

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



'22 JUL -7 P5 :13

SENATE
Senate Bill No. 207

RECEIVED BY: 

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

¹ Section 20, Article II of the 1987 Constitution.

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

On 27 June 2022, the Authority of the Freeport Area of Bataan (AFAB) and the Government Arsenal (GA) signed a Memorandum of Agreement on the proposed declaration of the Defense Industrial Estate as the newest expansion area of the Freeport Area of Bataan (FAB). With the execution of the Memorandum of Agreement, the AFAB has been successfully appointed and engaged to market and transact with investors within the GA FAB Expansion Area that may either be defense or non-defense locators and enterprises.²

The passage of this bill will provide a complementary stream of income to support the AFP Modernization Program, while creating job opportunities, pursuing infrastructure development and encouraging direct foreign investments. It will not only

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


RONALD "BATO" DELA ROSA

² <https://www.pna.gov.ph/articles/1177677>

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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 2022".

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

1 and individual family income, and thereby improving the level and quality of living
2 conditions of the people.

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

1 *Sec. 4. Creation of the Special Defense Economic Zone Authority (SpeDEZA).* - There
2 is hereby created a specialized and independent body corporate to be known as the
3 Special Defense Economic Zone Authority which shall manage and operate the SpeDEZ
4 in accordance with the provisions of this Act. The SpeDEZA shall be considered a
5 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 used
12 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. 1884,
18 Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act
19 No. 10697, otherwise known as the "Strategic Trade Management Act",
20 Executive Order No. 303, Series of 2004, and applicable provisions of the Local
21 Government Code, the SpeDEZ shall be developed into and operated as a
22 decentralized, self-reliant and self-sustaining industrial, commercial, trading,
23 research, development, engineering, information and communications
24 technology and financial investment center exclusive for defense, military and
25 law enforcement commercial activities and investments, with provision for
26 suitable residential, educational, recreational, and commercial areas;
27

28 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the SpeDEZ
29 may continue to be provided by the national government and local governments
30 with transportation, telecommunications and other facilities needed to attract
31 legitimate and productive investments, generate linkage with industries and
32 employment opportunities for the people of the Province of Bataan and its
33 neighboring towns and cities; *Provided,* That the autonomy and self-reliance of
34 the SpeDEZ shall not be a hindrance to assistance nor partnerships with other

1 units and instrumentalities of the government; *Provided further*, That no
2 assistance or partnership shall be construed as a waiver of the autonomy of the
3 SpeDEZA;

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

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

27
28 e) Subject to the limitations in this Act and its implementing rules and regulations,
29 the SpeDEZ shall be managed and operated as a separate customs territory
30 ensuring free flow or movement of necessary goods and products, and capital
31 within, into and out of its territory; *Provided*, That subject to Section 14 of this
32 Act, the SpeDEZ and all activities conducted therein shall be exempt from
33 payment of all national and local taxes; *Provided further*, That in accordance
34 with Sections 301 and 817 of Republic Act No. 10863, otherwise known as the

1 "Customs Modernization and Tariff Act", the Bureau of Customs (BOC) shall
2 continue to exercise border protection and customs control authority over the
3 customs territory adjacent to the SpeDEZ and to this end shall consult,
4 coordinate, cooperate with the SpeDEZA to enhance its protection and control
5 capacity and ensure compliance with customs laws and regulations;
6

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

20 g) As far as practicable, enterprises located within the SpeDEZ shall acquire a
21 certain percentage of their raw material requirements locally produced within
22 the Philippines as determined by the SpeDEZA;
23

24 h) The areas comprising the SpeDEZ may be expanded or reduced when necessary
25 to improve its investment promotion capacity, ensure public order and safety,
26 consolidate lands for SpeDEZ development, acquire right of way or access
27 necessary and appropriate to the SpeDEZ, protect and safeguard watershed
28 areas or maintain and improve water yield for the benefit of the SpeDEZ and
29 LGUs, manage solid and water waste in compliance with existing national laws
30 and local ordinances, and promote the public good. For this purpose, the
31 SpeDEZA, with the concurrence of the appropriate and affected LGUs in the
32 Province of Bataan and in accordance and in compliance with existing national
33 laws and local ordinances, shall have the power to acquire, procure, increase,
34 or otherwise expand, either by purchase, negotiation or condemnation

1 proceedings, any private or public lands and their respective water territories
2 within the Province of Bataan; *Provided*, That when applicable, the municipal
3 waters of up to fifteen (15) kilometers from the low water mark area of the
4 edge of the SpeDEZ shall be deemed included in the territorial jurisdiction of
5 the SpeDEZ; *Provided further*, That the SpeDEZA and the relevant LGUs shall
6 provide for immediate and responsive mechanisms, best management practices
7 and suitable environmental protection programs for land and coastal zone
8 management to address any abuse and/or exploitation of the natural
9 environment within the territorial jurisdiction of the SpeDEZ;

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- 11 i) Products and goods researched and developed, engineered or manufactured by
12 registered enterprises may be made available in the domestic market, subject
13 to the limitations in this Act and its implementing rules and regulations, payment
14 of corresponding duties, customs and taxes on raw materials, approval by the
15 DND or the PNP in accordance with Republic Act No. 10697 and the Regular
16 Foreign Investment Negative List issued by the President, other regulations that
17 may be formulated by the SpeDEZA, and other applicable regulations and
18 limitations imposed in accordance with law by the DND, AFP, PNP, Bangko
19 Sentral ng Pilipinas (BSP), Department of Finance (DOF), BOC and Department
20 of Trade and Industry (DTI); *Provided*, That in cooperation with the SpeDEZA,
21 the DND and PNP shall provide and implement measures to improve ease and
22 cost of doing business within the SpeDEZ and enhance the investment
23 promotion capacity of the SpeDEZA; *Provided further*, That in order to protect
24 domestic industries, a negative list of industries shall be drawn up and regularly
25 updated by the SpeDEZA; *Provided finally*, That enterprises engaged in
26 industries included in such negative list shall not be allowed to sell their products
27 locally, notwithstanding the registration of such enterprises in the SpeDEZ; and
28
- 29 j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the security
30 of its perimeter fence shall be the responsibility of the National Government,
31 thru the AFP and the GA, in coordination with the SpeDEZA.

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

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- 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;

- g) To register, regulate and supervise the entities and enterprises in the SpeDEZ in a competent and efficient manner that, as far as practicable, balances ease of doing business and sound restriction or regulation of activities; the SpeDEZA may also register, regulate, and supervise defense related enterprises outside of the SpeDEZ territory as defined in Section 3 and Section 5(h) of this Act. *Provided*, That the SpeDEZA shall submit to the DND a quarterly report on locators and other registered enterprises of the SpeDEZ.

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

- 1
- 2 i) To authorize or undertake, on its own or through others, and regulate the
- 3 establishment, construction, operation and maintenance of public utilities,
- 4 services, and infrastructure in the SpeDEZ such as shipping, barging,
- 5 stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port
- 6 services or concessions, piers, wharves, bulkheads, bulk terminals, mooring
- 7 areas, storage areas, roads, bridges, reclamation projects, terminals, conveyors,
- 8 water supply and storage, sewerage, drainage, airport operations in
- 9 coordination with the Philippine Ports Authority (PPA), the Civil Aviation
- 10 Authority of the Philippines (CAAP), and the AFP, and such other services or
- 11 concessions or infrastructure necessary or incidental to the accomplishment of
- 12 the objectives of this Act; *Provided*, That the registered enterprises of the
- 13 SpeDEZ shall be given priority in the awarding of contracts franchises, licenses,
- 14 or permits for the establishment, operation and maintenance of utilities, services
- 15 and infrastructure in the SpeDEZ;
- 16
- 17 j) To issue license, set fees, regulate the establishment, operation, and
- 18 maintenance of utilities, educational and medical institutions, infrastructure
- 19 related to military, defense and law enforcement investments and other services
- 20 in the SpeDEZ such as, heat, light and power, water supply,
- 21 telecommunications, mobile, internet and other data facilities, transport, toll
- 22 roads and bridges and port services, and to fix just, reasonable and competitive
- 23 rates, fares, charges and prices thereof;
- 24
- 25 k) To construct, acquire, own, lease, operate and maintain on its own or through
- 26 contracts, franchises, licenses, bulk purchase from the private sector and build-
- 27 operate-transfer scheme or joint venture with the private sector, any or all of
- 28 the public utilities and infrastructure required or needed for the operation and
- 29 development of the SpeDEZ, including transportation, access and connection
- 30 to, and out of the SpeDEZA, in coordination with appropriate national and local
- 31 government authorities and in conformity with applicable laws;
- 32
- 33 l) To raise or borrow, within the limitation provided by law, and subject to the
- 34 approval or opinion of the Monetary Board of the BSP, as the case may be,

1 adequate and necessary funds from local or foreign sources, to finance its
2 projects and programs under this Act, and for this purpose, to issue bonds,
3 promissory notes, and other forms of securities, and to secure the same by a
4 guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of
5 its property or assets subject to Section 6(b) of this Act;
6

7 m) To enter into Public-Private Partnership, Build-Operate-Transfer schemes or any
8 of its variants, management contract, joint venture, co-production, or similar
9 agreements with local or foreign entities for the management and operation of
10 the SpeDEZ, a portion thereof, or any enterprise registered therein to ensure
11 the viability of the SpeDEZ;
12

13 n) To provide internal security to the SpeDEZ, in coordination with the National
14 Government and affected LGUs; *Provided*, That for this purpose, the SpeDEZA
15 shall provide and establish its own internal security and firefighting forces and
16 identify and reserve facilities and areas within the SpeDEZ for the AFP, which
17 shall be responsible for the perimeter security of the SpeDEZ, through the GA;
18 *Provided further*, That in the event that the assistance of the AFP or PNP is
19 necessary, the AFP or PNP shall not interfere in the internal affairs of the
20 SpeDEZA, except to provide the necessary security and defense, or law
21 enforcement assistance, as the case may be; *Provided finally*, That expenses of
22 the AFP or PNP in the SpeDEZ shall be borne by the national government;
23

24 o) To protect, preserve, maintain and develop the forests, beaches, coral and coral
25 reefs, and maintain ecological balance within the SpeDEZ; *Provided*, That
26 notwithstanding the authority of the SpeDEZA to create rules for such purpose,
27 the rules and regulations of the Department of Environment and Natural
28 Resources (DENR) and other government agencies involved in the above
29 functions shall be implemented by the SpeDEZA; *Provided further*, That the
30 SpeDEZA shall create an Ecology Center for such purpose;
31

32 p) To create, operate or contract to operate such functional units or offices of the
33 SpeDEZA as it may deem necessary;
34

- 1 q) To issue certificates of origin for products manufactured or processed in the
2 SpeDEZ;
3
- 4 r) To issue rules and regulations necessary to implement and accomplish the
5 purposes, objectives and policies provided herein, in consultation with DND,
6 DTI, DOF and other relevant government agencies;
7
- 8 s) To appropriately zone the SpeDEZ and provide for buffer zones when necessary
9 and reserve areas for housing;
10
- 11 t) To establish one-stop shops for the issuance of all necessary permits,
12 clearances, licenses, and other similar certifications to conduct such activities
13 intended to improve the ease of doing business within the SpeDEZ, in
14 coordination with government agencies having jurisdiction over activities in the
15 SpeDEZ not otherwise solely reserved to the SpeDEZA; *Provided,* That all
16 government agencies are directed to provide and extend utmost and full
17 cooperation to the SpeDEZA in the establishment of such one-stop shops; and
18
- 19 u) To perform such other functions as may be necessary to carry out the provisions
20 of this Act.
21

22 *Sec. 7. Composition of the SpeDEZA.* - The powers of the SpeDEZA shall be vested
23 in and exercised by a Board of Directors which shall be composed of the following:
24

- 25 a) The Secretary of the DND who shall be the ex-officio Chairman;
- 26 b) The Undersecretary of National Defense of the DND as the Vice-Chairman;
27 *Provided,* That in the absence of the Chairman, the Vice-Chairman shall preside
28 over the meetings of the Board of the SPeDEZA;
29
- 30 c) Members who shall consist of:
31
- 32 1. DND Undersecretary;
 - 33 2. DND Undersecretary;

- 1 3. DND Undersecretary;
- 2 4. DND Assistant Secretary;
- 3 5. DND Assistant Secretary;
- 4 6. Director of Government Arsenal;
- 5 7. Director of the Office of Strategy, Capability and Technology;
- 6 8. DND Chief of Legal Affairs;
- 7 9. One (1) representative from the from the investors within the SpeDEZ;
- 8 10. One (1) representative from the workers in the SpeDEZ;
- 9 11. One (1) representative from the Province of Bataan;
- 10 12. One (1) representative from the Municipality of Limay, Bataan;
- 11 13. One (1) representative from the legislative district covering the site of
- 12 the SpeDEZ;
- 13 14. One (1) representative from the Department of Trade and Industry;
- 14 15. One (1) representative from the Department of Finance.

15
16 In the event of abolition of concerned DND Office, SND has the authority to appoint
17 the replacement to maintain majority members of the Board of Directors from the DND.
18

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

24
25 Except those coming from the DND and GA, the members of the Board shall be
26 appointed by the President of the Philippines to serve for a term of six (6) years, unless
27 sooner separated from service due to death, voluntary resignation or removal for cause.
28 In case of death, resignation or removal for cause, the replacement shall serve only the
29 unused portion of the term.

30
31 All members of the Board shall be Filipino citizens and no person shall be appointed
32 by the President of the Philippines as a member of the Board unless he is of good moral
33 character and proven probity and integrity. Except for the representatives of the DND,
34 GA and workers, members of the Board are required to be degree holders in any of the

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

5 The members of the Board shall each receive *per diem* at rates to be determined
6 by the Department of Budget and Management (DBM) in accordance with existing rules
7 and regulations; *Provided*, That the total per diem collected each month shall not exceed
8 the equivalent per diem for four (4) meetings.
9

10 *Sec. 8. Administrator of the SpeDEZA* - The SpeDEZA shall have an Administrator
11 with a rank of Department Undersecretary who shall be appointed by the President of
12 the Philippines. The Administrator shall be at least forty (40) years of age, of proven
13 probity and integrity, and a degree holder in any of the following fields: economics,
14 business, public administration, law, management or their equivalent, with at least ten
15 (10) years relevant working experience, preferably in the field of business, management,
16 or public administration.
17

18 *Sec. 9. Powers and Duties of the Administrator.* - The Administrator shall have the
19 following powers and duties:
20

- 21 a) To direct and manage the affairs of the SpeDEZA in accordance with the policies
22 of the Board;
23
- 24 b) To establish the internal organization of the SpeDEZA under such conditions
25 that the Board may prescribe;
26
- 27 c) To submit an annual budget and necessary supplemental budget to the Board
28 for its approval;
29
- 30 d) To submit within thirty (30) days after the close of each fiscal year an annual
31 report to the Board and such other reports as may be required;
32
- 33 e) To submit to the Board for its approval policies, systems, procedures, rules and
34 regulations that are essential to the operation of the SpeDEZA;

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- 2 f) To create a mechanism for coordination with relevant agencies for the
- 3 promotion of industrial peace, the protection of the environment, and the
- 4 advancement of the quality of life in the SpeDEZ;
- 5
- 6 g) To preside at the meetings of the Board of the SpeDEZA in the absence of the
- 7 Chairman;
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- 9 h) To directly administer and supervise the operations and day-to-day business
- 10 activities of the SpeDEZA;
- 11
- 12 i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other
- 13 instruments affecting its interests and duly approved by the Board; and
- 14
- 15 j) To perform such other duties as may be assigned to him by the Board or which
- 16 are necessary or incidental to his office.
- 17

18 *Sec. 10. Principal Office of the SpeDEZA.* - The SpeDEZA shall maintain its principal

19 office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan, but it may

20 establish liaison offices within the Philippines as may be necessary for the proper conduct

21 of its business.

22

23 *Sec. 11. Organization and Personnel.* - The Board of the SpeDEZA shall provide for

24 an organizational structure and appoint employees, subject to applicable provisions of

25 the civil service laws and regulations. Upon the recommendation of the Chairman and

26 Administrator and with the approval of the Secretary of the DBM, the Board shall appoint

27 and fix the remuneration and other emoluments of its officers and employees in

28 accordance with existing laws on compensation and position classification; *Provided,* That

29 the Chairman and Administrator shall exercise administrative supervision on its

30 employees.

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32 The officers and employees of the SpeDEZA, including all members of the Board,

33 shall not engage directly or indirectly in partisan activities nor take part in any election,

34 except to vote.

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

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

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

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

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

- a) Must be at least eighteen (18) years of age;

- 1 b) Must not have been convicted by final judgment of a crime involving moral
2 turpitude;
3 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
4 d) Must not have been institutionalized for any mental disorder or disability; and
5 e) Must establish by verifiable and credible evidence his financial capability and
6 capacity.

7
8 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines
9 while his investment subsists. For this purpose, the alien should submit an annual report,
10 in the form duly prescribed for the purpose, to prove that he has maintained his
11 investment in the country. Should said alien withdraw his investments from the
12 Philippines, the investor's visa issued to him shall automatically expire and/or be
13 withdrawn.

14
15 The authority to issue visas and work permits shall remain with the Bureau of
16 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively;
17 *Provided*, That the BI and the DOLE shall implement measures to expedite the processing
18 of such visas and permits for workers in the SpeDEZ and coordinate with the SpeDEZA
19 for the purpose of improving ease of doing business.

20
21 *Sec. 14. Fiscal Incentives.* - Registered enterprises of the SpeDEZ may be entitled
22 to the existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as
23 amended by Republic Act No. 8748, also known as the "Special Economic Zone Act of
24 1995," or those provided under Executive Order No. 226, as amended, otherwise known
25 as the "Omnibus Investment Code of 1987"; and/or those that may be further granted
26 as the need and necessity arises by the appropriate government department, agency or
27 office; *Provided*, That in the administration, implementation and monitoring of incentives,
28 the SpeDEZA may impose its own conditions not otherwise prohibited by this Act;
29 *Provided further*, That the SpeDEZA shall not be limited to the conditions provided under
30 Republic Act No. 7916, Republic Act No. 8748 or any other related issuance, rule or
31 regulation.

32
33 *Sec. 15. Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.* -
34 The provision of existing laws, rules and regulations to the contrary notwithstanding, no

1 taxes, local and national, shall be imposed on business establishments operating within
2 the SpeDEZ including but not limited to all taxes covered in Titles II, III, IV, V, VI, and
3 VII of Republic Act No. 8424 otherwise known as the "National Internal Revenue Code"
4 and all amendments and successors thereto, and all taxes covered under titles I and II
5 of Book II of Republic Act No. 7160 otherwise known as the "Local Government Code"
6 and all amendments and successors thereto. In lieu thereof, and subject to Section 16 of
7 this Act, said business establishments shall pay a five percent (5%) final tax on their
8 gross income earned; *Provided*, That the proceeds from such final tax shall be shared by
9 instrumentalities of the government in accordance with the following percentages:

- 10
- 11 a) Three per centum (3%) to the National Government, particularly to the DND-
12 AFP Modernization Program;
 - 13 b) One half per centum (.5%) to the Province of Bataan;
 - 14 c) One half per centum (.5%) to the Treasurer's Office of the Municipality of Limay;
15 and
 - 16 d) Three fourth per centum (.75%) to the SpeDEZA: *Provided*, That any surplus in
17 the operating, administrative and development expenses shall be remitted to
18 the Armed Forces of the Philippines Modernization Program if such surplus is
19 left unutilized for a period exceeding five (5) years.
 - 20 e) One fourth per centum (.25%) to the Defense Research Fund.
- 21

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

28

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

32

33 SpeDEZ enterprises deemed as priority investments, as may be determined by the
34 SpeDEZA, with the exception of those included in the negative list drawn up as provided

1 for in Section 5(i) of this Act, may generate up to one hundred percent (100%) of their
2 income from sources within the customs territory but without loss of eligibility to avail of
3 the incentives in this act, subject to Section 5(f) of this act.

4
5 *Sec. 16. Administration, Implementation and Monitoring of Incentives.* - For the
6 proper administration, implementation and monitoring of tax incentives provided under
7 this law, the following are herein mandated:

8
9 (a) The SpeDEZA shall be responsible for the administration, management,
10 enforcement and implementation of the incentives granted to registered enterprises;
11 *Provided,* That the SpeDEZA shall, among others, adopt and implement systems and
12 procedures affecting defense/military trade and the appropriate customs policies;
13 *Provided further,* That the BOC shall set up and establish a customs controlled area
14 outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ operating
15 outside its territory to facilitate payment of taxes on goods entering the Philippine
16 customs territory; *Provided finally,* That notwithstanding the limitations in this Act,
17 the SpeDEZA and BOC may coordinate and jointly implement measures on border
18 protection; and

19
20 (b) In the interest of enhancing transparency in the management and accounting
21 of tax incentives in the SpeDEZ, the SpeDEZA shall comply with the provisions of Republic
22 Act No. 10708, otherwise known as "The Tax Incentives Management and
23 Transparency Act (TIMTA)" and its implementing rules and regulations.

24
25 *Sec. 17. Duration of Incentives.* - Fiscal incentives under this Act shall be terminated
26 after a cumulative period of twenty (20) years from date of registration or start of
27 commercial operation, whichever is applicable; *Provided,* That such 20-year period may
28 be extended with regard to industries deemed indispensable to national development and
29 interest. The industries exempted from this provision shall be determined by the
30 SpeDEZA, in consultation with other government agencies. There shall be no limit to the
31 enjoyment of the income tax holiday and NOLCO except for the sequential availment
32 under Section 17 of this Act and the 20-year period as provided in this section.

1 Sec. 18. *Sequential Availment of Incentives.* - Registered enterprises may enjoy the
2 income tax holiday (ITH) granted by the SpeDEZA prior to the availment of the five
3 percent (5%) final tax on gross income earned incentive; *Provided,* That in the event a
4 registered enterprise elects to avail of the final tax incentive, such registered enterprise
5 shall be barred from availing the ITH incentive.

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

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

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

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

27
28 Sec. 21. *Remittances.* - In the case of foreign investments, a duly registered entity
29 or enterprise within the SpeDEZ shall have the right to remit earnings from the investment
30 in the currency in which the investment was originally made and at the exchange rate
31 prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653,
32 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 and
5 material, whenever available and practicable, from defense industries registered with the
6 SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter into
7 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 condition
15 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 adversely
26 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 industries
32 which may be subject to a countertrade.

33

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 be,
7 not otherwise alienated, conveyed or transferred to another government agency and all
8 other assets which the President may transfer to the SpeDEZA as part of the equity
9 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 coordination,
15 the A-BASE shall be under the direct control and supervision of the Office of the President
16 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, the
23 Municipality of Limay in the Province of Bataan and such other local government units
24 where registered enterprises of the SpeDEZ conduct business shall operate and function
25 in accordance with the framework of the 1987 Constitution, Local Government Code of
26 1991, and Republic Act No. 7898, as amended by Republic Act No. 10349, applicable
27 provisions of the Local Government Code, and this Act.

28
29 In case of any conflict between the SpeDEZA, the LGUs and the national government
30 on matters affecting the SpeDEZA, other than national defense and security matters, the
31 decision of the SpeDEZA shall prevail.

32
33 Sec. 28. *Legal Office.* - The SpeDEZA shall have and maintain its own internal legal
34 office, appropriate in number under the supervision of the Government Corporate

1 Counsel. When the exigencies of its businesses and operations demand, the SpeDEZA
2 may engage the services of an outside counsel either on a case to case or a fixed retainer
3 basis. Such engagement shall not require further approval and concurrence of the Office
4 of the Government Corporate Counsel or the Office of the Solicitor General and the
5 Commission on Audit.

6
7 *Sec. 29. Interpretation/Construction.* - The powers, authorities and functions that
8 are vested in the SpeDEZA are intended to establish national self-sufficiency and self-
9 reliance in the advancement of and protection of the national integrity, enhancement of
10 national security, decentralization of governmental functions and authority, and promote
11 an efficient and effective working relationship between the SpeDEZA, the national
12 government and the LGUs. Any interpretation of this Act shall consider such intentions.
13 In the event of conflict of interpretation and provided the intentions cannot be
14 harmonized, the provisions of this Act shall be construed in favor of an interpretation that
15 would tend to protect national security.

16
17 *Sec. 30. Audit.* - The Commission on Audit shall appoint a full-time auditor in the
18 SpeDEZA or may assign such number of personnel as may be necessary in the
19 performance of its functions.

20
21 *Sec. 31. Transitory Provisions.* - The SpeDEZA shall be responsible for the operation,
22 administration, management and development of the SpeDEZ. The SpeDEZA shall effect
23 the transfer herein provided in a manner that will ensure the least disruption of ongoing
24 programs of the GA.

25
26 *Sec. 32. Implementing Rules and Regulations.* - The SpeDEZA, DTI, DOF, DND,
27 GU shall formulate the implementing rules and regulations of this Act within ninety
28 (90) days after its approval.

29
30 *Sec. 33. Applicability Clause.* - Insofar as these are consistent with the provisions of
31 this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known
32 as "The Special Economic Zone Act of 1995", as amended, shall likewise apply to the
33 SpeDEZ.

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

4
5 Sec. 35. *Repealing Clause.* - All laws, executive orders, issuances, rule and
6 regulations, or any part thereof, which are inconsistent with the provisions of this Act,
7 are hereby repealed or modified accordingly.

8
9 Sec. 36. *Effectivity Clause.* - This Act shall take effect after fifteen (15) days
10 following its complete publication in the Official Gazette or in two (2) newspapers of
11 general circulation.

Approved,