



HOUSE OF REPRESENTATIVES

H. No. 7764

BY REPRESENTATIVES GARCIA (M.A.), GARCIA (A.), RECTO, VALMAYOR, MARIÑO, SALCEDA, CO (E.), VILLA, YAP (C.T.), SUANSING (M.A.), BARONDA, QUIMBO, MARQUEZ, PADIERNOS, TARRIELA, LOYOLA, COJUANGCO (J.), ALVAREZ (M.), GORRICETA, MACEDA, ALVAREZ (J.), ESCUDERO, BASCUG, GARCIA (D.), EUDELA, DIONISIO, LIMKAICHONG, MOMO, CRUZ (R.), MATIBAG, BORDADO, GUINTU, VIOLAGO, GOLEZ, GULLAS, GO (M.), REVILLA (R.J.), UMALI, SINGSON (R.V.), DAYANGHIRANG, HARESCO, LAGON (S.), TY, SUANSING (H.), COLADA, DAGOOC, MARCOLETA, SINGSON-MEEHAN, REYES, CUA, CRUZ (A.), TEVES (J.), CUARESMA, CHUNGALAO, CALDERON, LACSON-NOEL, KHO (R.), MENDOZA, PUMAREN, SALIMBANGON, DELOS SANTOS, FUENTEBELLA, ORDANES, VERZOSA, PALMA, RODRIGUEZ (R.), GUTIERREZ, PANOTES, CAGAS, BERNOS, PANALIGAN AND DALIPE, PER COMMITTEE REPORT NO. 477

AN ACT

ESTABLISHING A SPECIAL DEFENSE ECONOMIC ZONE (SpeDEZ) INSIDE THE GOVERNMENT ARSENAL DEFENSE INDUSTRIAL ESTATE LOCATED IN CAMP GEN. ANTONIO LUNA, LAMAO, MUNICIPALITY OF LIMAY, PROVINCE OF BATAAN, CREATING FOR THIS PURPOSE THE SPECIAL DEFENSE ECONOMIC ZONE AUTHORITY (SpeDEZA) AND APPROPRIATING FUNDS THEREFOR

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

- 1 **SECTION 1. *Short Title.*** – This Act shall be known as the “Special Defense
2 Economic Zone Act”.

1 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State to
2 develop a self-reliant and independent national economy effectively controlled by
3 Filipinos. The State recognizes the indispensable role of the private sector, encourages
4 the participation of private enterprise, and provides incentives to needed investments.
5 Further, the State actively encourages, promotes and accelerates the sound and
6 balanced industrial, economic and social development of the country through the
7 establishment, of special economic zones in suitable and strategic locations in the
8 country. In so doing, the State is able to attract legitimate and productive foreign
9 investments that provide jobs especially to those in the rural areas, improve productivity
10 and family incomes, and thereby improving the level and quality of living conditions of
11 the people.

12 **SEC. 3. Creation of the Special Defense Economic Zone.** – There is hereby
13 created a special economic zone in Camp General Antonio Luna, Lamao, Municipality
14 of Limay in the Province of Bataan, hereinafter referred to as the Special Defense
15 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
16 defense-related advanced technologies, information and communications technology,
17 research and development and their support industries. The SpeDEZ shall cover the
18 Government Arsenal Industrial Estate inside Camp General Antonio Luna located in the
19 Municipality of Limay, Province of Bataan, measuring approximately three hundred
20 seventy (370) hectares, including the seventy (70) hectares of land within which the
21 Government Arsenal (GA), as created by Republic Act No. 1884, otherwise known as
22 “An Act to Establish A Government Arsenal, Provide for its Operation and for Other
23 Purposes” operates, the portions allocated for the expansion of the GA, areas where
24 existing manufacturing facilities for defense materiel and equipment are located, subject
25 to compliance with Section 5(k) of this Act, and all other areas which may be declared
26 as part of the SpeDEZ in compliance with Section 5(h) of this Act: *Provided*, That the
27 GA shall remain a line bureau of the Department of National Defense (DND) in
28 accordance with Republic Act No. 1884, Executive Order No. 292, Series of 1987,
29 otherwise known as the “Administrative Code of the Philippines”, Republic Act No.
30 7898, otherwise known as the “AFP Modernization Act”, as amended by Republic Act
31 No. 10349, Executive Order No. 303 series of 2004, and other prevailing laws and
32 executive issuances. Except for necessary coordination on matters of mutual and
33 higher security concerns emanating from the very nature of their respective mandates,

1 the operations of the GA shall remain independent of the management of the SpeDEZ,
2 and the Special Defense Economic Zone Authority (SpeDEZ), as created by this Act,
3 shall not interfere with the activities conducted in the seventy (70) hectare area on which
4 the GA maintains and operates its buildings and structures: *Provided, further,* That the
5 SpeDEZ shall not be expanded nor operated to the prejudice of the GA and the GA
6 shall not be expanded nor operated to the prejudice of the SpeDEZ. The GA and the
7 SpeDEZA shall continuously coordinate to ensure smooth and seamless operations
8 involving the SpeDEZ and the GA: *Provided, finally,* That investors who intend to do
9 business in the GA area may do so only upon written consent of the GA prior to
10 registration with the SpeDEZA.

11 **SEC. 4. Creation of the Special Defense Economic Zone Authority.** – There
12 is hereby created a specialized and independent body corporate to be known as the
13 Special Defense Economic Zone Authority (SpeDEZA) which shall manage and operate
14 the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be
15 considered a government instrumentality vested with corporate powers.

16 Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as “An
17 Act Requiring Government-Owned or -Controlled Corporations to Declare Dividends
18 under Certain Conditions to the National Government, and for other Purposes”, all
19 dividends remitted by the SpeDEZA shall be exclusively utilized for the Armed Forces
20 of the Philippines Modernization Program and the self-reliant defense posture programs
21 of the national government. In no case shall dividends remitted by the SpeDEZA be
22 used otherwise.

23 **SEC. 5. Governing Principles.** – The SpeDEZ shall be managed and operated
24 under the following principles:

25 a) Within the framework and limitations of the Constitution, Republic Act No.
26 1884, Republic Act No. 7898, as amended by Republic Act No. 10349,
27 Republic Act No. 10697, otherwise known as the “Strategic Trade
28 Management Act”, Executive Order No. 303, Series of 2004, and applicable
29 provisions of the Local Government Code, the SpeDEZ shall be developed
30 into and operated as a hub for decentralized, self-reliant and self-sustaining
31 industrial, commercial, trading, research, development, engineering,

1 information and communications technology and financial investment
2 exclusive for defense, military and law enforcement commercial activities and
3 investments, with provision for suitable residential, educational, recreational,
4 and commercial areas;

5 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the
6 SpeDEZ may continue to be provided by the national government and local
7 governments with transportation, telecommunications and other facilities
8 needed to attract legitimate and productive investments, generate linkage
9 with industries and employment opportunities for the people of the Province
10 of Bataan and its neighboring towns and cities: *Provided*, That the autonomy
11 and self-reliance of the SpeDEZ shall not be a hindrance to assistance nor
12 partnerships with other units and instrumentalities of the government:
13 *Provided, further*, That no assistance or partnership be construed as a waiver
14 of the autonomy of the SpeDEZA;

15 c) The SpeDEZA may establish mutually beneficial economic defense relations
16 with other investment promotion agencies, entities or enterprises within the
17 country or with foreign entities or enterprises: *Provided*, That the SpeDEZA
18 shall seek clearance from the DND and administrative guidance from the
19 Department of Foreign Affairs (DFA) as to relations with foreign entities or
20 enterprises;

21 d) Foreign citizens and companies owned by non-Filipinos may set up
22 enterprises in the SpeDEZ with foreign ownership of up to the percentage
23 allowed by law, subject to the approval of SpeDEZA, either by themselves or
24 in joint venture with Filipinos or the GA in the defense and security industry
25 within the territorial jurisdiction of the SpeDEZ: *Provided*, That the SpeDEZA
26 may require individual locators to be subject to the provisions and limitations
27 provided for by the Strategic Trade Management Act, Foreign Investment Act
28 and the Regular Foreign Investment Negative List issued by the President:
29 *Provided, further*, That the SpeDEZA may require a minimum investment in
30 freely convertible currencies from any enterprise seeking registration as a
31 locator of the SpeDEZ. All investments in the SpeDEZA shall fall under the
32 priorities, thrusts and limits provided for in this Act: *Provided, finally*, That all

1 investments that do not directly or indirectly encourage defense, military and
2 law enforcement investments shall be prohibited from doing business within
3 the SpeDEZ except for businesses that cater to or support the locators, their
4 employees, and the residents of the SpeDEZ;

5 e) Subject to the limitations in this Act and its implementing rules and
6 regulations, the SpeDEZ shall be managed and operated as a separate
7 customs territory ensuring free flow or movement of necessary goods,
8 products, and capital within, into and out of its territory, and shall likewise
9 provide incentives subject to Title XIII of the National Internal Revenue Code
10 of 1997, as amended: *Provided*, That in accordance with Sections 301 and
11 817 of Republic Act No. 10863, otherwise known as the “Customs
12 Modernization and Tariff Act”, the Bureau of Customs (BOC) shall continue
13 to exercise border protection and customs control authority over the customs
14 territory adjacent to the SpeDEZ and to this end shall consult, coordinate,
15 cooperate with the SpeDEZA to enhance its protection and control capacity
16 and ensure compliance with customs laws and regulations;

17 f) The exportation or removal of goods from the territory of the SpeDEZ to the
18 other parts of the Philippine territory shall be subject, as applicable, to
19 customs duties and taxes under the Customs Modernization and Tariff Act
20 (CMTA), as amended, and the National Internal Revenue Code (NIRC) of
21 1997, as amended: *Provided*, That sales of good from the SpeDEZ to the
22 Armed Forces of the Philippines (AFP), Philippine National Police (PNP) and
23 local government units (LGUs) for defense and security purposes shall be
24 exempt from all customs duties, national and local taxes: *Provided*, That
25 subject to Title VI of the CMTA, customs transit to and from the SpeDEZ,
26 through the Port of Lamao or other ports, shall also be considered tax and
27 duty-free;

28 g) As far as practicable, enterprises located within the SpeDEZ shall acquire a
29 certain percentage of their raw material requirements locally produced within
30 the Philippines as determined by the SpeDEZA;

31 h) The areas comprising the SpeDEZ may be expanded or reduced when
32 necessary to improve its investment promotion capacity, ensure public order

1 and safety, consolidate lands for SpeDEZ development, acquire right of way
2 or access necessary and appropriate to the SpeDEZ, protect and safeguard
3 watershed areas or maintain and improve water yield for the benefit of the
4 SpeDEZ and LGUs, manage solid and water waste in compliance with
5 existing national laws and local ordinances, and promote the public good. For
6 this purpose, the SpeDEZA, with the concurrence of the appropriate and
7 affected LGUs in the Province of Bataan, in accordance and in compliance
8 with existing national laws and local ordinances, shall have the power to
9 acquire, procure, increase, or otherwise expand, either by purchase,
10 negotiation or condemnation proceedings, any private or public lands and
11 their respective water territories within the Province of Bataan: *Provided*, That
12 when applicable, the municipal waters of up to fifteen (15) kilometers from
13 the low water mark area of the edge of the SpeDEZ shall be deemed included
14 in the territorial jurisdiction of the SpeDEZ: *Provided, further*, That the
15 SpeDEZA and the relevant LGUs shall utilize immediate and responsive
16 mechanisms, best management practices and suitable environmental
17 protection programs for land and coastal zone management to address any
18 abuse and/or exploitation of the natural environment within the territorial
19 jurisdiction of the SpeDEZ;

20 i) Products and goods researched and developed, engineered or manufactured
21 by registered enterprises may be made available in the domestic market,
22 subject to the limitations in this Act and its implementing rules and
23 regulations, payment of corresponding duties, customs and taxes on raw
24 materials as provided by the NIRC of 1997, as amended, and the CMTA, as
25 amended, approval by the DND or the PNP in accordance with Republic Act
26 No. 10697 and the Regular Foreign Investment Negative List issued by the
27 President, other regulations that may be formulated by the SpeDEZA, and
28 other applicable regulations and limitations imposed in accordance with law
29 by the DND, AFP, PNP, *Bangko Sentral ng Pilipinas* (BSP), Department of
30 Finance (DOF), BOC and Department of Trade and Industry (DTI): *Provided*,
31 That in cooperation with the SpeDEZA, the DND and PNP shall provide and
32 implement measures to improve ease and cost of doing business within the
33 SpeDEZ and enhance the investment promotion capacity of the SpeDEZA:
34 *Provided, further*, That in order to protect domestic industries, a negative list

1 of industries shall be drawn up and regularly updated by the SpeDEZA:
2 *Provided, finally,* That enterprises engaged in industries included in such
3 negative list shall not be allowed to sell their products locally, notwithstanding
4 the registration of such enterprises in the SpeDEZ;

5 j) Subject to Section 6(n) of this Act, the defense of the SpeDEZ and the
6 security of its perimeter fence shall be the responsibility of the National
7 Government, through the AFP and the GA, in coordination with the
8 SpeDEZA; and

9 k) All existing local defense industries located outside the GA Industrial Estate
10 as defined in Section 3 of this Act shall, subject to their prior registration with
11 the SpeDEZA, enjoy the same benefits and incentives granted under this Act:
12 *Provided,* That the local defense industries concerned shall obtain the
13 concurrence of the LGUs where their operations are located. Nothing in this
14 provision shall compel said local defense industries to register with SpeDEZA
15 or prevent them from availing similar benefits and incentives through other
16 investment promotion agencies. In no case shall they be allowed to avail
17 incentives from two or more investment promotion agencies.

18 **SEC. 6. Powers and Functions of the SpeDEZA.** – The SpeDEZA shall have
19 the following functions:

20 a) To adopt, alter, and use a corporate seal;
21 b) To contract, lease, buy, sell, acquire, own and dispose properties of whatever
22 nature: *Provided,* That real properties that form part of the original Camp
23 General Antonio Luna shall not be disposed of or encumbered: *Provided,*
24 *further,* That expansion areas may be disposed of or encumbered by the
25 SpeDEZA;

26 c) To sue and be sued in order to carry out its duties, responsibilities, privileges,
27 powers and functions as granted and provided for in this Act;

28 d) To exercise the power of eminent domain for public use and public purpose;

- 1 e) To operate, administer, manage, and develop, in accordance with Executive
2 Order No. 525, as amended, the SpeDEZ according to the principles and
3 provisions set forth in this Act;
- 4 f) To recommend to the President the issuance of a proclamation or any
5 executive issuance to fix or delimit the metes and bounds of the SpeDEZ;
- 6 g) To register, regulate and supervise the entities and enterprises in the
7 SpeDEZ in a competent and efficient manner that, as far as practicable,
8 balances ease of doing business and sound restriction or regulation of
9 activities. The SpeDEZA may also register, regulate, and supervise defense-
10 related enterprises outside of the SpeDEZ territory as defined in Section 3
11 and Section 5(h) of this Act: *Provided*, That the SpeDEZA shall submit to the
12 DND a quarterly report on the profile of locators and other registered
13 enterprises of the SpeDEZ;
- 14 h) To formulate and exercise general and sole supervision over the
15 implementation of the development plans, activities and operations of the
16 SpeDEZ: *Provided*, That, the SpeDEZA may coordinate with LGUs when
17 necessary to promote development in the SpeDEZ;
- 18 i) To authorize or undertake, on its own or through others, and regulate the
19 establishment, construction, operation and maintenance of public utilities,
20 services, and infrastructure in the SpeDEZ such as shipping, barging,
21 stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port
22 services or concessions, piers, wharves, bulkheads, bulk terminals, mooring
23 areas, storage areas, roads, bridges, reclamation projects, terminals,
24 conveyors, water supply and storage, sewerage, drainage, airport operations
25 in coordination with the Philippine Ports Authority (PPA), the Civil Aviation
26 Authority of the Philippines (CAAP), and the AFP, and such other services or
27 concessions or infrastructure necessary or incidental to the accomplishment
28 of the objectives of this Act: *Provided*, That the registered enterprises of the
29 SpeDEZ shall be given priority in the awarding of contracts, franchises,
30 licenses, or permits for the establishment, operation and maintenance of
31 utilities, services and infrastructure in the SpeDEZ;

- 1 j) To issue license, set fees, regulate the establishment, operation, and
2 maintenance of utilities, educational and medical institutions, infrastructure
3 related to military, defense and law enforcement investments and other
4 services in the SpeDEZ such as, heat, light and power, water supply,
5 telecommunications, mobile, internet and other data facilities, transport, toll
6 roads and bridges and port services, and to fix just, reasonable and
7 competitive rates, fares, charges and prices thereof;
- 8 k) To construct, acquire, own, lease, operate and maintain on its own or through
9 contracts, franchises, licenses, bulk purchase from the private sector and
10 build-operate-transfer scheme or joint venture with the private sector, any or
11 all of the public utilities and infrastructure required or needed for the operation
12 and development of the SpeDEZ, including transportation, access and
13 connection to, and out of the SpeDEZ, in coordination with appropriate
14 national and local government authorities and in conformity with applicable
15 laws;
- 16 l) To raise or borrow, within the limitation provided by law, and subject to the
17 approval or opinion of the Monetary Board of the BSP, as the case may be,
18 adequate and necessary funds from local or foreign sources, to finance its
19 projects and programs under this Act, and for this purpose, to issue bonds,
20 promissory notes, and other forms of securities, and to secure the same by
21 a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part
22 of its property or assets, subject to Section 6(b) of this Act;
- 23 m) To enter into Public-Private Partnership contractual arrangements, such as
24 build-operate-transfer schemes or any of its variants, management contract,
25 joint venture, co-production, or similar agreements with local or foreign
26 entities for the management and operation of the SpeDEZ, a portion thereof,
27 or any enterprise registered therein to ensure the viability of the SpeDEZ;
- 28 n) To ensure that the area covered by the SpeDEZ is secure at all times:
29 *Provided, That in the event that the assistance of the AFP or PNP is*
30 *necessary, the AFP or PNP shall not interfere in the internal affairs of the*
31 *SpeDEZA, except to provide the necessary security and defense, or law*

1 enforcement assistance, as the case may be: *Provided, finally,* That expenses
2 of the AFP or PNP in the SpeDEZ shall be borne by the national government;

3 o) To protect, preserve, maintain and develop the forests, beaches, corals and
4 coral reefs, and maintain ecological balance within the SpeDEZ: *Provided,*
5 That notwithstanding the authority of the SpeDEZA to create rules for such
6 purpose, the rules and regulations of the Department of Environment and
7 Natural Resources (DENR) and other government agencies involved in the
8 above functions shall be implemented by the SpeDEZA: *Provided, further,*
9 That the SpeDEZA shall create an Ecology Center for such purpose;

10 p) To create, operate or contract to operate such functional units or offices of
11 the SpeDEZA as it may deem necessary;

12 q) To issue certificates of origin for products manufactured or processed in the
13 SpeDEZ;

14 r) To issue rules and regulations necessary to implement and accomplish the
15 purposes, objectives and policies provided herein, in consultation with DND,
16 DTI, DOF and other relevant government agencies;

17 s) To appropriately zone the SpeDEZ and provide for buffer zones, when
18 necessary, and reserve areas for housing;

19 t) To establish one-stop shops for the issuance of all necessary permits,
20 clearances, licenses, and other similar certifications to conduct such activities
21 intended to improve the ease of doing business within the SpeDEZ, in
22 coordination with government agencies having jurisdiction over activities in
23 the SpeDEZ not otherwise solely reserved to the SpeDEZA: *Provided,* That
24 all government agencies are directed to provide and extend utmost and full
25 cooperation to the SpeDEZA in the establishment of such one-stop shops;
26 and

27 u) To perform such other functions as may be provided by law.

28 **SEC. 7. Board of Directors of the SpeDEZA.** – The powers of the SpeDEZA
29 shall be vested in and exercised by a Board of Directors, hereinafter referred to as the
30 Board, which shall be composed of the following:

- 1 a) The Secretary of the DND who shall be the *ex officio* Chairman;
- 2 b) The Administrator of the SpeDEZA as Vice-Chairman: *Provided*, That in the
3 absence of the Chairman, the Vice-Chairman shall preside over the
4 meetings of the Board;
- 5 c) Members who shall consist of the following:
- 6 1. Assistant Secretary for Plans and Programs (ASPP) of the DND;
- 7 2. Assistant Secretary for Acquisition, Installations and Logistics (ASAIL) of
8 the DND;
- 9 3. Director of the GA;
- 10 4. One (1) representative from the investors within the SpeDEZ;
- 11 5. One (1) representative from the workers employed in the SpeDEZ;
- 12 6. One (1) representative from the province of Bataan;
- 13 7. One (1) representative from the municipality of Limay, Bataan;
- 14 8. One (1) representative from the legislative district covering the site of the
15 SpeDEZ; and
- 16 9. Two (2) independent directors with proven expertise in defense and
17 security strategies to be recommended by the SpeDEZA Board.

18 In the event that the position of the ASPP, ASAIL of the DND, or Director of the
19 GA becomes vacant, the designated Acting ASPP, ASAIL or Director of the GA
20 shall serve as member of the Board.

21 In the event the Chairman and Vice-Chairman are unable to attend a meeting,
22 the members present constituting a quorum shall elect amongst themselves the
23 Presiding Officer for that particular meeting. The Presiding Officer shall not have
24 voting rights except to break a tie. For the purpose of determining the presence
25 of a quorum, vacant seats shall not be considered.

26 Except those coming from the DND and GA, the members of the Board shall be
27 appointed by the President of the Philippines to serve for a term of six (6) years,
28 unless sooner separated from service due to death, voluntary resignation or
29 removal for cause. In case of death, resignation or removal for cause, the
30 replacement shall serve only the unused portion of the term.

1 All members of the Board shall be Filipino citizens and no person shall be
2 appointed by the President of the Philippines as a member of the Board unless
3 one is of good moral character and proven probity and integrity. Except for the
4 representatives of the DND, GA and workers, members of the Board are required
5 to be degree holders in any of the following fields: economics, business, public
6 administration, law, management, military science, or their equivalent, and with
7 at least ten (10) years relevant working experience preferably in the field of
8 management or public administration.

9 The members of the Board, except the *ex officio* member, shall each receive *per*
10 *diem* at rates to be determined by the Department of Budget and Management
11 (DBM) in accordance with existing rules and regulations: *Provided*, That the total
12 *per diem* collected each month shall not exceed the equivalent *per diem* for four
13 (4) meetings.

14 **SEC. 8. Administrator of the SpeDEZA.** – The SpeDEZA shall have an
15 Administrator with a rank of Department Undersecretary who shall be appointed by the
16 President of the Philippines. The Administrator shall be at least forty (40) years of age,
17 of proven probity and integrity, and a degree holder in any of the following fields:
18 economics, business, public administration, law, management or their equivalent, with
19 at least ten (10) years relevant working experience preferably in the field of business,
20 management, or public administration.

21 **SEC. 9. Powers and Duties of the Administrator.** – The Administrator shall
22 have the following powers and duties:

- 23 a) To direct and manage the affairs of the SpeDEZA in accordance with the
24 policies of the Board;
- 25 b) To establish the internal organization of the SpeDEZA under such conditions
26 that the Board may prescribe;
- 27 c) To submit an annual budget and necessary supplemental budget to the
28 Board for its approval;
- 29 d) To submit within thirty (30) days after the close of each fiscal year an annual
30 report to the Board and such other reports as may be required;

- 1 e) To submit to the Board for its approval policies, systems, procedures, rules
2 and regulations that are essential to the operation of the SpeDEZA;
- 3 f) To create a mechanism for coordination with relevant agencies for the
4 promotion of industrial peace, the protection of the environment, and the
5 advancement of the quality of life in the SpeDEZ;
- 6 g) To preside at the meetings of the Board of the SpeDEZA in the absence of
7 the Chairman;
- 8 h) To directly administer and supervise the operations and day-to-day business
9 activities of the SpeDEZA;
- 10 i) To execute, on behalf of the SpeDEZA, all contracts, agreements and other
11 instruments affecting its interests and duly approved by the Board; and
- 12 j) To perform such other duties as may be assigned to him by the Board or
13 which are necessary or incidental to his office.

14 **SEC. 10. *Principal Office of the SpeDEZA.*** – The SpeDEZA shall maintain its
15 principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan,
16 but it may establish liaison offices within the Philippines as may be necessary for the
17 proper conduct of its business.

18 **SEC. 11. *Organization and Personnel.*** – The Board of the SpeDEZA shall
19 provide for an organizational structure and appoint employees, subject to the Revised
20 Administrative Code of 1987 on the Civil Service Commission or the Civil Service Law.
21 Upon the recommendation of the Chairman and Administrator of SpeDEZA and with
22 the approval of the Secretary of the DBM, the Board shall appoint and fix the
23 remuneration and other emoluments of its officers and employees in accordance with
24 existing laws on compensation and position classification: *Provided*, That the Chairman
25 and Administrator shall exercise administrative supervision over the employees of the
26 SpeDEZA.

27 The officers and employees of the SpeDEZA, including all members of the
28 Board, shall not engage directly or indirectly in partisan activities nor take part in any
29 election, except to vote.

1 No officer or employee of the SpeDEZA, subject to civil service laws and
2 regulations, shall be removed or suspended except for cause, as provided by law.

3 **SEC. 12. Special Labor Center.** – A Special Labor Center shall be established
4 within the SpeDEZ. This Center shall endeavor and be responsible to pro-actively play
5 a vital role in studying and amicably settling professional, labor relations issues and
6 disputes, interpretation of employment service contracts, and monitoring work, work
7 place, hygiene and safety standards within the SpeDEZ, particularly of the duly
8 registered entities and enterprises. The Special Labor Center shall comprise of a labor
9 office, an industrial health and safety office, an inspection/investigative and disputes
10 office, and an enforcement office.

11 In order to support the economic and employment generation thrusts of the
12 LGUs, the SpeDEZA shall implement policies and programs that will serve to prioritize
13 for employment in the SpeDEZ, workers who are residents of stakeholder LGUs.
14 Registered enterprises shall, as far as practicable, source all its labor needs from the
15 stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations: *Provided,*
16 That LGUs within whose territorial jurisdictions the SpeDEZA is located for the purpose
17 of this Act shall refer to all local governments which: (1) derive a share in the five percent
18 (5%) final tax imposition within the SpeDEZ, (2) host expansion areas of the SpeDEZ
19 in accordance with Section 5(g) or Section 6(f) of this Act, or (3) host registered
20 enterprises of the SpeDEZ pursuant to Section 6(g) of this Act;

21 The SpeDEZA and, as far as practicable, the locators and registered enterprises
22 of the SpeDEZ shall prioritize for employment qualified former personnel of the GA who
23 have been terminated or removed from the service due to the modernization of the GA.

24 **SEC. 13. Investors Visa.** – Any foreign national who invests an amount of Two
25 hundred thousand US dollars (US\$200,000.00), either in cash and/or equipment, in a
26 registered enterprise shall be entitled to an investor's visa: *Provided,* That the foreign
27 national has the following qualifications:

- 28 a) Must be at least eighteen (18) years of age;
29 b) Must not have been convicted by final judgment of a crime involving moral
30 turpitude;
31 c) Must not be afflicted with any loathsome, dangerous or contagious disease;

- 1 d) Must not have been institutionalized for any mental disorder or disability; and
- 2 e) Must establish by verifiable and credible evidence one's financial capability
- 3 and capacity.

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

10 The authority to issue visas and work permits shall remain with the Bureau of
11 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
12 *Provided*, That the BI and the DOLE shall implement measures to expedite the
13 processing of such visas and permits for workers in the SpeDEZ and coordinate with
14 the SpeDEZA for the purpose of improving ease of doing business.

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

18 **SEC. 15. Banking Rules and Regulations.** – Banks and financial institutions to
19 be established in the SpeDEZ shall be under the supervision of the BSP and shall be
20 subject to existing banking laws, rules and regulations.

21 **SEC. 16. Remittances.** – In the case of foreign investments, a duly registered
22 entity or enterprise within the SpeDEZ shall have the right to remit earnings from the
23 investment in the currency in which the investment was originally made and at the
24 exchange rate prevailing at the time of remittance, subject to the provisions of Republic
25 Act No. 7653, otherwise known as “The New Central Bank Act”, as amended.

26 **SEC. 17. Multi-Year Contracts and Other Contractual Arrangements.** – To
27 spur the development of SpeDEZ as a self-reliant and self-sustaining defense
28 investment hub where duly qualified and selected locators are provided with guaranteed
29 market access, the DND, the Armed Forces of the Philippines (AFP), the Philippine
30 Coast Guard (PCG), and the Philippine National Police (PNP) are hereby directed to

1 procure their defense equipment and materiel, whenever available and practicable,
2 from defense manufacturers and suppliers registered with the SpeDEZA. For this
3 purpose, the DND, AFP, PCG, and PNP are authorized to enter into multi-year contracts
4 and other multi-year contractual arrangements with manufacturers or suppliers
5 registered with the SpeDEZA subject to existing laws, rules, regulations and guidelines.

6 In implementing this Section, the SpeDEZA, the DND, AFP, PCG, and PNP shall
7 jointly formulate the mechanics for the selection of manufacturers/suppliers to be
8 awarded with multi-year contracts: *Provided*, That registration with the SpeDEZA and
9 location in the SpeDEZ of the manufacturing or distribution operations of such
10 manufacturer or supplier of the defense equipment and materiel to be procured in the
11 SpeDEZ shall be a condition precedent for the award of the multi-year contracts.

12 **SEC. 18. Countertrade.** – Whenever applicable and practicable, any of the
13 countertrade arrangements defined in Executive Order No. 120 series of 1993 should
14 be explored in pursuing defense-related acquisitions. The SpeDEZA, in consultation
15 with the DND, Department of Trade and Industry (DTI), and other concerned offices,
16 shall identify or develop a list of goods and services or industries which may be subject
17 to a countertrade.

18 **SEC. 19. Capitalization.** – The SpeDEZA shall have an authorized capital stock
19 of three billion pesos (P3,000,000,000.00) to be subscribed wholly by the national
20 government.

21 In addition, all lands embraced and covered by the SpeDEZ, including
22 permanent improvements and fixtures, upon proper inventory by the GA or AFP, as the
23 case may be, not otherwise alienated, conveyed or transferred to another government
24 agency and all other assets which the President may transfer to the SpeDEZA shall
25 form part of the equity contribution of the government.

26 The annual subscription of the national government to the capital stock of the
27 SpeDEZA shall be included in the annual General Appropriations Act.

28 **SEC. 20. Supervision and Control.** – For purposes of policy direction and
29 coordination, the SpeDEZA shall be under the direct control and supervision of the
30 Office of the President of the Philippines: *Provided*, That the grant of fiscal incentives

1 shall be subject to the provisions of Title XIII of the National Internal Revenue Code of
2 1997, as amended.

3 **SEC. 21. Regional Development Council.** – The SpeDEZA shall determine the
4 development goals for the SpeDEZ within the framework of national development plans,
5 policies and goals. The Chairman and Administrator of the SpeDEZA shall, upon
6 approval by the Board, submit the SpeDEZA plans, programs and projects to the
7 Regional Development Council for inclusion and inputs to the overall regional
8 development plan.

9 **SEC. 22. Relationship with Local Government Units.** – Except as herein
10 provided, the Municipality of Limay in the Province of Bataan and such other local
11 government units where registered enterprises of the SpeDEZ conduct business, shall
12 operate and function in accordance with the framework of the Constitution, Local
13 Government Code of 1991, Republic Act No. 7898, as amended by Republic Act
14 No. 10349, and applicable provisions of this Act.

15 In case of any conflict between the SpeDEZA, the LGUs and the national
16 government on matters affecting the SpeDEZA, other than national defense and
17 security matters, the decision of the SpeDEZA shall prevail.

18 **SEC. 23. Legal Office.** – The SpeDEZA shall have and maintain its own internal
19 legal office, appropriate in number under the supervision of the Government Corporate
20 Counsel. When the exigencies of its businesses and operations demand, the SpeDEZA
21 may engage the services of an outside counsel either on a case to case or a fixed
22 retainer basis. Such engagement shall require further approval and concurrence of the
23 Office of the Government Corporate Counsel or the Office of the Solicitor General and
24 the Commission on Audit.

25 **SEC. 24. Interpretation/Construction.** – The powers, authorities and functions
26 that are vested in the SpeDEZA are intended to enhance national security and promote
27 self-reliance in the advancement of and protection of the national territorial integrity,
28 uphold the decentralization of governmental functions and authority, and promote an
29 efficient and effective working relationship between the SpeDEZA, the national
30 government and the LGUs. Any interpretation of this Act shall consider such intentions.
31 In the event of conflict of interpretation and provided the intentions cannot be

1 harmonized, the provisions of this Act shall be construed in favor of an interpretation
2 that protects and promotes national security.

3 **SEC. 25. Audit.** – The Commission on Audit shall appoint a full-time auditor in
4 the SpeDEZA or may assign such number of personnel as may be necessary in the
5 performance of its functions.

6 **SEC. 26. Transitory Provisions.** – The SpeDEZA shall be responsible for the
7 operation, administration, management and development of the SpeDEZ. The
8 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the least
9 disruption of ongoing programs of the GA.

10 **SEC. 27. Implementing Rules and Regulations.** – The SpeDEZA, DTI, DOF,
11 DND, PNP, PCG, and the LGU shall formulate the rules and regulations to implement
12 this Act within ninety (90) days after its approval. Such rules and regulations shall take
13 effect fifteen (15) days after its publication in a newspaper of general circulation in the
14 Philippines.

15 **SEC. 28. Applicability Clause.** – Insofar as these are consistent with the
16 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
17 otherwise known as “The Special Economic Zone Act of 1995”, as amended, shall
18 likewise apply to the SpeDEZ.

19 **SEC. 29. Separability Clause.** – If any provision of this Act shall be held
20 unconstitutional or invalid, the other provisions not otherwise affected shall remain in
21 full force and effect.

22 **SEC. 30. Repealing Clause.** – All laws, executive orders or issuances or any
23 part thereof, which are inconsistent herewith, are hereby repealed or amended
24 accordingly.

25 **SEC. 31. Effectivity.** – This Act shall take effect fifteen (15) days after its
26 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,