

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH (18th) CONGRESS
First Regular Session
3654

House Bill No: _____



Introduced by Hon. Romeo M. Jalosjos Jr.

EXPLANATORY NOTE

This bill seeks to amend Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended by Republic Act No. 8748, "An Act Amending Republic Act No. 7916, otherwise known as The Special Economic Zone Act of 1995".

The 1987 Philippine Constitution declares that the State shall develop a self-reliant and independent national economy. Further, it is the policy of the State to encourage and promote the establishment and development of economic areas in the country as a means to achieve and enjoy a sound and balanced industrial, economic, and social development, so that territorial and political subdivisions of the State can attain meaningful local autonomy. It also recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to prioritized investment sectors.

Republic Act No. 7916 or The Special Economic Zone Act of 1995 was enacted on February 21, 1995. Since its enactment, the Philippine Economic Zone Authority (PEZA) has become one of the leading Investments Promotions Agencies (IPAs) in the Philippines and its registered economic zones have been the preferred destination of foreign investors that intend to locate in the country. The PEZA is one of the government agencies that contributes to the economic development in the countryside due to a number of economic zones that were proclaimed in the entire country that are now bustling provinces and metropolis.

As of 2018, the PEZA has a total of 4,341 operating enterprises located in 395 economic zones including Information Technology (IT) Parks/Centers. PEZA has brought in a total of ₱3.755 Trillion approved investments, generated US\$760.479 billion exports and created 1,400,000 employment opportunities for our countrymen. PEZA exports contribute 63% of the country's total commodity export and 80% of total Philippines service export and account for 16% of GDP. However, although economic gains have been achieved with RA 7916, there is a need to update such law in order to maximize the investments in the economic zones and result in more significant gains for the Filipinos and the country at large, especially the less developed areas in the countryside.

This bill seeks to amend Republic Act No. 7916 in order to strengthen the PEZA by providing the following: (1) additional powers and functions of the authority to be more proactive and responsive to the demands of the local and international business markets; (2)

establishment of a globally competitive and conducive investment climate and facility; (3) competitive and appropriate incentives package in order to attract more investors to the countryside (4) creation of opportunities for more investment portfolios; (5) increased financial capability of the designated authority; (6) reduced import dependence by empowering, capacitating and incentivizing domestic enterprises, farmers, fishermen and every Filipino to participate in completing the supply chain, maximizing production of quality products and export manufacturing capability and (7) more empowered and capable LGUs that are self-reliant, self-sustaining and resource-generating to enjoy social progress, peace and prosperity as experienced by model-LGU hosts of existing economic zones.

The amendment of Republic Act No. 7916 is also mandated by Administrative Order No. 18 which directed the PEZA to accelerate rural progress through robust development of special economic zones in the countryside. This was also prompted by the recommendation of the Cabinet Cluster on environment and disaster management to enhance the incentives and the dispersion of economic activities outside Metro Manila to reduce its population density in support of the government efforts toward an earthquake and natural disaster-resilient Philippines.



REP. ROMEO M. JALOSJOS, JR.
Representative
First District of Zamboanga del Norte

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

EIGHTEENTH (18th) CONGRESS
First Regular Session

House Bill No. 3654

Introduced by Hon. Romeo M. Jalosjos Jr.

**AN ACT STRENGTHENING THE ROLES AND
FUNCTIONS OF THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA) TO
ACCELERATE COUNTRYSIDE DEVELOPMENT THROUGH ROBUST
CREATION OF SPECIAL ECONOMIC ZONES IN RURAL AND NEW GROWTH
AREAS, ENHANCING THE INCENTIVES THEREOF AND AMENDING FOR THIS
PURPOSE, REPUBLIC ACT NO. 7916, OTHERWISE KNOWN AS "THE SPECIAL
ECONOMIC ZONE ACT OF 1995, AS AMENDED BY RA 8748"**

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

SECTION 1. Section 3 of Republic Act No. 7916 is hereby amended to read as follows:

"SEC. 3. Purposes, Intents and Objectives. – It is the purpose, intent and objective of this Act:

- (a) To establish the legal framework and mechanisms for the integration, coordination, planning and monitoring of special economic zones, industrial estates / parks, export processing zones and other economic zones **IN ORDER TO FULLY INDUSTRIALIZE AND DEVELOP THE PHILIPPINES INTO A GREEN, CLIMATE-RESILIENT AND REGIONAL ECONOMY THAT WILL ATTRACT EXPORT-ORIENTED INDUSTRIES, AS WELL AS STRATEGIC DOMESTIC-ORIENTED INDUSTRIES;**
- (b) x x x
- (c) x x x
- (d) x x x
- (e) x x x
- (f) x x x

- (G) TO MINIMIZE IMPORT DEPENDENCE, MAXIMIZE EXPORTATION, PRODUCTION, AND MANUFACTURING CAPABILITY OF FILIPINOS AND COMPLETE THE SUPPLY CHAIN;**
- (H) TO EMPOWER AND CAPACITATE THE PEOPLE AND THE LOCAL GOVERNMENT UNITS (LGUs) THROUGH THE ESTABLISHMENT OF SPECIAL ECONOMIC ZONES AS ECONOMIC DRIVERS TO GROW SMART TOWNS, DIGITAL CITIES AND NEW METROPOLITAN AREAS IN EVERY REGION, MAKING THE LGUs SELF-RELIANT, SELF-SUSTAINING AND RESOURCE-GENERATING;**
- (I) TO FACILITATE THE CONSTRUCTION OF MORE LOGISTICS HUBS, INTERNATIONAL AIRPORTS AND SEAPORTS AND PROVIDE MULTIMODAL MEANS OF TRANSPORTATION IN EVERY REGION, ADDRESS THE PUBLIC WORKS INFRASTRUCTURE, ENHANCE THE INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE, RESEARCH AND DEVELOPMENT (R & D) AND KNOWLEDGE PROCESS INFRASTRUCTURE AND PROMOTE AFFORDABLE, HIGH QUALITY, COMPETITIVE UTILITIES AND RENEWABLE SOURCES OF ENERGY, IN PARTNERSHIP WITH OTHER GOVERNMENT AGENCIES, PRIVATE AND INTERNATIONAL INSTITUTIONS;**
- (J) TO UTILIZE THE VAST AND IDLE PUBLIC LANDS, RESTORE THE BASIC INDUSTRIES TO ENSURE FOOD SECURITY AND SUSTAINABILITY, ATTRACT STRATEGIC INDUSTRIES THAT ARE BADLY NEEDED TO FULLY INDUSTRIALIZE THE COUNTRY, AND ENCOURAGE BIG-TICKET INDUSTRIES THAT PROVIDE AT LEAST A BILLION DOLLAR CAPITALIZATION, OR MORE THAN 5,000 JOBS CREATED, OR TRANSFER OF PIONEER TECHNOLOGY AND DEVELOP AT LEAST 50 HECTARES OF LAND IN THE COUNTRYSIDE.**
- (K) TO MATCH THE PROFESSIONAL, VOCATIONAL AND TECHNICAL SKILLS TRAINING PROGRAM IN HIGHER EDUCATION AND TRAINING CENTERS IN EVERY REGION, TRANSFORMING THE FILIPINOS AS MULTI-KNOWLEDGE AND SKILLED WORKERS, A RICH HUMAN CAPITAL AND AS WORLD-CLASS WORKERS;**

SECTION 2. Section 4 of Republic Act No. 7916 is hereby amended to read as follows:

"SEC. 4. Definition of Terms. – For purposes of this Act, the following definitions shall apply to the following terms:

(a) "Special Economic Zones (SEZ)" – hereinafter referred to as the ECOZONES, are selected areas with highly developed or which have the potential to be developed into TOWNSHIPS INTEGRATING THE INDUSTRIAL, COMMERCIAL, MEDICAL/HEALTH, EDUCATIONAL, RECREATIONAL AND RESIDENTIAL COMPONENTS. AN ECOZONE MAY BE CLASSIFIED INTO DIFFERENT TYPES DEPENDING ON ITS LAND/MARINE POTENTIALS AND RESOURCESON IT SUCH AS:

- (i) AGRO-FORESTRY;**
- (ii) AGRO-INDUSTRIAL;**

- (iii) AQUAMARINE;
- (iv) AVIATION AND AEROSPACE PARKS;
- (v) CREATIVE INDUSTRIES;
- (vi) DEFENSE AND INDUSTRISL COMPLEX;
- (vii) DOMESTIC ECOZONES;
- (viii) ECO-INDUSTRIAL PARKS;
- (ix) EXPORT PROCESSING ZONES (EPZs);
- (x) FREE TRADE ZONES;
- (xi) HALAL AND FOOD PRODUCTION HUBS;
- (xii) INFORMATION AND TECHNOLOGY (IT) PARKS AND/OR CENTERS;
- (xiii) ISLAND CITIES;
- (xiv) KNOWLEDGE, INNOVATION, AND SCIENCE AND TECHNOLOGY PARKS;
- (xv) LOGISTICS HUB;
- (xvi) MINERAL PROCESSING ECOZONES
- (xvii) RENEWABLE ENERGY ECOZONES;
- (xviii) RETIREMENT, TOURISM AND MEDICAL TOURISM ECOZONES
- (xix) OTHER TYPES AS MAY BE DETERMINED BY PEZA

- (b) x x x
- (c) x x x
- (d) x x x

(E) BASIC INDUSTRIES – ARE INDUSTRIES THAT CATER TO THE BASIC NEEDS OF THE FILIPINOS SUCH AS BUT NOT LIMITED TO FOOD, AGRICULTURE, STEEL, WOOD AND OTHER HOUSING AND CONSTRUCTION MATERIALS, UTILITIES SUCH AS POWER, WATER AND SOURCES OF RENEWABLE ENERGY, INDUSTRIES INTO CLOTHING, GARMENTS AND TEXTILE, AUTOMOBILE, RAILWAYS AVIATION AND OTHER AIR, WATER, AND LAND VEHICLES; HEALTH AND MEDICAL; AND COMMUNICATIONS AND TECHNOLOGY;

(F) STRATEGIC INDUSTRIES – REFERS TO PIONEERING TECHNOLOGIES AND THOSE PRIORITY ACTIVITIES AND INDUSTRIES THAT ARE BEING DEVELOPED TO MODERNIZE AND INDUSTRIALIZE, ATTRACT MORE INVESTMENTS, GENERATE EMPLOYMENT, UPGRADE POSITION IN THE GLOBAL VALUE CHAIN AND SUSTAIN MANUFACTURING RESURGENCE TOWARDS ECONOMIC TRANSFORMATION. THESE INDUSTRIES INCLUDE BUT NOT LIMITED TO THE FOLLOWING: MANUFACTURING, SEMICONDUCTORS, ELECTRONICS, INFORMATION TECHNOLOGY-BUSINESS PROCESS MANAGEMENT (IT-BPM), ASSEMBLY, REFINERY, PROCESSING, PETRO-CHEMICAL, TOURISM AND MEDICAL TOURISM, DEFENSE, LOGISTICS, SOURCES OF RENEWABLE ENERGY, INNOVATION, R & D ACTIVITY, INVESTMENTS IN ENVIRONMENTAL PROTECTION SYSTEMS AND ROHQs, AND OTHERS THAT WILL MAKE THE PHILIPPINES AS A REGIONAL HUB.

(G) BIG-TICKET INDUSTRIES – REFER TO LOCATOR INDUSTRIES THAT WILL INVEST AT LEAST ONE BILLION DOLLAR CAPITALIZATION OR CREATE MORE THAN 5,000 JOBS OR ENGAGE IN PIONEER TECHNOLOGY, AND TO ECOZONE DEVELOPERS THAT WILL ESTABLISH ECOZONES IN THE COUNTRYSIDE WITH AN AREA OF AT LEAST 50 HECTARES.

(H) COUNTRYSIDE – REFERS TO RURAL AND LESS DEVELOPED AREAS OUTSIDE METRO MANILA-CITIES AND HIGHLY URBANIZED GROWTH CENTERS.”

(I) INDIRECT-EXPORTERS/DOMESTIC ENTERPRISES-REFER TO SUPPLIERS OF EXPORTERS WHICH ARE LOCATED INSIDE THE ECONOMIC ZONES

SECTION 3. Section 5 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 5. Establishment of ECOZONES. – To ensure the viability and geographical dispersal of ECOZONES through a system of prioritization, the following areas are initially identified as ECOZONES, subject to the criteria specified in Section 6:

(a) x x x

x x x

(mm) x x x

These areas shall be developed through any of the following schemes:

- i. Private initiative;
- ii. Local government initiative with the assistance of the national government; and
- iii. National government initiative.

The metes and bounds of each ECOZONE are to be delineated and more particularly described in a **DESIGNATION TO BE ISSUED UPON APPROVAL OF THE PEZA BOARD OF DIRECTORS**, upon the recommendation of the **HOST LGUs**, 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 4. Section 6 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 6. Criteria for the Establishment of Other ECOZONES. – In addition to the ECOZONES identified in Section 5 of this Act, other areas may be established as ECOZONES in a **DESIGNATION TO BE ISSUED BY THE PEZA BOARD OF DIRECTORS** subject to the evaluation and recommendation of the PEZA, based on a detailed feasibility and engineering study which must conform to the following criteria:

- (a) The proposed area must be identified as a regional growth center in the Medium-Term Philippine Development Plan or by the Regional Development Council;
- (b) The existence of required infrastructure in the proposed ECOZONE, such as roads, railways, telephones, ports, airports, etc., and the suitability and capacity of the proposed site to absorb such improvements;
- (c) The availability of water source and electric power supply for use of the **ECOZONE AND HIGH SPEED FIBER-OPTIC TELECOMMUNICATION BACKBONE AND HIGH-SPEED INTERNATIONAL GATEWAY FACILITY OR WIDE AREA NETWORK (WAN) OR ANY HIGH SPEED DATA TELECOMMUNICATION SYSTEM THAT MAY BE AVAILABLE IN THE FUTURE, FOR IT PARKS/CENTERS;**
- (d) The extent of vacant lands available for industrial and commercial development and future expansion of the ECOZONE as well as of lands adjacent to the ECOZONE available for development of residential areas for the ECOZONE workers;
- (e) The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the ECOZONE;
- (f) The area must have a significant incremental advantage over the existing economic zones and its potential profitability can be established;
- (g) The area must be strategically located **AND ESTABLISHED IN HAZARD AND DISASTER RESILIENT AREAS**; 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 ECOZONES: Provided, That the said area shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), 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 PEZA.”

SECTION 5. Section 8 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 8. ECOZONE to be Operated and Managed as Separate Customs Territory. – The ECOZONE shall be managed and operated by the PEZA as separate **ADMINISTRATIVE AND customs territory.**

x x x”

SECTION 6. Section 11 of Republic Act No. 7916 is hereby amended to read as follows:

"SEC. 11. The Philippine Economic Zone Authority (PEZA) Board. – There is hereby created a body corporate to be known as the Philippine Economic Zone Authority (PEZA) **UNDER THE OFFICE OF THE PRESIDENT**. The Board shall have a director general with the rank of department **SECRETARY** who shall be appointed by the President **AND SHALL HAVE A TERM OF SIX (6) YEARS, UNLESS RENEWED, OR REMOVED FOR A CAUSE**. The director general shall be at least forty (40) years of age, of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

"The director general shall be assisted by **FOUR (4)** deputy director generals each for policy, planning **AND PROGRAMS; FINANCE AND administration; ENTERPRISE operations AND INCENTIVES MANAGEMENT; AND SPECIAL ECONOMIC ZONE DESIGNING, RESEARCH AND MARKETING** who shall be appointed by the PEZA Board, upon the recommendation of the director general. The deputy directors general shall be at least thirty-five (35) years old, with proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent. **THE DIRECTOR GENERAL SHALL ALSO SIT AS MEMBER OF THE BOARD OF DIRECTORS OF THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY (NEDA) AND THE TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY.**

"The Board shall be composed of **TWENTY (20)** members as follows: the Director General of the Philippine Economic Zone Authority as **CHAIRMAN**, the undersecretaries of the Department of Finance, the Department of Labor and Employment, the Department of Interior and Local Government, the Department of Environment and Natural Resources, the Department of Agriculture, the Department of Public Works and Highways, the Department of Science and Technology, the Department of Energy, **THE DEPARTMENT OF TRADE AND INDUSTRY, THE DEPARTMENT OF TOURISM, THE DEPARTMENT OF TRANSPORTATION, THE DEPARTMENT OF INFORMATION AND COMMUNICATIONS TECHNOLOGY, THE DEPARTMENT OF NATIONAL DEFENSE**, the Deputy Director General of the National Economic and Development Authority, **THE DEPUTY DIRECTOR GENERAL OF TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY, THE VICE CHAIRPERSON OF THE COMMISSION OF HIGHER EDUCATION**, one (1) representative from the investors / business sector in the ECOZONE, **ONE (1) REPRESENTATIVE FROM THE LABOR SECTOR IN THE ECOZONE AND ONE (1) REPRESENTATIVE FROM THE UNION OF LOCAL AUTHORITIES OF THE PHILIPPINES (ULAP);**"

The existing Export Processing Zone Authority (EPZA) created under Presidential Decree No. 66 shall evolve into the PEZA in accordance with the guidelines and regulations set forth in an executive order issued for this purpose.

ONLY NON-EX OFFICIO 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 does not exceed the equivalent of four (4) meetings.

SECTION 7. Section 12 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 12. Functions and Powers of PEZA Board. – The Philippine Economic Zone Authority (PEZA) Board shall have the following functions and powers:

- (a) Set the general policies on the establishment and operations of the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;
- (b) Review proposals for the establishment of **SPECIAL ECONOMIC ZONES AS DEFINED UNDER SECTION 2 OF THIS ACT, AND** based on the set criteria under Section 6 and **DESIGNATE** the establishment of the ECOZONES, industrial estates, export processing zones, **IT PARKS AND/OR CENTERS**, free trade zones and the like. 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 ECOZONE, such as heat, light and power, water supply, telecommunication, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, charges and fees therefore. **FOR THIS PURPOSE, THE PEZA BOARD SHALL EXERCISE EXCLUSIVE JURISDICTION AS THE REGULATOR OF UTILITIES INSIDE THE ECOZONES AND SHALL HAVE THE AUTHORITY TO ISSUE FRANCHISE OVER POWER, WATER, COMMUNICATION AND OTHER UTILITIES IN THE ECOZONES;**
- (d) Approve the annual budget of the PEZA and the ECOZONE development plans;
- (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 8. Section 13 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 13. General Powers and Functions of the Authority. – The PEZA shall have the following powers and functions:

- (a) To operate, administer, manage and develop the ECOZONE according to the principles and provisions set forth in this Act;
- (b) To register, regulate, **GRANT INCENTIVES UNDER SECTION 10 OF THIS ACT** and supervise the enterprises in the ECOZONE 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 the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;

(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 the ECOZONE;

[(e)] (E) TO EXCLUSIVELY ENFORCE AND ADMINISTER THE PROVISIONS OF THE NATIONAL BUILDING CODE OF THE PHILIPPINES AND THE FIRE CODE OF THE PHILIPPINES WITHIN THE TERRITORIAL JURISDICTION OF THE ECOZONES;

(F) TO ISSUE SPECIAL REGULATIONS FOR THE BENEFIT OF PARTICULAR INDUSTRIES, DESIGNED TO IMPROVE EASE OF DOING BUSINESS, DECREASE COST OF DOING BUSINESS AND LOWER BUREAUCRATIC BURDENS OF INVESTING AND DOING BUSINESS WITHIN THE ECOZONES; PROVIDED THAT, SUCH SPECIAL REGULATIONS SHALL NOT BE CONTRARY TO EXISTING LAWS;

(G) TO SUPPORT THE OPERATIONS OF REGISTERED ENTERPRISES BY SUBSIDIZING THE COST OF POWER, WATER AND OTHER UTILITIES INCLUDING THE FREE USE OF LAND IN THE PUBLIC ECOZONES, SUBJECT TO A CRITERIA TO BE APPROVED BY THE PEZA BOARD OF DIRECTORS AND THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES. THE CRITERIA FOR THE GRANT OF SUBSIDY WILL INCLUDE AMONG OTHERS THE AMOUNT OF INVESTMENTS AND EMPLOYMENT GENERATION AND WILL BE PERFORMANCE-BASED, TARGETED, TRANSPARENT AND TIMEBOUND.

[(e)] (H) To create, operate and/or contract to operate such agencies and functional units or offices of the authority as it may deem necessary;

[(f)] (I) To adopt, alter and use a corporate seal; make contracts, lease, 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)] (J) To coordinate the formulation and preparation of the development plans of the different entities mentioned above;

[(h)] (K) To coordinate with the National Economic Development Authority (NEDA), 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)] (L) To monitor and evaluate the development and requirements of entities in subsection (a) 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.

(M) TO INTEGRATE COMMERCIAL, RESIDENTIAL AREAS, TRAINING, EDUCATIONAL AND MEDICAL FACILITIES AND SERVICES TOWARDS TOWNSHIPS IN PUBLIC ECONOMIC ZONES WHICH CAN BE REPLICATED IN DEVELOPING PRIVATE ECONOMIC ZONES;

(N) TO ESTABLISH AND DEVELOP A SPECIAL ECONOMIC ZONE INSTITUTE (SEZ INSTITUTE) IN EVERY REGION TO SERVE AS A RELATIONSHIP MANAGER AMONG THE INDUSTRY, THE ACADEME (HIGHER EDUCATION INSTITUTIONS) AND THE LOCAL STAKEHOLDERS IN BUILDING A JOINT AND INTEGRATED CAPACITIES IN RESEARCH, INSTRUCTION AND SOCIO-CULTURAL DEVELOPMENT SERVICE THAT SHALL FORMULATE A GLOBALLY COMPETITIVE BUT LOCALLY-POSITIONED STRATEGY IN GENERATING INVESTMENT, EXPORT AND EMPLOYMENT FOR AND IN EVERY PROVINCE.

THE SEZ INSTITUTE SHALL EXERCISE COORDINATION, COLLABORATION AND COOPERATION AMONG PARTNERS AND STAKEHOLDERS IN CRAFTING A HARMONIZED AND HOLISTIC POLICIES AND PROGRAMS THAT SHALL ADDRESS THE FACTORS WHICH ATTRACT THE INTEREST OF INVESTORS AND SECURE A COMPETITIVE DIRECTION OF EXPORT-ORIENTED INDUSTRIES, SUCH AS RESEARCH-AND-DEVELOPMENT SERVICE (R&D SERVICE), INDUSTRY-RESPONSIVE KNOWLEDGE MANAGEMENT SERVICE, INDUSTRY-EMPLOYABLE HUMAN RESOURCES, COMPREHENSIVE LITERATURE ON SUPPLY VALUE CHAIN, INTERNATIONAL MARKETING PORTFOLIO, AND OTHER RELEVANT INITIATIVES.

THE SEZ INSTITUTE SHALL BE ESTABLISHED AS AN ORGANIC AND REGULAR FIELD OFFICE OF PEZA IN EVERY REGION WHOSE ORGANIZATIONAL STRUCTURE AND STAFF COMPLEMENT SHOULD REFLECT THE ESSENTIALS OF INVESTMENT PROMOTION AND ECOZONE ADMINISTRATION IN THE CONTEXT OF KNOWLEDGE ECONOMY. THE MAJOR STAFF UNITS OF THE INSTITUTE SHALL INCLUDE RESEARCH MANAGEMENT UNIT, INSTRUCTION MANAGEMENT UNIT, AND SOCIO-CULTURAL DEVELOPMENT SERVICE UNIT, AMONG OTHERS.

(O) TO EXERCISE SUCH POWERS AS MAY BE ESSENTIAL, NECESSARY OR INCIDENTAL TO THE POWERS GRANTED TO IT HEREUNDER AS WELL AS THOSE THAT SHALL ENABLE IT TO CARRY OUT, IMPLEMENT AND ACCOMPLISH THE PURPOSES, OBJECTIVES AND POLICIES OF THIS ACT; AND

(P) TO BE VESTED WITH OTHER POWERS ENJOYED OR EXERCISED BY OTHER ECONOMIC ZONE AND/OR FREE PORT ZONE AUTHORITIES.”

SECTION 9. Section 14 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 14. Powers and Functions of the Director General. – The director general shall be the overall coordinator of the policies, plans and programs of the ECOZONES. As such, he shall provide overall supervision over and general direction to the development and operations of these ECOZONES. He shall determine the structure and the staffing pattern and personnel

complement of the PEZA and establish regional offices, when necessary, subject to the approval of the PEZA Board.

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

(a) To safeguard all the lands, buildings, records, monies, credits and other properties and rights of the ECOZONES;

(b) To ensure that all revenues of the ECOZONE are collected and applied in accordance with its budget;

(C) TO RECOMMEND TO THE PEZA BOARD THE DESIGNATION OF SEZs IN ACCORDANCE WITH SET POLICIES AND STANDARDS;

[(c)] (D) To ensure that the investors/firms and employees of the ECOZONES are properly discharging their respective duties;

[(d)] (E) To give such information and recommend such measures to the Board, as he shall deem advantageous to the ECOZONE;

[(e)] (F) To submit to the Board, the ongoing and proposed projects, work and financial program, annual budget of receipts, and expenditures of the ECOZONE;

[(f)] (G) To represent the ECOZONE 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)] (H) To acquire jurisdiction, as he may deem proper, over the protests, complaints, and claims of the residents and enterprises in the ECOZONE concerning administrative matters;

[(h)] (I) To recommend to the Board the grant, approval, refusal, amendment or termination of the ECOZONE franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the Board;

[(i)] (J) To **EXERCISE EMINENT DOMAIN AND POLICE POWER, INCLUDING, BUT NOT LIMITED 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 our 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;

[(j)] (K) 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)] (L) To prepare and make out plans for the physical and economic development of the ECOZONE, including zoning and land subdivision, and issue such rules and regulations which shall be submitted to the Board for its approval; and

[(I)] (M) To perform such other duties and exercises such powers as may be prescribed by the Board, and to implement the policies, rules and regulations set by the PEZA.”

SECTION 10. Section 16 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 16. Personnel. – The PEZA Board of Directors shall provide for an organization and staff of officers and employees of the PEZA, and upon recommendation of the director general with the approval of the **PRESIDENT OF THE PHILIPPINES**, 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 PEZA, 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 PEZA 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 Subic Bay Metropolitan Authority (SBMA), Clark Development Corporation (CDC), Bases Conversion and Development Authority (BCDA) and 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 PEZA shall therefore be exempt from existing laws, rules and regulations on compensation, position classification and qualification standards. It shall however endeavor to make its systems conform as closely as possible with the principles under Republic Act No. 6758. **PROVIDED, FURTHER, AS A GOVERNMENT INSTRUMENTALITY THAT REMITS DIVIDENDS TO THE NATIONAL GOVERNMENT, THE PEZA SHALL BE UNDER THE GOVERNANCE COMMISSION FOR GOVERNMENT OWNED AND CONTROLLED CORPORATIONS.**

The PEZA 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.

No officer or employee of the PEZA subject to Civil Service laws and regulations shall be removed or suspended except for cause, as provided by law.”

SECTION 11. Section 23 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 23. Fiscal Incentives. – **REGISTERED ENTERPRISES OPERATING WITHIN THE ECOZONES SHALL BE ENTITLED TO THE FOLLOWING INCENTIVES ON A PER PROJECT BASIS AND SUBJECT TO CONTINUING COMPLIANCE OF THE TERMS AND CONDITIONS OF PEZA:**

(A) INCENTIVE PACKAGE TO ECOZONE REGISTERED ENTERPRISES INCLUDING INDIRECT-EXPORTERS CLASSIFIED AS BASIC, STRATEGIC AND BIG-TICKET INDUSTRIES SHALL ENJOY THE FOLLOWING INCENTIVES:

- 1. INCOME TAX HOLIDAY FOR TEN (10) YEARS FOR PIONEER PROJECTS AND SIX (6) YEARS FOR NON-PIONEER PROJECTS. ENTERPRISES THAT WILL LOCATE AND OPERATE IN THE RURAL AREAS PARTICULARLY THOSE CLASSIFIED UNDER 3RD, 4TH AND 5TH CLASS MUNICIPALITIES MAY BE GRANTED BY THE PEZA BOARD ADDITIONAL INCOME TAX HOLIDAY FOR BIG-TICKET INDUSTRIES.**
- 2. AFTER THE ENJOYMENT OF THE ITH, ENTERPRISES SHALL BE GRANTED A SPECIAL PREFERRED TAX RATE OF 7% GROSS INCOME EARNED (GIE) IN LIEU OF ALL NATIONAL AND LOCAL TAXES PROVIDED THAT, ENTERPRISES HAVE THE OPTION TO IMMEDIATELY ENJOY THE 7% GIE INSTEAD OF THE ITH;**
- 3. TAX AND DUTY FREE IMPORTATION OF RAW MATERIALS, CAPITAL EQUIPMENT, SPARE PARTS AND OTHER SUPPLIES RELATED TO THE REGISTERED ACTIVITY;**
- 4. ZERO-VAT FOR LOCAL PURCHASES INCLUDING BILLS ON UTILITIES;**
- 5. ECOZONE EXPORT ORIENTED ENTERPRISES MUST MEET THE FOLLOWING MINIMUM EXPORT REQUIREMENTS TO CONTINUE ENJOYMENT OF THE AFORESAID INCENTIVES:**
 - i. BASIC INDUSTRIES -30%**
 - ii. STRATEGIC INDUSTRIES -50%**
 - iii. BIG-TICKET INDUSTRIES -70%**

(B) ALLOWABLE DEDUCTIONS FOR BOTH EXPORTERS AND INDIRECT EXPORTERS ENTERPRISES – BOTH THE EXPORTERS AND INDIRECT EXPORTERS ENTERPRISES SHALL BE GRANTED THE FOLLOWING ALLOWABLE DEDUCTIONS:

- 1. UP TO 50% ADDITIONAL DEDUCTION ON LABOR EXPENSES FROM INCREASE OF DIRECT LOCAL EMPLOYMENT;**
- 2. UP TO 100% ADDITIONAL DEDUCTION ON TRAININGS CONDUCTED;**

THE FOREGOING INCENTIVES SHALL BE REVIEWED BY THE PEZA BOARD NO MORE THAN EVERY SIX (6) YEARS DEPENDING ON THE ECONOMIC CONDITIONS OF THE REGIONS.

Furthermore, tax credits for exporters using local materials as Inputs shall enjoy the same benefits provided for in the Export Development Act of 1994."

SECTION 12. Section 24 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 24. Exemption from National and Local Taxes **AND FEES**- Except for real property taxes on land owned by developers, no taxes **AND FEES**, local and national, shall be imposed on **REGISTERED ENTERPRISES** operating within the ECOZONE. **LOCAL TAXES SHALL INCLUDE THE MAYOR’S PERMIT AND OTHER CHARGES, PERMITS AND IMPOSITIONS BY THE LOCAL GOVERNMENT UNITS.** In lieu thereof, **A SPECIAL TAX RATE NOT EXCEEDING SEVEN percent (7%)** of the gross income earned by all **REGISTERED** enterprises within the ECOZONE shall be paid and remitted as follows:

- a. Three percent (3%) to the National Government;
- b. Two percent (2%) which shall be directly remitted by the **REGISTERED ENTERPRISES** to the treasurer’s office of the municipality or city where the enterprise is located;

(C) ONE PERCENT (1%) WHICH SHALL BE DIRECTLY REMITTED BY THE REGISTERED ENTERPRISES TO THE TREASURER’S OFFICE OF THE PROVINCE OF THE MUNICIPALITY OR COMPONENT CITY WHERE THE ENTERPRISE IS LOCATED EXCEPT THOSE LOCATED IN HIGHLY URBANIZED CITIES; AND

(D) ONE PERCENT (1%) WHICH SHALL BE REMITTED TO PEZA.”

REGISTERED ENTERPRISES UNDER THE ITH REGIME SHALL ALSO BE EXEMPT FROM PAYING LOCAL GOVERNMENT TAXES INCLUDING MAYOR’S PERMIT AND OTHER CHARGES, PERMITS AND IMPOSITION BY THE LOCAL GOVERNMENT UNITS. HOWEVER, REGISTERED ENTERPRISES SHALL PAY REAL PROPERTY TAXES FOR THEIR BUILDINGS, MACHINERY AND EQUIPMENT DURING THE TIME THAT THEY ARE UNDER THE ITH.

SECTION 13. Non-Impairment of Contract/ Permits/ Licenses. - All existing contracts, permits and licenses duly granted by the PEZA before the date of effectivity of this Act, shall remain valid, and unimpaired, shall be cured, and shall be recognized by the Government.

SECTION 14. Transitory Clause. – The current officials shall remain in office until appointed by the appropriate authority.

SECTION 15. Repealing Clause. - All laws, decrees, executive orders, rules and regulations or parts thereof, inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

SECTION 16. Separability Clause. - Any portion or provision of this Act that may be declared unconstitutional shall not have the effect of nullifying other portions or provisions hereof as such remaining provisions can still subsist and be given effect.

SECTION 17. *Effectivity.* - This Act shall take effect after fifteen (15) days following its complete publication in the Official Gazette or in two (2) newspapers of general circulation whichever is earlier.

Approved.