



Republic of the Philippines
House of Representatives
Quezon City

TWENTIETH CONGRESS

First Regular Session

House Bill No. **1108**



**Introduced by Representatives Albert S. Garcia, Maria Angela S. Garcia, and
Jernie Jett V. Nisay**

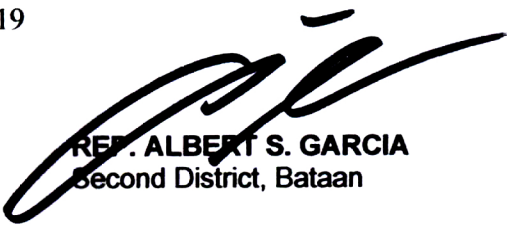
EXPLANATORY NOTE

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

7
8 A first in the country, the SpeDEZ will serve as an independent authority geared
9 towards the research, development, production, and distribution of products for military
10 and defense.

11
12 It will not only bolster our country's innate capability in the field of arms research,
13 development, and manufacturing, but also significantly contribute to the country's
14 economic productivity.

15
16 Given the reasons stated above, support from this measure is earnestly sought
17 from our colleagues.
18
19


REP. ALBERT S. GARCIA
Second District, Bataan


REP. MARIA ANGELA S. GARCIA
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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

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

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

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

The State, pursuant to the Armed Forces of the Philippines (AFP) Modernization
Act, shall, as far as practicable, prioritize the engagement of Filipino contractors and
suppliers in the implementation of the AFP Modernization Program. In instances where
foreign contractors or suppliers are engaged, preference shall be given to those willing
to localize a substantial portion or the entirety of their production within the Philippines.

1 The State hereby adopts a policy to develop the defense industry and its capability
2 to produce advanced weaponry and equipment for the country's defense forces, and
3 for their export to other countries, in line with Republic Act No. 12024, or the "Self-
4 Reliant Defense Posture Revitalization Act".

5
6 **SEC. 3. *Creation of the Special Defense Economic Zone.*** – The Special Defense
7 Economic Zone (SpeDEZ) in Camp General Antonio Luna, Lamao, Municipality of
8 Limay in the Province of Bataan, shall be established for investments in defense,
9 military, law enforcement, and defense-related advanced technologies, information and
10 communications technology, research and development, and their support industries.
11 For purposes of this Act, the term "defense" shall include public safety and external
12 defense.
13

14 The SpeDEZ shall cover the Government Arsenal Industrial Estate inside Camp
15 General Antonio Luna located in Limay, Bataan, measuring approximately three
16 hundred seventy (370) hectares, including: the seventy (70)-hectares of land where the
17 Government Arsenal (GA), created under Republic Act No. 1884, or "An Act to Establish
18 A Government Arsenal, Provide for its Operation and for Other Purposes", operates;
19 the portions allocated for the expansion of the GA; areas where existing manufacturing
20 facilities for defense materiel and equipment are located; and all other areas which may
21 be declared as part of the SpeDEZ, subject to compliance with Section 5(h) of this Act:
22 *Provided*, That the GA shall remain a line bureau of the Department of National Defense
23 (DND). Except for necessary coordination on matters of mutual and higher security
24 concerns due to the nature of their respective mandates, the operations of the GA shall
25 remain independent of the management of the SpeDEZ, and the Special Defense
26 Economic Zone Authority (SpeDEZA), as created by this Act, shall not interfere with the
27 activities conducted in the seventy (70)-hectare area where the GA maintains and
28 operates its buildings and structures: *Provided, further*, That neither the SpeDEZ nor
29 the GA shall be expanded or operated to the prejudice of the other. The GA and the
30 SpeDEZ shall continuously coordinate to ensure smooth and seamless operations:
31 *Provided, finally*, That investors who intend to do business in the GA area may do so
32 only upon written consent of the GA prior to registration with the SpeDEZA.
33

34 The areas covered by the SpeDEZ, including its expansion areas, shall be owned
35 by the SpeDEZA and titled in its name, excluding the area maintained by
36 the GA.
37

38 **SEC. 4. *Creation of the Special Defense Economic Zone Authority.*** – The Special
39 Defense Economic Zone Authority (SpeDEZA), which shall be a government
40 instrumentality with corporate powers, shall be created as a specialized and
41 independent corporate body that shall manage and operate the SpeDEZ, in accordance
42 with the provisions of this Act and Title XIII of Republic Act No. 8424, or the "National
43 Internal Revenue Code of 1997", as amended.
44

45 Notwithstanding Section 3 of Republic Act No. 7656, or "An Act Requiring
46 Government-Owned or Controlled Corporations to Declare Dividends under Certain
47 Conditions to the National Government, and for other Purposes", all dividends remitted
48 by the SpeDEZA shall, within the first fifteen (15) years from the effectivity of this Act,
49 be exclusively utilized for the AFP Modernization Program, the Self-Reliant Defense
50 Posture Program of the national government, and the pension benefits of AFP retirees:

1 *Provided*, That after such fifteen (15)-year period, the dividends remitted by the
2 SpeDEZA shall accrue to the general fund of the national government.

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

6
7 (a) Within the framework and limitations of the Constitution, Republic Act No.
8 1884, Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act
9 No. 10697, or the “Strategic Trade Management Act”, Executive Order No. 303, Series
10 of 2004, and applicable provisions of the Local Government Code, the SpeDEZ shall
11 be developed and operated as a hub for decentralized, self-reliant, and self-sustaining
12 industrial, commercial, trading, research, development, engineering, information and
13 communications technology, space technology, and financial investment exclusive for
14 defense, military, and law enforcement commercial activities and investments, with
15 provision for suitable residential, educational, recreational, and commercial areas;

16
17 (b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the national
18 and local governments may continue to provide the SpeDEZ with transportation,
19 telecommunications, and other facilities needed to attract investments and generate
20 linkages with industries and employment opportunities for the people of
21 Bataan and its neighboring towns and cities: *Provided*, That the autonomy and self-
22 reliance of the SpeDEZ shall not hinder assistance or partnerships with other
23 government units and instrumentalities: *Provided, further*, That no assistance or
24 partnership shall be construed as a waiver of the autonomy of the SpeDEZ;

25
26 (c) The SpeDEZA may establish mutually beneficial economic defense relations
27 with other investment promotion agencies, entities, or enterprises within the country or
28 abroad: *Provided*, That the SpeDEZA shall seek clearance from the DND and
29 administrative guidance from the Department of Foreign Affairs (DFA) on relations with
30 foreign entities or enterprises;

31
32 (d) Foreign nationals and foreign-owned enterprises up to the
33 percentage allowed by law may, by themselves or in joint venture with Filipinos or the
34 GA, set up enterprises in the defense and security industry within the territorial
35 jurisdiction of the SpeDEZ, subject to the approval of the SpeDEZA: *Provided*, That the
36 SpeDEZA may require individual locators to be subject to the provisions and limitations
37 under Republic Act No. 10697 or the Strategic Trade Management Act (STMA),
38 Republic Act No. 7042 or the Foreign Investments Act (FIA), and the Regular Foreign
39 Investment Negative List issued by the President: *Provided, further*, That the SpeDEZA
40 may require a minimum investment in freely convertible currencies from any enterprise
41 seeking to locate in the SpeDEZ. All investments in the SpeDEZ shall fall under the
42 priorities, thrusts, and limits in this Act: *Provided, finally*, That all investments that do
43 not directly or indirectly encourage defense, military, and law enforcement projects or
44 activities; do not support or cater to the locators, employees, and residents shall be
45 prohibited from doing business within the SpeDEZ.

46
47 (e) Subject to the limitations in this Act and its implementing rules and regulations,
48 the SpeDEZ shall be managed and operated as a separate customs territory ensuring
49 free flow and movement between registered business enterprises of necessary goods,
50 products, and capital, except those expressly prohibited by law, within, into, and out of
51 the SpeDEZ territory, subject to Sections 294(D) and (E), and Sections 295(C) and (D)

1 of Republic Act No. 8424 (NIRC), as amended: *Provided*, That in accordance with
2 Sections 301 and 817 of Republic Act No. 10863, or the "Customs Modernization and
3 Tariff Act (CMTA)", the Bureau of Customs (BOC) shall continue to exercise border
4 protection and authority over the customs territory adjacent to the SpeDEZ and shall
5 consult, coordinate, and cooperate with the SpeDEZA to enhance its protection and
6 control capacity and ensure compliance with customs laws and regulations;

7
8 (f) The sale, export, or removal of goods and services from the SpeDEZ territory
9 to the other parts of the Philippines shall be subject, as applicable, to customs duties
10 and taxes under the CMTA, as amended, and the Republic Act No. 8424 (NIRC), as
11 amended: *Provided*, That all taxes arising from the sale of goods and services for
12 defense and security purposes from the SpeDEZ to the AFP, Philippine National Police
13 (PNP), and other uniformed services shall be chargeable to the tax expenditure fund
14 under the General Appropriations Act: *Provided, further*, That subject to Title VI of the
15 CMTA, customs transit to and from the SpeDEZ, through the Port of Lamac or other
16 ports as may be designated by the SpeDEZA, shall also be tax and duty-free;

17
18 (g) As far as practicable, enterprises located in the SpeDEZ shall source a
19 percentage of their raw material requirements from those produced within the
20 Philippines as determined by the SpeDEZA;

21
22 (h) The areas comprising the SpeDEZ may be expanded or reduced when
23 necessary to improve its investment promotion capacity, ensure public order and safety,
24 consolidate lands for development, acquire necessary right-of-way or access, protect
25 and safeguard watershed areas or maintain and improve water yield for the benefit of
26 the SpeDEZ and LGUs, manage solid and water waste in compliance with existing
27 national laws and local ordinances, and promote the public good.

28
29 For this purpose, the SpeDEZA, with the concurrence of the appropriate and
30 affected LGUs, in compliance with existing national laws and local ordinances, shall
31 have the power to acquire, procure, increase, or otherwise expand, either by purchase,
32 negotiation, or condemnation proceedings, any private or public land and their
33 respective water territories within the concerned local government: *Provided*, That when
34 applicable, the municipal waters of up to fifteen (15) kilometers from the low water mark
35 area of the edge of the SpeDEZ shall be deemed included in the territorial jurisdiction
36 of the SpeDEZ: *Provided, further*, That the SpeDEZA and the relevant LGUs shall utilize
37 immediate and responsive mechanisms, best practices, and suitable environmental
38 protection programs for land and coastal zone management to address any abuse
39 and/or exploitation of the natural environment within the territorial jurisdiction of the
40 SpeDEZ: *Provided, finally*, That any provision of existing laws, ordinances, executive
41 orders, proclamations, rules, or regulations to the contrary notwithstanding, all lands
42 that form part of the SpeDEZ including its expansion areas are hereby converted to
43 agricultural lands and, as such, are declared as alienable and disposable, and may be
44 used for industrial, commercial, residential, or other lawful uses, in accordance with the
45 Constitution to ensure that other inalienable lands shall not be included, subject to
46 vested private rights;

47
48 (i) Products and goods researched and developed, engineered, or
49 manufactured by registered enterprises may be made available in the domestic market,
50 subject to the limitations in this Act and its implementing rules and regulations, payment
51 of corresponding tariffs, customs duties, and taxes on raw materials, and subject to

1 approval by the DND or the PNP in accordance with Republic Act No. 10697 and the
2 Regular Foreign Investment Negative List, other regulations that may be formulated by
3 the SpeDEZA, and other applicable regulations and limitations imposed in accordance
4 with law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP), Department of
5 Finance (DOF), BOC and the Department of Trade and Industry (DTI): *Provided*, That
6 in cooperation with the SpeDEZA, the DND and PNP shall implement measures to
7 improve ease and cost of doing business within the SpeDEZ and enhance the
8 investment promotion capacity of the SpeDEZA: *Provided, further*, That to protect
9 domestic industries, a negative list shall be drawn up and regularly updated by the
10 SpeDEZA: *Provided, finally*, That enterprises engaged in industries included in such
11 negative list shall not be allowed to sell their products locally, notwithstanding the
12 registration of such enterprises in the SpeDEZ;

13
14 (j) Subject to Section 6(o) of this Act, the defense of the SpeDEZ and the security
15 of its perimeter fence shall be the responsibility of the national government, through the
16 AFP and the GA or the PNP, as appropriate, in coordination with the SpeDEZA;

17
18 (k) Nothing in this provision shall compel local defense enterprises to register with
19 the SpeDEZA or prevent them from availing similar benefits and incentives through
20 other investment promotion agencies: *Provided*, That defense industries located in
21 other economic zones under the other investment promotion agencies shall get
22 clearance or certification from the DND prior to their registration. Pursuant to this, the
23 DND, in coordination with the SpeDEZA, shall establish a unit within the DND to screen
24 and vet defense enterprises for national security clearance and issue the corresponding
25 certification prior to their registration with the SpeDEZA or other investment promotion
26 agencies;

27
28 (l) In no case shall defense enterprises be allowed to avail incentives from two (2)
29 or more investment promotion agencies;

30
31 (m) For purposes of this Act, "defense enterprise" refers to a Filipino- or foreign-
32 owned enterprise engaged in the development, production, manufacturing, assembly,
33 servicing, or operation of materiel in the Philippines. Foreign-owned defense enterprise
34 is defined as to the allowable percentage of foreign-ownership for defense industries
35 as provided by existing laws; and

36
37 (n) For purposes of this Act, "materiel" refers to military technology, weapon
38 systems, arms, ammunition, combat clothing, armor, vehicles, and other similar military
39 equipment and materials.

40
41 SEC. 6. *Powers and Functions of the SpeDEZA.* – The SpeDEZA shall have the
42 following functions:

43 (a) Adopt, alter, and use a corporate seal;

44
45 (b) Contract, lease, buy, sell, acquire, own, and dispose properties of whatever
46 nature: *Provided*, That real properties that form part of the original Camp General
47 Antonio Luna shall not be disposed of or encumbered: *Provided, further*, That
48 expansion areas may be disposed of or encumbered by the SpeDEZA;

49
50 (c) Sue and be sued in order to carry out its duties, responsibilities, privileges,
51 powers, and functions as granted and provided in this Act;

(d) Exercise the power of eminent domain for public use and public purpose;

(e) Operate, administer, manage, and develop the SpeDEZ according to the principles and provisions set forth in this Act, in accordance with Executive Order No. 525, Designating the Public Estates Authority as the Agency Primarily Responsible for All Reclamation Projects, as amended;

(f) Establish SpeDEZ in other suitable areas in the Province of Bataan and other areas in the country: *Provided*, That areas outside the Province of Bataan shall be subject to the approval of the President and the issuance of a necessary proclamation;

(g) Register, regulate, and supervise entities and enterprises in the SpeDEZ in a competent and efficient manner that, as far as practicable, balances ease of doing business and sound restriction or regulation of activities. The SpeDEZA may also register, regulate, and supervise defense-related enterprises outside of the SpeDEZ territory as defined in Section 3 and Section 5(h) of this Act: *Provided*, That the SpeDEZA shall submit a quarterly report to the DND on the profile of locators and other SpeDEZ-registered enterprises;

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

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

(j) Recognize, regulate, and register microgrid systems as an integral part of the energy, data, digital assets, communications, water, and other utilities landscape to enhance and promote resiliency in renewable energy, data, digital assets, communications, water and other utilities in areas within the SpeDEZ;

(k) Issue licenses, set fees, and regulate the establishment, operation, and maintenance of utilities, educational and medical institutions, infrastructure related to military, defense and law enforcement investments, and other services in the SpeDEZ such as heat, light and power, water supply, telecommunications, mobile, internet and other data facilities, transport, toll roads and bridges, and port services, and to fix just, reasonable, and competitive rates, fares, charges, and prices thereof;

1 (l) Construct, acquire, own, lease, operate, and maintain, on its own or through
2 contracts, franchises, licenses, bulk purchase, build-operate-transfer scheme or joint
3 venture with the private sector, any or all of the public utilities and infrastructure needed
4 for the operation and development of the SpeDEZ, including transportation, access,
5 and connection to and out of the SpeDEZ, in coordination with appropriate national and
6 local government authorities and in conformity with applicable laws;

7
8 (m) Raise or borrow adequate and necessary funds from local or foreign sources,
9 within the limitation provided by law, and subject to the approval or opinion of the
10 Monetary Board of the BSP, as the case may be, to finance its projects and programs
11 under this Act, and for this purpose, to issue bonds, promissory notes, and other forms
12 of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust,
13 or assignment of all or part of its property or assets, subject to Section 6(b) of this Act;

14
15 (n) Enter into Public-Private Partnership contracts, such as build-operate-transfer
16 schemes or any of its variants, management contracts, joint ventures, co-production, or
17 similar agreements with local or foreign entities for the management and operation of
18 the SpeDEZ, a portion thereof, or any enterprise registered therein to ensure its viability;

19
20 (o) Ensure that the area covered by the SpeDEZ is secure at all times: *Provided,*
21 That when the assistance of the AFP or PNP is necessary, the AFP or PNP shall not
22 interfere in the internal affairs of the SpeDEZA, except to provide the necessary security
23 and defense or law enforcement assistance, as the case may be: *Provided, further,*
24 That expenses of the AFP or PNP in the SpeDEZ shall be borne by the national
25 government;

26
27 (p) Protect, preserve, maintain, and develop the forests, beaches, coral, and coral
28 reefs, and maintain ecological balance within the SpeDEZ: *Provided,* That
29 notwithstanding the authority of the SpeDEZA to create rules for such purpose, the rules
30 and regulations of the Department of Environment and Natural Resources (DENR) and
31 other government agencies involved in the above functions shall be implemented by
32 the SpeDEZ: *Provided, further,* That the DENR shall continue to have primary authority
33 and responsibility over environmental protection. The monitoring and issuance of
34 permits, certificates, clearances, and all other issuances related to the environment
35 shall remain under its jurisdiction;

36
37 (q) Create, operate, or contract to operate such functional units or offices of the
38 SpeDEZA as it may deem necessary;

39
40 (r) Issue certificates of origin for products manufactured or processed in the
41 SpeDEZ;

42
43 (s) Issue rules and regulations necessary to implement and accomplish the
44 purposes, objectives, and policies provided herein, in consultation with the DND, DTI,
45 DOF, and other relevant government agencies;

46
47 (t) Appropriately zone the SpeDEZ and provide for buffer zones, when necessary,
48 and reserve areas for housing;

49
50 (u) To improve the ease of doing business, establish one-stop shops for the
51 issuance of all necessary permits, clearances, licenses, and other similar certifications

1 required to conduct business within the SpeDEZ, in coordination with relevant
2 government agencies having jurisdiction over such issuances or those not otherwise
3 solely reserved to the SpeDEZA: *Provided*, That all government agencies are directed
4 to provide and extend utmost and full cooperation to the SpeDEZA in the establishment
5 of such one-stop shops; and

6
7 (v) Perform such other functions as may be provided by law.
8

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

12 (a) The Secretary of the DND who shall be the *ex officio* Chairperson;

13 (b) The Administrator of the SpeDEZA as Vice-Chairperson who shall preside over
14 the meetings of the Board in the absence of the Chairperson;

15 (c) Members who shall include the following:

16 (1) Secretary or a designated representative of the DOF;

17 (2) Secretary or a designated representative of the DTI;

18 (3) Assistant Secretary for Plans and Programs (ASPP) of the DND;

19 (4) Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of the
20 DND;

21 (5) Director of the GA;

22 (6) One (1) representative from the investors within the SpeDEZ;

23 (7) One (1) representative from the workers employed in the SpeDEZ;

24 (8) One (1) representative from the Province of Bataan;

25 (9) One (1) representative from the Municipality of Limay, Bataan;

26 (10) One (1) representative from the legislative district covering the area of the
27 SpeDEZ; and

28 (11) One (1) independent director who is retired and/or honorably discharged
29 from any of the major services of the AFP, with at least the rank of Brigadier General or
30 Commodore, with proven expertise in defense and security strategies, to be
31 recommended by the SpeDEZA Board.
32

33 The President shall appoint one-third (1/3) of the Board members from the list
34 submitted by the Government Commission for Government-Owned or -Controlled
35 Corporations (GCG).
36

37 In the event that the position of the ASPP or ASAIL of the DND, or Director of the
38 GA becomes vacant, the designated Acting ASPP, ASAIL, or Director of the GA shall
39 serve as member of the Board.
40

41 In the absence of the Chairperson and Vice-Chairperson, the members present in
42 a meeting constituting a quorum shall elect the Presiding Officer for that particular
43 meeting. The Presiding Officer shall not have voting rights except to break a tie. Vacant
44 seats shall not be considered in determining the presence of a quorum.
45

46 Except for the *ex-officio* members, members of the Board shall be appointed by
47 the President of the Philippines for a term of six (6) years, unless sooner separated from
48 the service due to death, voluntary resignation, or removal for cause. In case of death,
49 resignation, or removal for cause, the replacement shall serve only the remaining
50 portion of the term.
51

1 All members of the Board shall be Filipino citizens, of good moral character, and
2 of proven probity and integrity. Except for the *ex-officio* members, and the
3 representative from the workers employed in the SpeDEZ, members of the Board are
4 required to be degree holders in any of the following fields: economics, business, public
5 administration, law, management, military science, or their equivalent, and with at
6 least ten (10) years of relevant work experience preferably in the field of management
7 or public administration.
8

9 Each member of the Board, except the *ex-officio* members, shall receive a *per*
10 *diem* at rates to be determined by the Department of Budget and Management (DBM)
11 in accordance with existing rules and regulations: *Provided*, That the total per diem
12 collected each month shall not exceed the equivalent *per diem* for four (4) meetings.
13

14 SEC. 8. *Administrator of the the SpeDEZA.* – The SpeDEZA shall have an
15 Administrator, with a rank of Department Undersecretary who shall be appointed by the
16 President of the Philippines. The Administrator shall be at least forty (40) years of age,
17 of proven probity and integrity, and a degree holder in any of the following fields:
18 economics, business, public administration, law, management, or their equivalent, with
19 at least ten (10) years of relevant work experience preferably in the field of business,
20 management, or public administration.
21

22 SEC. 9. *Powers and Duties of the Administrator.* – The Administrator shall have
23 the following powers and duties:

24 (a) Direct and manage the affairs of the SpeDEZA in accordance with the policies
25 of the Board;

26 (b) Establish the internal organization of the SpeDEZA under such conditions that
27 the Board may prescribe;

28 (c) Submit an annual budget and necessary supplemental budget to the Board for
29 its approval;

30 (d) Within thirty (30) days after the close of each fiscal year, submit an annual
31 report to the Board and such other reports as may be required;

32 (e) Submit to the Board for approval, policies, systems, procedures, rules, and
33 regulations that are essential to the operation of the SpeDEZA;

34 (f) Create a mechanism for coordination with relevant agencies for the promotion
35 of industrial peace, the protection of the environment, and the advancement of the
36 quality of life in the SpeDEZ;

37 (g) Preside over the meetings of the SpeDEZA Board in the absence of the
38 Chairperson;

39 (h) Directly administer and supervise the operations and day-to-day business
40 activities of the SpeDEZA;

41 (i) Execute, on behalf of the SpeDEZA, all contracts, agreements, and other
42 instruments affecting its interests as duly approved by the Board; and

43 (j) Perform such other duties assigned by the Board or which are necessary or
44 incidental to his/ her office.
45

46 SEC. 10. *Principal Office of the SpeDEZA.* – The SpeDEZA shall maintain its
47 principal office in Camp Gen. Antonio Luna, Limay, Bataan, but may establish liaison
48 offices within the Philippines as may be necessary for the proper conduct of its
49 business.
50

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

9
10 The SpeDEZA officers and employees , including all members of the Board, shall
11 not engage directly or indirectly in partisan activities or take part in any election, except
12 to vote.

13
14 No SpeDEZA officer or employee, shall be removed or suspended except for
15 lawful cause, subject to civil service laws and regulations.

16
17 SEC. 12. *Special Labor Center.* – A Special Labor Center shall be established
18 within the SpeDEZ. The Center shall endeavor to study and amicably settle
19 professional, labor relations issues and disputes, interpret employment service
20 contracts, and monitor work, workplace hygiene and safety standards within the
21 SpeDEZ, particularly of the duly registered entities and enterprises. The Center shall
22 consist of offices for labor; industrial health and safety; inspection/investigative and
23 disputes; and enforcement.

24
25 To support the economic and employment generation thrusts of the LGUs, the
26 SpeDEZA shall implement policies and programs that prioritize the residents of
27 stakeholder LGUs for employment in the SpeDEZ. Registered enterprises shall, as far
28 as practicable, source all their labor needs from the stakeholder LGUs of the SpeDEZ,
29 subject to existing laws and regulations: *Provided*, That, for the purpose of this Act,
30 LGUs within whose territorial jurisdictions the SpeDEZ is located, shall refer to all local
31 governments which: (a) derive a share in the five percent (5%) final tax imposition within
32 the SpeDEZ, (b) host expansion areas of the SpeDEZ in accordance with Section 5(h)
33 or Section 6(f) of this Act, or (c) host registered enterprises of the SpeDEZ pursuant to
34 Section 6(h) of this Act;

35
36 The SpeDEZA and, as far as practicable, the locators and registered enterprises
37 of the SpeDEZ shall prioritize for employment, qualified former personnel of the GA who
38 have been terminated or removed from the service, due to the modernization of the GA.

39
40 SEC. 13. *Investor's Visa.* – Any foreign national who invests an amount of Two
41 hundred fifty thousand US dollars (US\$250,000.00), either in cash and/or equipment, in
42 a SpeDEZA-registered enterprise shall be entitled to an investor's visa: *Provided*, That
43 the foreign national has the following qualifications:

- 44 (a) at least eighteen (18) years of age;
45 (b) not convicted by final judgment of a crime involving moral turpitude;
46 (c) not afflicted with any dangerous or highly contagious disease;
47 (d) not previously institutionalized for any mental disorder or disability; and
48 (e) financially capable as established by verifiable and credible evidence.

49
50 As a holder of investor's visa, a foreign national shall be entitled to reside in the
51 Philippines while the investment subsists. For this purpose, the foreign national shall

1 submit an annual report, in the form duly prescribed for the purpose, to prove that the
2 investor has maintained the investment in the country. Should said foreign national
3 withdraw the investments from the Philippines, the investor's visa shall automatically
4 expire and/or be withdrawn.

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

10
11 SEC. 14. *Fiscal Incentives*. – Enterprises registered with the SpeDEZA may be
12 entitled to the fiscal incentives under Title XIII (Tax Incentives) of Republic Act No. 8424
13 (NIRC), as amended.

14
15 SEC. 15. *Administration, Implementation and Monitoring of Incentives*. – For the
16 proper administration, implementation, and monitoring of tax incentives provided under
17 this Act, the SpeDEZA shall:

18
19 (a) Be responsible for the administration and implementation of the incentives
20 granted to its registered enterprises, subject to the oversight and regulatory functions
21 of the Fiscal Incentives Review Board (FIRB). The SpeDEZA shall adopt and implement
22 systems and procedures affecting trade and customs policies. The BOC shall establish
23 a customs-controlled area outside of the SpeDEZ to facilitate payment of taxes on
24 goods entering the Philippine customs territory; and

25
26 (b) Submit to the FIRB its annual tax expenditures based on the tax incentives
27 granted to its registered enterprises pursuant to Title XIII of Republic Act No. 8424
28 (NIRC), as amended. The FIRB shall create a single database of all incentives provided
29 by the governing authority, monitor the incentives granted, and submit an annual report
30 to the President.

31
32 SEC. 16. *Revenue Sharing*. — The five percent (5%) Special Corporate Income
33 Tax (SCIT) collected from SpeDEZA-registered enterprises pursuant to Title XIII of
34 Republic Act No. 8424 (NIRC), as amended, shall be divided as follows:

- 35 (a) Three percent (3%) to the national government;
36 (b) One percent (1%) to the Province of Bataan, or the host province, in case the
37 business enterprise is not located within the Province of Bataan; and
38 (c) One percent (1%) to the host city/municipality.

39
40 *Provided*, That for a period of fifteen (15) years from the effectivity of this Act, the
41 three percent (3%) share of the national government shall be allocated as follows: one
42 percent (1%) to the AFP pension fund and two percent (2%) to the SpeDEZA: *Provided*,
43 *further*, That the national government and local government shares shall be directly
44 remitted to the Bureau of Internal Revenue (BIR) and local treasurer, respectively.

45
46 SEC. 17. *Banking Rules and Regulations*. – Banks and financial institutions
47 established in the SpeDEZ shall be under the supervision of the BSP and subject to
48 existing banking laws, rules, and regulations.

49
50 SEC. 18. *Remittances*. – In the case of foreign investments, a duly registered entity
51 or enterprise within the SpeDEZ shall have the right to remit investment earnings in the

1 currency in which the investment was originally made and at the exchange rate
2 prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653,
3 or "The New Central Bank Act", as amended.
4

5 **SEC. 19. *Multi-Year Contracts and Other Contractual Arrangements.*** – The DND,
6 the AFP, the Philippine Coast Guard (PCG), the PNP, and other uniformed services
7 shall procure their defense equipment and materiel from defense manufacturers and
8 suppliers registered with the SpeDEZA, to spur the development of the SpeDEZ as a
9 self-reliant and self-sustaining defense investment hub where duly qualified and
10 selected locators are provided with guaranteed market access. For this purpose, the
11 DND, AFP, PCG, and PNP, and other uniformed services shall be authorized to enter
12 into multi-year contracts and other multi-year contractual arrangements with
13 SpeDEZA-registered manufacturers or suppliers of defense equipment or materiel,
14 subject to existing laws, rules, regulations and guidelines.
15

16 In implementing this section, the SpeDEZA, DND, AFP, PCG, and PNP shall
17 jointly formulate the mechanics for the selection of manufacturers or suppliers to be
18 awarded with multi-year contracts: *Provided*, That as a condition precedent for such
19 award, the manufacturing or distribution operations of the manufacturer or supplier must
20 be registered with the SpeDEZA or located in the SpeDEZ.
21

22 **SEC. 20. *Countertrade.*** – Whenever applicable and practicable, any of the
23 countertrade arrangements defined in Executive Order No. 120, series of 1993, should
24 be explored in pursuing defense-related acquisitions. The SpeDEZA, in consultation
25 with the DND, DTI, and other concerned offices, shall identify or develop a list of goods
26 and services or industries which may be subject to a countertrade.
27

28 **SEC. 21. *Capitalization.*** – The SpeDEZA shall have an authorized capital stock
29 of Three billion pesos (P3,000,000,000.00) no-par shares with a minimum issue of Ten
30 pesos (P10.00) each to be subscribed wholly by the national government.
31

32 In addition, all lands embraced and covered by the SpeDEZ, including permanent
33 improvements and fixtures, upon proper inventory by the GA or AFP, which are not
34 otherwise alienated, conveyed or transferred to another government agency, and all
35 other assets which the President may transfer to the SpeDEZA shall form part of the
36 equity contribution of the government.
37

38 The annual subscription of the national government to the capital stock of the
39 SpeDEZA shall be included in the annual General Appropriations Act.
40

41 **SEC. 22. *Supervision and Control.*** – For purposes of policy direction and
42 coordination, the SpeDEZA shall be under the direct control and supervision of the
43 Office of the President of the Philippines.
44

45 **SEC. 23. *Regional Development Council.*** – The SpeDEZA shall determine the
46 development goals for the SpeDEZ within the framework of national development plans,
47 policies, and goals. The Chairperson and Administrator of the SpeDEZA shall, upon
48 approval by the Board, submit the SpeDEZA plans, programs, and projects to the
49 Regional Development Council for inclusion in the regional development plan.
50

1 SEC. 24. *Relationship with Local Government Units.* – Except as herein provided,
2 the Municipality of Limay, Bataan and such other LGUs where SpeDEZA-registered
3 enterprises conduct business, shall operate and function in accordance with the
4 framework of the Constitution, Local Government Code of 1991, Republic Act No. 7898
5 or the AFP Modernization Act, as amended by Republic Act No. 10349, and applicable
6 provisions of this Act.

7
8 In case of any conflict between the SpeDEZA, the LGUs, and the national
9 government on matters affecting the SpeDEZA, other than national defense and
10 security matters, the decision of the SpeDEZA shall prevail.

11
12 SEC. 25. *Legal Office.* – The SpeDEZA shall have and maintain its own internal
13 legal office, appropriate in number under the supervision of the Government Corporate
14 Counsel. When the exigencies of its businesses and operations demand, the SpeDEZA
15 may engage the services of an outside counsel either on a case-to-case or a fixed-
16 retainer basis. Such engagement shall require further approval and concurrence of the
17 Office of the Government Corporate Counsel or the Office of the Solicitor General and
18 the Commission on Audit (COA).

19
20 SEC. 26. *Interpretation/Construction.* – The powers, authorities, and functions
21 vested in the SpeDEZA are intended to enhance national security and promote self-
22 reliance in the advancement and protection of the national territorial integrity, uphold
23 the decentralization of governmental functions and authority, and promote an efficient
24 and effective working relationship between the SpeDEZA, the national government,
25 and the LGUs. Any interpretation of this Act shall consider such intentions. In case
26 of conflict in interpretation and questions on the intent of this Act, the provisions shall
27 be construed in favor of an interpretation that protects and promotes national security.

28
29 SEC. 27. *Audit.* – The COA shall appoint a fulltime auditor in the SpeDEZA or may
30 assign such number of personnel as may be necessary in the
31 performance of its functions.

32
33 SEC. 28. *Transitory Provisions.* – The SpeDEZA shall be responsible for the
34 operation, administration, management, and development of the SpeDEZ. The
35 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the least
36 disruption of ongoing programs of the GA.

37
38 SEC. 29. *Implementing Rules and Regulations.* – Within ninety (90) days from the
39 effectivity of this Act, the SpeDEZA, DTI, DOF, DND, PNP, PCG, the Provincial
40 Government of Bataan, and the Municipality of Limay shall promulgate the necessary
41 rules and regulations for the effective implementation this Act. Such rules and
42 regulations shall take effect fifteen (15) days after publication in a newspaper of general
43 circulation in the Philippines.

44
45 SEC. 30. *Applicability Clause.* – Insofar as these are consistent with the provisions
46 of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, or “The Special
47 Economic Zone Act of 1995”, as amended, shall likewise apply to the SpeDEZ.

48
49 SEC. 31. *Separability Clause.* – If any provision of this Act is declared
50 unconstitutional, the remainder thereof not otherwise affected shall remain in full force
51 and effect.

1
2 SEC. 32. *Repealing Clause.* – All other laws, executive orders, letters of instruction,
3 proclamations, administrative rules and regulations, and other issuances, or parts
4 thereof inconsistent with the provisions of this Act, are hereby repealed or modified
5 accordingly.

6
7 SEC. 33. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication
8 in the *Official Gazette* or in a newspaper of general circulation.

9
10 Approved,