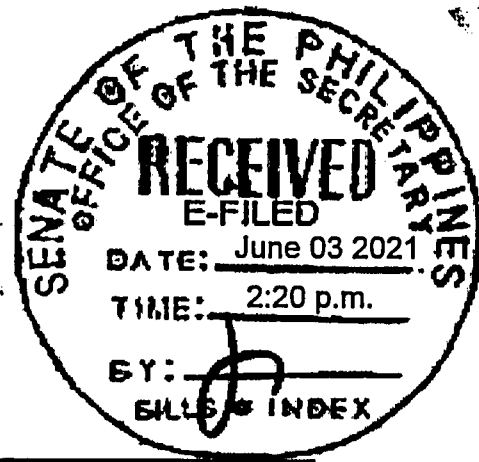


EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
Second Regular Session

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SENATE
Senate Bill No. 2284



INTRODUCED BY SENATOR RONALD "BATO" DELA ROSA

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), APPROPRIATING FUNDS THEREFOR AND FOR
OTHER PURPOSES

EXPLANATORY NOTE

Section 19, Article II of the 1987 Constitution provides that "The State shall develop a self-reliant and independent national economy effectively controlled by Filipinos." Further, the State recognizes the indispensable role of the private sector, encourages the participation of private enterprise, and provides incentives to needed investments.¹

This measure seeks to establish the Special Defense Economic Zone Authority (SpeDEZA) which shall manage, maintain, and operate the Special Defense Economic Zone (SpeDEZ), to be located in Camp General Antonio Luna, Lamao, Municipality of Limay, Province of Bataan, primarily for the purpose of providing key opportunities and incentives for local and international defense contractors to locate their operations in the subject defense real estate.

The powers, authorities and functions that are vested in the SpeDEZA are intended to establish national self-sufficiency and self-reliance in the advancement of and protection of the national integrity, enhancement of national security,

¹ Section 20, Article II of the 1987 Constitution.

decentralization of governmental functions and authority, and promote an efficient and effective working relationship between the SpeDEZA, the national government and the LGUs.

With only a few years left remaining for the completion of the AFP Modernization Program, the passage of this bill provide a complementary stream of income to support the Program, while creating job opportunities, pursuing infrastructure development and encouraging direct foreign investments.

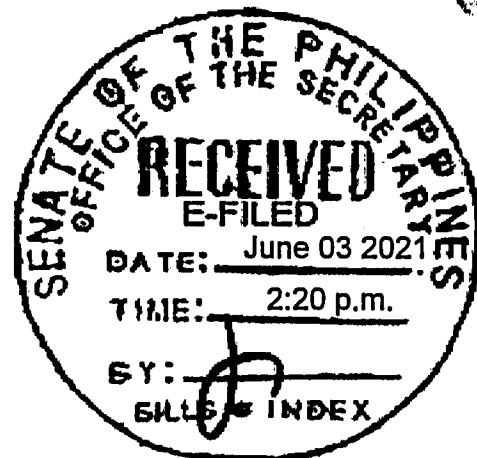
In view of the foregoing, the passage of this bill is urgently sought.


RONALD "BATO" DELA ROSA

EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
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*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 "*Special Defense Economic*
2 *Zone (SpeDEZ) Act of 2019*".

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

1 in the rural areas, increasing productivity and individual family income, and thereby
2 improving the level and quality of living conditions of the people.

3
4 Sec. 3. *Creation of the Special Defense Economic Zone (SpeDEZ)* – There is
5 hereby created a special economic zone in Camp General Antonio Luna, Lamao,
6 Municipality of Limay in the Province of Bataan, referred to as the Special Defense
7 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
8 defense-related advanced technologies, information and communications technology,
9 research and development and their support industries. The SpeDEZ shall cover the
10 Government Arsenal Industrial Estate inside Camp General Antonio Luna located in the
11 Municipality of Limay, Province of Bataan, measuring approximately three hundred
12 seventy (370) hectares, including the seventy (70) hectares of land within which the
13 Government Arsenal (GA), created pursuant to Republic Act No. 1884, otherwise known
14 as "An Act to Establish A Government Arsenal, Provide for its Operation and for Other
15 Purposes" operates, the portions allocated for the expansion of the GA, and all other
16 areas which may be declared as part of the SpeDEZ in compliance with Section 5(h) of
17 this Act: *Provided*, That the GA shall remain a line bureau of the Department of National
18 Defense (DND) in accordance with Republic Act No. 1884, Executive Order No. 292,
19 Series of 1987, otherwise known as the "Administrative Code of the Philippines",
20 Republic Act No. 7898, as amended by Republic Act No. 10349, otherwise known as the
21 "AFP Modernization Act", Executive Order No. 303 series of 2004, and other prevailing
22 laws and executive issuances. Except for necessary coordination on matters of mutual
23 and higher security concerns emanating from the very nature of their respective
24 mandates, the operations of the GA shall remain independent of the management of
25 the SpeDEZ, and the Special Defense Economic Zone Authority (SpeDEZA), in
26 accordance with this Act, shall not interfere with the activities conducted in the seventy
27 (70) hectare area on which the GA maintains and operates its buildings and structures
28 (the "GA area"); *Provided further*, That the SpeDEZ shall not be expanded nor operated
29 to the prejudice of the GA and the GA shall not be expanded nor operated to the
30 prejudice of the SpeDEZ. The GA and the SpeDEZA shall continuously coordinate to
31 ensure smooth and seamless operations involving the SpeDEZ and the GA; *Provided*
32 *finally*, That investors who intend to do business in the GA area may do so only upon
33 written consent of the GA prior to registration with the SpeDEZA.

1 **Sec. 4. *Creation of the Special Defense Economic Zone Authority (SpeDEZA).*** -
2 There is hereby created a specialized and independent body corporate to be known as
3 the Special Defense Economic Zone Authority which shall manage and operate the
4 SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be considered
5 a government instrumentality vested with corporate powers.

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

13
14 **Sec. 5. *Governing Principles.*** - The SpeDEZ shall be managed and operated under
15 the following principles:

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

28
29 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the
30 SpeDEZ may continue to be provided by the national government and local
31 governments with transportation, telecommunications and other facilities
32 needed to attract legitimate and productive investments, generate linkage

1 with industries and employment opportunities for the people of the Province of
2 Bataan and its neighboring towns and cities; *Provided*, That the autonomy and
3 self-reliance of the SpeDEZ shall not be a hindrance to assistance nor
4 partnerships with other units and instrumentalities of the government;
5 *Provided further*, That no assistance or partnership shall be construed as a
6 waiver of the autonomy of the SpeDEZA;
7

8 c) The SpeDEZA may establish mutually beneficial economic defense relations
9 with other investment promotion agencies, entities or enterprises within the
10 country or with foreign entities or enterprises; *Provided*, That the SpeDEZA
11 shall seek clearance from the DND and administrative guidance from the
12 Department of Foreign Affairs (DFA) as to relations with foreign entities
13 or enterprises;
14

15 d) Foreign citizens and companies owned by non-Filipinos may set up enterprises
16 in the SpeDEZ with foreign ownership of up to the percentage allowed by law,
17 subject to the approval of SpeDEZA, either by themselves or in joint venture
18 with Filipinos or the GA in the defense and security industry within the
19 territorial jurisdiction of the SpeDEZ; *Provided*, That the SpeDEZA may require
20 individual locators to be subject to the provisions and limitations provided
21 for by the Strategic Trade Management Act, Foreign Investment Act and
22 the Regular Foreign Investment Negative List issued by the President;
23 *Provided further*, That the SpeDEZA may require a minimum investment in
24 freely convertible currencies from any enterprise seeking registration as a
25 locator of the SpeDEZ. All investments in the SpeDEZA shall fall under the
26 priorities, thrusts and limits provided for in this Act; *Provided finally*, That all
27 investments that do not directly or indirectly further defense, military and law
28 enforcement investments shall be prohibited from doing business within the
29 SpeDEZ except for businesses that cater to or support the locators, their
30 employees, and the residents of the SpeDEZ;
31

32 e) Subject to the limitations in this Act and its implementing rules and
33 regulations, the SpeDEZ shall be managed and operated as a separate

1 customs territory ensuring free flow or movement of necessary goods and
2 products, and capital within, into and out of its territory; *Provided*, That
3 subject to Section 14 of this Act, the SpeDEZ and all activities conducted
4 therein shall be exempt from payment of all national and local taxes; *Provided*
5 *further*, That in accordance with Sections 301 and 817 of Republic Act No.
6 10863, otherwise known as the "Customs Modernization and Tariff Act", the
7 Bureau of Customs (BOC) shall continue to exercise border protection and
8 customs control authority over the customs territory adjacent to the SpeDEZ
9 and to this end shall consult, coordinate, cooperate with the SpeDEZA to
10 enhance its protection and control capacity and ensure compliance with
11 customs laws and regulations;
12

13 f) The SpeDEZA shall provide incentives, such as tax and duty-free admissions of
14 raw materials, capital and equipment to registered enterprises of the SpeDEZ;
15 *Provided*, That exportation or removal of goods from the territory of the
16 SpeDEZ to the other parts of the Philippine territory shall be subject, as
17 applicable, to customs duties and taxes under the Customs Modernization and
18 Tariff Act, as amended, and the National Internal Revenue Code of 1997, as
19 amended; *Provided further*, that sales of good from the SpeDEZ to the Armed
20 Forces of the Philippines (AFP), Philippine National Police (PNP) and local
21 government units (LGUs) for defense and security purposes shall be exempt
22 from all customs duties, national and local taxes; *Provided finally*, that subject
23 to coordination with the BOC, customs transit to and from the SpeDEZ, thru
24 the Port of Lamao or other ports, shall also be considered tax and duty-free;
25

26 g) As far as practicable, enterprises located within the SpeDEZ shall acquire a
27 certain percentage of their raw material requirements locally produced within
28 the Philippines as determined by the SpeDEZA;
29

30 h) The areas comprising the SpeDEZ may be expanded or reduced when
31 necessary to improve its investment promotion capacity, ensure public
32 order and safety, consolidate lands for SpeDEZ development, acquire right of
33 way or access necessary and appropriate to the SpeDEZ, protect and

safeguard watershed areas or maintain and improve water yield for the benefit of the SpeDEZ and LGUs, manage solid and water waste in compliance with existing national laws and local ordinances, and promote the public good. For this purpose, the SpeDEZA, with the concurrence of the appropriate and affected LGUs in the Province of Bataan and in accordance and in compliance with existing national laws and local ordinances, shall have the power to acquire, procure, increase, or otherwise expand, either by purchase, negotiation or condemnation proceedings, any private or public lands and their respective water territories within the Province of Bataan; *Provided*, That when applicable, the municipal waters of up to fifteen (15) kilometers from the low water mark area of the edge of the SpeDEZ shall be deemed included in the territorial jurisdiction of the SpeDEZ; *Provided further*, That the SpeDEZA and the relevant LGUs shall provide for immediate and responsive mechanisms, best management practices and suitable environmental protection programs for land and coastal zone management to address any abuse and/or exploitation of the natural environment within the territorial jurisdiction of the SpeDEZ;

- i) Products and goods researched and developed, engineered or manufactured by registered enterprises may be made available in the domestic market, subject to the limitations in this Act and its implementing rules and regulations, payment of corresponding duties, customs and taxes on raw materials, approval by the DND or the PNP in accordance with Republic Act No. 10697 and the Regular Foreign Investment Negative List issued by the President, other regulations that may be formulated by the SpeDEZA, and other applicable regulations and limitations imposed in accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP); Department of Finance (DOF), BOC and Department of Trade and Industry (DTI); *Provided*, That in cooperation with the SpeDEZA, the DND and PNP shall provide and implement measures to improve ease and cost of doing business within the SpeDEZ and enhance the investment promotion capacity of the SpeDEZA; *Provided further*, That in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the SpeDEZA; *Provided finally*, That

enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally, notwithstanding the registration of such enterprises in the SpeDEZ; and

- j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the security of its perimeter fence shall be the responsibility of the National Government, thru the AFP and the GA, in coordination with the SpeDEZA.

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

- a) To adopt, alter, and use a corporate seal;
- b) To contract, lease, buy, sell, acquire, own and dispose properties of whatever nature; *Provided*, That real properties that form part of the original Camp General Antonio Luna shall not be disposed of or encumbered; *Provided further*, That expansion areas may be disposed of or encumbered by the SpeDEZA;
- c) To sue and be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act;
- d) To exercise the power of eminent domain for public use and public purpose;
- e) To operate, administer, manage, develop, in accordance with Executive Order No. 525, as amended, the SpeDEZ according to the principles and provisions set forth in this Act;
- f) To recommend to the President the issuance of a proclamation or any executive issuance to fix or delimit the metes and bounds of the SpeDEZ; *Provided*, that such proclamation shall not be required to expand the SpeDEZ pursuant to Section 5(h) of this Act;

- 1 g) To register, regulate and supervise the entities and enterprises in the SpeDEZ
2 in a competent and efficient manner that, as far as practicable, balances ease
3 of doing business and sound restriction or regulation of activities; the
4 SpeDEZA may also register, regulate, and supervise defense related
5 enterprises outside of the SpeDEZ territory as defined in Section 3 and Section
6 5(h) of this Act. *Provided*, That the SpeDEZA shall submit to the DND a
7 quarterly report on locators and other registered enterprises of the SpeDEZ.
8
- 9 h) To formulate and exercise general and sole supervision over the
10 implementation of the development plans, activities and operations of the
11 SpeDEZ; *Provided*, That the SpeDEZA may coordinate with LGUs when
12 necessary to promote development in the SpeDEZ;
13
- 14 i) To authorize or undertake, on its own or through others, and regulate the
15 establishment, construction, operation and maintenance of public utilities,
16 services, and infrastructure in the SpeDEZ such as shipping, barging,
17 stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port
18 services or concessions, piers, wharves, bulkheads, bulk terminals, mooring
19 areas, storage areas, roads, bridges, reclamation projects, terminals,
20 conveyors, water supply and storage, sewerage, drainage, airport operations
21 in coordination with the Philippine Ports Authority (PPA), the Civil Aviation
22 Authority of the Philippines (CAAP), and the AFP, and such other services or
23 concessions or infrastructure necessary or incidental to the accomplishment of
24 the objectives of this Act; *Provided*, That the registered enterprises of the
25 SpeDEZ shall be given priority in the awarding of contracts franchises,
26 licenses, or permits for the establishment, operation and maintenance of
27 utilities, services and infrastructure in the SpeDEZ;
28
- 29 j) To issue license, set fees, regulate the establishment, operation, and
30 maintenance of utilities, educational and medical institutions, infrastructure
31 related to military, defense and law enforcement investments and other
32 services in the SpeDEZ such as, heat, light and power, water supply,
33 telecommunications, mobile, internet and other data facilities, transport, toll

1 roads and bridges and port services, and to fix just, reasonable and
2 competitive rates, fares, charges and prices thereof;

3
4 k) To construct, acquire, own, lease, operate and maintain on its own or through
5 contracts, franchises, licenses, bulk purchase from the private sector and
6 build-operate-transfer scheme or joint venture with the private sector, any or
7 all of the public utilities and infrastructure required or needed for the
8 operation and development of the SpeDEZ, including transportation, access
9 and connection to, and out of the SpeDEZA, in coordination with appropriate
10 national and local government authorities and in conformity with applicable
11 laws;

12
13 l) To raise or borrow, within the limitation provided by law, and subject to the
14 approval or opinion of the Monetary Board of the BSP, as the case may be,
15 adequate and necessary funds from local or foreign sources, to finance its
16 projects and programs under this Act, and for this purpose, to issue bonds,
17 promissory notes, and other forms of securities, and to secure the same by a
18 guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of
19 its property or assets subject to Section 6(b) of this Act;

20
21 m) To enter into Public-Private Partnership, Build-Operate-Transfer schemes or
22 any of its variants, management contract, joint venture, co-production, or
23 similar agreements with local or foreign entities for the management
24 and operation of the SpeDEZ, a portion thereof, or any enterprise registered
25 therein to ensure the viability of the SpeDEZ;

26
27 n) To provide internal security to the SpeDEZ, in coordination with the National
28 Government and affected LGUs; *Provided*, That for this purpose, the SpeDEZA
29 shall provide and establish its own internal security and firefighting forces and
30 identify and reserve facilities and areas within the SpeDEZ for the AFP, which
31 shall be responsible for the perimeter security of the SpeDEZ, through the GA;
32 *Provided further*, That in the event that the assistance of the AFP or PNP is
33 necessary, the AFP or PNP shall not interfere in the internal affairs of the

1 SpeDEZA, except to provide the necessary security and defense, or law
2 enforcement assistance, as the case may be; *Provided finally*, That expenses
3 of the AFP or PNP in the SpeDEZ shall be borne by the national government;
4

5 o) To protect, preserve, maintain and develop the forests, beaches, coral and
6 coral reefs, and maintain ecological balance within the SpeDEZ; *Provided*,
7 That notwithstanding the authority of the SpeDEZA to create rules for such
8 purpose, the rules and regulations of the Department of Environment and
9 Natural Resources (DENR) and other government agencies involved in the
10 above functions shall be implemented by the SpeDEZA; *Provided further*, That
11 the SpeDEZA shall create an Ecology Center for such purpose;
12

13 p) To create, operate or contract to operate such functional units or offices of the
14 SpeDEZA as it may deem necessary;
15

16 q) To issue certificates of origin for products manufactured or processed in the
17 SpeDEZ;
18

19 r) To issue rules and regulations necessary to implement and accomplish the
20 purposes, objectives and policies provided herein, in consultation with DND,
21 DTI, DOF and other relevant government agencies;
22

23 s) To appropriately zone the SpeDEZ and provide for buffer zones when
24 necessary and reserve areas for housing;
25

26 t) To establish one-stop shops for the issuance of all necessary permits,
27 clearances, licenses, and other similar certifications to conduct such activities
28 intended to improve the ease of doing business within the SpeDEZ, in
29 coordination with government agencies having jurisdiction over activities in
30 the SpeDEZ not otherwise solely reserved to the SpeDEZA; *Provided*, That all
31 government agencies are directed to provide and extend utmost and full
32 cooperation to the SpeDEZA in the establishment of such one-stop shops; and
33

- 1 u) To perform such other functions as may be necessary to carry out the
2 provisions of this Act.
3

4 *Sec. 7. Composition of the SpeDEZA.* - The powers of the SpeDEZA shall be vested
5 in and exercised by a Board of Directors which shall be composed of the following:
6

7 a) The Secretary of the DND who shall be the ex-officio Chairman;

8 b) The Undersecretary of National Defense of the DND as the Vice-Chairman;
9 *Provided,* That in the absence of the Chairman, the Vice-Chairman shall
10 preside over the meetings of the Board of the SPeDEZA;
11

12 c) Members who shall consist of:

- 13
14 1. DND Undersecretary;
15 2. DND Undersecretary;
16 3. DND Undersecretary;
17 4. DND Assistant Secretary;
18 5. DND Assistant Secretary;
19 6. Director of Government Arsenal;
20 7. Director of the Office of Strategy, Capability and Technology;
21 8. DND Chief of Legal Affairs;
22 9. One (1) representative from the from the investors within the SpeDEZ;
23 10. One (1) representative from the workers in the SpeDEZ;
24 11. One (1) representative from the Province of Bataan;
25 12. One (1) representative from the Municipality of Limay, Bataan;
26 13. One (1) representative from the legislative district covering the site of
27 the SpeDEZ;
28 14. One (1) representative from the Department of Trade and Industry;
29 15. One (1) representative from the Department of Finance.
30

1 In the event of abolition of concerned DND Office, SND has the authority to
2 appoint the replacement to maintain majority members of the Board of Directors from
3 the DND.

4
5 In the event the Chairman and Vice-Chairman are unable to attend the board
6 meeting, the members present constituting a quorum shall elect amongst themselves
7 the Presiding Officer for that particular meeting. The Presiding Officer shall not have
8 voting rights except to break a tie. For the purpose of determining quorum, vacant
9 seats shall not be considered.

10
11 Except those coming from the DND and GA, the members of the Board shall be
12 appointed by the President of the Philippines to serve for a term of six (6) years, unless
13 sooner separated from service due to death, voluntary resignation or removal for cause.
14 In case of death, resignation or removal for cause, the replacement shall serve only the
15 unused portion of the term.

16
17 All members of the Board shall be Filipino citizens and no person shall be
18 appointed by the President of the Philippines as a member of the Board unless he is of
19 good moral character and proven probity and integrity. Except for the representatives
20 of the DND, GA and workers, members of the Board are required to be degree holders
21 in any of the following fields: economics, business, public administration, law,
22 management, military science, or their equivalent, and with at least ten (10) years
23 relevant working experience preferably in the field of management or public
24 administration.

25
26 The members of the Board shall each receive *per diem* at rates to be determined
27 by the Department of Budget and Management (DBM) in accordance with existing rules
28 and regulations; *Provided*, That the total per diem collected each month shall not
29 exceed the equivalent per diem for four (4) meetings.

30
31 **Sec. 8. Administrator of the SpeDEZA** - The SpeDEZA shall have an Administrator
32 with a rank of Department Undersecretary who shall be appointed by the President of
33 the Philippines. The Administrator shall be at least forty (40) years of age, of proven

1 probity and integrity, and a degree holder in any of the following fields: economics,
2 business, public administration, law, management or their equivalent, with at least ten
3 (10) years relevant working experience, preferably in the field of business,
4 management, or public administration.

5
6 **Sec. 9. *Powers and Duties of the Administrator.*** - The Administrator shall have the
7 following powers and duties:

- 8
- 9 a) To direct and manage the affairs of the SpeDEZA in accordance with the
10 policies of the Board;
 - 11
 - 12 b) To establish the internal organization of the SpeDEZA under such conditions
13 that the Board may prescribe;
 - 14
 - 15 c) To submit an annual budget and necessary supplemental budget to the Board
16 for its approval;
 - 17
 - 18 d) To submit within thirty (30) days after the close of each fiscal year an annual
19 report to the Board and such other reports as may be required;
 - 20
 - 21 e) To submit to the Board for its approval policies, systems, procedures, rules
22 and regulations that are essential to the operation of the SpeDEZA;
 - 23
 - 24 f) To create a mechanism for coordination with relevant agencies for the
25 promotion of industrial peace, the protection of the environment, and the
26 advancement of the quality of life in the SpeDEZ;
 - 27
 - 28 g) To preside at the meetings of the Board of the SpeDEZA in the absence of the
29 Chairman;
 - 30
 - 31 h) To directly administer and supervise the operations and day-to-day business
32 activities of the SpeDEZA;
 - 33

1 i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other
2 instruments affecting its interests and duly approved by the Board; and
3

4 j) To perform such other duties as may be assigned to him by the Board or
5 which are necessary or incidental to his office.
6

7 *Sec. 10. Principal Office of the SpeDEZA.* - The SpeDEZA shall maintain its
8 principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan,
9 but it may establish liaison offices within the Philippines as may be necessary for the
10 proper conduct of its business.
11

12 *Sec. 11. Organization and Personnel.* - The Board of the SpeDEZA shall provide for
13 an organizational structure and appoint employees, subject to applicable provisions of
14 the civil service laws and regulations. Upon the recommendation of the Chairman and
15 Administrator and with the approval of the Secretary of the DBM, the Board shall
16 appoint and fix the remuneration and other emoluments of its officers and employees in
17 accordance with existing laws on compensation and position classification; *Provided,*
18 That the Chairman and Administrator shall exercise administrative supervision on its
19 employees.
20

21 The officers and employees of the SpeDEZA, including all members of the Board,
22 shall not engage directly or indirectly in partisan activities nor take part in any election,
23 except to vote.
24

25 No officer or employee of the SpeDEZA, subject to civil service laws and
26 regulations, shall be removed or suspended except for cause, as provided by law.
27

28 *Sec. 12. Special Labor Center.* - A Special Labor Center shall be established within
29 the SpeDEZ. This Center shall endeavor and be responsible to pro-actively play a vital
30 role in studying and amicably settling professional, labor relations issues and disputes,
31 interpretation of employment service contracts, and monitoring work, work place,
32 hygiene and safety standards within the SpeDEZ, particularly of the duly registered
33 entities and enterprises. The Special Labor Center shall comprise of a labor office, an

1 industrial health and safety office, an inspection/investigative and disputes office, and
2 an enforcement office.

3
4 In order to support the economic and employment generation thrusts of the LGUs,
5 the SpeDEZA shall implement policies and programs that will serve to prioritize for
6 employment in the SpeDEZ, workers who are residents of stakeholder LGUs. Registered
7 enterprises shall, as far as practicable, source all its labor needs from the stakeholder
8 LGUs of the SpeDEZ, subject to existing laws and regulations; *Provided, That*
9 "stakeholder LGUs" for the purpose of this Act shall refer to all local government units
10 which (1) derive a share in the five percent (5%) final tax imposition within the
11 SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with Section 5(g) or
12 Section 6(f) of this Act, and/or (3) host registered enterprises of the SpeDEZ pursuant
13 to section 6(g) of this act;

14
15 The SpeDEZA and, as far as practicable, the locators and registered enterprises of
16 the SpeDEZ, shall prioritize for employment qualified former personnel of the GA who
17 have been terminated or removed from the service due to modernization of the GA.

18
19 Sec. 13. *Investors Visa.* - Any foreign national who invests an amount of at least
20 Two Hundred Thousand US Dollars (US\$200,000.00), either in cash and/or equipment,
21 in a registered enterprise shall be entitled to an investor's visa: *Provided, That* the
22 foreign national has the following qualifications:

- 23
24 a) Must be at least eighteen (18) years of age;
25 b) Must not have been convicted by final judgment of a crime involving moral
26 turpitude;
27 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
28 d) Must not have been institutionalized for any mental disorder or disability; and
29 e) Must establish by verifiable and credible evidence his financial capability and
30 capacity.

31
32 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines
33 while his investment subsists. For this purpose, the alien should submit an annual

1 report, in the form duly prescribed for the purpose, to prove that he has maintained his
2 investment in the country. Should said alien withdraw his investments from the
3 Philippines, the investor's visa issued to him shall automatically expire and/or be
4 withdrawn.

5
6 The authority to issue visas and work permits shall remain with the Bureau of
7 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively;
8 *Provided*, That the BI and the DOLE shall implement measures to expedite the
9 processing of such visas and permits for workers in the SpeDEZ and coordinate with the
10 SpeDEZA for the purpose of improving ease of doing business.

11
12 **Sec. 14. *Fiscal Incentives.*** - Registered enterprises of the SpeDEZ may be entitled
13 to the existing pertinent fiscal incentives as provided for under Republic Act No. 7916,
14 as amended by Republic Act No. 8748, also known as the "Special Economic Zone Act
15 of 1995," or those provided under Executive Order No. 226, as amended, otherwise
16 known as the "Omnibus Investment Code of 1987"; and/or those that may be further
17 granted as the need and necessity arises by the appropriate government department,
18 agency or office; *Provided*, That in the administration, implementation and monitoring
19 of incentives, the SpeDEZA may impose its own conditions not otherwise prohibited by
20 this Act; *Provided further*, That the SpeDEZA shall not be limited to the conditions
21 provided under Republic Act No. 7916, Republic Act No. 8748 or any other related
22 issuance, rule or regulation.

23
24 **Sec. 15. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.*** -
25 The provision of existing laws, rules and regulations to the contrary notwithstanding, no
26 taxes, local and national, shall be imposed on business establishments operating within
27 the SpeDEZ including but not limited to all taxes covered in Titles II, III, IV, V, VI, and
28 VII of Republic Act No. 8424 otherwise known as the "National Internal Revenue Code"
29 and all amendments and successors thereto, and all taxes covered under titles I and II
30 of Book II of Republic Act No. 7160 otherwise known as the "Local Government Code"
31 and all amendments and successors thereto. In lieu thereof, and subject to Section 16
32 of this Act, said business establishments shall pay a five percent (5%) final tax on their

1 gross income earned; *Provided*, That the proceeds from such final tax shall be shared
2 by instrumentalities of the government in accordance with the following percentages:

- 3
- 4 a) Three per centum (3%) to the National Government, particularly to the DND-
5 AFP Modernization Program;
 - 6 b) One half per centum (.5%) to the Province of Bataan;
 - 7 c) One half per centum (.5%) to the Treasurer's Office of the Municipality of
8 Limay; and
 - 9 d) Three fourth per centum (.75%) to the SpeDEZA: *Provided*, That any surplus
10 in the operating, administrative and development expenses shall be remitted
11 to the Armed Forces of the Philippines Modernization Program if such surplus
12 is left unutilized for a period exceeding five (5) years.
 - 13 e) One fourth per centum (.25%) to the Defense Research Fund.
- 14

15 For enterprises registered with the SpeDEZA but located in the territory of another
16 investment promotion agency pursuant to a mutually beneficial economic defense
17 relation established with such promotion agency in accordance with Section 5(c) of this
18 act, the one per centum (1%) share from the five per centum (5%) final tax on gross
19 income earned shall be equally divided between the SpeDEZA and the investment
20 promotion agency concerned.

21

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

25

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

31

Sec. 16. *Administration, Implementation and Monitoring of Incentives.* - For the proper administration, implementation and monitoring of tax incentives provided under this law, the following are herein mandated:

(a) The SpeDEZA shall be responsible for the administration, management, enforcement and implementation of the incentives granted to registered enterprises; *Provided*, That the SpeDEZA shall, among others, adopt and implement systems and procedures affecting defense/military trade and the appropriate customs policies; *Provided further*, That the BOC shall set up and establish a customs controlled area outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ operating outside its territory to facilitate payment of taxes on goods entering the Philippine customs territory; *Provided finally*, That notwithstanding the limitations in this Act, the SpeDEZA and BOC may coordinate and jointly implement measures on border protection; and

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

Sec. 17. *Duration of Incentives.* - Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable; *Provided*, That such 20-year period may be extended with regard to industries deemed indispensable to national development and interest. The industries exempted from this provision shall be determined by the SpeDEZA, in consultation with other government agencies. There shall be no limit to the enjoyment of the income tax holiday and NOLCO except for the sequential availment under Section 17 of this Act and the 20-year period as provided in this section.

Sec. 18. *Sequential Availment of Incentives.* - Registered enterprises may enjoy the income tax holiday (ITH) granted by the SpeDEZA prior to the availment of the five

1 percent (5%) final tax on gross income earned incentive; *Provided*, That in the event a
2 registered enterprise elects to avail of the final tax incentive, such registered enterprise
3 shall be barred from availing the ITH incentive.

4
5 Registered enterprises, if eligible, may register for incentives with other
6 investment promotion agencies; *Provided*, That registered enterprises electing to avail
7 of the incentives of other promotion agencies shall not be able to avail of the incentives
8 of the SpeDEZ until the expiration of the incentives with such other investment
9 promotion agencies.

10
11 *Sec. 19. Extension of Period of Availment.* - In the event that a registered
12 enterprise has suffered cessation or suspension of operations due to force majeure,
13 which has impaired its viability or profitability, the SpeDEZA may extend the period of
14 validity of the incentives extended to such registered enterprise.

15
16 The SpeDEZA may also extend the period of validity of incentives to a registered
17 enterprise which enter into and fund research and development undertaking,
18 technology sharing, or other similar arrangements with investment promotion
19 agencies, government agencies and instrumentalities, local government units, and
20 educational institutions under such terms and conditions as the SpeDEZA may
21 prescribe.

22
23 *Sec. 20. Banking Rules and Regulations.* - Banks and financial institutions to be
24 established in the SpeDEZ shall be under the supervision of the BSP and shall be
25 subject to existing banking laws, rules and regulations.

26
27 *Sec. 21. Remittances.* - In the case of foreign investments, a duly registered entity
28 or enterprise within the SpeDEZ shall have the right to remit earnings from the
29 investment in the currency in which the investment was originally made and at the
30 exchange rate prevailing at the time of remittance, subject to the provisions of Republic
31 Act No. 7653, otherwise known as "The New Central Bank Act".

1 *Sec. 22. Multi-Year Contracts and Other Contractual Arrangements* - To spur the
2 development of SpeDEZ as a self-reliant and self-sustaining defense investment hub
3 where duly qualified and selected locators are provided with guaranteed market access,
4 the DND, AFP, PCG and PNP are hereby directed to procure their defense equipment
5 and material, whenever available and practicable, from defense industries registered
6 with the SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to
7 enter into multi-year contracts and other multi-year contractual arrangements with
8 manufacturers/suppliers registered with the SpeDEZA under such terms and conditions
9 to be provided in the implementing rules and regulations of this Act.

10
11 The SpeDEZA, the DND, AFP, PCG, and PNP shall jointly formulate the guidelines
12 for the selection of manufacturers/suppliers to be awarded with multi-year contracts.
13 *Provided*, that registration with the SpeDEZA and location of operation and manufacture
14 of the defense equipment and material to be procured in the SpeDEZ shall be a
15 condition precedent for the award of the multi-year contracts.

16
17 The selection of manufacturers/suppliers eligible for multi-year contracts with the
18 government shall be exempt from the provisions of Republic Act No. 9184 otherwise
19 known as the "Government Procurement Reform Act" and its implementing rules and
20 regulations. The length of the multi-year contracts shall be agreed upon by the
21 contracting parties taking into consideration the period within which the
22 manufacturer/supplier may recoup its investment together with a reasonable rate of
23 return. *Provided*, that the execution of the multi-year contract shall not preclude the
24 manufacturer/supplier concerned from accepting and filling in orders from other clients
25 as long as the fulfillment of its obligations under the multi-year contract are not
26 adversely affected.

27
28 *Sec. 23. Countertrade* - Whenever applicable and practicable, any of the
29 countertrade arrangements defined in Executive Order No. 120 should be explored in
30 pursuing defense related acquisitions. The SpeDEZA in consultation with the DND, DTI,
31 and other concerned offices, shall identify or develop a list of goods/services or
32 industries which may be subject to a countertrade.

1 Sec. 24. *Capitalization.* - The SpeDEZA shall have an authorized capital stock of
2 Three Billion Pesos (P3,000,000,000.00) to be subscribed wholly by the national
3 government.
4

5 In addition, all lands embraced and covered by the SpeDEZ, including permanent
6 improvements and fixtures, upon proper inventory by the GA or AFP, as the case may
7 be, not otherwise alienated, conveyed or transferred to another government agency
8 and all other assets which the President may transfer to the SpeDEZA as part of the
9 equity contribution of the government.
10

11 The annual subscription of the national government to the capital stock of the
12 SpeDEZA shall be included in the General Appropriations Act.
13

14 Sec. 25. *Supervision and Control.* - For purposes of policy direction and
15 coordination, the A-BASE shall be under the direct control and supervision of the Office
16 of the President of the Philippines.
17

18 Sec. 26. *Regional Development Council.* - The SpeDEZA shall determine the
19 development goals for the SpeDEZ within the framework of national development plans,
20 policies and goals.
21

22 Sec. 27. *Relationship with Local Government Units.* - Except as herein provided,
23 the Municipality of Limay in the Province of Bataan and such other local government
24 units where registered enterprises of the SpeDEZ conduct business shall operate and
25 function in accordance with the framework of the 1987 Constitution, Local Government
26 Code of 1991, and Republic Act No. 7898, as amended by Republic Act No. 10349,
27 applicable provisions of the Local Government Code, and this Act.
28

29 In case of any conflict between the SpeDEZA, the LGUs and the national
30 government on matters affecting the SpeDEZA, other than national defense and
31 security matters, the decision of the SpeDEZA shall prevail.
32

1 **Sec. 28. *Legal Office.*** - The SpeDEZA shall have and maintain its own internal
2 legal office, appropriate in number under the supervision of the Government
3 Corporate Counsel. When the exigencies of its businesses and operations demand, the
4 SpeDEZA may engage the services of an outside counsel either on a case to case or a
5 fixed retainer basis. Such engagement shall not require further approval and
6 concurrence of the Office of the Government Corporate Counsel or the Office of the
7 Solicitor General and the Commission on Audit.

8
9 **Sec. 29. *Interpretation/Construction.*** - The powers, authorities and functions that
10 are vested in the SpeDEZA are intended to establish national self-sufficiency and self-
11 reliance in the advancement of and protection of the national integrity, enhancement
12 of national security, decentralization of governmental functions and authority, and
13 promote an efficient and effective working relationship between the SpeDEZA, the
14 national government and the LGUs. Any interpretation of this Act shall consider such
15 intentions. In the event of conflict of interpretation and provided the intentions cannot
16 be harmonized, the provisions of this Act shall be construed in favor of an interpretation
17 that would tend to protect national security.

18
19 **Sec. 30. *Audit.*** - The Commission on Audit shall appoint a full-time auditor in the
20 SpeDEZA or may assign such number of personnel as may be necessary in the
21 performance of its functions.

22
23 **Sec. 31. *Transitory Provisions.*** - The SpeDEZA shall be responsible for the
24 operation, administration, management and development of the SpeDEZ. The SpeDEZA
25 shall effect the transfer herein provided in a manner that will ensure the least disruption
26 of ongoing programs of the GA.

27
28 **Sec. 32. *Implementing Rules and Regulations.*** - The SpeDEZA, DTI, DOF, DND,
29 GU shall formulate the implementing rules and regulations of this Act within ninety
30 (90) days after its approval.

31
32 **Sec. 33. *Applicability Clause.*** - Insofar as these are consistent with the provisions
33 of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,

1 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall
2 likewise apply to the SpeDEZ.

3
4 Sec. 34. *Separability Clause.* - If any provision of this Act shall be held
5 unconstitutional or invalid, the remaining parts or provisions not otherwise affected
6 shall remain in full force and effect.

7
8 Sec. 35. *Repealing Clause.* - All laws, executive orders, issuances, rule and
9 regulations, or any part thereof, which are inconsistent with the provisions of this Act,
10 are hereby repealed or modified accordingly.

11
12 Sec. 36. *Effectivity Clause.* - This Act shall take effect after fifteen (15) days
13 following its complete publication in the Official Gazette or in two (2) newspapers of
14 general circulation.

15
16 *Approved,*