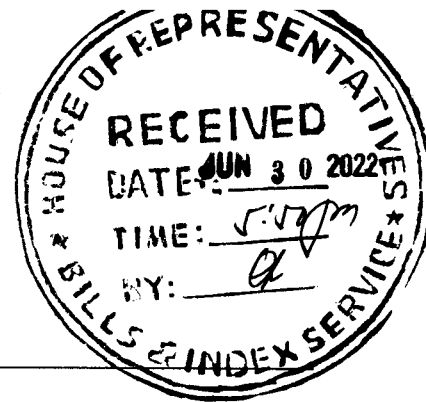


Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

NINETEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 467



Introduced by JANICE Z. SALIMBANGON

**AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE
MUNICIPALITY OF MEDELLIN, PROVINCE OF CEBU, CREATING FOR
THE PURPOSE THE CEBU FOURTH DISTRICT SPECIAL ECONOMIC
ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR**

EXPLANATORY NOTE

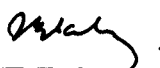
This is a refiled bill. This bill was already approved by the House during the 18th Congress and was already transmitted to the Senate where it was due for plenary deliberation.

This bill seeks for the creation of a special economic zone in the 4th District of Cebu Province. A special economic zone is a responsive tool in eradicating poverty. It is a venue where people can do business, constituents get employed, government income is generated, and progress and development will be achieved. The existence of a special economic zone will undoubtedly redound to the benefit of the people in areas where they operate. Aside from giving the people the opportunity to earn a living, a special economic zone is a sound revenue generating measure for local government.

Of the entire province of Cebu, it is the 4th district that is best suited for the establishment of the said special economic zone. The district has all the economic factors and qualifications required of a viable economic zone. It has the widest stretch of flat land and a very rich land resource. It also has seaports in almost all its component municipalities and city. It is likewise capable of producing literate, educated, and skilled workers.

The creation of a special economic development zone in the district is likewise a tool to decongest the growing population in the highly urbanized areas of Cebu. Highly urbanized areas in Cebu have already experienced severe and heavy traffic due to the migration of people in order to secure a better employment. With the creation of a special economic zone in the 4th District of Cebu, professionals and other qualified individuals living within the area and its neighboring municipalities would not anymore seek for employment elsewhere.

In view of the foregoing considerations, the immediate consideration and approval of this bill is highly recommended.


JANICE Z. SALIMBANGON

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

CHAPTER I
GENERAL PROVISIONS

Section 1. Short Title. - This act shall be known as the "Cebu Fourth District
Special Economic Zone Act."

Section 2. Declaration of Policy. - It is declared the policy of the state to
encourage, promote, and accelerate the sound and balanced industrial, economic and
social development of the country. The establishment of special economic zones shall
attract legitimate and productive foreign investments in strategic locations in the
country. It shall generate employment and increase productivity and individual, as
well as family incomes thereby enhancing the quality of life of the Filipino people.

CHAPTER II
GOVERNING STRUCTURES

***Section 3. Creation of the Cebu 4th District Special Economic Zone
Authority.*** - In accordance with the foregoing declared policy and subject to the
concurrence of the local government unit (LGU) of the Municipality of Medellin,
Province of Cebu, there is hereby established a special economic zone, hereinafter
referred to as the Cebu Fourth District Special Economic Zone or Cebu Fourth
District Ecozone. The Cebu Fourth District Ecozone shall cover a particular area in

the Municipality of Medellin, Province of Cebu, the specific metes and bounds of which shall be more particularly defined in a presidential proclamation that shall be issued for this purpose: Provided, That the lands embraced therein shall be contiguous to one another.

Section 4. Creation of the Cebu Fourth District Special Economic Zone Authority. - There is hereby created a body corporate to be known as the Cebu Fourth District Economic Zone Authority, hereinafter referred to as the CFDEZA, which shall manage and operate the Cebu Fourth District Ecozone, in accordance with the provisions of this Act. The corporate life of the CFDEZA 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.

Section 5. Governing Principles. - The CFDEZA shall manage and operate the Cebu Fourth District Ecozone, under the following principles:

- a) Within the framework and limitations of the Constitution and applicable provisions of Republic Act No. 7160, or the Local Government Code, as amended, the Cebu Fourth District Ecozone 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 Cebu Fourth District Ecozone shall be equipped with transportation, telecommunications, and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the municipality of Medellin, Province of Cebu, and those in neighboring towns and cities;
- c) The Cebu Fourth District 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, the Philippine Economic Zone Authority (PEZA), and 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 Cebu Fourth District Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Cebu Fourth District Ecozone;
- e) The Cebu Fourth District Ecozone shall be managed and operated as a separate customs territory thereby ensuring the free flow or movement of goods and capital within, into and out of its territory, and shall likewise provide incentives subject to Title XIII of the National Internal Revenue Code, as amended. However, exportation or removal of goods from the territory of the Cebu Fourth District Ecozone to the other parts of the Philippine territory shall be subject to customs duties and taxes under

Republic Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act" and other relevant tax laws of the Philippines;

- f) The areas comprising the Cebu Fourth District Ecozone may be expanded or reduced, when necessary, through a presidential proclamation issued for the said purpose. For this purpose, the CFDEZA, in consultation with the LGU, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Cebu Fourth District Ecozone for the following purposes: consolidation of lands for zone development; acquisition of right of way to the Cebu Fourth District Ecozone; and the protection of watershed areas and natural assets valuable to the prosperity of the Cebu Fourth District Ecozone;
- g) Goods manufactured by a Cebu Fourth District Ecozone enterprise may 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 CFDEZA, in coordination with the PEZA, the Bureau of Customs, the Bureau of Internal Revenue, 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 not be allowed to sell their products locally; and
- h) The defense and security of the Cebu Fourth District Ecozone and its perimeter shall be the responsibility of the national government, in coordination with the CFDEZA and the concerned LGU.

Section 6. Development Goals of the Cebu Fourth District Ecozone. –The FDEZA shall determine the development goals of the Cebu Fourth District Ecozone within the framework of national development plans, policies, and goals. The Chairperson-Administrator shall, upon approval by the Board of CFDEZA, submit the plans, programs, and projects of the Cebu Fourth District Ecozone to the Regional Development Council for inclusion in the regional development plan.

Section 7. Capitalization. – The CFDEZA shall have an authorized capital stock of two billion (2,000,000,000.00) no par shares with a minimum issue of Ten pesos (Php10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGU embracing the Cebu Fourth District Ecozone. The Board of Directors of the CFDEZA may, with the written concurrence of the Secretary of Finance, sell shares representing not more than forty per centum (40%) of the capital stock of the CFDEZA to the public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGU of the Municipality of Medellin shall in no case own less than sixty per centum (60%) of the total issued and outstanding capital of the CFDEZA.

The amount necessary to subscribe and pay for the shares of the national government to the capital stock of the CFDEZA shall be included in the General Appropriations Act. For the LGU of the Municipality of Medellin, the funds shall be taken from their internal revenue allotment and other local funds.

Section 8. Principal Office of the CFDEZA. - The CFDEZA maintain its own principal office in the Municipality of Medellin, Province of Cebu, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

Section 9. Powers and Functions of the CFDEZA. – The CFDEZA shall have the following powers and functions:

- a) To operate, administer, manage, and develop the Cebu 4th District Ecozone according to the principles and provisions set forth in this Act.
- b) To register, regulate and supervise the enterprises in the Cebu 4th District Ecozone in an efficient and decentralized manner, subject to existing laws.
- c) To coordinate with LGUs and exercise general provision over the development plans, activities, and operations of the Cebu 4th District Ecozone.
- d) To regulate and undertake the establishment, construction, operation and maintenance of public utilities, other services, and infrastructure in the Cebu 4th District Ecozone such as light and power in coordination with the National Electrification Administration, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications transport, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines (CAAP), and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act;
- e) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchise, license, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law, as amended), or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Cebu 4th District Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
- f) To approve plans, programs, and projects of the Cebu 4th District Ecozone to be submitted to the Regional Development Council for inclusion and inputs to the overall regional development plan;
- g) To operate on its own, either directly or through license to others, tourism-related activities, including games, amusements, recreational and sports facilities;
- h) To raise or borrow, within the limitations provided by law, and subject to the approval or opinion of the Monetary Board of the Bangko Sentral ng Pilipinas (BSP), as the case may be, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act and for this 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 asset;

i) To protect, preserve, maintain, and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within the Cebu 4th District Ecozone. Notwithstanding the Authority of the CEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the CEZA;

j) To create, operate and/or contract to operate such functional units or offices of the CEZA as it may deem necessary;

k) To adopt, alter and use a corporate seal, contract, lease, buy, acquire, own or otherwise dispose of personal and/or real property of whatever nature; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

l) To issue certificate of origin for products manufactured or processed in the Cebu 4th District Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the Philippine Economic Zone Authority (PEZA), the Department of Trade and Industry (DTI) and/or the Department of Finance (DOF);

m) To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Cebu 4th District Ecozone, in coordination with government agencies having jurisdiction over activities therein. Provided, that all government agencies are directed to provide and extend utmost and full cooperation to the Cebu 4th District Ecozone in the establishment of such one-stop shops;

n) To provide internal security to the Cebu 4th District Ecozone in coordination with the National government and affected LGU. For this purpose, the CEZA shall provide and establish its own internal security and firefighting forces or hire others to provide the same. Military forces sent by the national government for the purpose of defense shall not interfere in the internal affairs of the Cebu 4th District Ecozone and expenditures for these military forces shall be borne by the National Government;

o) 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 purpose, objectives and policies of this Act; and

p) To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purpose, objectives and policies provided herein.

Section 10. Board of Directors of the CFDEZA. – The powers of the CEZA 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 at the same time be the administrator of the CEZA
- b) A Vice-Chairperson, who shall come from among the members of the Board;
- c) Members consisting of;
 - 1) The Governor of the Province of Cebu or duly authorized representative from the Provincial Government of Cebu;
 - 2) The Mayors of the Municipality of Medellin;
 - 3) One (1) representative from the investors' group
 - 5) One (1) representative from the workers working in the Cebu 4th District Ecozone.

The Governor or the Governor's duly authorized representative and the mayor of the Municipality of Medellin shall serve as ex-officio members of the Board, whose term in the Board corresponds to their term as elected officials.

The Chairperson-Administrator and 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 separated from service due to death, voluntary resignation, or removal for cause. In case of death, resignation or removal for cause, their replacements shall serve only the unexpired portion of the respective terms. No person shall be appointed as a member of the Board unless the person 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.

The members of the Board, except the ex-officio members, shall each receive per diem allowance at rates to be determined by the Department of Budget and Management (DBM) in accordance with existing rules and regulations: *Provided, however,* that the total per diem allowance collected each month shall exceed the equivalent per diem allowance 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 allowance shall not be more than ten thousand pesos (P10,000.00) for every Board meeting.

Section 11. Organization and Personnel. - The Board of Directors of the CFDEZA shall provide for its organization and staff. The Board shall appoint and fix the remuneration and other emoluments of its offices and employees in accordance with existing laws on compensation and position classification. The Board shall have exclusive and final authority to promote, transfer, assign, reassign or remove officers of the CFDEZA, any provision of existing law to the contrary notwithstanding. The chairperson-administrator shall execute the decisions of the Board.

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

No officer or employee of the CFDEZA shall be removed or suspended except for cause, as provided for by the civil service rules and regulations.

Section 12. Powers and Duties of the Chairperson-Administrator. - The Chairperson-Administration shall have the following powers and duties:

- a) To direct and manage the affairs of the CEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the CEZA 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 Cebu 4th District Ecozone;
- f) To recommend to the Board the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification;
- g) 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 Cebu 4th District Ecozone; and
- h) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

Section 13. Legal Counsel. - The CEZA 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 CEZA may engage the services of an outside counsel either on a case to case or on a fixed retainer basis.

CHAPTER III

INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS

Section 14. Investor's Visa. – Any foreign national who invests an amount of Two hundred thousand US dollars (US\$200,000.00) in a registered enterprise, either in cash or equipment, shall be entitled to an investor's visa: *Provided*, that the foreign national has the following qualifications;

- a) Must be at least 18 years of age;

- b) Must not have been convicted by final judgement of a crime involving moral turpitude;
- c) Must not be afflicted with any loathsome, dangerous or contagious disease;
- d) Must not have been confined in an institution for any mental disorder or disability; and
- e) Must be financially capable as borne out by credible and verifiable evidence.

With an investor's visa, an alien shall be entitled to reside in the Philippines while his investment subsists. The alien should submit an annual report, in the form duly prescribed for the purpose, to prove that the investment in the country subsists. Should said alien withdraw his investments from the Philippines, then the investor's visa to said alien shall automatically expire and be withdrawn.

The authority to issue visas and work permits shall remain with the Bureau of Immigration (BI) and the Department of Labor and Employment (DOLE), respectively: Provided, that the BI and the DOLE shall implement measures to expedite the processing of such visas and permits for workers in the Cebu 4th District Ecozone and coordinate closely with the CFDEZA to facilitate the conduct of business operations.

Section 15. Fiscal Incentives. – Registered enterprises of the Cebu Fourth District Ecozone may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of the National Internal Revenue Code, as amended.

Section 16. Banking Rules and Regulations Governing Banks and Other Financial Institutions. – Banks and other BSP-supervised financial institutions to be established in the Cebu Fourth District Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

Section 17. Remittances. - In the case of foreign investments, a duly registered entity or enterprise within the Cebu Fourth District Ecozone shall have the right to remit earnings to its investors in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as the "New Central Bank Act" as amended.

CHAPTER IV NATIONAL GOVERNMENT AND OTHER ENTITIES

Section 18. Supervision and Control. - For purposes of policy direction and coordination, the CFDEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

Section 19. Relationship with the Local Government Unit. - Except as herein provided, the LGU of the Municipality of Medellin shall retain its basic autonomy and identity. It shall operate and function in accordance with the framework of the Constitution, the Local Government Code of 1991, as amended, and this Act. In case

of any conflict among the CFDEZA, the LGU and the national government on matters affecting the Cebu Fourth District Ecozone, other than national defense and security matters, the decision of the CFDEZA shall prevail.

Section 20. Audit. - The Commission on Audit shall appoint a full-time auditor for the CFDEZA and may assign such number of personnel as may be necessary to assist the auditor in the performance of the auditor's functions.

CHAPTER V MISCELLANEOUS

Section 21. Interpretation and Construction. - The powers, authorities and functions that are vested in the CFDEZA are intended to enhance national security, encourage self-sufficiency, foster meaningful decentralization of government functions and authority, and promote the efficient and effective collaboration among the CFDEZA, the national government and the LGU of the Municipality of Medellin. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that shall protect national security.

Section 22. Applicability Clause. - Insofar as they are consistent with the provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, Otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise apply to the Cebu Fourth District Ecozone.

Section 23. Implementing Rules and Regulations. - Within sixty (60) days from effectivity of this Act, the DTI shall, in coordination with the DOF and the National Economic and Development Authority, formulate rules and regulations for the effective implementation of the provisions of this Act.

Section 24. Separability Clause. - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Section 25. Repealing Clause. - All laws, executive orders or issuances or any part thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

Section 25. Effectivity. - This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

Approved,