

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session

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Senate
Office of the Secretary

SENATE

20 FEB -4 P 1 :01

S. No. 1321

RECEIVED BY: _____

Introduced by Senator Ralph G. Recto

AN ACT

ESTABLISHING A SPECIAL DEFENSE ECONOMIC ZONE (SpeDEZ) INSIDE THE GOVERNMENT ARSENAL DEFENSE INDUSTRIAL ESTATE LOCATED IN CAMP GEN. ANTONIO LUNA, LAMAO, MUNICIPALITY OF LIMAY, PROVINCE OF BATAAN, CREATING FOR THIS PURPOSE THE SPECIAL DEFENSE ECONOMIC ZONE AUTHORITY (SpeDEZA) AND APPROPRIATING FUNDS THEREFOR

Explanatory Note

Article II, Section 7 of the 1987 Constitution states that the State shall pursue an independent foreign policy. In its relations with other states the paramount consideration shall be national sovereignty, territorial integrity, national interest, and the right to self-determination. Further, the State recognizes the indispensable role of the private sector, encourages the participation of private enterprise, and provides incentives to needed investments. To this end, the State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods and adopt measures to help make them more competitive.

The objective of this measure is to enhance investment opportunities inside the economic zone, while strengthening the country's defense capabilities. This Bill¹ creates a special economic zone which shall cover the 370 hectares of government arsenal industrial estate inside Camp General Antonio Luna in Limay, Bataan and all other areas which may be declared as part of SpeDEZ in compliance with the Act, including the Government Arsenal (GA), for investments in defense, military, law

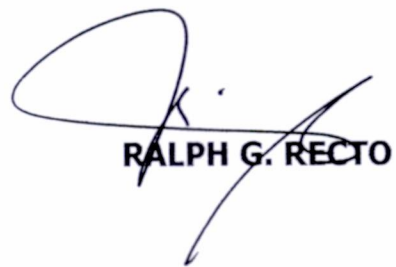
¹ This is a counterpart measure of House Bill No. 200 filed by Representative Jose Enriquez S. Garcia III

enforcement, and defense-related advanced technologies, information and communications technology, research and development and their support industries.

The SpeDEZ shall be accessible for inclusive business prospects and progress in firearm module and technical competency of the Government Arsenal that are vital to support the objectives of the Armed Forces of the Philippines (AFP), Philippine National Police (PNP) and other law-enforcement agencies.

If passed into law, this bill would grant fiscal incentives, including the grant of an investor's visa to any foreigner who invests US\$200,000 either in cash and/or equipment in a registered enterprise.

In the light of the foregoing, the approval of this bill is earnestly sought.



RALPH G. RECTO

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

1 SECTION 1. *Short Title.* – This Act shall be known as the 'Special Defense
2 Economic Zone (SpeDEZ) Act'.

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to
4 develop a self-reliant and independent national economy effectively controlled by
5 Filipinos. The State recognizes the indispensable role of the private sector,
6 encourages the participation of private enterprise, and provides incentives to needed
7 investments. To this end, the State shall promote the preferential use of Filipino
8 labor, domestic materials and locally produced goods and adopt measures to help
9 make them more competitive. Further, the State actively encourages, promotes and
10 accelerates the sound and balanced industrial, economic and social development of
11 the country through the establishment, among others, of special economic zones in
12 suitable and strategic locations in the country. In so doing, the State is able to
13 attract legitimate and productive foreign investments with the objectives of providing
14 jobs especially to those in the rural areas, increasing productivity and individual
15 family income, and thereby improving the level and quality of living conditions of the
16 people.

1 Sec. 3. *Creation of the Special Defense Economic Zone.* – There is hereby
2 created a special economic zone in Camp General Antonio Luna, Lamao, Municipality
3 of Limay in the Province of Bataan, hereinafter referred to as the Special Defense
4 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
5 defense-related advanced technologies, information and communications
6 technology, research and development and their support industries.

7 The SpeDEZ shall cover the Government Arsenal Industrial Estate inside
8 Camp General Antonio Luna located in the Municipality of Limay, Province of Bataan
9 measuring approximately three hundred seventy (370) hectares, including the
10 seventy (70) hectares of land within which the Government Arsenal (GA) operates,
11 the portions allocated for the expansion of the GA, and all other areas which may be
12 declared as part of the SpeDEZ in compliance with Section 5(h) of this Act: *Provided,*
13 That the GA shall remain a line bureau of the Department of National Defense
14 (DND).

15 Except as may be necessary in the pursuance of their respective mandates,
16 the operations of the GA shall remain independent of the management of the
17 SpeDEZ, and the SpeDEZ, as created by this Act, shall not interfere with the
18 activities conducted in the seventy (70) hectare area on which the GA maintains and
19 operates its buildings and structures. Republic Act No. 7898 otherwise known as the
20 "AFP Modernization Act" states that the GA is utilized in the production of weapons,
21 ammunitions, and other munitions for the use of the Armed Forces of the Philippines
22 (AFP) and the Philippine National Police (PNP), and for the sale and export of
23 products in excess of AFP/PNP requirements: *Provided, further,* That the GA and
24 SpeDEZ shall not be expanded nor operated to the prejudice of each other. The GA
25 and the SpeDEZA shall maintain coordination to ensure smooth and seamless
26 operations on matters of mutual concern: *Provided, finally,* That investors who
27 intend to do business in the GA area shall secure a written consent from the GA prior
28 to registration with the SpeDEZA.

29 Sec. 4. *Creation of the Special Defense Economic Zone Authority.* – There is
30 hereby created a specialized and independent body corporate to be known as the

1 Special Defense Economic Zone Authority (SpeDEZA) which shall manage and
2 operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall
3 be considered a government instrumentality vested with corporate powers.

4 Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as "An
5 Act Requiring Government-Owned or Controlled Corporations to Declare Dividends
6 under Certain Conditions to the National Government, and for other Purposes", all
7 dividends remitted by the SpeDEZA shall exclusively be for the Armed Forces of the
8 Philippines Modernization Program and in no case, shall dividends remitted by the
9 SpeDEZA be used otherwise.

10 Sec. 5. *Governing Principles.* – The SpeDEZ shall be managed and operated
11 under the following principles:

12 a) Within the framework and limitations of the Constitution, Republic Act No.
13 1884, Republic Act No. 7898, as amended by Republic Act No. 10349,
14 Republic Act No. 10697, otherwise known as the "Strategic Trade
15 Management Act", Executive Order No. 303, Series of 2004, and applicable
16 provisions of the Local Government Code, the SpeDEZ shall be developed
17 into and operated as a decentralized, self-reliant and self-sustaining
18 industrial, commercial, trading, research, development, engineering,
19 information and communications technology and financial investment
20 center exclusive for defense, military and law enforcement commercial
21 activities and investments, with provision for suitable residential,
22 educational, recreational, and commercial areas;

23 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the
24 SpeDEZ may continue to be provided by the national government and
25 local governments with transportation, telecommunications and other
26 facilities needed to attract legitimate and productive investments, generate
27 linkage with industries and employment opportunities for the people of the
28 Province of Bataan and its neighboring towns and cities: *Provided, That*
29 the autonomy and self-reliance of the SpeDEZ shall not be a hindrance to

1 assistance nor partnerships with other units and instrumentalities of the
2 government: *Provided, further,* That no assistance or partnership be
3 construed as a waiver of the autonomy of the SpeDEZA;

4 c) The SpeDEZA may establish mutually beneficial economic defense
5 relations with other investment promotion agencies, entities or enterprises
6 within the country or with foreign entities or enterprises: *Provided,* That
7 the SpeDEZA shall seek clearance from the DND and administrative
8 guidance from the Department of Foreign Affairs (DFA) as to relations with
9 foreign entities or enterprises;

10 d) Foreign citizens and companies owned by non-Filipinos may set up
11 enterprises in the SpeDEZ with foreign ownership of up to the percentage
12 allowed by law, subject to the approval of SpeDEZA, either by themselves
13 or in joint venture with Filipinos or the GA in the defense and security
14 industry within the territorial jurisdiction of the SpeDEZ: *Provided,* That
15 the SpeDEZA may require individual locators to be subject to the
16 provisions and limitations provided for by the Strategic Trade Management
17 Act, Foreign Investment Act and the Regular Foreign Investment Negative
18 List issued by the President: *Provided, further,* That the SpeDEZA may
19 require a minimum investment in freely convertible currencies from any
20 enterprise seeking registration as a locator of the SpeDEZ. All investments
21 in the SpeDEZA shall fall under the priorities, thrusts and limits provided
22 for in this Act: *Provided, finally,* That all investments that do not directly or
23 indirectly further defense, military and law enforcement investments shall
24 be prohibited from doing business within the SpeDEZ except for
25 businesses that cater to or support the locators, their employees, and the
26 residents of the SpeDEZ;

27 e) Subject to the limitations in this Act and its implementing rules and
28 regulations, the SpeDEZ shall be managed and operated as a separate
29 customs territory ensuring free flow or movement of necessary goods and
30 products; and capital within, into and out of its territory: *Provided,* That

1 subject to Section 14 of this Act, the SpeDEZ and all activities conducted
2 therein shall be exempt from payment of all national and local taxes:
3 *Provided, further,* That in accordance with Sections 301 and 817 of
4 Republic Act No. 10863, otherwise known as the "Customs Modernization
5 and Tariff Act" (CMTA), the Bureau of Customs (BOC) shall continue to
6 exercise border protection and customs control authority over the customs
7 territory adjacent to the SpeDEZ and to this end shall consult, coordinate,
8 cooperate with the SpeDEZA to enhance its protection and control capacity
9 and ensure compliance with customs laws and regulations;

10 f) The SpeDEZA shall provide incentives, such as tax and duty-free
11 admissions of raw materials, capital and equipment to registered
12 enterprises of the SpeDEZ: *Provided,* That exportation or removal of goods
13 from the territory of the SpeDEZ to the other parts of the Philippine
14 territory shall be subject, as applicable, to customs duties and taxes under
15 the CMTA, as amended, and the National Internal Revenue Code (NIRC)
16 of 1997, as amended: *Provided, further,* That sale of goods from the
17 SpeDEZ to the AFP, PNP and local government units (LGUs) for defense
18 and security purposes shall be exempt from all customs duties, national
19 and local taxes: *Provided, finally,* That subject to coordination with the
20 BOC, customs transit to and from the SpeDEZ, thru the Port of Lamao or
21 other ports, shall also be considered tax and duty-free;

22 g) As far as practicable, enterprises located within the SpeDEZ shall procure
23 a certain percentage, as determined by the SpeDEZA, of their raw material
24 requirements from local manufacturers within the Philippines;

25 h) The areas comprising the SpeDEZ may be expanded or reduced when
26 necessary to improve its investment promotion capacity, ensure public
27 order and safety, consolidate lands for SpeDEZ development, acquire right
28 of way or access necessary and appropriate to the SpeDEZ, protect and
29 safeguard watershed areas or maintain and improve water yield for the
30 benefit of the SpeDEZ and LGUs, manage solid and water waste in

1 compliance with existing national laws and local ordinances, and promote
2 the public good. For this purpose, the SpeDEZA, with the concurrence of
3 the LGUs concerned in the Province of Bataan, and in accordance with
4 existing national laws and local ordinances, shall have the power to
5 acquire, procure, increase, or otherwise expand, either by purchase,
6 negotiation or condemnation proceedings, any private or public lands and
7 their respective water territories within the Province of Bataan: *Provided,*
8 That when applicable, the municipal waters of up to fifteen (15) kilometers
9 from the low water mark area of the edge of the SpeDEZ shall be deemed
10 included in the territorial jurisdiction of the SpeDEZ: *Provided, further,*
11 That the SpeDEZA and the relevant LGUs concerned shall provide for
12 immediate and responsive mechanisms, best management practices and
13 suitable environmental protection programs for land and coastal zone
14 management to address any abuse and/or exploitation of the natural
15 environment within the territorial jurisdiction of the SpeDEZ; and

- 16 i) Products and goods researched and developed, engineered or
17 manufactured by registered enterprises may be made available in the
18 domestic market, subject to the limitations in this Act and its implementing
19 rules and regulations, payment of corresponding duties, customs and
20 taxes on raw materials as provided by the NIRC of 1997, as amended, and
21 the CMTA, as amended, approval by the DND or the PNP in accordance
22 with Republic Act No. 10697 and the Regular Foreign Investment Negative
23 List issued by the President, other regulations that may be formulated by
24 the SpeDEZA, and other applicable regulations and limitations imposed in
25 accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas
26 (BSP), Department of Finance (DOF), BOC and Department of Trade and
27 Industry (DTI): *Provided,* That in cooperation with the SpeDEZA, the DND
28 and PNP shall provide and implement measures to improve ease and cost
29 of doing business within the SpeDEZ and enhance the investment
30 promotion capacity of the SpeDEZA: *Provided, further,* That in order to
31 protect domestic industries, a negative list of industries shall be drawn up

1 and regularly updated by the SpeDEZA: *Provided, finally,* That enterprises
2 engaged in industries included in such negative list shall not be allowed to
3 sell their products locally, notwithstanding the registration of such
4 enterprises in the SpeDEZ.

5 Sec. 6. *Powers and Functions of SpeDEZA.* – The SpeDEZA shall have the
6 following functions:

- 7 a) To adopt, alter, and use a corporate seal;
- 8 b) To contract, lease, buy, sell, acquire, own and dispose properties of
9 whatever nature: *Provided,* That real properties that form part of the
10 original Camp General Antonio Luna shall not be disposed of or
11 encumbered: *Provided, further,* That expansion areas may be disposed of
12 or encumbered by the SpeDEZA;
- 13 c) To sue and be sued in order to carry out its duties, responsibilities,
14 privileges, powers and functions as granted and provided for in this Act;
- 15 d) To exercise the power of eminent domain for public use and public
16 purpose;
- 17 e) To operate, administer, manage, develop, in accordance with Executive
18 Order No. 525, as amended, the SpeDEZ according to the principles and
19 provisions set forth in this Act;
- 20 f) To recommend to the President the issuance of a proclamation or any
21 executive issuance to fix or delimit the metes and bounds of the SpeDEZ:
22 *Provided,* That for the avoidance of doubt, such proclamation shall not be
23 required to expand the SpeDEZ pursuant to Section 5(h) of this Act;
- 24 g) To register, regulate and supervise the entities and enterprises in the
25 SpeDEZ in a competent and efficient manner that, as far as practicable,
26 balances ease of doing business and sound restriction or regulation of
27 activities; the SpeDEZA may also register, regulate, and supervise defense
28 related enterprises outside of the SpeDEZ territory as defined in Section 3
29 and Section 5(h) of this Act: *Provided,* That the SpeDEZA shall submit to

1 the DND a quarterly report on locators and other registered enterprises of
2 the SpeDEZ;

3 h) To formulate and exercise general and sole supervision over the
4 implementation of the development plans, activities and operations of the
5 SpeDEZ: *Provided*, That the SpeDEZA may coordinate with LGUs when
6 necessary to promote development in the SpeDEZ;

7 i) To authorize or undertake, on its own or through others, and regulate the
8 establishment, construction, operation and maintenance of public utilities,
9 services, and infrastructure in the SpeDEZ such as shipping, barging,
10 stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port
11 services or concessions, piers, wharves, bulkheads, bulk terminals,
12 mooring areas, storage areas, roads, bridges, reclamation projects,
13 terminals, conveyors, water supply and storage, sewerage, drainage,
14 airport operations, in coordination with the Philippine Ports Authority
15 (PPA), the Civil Aviation Authority of the Philippines (CAAP), and the AFP,
16 and such other services or concessions or infrastructure necessary or
17 incidental to the accomplishment of the objectives of this Act: *Provided*,
18 That the registered enterprises of the SpeDEZ shall be given priority in the
19 awarding of contracts, franchises, licenses, or permits for the
20 establishment, operation and maintenance of utilities, services and
21 infrastructure in the SpeDEZ;

22 j) To issue license, set fees, regulate the establishment, operation, and
23 maintenance of utilities, educational and medical institutions,
24 infrastructure related to military, defense and law enforcement
25 investments and other services in the SpeDEZ such as: heat, light and
26 power, water supply, telecommunications, mobile, internet and other data
27 facilities, transport, toll roads and bridges and port services, and to fix
28 just, reasonable and competitive rates, fares, charges and prices thereof;

29 k) To construct, acquire, own, lease, operate and maintain on its own or
30 through contracts, franchises, licenses, bulk purchase from the private
31 sector and build-operate-transfer scheme or joint venture with the private

sector, any or all of the public utilities and infrastructure required or needed for the operation and development of the SpeDEZ, including transportation, access and connection to, and out of the SpeDEZA, in coordination with appropriate national and local government authorities and in conformity with applicable laws;

l) To raise or borrow, within the limitation provided by law, and subject to the approval or opinion of the Monetary Board of the BSP, as the case may be, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act, and for this purpose, to issue bonds, promissory notes, and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets subject to Section 6(b) of this Act;

m) To enter into Public-Private Partnership, build-operate-transfer schemes or any of its variants, management contract, joint venture, co-production, or similar agreements with local or foreign entities for the management and operation of the SpeDEZ, a portion thereof, or any enterprise registered therein to ensure the viability of the SpeDEZ;

n) To provide internal security to the SpeDEZ, in coordination with the National Government and affected LGUs: *Provided*, That for this purpose, the SpeDEZA shall provide and establish its own internal security and firefighting forces and identify and reserve facilities and areas within the SpeDEZ for the AFP, which shall be responsible for the perimeter security of the SpeDEZ, through the GA: *Provided, further*, That in the event that assistance is necessary, the AFP or PNP shall not interfere in the internal affairs of the SpeDEZA, except to provide the necessary security and defense, or law enforcement assistance, as the case may be: *Provided, finally*, That expenses of the AFP or PNP in the SpeDEZ shall be borne by the national government;

- 1 o) To protect, preserve, maintain and develop the forests, beaches, coral and
2 coral reefs, and maintain ecological balance within the SpeDEZ: *Provided,*
3 That notwithstanding the authority of the SpeDEZA to create rules for
4 such purpose, the rules and regulations of the Department of Environment
5 and Natural Resources (DENR) and other government agencies involved in
6 the above functions shall be implemented by the SpeDEZA: *Provided,*
7 *further,* That the SpeDEZA shall create an Ecology Center for such
8 purpose;
- 9 p) To create, operate or contract to operate such functional units or offices
10 of the SpeDEZA as it may deem necessary;
- 11 q) To issue certificates of origin for products manufactured or processed in
12 the SpeDEZ;
- 13 r) To issue rules and regulations necessary to implement and accomplish the
14 purposes, objectives and policies provided herein, in consultation with the
15 DND, DTI, DOF and other relevant government agencies;
- 16 s) To appropriately zone the SpeDEZ and provide for buffer zones when
17 necessary and reserve areas for housing;
- 18 t) To establish one-stop shops for the issuance of all necessary permits,
19 clearances, licenses, and other similar certifications to conduct such
20 activities intended to improve the ease of doing business within the
21 SpeDEZ, in coordination with government agencies having jurisdiction over
22 activities in the SpeDEZ not otherwise solely reserved to the SpeDEZA:
23 *Provided,* That all government agencies are directed to provide and extend
24 utmost and full cooperation to the SpeDEZA in the establishment of such
25 one-stop shops; and
- 26 u) To perform such other functions as may be provided by law.

27 *Sec. 7. Board of Directors of the SpeDEZA.* – The powers of the SpeDEZA
28 shall be vested in and exercised by a Board of Directors, hereinafter referred to as
29 the Board, which shall be composed of the following:

- 1 a) The Secretary of the DND who shall be the ex officio Chairperson;
- 2 b) The Administrator of the SpeDEZA as Vice-Chairperson: *Provided*, That
3 in the absence of the Chairperson, the Vice-Chairperson shall preside
4 over the meetings of the Board;
- 5 c) Members who shall consist of:
- 6 1. The Assistant Secretary for Plans and Programs (ASPP) of the DND;
 - 7 2. The Assistant Secretary for Acquisition, Installations and Logistics
8 (ASAIL) of the DND;
 - 9 3. The Director of the GA;
 - 10 4. Commanding General, Philippine Army (PA);
 - 11 5. Commanding General, Philippine Air Force (PAF);
 - 12 6. Flag-Officer-In-Command, Philippine Navy (PN);
 - 13 7. One (1) representative from the investors within the SpeDEZ;
 - 14 8. One (1) representative from the workers working in the SpeDEZ;
 - 15 9. One (1) representative from the province of Bataan;
 - 16 10. One (1) representative from the municipality of Limay, Bataan;
 - 17 11. One (1) representative from the legislative district covering the site of
18 the SpeDEZ; and
 - 19 12. Two (2) independent directors with proven expertise in defense and
20 security strategies to be recommended by the SpeDEZA Board.

21 In the event of vacancy in the Office of ASPP, ASAIL or Director of GA, the
22 designated Acting ASPP, ASAIL or Director of GA shall serve as member of the
23 Board.

24 In the event the Chairperson and Vice-Chairperson are unable to attend the
25 board meeting, the members present constituting a quorum shall elect among
26 themselves the Presiding Officer for that particular meeting. The Presiding
27 Officer shall not have voting rights except to break a tie. For the purpose of
28 determining quorum, vacant seats shall not be considered.

1 Except those coming from the DND, GA, PA, PAF, and PN, the members of
2 the Board shall be appointed by the President of the Philippines to serve for a
3 term of six (6) years, unless sooner separated from service due to death,
4 voluntary resignation or removal for cause. In case of death, resignation or
5 removal for cause, the replacement shall serve only the unused portion of the
6 term.

7 All members of the Board shall be Filipino citizens and no person shall be
8 appointed by the President of the Philippines as a member of the Board
9 unless the member is of good moral character and proven probity and
10 integrity. Except for the representatives of the DND, GA, PA, PAF, PN, and
11 workers, members of the Board are required to be degree holders in any of
12 the following fields: economics, business, public administration, law,
13 management, military science, or their equivalent, and with at least ten (10)
14 years relevant working experience preferably in the field of management or
15 public administration.

16 The members of the Board shall each receive *per diem* at rates to be
17 determined by the Department of Budget and Management (DBM) in
18 accordance with existing rules and regulations: *Provided, That* the total *per*
19 *diem* collected each month shall not exceed the equivalent *per diem* for four
20 (4) meetings.

21 Sec. 8. *Administrator of the SpeDEZA.* – The SpeDEZA shall have an
22 Administrator with a rank of Department Undersecretary who shall be appointed by
23 the President of the Philippines. The Administrator shall be at least Forty (40) years
24 of age, of proven probity and integrity, and a degree holder in any of the following
25 fields: economics, business, public administration, law, management or their
26 equivalent, with at least ten (10) years relevant working experience preferably in the
27 field of business, management, or public administration.

28 Sec. 9. *Powers and Duties of the Administrator.* – The Administrator shall
29 have the following powers and duties:

- a) To direct and manage the affairs of the SpeDEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the SpeDEZA under such conditions that the Board may prescribe;
- c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
- d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the SpeDEZA;
- f) To create a mechanism for coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the SpeDEZ;
- g) To preside at the meetings of the Board of the SpeDEZA in the absence of the Chairperson;
- h) To directly administer and supervise the operations and day-to-day business activities of the SpeDEZA;
- i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other instruments affecting its interests and duly approved by the Board; and
- j) To perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

Sec. 10. *Principal Office of the SpeDEZA.* – The SpeDEZA shall maintain its principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

SEC. 11. *Organization and Personnel.* – The Board of the SpeDEZA shall provide for an organizational structure and appoint employees, subject to the civil service

1 law. Upon the recommendation of the Chairperson and Administrator and with the
2 approval of the Secretary of the DBM, the Board shall appoint and fix the
3 remuneration and other emoluments of its officers and employees in accordance
4 with existing laws on compensation and position classification: *Provided*, That the
5 Chairperson and Administrator shall exercise administrative supervision of its
6 employees.

7 The officers and employees of the SpeDEZA, including all members of the
8 Board, shall not engage directly or indirectly in partisan activities nor take part in any
9 election, except to vote.

10 No officer or employee of the SpeDEZA, subject to civil service laws and
11 regulations, shall be removed or suspended except for cause, as provided by law.

12 SEC. 12. *Special Labor Center.* – A Special Labor Center shall be established
13 within the SpeDEZ. This Center shall pro-actively play a vital role in studying and
14 amicably settling professional, labor relations issues and disputes, interpreting
15 employment service contracts, and monitoring work, work place, hygiene and safety
16 standards within the SpeDEZ, particularly of the duly registered entities and
17 enterprises. The Special Labor Center shall be comprised of a labor office, an
18 industrial health and safety office, an inspection/investigative and disputes office,
19 and an enforcement office.

20 In order to support the economic and employment generation thrusts of the
21 LGUs, the SpeDEZA shall implement policies and programs that will serve to
22 prioritize employment in the SpeDEZ of workers who are residents of stakeholder
23 LGUs. Registered enterprises shall, as far as practicable, source all its labor needs
24 from the stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations:
25 *Provided*, That "stakeholder LGUs" for the purpose of this Act shall refer to all local
26 governments which (1) derive a share in the five percent (5%) final tax imposition
27 within the SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with
28 Section 5(g) or Section 6(f) of this Act, and/or (3) host registered enterprises of the
29 SpeDEZ pursuant to Section 6(g) of this Act;

1 The SpeDEZA and, as far as practicable, the locators and registered
2 enterprises of the SpeDEZ, shall prioritize for employment qualified former personnel
3 of the GA who have been terminated or removed from the service due to the
4 modernization of the GA.

5 SEC. 13. *Investors Visa.* – Any foreign national who invests an amount of
6 Two Hundred Thousand US dollars (US\$200,000.00), either in cash and/or
7 equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided,*
8 That the foreign national has the following qualifications:

- 9 a) Must be at least eighteen (18) years of age;
- 10 b) Must not have been convicted by final judgment of a crime involving
11 moral turpitude;
- 12 c) Must not be afflicted with any loathsome, dangerous or contagious
13 disease;
- 14 d) Must not have been institutionalized for any mental disorder or disability;
15 and
- 16 e) Must establish by verifiable and credible evidence financial capability and
17 capacity.

18 As a holder of an investor's visa, an alien shall be entitled to reside in the
19 Philippines while the alien's investment subsists. For this purpose, the alien should
20 submit an annual report, in the form duly prescribed for the purpose, to prove that
21 the alien has maintained investment/s in the country. Should the said alien withdraw
22 investments from the Philippines, then the investor's visa issued to the said alien
23 shall automatically expire and /or be withdrawn.

24 The authority to issue visas and work permits shall remain with the Bureau of
25 Immigration (BI) and the Department of Labor and Employment (DOLE),
26 respectively: *Provided,* That the BI and the DOLE shall implement measures to
27 expedite the processing of such visas and permits for workers in the SpeDEZ and
28 coordinate with the SpeDEZA for the purpose of improving ease of doing business.

1 SEC.14. *Fiscal Incentives.* – Registered enterprises of the SpeDEZ may be
2 entitled to the existing pertinent fiscal incentives as provided for under Republic Act
3 No. 7916, as amended by Republic Act No. 8748, also known as the Special
4 Economic Zone Act of 1995, or those provided under Executive Order No. 226, as
5 amended, otherwise known as the Omnibus Investment Code of 1987; and/or those
6 that may be further granted as the need and necessity arises by the appropriate
7 government department, agency or office: *Provided,* That in the administration,
8 implementation and monitoring of incentives, the SpeDEZA may impose conditions
9 not otherwise prohibited by this Act: *Provided, further,* That the SpeDEZA shall not
10 be limited to the conditions provided under Republic Act No. 7916, Republic Act No.
11 8748 or any other related issuance, rule or regulation.

12 SEC. 15. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income*
13 *Earned.* – The provision of existing laws, rules and regulations to the contrary
14 notwithstanding, no taxes, local and national, shall be imposed on business
15 establishments operating within the SpeDEZ including but not limited to all taxes
16 covered in Titles II, III, IV, V, VI, and VII of Republic Act No. 8424, otherwise
17 known as the NIRC, as amended and all amendments and successors thereto, and
18 all taxes covered under Titles I and II of Book II of Republic Act No. 7160, otherwise
19 known as the Local Government Code and all amendments and successors thereto.
20 In lieu thereof, and subject to Section 16 of this Act, said business establishments
21 shall pay a five percent (5%) final tax on their gross income earned: *Provided,* That
22 the proceeds from such final tax shall be shared by instrumentalities of the
23 government in accordance with the following percentages:

- 24 a) Two *per cent* (2%) to the National Government, particularly to the Armed
25 Forces of the Philippines Modernization Program;
- 26 b) One *per cent* (1%) to the Province of Bataan;
- 27 c) One *per cent* (1%) to the host city/municipality; and
- 28 d) One *per cent* (1%) to the SpeDEZA: *Provided,* That any surplus in the
29 operating, administrative and development expenses shall be remitted to

1 the Armed Forces of the Philippines Modernization Program if such
2 surplus is left unutilized for a period exceeding five (5) years.

3 For enterprises registered with the SpeDEZA but located in the territory of
4 another investment promotion agency pursuant to a mutually beneficial economic
5 defense relation established with such promotion agency in accordance with Section
6 5(c) of this Act, the one *per cent* (1%) share from the five *per cent* (5%) final tax on
7 gross income earned shall be equally divided between the SpeDEZA and the
8 investment promotion agency concerned.

9 The SpeDEZA shall have the authority to grant income tax holiday and net
10 operating loss carry over subject to Section 16 of this Act and conditions as it may
11 imposed pursuant to Section 13 of this Act.

12 SpeDEZ enterprises deemed as priority investments, as may be determined by
13 the SpeDEZA, with the exception of those included in the negative list drawn up as
14 provided for in Section 5(i) of this Act, may generate up to one hundred percent
15 (100%) of their income from sources within the customs territory but without loss of
16 eligibility to avail of the incentives in this Act, subject to Section 5(f) of this Act.

17 SEC. 16. *Administration, Implementation and Monitoring of Incentives.* – For
18 the proper administration, implementation and monitoring of tax incentives provided
19 under this law, the following are herein mandated:

20 (a) The SpeDEZA shall be responsible for the administration, management,
21 enforcement and implementation of the incentives granted to registered
22 enterprises: *Provided*, That the SpeDEZA shall, among others, adopt and
23 implement systems and procedures affecting defense/military trade and the
24 appropriate customs policies: *Provided, further*, That the BOC shall set up and
25 establish a customs controlled area outside the gate of the SpeDEZ or other
26 registered enterprises of the SpeDEZ operating outside its territory to
27 facilitate payment of taxes on goods entering the Philippine customs territory:
28 *Provided, finally*, That notwithstanding the limitations in this Act, the SpeDEZA

1 and BOC may coordinate and jointly implement measures on border
2 protection; and

3 (b) In the interest of enhancing transparency in the management and
4 accounting of tax incentives in the SpeDEZ, the SpeDEZA shall comply with
5 the provisions of Republic Act No. 10708, otherwise known as "The Tax
6 Incentives Management and Transparency Act (TIMTA)" and its implementing
7 rules and regulations.

8 SEC.17. *Duration of Incentives.* – Fiscal incentives under this Act shall be
9 terminated after a cumulative period of twenty (20) years from date of registration
10 or start of commercial operation, whichever is applicable: *Provided,* That such 20-
11 year period may be extended with regard to industries deemed indispensable to
12 national development and interest. The industries exempted from this provision shall
13 be determined by the SpeDEZA, in consultation with other government agencies
14 concerned. There shall be no limit to the enjoyment of the ITH and NOLCO except
15 for the sequential availment under Section 18 of this Act and the 20-year period as
16 provided in this section.

17 SEC. 18. *Sequential Availment of Incentives.* – Registered enterprises may
18 enjoy the income tax holiday (ITH) granted by the SpeDEZA prior to the availment
19 of the five percent (5%) final tax on gross income earned incentive: *Provided,* That
20 in the event a registered enterprise elects to avail of the final tax incentive, such
21 registered enterprise shall be barred from availing the ITH incentive.

22 Registered enterprises, if eligible, may register for incentives with other
23 investment promotion agencies: *Provided,* That registered enterprises electing to
24 avail of the incentives of other promotion agencies shall not be able to avail of the
25 incentives of the SpeDEZ until the expiration of the incentives with such other
26 investment promotion agencies.

27 SEC. 19. *Extension of Period of Availment.* – In the event that a registered
28 enterprise has suffered cessation or suspension of operations due to force majeure,

1 which has impaired its viability or profitability, the SpeDEZA may extend the period
2 of validity of the incentives extended to such registered enterprise.

3 The SpeDEZA may also extend the period of validity of incentives to a
4 registered enterprise which enter into and fund research and development
5 undertaking, technology sharing, or other similar arrangements with investment
6 promotion agencies, government agencies and instrumentalities, local government
7 units, and educational institutions under such terms and conditions as the SpeDEZA
8 may prescribe.

9 SEC. 20. *Banking Rules and Regulations.* – Banks and financial institutions to
10 be established in the SpeDEZ shall be under the supervision of the BSP and shall be
11 subject to existing banking laws, rules and regulations.

12 SEC. 21. *Remittances.* – In the case of foreign investments, a duly registered
13 entity or enterprise within the SpeDEZ shall have the right to remit earnings from
14 the investment in the currency in which the investment was originally made and at
15 the exchange rate prevailing at the time of remittance, subject to the provisions of
16 Republic Act No. 7653, otherwise known as "The New Central Bank Act".

17 SEC. 22. *Multi-Year Contracts and Other Contractual Arrangements.* – In
18 order to spur the development of SpeDEZ as a self-reliant and self-sustaining
19 defense investment hub where duly qualified and selected locators are provided with
20 guaranteed market access, the DND, the AFP, the Philippine Coast Guard (PCG), and
21 the PNP are hereby directed to procure their defense equipment and materiel,
22 whenever available and practicable, from defense industries registered with the
23 SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter
24 into multi-year contracts and other multi-year contractual arrangements with
25 manufacturers/suppliers registered with the SpeDEZA under such terms and
26 conditions to be provided in the rules and regulations implementing this act.

27 In implementing this section, the SpeDEZA, the DND, AFP, PCG, and PNP
28 shall jointly formulate the mechanics for the selection of manufacturers/suppliers to
29 be awarded with multi-year contracts: *Provided,* That registration with the SpeDEZA

1 and location of operation and manufacture of the defense equipment and materiel to
2 be procured in the SpeDEZ shall be a condition precedent for the award of the multi-
3 year contracts.

4 The selection of manufacturers/suppliers eligible for multi-year contracts with
5 the government shall be exempt from the provisions of Republic Act No. 9184,
6 otherwise known as the "Government Procurement Reform Act" and its
7 implementing rules and regulations. The length of the multi-year contracts shall be
8 agreed upon by the contracting parties taking into consideration the period within
9 which the manufacturer/supplier may recoup its investment together with a
10 reasonable rate of return: *Provided*, that the execution of the multi-year contract
11 shall not preclude the manufacturer/supplier concerned from accepting and filling in
12 orders from other clients as long as the fulfillment of its obligations under the multi-
13 year contract are not adversely affected.

14 SEC. 23. *Countertrade*. – Whenever applicable and practicable, any of the
15 countertrade arrangements defined in Executive Order No. 120 should be explored
16 in pursuing defense related acquisitions. The SpeDEZA in consultation with the DND,
17 the DTI, and other offices concerned, shall identify or develop a list of
18 goods/services or industries which may be subject to a countertrade.

19 SEC. 24. *Capitalization*. – The SpeDEZA shall have an authorized capital stock
20 of Three Billion Pesos (P3,000,000,000.00) to be subscribed wholly by the national
21 government.

22 In addition, all lands embraced and covered by the SpeDEZ, including
23 permanent improvements and fixtures, upon proper inventory by the GA or AFP, as
24 the case may be, not otherwise alienated, conveyed or transferred to another
25 government agency and all other assets which the President may transfer to the
26 SpeDEZA shall form part of the equity contribution of the government.

27 The annual subscription of the national government to the capital stock of the
28 SpeDEZA shall be included in the annual General Appropriations Act.

1 SEC. 25. *Supervision and Control.* – For purposes of policy direction and
2 coordination, the SpeDEZA shall be under the direct control and supervision of the
3 Office of the President of the Philippines.

4 SEC. 26. *Regional Development Council.* – The SpeDEZA shall determine the
5 development goals for the SpeDEZ within the framework of national development
6 plans, policies and goals. The Chairperson and Administrator shall, upon approval by
7 the Board, submit the SpeDEZA plans, programs and projects to the Regional
8 Development Council for inclusion and inputs to the overall regional development
9 plan.

10 SEC. 27. *Relationship with Local Government Units.* – Except as herein
11 provided, the Municipality of Limay in the Province of Bataan and such other local
12 government units where registered enterprises of the SpeDEZ conduct business shall
13 operate and function in accordance with the framework of the 1987 Constitution and
14 Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions
15 of the Local Government Code, and this Act.

16 In case of any conflict between the SpeDEZA, the LGUs and any national
17 government agency on matters affecting the SpeDEZA, other than national defense
18 and security matters, the decision of the SpeDEZA shall prevail.

19 SEC. 28. *Legal Office.* – The SpeDEZA shall have and maintain its own
20 internal legal office, with appropriate number of personnel under the supervision of
21 the Government Corporate Counsel. When the exigencies of its businesses and
22 operations demand, the SpeDEZA may engage the services of an outside counsel
23 either on a case to case or a fixed retainer basis. Such engagement shall not require
24 further approval and concurrence of the Office of the Government Corporate Counsel
25 or the Office of the Solicitor General.

26 SEC. 29. *Interpretation/Construction.* – The powers, authorities and functions
27 that are vested in the SpeDEZA are intended to establish national self-sufficiency
28 and self-reliance in the advancement and protection of the national integrity,
29 enhancement of national security, decentralization of governmental functions and

1 authority, and promotion of an efficient and effective working relationship between
2 the SpeDEZA, the national government and the LGUs. Any interpretation of this Act
3 shall consider such intentions. In the event of conflict of interpretations, the
4 provisions of this Act shall be construed in favor of an interpretation that would tend
5 to protect national security.

6 SEC. 30. *Audit.* – The Commission on Audit shall appoint a full-time auditor in
7 the SpeDEZA or may assign such number of personnel as may be necessary in the
8 performance of its functions.

9 SEC. 31. *Transitory Provisions.* – The SpeDEZA shall be responsible for the
10 operation, administration, management and development of the SpeDEZ. The
11 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the
12 least disruption of ongoing programs of the GA.

13 SEC. 32. *Implementing Rules and Regulations.* – The SpeDEZA, DTI, DOF,
14 DND, and the LGUs concerned shall formulate the implementing rules and
15 regulations of this Act within ninety (90) days after its approval. Such rules and
16 regulations shall take effect fifteen (15) days after its publication in a newspaper of
17 general circulation in the Philippines.

18 SEC. 33. *Applicability Clause.* – Insofar as these are consistent with the
19 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
20 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall
21 likewise apply to the SpeDEZ.

22 Sec. 34. *Separability Clause.* – If any provision of this Act is declared invalid
23 or unconstitutional, other provisions hereof which are not affected thereby shall
24 remain in full force and effect.

25 Sec. 35. *Repealing Clause.* – All laws, orders, decrees, rules and regulations,
26 and other parts thereof inconsistent with the provisions of this Act are hereby
27 repealed, amended or modified accordingly.

1 Sec. 36. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after
2 its publication in the *Official Gazette* or in at least two (2) national newspapers of
3 general circulation.

 Approved,