


**THIRTEENTH CONGRESS OF THE REPUBLIC)  
OF THE PHILIPPINES )  
Second Regular Session )**

6 FEB 27 P4:39

**SENATE**  
**S.B. No. 2217**

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**Introduced by Sen. Juan Ponce Enrile**

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**EXPLANATORY NOTE**

The province of Palawan occupies a strategic location in the Southern Tagalog Region. It has a total land area of 1.4 million hectares, a population of 755,412 (Census 2000), and boasts of bountiful forest, marine and mineral resources.

As such, the province presents vast potential for economic growth through infrastructure, industrial, agricultural and tourism development. However, while economic activities are concentrated in Puerto Princesa, its capital, and in other municipalities wherein tourism-related activities thrive such as the Calauit Island, El Nido, and Taytay, other towns abundant in natural resources and large labor force remain untapped.

Hence, the proposal to establish the Southern Palawan Economic Zone and Free Port covering the municipalities of Bataraza, Brooke's Point and Balabac. In accordance with the mandate of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", this measure encourages the development of the countryside into agro-industrial, commercial, tourist, banking, investment and financial center.

In order to administer the operations of the ecozone, the bill proposes to create the Southern Palawan Economic Zone and Free Port Authority. It likewise offers a package of fiscal and non-fiscal incentives to attract prospective foreign and local investors in order to fully maximize the development possibilities of the province and the region as well.


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

  
**JUAN PONCE ENRILE**  
Senator

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12  
13 **AN ACT**  
14 **ESTABLISHING THE SOUTHERN PALAWAN SPECIAL ECONOMIC ZONE AND**  
15 **FREEPORT, CREATING FOR THE PURPOSE THE SOUTHERN PALAWAN**  
16 **SPECIAL ECONOMIC ZONE AND FREE PORT AUTHORITY, APPROPRIATING**  
17 **FUNDS THEREFOR, AND FOR OTHER PURPOSES**  
18

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

21 **Section. 1. Short Title.** - This Act shall be known as the "***Southern Palawan***  
22 ***Special Economic Zone and Free Port (SPEZFA) Act of 2005.***"

23 **Sec. 2. Declaration of Policy.** - It is hereby declared the policy of the State to  
24 actively encourage, promote, induce and accelerate a sound and balanced industrial,  
25 economic and social development of the country in order to provide jobs to the people  
26 especially those in the rural areas, increase their productivity and their individual and  
27 family income, and thereby improve the level and quality of their living condition  
28 through the establishment, among others, of special economic zones and free ports in  
29 suitable and strategic locations in the country and through measures that shall  
30 effectively attract legitimate and productive foreign investments.

31 **Sec. 3. The Southern Palawan Special Economic Zone and Free Port.** -  
32 In accordance with the foregoing declared policy, and subject to the concurrence of the  
33 municipalities of Southern Palawan covered by the economic zone, there is hereby  
34 established a special economic zone and free port covering the municipalities of  
35 Balabac, Brooke's Point, and Bataraza, in the Province of Palawan to be known as the

1 Southern Palawan Special Economic Zone and Free Port, hereinafter referred to as  
2 Southern Palawan ECOZONE. The metes and bounds of the Southern Palawan  
3 ECOZONE shall be specifically defined in the presidential proclamation to be issued for  
4 this purpose.

5 **Sec. 4. *Governing Principles.*** - The Southern Palawan ECOZONE shall be  
6 managed and operated by the Southern Palawan Special Economic Zone and Freeport  
7 Authority, herein referred to as SPEZFPA, to be created under Section 6 of this Act,  
8 under the following principles:

9 (a) Within the framework and limitations of the Constitution and the applicable  
10 provisions of the Local Government Code, the Southern Palawan ECOZONE shall be  
11 developed into and operated as the decentralized, self-reliant and self-sustaining  
12 industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment  
13 center with suitable residential areas, in order to create employment opportunities in  
14 and around the Southern Palawan ECOZONE, and to effectively encourage and attract  
15 legitimate and productive foreign investments therein;

16 (b) The Southern Palawan ECOZONE shall be provided with transportation,  
17 telecommunications and other facilities needed to attract legitimate and productive  
18 investments, generate linkage industries and employment opportunities for the Province  
19 of Palawan and its neighboring towns and cities;

20 (c) The Southern Palawan ECOZONE may establish mutually beneficial  
21 economic relations with other entities or enterprises within the country or, subject to  
22 the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine  
23 Economic Zone Administration (PEZA) and/or the Department of Trade and Industry  
24 (DTI), with foreign entities or enterprises;

25 (d) Foreign citizens and companies owned by non-Filipinos in whatever  
26 proportion may set up enterprises in the Southern Palawan ECOZONE, either by

1 themselves or in joint venture with Filipinos in any sector of industry, international  
2 trade, and commerce within the Southern Palawan ECOZONE;

3 (e) The Southern Palawan ECOZONE shall be operated and managed as a  
4 *separate customs territory ensuring free flow or movement of goods and capital within,*  
5 *into and exported out of the Southern Palawan ECOZONE premises, as well as provide*  
6 *incentives such as tax and duty-free importations of raw materials and capital*  
7 *equipment. However, exportation or removal of goods from the territory of the*  
8 *Southern Palawan ECOZONE to the other parts of the Philippine territory shall be*  
9 *subject to customs duties under the Tariff and Customs Code of the Philippines, as*  
10 *amended, and the National Internal Revenue Code of 1997, as amended;*

11 (f) The areas comprising the Southern Palawan ECOZONE may be expanded or  
12 reduced when necessary. For this purpose, the SPEZFPA, in consultation with the local  
13 government units (LGUs), shall have the power to acquire either by purchase,  
14 negotiation or condemnation proceedings, any private lands within or adjacent to the  
15 Southern Palawan ECOZONE for the following purposes: (1) consolidation of lands for  
16 zone development; (2) acquisition of right-of-way to the Southern Palawan ECOZONE;  
17 and (3) the protection of watershed areas and natural assets valuable to the prosperity  
18 of the Southern Palawan ECOZONE;

19 (g) Goods manufactured by the Southern Palawan ECOZONE enterprise shall be  
20 made available for the immediate retail sale in the domestic market, subject to the  
21 payment of corresponding taxes on raw materials and other regulations that may be  
22 formulated by the SPEZFPA, together with Philippine Economic Zone Authority (PEZA),  
23 the Bureau of Customs (BOC) and the Department of Trade and Industry (DTI).  
24 However, in order to protect the domestic industry, there shall be a negative list of  
25 industries that will be drawn up and regularly updated by the PEZA. Enterprises

1 engaged in industries included in such negative list shall not be allowed to sell their  
2 products locally; and,

3 (h) The defense of the Southern Palawan ECOZONE and the security of its  
4 perimeter fence shall be the responsibility of the national government in coordination  
5 with the SPEZFPA and the LGUs concerned.

6 **Sec. 5. *Incentives and Obligations.*** - Business establishments operating  
7 within the Southern Palawan ECOZONE shall be entitled to the following incentives:

8 (a) *Resident Status and Visa.* - Any foreign investor who establishes a business  
9 enterprise within the Southern ECOZONE and who maintains a capital investment of not  
10 less than One Hundred Fifty Thousand United States Dollars (US \$150,000) shall be  
11 granted by the SPEZFA, along with his or her spouse, dependents and unmarried  
12 children below twenty one (21) years old, a permanent resident status within the  
13 Southern Palawan ECOZONE. They shall likewise have the freedom of ingress or egress  
14 to and from the Southern Palawan ECOZONE without any need for special authorization  
15 from the Bureau of Immigration. Working visas renewable every two (2) years shall be  
16 issued to foreign executives and foreign technicians with highly specialized skills which  
17 no Filipino possesses, as certified by the Department of Labor and Employment (DOLE).  
18 The foregoing is without prejudice to a foreigner acquiring permanent resident status in  
19 the Philippines in accordance with applicable immigration, retirement and other related  
20 laws.

21 (b) *Fiscal Incentives.* - Business establishments operating within the Southern  
22 Palawan ECOZONE shall be entitled to the existing fiscal incentives as provided for  
23 under Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of  
24 1995," as amended by Republic Act No. 8748.

25 (c) *Taxation.* - Except for real property taxes on land owned by developers, no  
26 taxes, local and national, shall be imposed on business establishments operating within

1 the Southern Palawan ECOZONE. In lieu of paying taxes, five percent (5%) of the gross  
2 income earned by all business enterprises operating within the Southern Palawan  
3 ECOZONE shall be paid and remitted as follows:

- 4 (i) Three percent (3%) to the national government; and,  
5 (ii) Two percent (2%) which shall be directly remitted by business'  
6 establishments to the Treasurer's Office of the municipality or city where  
7 the enterprise is located.

8 All persons and service establishments in the Southern Palawan ECOZONE shall  
9 be subject to national and local taxes under the National Internal Revenue Code as  
10 amended by Republic Act No. 8424, and Republic Act No. 7160, or the Local  
11 Government Code.

12 (d) *Banking Rules and Regulations.* - Existing banking laws and rules and  
13 regulations of the Bangko Sentral ng Pilipinas (BSP) shall apply to all banks and  
14 financial institutions established in the Southern Palawan ECOZONE. Among other  
15 pertinent regulations, these shall include those governing foreign exchange and other  
16 current account transactions (trade and non-trade), local and foreign borrowings,  
17 foreign investments, establishments and operation of local and foreign banks, foreign  
18 currency deposit units, offshore banking units, and other financial institutions under  
19 the supervision of the BSP.

20 (e) *Profit Remittance.* - Without prior BSP approval, after tax profits and other  
21 earnings of foreign investments in enterprises in the Southern Palawan ECOZONE  
22 may be remitted outward in the equivalent foreign exchange through any of the  
23 banks licensed by the BSP in the Southern Palawan ECOZONE; *Provided, however,*  
24 that such foreign investments in said enterprises have been previously registered with  
25 the BSP.

1           **Sec. 6. Creation of the Southern Palawan Special Economic Zone and**

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

9           **Sec. 7. Principal Office.** - The SPEZFPA shall maintain its principal office in  
10 the municipality of Balabac, but it may establish branches within the Philippines and  
11 abroad, as may be necessary for the proper conduct of its business.

12           **Sec. 8. Powers and Functions of SPEZFPA.** - The SPEZFPA shall have the  
13 following functions:

- 14           (a) To operate, administer manage and develop the Southern Palawan  
15           ECOZONE according to the principles and provisions set forth in this Act;
- 16           (b) To recommend to the President the issuance of a proclamation to fix and  
17           delimit the site of the Southern Palawan ECOZONE;
- 18           (c) To register, regulate and supervise the enterprises in the Southern  
19           Palawan ECOZONE in an efficient and decentralized manner, subject to  
20           existing laws;
- 21           (d) To coordinate with the LGUs concerned and exercise general supervision  
22           over the development plans, activities and operations of the ECOZONE;
- 23           (e) To regulate and undertake the establishments operation and maintenance  
24           of utilities, other services, and infrastructure in the Southern Palawan  
25           ECOZONE such as, but not limited to heat, power supply, water supply,  
26           telecommunications, transport, toll roads and bridges, port services, and

- 1 to fix just and reasonable and competitive rates fares, charges and prices  
2 thereof;
- 3 (f) To construct, acquire, own or lease, operate and maintain on its own or  
4 through others by virtue of contracts, franchises, licenses, bulk purchases  
5 from the private sector or permits under any of the schemes allowed in  
6 Republic Act No. 6957 (Build-Operate-Transfer Law, as amended by  
7 Republic Act No. 7718), or joint venture with the private sector any or all  
8 of the public utilities and infrastructure required or needed for the  
9 operation and development of the Southern Palawan ECOZONE, in  
10 coordination with appropriate national and local government authorities  
11 and conformity with applicable laws thereon;
- 12 (g) To operate on its own, either directly or through a subsidiary entity, or  
13 license to others, tourism-related activities, including games and  
14 amusements, recreational and sports facilities;
- 15 (h) Subject to the approval of the President and the Monetary Board of the  
16 BSP, upon the recommendation of the Department of Finance (DOF), to  
17 raise or borrow adequate and necessary funds from local or foreign  
18 sources to finance its projects and programs under this Act and for that  
19 purpose, to issue bonds, promissory notes and other forms of securities,  
20 and to secure the same by a guarantee, pledge, mortgage, deed of trust  
21 or an assignment of all or part of its property or assets;
- 22 (i) To provide security for the Southern Palawan ECOZONE in coordination  
23 with the national and local governments. For this purpose, the SPEZFPA  
24 may establish and maintain security forces and firefighting capability or  
25 hire others to provide the same. Military forces sent by the national  
26 government for the purpose of defense shall not interfere in the internal



- 1           affairs of the ecozone and expenditures for these military forces shall be  
2           borne by the national government;
- 3           (j) To protect, preserve, maintain, and develop the virgin forests, beaches  
4           coral and coral reefs and maintain ecological balance within the Southern  
5           Palawan ECOZONE;
- 6           (k) To create, operate and/or contract to operate such functional units or  
7           offices of the SPEZFPA as it may deem necessary;
- 8           (l) To adopt, alter and use a corporate seal; to contract, lease, buy, sell,  
9           acquire, own and dispose movable and immovable as well as personal and  
10          real property of whatever nature (including but not limited to shares of  
11          stock or participation in private corporations or in limited partnerships, or  
12          in joint ventures with limited liability), bonds, precious metals in bullions,  
13          ingots and easily convertible foreign exchange, to sue and be sued in  
14          order to carry out its duties, responsibilities, privileges, powers and  
15          functions as granted and provided for in this Act; and to exercise the  
16          power of eminent domain for public use and public purpose;
- 17          (m) To issue certificates of origin for products manufactured or processed in  
18          the Southern Palawan ECOZONE in accordance with the prevailing rules of  
19          origin and the pertinent regulations of the PEZA, the DTI and/or the DOF;
- 20          (n) To issue working visas renewable every two (2) years to foreign  
21          executives and technicians with highly specialized skills which no Filipino  
22          possesses, as certified by the DOLE;
- 23          (o) To report to the Bureau of Immigration the names of the foreigners who  
24          have been granted permanent, resident status and working visas within  
25          thirty (30) days after issuance of such grant;

1           (p) To exercise such powers as may be essential, necessary or incidental to  
2           the powers granted to it hereunder, as well as those that shall enable it to  
3           carry out, implement and accomplish the purposes, objectives and policies  
4           of this Act; and,

5           (q) To issue rules and regulations consistent with the provisions of this Act as  
6           may be necessary to accomplish and implement the purposes, objectives,  
7           and policies provided herein.

8           **Sec. 9. Exemptions from Taxes, Duties, and Other Fees.** – The SPEZFPA  
9           is hereby declared exempt from the payment of all taxes, duties, fees, charges, costs  
10          and service fees in any court or administrative proceedings in which it may be a party  
11          to.

12          The foregoing exemptions may, however, be entirely or partially lifted by the  
13          President of the Philippines upon the recommendation of the Secretary of Finance, not  
14          earlier than five (5) years from the effectivity of this Act, if the President shall find the  
15          SPEZFPA to be self sustaining and financially capable by then to pay such taxes,  
16          customs, duties, fees and other charges after providing for debt service requirements of  
17          the SPEZFA and of its projected capital and operating expenditures.

18          **Sec. 10. Board of Directors of the SPEZFPA.** - The powers of the SPEZFPA  
19          shall be vested in and exercised by a Board of Directors, hereinafter referred to as the  
20          Board, which shall be composed of the following:

21          (a) The Chair who shall, at the same time be the administrator of the  
22          SPEZFPA;

23          (b) The Vice Chairman who shall come from among the members of the  
24          Board;

25          (c) Members consisting of:

- 1 (1) The congressional representative of the district covering the site of  
2 the Southern Palawan ECOZONE;
- 3 (2) One (1) representative of the Provincial Government of Palawan;
- 4 (3) One (1) representative from the domestic investors;
- 5 (4) One (1) representative from the foreign investors; and
- 6 (5) Two (2) representatives from workers working in the Southern  
7 Palawan ECOZONE.

8 The congressional representative and the representative of the Provincial  
9 Government shall serve as *ex officio* members of the Board, whose term in the Board  
10 corresponds to their respective terms as elected officials.

11 The Chairman and the members of the Board, except the *ex officio* members  
12 shall be appointed by the President of the Philippines to serve a term of six (6) years,  
13 unless sooner removed for cause, dies, or resigns voluntarily. In case of death,  
14 resignation or removal for cause, the replacement shall serve only the unused portion  
15 of the term.

16 Except for the representatives of the business and labor sectors, no person  
17 shall be appointed by the President of the Philippines as a member of the Board unless  
18 he is a Filipino citizen, of good moral character, of proven probity and integrity, and a  
19 degree-holder in any of the following fields: economics, business, public administration,  
20 law, management or their equivalent and with at least ten (10) years of relevant  
21 working experience preferably in the field of management or public administration.

22 The members of the Board shall receive per diem at rate to be determined by  
23 the Department of Budget and Management in accordance with existing rules and  
24 regulations; Provided, however, That the total per diem collected each month shall not  
25 exceed the equivalent per diem for four (4) meetings. Unless and until the President of  
26 the Philippines authorizes the setting of a higher per diem for the members of the

1 Board, such per diem shall not be more than Ten Thousand pesos (P10,000.00) for  
2 every Board meeting.

3 **Sec. 11. Powers and Duties of the Chairman-Administrator.** - The  
4 Chairman-Administrator shall have the following powers and duties:

- 5 (a) To direct and manage the affairs of the SPEZFPA in accordance with the  
6 policies of the Board;
- 7 (b) To establish the internal organization of the SPEZFPA under such  
8 conditions that the Board may prescribe;
- 9 (c) To submit an annual budget and necessary supplemental budget to the  
10 Board for its approval;
- 11 (d) To submit within thirty (30) days after the close of each fiscal year an  
12 annual report to the Board and such other reports as may be required;
- 13 (e) To submit to the Board for its approval, policies, systems, procedures,  
14 rules and regulations that are essential to the operation of the Southern  
15 Palawan ECOZONE;
- 16 (f) To create a mechanism in coordination with relevant agencies for the  
17 promotion of industrial peace, the protection of the environment and the  
18 advancement of the quality of life in the Southern Palawan ECOZONE;  
19 and,
- 20 (g) To perform such other duties as may be assigned to him by the Board or  
21 which are necessary or incidental to his office.

22 **Sec. 12. Personnel.** - The Board of Directors of the SPEZFPA shall provide for  
23 an organization and staff of its officers and employees. Upon the recommendation of  
24 the Chairman-Administrator, with the approval of the Secretary of Trade and Industry,  
25 the Board shall appoint and fix the remuneration and other emoluments of its officers  
26 and employees in accordance with existing laws on compensation and position

1 classification; Provided, that the Board shall have the exclusive and final authority to  
2 promote, transfer, assign or re assign officers of the SPEZFPA, any provision of existing  
3 law to the contrary notwithstanding: Provided, further, That the chairman-administrator  
4 may carry out the removal of such officers and employees.

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

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

10 **Sec. 13. *Applicability Clause.*** - The provisions of Sections 30 to 42 of  
11 Republic Act No. 7916, as amended, on leases of lands and buildings, land conversion,  
12 shipping, and shipping register, protection of environment termination of business  
13 enterprises, one-stop shop center and on industrial harmony in the ecozones, shall  
14 apply to the Southern Palawan ECOZONE.

15 **Sec. 14. *Capitalization.*** - The SPEZFPA shall have an authorized capital stock  
16 of two billion (2,000,000,000) no par shares with a minimum issue of ten pesos  
17 (P10.00) each, the majority shares of which, shall be subscribed and paid for by the  
18 national government. The Board of Directors of the SPEZFPA, with the written  
19 concurrence of the Secretary of Finance, may sell shares representing not more than  
20 forty per centum (40%) of the capital stock of the SPEZFPA to the general public under  
21 such policy as the Board and the Secretary of Finance may determine. The national  
22 government and the LGUs shall in no case own less than sixty per centum (60%) of the  
23 total issued and outstanding capital of the SPEZFPA.

24 The amount necessary to subscribe and pay for the shares of the national  
25 government to the capital stock of the SPEZFPA shall be included in the annual General  
26 Appropriations Act.

1           **Sec. 15. *Supervision and Coordination of Development Plans.*** - For  
2 purposes of policy direction and coordination, the Southern Palawan ECOZONE shall be  
3 under the direct control and supervision of the Office of the President.

4           **Sec. 16. *Relationship with the Regional Development Council.*** - The  
5 SPEZFPA shall determine the development goals for the Southern Palawan ECOZONE  
6 within the framework of national development plans, policies, and goals. The  
7 administrator shall, upon approval by the Board, submit the Southern Palawan  
8 ECOZONE plans, programs and projects to the Regional Development Council for  
9 inclusion and inputs to the overall regional development plan.

10           **Sec. 17. *Relationship with Local Government Units.*** - Except as herein  
11 provided, the LGUs comprising the Southern Palawan ECOZONE shall retain their basic  
12 autonomy and identity. The municipalities of Balabac, Bataraza and Brooke's Point shall  
13 operate and function in accordance with the Local Government Code of 1991. In case  
14 of any conflict between the SPEZFPA and the Province of Palawan on matters affecting  
15 the Southern Palawan ECOZONE other than defense and security matters, the decision  
16 of the SPEZFPA shall prevail.

17           **Sec. 18. *Interpretation/Construction.*** - The powers authorities and  
18 functions that are vested in the SPEZFPA are intended to establish decentralization of  
19 government functions and authority and promote an efficient and effective working  
20 relationship among the Southern Palawan ECOZONE, the central government and the  
21 LGUs.

22           **Sec. 19. *Auditing.*** - The Commission on Audit shall appoint a representative  
23 who shall be a full time auditor of the SPEZFPA and assign such number of personnel as  
24 may be necessary to assist said representative in the performance of his/her duties.

25           The salaries and emoluments of the assigned auditor and personnel shall be in  
26 accordance with pertinent laws, rules and regulations.

1           **Sec. 20. *Separability Clause.*** - If any provision of this Act shall be held  
2 unconstitutional or invalid, the other portions not otherwise affected shall remain in full  
3 force and effect.

4           **Sec. 21. *Repealing Clause.*** - All laws, executive orders or issuances, or any  
5 part thereof, which are inconsistent herewith, are hereby repealed or amended  
6 accordingly.

7           *Approved,*