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SENATE

Senate Bill No. 539

RECEIVED BY: 

INTRODUCED BY SEN. JINGGOY EJERCITO ESTRADA

EXPLANATORY NOTE

This bill seeks to establish a Special Economic Zone and Freeport in the Province of Iloilo to help encourage and accelerate a sound and balanced industrial, economic and social development in the country, particularly in the Western Visayas Region.

The Province of Iloilo, is located in the southeast portion of Panay Island and is bordered by Antique to the west and Capiz to the north, has a strategic geographical location which makes it an attractive and profitable hub for investments in the region. While this measure aims to increase foreign investments and encourage economic growth in the area, this will definitely result to more employment and increased productivity thereby uplifting the living condition of the people.

The Iloilo Special Economic Zone shall cover Barangay Pedada and Barangay Bay-Ang, both in the Municipality of Ajuy while a Freeport shall be established at the 20.8 hectare Iloilo Commercial Port Complex.

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


JINGGOY EJERCITO ESTRADA
Senator

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Senate Bill No. 539

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AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE
PROVINCE OF ILOILO, AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. - This Act shall be known as the "***Iloilo Special Economic Zone Act of 2010.***"

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the government to actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people especially those in rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition through the establishment, among others, 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.

SEC. 3. The Iloilo Special Economic Zone. - In accordance with the foregoing declared policy, there is hereby established a special economic zone to be known as the Iloilo Special Economic Zone, hereinafter referred to as the Zone, which shall cover Barangay Pedada and Barangay Bay-Ang, both in the Municipality of Ajuy, Province of Iloilo. There shall also be a free port to be established at the 20.8 hectare Iloilo Commercial Port Complex.

SEC. 4. Governing Principle. - The Iloilo Special Economic Zone shall be managed and operated under the following principles:

(A) Under the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the Zone shall be developed into and operated as a self-sustaining industrial, commercial, financial, investment, and tourism/recreational center and free port with suitable retirement/residential areas, in order to create employment opportunities in and around the Zone, and to effectively encourage and attract legitimate and productive foreign investments therein;

(B) The Iloilo Ecozone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of Iloilo and its neighboring towns and cities;

(C) The Iloilo Ecozone may establish mutually beneficial economic relations with other entities or enterprises 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;

(D) Foreign citizens and companies owned by non-Filipinos in whatever proportions may set up enterprises in the Iloilo Ecozone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Iloilo Ecozone.

(E) Goods manufactured by an Iloilo Ecozone enterprise shall be made 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 Iloilo Special Economic Zone Authority (ISEZA), together with the PEZA, the Bureau of Customs, and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall be allowed to sell their products locally;

(F) The national government shall maintain its ability to coordinate with the Iloilo Ecozone and the local government units.

SEC. 5. Incentives to Registered Enterprises. - The Iloilo Special Economic Zone Authority (ISEZA) may administer the following incentive to the registered enterprises located therein to the extent of the activity project:

(A) Income Tax Holiday (ITH) - Registered domestic enterprises shall be entitled to an income tax holiday from the start of their commercial operations to the extent of their activity under the following categories:

Category A - Registered domestic enterprise located in highly developed areas, as determined by the Board of Investments (BOI) shall be entitled to a four-year income tax holiday

Category B - Registered domestic enterprises that fit the following criteria shall be entitled to a six-year income tax holiday;

(1) Located in less developed areas as defined by the BOI; or

(2) Producing rendering new products services or having strong backward or forward linkages.

Category C - Registered export enterprises shall be entitled to a six-year income tax holiday: Provided, however, That if the export enterprise complies with the following: (1) large capital investments or sizeable employment generation; or (2) use high level of technology; It shall be entitled to an eight-year income tax holiday.

Registered enterprises embarking on new investments that are listed in the current Investment Priorities Plan (IPP) shall be entitled to incentives provided herein pertaining to the new investments and subject to such terms and conditions as the BOI may determine.

For this purpose, a registered enterprise shall be defined as any person, natural or juridical, licensed to do business in the Philippines and registered with

the Special Economic Zone Authority (SEZA) to transact business within the Iloilo Special Economic Zone. A registered export enterprise shall be defined as any registered enterprise engaged directly or indirectly in the production, manufacture or trade of products or services which earns at least seventy percent (70%) of its normal operating revenues from the sale of its products or services abroad for foreign currency. A registered domestic enterprise, meanwhile, shall be defined as any registered enterprise not falling under the definition of a registered export enterprise.

Additional investments on the project shall be entitled to the income tax holidays corresponding to such investments as may be determined by the BOI. Additional income tax holiday may be granted for as long as the investment is made on the same project; *Provided*, That the project is listed in the IPP at the same time the additional investment in the project is made; *Provided, further*, That the entitlement period for additional investment shall not exceed three times the period provided under this subsection; *Provided, however*, that the total period for an export enterprise availing of an eight-year ITH shall not exceed twenty (20) years. Any unused incentives shall therefore be deemed forfeited if not used during the incentive period.

Enterprises registered with the SEZA are required to share in the special development fund of the BOI for investment promotion projects of the government equivalent to one (1 %) of the RTH granted for every application.

The Bureau of Internal Revenue (BIR) shall require a registered enterprise availing of ITH or Net Operating Loss Carryover (NOLCO) to secure a certificate of eligibility from the SEZA before submitting its income tax return (ITR) with the SEZA for validation.

Failure to secure certification and/or file the ITH or NOLCO availment for validation by the SEZA within forty-five (45) days from the last day of the statutory filing date for ITR shall cause the forfeiture of the availment for the taxable period.

(B) Net Operating Loss Carryover (NOLCO). - Net operating loss of the business or enterprise during the first three years from the start of commercial operations which have not been previously offset as deduction from gross income shall be carried over as a deduction from gross income for the next five consecutive years immediately following the year of such loss; *Provided, however*, That operating loss resulting from availment of incentives provided in this Act shall not be entitled to NOLCO.

Registered enterprises availing of the ITH as herein provided shall not be entitled to avail of the NOLCO.

(C) Imposition of a tax rate of five percent (5%) on Gross Income Earned (GIE) – Except for real property tax on land, no local and national taxes as prescribed under Republic Act No. 8424, also known as "The National Internal Revenue Code of 1997, as Amended" such as income tax, excise tax and franchise taxes, shall be imposed on registered enterprises operating within the Iloilo Ecozone. In lieu thereof, five percent (5%) of the gross income earned shall be paid as follows:

(1) Three percent (3%) to the National Government; and

(2) Two percent (2%) shall be remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

All persons and service establishments in the Iloilo Ecozone shall be subject to national and local taxes under the National Internal Revenue Code of 1997, as amended, and the Local Government Code.

(D) Accelerated Depreciation. - Accelerated depreciation of plant, machinery and equipment that are reasonably needed and actually used for the production *and* transport of goods and services may be allowed using a rate not exceeding twice the rate which would have been used had the annual allowance been computed in accordance with the rules and regulations prescribed by the Secretary of Finance and the provisions of the National Internal Revenue Code of 1997, as amended.

(E) Capital Equipment Incentives. - (1) Importation of capital equipment, spare parts, tools and dye or those required for pollution abatement and control, cleaner production and waste reduction including consignment thereof by registered enterprises upon effectivity of this law, shall be exempted to the extent of one hundred percent (100%) of the taxes and customs duties; *Provided*, That the imported items thereof shall be used exclusively by the registered enterprise in its registered activity; *Provided, futher*, That the importation of machinery and equipment and accompanying parts shall comply with the following conditions:

(1) They are not manufactured domestically in sufficient quantity, of comparable quality and at reasonable prices;

(2) They are reasonably needed and will be used exclusively by the registered enterprise in the manufacture of its products, unless prior approval of the SEZA is seemed for the part time utilization of said equipment in a non-registered activity to maximize usage thereof or the proportionate taxes and duties are paid on a specific equipment and machinery being permanently used for non-registered activities; and

(3) Approval of the SEZA was obtained by the registered enterprise for the importation of such machinery, equipment and spare Parts. Approval by the SEZA must be secured before any sale, transfer or disposition of the imported capital equipment, machinery or spare Parts is made; *Provided*, That if such sale, transfer or disposition is made within the first five years from date of importation, any of the following conditions must be present:

(a) The same is made to another enterprise enjoying tax and duty exemption on capital equipment;

(b) The same is made to another enterprise, upon the payment of any taxes and duties on the net book value of the capital equipment to be sold;

(c) The exportation of the capital equipment, machinery, spare parts or source documents or those required for pollution abatement and control, or

(d) Proven technical obsolescence of the said equipment, machinery or spare parts. When the aforementioned sale, transfer or disposition is made under any of the conditions provided for in the foregoing paragraph other than paragraph (2) herein, the registered firm shall not pay the taxes and duties waived on such items; *Provided, further*, that if the registered enterprise shall sell, transfer or dispose the aforementioned imported items without prior approval within five years from the date of importation, the registered enterprise and the vendee, transferee or assignee shall be solidarily liable to pay twice the amount of taxes and duties based on the net book value of the capital equipment, machinery or spare parts if

any of the registration terms and conditions has been violated. Otherwise, they shall no longer be subject to the payment of the taxes and duties waived thereon.

The purchase of machinery, capital equipment, raw materials, supplies, parts and semi-finished products to be used in the fabrication of machinery and capital equipment by a registered export-oriented enterprise from a domestic manufacturer shall be subject to zero percent (0%) value-added tax,

The registered export-oriented enterprise shall be granted a tax credit equivalent to the amount of duties that would have been waived on the machinery, capital equipment, raw materials, supplies, parts and semi-finished products used in the fabrication of machinery and capital equipment, had these items been imported, upon submission to the Department of finance (DOF) of the bill of materials evidencing the transaction value of such an other documents, for verification and proper endorsement.

The availment by a registered export enterprise of the incentive stated under the immediately preceding two paragraphs shall be subject to the following conditions: (i) that said capital equipment, machinery and spare parts will be used exclusively by the registered enterprise in its registered activity; (ii) that the capital equipment or machinery where the raw materials, supplies, parts and semi-finished products were used would have qualified for tax and duty-free importation; and (iii) that the approval of the SEZA is obtained by the registered enterprise. If the registered enterprise sells, transfers or disposes of these machineries, capital equipment and spare parts, the provision in the preceding paragraph for such disposition shall apply.

This incentive shall be deemed waived if application for tax credit under this subsection was not filed within one year from date of delivery.

(F) The importation of source documents by information technology-registered enterprises shall be eligible for tax and duty free importation.

(G) Raw Material Incentives. - Every registered export-oriented enterprise shall enjoy a tax credit equivalent to the internal revenue taxes and customs duties paid on the supplies, raw materials and semi-manufactured products provided the same are not sufficient in quantity or are not competitively priced in the Philippines and which are used in the manufacture, processing or production of its export products forming part thereof, exported directly and indirectly by the registered export-oriented enterprise, based on the actual taxes and duties paid for such materials supplies semi-manufactured products by the registered enterprise.

This incentive shall be deemed waived if application for tax credit under this subsection was not filed within one (1) year from the date of delivery.

(H) Exemption from Wharfage Dues. - The provisions of law to the contrary notwithstanding, exports by a registered enterprise shall be exempted from wharfage dues.

(I) Deferred Imposition of the Minimum Corporate Income Tax. - The Minimum Corporate Income Tax (MCIT) of two percent (2%) of the gross income as of the end of the taxable year shall be imposed when the MCIT is greater than the income tax computed under the NIRC of 1997, as amended, for the taxable year; *Provided, however*. That the MCIT shall be imposed only after the enterprise's entitlement period to the income tax-based incentives has expired.

(J) Tax Treatment of Merchandise in the Iloilo Ecozone. - (1) Domestic merchandise sent from the Iloilo Ecozone to areas outside the said ecozone shall, whether or not combined with or made part of other articles likewise of local origin or manufactured in the Philippines while in the export processing zone, be subject to internal revenue laws of the Philippines as domestic goods sold, transferred or disposed of for local consumption .

(2) Merchandise sent from the Iloilo Ecozone to areas outside the said ecozone shall, whether or not combined with or made part of other articles while in the zone, be subject to rules and regulations governing imported merchandise. The duties and taxes shall be based on the value of said imported materials (except when the final product is exempt).

(3) Articles produced or manufactured in the Iloilo Ecozone and exported therefrom shall, on subsequent importation into the customs territory, be subject to the import laws applicable to like articles manufactured in a foreign country.

(4) Unless the contrary is shown, merchandise taken out of the Iloilo Ecozone shall be considered for tax purposes to have been sent to customs territory.

(K) Tax Treatment of Raw Materials and Capital Equipment in the Iloilo Ecozone. -Importation of raw materials and capital equipment shall be treated as in the *Omnibus Investment Code*.

(L) Employment of Foreign Nationals. - Subject to the provisions of Section 29 of Commonwealth Act No. 613, as amended, a registered enterprise may employ foreign nationals in supervisory or technical positions for a period not exceeding ten (10) years from its registration; *Provided*, That when the majority of the capital stock of a registered enterprise is owned by foreign investors, the positions of the president, treasurer and general manager or their equivalents may be retained by foreign nationals beyond the period set forth herein and such officer is the owner or a stockholder owning at least ten percent (10%) of the outstanding capital stock of the registered enterprise and he remains the owner or maintains his stockholdings therein.

Foreign nationals under employment contract within the purview of this incentive, their spouses and unmarried children under twenty one (21) years of age, who are not excluded by Section 29 of Commonwealth Act No. 613, as amended, shall be permitted to enter and reside in the Philippines during the period of employment of such foreign nationals. They shall be entitled to a multiple entry visa, valid for a period of three (3) years, and shall be allowed to enter and leave the Philippines without further documentary requirements other than valid passports or other travel documents in the nature of passports. The validity of the multiple entry visa shall be extendible yearly.

The said foreign nationals admitted under this provision, as well as their respective spouses and dependents shall be exempt from: (a) obtaining alien certificates of registration and immigration clearance certificates; and (b) securing the Alien Employment Permit (AEP) and all types of clearances, permits, licenses or their equivalents required by any government department or agency.

SEC. 6. Incentives to Investors. - Any foreign national covered under Subsection (L) of Section 5 of this Act, who invests an amount of US \$ 150,000.00, either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, That,

(A) He is at least eighteen (18) years of age;

(B) He has not been convicted of a crime involving moral turpitude;

(C) He is not afflicted with any loathsome, dangerous or contagious disease; and

(D) He has not been diagnosed for any mental disorder or disability.

Provided further, That in securing the investor's visa, the alien-applicant shall be entitled to the same privileges provided for under paragraph (L), Section 5 hereof. As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while his investment subsists. For this purpose, he should submit an annual report, in the form duly prescribed for the purpose, to prove that he has maintained his investment in the country. Should said alien withdraw his investments from the Philippines, then the investor's visa issued to him shall automatically expire.

SEC. 7. Duration of Incentives. - Enterprises registered with the SEZA may enjoy ITH or NOLCO granted by the latter prior to the availment of the five percent (5%) GIE. Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from the date of registration or start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development. The industries exempted from this provision shall be recommended by the BOI, with the concurrence of the Secretaries of the Departments of Finance and Trade and Industry.

SEC. 8. Creation of the Special Economic Zone Authority. - A corporate body to be known as the Special Economic Zone Authority, hereinafter referred to as SEZA, is hereby created to manage and operate, in accordance with the provisions of this Act, the Special Economic Zone and Free Port. This corporate franchise shall expire fifty (50) years counted from the first day of the fifth (5th) calendar year after the effectivity of this Act, unless otherwise extended by Congress.

SEC. 9. Powers and Functions of the Special Economic Zone Authority. - The Special Economic Zone Authority shall have the following powers and functions:

(A) To adopt, alter, use a corporate seal; to contract, lease, buy, sell, acquire, own and dispose movable and immovable as well as personal and 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; 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;

(B) Within the limitation provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under this Act, and for that purpose to issue bonds, promissory notes, and other form of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;

(C) 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 SEZA may promulgate from time to time in conformity with the provisions of this Act and the limitations provided in the Constitution;

(D) 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, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, terminals, conveyors, water supply and storage sewerage, drainage, airport operations in coordination with the Civil Aeronautics Board, and 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, license, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the Zone;

(E) 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;

(F) To operate on its own either directly or through a subsidiary entity, or license to others, tourism-related activities, including games, amusement, recreational and sports facilities such as horse racing, dog racing, gambling casinos, golf courses, and others, under priorities and standards set by the SEZA;

(G) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs within the Zone. The virgin forest within the Zone will be proclaimed as a national park and will 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 SEZA;

(H) To adopt, implement and enforce reasonable measures and standards to control pollution within the Zone;

(I) To provide security for the Zone in coordination with the national and local governments. For this purpose, SEZA may not establish and maintain its own security force and firefighting capability to hire others to provide the same;

(J) To form, establish, organize and maintain subsidiary corporation, as its business and operations may require, whether under the laws of the Philippines or not;

(K) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives and policies herein provided; in coordination with the Philippine Export Zone Authority (PEZA) and the Bureau of Customs (BOC) and

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

SEC. 10. Board of Directors of SEZA. - The powers of the SEZA 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 Chairperson who shall come from among the members of the Board of Directors;

(B) A Vice Chairperson who shall come from among the members of the Board of Directors;

(C) Members consisting of:

(1) The Governor of the Province of Iloilo;

(2) The Congressional Representatives of the districts of Iloilo Province;

(3) Five Mayors to be chosen by all the municipal mayors in the Province of Iloilo;

(4) The President of the Chamber of Commerce and Industry of Iloilo.

(5) Two (2) representatives from the business and investment sectors in the Zone.

(6) One (1) representative from the workers working in the Zone.

The Governor, the Congressional Representatives and the Mayors and President of the Chamber of Commerce and Industry shall serve as *ex-officio* members of the Board, whose term in the Board corresponds to their terms as elected officials.

The Chairperson shall be appointed by the President of the Philippines upon the nomination of the Board of Directors to serve for a term of six (6) years, unless separated from service due to death, voluntary resignation or removal for cause. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

All members of the Board, except *ex officio* shall be appointed by the President of the Philippines to serve for a term of six (6) years. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

All members of the Board, except *ex officio* members shall be appointed by the President of the Philippines to serve for a term of six (6) years. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

The members of the Board shall receive a reasonable *per diem* at a rate to be determined by the Department of Budget and Management in accordance with existing rules and regulations; *Provided, however,* That the total *per diem* collected each month shall not exceed the equivalent *per diem* for four (4) meetings. Unless and until the President of the Philippines has fixed a higher *per diem* for the members of the Board, such *per diem* shall not be more than Ten thousand pesos (Php 10,000) for every Board Meeting.

SEC. 11. Administrative and Chief Executive Officer. - The President of the Philippines shall appoint a full-time professional and competent administrator and chief executive officer for the SEZA whose compensation shall be determined by its Board of Directors and shall be in accordance with the revised compensation and position classification system. The administrator as chief executive officer of SEZA shall be responsible to the Board and the President of the Philippines for the efficient management and operation of the Special Economic Zone: *Provided, That* no person shall be appointed as administrative and executive officer 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: economics, 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.

SEC. 12. Capitalization. - The SEZA shall have an authorized capital stock of One Billion (1,000,000,000) no par shares with a minimum issue value of Ten (10) pesos each. The national government shall initially subscribe and fully pay three hundred million (300,000,000) shares of such capital stock. The initial amount necessary to subscribe and pay for the shares of stock shall be included in the General Appropriations Act of the year following its enactment into law and thereafter. The Board of Directors of SEZA 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 SEZA. The Board of Directors of SEZA, with the written concurrence of the Secretary of Finance, may sell shares representing not more than forty *per centum* (40%) of the capital stock of the SEZA to the general public with such annual dividend policy as the Board and the Secretary of Finance may determine. The national government and local government units shall in no case own less than sixty *per centum* (60%) of the total issued and outstanding capital stock of the SEZA.

SEC. 13. Supervision. - The Special Economic Zone shall be under the direct control and supervision of the Philippine Economic Zone Authority (PEZA) for purposes of policy direction and coordination.

SEC. 14. Relationship with the Regional Development Council. - The Special Economic Zone Authority shall determine the development goals for the Iloilo Ecozone within the framework of national development plans, policies and goals. The Administrator shall, upon approval by the Board, submit the Iloilo Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 15. Relationship with Local Government Units. - Except as herein provided, the local government units comprising the Iloilo Ecozone shall retain their basic autonomy and identity. The province, municipalities, and their component *barangays* shall continue to operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the SEZA and the Province of Iloilo or any of the municipalities, on matters affecting the Iloilo Ecozone other than defense and security matters, the decision of ISEZA shall prevail.

SEC. 16. Interpretation/Construction. - The powers, authorities and functions that are vested in the SEZA are intended to decentralize governmental functions and authority and promote efficiency and effective working relationships between the Iloilo Ecozone, the national government, and the local government units.

SEC. 17. Legal Counsel. - The SEZA and the corporations in which SEZA owns a majority of the issued capital stock shall have its own internal legal counsel under the supervision of the government corporate counsel. When the exigencies of its businesses and operations demand it, the SEZA may engage the services of an outside counsel either on a case to case basis or on a fixed retainer.

SEC. 18. Auditor. - The Commission on Audit shall appoint a representative who shall be a full-time auditor of the SEZA and its subsidiaries, and assign such number of personnel as may be necessary to assist said representative in the performance of his or her duties. The salaries and emoluments of the assigned auditor and personnel of the Commission on Audit shall be in accordance with the revised compensation and position classification system. The Commission on Audit shall render an annual report to the President of the Philippines and to Congress on the business activities, transactions and operation of the SEZA.

SEC. 19 Separability Clause. - If any provision or part hereof, is held invalid or unconstitutional, the remainder of the law or the provision not otherwise affected shall remain valid and subsisting.

SEC. 20. Repealing Clause. - Any law, presidential decree or issuance, executive order, letter of instruction, administrative order, rule or regulation contrary to or is inconsistent with the provision of this Act is hereby repealed, modified, or amended accordingly.

SEC. 21. Effectivity Clause. - This Act shall take effect fifteen (15) days after its publication in at least two (2) newspapers of general circulation.

Approved,