



18th CONGRESS

First Regular Session

HOUSE BILL NO. 5794

Introduce by Hon. Julienne "Jam" L. Baronda

EXPLANATORY NOTE

This house bill proposes to create a special economic zone and free port in City of Iloilo to be known as the Metro Iloilo Special Economic Zone (MILOECOZONE) and the MILOECOZONE Authority, which shall manage and operate the former.

The MILOECOZONE is conceived to be a critical and vital economic hub that will bring in positive change for City of Iloilo and for the entire Western Visayas though jobs generation and investments. It is envisioned to be the Silicon Valley of the Philippines. It will be managed as a separate customs territory with incentives for would-be investors like tax-free importation of goods, and other tax incentives. It will be unique since it will be both an economic zone and a freeport.

If created, this will be the first such economic zone and free port in Western Visayas, and it will be the second in the Visayas and Mindanao, after the ZAMBOECOZONE (Zamboanga Freeport Authority), which created in 1995 under Republic Act No. 7903. ZAMBOECOZONE is currently the only economic zone with a freeport status in the Visayas and Mindanao. ZAMBOECOZONE's investments have surged to P9.7 billion in 2015 from only P9.8 million in 2014. It is also worth mentioning that the Bataan Export Processing Zone (BEPZ) created under Republic Act No. 5490 in 1969 and consolidated with the Freeport Area of Bataan (FAB) under the FAB Authority (Republic Act No. 9728 in 2009), has also experienced an increase in investments from P390 million in 2012 to P6.2 billion in 2015.

Western Visayas certainly needs the MILOECOZONE and its corresponding Authority in order to attract more investments and continue its present economic boom.

This bill is in line with the policy of President Rodrigo Roa Duterte to hasten the economic development of the countryside and generate wealth in areas outside Metro Manila.

Approval of this bill is, therefore, earnestly requested.

HON. JULIENNE "JAM" L. BARONDA
Representative, Lone District of Iloilo City

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

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Representative, Lone District of Iloilo City

AN ACT CREATING A SPECIAL ECONOMIC ZONE AND FREE PORT IN THE CITY OF ILOILO, CREATING FOR THIS PURPOSE THE METRO ILOILO SPECIAL ECONOMIC ZONE AND FREE PORT AUTHORITY, APPROPRIATING FUNDS THEREFORE, AND 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 "**Metro Iloilo Special Economic Zone and Free Port Act of 2019**".

Section 2. Declaration of Policy. - It is hereby declared the policy of the State to actively encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country in order to provide jobs to the people especially those in the rural areas, increase productivity and individual and family income, and thereby improve the level and quality of living condition through the establishment, among others, of special economic zones in suitable and strategic locations in the country and through measures that will attract legitimate and productive foreign investments.

Section 3. Creation of the Metro Iloilo Special Economic Zone and Free Port. - In accordance with the foregoing policy, there is hereby established a special economic zone and free port in the City of Iloilo to be known as the Metro Iloilo Special Economic Zone and Free Port, hereinafter referred to as the MILOECOZONE. The MILOECOZONE shall include the Iloilo International Port located in Brgy. Loboc, La Paz, Iloilo City and such available public lands, including reclaimed lands, in Barangay Bito-on and Barangay Balabago, located in Jaro District, and Barangay Hinactacan, Barangay San Isidro, Barangay Ingore and Barangay Loboc, located in La Paz District, Iloilo City.

Section 4. Governing Principles. - The MILOECOZONE shall be managed and operated under the following principles:

(a) Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the MILOECOZONE shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial-trading, agro-industrial, tourist, banking, financial and investment center with suitable residential areas;

(b) The MILOECOZONE shall continue to be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of the City and Province of Iloilo and their neighboring provinces, cities, and towns;

- (c) The MILOECOZONE may establish mutually beneficial economic relations with other entities or enterprises within the country or with foreign entities or enterprises;
- (d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the MILOECOZONE either by themselves or in joint venture with Filipinos in any sector of industry, international trade and commerce within the MILOECOZONE;
- (e) The MILOECOZONE shall be managed and operated as a separate customs territory ensuring free flow or movement of goods and capital within, into and out of its territory;
- (f) The MILOECOZONE shall provide incentives such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein. However, the exportation or removal of goods from the territory of the MILOECOZONE to the other parts of the Philippines shall be subject to customs duties and taxes under the Tariff and Customs Code of the Philippines, as amended, and the National Internal Revenue Code (NIRC) of 1997, as amended;
- (g) The areas comprising the MILOECOZONE may be expanded or reduced when necessary. For this purpose, the MILOECOZONE Authority, which will be created under this Act, with the concurrence of the concerned local government units (LGUs), in accordance with existing laws, shall have the power to acquire, either by purchase, negotiation or condemnation proceedings, any private lands within or adjacent to the MILOECOZONE for the following purposes: (1) the consolidation of lands for MILOECOZONE development; (2) the acquisition of right-of-way to the MILOECOZONE; (3) the protection of watershed areas and the maintenance and improvement of its water yield and natural assets needed by the MILOECOZONE; (4) and the management of solid and water waste and its impact to adjacent areas within the concerned local government units.

The said LGUs and the MILOECOZONE shall provide for a mechanism to address inappropriate exploitation of the natural environment and disruptive land use within the jurisdiction of the MILOECOZONE;

- (h) Goods manufactured by registered enterprises within the MILOECOZONE shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the MILOECOZONE Authority, together with the Philippine Economic Zone Authority (PEZA), the Bangko Sentral ng Pilipinas (BSP), the Department of Finance (DOF), the Bureau of Customs (BOC) and the Department of Trade and Industry (DTI) in accordance with the NIRC of 1997, as amended, and the Tariff and Customs Code of the Philippines, as amended. However, in order to protect domestic industries, a negative list of industries shall be drawn up and regularly updated by the PEZA. Enterprises engaged in industries included in such negative list shall not be allowed to sell their products locally; and
- (i) The defense of the MILOECOZONE and the security of its perimeter fence shall be the responsibility of the National Government in coordination with the MILOECOZONE Authority and the concerned LGUs.

Section 5. Fiscal Incentives. - The registered enterprises operating within the MILOECOZONE may be entitled to 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.

Section 6. Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned. - No taxes, local and national, shall be imposed on business establishments operating within the MILOECOZONE. In lieu thereof, said business establishments shall pay a five percent (5%) final tax on their gross income earned in the following percentages:

- (a) One per centum (1%) to the National Government;
- (b) One per centum (1%) to the Province of Iloilo;
- (c) One per centum (1%) to the City of Iloilo; and
- (d) Two per centum (2%) to the MILOECOZONE Authority.

Section 7. Incentive to Investors. - Any foreign national who invests an amount of One hundred fifty thousand US dollars (US\$150,000.00), either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided*, That he has the following qualifications:

- (a) He is at least eighteen (18) years of age;
- (b) He has not been convicted of a crime involving moral turpitude;
- (c) He is not afflicted with any loathsome, dangerous or contagious disease; and
- (d) He has not been institutionalized for any mental disorder or disability.

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

Section 8. 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 MILOECOZONE Authority shall be responsible for the administration and implementation of the incentives granted to its respective registered enterprises. Among others, it shall adopt and implement systems and procedures affecting trade and customs policies. The BOC shall set up and establish a custom's controlled area outside the gate of the MILOECOZONE to facilitate payment of taxes on goods entering the Philippine customs territory; and (b) The MILOECOZONE Authority shall likewise submit to the DOF its annual tax expenditures based on the tax incentives granted to its registered enterprises. The DOF, for its part, shall create a single database of all incentives provided by the governing authority. The DOF shall monitor the incentives granted, and submit all annual report to the President.

Section 9. Extension of Period of Availment. - The availment period of the incentives provided herein may be extended by MILOECOZONE Authority, in the event that the registered enterprise has suffered operational force majeure that has impaired its viability or any circumstances which maybe equivalent thereto.

Section 10. Duration of Incentives. - Enterprises registered with MILOECOZONE Authority may enjoy the income tax holiday (ITH) or the net operating loss carryover (NOLCO) granted by the MILOECOZONE Authority prior to the availment of the five percent (5%) gross income earned (GIE). Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable,

except that it could be extended with regard to industries deemed indispensable to national development. The industries exempted from this provision shall be determined by the MILOECOZONE Authority.

Section 11. Facilities Outside the MILOECOZONE. – Registered enterprises in the MILOECOZONE may set up facilities outside the MILOECOZONE but within Western Visayas. They may avail of all the incentives provided in this Act, subject to guidelines issued by the MILOECOZONE Authority.

Section 12. Creation of the Metro Iloilo Special Economic Zone and Free Port Authority (MILOECOZONE Authority). - There is hereby created a body corporate to be known as the Metro Iloilo Special Economic Zone and Free Port Authority, hereafter referred to as the MILOECOZONE Authority, which shall manage and operate the Metro Iloilo Special Economic Zone and Free Port, in accordance with the provisions of this Act.

Section 13. Principal Office of the MILOECOZONE Authority. - The MILOECOZONE Authority shall maintain its principal office in the City of Iloilo, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

Section 14. Powers and Functions of the MILOECOZONE Authority. – The MILOECOZONE Authority shall have the following functions:

- (a) To adopt, alter, use a corporate seal, to contract, lease, buy, sell, acquire, own and dispose properties of whatever nature;
- (b) To sue and be sued in order to carry out its duties, responsibilities, privileges, powers and functions as granted and provided for in this Act and to exercise the power of eminent domain for public use and public purpose;
- (c) To operate, administer, manage, develop the MILOECOZONE according to the principles and provisions set forth in this Act and to coordinate with the concerned LGUs for the development plans, activities and operation of the MILOECOZONE;
- (d) To recommend to the President the issuance of a proclamation to fix and delimit the site of the MILOECOZONE;
- (e) To register, regulate and supervise the enterprises in the MILOECOZONE in an efficient and decentralized manner, subject to existing laws;
- (f) To coordinate with the concerned LGUs and exercise general supervision over the development plans, activities and operations of the MILOECOZONE;
- (g) To authorize or undertake, on its own or through others, and to regulate the establishment, construction, operation and maintenance of public utilities, services, and infrastructure in the MILOECOZONE such as shipping, barging, stevedoring, cargo, handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges, reclamation projects, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act: *Provided, however, That the private investors in the MILOECOZONE shall be given priority in the awarding of contracts, franchises, licenses, or permits for the establishment, operation and maintenance of utilities, services and infrastructure in the MILOECOZONE;*

- (h) To license, set fees, regulate and undertake the establishment, operation and maintenance of utilities, other services, educational and medical Institutions and infrastructure in the MILOECOZONE such as, but not limited to, heat, light and power, water supply, telecommunications, mobile, internet and other data facilities, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, fares, charges and prices thereof;
- (i) To construct, acquire, own, lease, operate and maintain on its own or through contracts, franchises, licenses, bulk purchase from the private sector and build-operate-transfer scheme, or under a joint venture with the private sectors, any or all of the public utilities and infrastructure required or needed for the operation and development of the MILOECOZONE, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
- (j) To operate on its own, either directly or through a subsidiary entity, or concession or license to others, tourism-related activities, including games, amusements, recreational and sports facilities such as casinos, online gaming facilities, golf courses and others, under the priorities and standards set by the MILOECOZONE Authority;
- (k) To raise or borrow, within the limitation provided by law, adequate and necessary funds from local or foreign sources, to finance its projects and programs under this Act, and for that purpose, to issue bonds, promissory notes, and other forms of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust, or an assignment of all or part of its property or assets;
- (l) To provide security for the MILOECOZONE in coordination with the National Government and the concerned local government units. For this purpose, the MILOECOZONE Authority may establish and maintain its security and firefighting forces or hire others to provide the same. In the event that an assistance of the military force is necessary, it shall not interfere in the internal affairs of the MILOECOZONE except to provide the necessary security and defense, and their expenses shall be borne by the National Government;
- (m) To protect, preserve, maintain and develop the virgin forests, beaches, coral and coral reefs, and maintain ecological balance within the MILOECOZONE. For this purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the MILOECOZONE Authority;
- (n) To create, operate and/or contract to operate such functional units or offices of the MILOECOZONE Authority as it may deem necessary;
- (o) To issue certificates of origin for products manufactured or processed in the MILOECOZONE;
- (p) To issue rules and regulations consistent with the provisions of this Act as may be necessary to implement and accomplish the purposes, objectives and policies provided herein;
- (q) 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
- (r) To be vested with other powers enjoyed or exercised by other free port zone authorities.

Section 15. Board of Directors of the MILOECOZONE. - The powers of the MILOECOZONE Authority shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following:

- (a) A chairman, who shall be at the same time, the administrator of the MILOECOZONE Authority;
- (b) A vice-chairman who shall come from the national agency tasked to coordinate and monitor special economic zones and the like in the country;
- (c) Nine (9) members consisting of:
 - (1) The city's congressional representative;
 - (2) The mayor of the City of Iloilo;
 - (3) The governor of the Province of Iloilo;
 - (4) The congressional representative in the Province of Iloilo designated by the Board of Directors;
 - (5) One (1) representative of the city council;
 - (6) One (1) representative of the provincial board;
 - (7) One (1) representative from the domestic investors in the MILOECOZONE;
 - (8) One (1) representative from the foreign investors in the MILOECOZONE; and
 - (9) One (1) representative from the labor sector chosen from the workers in the MILOECOZONE.

The city's congressional representative, the mayor of the City of Iloilo, the governor of the Province of Iloilo, the congressional representative designated by the Board of Directors, the representative of the city council and the representative of the provincial board shall serve as *ex officio* voting members of the Board.

The chairman and the members of the Board, except the *ex officio* members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner removed for cause or dies or resigns voluntarily. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor management, port operations, engineering or law.

Members of the Board shall receive a reasonable *per diem* which shall be fixed by the President of the Philippines once every six (6) years for every Board meeting: Provided, however, That the total *per diem* collected each month shall not exceed the equivalent *per diems* for four (4) meetings. Unless and until the President of the Philippines has fixed a higher *per diem* for the members of the Board, such *per diem* shall not be more than Twenty Thousand pesos (P20,000.00) for every Board meeting.

Section 16. Powers and Duties of the Chairman-Administrator. - The chairman-administrator shall have the following powers and duties:

- (a) To direct and manage the affairs of the MILOECOZONE Authority in accordance with the policies of the Board;
- (b) To establish the internal organization of the MILOECOZONE Authority under such conditions that the Board may prescribe;

- (c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
- (d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
- (e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the MILOECOZONE Authority;
- (f) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment, and the advancement of the quality of life in the MILOECOZONE; and
- (g) To perform such other duties as may be assigned to him by the Board or which are necessary or incidental to his office.

Section 17. Organization and Personnel. - The Board of Directors of the MILOECOZONE Authority shall provide for an organizational structure and appoint employees, subject to the civil service law. Upon the recommendation of the chairman-administrator and with the approval of the Secretary of the Department of Trade and Industry, the Board shall appoint and fix the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification: *Provided*, That the Board shall exercise administrative supervision over their employees.

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

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

Section 18. Labor Center. - A labor center shall be established within the MILOECOZONE. This center shall be responsible for studying and amicably settling professional and labor relations and disputes, interpretation of employment contracts, and monitoring work, hygiene and safety standards within the MILOECOZONE. The labor center shall comprise a labor office, an industrial health and safety office, and an inspection and disputes office.

Section 19. Banking Rules and Regulations. - Existing banking laws and rules/regulations of the Banco Sentral ng Pilipinas shall apply to banks and financial institutions to be established in the MILOECOZONE.

Section 20. Remittances. - In the case of foreign investments, a registered enterprise in the MILOECOZONE 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 Section 74 of Republic Act No. 265, as amended.

Section 21. Applicability Clause. - The provisions of Sections 30-41 of Republic Act No. 7916, otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise apply to the MILOECOZONE.

Section 22. Capitalization. - The MILOECOZONE Authority shall have an authorized capital stock of Two billion pesos (Php2,000,000,000.00), with option to increase capitalization upon the discretion of the MILOECOZONE Authority, divided into twenty thousand (20,000) no-par shares fully subscribed and paid up by the Republic of the Philippines with: (a) All lands embraced and covered by the MILOECOZONE, as well as permanent improvements and fixtures upon proper inventory not otherwise alienated, conveyed, or transferred to another government

agency; (b) All other assets which the President may transfer to the MILOECOZONE Authority as part of the equity contribution of the government; and (c) Cash contribution by the government in the amount of Five hundred million pesos (Php500,000,000.00) a year for the next five (5) years, which is hereby appropriated out of any fund in the National Treasury not otherwise appropriated.

Section 23. Supervision and Control. - For purposes of policy direction and coordination, the MILOECOZONE Authority shall be under the direct control and supervision of the Office of the President of the Philippines.

Section 24. Regional Development Council. - The MILOECOZONE Authority shall determine the development goals for the MILOECOZONE within the framework of national development plans, policies and goals. The administrator shall, upon approval by the Board, submit the MILOECOZONE plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

Section 25. Relationship with Local Government Units. - Except as herein provided, the City of Iloilo shall operate and function in accordance with the Local Government Code of 1991. In case of any conflict between the MILOECOZONE Authority, the local government units (LGUs) and the National Government (NG) on matters affecting the MILOECOZONE other than defense and security matters, the decision of the MILOECOZONE Authority shall prevail.

Section 26. Legal Counsel. - The MILOECOZONE Authority shall have its own internal legal counsel under the supervision of the Government Corporate Counsel. When the exigencies of its businesses and operations demand, the MILOECOZONE Authority may engage the services of an outside counsel either on a case-to-case or on a fixed retainer basis.

Section 27. Interpretation/Construction. - The powers, authorities and functions that are vested in the MILOECOZONE Authority are intended to establish decentralization of governmental functions and authority and promote an efficient and effective working relationship between the MILOECOZONE Authority, the National Government and the concerned LGUs.

Section 28. Audit. - The Commission on Audit shall appoint a full-time auditor in the MILOECOZONE Authority or may assign such number of personnel as may be necessary in the performance of their functions.

Section 29. Implementing Rules and Regulations. - The Department of Trade and Industry, the Department of Finance, the Department of Transportation, the City of Iloilo and the Department of the Interior and Local Government 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 30. Separability Clause. - If any provision of this Act shall be held unconstitutional or invalid, the other provisions not otherwise affected shall remain in full force and effect.

Section 31. Effectivity Clause. - This Act shall take effect upon its publication in at least one (1) newspaper of general circulation.

Approved,