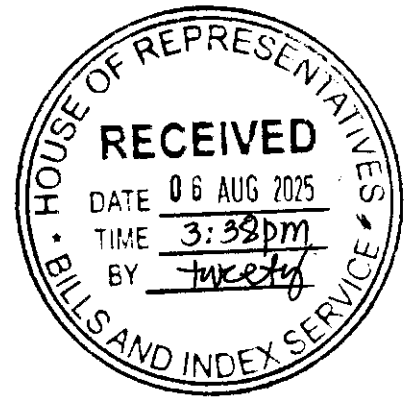


Republic of the Philippines
HOUSE OF REPRESENTATIVES
QUEZON CITY

20th Congress
First Regular Session

House Bill No. **3292**



Introduced by: **REP. MARK CHOLO I. VIOLAGO**

EXPLANATORY NOTE

Article II, Section 20 of the 1987 Constitution states that – *"The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."* Complimentarily, Article XII, Section 12 of the Constitution states that *"The State shall promote the preferential use of Filipino labor, domestic materials and locally produced goods and adopt ensures that help make them competitive."*

In line with these policies, the government shall provide measures that shall effectively attract legitimate and productive foreign investments. The government shall also actively encourage, promote and accelerate a sound and balanced industrial, economic and social development of the country.

A special economic zone (SEZ) is an area in which the business and trade laws are different from the rest of the country. SEZs are located within a country's national borders, and their aims include increasing trade balance, employment, increased investment, job creation and effective administration.

Special economic zones generate plenty of employment opportunities for the local population. Once special economic zones attract Foreign Direct Investment (FDI), more jobs will be created. There's no doubt that foreign businesses and investors will need to hire a high-volume workforce to operate daily, especially businesses that fall under the industrial sector e.g manufacturing and logistics.

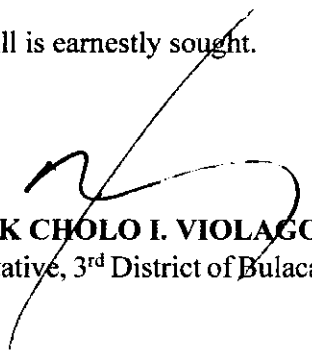
The area of the Province of Bulacan where the Municipality of San Rafael remains untapped by industrial developments. The population therein is continuously increasing, thus, the demand for work and employment increase rapidly. The area is with available land and relevant resources that an economic zone can be established. The presence of a special economic zone will make use of the available resources and in turn will provide much needed development in the area creating economic opportunities not only to the resident of the municipality but of the nearby municipalities and provinces as well.

Special economic zones offer a “shortcut” to a country’s more complex structural reforms. These specialized areas reduce red tape, high tariffs, and taxes, providing economies with relatively more connected territories characterized by simplified customs processes, fewer hindrances to foreign ownership, and developed infrastructure.

The establishment of a Special Economic Zone in the area will provide facilities that will cater to businesses and operations that are not readily available to the country. The Special Economic Zone will serve as a gate way to new technologies and gadgets that cannot be ordinarily available without the accommodations under this program.

Thus, the creation of a Special Economic Zone and the corresponding Special Economic Zone Authority will bring forth nothing for advancement and development in the municipality of San Rafael, the nearby municipalities, the province of Bulacan and other nearby provinces.

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



MARK CHOLO I. VIOLAGO
Representative, 3rd District of Bulacan

Republic of the Philippines
HOUSE OF REPRESENTATIVES
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20th Congress
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House Bill No. **3292**

Introduced by: **REP. MARK CHOLO I. VIOLAGO**

AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE MUNICIPALITY OF SAN RAFAEL, PROVINCE OF BULACAN, CREATING FOR THE PURPOSE THE SAN RAFAEL SPECIAL ECONOMIC ZONE AUTHORITY, APPROPRIATING FUNDS THEREFOR AND FOR OTHER PURPOSES

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

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

SECTION 2. Declaration of Policy

It is hereby declared the policy of the government 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 especially 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 and through measures that shall effectively attract legitimate and productive foreign investments.

SECTION 3. Creation of the San Rafael 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 Bulacan, there is hereby established a special economic zone, hereinafter referred to as the San Rafael Special Economic Zone or SRSEZ. The SRSEZ shall cover a particular area in the municipality of San Rafael, Province of Bulacan, the specific metes and bounds of which shall be more particularly defined in a presidential proclamation that shall be issued for this purpose: Provided, that the lands embraced therein shall be contiguous to one another.

SECTION 4. Creation of the San Rafael Special Economic Zone Authority.

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

SECTION 5. GOVERNING PRINCIPLES

The San Rafael Special Economic Zone shall be managed and operated under the following principles:

- a) Under the framework and limitations of the Constitution and the applicable provisions of the Local Government Code, the SRSEZ shall be developed into and operated as the decentralized, self-reliant and self-sustaining industrial, commercial/trading, research and development, engineering, medical, education, information and communications technology including emerging and future technologies such as artificial technology, block chain, business process outsourcing, cloud computing, cyber security, distributed ledger technology, financial technology solutions, internet of things, and virtual reality, retirement, and healthcare services, agro-industrial, tourism, banking financial, multinational trading and investment center with provisions for suitable residential areas.
- b) The SRSEZ shall continue to be provided by the National Government and/or local government with transportation, telecommunications, high-speed internet cables and other facilities needed to attract legitimate and productive investments, generate linkage with industries and employment opportunities for the people of San Rafael and its neighboring municipalities. The SRSEZ shall also have priority and preferential access to such National Government and/or local government transportation and telecommunications infrastructure, high-speed internet cables and other facilities, and access to the SRSEZ shall be incorporated in the planning, construction and operation such infrastructure or expansions: Provided, that the autonomy and self-reliance of the SRSEZ shall not be a hindrance to assistance and/or partnerships with other units and instrumentalities of the government: Provided, further, that no assistance or partnership shall be construed as a waiver of the autonomy of the SRSEZ.
- c) The SRSEZ 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 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 SRSEZ, either by themselves or in joint venture

with Filipinos in any sector or industry, international trade and commerce within the SRSEZ;

- e) The SRSEZ shall be managed and operated as a separate customs territory thereby ensuring the free flow or movement of goods and capital within, into and out of its territory, and shall likewise provide incentives subject to title XIII of the National Internal Revenue Code, as amended. However, exportation or removal of goods from the territory of the SRSEZ to the other parts of the Philippine territory shall be subject to customs duties and taxes under Republic Act No. 10863, otherwise known as the “Customs Modernization and Tariff Act” and other relevant tax laws of the Philippines;
- f) The areas comprising the SRSEZ may be expanded or reduced when necessary through a presidential proclamation issued for the said purpose. For this purpose, the SaRaSEZA, 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 SRSEZ for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the SRSEZ; and (3) the protection of watershed areas and natural assets valuable to the prosperity of the SRSEZ;
- g) Goods manufactured by the SRSEZ 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 SaRaSEZA together with the PEZA, the Bureau of Customs, Bureau of Internal Revenue, and the DTL. 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 SRSEZ and the security of its perimeter fence shall be the responsibility of the national government in coordination with the SaRaSEZA and the concerned LGUs.

SECTION 6. Development Goals of the SRSEZ

The SaRaSEZA shall determine the development goals of the SRSEZ within the framework of national development plans, policies and goals. The Chairperson-Administrator shall, upon approval by the Board of the SaRaSEZA, submit the SRSEZ plans, programs, and projects to the Regional Development Council for inclusion in the regional development plan.

SECTION 7. Capitalization.

The SaRaSEZA 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 SRSEZ. The Board of Directors of the SaRaSEZA 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 SaRaSEZA 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 SaRaSEZA.

The amount necessary to subscribe and pay for the shares of the national government to the capital stock of the SaRaSEZA 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

SECTION 8. Principal Office of the SaRaSEZA

The SaRaSEZA shall maintain its principal office in the Municipality of San Rafael, Province of Bulacan, but it may establish liason offices within the Philippines as may be necessary for the proper conduct of its business.

SECTION 9. Powers and Functions of the SaRaSEZA

The SaRaSEZA shall have the following powers and functions:

- a) To operate, administer, manage, and develop the SRSEZ according to the principles and provisions set forth in this Act;
- b) To register, regulate, and supervise the enterprises in the SRSEZ 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 SRSEZ;
- d) To regulate and undertake the establishment, construction, operation and maintenance of public utilities, other services, and infrastructure in the SRSEZ 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 requires or needed for the operation and development of the SRSEZ, 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 SRSEZ 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 Philippines 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 SRSEZ. Notwithstanding the power of the SaRaSEZA 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 SaRaSEZA;
- j) To create, operate or contract to operate such functional units or offices of the SaRaSEZA 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 SRSEZ in accordance with 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 SRSEZ, 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 SaRaSEZA in the establishment of such one-stop shops;

- n) To ensure that the area covered by the SRSEZ 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 SaRaSEZA except to provide the necessary security and defense, or law enforcement assistance, as the case maybe: Provided, finally, that expenses of the AFP or the PNP in the SRSEZ 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.

SECTION 10. Board of Directors of the SaRaSEZA.

The powers of the SaRaSEZA 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 SaRaSEZA;
- b) A Vice Chairperson, who shall be elected form among the members of the Board of Directors;
- c) Members consisting of:
 - 1. The Governor of the Province of Bulacan or a duly- authorized representative from the Provincial Government of Bulacan;
 - 2. The mayor of the municipality covered by the ecozone;
 - 3. One (1) representative from the investors' group; and
 - 4. One (1) representative from among the workers in the SRSEZ.

The Governor or the Governor's duly authorized representative and the mayor of the municipality within the ecozone shall serve as ex officio members of the Board, whose terms in the Board shall correspond to their term 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 form 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: economic, 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 months 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.

SECTION 11. Organization and Personnel

The Board of Directors of the SaRaSEZA 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 SaRaSEZA, 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 SaRaSEZA, 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 SaRaSEZA, shall be removed or suspended except for cause, as provided by civil service rules and regulations.

SECTION 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 SaRaSEZA in accordance with the policies of the Board;
- b) To establish the internal organization of the SaRaSEZA 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 requires;

- e) To submit to the Board for its approval, policies, systems, procedures, rules and regulations that are essential to the operation of the SRSEZ;
- 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 SRSEZ; and
- h) To perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

SECTION 13. Legal Counsel

The SaRaSEZA 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 SaRaSEZA may engage the services of an outside counsel either on a case to case or on a fixed retainer basis.

SECTION 14. Investors' 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 investors'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 should submit an annual report, in the form duly prescribed for the purpose, to prove that the investment in the country subsists. Should said alien 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 SRSEZ and coordinate closely with the SaRaSEZA to facilitate the conduct of business operations.

SECTION 15. Fiscal Incentives

Registered enterprises of the SRSEZ may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of the National Internal Revenue Code, as amended.

SECTION 16. Banking Rules and Regulations.

Banks and financial institutions to be established in the SRSEZ shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

SECTION 17. Remittances

In the case of foreign investments, a duly registered entity or enterprise within the SRSEZ 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 Bank Act" as amended.

SECTION 18. Supervision and Control

For purposes of policy direction and coordination, the SaRaSEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

SECTION 19. Relationship with Local Government Units.

Except as herein provided, the LGUs comprising the SRSEZ shall retain their basic autonomy and identity. The Municipality of San Rafael, Province of Bulacan, 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 SaRaSEZA, the LGUs and the national government on matters affecting the SRSEZ, other than national defense and security matters, the decision of the SaRaSEZA shall prevail.

SECTION 20. Audit

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

SECTION 21. Interpretation and Construction

The powers, authorities and functions that are vested in the SaRaSEZA 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 SaRaSEZA, 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.

SECTION 22. Applicability Clause

Insofar as they are consistent with the provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916, otherwise known as “The Special Economic Zone Act of 1995”, as amended, shall likewise apply to the SRSEZ.

SECTION 23. Implementing Rules and Regulations.

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

SECTION 24. Separability Clause

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

SECTION 25. Repealing Clause

All laws, executive orders or issuances or any part thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

SECTION 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