

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



Senate
Office of the Secretary

'13 JUL -9 A9:18

SENATE

S.B. No. 674

RECEIVED BY: 

Introduced by Senator LOREN LEGARDA

EXPLANATORY NOTE

This bill seeks to create an economic zone in Southern Palawan, particularly in the municipalities of Bataraza, Brookes Point and Balabac to encourage the development of the countryside into agro-industrial, commercial, tourist, banking, investment and financial center.

The prospect for the growth of Southern Palawan as the country's major trader's destination is promising. Due to its strategic location, it can serve as gateways to other markets in the Asian region. As shown in an article found at the official website of the Mindanao Economic Development Council, Kudat, a town located on the coast of the northernmost part of Sabah, is about 137 nautical miles away from Brooke's Point, a municipality along the southeastern section of mainland Palawan. Traders from both areas can reach each other in approximately 12 hours voyage by sea. These two proximate municipalities can serve as strategic gateways to bigger markets. Kudat is seen as an entry point for Philippine traders to expand trade to neighboring areas in Labuan, Sandakan, Kota Kinabalu and even Brunei Darussalam. Brooke's Point, on the other hand, could serve as gateway for Malaysian traders to other parts of Southern Palawan, particularly the municipalities of Bataraza, Balabac, Rizal, and Quezon.

Based on initial prospects, Palawan can potentially trade marine products, corn, fruits, coconut, virgin coconut oil, cashew nuts and seaweeds while Kudat can bring in noodles, cooking oil and other grocery items.

With its vast territory - total land area is 1.4 million hectares, considered the Philippine's largest province - and pristine environment - it hosts two World Heritage sites: the Puerto Princesa Subterranean River National Park (1999) and the Tubbataha Reef Marine Park (1993) - the province is a major tourist destination. But it is its strategic location for trade and commerce that must likewise be tapped to fully maximize its growth and development.

This bill aims to do just that by offering a set of incentives to attract foreign investors in the Southern Palawan, to wit:

- a. Resident Status and Visa;
- b. Fiscal Incentives. Business establishments within the Zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), or those provided under Book IV of Executive Order No. 226, otherwise

known as the "Special Economic Zone Act of 1995", as amended by RA 8748; and

- c. Taxation. Except for real property taxes on land owned by developers, no taxes, local and national including final withholding taxes on dividend to a business establishment's parents company and branch profit remittances to a business establishment's head office, shall be imposed on business establishments operating within the Zone. In lieu thereof, a final tax of eight percent (8%) of the net taxable income shall be imposed by the national government to be divided as follows:
- (1) Four percent (4%) shall be paid immediately to the National Government;
 - (2) One percent (1%) to the Province of Palawan; and
 - (3) One percent (1%) to the municipalities of Balabac, Bataraza and Brooke's Point;
 - (4) Two percent (2%) to the Southern Palawan Special Economic Zone and Free Port Authority which shall be created under this Act

In view of the foregoing, the passage of this bill is earnestly sought.


LOREN LEGARDA
Senator

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SENATE

S.B. No. 674

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Introduced by Senator LOREN LEGARDA

AN ACT
CREATING A SPECIAL ECONOMIC ZONE AND FREEPORT IN SOUTHERN
PALAWAN, CREATING FOR THIS PURPOSE THE SOUTHERN PALAWAN
ECOZONE AND FREEPORT AUTHORITY, APPROPRIATING FUNDS
THEREFOR, AND FOR OTHER PURPOSES

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

1 **SECTION 1. Short Title.** - This Act shall be known as the "Southern
2 **Palawan Special Economic Zone and Free Port Act of 2013"**.

3

4 **SEC. 2. Declaration of Policy.** - it is hereby declared the policy of the State to
5 actively encourage, promote and accelerate a sound and balanced industrial,
6 economic and social development of the country in order to provide jobs to the
7 people, increase productivity and incomes, and improve the level and quality of
8 living conditions through the establishment of special economic zones and free ports
9 in suitable and strategic locations in the country and through measures that shall
10 effectively attract legitimate and productive foreign investments. It is likewise the
11 policy of the State to enhance regional economic cooperation as means of bolstering
12 the country's own industrial development and to establish facilities with which such
13 cooperation can materialize.

14

15 **SEC. 3. Creation of the Southern Palawan Special Economic Zone and Free**
16 **Port.** - in the pursuit of the foregoing declared policy, there is hereby established a
17 special economic zone and free port in Southern Palawan, to be known as the
18 Southern Palawan Economic Zone and Free Port herein referred to as the Zone,
19 which shall cover the municipalities of Balabac, Bataraza and Brooke's Point.

20

1 **SEC. 4. Governing Principles.** - The Southern Palawan Economic Zone shall
2 be managed and operated by the Southern Palawan Special Economic Zones and
3 Free Port Authority herein created and referred to as SPEZA, under the following
4 principles:

5
6 a. Under the framework and limitations of the Constitution and applicable
7 provisions of the Local Government Code, the Zone shall be developed into
8 and operated as decentralized, self-reliant and self sustaining industrial,
9 commercial/trading, agro-industrial, tourist/recreational, banking, financial
10 and investment center with the corresponding residential areas in order to
11 create employment opportunities in and around and to effectivity encourage
12 and attract legitimate and productive foreign investments;

13
14 b. Except as otherwise provided herein, the local government units totally or
15 partially embraced within the Zone shall retain and maintain their basic
16 autonomy and identity. The municipalities of Balabac, Baltaraza and Brooke's
17 Point shall operate and function in accordance with Republic Act No. 7160,
18 otherwise known as the Local Government Code of 1991, insofar as the areas
19 within their respective jurisdiction covered in this Act are concerned

20
21 The Zone shall be managed and operated as a separate customs territory
22 outside the customs territory of the Philippines to ensure and facilitate the free flow
23 or movement of machinery, goods, articles and capital within, into and exported out
24 of the Zone. However, exportation or removal of goods, articles and capital from the
25 Zone to other parts of the Philippine territory shall be subject to customs duties and
26 taxes under the Customs and Tariff Code and other relevant tax laws of the
27 Philippines.

28
29 The areas comprising the Zone may be expanded or reduced when necessary.
30 For this purpose, the SPEZA, in consultation with the local government units, shall
31 have the power to acquire either by purchase, negotiation or condemnation
32 proceedings, any private lands within or adjacent to the Zone for the following
33 purposes:

- 34 a. Consolidation of lands for zone development;
35 b. Acquisition of right of way to the Zone; and

1 c. The protection of watershed areas and natural assets valuable to the
2 prosperity of the Zone.

3
4 The Zone shall be provided with transportation, telecommunications and
5 other facilities needed to attract legitimate and productive foreign investments,
6 generate linkage with industries and create employment opportunities for the
7 people of the province of Palawan.

8
9 The Zone may establish mutually beneficial economic relations with other
10 entities or enterprise within the country or, subject to the administrative guidance of
11 the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority
12 (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities or
13 enterprises.

14
15 Foreign citizens and companies owned by non-Filipinos may set up
16 enterprise in the Zone, either by themselves or in joint venture with Filipinos in
17 whatever proportion in any sector of industry, international trade and commerce
18 within the Zone.

19
20 Goods manufactured by a Zone enterprise shall be made available for
21 immediate retail sale in the domestic market, subject to the payment of
22 corresponding taxes on raw materials and other regulations that may be formulated
23 by the SPEZA together with the PEZA, the Bureau of Customs and the DTI.
24 However, in order to protect the domestic industry, there shall be a negative list of
25 industries that will be drawn up and regularly updated by the PEZA. Enterprises
26 engaged to industries included in such negative list shall not be allowed to sell their
27 products locally.

28
29 The defense of the Zone and the security of its perimeter fence shall be the
30 responsibility of the national government in coordination with the SPEZA and local
31 government units.

32
33 **SEC.5. Incentives.** - Investors and business enterprises within the ZONE
34 shall be entitled to the following incentives:

35

1 a. Resident Status and Visa. Any foreign investor who establishes a business
2 enterprise within the Zone and who maintains capital investment of not less
3 than one hundred fifty thousand United States dollars (US\$150,000.00) shall
4 be granted, along with his or her spouse, dependents, and unmarried
5 children below twenty-one (21) years of age, permanent resident status
6 within the Zone and freedom of ingress and egress to and from the Zone
7 without any need of any special authorization from the Bureau of
8 Immigration. Working Visas renewable every two (2) years shall be issued to
9 foreign executives and foreign technicians with highly specialized skills
10 which no Filipino possesses, as certified by the Department of Labor and
11 Employment.

12 The foregoing is without prejudice to a foreigner acquiring permanent
13 residence status in the Philippines in accordance with the applicable
14 immigration, retirement, and other related laws.

15
16 b. Fiscal Incentives. Business establishments within the Zone shall be entitled to
17 the existing fiscal incentives as provided for under Presidential Decree No.
18 66, the law creating the Export Processing Zone Authority (EPZA), or those
19 provided under Book IV of Executive Order No. 226, otherwise known as the
20 "Special Economic Zone Act of 1995", as amended by RA 8748.

21
22 c. Taxation. Except for real property taxes on land owned by developers, no
23 taxes, local and national including final withholding taxes on dividend to a
24 business establishment's parents company and branch profit remittances to a
25 business establishment's head office, shall be imposed on business
26 establishments operating within the Zone. In lieu thereof, said business
27 establishments shall pay to the national government a final tax of eight
28 percent (8%) of the net taxable income as determined in accordance with the
29 provisions of the National Internal Revenue Code, as amended, to be divided
30 as follows:

- 31 (1) Four percent (4%) shall be paid immediately to the National Government;
32 (2) One percent (1%) to the Province of Palawan; and
33 (3) One percent (1%) to the municipalities of Balabac, Bataraza and Brooke's
34 Point;
35 (4) Two percent (2%) to the Southern Palawan Special Economic Zone and
36 Free Port Authority which shall be created under this Act: *Provided,*

1 *however*, That the preferential tax herein granted shall not apply to
2 offshore transactions as well as transaction within the Zone itself with
3 SPEZA investors and residents: *Provided further*, That the domestic
4 manufacturing firms or foreign firms and their local subsidiaries that
5 export more than thirty percent (30%) of their total production in terms of
6 volume per year to the customs territory of the Philippines shall not be
7 allowed to enjoy the income tax incentive herein granted: *Provided*
8 *furthermore*, That the final tax of eight per centum (8%) of net taxable
9 income may only be increased by Congress after ten (10) years from the
10 effectivity of the amended tax and fiscal incentives of this Act; and
11 *Provided finally*, That in no case shall the final tax to be imposed exceed
12 fifteen per centum (15%) of the net taxable income as determined in
13 accordance with the provisions of the National Internal Revenue code, as
14 amended.

15 In cases of conflict between the local and national tax laws on the one
16 hand, and the tax incentives herein granted on the other, the same shall be
17 resolved in favour of the latter.

18
19 d. Banking Rules and Regulations. Existing banking laws, specifically
20 Presidential Decree No. 1034 and Republic Act No. 6426 and their
21 implementing rules and regulations amended, and pertinent Banko Sentral
22 ng Pilipinas (BSP) circulars, rules and regulations shall apply on foreign
23 exchange transactions in the current account transactions (trade and non-
24 trade), local and foreign borrowings, foreign investments, establishments and
25 operation of local and foreign banks, foreign currency deposit units (FCDUs),
26 offshore banking units (OBUs) and other financial institutions under the
27 supervision of the BSP: *Provided*, That FCDUs of local commercial banks and
28 OBUs of foreign banks shall enjoy minimum regulation by the BSP.

29
30 e. Profit Remittance. Without prior BSP approval, after tax profits and other
31 earnings or foreign investments in enterprises in the Zone; *Provided*,
32 however, that such foreign investments in said enterprises have been
33 previously registered with the BSP.

34
35 **SEC. 6. *Ipsa Facto Clause.*** - Sections 30 to 42 of Republic Act No. 7916 shall
36 *ipso facto* apply to the Southern Palawan Special Economic Zone and Free Port.

1 **SEC. 7. *Creation of the Southern Palawan Special Economic Zone and Free***
2 ***Port Authority.*** - A body corporate to be known as the Southern Palawan Special
3 Economic Zone and Free Port Authority, herein after referred to as the SPSEZA, is
4 hereby created to manage and operate the Southern Palawan Special Economic Zone
5 and Free Port, in accordance with the provisions of this Act. This corporate franchise
6 shall expire in fifty (50) years counted from the first day of the fifth year after the
7 effectivity of this Act, unless otherwise extended by Congress. It shall be organized
8 within one hundred eighty (180) days after the effectivity of this Act.

9
10 **SEC. 8. *Powers and Functions of the Southern Palawan Special Economic***
11 ***Zone and Port Authority.*** - The Southern Palawan Special Economic Zone and Free
12 Port Authority shall have the following powers and functions:

- 13
- 14 a. To operate, administer, and manage the Zone according to the principles and
15 provisions set forth in this Act;
 - 16
 - 17 b. To adopt, alter and use a corporate seal; to contract, lease, buy, sell acquire
18 own and/ or otherwise dispose of movable or immovable as well as
19 personal or real property of whatever nature (including but not limited to
20 shares of stock or participation in private corporations or in limited
21 partnerships, or in joint ventures with limited liability), bonds, precious
22 metals in bullions, ingots, and easily convertible foreign exchange;
 - 23
 - 24 c. To sue and be sued in order to carry out its duties, responsibilities, privileges,
25 powers and functions as granted and provided for in this Act; and to exercise
26 the power of eminent domain for public use and public purpose;
 - 27
 - 28 d. To raise or borrow adequate and necessary funds from local or foreign
29 sources within the limitation provided by law, to finance its projects and
30 programs under this Act, and for that purpose to issue bonds, promissory
31 notes, and other forms of securities, and to secure the same by guarantee,
32 pledge, mortgage, deed of trust or an assignment of all part of its property or
33 assets;
 - 34
 - 35 e. To recommend to the President the issuance of a proclamation to fix and
36 delimit the site of Zone;

- 1 f. To issue certificates of origin for products manufactured or processed in the
2 Zone in accordance with prevailing rules of origin, and the pertinent
3 regulations of PEZA, DTI and/or the Department of Finance (DOF);
4
- 5 g. To approve, accept, accredit and allow any local or foreign business,
6 enterprise or investment in the Zone subject only to such rules and
7 regulations as SPSEZA may promulgate from time to time in conformity with
8 the provisions of this Act and the limitations provided in the Constitution;
9
- 10 h. To authorize or undertake, on its own or through others, and regulate the
11 establishment , operation and maintenance of public utilities, services and
12 infrastructure in the Zone such as shipping, ship building, ship registry and
13 every matter related or attended thereto, barging, stevedoring, cargo
14 handling, hauling warehousing, storage of cargo, port services or concessions,
15 piers, wharves, bulkheads, bulk terminals, conveyors, water supply and
16 storage, sewerage, drainage, airport operations, such other services or
17 concessions or infrastructure necessary or incidental to the accomplishment
18 of the objectives of this Act: *Provided, however,* That the private investors in the
19 Zone shall be given priority in the awarding of contracts, franchises, licenses
20 or permits for the establishments, operation and maintenance of utilities,
21 services and infrastructure in the Zone;
22
- 23 i. To construct, acquire, own,, lease, operate and maintain on its own or
24 through others by virtue of contracts, franchises, licenses, or permits under
25 the build-operate-transfer scheme or under a joint venture with the private
26 sector any or all of the public utilities and infrastructure required or needed
27 in the Zone, in coordination with appropriate national and local government
28 authorities and in conformity with applicable laws thereon;
29
- 30 j. To operate on its own, either directly or through a subsidiary entity, or license
31 to others, , tourism-related activities, including games, amusements,
32 recreational and sports facilities such as golf courses, and others, under
33 priorities and standards set by SPSEZA;
34
- 35 k. To maintain ecological balance, and promote sustainable development in
36 Palawan while preserving, developing, maintaining and protecting the

1 environment particularly the virgin forests, marine resources, beaches,
2 minerals and mineral deposits including precious metals, coral and corals
3 reefs within the Zone. The virgin forests within the Zone shall be proclaimed
4 as national park and shall be covered by a permanent total log ban. For this
5 purpose, the rules and regulations of the Department of Environment and
6 Natural Resources and other government agencies involved in the above
7 functions shall be implemented by the SPSEZA, including the issuance of
8 environmental certificates, free patents and leasehold rights over government
9 lands and mining, drilling and timber licenses: *Provided*, That all legal
10 restrictions imposed for the conveyance, use, lease or other disposition of free
11 patents issued prior to the effectivity of this Act may be lifted should be the
12 SPSEZA deem it necessary to carry its mandate under this Act;

- 13
- 14 l. To adopt, implement and enforce reasonable measures and standards to
15 control pollution within the Zone;
- 16
- 17 m. To establish and maintain a security force and firefighting capability or hire
18 others to provide the same for the defense and security of the Zone;
- 19
- 20 n. To form, establish, organize and maintain subsidiary corporations, as its
21 business and operations may require, whether under the laws of the
22 Philippines or not;
- 23
- 24 o. To report to the Bureau of Immigration the names of foreigners who have
25 been granted permanent resident status and working visas within thirty (30)
26 days after issuance of such grant;
- 27
- 28 p. To formulate and approve the organization and budget as submitted by the
29 Chairman-Administrator;
- 30
- 31 q. To regulate and undertake the establishment, operation and maintenance of
32 public utilities services and infrastructure in the Zone such as heat, light and
33 power, water supply telecommunications, transport, toll roads and bridges,
34 port services, etc. and to fix just, reasonable and competitive rates, charges
35 and prices thereof;
- 36

- 1 r. To directly negotiate with and grant foreign and/or international airlines and
2 carriers entry permits and landing rights into the port;
3
4 s. To provide, in cooperation with the Department of Tourism, non-fiscal
5 incentives to tourism-related businesses operating within the Zone;
6
7 t. To charge reasonable fees for the provision of other services and the
8 maintenance of infrastructure and utilities;
9
10 u. To impose reasonable fines and penalties for violations of the provisions of
11 this Act, the rules and regulations to be established by the SPSEZA or any
12 other law that the SPSEZA is tasked to enforce; and
13
14 v. To issue rules and regulations consistent with the provisions of this Act as
15 may be necessary to accomplish and implement the purposes, objectives and
16 policies provided.
17

18 **SEC. 9. *Non-Profit Character of the Southern Palawan Special Economic***
19 ***Zone Authority.*** - The Southern Palawan Special Economic Zone and Free Port
20 Authority shall be a non-profit institution and shall devote the use of its returns
21 from capital investments as well as excess revenues from its operations, for the
22 development, improvement, and maintenance and other related expenditures of the
23 SPSEZA to pay its indebtedness and obligations and in furtherance and effective
24 implementation of the policies provided for in this Act. In consonance with this, the
25 SPSEZA is hereby declared exempt from the payment of all taxes, duties, fees,
26 imports, charges costs and service fees in any court or administrative proceedings in
27 which it may be a party.
28

29 The foregoing exemptions may, however,, be entirely or partially lifted by the
30 President of the Philippines upon the recommendation of the Secretary of Finance,
31 not earlier than five (5) years from the effectivity of this Act, if the President shall
32 find the SPSEZA to be self sustaining and financially capable by then to pay taxes,
33 customs, duties, fees and other charges after providing for debt service requirements
34 of the SPSEZA and of its projected capital and operating expenditures.
35

1 **SEC. 10. Board of Directors of the Southern Palawan Special Economic Zone**
2 **and Free Port Authority.** The powers of the SPSEZA shall be vested in and exercised
3 by a Board of Directors, herein after referred to as the Board, which shall be
4 composed of the following:

- 5
- 6 a. The Secretary of the Department of Trade and Industry or his duly
7 authorized representative, as *ex officio* member of the Board of Directors;
- 8
- 9 b. The Director General of the National Economic Development Authority or his
10 duly authorized representative, as *ex officio* member of the Board;
- 11
- 12 c. Two (2) other representatives of the National Government, as *ex officio*
13 members;
- 14
- 15 d. The administrator of SPSEZA who shall serve as the *ex-officio* Chairman of the
16 Board;
- 17
- 18 e. The Chairman of the Palawan Council for Sustainable Development as *ex*
19 *officio* members;
- 20
- 21 f. The mayors of the municipalities of Balabac, Bataraza and Brooke's Point as
22 *ex officio* members;
- 23
- 24 g. Two (2) representatives from the labor sector from among the workers in the
25 Zone;
- 26
- 27 h. Two (2) representatives from the business and investments sectors; and,
- 28
- 29 i. Three (3) representatives from the private sector coming from the residents of
30 Balabac, Bataraza and Brooke's Point.
- 31

32 The Chairman-Administrator and members of the Board, except the *ex officio*
33 members, shall be appointed by the President of the Philippines to serve for a term
34 of six (6) years, unless sooner removed for cause, the replacement shall serve only
35 the unexpired portion of the term. The Vice Chairman shall be elected from among
36 the member of the Board.

1 Except for the representatives of the business and investment sectors, no
2 person shall be appointed by the President of the Philippines as member of the
3 Board unless he is a Filipino citizen, of good moral character, of proven probity and
4 integrity, and a degree holder in any of the following fields; economic, business,
5 public administration, law, management or their equivalent, and with at least ten
6 (10) years relevant working experience preferably in the field of management or
7 public administration.

8
9 For purposes of determining a quorum during the meetings of the Board, a
10 quorum shall exist despite the non-attendance of the appointed member of the
11 Board whenever the latter's duly authorized representative is present thereat, and
12 attends such meeting on the member's behalf.

13
14 The members of the Board, except the Chairman-Administrator whose
15 compensation shall be determined by the Board, shall each receive a per diem of not
16 more than Ten Thousand Pesos (P10,000.00) for every Board meeting actually
17 attended, unless and until the President of the Philippines has fixed a higher per
18 diem for the members of the Board: *Provided, however,* That the total per diem
19 collected each month shall not exceed the equivalent per diem for four (4) meetings.

20
21 **SEC. 11. SPSEZA Administrator and Chief Executive Officer.** The President
22 of the Philippines shall appoint a full-time professional and competent
23 administrator and chief executive officer of the Southern Palawan Special Economic
24 Zone and Free Port Authority who shall serve for a term of six (6) years, unless
25 sooner removed for cause or dies or resigns voluntarily. In case of death, resignation
26 or removal for cause the replacement shall serve the unexpired portion of the term.
27 The compensation of the Administrator and Chief Executive Officer shall be
28 determined by the Board of Directors.

29
30 **SEC. 12. Powers and Duties of the Chairman-Administrator.** The Chairman-
31 Administrator shall have the following powers and duties:

- 32 a. To direct and manage the affairs of the SPSEZA in accordance with the
33 policies of the Board;
34
35 b. To establish the internal organization of the SPSEZA under conditions that
36 the Board may prescribe

- 1 c. To submit and annual budget and necessary supplemental budget to the
2 Board for its approval;
3
- 4 d. To submit within thirty (30) days after the close of each fiscal year an annual
5 report to the Board and such other reports as may be required;
6
- 7 e. To submit to the Board for its approval policies, systems procedures, rules
8 and regulations that are essential to the operation of the Zone;
9
- 10 f. To create a mechanism in coordination with relevant agencies for the
11 promotion of industrial peace, the protection of the environment, and the
12 advancement of the quality of life in the Zone; and
13
- 14 g. To perform such other duties as may be assigned to him by the Board or
15 which are necessary or incidental to his office.
16

17 **SEC. 13. Personnel.** The Board of Directors of the SPSEZA shall provide for
18 an organization and staff of its officers and employees and the corresponding
19 qualification standards in accordance with Civil Service Laws and other pertinent
20 laws. Upon recommendation of the Chairman/Administrator, the Board shall
21 appoint and fix the remuneration and other emoluments in accordance with
22 Republic Act No. 6758, otherwise known as the Salary Standardization Law:
23 *Provided,* That the Board shall have exclusive and final authority to promote,
24 transfer, assign or reassign officers of the SPSEZA in accordance with Civil Service
25 Law and Rules: *Provided, further,* That the Chairman-Administrator may carry out
26 removal of such officers and employees as authorized by the Board.
27

28 The officers and employees of the SPSEZA, including all members of the
29 Board, shall not engage directly or indirectly in partisan activities nor take part in
30 any election, except to vote.
31

32 No officer or employee of the SPSEZA, subject to Civil Service laws and
33 regulations, shall be removed or suspended except for cause, as provided by law.
34

35 **SEC. 14. Capitalization.** - The Southern Palawan Special Economic Zone and
36 Free Port Authority shall have an authorized capital stock of Two Billion

1 (2,000,000,000.00) no par shares with a minimum value of Ten Pesos (P10.00) each.
2 The initial amount of Two Hundred Fifty Million Pesos (P250,000,000.00) shall be
3 sourced from the share of the Province of Palawan from the natural gas revenues in
4 Camago-Malampaya and/ or other from its share in oil and natural wealth.

5
6 The Board of Directors of SPSEZA may, from time to time, and with the
7 written concurrence of the Secretary of Finance, increase the issue value of the
8 shares representing the capital stock of the SPSEZA. The Board of Directors of
9 SPEZA, with the written concurrence of the Secretary of Finance, may sell shares
10 representing not more than forty percent (40%) of the capital stock of SPSEZA to the
11 general public with such annual dividend policy as the Board and Secretary of
12 Finance may determine. The National Government shall, in no case, own less than
13 sixty percent (60%) of the total issued and outstanding capital stock of the SPSEZA.

14
15 All unoccupied government-owned lands as of the creation of Southern
16 Palawan Economic Zone and Free Port, falling within its jurisdiction, shall also be
17 included as part of the equity of the National Government in SPSEZA and may be
18 disposed of by the SPSEZA: *Provided*, That in case of absolute sale or conveyance, the
19 SPSEZA shall seek the approval of the Office of the President: *Provided*, That all
20 lands owned by SPSEZA shall not be included in land reform.

21
22 **SEC. 15. *Supervision and Coordination of Development Plans.*** - For
23 purposes of policy direction and coordination, the Southern Palawan Special
24 Economic Zone and Free Port shall be under the direct control and supervision of
25 the Office of the President.

26
27 **SEC. 16. *Legal Counsel.*** - The provisions of existing laws, orders or issuances,
28 particularly Republic Act No. 2327, as amended, Executive Order No. 29, series of
29 1987, and Administrative Order No. 130, series of 1994, to the contrary
30 withstanding, the SPSEZA shall have its own internal legal counsel completely
31 independent from the Office of the Government Corporate counsel who shall act as
32 the legal adviser of SPSEZA and its subsidiaries and who shall be solely responsible
33 for reviewing contracts entered into by the SPSEZA and its subsidiaries. The internal
34 legal counsel shall represent SPSEZA and its subsidiaries in all judicial and
35 administrative proceedings. When the exigencies of its business and operations

1 demand it, the SPSEZA may engage the services of an outside counsel either on a
2 case to case basis or on a fixed retainer.

3
4 **SEC. 17. *Relationship with the Palawan Council for Sustainable***
5 ***Development.*** – The SPSEZA shall determine the development goals for the Zone
6 within the framework of national development plans, policies and goals. The
7 administrator shall, upon approval by the Board, submit Zone plans, programs and
8 projects to the Palawan Council for Sustainable Development for inclusion and
9 input to the overall development plan of the province.

10
11 **SEC. 18. *Relationship with Local Government Units.*** – Excerpt as herein
12 provided, the local government units comprising the Zone shall retain their basic
13 autonomy and identity. The municipalities of Balabac, Bataraza and Brooke’s Point
14 shall operate and function in accordance with the Local Government Code of 1991.
15 In case of any conflict between the Authority and the Province of Palawan on
16 matters affecting the Zone other than the defense and security matters, the decision
17 of the SPSEZA shall prevail.

18
19 **SEC. 19. *Audit.*** The Commission on Audit shall appoint a representative who
20 shall be a full time auditor of the SPSEZA and its subsidiaries in which it controls a
21 majority of the shares of stock, and assign such number of personnel as may be
22 necessary to assist said representative in the performance of his/her duties. The
23 salaries and emoluments of the assigned auditor and personnel of the Commission
24 on Audit shall be in accordance with pertinent laws, rules and regulations. The
25 Commission on Audit shall render an annual report to the President of the
26 Philippines and to Congress on the business activities, transactions and operations
27 of the SPSEZA.

28
29 To ensure the expeditious implementation of the economic policy and
30 purpose embodied in this Act, the Commission on Audit, in cooperation with
31 SPSEZA, shall formulate special rules on audit, disbursement of funds, bidding
32 procurement of goods and services, accounting, use of government equipment and
33 resources and the like, towards realizing the aforesaid needs.

34
35 **SEC. 20. *Retention of All Earnings.*** – The SPSEZA shall retain all earnings
36 from all its activities, regulatory or proprietary, and need not remit the same to the

1 national treasury. Such earnings shall be considered as corporate income which
2 SPSEZA may invest in its various infrastructure or special projects, and corporate
3 undertakings.
4

5 **SEC. 21. *Injunctions, Restraining Orders and other Interlocutory Orders.*** -
6 The development of the Southern Palawan Special Economic Zone and Free Port is a
7 national government priority and, therefore, no injunctions, restraining orders and
8 other interlocutory orders, which seek to stop or interrupt any contract entered into
9 or project undertaken by SPSEZA may be issued by any court of law or quasi-
10 judicial body except by the Supreme Court of the Philippines.
11

12 **SEC. 22. *Interpretation and Construction.*** - The powers, authorities and
13 functions that are vested in the SPSEZA are intended to establish decentralization of
14 government functions and authority and promote an efficient and effective working
15 relationship among the Zone, the national government and the local government
16 units.
17

18 **SEC. 23. *Implementing Rules and Regulations.*** - The Philippine Economic
19 Zone Authority; Department of Trade and Industry, Finance, Foreign Affairs, Labor
20 and Employment, Interior and Local Government, Agriculture, Agrarian Reform,
21 Public Works and Highways, Science and Technology, and Energy, Bureau of
22 Immigration; Bureau of Customs; National Economic and Development Authority;
23 Banko Sentral ng Pilipinas; Palawan Council for Sustainable Development, and
24 representatives from the technical staff of the Committee on Economic Affairs of
25 Both Houses of Congress and other concerned agencies shall formulate the
26 implementing rules and regulations of this Act within ninety (90) days after its
27 approval. Such rules and regulations shall take effect fifteen (15) days after their
28 publication in a newspaper of general circulation in the Philippines.
29

30 **SEC. 24. *Separability Clause.*** - If any part, section or provision of this Act is
31 declared invalid or unconstitutional, other parts or provisions hereof not affected
32 thereby shall continue to be in full force and effect.
33

34 **SEC. 25. *Repealing Clause.*** All laws, executive orders or issuances or any
35 parts thereof which are inconsistent herewith are hereby repealed or amended
36 accordingly.

1 **SEC. 26. *Effectivity Clause.*** – This Act shall take effect upon its publication in
2 at least one (1) newspaper of general circulation.

3

4 Approved,

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