

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

Nineteenth Congress
First Regular Session

HOUSE BILL NO. 7580



INTRODUCED BY REPRESENTATIVE ADRIAN MICHAEL A. AMATONG

EXPLANATORY NOTE

This bill seeks to create a special economic zone in the Municipality of Liloy, Province of Zamboanga del Norte, to be known as the Zamboanga del Norte Special Economic Zone (Zamboanga del Norte Ecozone), which shall be managed and operated by the Zamboanga del Norte Special Economic Zone Authority.

Special economic zones are drivers for economic recovery and growth, as they aim to improve areas which have the potential to be developed into agro-industrial, tourist/recreational, commercial, banking, investment and financial centers.

One of the areas that is ripe for economic development is Zamboanga del Norte, as it has vast lands suitable for commercial agricultural production and it is rich in marine resources, being bordered by the Sulu Sea. While Zamboanga del Norte has been widely known for its bottled sardines, the province also produces and exports other agricultural products, such as coconuts, cacao and rubber. Another emerging industry in the province is the smoked fish industry, which will expand the country's halal food production and export, specially to the nearby countries of Malaysia, Indonesia, and Brunei.

Establishing the special economic zone in the Municipality of Liloy is also strategic, as the municipality is the geographical center of the Province of Zamboanga del Norte. The municipality has many idle public lands where offices, factories, and facilities of investors can be constructed. It also has an existing airport and seaport and has a good road network even to the nearby Provinces of Zamboanga Sibugay and Zamboanga del Sur, which allow for convenient transportation of goods and passengers. With its pristine beaches and remarkable coastlines, tourism in the municipality is also continuously growing.

This measure will in turn uphold the policy of the State, as provided under R.A. No. 7916, as amended, to "actively encourage, promote, induce, and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people specially those in the rural areas, increase their productivity and their individual and family income, and thereby improve the level and quality of their living condition through the establishment, among others, of special economic zones in suitable and strategic locations in the country."

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


ADRIAN MICHAEL A. AMATONG

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**AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE
MUNICIPALITY OF LILOY, PROVINCE OF ZAMBOANGA DEL NORTE,
CREATING FOR THE PURPOSE THE
ZAMBOANGA DEL NORTE SPECIAL ECONOMIC ZONE AUTHORITY,
AND APPROPRIATING FUNDS THEREFOR**

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

**CHAPTER I
GENERAL PROVISIONS**

SECTION 1. *Short Title.* – This Act shall be known as the “Zamboanga del Norte Special Economic Zone Act.”

SEC. 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, enhance productivity, and increase individual and family incomes, thereby enhancing the quality of life of the Filipino people.

**CHAPTER II
CREATION OF THE ECONOMIC ZONE**

SEC. 3. *Creation of the Zamboanga del Norte Special Economic Zone.* – In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of the Province of Zamboanga del Norte, there is hereby established a special economic zone, hereinafter referred to as the Zamboanga del Norte Special Economic Zone or Zamboanga del Norte Ecozone. The Zamboanga del Norte Ecozone shall cover a particular area located in the Municipality of Lilo, Province of Zamboanga del Norte. The specific metes and bounds of the Zamboanga del Norte Ecozone 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.

SEC. 4. Creation of the Zamboanga del Norte Special Economic Zone Authority. – There is hereby created a body corporate to be known as the Zamboanga del Norte Special Economic Zone Authority, hereinafter referred to as the ZAMNOSEZA, which shall manage and operate the Zamboanga del Norte Ecozone in accordance with the provisions of this Act. The corporate life of the ZAMNOSEZA shall expire in fifty (50) years, counted from the first year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

SEC. 5. Governing Principles. – The ZAMNOSEZA shall manage and operate the Zamboanga del Norte 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 Zamboanga del Norte 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 Zamboanga del Norte 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 Liloy, Province of Zamboanga del Norte, and those in neighboring municipalities and cities;
- c) The Zamboanga del Norte 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 Zamboanga del Norte Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Zamboanga del Norte Ecozone;
- e) The Zamboanga del Norte 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 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 Zamboanga del Norte Ecozone may be expanded or reduced when necessary through a presidential proclamation issued for the said purpose. For this purpose, the ZAMNOSEZA, in consultation with the LGUs, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Zamboanga del Norte Ecozone for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Zamboanga del Norte Ecozone; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the Zamboanga del Norte Ecozone;
- g) Goods manufactured by a Zamboanga del Norte Ecozone enterprise shall be made available for immediate release in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the ZAMNOSEZA together 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 of the Zamboanga del Norte Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the ZAMNOSEZA and the concerned LGUs.

SEC. 6. Development Goals of the Zamboanga del Norte Ecozone. – The ZAMNOSEZA shall determine the development goals of the Zamboanga del Norte Ecozone within the framework of national development plans, policies, and goals. The Chairperson-Administrator shall, upon approval by the Board of the ZAMNOSEZA, submit the Zamboanga del Norte Ecozone plans, programs, and projects to the Regional Development Council for inclusion in the regional development plan.

SEC. 7. Capitalization. – The ZAMNOSEZA shall have an authorized capital stock of two billion (2,000,000,000) no par shares with a minimum issue of Ten pesos (Php 10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGUs embracing the Zamboanga del Norte Ecozone. The Board of Directors of the ZAMNOSEZA 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 ZAMNOSEZA to the general public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGUs shall in no case own less than sixty *per centum* (60%) of the total issued and outstanding capital of the ZAMNOSEZA.

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

SEC. 8. *Principal Office of the ZAMNOSEZA.* – The ZAMNOSEZA shall maintain its principal office in the Municipality of Liloy, Province of Zamboanga del Norte, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

SEC. 9. *Powers and Functions of the ZAMNOSEZA.* – The ZAMNOSEZA shall have the following powers and functions:

- a) To operate, administer, manage, and develop the Zamboanga del Norte Ecozone according to the principles and provisions set forth in this Act;
- b) To register, regulate, and supervise the enterprises in the Zamboanga del Norte Ecozone in an efficient and decentralized manner, subject to existing laws;
- c) To coordinate with LGUs and exercise general supervision over the development plans, activities, and operations of the Zamboanga del Norte Ecozone;
- d) To regulate and undertake the establishment, construction, operation, and maintenance of public utilities, other services, and infrastructure in the Zamboanga del Norte Ecozone such as light and power, 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, 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, licenses, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957, otherwise known as the “Build-Operate-Transfer Law”, as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Zamboanga del Norte 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 Zamboanga del Norte Ecozone to be submitted to the Regional Development Council for inclusion in the regional development plan;
- g) To operate on its own, either directly or through licenses to others, tourism-related activities, including games, amusements, recreational and sports facilities, subject to the approval and supervision of the Philippine Amusement and Gaming Corporation;

- h) To raise or borrow, within the limitation provided by law, and subject to the approval 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 assets;
- i) To protect, preserve, maintain, and develop the forests, beaches, corals and coral reefs, and maintain ecological balance within the Zamboanga del Norte Ecozone. Notwithstanding the power of the ZAMNOSEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources and other government agencies involved in the above functions shall be implemented by the ZAMNOSEZA;
- j) To create, operate or contract to operate such functional units or offices of the ZAMNOSEZA as it may deem necessary;
- k) To adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own or otherwise dispose of personal 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 certificates of origin for products manufactured or processed in the Zamboanga del Norte Ecozone in accordance with the prevailing rules of origin and the pertinent regulations of the PEZA, the DTI, and 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 Zamboanga del Norte 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 ZAMNOSEZA in the establishment of such one-stop shops;
- n) To ensure that the area covered by the Zamboanga del Norte Ecozone is secure at all times: *Provided*, That the Armed Forces of the Philippines (AFP) or the Philippine National Police (PNP) shall not interfere in the internal affairs of the ZAMNOSEZA except to provide the necessary security and defense, or law enforcement assistance, as the case may be: *Provided, finally*, That the expenses of the AFP or the PNP in the Zamboanga del Norte Ecozone 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 by this Act, as well as those that shall enable it to carry out, implement and accomplish the purposes, objectives, and policies set forth in 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 purposes, objectives, and policies provided herein.

SEC. 10. Board of Directors of the ZAMNOSEZA. – The powers of the ZAMNOSEZA 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) A Chairperson, who shall at the same time be the administrator of the ZAMNOSEZA;
- b) A Vice-Chairperson who shall be elected from among the members of the Board of Directors;
- c) Members consisting of:
 - 1) The Representative of the 3rd District of Zamboanga del Norte;
 - 2) One (1) of the mayors of the municipalities covered by the ecozone;
 - 3) One (1) representative from the investors' group; and
 - 4) One (1) representative from among the workers in the Zamboanga del Norte Ecozone.

The Representative of the 3rd District of Zamboanga del Norte and the mayors of the municipalities within the ecozone shall serve as *ex officio* members of the Board, whose terms in the Board shall correspond to their terms as elected officials.

The Chairperson-Administrator and the members of the Board, except for the representatives of the investors and workers groups and 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 in accordance with existing rules and regulations: *Provided, however,* That the total *per diem* allowance collected each month shall not exceed the equivalent of four (4) meetings. Unless and until the President of the Philippines has fixed a higher rate for the *per diem* allowance for the members of the Board, such allowance shall not be more than Ten thousand pesos (Php 10,000.00) for every Board meeting.

SEC. 11. *Organization and Personnel.* – The Board of Directors of the ZAMNOSEZA shall provide for its organization and staff. 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. The Board shall have exclusive and final authority to promote, transfer, assign, reassign, or remove officers of the ZAMNOSEZA, 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 ZAMNOSEZA, 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 ZAMNOSEZA shall be removed or suspended except for cause, as provided by civil service rules or regulations.

SEC. 12. *Powers and Duties of the Chairperson-Administrator.* – The Chairperson-Administrator shall have the following powers and duties:

- a) To direct and manage the affairs of the ZAMNOSEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the ZAMNOSEZA 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 Zamboanga del Norte 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 Zamboanga del Norte Ecozone; and
- h) To perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

SEC. 13. *Legal Counsel.* – The ZAMNOSEZA shall have its own internal legal counsel who shall be under the supervision of the Government Corporate Counsel. When the exigencies of business and operations demand it, the

ZAMNOSEZA 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

SEC. 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 eighteen (18) years of age;
- b) Must not have been convicted by final judgment of a crime involving moral turpitude;
- c) Must not be afflicted with any 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 the investment subsists. The alien investor shall submit an annual report, in the form duly prescribed for the purpose, to prove that the investment in the country subsists. Should said alien investor withdraw the investments from the Philippines, then the investor's visa issued 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 Zamboanga del Norte Ecozone and coordinate closely with the ZAMNOSEZA to facilitate the conduct of business operations.

SEC. 15. *Fiscal Incentives.* – Registered enterprises of the Zamboanga del Norte Ecozone may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of the National Internal Revenue Code, as amended.

SEC. 16. *Rules and Regulations Governing Banks and Other Financial Institutions.* – Banks and other BSP-supervised financial institutions to be established in the Zamboanga del Norte Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

SEC. 17. *Remittances.* – In the case of foreign investments, a duly registered entity or enterprise within the Zamboanga del Norte 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

SEC. 18. *Supervision and Control.* – For purposes of policy direction and coordination, the ZAMNOSEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

SEC. 19. *Relationship with Local Government Units.* – Except as herein provided, the LGUs comprising the Zamboanga del Norte Ecozone shall retain their basic autonomy and identity. The Municipality of Liloy, Province of Zamboanga del Norte, 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 ZAMNOSEZA, the LGUs and the national government on matters affecting the Zamboanga del Norte Ecozone, other than national defense and security matters, the decision of the ZAMNOSEZA shall prevail.

SEC. 20. *Audit.* – The Commission on Audit shall appoint a full-time auditor for the ZAMNOSEZA 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

SEC. 21. *Interpretation and Construction.* – The powers, authorities and functions that are vested in the ZAMNOSEZA are intended to establish national self-sufficiency and self-reliance in the advancement of and protection of the national integrity, enhancement of national security, decentralization of governmental functions and authority, and promotion of an efficient and effective working relationship among the ZAMNOSEZA, the national government, and the LGUs. 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.

SEC. 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 Zamboanga del Norte Ecozone.

SEC. 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.

SEC. 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.

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

SEC. 26. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,