

NINETEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



'22 SEP 12 A11 :55

SENATE
S. No. 1301

RECEIVED BY: 

Introduced by Senator Jinggoy Ejercito Estrada

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

EXPLANATORY NOTE

Republic Act No. 7898 or the "Armed Forces of the Philippines (AFP) Modernization Act" was enacted in 1995 and declared as State policy the capability upgrade of the AFP to a level where it can effectively and fully perform its constitutional mandate to uphold the sovereignty and preserve the patrimony of the Republic of the Philippines. Among its principal thrusts is the development of a self-reliant and credible strategic armed force.

The law was later amended by Republic Act No. 10349 in 2012, wherein the program was implemented under an initial budget of seventy-five billion pesos for the first five years.

This proposed measure seeks to complement the ongoing efforts to transform the military into an effective, equipped and capable organization which has the ability to deter and defeat aggression and all kinds of threats coming from land, sea, air and cyber domains. Considering the flashpoints of Indo-Pacific region and the West Philippine Sea, the beefing up of our defense position becomes imperative, if not urgent.

Moreover, it seeks to develop our own local industries which can produce our defense requirements (weapons, aircraft, marine vessels, software, etc) and to reduce our dependence against foreign suppliers and manufacturers. It aims to facilitate the full utilization of local labor and other domestic resources in developing and creating products and services that would cater to the demands and needs of our law enforcement and military troops. Lastly, it intends to generate jobs, increase productivity and spur economic growth in the rural areas through the setting up of new investment opportunities and the creation of a Special Defense Economic Zone (SpeDEZ).

This measure was already approved on Third and Final Reading by the House of Representatives during the Eighteenth Congress. The passage of this priority legislation of the AFP and the Department of National Defense (DND) is earnestly sought.



JINGGOY EJERCITO ESTRADA

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

1 Section 1. *Short Title.* – This Act shall be known as the "*Special Defense*
2 *Economic Zone (SpeDEZ) Act.*"

3 Sec. 2. *Declaration of Policy.* – It is hereby declared a policy of the State to
4 develop a self-reliant and independent national economy effectively controlled by
5 Filipinos. The State recognizes the indispensable role of the private sector,
6 encourages the participation of private enterprise, and provides incentives to needed
7 investments. To this end, the State shall promote the preferential use of Filipino
8 labor, domestic materials and locally produced goods and adopt measures to help
9 make them more competitive. Further, the State actively encourages, promotes, and
10 accelerates the sound and balanced industrial, economic and social development of
11 the country through the establishment, among others, of special economic zones in
12 suitable and strategic locations in the country. In so doing, the State is able to
13 attract legitimate and productive foreign investments with the objectives of providing
14 jobs especially to those in the rural areas, increasing productivity and individual

1 family income, and thereby improving the level and quality of living conditions of the
2 people.

3 *Sec. 3. Creation of the Special Defense Economic Zone.* – There is hereby
4 created a special economic zone in Camp General Antonio Luna, Lamao, Municipality
5 of Limay in the Province of Bataan, hereinafter referred to as the Special Defense
6 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
7 defense-related advanced technologies, informational and communications
8 technology, research and development and their support industries.

9 The SpeDEZ shall cover the Government Arsenal Industrial Estate inside
10 Camp General Antonio Luna located in the Municipality of Limay, Province of Bataan
11 measuring approximately three hundred seventy (370) hectares, including the
12 seventy (70) hectares of land within which the Government Arsenal (GA) operates,
13 the portions allocated for the expansion of the GA, and all other areas which may be
14 declared as part of the SpeDEZ in compliance with Section 5(h) of this Act: *Provided,*
15 That the GA shall remain a line bureau of the Department of National Defense
16 (DND).

17 Except as may be necessary in the pursuance of their respective mandates,
18 the operations of the GA shall remain independent of the management of the
19 SpeDEZ, and the SpeDEZ, as created by this Act, shall not interfere with the
20 activities conducted in the seventy (70) hectare area on which the GA maintains and
21 operates its buildings and structures. Republic Act No. 7898 otherwise known as the
22 “AFP Modernization Act” states that the GA is utilized in the production of weapons,
23 ammunitions, and other munitions for the use of the Armed Forces of the Philippines
24 (AFP) and the Philippine National Police (PNP), and for the sale and export of
25 products in excess of the AFP, PNP requirements: *Provided,* That the GA and
26 SpeDEZ shall not be expanded nor operated to the prejudice of the other. The GA
27 and the SpeDEZ shall maintain coordination to ensure smooth and seamless
28 operations on matters of mutual concern: *Provided, further,* That investors who
29 intend to do business in the GA shall secure a written consent from the GA prior to
30 registration with the SpeDEZA.

31 *Sec. 4. Creation of the Special Defense Economic Zone Authority.* – There is
32 hereby created a specialized and independent body corporate to be known as the

1 Special Defense Economic Zone Authority (SpeDEZA) which shall manage and
2 operate the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall
3 be considered a government instrumentality vested with corporate powers.

4 Notwithstanding Section 3 of Republic Act No. 7656, otherwise known as "An
5 Act Requiring Government-Owned or Controlled Corporations to Declare Dividends
6 under Certain Conditions to the National Government, and for Other Purposes," all
7 dividends remitted by the SpeDEZA shall exclusively be for the Armed Force of the
8 Philippines Modernization Program and in no case, shall dividends remitted by the
9 SpeDEZA be used otherwise.

10 Sec. 5. *Governing Principles.* – The SpeDEZ shall be managed and operated
11 under the following principles:

- 12 a) Within the framework and limitations of the Constitution, Republic Act No.
13 1884, Republic Act No. 7898, as amended by Republic Act No. 10349,
14 Republic Act No. 10697, otherwise known as the "Strategic Trade
15 Management Act," Executive Order No. 303, Series of 2004, and
16 applicable provisions of the Local Government Code, the SpeDEZ shall be
17 developed into and operated as a decentralized, self-reliant and self-
18 sustaining industrial, commercial, trading, research, development,
19 engineering, information and communications technology and financial
20 investment center exclusive for defense, military and law enforcement
21 commercial activities and investments, with provision for suitable
22 residential, educational, recreational and commercial areas;
- 23 b) Notwithstanding the autonomy provided in Section 5(a) of this Act, the
24 SpeDEZ may continue to be provided by the national government and
25 local governments with transportation, telecommunications and other
26 facilities needed to attract legitimate and productive investments,
27 generate linkage with industries and employment opportunities for the
28 people of the Province of Bataan and its neighboring towns and cities:
29 *Provided*, that the autonomy and self-reliance of the SpeDEZ shall not be
30 a hindrance to assistance nor partnerships with other units and
31 instrumentalities of the government: *Provided, further*, That no assistance
32 or partnership be construed as a waiver of the autonomy of the SpeDEZA;

- 1 c) The SpeDEZA may establish mutually beneficial economic defense
2 relations with other investment promotion agencies, entities or enterprises
3 within the country or with foreign entities or enterprises: *Provided*, That
4 the SpeDEZA shall seek clearance from the DND and administrative
5 guidance from the Department of Foreign Affairs (DFA) as to relations
6 with foreign entities or enterprises;
- 7 d) Foreign citizens and companies owned by non-Filipinos may set up
8 enterprises in the SpeDEZ with foreign ownership of up to the percentage
9 allowed by law, subject to the approval of SpeDEZA, either by themselves
10 or in joint venture with Filipinos or the GA in the defense and security
11 industry within the territorial jurisdiction of the SpeDEZ: *Provided*, That
12 the SpeDEZA may require individual locators to be subject to the
13 provisions and limitations provided for by the Strategic Trade
14 Management Act, Foreign Investments Act and the Regular Foreign
15 Investment Negative List issued by the President: *Provided, further*, That
16 the SpeDEZA may require a minimum investment in freely convertible
17 currencies from any enterprise seeking registration as a locator of the
18 SpeDEZ. All investments in the SpeDEZA shall fall under the priorities,
19 thrusts and limits provided for in this Act: *Provided, finally*, That all
20 investments that do not directly or indirectly further defense, military and
21 law enforcement investments shall be prohibited from doing business
22 within the SpeDEZ except for businesses that cater to our support the
23 locators, their employees, and the residents of the SpeDEZ;
- 24 e) Subject to the limitations in this Act and its implementing rules and
25 regulations, the SpeDEZ shall be managed and operated as a separate
26 customs territory ensuring free flow or movement of necessary goods and
27 products; and capital within, into and out of its territory: *Provided*, That
28 subject to Section 14 of this Act, the SpeDEZ and all activities conducted
29 therein shall be exempt from payment of all national and local taxes:
30 *Provided, further*, That in accordance with Sections 301 and 817 of
31 Republic Act No. 10863, otherwise known as the "Customs Modernization
32 and Tariff Act" (CMTA), the Bureau of Customs (BOC) shall continue to

1 exercise border protection and customs control authority over the
2 customs territory adjacent to the SpeDEZ and to this end shall consult,
3 coordinate, cooperate with the SpeDEZA to enhance its protection and
4 control capacity and ensure compliance with customs laws and
5 regulations;

6 f) The SpeDEZA shall provided incentives, such as tax and duty-free
7 admissions of raw materials, capital and equipment to registered
8 enterprises of the SpeDEZ: *Provided*, That exportation or removal of
9 goods from the territory of the SpeDEZ to the other parts of the Philippine
10 territory shall be subject, as applicable, to customs duties and taxes under
11 the CMTA, as amended, and the National Internal Revenue Code (NIRC)
12 of 1997, as amended: *Provided, further*, That sale of goods from the
13 SpeDEZ to the AFP, PNP and local government units (LGUs) for defense
14 and security purposes shall be exempt from all customs duties, national
15 and local taxes: *Provided, finally*, That subject to coordination with the
16 BOC, customs transit to and from the SpeDEZ, thru the Port of Lamao or
17 other ports, shall also be considered tax and duty-free;

18 g) As far as practicable, enterprises located within the SpeDEZ shall procure
19 a certain percentage, as determined by the SpeDEZA, of their raw
20 material requirements from local manufacturers within the Philippines;

21 h) The areas comprising the SpeDEZ may be expanded or reduced when
22 necessary to improve its investment promotion capacity, ensure public
23 order and safety, consolidate lands for SpeDEZ development, acquire
24 right of way or access necessary and appropriate to the SpeDEZ, protect
25 and safeguard watershed areas or maintain and improve water yield for
26 the benefit of the SpeDEZ and LGUs, manage solid and waster waste in
27 compliance with existing national laws and local ordinances, and promote
28 the public good. For this purpose, the SpeDEZA, with the concurrence of
29 the LGUs concerned in the Province of Bataan, and in accordance with
30 existing national laws and local ordinances, shall have the power to
31 acquire, procure, increase, or otherwise expand, either by purchase,
32 negotiation or condemnation proceedings, any private or public lands and

1 their respective water territories with the province of Bataan: *Provided,*
2 That when applicable, the municipal waters of up to fifteen (15)
3 kilometers from the low water mark area of the edge of the SpeDEZ shall
4 be deemed included in the territorial jurisdiction of the SpeDEZ: *Provided,*
5 *further,* That the SpeDEZA and the relevant LGUs concerned shall provide
6 for immediate and responsive mechanisms, best management practices
7 and suitable environmental protection programs for land and coastal zone
8 management to address any abuse and/or exploitation of the natural
9 environment within the territorial jurisdiction of the SpeDEZ; and

- 10 i) Products and goods researched and developed, engineered or
11 manufactured by registered enterprises may be made available in the
12 domestic market, subject to limitations in this Act and its implementing
13 rules and regulations, payment of corresponding duties, customs and
14 taxes on raw materials as provided by the NIRC of 1997, as amended,
15 and the CMTA, as amended, approval by the DND or the PNP in
16 accordance with Republic Act No. 10697 and the Regular Foreign
17 Investment Negative List issued by the President, other regulations that
18 may be formulated by the SpeDEZA, and other applicable regulations and
19 limitations imposed in accordance with law by the DND, AFP, PNP, Bangko
20 Sentral ng Pilipinas (BSP), Department of Finance (DOF), BOC, and
21 Department of Trade and Industry (DTI): *Provided,* That in cooperation
22 with the SpeDEZA, the DND and PNP shall provide and implement
23 measures to improve ease and cost of doing business within the SpeDEZ
24 and enhance the investment promotion capacity of the SpeDEZA:
25 *Provided, further,* That in order to protect domestic industries, a negative
26 list of industries shall be drawn up and regularly updated by the
27 SpeDEZA: *Provided, finally,* That enterprises engaged in industries
28 included in such negative list shall not be allowed to sell their products
29 locally, notwithstanding the registration of such enterprises in the
30 SpeDEZ.

31 *Sec. 6. Powers and Functions of SpeDEZA.* – The SpeDEZA shall have the
32 following functions:

- 1 a) To adopt, alter, and use a corporate seal;
- 2 b) To contract, lease, buy, sell, acquire, own and dispose properties of
3 whatever nature: *Provided*, That real properties that form part of the
4 original Camp General Antonio Luna shall not be disposed of or
5 encumbered: *Provided, further*, That expansion areas may be disposed of
6 or encumbered by the SpeDEZA;
- 7 c) To sue and be sued in order to carry out its duties, responsibilities,
8 privileges, powers and functions as granted and provided for in this Act;
- 9 d) To exercise the power of eminent domain for public use and public
10 purpose;
- 11 e) To operate, administer, manage, develop, in accordance with Executive
12 Order No. 525, as amended, the SpeDEZ according to the principles and
13 provisions set forth in this Act;
- 14 f) To recommend to the President the issuance of a proclamation or any
15 executive issuance to fix or delimit the metes and bounds of the SpeDEZ:
16 *Provided*, That for the avoidance of doubt, such proclamation shall not be
17 required to expand the SpeDEZ pursuant to Section 5(h) of this Act;
- 18 g) To register, regulate and supervise the entities and enterprises in the
19 SpeDEZ in a competent and efficient manner that, as far as practicable,
20 balances ease of doing business and sound restriction or regulation of
21 activities; the SpeDEZA may also register, regulate, and supervise defense
22 related enterprises outside of the SpeDEZ territory as defined in Section 3
23 and Section 5(h) of this Act: *Provided*, That SpeDEZA shall submit to the
24 DND a quarterly report on locators and other registered enterprises of the
25 SpeDEZ;
- 26 h) To formulate and exercise general and sole supervision over the
27 implementation of the development plans, activities, and operations of the
28 SpeDEZ: *Provided*, That the SpeDEZA may coordinate with LGUs when
29 necessary to promote development in the SpeDEZ;
- 30 i) To authorize or undertake, on its own or through others, and regulate the
31 establishment, construction, operation and maintenance of public utilities,
32 services, and infrastructure in the SpeDEZ such as shipping, barging,

1 stevedoring, cargo handling, hauling, warehousing, storage of cargo, port
2 services or concession, piers, wharves, bulkheads, bulk terminals, mooring
3 areas, storage areas, roads, bridges, reclamation projects, terminals,
4 conveyors, water supply and storage, sewerage, drainage, airport
5 operations, in coordination with the Philippine Ports Authority (PPA), the
6 Civil Aviation Authority of the Philippines (CAAP), and the AFP, and such
7 other services or concessions or infrastructure necessary or incidental to
8 the accomplishment of the objectives of this Act: *Provided*, That the
9 registered enterprises of the SpeDEZ shall be given priority in the
10 awarding of contracts, franchises, licenses or permits for the
11 establishment, operation and maintenance of utilities, services and
12 infrastructure in the SpeDEZ;

13 j) To issue license, set fees, regulate the establishment, operation, and
14 maintenance of utilities, educational and medical institutions,
15 infrastructure related to military, defense and law enforcement
16 investments and other services in the SpeDEZ such as: heat, light and
17 power, water supply, telecommunications, mobile, internet and other data
18 facilities, transport, toll roads and bridges and port services, and to fix
19 just, reasonable and competitive rates, fares, charges and prices thereof;

20 k) To construct, acquire, own, lease, operate and maintain on its own or
21 through contracts, franchises, licenses, bulk purchase from the private
22 sector and build-operate-transfer scheme or joint venture with the private
23 sector, any or all of the public utilities and infrastructure required or
24 needed for the operation and development of the SpeDEZ, including
25 transportation, access and connection to and out of the SpeDEZA, in
26 connection with appropriate national and local government authorities and
27 in conformity with applicable laws;

28 l) To raise or borrow, within the limitation provided by law, and subject to
29 the approval or opinion of the Monetary Board of the BSP, as the case
30 may be, adequate and necessary funds from local or foreign sources, to
31 finance its projects and programs under this Act, and for this purpose, to
32 issue bonds, promissory notes, and other forms of securities, and to

1 secure the same by a guarantee, pledge, mortgage, deed of trust, or an
2 assignment of all or part of its property or assets subject to Section 6(b) of
3 this Act;

4 m) To enter into Public-Private Partnership, build-operate-transfer schemes or
5 any of its variants, management contract, joint venture, co-production, or
6 similar agreements with local or foreign entities for the management and
7 operation of the SpeDEZ, a portion thereof, or any enterprise registered
8 therein to ensure the viability of the SpeDEZ;

9 n) To provide internal security to the SpeDEZ, in coordination with the
10 National Government and affected LGUs: *Provided*, That for this purpose,
11 the SpeDEZA shall provide and establish its own internal security and
12 firefighting forces and identify and reserve facilities and areas within the
13 SpeDEZ for the AFP, which shall be responsible for the perimeter security
14 of the SpeDEZ, through the GA: *Provided, further*, That in the event that
15 assistance is necessary, the AFP or PNP shall not interfere in the internal
16 affairs of the SpeDEZA, except to provide the necessary security and
17 defense, or law enforcement assistance, as the case may be: *Provided*,
18 *finally*, That expenses of the AFP or PNP in the SpeDEZ shall be borne by
19 the national government;

20 o) To protect, preserve, maintain and develop the forests, beaches, coral
21 and coral reefs, and maintain ecological balance within the SpeDEZ:
22 *Provided*, That notwithstanding the authority of the SpeDEZA to create
23 rules for such purpose, the rules and regulations of the Department of
24 Environment and Natural Resources (DENR) and other government
25 agencies involved in the above functions shall be implemented by the
26 SpeDEZA: *Provided, further*, That the SpeDEZA shall create an Ecology
27 Center for such purpose;

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

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

- 1 r) To issue rules and regulations necessary to implement and accomplish the
2 purposes, objectives and policies provided herein, in consultation with the
3 DND, DTI, DOF and other relevant government agencies;
- 4 s) To appropriately zone the SpeDEZ and provide for buffer zones when
5 necessary and reserve areas for housing;
- 6 t) To establish one-stop shops for the issuance of all necessary permits,
7 clearances, licenses, and other similar certifications to conduct such
8 activities intended to improve the ease of doing business within the
9 SpeDEZ, in coordination with government agencies having jurisdiction over
10 activities in the SpeDEZ not otherwise solely reserved to the SpeDEZA:
11 *Provided*, That all government agencies are directed to provide and extend
12 utmost and full cooperation to the SpeDEZA in the establishment of such
13 one-stop shops; and
- 14 u) To perform such other functions as may be provided by law.

15 *Sec. 7. Board of Directors of the SpeDEZA.* – The powers of the SpeDEZA
16 shall be vested in and exercised by a Board of Directors, hereinafter referred to as
17 the Board, which shall be composed of the following:

- 18 a) The Secretary of the DND who shall be the ex officio Chairperson;
- 19 b) The Administrator of the SpeDEZA as Vice-Chairperson: *Provided*, That in
20 the absence of the Chairperson, the Vice-Chairperson shall preside over
21 the meetings of the Board;
- 22 c) Members who shall consist of:
- 23 1) The Assistant Secretary for Plans and Programs (ASPP) of the DND;
- 24 2) The Assistant Secretary for Acquisition, Installations, and Logistics
25 (ASAIL) of the DND;
- 26 3) The Director of the GA;
- 27 4) Commanding General, Philippine Army (PA);
- 28 5) Commanding General, Philippine Air Force (PAF);
- 29 6) Flag-Officer-In-Command, Philippine Navy (PN);
- 30 7) One (1) representative from the investors within the SpeDEZ;
- 31 8) One (1) representative from the workers working in the SpeDEZ;
- 32 9) One (1) representative from the Province of Bataan;

- 1 10)One (1) representative from the Municipality of Limay, Bataan;
- 2 11)One (1) representative from the legislative district covering the site of
- 3 the SpeDEZ;
- 4 12)Two (2) independent directors with proven expertise in defense and
- 5 security strategies to be recommended by the SpeDEZA Board.

6 In the event of vacancy in the Office of ASPP, ASAIL or Director of GA, the
7 designated Acting ASPP, ASAIL or Director of GA shall serve as member of the
8 Board.

9 In the event the Chairperson and Vice Chairperson are unable to attend the
10 board meeting, the members present constituting a quorum shall elect among
11 themselves the Presiding Officer for that particular meeting. The Presiding Officer
12 shall not have voting rights except to break a tie. For the purpose of determining
13 quorum, vacant seats shall not be considered.

14 Except those coming from the DND, GA, PA, PAF, and PN, the members of
15 the Board shall be appointed by the President of the Philippines to serve for a term
16 of six (6) years, unless sooner separated from service due to death, voluntary
17 resignation or removal for cause. In case of death, resignation or removal for cause,
18 the replacement shall serve only the unused portion of the term.

19 All members of the Board shall be Filipino citizens and no person shall be
20 appointed by the President of the Philippines as a member of the Board unless the
21 member is of good moral character and proven probity and integrity. Except for the
22 representatives of the DND, GA, PA, PAF, PN and workers, members of the Board
23 are required to be degree holders in any of the following fields: economics, business,
24 public administration, law, management, military science, or their equivalent, and
25 with at least ten (10) years relevant working experience preferably in the field of
26 management or public administration.

27 The members of the Board shall each receive *per diem* at rates to be
28 determined by the Department of Budget and Management (DBM) in accordance
29 with existing rules and regulations: Provided, That the total *per diem* collected each
30 month shall not exceed the equivalent *per diem* for four (4) meetings.

31 Sec. 8. *Administrator of the SpeDEZA.* – The SpeDEZA shall have an
32 Administrator with a rank of Department Undersecretary who shall be appointed by

1 the President of the Philippines. The Administrator shall be at least forty (40) years
2 of age, of proven probity and integrity, and a degree holder in any of the following
3 fields: economics, business, public administration, law, management or their
4 equivalent, with at least ten (10) years relevant working experience preferably in the
5 field of business, management or public administration.

6 *Sec. 9. Powers and Duties of the Administrator.* – The Administrator shall
7 have the following powers and duties:

- 8 a) To direct and manage the affairs of the SpeDEZA in accordance with the
9 policies of the Board;
- 10 b) To establish the internal organization of the SpeDEZA under such
11 conditions that the Board may prescribe;
- 12 c) To submit an annual budget and necessary supplemental budget to the
13 Board for its approval;
- 14 d) To submit within thirty (30) days after the close of each fiscal year an
15 annual report to the Board and such other reports as may be required;
- 16 e) To submit to the Board for its approval policies, systems, procedures, rules
17 and regulations that are essential to the operation of the SpeDEZA;
- 18 f) To create a mechanism for coordination with relevant agencies for the
19 promotion of industrial peace, the protection of the environment, and the
20 advancement of the quality of life in the SpeDEZ;
- 21 g) To preside at the meetings of the Board of the SpeDEZA in the absence of
22 the Chairperson;
- 23 h) To directly administer and supervise the operations and day-to-day
24 business activities of the SpeDEZA;
- 25 i) To execute, on behalf of the SpeDEZA, all contracts, agreements and
26 other instruments affecting its interests and duly approved by the Board;
27 and
- 28 j) To perform such other duties as may be assigned by the Board or which
29 are necessary or incidental to the office.

30 *Sec. 10. Principal Office of the SpeDEZA.* – The SpeDEZA shall maintain its
31 principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of

1 Bataan, but it may establish liaison offices within the Philippines as may be
2 necessary for the proper conduct of its business.

3 Sec. 11. *Organization and Personnel.* – The Board of the SpeDEZA shall
4 provide for an organizational structure and appoint employees, subject to the civil
5 service law. Upon the recommendation of the Chairperson and Administrator and
6 with the approval of the Secretary of the DBM, the Board shall appoint and fix the
7 remuneration and other emoluments of its officers and employees in accordance
8 with existing laws on compensation and position classification: *Provided,* That the
9 Chairperson and Administrator shall exercise administrative supervision of its
10 employees.

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

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

16 Sec. 12. *Special Labor Center.* – A Special Labor Center shall be established
17 within the SpeDEZ. This Center shall pro-actively play a vital role in studying and
18 amicably settling professional, labor relations issues and disputes, interpreting
19 employment service contracts, and monitoring work, work place conditions, hygiene
20 and safety standards within the SpeDEZ, particularly of the duly registered entities
21 and enterprises. The Special Labor Center shall be comprised of a labor office, an
22 industrial health and safety office, an inspection/investigative and disputes office,
23 and an enforcement office.

24 In order to support the economic and employment generation thrusts of the
25 LGUs, the SpeDEZA shall implement policies and programs that will serve to
26 prioritize employment in the SpeDEZ of workers who are residents of stakeholder
27 LGUs. Registered enterprises shall, as far as practicable, source all its labor needs
28 from the stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations:
29 *Provided,* That “stakeholder LGUs” for the purpose of this Act shall refer to all local
30 governments which (1) derive a share in the five percent (5%) final tax imposition
31 within the SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with

1 Section 5(g) or Section 6(f) of this Act, and/or (3) host registered enterprises of the
2 SpeDEZ pursuant to Section 6(g) of this Act;

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

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

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

20 As a holder of an investor’s visa, an alien shall be entitled to reside in the
21 Philippines while the alien’s investment subsists. For this purpose, the alien should
22 submit an annual report, in the form duly prescribed for the purpose, to prove that
23 the alien has maintained investment/s in the country. Should the said alien withdraw
24 investments from the Philippines, then the investor’s visa issued to the said alien
25 shall automatically expire and/or be withdrawn.

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

31 *Sec. 14. Fiscal Incentives.* – Registered enterprises of the SpeDEZ may be
32 entitled to the existing pertinent fiscal incentives as provided for under Title XIII Tax

1 Incentives of the National Internal Revenue Code of 1997, as amended: *Provided,*
2 That in the administration, implementation and monitoring of incentives, the
3 SpeDEZA may impose conditions not otherwise prohibited by this Act: *Provided,*
4 *further,* That the SpeDEZA shall not be limited to the conditions provided under
5 Republic Act No. 7916, Republic Act No. 8748 or any other related issuance, rule or
6 regulation.

7 Sec. 15. *Administration, Implementation and Monitoring of Incentives.* – For
8 the proper administration, implementation and monitoring of tax incentives provided
9 under this law, the following are herein mandated:

10 a) The SpeDEZA shall be responsible for the administration, management,
11 enforcement and implementation of the incentives granted to registered
12 enterprises: *Provided,* That the SpeDEZA shall, among others, adopt and
13 implement systems and procedures affecting defense/military trade and
14 the appropriate customs policies: *Provided, further,* That the BOC shall set
15 up and establish a customs controlled area outside the gate of the SpeDEZ
16 or other registered enterprises of the SpeDEZ operating outside its
17 territory to facilitate payment of taxes on goods entering the Philippine
18 customs territory: *Provided, finally,* That notwithstanding the limitations in
19 this Act, the SpeDEZA and BOC may coordinate and jointly implement
20 measures on border protection; and,

21 b) In the interest of enhancing transparency in the management and
22 accounting of tax incentives in the SpeDEZ, the SpeDEZA shall comply
23 with the provisions of Republic Act No. 10708, otherwise known as “The
24 Tax Incentives Management and Transparency Act (TIMTA)” and its
25 implementing rules and regulations.

26 Sec. 16. *Banking Rules and Regulations.* – Banks and financial institutions to
27 be established in the SpeDEZ shall be under the supervision of the BSP and shall be
28 subject to existing banking laws, rules and regulations.

29 Sec. 17. *Remittances.* – In the case of foreign investments, a duly registered
30 entity or enterprise within the SpeDEZ shall have the right to remit earnings from
31 the investment in the currency in which the investment was originally made and at

1 the exchange rate prevailing at the time of remittance, subject to the provisions of
2 Republic Act No. 7653, otherwise known as "The New Central Bank Act."

3 *Sec. 18. Multi-Year Contracts and Other Contractual Arrangements.* – In order
4 to spur the development of SpeDEZ as a self-reliant and self-sustaining defense
5 investment hub where duly qualified and selected locators are provided with
6 guaranteed market access, the DND, the AFP, the Philippine Coast Guard (PCG), and
7 the PNP are hereby directed to procure their defense equipment and materiel,
8 whenever available and practicable, from defense industries registered with the
9 SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter
10 into multi-year contracts and other multi-year contractual arrangements with
11 manufacturers/suppliers registered with the SpeDEZA under such terms and
12 conditions to be provided in the rules and regulations implementing this Act.

13 In implementing this section, the SpeDEZA, the DND, AFP, PCG, and PNP shall
14 jointly formulate the mechanics for the selection of manufacturers/suppliers to be
15 awarded with multi-year contracts: *Provided,* That registration with the SpeDEZA
16 and location of operation and manufacture of the defense equipment and materiel to
17 be procured in the SpeDEZ shall be a condition precedent for the award of the multi-
18 year contracts.

19 The selection of manufacturers/suppliers eligible for multi-year contracts with
20 the government shall be exempt from the provisions of Republic Act No. 9184,
21 otherwise known as the "Government Procurement Reform Act" and its
22 implementing rules and regulations. The length of the multi-year contracts shall be
23 agreed upon by the contracting parties taking into consideration the period within
24 which the manufacturer/supplier may recoup its investment together with a
25 reasonable rate of return: *Provided,* That the execution of the multi-year contract
26 shall not preclude the manufacturer/supplier concerned from accepting and filling in
27 order from other clients as long as the fulfilment of its obligations under the multi-
28 year contract are not adversely affected.

29 *Sec. 19. Countertrade.* – Whenever applicable and practicable, any of the
30 countertrade arrangements defined in Executive Order No. 120 should be explored
31 in pursuing defense related acquisitions. The SpeDEZA in consultation with the DND,

1 the DTI, and other offices concerned, shall identify or develop a list of
2 goods/services or industries which may be subject to a countertrade.

3 *Sec. 20. Capitalization.* – The SpeDEZA shall have an authorized capital stock
4 of Three billion pesos (P3,000,000,000.00) to be subscribed wholly by the national
5 government.

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

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

13 *Sec. 21. Supervision and Control.* – For purposes of policy direction and
14 coordination, the SpeDEZA shall be under the direct control and supervision of the
15 Office of the President of the Philippines.

16 *Sec. 22. Regional Development Council.* – The SpeDEZA shall determine the
17 development goals for the SpeDEZ within the framework of national development
18 plans, policies and goals. The Chairperson and Administrator shall, upon approval by
19 the Board, submit the SpeDEZA plans, programs and projects to the Regional
20 Development Council for inclusion and inputs to the overall regional development
21 plan.

22 *Sec. 23. Relationship with Local Government Units.* – Except as herein
23 provided, the Municipality of Limay in the Province of Bataan and such other local
24 government units where registered enterprises of the SpeDEZ conduct business shall
25 operate and function in accordance with the framework of the 1987 Constitution and
26 Republic Act No. 7898, as amended by Republic Act No. 10349, applicable provisions
27 of the Local Government Code, and this Act.

28 In case of any conflict between the SpeDEZA, the LGUs and any national
29 government agency on matters affecting the SpeDEZA, other than national defense
30 and security matters, the decision of the SpeDEZA shall prevail.

31 *Sec. 24. Legal Office.* – The SpeDEZA shall have and maintain its own internal
32 legal office, with appropriate number of personnel under the supervision of the

1 Government Corporate Counsel. When the exigencies of its businesses and
2 operations demand, the SpeDEZA may engage the services of an outside counsel
3 either on a case to case or a fixed retainer basis. Such engagement shall not require
4 further approval and concurrence of the Office of the Government Corporate Counsel
5 or the Office of the Solicitor General.

6 *Sec. 25. Interpretation/Construction.* – The powers, authorities and functions
7 that are vested in the SpeDEZA are intended to establish national self-sufficiency
8 and self-reliance in the advancement and protection of the national integrity,
9 enhancement of national security, decentralization of governmental functions and
10 authority, and promotion of an efficient and effective working relationship between
11 the SpeDEZA, the national government and the LGUs. Any interpretation of this Act
12 shall consider such intentions. In the event of conflict of interpretations, the
13 provisions of this Act shall be construed in favor of an interpretation that would tend
14 to protect national security.

15 *Sec. 26. Audit.* – The Commission on Audit shall appoint a full-time auditor in
16 the SpeDEZA or may assign such number of personnel as may be necessary in the
17 performance of its functions.

18 *Sec. 27. Transitory Provisions.* – The SpeDEZA shall be responsible for the
19 operation, administration, management and development of the SpeDEZ. The
20 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the
21 least disruption of ongoing programs of the GA.

22 *Sec. 28. Implementing Rules and Regulations.* – The SpeDEZA, DTI, DOF,
23 DND, and the LGUs concerned shall formulate the implementing rules and
24 regulations of this Act within ninety (90) days after its approval. Such rules and
25 regulations shall take effect fifteen (15) days after its publication in a newspaper of
26 general circulation in the Philippines.

27 *Sec. 29. Applicability Clause.* – Insofar as these are consistent with the
28 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
29 otherwise known as "The Special Economic Zone Act of 1995," as amended, shall
30 likewise apply to the SpeDEZ.

1 Sec. 30. *Separability Clause.* – If any provision of this Act is declared invalid
2 or unconstitutional, the remaining provision not affected thereby shall continue to be
3 in full force and effect.

4 Sec. 31. *Repealing Clause.* – All laws, decrees, orders or regulations or part
5 thereof inconsistent with this Act are hereby repealed or modified accordingly.

6 Sec. 32 . *Effectivity.* – This Act shall take effect fifteen (15) days following the
7 completion of its publication in the *Official Gazette* or in a national newspaper of
8 general circulation.

Approved,