



HOUSE OF REPRESENTATIVES

H. No. 7576

BY REPRESENTATIVES PICHAY, GARIN (S.), GATCHALIAN, YAP (E.) AND SALCEDA, PER
COMMITTEE REPORT NO. 469

AN ACT
ESTABLISHING THE SURIGAO DEL SUR SPECIAL ECONOMIC ZONE AND
FREEPORT IN THE MUNICIPALITIES OF CARRASCAL, CANTILAN, MADRID,
CARMEN, AND LANUZA, PROVINCE OF SURIGAO DEL SUR AND
APPROPRIATING FUNDS THEREFOR

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

CHAPTER 1
GENERAL PROVISIONS

SECTION 1. *Short Title.* - This Act shall be known as the "Surigao del Sur
Special Economic Zone and Freeport Act."

SEC. 2. *Declaration of Policy.* - It is declared the policy of the State to
encourage, promote, and accelerate the sound and balanced industrial, economic and
social development of the country. The establishment of special economic zones shall
attract legitimate and productive foreign investments in strategic locations in the country.
It shall generate employment and increase productivity and individual, as well as family
incomes, thereby enhancing the quality of life of the Filipino people.

CHAPTER II
CREATION OF THE ECONOMIC ZONE AND FREEPORT

SEC. 3. *Creation of the Surigao del Sur Special Economic Zone and*
Freeport - In accordance with the foregoing declared policy and subject to the
concurrence of the affected local government units (LGUs) of Surigao del Sur, there is
hereby established a Special Economic Zone and Freeport, hereinafter referred to as the

1 Surigao del Sur Ecozone. The Surigao del Sur Ecozone shall cover specific areas
2 located in the Municipalities of Carrascal, Cantilan, Madrid, Carmen, and Lanuza in the
3 Province of Surigao del Sur. The specific metes and bounds of the Surigao del Sur
4 Ecozone shall be more particularly defined in a presidential proclamation that shall be
5 issued for this purpose: *Provided*, That the lands embraced therein shall be public lands
6 and contiguous to one another.

7 **SEC. 4. *Creation of the Surigao del Sur Special Economic Zone and Freeport***
8 ***Authority.*** - There is hereby created a body corporate to be known as the "Surigao del
9 Sur Special Economic Zone and Freeport Authority" hereinafter referred to as the
10 SDSEZA, which shall manage and operate the Surigao del Sur Ecozone, in accordance
11 with the provisions of this Act. This corporate franchise shall expire in fifty (50) years
12 counted from the first year after the effectivity of this Act, unless otherwise extended by
13 Congress. It shall be organized within one hundred eighty (180) days after the effectivity
14 of this Act.

15 **SEC. 5. *Governing Principles.*** - The Surigao del Sur Special Economic Zone
16 and Freeport shall be managed and operated by the Surigao del Sur Special Economic
17 Zone and Freeport Authority hereinafter referred to as the SDSEZA, created under
18 Section 4 of this Act, under the following principles:

- 19 a) Within the framework and limitations of the Constitution and applicable provisions of
20 the Local Government Code, the Surigao del Sur Ecozone shall be developed into
21 and operated as a decentralized, self-reliant and self-sustaining industrial,
22 commercial/trading, agro-industrial, tourist, banking, financial and investment center
23 with suitable residential areas;
- 24 b) The Surigao del Sur Ecozone shall be equipped with transportation,
25 telecommunications and other facilities needed to attract legitimate and productive
26 investments, generate linkage industries and employment opportunities for the
27 people of the Municipalities of Carrascal, Cantilan, Madrid, Carmen, and Lanuza
28 and its neighboring towns and cities;
- 29 c) The Surigao del Sur Ecozone may establish mutually beneficial economic
30 relations with other entities or enterprises within the country or, subject to the
31 administrative guidance of the Department of Foreign Affairs, the Philippine
32 Economic Zone Authority (PEZA), and/or the Department of Trade and Industry

1 (DTI), with foreign entities or enterprises;

2 d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may
3 set up enterprises in the Surigao del Sur Ecozone, either by themselves or in a joint
4 venture with Filipinos in any sector of industry, international trade and commerce
5 within the Surigao del Sur Ecozone;

6 e) The Surigao del Sur Ecozone shall be managed and operated as a separate
7 customs territory thereby ensuring the free flow or movement of goods and capital
8 within, into, and out of its territory, and shall likewise provide incentives such as tax
9 and duty-free importations of raw materials, capital and equipment to registered
10 enterprises located therein. However, exportation or removal of goods from the
11 territory of the Surigao del Sur Ecozone to the other parts of the Philippine territory
12 shall be subject to customs duties and taxes under the Customs and Tariff Code
13 and other relevant tax laws of the Philippines;

14 f) The areas comprising the Surigao del Sur Ecozone may be expanded or reduced
15 when necessary. For this purpose, the SDSEZA, in consultation with the LGUs,
16 shall have the power to acquire either by purchase, negotiation or condemnation
17 proceedings, any private land within or adjacent to the Surigao del Sur Ecozone for
18 the following purposes: (1) consolidation of lands for zone development; (2)
19 acquisition of right of way to the Surigao del Sur Ecozone; and (3) the protection of
20 watershed areas and natural assets valuable to the prosperity of the Surigao del
21 Sur Ecozone;

22 g) Goods manufactured by a Surigao del Sur Ecozone enterprise shall be made
23 available for immediate retail sale in the domestic market, subject to the payment of
24 corresponding taxes on raw materials and other regulations that may be formulated
25 by the SDSEZA together with the PEZA, the Bureau of Customs (BOC) and the
26 DTI. However, in order to protect domestic industries, a Negative List of industries
27 shall be drawn up and regularly updated by PEZA. Enterprises engaged in
28 industries included in such Negative List shall not be allowed to sell their products
29 locally;

30 h) The defense of the Surigao del Sur Ecozone and the security of its perimeter fence
31 shall be the responsibility of the national government in coordination with the
32 SDSEZA and the LGUs.

1 **SEC. 6. Capitalization.** - The SDSEZA shall have an authorized capital stock of
2 two billion (2,000,000,000) no par shares at a minimum issue of Ten pesos (P10.00)
3 each, the majority shares of which shall be subscribed and paid for by the National
4 Government and the LGUs embracing the Surigao del Sur Special Economic Zone and
5 Freeport. The Board of Directors of the SDSEZA may, with the written concurrence of the
6 Secretary of Finance, sell shares, representing not more than forty *per centum* (40%) of
7 the capital stock of the SDSEZA to the general public under such policy as the Board
8 and the Secretary of Finance may determine. The National Government and the LGUs
9 shall in no case own less than sixty *per centum* (60%) of the total issued and outstanding
10 capital of the SDSEZA.

11 The amount necessary to subscribe and pay for the shares of the National
12 Government to the capital stock of the SDSEZA shall be included in the annual General
13 Appropriations Act. For the LGUs concerned, the funds shall be taken from their internal
14 revenue allotment and other local funds.

15 **SEC. 7. Principal Office of the SDSEZA.** - The SDSEZA shall maintain its
16 principal office in the Municipality of Cantilan, but it may establish branches within the
17 Philippines as may be necessary for the proper conduct of its business.

18 **SEC. 8. Powers and Functions of the SDSEZA.** - The SDSEZA shall have the
19 following powers and functions:

- 20 a) To operate, administer, manage and develop the Surigao del Sur Ecozone
21 according to the principles and provisions set forth in this Act,
- 22 b) To register, regulate and supervise the enterprises in the Surigao del Sur Ecozone
23 in an efficient and decentralized manner, subject to existing laws;
- 24 c) To coordinate with LGUs and exercise general supervision over the development
25 plans, activities and operations of the Surigao del Sur Ecozone;
- 26 d) To regulate and undertake the establishment, construction, operation and
27 maintenance of public utilities, other services, and infrastructure in the Surigao del
28 Sur Ecozone such as light and power, shipping, barging, stevedoring, cargo
29 handling, hauling, warehousing, storage of cargo, port services or concessions,
30 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
31 telecommunications, transport, bridges, terminals, conveyors, water supply and

1 storage, sewerage, drainage, airport operations in coordination with the Civil
2 Aviation Authority of the Philippines and such other services or concessions or
3 infrastructure necessary or incidental to the accomplishment of the objectives of
4 this Act;

5 e) To construct, acquire, own, lease, operate and maintain on its own or through
6 contracts, franchise, licenses, bulk purchase from the private sector or permits
7 under any of the schemes allowed in Republic Act No. 6957, otherwise known as
8 the Build-Operate-Transfer Law, as amended, or joint venture, adequate facilities
9 and infrastructure required or needed for the operation and development of the
10 Surigao del Sur Ecozone, in coordination with appropriate national and local
11 government authorities and in conformity with applicable laws thereon;

12 f) To approve plans, programs and projects of the Surigao del Sur Ecozone, to be
13 submitted to the Regional Development Council for inclusion and inputs to the
14 overall regional development plan;

15 g) To operate on its own, either directly or through licenses to others, tourism-related
16 activities, including games, amusements, recreational and sports facilities;

17 h) To raise or borrow, within the limitation provided by law, and subject to the
18 approval or opinion of the Monetary Board of the *Bangko Sentral Ng Pilipinas*
19 (BSP), as the case may be, adequate and necessary funds from local or foreign
20 sources, to finance its projects and programs under this Act and for this purpose,
21 to issue bonds, promissory notes and other forms of securities, and to secure the
22 same by a guarantee, pledge, mortgage, deed of trust or an assignment of all or
23 part of its property or assets;

24 i) To protect, preserve, maintain and develop the forests, beaches, coral and coral
25 reefs, and maintain ecological balance within the Surigao del Sur Ecozone.
26 Notwithstanding the authority of the SDSEZA to create rules for such purpose, the
27 rules and regulations of the Department of Environment and Natural Resources
28 (DENR) and other government agencies involved in the above functions shall be
29 implemented by the SDSEZA;

30 j) To create, operate and/or contract to operate such functional units or offices of the
31 SDSEZA as it may deem necessary;

- 1 k) To adopt, alter and use a corporate seal; contract, lease, buy, acquire, own or
2 otherwise dispose of personal and/or real property of whatever nature; sue and be
3 sued; and otherwise carry out its functions and duties as provided for in this Act;
- 4 l) To issue certificates of origin for products manufactured or processed in the
5 Surigao del Sur Ecozone in accordance with prevailing rules of origin and the
6 pertinent regulations of the PEZA, the DTI and/or the Department of Finance
7 (DOF);
- 8 m) To establish one-stop shops for the issuance of all necessary permits, clearances,
9 licenses, and other similar certifications to conduct such activities intended to
10 improve the ease of doing business within the Surigao del Sur Ecozone, in
11 coordination with government agencies having jurisdiction over activities therein:
12 *Provided, That all government agencies are directed to provide and extend utmost*
13 *and full cooperation to the Surigao del Sur Ecozone in the establishment of such*
14 *one-stop shops;*
- 15 n) To provide internal security to the Surigao del Sur Ecozone in coordination with the
16 National government and affected LGU. For this purpose, the SDSEZA shall
17 provide and establish its own internal security and firefighting forces or hire others
18 to provide the same. Military forces to be assigned by the National Government for
19 national defense purposes shall not interfere in the internal affairs of the Surigao
20 del Sur Ecozone and expenditures for these military forces shall be borne by the
21 National Government;
- 22 o) To exercise such powers as may be essential, necessary or incidental to the
23 powers granted to it hereunder, as well as those that shall enable it to carry out,
24 implement and accomplish the purposes, objectives and policies of this Act; and
- 25 p) To issue rules and regulations consistent with the provisions of this Act as may be
26 necessary to accomplish and implement the purposes, objectives and policies
27 provided herein.

28 **SEC. 9. Board of Directors of the SDSEZA.** - The powers of the SDSEZA
29 shall be vested in and exercised by a Board of Directors, hereinafter referred to as the
30 Board, which shall be composed of the following:

- 31 a) The Chairperson, who shall at the same time be the administrator of the SDSEZA;

1 b) Four (4) members consisting of:

- 2 1) The Governor or a representative from the Provincial Government of Surigao
- 3 del Sur;
- 4 2) One of the mayors of the municipalities covered by the ecozone;
- 5 3) One (1) representative from the investors' group;
- 6 4) One (1) representative from among the workers stationed in the Surigao del
- 7 Sur Ecozone.

8 The Vice-Chairperson shall be selected from among the members of the Board.

9 The representative from the Provincial Government and the mayors of the
10 municipalities covered by the ecozone shall serve as *ex-officio* members of the Board,
11 whose terms in the Board correspond to their terms as elected officials.

12 The Chairperson and the members of the Board, except the *ex-officio* members,
13 shall be appointed by the President of the Philippines to serve for a term of six (6) years,
14 unless sooner separated from service due to death, voluntary resignation or removal for
15 cause. In case of death, resignation or removal for cause, their replacements shall serve
16 only the unexpired portion of the respective terms.

17 The Chairperson of the Board must be a Filipino citizen, of good moral character,
18 of proven probity and integrity, and a degree-holder in any of the following fields:
19 economics, business, public administration, law, management or their equivalent, and
20 with at least ten (10) years relevant working experience preferably in the field of
21 management or public administration.

22 The members of the Board, except the *ex-officio* members, shall each receive
23 *per diem* at rates to be determined by the Department of Budget and Management
24 (DBM) in accordance with existing rules and regulations: *Provided, however,* That the
25 total *per diem* collected each month shall not exceed the equivalent *per diem* for four (4)
26 meetings. Unless and until the President of the Philippines has fixed a higher *per diem*
27 for the members of the Board, such *per diem* shall not be more than ten thousand pesos
28 (P10,000.00) for every Board meeting.

1 **SEC. 10. *Organization and Personnel.*** – The Board of Directors of the
2 SDSEZA shall provide for its organization and staff. The Board shall appoint and fix the
3 remuneration and other emoluments of its officers and employees in accordance with
4 existing laws on compensation and position classification. The Board shall have
5 exclusive and final authority to promote, transfer, assign, reassign, or remove officers of
6 the SDSEZA, any provision of existing law to the contrary notwithstanding. The
7 Chairperson-Administrator shall execute the decisions of the Board.

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

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

13 **SEC. 11. *Powers and Duties of the Chairperson-Administrator.*** – The
14 Chairperson-Administrator shall have the following powers and duties:

- 15 a) To direct and manage the affairs of the SDSEZA in accordance with the policies of
16 the Board;
- 17 b) To establish the internal organization of the SDSEZA under such conditions that
18 the Board may prescribe;
- 19 c) To submit an annual budget and necessary supplemental budget to the Board for
20 its approval;
- 21 d) To submit within thirty (30) days after the close of each fiscal year an annual report
22 to the Board and such other reports as may be required;
- 23 e) To submit to the Board for its approval, policies, systems, procedures, rules and
24 regulations that are essential to the operation of the Surigao del Sur Ecozone;
- 25 f) To recommend to the Board the remuneration and other emoluments of its officers
26 and employees in accordance with existing laws on compensation and position
27 classification;
- 28 g) To create a mechanism in coordination with relevant agencies for the promotion of

1 industrial peace, the protection of the environment, and the advancement of the
2 quality of life in the Surigao del Sur Ecozone; and

3 h) To perform such other duties as may be assigned by the Board or which are
4 necessary or incidental to the office.

5 **SEC. 12. Legal Counsel.** - The SDSEZA shall have its own internal legal
6 counsel under the supervision of the government corporate counsel. When the
7 exigencies of its businesses and operations demand it, the SDSEZA may engage the
8 services of an outside counsel either on a case to case or on a fixed retainer basis.

9 **CHAPTER III**
10 **INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS**

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

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

22 A foreign national may reside in the Philippines while the investment subsists. To
23 prove this, the foreign national should submit an annual report in the form duly
24 prescribed for the purpose. Should said investments be withdrawn from the Philippines,
25 the investor's visa issued to said foreign national shall automatically expire and/or be
26 withdrawn.

27 The authority to issue visas and work permits shall remain with the Bureau of
28 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
29 *Provided*, That the BI and the DOLE shall implement measures to expedite the
30 processing of such visas and permits for workers in the Surigao del Sur Ecozone and
31 coordinate with the SDSEZA for the purpose of improving ease of doing business.

1 **SEC. 19. Development Goals of the Surigao del Sur Ecozone.** - The
2 SDSEZA shall determine the development goals for the Surigao del Sur Ecozone within
3 the framework of national development plans, policies and goals. The Chairperson-
4 Administrator shall, upon approval by the Board, submit the Surigao del Sur Ecozone
5 plans, programs and projects to the Regional Development Council for inclusion and
6 inputs to the overall regional development plan.

7 **SEC. 20. Relationship with Local Government Units.** - Except as herein
8 provided, the LGUs comprising the Surigao del Sur Ecozone shall retain their basic
9 autonomy and identity. The Municipalities of Carrascal, Cantillan, Madrid, Carmen and
10 Lanza, Province of Surigao del Sur, shall operate and function in accordance with the
11 framework of the Constitution, Local Government Code of 1991, and this Act.

12 In case of any conflict among the SDSEZA and the LGUs and the National
13 Government on matters affecting the Surigao del Sur Ecozone, other than national
14 defense and security matters, the decision of the SDSEZA shall prevail.

15 **SEC. 21. Audit.** - The Commission on Audit shall appoint a full-time auditor in the
16 SDSEZA or may assign such number of personnel as may be necessary in the
17 performance of their functions.

18 **CHAPTER V**
19 **MISCELLANEOUS**

20 **SEC. 22. Interpretation/Construction.** - The powers, authorities and functions
21 that are vested in the SDSEZA are intended to establish national self-sufficiency and
22 self-reliance in the advancement of and protection of the national integrity, enhancement
23 of national security, decentralization of governmental functions and authority, and
24 promote an efficient and effective working relationship among the SDSEZA, the National
25 Government and the LGUs. Any interpretation of this Act shall consider such intentions.
26 In the event of conflict of interpretation and provided the intentions cannot be
27 harmonized, the provisions of this Act shall be construed in favor of an interpretation that
28 would tend to protect national security.

29 **SEC. 23. Applicability Clause.** - Insofar as these are consistent with the
30 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916
31 otherwise known as "The Special Economic Zone Act of 1995" shall likewise apply to the
32 Surigao del Sur Ecozone.

1 **SEC. 24. *Implementing Rules and Regulations.*** – The DTI, DOF and the
2 National Economic Development Authority (NEDA) shall formulate the implementing
3 rules and regulations of this Act within ninety (90) days after its approval.

4 **SEC. 25. *Separability Clause.*** - If any provision of this Act shall be held
5 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
6 force and effect.

7 **SEC. 26. *Repealing Clause.*** - All laws, executive orders or issuances or any
8 part thereof, which are inconsistent herewith, are hereby repealed or amended
9 accordingly.

10 **SEC. 27. *Effectivity.*** - This Act shall take effect fifteen (15) days after its
11 publication in the Official Gazette or in a newspaper of general circulation.

12 Approved,