

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

Thirteenth Congress
First Regular Session

House Bill No. 2683



Introduced by
Hon. Faustino "Bojie" G. Dy III,
Hon. Rodolfo T. Albano III, Hon. Edwin C. Uy, Hon. Anthony C. Miranda

EXPLANATORY NOTE

This bill seeks to create a special economic zone in the Province of Isabela to be known as the Isabela Special Agro Industrial Zone. It is designed to effectively respond to the national need to reduce, if not eradicate, poverty among our people, particularly those living in the far-flung areas of the country.

A vast pool of skilled manpower as well as an abundance of natural resources will certainly prove invaluable in hastening the full development of the Province of Isabela into a self-sustaining industrial, commercial, financial and investment center in the world.. In this regard, plans are already being set up to arouse keen investor interest from local and foreign entrepreneurs. Attractive incentives awaits locators within the zone including liberalized tax impositions, easier foreign exchange and current account transactions, and the grant of permanent resident status to foreign investors who desire to relocate and do business within the Zone. Registered business establishments are likewise entitled to enjoy such benefits as are provided under PD 66 and Book VI of the Omnibus Investment Code.

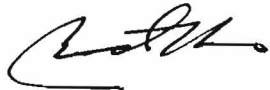
Moreover, the development of the areas' infrastructure in terms of viable road-linkages, bridges, storage, and terminal facilities are presently prioritized by the national, provincial and municipal governments.

The proposed measure creating the Isabela Special Agro Industrial Zone will effectively serve as a take off point to the full utilization of the tremendous manpower and mineral resources such as arable agricultural lands and rich mineral deposits. This bill likewise fulfills the objectives of providing jobs to our people, increase their productivity and individual incomes, and improve the level and quality of their living conditions. The incentives offered by this bill will surely attract foreign investments that are vital for the nation to transcend its present economic difficulties.

A bill was filed in the 12th Congress for establishing a Special Agro-Industrial Zone. Public Hearing and Ocular inspection was conducted on January 30, 2003 in Cauayan City, Isabela, by the Committee of Economic Affairs and was subsequently approved on the 2nd and 3rd reading by the House of Representatives. The approved House Bill was referred to the Senate. The Senate version of the bill was approved by the Senate Committee on Economic Affairs and was calendared in the Senate Order of Business as business for the day on the last day of the 3rd regular session of the 12th Congress. However, the proposed measure was one of the numerous local bills calendared but not read on second reading, until Congress adjourned.

This measure hereto drafted is the Bill approved by the Senate Committee on Economic Affairs incorporating some of the approved House version.

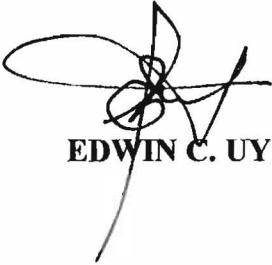
In view of the foregoing, passage of this bill is urgently recommended with the hope that members of the House Committee on Economic Affairs of this 13th Congress shall consider the previously held Public Hearing and Ocular Inspection for its approval.



RODOLFO T. ALBANO, III



FAUSTINO "BOJIE" G. DY III



EDWIN C. UY

ANTHONY C. MIRANDA

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AN ACT
ESTABLISHING A SPECIAL AGRO-INDUSTRIAL ZONE IN THE PROVINCE OF ISABELA,
CREATING FOR THIS PURPOSE THE ISABELA SPECIAL AGRO-INDUSTRIAL ZONE
AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

SECTION 1. Short Title. – This Act shall be known as the “Isabela Special Agro-Industrial Zone Act of 2004”.

SEC. 2. Declaration of Policy. - It is hereby declared the policy of the State 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 Agro-Industrial Zones in suitable and strategic locations in the country and through measures in order to attract legitimate and productive foreign investments.

SEC. 3. Creation of the Isabela Special Agro-Industrial Zone. – In pursuit of the foregoing declared policy and subject to the concurrence of the concerned local government unit of Isabela affected by the zone, there is hereby established a Special Agro-Industrial Zone in Cauayan City, Province of Isabela to be known as the Isabela Special Agro-Industrial Zone, hereinafter referred to as the Isabela AGRO-INDUSTRIAL ZONE. It shall be located at Barangay San Luis, City of Cauayan. The Specific metes and bounds of the Isabela AGRO-INDUSTRIAL ZONE shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

SEC. 4. Governing Principles. – The Isabela Special Agro-Industrial Zone shall be managed and operated by the Isabela Special Agro-Industrial Zone Authority, herein referred to as the ISAZA, to be created under Section 6 of this Act, under the following principles:

- a.) Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Isabela Agro-Industrial Zone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial/trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas.
- b.) The Isabela Agro-Industrial Zone 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 the Province of Isabela and its neighboring towns and cities.
- c.) The Isabela Agro-Industrial Zone 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 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 proportion may set up enterprises in the Isabela Agro-Industrial Zone, either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the Isabela Agro-Industrial Zone.
- e.) The Isabela Agro-Industrial Zone shall be managed and operated as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the Isabela Agro-Industrial Zone, as well as provide incentives such as tax and duty-free importations of raw materials, capital and equipment. However, exportation or removal of goods from the territory of the Isabela Agro-Industrial Zone to the other parts of the Philippine territory shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended and the National Internal Revenue Code of 1997, as amended.

- f.) The areas comprising the Isabela Agro-Industrial Zone may be expanded or reduced when necessary. For this purpose, the ISAZA, in consultation with the local government units, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the Isabela Agro-Industrial Zone for the following purposes: (1) consolidation of lands for Isabela Agro-Industrial Zone development; (2) acquisition of right way to the Isabela Agro-Industrial Zone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Isabela Agro-Industrial Zone.
- g.) Goods manufactured by an Isabela Agro-Industrial Zone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the ISAZA, together with the PEZA, the Bureau of Customs and the DTI. However, in order to protect the domestic industry, there shall be a negative list of industries that will be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally.
- h.) The defense of the Isabela Agro-Industrial Zone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the Isabela Agro-Industrial Zone and the local government units.

SEC. 5. Incentives. – Investors and enterprises within the Isabela Agro-Industrial Zone shall be entitled to the following incentives:

- a). *Resident Status and Visa.* Any foreign investor who establishes a business enterprise within the Isabela Agro-Industrial Zone and who maintains capital investment of not less than One hundred fifty thousand United States dollars (US \$150,000.00) shall be granted, along with his or her spouse, dependents, and unmarried children below twenty-one (21) years of age, permanent resident status within the Isabela Agro-Industrial Zone and freedom of ingress and egress to and from the Isabela Agro-Industrial Zone without any need of any special authorization from the Bureau of Immigration. Working visas renewable every two (2) years shall be issued to

foreign executives and foreign technicians with highly specialized skills, which no Filipino possesses, as certified by the Department of Labor and Employment.

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

b.) Fiscal Incentives. – Business establishments operating within the Isabela Agro-Industrial Zone shall be entitled to the existing fiscal incentives as provided for under Republic Act No. 7916, otherwise known as the “Special Zone Act of 1995”, as amended, or those provided under Book VI of Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987.

c.) Taxation. Except for real property taxes on land owned by developers, no taxes, local and national, shall be imposed on business establishments operating within the Isabela Agro-Industrial Zone. In lieu thereof, five percent (5%) of the gross income earned by all business enterprises within the Isabela Agro-Industrial Zone shall be paid and remitted as follows:

- a) Three percent (3%) to the National Government;
- b) Two percent (2%) to the City of Cauayan which shall be directly remitted by the business establishments to the treasurer’s office of the city.

d.) Banking Rules and Regulations. Existing banking laws and rules/regulations of the Bangko Sentral ng Pilipinas (BSP) shall apply to banks and financial institutions to be established in the Isabela Agro-Industrial Zone. These include those governing foreign exchange and other current account transactions (trade and non-trade), local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP.

e.) Profit Remittance. Without prior BSP approval, after tax profits and other earnings of foreign investors in enterprises in the Isabela Agro-Industrial Zone may be remitted outward in the equivalent foreign exchange through any of the banks licensed by BSP in the Isabela Agro-Industrial Zone; Provided, however, That such foreign investments in said enterprises have been previously registered with the BSP.

SEC. 6. *Creation of the Isabela Special Agro-Industrial Zone Authority.* – There is hereby created a body corporate to be known as the Isabela Special Agro-Industrial Zone Authority, herein referred to as the ISAZA, which shall manage and operate the Isabela Agro-Industrial Zone, in accordance with the provisions of this Act. This corporate franchise shall expire in fifty (50) years counted from the first year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 7. *Principal Office.* – The Isabela Special Agro-Industrial Zone Authority shall maintain its principal office at Cauayan City, Province of Isabela but it may establish branches and agencies within the Philippines and abroad as may be necessary for the proper conduct of its business.

SEC. 8. *Powers and Functions of the Isabela Agro-Industrial Zone Authority.* – The Isabela Agro-Industrial Zone Authority shall have the following functions:

- a) To operate, administer, manage and develop the Isabela Agro-Industrial Zone according to the principles and provisions set forth in this Act;
- b) To recommend to the President the issuance of a proclamation to fix and delimit the site of the Isabela Agro-Industrial Zone;
- c) To register, regulate and supervise the enterprises in the Isabela Agro-Industrial Zone in an efficient and decentralized manner, subject to existing laws;
- d) To coordinate with local government units and exercise general supervision over the development plans, activities and operations of the Isabela Agro-Industrial Zone;
- e) To regulate and undertake the establishments, operation and maintenance of utilities, other services and infrastructure in the Isabela Agro-Industrial Zone such as but not limited to heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices thereof;
- f) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchise, licenses, joint venture agreements, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law,

operation and development of the Isabela Agro-Industrial Zone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;

- g) To operate on its own, either directly or through a license, tourism-related activities including games, amusements, recreational and sports facilities;
- h) Subject to the approval of the President and the Monetary Board of the Bangko Sentral ng Pilipinas, and upon recommendation of the Department of Finance; 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 forms 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;
- i) To provide security for the Isabel Agro-Industrial Zone in coordination with the national and local governments. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the Isabela Agro-Industrial Zone and expenditures for these military forces shall be borne by the national government. For this purpose, the ISAZA may establish and maintain its security forces and firefighting capability or hire others to provide the same;
- j) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs and maintain ecological balance within the Isabela Agro-Industrial Zone;
- k) To create, operate and/or contract to operate such agencies and functional units or offices of the ISAZA as it may deem necessary;
- l) To adopt, alter and use a corporate seal; make contracts, leases, own, or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;
- m) To issue certificates of origin for products manufactured or process in the Isabela Agro-Industrial Zone in accordance with prevailing rules of origin, and the pertinent regulations of the PEZA, DTI and/or the Department of Finance (DOF).

- n) To issue working visas renewable every two (2) years to foreign executives and foreign technicians with highly specialized skills which no Filipinos possess, as certified by the Department of Labor and Employment;
- o) To report to the Bureau of Immigration the names of the foreigners who have been granted permanent resident status and working visas within thirty (30) days after issuance of such grant;
- p) To exercise such powers as maybe 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, and policies of this Act; and
- q) To issue rules and regulations consistent with the provisions of this Act as maybe necessary to accomplish and implement the purposes, objectives and policies provided herein.

SEC. 9. *Tax Exemption.* – The ISAZA is hereby declared exempt from the payment of all taxes, duties, fees, imposts, charges, costs and service fees in any court or administration proceedings in which it may be a party.

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

SEC. 10. *Board of Directors of the Isabela Agro-Industrial Zone Authority.*– The powers of the Isabela Special Agro-Industrial Zone Authority 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 Chairman who shall, at the same time be the administrator of the ISAZA;
- b) A Vice-Chairman who shall come from among the members of the Board;
- c) Members consisting of:
 - a. The Governor of the Province of Isabela;

- b. The Congressional Representatives of the district covering the site of the Isabela Agro-Industrial Zone;
- c. The mayor of the City of Cauayan;
- d. One (1) representative from the domestic investors;
- e. One (1) representative from the foreign investors; and
- f. One (1) representative from the workers working in Isabela Agro-Industrial Zone.

The Governor, the Congressional representative and the mayor of the City of Cauayan shall serve as ex-officio members of the Board corresponding to their term as elected officials.

The Chairman and the members of the Board, except the ex-officio members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner removed for cause or dies or resign voluntarily. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

Except for the representatives of the business and labor sectors, no person shall be appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen, of good moral character, or 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. 11. Powers and Duties of the Chairman-Administrator.- The Chairman-Administrator shall have the following powers and duties:

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

are essential to the operation of the Isabela Agro-Industrial Zone.

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

SEC. 12. Personnel. – The Board of Directors of the ISAZA shall provide for an organization and staff of its officers and employees. Upon recommendation of the Chairman-Administrator with the approval of the Secretary of the Department of Trade and Industry, 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 Board shall have exclusive and final authority to promote, transfer, assign or reassign officers of the ISAZA, any provision of existing law to the contrary notwithstanding: Provided, further, that the Chairman-Administrator may carry out removal of such officers and employees.

The officers and employees of the ISAZA, including all members of the Board, shall not engage directly or indirectly in partisan activities nor take part in election, except to vote. No officer or employee of the ISAZA, subject to Civil Service laws and regulations, shall be removed or suspended except for cause, as provided by law.

SEC. 13. Ipso Facto Clause. – Sections 30-42 of Republic Act 7916, shall ipso facto apply to the Isabela Agro-Industrial Zone.

SEC. 14. Capitalization - The Isabela Agro-Industrial Zone Authority shall have an authorized capital stock of two billion (2,000,000,000) no par shares with a minimum issue value of Ten Pesos (P10.00) each. The majority shares of which shall be subscribed and paid for by the National Government and the Local Government Units embracing the Isabela Agro-Industrial Zone. The Board of Directors of the ISAZA may, with the written concurrence of the Secretary of Finance, sell shares representing not more than forty percent (40%) of the capital stock of ISAZA to the general public under such policy as the Board and Secretary of Finance may determine. The National Government and the LGUs shall in no case own less than sixty percent (60%) of the total issued and outstanding capital stock of the ISAZA.

The amount necessary to subscribe and pay for the shares of stock of the National Government to ISAZA shall be included in the annual General Appropriations Act. For LGUs, the funds shall be taken from their Internal Revenue Allotment and other Local Funds.

SEC. 15. Supervision and Coordination of Development Plans. – For purposes of policy direction and coordination, the Isabela Agro-Industrial Zone shall be under the direct control and supervision of the Office of the President.

SEC. 16. Relationship with the Regional Development Council. – The Isabela Agro-Industrial Zone Authority shall determine the development goals of the Isabela Agro-Industrial Zone within the framework of national development plans, policies and goals. The Administrator shall, upon approval by the Board, submit the Isabela Agro-Industrial Zone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 17. Relationship with Local Government Units. – Except as herein provided, the local government units comprising the Isabela Agro-Industrial Zone shall retain their basic autonomy and identity. The City of Cauayan shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the ISAZA and the City of Cauayan on matters affecting the Isabela Agro-Industrial Zone other than defense and security matters, the decision of the ISAZA shall prevail.

SEC. 18. Interpretation/Construction. – The powers, authorities and functions that are vested in the Isabela Agro-Industrial Zone Authority are intended to establish decentralization of governmental functions and authority and promote an efficient and effective working relationship between the Isabela Agro-Industrial Zone, the central government and the local government units.

SEC 19. Auditing. – The Commission on Audit shall appoint a representative who shall be a full time auditor of the ISAZA and assign such number of personnel as may be necessary to assist said representative in the performance of his/her duties. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

SEC. 20. Separability Clause. – If any provisions of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 21. Repealing Clause. – All laws, executive orders or issuances, or any parts thereof, which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 22. Effectivity Clause. – This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,