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**SENATE**  
**S. No. 2900**

REF

(In Substitution of S. Nos. 207, 764, 1301, and 1632, taking into consideration H. No. 7764)

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Prepared jointly by the Committees on Economic Affairs; National Defense and Security, Peace, Unification and Reconciliation; Ways and Means; and Finance, with Senators Dela Rosa, Angara, Estrada, Revilla Jr., and Zubiri as authors thereof

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

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

1       **SECTION 1. *Short Title.*** – This Act shall be known as the "Special Defense  
2 Economic Zone Act".

3       **SEC. 2. *Declaration of Policy.*** – It shall be the policy of the State to develop  
4 a self-reliant and independent national economy effectively controlled by Filipinos. The  
5 State recognizes the indispensable role of the private sector, encourages the  
6 participation of private enterprise, and provides incentives to needed investments.  
7 Further, the State actively encourages, promotes and accelerates the sound and

1 balanced industrial, economic and social development of the country through the  
2 establishment of special economic zones in suitable and strategic locations in the  
3 country. In so doing, the State is able to attract legitimate and productive foreign  
4 investments that provide jobs especially to those in the rural areas, improve productivity  
5 and family incomes, and thereby improve the level and quality of living conditions of  
6 the people.

7 The State, pursuant to the Armed Forces of the Philippines (AFP) Modernization  
8 Act, shall, as far as practicable, prioritize the engagement of Filipino contractors and  
9 suppliers in the implementation of the AFP Modernization Program. In instances where  
10 foreign contractors or suppliers are engaged, preference shall be given to those willing  
11 to localize a substantial portion, or the entirety, of their production within the  
12 Philippines.

13 The State hereby adopts a policy to develop the defense industry and its  
14 capability to produce advance weaponry and equipment for the use of the country's  
15 defense forces, and for export to other countries in line with Republic Act No. 12024,  
16 or "Self-Reliant Defense Posture Revitalization Act".

17 **SEC. 3. *Creation of the Special Defense Economic Zone.*** – The Special  
18 Defense Economic Zone (SpeDEZ) in Camp General Antonio Luna, Lamao, Municipality  
19 of Limay in the Province of Bataan shall be established for investments in defense,  
20 military, law enforcement, and defense-related advanced technologies, information and  
21 communications technology, research and development and their support industries.

22 The SpeDEZ shall cover the Government Arsenal Industrial Estate inside Camp  
23 General Antonio Luna located in the Municipality of Limay, Province of Bataan,  
24 measuring approximately three hundred seventy (370) hectares, including the seventy  
25 (70) hectares of land within which the Government Arsenal (GA), as created by Republic  
26 Act No. 1884, or "An Act to Establish A Government Arsenal, Provide for its Operation  
27 and for Other Purposes," operates, the portions allocated for the expansion of the GA,  
28 areas where existing manufacturing facilities for defense materiel and equipment are  
29 located, subject to compliance with Sec. 5(k) of this Act, and all other areas which may  
30 be declared as part of the SpeDEZ in compliance with Sec. 5(h) of this Act: *Provided,*  
31 That the GA shall remain a line bureau of the Department of National Defense (DND)  
32 in accordance with Republic Act No. 1884, Executive Order No. 292, Series of 1987, or

the "Administrative Code of the Philippines", Republic Act No. 7898, or the "AFP Modernization Act", as amended by Republic Act No. 10349, Executive Order No. 303 series of 2004, and other prevailing laws and executive issuances. Except for necessary coordination on matters of mutual and higher security concerns emanating from the very nature of their respective mandates, the operations of the GA shall remain independent of the management of the SpeDEZ, and the Special Defense Economic Zone Authority (SpeDEZA), as created by this Act, shall not interfere with the activities conducted in the seventy (70) hectare area on which the GA maintains and operates its buildings and structures: *Provided, further,* That the SpeDEZ shall not be expanded nor operated to the prejudice of the GA and the GA shall not be expanded nor operated to the prejudice of the SpeDEZ. The GA and the SpeDEZA shall continuously coordinate to ensure smooth and seamless operations involving the SpeDEZ and the GA: *Provided, finally,* That investors who intend to do business in the GA area may do so only upon written consent of the GA prior to registration with the SpeDEZA.

**SEC. 4. Creation of the Special Defense Economic Zone Authority.** – The Special Defense Economic Zone Authority (SpeDEZA) shall be created as a specialized and independent corporate body that shall manage and operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be considered a government instrumentality vested with corporate powers.

Notwithstanding Sec. 3 of Republic Act No. 7656, or "An Act Requiring Government-Owned or Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for other Purposes", all dividends remitted by the SpeDEZA shall be exclusively utilized for the AFP Modernization Program, the Self-Reliant Defense Posture Program of the national government, and the pension benefits of AFP retirees, as provided in this Act. In no case shall dividends remitted by the SpeDEZA be used otherwise.

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

- a) Within the framework and limitations of the Constitution, Republic Act No. 1884, Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act No. 10697, or the "Strategic Trade Management Act", Executive Order No. 303, Series of 2004, and applicable provisions of the Local

Government Code, the SpeDEZ shall be developed into and operated as a hub for decentralized, self-reliant and self-sustaining industrial, commercial, trading, research, development, engineering, information and communications technology, space technology and financial investment exclusive for defense, military and law enforcement commercial activities and investments, with provision for suitable residential, educational, recreational, and commercial areas;

- b) Notwithstanding the autonomy provided in Sec. 5(a) of this Act, the SpeDEZ may continue to be provided by the national government and local governments with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage with industries and employment opportunities for the people of the Province of Bataan and its neighboring towns and cities: *Provided*, That the autonomy and self-reliance of the SpeDEZ shall not be a hindrance to assistance nor partnerships with other units and instrumentalities of the government: *Provided, further*, That no assistance or partnership be construed as a waiver of the autonomy of the SpeDEZA;
- c) The SpeDEZA may establish mutually beneficial economic defense relations with other investment promotion agencies, entities or enterprises within the country or with foreign entities or enterprises: *Provided*, That the SpeDEZA shall seek clearance from the DND and administrative guidance from the Department of Foreign Affairs (DFA) as to relations with foreign entities or enterprises;
- d) Foreign citizens and companies owned by non-Filipinos may set up enterprises in the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos or the GA in the defense and security industry within the territorial jurisdiction of the SpeDEZ: *Provided*, That the SpeDEZA may require individual locators to be subject to the provisions and limitations provided for by the Strategic Trade Management Act, Foreign Investment Act and the Regular Foreign Investment Negative List issued by the President: *Provided, further*, That the SpeDEZA may require a minimum investment in

1 freely convertible currencies from any enterprise seeking registration as a  
2 locator of the SpeDEZ. All investments in the SpeDEZ shall fall under the  
3 priorities, thrusts and limits provided for in this Act: *Provided, finally,* That all  
4 investments that do not directly or indirectly encourage defense, military and  
5 law enforcement investments shall be prohibited from doing business within  
6 the SpeDEZ except for businesses that cater to or support the locators, their  
7 employees, and the residents of the SpeDEZ.

8 e) Subject to the limitations in this Act and its implementing rules and  
9 regulations, the SpeDEZ shall be managed and operated as a separate  
10 customs territory ensuring free flow or movement of necessary goods,  
11 products, and capital within, into and out of its territory: *Provided,* That in  
12 accordance with Secs. 301 and 817 of Republic Act No. 10863, or the  
13 "Customs Modernization and Tariff Act" (CMTA), the Bureau of Customs  
14 (BOC) shall continue to exercise border protection and customs control  
15 authority over the customs territory adjacent to the SpeDEZ and to this end  
16 shall consult, coordinate and cooperate with the SpeDEZA to enhance its  
17 protection and control capacity and ensure compliance with customs laws  
18 and regulations;

19 f) The exportation or removal of goods from the territory of the SpeDEZ to the  
20 other parts of the Philippine territory shall be subject, as applicable, to  
21 customs duties and taxes under the CMTA, as amended, and the National  
22 Internal Revenue Code (NIRC) of 1997, as amended: *Provided,* That sales of  
23 goods from the SpeDEZ to the AFP, Philippine National Police (PNP) and other  
24 uniformed services for defense and security purposes shall be exempt from  
25 all customs duties, national and local taxes: *Provided,* That subject to Title  
26 VI of the CMTA, customs transit to and from the SpeDEZ, through the Port  
27 of Lamac or other ports as may be designated by SpeDEZA, shall also be  
28 considered tax and duty-free;

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

1 h) The areas comprising the SpeDEZ may be expanded or reduced when  
2 necessary to improve its investment promotion capacity, ensure public order  
3 and safety, consolidate lands for SpeDEZ development, acquire right of way  
4 or access necessary and appropriate to the SpeDEZ, protect and safeguard  
5 watershed areas or maintain and improve water yield for the benefit of the  
6 SpeDEZ and LGUs, manage solid and water waste in compliance with existing  
7 national laws and local ordinances, and promote the public good.

8 For this purpose, the SpeDEZA, with the concurrence of the appropriate  
9 and affected LGUs in accordance and in compliance with existing national  
10 laws and local ordinances, shall have the power to acquire, procure, increase,  
11 or otherwise expand, either by purchase, negotiation or condemnation  
12 proceedings, any private or public lands and their respective water territories  
13 within the concerned local government: *Provided*, That when applicable, the  
14 municipal waters of up to fifteen (15) kilometers from the low water mark  
15 area of the edge of the SpeDEZ shall be deemed included in the territorial  
16 jurisdiction of the SpeDEZ: *Provided, further*, That the SpeDEZA and the  
17 relevant LGUs shall utilize immediate and responsive mechanisms, best  
18 management practices and suitable environmental protection programs for  
19 land and coastal zone management to address any abuse and/or exploitation  
20 of the natural environment within the territorial jurisdiction of the SpeDEZ;  
21 *Provided, finally*, That any provision of existing laws, ordinances, executive  
22 orders, proclamations, rules or regulations to the contrary notwithstanding,  
23 all lands that form part of the SpeDEZ including its expansion areas are  
24 hereby converted to agricultural lands and, as such, are declared as alienable  
25 and disposable, and may be used for industrial, commercial, residential, or  
26 other lawful uses, as the case may be, in accordance with the Constitution to  
27 ensure that other inalienable lands shall not be included, subject to vested  
28 private rights;

29 i) Products and goods researched and developed, engineered or manufactured  
30 by registered enterprises may be made available in the domestic market,  
31 subject to the limitations in this Act and its implementing rules and  
32 regulations, payment of corresponding tariffs and customs duties, and taxes

on raw materials and approval by the DND or the PNP in accordance with Republic Act No. 10697 and the Regular Foreign Investment Negative List issued by the President, other regulations that may be formulated by the SpeDEZA, and other applicable regulations and limitations imposed in accordance with law by the DND, AFP, PNP, *Bangko Sentral ng Pilipinas* (BSP), Department of Finance (DOF), BOC and the Department of Trade and Industry (DTI): *Provided*, That in cooperation with the SpeDEZA, the DND and PNP shall provide and implement measures to improve ease and cost of doing business within the SpeDEZ and enhance the investment promotion capacity of the SpeDEZA: *Provided, further*, That in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the SpeDEZA: *Provided, finally*, That enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally, notwithstanding the registration of such enterprises in the SpeDEZ;

- j) Subject to Sec. 6(p) of this Act, the defense of the SpeDEZ and the security of its perimeter fence shall be the responsibility of the National Government, through the AFP and the GA or the PNP, as appropriate, in coordination with the SpeDEZA;
- k) All local defense enterprises located outside of the main SpeDEZ in Bataan as defined in Sec. 3 of this Act shall, subject to their prior registration with the SpeDEZA, enjoy the same benefits and incentives granted under this Act: *Provided*, That the local defense enterprises concerned shall obtain the concurrence of the LGUs where their operations are located. Nothing in this provision shall compel said local defense enterprises to register with SpeDEZA or prevent them from availing similar benefits and incentives through other investment promotion agencies: *Provided, further*, That defense industries located outside of the main SpeDEZ in Bataan or in other economic zones under the other investment promotion agencies shall get clearance or certification from the DND prior to their registration. Pursuant to this, the DND in coordination with SpeDEZA shall establish a unit within the DND to screen and vet defense enterprises for national security clearance and issue

1 the corresponding certification prior to their registration with SpeDEZA or  
2 other investment promotion agency;

3 l) In no case shall they be allowed to avail incentives from two or more  
4 investment promotion agencies;

5 m) For purposes of this Act, defense enterprise refers to a Filipino or foreign-  
6 owned enterprise engaged in the development, production, manufacturing,  
7 assembly, servicing or operation of materiel in the Philippines. Foreign-owned  
8 defense enterprise is defined as to the allowable percentage of foreign-  
9 ownership for defense industries as provided for by existing laws; and

10 n) For purposes of this Act, materiel refers to military technology, weapon  
11 systems, arms, ammunition, combat clothing, armor, vehicles, and other  
12 similar military equipment and materials.

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

15 a) Adopt, alter, and use a corporate seal;

16 b) Contract, lease, buy, sell, acquire, own and dispose properties of whatever  
17 nature: *Provided*, That real properties that form part of the original Camp  
18 General Antonio Luna shall not be disposed of or encumbered: *Provided*  
19 *further*, That expansion areas may be disposed of or encumbered by the  
20 SpeDEZA;

21 c) Sue and be sued in order to carry out its duties, responsibilities, privileges,  
22 powers and functions as granted and provided for in this Act;

23 d) Exercise the power of eminent domain for public use and public purpose;

24 e) Operate, administer, manage, and develop, in accordance with Executive  
25 Order No. 525, as amended, the SpeDEZ according to the principles and  
26 provisions set forth in this Act;

27 f) Establish SpeDEZ in other suitable areas in the country other than the main  
28 SpeDEZ area in Bataan, subject to the approval of the President and issuance  
29 of necessary proclamation;

30 g) Recommend to the President the issuance of a proclamation or any executive  
31 issuance to fix or delimit the metes and bounds of the SpeDEZ;



- 1 h) Register, regulate and supervise the entities and enterprises in the SpeDEZ  
2 in a competent and efficient manner that, as far as practicable, balances ease  
3 of doing business and sound restriction or regulation of activities. The  
4 SpeDEZA may also register, regulate, and supervise defense-related  
5 enterprises outside of the SpeDEZ territory as defined in Sec. 3 and Sec. 5(h)  
6 of this Act: *Provided*, That the SpeDEZA shall submit to the DND a quarterly  
7 report on the profile of locators and other registered enterprises of the  
8 SpeDEZ;
- 9 i) Formulate and exercise general and sole supervision over the implementation  
10 of the development plans, activities and operations of the SpeDEZ: *Provided*,  
11 That the SpeDEZA may coordinate with LGUs when necessary to promote  
12 development in the SpeDEZ;
- 13 j) Authorize or undertake, on its own or through others, and regulate the  
14 establishment, construction, operation and maintenance of public utilities,  
15 services, and infrastructure in the SpeDEZ such as shipping, barging,  
16 stevedoring, cargo handling, hauling, warehousing, port services or  
17 concessions, piers, wharves, bulkheads, bulk terminals, mooring areas,  
18 storage areas, roads, bridges, reclamation projects, terminals, conveyors,  
19 water supply and storage, sewerage, drainage and airport operations in  
20 coordination with the Philippine Ports Authority (PPA), the Civil Aviation  
21 Authority of the Philippines (CAAP), and other relevant government agencies,  
22 respectively, and such other services or concessions or infrastructure  
23 necessary or incidental to the accomplishment of the objectives of this  
24 Act: *Provided*, That the registered enterprises of the SpeDEZ shall be given  
25 priority in the awarding of contracts, franchises, licenses, or permits for the  
26 establishment, operation and maintenance of utilities, services and  
27 infrastructure in the SpeDEZ;
- 28 k) Recognize, regulate and register microgrid systems as an integral part of the  
29 energy, data, digital assets, communications, water and other utilities  
30 landscape for the enhancement and promotion of resiliency in renewable  
31 energy, data, digital assets, communications, water and other utilities in  
32 areas within the SpeDEZ.

- 1 l) Issue license, set fees, regulate the establishment, operation, and  
2 maintenance of utilities, educational and medical institutions, infrastructure  
3 related to military, defense and law enforcement investments and other  
4 services in the SpeDEZ such as, heat, light and power, water supply,  
5 telecommunications, mobile, internet and other data facilities, transport, toll  
6 roads and bridges and port services, and to fix just, reasonable and  
7 competitive rates, fares, charges and prices thereof;
- 8 m) Construct, acquire, own, lease, operate and maintain on its own or through  
9 contracts, franchises, licenses, bulk purchase from the private sector and  
10 build-operate-transfer scheme or joint venture with the private sector, any or  
11 all of the public utilities and infrastructure required or needed for the  
12 operation and development of the SpeDEZ, including transportation, access  
13 and connection to, and out of the SpeDEZ, in coordination with appropriate  
14 national and local government authorities and in conformity with applicable  
15 laws;
- 16 n) Raise or borrow, within the limitation provided by law, and subject to the  
17 approval or opinion of the Monetary Board of the BSP, as the case may be,  
18 adequate and necessary funds from local or foreign sources, to finance its  
19 projects and programs under this Act, and for this purpose, to issue bonds,  
20 promissory notes, and other forms of securities, and to secure the same by  
21 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part  
22 of its property or assets, subject to Sec. 6(b) of this Act;
- 23 o) Enter into Public-Private Partnership contractual arrangements, such as build-  
24 operate-transfer schemes or any of its variants, management contract, joint  
25 venture, co-production, or similar agreements with local or foreign entities  
26 for the management and operation of the SpeDEZ, a portion thereof, or any  
27 enterprise registered therein to ensure the viability of the SpeDEZ;
- 28 p) Ensure that the area covered by the SpeDEZ is secure at all times: *Provided,*  
29 That in the event that the assistance of the AFP or PNP is necessary, the AFP  
30 or PNP shall not interfere in the internal affairs of the SpeDEZA, except to  
31 provide the necessary security and defense, or law enforcement assistance,

- 1 as the case may be: *Provided, further,* That expenses of the AFP or PNP in  
2 the SpeDEZ shall be borne by the national government;
- 3 q) Protect, preserve, maintain and develop the forests, beaches, coral and coral  
4 reefs, and maintain ecological balance within the SpeDEZ: *Provided,* That  
5 notwithstanding the authority of the SpeDEZA to create rules for such  
6 purpose, the rules and regulations of the Department of Environment and  
7 Natural Resources (DENR) and other government agencies involved in the  
8 above functions shall be implemented by the SpeDEZ: *Provided, further,*  
9 That the issuance, enforcement and monitoring of environmental compliance  
10 certificates (ECCs), tree cutting permits, foreshore leases and all other related  
11 permits and clearances issued by the DENR and other government agencies  
12 shall be under the exclusive control and jurisdiction of the SpeDEZA:  
13 *Provided, furthermore,* That the SpeDEZA shall create an Ecology Center for  
14 such purpose;
- 15 r) Create, operate or contract to operate such functional units or offices of the  
16 SpeDEZA as it may deem necessary;
- 17 s) Issue certificates of origin for products manufactured or processed in the  
18 SpeDEZ;
- 19 t) Issue rules and regulations necessary to implement and accomplish the  
20 purposes, objectives and policies provided herein, in consultation with the  
21 DND, DTI, DOF and other relevant government agencies;
- 22 u) Appropriately zone the SpeDEZ and provide for buffer zones, when  
23 necessary, and reserve areas for housing;
- 24 v) Establish one-stop shops for the issuance of all necessary permits,  
25 clearances, licenses, and other similar certifications to conduct such activities  
26 intended to improve the ease of doing business within the SpeDEZ, in  
27 coordination with government agencies having jurisdiction over activities in  
28 the SpeDEZ not otherwise solely reserved to the SpeDEZA: *Provided,* That all  
29 government agencies are directed to provide and extend utmost and full  
30 cooperation to the SpeDEZA in the establishment of such one-stop shops;  
31 and,
- 32 w) Perform such other functions as may be provided by law.

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

- a) The Secretary of the DND who shall be the ex officio Chairperson;
- b) The Administrator of the SpeDEZA as Vice-Chairperson: *Provided*, That in the absence of the Chairman, the Vice-Chairperson shall preside over the meetings of the Board;
- c) Members who shall consist of the following:
  1. Assistant Secretary for Plans and Programs (ASPP) of the DND;
  2. Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of the DND;
  3. Director of the GA;
  4. One (1) representative from the investors within the SpeDEZ;
  5. One (1) representative from the workers employed in the SpeDEZ;
  6. One (1) representative from the province of Bataan;
  7. One (1) representative from the municipality of Limay, Bataan;
  8. One (1) representative from the legislative district covering the site of the SpeDEZ; and
  9. One (1) independent director who is retired and/or honorably discharged from any of the major services of the AFP with at least the rank of Brigadier General or Commodore with proven expertise in defense and security strategies to be recommended by the SpeDEZA Board.

In the event that the position of the ASPP, ASAIL of the DND, or Director of the GA becomes vacant, the designated Acting ASPP, ASAIL or Director of the GA shall serve as member of the Board.

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

Except those coming from the DND and GA, the members of the Board shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless

1 sooner separated from service due to death, voluntary resignation or removal for cause.  
2 In case of death, resignation or removal for cause, the replacement shall serve only the  
3 remaining portion of the term.

4 All members of the Board shall be Filipino citizens and no person shall be  
5 appointed by the President of the Philippines as a member of the Board unless one is  
6 of good moral character and proven probity and integrity. Except for the representatives  
7 of the DND, GA and workers, members of the Board are required to be degree holders  
8 in any of the following fields: economics, business, public administration, law,  
9 management, military science, or their equivalent, and with at least ten (10) years of  
10 relevant work experience preferably in the field of management or public  
11 administration.

12 The members of the Board, except the ex-officio member, shall each receive *per*  
13 *diem* at rates to be determined by the Department of Budget and Management (DBM)  
14 in accordance with existing rules and regulations: *Provided, That* the total *per diem*  
15 collected each month shall not exceed the equivalent *per diem* for four (4) meetings.

16 **SEC. 8. Administrator of the SpeDEZA** – The SpeDEZA shall have an  
17 Administrator, with a rank of Department Undersecretary who shall be appointed by  
18 the President of the Philippines. The Administrator shall be at least forty (40) years of  
19 age, of proven probity and integrity, and a degree holder in any of the following fields:  
20 economics, business, public administration, law, management or their equivalent, with  
21 at least ten (10) years of relevant work experience preferably in the field of business,  
22 management, or public administration.

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

- 25 a) Direct and manage the affairs of the SpeDEZA in accordance with the policies  
26 of the Board;
- 27 b) Establish the internal organization of the SpeDEZA under such conditions  
28 that the Board may prescribe;
- 29 c) Submit an annual budget and necessary supplemental budget to the Board  
30 for its approval;
- 31 d) Submit within thirty (30) days after the close of each fiscal year an annual  
32 report to the Board and such other reports as may be required;

- e) Submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the SpeDEZA;
- f) Create a mechanism for 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 SpeDEZ;
- g) Preside at the meetings of the Board of the SpeDEZA in the absence of the Chairman;
- h) Directly administer and supervise the operations and day-to-day business activities of the SpeDEZA;
- i) Execute, on behalf of the SpeDEZA, all contracts, agreements and other instruments affecting its interests and duly approved by the Board; and
- j) Perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

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

**SEC. 11. *Organization and Personnel.*** – The Board of the SpeDEZA shall provide for an organizational structure and appoint employees, subject to the Revised Administrative Code of 1987 on the Civil Service Commission or the Civil Service Law. Upon the recommendation of the Chairman and Administrator of SpeDEZA and with the approval of the Secretary of the DBM, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: *Provided, That* the Chairman and Administrator shall exercise administrative supervision over the employees of the SpeDEZA.

The officers and employees of the SpeDEZA, 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 SpeDEZA, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

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

In order to support the economic and employment generation thrusts of the LGUs, the SpeDEZA shall implement policies and programs that will serve to prioritize for employment in the SpeDEZ the residents of stakeholder LGUs. Registered enterprises shall, as far as practicable, source all its labor needs from the stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations: *Provided*, That LGUs within whose territorial jurisdictions the SpeDEZ is located for the purpose of this Act shall refer to all local governments which: (1) derive a share in the five percent (5%) final tax imposition within the SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with Sec. 5(h) or Sec. 6(f) of this Act, or (3) host registered enterprises of the SpeDEZ pursuant to Sec. 6(h) of this Act;

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

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

- a) Must be at least eighteen (18) years of age;
  - b) Must not have been convicted by final judgment of a crime involving moral turpitude;
  - c) Must not be afflicted with any dangerous or highly contagious disease;
  - d) Must not have been institutionalized for any mental disorder or disability;
- and

1 e) Must establish by verifiable and credible evidence one's financial capability  
2 and capacity.

3 As a holder of investor's visa, a foreign national shall be entitled to reside in the  
4 Philippines while the investment subsists. For this purpose, the foreign national shall  
5 submit an annual report, in the form duly prescribed for the purpose, to prove that the  
6 investor has maintained the investment in the country. Should said foreign national  
7 withdraw the investments from the Philippines, then the investor's visa issued to said  
8 foreign national shall automatically expire and /or be withdrawn.

9 The authority to issue visas and work permits shall remain with the Bureau of  
10 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:  
11 *Provided, That the BI and the DOLE shall implement measures to expedite the*  
12 *processing of such visas and permits for workers in the SpeDEZ and coordinate with*  
13 *the SpeDEZA for the purpose of improving ease of doing business.*

14 **SEC.14. *Fiscal Incentives.*** – The registered enterprises operating within the  
15 SpeDEZ shall be exempted from payment of value added tax (VAT) on importation and  
16 shall be entitled to VAT zero-rating on local purchases for as long as they are registered  
17 with the SpeDEZA and operating within the zone and may be entitled to the existing  
18 pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended by  
19 Republic Act No. 8748, or the "Special Economic Zone Act of 1995", or those provided  
20 under Executive Order No. 226, as amended, or the "Omnibus Investment Code of  
21 1987".

22 **SEC 15. *Administration, Implementation and Monitoring of Incentives.***

23 - For the proper administration, implementation and monitoring of tax incentives  
24 provided under this law, the following are herein mandated: (a) The SpeDEZA shall be  
25 responsible for the administration and implementation of the incentives granted to its  
26 respective registered enterprises. Among others, the SpeDEZA shall adopt and  
27 implement systems and procedures affecting trade and customs policies. The BOC shall  
28 set up and establish a customs-controlled area outside of the SpeDEZ to facilitate  
29 payment of taxes on goods entering the Philippine customs territory; and (b) The  
30 SpeDEZA shall likewise submit to the DOF its annual tax expenditures based on the tax  
31 incentives granted to its registered enterprises. The DOF, for its part, shall create a



single database of all incentives provided by the governing authority. The DOF shall monitor the incentives granted, and submit all annual report to the President.

**SEC 16. *Duration of Incentives.*** - Enterprises registered with SPEDEZA may enjoy the income tax holiday (ITH) or the net operating loss carryover (NOLCO) granted by the Authority prior to the availment of the five percent (5%) gross income earned (GIE) mentioned in Sec. 17 of this Act.

Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable.

**SEC. 17. *Imposition of a Tax Rate of Five Percent (5%) of Gross Income Earned.*** - No taxes, local and national, including those imposed by R.A. No. 8424 or the National Internal Revenue Code of 1997, as amended, shall be imposed on business establishments operating within the SpeDEZ. In lieu thereof, said business establishments shall pay a five percent (5%) final tax on their gross income earned (GIE) and shall be distributed in the following percentages:

- (a) One per centum (1%) to the AFP Pension Fund;
- (b) One per centum (1%) to the Province of Bataan;
- (c) One per centum (1%) to the host city/municipality; and
- (d) Two per centum (2%) to the SpeDEZA.

**SEC. 18. *Banking Rules and Regulations.*** – Banks and financial institutions to be established in the SpeDEZ shall be under the supervision of the BSP and shall be subject to existing banking laws, rules and regulations.

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

**SEC. 20. *Multi-Year Contracts and Other Contractual Arrangements.*** – The DND, the AFP, the Philippine Coast Guard (PCG), the PNP, and other uniformed services shall procure their defense equipment and materiel, whenever available and practicable, from defense manufacturers and suppliers registered with the SpeDEZA to spur the development of SpeDEZ as a self-reliant and self-sustaining defense

1 investment hub where duly qualified and selected locators are provided with guaranteed  
2 market access. For this purpose, the DND, AFP, PCG, and PNP and other uniformed  
3 services shall be authorized to enter into multi-year contracts and other multi-year  
4 contractual arrangements with manufacturers or suppliers registered with the SpeDEZA,  
5 subject to existing laws, rules, regulations and guidelines.

6 In implementing this Section, the SpeDEZA, the DND, AFP, PCG, and PNP shall  
7 jointly formulate the mechanics for the selection of manufacturers/suppliers to be  
8 awarded with multi-year contracts: *Provided*, That registration with the SpeDEZA and  
9 location in the SpeDEZ of the manufacturing or distribution operations of such  
10 manufacturer or supplier of the defense equipment and materiel to be procured in the  
11 SpeDEZ shall be a condition precedent for the award of the multi-year contracts.

12 **SEC. 21. Countertrade.** – Whenever applicable and practicable, any of the  
13 countertrade arrangements defined in Executive Order No. 120 series of 1993 should  
14 be explored in pursuing defense-related acquisitions. The SpeDEZA, in consultation with  
15 the DND, DTI, and other concerned offices, shall identify or develop a list of goods and  
16 services or industries which may be subject to a countertrade.

17 **SEC. 22. Capitalization.** - The SpeDEZA shall have an authorized capital stock  
18 of three billion pesos (Php3,000,000,000.00) to be subscribed wholly by the national  
19 government.

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

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

27 **SEC. 23. Supervision and Control.** - For purposes of policy direction and  
28 coordination, the SpeDEZA shall be under the direct control and supervision of the  
29 Office of the President of the Philippines.

30 **SEC. 24. Regional Development Council.** - The SpeDEZA shall determine  
31 the development goals for the SpeDEZ within the framework of national development  
32 plans, policies and goals. The Chairman and Administrator of the SpeDEZA shall, upon

1 approval by the Board, submit the SpeDEZA plans, programs and projects to the  
2 Regional Development Council for inclusion and inputs to the overall regional  
3 development plan.

4 **SEC. 25. Relationship with Local Government Units.** - Except as herein  
5 provided, the Municipality of Limay in the Province of Bataan and such other local  
6 government units where registered enterprises of the SpeDEZ conduct business, shall  
7 operate and function in accordance with the framework of the Constitution, Local  
8 Government Code of 1991, Republic Act No. 7898, as amended by Republic Act  
9 No. 10349, and applicable provisions of this Act.

10 In case of any conflict between the SpeDEZA, the LGUs and the national  
11 government on matters affecting the SpeDEZA, other than national defense and  
12 security matters, the decision of the SpeDEZA shall prevail.

13 **SEC. 26. Legal Office.** – The SpeDEZA shall have and maintain its own internal  
14 legal office, appropriate in number under the supervision of the Government Corporate  
15 Counsel. When the exigencies of its businesses and operations demand, the SpeDEZA  
16 may engage the services of an outside counsel either on a case to case or a fixed  
17 retainer basis. Such engagement shall require further approval and concurrence of the  
18 Office of the Government Corporate Counsel or the Office of the Solicitor General and  
19 the Commission on Audit.

20 **SEC. 27. Interpretation/Construction.** – The powers, authorities and  
21 functions that are vested in the SpeDEZA are intended to enhance national security and  
22 promote self-reliance in the advancement and protection of the national territorial  
23 integrity, uphold the decentralization of governmental functions and authority, and  
24 promote an efficient and effective working relationship between the SpeDEZA, the  
25 national government and the LGUs. Any interpretation of this Act shall consider such  
26 intentions. In the event of conflict of interpretation and provided that the intentions  
27 cannot be harmonized, the provisions of this Act shall be construed in favor of an  
28 interpretation that protects and promotes national security.

29 **SEC. 28. Audit.** – The Commission on Audit shall appoint a full-time auditor in  
30 the SpeDEZA or may assign such number of personnel as may be necessary in the  
31 performance of its functions.

1       **SEC. 29. *Transitory Provisions.*** – The SpeDEZA shall be responsible for the  
2 operation, administration, management and development of the SpeDEZ. The SpeDEZA  
3 shall effect the transfer herein provided in a manner that will ensure the least disruption  
4 of ongoing programs of the GA.

5       **SEC. 30. *Implementing Rules and Regulations.*** – Within ninety (90) days  
6 from the effectivity of this Act, the SpeDEZA, DTI, DOF, DND, PNP, PCG, the Provincial  
7 Government of Bataan, and the Municipality of Limay shall promulgate the necessary  
8 rules and regulations for the effective implementation this Act. Such rules and  
9 regulations shall take effect fifteen (15) days after its publication in a newspaper of  
10 general circulation in the Philippines.

11       **SEC. 31. *Applicability Clause.*** – Insofar as these are consistent with the  
12 provisions of this Act, the provisions of Secs. 30 to 41 of Republic Act No. 7916, or "The  
13 Special Economic Zone Act of 1995", as amended, shall likewise apply to the SpeDEZ.

14       **SEC. 32. *Separability Clause.*** - If any provision of this Act is declared  
15 unconstitutional, the remainder thereof not otherwise affected shall remain in full force  
16 and effect.

17       **SEC. 33. *Repealing Clause.*** - All other laws, executive orders, letters of  
18 instruction, proclamations, administrative rules and regulations, and other issuances,  
19 including R.A. No. 8424 as amended or parts thereof that are inconsistent with the  
20 provisions of this Act are hereby repealed or modified accordingly.

21       **SEC. 34. *Effectivity.*** - This Act shall take effect fifteen (15) days after its  
22 publication in the *Official Gazette* or in a newspaper of general circulation.

*Approved,*