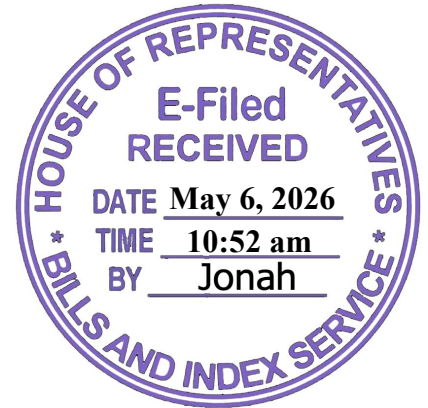




Republic of the Philippines
House of Representatives
Quezon City, Metro Manila

Twentieth Congress
First Regular Session



HOUSE BILL NO. 9123

Introduced by Representatives Ferdinand Martin G. Romualdez, Yedda Marie K. Romualdez, Andrew Julian K. Romualdez, and Jude A. Acidre

AN ACT
PROVIDING FOR THE LEGAL FRAMEWORK AND MECHANISMS
FOR THE CREATION, OPERATION, ADMINISTRATION, AND
COORDINATION OF SPECIAL AGRICULTURAL GROWTH ZONES
IN THE PHILIPPINES, CREATING FOR THIS PURPOSE, THE
PHILIPPINE AGRICULTURAL GROWTH ZONE AUTHORITY, AND
FOR OTHER PURPOSES

EXPLANATORY NOTE

It is the policy of the State to ensure that all sectors of the economy and all regions of the country shall be given optimum opportunity to maximize agricultural productivity, promote efficiency and equity and accelerate the modernization of the agriculture and fisheries sectors of the country, by establishing, among others, special agricultural growth zones in selected areas in the countryside, with the active participation of the private sector as enshrined in the 1987 Constitution, to wit:

- Section 20, Article II provides that “The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.”
- Section 8, Article XIII provides that “The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment, creation, and privatization of

public sector enterprises. Financial instruments used as payment for their lands shall be honored as equity in enterprises of their choice.”

The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets.

The proposed measure will establish the legal framework and mechanisms for the administration and management of the Special Agricultural Growth Zones (SAGZ) and assist in the preservation of natural resources and biodiversity. It will guarantee the security of ownership, tenure, and income of all farmer-landowners, especially agrarian reform beneficiaries, and ensure that all agricultural, commercial, and industrial arrangements are mutually beneficial. It will modernize the agriculture sector by transforming the special agricultural growth zones into highly developed agro-industrial, commercial, investment, and financial centers, where highly trained workers and efficient services will be available to agribusiness and agriculture-related enterprises.

Through the creation of SAGZ, the flow of investors, both foreign and local, would generate employment opportunities and establish backward and forward linkages among industries in and around the agricultural growth zones. Financial and industrial cooperation between the Philippines and industrialized countries in technology-intensive industries will modernize the country’s agricultural sector and improve productivity by leveraging new technological and managerial know-how. Finally, it will open opportunities for people working in the agricultural sector, helping them gain access to modern and developing technologies needed for sustainable agriculture and enabling them to have a competitive advantage in the market.

Toward this end, the private sector shall play a major role in establishing special agricultural growth zones by developing and utilizing such areas to spur agricultural development and enhance the productivity of agricultural lands awarded under the agrarian reform program.

This measure was also filed and referred to the Committee on Government Enterprises and Privatization during the 19th Congress.

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



FERDINAND MARTIN G. ROMUALDEZ



YEDDA MARIE K. ROMUALDEZ



ANDREW JULIAN K. ROMUALDEZ



JUDE A. ACIDRE



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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 “*Philippine Agricultural Growth Zone Act.*”

Section 2. *Declaration of Policy.* – It is the policy of the State to ensure that all sectors of the economy and all regions of the country shall be given optimum opportunity to maximize agricultural productivity, promote efficiency and equity and accelerate the modernization of the agriculture and fisheries sectors of the country, by establishing, among others, special agricultural growth zones in selected areas in the countryside, with the active participation of the private sector as mandated by the 1987 Constitution, namely:

- a. “The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments.” (Section 20, Article II)
- b. “The State shall provide incentives to landowners to invest the proceeds of the agrarian reform program to promote industrialization, employment, creation, and privatization of public sector enterprises. Financial instruments used as payment for their lands shall be honored as equity in enterprises of their choice.” (Section 8 Article XIII)

Toward this end, the private sector shall play a major role in the establishment of special agricultural growth zones by establishing and developing such areas to spur agricultural development and enhance the productivity of agricultural lands awarded under the agrarian reform program.

The State shall promote industrialization and full employment based on sound agricultural development and agrarian reform, through industries that make full and efficient use of human and natural resources, and which are competitive in both domestic and foreign markets.

Section 3. *Purposes, Intents, and Objectives.* – It shall be the purpose, intent, and objective of this Act:

- (a) To establish the legal framework and mechanisms for the integration, coordination, planning, monitoring, and managing of special agricultural growth zones, and the preservation of natural resources and biodiversity;
- (b) To guarantee the security of ownership, tenure and income of all farmer-landowners, especially agrarian reform beneficiaries and

ensure that all agricultural, commercial, and industrial arrangements between farmer-landowners, farm workers and private investors are mutually beneficial;

- (c) To modernize the agriculture sector by transforming the special agricultural growth zones into highly developed agro-industrial, commercial, investment, and financial centers, where highly trained workers and efficient services will be available to agribusiness and agriculture-related enterprises;
- (d) To promote the flow of investors, both foreign and local, into special agricultural growth zones which would generate employment opportunities and establish backward and forward linkages among industries in and around the agricultural growth zones;
- (e) To promote financial and industrial cooperation between the Philippines and industrialized countries through technology-intensive industries that will modernize the country's agricultural sector and improve productivity levels by utilizing new technological and managerial know-how;
- (f) To promote people empowerment by strengthening people's organizations, cooperatives, and NGOs and by establishing and improving mechanisms and processes for their participation in government decision-making and implementation; and,
- (g) To open opportunities for people working in the agricultural sector helping gain access to modern and developing technologies needed for sustainable agriculture and enable them to have a competitive advantage in the market.

Section 4. *Definition of Terms.* – For purposes of this Act, the following terms are hereunder defined:

- (a) ***“Agrarian Reform Lands”*** - refer to lands awarded under Presidential Decree No. 27 and Republic Act No. 6657, and subsequent laws on the matter;
- (b) ***“Agribusiness Enterprise Arrangement (AEA)”*** - refers to the entrepreneurial collaboration between farmer-landowners and private investors in the implementation of an agriculturally-related business venture involving agricultural lands including agrarian reform lands distributed under the Comprehensive Agrarian Reform Program (CARP) and other agrarian reform laws;
- (c) ***“Agricultural Lands”*** - refer to lands devoted to or suitable for the cultivation of the soil, planting of crops, growing of trees, raising of livestock, poultry, fish, or aquaculture production, including the harvesting of such farm products, and other farm activities and practices performed in conjunction with such farming operations by persons whether natural or juridical and not classified by law as mineral land, forest land, residential land, commercial land, or industrial land;
- (d) ***“Build-Operate-Transfer Scheme”*** - refers to an agribusiness enterprise arrangement where the investor builds, rehabilitates, or upgrades, at his own cost, capital assets, infrastructure, and facilities applied to the production, processing, and marketing of agricultural products and operates the same for a fixed period after which ownership thereof is conveyed to the farmer-landowners;
- (e) ***“Competitive Advantage”*** - refers to a competitive edge in terms of product quality and/or price. It likewise refers to the ability to produce a product with the greatest relative efficiency in the use of resources;
- (f) ***“Contract Growing Scheme”*** - refers to agribusiness enterprise arrangement where the investor provides farm inputs and technology at reasonable cost in exchange for the farmer-landowner’s commitment to produce certain crops at pre-arranged agreement involving volume,

- quality standards, selling price, delivery and other terms and conditions;
- (g) ***“Equity”*** - refers to the value of the shares subscribed to and paid for by each party in relation to the authorized capital stock of a joint venture corporation;
- (h) ***“Growership Scheme”*** - refers to an agribusiness enterprise arrangement where the investor supplies all the inputs and required technology for the production of certain crops, with no cost to the farmer-landowner, in exchange for the latter’s commitment to produce particular crops at a pre-arranged agreement involving volume, quality standards, growership fee, delivery, and other terms and conditions;
- (i) ***“Investors”*** - refer to the private individuals, corporations, non-government organizations, farmer cooperatives/associations, government-owned and/or controlled corporations, or any entity duly authorized by law, that are willing and able to contribute their capital, equipment and facilities, technology, and/or management services in an agricultural enterprise scheme;
- (j) ***“Joint Venture Agreement Scheme”*** - refers to an agribusiness enterprise arrangement where the farmer-landowners and investors form a joint venture corporation (JVC) for the purpose of managing farm operations;
- (k) ***“Lease Agreement Scheme”***- refers to an agribusiness enterprise arrangement where the farmer-landowners bind themselves to give the investor general control over the use and management of the land for a certain amount and for a definite period.
- (l) ***“Management Contract Scheme”*** - refers to an agribusiness enterprise arrangement where the farmer-landowners contract the services of an individual, partnership, or corporation in order to assist in the management and operation of the farm in exchange for a fixed wage or commission;

- (m) ***“Marketing Agreement Scheme”*** - refers to an agribusiness enterprise arrangement where farmer-landowners engage the investor to promote their produce in exchange for commission on actual sales;
- (n) ***“Service Contract Scheme”***- refers to an agribusiness enterprise arrangement where the farmer-owners engage the services of a contractor for mechanized land preparation, cultivation, harvesting, processing, post-harvest operations and/or other farm activities for a fee;
- (o) ***“Special Agricultural Growth Zones (SAGZ)”***- refers to adjoining or adjacent parcels of agricultural land with a minimum total area of fifty (50) hectares for the synchronized production of a particular crop, such as but not limited to rice, corn, sugarcane, coconut, and high value commercial crops, utilizing agricultural mechanization technology. Physical infrastructure includes the overall design layout of the area (e.g., field plot size, irrigation canal, farm drain, farm ditch, farm roads, post-harvest facilities, etc.) while institutional infrastructure consist of the commercial, financial, and social support services necessary for the operationalization of contiguous farming and other agribusiness and agro-industrial schemes;
- (p) ***“Takeover”*** - refers to an act of the investor in controlling the operation of the farm and/or assuming any of the responsibilities of the farmer-landowners in an agribusiness enterprise scheme; and
- (q) ***“Transfer”***- refers to the conveyance of the use and possession of agricultural lands from one person or entity to another.

Chapter I

SPECIAL AGRICULTURAL GROWTH ZONES

Section 5. Establishment of Special Agricultural Growth Zones. –

Special agricultural growth zones shall be established in a proclamation to be issued by the President of the Philippines, subject to the evaluation and recommendation of the Secretary of Agriculture and in consultation with the local government units, appropriate government agencies, concerned non-government organizations (NGOs), and organized farmer groups.

Special agricultural growth zones shall be identified on the basis of the following criteria:

- (a) Agro-climatic and environmental conditions giving the area a competitive advantage in the cultivation, culture, production and processing of particular crops, animals, and aquatic products;
- (b) Strategic location of the area for the establishment of agriculture and/or fisheries infrastructure, industrial complexes, production, and processing zones;
- (c) Strategic location of the area for market development and market networking both at the local and international levels; and
- (d) Dominant presence of agrarian reform communities (ARCs) and/or small owner-cultivators and amortizing owners/ agrarian reform beneficiaries and other small farmers and fisherfolk in the area.

The metes and bounds of each special agricultural growth zone are to be delineated and more particularly described in a proclamation to be issued by the President of the Philippines, upon the recommendation of the Philippine Agricultural Zone Authority (PAZA), which shall be established under this Act, in coordination with the municipal and / or city council, National Land Use Coordinating Committee and/or the Regional Land Use Committee.

Section 6. Criteria for the Establishment of Special Agricultural

Growth Zones. – The establishment of special agricultural growth zones shall be subject to the evaluation and recommendation of the PAZA, based on a detailed feasibility and engineering study which must conform to the following criteria:

- (a) The proposed area must be identified as an agricultural growth center with existing or having the potential for growing high-value agro-industrial crops in the Medium-Term Philippine Development Plan or by the Regional Development Council;
- (b) The accessibility in the proposed special agricultural growth zones, such as roads, railways, telephones, ports, airports, and other required transportation infrastructure, and the suitability and capacity of the proposed site to absorb such improvements;
- (c) The availability of water sources and electric power supply for the use of the special agricultural growth zones;
- (d) The extent of vacant lands available for industrial and commercial development and future expansion of the special agricultural growth zones, as well as of adjacent lands available for development of residential areas for the workers;
- (e) The availability of skilled, semi-skilled, and non-skilled trainable labor force in and around the special agricultural growth zones;
- (f) The area must have a significant competitive advantage over the existing agricultural lands, and its potential profitability can be established;
- (g) The area must be strategically located; and,
- (h) The area must be situated where controls can easily be established to curtail smuggling activities.

Other areas which do not meet the foregoing criteria may be established as special agricultural growth zones: *Provided*, That the said area shall be developed

only through local government and/or private sector initiative under any of the schemes allowed in this Act, and without any financial exposure on the part of the national government: *Provided, further*, That the area can be easily secured to curtail smuggling activities: *Provided, finally*, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the PAZA.

Chapter II **GOVERNING STRUCTURE**

Section 7. *Creation of the Philippine Agricultural Zone Authority.* – There is hereby created a body corporate to be known as the Philippine Agricultural Zone Authority (PAZA) attached to the Department of Agriculture.

Section 8. *General Powers and Functions of the Authority.* – The Philippine Agricultural Zone Authority shall have the following powers and functions:

- (a) To operate, administer, manage, and develop special agricultural growth zones according to the principles and provisions set forth in this Act;
- (b) To register, regulate, and supervise the enterprises located in special agricultural growth zones in an efficient and decentralized manner;
- (c) To coordinate with local government units and exercise general supervision over the development, plans, activities, and operations of special agricultural growth zones;
- (d) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture,

adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunication and transportation, buildings, structures, warehouses, roads, bridges, ports and other facilities for the operation and development of special agricultural growth zones;

- (e) To create, operate, and/or contract to operate such agencies and functional units or offices of the authority as it may deem necessary;
- (f) To 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 duties and functions as provided for in this Act;
- (g) To coordinate the formulation and preparation of the development plans of the different entities mentioned above;
- (h) To coordinate with the Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Environment and Natural Resources (DENR), Department of Economy, Planning, and Development (DEPDev), the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), and the local government units and appropriate government agencies for policy and program formulation and implementation; and,
- (i) To monitor and evaluate the development and requirements of special agricultural growth zones and recommend to the local government units or other appropriate authorities the location, incentives, basic services, utilities, and infrastructure required or to be made available for said entities.

Section 9. *Board of Directors.* – The overall directions and thrusts of PAZA shall be provided and approved, unless provided otherwise in this Act, by its Board of Directors, hereinafter referred to as the Board.

The Board shall be composed of fifteen (15) members as follows:

- (a) Secretary of the Department of Agriculture as Chairman;
- (b) Director-General of the Philippine Agricultural Zone Authority as Vice-Chairman;
- (c) Undersecretary of Agrarian Reform;
- (d) Undersecretary of Finance;
- (e) Undersecretary of Labor and Employment;
- (f) Undersecretary of Interior and Local Government;
- (g) Undersecretary of Environment and Natural Resources;
- (h) Undersecretary of Public Works and Highways;
- (i) Undersecretary of Science and Technology;
- (j) Undersecretary of Energy;
- (k) Three (3) Deputy Directors-General of the Philippine Agricultural Zone Authority;
- (l) Two (2) Private Sector Representatives to be appointed by the President, upon the recommendation of the Board comprising of one (1) representative each from the:
 - 1. Farmer and farm worker sector; and,
 - 2. Investors and business sector.

The term of the two (2) representatives from the private sector shall be six (6) years: *Provided, however,* That they shall continue to hold office until their successors shall have been appointed. All vacancies, prior to the expiration of the term, shall be filled for the unexpired term only.

In case of the unavailability of the Secretary of the Department of Agriculture to attend a particular board meeting, the Director General of PAZA shall act as Chairman.

Members of the Board shall receive a per diem of not less than the amount equivalent to the representation and transportation allowances of the members of the Board and/or as may be determined by the Department of Budget and Management: *Provided, however,* that per diems collected per month do not exceed the equivalent of four (4) meetings.

Section 10. *Functions and Powers of the PAZA Board.* – The PAZA Board of Directors shall have the following functions and powers:

- (a) Set the general policies on the establishment and operations of special agricultural growth zones, agro-industrial estates, export processing zones, free trade zones, and the like;
- (b) Review proposals for the establishment of special agricultural growth zones based on the set criteria provided for in this Act and endorse to the President the establishment of special agricultural growth zone. Thereafter, it shall facilitate and assist in the organization of said entities;
- (c) Regulate and undertake the establishment, operation, and maintenance of utilities, other services, and infrastructure in the special agricultural growth zones, such as heat, light, and power, water supply, telecommunication, transport, toll roads and bridges, port services, and the like, and to fix just, reasonable, and competitive rates, charges, and fees therefore;
- (d) Approve the annual budget of the Philippine Agricultural Zone Authority and the development plans for special agricultural growth zones;
- (e) Issue rules and regulations to implement the provisions of this Act in so far as its power and functions are concerned;
- (f) Exercise its powers and functions as provided for in this Act; and

(g) Render annual reports to the President and the Congress.

Section 11. *Director-General.* – The Philippine Agricultural Zone Authority shall be headed by Director-General with the rank of Undersecretary to be appointed by the President of the Philippines. He or she shall serve a term of six (6) years from the date of his or her appointment unless removed for cause. *Provided,* That no person shall be appointed as Chairperson unless he or she is a Filipino citizen, of good moral character, of proven probity and integrity and a holder of a degree in any of the following fields: agriculture, economics, business, public administration, law, management or their equivalent and have at least five (5) years relevant experience preferably in the field of agriculture, economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of agriculture, management or public administration.

The Director-General shall be assisted by three Deputy Directors- General, each for policy and planning, administration, and operation, who shall be appointed by the PAZA Board upon the recommendation of the Director-General. The Deputy Directors-General shall have the same qualifications as the Director-General and shall perform such duties and functions as may be assigned by the Director-General or as provided for by law.

Section 12. *Powers and Functions of the Director-General.* – The Director-General shall act as chief executive officer and the overall coordinator of the policies, plans and programs of special agricultural growth zones. As such, he or she shall provide overall supervision over and general direction to the development and operations of these special agricultural growth zones. He or she shall determine the structure and the staffing pattern and personnel complement of the PAZA and establish regional offices, when necessary, subject to the

approval of the PAZA Board.

In addition, he or she shall have the following specific powers and responsibilities:

- (a) To safeguard all the agricultural lands, buildings, records, monies, credits, and other properties and rights of special agricultural growth zones;
- (b) To ensure that all revenues of special agricultural growth zones are collected and applied in accordance with its budget;
- (c) To ensure that the investors/firms and employees of special agricultural growth zones are properly discharging their respective duties;
- (d) To give such information and recommend such measures to the Board, as he shall deem advantageous to special agricultural growth zones;
- (e) To submit to the Board, the ongoing and proposed projects, work, and financial program, annual budget of receipts, and expenditures of special agricultural growth zones;
- (f) To represent special agricultural growth zones in all its business matters and sign on its behalf after approval of the Board, all its bonds, borrowings, contracts, agreements, and obligations made in accordance with this Act;
- (g) To acquire jurisdiction, as he may deem proper, over the protests, complaints, and claims of the residents and enterprises in special agricultural growth zones concerning administrative matters;
- (h) To recommend to the Board the grant, approval, refusal, amendment or termination of special agricultural growth zone franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the Board;
- (i) To require owners of houses, buildings or other structures constructed

without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building or structure within said period, the Director-General or his authorized representative may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding;

- G) To take such emergency measures as may be necessary to avoid fires, floods, and mitigate the effects of storms and other natural or public calamities;
- (k) To prepare and make out plans for the physical and economic development of special agricultural growth zones, including zoning and land subdivision, and issue such rules and regulations which shall be submitted to the Board for its approval; and,
- (l) To perform such other duties and exercise such powers as may be prescribed by the Board, and to implement the policies, rules and regulations set by the PAZA.

Section 13. *Administration of Each Special Agricultural Growth Zone.*

– Except for privately-owned, managed, or operated special agricultural growth zones, each special agricultural growth zone shall be organized, administered, managed, and operated by an Administrator with the assistance of one (1) Deputy Administrator, both to be appointed by the Board upon recommendation of the Director-General.

There shall be, for each special agricultural growth zone, an advisory committee to be composed of:

- (a) Local chief executive of the city or municipalities where the special agricultural growth zone is located;
- (b) Member representing the investors located in the special agricultural growth zone;
- (c) Member representing the farmer-landowners in the special agricultural growth zones;
- (d) Member representing the business sector in the periphery of the special agricultural growth zone; and
- (e) The PAZA-designated representative.

The advisory committee shall advise the special agricultural growth zone management on matters pertaining to policy initiatives and assist in settling problems arising between labor and any enterprise in the special agricultural growth zones.

Privately-owned special agricultural growth zones shall retain autonomy and independence, but shall be monitored by the PAZA for the implementation of incentives and operations for adherence to the law.

Section 14. *Personnel.* – The PAZA Board of Directors shall provide for an organization and staff of officers and employees of the PAZA, and upon recommendation of the Director-General, appoint and fix the remunerations and other emoluments: *Provided*, That the Board shall have exclusive and final authority to promote, transfer, assign and reassign officers of the PAZA, any provision of existing law to the contrary notwithstanding: *Provided, further*, That the director general may carry out removal of such officers and employees.

All positions in the PAZA shall be governed by a compensation, position classification system and qualification standards approved by the Director-

General with the concurrence of the Board of Directors based on a comprehensive job analysis and audit of actual duties and responsibilities. The compensation plan shall be comparable with the prevailing compensation plans in the private sector and shall be 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 PAZA shall therefore be exempt from existing laws, rules and regulations on compensation, position classification, and qualification standards.

All officials and employees of the PAZA shall be selected and appointed on the basis of merit and fitness in accordance with civil service law, rules, and regulations. The recruitment, transfer, promotion, and dismissal of all its personnel, including temporary workers, shall be governed by a merit system that will be established by the PAZA in compliance with existing laws, rules, and regulations.

The PAZA officers and employees, including all members of the Board, shall not engage directly or indirectly in partisan activities or take part in any election, except to vote.

Section 15. *Investigation and Inquiries.* – Upon a written formal complaint made under oath, which on its face provides reasonable basis to believe that some anomaly or irregularity might have been committed, the PAZA or the administrator of the special agricultural growth zone concerned, shall have the power to inquire into the conduct of its firms or employees and to conduct investigations, and for that purpose may subpoena witnesses, administer oaths, and compel the production of books, papers, and other pieces of evidence: *Provided, That*, the investigator(s) may grant immunity from prosecution to any person whose testimony or whose possessions of documents or other evidence is

necessary or convenient to determine the truth in any investigation conducted by him or under the authority of the PAZA or the administrator of the special agricultural growth zone concerned.

Section 16. *Prohibition Against Holding Any Other Office* – The Director-General, Deputy Director-General, administrators, officials, and staff or assistants of the PAZA shall not hold any other office or employment within or outside the PAZA during their tenure. They shall not, during their tenure, directly or indirectly, practice any profession, participate in any business, or be financially interested in any contract with, or in any franchise, or special privilege granted by the PAZA or the national government, or any subdivision, agency, or instrumentality thereof, including any government-owned or -controlled corporation, or its subsidiary.

Section 17. *Disbursement of Funds*. – No money shall be paid out of the funds of any special agricultural growth zone except in pursuance of the budget as formulated and approved by the PAZA.

Section 18. *Full Disclosure of Financial and Business Interests*. – Each member of the PAZA Board, the Director-General, Deputy Director- General, administrators, and their staff shall, upon assumption of office, make full disclosure of their financial and business Interests.

Chapter III

OPERATIONS WITHIN THE SPECIAL AGRICULTURAL ZONES

Section 19. *Agricultural Development Strategy of Each Special Agricultural Growth Zone*. – The development priorities and strategy of each special agricultural growth zone established pursuant to this Act shall be

formulated by the PAZA, in coordination with the Department of Agriculture, the Department of Agrarian Reform, the Department of Trade and Industry, the Department of Economy, Planning, and Development, and the local government units; *Provided*, That such development strategy is consistent with the priorities of the national government as outlined in the Medium-Term Philippine Development Plan.

The development priorities and strategy for each special agricultural growth zone shall take into consideration five (5) major factors:

- (a) Increased farm productivity and profitability through land clustering with a minimum of fifty (50) hectare cluster for synchronized farming operations;
- (b) Provision of required physical and institutional infrastructure and other support services;
- (c) Enhanced farming techniques, farm development, and business competitiveness through the integration of contiguous farming and other agribusiness enterprise arrangements;
- (d) Availability of accessible agricultural credit and financing programs and modern farming information, inputs, technology, and machinery; and,
- (e) Improved quality of life for farmers and farm workers by ensuring food security, poverty alleviation, non-farm employment, and social equity.

It shall be the policy of the government and the PAZA to encourage and provide incentives and facilitate private sector participation in the construction and operation of public utilities and infrastructure in the special agricultural growth zones, using any of the schemes allowed in Republic Act No. 6957.

Section 20. *Market Competitiveness and Sustainability.* – The PAZA, in coordination with the Department of Agriculture, the Department of Agrarian Reform, the Department of Trade and Industry, the Department of Economy, Planning, and Development, and the local government units, shall formulate medium and long-term plans aimed at enhancing the competitiveness and sustainability of each special agricultural growth zone based on, but not limited to, the following goals and indicators of development:

- (a) Increase in the volume, quality, and value of agriculture production for domestic consumption and for exports;
- (b) Reduction in post-harvest losses;
- (c) Increase in the number, types, and quality of processed agricultural products;
- (d) Increase in the number of international trading partners in agriculture and fishery products;
- (e) Increase in the number of sustainable agriculture enterprises engaged in domestic production, processing, marketing, and export activities;
- (f) Increase in and wider level of entrepreneurship among farmers and farmworkers in the area;
- (g) Increase in the number of farms engaged in diversified farming; and,
- (h) Reduced use of agro-chemicals that are harmful to health and the environment.

Section 21. *Survey of Resources.* – Prior to the creation of each special agricultural growth zone, the PAZA, in consultation with the Department of Agrarian Reform, the Department of Trade and Industry, the Department of Environment and Natural Resources, Department of Science and Technology, the concerned local government unit and the organized farmers and farm worker groups, the private sector and communities shall conduct a survey of the physical,

natural assets and potentialities of the area covered by the proposed special agricultural growth zone.

Section 22. *Agribusiness Enterprise Arrangements.* – The PAZA shall provide farmer-landowners within designated special agricultural growth zones, if they deem it the most economically and socially beneficial option available to them, the option to enter into any of the following agribusiness enterprise arrangements with private investors and locators with proven competence in farm operations and management, high-end quality production and productivity through the use of up-to-date technology and collateral resources such as skilled manpower, adequate capital and credit, and access to markets, consistent with the existing laws:

- (a) Build-Operate-Transfer Scheme;
- (b) Contract Growing Scheme;
- (c) Growership Scheme;
- (d) Joint Venture Agreement Scheme;
- (e) Lease Agreement Scheme, provided that control over the agricultural land shall always remain with the farmer-landowner;
- (f) Marketing Scheme;
- (g) Service Contract Scheme; and
- (h) Any combination of the foregoing agribusiness enterprise arrangements consistent with the provisions of this Act.

Section 23. *Contracting Parties and Their Qualifications.* – The parties to an agribusiness enterprise arrangement shall possess the following qualifications:

- (a) Individual farmer-landowners who are in possession of their land,

including agrarian reform beneficiaries who hold an Emancipation Patent (EP), or a Certificate of Land Ownership Award (CLOA) or other tenurial instruments. However, in no case shall potential ARBs be allowed to enter into an agribusiness enterprise arrangement or any interim agreement prior to the award of the tenurial instrument and the actual possession of the land;

- (b) Organized farmer groups, including ARB cooperatives or associations, who are the actual tillers shall have the legal personality to transact or enter into any contract even if such entities or actual tillers are not registered with the Cooperatives Development Authority (CDA) or the Securities and Exchange Commission (SEC) as the case may be.

For ARB cooperatives or associations with CLOAs in the name of the organization, the Board of Directors/Trustees of such cooperative or association shall secure the vote of approval by the general membership in accordance with their Articles of Cooperation/Association and By Laws. In the absence thereof, a vote of approval of at least two-thirds (2/3) of the general membership shall be secured.

- (c) Prospective investor-locators must have valid registration with the appropriate regulatory agencies, such as the SEC, CDA, and the Department of Trade and Industry (DTI), good financial, technical, and organizational standing for the past three (3) years; good track record of competence for the past three (3) years in the industry wherein the agribusiness enterprise arrangement shall conduct its main activity; stable business relations; capability to manage and operate the agribusiness enterprise arrangement undertaking; consistent compliance with and no violation of any law, rule, and regulation, and contract as the case may be.

If previously a contracting party to an agribusiness enterprise arrangement,

a prospective investor-locator must have proven a harmonious relationship with the other contracting party, which resulted to productive and mutually beneficial gains.

Any prospective investor-locator should neither have violated any law pertaining to agrarian reform nor impeded any part of the agrarian reform program implementation. In addition, the prospective investor should not have prevented any ARB, actual tiller, or farmer from exercising the rights under the agrarian reform program.

The necessary proof to establish the possession of the foregoing qualifications shall be submitted to the PAZA, which shall make the necessary determination of eligibility. For this purpose, the PAZA may call upon other agencies and regulatory bodies such as the DA, DAR, SEC, CDA, and DTI, among others, for technical assistance in this evaluation. Such findings shall then be forwarded to the PAZA Board, which shall make the final recommendation on the investors' application.

Section 24. *Mandatory Provisions of Agribusiness Enterprise Arrangements.* – Agribusiness enterprise arrangements within special agricultural growth zones entered into under this Act, being imbued with public interest, shall have the following mandatory provisions:

- (a) The landholding subject of the agribusiness enterprise arrangement shall be used exclusively for agricultural purposes and other related activities comprising the subject matter of the arrangement; only two-thirds ($\frac{2}{3}$) of the entire area shall be subjected to the arrangement, the remaining one-third ($\frac{1}{3}$) portion shall be exclusively controlled and used by the farmer-landowner or actual tillers with full support from the

government.

- (b) The parties to the agribusiness enterprise arrangement shall recognize the prerogative of a participating farmer or farmworker to exercise the rights granted to them under agrarian reform laws in the event of certain disputes over any of the terms set under the arrangement;
- (c) The agribusiness enterprise arrangement shall require and ensure the direct participation of the farmer-landowner and farm workers in the farm management and farm operations, and shall include, among others, capacity building programs aimed to facilitate the transfer of technology and management techniques to the farmer-landowners;
- (d) The agribusiness enterprise arrangement shall include provisions for workers' productivity and quality incentives for the employed farmer landowner and farm workers over and above the compensation from the arrangement. The Inclusion of provisions for additional sources of income for the farmer-landowner and farm workers in the arrangement aside from the main or basic income-generating activity therein is encouraged;
- (e) For the duration of the contract, the investor shall provide funds necessary to ensure ecological protection of the farm and safety of its workers, particularly for the conservation and maintenance of land quality, proper handling, storage and disposal of hazardous residues and waste products, and proper protective and acceptable safe methods of application of fertilizers and other chemicals: *Provided*, That decisions as to the ecological protection of the farm and safety of workers and the methods employed in the application of fertilizers, pesticides and other chemicals, shall be mutually agreed upon by the investor and farmer-landowner and farm workers.
- (f) Further, participating farmers or farmworkers shall be provided with crop insurance coverage and other forms of insurance and healthcare,

housing, education, and other benefits In determining the amount of the benefits stated above, the following factors should be considered: the market value of similarly situated lands, real property taxes, annual land amortizations, poverty threshold, and nature of the activity or the business under the agribusiness enterprise arrangement. In any and all instances, the amount of the lease of the land in the arrangement must be regularly and periodically increasing based on a schedule subject to the approval of the PAZA;

- (g) There shall be a review during the first quarter of the year and/or renegotiation of the critical terms of the agribusiness enterprise arrangement by the contracting parties to allow for some changes In the economic assumptions and in consideration of prevailing economic conditions at the time of application and processing of the agribusiness enterprise arrangement, as well as changes to the physical attributes of the land;
- (h) The agribusiness enterprise arrangement shall be subjected to regular semi-annual monitoring by the PAZA and the DAR in order to establish the continuing viability of the arrangement, compliance with its terms and conditions, and the promotion of rights and welfare of the farmer-landowners and farm workers;
- (i) The review and/or renegotiation of the agribusiness enterprise arrangement shall be undertaken upon request or petition of any of the parties due to changes in the economic, political, and social circumstances existing in the affected land area. Such changes could result in such a material and fundamental alteration of the conditions, assumptions, and bases relied upon by the parties during the signing of the original contract or agreement;

Specific grounds for a request for contract review may include:

1. Drastic change in price fluctuations as indicated by at least 20

percent inflation;

2. Declaration by the National Government or the Local Government Unit of the area where the land is located as a “calamity disaster area;” and,

3. Other meritorious grounds as determined by the PAZA Board.

(j) Agribusiness enterprise arrangements within special agricultural growth zones shall be subject to the approval of the PAZA Board. Otherwise, it shall become void. No agribusiness enterprise arrangements shall be implemented without the approval of the PAZA Board. No arrangement shall be renewed or extended without the approval of the PAZA Board which shall have the power to approve and disapprove all applications for the approval of an agribusiness enterprise arrangement. The PAZA Board shall also have the power to revoke or rescind the existing grant of approval for an agribusiness enterprise arrangement;

(k) All renegotiated/renewed/extended contracts and their effectivity shall be subject to the same process of review and approval by the PAZA Board in accordance with the rules and regulations issued therefor;

(l) The term of an agribusiness enterprise arrangement shall be for a maximum period of twenty (20) years or may be mutually agreed upon by all parties, but not exceeding the duration of the agricultural activity to be undertaken on the land: *Provided*, That the arrangement shall not contain any clause providing for its automatic renewal, otherwise, the automatic renewal clause is void. Renewal of the arrangement shall likewise not be implied, and shall always be subject to the written agreement of the parties;

All agribusiness enterprise arrangement contracts must contain a provision allowing the farmer to rescind the arrangement upon violation of any of its terms and conditions by either of the contracting parties, as well as for violation of agrarian reform and other laws. Such rescission

shall be initiated through a petition filed with the PAZA;

- (m) In addressing the food security concerns of the country, the parties should agree that, in case of food shortage in the country, at least fifty percent (50%) of the produce involving staple crops will automatically be set aside for the domestic market. For purposes of enforcement, the PAZA Board may invoke said provision, if and when necessary.
- (n) The roles and responsibilities of the PAZA, the farmer-landowner, and the investor shall be clearly identified in the contract, as well as the expected output from each party. It must be clear that successors-in-interest of both the investors and the farmer-landowner are bound by the terms of the contract.
- (o) Consent of the other party in cases of transfer of rights and responsibilities to a new party who shall likewise possess the qualifications provided for in this Act, shall be secured.
- (p) The PAZA shall have primary and exclusive jurisdiction in the resolution of any and all disputes relating to the agribusiness enterprise arrangements within special agricultural growth zones. There shall be no provision in the arrangement where the PAZA shall be directly or indirectly deprived of its jurisdiction on any and all matters pertaining to the arrangement.
- (q) Terms and conditions of the contract governing the agribusiness enterprise arrangement shall be made known to all parties. The contract shall be translated into the language known to the farmer-landowners. Terms and conditions for pre-termination of contracts shall be clearly stipulated in the contract.
- (r) In case of lease agreements, the rental shall be at least 25% of the average normal harvest pursuant to Sec. 34 of RA 3844, otherwise known as "The Agricultural Land Reform Code."
- (s) Where the agribusiness enterprise arrangement requires the

employment of workers, the parties shall comply with labor laws, rules, and regulations, particularly the prohibition on the employment of children fifteen years and below.

- (t) Any and all permanent improvements, as well as facilities and equipment purchased under the agribusiness enterprise arrangement involving the lease of the lands, shall be owned by the participating farmer-owner at the end of the agribusiness enterprise arrangement.
- (u) There shall be no provision in the agribusiness enterprise arrangement involving the lease of lands where the investor shall be excused from paying the lease and the guaranteed share of the farmer-landowner or farmworker in the arrangement due to any events which could not be foreseen or which though foreseen, were inevitable.
- (v) In agribusiness enterprise arrangements involving contract growing, there shall be a minimum buying price, and there shall be no maximum buying price. In relation to this, the parties and the PAZA shall consider the selling prices of commodities as well as the prices of inputs. Also, there shall be no provision that prevents the farmer, landowners, or farm workers from managing the farms. There shall also be no provision where the production inputs are charged to the farmer-landowner.
- (w) In no instance shall the farmer-landowner be made liable to pay any loan obligation incurred by the investor for the arrangement. In no instance shall any property of the farmer-landowner be used as a security for any loan incurred for the business enterprise. The EP, CLOA, or any title to the land of the farmer-landowner shall never be used as a form of security to any such loan.
- (x) In the case of agricultural lands awarded to ARBs, the proposed agribusiness enterprise arrangement shall be subject to technical review by the DAR as to compliance with legal requirements and as to the feasibility of the venture. For this purpose, the DAR may call upon other

agencies and regulatory bodies such as the DA, SEC, CDA, and DTI, among others, for technical assistance in this evaluation.

- (y) The provisions of the agribusiness enterprise arrangement, the nature and the scope of the activities, the duties and the responsibilities of the parties shall be clearly explained by the PAZA to the farmer-landowner and farmworkers participating in the arrangement in order to ensure that said they shall be entering the arrangement voluntarily, intelligently, and knowingly. In no way shall any party to the arrangement require the acquiescence by the other to duly enter into a particular arrangement as a prior requirement for availing the benefits contained in the arrangement.
- (z) All agribusiness enterprise arrangements shall be strictly enforced and monitored by the PAZA in coordination with the DAR.

Section 25. *Control Over Agrarian Reform Lands.* – In any agribusiness enterprise venture, control over the agrarian reform land located within a special agricultural growth zone shall always remain with the agrarian reform beneficiaries. For this purpose, joint venture agreements between agrarian reform beneficiaries and investors that result in a minority equity of the agrarian reform beneficiaries shall not be allowed or approved by the PAZA Board without the recommendation of the DAE. Also, any provision of permanent takeover in the arrangement that takes away the management of the agricultural production in a growership contract or contract growing agreement shall be void.

Temporary takeover shall be limited to farm operations only and may be allowed provided that all of the following conditions are present:

- (a) Upon mutual agreement of the parties;
- (b) The takeover shall only be for not more than three (3) cropping cycles;

and,

- (c) When both parties mutually determine that the agreed quantity and/or quality of production cannot be delivered by the farmer-landowners.

Temporary takeover shall not take place during the transition to a new production technology.

Section 26. *Approval and Revocation of Agribusiness Enterprise Arrangements.* – All agribusiness enterprise arrangements within a special agricultural growth zone, entered into between farmer-landowners and any other person under this Act, shall be approved by the PAZA Board.

Agribusiness enterprise arrangements within contracts may be revoked by the PAZA Board based on the following grounds:

- (a) Gross violation or non-compliance of the terms and conditions of the contract such as:

1. Non-implementation of the human resources development plan provisions;
2. Non-employment of the farmer-landowner;
3. Concealment of the true financial status of the enterprise; and
4. Commission of fraud in the application or implementation of the arrangement
5. Other analogous cases.

- (b) When, without justifiable reasons, the investor fails to provide benefits and incentives stipulated in the approved contract, such as, but not limited to, dividends accruing to farmer-landowner's equity shares, production, and quality incentives. For this purpose, situations beyond the control of the investor, such as *force majeure*, are considered as

justifiable reasons;

- (c) When the agribusiness enterprise arrangements are no longer financially and economically viable;
- (d) When a portion of the commercial farm subject of the agribusiness enterprise arrangement is converted into or fragmented by non-agricultural use without prior written consent of the farmer-landowner and the PAZA;
- (e) Any action resulting to the transfer of ownership of the landholding subject of agribusiness enterprise arrangements to the investors;
- (f) Acquisition or approval of agribusiness enterprise arrangements through fraud, intimidation, coercion, and deceit;
- (g) Other analogous or meritorious grounds.

Section 27. *Support Services for Farmer-Landowners Entering Agribusiness Enterprise Arrangements.* – The PAZA shall establish a Capacity Building Program for farmer-landowners entering into agribusiness enterprise arrangements within special agricultural growth zones, with sufficient funding from the General Appropriations Act. The purpose of the capacity building program is to strengthen the farmer's ability to negotiate fairer terms for agribusiness contracts, deal with markets, harness local and international opportunities, and identify and act on onerous agreements to protect their rights.

The program shall be formulated jointly by the PAZA DAR, DA, DTI, Landbank of the Philippines, and CDA within sixty (60) days from the enactment of this law. It shall include the following components: acquisition and design of technology for production and packaging, access and management of production credit, organization of business units, registration of juridical entity (cooperative, corporation or association), business ideation, organizational development and strengthening, market linkages, product development and value addition,

certification of agricultural and food products and processes, enterprise lawyering, and the review and renegotiation of onerous agreements. The implementation of the capacity-building program may be outsourced from the private sector.

Section 28. *Contiguous Farming Arrangements.* – To boost the production of high-value agricultural crops to an industrial scale and increase the productivity of farming within a special agricultural growth zone, the PAZA shall institutionalize the implementation of the contiguous farming arrangement. The scheme shall include the consolidation of small farms including farms of agrarian reform beneficiaries, as one larger farm, with a minimum area of thirty (30) hectares within a two-kilometer radius, to take advantage of the economies of scale in the production of industrial crops, such that the activities in the small farms are aligned and implemented to ensure the efficient use of farm machineries and equipment, deployment of workers, volume purchase of inputs, financing, and other operational advantages, as well as recognition by agricultural processors, government financial institutions, private investors, but the ownership of each small farm remains with the landowners.

The PAZA, in collaboration with concerned government agencies, shall provide common service facilities, such as farm machinery and implements, grants or start-up funding for the needed production inputs, technology adoption, livelihood and skills training, and other development activities for the block farm and its members, and other support activities that may be identified.

To ensure the success of, and compliance to the objectives of the contiguous farming scheme, the PAZA shall:

- (a) Develop guidelines for farms to qualify for and continue to participate

- in the contiguous farming arrangement;
- (b) Provide farm management, technical assistance, and professional services support to consolidated farms, in coordination with the DA, the DAR, and other concerned government agencies;
- (c) Monitor the development and productivity of consolidated farms; and
- (d) Implement a certification system as a mechanism to access grants, low-interest financing, and other incentives and support from Official Development Assistance (ODA); and,
- (e) Market access of high-value priority crops.

Section 29. *Agricultural Support Services.* – The PAZA shall make available other agricultural support services and programs which shall include the following:

- (a) *Socialized Credit and Financing Services* - Socialized credit and financing shall be made available, through the Land Bank of the Philippines (LBP), for the acquisition of production inputs, farm machineries, and implements necessary for the continuous agricultural production: *Provided*, That the loans shall be available to farmer-landowners and enterprises duly registered with the PAZA and located within a special agricultural growth zone: *Provided*, further, That farmer-landowners and enterprises cannot be granted another loan until the loan is fully paid;
- (b) *Farm Management, Technical Assistance and Professional Services* - The PAZA, the DA, the DAR, the Department of Labor and Employment (DOLE), the Technical Education and Skills Development Authority (TESDA), state universities and colleges (SUCs), and other concerned private and nongovernment organizations (NGOs) shall formulate and implement a deployment program of agricultural engineers, agriculturists and farm technicians for the provision of farm management, technical

assistance and professional services to special agricultural growth zones;

(c) *Farm Mechanization Program.* - The PAZA shall give priority to the development and promotion of appropriate agricultural machinery and other agricultural mechanization technologies to enhance agricultural mechanization within special agricultural growth zones. Farmerlandowners and agribusiness enterprises within special agricultural growth centers shall be encouraged and trained to utilize appropriate agricultural machineries and equipment necessary for the efficient planting, cultivation, care, and maintenance, harvesting and processing of high value agricultural crops.

Section 30. *Research and Development.* – The PAZA shall pursue and prioritize research and the development of effective, appropriate, and efficient agricultural technologies. In coordination with the DA, DOST, DAR, DTI, state colleges and universities, other government agencies, the PAZA shall give priority and facilitate the funding of infrastructure necessary for research facilities within special agricultural growth zones such as farm laboratories and demonstration farms.

It shall consolidate and continuously update all relevant information and data on a periodic basis and make such data available on the internet for easy access to data on agriculture research and technology.

Section 31. *Infrastructure Support.* – The Department of Public Works and Highways, the Department of Transportation, the Department of Trade and Industry, and LGUs shall coordinate with the PAZA to address the infrastructure requirements within special agricultural growth zones, in accordance with this Act: *Provided, That*, the PAZA and the LGUs shall also strengthen its agricultural engineering groups to provide the necessary technical and engineering support in

carrying out the smooth and expeditious implementation of agricultural infrastructure projects.

Public infrastructure investments shall give preference to the kind, type, and model of infrastructure facilities that are cost-effective and will be useful for the production, conservation, and distribution of most commodities and should benefit the most number of agricultural producers and processors.

For infrastructure facilities primarily benefiting private investors, the State shall facilitate the purchase and use of such utilities and shall keep to the minimum the bureaucratic requirements for these types of investments. Private investors include cooperatives or corporations of agriculture producers and processors.

The PAZA shall coordinate with the DA, DPWH, LGUs, and the farmer-landowners in order to identify priority locations of farm-to-market roads and other farm infrastructure required within the special agricultural growth zones. It shall identify appropriate post-harvest facilities and technology needed, including shared service facilities for food processing and storage, standardized sanitary markets, and abattoirs.

The National Irrigation Administration (NIA), the Bureau of Soils and Water Management, and concerned LGUs, in coordination with the PAZA, shall construct appropriate, efficient, and cost-effective irrigation facilities, pump and other pressurized irrigation systems, rain capture and water impounding facilities within special agricultural growth zones.

The Department of Transportation and the Philippine Ports shall coordinate with the PAZA for the purpose of determining priority seaports and

airports and facilitating the installation of bulk-handling and storage facilities, and other post-harvest facilities needed to enhance the marketing of agriculture and fisheries products: *Provided*, That seaports and airports are also equipped with quarantine, sanitary, and phytosanitary centers.

Section 32. *Rural Energy, Communications, and Water Utilities.* – The PAZA coordinate with the Department of Energy (DOE), the Department of Public Works and Highways (DPWH), the National Electrification Administration (NEA) and the National Power Corporation (NPC) for the identification and installation of appropriate types of energy sources particularly in the use of non-conventional energy sources for the special agricultural growth zone in order to enhance agriculture development in the area.

The PAZA shall coordinate with the Department of Information and Communications Technology to facilitate the installation of telecommunication facilities in the special agricultural growth zone. It shall likewise coordinate with the DPWH, MWSS, NIA, and the LGUs for the identification and installation of a water supply system within the special agricultural growth zone for agro-industrial uses to enhance agricultural development in the locality.

Section 33. *Disaster and Calamity Relief and Rehabilitation Assistance.* – In the event of a disaster or calamity affecting production, or where a state of calamity has been declared in the province, the contract may be temporarily suspended upon the request or petition of any of the parties, and the investor shall assist the farmer-landowners in disaster relief and rehabilitation efforts. The existence of a valid agribusiness enterprise arrangement shall not be used as a precondition for the granting or denial of calamity loans or disaster relief funds by government agencies.

Section 34. *Eminent Domain.* – The areas comprising a special agricultural growth zone may be expanded or reduced when necessary. For this purpose, the government shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the special agricultural growth zone for:

- (a) Consolidation of lands for zone development purposes;
- (b) Acquisition of right of way to the special agricultural growth zone; and,
- (c) The protection of watershed areas and natural assets valuable to the prosperity of the special agricultural growth zone.

Section 35. *Protection of the Environment and Watershed Areas.* – The PAZA, in coordination with the appropriate agencies, shall take concrete and appropriate steps and enact the proper measures for the protection of the local environment.

All watersheds that are sources of water for existing and potential irrigable areas and recharge areas of major aquifers identified by the DA and DENR shall be preserved as such at all times.

Section 36. *Registration of Business Enterprises.* – Business enterprises within a designated special agricultural growth zone shall register with the PAZA to avail of all incentives and benefits provided for in this Act.

The PAZA shall establish a one stop shop center for the purpose of facilitating the registration of new enterprises in the special agricultural growth zones. Thus, all appropriate government agencies that are Involved In registering, licensing, or issuing permits to investors shall assign their representatives to the special agricultural growth zones to attend to the investor's requirements.

Chapter IV

INCENTIVES TO INVESTORS AND ENTERPRISES

Section 37. *Investors Visa.* – Any foreign national who invests an amount of two hundred thousand US dollars (US\$ 200,000.00), either in cash and/or equipment, in a registered agribusiness enterprise located within a special agricultural growth zone shall be entitled to an investor's visa: *Provided*, That the foreign national has the following qualifications:

- (a) Must be at least eighteen (18) years of age;
- (b) Must not have been convicted by final judgment of a crime involving moral turpitude;
- (c) Must not be afflicted with any loathsome, dangerous or contagious disease;
- (d) Must not have been institutionalized for any mental disorder or disability; and,
- (e) Must establish by verifiable and credible evidence his financial capability and capacity.

As a holder of investor's visa, an alien shall be entitled to reside in the Philippines while his investment subsists. For this purpose, the alien should submit an annual report, in the form duly prescribed for the purpose, to prove that he has maintained his investment in the country. Should said alien withdraw his investments from the Philippines, then the investor's visa issued to said alien shall automatically expire and/or be withdrawn.

The authority to issue visas and work permits shall remain with the Bureau of Immigration (BI) and the Department of Labor and Employment (DOLE),

respectively; *Provided*, That the BI and the DOLE shall implement measures to expedite the processing of such visas and permits for workers in the PAZA and coordinate with the PAZA for the purpose of improving ease of doing business.

Section 38. *Exemption from National and Local Taxes.* – Except for real property taxes, no taxes, local and national, shall be imposed on registered enterprises operating within the special agricultural growth zone. In lieu thereof, five percent (5%) of the gross income earned by all registered enterprises within the special agricultural growth zone shall be paid and remitted as follows:

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

Section 39. *Fiscal Incentives.* – Business establishments operating within special agricultural growth zones may avail of the existing pertinent fiscal incentives as provided for under Republic Act No. 7916, as amended by Republic Act No. 8748, also known as the Special Economic Zone Act of 1995, or those provided under Executive Order No. 226, as amended, otherwise known as the Omnibus Investment Code of 1987: *Provided*, that it shall not be inconsistent with any of the incentives granted under this Act: *Provided, further*, That in the administration, implementation and monitoring of incentives, the PAZA may impose its own conditions not otherwise prohibited by this Act and other relevant laws.

Section 40. *Applicable National and Local Taxes.* – All persons and service establishments in the special agricultural growth zone shall be subject to national and local taxes under the National Internal Revenue Code and the Local

Government Code.

Section 41. *Administration, Implementation, and Monitoring of Incentives.* – For the proper administration, implementation, and monitoring of tax incentives provided under this law, the following are herein mandated:

- (a) The PAZA shall be responsible for the administration, management, enforcement, and implementation of the incentives granted to registered agribusiness enterprises located in a special agricultural growth zone; and
- (b) In the interest of enhancing transparency in the management and accounting of tax incentives, the PAZA shall comply with the provisions of Republic Act No. 10708, otherwise known as “The Tax Incentives Management and Transparency Act (TIMTA)” and its implementing rules and regulations.

Section 42. *Duration of Incentives.* – Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from the date of registration or the start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development and interest. The industries exempted from this provision shall be determined by the PAZA, in consultation with other government agencies.

Section 43. *Sequential Availment of Incentives.* – The income tax holiday (ITH) incentive granted under Republic Act No. 11534, otherwise known as the “Corporate Recovery and Tax Incentives for Enterprises” (CREATE) Act, may be enjoyed by the registered enterprises under this Act: *Provided, That* the ITH shall be availed prior to the availment of the five percent (5%) final tax on

gross income earned incentive under Section 39 of this Act: *Provided, further,* That in the event a registered enterprise elects to avail the final tax incentive contained in this Act, such registered enterprise shall be barred from availing the ITH incentive under Republic Act No. 11534.

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

Section 44. *Extension of Period of Availment.* – In the event that a registered enterprise has suffered cessation or suspension of operations due to *force majeure*, which has impaired its viability or profitability, the PAZA may extend the period of validity of the incentives extended to such registered enterprise.

Section 45. *Banking Rules and Regulations.* – Banks and financial institutions to be established in the PAZA shall be under the supervision of the Bangko Sentral ng Pilipinas (BSP) and subject to existing banking laws, rules and regulations.

Section 46. *Remittances.* – In the case of foreign investments, a duly registered entity or enterprise within the PAZA shall have the right to remit earnings from the investment in the currency in which the investment was originally made and at the exchange rate prevailing at the time of remittance, subject to the provisions of Republic Act No. 7653, otherwise known as “The New Central Bank Act.”

Chapter V

ROLE OF OTHER GOVERNMENT AGENCIES

Section 47. *Relations with the Regional Development Council.* – The PAZA shall determine the development goals for special agricultural growth zones within the framework of national development plans, policies and goals, and the Administrator of each special agricultural growth zones shall, upon approval by the PAZA Board, submit the special agricultural growth zone plans, programs, and projects to the Regional Development Council for inclusion in and as inputs to the overall Regional Development Plan.

Section 48. *Relations with Local Government Units.* – Except as herein provided, the local government units comprising each special agricultural growth zone shall retain their basic autonomy and identity. The cities shall be governed by their respective charters, and the municipalities shall operate and function in accordance with Republic Act No. 7160, otherwise known as the Local Government Code of 1991.

Section 49. *Public-Private Partnerships in Special Agricultural Zones.*
– Privately-owned agro-industrial estates shall retain their autonomy and independence and shall be monitored by the PAZA for the implementation of incentives.

Section 50. *Audit.* – The Commission on Audit (COA) shall appoint a full - time auditor in the PAZA or may assign such number of personnel as may be necessary in the performance of their functions. The salaries and emoluments of the assigned auditor and personnel shall be in accordance with pertinent laws, rules, and regulation.

Chapter VI

MISCELLANEOUS PROVISIONS

Section 51. *Appropriations.* – Any sum as may be necessary to augment its capital outlay shall be included in the General Appropriations Act to be treated as an equity of the national government.

Additional funding shall come from the following:

- a) The proceeds from the rent of lands, buildings, and other properties of the special agricultural growth zones concerned;
- b) The proceeds from fees, charges, and other revenue-generating Instruments which the PAZA is authorized to impose and collect under this Act;
- c) The proceeds from bonds which the PAZA authorized to float both domestic and abroad; and,
- d) The advance rentals, license fees, and other charges which the PAZA is authorized to impose under this Act, and which an investor is willing to advance payment for.

Section 52. *Applicability of National Laws.* – National laws shall prevail vis-a- vis PAZA rules, regulations, and standards, unless there is a clear intent in this Act or other Acts of Congress to vest the PAZA with specific powers and privileges not otherwise allowed under existing laws.

Section 53. *Authority of the President to Advance Initial Funding.* – Subject to existing laws, the President of the Philippines is hereby authorized to advance out of the savings of the Office of the President such funds as may be necessary to effect the organization of special agricultural growth zones, which shall be reimbursed by the PAZA at reasonable terms and conditions.

Section 54. *Implementing Rules and Regulations.* – The Department of

Agriculture, the Department of Economy, Planning, and Development, the Department of Finance, the Bureau of Customs, the Department of Trade and Industry, the Department of Environment and Natural Resources, the Department of Agrarian Reform, the Department of Interior and Local Government, the Philippine Agricultural Zone Authority, and the representatives from the technical staff of the Committee on Economic Affairs of both Houses of Congress shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval. Such rules and regulations shall take effect fifteen (15) days after their publication in a newspaper of general circulation in the Philippines.

Section 55. *Separability Clause.* – The provisions of this Act are hereby declared separable, and in the event one or more provisions or parts hereof are declared unconstitutional, such declaration of unconstitutionality shall not affect the validity of the other provisions thereof.

Section 56. *Interpretation.* – The powers, authorities, and functions that are vested in the Philippine Agricultural Zone Authority (PAZA) and the special agricultural growth zones concerned are intended to establish decentralization of governmental functions and authority as well as an efficient and effective working relationship between the special agricultural growth zones, the National Government, and the local government units.

Section 57. *Repealing Clause.* – All laws, acts, presidential decrees, executive orders, proclamations, and/or administrative regulations that are inconsistent with the provisions of this Act are hereby amended, modified, superseded, or repealed accordingly.

Section 58. *Effectivity.* – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,