



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



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3897

Introduced by:

Representatives FRANCISCO JOSE F. MATUGAS II, PROSPERO A. PICHAY, JR., JOHNNY T. PIMENTEL, ROBERT ACE S. BARBERS, ADOLFO EDWARD G. PLAZA, LAWRENCE "LAW" H. FORTUN, MA. ANGELICA M. AMANTE-MATBA, ALFELITO "ALFEL" M. BASCUG and ALAN I B. ECLEO

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 contribute to the economic development in the countryside. The economic zones that were proclaimed all over the country 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 said law in order to maximize the investments in the economic zones and obtain more significant gains for the Filipinos and the country at large, especially the less developed areas in the countryside.

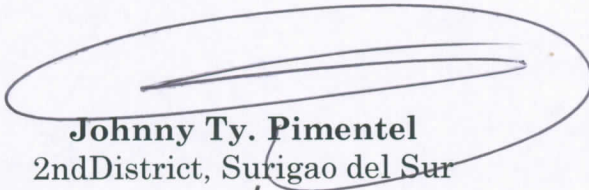
This bill seeks to amend Republic Act No. 7916 in order to strengthen the PEZA by providing the following: (1) additional powers and functions of the authority so that it can be more pro-active and responsive to the demands of the local and international business markets; (2) establishment of a globally 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 Series of 2019 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's efforts toward an earthquake and natural disaster-resilient Philippines.


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


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AN ACT

STRENGTHENING 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, AS AMENDED BY REPUBLIC ACT NO. 8748, OTHERWISE KNOWN AS "THE SPECIAL ECONOMIC ZONE ACT OF 1995"

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

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

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

5 (a) To establish the legal framework and mechanisms for the
6 integration, coordination, planning and monitoring of special economic
7 zones, industrial estates / parks, export processing zones and other

1 economic zones IN ORDER TO FULLY INDUSTRIALIZE AND
2 DEVELOP THE PHILIPPINES INTO A GREEN, CLIMATE-
3 RESILIENT AND REGIONAL ECONOMY THAT WILL ATTRACT
4 EXPORT-ORIENTED INDUSTRIES, AS WELL AS STRATEGIC
5 DOMESTIC-ORIENTED INDUSTRIES;

6 (b) X X X

7 (c) X X X

8 (d) X X X

9 (e) X X X

10 (f) X X X

11 (g) TO MINIMIZE IMPORT DEPENDENCE, MAXIMIZE
12 EXPORTATION, PRODUCTION, AND MANUFACTURING
13 CAPABILITY OF FILIPINOS, AND COMPLETE THE SUPPLY
14 CHAIN;

15 (h) TO EMPOWER AND CAPACITATE THE PEOPLE AND THE
16 LOCAL GOVERNMENT UNITS (LGUS), THROUGH THE
17 ESTABLISHMENT OF SPECIAL ECONOMIC ZONES, AS
18 ECONOMIC DRIVERS TO GROW SMART TOWNS, DIGITAL
19 CITIES AND NEW METROPOLITAN AREAS IN EVERY
20 REGION, THEREBY MAKING THE LGUS SELF-RELIANT,
21 SELF-SUSTAINING, AND RESOURCE-GENERATING;

22 (i) TO FACILITATE THE CONSTRUCTION OF MORE
23 LOGISTICS HUBS, INTERNATIONAL AIRPORTS AND
24 SEAPORTS, AND PROVIDE MULTIMODAL MEANS OF
25 TRANSPORTATION IN EVERY REGION, ADDRESS THE
26 PUBLIC WORKS INFRASTRUCTURE GAPS, ENHANCE THE
27 INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE,
28 RESEARCH AND DEVELOPMENT (R & D) AND KNOWLEDGE
29 PROCESS INFRASTRUCTURE, AND PROMOTE
30 AFFORDABLE, HIGH QUALITY, COMPETITIVE UTILITIES

1 AND RENEWABLE SOURCES OF ENERGY, IN PARTNERSHIP
2 WITH OTHER GOVERNMENT AGENCIES AND PRIVATE AND
3 INTERNATIONAL INSTITUTIONS;

4 (j) TO UTILIZE THE VAST AND IDLE PUBLIC LANDS,
5 RESTORE THE BASIC INDUSTRIES TO ENSURE FOOD
6 SECURITY AND SUSTAINABILITY, ATTRACT STRATEGIC
7 INDUSTRIES THAT ARE BADLY NEEDED TO FULLY
8 INDUSTRIALIZE THE COUNTRY, AND ENCOURAGE BIG-
9 TICKET INDUSTRIES THAT PROVIDE AT LEAST A BILLION
10 DOLLAR CAPITALIZATION, OR CREATE MORE THAN 5,000
11 JOBS, OR TRANSFER PIONEER TECHNOLOGY AND
12 DEVELOP AT LEAST 50 HECTARES OF LAND IN THE
13 COUNTRYSIDE; AND

14 (k) TO MATCH THE PROFESSIONAL, VOCATIONAL AND
15 TECHNICAL SKILLS TRAINING PROGRAM IN HIGHER
16 EDUCATION AND TRAINING CENTERS IN EVERY REGION,
17 TRANSFORMING THE FILIPINOS AS MULTI-KNOWLEDGE
18 AND SKILLED WORKERS, A RICH HUMAN CAPITAL, AND AS
19 WORLD-CLASS WORKERS.”

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

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

24 (a) "Special Economic Zones (SEZ)" – hereinafter referred to as the
25 ECOZONES, are selected areas with highly developed or which have the
26 potential to be developed into TOWNSHIPS INTEGRATING
27 INDUSTRIAL, COMMERCIAL, MEDICAL/HEALTH,
28 EDUCATIONAL, RECREATIONAL AND RESIDENTIAL
29 COMPONENTS. AN ECOZONE MAY BE CLASSIFIED INTO

1 DIFFERENT TYPES DEPENDING ON ITS LAND/MARINE
2 POTENTIALS AND RESOURCES, SUCH AS:

- 3 (i) AGRO-FORESTRY;
- 4 (ii) AGRO-INDUSTRIAL;
- 5 (iii) AQUAMARINE;
- 6 (iv) AVIATION AND AEROSPACE PARKS;
- 7 (v) CREATIVE INDUSTRIES;
- 8 (vi) DEFENSE AND INDUSTRIAL COMPLEX;
- 9 (vii) DOMESTIC ECOZONES;
- 10 (viii) ECO-INDUSTRIAL PARKS;
- 11 (ix) EXPORT PROCESSING ZONES (EPZs);
- 12 (x) FREE TRADE ZONES;
- 13 (xi) HALAL AND FOOD PRODUCTION HUBS;
- 14 (xii) INFORMATION AND TECHNOLOGY (IT) PARKS AND/OR
- 15 CENTERS;
- 16 (xiii) ISLAND CITIES;
- 17 (xiv) KNOWLEDGE, INNOVATION, AND SCIENCE AND
- 18 TECHNOLOGY PARKS;
- 19 (xv) LOGISTICS HUB;
- 20 (xvi) MINERAL PROCESSING ECOZONES;
- 21 (xvii) RENEWABLE ENERGY ECOZONES;
- 22 (xviii) RETIREMENT, TOURISM AND MEDICAL TOURISM
- 23 ECOZONES; AND
- 24 (xix) OTHER TYPES AS MAY BE DETERMINED BY PEZA.

25 (b) x x x

26 (c) x x x

27 (d) x x x

28 (e) BASIC INDUSTRIES - ARE INDUSTRIES THAT: (A) CATER
29 TO THE BASIC NEEDS OF THE FILIPINOS SUCH AS, BUT NOT
30 LIMITED TO FOOD, AGRICULTURE, STEEL, WOOD AND

1 OTHER HOUSING AND CONSTRUCTION MATERIALS; (B)
2 UTILITIES SUCH AS POWER, WATER AND SOURCES OF
3 RENEWABLE ENERGY; (C) INDUSTRIES THAT ARE INTO
4 CLOTHING, GARMENTS AND TEXTILE; (D) INDUSTRIES
5 THAT ARE INTO AUTOMOBILE, RAILWAYS, AVIATION AND
6 OTHER AIR, WATER, AND LAND VEHICLES; (E) HEALTH AND
7 MEDICAL INDUSTRIES; AND (F) COMMUNICATIONS AND
8 TECHNOLOGY INDUSTRIES;

9 (f) STRATEGIC INDUSTRIES – REFER TO INDUSTRIES THAT
10 USE PIONEERING TECHNOLOGIES AND THOSE PRIORITY
11 ACTIVITIES AND INDUSTRIES THAT ARE BEING
12 DEVELOPED TO MODERNIZE AND INDUSTRIALIZE THE
13 COUNTRY, ATTRACT MORE INVESTMENTS, GENERATE
14 EMPLOYMENT, UPGRADE THE COUNTRY'S POSITION IN
15 THE GLOBAL VALUE CHAIN, AND SUSTAIN
16 MANUFACTURING RESURGENCE TOWARDS ECONOMIC
17 TRANSFORMATION. THESE INDUSTRIES INCLUDE, BUT
18 ARE NOT LIMITED TO, THE FOLLOWING: MANUFACTURING,
19 SEMICONDUCTORS, ELECTRONICS, INFORMATION
20 TECHNOLOGY-BUSINESS PROCESS MANAGEMENT (IT-
21 BPM), ASSEMBLY, REFINERY, PROCESSING, PETRO-
22 CHEMICAL, TOURISM AND MEDICAL TOURISM, DEFENSE,
23 LOGISTICS, SOURCES OF RENEWABLE ENERGY,
24 INNOVATION, RESEARCH & DEVELOPMENT ACTIVITIES,
25 INVESTMENTS IN ENVIRONMENTAL PROTECTION
26 SYSTEMS AND REGIONAL OPERATING HEADQUARTERS,
27 AND OTHERS THAT WILL MAKE THE PHILIPPINES A
28 REGIONAL HUB;

29 (g) BIG-TICKET INDUSTRIES – REFER TO LOCATOR
30 INDUSTRIES THAT WILL INVEST AT LEAST ONE BILLION

DOLLAR CAPITALIZATION, OR CREATE MORE THAN 5,000 JOBS, OR ENGAGE IN PIONEER TECHNOLOGY. IT SHALL ALSO REFER 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 CITIES IN METRO MANILA AND HIGHLY URBANIZED GROWTH CENTERS; AND

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

SEC. 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 BY THE PEZA BOARD OF DIRECTORS AND UPON**

1 **THE RECOMMENDATION OF THE HOST LOCAL**
2 **GOVERNMENT UNITS**, in coordination with the municipal and / or
3 city council, National Land Use Coordinating Committee and / or the
4 Regional Land Use Committee.”

5 SEC. 4. Section 6 of Republic Act No. 7916 is hereby amended to read as
6 follows:

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

14 (a) The proposed area must be identified as a regional growth center
15 in the Medium-Term Philippine Development Plan or by the Regional
16 Development Council;

17 The existence of required infrastructure in the proposed ECOZONE,
18 such as roads, railways, telephones, ports, airports, etc., and the
19 suitability and capacity of the proposed site to absorb such
20 improvements;

21 (c) The availability of water source and electric power supply for use
22 of the ECOZONE, **AND IN THE CASE OF IT PARKS/CENTERS,**
23 **THE AVAILABILITY OF HIGH SPEED FIBER-OPTIC**
24 **TELECOMMUNICATION BACKBONE AND HIGH-SPEED**
25 **INTERNATIONAL GATEWAY FACILITY OR WIDE AREA**
26 **NETWORK (WAN) OR ANY HIGH SPEED DATA**
27 **TELECOMMUNICATION SYSTEM THAT MAY BE AVAILABLE**
28 **IN THE FUTURE;**

29 (d) The extent of vacant lands available for industrial and commercial
30 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.”

SEC. 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 a separate **ADMINISTRATIVE AND** customs territory.

x x x”

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

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

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

27 The Board shall be composed of **TWENTY (20)** members as
28 follows: the Director General of the Philippine Economic Zone Authority
29 as **CHAIRMAN,** the undersecretaries of the Department of Finance, the
30 Department of Labor and Employment, the Department

1 of Interior and Local Government, the Department of Environment and
2 Natural Resources, the Department of Agriculture, the Department of
3 Public Works and Highways, the Department of Science and
4 Technology, the Department of Energy, **THE DEPARTMENT OF**
5 **TRADE AND INDUSTRY, THE DEPARTMENT OF TOURISM,**
6 **THE DEPARTMENT OF TRANSPORTATION, THE**
7 **DEPARTMENT OF INFORMATION AND COMMUNICATIONS**
8 **TECHNOLOGY, THE DEPARTMENT OF NATIONAL DEFENSE,**
9 the Deputy Director General of the National Economic and Development
10 Authority, **THE DEPUTY DIRECTOR GENERAL OF TECHNICAL**
11 **EDUCATION AND SKILLS DEVELOPMENT AUTHORITY, THE**
12 **VICE CHAIRPERSON OF THE COMMISSION OF HIGHER**
13 **EDUCATION, one (1) representative from the investors / business**
14 **sector in the ECOZONE, ONE (1) REPRESENTATIVE FROM THE**
15 **LABOR SECTOR IN THE ECOZONE, AND ONE (1)**
16 **REPRESENTATIVE FROM THE UNION OF LOCAL**
17 **AUTHORITIES OF THE PHILIPPINES (ULAP).**

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

22 **ONLY NON-EX OFFICIO** members of the Board shall receive a
23 per diem of not less than the amount equivalent to the representation
24 and transportation allowances of the members of the Board and / or as
25 may be determined by the Department of Budget and Management:
26 Provided, however, That per diems collected per month does not exceed
27 the equivalent of four (4) meetings.

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

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

4 (a) Set the general policies on the establishment and operations of
5 the ECOZONES, industrial estates, export processing zones, free trade
6 zones, and the like;

7 (b) Review proposals for the establishment of **SPECIAL**
8 **ECONOMIC ZONES AS DEFINED UNDER SECTION 2 OF THIS**
9 **ACT, AND** based on the set criteria under Section 6 **DESIGNATE** the
10 establishment of ECOZONES, industrial estates, export processing
11 zones, **IT PARKS AND/OR CENTERS**, free trade zones and the like.
12 Thereafter, it shall facilitate and assist in the organization of said
13 entities;

14 (c) Regulate and undertake the establishment, operation and
15 maintenance of utilities, other services and infrastructure in the
16 ECOZONE, such as heat, light and power, water supply,
17 telecommunication, transport, toll roads and bridges, port services, etc.,
18 and to fix just, reasonable and competitive rates, charges and fees
19 therefore. **FOR THIS PURPOSE, THE PEZA BOARD SHALL BE**
20 **THE EXCLUSIVE REGULATOR OF UTILITIES INSIDE THE**
21 **ECOZONES AND SHALL HAVE THE AUTHORITY TO ISSUE**
22 **FRANCHISES OVER POWER, WATER, COMMUNICATION AND**
23 **OTHER UTILITIES THEREIN;**

24 (d) Approve the annual budget of the PEZA and the ECOZONE
25 development plans;

26 (e) Issue rules and regulations to implement the provisions of this
27 Act in so far as its power and functions are concerned;

28 (f) Exercise its powers and functions as provided for in this Act; and

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

SEC. 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 THE 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

1 BUSINESS AND LOWER BUREAUCRATIC BURDENS OF
2 INVESTING AND DOING BUSINESS WITHIN THE ECOZONES;
3 *PROVIDED THAT*, SUCH SPECIAL REGULATIONS SHALL
4 NOT BE CONTRARY TO EXISTING LAWS;

5 (G) TO SUPPORT THE OPERATIONS OF REGISTERED
6 ENTERPRISES BY SUBSIDIZING THE COST OF POWER,
7 WATER AND OTHER UTILITIES INCLUDING THE FREE USE
8 OF LAND IN THE PUBLIC ECOZONES, SUBJECT TO A
9 CRITERIA TO BE APPROVED BY THE PEZA BOARD OF
10 DIRECTORS AND THE APPROVAL OF THE PRESIDENT OF
11 THE PHILIPPINES. THE CRITERIA FOR THE GRANT OF
12 SUBSIDY WILL INCLUDE, AMONG OTHERS, THE AMOUNT OF
13 INVESTMENTS MADE AND THE NUMBER OF EMPLOYMENT
14 GENERATED, AND WILL BE PERFORMANCE-BASED,
15 TARGETED, TRANSPARENT AND TIMEBOUND.

16 [(e)](H)To create, operate and/or contract to operate such agencies and
17 functional units or offices of the authority as it may deem necessary;
18 [(f)](I)To adopt, alter and use a corporate seal; make contracts, lease,
19 own or otherwise dispose of personal or real property; sue and be sued;
20 and otherwise carry out its duties and functions as provided for in this
21 Act;

22 [(g)](J)To coordinate the formulation and preparation of the
23 development plans of the different entities mentioned above;

24 [(h)](K)To coordinate with the National Economic Development
25 Authority (NEDA), the Department of Trade and Industry (DTI), the
26 Department of Science and Technology (DOST), and the local
27 government units and appropriate government agencies for policy and
28 program formulation and implementation;

29 [(i)](L)To monitor and evaluate the development and requirements of
30 entities in subsection (a) and recommend to the local government units

1 or other appropriate authorities the location, incentives, basic services,
2 utilities and infrastructure required or to be made available for said
3 entities;

4 **(M) TO INTEGRATE COMMERICAL, RESIDENTIAL AREAS,**
5 **TRAINING, EDUCATIONAL AND MEDICAL FACILITIES AND**
6 **SERVICES TOWARDS TOWNSHIPS IN PUBLIC ECONOMIC**
7 **ZONES WHICH CAN BE REPLICATED IN DEVELOPING**
8 **PRIVATE ECONOMIC ZONES;**

9 **(N) TO CREATE AND ESTABLISH A SPECIAL ECONOMIC**
10 **ZONE (SEZ) INSITUTE IN EVERY REGION TO CONSOLIDATE**
11 **THE TRAINING NEEDS OF INDUSTRIES, MANPOWER**
12 **REQUIREMENTS, EDUCATIONAL, TECHNICAL AND**
13 **PROFESSIONAL COURSES FOR CLASSROOM, LABORATORY**
14 **AND OTHER FACILITIES. SAID INSTITUTE SHALL**
15 **COORDINATE, CONSOLIDATE, INTEGRATE AND**
16 **HARMONIZE THE POLICIES AND PROGRAMS OF**
17 **GOVERNMENT AGENCIES AND GOVERNMENT-**
18 **RECOGNIZED INDUSTRIES/STAKEHOLDERS ON MATTERS**
19 **RELATED TO THE ADVANCEMENT OF THE INVESTMENT**
20 **PROMOTION STRATEGY OF THE GOVERNMENT. THE**
21 **INSTITUE SHALL ALSO CAPACITATE THE PEZA WITH**
22 **RESEARCH, INSTRUCTION AND SOCIO-CULTURAL**
23 **DEVELOPMENT SERVICES FOR LOCALLY POSITIONED**
24 **COMPETITIVENESS, IN GENERAL, AND PROMOTING**
25 **INVESTMENT, EXPORT AND EMPLOYMENT IN EVERY**
26 **REGION;**

27 **(O) TO EXERCISE SUCH POWERS AS MAY BE ESSENTIAL,**
28 **NECESSARY OR INCIDENTAL TO THE POWERS GRANTED TO**
29 **IT HEREUNDER AS WELL AS THOSE THAT SHALL ENABLE IT**
30 **TO CARRY OUT, IMPLEMENT AND ACCOMPLISH**

1 **THE PURPOSES, OBJECTIVES AND POLICIES OF THIS ACT;**
2 **AND**
3 **(P) TO BE VESTED WITH OTHER POWERS ENJOYED OR**
4 **EXERCISED BY OTHER ECONOMIC ZONES AND/OR FREE**
5 **PORT ZONE AUTHORITIES.”**

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

7 “SEC. 14. Powers and Functions of the Director General. – The
8 director general shall be the overall coordinator of the policies, plans and
9 programs of the ECOZONES. As such, he shall provide overall
10 supervision over and general direction to the development and
11 operations of these ECOZONES. He shall determine the structure and
12 the staffing pattern and personnel complement of the PEZA and
13 establish regional offices, when necessary, subject to the approval of the
14 PEZA Board.

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

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

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

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

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

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

28 [(e)](F)To submit to the Board, the ongoing and proposed projects,

1 work and financial program, annual budget of receipts, and
2 expenditures of the ECOZONE;

3 [(f)](G)To represent the ECOZONE in all its business matters and sign
4 on its behalf after approval of the Board, all its bonds, borrowings,
5 contracts, agreements and obligations made in accordance with this Act;

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

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

13 [(i)](J) To **EXERCISE EMINENT DOMAIN AND POLICE POWER,**
14 **INCLUDING, BUT NOT LIMITED TO, REQUIRING** owners of
15 houses, buildings or other structures constructed without the necessary
16 permit whether constructed on public or private lands, to remove or
17 demolish such houses, buildings, structures within sixty (60) days after
18 notice and upon failure of such owner to remove or demolish such house,
19 building our structure within said period, the director general or his
20 authorized representative may summarily cause its removal or
21 demolition at the expense of the owner, any existing law, decree,
22 executive order and other issuances or part thereof to the contrary
23 notwithstanding;

24 [(j)](K) To take such emergency measures as may be necessary to avoid
25 fires, floods and mitigate the effects of storms and other natural or
26 public calamities;

27 [(k)](L) To prepare and make out plans for the physical and economic
28 development of the ECOZONE, including zoning and land subdivision,

1 and issue such rules and regulations which shall be submitted to the
2 Board for its approval; and

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

6 SEC. 10. Section 16 of Republic Act No. 7916, as amended, is hereby amended
7 to read as follows:

8 “SEC. 16. Personnel. – The PEZA Board of Directors shall provide
9 for an organization and staff of officers and employees of the PEZA, and
10 upon recommendation of the director general with the approval of the
11 **PRESIDENT OF THE PHILIPPINES**, appoint and fix the
12 remunerations and other emoluments: Provided, That the Board shall
13 have exclusive and final authority to promote, transfer, assign and
14 reassign officers of the PEZA, any provision of existing law to the
15 contrary notwithstanding: Provided, further, That the director general
16 may carry out removal of such officers and employees.

17 All positions in the PEZA shall be governed by a compensation,
18 position classification system and qualification standards approved by
19 the director general with the concurrence of the Board of Directors based
20 on a comprehensive job analysis and audit of actual duties and
21 responsibilities. The compensation plan shall be comparable with the
22 prevailing compensation plans in the Subic Bay Metropolitan Authority
23 (SBMA), Clark Development Corporation (CDC), Bases Conversion and
24 Development Authority (BCDA) and the private sector and shall be
25 subject to the periodic review by the Board no more than once every two
26 (2) years without prejudice to yearly merit reviews or increases based on
27 productivity and profitability. The PEZA shall therefore be exempt from
28 existing laws, rules and regulations on compensation, position
29 classification and qualification standards. It shall however endeavor to
30 make its systems conform as closely as

possible with the principles under Republic Act No. 6758. **PROVIDED, FURTHER THAT, 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.”

SEC. 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) ECOZONE REGISTERED ENTERPRISES INCLUDING INDIRECT-EXPORTERS CLASSIFIED AS BASIC, STRATEGIC AND BIG-TICKET INDUSTRIES SHALL ENJOY THE FOLLOWING INCENTIVES:

- 1. INCOME TAX HOLIDAY (ITH) 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**

1 THE PEZA BOARD ADDITIONAL INCOME TAX HOLIDAY
2 FOR BIG-TICKET INDUSTRIES.

3 2. AFTER THE ENJOYMENT OF THE ITH,
4 ENTERPRISES SHALL BE GRANTED A SPECIAL
5 PREFERRED TAX RATE OF 7% GROSS INCOME EARNED
6 (GIE) IN LIEU OF ALL NATIONAL AND LOCAL TAXES
7 PROVIDED THAT, ENTERPRISES HAVE THE OPTION
8 TO IMMEDIATELY ENJOY THE 7% GIE INSTEAD OF THE
9 ITH;

10 3. TAX AND DUTY FREE IMPORTATION OF RAW
11 MATERIALS, CAPITAL EQUIPMENT, SPARE PARTS
12 AND OTHER SUPPLIES RELATED TO THE
13 REGISTERED ACTIVITY;

14 4. ZERO-VAT FOR LOCAL PURCHASES INCLUDING
15 BILLS ON UTILITIES;

16 5. ECOZONE EXPORT-ORIENTED ENTERPRISES
17 MUST MEET THE FOLLOWING MINIMUM EXPORT
18 REQUIREMENTS TO CONTINUE ENJOYMENT OF THE
19 AFORESAID INCENTIVES:

- 20 i. BASIC INDUSTRIES -30%
- 21 ii. STRATEGIC INDUSTRIES -50%
- 22 iii. BIG-TICKET INDUSTRIES -70%

23 (B) ALLOWABLE DEDUCTIONS FOR BOTH EXPORTERS
24 AND INDIRECT EXPORTERS ENTERPRISES - BOTH THE
25 EXPORTERS AND INDIRECT EXPORTERS ENTERPRISES
26 SHALL BE GRANTED THE FOLLOWING ALLOWABLE
27 DEDUCTIONS:

- 28 1. UP TO 50% ADDITIONAL DEDUCTION ON LABOR
29 EXPENSES FROM INCREASE OF DIRECT LOCAL
30 EMPLOYMENT; AND

1 **2. UP TO 100% ADDITIONAL DEDUCTION ON**
2 **TRAININGS CONDUCTED.**

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

7 Furthermore, tax credits for exporters using local materials as
8 inputs shall enjoy the same benefits provided for in the Export
9 Development Act of 1994.”

10 SEC. 12. Section 24 of Republic Act No. 7916, as amended, is hereby amended
11 to read as follows:

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

- 22 a. Three percent (3%) to the National Government;
- 23 **B. Two percent (2%) TO THE MUNICIPALITY OR CITY**
24 **WHERE THE ENTERPRISE IS LOCATED AND WHICH**
25 **SHALL BE DIRECTLY REMITTED BY THE REGISTERED**
26 **ENTERPRISES TO THE TREASURER’S OFFICE OF SAID**
27 **MUNICIPALITY OR CITY;**
- 28 **(C) ONE PERCENT (1%) TO THE PROVINCE OF THE**
29 **MUNICIPALITY OR COMPONENT CITY WHERE THE**
30 **ENTERPRISE IS LOCATED, EXCEPT THOSE LOCATED**

1 IN HIGHLY URBANIZED CITIES, WHICH SHALL BE
2 DIRECTLY REMITTED BY THE REGISTERED
3 ENTERPRISES TO THE TREASURER'S OFFICE OF SAID
4 PROVINCE; AND

5 **(D) ONE PERCENT (1%) TO PEZA.”**

6 REGISTERED ENTERPRISES UNDER THE ITH REGIME
7 SHALL ALSO BE EXEMPT FROM PAYING LOCAL
8 GOVERNMENT TAXES INCLUDING MAYOR'S PERMIT AND
9 OTHER CHARGES, PERMITS AND IMPOSITION BY THE
10 LOCAL GOVERNMENT UNITS. HOWEVER, REGISTERED
11 ENTERPRISES SHALL PAY REAL PROPERTY TAXES FOR
12 THEIR BUILDINGS, MACHINERY AND EQUIPMENT DURING
13 THE TIME THAT THEY ARE UNDER THE ITH.”

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

18 SEC. 14. *Transitory Clause.* – The current officials of the PEZA shall remain
19 in office until appointed by the appropriate authority.

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

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

26 SEC. 17. *Effectivity.* - This Act shall take effect after fifteen (15) days
27 following its complete publication in the *Official Gazette* or in two (2) newspapers of
28 general circulation.

29 *Approved,*