



Republic of the Philippines
House of Representatives
Quezon City

NINETEENTH CONGRESS

First Regular Session

House Bill No. 1617



Introduced by Representative Albert Raymond S. Garcia

EXPLANATORY NOTE

The Special Defense Economic Zone (SpeDEZ) is a necessary and timely undertaking that synergizes the private sector's and government's efforts to have a globally competitive arms industry. With rapidly changing economic and security conditions in the region, the need to find ways to strengthen the country's domestic defense industry is imperative. The SpeDEZ aims to help realize this goal.

A first in the country and in South East Asia, the SpeDEZ will serve as an independent authority geared towards the research, development, production, and distribution of products for military and defense.

It will not only bolster our country's innate capability in the field of arms research, development, and manufacturing, but also significantly contribute to the country's economic productivity.

The passage of this bill is earnestly sought.


REP. ALBERT RAYMOND S. GARCIA
Second District, Bataan



Republic of the Philippines
House of Representatives
Quezon City

NINETEENTH CONGRESS

First Regular Session

House Bill No. 1617

Introduced by Representative Albert Raymond S. Garcia

AN ACT

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

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

3 **SECTION 1. Short Title.** - This Act shall be known as the "SPECIAL DEFENSE
4 ECONOMIC ZONE (SpeDEZ) ACT".

5 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to develop
6 a self-reliant and independent national economy effectively controlled by Filipinos. The State
7 recognizes the indispensable role of the private sector, encourages the participation of private
8 enterprise, and provides incentives to needed investments. Further, the State actively
9 encourages, promotes and accelerates the sound and balanced industrial, economic and social
10 development of the country through the establishment, of special economic zones in suitable
11 and strategic locations in the country. In so doing, the State is able to attract legitimate and
12 productive foreign investments that provide jobs especially to those in the rural areas, improve
13 productivity and family incomes, and thereby improving the level and quality of living conditions
14 of the people.

15 **SEC. 3. Creation of the Special Defense Economic Zone** – There is hereby created
16 a special economic zone in Camp General Antonio Luna, Lamao, Municipality of Limay in the

Province of Bataan, hereinafter referred to as the Special Defense Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and defense-related advanced technologies, information and communications technology, research and development and their support industries. The SpeDEZ shall cover the Government Arsenal Industrial Estate inside Camp General Antonio Luna located in the Municipality of Limay, Province of Bataan measuring approximately three hundred seventy (370) hectares, including the seventy (70) hectares of land within which the Government Arsenal (GA), as created by Republic Act 1884, otherwise known as "An Act to Establish A Government Arsenal, Provide for its Operation and for Other Purposes" operates, the portions allocated for the expansion of the GA, areas where existing manufacturing facilities for defense materiel and equipment are located, subject to compliance with Section 5(k) of this Act, and all other areas which may be declared as part of the SpeDEZ in compliance with Section 5(h) of this Act: *Provided*, That the GA shall remain a line bureau of the Department of National Defense (DND) in accordance with Republic Act 1884, Executive Order No. 292, Series of 1987, otherwise known as the "Administrative Code of the Philippines", Republic Act No. 7898, as amended by Republic Act No. 10349, otherwise known as the "AFP Modernization Act", Executive Order No. 303 series of 2004, and other prevailing laws and executive issuances. Except for necessary coordination on matters of mutual and higher security concerns emanating from the very nature of their respective mandates, the operations of the GA shall remain independent of the management of the SpeDEZ, and the Special Defense Economic Zone Authority (SpeDEZA), as created by this Act, shall not interfere with the activities conducted in the seventy (70) hectare area on which the GA maintains and operates its buildings and structures: *Provided, further*, That the SpeDEZ shall not be expanded nor operated to the prejudice of the GA and the GA shall not be expanded nor operated to the prejudice of the SpeDEZ. The GA and the SpeDEZA shall continuously coordinate to ensure smooth and seamless operations involving the SpeDEZ and the GA: *Provided finally*, That investors who intend to do business in the GA area may do so only upon written consent of the GA prior to registration with the SpeDEZA.

SEC. 4. Creation of the Special Defense Economic Zone Authority. - There is hereby created a specialized and independent body corporate to be known as the Special Defense Economic Zone Authority (SpeDEZA) which shall manage and operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be considered a government instrumentality vested with corporate powers.

Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as "An Act Requiring Government-Owned or Controlled Corporations to Declare Dividends under Certain Conditions to the National Government, and for other Purposes", all dividends remitted by the SpeDEZA shall be exclusively utilized for the Armed Forces of the Philippines Modernization

1 Program and the self-reliant defense posture programs of the national government. In no case
2 shall dividends remitted by the SpeDEZA be used otherwise.

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

- 5 a) Within the framework and limitations of the Constitution, Republic Act No. 1884,
6 Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act No.
7 10697, otherwise known as the "Strategic Trade Management Act", Executive Order
8 No. 303, Series of 2004, and applicable provisions of the Local Government Code,
9 the SpeDEZ shall be developed into and operated as a hub for decentralized, self-
10 reliant and self-sustaining industrial, commercial, trading, research, development,
11 engineering, information and communications technology and financial investment
12 exclusive for defense, military and law enforcement commercial activities and
13 investments, with provision for suitable residential, educational, recreational, and
14 commercial areas;
- 15 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the SpeDEZ may
16 continue to be provided by the national government and local governments with
17 transportation, telecommunications and other facilities needed to attract legitimate
18 and productive investments, generate linkage with industries and employment
19 opportunities for the people of the Province of Bataan and its neighboring towns and
20 cities: *Provided*, That the autonomy and self-reliance of the SpeDEZ shall not be a
21 hindrance to assistance nor partnerships with other units and instrumentalities of
22 the government: *Provided further*, That no assistance or partnership be construed
23 as a waiver of the autonomy of the SpeDEZA;
- 24 c) The SpeDEZA may establish mutually beneficial economic defense relations with
25 other investment promotion agencies, entities or enterprises within the country or
26 with foreign entities or enterprises: *Provided*, That the SpeDEZA shall seek
27 clearance from the DND and administrative guidance from the Department of
28 Foreign Affairs (DFA) as to relations with foreign entities or enterprises;
- 29 d) Foreign citizens and companies owned by non-Filipinos may set up enterprises in
30 the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject
31 to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos
32 or the GA in the defense and security industry within the territorial jurisdiction of the
33 SpeDEZ: *Provided*, That the SpeDEZA may require individual locators to be subject
34 to the provisions and limitations provided for by the Strategic Trade Management

1 Act, Foreign Investment Act and the Regular Foreign Investment Negative List
2 issued by the President: *Provided further*, That the SpeDEZA may require a
3 minimum investment in freely convertible currencies from any enterprise seeking
4 registration as a locator of the SpeDEZ. All investments in the SpeDEZA shall fall
5 under the priorities, thrusts and limits provided for in this Act: *Provided finally*, That
6 all investments that do not directly or indirectly further defense, military and law
7 enforcement investments shall be prohibited from doing business within the SpeDEZ
8 except for businesses that cater to or support the locators, their employees, and the
9 residents of the SpeDEZ.

10 e) Subject to the limitations in this Act and its implementing rules and regulations, the
11 SpeDEZ shall be managed and operated as a separate customs territory ensuring
12 free flow or movement of necessary goods, products, and capital within, into and out
13 of its territory: *Provided*, That subject to Section 14 of this Act, the SpeDEZ and all
14 activities conducted therein shall be exempt from payment of all national and local
15 taxes: *Provided further*, That in accordance with Sections 301 and 817 of Republic
16 Act No. 10863, otherwise known as the "Customs Modernization and Tariff Act", the
17 Bureau of Customs (BOC) shall continue to exercise border protection and customs
18 control authority over the customs territory adjacent to the SpeDEZ and to this end
19 shall consult, coordinate, cooperate with the SpeDEZA to enhance its protection and
20 control capacity and ensure compliance with customs laws and regulations;

21 f) The SpeDEZA shall provide incentives, such as tax and duty-free admissions of raw
22 materials, capital, and equipment to registered enterprises of the SpeDEZ: *Provided*,
23 That exportation or removal of goods from the territory of the SpeDEZ to the other
24 parts of the Philippine territory shall be subject, as applicable, to customs duties and
25 taxes under the Customs Modernization and Tariff Act (CMTA), as amended, and
26 the National Internal Revenue Code (NIRC) of 1997, as amended: *Provided further*,
27 that sales of good from the SpeDEZ to the Armed Forces of the Philippines (AFP),
28 Philippine National Police (PNP) and local government units (LGUs) for defense and
29 security purposes shall be exempt from all customs duties, national and local taxes:
30 *Provided, finally*, that subject to coordination with the BOC, customs transit to and
31 from the SpeDEZ, through the Port of Lamac or other ports, shall also be considered
32 tax and duty-free;

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

1 h) The areas comprising the SpeDEZ may be expanded or reduced when necessary
2 to improve its investment promotion capacity, ensure public order and safety,
3 consolidate lands for SpeDEZ development, acquire right of way or access
4 necessary and appropriate to the SpeDEZ, protect and safeguard watershed areas
5 or maintain and improve water yield for the benefit of the SpeDEZ and LGUs,
6 manage solid and water waste in compliance with existing national laws and local
7 ordinances, and promote the public good. For this purpose, the SpeDEZA, with the
8 concurrence of the appropriate and affected LGUs in the Province of Bataan, in
9 accordance and in compliance with existing national laws and local ordinances, shall
10 have the power to acquire, procure, increase, or otherwise expand, either by
11 purchase, negotiation or condemnation proceedings, any private or public lands and
12 their respective water territories within the Province of Bataan: *Provided*, That when
13 applicable, the municipal waters of up to fifteen (15) kilometers from the low water
14 mark area of the edge of the SpeDEZ shall be deemed included in the territorial
15 jurisdiction of the SpeDEZ: *Provided further*, That the SpeDEZA and the relevant
16 LGUs shall utilize immediate and responsive mechanisms, best management
17 practices and suitable environmental protection programs for land and coastal zone
18 management to address any abuse and/or exploitation of the natural environment
19 within the territorial jurisdiction of the SpeDEZ;

20 i) Products and goods researched and developed, engineered or manufactured by
21 registered enterprises may be made available in the domestic market, subject to the
22 limitations in this Act and its implementing rules and regulations, payment of
23 corresponding duties, customs and taxes on raw materials as provided by the NIRC
24 of 1997, as amended, and the CMTA, as amended, approval by the DND or the PNP
25 in accordance with Republic Act No. 10697 and the Regular Foreign Investment
26 Negative List issued by the President, other regulations that may be formulated by
27 the SpeDEZA, and other applicable regulations and limitations imposed in
28 accordance with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP),
29 Department of Finance (DOF), BOC and Department of Trade and Industry (DTI):
30 *Provided*, That in cooperation with the SpeDEZA, the DND and PNP shall provide
31 and implement measures to improve ease and cost of doing business within the
32 SpeDEZ and enhance the investment promotion capacity of the SpeDEZA: *Provided*
33 *further*, That in order to protect domestic industries, a negative list of industries shall
34 be drawn up and regularly updated by the SpeDEZA: *Provided finally*, That
35 enterprises engaged in industries included in such negative list shall not be allowed
36 to sell their products locally, notwithstanding the registration of such enterprises in
37 the SpeDEZ; and

1 j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the security of its
2 perimeter fence shall be the responsibility of the National Government, through the
3 AFP and the GA, in coordination with the SpeDEZA.

4 k) All existing local defense industries located outside the GA Industrial Estate as
5 defined in Section 3 of this Act shall, subject to their prior registration with the
6 SpeDEZA, enjoy the same benefits and incentives granted under this Act: *Provided,*
7 That the local defense industries concerned shall obtain the concurrence of the
8 LGUs where their operations are located. Nothing in this provision shall compel said
9 local defense industries to register with SpeDEZA or prevent them from availing
10 similar benefits and incentives through other investment promotion agencies. In no
11 case shall they be allowed to avail incentives from two or more investment promotion
12 agencies.

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

15 a) To adopt, alter, and use a corporate seal;

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

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

22 d) To exercise the power of eminent domain for public use and public purpose;

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

26
27 f) To recommend to the President the issuance of a proclamation or any executive
28 issuance to fix or delimit the metes and bounds of the SpeDEZ;

29 g) To register, regulate and supervise the entities and enterprises in the SpeDEZ in a
30 competent and efficient manner that, as far as practicable, balances ease of doing
31 business and sound restriction or regulation of activities; the SpeDEZA may also
32 register, regulate, and supervise defense-related enterprises outside of the SpeDEZ
33 territory as defined in Section 3 and Section 5(h) of this Act: *Provided,* That the

1 SpeDEZA shall submit to the DND a quarterly report on the profile of locators and
2 other registered enterprises of the SpeDEZ.

3 h) To formulate and exercise general and sole supervision over the implementation of
4 the development plans, activities and operations of the SpeDEZ: *Provided That*, the
5 SpeDEZA may coordinate with LGUs when necessary to promote development in
6 the SpeDEZ;

7 i) To authorize or undertake, on its own or through others, and regulate the
8 establishment, construction, operation and maintenance of public utilities, services,
9 and infrastructure in the SpeDEZ such as shipping, barging, stevedoring, cargo,
10 handling, hauling, warehousing, storage of cargo, port services or concessions,
11 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
12 bridges, reclamation projects, terminals, conveyors, water supply and storage,
13 sewerage, drainage, airport operations in coordination with the Philippine Ports
14 Authority (PPA), the Civil Aviation Authority of the Philippines (CAAP), and the AFP,
15 and such other services or concessions or infrastructure necessary or incidental to
16 the accomplishment of the objectives of this Act: *Provided, That* the registered
17 enterprises of the SpeDEZ shall be given priority in the awarding of contracts,
18 franchises, licenses, or permits for the establishment, operation and maintenance of
19 utilities, services and infrastructure in the SpeDEZ;

20 j) To issue license, set fees, regulate the establishment, operation, and maintenance
21 of utilities, educational and medical institutions, infrastructure related to military,
22 defense and law enforcement investments and other services in the SpeDEZ such
23 as, heat, light and power, water supply, telecommunications, mobile, internet and
24 other data facilities, transport, toll roads and bridges and port services, and to fix
25 just, reasonable and competitive rates, fares, charges and prices thereof;

26
27 k) To construct, acquire, own, lease, operate and maintain on its own or through
28 contracts, franchises, licenses, bulk purchase from the private sector and build-
29 operate-transfer scheme or joint venture with the private sector, any or all of the
30 public utilities and infrastructure required or needed for the operation and
31 development of the SpeDEZ, including transportation, access and connection to,
32 and out of the SpeDEZ, in coordination with appropriate national and local
33 government authorities and in conformity with applicable laws;

34 l) To raise or borrow, within the limitation provided by law, and subject to the approval
35 or opinion of the Monetary Board of the BSP, as the case may be, adequate and
36 necessary funds from local or foreign sources, to finance its projects and programs

1 under this Act, and for this purpose, to issue bonds, promissory notes, and other
2 forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed
3 of trust, or an assignment of all or part of its property or assets, subject to Section
4 6(b) of this Act;

5 m) To enter into Public-Private Partnerships, build-operate-transfer schemes or any of
6 its variants, management contract, joint venture, co-production, or similar
7 agreements with local or foreign entities for the management and operation of the
8 SpeDEZ, a portion thereof, or any enterprise registered therein to ensure the viability
9 of the SpeDEZ;

10 n) To ensure that the area covered by the SpeDEZ is secure at all times: *Provided*,
11 That in the event that the assistance of the AFP or PNP is necessary, the AFP or
12 PNP shall not interfere in the internal affairs of the SpeDEZA, except to provide the
13 necessary security and defense, or law enforcement assistance, as the case may
14 be: *Provided finally*, That expenses of the AFP or PNP in the SpeDEZ shall be borne
15 by the national government;

16 o) To protect, preserve, maintain and develop the forests, beaches, coral and coral
17 reefs, and maintain ecological balance within the SpeDEZ: *Provided*, That
18 notwithstanding the authority of the SpeDEZA to create rules for such purpose, the
19 rules and regulations of the Department of Environment and Natural Resources
20 (DENR) and other government agencies involved in the above functions shall be
21 implemented by the SpeDEZA: *Provided further*, That the SpeDEZA shall create an
22 Ecology Center for such purpose;

23 p) To create, operate or contract to operate such functional units or offices of the
24 SpeDEZA as it may deem necessary;

25 q) To issue certificates of origin for products manufactured or processed in the
26 SpeDEZ;

27 r) To issue rules and regulations necessary to implement and accomplish the
28 purposes, objectives and policies provided herein, in consultation with DND, DTI,
29 DOF and other relevant government agencies;

30 s) To appropriately zone the SpeDEZ and provide for buffer zones, when necessary,
31 and reserve areas for housing;

32 t) To establish one-stop shops for the issuance of all necessary permits, clearances,
33 licenses, and other similar certifications to conduct such activities intended to
34 improve the ease of doing business within the SpeDEZ, in coordination with

1 government agencies having jurisdiction over activities in the SpeDEZ not otherwise
2 solely reserved to the SpeDEZA: *Provided*, That all government agencies are
3 directed to provide and extend utmost and full cooperation to the SpeDEZA in the
4 establishment of such one-stop shops; and,

5 u) To perform such other functions as may be provided by law.

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

9 a) The Secretary of the DND who shall be the ex officio Chairman;

10 b) The Administrator of the SpeDEZA as Vice-Chairman: *Provided*, That in the
11 absence of the Chairman, the Vice-Chairman shall preside over the meetings of
12 the Board;

13 c) Members who shall consist of the following:

14 1. Assistant Secretary for Plans and Programs (ASPP) of the DND;

15 2. Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of the
16 DND;

17 3. Director of the GA;

18 4. One (1) representative from the investors within the SpeDEZ;

19 5. One (1) representative from the workers working in the SpeDEZ;

20 6. One (1) representative from the province of Bataan;

21 7. One (1) representative from the municipality of Limay, Bataan;

22 8. One (1) representative from the legislative district covering the site of the
23 SpeDEZ; and

24 9. Two (2) independent directors with proven expertise in defense and security
25 strategies to be recommended by the SpeDEZA Board.

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

29 In the event the Chairman and Vice-Chairman are unable to attend a meeting, the
30 members present constituting a quorum shall elect amongst themselves the Presiding
31 Officer for that particular meeting. The Presiding Officer shall not have voting rights

except to break a tie. For the purpose of determining the presence of a quorum, vacant seats shall not be considered.

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

All members of the Board shall be Filipino citizens and no person shall be appointed by the President of the Philippines as a member of the Board unless one is of good moral character and proven probity and integrity. Except for the representatives of the DND, GA and workers, members of the Board are required to be degree holders in any of the following fields: economics, business, public administration, law, management, military science, 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 member shall each receive *per diem* at rates to be determined by the Department of Budget and Management (DBM) in accordance with existing rules and regulations: *Provided*, That the total *per diem* collected each month shall not exceed the equivalent *per diem* for four (4) meetings.

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

SEC. 9. Powers and Duties of the Administrator. - The Administrator shall have the following powers and duties:

- a) To direct and manage the affairs of the SpeDEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the SpeDEZA 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 SpeDEZA;
- f) To create a mechanism for coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the SpeDEZ;
- g) To preside at the meetings of the Board of the SpeDEZA in the absence of the Chairman;
- h) To directly administer and supervise the operations and day-to-day business activities of the SpeDEZA;
- i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other instruments affecting its interests and duly approved by the Board; and
- j) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

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

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

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

No officer or employee of the SpeDEZA, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

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

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

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

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

- 24 a) Must be at least eighteen (18) years of age;
- 25 b) Must not have been convicted by final judgment of a crime involving moral turpitude;
- 26 c) Must not be afflicted with any loathsome, dangerous or contagious disease;
- 27 d) Must not have been institutionalized for any mental disorder or disability; and
- 28 e) Must establish by verifiable and credible evidence one's financial capability and
29 capacity.

30 As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while
31 the investment subsists. For this purpose, the alien should submit an annual report, in the form
32 duly prescribed for the purpose, to prove that the investor has maintained the investment in the
33 country. Should said alien withdraw the investments from the Philippines, then the investor's
34 visa issued to said alien shall automatically expire and /or be withdrawn.

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

6 **SEC.14. Fiscal Incentives.** – Registered enterprises of the special defense economic
7 zone may be entitled to existing pertinent fiscal incentives granted under Executive Order No.
8 226, as amended, otherwise known as the Omnibus Investments Code of 1987.

9 **SEC. 15. Administration, Implementation and Monitoring of Incentives.** - For the
10 proper administration, implementation and monitoring of tax incentives provided under this Act,
11 the following are herein mandated:

12 (a) The SpeDEZA shall be responsible for the administration, management,
13 enforcement and implementation of the incentives granted to registered enterprises:
14 *Provided*, That the SpeDEZA shall adopt and implement systems and procedures
15 governing defense and military trade and shall comply with established customs
16 policies: *Provided further*, That the BOC shall set up and establish a customs controlled
17 area outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ
18 operating outside its territory to facilitate payment of taxes on goods entering the
19 Philippine customs territory: *Provided finally*, That notwithstanding the limitations in this
20 Act, the SpeDEZA and the BOC may coordinate and jointly implement measures on
21 border protection; and

22 (b) In the interest of enhancing transparency in the management and accounting of tax
23 incentives in the SpeDEZ, the SpeDEZA shall comply with the provisions of Republic
24 Act No. 10708, otherwise known as "The Tax Incentives Management and
25 Transparency Act (TIMTA)" and the rules and regulations issued to implement it.

26 **SEC. 16. Banking Rules and Regulations.** – Banks and financial institutions to be
27 established in the SpeDEZ shall be under the supervision of the BSP and shall be subject to
28 existing banking laws, rules and regulations.

29 **SEC. 17. Remittances.** - In the case of foreign investments, a duly registered entity or
30 enterprise within the SpeDEZ shall have the right to remit earnings from the investment in the
31 currency in which the investment was originally made and at the exchange rate prevailing at
32 the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as
33 "The New Central Bank Act", as amended.

1 **SEC. 18. *Multi-Year Contracts and Other Contractual Arrangements*** – To spur the
2 development of SpeDEZ as a self-reliant and self-sustaining defense investment hub where
3 duly qualified and selected locators are provided with guaranteed market access, the DND, the
4 Armed Forces of the Philippines (AFP), the Philippine Coast Guard (PCG), and the Philippine
5 National Police (PNP) are hereby directed to procure their defense equipment and materiel,
6 whenever available and practicable, from defense manufacturers and suppliers registered with
7 the SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter into
8 multi-year contracts and other multi-year contractual arrangements with manufacturers or
9 suppliers registered with the SpeDEZA subject to existing laws, rules, regulations and
10 guidelines.

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

17 **SEC. 19. *Countertrade*** – Whenever applicable and practicable, any of the countertrade
18 arrangements defined in Executive Order No. 120 should be explored in pursuing defense-
19 related acquisitions. The SpeDEZA in consultation with the DND, Department of Trade and
20 Industry (DTI), and other concerned offices, shall identify or develop a list of goods and services
21 or industries which may be subject to a countertrade.

22 **SEC. 20. *Capitalization***. - The SpeDEZA shall have an authorized capital stock of three
23 billion pesos (P3,000,000,000.00) to be subscribed wholly by the national government.

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

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

31 **SEC. 21. *Supervision and Control***. - For purposes of policy direction and coordination,
32 the SpeDEZA shall be under the direct control and supervision of the Office of the President of
33 the Philippines.

1 **SEC. 22. Regional Development Council.** - The SpeDEZA shall determine the
2 development goals for the SpeDEZ within the framework of national development plans,
3 policies and goals. The Chairman and Administrator of the SpeDEZA shall, upon approval by
4 the Board, submit the SpeDEZA plans, programs and projects to the Regional Development
5 Council for inclusion and inputs to the overall regional development plan.

6 **SEC. 23. Relationship with Local Government Units.** - Except as herein provided,
7 the Municipality of Limay in the Province of Bataan and such other local government units where
8 registered enterprises of the SpeDEZ conduct business, shall operate and function in
9 accordance with the framework of the Constitution, Local Government Code of 1991, Republic
10 Act No. 7898, as amended by Republic Act No. 10349, and applicable provisions of and this
11 Act.

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

15 **SEC. 24. Legal Office.** - The SpeDEZA shall have and maintain its own internal legal
16 office, appropriate in number under the supervision of the Government Corporate Counsel.
17 When the exigencies of its businesses and operations demand, the SpeDEZA may engage the
18 services of an outside counsel either on a case to case or a fixed retainer basis. Such
19 engagement shall require further approval and concurrence of the Office of the Government
20 Corporate Counsel or the Office of the Solicitor General and the Commission on Audit.

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

29 **SEC. 26. Audit.** - The Commission on Audit shall appoint a full-time auditor in the
30 SpeDEZA or may assign such number of personnel as may be necessary in the performance
31 of its functions.

32 **SEC. 27. Transitory Provisions.** The SpeDEZA shall be responsible for the operation,
33 administration, management and development of the SpeDEZ. The SpeDEZA shall effect the

1 transfer herein provided in a manner that will ensure the least disruption of ongoing programs
2 of the GA.

3 **SEC. 28. *Implementing Rules and Regulations.*** – The SpeDEZA, DTI, DOF, DND,
4 PNP, PCG, and the LGU shall formulate the implementing rules and regulations to implement
5 this Act within ninety (90) days after its approval. Such rules and regulations shall take effect
6 fifteen (15) days after its publication in a newspaper of general circulation in the Philippines.

7 **SEC. 29. *Applicability Clause.*** – Insofar as these are consistent with the provisions of
8 this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known as "The
9 Special Economic Zone Act of 1995", as amended, shall likewise apply to the SpeDEZ.

10 **SEC. 30. *Separability Clause.*** - If any provision of this Act shall be held unconstitutional
11 or invalid, the other provisions not otherwise affected shall remain in full force and effect.

12 **SEC. 31. *Repealing Clause.*** - All laws, executive orders or issuances or any part
13 thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

14 **SEC. 32. *Effectivity.*** - This Act shall take effect fifteen (15) days after its publication in
15 the *Official Gazette* or in a newspaper of general circulation.

16 **Approved,**