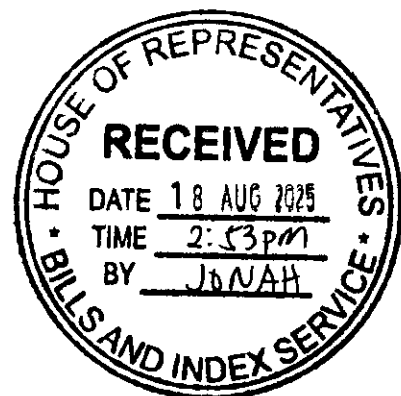


Republic of the Philippines
House of Representatives
Quezon City, Metro Manila



TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO: 3794

Introduced By: **HON. CLAUDE P. BAUTISTA**

EXPLANATORY NOTE

This legislative proposal was first introduced during the 19th Congress in pursuit of advancing inclusive regional development, and is hereby **refiled in the 20th Congress** to reaffirm the continuing need for strategic economic interventions in underserved localities—particularly the **Municipality of Sarangani** in southern Mindanao.

The 1987 Philippine Constitution underscores the importance of ensuring a more equitable distribution of wealth and opportunities, emphasizing that **all regions** of the country must be given **optimal chances for development**. One effective mechanism to realize this mandate has been the creation of **Special Economic Zones (SEZs)**—growth hubs that attract both local and foreign investments, generate employment, and stimulate industrial and infrastructure development.

SEZs have consistently contributed to national progress. As highlighted in past studies, these zones have attracted **substantial foreign direct investments (FDIs)**, which in turn generate employment, facilitate **technology and skills transfer**, and enable backward linkages that benefit local industries and communities. These investments are particularly crucial for areas that lack industrial presence yet have a workforce ready for productive engagement.

Sarangani's **geographic advantage**—as a coastal municipality bordering Indonesia, with proximity to Malaysia and Brunei—makes it an ideal site for such a zone. Its strategic location aligns with the broader goals of the **Brunei Darussalam–Indonesia–Malaysia–Philippines East ASEAN Growth Area (BIMP-EAGA)**, a subregional initiative aimed at strengthening economic cooperation, tourism, and trade among member countries.

The proposed SEZ would support the development of an **international port**, facilitating **faster movement of goods and people**, and potentially transforming Sarangani into a gateway for cross-border commerce and international tourism.

This would unlock long-term economic benefits for the municipality and its neighboring provinces.

More importantly, the zone would help **address the high rate of out-migration** driven by limited local employment options. Despite having a population with skills suited for industrial and service work, many residents are forced to leave Sarangani for better opportunities elsewhere. Establishing an SEZ would not only **create local jobs** but also build sustainable livelihood pathways that empower communities and families.

The expected results include **robust job creation**, enhanced human capital development, poverty alleviation, and increased household income. These improvements would drive higher demand for goods and services—such as housing, education, transportation, and healthcare—leading to **broad-based economic upliftment** not only within the municipality but also the country.

In light of these compelling benefits, the immediate and favorable consideration of this bill is respectfully sought.


CLAUDE P. BAUTISTA

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

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 3794

Introduced by: Hon. Claude P. Bautista

AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE MUNICIPALITY
OF SARANGANI, PROVINCE OF DAVAO OCCIDENTAL, CREATING
FOR THE PURPOSE THE MUNICIPALITY OF SARANGANI SPECIAL
ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS
THEREFOR

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

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CHAPTER I
GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the
"Municipality of Sarangani Special Economic Zone Act."

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

CHAPTER II

CREATION OF THE ECONOMIC ZONE

1
2 **SEC. 3. *Creation of the Municipality of Sarangani Special***
3 ***Economic Zone.*** – In accordance with the foregoing declared policy and subject
4 to the concurrence of the local government unit (LGU) of the Municipality of
5 Sarangani, Province of Davao Occidental, there is hereby established a special
6 economic zone, hereinafter referred to as the Municipality of Sarangani Special
7 Economic Zone or MSaraSEZ. The MSaraSEZ shall cover a particular area in
8 the Municipality of Sarangani, Province of Davao Occidental, the specific
9 metes and bounds of which shall be more particularly defined in a presidential
10 proclamation that shall be issued for this purpose: *Provided*, That the lands
11 embraced therein shall be contiguous to one another.

12 **SEC. 4. *Creation, Development of an Industrial Park.*** –
13 Pursuant to Section 3 of this Act, an industrial park shall be established and
14 developed in *Barangay Lipol, Municipality of Sarangani, Davao Occidental*,
15 the exact metes and bounds of which shall be determined by the Municipality
16 of Sarangani Special Economic Zone Authority in coordination and approval of
17 the local government unit of Sarangani.

18 In the industrial park, there shall be established a renewable energy
19 powerplant and diesel-engine generators to provide the necessary and
20 sufficient energy supply for the enterprises and community within the
21 MSaraSEZ, subject to the approval of the Municipality of Sarangani Special
22 Economic Zone Authority and consistent with the rules and regulations issued
23 by the Department of Energy and all other concerned government agencies on
24 the establishment, development, and maintenance of renewable energy
25 powerplants and diesel-engine generators.

26 **SEC. 5. *Creation of the Municipality of Sarangani Special***
27 ***Economic Zone Authority.*** – There is hereby created a body corporate to be
28 known as the Municipality of Sarangani Special Economic Zone Authority,
29 hereinafter referred to as the MSaraSEZA, which shall manage and operate

1 the MSaraSEZ, in accordance with the provisions of this Act. The corporate life
2 of the MSaraSEZA shall expire in fifty (50) years counted from the first year
3 after the effectivity of this Act, unless otherwise extended by Congress. It shall
4 be organized within one hundred eighty (180) days after the effectivity of this Act.

5 **SEC. 6. *Governing Principles.*** – The MSaraSEZA shall manage and
6 operate the MSaraSEZ, under the following principles:

7 (a) Within the framework and limitations of the Constitution and applicable
8 provisions of Republic Act (RA) No. 7160, or the Local Government Code,
9 as amended, the MSaraSEZ shall be developed into and operated as a
10 decentralized, self-reliant and self-sustaining industrial, commercial,
11 trading, agro-industrial, tourist, banking, financial, and investment
12 center with suitable residential areas;

13 (b) The MSaraSEZ shall be equipped with transportation,
14 telecommunications, and other facilities needed to attract legitimate and
15 productive investments and generate linkage industries and employment
16 opportunities for the people of the Municipality of Sarangani, Province of
17 Davao Occidental, and the neighboring towns and cities;

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

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

- 1 (e) The MSaraSEZ shall be managed and operated as a separate customs
2 territory thereby ensuring the free flow or movement of goods and capital
3 within, into and out of its territory, and shall likewise provide incentives
4 subject to Title XIII of the National Internal Revenue Code of 1997, as
5 amended. However, exportation or removal of goods from the territory of
6 the MSaraSEZ to the other parts of the Philippine territory shall be
7 subject to customs duties and taxes under RA 10863, otherwise known as
8 the "Customs Modernization and Tariff Act (CMTA)" and other relevant
9 tax laws of the Philippines;
- 10 (f) The areas comprising the MSaraSEZ may be expanded or reduced when
11 necessary through a presidential proclamation issued for the said
12 purpose. Thus, the MSaraSEZA, in consultation with the LGU, shall have
13 the power to acquire either by purchase, negotiation or condemnation
14 proceedings, any private land within or adjacent to the MSaraSEZ for the
15 following purposes: (1) consolidation of lands for zone development; (2)
16 acquisition of right of way to the MSaraSEZ; and (3) protection of
17 watershed areas and natural assets valuable to the prosperity of the
18 MSaraSEZ;
- 19 (g) Goods manufactured by an MSaraSEZ enterprise may be made available
20 for immediate retail sale in the domestic market, subject to the payment
21 of corresponding taxes on raw materials and other regulations that may
22 be formulated by the MSaraSEZA, in coordination with the PEZA, the
23 Bureau of Customs, the Bureau of Internal Revenue, and the DTL.
24 However, in order to protect domestic industries, a Negative List of
25 industries shall be drawn up and regularly updated by the PEZA.
26 Enterprises engaged in industries included in such Negative List shall not
27 be allowed to sell their products locally; and
- 28 (h) The defense and security of the MSaraSEZ and its perimeter fence shall
29 be the responsibility of the national government, in coordination with the
30 MSaraSEZA and the concerned LGUs.

1 SEC. 7. *Development Goals of the Municipality of Sarangani*
2 *Ecozone.* – The MSaraSEZA shall determine the development goals of the
3 MSaraSEZ within the framework of national development plans, policies, and
4 goals. The Chairperson-Administrator shall, upon approval by the Board of
5 Directors of the MSaraSEZA, submit the plans, programs, and projects of the
6 MSaraSEZ to the Regional Development Council for inclusion in the regional
7 development plan.

8 SEC. 8. *Capitalization.* – The MSaraSEZA shall have an authorized
9 capital stock of two billion (2,000,000,000) no par shares with a minimum issue
10 of Ten pesos (Php10.00) each, the majority shares of which shall be subscribed
11 and paid for by the national government and the LGUs embracing the
12 MSaraSEZ.

13 The Board of Directors of the MSaraSEZA may, with the written
14 concurrence of the Secretary of Finance, sell shares representing not more than
15 *forty per centum (40%) of the capital stock of the MSaraSEZA to the general*
16 *public under such policy as the Board of Directors and the Secretary of Finance*
17 *may determine. The national government and the LGU of the Municipality of*
18 *Sarangani shall in no case own less than sixty per centum (60%) of the total*
19 *issued and outstanding capital of the MSaraSEZA.*

20 The amount necessary to subscribe and pay for the shares of the national
21 government to the capital stock of the MSaraSEZA shall be included in the
22 *General Appropriations Act. For the LGU of the Municipality of Sarangani, the*
23 *funds shall be taken from its national tax allotment and other local funds.*

24 SEC. 9. *Principal Office of the MSaraSEZA.* – The MSaraSEZA shall
25 maintain its principal office in the Municipality of Sarangani, Province of
26 Davao Occidental, but it may establish liaison offices within the Philippines as
27 may be necessary for the proper conduct of its business.

28 SEC. 10. *Powers and Functions of the MSaraSEZA.* – The
29 MSaraSEZA shall have the following powers and functions:

- 1 (a) Operate, administer, manage, and develop the MSaraSEZ according to
2 the principles and provisions set forth in this Act;
- 3 (b) Register, regulate, and supervise the enterprises in the MSaraSEZ in an
4 efficient and decentralized manner, subject to existing laws;
- 5 (c) Coordinate with the LGUs and exercise general supervision over the
6 development plans, activities, and operations of the MSaraSEZ;
- 7 (d) Regulate and undertake the establishment, construction, operation, and
8 maintenance of public utilities, other services, and infrastructure in the
9 MSaraSEZ such as light and power, shipping, barging, stevedoring, cargo
10 handling, hauling, warehousing, storage of cargo, port services or
11 concessions, piers, wharves, bulkheads, bulk terminals, mooring areas,
12 storage areas, roads, telecommunications, transport, bridges, terminals,
13 conveyors, water supply and storage, sewerage, drainage, airport
14 operations in coordination with the Civil Aviation Authority of the
15 Philippines, and such other services or concessions or infrastructure
16 necessary or incidental to the accomplishment of the objectives of this Act;
- 17 (e) Construct, acquire, own, lease, operate, and maintain on its own or
18 through contracts, franchise, licenses, bulk purchase from the private
19 sector or permits under any of the schemes allowed in RA 6957, otherwise
20 known as the "Build-Operate-Transfer Law", as amended, or joint
21 venture, adequate facilities and infrastructure required or needed for the
22 operation and development of the MSaraSEZ, in coordination with
23 appropriate national and local government authorities and in conformity
24 with applicable laws;
- 25 (f) Approve plans, programs, and projects of the MSaraSEZ to be submitted
26 to the Regional Development Council for inclusion in the regional
27 development plan;

- 1 (g) Operate on its own, either directly or through licenses to others, tourism-
2 related activities, including games, amusements, recreational and sports
3 facilities, subject to the approval and supervision of the Philippine
4 Amusement and Gaming Corporation;
- 5 (h) Raise or borrow, within the limitation provided by law, and subject to the
6 approval of the Monetary Board of the *Bangko Sentral ng Pilipinas* (BSP),
7 as the case may be, adequate and necessary funds from local or foreign
8 sources, to finance its projects and programs under this Act and for this
9 purpose, to issue bonds, promissory notes, and other forms of securities,
10 and to secure the same by a guarantee, pledge, mortgage, deed of trust or
11 an assignment of all or part of its property or assets;
- 12 (i) Protect, preserve, maintain, and develop the forests, beaches, corals, and
13 coral reefs, and maintain ecological balance within the MSaraSEZ.
14 Notwithstanding the power of the MSaraSEZA to create rules for such
15 purpose, the rules and regulations of the Department of Environment and
16 Natural Resources and other government agencies involved in the above
17 functions shall be implemented by the MSaraSEZA;
- 18 (j) Create, operate or contract to operate such functional units or offices of
19 the MSaraSEZA as it may deem necessary;
- 20 (k) Adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own
21 or otherwise dispose of personal or real property of whatever nature; sue
22 and be sued; and otherwise carry out its functions and duties as provided
23 for in this Act;
- 24 (l) Issue certificates of origin for products manufactured or processed in the
25 MSaraSEZ in accordance with prevailing rules of origin and the pertinent
26 regulations of the PEZA, the DTI, and the Department of Finance (DOF);

1 (m) Establish one-stop shops for the issuance of all necessary permits,
2 clearances, licenses, and other similar certifications to conduct such
3 activities intended to improve the ease of doing business within the
4 MSaraSEZ, in coordination with government agencies having jurisdiction
5 over activities therein: *Provided*, That all government agencies are
6 directed to provide and extend utmost and full cooperation to the
7 MSaraSEZA in the establishment of such one-stop shops;

8 (n) Ensure that the area covered by the MSaraSEZ is secure at all times:
9 *Provided*, That the Armed Forces of the Philippines (AFP) or the
10 Philippine National Police (PNP) shall not interfere in the internal affairs
11 of the MSaraSEZA except to provide the necessary security and defense,
12 or law enforcement assistance, as the case may be: *Provided*, That
13 expenses of the AFP or the PNP in the MSaraSEZ shall be borne by the
14 national government;

15 (o) Exercise such powers as may be essential, necessary or incidental to the
16 powers granted to it by this Act, as well as those that shall enable it to
17 carry out, implement, and accomplish the purposes, objectives, and
18 policies set forth in this Act; and

19 (p) Issue rules and regulations consistent with the provisions of this Act as
20 may be necessary to accomplish and implement the purposes, objectives,
21 and policies provided herein.

22 **SEC. 11. Board of Directors of the MSaraSEZA.** – The powers of
23 the MSaraSEZA shall be vested in and exercised by a Board of Directors,
24 hereinafter referred to as the Board, which shall be composed of the following:

25 (a) A Chairperson, who shall at the same time be the administrator of the
26 MSaraSEZA;

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

29 (c) Members consisting of:

- 1 (1) The Governor of the Province of Davao Occidental or a duly-authorized
- 2 representative from the Provincial Government of Davao Occidental;
- 3 (2) The mayor of the Municipality of Sarangani;
- 4 (3) One (1) representative from the investors' group; and
- 5 (4) One (1) representative from among the workers in the MSaraSEZ.

6 The Governor or the Governor's duly authorized representative and the
7 mayor of the Municipality of Sarangani, shall serve as *ex officio* members of
8 the Board, whose terms in the Board shall correspond to their terms as elected
9 officials.

10 The Chairperson-Administrator and the members of the Board, except
11 for the representatives of the investors and workers groups and the *ex officio*
12 members, shall be appointed by the President of the Philippines to serve for a
13 term of six (6) years, unless sooner separated from service due to death,
14 voluntary resignation, or removal for cause. In case of death, resignation, or
15 removal for cause, their replacements shall serve only the unexpired portion of
16 the respective terms. No person shall be appointed as a member of the Board
17 unless the person is a Filipino citizen, of good moral character, of proven
18 probity and integrity, and a degree holder in any of the following fields:
19 economics, business, public administration, law, management, or their
20 equivalent, and with at least ten (10) years relevant working experience,
21 preferably in the field of management or public administration.

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

1 **SEC. 12. *Organization and Personnel.*** – The Board of the
2 MSaraSEZA shall provide for its organization and staff. The Board shall
3 appoint and fix the remuneration and other emoluments of its officers and
4 employees in accordance with existing laws on compensation and position
5 classification. The Board shall have exclusive and final authority to promote,
6 transfer, assign, reassign, or remove officers of the MSaraSEZA, any provision
7 of existing law to the contrary notwithstanding. The Chairperson-
8 Administrator shall execute the decisions of the Board.

9 The officers and employees of the MSaraSEZA, including all members of
10 the Board, shall not engage directly or indirectly in partisan political activities
11 nor take part in any election, except to vote.

12 No officer or employee of the MSaraSEZA, shall be removed or
13 suspended except for cause, as provided by civil service rules and regulations.

14 **SEC. 13. *Powers and Duties of the Chairperson-Administrator.*** –
15 The Chairperson-Administrator shall have the following powers and duties:

- 16 (a) Direct and manage the affairs of the MSaraSEZA in accordance with the
17 policies of the Board;
- 18 (b) Establish the internal organization of the MSaraSEZA under such
19 conditions that the Board may prescribe;
- 20 (c) Submit an annual budget and necessary supplemental budget to the
21 Board for its approval;
- 22 (d) Submit within thirty (30) days after the close of each fiscal year an
23 annual report to the Board and such other reports as may be required;
- 24 (e) Submit to the Board for its approval, policies, systems, procedures,
25 rules, and regulations that are essential to the operation of the
26 MSaraSEZ;

- 1 (f) Recommend to the Board the remuneration and other emoluments of its
2 officers and employees in accordance with existing laws on
3 compensation and position classification;
- 4 (g) Create a mechanism in coordination with relevant agencies for the
5 promotion of industrial peace, the protection of the environment, and
6 the advancement of the quality of life in the MSaraSEZ; and
- 7 (h) Perform such other duties as may be assigned by the Board or which are
8 necessary or incidental to the office.

9 **SEC. 14. *Legal Counsel.*** – The MSaraSEZA shall have its own internal
10 legal counsel who shall be under the supervision of the Government Corporate
11 Counsel. When the exigencies of business and operations demand it, the
12 MSaraSEZA may engage the services of an outside counsel either on a case-to-
13 case or on a fixed retainer basis.

14 **CHAPTER III**

15 **INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS**

16 **SEC. 15. *Investors Visa.*** – Any foreign national who invests an amount
17 of Two hundred thousand US dollars (US\$200,000.00) in a registered business
18 enterprise, either in cash or equipment, shall be entitled to an investor's
19 visa: *Provided*, That the foreign national has the following qualifications:

- 20 (a) Must be at least eighteen (18) years of age;
- 21 (b) Must not have been convicted by final judgment of a crime involving moral
22 turpitude;
- 23 (c) Must not be afflicted with any dangerous or contagious disease;
- 24 (d) Must not have been confined in an institution for any mental disorder or
25 disability; and
- 26 (e) Must be financially capable as borne out by credible and verifiable
27 evidence.

1 With an investor's visa, a foreign national shall be entitled to reside in
2 the Philippines while the investment subsists. The foreign national shall
3 submit an annual report, in the form duly prescribed for the purpose, to prove
4 that the investment in the country subsists. Should said foreign national
5 withdraw the investments from the Philippines, then the investor's visa issued
6 to said foreign national shall automatically expire and be withdrawn.

7 The authority to issue visas and work permits shall remain with the
8 Bureau of Immigration (BI) and the Department of Labor and Employment
9 (DOLE), respectively: *Provided*, That the BI and the DOLE shall implement
10 measures to expedite the processing of such visas and permits for workers in
11 the MSaraSEZ and coordinate closely with the MSaraSEZA to facilitate the
12 conduct of business operations.

13 **SEC. 16. Fiscal Incentives.** – Registered business enterprises of the
14 MSaraSEZ may be entitled to pertinent fiscal incentives granted under Title
15 XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as
16 amended.

17 **SEC. 17. Revenue Sharing.** – allocation of the special corporate
18 income tax, which is five *per centum* (5%) of gross income, imposed on
19 registered business enterprises of the MSaraSEZ shall be as follows:

20 (a) Three *per centum* (3%) to the National Government; and

21 (b) Two *per centum* (2%) shall be directly remitted by the business
22 establishments to the treasurer's office of the municipality where the
23 enterprise is located.

24 **SEC. 18. Banking Rules and Regulations Governing Banks and**
25 **Other Financial Institutions.** – Banks and other BSP-supervised financial
26 institutions to be established in the MSaraSEZ shall be under the supervision
27 of the BSP and subject to existing banking laws, rules and regulations.

1 enhance national security, encourage self-sufficiency, foster meaningful
2 decentralization of governmental functions and authority, and promote an
3 efficient and effective collaboration among the MSaraSEZA, the national
4 government, and the LGUs. Any interpretation of this Act shall consider such
5 intentions. In the event of conflict of interpretation and provided the intentions
6 cannot be harmonized, the provisions of this Act shall be construed in favor of
7 an interpretation that shall protect national security.

8 **SEC. 24. *Applicability Clause.*** – Insofar as they are consistent with
9 the provisions of this Act, the provisions of Sections 30 to 41 of RA 7916,
10 otherwise known as “The Special Economic Zone Act of 1995”, as amended,
11 shall likewise apply to the MSaraSEZ.

12 **SEC. 25. *Implementing Rules and Regulations.*** – Within sixty (60)
13 days from effectivity of this Act, the DTI shall, in coordination with the DOF
14 and the National Economic and Development Authority, formulate rules and
15 regulations for the effective implementation of the provisions of this Act.

16 **SEC. 26. *Separability Clause.*** – If any provision of this Act shall be
17 held unconstitutional or invalid, the other provisions not otherwise affected
18 shall remain in full force and effect.

19 **SEC. 27. *Repealing Clause.*** – All laws, executive orders or issuances
20 or any part thereof, which are inconsistent herewith, are hereby repealed or
21 amended accordingly.

22 **SEC. 28. *Effectivity.*** – This Act shall take effect fifteen (15) days after
23 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,