

**[ EXECUTIVE ORDER NO. 577, January 12, 1980 ]**

**CREATING THE RURAL WATERWORKS DEVELOPMENT CORPORATION, PRESCRIBING ITS POWERS AND ACTIVITIES, APPROPRIATING THE NECESSARY FUNDS THEREFOR, AND FOR OTHER PURPOSES**

WHEREAS, it is a declared policy of the State to provide a complete coverage of water supply services for the whole country;

WHEREAS, the provision of water supply in Metropolitan Manila and in the larger municipalities and cities has been assigned to the Metropolitan Waterworks and Sewerage System (MWSS) and the Local Water Utilities Administration (LWUA), respectively;

WHEREAS, the other areas not covered by the MWSS and the LWUA are predominantly rural areas and the efforts of providing the water supply needs of the residents therein are fragmented among many different agencies; and

WHEREAS, under Presidential Decree No. 1416, the President is empowered to undertake such organizational and related improvements as may be appropriate in the light of changing circumstances and new developments;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and the authority vested in me by Presidential Decree No. 1416, do hereby order and ordain:

CHAPTER I

DECLARATION OF POLICY; CREATION OF RWDC

SECTION 1. Declaration of Policy. – It is hereby declared to be the policy of the State to pursue in an orderly and vigorous manner the attainment of complete coverage of water supply services for the whole country. Complete coverage cannot be achieved unless service to the urban and densely populated areas is combined with service to the thinly settled rural areas. The rationalization of the water supply sector structure, shall, therefore, be pursued in accordance with the following strategies:

a) The National Water Resources Council shall be responsible for formulating policies and framework plans for water supply. Consistent with these policies and framework plans, the Ministry of Public Works shall be responsible for developing integrated national water supply plans and programs covering all sectors and agencies concerned;

b) The MWSS shall concentrate its operations in Metropolitan Manila and such contiguous areas as may be added to its area of jurisdiction in accordance with the provisions of its charter;

c) The LWUA shall promote water districts in cities and municipalities with a population of at least 20,000 each; and

d) A separate and permanent institution shall handle the rural water supply sector and areas not serviced by the abovementioned agencies.

To attain the objectives of water supply service coverage of rural areas, the Government shall encourage self-help and self-reliant water supply projects and promote the organization of non-profit, non-stock rural waterworks associations, or cooperatives hereinafter to be referred to as RWA's.

The heavy financial burdens that RWA's must sustain to become effectively established and operationally stable indispensably necessitate every tenable support and assistance by the National Government, its instrumentalities and agencies to the fullest extent possible.

SEC. 2. Creation of Rural Waterworks Development Corporation. To implement the foregoing policy, there is hereby created a public corporation to be known as the Rural Waterworks Development Corporation hereinafter referred to as the Corporation, which shall be primarily responsible for the formation of RWA's that will construct, operate and maintain water supply systems in the rural areas. It shall likewise, provide technical, institutional and financial assistance to the RWA's. The Corporation shall be directly under the Office of the President.

SEC. 3. Relationship with the Ministry of Public Works. – The Ministry of Public Works shall serve as the principal implementing agency of the Corporation for engineering and construction of water supply projects.

### CORPORATE POWERS

SEC. 4. General Powers. – The Corporation shall have the following general powers:

a) To have continuous succession under its corporate name until otherwise provided by law;

b) To adopt, amend and/or repeal its by-laws;

c) To adopt and use a seal and alter it at its pleasure;

d) To sue and be sued;

e) To enter into relevant contracts of every name and nature and to execute all pertinent instruments for their execution and implementation;

f) To borrow funds from any source, private or public, foreign or domestic, and to issue bonds and other evidence of indebtedness, the payment of which shall be guaranteed by the National Government;

g) To receive, take and hold by bequest, devise, gift, purchase or lease, either absolutely or in trust for any of its purposes, from foreign and domestic sources, any asset, grant or property, real or personal, subject to such limitations as are provided in existing laws and regulations; and to convey such assets, grants or properties; invest and reinvest the same under this provision and deal with and expand its assets and income in such manner as will best promote its objectives;

- h) To exercise the right of eminent domain whenever the Corporation deems it necessary for the attainment of its objectives;
- i) To prescribe rules and regulations in the conduct of its general business as well as to fix and implement the terms and conditions of its related activities;
- j) To establish, operate and maintain branch or field offices when required by the exigencies of its business subject to the provisions of Section 24;
- k) To determine its organizational structure and the number, positions and salaries of its personnel; and
- l) To exercise such powers and do such things as may be necessary to carry out the business and purposes for which the Corporation was established or which from time to time may be declared by the Board of Directors to be necessary, useful, incidental or auxiliary to accomplish such purposes; and generally, to exercise all powers of a Corporation under the Corporation Law that are not inconsistent with the provisions of this Executive Order.

SEC. 5. Specific Powers. – The Corporation is hereby authorized and empowered to promote, encourage and assist RWA's to the end of making adequate water supply services available to residents of the rural areas not served nor covered by the LWUA and the MWSS and for this purpose it is hereby specifically authorized and directed:

- a) To prepare feasibility studies and development plans for water system development including the procurement of necessary facilities, devices and accessory equipment;
- b) To cooperate, coordinate and exchange such information, studies and reports with and to seek the cooperation of other agencies and instrumentalities of the National Government including government-owned or controlled corporations, as will be most effectively conducive to the achievement of the purposes of this Executive Order;
- c) To provide managerial or administrative expertise including the rendering of professional and training services for the development of the staff and employees of the RWA's;
- d) To have exclusive jurisdiction to receive from RWA's all articles of incorporation and by-laws and amendments thereof, consolidations, merger, conversion, dissolution, annual financial statements, changes in the location of principal offices, annual elections and other related documents and, upon determining that such are in conformity with this Executive Order and the pertinent provisions of related legislation, to certify the same, to file them in its records and maintain a registry of such filing;
- e) To make loans to RWA's for the construction and acquisition of facilities, related properties, and equipment for supplying water services and for the restoration, improvement or expansion of such facilities;
- f) To provide or arrange for grants to RWA's for point source development, under such terms and conditions as the Board may determine;

- g) To approve or disapprove any request for permission to acquire loans from other lenders to RWA's which at the time are borrowers of the Corporation; and
- h) To report annually to the President of the Philippines on the status of its operations, including a comprehensive report of loans extended, areas serviced as a result of such loans, and other activities.

### CHAPTER III

#### CAPITALIZATION AND FINANCING

SEC. 6. Capitalization. – The authorized capital stock of the Corporation is one billion pesos divided into ten million shares with a par value of one hundred pesos per share which shall be wholly subscribed by the National Government and shall be appropriated, programmed and released upon consultation with the Minister of the Budget and in accordance with Presidential Decree No. 1177.

A standing annual sum of P20 million is hereby authorized to be appropriated out of any funds in the National Treasury not otherwise appropriated to cover grants, institutional development, manpower developmental training and technical assistance of the Corporation.

SEC. 7. Loan Standards. – Only RWA's shall be entitled to loans from the Corporation. In extending the loans authorized under Section 5 (e) hereof, the Board is hereby authorized, empowered and directed:

a) Prior to approving such loan to determine that:

- 1) The project is financially feasible for the purpose for which the loan is applied for;
- 2) Funds are or will be imminently available for the total advancement of such loan to the borrower on the schedule contemplated under the loan agreement;
- 3) The borrower is financially capable of complying with the terms and conditions of the loan;

b) To require that the loan be self-liquidating within the terms and conditions specified;

c) To require that the amount of loan applied for does not exceed ninety (90) per cent of the total cost of the project;

d) To impose reasonable interest rates;

e) To fix schedules for repayment; and

f) To require compliance with the pertinent procedures, rules and regulations promulgated by the Board of Directors of the Corporation to assure that the purposes of such loan will be timely achieved and that the loan agreement and the provisions of this Act shall be complied with.

SEC. 8. Enforcement Powers. – If any RWA with an outstanding loan(s) with the Corporation shall default in the payment of its principal and/or interest or shall fail to comply with any of the terms and conditions of the loan agreement or any rule or regulations promulgated in implementation of this Executive Order, the Board of

Directors of the Corporation is hereby authorized to do any or any combination of the following:

- a) Refuse approval of any new loan to the borrower;
- b) Withhold without limitation the Corporation's advancement, or withhold its approval for any other lender with respect to which the Corporation has such approval power to make advancement of any funds pursuant to any loan already made to the borrower;
- c) Withhold any technical or professional assistance being furnished or that might be furnished to the borrower;
- d) Foreclose any mortgage or deed or trust or other security held by the Corporation on the properties of the borrower. In this connection, the Corporation may, subject to any superior or co-equal rights in such lien held by any other lender;
  - 1) Bid for and purchase or otherwise acquire such property(ies);
  - 2) Pay the purchase price thereof and any cost and expenses incurred in connection therewith out of the revolving fund;
  - 3) Accept title to such properties in the name of the Republic; and
  - 4) Even prior to the institution of foreclosure proceedings, operate or lease such properties for such period and in such manner as may be deemed necessary or advisable to protect the investment therein, including the improvement, maintenance and rehabilitation of facilities and systems to be foreclosed, but the Corporation shall, within three years from acquiring such properties in foreclosure proceedings, sell the same for such consideration as it determine most conducive to the purpose of this Executive Order; or
- e) Take any other remedial measures which the loan agreement may provide.

In addition to the foregoing, the Corporation may petition any court having jurisdiction for such purpose or any administrative agency possessing regulatory powers for such purpose to issue such order and afford such lawful relief as may be necessary.

SEC. 9. General Conditions of Loans. – All loans extended by the Corporation shall be subject to the following general conditions:

- a) No borrower shall, without the prior approval of the Board and of any other lender holding and sharing a lien on such borrower's properties, sell or dispose of the whole or any part of the property, rights, franchise, permits or any other assets acquired and/or mortgaged pursuant to the provisions of this Executive Order until all the outstanding indebtedness including interest thereon to the Corporation and any other such lender shall have been fully paid; Provided, That the Corporation may be appropriate rule or regulation grant general permission to borrowers to dispose of incidental real and/or personal properties, rights, franchise, permits or other assets no longer deemed necessary or useful in conducting the borrower's operation.
- b) No association with an outstanding loan with the Corporation shall borrow money from any source without the prior written approval of the Corporation; Provided,