



Republic of the Philippines
HOUSE OF REPRESENTATIVES
Constitution Hills, Quezon City



SEVENTEENTH CONGRESS
Second Regular Session

HOUSE BILL NO. 6339

Introduced by:

REPRESENTATIVES PANTALEON D. ALVAREZ, KARLO ALEXEI B. NOGRALES, RUWEL PETER S. GONZAGA, MERCEDES C. CAGAS, LORNA P. BAUTISTA-BANDIGAN, JOEL MAYO Z. ALMARIO, MARIA CARMEN S. ZAMORA

AN ACT

DEVELOPING DAVAO GULF AND ITS SURROUNDING AREAS, CREATING FOR THE PURPOSE THE DAVAO GULF DEVELOPMENT AUTHORITY WITH THE DAVAO GULF SPECIAL ECONOMIC FREEPORT ZONE AND THE ISLAND GARDEN CITY OF SAMAL AS AN ECOTOURISM ZONE UNDER ITS JURISDICTION, PRESCRIBING ITS POWERS AND FUNCTIONS, AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

This bill seeks to realize the potential of Davao Gulf and its surrounding local government units as a vibrant economic hub by establishing the Davao Gulf Development Authority with the Davao Gulf Special Economic Freeport Zone and the Island Garden City of Samal as an ecotourism zone under its jurisdiction.

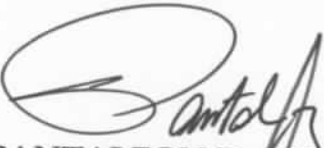
The Davao Gulf is a vast expanse of water (308,000 ha.) that touches Davao City and all (5) five provinces of Region XI: Davao del Sur, Davao del Norte, Davao Oriental, Davao Occidental, and Compostela Valley. It is the life source of more than five million people, it is blessed with natural resources and provides the avenue for the trade of goods. Further, the gulf is a beautiful place where white-sand beaches, islands, pristine sanctuaries, and numerous dive sites are located.

The Davao Gulf also boasts of a healthy marine ecosystem and diverse underwater habitats that host various species of marine flora and fauna. Thus, tourism has the potential to be one of the major economic contributors to the Davao Gulf and its surrounding areas, and is seen to flourish further if the appropriate development strategies are implemented. However, it is important to note that any type of development near the shoreline must comply with the existing environmental requirements so as not to negatively alter the ecology and biodiversity of the ecosystem. Moreover, any type of development must consider sustainable conservation, and preservation of the area and its resources.

It is recognized that there is a need for the creation of an oversight authority to implement the necessary programs and monitor the development of the Davao Gulf so it can achieve its full potential. The Davao Gulf Development Authority will also ensure the technical feasibility, economic possibility, political viability, and administrative operability of the sustainable development of the Gulf.

A network of marine protected areas will also be established and the land use of the foreshore lands, 3 kilometers from the 20-meter easement from the shore, would be reclassified as industrial, commercial, residential and tourism. It is intended that this proposed measure will help transform the Davao Gulf and its surrounding areas into a dynamic economic hub.

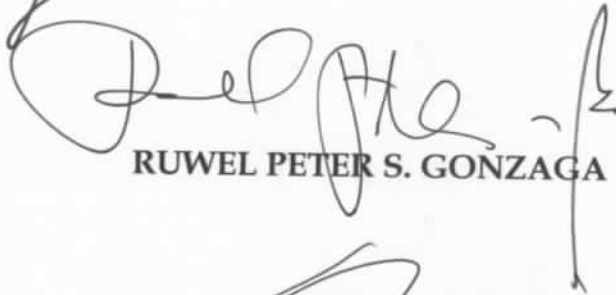
In view of the foregoing, the approval of this Bill is earnestly sought.



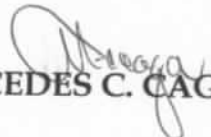
PANTALEON D. ALVAREZ



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1 **AN ACT**
2 **DEVELOPING DAVAO GULF AND ITS SURROUNDING AREAS, CREATING**
3 **FOR THE PURPOSE THE DAVAO GULF DEVELOPMENT AUTHORITY WITH**
4 **THE DAVAO GULF SPECIAL ECONOMIC FREEPORT ZONE AND THE**
5 **ISLAND GARDEN CITY OF SAMAL AS AN ECOTOURISM ZONE UNDER ITS**
6 **JURISDICTION, PRESCRIBING ITS POWERS AND FUNCTIONS, AND**
7 **APPROPRIATING FUNDS THEREFOR**

8
9 *Be it enacted by the Senate and House of Representatives of the Philippines in Congress*
10 *assembled:*

11 **CHAPTER I**

12 **GENERAL PROVISIONS**

13 **SECTION 1. *Short Title.*** – This Act shall be known as “*Davao Gulf*
14 *Development Authority Act.*”

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State to pursue the acceleration of the economic, social, and political development of local government units (LGUs) through the establishment of special development and administrative areas in suitable and strategic locations such as the Davao Gulf and its surrounding areas without prejudice to the autonomy of the affected LGUs.

The State further recognizes that in order to generate more jobs and improve the quality of living conditions of the people in the surrounding areas of Davao Gulf, it is imperative to attract legitimate and productive local and foreign investments. Towards this end, the State shall undertake measures to adopt and implement sustainable and progressive development strategies in Davao Gulf and the surrounding LGUs to induce and accelerate a sound and balanced industrial, economic and social development in the area that will benefit the people therein, and the country in general.

CHAPTER II

DAVAO GULF DEVELOPMENT AUTHORITY

SEC. 3. *Creation of the Davao Gulf Development Authority.* – There is hereby created the Davao Gulf Development Authority, herein referred to as the Authority, which shall be vested with the powers of a corporation.

The Authority shall be organized within thirty (30) days after approval of this Act and shall have a term of fifty (50) years from its organization.

1 The Authority shall establish its principal office in Tagum City, Davao del
2 Norte and may put up such branches as may be necessary.

3 Congress, by a joint resolution, may dissolve the Authority whenever in its
4 judgment the primary purpose for its creation has been accomplished.

5 SEC. 4. *Objectives of the Davao Gulf Development Authority.* – The Authority
6 shall have the following objectives:

7 (a) To adopt, prepare and implement a comprehensive and detailed
8 development plan embodying a list of projects to promote the economic and social
9 development of the Davao Gulf and the surrounding areas therein;

10 (b) To encourage the active participation of the private as well as the
11 public sector in developing the Davao Gulf and the surrounding areas;

12 (c) To establish a mechanism in coordination with the appropriate LGUs
13 to effect meaningful consultation regarding the plans, programs and projects to be
14 implemented in the Davao Gulf area and its extensions and the surrounding
15 communities as envisioned in this Act; and

16 (d) To plan, implement programs and undertake the adjustment,
17 relocation or resettlement of the people living in the area as may be deemed
18 necessary and beneficial to the development of Davao Gulf, in coordination with the
19 appropriate government agencies and LGUs.

1 SEC. 5. *Powers of the Davao Gulf Development Authority.* – The Authority

2 shall exercise the following powers:

3 (a) To succeed in its corporate name, to sue and be sued in such corporate
4 name and to adopt, alter and use a corporate seal which shall be judicially noticed;

5 (b) To enter into, make, perform and carry out contracts of every class,
6 kind and description which are necessary or incidental to the realization of its
7 purposes with any person, firm or corporation, private and public and with foreign
8 government entities;

9 (c) To adopt, amend and repeal its by-laws;

10 (d) To contract loans, indebtedness, credit and issue commercial papers
11 and bonds, in any local or convertible foreign currency from any international
12 financial institutions, foreign government entities, and local or foreign private
13 commercial banks or similar institutions under terms and conditions prescribed by
14 laws, rules and regulations;

15 (e) To construct, own, lease, operate and maintain public utilities as well
16 as infrastructure facilities;

17 (f) To acquire, hold, administer and lease real and personal properties,
18 including agricultural lands, property rights and interests and encumber lease,
19 mortgage, sell, alienate or otherwise dispose of the same at the highest fair market
20 value it may deem appropriate;

- 1 (g) To receive donations, grants, bequeaths and assistance of all kinds from
2 local and foreign government, and the private sector;
- 3 (h) To exercise the right to eminent domain;
- 4 (i) To exercise oversight functions over the Davao Gulf area in accordance
5 with the provisions of this Act and by subsequent executive issuances within the
6 framework of the declared policies of this Act;
- 7 (j) To identify, collect and manage the fees collected in relation to its
8 functions;
- 9 (k) To promulgate all necessary rules and regulations; and
- 10 (l) To perform such other powers as may be necessary and proper carry
11 out the purposes of this Act.

12 SEC. 6. *Board of Directors.* – (a) The Authority's overall directions and
13 thrusts shall be provided and approved by the Board of Directors, hereinafter
14 referred to as the Board, which shall be composed of six (6) *ex officio* members and
15 seven (7) appointive members.

16 (b) The following shall be the *ex officio* members of the Board:

- 17 (1) Director General of the National Economic and Development
18 Authority, as chairperson;
- 19 (2) Secretary of Public Works and Highways, as vice chairperson;
- 20 (3) Secretary of Tourism;

(4) Secretary of Environment and Natural Resources;

(5) Secretary of Agriculture; and

(6) Secretary of Transportation, as members.

The *ex officio* members of the Board may designate alternates who shall be the officials' next-in-rank and whose acts shall be considered the acts of their principals.

(c) The following are the appointive members of the Board:

(1) Three (3) representatives from the private sector residing in Davao City or in any of the five (5) provinces surrounding the Davao Gulf, specifically Davao del Sur, Davao del Norte, Davao Oriental, Davao Occidental and Compostela Valley;

(2) Two (2) representatives from the Mindanao academic sector; and

(3) Two (2) representatives from non-government organizations, which have their principal office and are operating in Davao City or in any of the five (5) provinces surrounding the Davao Gulf.

SEC. 7. *Appointment of Members of the Board.* – Except for *ex officio* members, the other members of the Board shall also be appointed by the President of the Philippines. In shortlisting the nominees for the appointive members of the Board, the President of the Philippines shall give utmost consideration to the nominees recommended by the local chief executives of Davao City and the five (5) provinces surrounding Davao Gulf as provided under Section 6 (c), recommending at least three (3) names for every vacant position.

1 The members of the Board may receive compensation, *per diems*, allowances,
2 and incentives in accordance with the guidelines promulgated by the GCG.

3 SEC. 8. *Powers and Functions of the Board.* – The Board as the governing and
4 policy-making body of the Authority and shall exercise the following powers and
5 functions:

6 (a) Determine the organizational structure of the Authority, define the
7 duties and responsibilities of all officials and employees and adopt a compensation
8 and benefit scheme at least equivalent to that of the Bangko Sentral ng Pilipinas;

9 (b) Prepare the annual and supplemental budgets, if necessary, of the
10 Authority; and

11 (c) Submit an annual report on the operation and accomplishments of the
12 Authority to the President of the Philippines, Senate President, and Speaker of the
13 House of Representatives.

14 SEC. 9. *Meetings of the Board; Quorum.* – The Board shall meet regularly once
15 every month at its principal office. There must be a three-day notice to all members
16 using electronic or traditional means before every meeting. The Board may also
17 conduct special or emergency meetings whenever necessary and in compliance with
18 the prior notification requirement.

19 There shall be quorum whenever majority of the *ex-officio* members and
20 majority of the appointive members of the Board are present for the transaction of

1 corporate business, and every decision of at least a majority of the directors present
2 in a meeting at which there is a quorum shall be valid as a corporate act, except for
3 the election of officers which shall require the vote of a majority of all the members
4 of the Board.

5 SEC. 10. *Powers and Functions of the Chairperson.* – The Chairperson shall
6 exercise the following powers and functions:

7 (a) Call and preside over the meetings of the Board and see to it that the
8 policies, programs and rules and regulations promulgated by the Board are properly
9 implemented;

10 (b) Call on stakeholders in the formulation and implementation of a
11 comprehensive and integrated plan for the development of the Davao Gulf
12 investment programs and the preparation of investment programming priorities,
13 annual reports and other pertinent documents approved by the Authority;

14 (c) Identify solutions to key issues and concerns, taking into account
15 related risks, affected parties and impact, in coordination with the Board and key
16 stakeholders;

17 (d) Represent the Board in all dealings or transactions with other
18 government agencies and offices, and with the private sector;

19 (e) Accept, on behalf of the Authority, donations, contributions, grants and
20 bequests or gifts, in cash or in kind, from foreign governments, international

1 agencies or organizations, private entities or any individual for purposes that will
2 realize the mandate of the Authority; and

3 (f) Call on any government agency or office, LGUs and the host
4 communities to assist the Authority in addressing issues and concerns relating to
5 the implementation of the programs, projects and activities of the Authority.

6 SEC. 11. *Executive Director.* – The Authority shall have an Executive Director
7 who shall be elected by the Board from its appointive members. The Executive
8 Director must possess either:

9 (a) A career service executive eligibility or career executive service officer
10 eligibility;

11 (b) A post-graduate degree related to law, management or public
12 administration; or

13 (c) A minimum of ten (10) years of management experience.

14 The Executive Director shall be the Chief Operating Officer of the Authority
15 and shall be entitled to receive a salary in accordance with the guidelines
16 promulgated by the GCG, and shall serve for a fixed term of one (1) year, unless
17 sooner removed by the Board for cause.

18 The Executive Director shall be responsible for the effective implementation
19 of the policies promulgated by the Board and shall also direct and supervise the
20 day-to-day operations of the Authority.

1 SEC. 12. *Powers and Functions of the Executive Director.* – The Executive

2 Director shall exercise the following powers and functions:

3 (a) Supervise administrative operations including the disbursement of
4 funds of the Authority, subject to the usual accounting and auditing procedures,
5 and to submit reports thereon;

6 (b) Supervise the monitoring and timely implementation of Mindanao-
7 wide or Mindanao-specific inter-regional programs, projects and activities;

8 (c) Execute and administer the policies and measures approved by the
9 Board;

10 (d) Appoint all the employees of the Authority, subject to the approval of
11 the Board, and to remove, dismiss or otherwise discipline for cause, such employees
12 in accordance with the standard guidelines for recruitment, employment, and
13 discipline under existing civil service laws, rules and regulations;

14 (e) Represent the Authority in all dealings with the offices, agencies, and
15 instrumentalities of the government and with all the persons and entities, public or
16 private;

17 (f) Sign agreements or contracts on behalf of the Authority, including
18 those for expert and consultant services and other reports of accountabilities
19 emanating from the Authority; and

20 (g) Perform such other functions that the Board may direct to carry out the
21 provisions of this Act.

1 SEC. 13. *Capitalization and Compensation.* - The Authority shall have an
2 authorized capital stock of five hundred million (500,000,000) no par shares with a
3 minimum issue value of One hundred pesos (P100.00) each. The National
4 Government shall initially subscribe and fully pay three hundred million
5 (300,000,000) shares of such capital stock. The initial amount necessary to subscribe
6 and pay for the shares of stock shall be included in the annual General
7 Appropriations Act of the year following its enactment into law and thereafter. The
8 Board may, from time to time and with the written concurrence of the Secretary of
9 Finance, increase the issue value of the shares representing the capital stock of the
10 Authority. The Board may, with the written concurrence of the Secretary of Finance,
11 sell shares representing not more than forty *per centum* (40%) of the capital stock of
12 the Authority to the general public with such annual dividend policy as the Board
13 and the Secretary of Finance may determine. The National Government shall in no
14 case own less than sixty *per centum* (60%) of the total issued and outstanding capital
15 stock of the Authority.

16 SEC. 14. *Merit System.* - All officials and employees of the Authority shall be
17 elected and appointed on the basis of merit and fitness in accordance with civil
18 service law, rules and regulations. The recruitment, transfer, promotion, and
19 dismissal of all its personnel including temporary workers shall be governed by a
20 merit system that will be established by the Authority in compliance with existing
21 laws, rules and regulations.

1 CHAPTER II

2 DEVELOPMENT OF DAVAO GULF

3 SEC. 15. *Davao Gulf Master Plan.* – Within one hundred twenty (120) days
4 from the effectivity of this Act, the Authority, in coordination with Department of
5 Environment and Natural Resources (DENR) and the Department of Tourism, shall
6 conduct a full survey of the flora and fauna, both in land and water, found around
7 the Davao Gulf area. The Authority, must thereafter provide a master plan for the
8 development of the Davao Gulf area and the conservation of the flora and fauna
9 found therein within six (6) months from the conduct of the full survey required in
10 this Section. The Authority shall furnish the President of the Philippines, the Senate
11 President, and the Speaker of the House of Representatives a copy of the survey and
12 the development plan.

13 SEC. 16. *Conversion and Reclassification of Lands.* – The metes and bounds
14 of the area covered by this section shall be determined by the DENR. There shall be
15 an easement from the low water line along the coast and extending up to twenty (20)
16 meters into the coast along the entire Davao Gulf reckoned from the Municipality of
17 Talaguton extending eastward to Malita, Malalag, Padada, Hagonoy, Digos City,
18 Santa Cruz, Davao City, Panabo City, Carmen, Tagum, Maco, Mabini, Pantukan,
19 Banaybay, Lupon, San Isidro and ending at the Municipality of Governor Generoso.

1 The land use beginning at the end of the easement and extending inwards for
2 a distance of three (3) kilometers is hereby converted into disposable and alienable
3 lands and classified as industrial, commercial, and residential. However, the
4 construction of port facilities along the shorelines shall be exempted from the 20-
5 meter easement and allowed within the three-kilometer distance of the easements
6 which shall be determined by the Authority.

7 SEC. 17. *Davao Gulf Special Economic Freeport Zone.* - There is hereby
8 created the Davao Gulf Special Economic and Freeport Zone, hereinafter referred to
9 as the Freeport Zone, consisting of the cities of Panabo, Tagum, Davao, Island
10 Garden City of Samal and all the islands within the Davao Gulf, and Digos, and the
11 municipalities of Carmen, Mabini, Maco, Pantukan, Banaybanay, Lupon, San Isidro,
12 Governor Generoso, Sta. Cruz, Hagonoy, Padada, Sta. Maria, Malita, Don
13 Marcelino, and Jose Abad Santos.

14 Within thirty (30) days after the approval of this Act, each LGU comprising
15 the Freeport Zone shall submit its resolution to the Office of the President on its
16 concurrence to be part of the Freeport Zone and shall identify a contiguous area in
17 their respective jurisdiction that shall form part of the Freeport zone. Thereafter, the
18 President of the Philippines shall issue a proclamation defining the metes and
19 bounds of the Freeport Zone as provided herein.

1 SEC. 18. *Governing Principles of the Davao Gulf Special Economic Zone.* -

2 The Freeport Zone shall be managed and operated within the framework and
3 subject to the mandate and limitations of the 1987 Constitution and the pertinent
4 provisions of Republic Act No. 7160, also known as the "*Local Government Code of*
5 *1991.*" The Freeport Zone shall be developed into a self-sustaining, industrial,
6 commercial, financial, agro-industrial, banking and investment center to generate
7 employment opportunities in and around the Freeport Zone and to attract and
8 promote productive local and foreign investments.

9 The Authority, in the management of the Freeport Zone shall be guided by the
10 following policies:

11 (a) The Freeport Zone shall continue to be provided with transportation,
12 telecommunications and other facilities needed to attract legitimate and productive
13 investments, generate linkage industries and employment opportunities for the
14 people residing in the areas comprising the Freeport Zone and its neighboring
15 towns and cities;

16 (b) The Freeport Zone may establish mutually beneficial economic
17 relations with other entities or enterprises within the country or with foreign entities
18 or enterprises;

1 (c) The Freeport Zone shall be managed and operated as a separate
2 customs territory ensuring free flow or movement of goods and capital within, into
3 and out of its territory;

4 (d) The Freeport Zone shall provide incentives such as tax and duty-free
5 importations of raw materials, capital and equipment to registered enterprises
6 located therein. However, exportation or removal of goods from the territory of the
7 Freeport Zone to the other parts of the Philippines shall be subject to customs duties
8 and taxes under the Tariff and Customs Code of the Philippines, as amended, and
9 the National Internal Revenue Code (NIRC) of 1997, as amended;

10 (e) The Bangko Sentral ng Pilipinas, through the Monetary Board, shall
11 supervise and regulate the operations of banks and other financial institutions
12 within the Freeport Zone;

13 (f) Banking and finance shall be liberalized with the establishment of
14 foreign currency depository units of local commercial banks and offshore banking
15 units of foreign banks, subject to regulations by the Bangko Sentral ng Pilipinas;

16 (g) The areas comprising the Freeport Zone may be expanded or reduced
17 when necessary. For this purpose, the Authority, with the concurrence of the LGUs
18 comprising the Freeport Zone and in accordance with existing laws and local
19 ordinances, shall have the power to acquire either by purchase, negotiation or
20 condemnation proceedings, any private lands within or adjacent to the area
21 comprising the Freeport Zone for the following purposes:

- 1 (1) Consolidation of lands for development by the Authority;
- 2 (2) Acquisition of right of way by the Authority; and
- 3 (3) Protection of watershed areas and the maintenance and improvement
- 4 of its yield and natural assets valuable to the prosperity of the Freeport Zone, the
- 5 management of solid and water waste and its impact to adjacent areas within the
- 6 LGU concerned.

7 The Authority and the LGUs comprising the Freeport Zone shall provide for a
8 mechanism to address inappropriate exploitation of the natural environment and
9 disruptive land use within the jurisdiction of the Authority.

10 (h) Goods manufactured by enterprises within the Freeport Zone shall be
11 made available for immediate retail sale in the domestic market, subject to the
12 payment of corresponding taxes on raw materials and other regulations that may be
13 formulated by the Authority, together with the Philippine Economic Zone Authority
14 (PEZA), the Bangko Sentral ng Pilipinas, the Department of Finance, the Bureau of
15 Customs (BOC) and the Department of Trade and Industry, in accordance with the
16 NIRC of 1997, as amended, and the Tariff and Customs Code of the Philippines, as
17 amended. However, in order to protect the domestic industries, a negative list of
18 industries shall be drawn up and regularly updated by the PEZA. Enterprises
19 engaged in industries included in such negative list shall not be allowed to sell their
20 products locally; and

(i) The defense of the Freeport Zone and the security of its premises shall be the responsibility of the National Government in coordination with the Authority and the LGUs comprising the Freeport Zone.

CHAPTER III

SUSTAINABILITY PLAN FOR DAVAO GULF

SEC. 19. *Marine Protected Area.* – The Davao Gulf is hereby declared as a marine protected area (MPA) for purposes of sustaining the marine resources therein. The Davao Gulf, as an MPA, shall be under the jurisdiction and management of the Authority.

Inter-tidal areas shall be reserved for the establishment of mangrove swamp forest reserves as part of the MPA, where possible. If the municipalities border each other in such a way that their respective coastlines form a contiguous body, the concerned LGUs may jointly establish and administer the MPA as to reach the optimum size and arrangement of a large zone marine protected area. In case of disagreement, the decision of the Authority shall prevail.

SEC. 20. *No-Take Zone and Spatial Planning.* – The Authority, in coordination with the DENR-Coastal Marine Division (CMD), shall identify the no-take zone where extraction and other fishing activities are prohibited. This zone shall be at least ten percent (10%) but not more than fifteen percent (15%) of the total area of

1 the Davao Gulf. Spatial planning shall also be conducted by the DENR-CMD
2 wherein zones for traditional fishing, ecotourism and no-take zones are identified.

3 No commercial fishing shall be allowed within Davao Gulf.

4 SEC. 21. *Responsible Entities.* – The concerned LGUs, along with members of
5 the community and civil society, the Bureau of Fisheries and Aquatic Resources, the
6 DENR-CMD, the Fisheries and Aquatic Resources Management Councils and the
7 private sector, as well as the Authority shall be responsible for the designation,
8 establishment and management of the MPAs within municipal waters, based on a
9 co-management scheme that accommodates the interests of all the stakeholders.

10 SEC. 22. *Funding for Marine Protected Areas.* – The initial funding for the
11 establishment of the MPA shall be provided for by the Authority. Funds for the
12 sustainable management of the MPA shall also be included in the regular budget of
13 the Authority.

14 SEC. 23. *Management of Existing Marine Protected Areas.* – The DENR shall
15 continue to manage MPAs established under the National Integrated Protected
16 Areas System and all initial components of the system that have passed the
17 requirements pursuant to Republic Act No. 7586, otherwise known as the “*National*
18 *Integrated Protected Areas System Act of 1992.*”

19 All marine protected areas, fishery reserves, fishery refuges or sanctuaries and
20 mangrove swamp forest reserves previously declared or proclaimed by the

1 President, or legislated as such by the Congress of the Philippines, may continue to
2 be supervised by the agency charged with its administration.

3 SEC. 24. *Maintenance of MPA; Liability of Local Officials.* – If a coastal LGU
4 fail to maintain an existing MPA under the jurisdiction of the LGU, the mayor, the
5 vice mayor and the members of the sanggunian of the concerned LGU shall be liable
6 for prosecution under Republic Act No. 3019, otherwise known as the “Anti-Graft
7 and Corrupt Practices Act” and Republic Act No. 6713, otherwise known as the “Code
8 of Conduct and Ethical Standards for Public Official and Employees” and other applicable
9 laws.

10 SEC. 25. *Ecotourism Zone.* – For purposes of conserving the flora and fauna in
11 the Davao Gulf as well as promoting the growth and strengthening the local
12 economy, the Island Garden City of Samal shall be declared an ecotourism zone.
13 Further, there shall be a (20) twenty meter easement from the low water line along
14 the coast of the Island Garden City of Samal as determined by the DENR.

15 The Secretary of Tourism shall include in the department’s program the
16 implementation of this section, the funding of which shall be included in the annual
17 General Appropriations Act. The Secretary of Tourism may also utilize internally
18 generated funds of the department for the implementation of this section.

1 CHAPTER IV

2 CLARIFICATION OF JURISDICTION

3 SEC. 26. *Bookkeeping, Reportorial Requirements and Customs.* – All
4 enterprises in the Freeport Zone shall keep regular and accurate records of their
5 transactions, and maintain books of accounts and allied documents in accordance
6 with the bookkeeping rules and regulations prescribed by the Bureau of Internal
7 Revenue (BIR) and the BOC upon prior notification and coordination with the
8 Authority. For this purpose, the Authority, at its instance or jointly with the BIR or
9 the BOC, is authorized to conduct, at any time during office hours, any audit,
10 checking or inventory count for the verification and reconciliation of the records
11 with the inventory of articles in the Freeport Zone.

12 The provisions of Title IX on the Requirements of Keeping Books of Accounts
13 and Records, Title X on the Statutory Penalties and Offenses, both of the NIRC, as
14 amended, as well as their implementing rules and regulations, shall apply to all
15 enterprises in the Freeport Zone.

16 Persons, baggage, vehicles and cargo entering and leaving the Freeport Zone
17 are subject to search by BOC officials as a condition to enter or leave the Freeport
18 Zone. BOC officials are authorized to examine any merchandise held by the
19 enterprises in the Freeport Zone during regular business hours.

1 The Authority may secure the assistance of or coordinate with BOC officials
2 when arresting persons in the Freeport Zone for violations of customs laws for
3 which the arrest is authorized concerning articles in the customs territory destined
4 to the Freeport Zone or articles which have been removed from the Freeport Zone
5 and destined to the customs territory.

6 SEC. 27. *Security in the Davao Gulf Special Economic and Freeport Zone.* -

7 The Philippine National police (PNP), Philippine Coast Guard (PCG) and the
8 Armed Forces of the Philippines (AFP), in coordination with the Authority, shall
9 provide a special patrol unit for the security of the Freeport Zone. The number of
10 officers shall be determined by the PNP, PCG, and AFP.

11 SEC. 28. *Auditor.* - The Commission on Audit (COA) shall appoint a
12 representative who shall be a full-time auditor of the Authority and its subsidiaries,
13 and assign such number of personnel as may be necessary to assist the COA
14 representative in the performance of duties. The assigned auditor and personnel of
15 COA shall render an annual report to the President of the Philippines and to
16 Congress on the business activities, transactions and operations of the Authority.

17 SEC. 29. *Separability Clause.* - If any provision or part thereof is declared
18 unconstitutional, the remainder of this Act or any provision not affected shall
19 remain in full force and effect.

1 SEC. 30. *Repealing Clause.* – All law, presidential decrees, executive orders,
2 rules and regulations or parts thereof inconsistent with the provisions of this Act are
3 hereby repealed, amended or modified accordingly.

4 SEC. 31. *Effectivity.* – This Act shall take effect immediately after its
5 publication in the *Official Gazette* or in a newspaper of general circulation.

6 Approved,