

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

OFFICE OF THE SECRETARY

10 JUL 13 P4:13

SENATE

S.B. No. 1421

RECEIVED BY: 

Introduced by Senator Loren Legarda

EXPLANATORY NOTE

This bill mandates the establishment of an economic zone and free port in Jolo, Sulu to promote and hasten the industrial, economic and social development in the area.

Republic Act No. 7916, also known as the "Special Economic Zone of 1995", encourages economic growth through the creation of special economic zones or *Ecozones*. Each *ecozone* is developed into an independent community with minimum government supervision. There are four types of *ecozones*: industrial estates (IEs), export processing zones (EPZs), free trade zones and tourist and recreational centers. The *Bases Conversion and Development Act of 1992* created several areas such as the Subic Naval Base, Clark Air Base and Camp John Hay into special economic zones. These areas drew in investors that allowed them to be self-sustaining and developing communities.

Jolo is located in the island of Sulu. It is geographically situated and can be utilized to as a dock for local and international vessels. The center of the Royal Sultanate of Sulu, it was once a thriving city even before Manila was declared a city. It is a third class municipality made up of eight barangays. In the 2000 Philippine Census, the municipality had a population of 87,988 people from 12,814 households. Because of the increasing military operations in the area, an increasing number of people are leaving the area. In 2005, an estimated 12,000 people fled, affecting the economic and social conditions of the area. Clearly, necessary measures are needed to promote the economic and industrial advancements in the area.

This bill answers the need for development in the area through the creation of a special economic zone and free port. It shall be managed and operated by the Sulu Special Economic Zone and Free Port Authority (SSEZA) headed by a board of directors. The Secretary of the Department Trade and Industry, the Director General of the National Economic Development Authority or their respective representatives will serve as *ex-officio* members of the board.

This measure allows foreign individuals and organizations to invest in the zone. Investors shall be granted incentives such as resident status and visa, fiscal incentives and tax exemptions.

Finally, the bill provides the SSEZA an authorized stock of two billion (P2,000,000,000) no par shares with a minimum value of ten pesos (P10.00) each. The National Government shall own no less than 60 percent of the said capital stock.

For these reasons, the passage of this bill is earnestly sought.



LOREN LEGARDA
Senator

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

OFFICE OF THE SECRETARY

10 JUL 13 P4:13

SENATE

S.B. No. 1421

RECEIVED BY: 

Introduced by Senator Loren Legarda

AN ACT
CREATING A SPECIAL ECONOMIC ZONE AND FREEPORT IN JOLO, SULU,
CREATING FOR THIS PURPOSE THE SULU SPECIAL ECONOMIC ZONE
AND FREE PORT AUTHORITY, APPROPRIATING FUNDS THEREFOR, AND
FOR OTHER PURPOSES

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

1 **Section 1. Title.** This Act shall be known as the "Sulu Special Economic
2 **Zone and Free Port Act of 2010".**

3
4 **Sec 2. Declaration of State Policy and Principles.** It is hereby declared the
5 policy of the State to actively encourage, promote and accelerate a sound and
6 balanced industrial, economic and social development of the country in order to
7 provide jobs to people, increase productivity and income, and improve the quality
8 of living condition through the establishment of special economic zones and free
9 ports in suitable and strategic locations in the country and through measures that
10 shall effectively attract legitimate and productive foreign investments.

11
12 It is likewise the policy of the State to enhance regional economic cooperation
13 as a means of bolstering the country's own industrial development, and to establish
14 facilities with such cooperation can materialize.

15
16 **Sec 3. Creation of Sulu Special Economic Zone and Free Port.** In pursuit of
17 the foregoing declared policy, there is hereby established a special economic zone
18 and free port in Jolo, Sulu, to be known as the Sulu Economic Zone and Free Port
19 herein referred to as the Zone.

20

1 **Sec 4. Government Principles.** The Sulu Economic Zone and Free Port shall be
2 managed and operated by the Sulu Special Economic Zone and Free Port Authority,
3 herein created and referred to as the SSEZA, under the following principles:
4

5 (a) Under the framework and limitations of the constitution and applicable
6 provision of the local Government Code, the Zone Shall be developed into
7 and operated as a decentralized, self-reliant and self-sustaining industrial,
8 commercial-trading, agro-industrial, tourist-recreational, banking, financial
9 and investment center with corresponding residential areas in order to create
10 employment opportunities in and around and to effectively encourage and
11 attract legitimate and productive foreign investment;
12

13 (b) Except as otherwise provided herein, the local government units totally or
14 partially embraced within the Zone shall retain and maintain their basic
15 autonomy and identity. The Municipality of Jolo shall operate and function in
16 accordance with Republic act 7160, otherwise known as the Local
17 Government Code of 1991, insofar as the areas within its jurisdiction covered
18 in this Act are concerned.
19

20 (c) The Zone shall be managed and operated as a separate customs territory
21 outside the customs territory of the Philippines to ensure and facilitate the
22 free flow or movement of machinery, goods, articles and capital within, into
23 and exported out of the Zone. However, exportation or removal of goods,
24 articles and capital from the Zone to other parts of the Philippines territory
25 shall be subject to customs duties and taxes under the Customs and Tariff
26 code and other relevant tax laws of the Philippines.
27

28 (d) The areas comprising the Zone may be expanded or reduced when necessary.
29 For this purpose, the SSEZA, in consultation with the local government units,
30 shall have the power to power to acquire either by purchase, negotiation or
31 condemnation proceedings, any private lands within or adjacent to the Zone
32 for the following purpose:

33 (1) consolidation of lands for zone development;

34 (2) acquisition of right of way the Zone; and

35 (3) the protection of watershed areas and natural assets valuable to the
36 prosperity of the Zone.

1 (e) The Zone shall be provided with transportation, telecommunication, and
2 other facilities needed to attract legitimate and productive foreign
3 investments, generate linkage with industries and create employment
4 opportunities for the people of the province of Sulu.

5
6 (f) The Zone may establish mutually beneficial economic relations with other
7 entities or enterprises within the country or, subject to the administrative
8 guidance of the Department of Foreign Affairs (DFA), the Philippines
9 Economic Zone Authority (PEZA) and/ or the Department of Trade and
10 Industry (DTI), with foreign entities or enterprises.

11
12 (g) Foreign citizens and companies owned by non-Filipinos may set up
13 enterprises in the Zone either by themselves or in joint venture with Filipinos
14 in whatever proportion in any sector of industry, international trade and
15 commerce within the Zone.

16
17 (h) Goods manufacture by a Zone enterprise shall be made available for
18 immediate retail sale in the domestic market, subject to the payment of
19 corresponding taxes on raw materials and other regulations that may be
20 formulated by the SSEZA together with PEZA, the Bureau of Customs and
21 the DTI. However, in order to protect the domestic industry, there shall be a
22 negative list of industries that will be drawn up and regularly updated by the
23 PEZA. Enterprises engaged to industries included in such negative list shall
24 not be allowed to sell their products locally.

25
26 (i) The defense of the Zone, and Security of its perimeter fence shall be the
27 responsibility of the national government in coordination with the SSEZA
28 and local government units.

29
30 **SEC 5. Incentives.** Investors and business enterprise within the Zone shall be
31 entitled to the following incentives:

32
33 (a) Resident Status and Visa - Any Foreign investor who establishes a business
34 enterprise within the Zone and who maintains capital investment of not less
35 than One Hundred Fifty Thousand United States Dollars (US\$150,000.00)
36 shall be granted, along with his or her spouse, dependents, and unmarried

1 children below twenty-one (21) years of age, permanent resident status
2 within the Zone and freedom of ingress and egress to and from the Zone
3 without any need of any special authorization from the Bureau of
4 Immigration. Working visas renewable every two (2) years shall be issued to
5 foreign executives and foreign technicians with highly specialized skills
6 which no Filipino possesses, as certified by the Department of Labor and
7 Employment.

8
9 The foregoing is without prejudice to a foreigner acquiring permanent
10 resident status in the Philippines in accordance with applicable immigration,
11 retirement, and other related laws.

12
13 (b) Fiscal Incentives - Business establishments within the Zone shall be entitled
14 to the existing fiscal incentives as provided for under Presidential Decree No.
15 66, the law creating the Export Processing Zone Authority (EPZA), or those
16 provided under Book VI of Executive Order No. 226, otherwise known as the
17 "Omnibus Investments Code of 1987", and Republic act No. 7916, otherwise
18 known as the "Special Economic Zone Act of 1995", as amended by R.A. 8748.

19
20 (c) Taxation - Except for real property taxes on land owned by the developers,
21 no taxes, local and national including final withholding taxes on dividend to
22 a business establishment's parent company and branch profits remittance to a
23 business establishment's head office, shall be imposed on business
24 establishments operating within the Zone. In lieu thereof, said business
25 establishments shall pay to the national government a final tax of eight
26 percent (8%) of the net taxable income as determined in accordance with the
27 provisions of the National Internal Revenue Code, as amended, to be divided
28 as follows:

29
30 (1) Four percent (4%) shall be paid immediately to the National Government;

31 (2) One percent (1%) to the Province of Sulu;

32 (3) One percent (1%) to the Municipality of Jolo;

33 (4) Two percent (2%) to the Sulu Special Economic Zone and Free Port
34 Authority which shall be created under this Act; *Provided, however,* That
35 the preferential tax herein granted shall not apply to offshore banking,
36 financial services, trust and trading institutions which shall enjoy total

1 exemption from payment of income tax for purely offshore transactions as
2 well as transaction within the Zone itself with SSEZA investors and
3 residents; *Provided, further,* That domestic manufacturing firms or foreign
4 firms and their local subsidiaries that export more than thirty percent
5 (30%) of their total production in terms of volume per year to the customs
6 territory of the Philippines shall be allowed to enjoy the income tax
7 incentives herein granted; *Provided, furthermore,* That the final tax of eight
8 percent (8%) of net taxable income be increased by Congress after ten (10)
9 years from effectivity of the amended tax and fiscal incentives of this Act
10 and; and *Provided, finally,* That in no case shall the tax be imposed exceed
11 fifteen percent (15%) of net taxable income as determined in accordance
12 with the provisions of the National Internal Revenue Code, as amended.
13

14 In cases of conflict between the local and national tax laws on one hand,
15 and the tax incentives herein granted on the other, the same shall be
16 resolved in favor of the latter.
17

18 (d) Banking Rules and Regulations - Existing banking laws, specifically
19 Presidential Decree No. 1034 and Republic Act No. 6426 and their
20 implementing rules and regulations as amended, and pertinent Bangko
21 Sentral ng Pilipinas (BSP) circulation, rules and regulations shall apply on
22 foreign exchange transactions in the current account transactions (trade and
23 non-trade), local and foreign borrowings foreign banks, foreign currency
24 deposit units (FCDUs), offshore banking units (OBUs) and other financial
25 institutions under the supervision of the BSP; *Provided,* That FCDUs of local
26 commercial banks and OBUs of foreign banks shall enjoy minimum
27 regulation by the BSP.
28

29 (e) Profit Remittance - Without prior BSP approval, after tax profits and other
30 earnings or foreign investments in enterprises in the Zone may be remitted
31 outward in the equivalent foreign exchange through any of the banks
32 licensed by the BSP in the Zone; *Provided, however,* That such foreign
33 investment in said enterprises has been previously registered with the BSP.
34

35 **Sec 6. *Ipsa Facto Clause.*** Sections 30 to 42 of Republic Act No. 7916 shall *ipso*
36 *facto* apply to the Sulu special Economic Zone and Free Port.

1 **Sec 7. Creation of the Sulu Special Economic Zone and Free Port Authority.** A
2 body corporate to be known as the Sulu Special Economic Zone to manage and
3 operate the Sulu Economic Zone and Free Port, is hereby created in accordance with
4 the provisions of this Act. This corporate franchise shall expire in fifty (50) years
5 counted from the first day of the fifth year after the effectivity of this Act, unless
6 otherwise extended by Congress. It shall be organized within one hundred eighty
7 (180) days after the effectivity of this Act.

8
9 **SEC 8. Principal Office.** The Sulu Special Economic Zone and Free Port
10 Authority shall maintain its principal office in Jolo, Sulu but it may establish
11 branches and agencies within the Philippines and abroad as may be necessary for
12 the proper conduct of its business.

13
14 **Sec 9. Powers and Functions of the Sulu Special Economic Zone and Free**
15 **Port Authority.** The Sulu Special Economic Zone and Free Port Authority shall have
16 the following powers and functions:

- 17
- 18 a) To operate, administer, and manage the Zone according to the principles and
19 provisions set forth in this Act;
 - 20
 - 21 b) To adopt , alter and use a corporate seal; to contract , lease, buy, sell, acquire,
22 own and /or otherwise dispose of movable or immovable as well as personal
23 or real property of whatever nature (including but not limited to shares of
24 stock or participation in private corporations or in limited partnerships, or in
25 joint ventures with limited liability), bonds, precious metals in bullions,
26 ingots, and easily convertible foreign exchange;
 - 27
 - 28 c) To sue and be sued in order to carry out its duties, responsibilities, privileges,
29 powers and functions as granted and provided for in this Act; and to exercise
30 the power of eminent domain for public use and public purpose;
 - 31
 - 32 d) To raise or borrow adequate and necessary funds from local or foreign
33 sources within the limitation provided by the law, to finance its projects and
34 programs under this Act, and for that purpose to issue bonds, promissory
35 notes, and other forms of securities, and to secure by a guarantee, pledge,

1 mortgage, deed of trust or an assignment of all or part of its property or
2 assets;

3
4 e) To recommend to the President the issuance of a proclamation to fix or
5 delimit of the site of the Zone;

6
7 f) To issue certifications of origin for products manufactured or processed in the
8 Zone in accordance with prevailing rules, and the pertinent regulations of
9 PEZA, DTI and/or the Department of finance (DOF);

10
11 g) To approve, accept, accredit and allow any local or foreign business,
12 enterprise or investment in the Zone subject only to such rules and
13 regulations as SSEZA may promulgate from time to time in conformity with
14 the provisions of this Act and the limitations provided in the Constitution;

15
16 h) To authorize or undertake on its own or through others, and regulate the
17 establishment, operation and maintenance of public utilities, services and
18 infrastructure in the Zone such as shipping, shipbuilding, ship registry and
19 every matter related or attendant thereto, barging, stevedoring, cargo
20 handling, hauling, warehousing, storage of cargo, port services or
21 concessions, pier, wharves, bulkheads, bulk terminals, conveyors, water
22 supply and storage, sewerage, drainage, airport operations, such other
23 services or concessions or infrastructure necessary or incidental to the
24 accomplishment of the objectives of this Act; *Provided, however,* that the
25 private investors in the Zone shall be given priority in the awarding of
26 contracts, franchises, licenses or permits for the establishment, operation and
27 maintenance of utilities, services and infrastructure in the Zone;

28
29 i) To construct, acquire, own, lease, operate and maintain on its own or through
30 others by virtue of contracts, franchises, licenses, or permits under the build-
31 operate-transfer scheme or under a joint venture with the private sector, any
32 or all of the public utilities and infrastructure required or needed in the Zone,
33 in coordination with appropriate national and local government authorities
34 and in conformity with applicable laws thereon;

- 1 j) To operate on its own, either directly or through a subsidiary entity or license
2 to other, tourism-related activities, including games, amusements,
3 recreational and sports facilities such as golf courses, and others, under
4 priorities and standard by the SSEZA;
5
- 6 k) To maintain ecological balance, and promote sustainable development in
7 Sulu while preserving, developing and maintaining marine resources,
8 beaches, minerals and mineral deposits including precious metals, coral and
9 coral reefs within the Zone. The virgin forests within the Zone shall be
10 proclaimed as a national park and shall be covered by a permanent total log
11 ban. For this purpose, the rules and regulations of the Department of
12 Environment and Natural Resources and other government agencies
13 involved in the above functions shall be implemented by the SSEZA,
14 including the issuance of environmental certificates, free patents and
15 leasehold rights over government lands and mining, drilling and timber
16 licenses; *Provided*, that all legal restrictions imposed for the conveyance, use,
17 lease or other disposition of free patents issued prior to the effectivity of this
18 Act may be lifted should the SSEZA deem it necessary to carry out its
19 mandate under this Act;
20
- 21 l) To adopt, implement and enforce reasonable measures and standards to
22 control pollution within the Zone;
23
- 24 m) To establish and maintain a security force and firefighting capability or hire
25 others to provide the same for the defense and security of the Zone;
26
- 27 n) To form, establish, organize and maintain subsidiary corporations, as its
28 business and operations may require, whether under the laws of the
29 Philippines or not;
30
- 31 o) To report to the Bureau of Immigration the names of foreigners who have
32 been granted permanent resident status and working visas within thirty (30)
33 days after issuance of such grant;
34
- 35 p) To formulate and approve the organization and budget as submitted by the
36 Chairman-Administrator;

- 1 q) To regulate and undertake the establishment, operation and maintenance of
2 public utilities services and infrastructure in the Zone such as heat, light and
3 power, water supply, telecommunications, transport, toll roads and bridges,
4 port services, and to fix just, reasonable and competitive rates, fares, charges
5 and prices therefor;
6
- 7 r) To directly negotiate with and grant foreign and/or international airlines and
8 landing rights into the port;
9
- 10 s) To provide, in cooperation with Department of Tourism, non-fiscal incentives
11 to tourism-related businesses operating within the Zone;
12
- 13 t) To charge reasonable fees for the provision of other services and the
14 maintenance of infrastructure and utilities;
15
- 16 u) To impose reasonable fines and penalties for violations of the provisions of
17 this Act, the rules and regulations to be established by the SSEZA or any
18 other law that the SSEZA is tasked to enforce; and
19
- 20 v) To issue rules and regulations consistent with the provisions of this purpose,
21 objectives and policies provided.
22

23 **Sec 10. Non- Profit Character of the Sulu Special Economic Zone Authority.**

24 The Sulu Special Economic Zone and Free Port Authority shall be a non-profit
25 institution and shall devote the use of its returns from capital investment as well as
26 excess revenues from its operations, for the development, improvement and
27 maintenance and other related expenditures of the SSEZA to pay its indebtedness
28 and obligations and in furtherance and effective implementation of the policies
29 provided for in this Act. In consonance with this, the SSEZA is hereby declared
30 exempt from the payment of all taxes, duties, fees, imposts, charges, costs and
31 service fees in any court or administrative proceeding in which it may be a party.
32

33 The foregoing exemptions may, however, be entirely or partially lifted by the
34 President of the Philippines upon the recommendation of the Secretary of Finance,
35 not earlier than five (5) years from the effectivity of this Act, if the President shall
36 find the SSEZA to be self-sustaining and financially capable by then to pay such

1 taxes, customs, duties, fees and other charges after providing for debt service
2 requirements of the SSEZA and of its projected capital and operating expenditures.

3
4 **Sec 11. Board of Directors of the Sulu Special Economic Zone and Free Port**
5 **Authority.** The powers of the SSEZA shall be vested in and shall be composed of the
6 following:

7
8 (a) The Secretary of the Department of Trade and Industry or his duly
9 authorized representative, as *ex-officio* member of the board of Directors;

10
11 (b) The Director General of the National Economic Development Authority or his
12 duly authorized representative, as *ex-officio* member of the Board;

13
14 (c) Two (2) other representatives of the National Government, as *ex-officio*
15 members;

16
17 (d) The Administrator of SSEZA who shall serve as *ex-officio* chairman of the
18 Board;

19
20 (e) The mayors of the municipality of Jolo as *ex-officio* member;

21
22 (f) Two (2) representatives from the labor sector from among the workers in the
23 Zone;

24
25 (g) Two (2) representatives from the business and investments sectors;

26
27 (h) Three (3) representatives from the private sector coming from the residents of
28 Jolo, preferably Moslem.

29
30 The Chairman-Administrator and members of the Board, except the *ex-officio*
31 member, shall be appointed by the President of the Philippines to serve for a term of
32 six (6) years, unless sooner removed for cause or dies or resigns voluntarily. In case
33 of the death, resignation or removal for cause, the replacement shall serve only the
34 unexpired portion of the term. The Vice-Chairman shall be elected from among
35 members of the Board.

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

8
9 Each member of the Board, except the Chairman-Administrator whose
10 compensation shall be determined by the Board, shall each receive a per diem of not
11 more than Ten Thousand Pesos (P10,000.00) for every Board meeting actually
12 attended, unless and until the President of the Philippines fixes a higher per diem
13 for the members of the Board: *Provided, however,* That the fixed per diem collected
14 each month shall not exceed the equivalent per diem for four (4) meetings.

15
16 **Sec 12. SSEZA Administrator and Chief Executive Officer.** The President of
17 the Philippines shall appoint a full-time professional and competent administrator
18 and chief executive officer of the Sulu Special Economic Zone and Free Port
19 Authority who shall serve for a term of six (6) years, unless sooner removed for a
20 cause or dies or resigns voluntarily. In case of death, resignation, or removal for
21 cause, the replacement shall serve the unexpired portion of the term. The
22 compensation of the Administrator and Chief Executive Officer shall be determined
23 by the Board of Directors.

24
25 **Sec 13. Powers and duties of the Chairman-Administrator.** The Chairman
26 Administrator shall have the following powers and duties:

- 27
28 a) To direct and manage the affairs of the SSEZA in accordance with the policies
29 of the Board;
30
31 b) To establish the internal organization of the SSEZA under conditions that the
32 Board may prescribe;
33
34 c) To submit an annual budget and necessary supplement budget to the Board
35 for its approval;
36

- 1 d) To submit within thirty (30) days after the close of each fiscal year an annual
2 report to the Board and such other reports as may be required;
3
4 e) To submit to the Board for its approval policies, systems, and procedures;
5
6 f) To create a mechanism in coordination with relevant agencies for the
7 promotion of industrial peace, the protection of the environment, and the
8 advancement of the quality of life in the Zone; and
9
10 g) To perform such other duties as may be assigned to him by the Board or
11 which are necessary or incidental to his office.
12

13 **Sec 14. Personnel.** The Board Directors of the SSEZA shall provide for an
14 organization and staff of its officers and employees corresponding to the
15 qualification standards of Civil Service Laws and other pertinent laws. Upon
16 recommendation of the Chairman-Administrator, the Board shall appoint and fix the
17 remuneration and other emoluments in accordance with R.A. 6758, otherwise
18 known as the Salary Standardization Law; *Provided*, That the Board shall have
19 exclusive and final authority to promote, transfer, assign or reassign officers of the
20 SSEZA in accordance with Civil Service Law and Rules; *Provided, further*, that the
21 Chairman-Administrator may carry out the removal of such officers and employees
22 as authorized by the Board.
23

24 The officers and employees of the SSEZA, including all members of the
25 Board, shall not engage directly or indirectly in partisan activities nor take part in
26 any election, except to vote.
27

28 No officer or employee of the SSEZA, subject to Civil Service laws and
29 regulations, shall be removed or suspended except for cause, as provided by law.
30

31 **Sec 15. Capitalization.** The Sulu Special Economic Zone Free Port Authority
32 shall have an authorized capital stock of Two Billion (2,000,000,000) no par shares
33 with a minimum value of Ten Pesos (P10.00) each.
34

35 The Board of Directors of SSEZA may, from time to time, and with the
36 written concurrence of the Secretary of Finance, increase the issue value of the

1 shares representing the capital stock of the SSEZA. The Board of Directors of SSEZA,
2 with the written concurrence of the Secretary of Finance, may sell shares
3 representing not more than forty percent (40%) of the capital stock of the SSEZA to
4 the general public with an annual dividend policy as the Board and Secretary of
5 Finance may determine. The National government shall, in no case, own less than
6 sixty percent (60%) of the total issued and outstanding capital stock of SSEZA.

7
8 All unoccupied government-owned lands as of the creation of the Sulu
9 Economic Zone Port, falling within its jurisdiction, shall also be included as part of
10 the equity of the national government in SSEZA and may be disposed as part of the
11 equity of the national government in SSEZA and disposed of by the SSEZA;
12 *Provided*, That in case of an absolute sale or conveyance, the SSEZA shall seek the
13 approval of the Office of the President; *Provided, further*, That all lands owned by
14 SSEZA should not be included in the land reform.

15
16 **Sec 16. *Supervision and Coordination of Development Plans.*** For purpose of
17 policy direction and coordination, the Sulu Special Economic Zone and free Port
18 shall be under the direct control and supervision of the Office of the President.

19
20 **Sec 17. *Legal Counsel.*** The provisions of existing laws, orders or issuances,
21 particularly Republic Act No. 2327, as amended, Executive Order No. 29, series of
22 1987, and Administrative Order No. 130, series of 1994, to the contrary
23 notwithstanding, the SSEZA shall have its own internal legal counsel completely
24 independent from the Office of the Government Corporate Counsel as the legal
25 adviser of SSEZA and its subsidiaries who shall be solely responsible for reviewing
26 contracts entered into by SSEZA and its subsidiaries. The internal legal counsel shall
27 represent SSEZA and its subsidiaries in all judicial and administrative proceedings.
28 When the exigencies of its business and operations demand it, the SSEZA may
29 engage the services of an outside counsel either on a case to case basis or on a fixed
30 retainer.

31
32 **Sec 18. *Relationship with the Regional Development Council.*** The SSEZA
33 shall determine the development goals for the Zone within the framework of
34 national development plans, policies and goals. The Administrator shall, upon
35 approval by the Board, submit Zone plans, programs and projects to the Regional

1 Development Council for inclusion and input to the overall regional development
2 plan.

3
4 **Sec 19. *Relationship with Local Government Units.*** Except as herein
5 provided, the local government units comprising the Zone shall retain their basic
6 autonomy and identity. The Municipality of Jolo shall operate and function in
7 accordance with Local Government Code of 1991. In case of any conflict between the
8 Authority and the Province of Sulu on matters affecting the Zone, other than defense
9 and security matters, the decision of the SSEZA shall prevail.

10
11 **Sec 20. *Audit.*** The Commission on Audit shall appoint a representative who
12 shall be a full-time auditor of the SSEZA and its subsidiaries where it controls a
13 majority of the shares of stock therein, and assign such number of personnel as may
14 be necessary to assist said representative in the performance of his/her duties. The
15 salaries and emoluments of the assigned auditor and personnel of the Commission
16 on Audit shall be in accordance with pertinent laws, rules and regulations. The
17 Commission on Audit shall render an annual report to the President of the
18 Philippines and to Congress on the business activities, transactions and operations
19 of the SSEZA.

20
21 To ensure the expeditious implementation of the economic policy and
22 purpose embodied in this Act, the Commission on Audit, in cooperation with
23 SSEZA, shall formulate special rules on audit, disbursement of funds, bidding,
24 procurement of goods and services, accounting, use of government equipment and
25 resources and the like, towards the aforesaid needs.

26
27 **Sec 21. *Retention of all Earnings.*** The SSEZA shall retain all earnings from all
28 its activities, regulatory or propriety, and need not remit the same to the National
29 Treasury. Such earning shall be considered as corporate income, which SSEZA may
30 invest in its various infrastructure or special projects, and corporate undertakings

31
32 **Sec 22. *Injunctions, Restraining Orders and other Interlocutory Orders.*** The
33 development of the Sulu Special Economic Zone and Free Port is a national
34 government priority and, therefore, no injunctions, restraining orders and other
35 interlocutory orders against a project undertaken by SSEZA may be issued by any
36 court of law or quasi-judicial body, except by the Supreme Court of the Philippines.

1 **Sec 23. Interpretation and Construction.** The powers, authorities and
2 functions vested in the SSEZA are intended to establish decentralization of
3 government functions and authority and promote an efficient and effective working
4 relationship among the Zone, the national government, and the local government
5 units.

6
7 **Sec 24. Implementing Rules and Regulations.** The Philippine Economic Zone
8 Authority (PEZA); the Department of Trade and industry (DTI), Finance (DOF),
9 Foreign Affairs (DFA), Labor and Employment (DOLE), Interior and Local
10 Government (DILG), Agriculture (DA), Agrarian Reform (DAR), Public Works and
11 Highways (DPWH), Science and Technology (DOST) and Energy (DoE); the Bureau
12 of Immigration; Bureau of Customs; National Economic and Development
13 Authority (NEDA); Bangko Sentral ng Pilipinas (BSP), and a representative from the
14 technical staff of the Committee in Economic Affairs of both Houses of Congress and
15 other concerned agencies, shall formulate the implementing rules and regulations of
16 this Act within ninety (90) days after its approval. Such rules and regulations shall
17 take effect fifteen (15) days after publication in a newspaper of general circulation.

18
19 **Sec 25. Separability Clause.** If any provision of this Act is declared
20 unconstitutional or invalid, the other provisions of this Act not otherwise affected
21 thereby shall remain in full force and effect.

22
23 **Sec 26. Repealing Clause.** All laws, decrees, executive orders, rules and
24 regulations and other issuances or parts thereof inconsistent with this Act are hereby
25 repealed, amended or modified accordingly.

26
27 **Sec 27. Effectivity Clause .** This Act shall take effect upon its publication in at
28 least one (1) newspaper of general circulation.

29
30 Approved,