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SENATE
S.B. No. 764

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Introduced by SENATOR SONNY ANGARA

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

EXPLANATORY NOTE

The Constitution recognizes, among others, the right of the State: to pursue an independent foreign policy where its paramount consideration shall be national sovereignty, territorial integrity, national interest, and the right to self-determination¹; to develop a self-reliant and independent national economy effectively controlled by Filipinos²; and, the indispensable role of the private sector, thereby encouraging the participation of private enterprise, and providing incentives to needed investments.³

Among the tools used by the State to promote growth and encourage investment is the creation of economic zones throughout the country. The United Nations Industrial Development Office⁴ has observed that economic zones are promoted by local, regional, and national governments as strategies to foster economic growth and to improve a location's competitiveness. Economic zones provide non-monetary and/or monetary advantages to companies located within its area, and whose goal is to foster the economic competitive development of a country, a region, or an urban area.

¹ Sec. 7, Article II

² Sec. 19, Article II

³ Sec. 20, Article II

⁴ https://www.unido.org/sites/default/files/2015-08/UCO_Viet_Nam_Study_FINAL_0.pdf

The objective of this measure is to enhance investment opportunities inside the proposed economic zone, while at the same time strengthening the country's defense capabilities. This bill creates a special defense economic zone (SpeDEZ) which shall cover the 370 hectares of government arsenal industrial estate inside Camp General Antonio Luna in Limay, Bataan and all other areas which may be declared as part of SpeDEZ – including the Government Arsenal – for investments in defense, military, law enforcement, and defense-related advanced technologies, information and communications technology, research and development and their support industries.

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

If passed into law, in addition to creating new opportunities in the defense industry, it will likewise support the AFP Modernization Program by providing locally sourced products and supplies that are competitive in the international market which they can acquire at more economical prices.

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



SONNY ANGARA
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1 of Limay in the Province of Bataan, hereinafter referred to as the Special Defense
2 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
3 defense-related advanced technologies, information and communications technology,
4 research and development and their support industries.

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

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

25 **SEC. 4. *Creation of the Special Defense Economic Zone Authority.*** – There is
26 hereby created a specialized and independent body corporate to be known as the
27 Special Defense Economic Zone Authority (SpeDEZA) which shall manage and operate
28 the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be
29 considered a government instrumentality vested with corporate powers.

30 Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as "An
31 Act Requiring Government-Owned or Controlled Corporations to Declare Dividends
32 under Certain Conditions to the National Government, and for other Purposes", all

1 dividends remitted by the SpeDEZA shall exclusively be for the Armed Forces of the
2 Philippines Modernization Program and in no case, shall dividends remitted by the
3 SpeDEZA be used otherwise.

4 SEC. 5. *Governing Principles.* – The SpeDEZ shall be managed and operated
5 under the following principles:

- 6 a) Within the framework and limitations of the Constitution, Republic Act No.
7 1884, Republic Act No. 7898, as amended by Republic Act No. 10349,
8 Republic Act No. 10697, otherwise known as the "Strategic Trade
9 Management Act", Executive Order No. 303, Series of 2004, and applicable
10 provisions of the Local Government Code, the SpeDEZ shall be developed
11 into and operated as a decentralized, self-reliant and self-sustaining
12 industrial, commercial, trading, research, development, engineering,
13 information and communications technology and financial investment
14 center exclusive for defense, military and law enforcement commercial
15 activities and investments, with provision for suitable residential,
16 educational, recreational, and commercial areas;
- 17 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the
18 SpeDEZ may continue to be provided by the national government and local
19 governments with transportation, telecommunications and other facilities
20 needed to attract legitimate and productive investments, generate linkage
21 with industries and employment opportunities for the people of the Province
22 of Bataan and its neighboring towns and cities: *Provided,* That the
23 autonomy and self-reliance of the SpeDEZ shall not be a hindrance to
24 assistance nor partnerships with other units and instrumentalities of the
25 government: *Provided, further,* That no assistance or partnership be
26 construed as a waiver of the autonomy of the SpeDEZA;
- 27 c) The SpeDEZA may establish mutually beneficial economic defense relations
28 with other investment promotion agencies, entities or enterprises within the
29 country or with foreign entities or enterprises: *Provided,* That the SpeDEZA
30 shall seek clearance from the DND and administrative guidance from the
31 Department of Foreign Affairs (DFA) as to relations with foreign entities or
32 enterprises;

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- d) Foreign citizens and companies owned by non-Filipinos may set up enterprises in the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos or the GA in the defense and security industry within the territorial jurisdiction of the SpeDEZ: *Provided*, That the SpeDEZA may require individual locators to be subject to the provisions and limitations provided for by the Strategic Trade Management Act, Foreign Investment Act and the Regular Foreign Investment Negative List issued by the President: *Provided, further*, That the SpeDEZA may require a minimum investment in freely convertible currencies from any enterprise seeking registration as a locator of the SpeDEZ. All investments in the SpeDEZA shall fall under the priorities, thrusts and limits provided for in this Act: *Provided, finally*, That all investments that do not directly or indirectly further defense, military and law enforcement investments shall be prohibited from doing business within the SpeDEZ except for businesses that cater to or support the locators, their employees, and the residents of the SpeDEZ;
- e) Subject to the limitations in this Act and its implementing rules and regulations, the SpeDEZ shall be managed and operated as a separate customs territory ensuring free flow or movement of necessary goods and products; and capital within, into and out of its territory: *Provided*, That subject to Section 14 of this Act, the SpeDFZ and all activities conducted therein shall be exempt from payment of all national and local taxes: *Provided, further*, That in accordance with Sections 301 and 817 of Republic Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act" (CMTA), the Bureau of Customs (BOC) shall continue to exercise border protection and customs control authority over the customs territory adjacent to the SpeDEZ and to this end shall consult, coordinate, cooperate with the SpeDEZA to enhance its protection and control capacity and ensure compliance with customs laws and regulations;

- 1 f) The SpeDEZA shall provide incentives, such as tax and duty-free admissions
2 of raw materials, capital and equipment to registered enterprises of the
3 SpeDEZ: *Provided*, That exportation or removal of goods from the territory
4 of the SpeDEZ to the other parts of the Philippine territory shall be subject,
5 as applicable, to customs duties and taxes under the CMTA, as amended,
6 and the National Internal Revenue Code (NIRC) of 1997, as amended:
7 *Provided, further*, That sale of goods from the SpeDEZ to the AFP, PNP and
8 local government units (LGUs) for defense and security purposes shall be
9 exempt from all customs duties, national and local taxes: *Provided, finally*,
10 That subject to coordination with the BOC, customs transit to and from the
11 SpeDEZ, thru the Port of Lamao or other ports, shall also be considered tax
12 and duty-free;
- 13 g) As far as practicable, enterprises located within the SpeDEZ shall procure a
14 certain percentage, as determined by the SpeDEZA, of their raw material
15 requirements from local manufacturers within the Philippines;
- 16 h) The areas comprising the SpeDEZ may be expanded or reduced when
17 necessary to improve its investment promotion capacity, ensure public
18 order and safety, consolidate lands for SpeDEZ development, acquire right
19 of way or access necessary and appropriate to the SpeDEZ, protect and
20 safeguard watershed areas or maintain and improve water yield for the
21 benefit of the SpeDEZ and LGUs, manage solid and water waste in
22 compliance with existing national laws and local ordinances, and promote
23 the public good. For this purpose, the SpeDEZA, with the concurrence of
24 the LGUs concerned in the Province of Bataan, and in accordance with
25 existing national laws and local ordinances, shall have the power to acquire,
26 procure, increase, or otherwise expand, either by purchase, negotiation or
27 condemnation proceedings, any private or public lands and their respective
28 water territories within the Province of Bataan: *Provided*, That when
29 applicable, the municipal waters of up to fifteen (15) kilometers from the
30 low water mark area of the edge of the SpeDEZ shall be deemed included
31 in the territorial jurisdiction of the SpeDEZ: *Provided, further*, That the
32 SpeDEZA and the relevant LGUs concerned shall provide for immediate and

1 responsive mechanisms, best management practices and suitable
2 environmental protection programs for land and coastal zone management
3 to address any abuse and/or exploitation of the natural environment within
4 the territorial jurisdiction of the SpeDEZ; and

- 5 i) Products and goods researched and developed, engineered or
6 manufactured by registered enterprises may be made available in the
7 domestic market, subject to the limitations in this Act and its implementing
8 rules and regulations, payment of corresponding duties, customs and taxes
9 on raw materials as provided by the NIRC of 1997, as amended, and the
10 CMTA, as amended, approval by the DND or the PNP in accordance with
11 Republic Act No. 10697 and the Regular Foreign Investment Negative List
12 issued by the President, other regulations that may be formulated by the
13 SpeDEZA, and other applicable regulations and limitations imposed in
14 accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas
15 (BSP), Department of Finance (DOF), BOC and Department of Trade and
16 Industry (DTI): *Provided*, That in cooperation with the SpeDEZA, the DND
17 and PNP shall provide and implement measures to improve ease and cost
18 of doing business within the SpeDEZ and enhance the investment
19 promotion capacity of the SpeDEZA: *Provided, further*, That in order to
20 protect domestic industries, a negative list of industries shall be drawn up
21 and regularly updated by the SpeDEZA: *Provided, finally*, That enterprises
22 engaged in industries included in such negative list shall not be allowed to
23 sell their products locally, notwithstanding the registration of such
24 enterprises in the SpeDEZ.

25 SEC. 6. *Powers and Functions of SpeDEZA.* – The SpeDEZA shall have the
26 following functions:

- 27 a) To adopt, alter, and use a corporate seal;
28 b) To contract, lease, buy, sell, acquire, own and dispose properties of
29 whatever nature: *Provided*, That real properties that form part of the
30 original Camp General Antonio Luna shall not be disposed of or
31 encumbered: *Provided, further*, That expansion areas may be disposed of
32 or encumbered by the SpeDEZA;

- 1 c) To sue and be sued in order to carry out its duties, responsibilities,
2 privileges, powers and functions as granted and provided for in this Act;
- 3 d) To exercise the power of eminent domain for public use and public purpose;
- 4 e) To operate, administer, manage, develop, in accordance with Executive
5 Order No. 525, as amended, the SpeDEZ according to the principles and
6 provisions set forth in this Act;
- 7 f) To recommend to the President the issuance of a proclamation or any
8 executive issuance to fix or delimit the metes and bounds of the SpeDEZ:
9 *Provided*, That for the avoidance of doubt, such proclamation shall not be
10 required to expand the SpeDEZ pursuant to Section 5(h) of this Act;
- 11 g) To register, regulate and supervise the entities and enterprises in the
12 SpeDEZ in a competent and efficient manner that, as far as practicable,
13 balances ease of doing business and sound restriction or regulation of
14 activities; the SpeDEZA may also register, regulate, and supervise defense
15 related enterprises outside of the SpeDEZ territory as defined in Section 3
16 and Section 5(h) of this Act: *Provided*, That the SpeDEZA shall submit to
17 the DND a quarterly report on locators and other registered enterprises of
18 the SpeDEZ;
- 19 h) To formulate and exercise general and sole supervision over the
20 implementation of the development plans, activities and operations of the
21 SpeDEZ: *Provided*, That the SpeDEZA may coordinate with LGUs when
22 necessary to promote development in the SpeDEZ;
- 23 i) To authorize or undertake, on its own or through others, and regulate the
24 establishment, construction, operation and maintenance of public utilities,
25 services, and infrastructure in the SpeDEZ such as shipping, barging,
26 stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port
27 services or concessions, piers, wharves, bulkheads, bulk terminals,
28 mooring areas, storage areas, roads, bridges, reclamation projects,
29 terminals, conveyors, water supply and storage, sewerage, drainage,
30 airport operations, in coordination with the Philippine Ports Authority (PPA),
31 the Civil Aviation Authority of the Philippines (CAAP), and the AFP, and such
32 other services or concessions or infrastructure necessary or incidental to

1 the accomplishment of the objectives of this Act: *Provided*, That the
2 registered enterprises of the SpeDEZ shall be given priority in the awarding
3 of contracts, franchises, licenses, or permits for the establishment,
4 operation and maintenance of utilities, services and infrastructure in the
5 SpeDEZ;

- 6 j) To issue license, set fees, regulate the establishment, operation, and
7 maintenance of utilities, educational and medical institutions,
8 infrastructure related to military, defense and law enforcement investments
9 and other services in the SpeDEZ such as: heat, light and power, water
10 supply, telecommunications, mobile, internet and other data facilities,
11 transport, toll roads and bridges and port services, and to fix just,
12 reasonable and competitive rates, fares, charges and prices thereof;
- 13 k) To construct, acquire, own, lease, operate and maintain on its own or
14 through contracts, franchises, licenses, bulk purchase from the private
15 sector and build-operate-transfer scheme or joint venture with the private
16 sector, any or all of the public utilities and infrastructure required or needed
17 for the operation and development of the SpeDEZ, including transportation,
18 access and connection to, and out of the SpeDEZA, in coordination with
19 appropriate national and local government authorities and in conformity
20 with applicable laws;
- 21 l) To raise or borrow, within the limitation provided by law, and subject to the
22 approval or opinion of the Monetary Board of the BSP, as the case may be,
23 adequate and necessary funds from local or foreign sources, to finance its
24 projects and programs under this Act, and for this purpose, to issue bonds,
25 promissory notes, and other forms of securities, and to secure the same by
26 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or
27 part of its property or assets subject to Section 6(b) of this Act;
- 28 m) To enter into Public-Private Partnership, build-operate-transfer schemes or
29 any of its variants, management contract, joint venture, co-production, or
30 similar agreements with local or foreign entities for the management and
31 operation of the SpeDEZ, a portion thereof, or any enterprise registered
32 therein to ensure the viability of the SpeDEZ;

- 1 n) To provide internal security to the SpeDEZ, in coordination with the National
2 Government and affected LGUs: *Provided*, That for this purpose, the
3 SpeDEZA shall provide and establish its own internal security and
4 firefighting forces and identify and reserve facilities and areas within the
5 SpeDEZ for the AFP, which shall be responsible for the perimeter security
6 of the SpeDEZ, through the GA: *Provided, further*, That in the event that
7 assistance is necessary, the AFP or PNP shall not interfere in the internal
8 affairs of the SpeDEZA, except to provide the necessary security and
9 defense, or law enforcement assistance, as the case may be: *Provided*,
10 *finally*, That expenses of the AFP or PNP in the SpeDEZ shall be borne by
11 the national government;
- 12 o) To protect, preserve, maintain and develop the forests, beaches, coral and
13 coral reefs, and maintain ecological balance within the SpeDEZ: *Provided*,
14 That notwithstanding the authority of the SpeDEZA to create rules for such
15 purpose, the rules and regulations of the Department of Environment and
16 Natural Resources (DENR) and other government agencies involved in the
17 above functions shall be implemented by the SpeDEZA: *Provided, further*,
18 That the SpeDEZA shall create an Ecology Center for such purpose;
- 19 p) To create, operate or contract to operate such functional units or offices of
20 the SpeDEZA as it may deem necessary;
- 21 q) To issue certificates of origin for products manufactured or processed in
22 the SpeDEZ;
- 23 r) To issue rules and regulations necessary to implement and accomplish the
24 purposes, objectives and policies provided herein, in consultation with the
25 DND, DTI, DOF and other relevant government agencies;
- 26 s) To appropriately zone the SpeDEZ and provide for buffer zones when
27 necessary and reserve areas for housing;
- 28 t) To establish one-stop shops for the issuance of all necessary permits,
29 clearances, licenses, and other similar certifications to conduct such
30 activities intended to improve the ease of doing business within the
31 SpeDEZ, in coordination with government agencies having jurisdiction over
32 activities in the SpeDEZ not otherwise solely reserved to the SpeDEZA:

1 *Provided*, That all government agencies are directed to provide and extend
2 utmost and full cooperation to the SpeDEZA in the establishment of such
3 one-stop shops; and

4 u) To perform such other functions as may be provided by law.

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

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

28 In the event of vacancy in the Office of ASPP, ASAIL or Director of GA,
29 the designated Acting ASPP, ASAIL or Director of GA shall serve as member of
30 the Board.

31 In the event the Chairperson and Vice-Chairperson are unable to attend
32 the board meeting, the members present constituting a quorum shall elect

1 among themselves the Presiding Officer for that particular meeting. The
2 Presiding Officer shall not have voting rights except to break a tie. For the
3 purpose of determining quorum, vacant seats shall not be considered.

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

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

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

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

30 *SEC. 9. Powers and Duties of the Administrator.* – The Administrator shall have
31 the following powers and duties:

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

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

27 **SEC. 11. *Organization and Personnel.*** – The Board of the SpeDEZA shall provide
28 for an organizational structure and appoint employees, subject to the civil service law.
29 Upon the recommendation of the Chairperson and Administrator and with the approval
30 of the Secretary of the DBM, the Board shall appoint and fix the remuneration and
31 other emoluments of its officers and employees in accordance with existing laws on
32 compensation and position classification: Provided, That the Chairperson and

1 Administrator shall exercise administrative supervision of its employees. The officers
2 and employees of the SpeDEZA, including all members of the Board, shall not engage
3 directly or indirectly in partisan activities nor take part in any election, except to vote.

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

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

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

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

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

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

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

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

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),
17 respectively: *Provided*, That the BI and the DOLE shall implement measures to
18 expedite the processing of such visas and permits for workers in the SpeDEZ and
19 coordinate with the SpeDEZA for the purpose of improving ease of doing business.

20 SEC.14. *Fiscal Incentives*. – Registered enterprises of the SpeDEZ may be
21 entitled to the existing pertinent fiscal incentives as provided for under Title XIII of
22 the NIRC of 1997, as amended: *Provided*, That in the administration, implementation
23 and monitoring of incentives, the SpeDEZA may impose conditions not otherwise
24 prohibited by this Act: *Provided, further*, That the SpeDEZA shall not be limited to the
25 conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any other
26 related issuance, rule or regulation.

27 SEC. 15. *Administration, Implementation and Monitoring of Incentives*. – For the
28 proper administration, implementation and monitoring of tax incentives provided
29 under this law, the following are herein mandated:

- 30 a) The SpeDEZA shall be responsible for the administration, management,
31 enforcement and implementation of the incentives granted to registered
32 enterprises: *Provided*, That the SpeDEZA shall, among others, adopt and

1 implement systems and procedures affecting defense/military trade and
2 the appropriate customs policies: *Provided, further*, That the BOC shall
3 set up and establish a customs controlled area outside the gate of the
4 SpeDEZ or other registered enterprises of the SpeDEZ operating
5 outside its territory to facilitate payment of taxes on goods entering
6 the Philippine customs territory: *Provided, finally*, That notwithstanding
7 the limitations in this Act, the SpeDEZA and BOC may coordinate and
8 jointly implement measures on border protection; and

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

14 SEC. 16. *Banking Rules and Regulations.* – Banks and financial institutions to
15 be established in the SpeDEZ shall be under the supervision of the BSP and shall be
16 subject to existing banking laws, rules and regulations.

17 SEC. 17. *Remittances.* – In the case of foreign investments, a duly registered
18 entity or enterprise within the SpeDEZ shall have the right to remit earnings from the
19 investment in the currency in which the investment was originally made and at the
20 exchange rate prevailing at the time of remittance, subject to the provisions of
21 Republic Act No. 7653, otherwise known as "The New Central Bank Act".

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

1 In implementing this section, the SpeDEZA, the DND, AFP, PCG, and PNP shall
2 jointly formulate the mechanics for the selection of manufacturers/suppliers to be
3 awarded with multi-year contracts: *Provided*, That registration with the SpeDEZA and
4 location of operation and manufacture of the defense equipment and material to be
5 procured in the SpeDEZ shall be a condition precedent for the award of the multi-year
6 contracts.

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

17 SEC. 19. *Countertrade*. – Whenever applicable and practicable, any of the
18 countertrade arrangements defined in Executive Order No. 120 should be explored in
19 pursuing defense related acquisitions. The SpeDEZA in consultation with the DND, the
20 DTI, and other offices concerned, shall identify or develop a list of goods or services
21 or industries which may be subject to a countertrade.

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

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

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

1 SEC. 21. *Supervision and Control.* – For purposes of policy direction and
2 coordination, the SpeDEZA shall be under the direct control and supervision of the
3 Office of the President of the Philippines.

4 SEC. 22. *Regional Development Council.* – The SpeDEZA shall determine the
5 development goals for the SpeDEZ within the framework of national development
6 plans, policies and goals. The Chairperson and Administrator shall, upon approval by
7 the Board, submit the SpeDEZA plans, programs and projects to the Regional
8 Development Council for inclusion and inputs to the overall regional development plan.

9 SEC. 23. *Relationship with Local Government Units.* – Except as herein
10 provided, the Municipality of Limay in the Province of Bataan and such other local
11 government units where registered enterprises of the SpeDEZ conduct business shall
12 operate and function in accordance with the framework of the 1987 Constitution and
13 Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions
14 of the Local Government Code, and this Act.

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

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

25 SEC. 25. *Construction.* – The powers, authorities and functions that are vested
26 in the SpeDEZA are intended to establish national self-sufficiency and self-reliance in
27 the advancement and protection of the national integrity, enhancement of national
28 security, decentralization of governmental functions and authority, and promotion of
29 an efficient and effective working relationship between the SpeDEZA, the national
30 government and the LGUs. Any interpretation of this Act shall consider such intentions.
31 In the event of conflict of interpretations, the provisions of this Act shall be construed
32 in favor of an interpretation that would tend to protect national security

1 SEC. 26. *Audit* – The Commission on Audit shall appoint a full-time auditor in
2 the SpeDEZA or may assign such number of personnel as may be necessary in the
3 performance of its functions.

4 SEC. 27. *Transitory Provisions.* – The SpeDEZA shall be responsible for the
5 operation, administration, management and development of the SpeDEZ. The
6 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the
7 least disruption of ongoing programs of the GA.

8 SEC. 28. *Implementing Rules and Regulations.* – The SpeDEZA, DTI, DOF, DND,
9 and the LGUs concerned shall formulate the implementing rules and regulations of
10 this Act within ninety (90) days after its approval. Such rules and regulations shall take
11 effect fifteen (15) days after its publication in a newspaper of general circulation in
12 the Philippines.

13 SEC. 29. *Applicability Clause.* – Insofar as these are consistent with the
14 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
15 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall
16 likewise apply to the SpeDEZ.

17 Sec. 30. *Separability Clause.* – If any provision of this Act is declared invalid or
18 unconstitutional, other provisions hereof which are not affected thereby shall remain
19 in full force and effect.

20 Sec. 31. *Repealing Clause.* – All laws, orders, decrees, rules and regulations,
21 and other parts thereof inconsistent with the provisions of this Act are hereby
22 repealed, amended or modified accordingly.

23 Sec. 32. *Effectivity Clause.* – This Act shall take effect fifteen (15) days after its
24 publication in the Official Gazette or in at least two (2) national newspapers of general
25 circulation.

Approved,