Director, as may be necessary;
- (l) Promulgate its own rules and procedures; and
- (m) Exercise such other powers as may be necessary to carry out its duties and responsibilities under this law.

No injunction may be issued by any court to restrain any proceeding before the Board except on the basis of question of law by the Supreme Court on certiorari.

Every order or decision rendered by the Board shall be in writing and shall state clearly and distinctly the facts and the law on which it is based. The Board shall decide each case or application within thirty (30) days following its formal submission for resolution. It shall publish and make available for public inspection all decisions and final orders including those in the adjudication of contested cases or applications.

SEC. 20. *Resource Allocation Office* – There is hereby created a Resource Allocation Office which shall be attached to the Department. It shall serve as Secretariat to the Board and shall exercise the following functions in order to provide technical support to the Board towards the effective regulation of the country's water resources:

- (a) Advise the Board on all matters relating to resource allocation and regulation;
- (b) Formulate rules and regulation for the exploitation and optimum utilization of surface water, groundwater, and seawater extraction and use, for the approval of the Board, and for implementation by the Resource Allocation Office, including the processes for the application of water permits, in accordance with PD 1067 and other existing laws;
- (c) Process applications of rights to utilize water resources for the appropriate, optimal and sustainable use of surface and ground water, for the approval of the Board or its Executive Director, as may be delegated by the Board;
- (d) Upon approval by the Board, issue water permits granted to water appropriators;
- (e) Monitor performance of water rights grantees including, among others, ensuring that water utilization is in accordance with the terms of the permits granted unto them;
- (f) Investigate, *motu proprio*, violations of the water rights and the Water Code;
- (g) In the case of violations and conflicts between and among users, file the necessary cases for the decision of the Board;
- (h) Enforce the decisions promulgated by the Board, and as may be delegated by the Board;
- (i) Coordinate with other relevant units of the Department regarding the generation, updating, managing, and sharing of water data relevant to each other's performance of functions;
- (j) Respond to consumer complaints, and ensure the adequate promotion of consumer interests; and
- (k) Perform such other related functions and activities which are necessary for the effective regulation of water-related services.

The Office shall be headed by an Executive Director which shall have the rank of an Undersecretary, and shall be assisted by one (1) Deputy Executive Director which shall have the rank of an Assistant Secretary.

CHAPTER V WATER REGULATORY COMMISSION

SEC. 21. *Water Regulatory Commission*. – There is hereby created and established as an independent, quasi-judicial regulatory body to be known as the Water Regulatory Commission, hereinafter referred to as the Commission, which shall be organized within one hundred eighty

(180) days after the effectivity of this Act. The Commission shall have a Board of Commissioners, and shall be vested with powers and functions, as conferred and set forth hereunder.

SEC. 22. Powers and Functions of the Commission. – The overall authority and powers of the Commission shall cover and apply to all service providers, whether private or public, providing or intending to provide water supply, including suppliers to subdivisions or other service providers, sewerage, or septage treatment and disposal services for domestic, residential, institutional, industrial or commercial use.

The Commission shall exercise the following powers and functions:

- (a) Issue and promulgate rules, regulations and guidelines as may be necessary to implement and enforce its powers and functions under this Act;
- (b) Promulgate and enforce just and reasonable technical standards, classifications and measurements of service: *Provided*, That local water districts, LGU-run and private utilities, especially level II and III water service providers found performing significantly below prescribed standards shall be required to submit a Public Service Improvement Plan with committed performance improvements with a one-year implementation timeframe: *Provided further*, That unjustifiable failure to implement provisions of, or meet commitments in, the Public Service Improvement Plan shall be cause for dissolution, consolidation, privatization, or management takeover of the local water district: *Provided, finally*, That the Commission shall have the power to cause such dissolution, consolidation, privatization, or management takeover and shall mandate the Department to implement the same;
- (c) Coordinate with the Department in the implementation of intervention, consolidation, dissolution, privatization, or takeover, and shall ensure the continuity of delivery of public service;
- (d) Coordinate with the Philippine Competition Commission and provide technical support in the Commission's exercise of authority and jurisdiction to establish rules and enforce regulations to monitor, investigate, provide remedies for, and provide inputs in the Philippine Competition Commission's hearings and deliberations on cases involving any market power abuse or anti-competitive or discriminatory act or behavior by or against any participant in the water supply and sanitation sector, excluding only those agreements involving projects that are not considered natural monopolies, including in respect of the determination of whether any merger, acquisition, joint venture or other transaction, agreement or arrangement by, between or among water service providers or any participant in the water supply and sanitation sector is anti-competitive or will substantially prevent, restrict or lessen competition in the relevant market. Without prejudice to the actions that the Philippine Competition Commission, pursuant to Republic Act No. 10667, may undertake on its own, the Water Regulatory Commission may be directed by the Philippine Competition Commission, upon finding that a market participant has engaged in, or fell victim to such act or behavior, to stop or redress the same within the functions and powers granted to the Water Regulatory Commission under this Act.
- (e) Issue licenses authorizing the operation of water supply and sanitation services, including community water services, in any specified area or areas with water supply and sanitation services in any specified area in the Philippines: *Provided*, That any license to use water resources or operate water supply and sanitation services shall be considered expired if not exercised by the licensee within five (5) years upon the date of issuance;
- (f) Impose and collect annual levies, and reasonable fees and surcharges as may be necessary for achieving the purposes, powers and functions of the Commission: *Provided*, That the rate of annual levies and fees shall be determined strictly on a partial cost recovery basis for the reasonable and actual

cost of regulation: *Provided further*, That nothing in this section shall be construed as authorizing the Commission to impose and collect *ad valorem* annual levies;

- (g) With due regard to the standardized pricing framework developed by the Department pursuant to Section 7(h) of this Act, review, determine, fix and approve, consistent with the rules, guidelines, procedures and methodologies which the Commission shall provide, proposed water and sewerage and septage management tariffs, rates and charges that licensees may impose upon their consumers. The sewerage and septage management tariffs, rates and charges may be in the form of an environmental fee based on the actual water consumption of the consumers for regular conduct of desludging and fixed fees for emergency desludging;

The Commission shall endeavor to adopt a local pricing framework, which shall provide for the minimum water, sewerage and septage management rates and allow for uniform adjustments to the consumer price index, or foreign exchange, as applicable, across one or more areas: *Provided*, That service providers may apply for adjustments to the tariff rates taking into consideration their actual and proposed expenditures in the construction, operation, and maintenance of their respective water, sewerage, and septage management systems.

All applications for the imposition or adjustment of water and sewerage and septage tariffs, rates and charges shall be acted upon by the Commission within a period of four (4) months. If the Commission fails to issue a decision or resolution within said prescribed period, the application shall be deemed approved;

- (h) Appraise and value property and equipment used by licensees in providing water supply and sanitation services and, for this purpose, develop a database for the value of the property and equipment used by the licensees in providing water supply and sanitation services by requiring each licensee to submit, on a periodic basis, an appraisal report covering such assets duly signed and sealed by an appraisal firm duly accredited by the Securities and Exchange Commission: *Provided*, That unless otherwise expressly warranted, the value of such property and equipment as determined by such independent appraisal firms shall be presumed a true and reasonable valuation thereof;
- (i) Enforce technical, financial, and other performance standards set by the Commission for licensees or utilities;
- (j) Respond to consumer complaints and ensure the adequate promotion of consumer interests and investigate *motu proprio* violations of Sections 27, 28 and 29 of this Act;
- (k) Investigate accidents directly or indirectly arising from or connected with the maintenance or operation of the service, and make such order or recommendation as the public interest may warrant;
- (l) Require the review or approval of contracts or agreements that may impact on the tariff and rates of service provision entered into by service providers upon petition or *motu proprio* wherein its determination public interest so dictates;
- (m) Require the submission of reports, plans, and other documents that define the performance targets of the licensees or utilities, and regular accomplishment reports;
- (n) Conduct benchmarking and monitor the performance of licensees or utilities under their jurisdiction, and publish reports detailing the results thereof;
- (o) Amend, modify, suspend, or revoke any license issued by them, after due notice and hearing, on any of the following grounds: (1) when the facts and circumstances on the strength of which the license was issued have been materially misrepresented or have materially changed; (2) where the licensee has failed to meet or comply with terms, conditions, and performance targets, including but not limited to service expansion, that may have targets, including but not limited to service expansions, that may have been set in the license; (3)

where the licensee is found to be manifestly inefficient in the operation of or provision of water supply and sanitation services in its area; or (4) when the licensee thereof has violated or willfully refused to comply with any order, rule or regulation of the Commission or any provision of this Act;

- (p) Appoint an interim management committee to ensure continuity of service in case a licensee, including those run by local government units, or local water districts, fails to meet the conditions of the license;
- (q) Adopt and require that books, records, and accounts be kept and maintained in accordance with the prescribed uniform accounting system;
- (r) Fix and determine, for rate-setting purposes, the proper and adequate rates of depreciation of properties and equipment used in water supply and sanitation services;
- (s) Impose and collect annual levies and reasonable fees and surcharges as may be necessary for achieving the purposes, powers and functions of the Commission;
- (t) Require the submission of reports on finances and operations, verified under oaths by the owner or president and secretary of the board of the licensee;
- (u) Determine and require the monitoring and submission of such data, statistics and other information from any or all licensees as may be necessary for the effective and efficient exercise of its duties, functions, powers and responsibilities;
- (v) Investigate, *motu proprio* or upon a written complaint, any matter concerning the operation of the service and violations of Sections 28 and 29 and other provisions of this Act, including alleged inefficient or inappropriate performance of obligations by water service providers, and, after due process, render decisions thereon within one (1) year;
- (w) Impose penalties and fines against any licensee or against its owners, directors, officers, agents or representatives for any violation of this Act or of the license, order, rule regulation or requirement issued by the Commission;
- (x) Require any licensee to pay the actual expenses incurred by the Commission in any investigation if it shall be found that a licensee violated any provision of this Act or of the license, order, rule, regulation or requirement issued by the Commission;
- (y) Advise, apprise and coordinate with other relevant agencies of the national or local government on any matter relating to water supply and sanitation services;
- (z) Deputize agents, whether from the public or private sector, to assist in the performance of any of the powers and functions of the Commission;
- (aa) Appoint an interim or temporary management committee upon appeal and after due hearing, to ensure continuity of service in case a licensee, including those run by local government units, or local water districts, fails to meet conditions of the license;
- (bb) Appoint, hire and maintain adequate staff and personnel, advisers, or consultants, with suitable qualifications and experience, as necessary;
- (cc) Exercise original and exclusive jurisdiction over all cases involving disputes between and among participants or stakeholders in the water supply and sanitation services;
- (dd) Issue rules and regulations on terms and conditions prescribing minimum and mandatory terms for concession agreements, joint venture agreements, management agreements, service contracts or other contractual arrangements that may be entered into by government entities including local water utilities and local government units and private sector entities or other water service providers for the provision of water or sanitation services, such as the (i) the term, scope and total cost of the activity, which may be subdivided into phases; (ii) committed contributions and corresponding performance security requirements in accordance with any agreed phased implementation of the activity; and (iii) cost

recovery schemes and percentage of the parties' share in the profits and losses, among others;

- (ee) Upon the recommendation of the Department, and after due notice and hearing, terminate or cancel water permits issued and outstanding as of the date of the effectivity of this Act to any government or private sector entities to ensure optimal and efficient use of water resources. The Commission shall principally rely on the *prima facie* findings of the Department, acting on the basis of information, records and reports submitted by any holders of such water permits as of the effectivity date of this Act, that the water resource covered by such water permits have not been substantially utilized or no substantial water works facilities, systems or other infrastructure has been constructed in pursuit thereof, in each case, for a period one (1) year from the date of issuance thereof, or if the water is used, totally or partially, for any purpose other than those approved in the water permit. The Commission shall decide on the recommendation for the Department within six (6) months from receipt of the recommendation. The Commission by itself may exercise this function;
- (ff) Issue rules, guidelines, procedures, and methodologies for the determination of the appropriate water and sewerage and septage management tariffs, rates and charges and review and confirm such tariffs;
- (gg) Issue rules, guidelines, procedures and methodologies for the computation of any adjustment of any approved water and sewerage and septage management tariffs, rates and charges based on the prevailing consumer price index or foreign exchange adjustments set by the appropriate national government agency, or any other factors customary in the water or sanitation industries which require adjustment or rebasing of the tariffs, which adjustment shall be implemented automatically subject to a thirty (30) day prior written notice to the Commission;
- (hh) Determine the existence of any material adverse government action which has a material and adverse effect on any of the rights and privileges of, or on the enjoyment or exercise thereof by the licensees, or which has a material and adverse effect on the licensees' ability to comply with their financial or other contractual obligations to provide water or sanitation services, and determine the appropriate remedial measures therefor, which may include compensation or extension of permits or licenses; and
- (ii) Perform such other incidental powers and functions as may be necessary to attain the objectives of this Act.

SEC. 23. *Composition of the Commission.* –

- (a) The Commission shall be a collegial body composed of five (5) full-time members consisting of a Chairperson and four (4) members, who shall all be appointed by the President. All members of the Commission must be citizens and residents of the Philippines, at least thirty five (35) years of age, and of good moral character, of recognized integrity and competence in the field of law, business, commerce, finance, accounting or public administration, water or utility economics, management, physical or engineering services, hydrology and other related services, with at least three (3) years of actual and distinguished experience in their respective fields of expertise: *Provided*, That out of the four (4) members of the Commission, at least one (1) shall be a member of the Philippine Bar with at least ten (10) years of experience in the active practice of law, at least one (1) shall be a certified public accountant with at least ten (10) years of experience in active practice, and at least one (1) shall be a licensed engineer with experience in the water sector.
- (b) The term of office of each member of the Commission shall be seven (7) years: *Provided*, That among the members first appointed, the Chairperson shall serve for a period of seven (7) years, two (2) members shall serve for five (5) years and the other two (2) members shall serve for three (3) years: *Provided further*,

That any member whose term has expired as specified herein shall serve as such until a successor shall have been appointed and qualified: *Provided furthermore*, That any appointment to fill a vacancy in the Commission arising from death, removal, retirement or resignation shall be made only for the unexpired term: *Provided finally*, That in no case shall any member serve for more than seven (7) years in the Commission.

- (c) The Commission shall meet as often as may be necessary on such day or days as the Chairperson may fix. The presence of at least three (3) members of the Commission shall constitute a quorum, which shall be necessary for the transaction of any business. The affirmative vote of majority of the members of the Commission where a quorum is present shall be necessary for the adoption of any order, resolution, decisions, or other act of the Commission in the exercise of its quasi-judicial functions: *Provided*, That in promulgating rules, regulations, guidelines and in exercising its quasi-legislative functions, an affirmative vote of three (3) members shall be required.
- (d) The Chairperson of the Commission shall exercise general executive control and supervision over the Commission and its members, staff and personnel, agents and representatives. Within three (3) months from the creation of the Commission and the appointment of all Members of the Commission, the Chairperson shall determine and establish the organizational structure and *plantilla* positions necessary to carry out the powers and functions of the Commission subject to the review and approval of the Department of Budget and Management (DBM).
The *plantilla* positions of the Commission shall be filled by regular appointments in accordance with Civil Service laws, rules, and regulations. Members of the Commission shall enjoy security of tenure and shall not be suspended or removed from office except for just cause as specified by law.
- (e) The Chairperson and members of the Commission or any of their relatives within the fourth civil degree of consanguinity or affinity, legitimate or common law, shall be prohibited from holding any interest whatsoever, either as investor, stockholder, officer or director, in any company or entity engaged in provision of water supply and distribution, septage management and sewerage services and must, therefore, divest through sale or legal disposition of any and all interests in the water sector upon assumption to office.

SEC. 24. Secretariat of the Commission. – The Commission shall establish a Secretariat which shall provide the Commission with technical and support services including the following:

- (a) Provide the necessary technical inputs and secretariat support to the Commission to facilitate the conduct of its functions;
- (b) Maintain a database on the water supply and sanitation subsector; and
- (c) Coordinate with other relevant agencies of the national or local government on any matter relating to water supply and sanitation.

SEC. 25. Executive Director. – The Commission shall appoint an Executive Director who shall head the Commission Secretariat, keep and maintain the official records of the Commission, render a report on the proceedings of the Commission, and administer oaths in all matters falling within the jurisdiction of the Commission.

The Executive Director shall be responsible for the effective implementation of the policies, plans, programs, rules, regulations and directives of the Commission; coordinate and supervise the activities of the different operating units under the Commission; and perform such functions as may be assigned by the Chairperson or other members of the Commission.

SEC. 26. Compensation and Other Emoluments. – The compensation of the members of the Commission and its staff shall conform to the provisions of RA 6758, as amended, otherwise

known as the *Compensation and Position Classification Act of 1989*, as amended, and other relevant laws.

CHAPTER VI REGISTRATION AND LICENSING

SEC. 27. *Registration and Licensing of All Water Supply and Sanitation Services.* – All water supply and sanitation service providers, including bulk water suppliers and those providing services to subdivisions and other service providers, shall register with the Commission and, subject to its rules, guidelines, procedures and other issuances of the Commission, obtain a license to operate from the appropriate regulatory units: *Provided*, That the Commission shall act on the application for the issuance or the conversion of such licenses and renewals thereof within the maximum period of one (1) year as provided under this Act or by RA 11032, otherwise known as the *Ease of Doing Business and Efficient Government Service Delivery Act of 2018*.

The Commission shall ensure that the grant and revocation of licenses are carried out fairly, transparently, and without discrimination. Issuances of the Commission shall specify, among others, the qualifications, requirements, and procedure for the grant and revocation of licenses including the standards and performance targets that shall continuously be complied with to keep the licenses valid. Unless otherwise provided in this Act or by the Commission, no public water supply and sanitation service provider shall commence or conduct the business of providing water supply and sanitation services without first obtaining a license. Concession agreements and other contracts for water supply provision and water sanitation and treatment services currently existing shall remain valid and enforceable unless otherwise terminated, after due notice and hearing for reasons provided in the existing terms and conditions under the concession or service agreement or contract, or when invalidated by the Commission, after due notice and hearing, where national security, national emergency or public interest so dictates.

Concession agreements, joint venture agreement, bulk water supply agreements, management and service agreements, and other contracts for water supply provision and water sanitation and treatment services currently existing shall remain valid and enforceable unless otherwise terminated, after due notice and hearing for reasons provided in the existing terms and conditions under the concession or service agreement or contract, or when invalidated by the Commission, after due notice and hearing, where national security, national emergency or public interest so dictates. Until the issuance of new or converted or updated registrations, licenses or permits, as contemplated under this Act, such existing concession agreements, joint venture agreements, bulk water supply agreements, management and service agreements and other contracts for water supply provision or water sanitation treatment services shall serve as the license or other legal basis for the authority to engage in water supply or sanitation services during the term thereof.

SEC 28. *Conditions of License.* – The Commission may impose such conditions on the licensee as it may deem necessary, such as:

- (a) Tariffs, rates and charges that may be imposed from its customers or consumers;
- (b) Term fixing the duration of the privilege;
- (c) Grounds for modification, suspension or cancellation of the License;
- (d) Minimum technical performance and service level standards;
- (e) Expansion targets and service level improvements over time;
- (f) Restrictions or conditions for transferability of the business or controlling interest in the business;
- (g) Reportorial requirements and obligations of the grantee; and
- (h) Submission to annual performance audit by the Commission or its duly authorized representative(s).

The Commission shall specify the requirements and procedure for existing holders of a Certificate of Public Convenience (CPC), Certificates of Public Convenience and Necessity

(CPCN) issued by NWRB, or CoC issued by LWUA, to convert their existing certificates into licenses to operate in accordance with Sec. 27 hereof.

To ensure continuity of water and sanitation services, a CPC, CPCN, provisional authority or a CoC issued by NWRB or the LWUA prior to the effectivity of this Act shall remain valid for a period of five (5) years counted from the later of the date of issuance thereof or the date of effectivity of the implementing rules and regulations duly issued by the Commission for the conversion thereof into licenses to operate in accordance with this Act.

All local water utilities, existing water service providers or holders of CPCN or CoC shall be duly prioritized in the issuance of the licenses to operate over the areas where they currently operate or as may be covered by their franchises. The submission of the CPC, CPCN, provisional authority, or the CoC issued by the NWRB or LWUA shall be sufficient basis for the issuance of the new and converted or updated licenses to operate required and contemplated under this Act. To ensure continuity of service, the Commission shall complete the issuance of such converted or updated licenses not later than six (6) months from the effectivity of the implementing rules and regulations issued by the Commission pursuant to this Act.

All existing providers of water supply and sanitation services without a legal and valid CPC, CPCN, provisional authority or CoC shall register with the Commission for a license within six (6) months from the effectivity of this Act.

SEC. 29. *Rights and Duties of Licensees.* –

- (a) Any person granted a license under this Act shall have the obligation to ensure that licensed activities are conducted to further public interest and, in particular:
 - (1) Foster the maintenance and development of efficient, coordinated, and viable operation of their licensed activities;
 - (2) Ensure that their water supply and sanitation services are provided in a diligent, conscientious and workman like manner, in accordance with applicable laws, rules, and regulations issued by the Commission and the generally accepted standards and practices of the water supply and sanitation industry; and
 - (3) Comply with drinking water quality requirements and standards that may be established by the Commission, and the DOH.
- (b) Any person granted a license under this Act shall, to the extent allowed by law and specified in the license, has the right to acquire or lease land, lay or repair water or sanitation main lines and other relevant facilities in public ways to fulfill the terms and conditions under the license.
- (c) Subject to any condition or limitation laid down in the license, a licensee may discontinue water supply and sanitation services to a customer if such customer defaults in the payment of fees due to the licensee for the water supplied or sanitation services provided, or for acts of pilferage pursuant to Sections 8, 9, 10, and 11 of RA 8041, otherwise known as the *Water Crisis Act of 1995*.
- (d) Any license issued under this Act shall contain provisions designed to ensure that licensees:
 - (1) Publish the tariff and other charges approved by and the terms and conditions imposed by the Commission for the provision of water supply and sanitation services;
 - (2) Prepare, within three (3) months from the issuance of a license, in consultation with its customers, a Customer Service Code specifying the manner and procedure for: (a) metering, billing, and collection of the licensee's approved tariff and other charges, (b) disconnection or suspension of service in case of non-payment of tariffs or other charges, or acts of pilferage, and (c) recommendation and recovery of arrears in tariffs and other charges;
 - (3) Maintain financial accounts in accordance with the manner and procedure specified in the license and as may be required by the Commission; and

- (4) Maintain and upon request by anyone during regular office hours, promptly make available for scrutiny and inspection such data, statistics and other information, as may be required by the Commission.

SEC. 30. *Setting Tariffs, Rates, and Other Charges.* – With due regard to the standardized pricing framework developed by the Department pursuant to Section 7(h) of this Act, the Commission shall establish tariffs, rates and other charges which are fair and reasonable, and ensure economic viability and a fair return on investments.

Service providers may apply for the setting of tariffs, rates and charges based on and consistent with a rate- setting methodology that the Commission shall, after due consultation, define and publish, taking into account the following, among others:

- (a) Reasonable and prudent capital and recurrent costs of providing the service including a reasonable rate of return on capital;
- (b) Efficiency of the service;
- (c) Incentives for enhancement of efficiency;
- (d) Capacity to pay of the customers/consumers;
- (e) Equity considerations;
- (f) Administrative simplicity;
- (g) In cases involving valid and subsisting concession agreements prior to the enactment of this Act, the methodology provided under the Concession Agreement;
- (h) Compliance with obligations as set out under pertinent laws, jurisprudence, and, in cases involving valid and subsisting concession agreements prior to the enactment of this Act, the provisions of the Concession Agreement; and
- (i) To the fullest extent practicable, the terms and conditions of the tariffs, rates or other price-setting mechanisms set forth in any concession agreement, joint venture agreement or other similar agreement for the provision of water or sanitation services by an existing service provider.

Tariffs, rates and charges set shall be presumed valid and reasonable unless invalidated by the Commission, after due notice and hearing, acting on a protest or contest duly filed with the Commission to ensure continuity of service, application for setting of tariffs, rates and other charges shall be decided within a non-extendible period of ninety (90) days from the date of filing thereof, and the failure of the Commission to act on any such applications shall result in a provisional approval: *Provided*, That in no case shall proceedings on any applications for the setting of tariffs, rates and other charges exceed to a total period of one hundred twenty (120) days reckoned from the date of filing of the application.

SEC. 31. *Direct Access.* – Fifty-one (51) percent of the registered water consumers in a service area, municipality, city or province may petition for direct access to water from any water service provider subject to concurrence by and reasonable compensation to the service provider and approval by the Commission. If the petition for direct access from any water service provider is approved by the Commission, the new water service provider shall reimburse the existing service provider for, as applicable, either the book value or the market value as determined by an independent appraiser accredited by the Commission, whichever is higher, of the water source, water supply or water distribution or transmission facilities, pipelines and other equipment which shall be transferred to or utilized by the new water service provider. The Commission shall promulgate the implementing rules and procedures for this mode of service, which shall include, among others, financial and technical capability of the new service provider.

SEC. 32. *Innovative Schemes to Improve Efficiency and Management of Systems.* – The Commission shall promote innovative schemes such as the consolidation or integration of water supply and sanitation services, or providers in the same service area, where it shall result in improved efficiency, service expansion and lower costs. To this end, the Commission shall establish and issue such rules and guidelines as may be necessary to (a) create

incentives to encourage efficiency and service expansion; (b) establish the standards and targets that service providers are required to meet; and (c) define the fines and penalties that shall be imposed for failure to meet such standards and targets.

CHAPTER VII QUASI-JUDICIAL FUNCTIONS OF THE COMMISSION

SEC. 33. *Proceedings Before the Commission.* – For the purpose of any investigation, inquiry or proceeding, the Commission shall:

- (a) Issue *subpoena duces tecum* and *subpoena ad testificandum*;
- (b) Appoint hearing officers to hear and receive evidence on behalf of the Commission;
- (c) Cite any person or party for contempt for refusal to appear, testify, or comply with an order of the Commission on any matter that is the subject of investigation, inquiry or proceeding before the Commission.

SEC. 34. *Orders and Decisions of the Commission.* – Any order, resolution, or decisions of the Commission shall be promulgated promptly, expeditiously, reasonably, and in writing, and shall state clearly and distinctly the facts and law on which it is based. The Commission shall publish and make available for public inspection, all decisions and final orders in the adjudication of contested cases or applications.

SEC. 35. *Appeals Procedure and Prohibition Against Injunction.* –

- (a) The orders, rulings, and decisions of the Commission are final and executory unless appealed to the Court of Appeals within fifteen (15) days from receipt of notice of such order, ruling or decision: *Provided*, That orders, rulings, and decisions of the Commission approving tariffs, shall be immediately executory and may be suspended only upon appeal and filing of a bond, in an amount to be fixed by the Commission, to answer for damages occasioned by the suspension or stay of execution of such orders, rulings, and decisions.
- (b) No injunction may be issued by any court or administrative agency to restrain any proceeding before, or the implementation or execution of any order, ruling, or decision of the Commission, except on the basis of a question of law brought before the Supreme Court on *certiorari*.
- (c) Any act or decision of the Commission shall not be invalidated merely because of a defect or irregularity in, or in connection with, the appointment or vacancy in the Office of the Chairperson or any other member of the Commission.

CHAPTER VIII INTERDEPARTMENTAL RELATIONS OF THE COMMISSION

SEC. 36. *Interface with Other Sector Regulators.* –

- (a) The DENR shall continue to exercise primary jurisdiction over programs aimed at protecting the environment and the quality of water sources from waste and pollution, and shall promulgate rules, regulations, and standards in this regard. The DOH shall continue to exercise primary jurisdiction over the determination and enforcement of standards for quality drinking water and sanitation.
- (b) The Commission shall coordinate with the:
 - (1) DOH to ensure that the standards and targets for quality drinking water and sanitation are consistently complied with; and
 - (2) LGUs for development projects relating to water supply and sanitation.
 - (3) PCC for the provision of its technical advisory services in the exercise of the exclusive authority and jurisdiction of the Commission to investigate and act on any market power abuse or anti-competitive or discriminatory act or

behavior by or against any participant in the water supply and sanitation sector.

CHAPTER IX TRANSITORY PROVISIONS

SEC. 37. *Organizational Structure and Staffing Pattern.* – The Secretary of the Department and the Chairperson of the Commission shall determine the respective organizational structure and staffing pattern of the Department and the Commission in accordance with the revised compensation and position classification system subject to the evaluation and approval of the Department and Budget Management and in compliance with the civil service laws, rules and regulations and other relevant laws.

SEC. 38. *Transfer of Rights and Functions.* – The Department shall, by virtue of this Act be subrogated to all the rights and assume all the functions of the government agencies and units whose powers and functions have been subsumed, absorbed, transferred or attached to the Department. The Commission shall also, by virtue of this Act, be subrogated to all the rights, and assume all the functions, of the Water Utilities Division of the NWRB, the regulatory offices of MWSS and LWUA, the regulatory units of all special economic zones, and all other government agencies and units whose powers and functions have been transferred to the Commission in accordance with the rules and regulations of the Civil Service Commission (CSC).

The transfer of powers and functions to the Department or the Commission of the concerned agencies as herein provided for, shall be deemed completed within twelve (12) months after the effectivity of this Act. All agencies transferred, subsumed and attached to the Department or Commission shall continue to function under their present mandates until the six-month transition period mandated under this Act shall have lapsed. The transfer of powers and functions shall include all applicable funds, personnel, records, property and equipment, as may be necessary. The heads of the affected agencies shall continue to serve until replaced.

All rights and functions of the affected agencies are hereby transferred to and assumed by the Department or Commission and shall be acted upon in accordance with the rules and regulations of the Commission on Audit and other pertinent laws, rules, and regulations.

Performance audit of all water-related agencies and institutions, including LWUA and water districts, MWSS, MWSS-RO and its concessionaires, LGU- run utilities, Tourism Infrastructure and Enterprise Zone Authority, Philippine Economic Zone Authority, Bases Conversion and Development Authority, Subic Bay Metropolitan Authority, DILG, and NIA, shall be conducted by the Department.

SEC. 39. *Absorption, Separation or Retirement from Service of Employees of the Subrogated Agencies.* – The current employees of all government agencies and units whose powers and functions have been transferred to, absorbed or subsumed by the Department or Commission shall enjoy security of tenure, in accordance with their staffing pattern and the selection process as prescribed under RA 6656 or the *Government Reorganization Law*. Employees opting to be separated from the service as a consequence of the consolidation, and reconstitution under the provisions of this Act shall, within one (1) month from their separation or phase out from the service, receive separation benefits in accordance with existing laws, and those who are qualified to retire shall be allowed to retire and be entitled to all benefits under existing retirement laws.

CHAPTER X FINAL PROVISIONS

SEC. 40. *Applicability of Ease of Doing Business Law.* – The prescribed processing time provided under Section 9.b of RA 11032, shall be applicable to all agencies and LGUs covered under this Act particularly on accessing government services.

SEC. 41. *Appropriations.* – The amount necessary for the initial implementation of this Act shall be charged against the current year's appropriations of the agencies, entities, divisions, sections or units subsumed or transferred to the Department. Thereafter, such amount shall be included in the annual General Appropriations Act.

SEC. 42. *Water Trust Fund.* – There is hereby created a Water Trust Fund in the Bureau of Treasury sourced from raw water pricing, permit fees, registration fees, supervision and regulation enforcement fees, filing fees, testing fees, payments for ecosystem services, and other service income from the use of water resources. The Trust Fund shall be administered by the Department. The annual levies, and reasonable fees and surcharges as may be necessary for achieving the purposes, powers and function of the Commission under Section 22 (f) of this Act shall also be remitted to the Water Trust Fund. Proceeds from the trust fund shall be utilized for water development, water sanitation and waste water treatment and management, and water sustainability programs and projects authorized under this Act: *Provided*, That a maximum of ten percent (10%) of the total proceeds generated from raw water extraction and all payments for ecosystem services shall be given as share of the concerned local government unit or indigenous peoples (IP) community who own the specific areas or land where the raw water was sourced: *Provided further*, That the Department shall prescribe standards for programs and projects where proceeds from payments for ecosystem services shall be utilized.

SEC. 43. *Implementing Rules and Regulations.* – Upon the effectivity of this Act, the Department and the Commission, as may be applicable, as well as NEDA, DBM, DENR, CSC, and the National Commission on Indigenous Peoples in consultation with concerned government agencies shall:

- (a) Promulgate the rules and regulations of the Department and the Commission necessary for the effective implementation of this Act within one hundred twenty (120) days after its effectivity; and
- (b) Submit to the DBM the Department's and the Commission's budget for fiscal year following the promulgation of its implementing rules and regulations; and implement the training of the personnel of the Department and the Commission.

SEC. 44. *Mandatory Review of the Implementation of this Act.* - The Department and the Commission shall conduct a review of the implementation of this Act at the end of the fifth (5th) year from the date of its effectivity and submit a report to Congress.

SEC. 45. *Separability Clause.* – If any reason, any portion or provision of this Act shall be held unconstitutional or invalid, the remaining provisions not affected thereby shall continue to be in full force and effect.

SEC. 46. *Repealing Clause.* –

- (a) The following provisions are hereby repealed:
 - 1) Section 3 (h) and Section 12 on the provision with respect to fixing of water rates and sanitation service fees, Section 3 (n) on the provision with respect to regulation of waterworks and deep wells, and Section 3 (p) on the provision with respect to regulation of waterworks and sanitation systems in privately owned subdivisions of RA 6234 entitled, *An Act Creating The Metropolitan Waterworks And Sewerage System And Dissolving The National Waterworks And Sewerage Authority, And For Other Purposes*, as amended.
 - 2) Section 62, 63, and 66 of Title III on Local Water Utilities Administration Law of Presidential Decree No. 198 otherwise known as the *Provincial Water Utilities Act of 1973*, as amended by Letter of Instruction No. 700, series of 1978, Letter of Instruction No. 744, series of 1978, EO 124, series of 1987, EO 123, series of 2002, and- EO 860, series of 2010, on the regulation of water districts.

- 3) Section 1 of EO 124-A series of 1987, amending EO 124, dated 30 January 1987, *Reorganizing the Department of Public Works and Highways, Redefining Its Powers and Functions, and For Other Purposes* on reorganizing the National Water Resources Council into the National Water Resources Board.
 - 4) EO 510 series of 2006 creating the RBCO, and EO 516 series of 2009 declaring the RBCO under the DENR as lead government agency for the integrated planning, management, rehabilitation, and development of the country's river basins.
 - 5) EO 22, series of 2023 creating the Water Resources Management Office of the DENR.
- (b) The following provisions are hereby amended accordingly:
- 1) Section 3 paragraph 3 Commonwealth Act No. 146, as amended, pertaining to all cases involving the fixing of rates;
 - 2) Section 154, Article V, Chapter I, Title One, Book II of RA 7160, as amended, otherwise known as the "*Local Government Code of 1991*", and its implementing rules and regulations on the power of the LGUs to fix the rates of water utilities owned, operated and maintained by them within their jurisdiction is hereby repealed or modified accordingly.
 - 3) Section 13 (b) on the regulation of enterprises within the Economic Zone under RA 7916 as amended, otherwise known as "*The Special Economic Zone Act of 1995*";
 - 4) Section 69 of RA 9593 otherwise known as "*The Tourism Act of 2009*" and its implementing rules and regulations which mandate the Tourism Infrastructure and Enterprise Zone Authority to grant franchises, supervise the operation of public utilities, and register, monitor and regulate enterprises within Tourism Enterprise Zones, are hereby repealed or modified accordingly;
 - 5) Sections 7 of RA 9275, transferring the administration of the NSSMP from the DPWH to the Department;
 - 6) Articles 3(d) and Chapters VII and VIII of PD 1067 pertaining to the enforcement of the Water Code;
 - 7) Section 15 (Conditions in Permits) of the Implementing Rules and Regulations (IRR) of PD 1067;
 - 8) Section 3.2(b) EO 149, Series of 1993 transferring the Laguna Lake Development Authority from the Office of the President to the DENR; and
 - 9) EO 168, Series of 2022, which transferred the National Irrigation Administration from the Office of the President to the DA;

All other laws, presidential decrees, executive orders, presidential proclamations, rules and regulations, or parts thereof which are inconsistent with the provisions of this Act are hereby repealed or amended accordingly.

SEC. 47. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,