

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

House Bill No. 4314



Introduced by: REPRESENTATIVE RONALD V. SINGSON

EXPLANATORY NOTE


The Philippines is recognized as one of the fastest-growing economies in Southeast Asia. However, despite recent gains, the country continues to lag behind its regional counterparts in terms of foreign direct investment inflows. To address this gap and to ensure sustained, inclusive, and regionally balanced development, there is a pressing need to establish additional growth centers outside of traditional urban hubs.

This measure seeks to establish the Ilocos Sur Special Economic Zone, to be administered and managed by the Ilocos Sur Special Economic Zone Authority (ISSEZA), in a portion of Salomague Cove and in the municipalities of San Juan and Cabugao, Province of Ilocos Sur.

The creation of the Ilocos Sur Special Economic Zone is based on the idea that economic opportunities initiated by the government attract investments and tourists, while generating employment. In turn, boosted productivity and increased income are expected to raise the quality of life of local residents.

Moreover, the proposed Ilocos Sur Special Economic Zone will not only contribute to the development of the province, but also concomitantly contribute to regional and national development as the capital, technological, and knowledge spillovers of the ecozone will filter throughout the country, thereby helping attain the government's agenda of economic dynamism and competitiveness.

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


RONALD V. SINGSON

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AN ACT ESTABLISHING A SPECIAL ECONOMIC ZONE IN A PORTION OF SALOMAGUE COVE AND IN THE MUNICIPALITIES OF SAN JUAN AND CABUGAO, PROVINCE OF ILOCOS SUR, CREATING FOR THE PURPOSE THE ILOCOS SUR SPECIAL ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER I

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Ilocos Sur 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.

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CHAPTER II

CREATION OF THE ECONOMIC ZONE

SEC. 3. *Creation of the Ilocos Sur Special Economic Zone.* – In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Ilocos Sur, there is hereby established a special economic zone, hereinafter referred to as the Ilocos Sur Special Economic Zone or Ilocos Sur Ecozone. The Ilocos Sur Ecozone shall cover a particular area located in the municipalities of San Juan and Cabugao, Province of Ilocos Sur, 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.*

SEC. 4. *Creation of the Ilocos Sur Special Economic Zone Authority.*
– There is hereby created a body corporate to be known as the Ilocos Sur Special Economic Zone Authority, hereinafter referred to as the ISSEZA, which shall manage and operate the Ilocos Sur Ecozone, in accordance with the provisions of this Act. The corporate life of the ISSEZA 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.

SEC. 5. *Governing Principles.* – The ISSEZA shall manage and operate the Ilocos Sur Ecozone, under the following principles:

(a) Within the framework and limitations of the Constitution and applicable provisions of Republic Act (RA) No. 7160 or the “Local Government Code of 1991,” as amended, the Ilocos Sur 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 Sur Ecozone shall be equipped with transportation, telecommunications, and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the municipalities of San Juan and Cabugao and those in neighboring towns and cities;

(c) The Ilocos Sur 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, the Philippine

1 Economic Zone Authority (PEZA), and the Department of Trade and Industry
2 (DTI), with foreign entities or enterprises;

3 (d) Subject to the provisions of the Constitution and other relevant laws,
4 foreign citizens and companies owned by non-Filipinos may set up enterprises
5 in the Ilocos Sur Ecozone, either by themselves or in a joint venture with
6 Filipinos in any sector of industry, international trade, and commerce within the
7 Ilocos Sur Ecozone;

8 (e) The Ilocos Sur Ecozone shall be managed and operated as a separate
9 customs territory thereby ensuring the free flow or movement of goods and capital
10 within, into, and out of its territory, and shall likewise provide incentives subject
11 to Title XIII of the National Internal Revenue Code (NIRC) of 1997, as amended.
12 However, exportation or removal of goods from the territory of the Ilocos Sur
13 Ecozone to the other parts of the Philippine territory shall be subject to customs
14 duties and taxes under RA 10863, or the "Customs Modernization and Tariff Act"
15 and other relevant tax laws of the Philippines;

16 (f) The areas comprising the Ilocos Sur Ecozone may be expanded or
17 reduced, when necessary, through a presidential proclamation issued for the said
18 purpose: *Provided*, That the ISSEZA, in consultation with the LGUs, shall have
19 the power to acquire either by purchase, negotiation, or condemnation
20 proceedings, any private land within or adjacent to the Ilocos Sur Ecozone for the
21 following purposes: (1) consolidation of lands for zone development; (2) acquisition
22 of right of way to the Ilocos Sur Ecozone; and (3) the protection of watershed areas
23 and natural assets valuable to the prosperity of the Ilocos Sur Ecozone;

24 (g) Goods manufactured by an Ilocos Sur Ecozone enterprise shall be
25 made available for immediate retail sale in the domestic market, subject to the
26 payment of corresponding taxes on raw materials and other regulations that may
27 be formulated by the ISSEZA together with the PEZA, the Bureau of Customs,
28 the Bureau of Internal Revenue, and the DTI. However, in order to protect
29 domestic industries, a Negative List of industries shall be drawn up and regularly
30 updated by the PEZA. Enterprises engaged in industries included in such
31 Negative List shall not be allowed to sell their products locally; and

32 (h) The defense of the Ilocos Sur Ecozone and the security of its perimeter
33 fence shall be the responsibility of the national government in coordination with
34 the ISSEZA and the concerned LGUs.

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

7 **SEC. 7. *Capitalization.*** – The ISSEZA shall have an authorized capital
8 stock of two billion (2,000,000,000) no par shares with a minimum issue of Ten
9 pesos (Php10.00) each, the majority shares of which shall be subscribed and paid
10 for by the national government and the LGUs embracing the Ilocos Sur Ecozone.
11 The Board of Directors of the ISSEZA may, with the written concurrence of the
12 Secretary of Finance, sell shares representing not more than forty *per centum*
13 (40%) of the capital stock of the ISSEZA to the general public under such policy as
14 the Board and the Secretary of Finance may determine. The national government
15 and the LGUs shall in no case own less than sixty *per centum* (60%) of the total
16 shares issued and outstanding capital of the ISSEZA.

17 **SEC. 8. *Principal Office of the ISSEZA.*** – The ISSEZA shall maintain
18 its principal office in the Municipality of Cabugao, Province of Ilocos Sur, but it
19 may establish liaison offices within the Philippines as may be necessary for the
20 proper conduct of its business.

21 **SEC. 9. *Powers and Functions of the ISSEZA.*** – The ISSEZA shall
22 have the following powers and functions:

23 (a) Operate, administer, manage, and develop the Ilocos Sur Ecozone
24 according to the principles and provisions set forth in this Act;

25 (b) Register, regulate, and supervise the enterprises in the Ilocos Sur
26 Ecozone in an efficient and decentralized manner, subject to existing laws;

27 (c) Coordinate with LGUs and exercise general supervision over the
28 development plans, activities, and operations of the Ilocos Sur Ecozone;

29 (d) Regulate and undertake the establishment, construction, operation, and
30 maintenance of public utilities, other services, and infrastructure in the Ilocos
31 Sur Ecozone, such as light and power, shipping, barging, stevedoring, cargo
32 handling, hauling, warehousing, storage of cargo, port services or concessions,
33 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
34 telecommunications, transport, bridges, terminals, conveyors, water supply and
35 storage, sewerage, drainage, airport operations in coordination with the Civil

1 Aviation Authority of the Philippines, and such other services or concessions or
2 infrastructure necessary or incidental to the accomplishment of the objectives of
3 this Act;

4 (e) Construct, acquire, own, lease, operate, and maintain on its own or
5 through contracts, franchise, licenses, bulk purchase from the private sector, or
6 permits under any of the schemes allowed in RA 6957, or the "Build-Operate-and-
7 Transfer Law", as amended, or joint venture, adequate facilities and
8 infrastructure required or needed for the operation and development of the Ilocos
9 Sur Ecozone, in coordination with appropriate national and local government
10 authorities and in conformity with applicable laws thereon;

11 (f) Approve plans, programs, and projects of the Ilocos Sur Ecozone to be
12 submitted to the Regional Development Council for inclusion in the regional
13 development plan;

14 (g) Operate on its own, either directly or through licenses to others,
15 tourism-related activities, including games, amusements, recreational, and
16 sports facilities, subject to the approval and supervision of the Philippine
17 Amusement and Gaming Corporation;

18 (h) Raise or borrow, within the limitation provided by law and subject to
19 the approval of the Monetary Board of the *Bangko Sentral ng Pilipinas (BSP)*, as
20 the case may be, adequate and necessary funds from local or foreign sources to
21 finance its projects and programs under this Act and, for this purpose, to issue
22 bonds, promissory notes, and other forms of securities, and to secure the same by
23 a guarantee, pledge, mortgage, deed of trust or assignment of all or part of its
24 property or assets;

25 (i) Protect, preserve, maintain, and develop the forests, beaches, corals and
26 coral reefs, and maintain ecological balance within the Ilocos Sur Ecozone.
27 Notwithstanding the power of the ISSEZA to create rules for such purpose, the
28 rules and regulations of the Department of Environment and Natural Resources
29 and other government agencies involved in the above functions shall be
30 implemented by the ISSEZA;

31 (j) Create, operate, or contract to operate such functional units or offices of
32 the ISSEZA as it may deem necessary;

33 (k) Adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own
34 or otherwise dispose of personal or real property of whatever nature; sue and be
35 sued; and otherwise carry out its functions and duties as provided for in this Act;

1 (l) Issue certificates of origin for products manufactured or processed in the
2 Ilocos Sur Ecozone in accordance with prevailing rules of origin and the pertinent
3 regulations of the PEZA, the DTI, and the Department of Finance (DOF);

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

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

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

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

24 **SEC. 10. Board of Directors of the ISSEZA.** – The powers of the
25 ISSEZA shall be vested in and exercised by a Board of Directors, hereinafter
26 referred to as the Board, which shall be composed of the following:

27 (a) A Chairperson, who shall at the same time be the Administrator of
28 the ISSEZA;

29 (b) A Vice-Chairperson who shall be elected from among the members of
30 the Board of Directors;

31 (c) Members consisting of:

32 (1) The Governor of the Province of Ilocos Sur or a duly-authorized
33 representative from the Provincial Government of Ilocos Sur;

34 (2) One of the mayors of the municipalities of San Juan or Cabugao,
35 Province of Ilocos Sur or a duly-authorized representative from

1 the Municipal Government of San Juan or Cabugao, Province of
2 Ilocos Sur;

3 (3) One (1) representative from among the investors' group in the
4 Ilocos Sur Ecozone, to be selected in an election duly called for the
5 purpose by the Board; and

6 (4) One (1) representative from among the workers in the Ilocos Sur
7 Ecozone, to be selected in an election duly called for the purpose
8 by the Board.

9 The Governor or the Governor's duly authorized representative and the
10 Mayor of San Juan or Cabugao, or the Mayor's duly authorized representative
11 shall serve as *ex officio* members of the Board, whose terms in the Board shall
12 correspond to their term as elected officials.

13 The Chairperson-Administrator shall be appointed by the President of the
14 Philippines. The Chairperson-Administrator shall be a Filipino citizen, of good
15 moral character, of proven probity and integrity, and a degree holder in any of the
16 following fields: economics, business, public administration, law, management or
17 their equivalent, and with at least ten (10) years relevant working experience,
18 preferably in the field of management or public administration.

19 The members of the Board, except the *ex officio* members, shall serve for a
20 term of six (6) years, unless sooner separated from service due to death, voluntary
21 resignation, or removal for cause. In case of death, resignation, or removal for
22 cause, their replacements shall serve only the unexpired portion of the
23 respective terms.

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

32 **SEC. 11. Organization and Personnel.** – The Board of Directors of the
33 ISSEZA shall provide for its organization and staff. The Board shall appoint and
34 fix the remuneration and other emoluments of its officers and employees in
35 accordance with existing laws on compensation and position classification. The
36 Board shall have exclusive and final authority to promote, transfer, assign,

1 reassign, or remove officers of the ISSEZA, any provision of existing law to the
2 contrary notwithstanding. The Chairperson-Administrator shall execute the
3 decisions of the Board.

4 The officers and employees of the ISSEZA, including all members of the
5 Board, shall not engage directly or indirectly in partisan political activities nor
6 take part in any election, except to vote.

7 No officer or employee of the ISSEZA, shall be removed or suspended except
8 for cause, as provided by civil service rules and regulations.

9 **SEC. 12. Powers and Duties of the Chairperson-Administrator.** –
10 The Chairperson-Administrator shall have the following powers and duties:

11 (a) Direct and manage the affairs of the ISSEZA in accordance with the
12 policies of the Board;

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

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

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

19 (e) Submit to the Board for its approval, policies, systems, procedures,
20 rules, and regulations that are essential to the operation of the Ilocos Sur
21 Ecozone;

22 (f) Recommend to the Board the remuneration and other emoluments of
23 its officers and employees in accordance with existing laws on compensation and
24 position classification;

25 (g) Create a mechanism in coordination with relevant agencies for the
26 promotion of industrial peace, the protection of the environment, and the
27 advancement of the quality of life in the Ilocos Sur Ecozone; and

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

30 **SEC. 13. Legal Counsel.** – The ISSEZA shall have its own internal legal
31 counsel who shall be under the supervision of the Government Corporate Counsel.
32 When the exigencies of business and operations demand it, the ISSEZA may
33 engage the services of an outside counsel either on a case to case or on a fixed
34 retainer basis.

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CHAPTER III

INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS

SEC. 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 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 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, a foreign national shall be entitled to reside in the Philippines while the investment subsists. The foreign national shall submit an annual report, in the form duly prescribed for the purpose, to prove that the investment in the country subsists. Should said foreign national withdraw the investments from the Philippines, the investor’s visa issued 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 Ilocos Sur Ecozone and coordinate closely with the ISSEZA to facilitate the conduct of business operations.

SEC. 15. *Fiscal Incentives.* – Registered enterprises of the Ilocos Sur Ecozone may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of the NIRC of 1997, as amended.

SEC. 16. *Rules and Regulations Governing Banks and Other Financial Institutions.* – Banks and other BSP-supervised financial institutions to be established in the Ilocos Sur Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules, and regulations.

SEC. 17. *Remittances.* – In the case of foreign investments, a duly registered entity or enterprise within the Ilocos Sur Ecozone shall have the right

1 to remit earnings to its investors in the currency in which the investment was
2 originally made and at the exchange rate prevailing at the time of remittance,
3 subject to the provisions of RA 7653, or the "New Central Bank Act" as amended.

4 CHAPTER IV

5 NATIONAL GOVERNMENT AND OTHER ENTITIES

6 SEC. 18. *Supervision and Control.* – For purposes of policy direction and
7 coordination, the ISSEZA shall be under the direct control and supervision of the
8 Office of the President of the Philippines: *Provided,* That the grant of fiscal
9 incentives shall be subject to the provisions of Title XIII of the NIRC of 1997,
10 as amended.

11 SEC. 19. *Relationship with Local Government Units.* – Except as
12 herein provided, the LGUs comprising the Ilocos Sur Ecozone shall retain their
13 basic autonomy and identity. The municipalities of San Juan and Cabugao,
14 Province of Ilocos Sur, shall operate and function in accordance with the
15 framework of the Constitution, the Local Government Code of 1991, as amended,
16 and this Act.

17 In case of any conflict among the ISSEZA, the LGUs, and the national
18 government on matters affecting the Ilocos Sur Ecozone, other than national
19 defense and security matters, the decision of the ISSEZA shall prevail.

20 SEC. 20. *Audit.* – The Commission on Audit shall appoint a full-time
21 auditor for the ISSEZA and may assign such number of personnel as may be
22 necessary to assist the auditor in the performance of the auditor's functions.

23 CHAPTER V

24 APPROPRIATIONS AND MISCELLANEOUS PROVISIONS

25 SEC. 21. *Appropriations.* – The amount necessary to subscribe and pay
26 for the shares of the national government to the capital stock of the ISSEZA shall
27 be included in the General Appropriations Act. For the LGUs concerned, the
28 funds shall be taken from their national tax allotment and other local funds.

29 SEC. 22. *Interpretation and Construction.* – The powers, authorities,
30 and functions that are vested in the ISSEZA are intended to establish national
31 self-sufficiency and self-reliance and the advancement of and protection of the
32 national integrity, enhancement of national security, decentralization of
33 governmental functions and authority, and promotion of an efficient and effective
34 working relationship among the ISSEZA, the national government, and the
35 LGUs. Any interpretation of this Act shall consider such intentions. In the event

1 of conflict of interpretation and provided the intentions cannot be harmonized,
2 the provisions of this Act shall be construed in favor of an interpretation that
3 shall protect national security.

4 **SEC. 23. *Applicability Clause.*** – Insofar as they are consistent with the
5 provisions of this Act, the provisions of sections 30 to 41 of RA 7916, or “The Special
6 Economic Zone Act of 1995”, as amended, shall likewise apply to the Ilocos Sur
7 Ecozone.

8 **SEC. 24. *Implementing Rules and Regulations.*** – Within sixty (60)
9 days from effectivity of this Act, the DTI shall, in coordination with the DOF and
10 the National Economic and Development Authority, formulate rules and
11 regulations for the effective implementation of the provisions of this Act.

12 **SEC. 25. *Separability Clause.*** – If any provision of this Act shall be held
13 unconstitutional or invalid, the other provisions not otherwise affected shall
14 remain in full force and effect.

15 **SEC. 26. *Repealing Clause.*** – All laws, executive orders or issuances or
16 any part thereof, which are inconsistent herewith, are hereby repealed or amended
17 accordingly.

18 **SEC. 27. *Effectivity.*** – This Act shall take effect fifteen (15) days after
19 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,