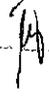


FOURTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)

SENATE

RECEIVED BY: 

S.B. No. 1605

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill seeks to create an economic zone in Southern Palawan, particularly in the municipalities of Bataraza, Brookes Point and Balabac to encourage the development of the countryside into agro-industrial, commercial, tourist, banking, investment and financial center.

The prospect for the growth of Southern Palawan as the country's major trader's destination is promising. Due to its strategic location, it can serve as gateways to other markets in the Asian region. As shown in an article found at the official website of the Mindanao Economic Development Council, Kudat, a town located on the coast of the northernmost part of Sabah, is about 137 nautical miles away from Brooke's Point, a municipality along the southeastern section of mainland Palawan. Traders from both areas can reach each other in approximately 12 hours voyage by sea. These two proximate municipalities can serve as strategic gateways to bigger markets. Kudat is seen as an entry point for Philippine traders to expand trade to neighboring areas in Labuan, Sandakan, Kota Kinabalu and even Brunei Darussalam. Brooke's Point, on the other hand, could serve as gateway for Malaysian traders to other parts of Southern Palawan, particularly the municipalities of Bataraza, Balabac, Rizal, and Quezon.

Based on initial prospects, Palawan can potentially trade marine products, corn, fruits, coconut, virgin coconut oil, cashew nuts and seaweeds while Kudat can bring in noodles, cooking oil and other grocery items.

Brooke's Point is the only municipality in Southern Palawan which has a port facility that can accommodate smaller type of ocean-going vessels. In fact, the proposed Brooke's Point- Kudat Shipping Services has recently been adopted as a priority project of the BIMP-EAGA Transport, Infrastructure, ICT Development (TIID) Cluster during the 3rd Meeting of the Cluster held 27-28 March 2006, in Pontianak, Indonesia.

With its vast territory - total land area is 1.4 million hectares, considered the Philippine's largest province - and pristine environment - it hosts two World Heritage sites: the Puerto Princesa Subterranean River National Park (1999) and the Tubbataha Reef Marine Park (1993) - the province is a major tourist destination. But it is its strategic location for trade and commerce that must likewise be tapped to fully maximize its growth and development.

This bill aims to do just that by offering a set of incentives to attract foreign investors in the Southern Palawan, to wit:

- a. Resident Status and Visa;
- b. Fiscal Incentives. Business establishments within the Zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), or those provided under Book IV of Executive Order No. 226, otherwise known as the "Special Economic Zone Act of 1995", as amended by RA 8748; and
- c. Taxation. Except for real property taxes on land owned by developers, no taxes, local and national including final withholding taxes on dividend to a business establishment's parents company and branch profit remittances to a business establishment's head office, shall be imposed on business establishments operating within the Zone. In lieu thereof, a final tax of eight percent (8%) of the net taxable income shall be imposed by the national government to be divided as follows:
 - (1) Four percent (4%) shall be paid immediately to the National Government;
 - (2) One percent (1%) to the Province of Palawan; and
 - (3) One percent (1%) to the municipalities of Balabac, Bataraza and Brooke's Point;
 - (4) Two percent (2%) to the Southern Palawan Special Economic Zone and Free Port Authority which shall be created under this Act

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


LOREN LEGARDA
Senator

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

RECEIVED BY: 

SENATE

S.B. No. 1605

Introduced by Senator Loren Legarda

AN ACT

CREATING A SPECIAL ECONOMIC ZONE AND FREEPORT IN SOUTHERN PALAWAN, CREATING FOR THIS PURPOSE THE SOUTHERN PALAWAN ECOZONE AND FREEPORT AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* - This Act shall be known as the "Southern Palawan Special Economic Zone and Free Port Act of 2007"

SEC. 2. *Declaration of Policy.* - it is hereby declared the policy of the State to actively encourage, promote and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people, increase productivity and incomes, and improve the level and quality of living conditions through the establishment of special economic zones and free ports in suitable and strategic locations in the country and through measures that shall effectively attract legitimate and productive foreign investments. It is likewise the policy of the State to enhance regional economic cooperation as means of bolstering the country's own industrial development and to establish facilities with which such cooperation can materialize.

SEC. 3. *Creation of the Southern Palawan Special Economic Zone and Free Port.* - in the pursuit of the foregoing declared policy, there is hereby established a special economic zone and free port in Southern Palawan, to be known as the Southern Palawan Economic Zone and Free Port herein referred to as the Zone, which shall cover the municipalities of Balabac, Bataraza and Brooke's Point.

SEC. 4. *Governing Principles.* - The Southern Palawan Economic Zone shall be managed and operated by the Southern Palawan Special Economic Zones and Free Port Authority herein created and referred to as SPEZA, under the following principles:

- a. Under the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Zone shall be developed into

and operated as decentralized, self-reliant and self sustaining industrial, commercial/trading, agro-industrial, tourist/recreational, banking, financial and investment center with the corresponding residential areas in order to create employment opportunities in and around and to effectivity encourage and attract legitimate and productive foreign investments;

- b. Except as otherwise provided herein, the local government units totally or partially embraced within the Zone shall retain and maintain their basic autonomy and identity. The municipalities of Balabac, Baltaraza and Brooke's Point shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991, insofar as the areas within their respective jurisdiction covered in this Act are concerned

The Zone shall be managed and operated as a separate customs territory outside the customs territory of the Philippines to ensure and facilitate the free flow or movement of machinery, goods, articles and capital within, into and exported out of the Zone. However, exportation or removal of goods, articles and capital from the Zone to other parts of the Philippine territory shall be subject to customs duties and taxes under the Customs and Tariff Code and other relevant tax laws of the Philippines.

The areas comprising the Zone may be expanded or reduced when necessary. For this purpose, the SPEZA, in consultation with the local government units, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the Zone for the following purposes:

- a. Consolidation of lands for zone development;
- b. Acquisition of right of way to the Zone; and
- c. The protection of watershed areas and natural assets valuable to the prosperity of the Zone.

The Zone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive foreign investments, generate linkage with industries and create employment opportunities for the people of the province of Palawan.

The Zone may establish mutually beneficial economic relations with other entities or enterprise within the country or, subject to the administrative guidance of the Department of Foreign Affairs (DFA), the Philippine Economic Zone Authority (PEZA) and/or the Department of Trade and Industry (DTI), with foreign entities or enterprises.

Foreign citizens and companies owned by non-Filipinos may set up enterprise in the Zone, either by themselves or in joint venture with Filipinos in whatever proportion in any sector of industry, international trade and commerce within the Zone.

Goods manufactured by a Zone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the SPEZA together with the PEZA, the Bureau of Customs and the DTI. However, in order to protect the domestic industry, there shall be a negative list of industries that will be drawn up and regularly updated by the PEZA. Enterprises engaged to industries included in such negative list shall not be allowed to sell their products locally.

The defense of the Zone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the SPEZA and local government units.

SEC.5. Incentives. – Investors and business enterprises within the ZONE shall be entitled to the following incentives:

- a) Resident Status and Visa. Any foreign investor who establishes a business enterprise within the Zone and who maintains capital investment of not less than one hundred fifty thousand United States dollars (US\$150,000.00) shall be granted, along with his or her spouse, dependents, and unmarried children below twenty-one (21) years of age, permanent resident status within the Zone and freedom of ingress and egress to and from the Zone without any need of any special authorization from the Bureau of Immigration. Working Visas renewable every two (2) years shall be issued to foreign executives and foreign technicians with highly specialized skills which no Filipino possesses, as certified by the Department of Labor and Employment.

The foregoing is without prejudice to a foreigner acquiring permanent residence status in the Philippines in accordance with the applicable immigration, retirement, and other related laws.

- b) Fiscal Incentives. Business establishments within the Zone shall be entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66, the law creating the Export Processing Zone Authority (EPZA), or those provided under Book IV of Executive Order No. 226, otherwise known as the "Special Economic Zone Act of 1995", as amended by RA 8748.
- c) Taxation. Except for real property taxes on land owned by developers, no taxes, local and national including final withholding taxes on dividend to a business establishment's parents company and branch profit remittances to a business establishment's head office, shall be imposed on business establishments operating within the Zone. In lieu thereof, said business establishments shall pay to the national government a final tax of eight percent (8%) of the net taxable income as determined in accordance with the provisions of the National Internal Revenue Code, as amended, to be divided as follows:
 - (1) Four percent (4%) shall be paid immediately to the National Government;
 - (2) One percent (1%) to the Province of Palawan; and
 - (3) One percent (1%) to the municipalities of Balabac, Bataraza and Brooke's Point;
 - (4) Two percent (2%) to the Southern Palawan Special Economic Zone and Free Port Authority which shall be created under this Act; Provided, however, that the preferential tax herein granted shall not apply to offshore transactions as well as transaction within the Zone itself with SPEZA investors and residents; Provided further, the domestic manufacturing

firms or foreign firms and their local subsidiaries that export more than thirty percent (30%) of their total production in terms of volume per year to the customs territory of the Philippines shall not be allowed to enjoy the income tax incentive herein granted; Provided furthermore, that the final tax of eight per centum (8%) of net taxable income may only be increased by Congress after ten (10) years from the effectivity of the amended tax and fiscal incentives of this Act; and provided, finally, that in no case shall the final tax to be imposed exceed fifteen per centum (15%) of the net taxable income as determined in accordance with the provisions of the National Internal Revenue code, as amended.

In cases of conflict between the local and national tax laws on the one hand, and the tax incentives herein granted on the other, the same shall be resolved in favour of the latter.

- d) Banking Rules and Regulations. Existing banking laws, specifically Presidential Decree No. 1034 and Republic Act No. 6426 and their implementing rules and regulations amended, and pertinent Banko Sentral ng Pilipinas (BSP) circulars, rules and regulations shall apply on foreign exchange transactions in the current account transactions (trade and non-trade), local and foreign borrowings, foreign investments, establishments and operation of local and foreign banks, foreign currency deposit units (FCDUs), offshore banking units (OBUs) and other financial institutions under the supervision of the BSP: Provided: FCDUs of local commercial banks and OBUs of foreign banks shall enjoy minimum regulation by the BSP.
- e) Profit Remittance. Without prior BSP approval, after tax profits and other earnings or foreign investments in enterprises in the Zone; Provided, however, that such foreign investments in said enterprises have been previously registered with the BSP.

SEC. 6. Ipso Facto Clause. - Sections 30-42 of Republic Act No. 7916 shall ipso facto apply to the Southern Palawan Special Economic Zone and Free Port.

SEC. 7. Creation of the Southern Palawan Special Economic Zone and Free Port Authority. - A body corporate to be known as the Southern Palawan Special Economic Zone and Free Port Authority, herein after referred to as the SPEZA, is hereby created to manage and operate the Southern Palawan Special Economic Zone and Free Port, in accordance with the provisions of this Act. This corporate franchise shall expire in fifty (50) years counted from the first day of the fifth year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 8. Powers and Functions of the Southern Palawan Special Economic Zone and Port Authority. - The Southern Palawan Special Economic Zone and Free Port Authority shall have the following powers and functions:

- a. To operate, administer, and manage the Zone according to the principles and provisions set forth in this Act;
- b. To adopt, alter and use a corporate seal; to contract, lease, buy, sell acquire own and/ or otherwise dispose of movable or immovable as well as personal or real property of whatever nature (including but not limited to shares of stock or participation in private corporations or in limited partnerships, or in joint ventures with limited liability), bonds, precious metals in bullions, ingots, and easily convertible foreign exchange;
- 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; and to exercise the power of eminent domain for public use and public purpose;
- d. To raise or borrow adequate and necessary funds from local or foreign sources within the limitation provided by law, to finance its projects and programs under this Act, and for that purpose to issue bonds, promissory notes, and other forms of securities, and to secure the same by guarantee, pledge, mortgage, deed of trust or an assignment of all part of its property or assets;
- e. To recommend to the President the issuance of a proclamation to fix and delimit the site of Zone;
- f. To issue certificates of origin for products manufactured or processed in the Zone in accordance with prevailing rules of origin, and the pertinent regulations of PEZA, DTI and/or the Department of Finance (DOF);
- g. To approve, accept, accredit and allow any local or foreign business, enterprise or investment in the Zone subject only to such rules and regulations as SPEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;
- h. To authorize or undertake, on its own or through others, and regulate the establishment , operation and maintenance of public utilities, services and infrastructure in the Zone such as shipping, ship building, ship registry and every matter related or attended thereto, barging, stevedoring, cargo handling, hauling warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, conveyors, water supply and storage, sewerage, drainage, airport operations, such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act: Provided, however, that the private investors in the Zone shall be given priority in the awarding of contracts, franchises, licenses or permits for the establishments, operation and maintenance of utilities, services and infrastructure in the Zone;
- i. To construct, acquire, own,, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under the build-operate-transfer scheme or under a joint venture with the private sector any or all of the public utilities and infrastructure required or needed in the Zone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

- j. To operate on its own, either directly or through a subsidiary entity, or license to others, , tourism-related activities, including games, amusements, recreational and sports facilities such as golf courses, and others, under priorities and standards set by SPEZA;
- k. To maintain ecological balance, and promote sustainable development in Palawan while preserving, developing, maintaining and protecting the environment particularly the virgin forests, marine resources, beaches, minerals and mineral deposits including precious metals, coral and corals reefs within the Zone. The virgin forests within the Zone shall be proclaimed as national park and shall be covered by a permanent total log ban. For this purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies involved in the above functions shall be implemented by the SPEZA, including the issuance of environmental certificates, free patents and leasehold rights over government lands and mining, drilling and timber licenses; Provided, that all legal restrictions imposed for the conveyance, use, lease or other disposition of free patents issued prior to the effectivity of this Act may be lifted should be the SPEZA deem it necessary to carry its mandate under this Act;
- l. To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;
- m. To establish and maintain a security force and firefighting capability or hire others to provide the same for the defense and security of the Zone;
- n. To form, establish, organize and maintain subsidiary corporations, as its business and operations may require, whether under the laws of the Philippines or not;
- o. To report to the Bureau of Immigration the names of foreigners who have been granted permanent resident status and working visas within thirty (30) days after issuance of such grant;
- p. To formulate and approve the organization and budget as submitted by the Chairman-Administrator;
- q. To regulate and undertake the establishment, operation and maintenance of public utilities services and infrastructure in the Zone such as heat, light and power, water supply telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, charges and prices thereof;
- r. To directly negotiate with and grant foreign and/or international airlines and carriers entry permits and landing rights into the port;
- s. To provide, in cooperation with the Department of Tourism, non-fiscal incentives to tourism-related businesses operating within the Zone;
- t. To charge reasonable fees for the provision of other services and the maintenance of infrastructure and utilities;

- u. To impose reasonable fines and penalties for violations of the provisions of this Act, the rules and regulations to be established by the SPEZA or any other law that the SPEZA is tasked to enforce; and
- v. To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purposes, objectives and policies provided.

SEC. 9. Non-Profit Character of the Southern Palawan Special Economic Zone Authority. – The Southern Palawan Special Economic Zone and Free Port Authority shall be a non-profit institution and shall devote the use of its returns from capital investments as well as excess revenues from its operations, for the development, improvement, and maintenance and other related expenditures of the SPEZA to pay its indebtedness and obligations and in furtherance and effective implementation of the policies provided for in this Act. In consonance with this, the SPEZA is hereby declared exempt from the payment of all taxes, duties, fees, imports, charges costs and service fees in any court or administrative proceedings in which it may be a party.

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

SEC. 10. Board of Directors of the Southern Palawan Special Economic Zone and Free Port Authority. The powers of the SPEZA shall be vested in and exercised by a Board of Directors, herein after referred to as the Board, which shall be composed of the following:

- a. The secretary of the Department of Trade and Industry or his duly authorized representative, as ex officio member of the Board of Directors;
- b. The Director General of the National Economic Development Authority or his duly authorized representative, as ex officio member of the Board;
- c. Two (2) other representatives of the National Government, as ex officio members;
- d. The administrator of SPEZA who shall serve as the ex-officio chairman of the Board;
- e. The Chairman of the Palawan Council for Sustainable Development as ex officio members;
- f. The mayors of the municipalities of Balabac, Bataraza and Brooke's Point as ex-officio members;
- g. Two (2) representatives from the labor sector from among the workers in the Zone;
- h. Two (2) representatives from the business and investments sectors; and,

The Administrators/Chairman and members of the Board, except the ex officio members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner removed for cause, the replacement shall serve only the unexpired portion of the term. The Vice-Chairman shall be elected from among the member of the Board.

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

For the purpose of determining a quorum during the meetings of the Board, a quorum shall exist despite the non-attendance of the appointed member of the Board whenever the latter's duly authorized representative is present thereat, and attends such meeting on the member's behalf.

The members of the Board, except the Administration/Chairman whose compensation shall be determined by the Board, shall each receive a per diem of not more than Ten Thousand Pesos (P10, 000.00) for every Board meeting actually attended, unless and until the President of the Philippines has fixed a higher per diem for the members of the Board: Provided, however, that the total per diem collected each month shall not exceed the equivalent per diem for four (4) meetings.

SEC. 11. SPEZA Administrator and Chief Executive Officer. The President of the Philippines shall appoint a full-time professional and competent administrator and chief executive officer of the Southern Palawan Special Economic Zone and Free Port Authority who shall serve for a term of six (6) years, unless sooner removed for cause or dies or resigns voluntarily. In case of death, resignation or removal for cause the replacement shall serve the unexpired portion of the term. The compensation of the Administrator and Chief Executive Officer shall be determined by the Board of Directors.

SEC. 12. Powers and Duties of the Chairman-Administrator. The Chairman-Administrator shall have the following powers and duties:

- a. To direct and manage the affairs of the SPEZA in accordance with the policies of the Board;
- b. To establish the internal organization of the SPEZA under conditions that the Board may prescribe
- c. To submit and annual budget and necessary supplemental budget to the Board for its approval;
- d. To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- e. To submit to the Board for its approval policies, systems procedures, rules and regulations that are essential to the operation of the Zone;

- f. To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the Zone; and
- g. To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

SEC. 13. Personnel. The Board of Directors of the SPEZA shall provide for an organization and staff of its officers and employees and the corresponding qualification standards in accordance with Civil Service Laws and other pertinent laws. Upon recommendation of the Chairman/Administrator, the Board shall appoint and fix the remuneration and other emoluments in accordance with RA 6758, otherwise known as the Salary Standardization Law: Provided, That the Board shall have exclusive and final authority to promote, transfer, assign or reassign officers of the SPEZA in accordance with Civil Service Law and Rules: Provided, further, That the Chairman-Administrator may carry out removal of such officers and employees as authorized by the Board.

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

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

SEC. 14. Capitalization. - The Southern Palawan Special Economic Zone and Free Port Authority shall have an authorized capital stock of two billion (2,000,000,000.00) no par shares with a minimum value of Ten Pesos (P10.00) each. The initial amount of two hundred and fifty million pesos (P250, 000,000.00) shall be sourced from the share of the Province of Palawan from the natural gas revenues in Camago-Malampaya and/ or other from its share in oil and natural wealth.

The Board of Directors of SPEZA may, from time to time, and with the written concurrence of the Secretary of Finance, increase the issue value of the shares representing the capital stock of the SPEZA. The Board of Directors of SPEZA, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty percent (40%) of the capital stock of SPEZA to the general public with such annual dividend policy as the Board and Secretary of Finance may determine. The National Government shall, in no case, own less than sixty percent (60%) of the total issued and outstanding capital stock of the SPEZA.

All unoccupied government-owned lands as of the creation of Southern Palawan Economic Zone and Free Port, falling within its jurisdiction, shall also be included as part of the equity of the national government in SPEZA and may be disposed of by the SPEZA: Provided, That in case of absolute sale or conveyance, the SPEZA shall seek the approval of the Office of the President: Provided that all lands owned by SPEZA shall not be included in land reform.

SEC. 15. Supervision and Coordination of Development Plans. - For purposes of policy direction and coordination, the Southern Palawan Special Economic Zone and Free Port shall be under the direct control and supervision of the Office of the President.

SEC. 16. Legal Counsel - The provisions of existing laws, orders or issuances, particularly R.A. No. 2327, as amended, Executive Order No. 29, series of 1987, and

Administrative Order No. 130, series of 1994, to the contrary withstanding, the SPEZA shall have its own internal legal counsel completely independent from the Office of the Government Corporate counsel who shall act as the legal adviser of SPEZA and its subsidiaries and who shall be solely responsible for reviewing contracts entered into by the SPEZA and its subsidiaries. The internal legal counsel shall represent SPEZA and its subsidiaries in all judicial and administrative proceedings. When the exigencies of its business and operations demand it, the SPEZA may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

SEC. 17. Relationship with the Palawan Council for Sustainable Development. - The SPEZA shall determine the development goals for the Zone within the framework of national development plans, policies and goals. The administrator shall, upon approval by the Board, submit Zone plans, programs and projects to the Palawan Council for Sustainable Development for inclusion and input to the overall development plan of the province.

SEC. 18. Relationship with Local Government Units. - Except as herein provided, the local government units comprising the Zone shall retain their basic autonomy and identity. The municipalities of Balabac, Bataraza and Brooke's Point shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the Authority and the Province of Palawan on matters affecting the Zone other than the defense and security matters, the decision of the SPEZA shall prevail.

SEC. 19. Auditing. The Commission on Audit shall appoint a representative who shall be a full time auditor of the SPEZA and its subsidiaries in which it controls a majority of the shares of stock, and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel of the Commission on Audit shall be in accordance with pertinent laws, rules and regulations. The Commission on Audit shall render an annual report to the President of the Philippines and to Congress on the business activities, transactions and operations of the SPEZA.

To ensure the expeditious implementation of the economic policy and purpose embodied in this Act, the Commission on Audit, in cooperation with SPEZA, shall formulate special rules on audit, disbursement of funds, bidding procurement of goods and services, accounting, use of government equipment and resources and the like, towards realizing the aforesaid needs.

SEC. 20. Retention of all earnings. - The SPEZA shall retain all earnings from all its activities, regulatory or proprietary, and need not remit the same to the national treasury. Such earnings shall be considered as corporate income which SPEZA may invest in its various infrastructure or special projects, and corporate undertakings.

SEC. 21. Injunctions, Restraining Orders and other interlocutory orders. - The development of the Southern Palawan Special Economic Zone and Free Port is a national government priority and, therefore, no injunctions, restraining orders and other interlocutory orders which seek to stop or interrupt any contract entered into or project undertaken by SPEZA may be issued by any court of law or quasi-judicial body except by the Supreme Court of the Philippines.

SEC. 22. Interpretation/Construction. - The powers, authorities and functions that are vested in the SPEZA are intended to establish decentralization of government

functions and authority and promote an efficient and effective working relationship among the Zone, the national government and the local government units.

SEC. 23. Implementing Rules and Regulations. - The Philippine Economic Zone Authority; Department of Trade and Industry, Finance, Foreign Affairs, Labor and Employment, Interior and Local Government, Agriculture, Agrarian Reform, Public Works and Highways, Science and Technology, and Energy, Bureau of Immigration; Bureau of Customs; National Economic and Development Authority; Banko Sentral ng Pilipinas; Palawan Council for Sustainable Development, and representatives from the technical staff of the Committee on Economic Affairs of Both Houses of Congress and other concerned agencies shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

SEC. 24. Separability Clause. - If any provisions of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 25. Repealing Clause. All laws, executive orders or issuances or any parts thereof which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 26. Effectivity Clause. - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,