

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Constitution Hills, Quezon City

**TWENTIETH CONGRESS**  
First Regular Session

**HOUSE BILL NO. 3536**



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**Introduced by Rep. FAUSTINO 'BOJIE' G. DY III**

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### **EXPLANATORY NOTE**

This bill seeks to create a special economic zone in the Province of Isabela, to be known as the Isabela Special Economic Zone.

Isabela is a first-class province and among the most progressive provinces in the Philippines. Recognized as an agricultural powerhouse, Isabela is the country's top corn producer, and the second-highest rice producer contributing 21 percent of national corn output, and 15 percent of total annual rice production.

In 2023, Isabela had the largest share to the economy of the Cagayan Valley Region at 44.2 percent, contributing approximately Php 197.62 billion to the region's gross domestic product (GDP).<sup>1</sup> This robust economic performance is attributed to the province's rapidly growing industries which include agriculture, trade, manufacturing, construction, and services.

Infrastructure development in Isabela is equally impressive. A reliable network of external and internal highways, seaports, and airports are in place to facilitate the movement of goods and people. The province, likewise, has established a dependable telecommunications and multimedia infrastructure that

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<sup>1</sup><https://psa.gov.ph/content/batanes-posts-double-digit-gdp-growth-2023-leading-provincial-economies-cagayan-valley>

ensures connectivity anywhere in the world through the internet, satellite, cable, and cellular services.

With its favorable demographics, diversified economic pillars, and strategic location, the Province of Isabela has the potential to become a decentralized, self-reliant, and self-sustaining investment hub in the region. The establishment of the Isabela Special Economic Zone will attract domestic and foreign investments, boost economic growth, and provide Isabeleños with employment opportunities, further enhancing the province's contribution to national development.

In view of the foregoing, approval of this bill is urgently requested.

  
**FAUSTINO 'BOJIE' G. DY III**

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**AN ACT**  
**ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE PROVINCE**  
**OF ISABELA TO BE KNOWN AS THE “ISABELA SPECIAL**  
**ECONOMIC ZONE” AND APPROPRIATING FUNDS THEREFOR**

*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 “*Isabela Special Economic Zone Act.*”

SEC. 2. **Declaration of Policy.** – It is hereby declared the policy of the State to encourage, promote and accelerate a balanced industrial, economic and social development of the country through the establishment of special economic zones in strategic locations in the countryside that will generate employment, and promote trade and investment in the area. Towards this end, the State shall endeavor to establish special economic zones in suitable areas where enterprises are given incentives to create an environment conducive to business.

**SEC. 3. *Creation of Isabela Special Economic Zone.*** – In accordance with the foregoing policy, there is hereby established a special economic zone in the Province of Isabela, to be known as the “*Isabela Special Economic Zone,*” (ISEZ). The ISEZ shall cover the land territories in the Municipality of Echague, Province of Isabela and all other expansion areas within the Province of Isabela which may be declared as part of the ISEZ including all municipal waters and coastline of the Province of Isabela. The specific metes and bounds of ISEZ shall be more particularly defined in a presidential proclamation that shall be issued for this purpose.

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

(a) Within the framework and limitations of the Constitution and the applicable provisions of Republic Act No. 7160, as amended, otherwise known as the “*Local Government Code of 1991,*” the ISEZ shall be developed into a decentralized, self-reliant and self-sustaining export processing, agro-industrial, banking, commercial, manufacturing, financial, investment, trading, educational, information and communications technology and tourism center, with suitable retirement and residential areas;

(b) The ISEZ shall be equipped with transportation, telecommunications, and other facilities needed to attract legitimate and productive local and foreign investments, generate linkage

industries, and employment opportunities for the people of Isabela and its neighboring provinces;

(c) The ISEZ may establish mutually beneficial economic relations with other entities or enterprises within the country or, subject to the administrative guidance of the Department of Foreign Affairs, the Philippine Economic Zone Authority (PEZA), and the Department of Trade and Industry (DTI), with foreign entities or enterprises;

(d) Subject to the provisions of the Constitution and other relevant laws, foreign citizens and companies owned by non-Filipinos may set up enterprises in the ISEZ, either by themselves or in a joint venture with Filipinos in any sector of industry or for international trade and commerce;

(e) The ISEZ shall be managed and operated as a separate customs territory to ensure and facilitate the free flow, entry and movement of machinery and other goods. However, exportation or removal of goods, articles and capital from the zone to 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 (CMTA)*", and tax laws of the Philippines. It shall be vested with the authority to issue certificates of origin for products manufactured or processed within the ISEZ in

(h) The defense and security of the ISEZ and its perimeter fence shall be the responsibility of the national government, in coordination with the ISEZ and the concerned LGUs;

(i) Duty free shops shall be located only within the ISEZ;

(j) Business establishments operating within the ISEZ are entitled to the existing fiscal incentives as provided for under Presidential Decree No. 66 the law creating the Export Processing Zone Authority, or those provided under Book VI of Executive Order No. 226, otherwise known as the "*Omnibus Investment Code of 1987*," and such incentives, benefits or privileges presently provided to business establishments operating within the Subic Special Economic Zone pursuant to Republic Act No. 7227, as amended, otherwise known as the "*Bases Conversion and Development Act of 1992*"; and

(k) Any foreign investor who establishes a business enterprise within the ISEZ and maintains capital investment of not less Seventy-five thousand United States Dollars (US\$75,000) shall be granted, along with the foreign investor's spouse, dependents and unmarried children below twenty-one years of age, a permanent resident status within the ISEZ.

Such foreign investor, spouse, dependents and unmarried children below the age of twenty-one (21) years shall have freedom of ingress and egress in the

ISEZ without any need of any special authorization from the Bureau of Immigration.

**SEC. 5. *Isabela Special Economic Zone Authority (ISEZA).*** – Subject to the concurrence of the local government units that will be affected by the creation of the ISEZ, there is hereby created a body corporate to be known as the Isabela Special Economic Zone Authority, hereinafter referred to as the Authority, which shall manage and operate the ISEZ, in accordance with this Act. It shall be organized within one hundred eighty (180) days after the effectivity of this Act.

**SEC. 6. *Principal Office.*** – The Authority shall maintain its principal office in the Municipality of Echague, Province of Isabela, but it may establish branches and agencies within the Philippines and abroad as may be necessary for the proper conduct of its business.

**SEC. 7. *Powers and Functions of the Authority.*** – The Authority shall have the following functions:

(a) Operate, administer, and manage the ISEZ according to the principles and provisions set forth in this Act;

(b) Register, regulate and supervise the enterprises in the ISEZ in an efficient and decentralized manner, subject to existing laws;

(c) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ISEZ such as heat, light and power, water supply, telecommunications,

accordance with prevailing rules of origin, and the pertinent regulations of the duly recognized national bodies tasked to oversee all other ecozones in the country;

(f) The areas comprising the ISEZ may be expanded or reduced when necessary, through a presidential proclamation issued for the said purpose. Thus, the ISEZ, in consultation with the LGU, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the ISEZ for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the ISEZ; and (3) protection of watershed areas and natural assets valuable to the prosperity of the ISEZ;

(g) Goods manufactured by ISEZ enterprises shall be made available for 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 Isabela Economic Zone Authority together with the PEZA, the Bureau of Customs, the Bureau of Internal Revenue, and the DTI. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally;

transport, toll roads and bridges, port services, and fix just, reasonable and competitive rates, fares, charges and prices therefor;

(d) 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 RA 6957, otherwise known as the "*Build-Operate-Transfer Law*," as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the ISEZ, in coordination with appropriate national and local government authorities and in conformity with applicable laws;

(e) To undertake all public infrastructure and utility projects within the ISEZ and as provided for in this Act and to contract foreign loans and grants in accordance with existing laws;

(f) Operate on its own, either directly or through a subsidiary entity, or license to other tourism related activities, including games, amusements and recreational and sports facilities to provide, in cooperation with the Department of Tourism, incentives to tourism-related businesses operating within the ISEZ which include duty-free buying privileges for non-resident visitors;

(g) Protect, preserve, maintain and develop, among others, the virgin forests, beaches, coral and coral reefs and minerals and mineral deposits, including precious metals within the ISEZ. For this 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 ISEZ including the issuance of environmental clearance certificates, patents and leasehold rights over government lands and mining, drilling and timber licenses;

(h) Acquire private real properties or rights thereon for infrastructure and other development projects, secure rights-of-way which are needed for said projects and the settlement of claims for payment, without further need of conducting feasibility studies, information campaign, engineering surveys, project cost estimates as required by existing laws and regulations pertinent thereto;

(i) Create, operate or contract to operate such agencies and functional units or offices of the Authority, as it may deem necessary;

(j) Adopt, alter and use a corporate seal; make contracts, leases, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its functions and duties as provided for in this Act;

(k) Issue working visas, renewable every two (2) years to foreign executives and foreign technicians with highly specialized skills which no Filipino possesses, as certified by the Department of Labor and Employment. The names of the foreigners granted permanent resident

status and working visas by the Authority shall be reported to the Bureau of Immigration within thirty (30) days from such grant; and

(1) Issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives, and policies provided therein.

**SEC. 8. *Character of the Authority.*** – The Authority shall be non-profit and shall devote the use of its returns from capital investments, and excess revenues from its operations, for the development, improvement, and maintenance and other related expenditures of the Authority to pay its indebtedness and obligations and in furtherance and effective implementation of the policy provided in this Act. In consonance thereto, the Authority is hereby declared exempt from the payment of all taxes, duties, fees, imposts, charges, costs and service fees.

The foregoing exemptions may however be entirely or partially lifted by the President of the Philippines upon the recommendation of the Secretary of Finance, not earlier than five (5) years from the effectivity of this Act, if the President finds the Authority to be self-sustaining and financially capable by then to pay such taxes, customs duties, fees and other charges after providing for debt service requirements of the Authority and of its projected capital and operating expenditures.

SEC. 9. **Board of Directors.** – The powers of the Authority 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) Chairperson, who shall at the same time be the administrator of the Authority;

(b) Vice-Chairperson, who shall be elected from among the members of the Board;

(c) Governor of the Province of Isabela or a duly-authorized representative from the Provincial Government of Isabela;

(d) Mayor of the Municipality of Echague;

(e) One representative from the domestic investors;

(f) One representative from the foreign investors;

(g) One representative from the workers working in the ISEZ;

and

(h) Two prominent citizens of the Philippines of whom one shall be a resident of the Province of Isabela; as members.

The Governor or the Governor's duly authorized representative and the Mayor of the Municipality of Echague shall serve as *ex officio* members of the Board, whose terms in the Board shall correspond to their terms as elected officials.

The chairperson-administrator and the members of the Board shall, except for the representatives of the investors and workers groups and the *ex officio*

members, be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation, or removal for cause. In case of death, resignation, or removal for cause, their replacements shall serve only the unexpired portion of the respective terms. No person shall be appointed as a member of the Board unless the person is a Filipino citizen, of good moral character, of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management, or their equivalent, and with at least ten (10) years relevant working experience, preferably in the field of management or public administration.

The members of the Board, except the *ex officio* members, shall each receive a *per diem* allowance at rates to be determined by the Department of Budget and Management, in accordance with existing rules and regulations: *Provided, however,* That the total per diem allowance collected each month shall not exceed the equivalent of four (4) meetings unless and until the President of the Philippines has fixed a higher rate for the per diem allowance for the members of the Board, such allowance shall not be more than Ten thousand pesos (Php10,000.00) for every Board meeting.

**SEC. 10. *Powers and Duties of the Chairperson-Administrator.*** – The chairperson-administrator shall have the following powers and duties:

(a) Direct and manage the affairs of the ISEZ in accordance with the policies of the Board;

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

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

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

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

(f) 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) 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 ISEZ; and

(h) Perform such other duties as may be assigned by the Board or which are necessary or incidental to the office.

SEC. 11. ***Organization and Personnel.*** – The Board shall provide for its organization and staff to assist in the exercise of its functions and to provide for an organization of the Authority officers and employees. Upon recommendation of the chairperson-administrator, the Board shall appoint and fix the remunerations 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 or reassign officers of the Authority, any provision of existing law to the contrary notwithstanding. The chairperson- administrator may carry out removal of such officers and employees.

All positions in the Authority shall be governed by a compensation, position, classification system and qualification standards approved by the chairperson-administrator with the concurrence of the Board based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan must be comparable with the prevailing compensation plans in the Subic Bay Metropolitan Authority, the Clark Development Corporation, the Bases Conversion and Development Authority and the private sector, and subject to the periodic review by the Board no more than once every two (2) years without prejudice to yearly merit reviews or increases based on productivity and profitability.

The officers and employees of the Authority, including its appointive 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 Authority, subject to civil service laws and regulations, shall be removed or suspended except for cause.

SEC. 12. ***Revenue Sharing.*** – No taxes, local and national, including final withholding taxes on dividends to the parent company and branch profit remittances to the head office of a business establishment, shall be imposed on

business establishments operating within the ISEZ. In lieu of all local and national taxes, business establishments operating within the ISEZ shall pay to the national government a final tax of eight per centum (8%) of their net taxable income as determined in accordance with the provisions of the National Internal Revenue Code, as amended, to be divided as follows:

(a) Three per centum (3%) shall accrue to the national government;

(b) Two per centum (2%) to the Province of Isabela;

(c) One per centum (1%) to be shared by the municipalities affected by the declaration of the ISEZ in proportion to their income from business activities within the ISEZ; and

(d) Two per centum (2%) to the Authority: *Provided*, That the final tax of eight per centum (8%) of net income may be increased by the President of the Philippines after ten (10) years from the effectivity of this Act, upon the recommendation of the Secretaries of Finance, and Trade and Industry, the Chairperson of the National Economic Development Authority and the chairperson-administrator of the Authority: *Provided, further*, That in no case shall the final tax to be imposed exceed fifteen per centum (15%) of net income.

In case of conflict between local and national tax laws on the one hand, and the tax incentives herein granted on the other, the same shall be resolved in favor of the grant of incentives.

SEC. 13. ***Banking Rules and Regulations.*** – Existing banking laws and *Bangko Sentral ng Pilipinas* (BSP) rules and regulations shall apply on foreign exchange and other current account trade and non-trade transactions, local and foreign borrowings, foreign investments, establishment and operation of local and foreign banks, foreign currency deposit units, offshore banking units and other financial institutions under the supervision of the BSP. The ISEZ may, in coordination with the BSP and the DTI, adopt more liberal rules to attract offshore banking, financial services, trust or trading institutions to operate in the zone.

SEC. 14. ***Labor and Management Relations.*** – Except as otherwise provided in this Act, labor and management relations in the ISEZ shall be governed by applicable rules and regulations under the Labor Code of the Philippines, as amended. Employees and personnel in the registered enterprises shall receive salaries and benefits and shall enjoy working conditions provided under the Labor Code and other relevant laws and issuances of the Philippine government and the DOLE. The Authority shall allow the visitorial power of the Secretary of Labor and Employment or the duly authorized representative.

SEC. 15. ***Ipsa Facto Clause.*** – Sections 30-41 of Republic Act No. 7916, otherwise known as the “*Special Economic Zone Act of 1995,*” as amended, shall *ipso facto* apply to the ISEZ.

SEC. 16. ***Capitalization.*** – The Authority shall have an authorized capital stock of Two billion pesos (P2,000,000,000.00) 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 local government units (LGUs) comprising the ISEZ. The Board 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 Authority 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 Authority.

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

SEC. 17. ***Supervision.*** – The ISEZ shall be under the direct control and supervision of the Philippine Economic Zone Authority for purposes of policy direction and coordination.

SEC. 18. ***Relationship with the Regional Development Council.*** – The Authority shall determine the development goals for ISEZ within the framework

of national development plans, policies and goals. The chairperson-administrator shall, upon approval by the Board, submit the plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC. 19. ***Relationship with Local Government Units.*** – Except as herein provided, the LGUs comprising the ISEZ shall retain their basic autonomy and identity. In case of any conflict between the Authority and the Province of Isabela on matters affecting the ISEZ other than defense and security matters, the decision of the Authority prevails.

SEC. 20. ***Interpretation and Construction.*** – The powers, authorities, and functions that are vested in the Authority are intended to enhance national security, encourage self-sufficiency, foster meaningful decentralization of governmental functions and authority, and promote an efficient and effective collaboration among the Authority, the national government, and the LGUs. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that shall protect national security.

SEC. 21. ***Auditing.*** – The Commission on Audit shall appoint a representative who shall be a full-time auditor of the Authority and assign such number of personnel as may be necessary to assist the representative in the performance of official duties. The salaries and emoluments of the assigned

auditor and personnel shall be in accordance with pertinent laws, rules and regulations.

SEC. 22. ***Implementing Rules and Regulations.*** – Within sixty (60) days from effectivity of this Act, the Department of Trade and Industry shall, in coordination with the Department of Finance and the National Economic and Development Authority, issue the necessary rules and regulations for the effective implementation of the provisions of this Act.

SEC. 23. ***Separability Clause.*** – If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

SEC. 24. ***Repealing Clause.*** – All laws, executive orders and issuances, or any part thereof, which are inconsistent herewith are hereby repealed or amended accordingly.

SEC. 25. ***Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,