

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. **1706**



Introduced by **Rep. ANGELO MARCOS BARBA**
2nd District, Ilocos Norte

EXPLANATORY NOTE

This bill seeks to create a Special Economic Zone and Freeport in the Province of Ilocos Norte to further reduce poverty by promoting and accelerating a sound and balanced industrial, economic, and social development, creating jobs and improving productivity, especially in rural areas, and increasing individual and family incomes.

Special economic zones (SEZs) have been regarded as an effective tool in addressing the challenges of globalization. Countries like China, Singapore, Malaysia, and South Korea have been quite successful in adopting SEZs as a way of attracting foreign investments, job creation, and export generation. In fact, in the Philippines, SEZs have opened employment to more than two million (2,000,000) Filipinos and total investments amounting to billions of pesos.

The creation of a Special Economic Zone in the Municipalities of Badoc, Currimao, Paoay, and Laoag City is an ideal economic strategy. The Currimao Port, for instance, is a domestic cargo transshipment facility for both local and international ships and may further accommodate cruise ships in the near future. The Laoag International Airport, on the other hand, caters to both domestic and international flights from China, Hong Kong, and Taiwan. Establishing an SEZ in these areas will therefore bring economic diversity and benefits to the province.

This bill, as previously filed by Rep. Imelda R. Marcos, was approved on Third and Final Reading during the 17th Congress. It was then again pushed by this humble representation during the 18th Congress but has remained pending. This present course of action seeks to further thrust this bill.

In light of the foregoing, the immediate passage of this measure is earnestly sought.


ANGELO MARCOS BARBA

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**AN ACT
ESTABLISHING THE SPECIAL ECONOMIC ZONE AND
FREEPORT IN THE PROVINCE OF ILOCOS NORTE, CREATING
FOR THIS PURPOSE THE ILOCOS NORTE SPECIAL ECONOMIC
ZONE AND FREEPORT AUTHORITY, AND APPROPRIATING
FUNDS THEREFOR**

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

**CHAPTER 1.
GENERAL PROVISIONS**

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

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

**CHAPTER 2.
CREATION OF ECONOMIC ZONE**

SECTION 3. *Creation of the Ilocos Norte Special Economic Zone and Freeport.* – In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Ilocos Norte affected by the zone, there is hereby established a Special Economic Zone and Freeport, hereinafter referred to as the Ilocos Norte Ecozone. The Ilocos Norte Ecozone shall cover particular areas located in the Municipalities of Badoc, Currimaos, Paoay, and Laoag City. The specific metes and bounds of the Ilocos 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 public lands and contiguous to one another.

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

SECTION 5. *Governing Principles.* – The Ilocos Norte Special Economic Zone and Freeport shall be managed and operated by INSEZA under the following principles:

- a. Within the framework and limitations of the Constitution and applicable provisions of Republic Act No. 7160, otherwise known as the “Local Government Code of 1991,” the Ilocos 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 Ilocos Norte Ecozone shall be provided with transportation, telecommunications, and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of Ilocos Norte and its neighboring towns and cities;
- c. The Ilocos 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 (DFA), the Philippine Economic Zone Authority (PEZA), and/or 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 enterprise in the Ilocos Norte Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Ilocos Norte Ecozone;
- e. The Ilocos Norte Ecozone shall be managed and operated as 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 such as tax and duty-free importations of raw materials, capital, and equipment to registered enterprises located therein. However, exportation or removal of goods from the territory of the Ilocos Norte Ecozone to the other parts of the Philippine territory shall be subject to custom 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 Ilocos Norte Ecozone may be expanded or reduced when necessary. For this purpose, the INSEZA, 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 Ilocos Norte Ecozone for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Ilocos Norte Ecozone; and (3) the protection of watershed areas and natural assets valuable to the property of Ilocos Norte Ecozone;
- g. Goods manufactured by an Ilocos Norte Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the INSEZA together with the Philippine Economic Zone Authority (PEZA), the Bureau of Customs (BOC), and the Department of Trade and Industry (DTI). However, in order to protect domestic industries, a Negative List of industries shall be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally;
- h. The defense of the Ilocos Norte Ecozone and the security of its perimeter fence shall be the responsibility of the National Government, in coordination with INSEZA and the LGUs.

SECTION 6. *Capitalization.* – The INSEZA shall have an authorized capital stock of Two billion (2,000,000,000) no par shares with a minimum issue of Ten pesos (P10.00) each, the majority shares of which shall be subscribed and paid for by the National Government and the LGUs embracing the Ilocos Norte Special Economic Zone and Freeport. The Board of Directors of INSEZA may, with the written concurrence of the Secretary of Finance, may be determined. 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 INSEZA.

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

SECTION 7. *Principal Office of the INSEZA.* – The INSEZA shall maintain its principal office at Laoag City, Ilocos Norte, but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SECTION 8. *Powers and Functions of the INSEZA.* – The INSEZA shall have the following powers and functions:

- a. To operate, administer, manage, and develop the Ilocos Norte Ecozone according to the principles and provisions set forth in this Act;

- b. To register, regulate, and supervise the enterprises in the Ilocos 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 Ilocos Norte Ecozone;
- d. To regulate and undertake the establishment and construction, operation, and maintenance of public utilities, other services, and infrastructure in the Ilocos Norte Ecozone such as light and power, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage and cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications, transport, bridges, terminals, conveyors, water supply and storage, sewage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines (CAAP), and such other services and 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 through contracts, franchise, licenses, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6597, otherwise known as the "Built-Operate-Transfer Law" as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Ilocos Norte Ecozone, in coordination with the appropriate national and local government authorities and in conformity with applicable laws thereon;
- f. To approve plans, programs, and projects of the Ilocos Norte Ecozone to be submitted to the Regional Development Council (RDC) for inclusion and inputs to the overall 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 (PAGCOR);
- h. To raise or borrow, within the limitation provided by law, and subject to the approval or opinion of the Monetary Board of the *Bangko Sentral ng Pilipinas* (BSP), as the case may be, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act and for this purpose, to issue bonds, promissory notes and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;
- i. To protect, preserve, maintain, and develop the forests, beaches, coral and coral reefs, and maintain ecological balance within the Ilocos

Norte Ecozone. Notwithstanding the authority of the INSEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the INSEZA;

- j. To create, operate, and/or contract to operate such functional units or offices of the INSEZA as it may deem necessary;
- k. To adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own, or otherwise dispose of personal and/or real property of whatever nature; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;
- l. To issue certificates of origin for products manufactured or processed in the Ilocos Norte Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the PEZA, the DTI, and/or the Department of Finance (DOF);
- m. To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Ilocos 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 Ilocos Norte Ecozone in the establishment of such one-stop shops;
- n. To provide internal security to the Ilocos Norte Ecozone in coordination with the National Government and affected LGU. For this purpose, the INSEZA shall provide and establish its own internal security and fire fighting forces or hire others to provide the same. Military forces sent by the National Government for the purpose of defense shall not interfere in the internal affairs of the Ilocos Norte Ecozone and expenditures for these military forces shall be borne by the National Government;
- o. To recommend to the President of the Philippines the issuance of a proclamation to fix and delimit the site of Ilocos Norte Ecozone;
- p. To exercise such powers as may be essential, necessary or incidental to the powers granted to it hereunder, as well as those that shall enable to carry out, implement, and accomplish the purposes, objectives, and policies of this Act; and
- q. 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/

SECTION 9. Board of Directors of the INSEZA. – The powers of the INSEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

- a. The Chairperson, who shall at the same time, be the Administrator of the INSEZA;
- b. Governor of the Province of Ilocos Norte or a duly-authorized representative;
- c. One of the mayors of the city and municipalities covered by the Ecozone;
- d. One (1) representative from the investor's group; and
- e. One (1) representative from among the workers in the Ilocos Norte Ecozone.

The Vice Chairperson shall be selected from among the members of the Board.

The representative from the Provincial Government and the one of the mayors of the city and municipalities covered by the Ecozone shall serve as *ex-officio* members of the Board, whose terms in the Board correspond to their terms as elected officials.

The Chairperson and members of the Board, except *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.

The Chairperson of the Board must be 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* at rates to be determined by the Department of Budget and Management (DBM) in accordance with existing rules and regulations: *Provided, however,* That the total per diem collected each month shall not exceed the equivalent per diem for four (4) meetings. Unless and until the President of the Philippines has fixed for a higher per diem for the members of the Board, such per diem shall not be more than Ten thousand pesos (P10,000.00) for every Board meeting.

SECTION 10. Organization and Personnel. – The Board of Directors of INSEZA 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 INSEZA, any provision of existing law to the contrary notwithstanding. The Chairperson-Administrator shall carry out the decisions of the Board.

The officers and employees of INSEZA, 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 INSEZA, subject to civil service laws and regulations, shall be removed or suspended except for cause, as provided by law.

SECTION 11. *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 INSEZA in accordance with the policies of the Board;
- b. To establish the internal organization of the INSEZA 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 and 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 Ilocos 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 Ilocos 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.

SECTION 12. *Legal Counsel.* – The INSEZA shall have its own legal counsel under the supervision of the government corporate counsel. When the exigencies of its businesses and operations demand it, the INSEZA may engage the services of an outside counsel either on a case-to-case or on a fixed retainer basis.

CHAPTER 3.

INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS

SECTION 13. *Investors Visa.* – Any foreign national who invests an amount of Two hundred thousand US dollars (US\$200,000.00), either in cash and/or equipment, in a registered enterprise 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 loathsome, dangerous, or contagious disease;
- d. Must not have been institutionalized for any mental disorder or disability; and
- e. Must establish financial capability and capacity through verifiable and credible evidence.

A foreign national may reside in the Philippines while the investment herein required subsists. To prove this, the foreign national should submit an annual report, in the form duly prescribed for the purpose. Should said investments be withdrawn from the Philippines, then the investor's visa issued to said foreign national shall automatically expire and/or 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 Ilocos Norte Ecozone and coordinate with the INSEZA for the purpose of improving ease of doing business.

SECTION 14. *Fiscal Incentives.* – Registered enterprises operating within the Ilocos Norte Ecozone may be entitled to the pre-existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those provided under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987, and/or those that may be further granted as the need and necessity arises by appropriate government department, agency, or office: *Provided*, That in the administration, implementation, and monitoring of incentives, the INSEZA, may impose its own conditions not otherwise prohibited by this Act: *Provided, further*, That the INSEZA shall not be limited to the conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any other related issuance, rule, or regulation.

SECTION 15. *Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned.* – No taxes, local and national, shall be imposed on business establishments operating within the Ilocos Norte Ecozone, including income tax, withholding tax, donor's tax, percentage tax, and documentary stamp tax. In lieu thereof and subject to Section 17 of this Act, said business establishment shall pay a five percent (5%) final tax on their gross income earned: *Provided*, That the proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following schedule:

- a. Three *per centum* (3%) to the National Government;
- b. Two *per centum* (2%) shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

SECTION 16. *Administration, Implementation, and Monitoring of Incentives.* – In the interest of enhancing transparency in the management and accounting of tax incentives in the Ilocos Norte Ecozone, the INSEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as "The Tax Incentives Management and Transparency Act (TIMTA)" and its implementing rules and regulations for proper administration, management, enforcement, implementation, and monitoring of tax incentives under this law.

The BOC shall set up and establish a customs-controlled area outside the gate of the Ilocos Norte Ecozone to facilitate payment of taxes on goods entering the Philippine customs territory: *Provided*, That notwithstanding the limitations in this Act, the INSEZA and BOC may coordinate and jointly implement measures on border protection.

SECTION 17. *Duration and Incentives.* – Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development and interest. The industries exempted from this provision shall be determined by the INSEZA, in consultation with other government agencies.

SECTION 18. *Sequential Availment of Incentives.* – Registered enterprises may enjoy the income tax holiday (ITH) granted by INSEZA prior to the availment of the five percent (5%) final tax on gross income earned incentive: *Provided*, That in the event a registered enterprise elects to avail of the final tax incentive, such registered enterprise shall be barred from availing the ITH incentive.

Registered enterprises, if eligible, may register for incentives with other investment promotion agencies: *Provided*, That registered enterprises electing to avail of the incentives of other promotion agencies shall not be able to avail of the incentives of the Ilocos Norte Ecozone until the expiration of the incentives with such other investment promotion agencies.

SECTION 19. *Extension of Period of Availment.* – The INSEZA may extend period of the validity of the incentives extended to a registered enterprise in the event that it suffers, due to *force majeure*, a cessation or suspension of operations that impairs its viability or profitability.

SECTION 20. *Banking Rules and Regulations.* – Banks and financial institutions to be established in the Ilocos Norte Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules, and regulations.

SECTION 21. *Remittances.* – In the case of foreign investments, a duly registered entity or enterprise within the Ilocos Norte Ecozone shall have the right to remit earnings from the investment 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.”

CHAPTER 4. **NATIONAL GOVERNMENT AND OTHER ENTITIES**

SECTION 22. *Supervision and Control.* – For purposes of policy direction and coordination, the INSEZA shall be under the direct control and supervision of the Office of President of the Philippines.

SECTION 23. *Development Goals of the Ilocos Norte Ecozone.* – The INSEZA shall determine the development goals for the Ilocos Norte Ecozone within the framework of national development plans, policies, and goals. The Chairperson and Administrator shall, upon approval by the Board, submit the Ilocos Norte Ecozone plans, programs, and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SECTION 24. *Relationship with Local Government Units.* – Except as herein provided, the LGUs comprising the Ilocos Norte Ecozone shall retain their basic autonomy and identity. The Municipalities of Badoc, Currimao, Paoay, and Laoag City in Ilocos Norte shall operate and function in accordance with the framework of the 1987 Constitution, Local Government Code of 1991, and this Act.

In case of any conflict among the INSEZA, the LGUs, and the National Government on matters affecting the Ilocos Norte Ecozone, other than national defense and security matters, the decision of the INSEZA shall prevail.

SECTION 25. *Audit.* – The Commission on Audit (COA) shall appoint a full-time auditor in the INSEZA or may assign such number of personnel as may be necessary in the performance of their functions.

CHAPTER 5. MISCELLANEOUS PROVISIONS

SECTION 26. *Interpretation/Construction.* – The powers, authorities and functions that are vested in the INSEZA 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 government functions and authority, and promote an efficient and effective working relationship among the INSEZA, the National Government and the LGUs. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided by the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that would tend to protect national security.

SECTION 27. *Applicability Clause.* – Insofar as they are inconsistent with the provisions of this Act, the provisions of Section 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 Ilocos Norte Ecozone.

SECTION 28. *Implementing Rules and Regulations.* – The National Economic and Development Authority (NEDA), in coordination with the DTI and DOF, shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval.

SECTION 29. *Separability Clause.* – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SECTION 30. *Repealing Clause.* – Any provision of law, decree, order, rule or regulation inconsistent with this Act is hereby repealed and/or modified accordingly.

SECTION 31. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,