

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



22 DEC 20 P1:52

SENATE
S. No. 1632

RECEIVED BY: [Signature]

Introduced by SENATOR RAMON BONG REVILLA, JR.

**AN ACT
ESTABLISHING A SPECIAL DEFENSE ECONOMIC ZONE (SPEDEZ) INSIDE
THE GOVERNMENT ARSENAL DEFENSE INDUSTRIAL ESTATE LOCATED IN
CAMP GENERAL 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

Article II, Section 7 of the 1987 Constitution declares that "The State shall pursue an independent foreign policy. In its relations with other states, the paramount consideration shall be national sovereignty, territorial integrity, national interest, and the right to self-determination." Republic Act 7898 or otherwise known as "*AFP Modernization Act*" envisions a fully-equipped Armed Forces of the Philippines (AFP) in delivering its mandate of upholding sovereignty and preserving national patrimony.

This bill proposes the creation of a special defense economic zone (SpeDEZ) which shall cover the 370 hectares of Defense Industrial Estate inside Camp General Antonio Luna, Limay, Bataan and other areas which may be declared as part of SpeDEZ. The central idea is to facilitate investments in defense and defense-related technologies, and research and development of their support industries. The SpeDEZ shall be an accessible business hub for technical competency of the Government Arsenal that are crucial to support the mandates of the AFP, Philippine National Police (PNP) and other law-enforcement agencies.

This measure aims to strengthen the country's defense capabilities by enhancing investment opportunities inside the proposed economic zone. Relatedly, it is envisioned to infuse additional funding and support for the AFP Modernization Program.

In view of complementing the ongoing efforts of achieving a minimum defense posture, the approval of this measure is earnestly sought.


RAMON BONG REVILLA, JR.

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AN ACT

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

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 the 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, encourages
6 the participation of private enterprise, and provides incentives to needed Investments.
7 To this end, the State shall promote the preferential use of Filipino labor, domestic
8 materials and locally produced goods and adopt measures to help make them more
9 competitive.

10 Further, the State actively encourages, promotes and accelerates the sound
11 and balanced industrial, economic and social development of the country through the
12 establishment, among others, of special economic zones in suitable and strategic
13 locations in the country. In so doing, the State is able to attract legitimate and
14 productive foreign investments with the objectives of providing jobs especially to those
15 in the rural areas, increasing productivity and individual family income, and thereby
16 improving the level and quality of living conditions of the people.

1 *Sec. 3. Creation of the Special Defense Economic Zone.* - There is hereby
2 created a special economic zone in Camp General Antonio Luna, Lamao, Municipality
3 of Limay in the Province of Bataan, hereinafter referred to as the Special Defense
4 Economic Zone (SpeDEZ), for investments in defense, military, law enforcement, and
5 defense-related advanced technologies, information and communications technology,
6 research and development and their support industries. The SpeDEZ shall cover the
7 Government Arsenal Industrial Estate inside Camp General Antonio Luna, located in
8 the Municipality of Limay, Province of Bataan, measuring approximately three hundred
9 seventy (370) hectares. Including the seventy (70) hectares of land within which the
10 Government Arsenal (GA) operates, the portions allocated for the expansion of the
11 GA, and all other areas which may be declared as part of the SpeDEZ in compliance
12 with Section 5(h) of this Act:

13 *Provided,* That the GA shall remain a line bureau of the Department of National
14 Defense (DND). Except as may be necessary in the pursuance of their respective
15 mandates, the operations of the GA shall remain independent of the management of
16 the SpeDEZ, and the SpeDEZ, as created by this Act, shall not interfere with the
17 activities conducted in the seventy (70)-hectare area on which the GA maintains and
18 operates its buildings and structures. Republic Act No. 7898, otherwise known as the
19 "*AFP Modernization Act*", states that the GA is utilized in the production of weapons,
20 ammunitions, and other munitions for the use of the Armed Forces of the Philippines
21 (AFP) and the Philippine National Police (PNP), and for the sale and export of products
22 in excess of AFP/PNP requirements:

23 *Provided, further,* That the GA and SpeDEZ shall not be expanded nor operated
24 to the prejudice of each other. The GA and the SpeDEZA shall maintain coordination
25 to ensure smooth and seamless operations on matters of mutual concern:

26 *Provided, finally,* That investors who intend to do business in the GA area shall
27 secure a written consent from the GA prior to registration with the SpeDEZA.

28 *Sec. 4. Creation of the Special Defense Economic Zone Authority.* - There is
29 hereby created a specialized and independent body corporate to be known as the
30 Special Defense Economic Zone Authority (SpeDEZA), which shall manage and operate
31 the SpeDEZ in accordance with the provisions of this Act. The SpeDEZA shall be
32 considered a government instrumentality vested with corporate powers.

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

7 Sec. 5. *Governing Principles.* - The SpeDEZ shall be managed and operated
8 under the following principles:

9 a. Within the framework and limitations of the Constitution, Republic Act No.
10 1884, Republic Act No. 7898, as amended by Republic Act No. 10349, Republic Act
11 No. 10697, otherwise known as the "*Strategic Trade Management Act*", Executive
12 Order No. 303, Series of 2004, and applicable provisions of the Local Government
13 Code, the SpeDEZ shall be developed into and operated as a decentralized, self-reliant
14 and self-sustaining industrial, commercial, trading, research, development,
15 engineering, information and communications technology and financial investment
16 center exclusive for defense, military and law enforcement commercial activities and
17 investments, with provision for suitable residential, educational, recreational, and
18 commercial areas;

19 b. Notwithstanding the autonomy provided in Section 5(a) of this Act, the SpeDEZ
20 may continue to be provided by the National Government and local governments with
21 transportation, telecommunications and other facilities needed to attract legitimate
22 and productive investments, generate linkage with industries and employment
23 opportunities for the people of the Province of Bataan and its neighboring towns and
24 cities: *Provided*, That the autonomy and self-reliance of the SpeDEZ shall not be a
25 hindrance to assistance nor partnerships with other units and instrumentalities of the
26 government: *Provided, further*, That no assistance or partnership be construed as a
27 waiver of the autonomy of the SpeDEZA;

28 c. The SpeDEZA may establish mutually beneficial economic defense relations
29 with other investment promotion agencies, entities or enterprises within the country
30 or with foreign entities or enterprises: *Provided*, That the SpeDEZA shall seek
31 clearance from the DND and administrative guidance from the Department of Foreign
32 Affairs (DFA) as to relations with foreign entities or enterprises;

1 d. Foreign citizens and companies owned by non-Filipinos may set up enterprises
2 in the SpeDEZ with foreign ownership of up to the percentage allowed by law, subject
3 to the approval of SpeDEZA, either by themselves or in joint venture with Filipinos or
4 the GA in the defense and security industry within the territorial jurisdiction of the
5 SpeDEZ: *Provided*, That the SpeDEZA may require individual locators to be subject to
6 the provisions and limitations provided for by the Strategic Trade Management Act,
7 Foreign Investment Act and the Regular Foreign Investment Negative List Issued by
8 the President: *Provided, further*, That the SpeDEZA may require a minimum
9 investment in freely convertible currencies from any enterprise seeking registration as
10 a locator of the SpeDEZ. All investments in the SpeDEZA shall fall under the priorities,
11 thrusts and limits provided for in this Act: *Provided, finally*, That all investments that
12 do not directly or indirectly further defense, military and law enforcement investments
13 shall be prohibited from doing business within the SpeDEZ, except for businesses that
14 cater to or support the locators, their employees, and the residents of the SpeDEZ;

15 e. Subject to the limitations in this Act and its implementing rules and regulations,
16 the SpeDEZ shall be managed and operated as a separate customs territory ensuring
17 free flow or movement of necessary goods and products; and capital within, into and
18 out of its territory: *Provided*, That subject to Section 14 of this Act, the SpeDEZ and
19 all activities conducted therein shall be exempt from payment of all national and local
20 taxes: *Provided, further*, That in accordance with Sections 301 and 817 of Republic
21 Act No. 10863, otherwise known as the "*Customs Modernization and Tariff Act*"
22 (CMTA), the Bureau of Customs (BOC) shall continue to exercise border protection
23 and customs control authority over the customs territory adjacent to the SpeDEZ, and
24 to this end shall consult, coordinate, cooperate with the SpeDEZA to enhance its
25 protection and control capacity and ensure compliance with customs laws and
26 regulations;

27 f. The SpeDEZA shall provide incentives, such as tax and duty-free admissions of
28 raw materials, capital and equipment to registered enterprises of the SpeDEZ:
29 *Provided*, That exportation or removal of goods from the territory of the SpeDEZ to
30 the other parts of the Philippine territory shall be subject, as applicable, to customs
31 duties and taxes under the CMTA, as amended, and the National Internal Revenue
32 Code (NIRC) of 1997, as amended: *Provided, further*, That sale of goods from the

1 SpeDEZ to the AFP, PNP and local government units (LGUs) for defense and security
2 purposes shall be exempt from all customs duties, national and local taxes: *Provided,*
3 *finally,* That subject to coordination with the BOC, customs transit to and from the
4 SpeDEZ, thru the Port of Lamao or other ports, shall also be considered tax and duty-
5 free;

6 g. As far as practicable, enterprises located within the SpeDEZ shall procure a
7 certain percentage, as determined by the SpeDEZA, of their raw material requirements
8 from local manufacturers within the Philippines;

9 h. The areas comprising the SpeDEZ may be expanded or reduced when
10 necessary to improve its investment promotion capacity, ensure public order and
11 safety, consolidate lands for SpeDEZ development, acquire right of way or access
12 necessary and appropriate to the SpeDEZ, protect and safeguard watershed areas or
13 maintain and improve water yield for the benefit of the SpeDEZ and LGUs, manage
14 solid and water waste in compliance with existing national laws and local ordinances,
15 and promote the public good. For this purpose, the SpeDEZA, with the concurrence of
16 the LGUs concerned in the Province of Bataan, and in accordance with existing national
17 laws and local ordinances, shall have the power to acquire, procure, increase, or
18 otherwise expand, either by purchase, negotiation or condemnation proceedings, any
19 private or public lands and their respective water territories within the Province of
20 Bataan: *Provided,* That when applicable, the municipal waters of up to fifteen (15)
21 kilometers from the low water mark area of the edge of the SpeDEZ shall be deemed
22 included in the territorial jurisdiction of the SpeDEZ: *Provided, further,* That the
23 SpeDEZA and the relevant LGUs concerned shall provide for immediate and responsive
24 mechanisms, best management practices and suitable environmental protection
25 programs for land and coastal zone management to address any abuse and/or
26 exploitation of the natural environment within the territorial jurisdiction of the SpeDEZ;
27 and

28 i. Products and goods researched and developed, engineered or manufactured
29 by registered enterprises may be made available in the domestic market, subject to
30 the limitations in this Act and its implementing rules and regulations, payment of
31 corresponding duties, customs and taxes on raw materials as provided by the NIRC of
32 1997, as amended, and the CMTA, as amended, approval by the DND or the PNP in

1 accordance with Republic Act No. 10697 and the Regular Foreign Investment Negative
2 List issued by the President, other regulations that may be formulated by the
3 SpeDEZA, and other applicable regulations and limitations imposed in accordance with
4 law by the DND, AFP, PNP, Bangko Sentral ng Pilipinas (BSP), Department of Finance
5 (DOF), BOC and Department of Trade and Industry (DTI): *Provided*, That in
6 cooperation with the SpeDEZA, the DND and PNP shall provide and implement
7 measures to improve ease and cost of doing business within the SpeDEZ and enhance
8 the investment promotion capacity of the SpeDEZA: *Provided, further*, That in order
9 to protect domestic industries, a negative list of industries shall be drawn up and
10 regularly updated by the SpeDEZA: *Provided, finally*, That enterprises engaged in
11 industries included in such negative list shall not be allowed to sell their products
12 locally, notwithstanding the registration of such enterprises in the SpeDEZ.

13 *Sec. 6. Powers and Functions of SpeDEZA.* - The SpeDEZA shall have the
14 following functions:

- 15 a. To adopt, alter, and use a corporate seal;
- 16 b. To contract, lease, buy, sell, acquire, own and dispose properties of whatever
17 nature: *Provided*, That real properties that form part of the original Camp General
18 Antonio Luna shall not be disposed of or encumbered: *Provided, further*, That
19 expansion areas may be disposed of or encumbered by the SpeDEZA;
- 20 c. To sue and be sued in order to carry out its duties, responsibilities, privileges,
21 powers and functions as granted and provided for in this Act;
- 22 d. To exercise the power of eminent domain for public use and public purpose;
- 23 e. To operate, administer, manage, develop, in accordance with Executive Order
24 No. 525, as amended, the SpeDEZ according to the principles and provisions set forth
25 in this Act;
- 26 f. To recommend to the President the issuance of a proclamation or any executive
27 issuance to fix or delimit the metes and bounds of the SpeDEZ: *Provided*, That for the
28 avoidance of doubt, such proclamation shall not be required to expand the SpeDEZ
29 pursuant to Section 5(h) of this Act;
- 30 g. To register, regulate and supervise the entities and enterprises in the SpeDEZ
31 in a competent and efficient manner that, as far as practicable, balances ease of doing
32 business and sound restriction or regulation of activities; the SpeDEZA may also

1 register, regulate, and supervise defense related enterprises outside of the SpeDEZ
2 territory as defined in Section 3 and Section 5(h) of this Act: *Provided*, That the
3 SpeDEZA shall submit to the DND a quarterly report on locators and other registered
4 enterprises of the SpeDEZ;

5 h. To formulate and exercise general and sole supervision over the
6 implementation of the development plans, activities and operations of the SpeDEZ:
7 *Provided*, That the SpeDEZA may coordinate with LGUs when necessary to promote
8 development in the SpeDEZ;

9 i. To authorize or undertake, on its own or through others, and regulate the
10 establishment, construction, operation and maintenance of public utilities, services,
11 and infrastructure in the SpeDEZ such as shipping, barging, stevedoring, cargo,
12 handling, hauling, warehousing, storage of cargo, port services or concessions, piers,
13 wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, bridges,
14 reclamation projects, terminals, conveyors, water supply and storage, sewerage,
15 drainage, airport operations, in coordination with the Philippine Ports Authority (PPA),
16 the Civil Aviation Authority of the Philippines (CAAP), and the AFP, and such other
17 services or concessions or infrastructure necessary or incidental to the
18 accomplishment of the objectives of this Act: *Provided*, That the registered enterprises
19 of the SpeDEZ shall be given priority in the awarding of contracts, franchises, licenses,
20 or permits for the establishment, operation and maintenance of utilities, services and
21 infrastructure in the SpeDEZ;

22 j. To issue license, set fees, regulate the establishment, operation, and
23 maintenance of utilities, educational and medical institutions, infrastructure related to
24 military, defense and law enforcement investments and other services in the SpeDEZ
25 such as: heat, light and power, water supply, telecommunications, mobile, internet
26 and other data facilities, transport, toll roads and bridges and port services, and to fix
27 just, reasonable and competitive rates, fares, charges and prices thereof;

28 k. To construct, acquire, own, lease, operate and maintain on its own or through
29 contracts, franchises, licenses, bulk purchase from the private sector and build-
30 operate-transfer scheme or joint venture with the private sector, any or all of the
31 public utilities and infrastructure required or needed for the operation and
32 development of the SpeDEZ, including transportation, access and connection to, and

1 out of the SpeDEZA, in coordination with appropriate national and local government
2 authorities, and in conformity with applicable laws;

3 l. To raise or borrow, within the limitation provided by law, and subject to the
4 approval or opinion of the Monetary Board of the ESP, as the case may be, adequate
5 and necessary funds from local or foreign sources, to finance its projects and programs
6 under this Act, and for this purpose, to issue bonds, promissory notes, and other forms
7 of securities, and to secure the same by a guarantee, pledge, mortgage, deed of trust,
8 or an assignment of all or part of Its property or assets subject to Section 6(b) of this
9 Act;

10 m. To enter into Public-Private Partnership, build-operate-transfer schemes or any
11 of its variants, management contract, joint venture, co-production, or similar
12 agreements with local or foreign entities for the management and operation of the
13 SpeDEZ, or a portion thereof, or any enterprise registered therein to ensure the
14 viability of the SpeDEZ;

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

24 o. To protect, preserve, maintain and develop the forests, beaches, coral and coral
25 reefs, and maintain ecological balance within the SpeDEZ: *Provided*, That
26 notwithstanding the authority of the SpeDEZA 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 SpeDEZA: *Provided, further*, That the SpeDEZA shall create an
30 Ecology Center for such purpose;

31 p. To create, operate or contract to operate such functional units or offices of the
32 SpeDEZA as it may deem necessary;

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

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

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

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

7 In the event of vacancy in the Office of ASPP, ASAIL or Director of GA, the designated
8 Acting ASPP, ASAIL or Director of GA shall serve as member of the Board. In the event
9 the Chairperson and Vice-Chairperson are unable to attend the board meeting, the
10 members present constituting a quorum shall elect among themselves the Presiding
11 Officer for that particular meeting.

12 The Presiding Officer shall not have voting rights except to break a tie. For the
13 purpose of determining quorum, vacant seats shall not be considered. Except those
14 coming from the DND, GA, PA, PAF, and PN, the members of the Board shall be
15 appointed by the President of the Philippines to serve for a term of six (6) years,
16 unless sooner separated from service due to death, voluntary resignation or removal
17 for cause. In case of death, resignation or removal for cause, the replacement shall
18 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 are
23 required to be degree holders in any of the following fields: economics, business,
24 public administration, law, management, military science, or their equivalent, and with
25 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 with
29 existing rules and regulations: *Provided*, That the total per diem collected each month
30 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

1 by 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 have
7 the following powers and duties:

- 8 a. To direct and manage the affairs of the SpeDEZA in accordance with the policies
9 of the Board;
- 10 b. To establish the internal organization of the SpeDEZA under such conditions
11 that the Board may prescribe;
- 12 c. To submit an annual budget and necessary supplemental budget to the 6 Board
13 for its approval;
- 14 d. To submit within thirty (30) days after the close of each fiscal year an annual
15 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 and
17 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 the
22 Chairperson;
- 23 h. To directly administer and supervise the operations and day-to-day business
24 activities of the SpeDEZA;
- 25 i. To execute, on behalf of the SpeDEZA, all contracts, agreements and other
26 instruments affecting its interests and duly approved by the Board; and
- 27 j. To perform such other duties as may be assigned by the Board or which are
28 necessary or incidental to the office.

29 *Sec. 10. Principal Office of the SpeDEZA.* - The SpeDEZA shall maintain its
30 principal office in Camp Gen. Antonio Luna, Municipality of Limay, Province of Bataan,
31 but it may establish liaison offices within the Philippines as may be necessary for the
32 proper conduct of its business.

1 Sec. 11. *Organization and Personnel.* - The Board of the SpeDEZA shall provide
2 for an organizational structure and appoint employees, subject to the civil service law.
3 Upon the recommendation of the Chairperson and Administrator and with the approval
4 of the Secretary of the DBM, the Board shall appoint and fix the remuneration and
5 other emoluments of its officers and employees in accordance with existing laws on
6 compensation and position classification: *Provided,* That the Chairperson and
7 Administrator shall exercise administrative supervision of its employees. The officers
8 and employees of the SpeDEZA, including all members of the Board, shall not engage
9 directly or indirectly in partisan activities nor take part in any election, except to vote.
10 No officer or employee of the SpeDEZA, subject to civil service laws and regulations,
11 shall be removed or suspended except for cause, as provided by law.

12 Sec. 12. *Special Labor Center.* - A Special Labor Center shall be established
13 within the SpeDEZ. This Center shall pro-actively play a vital role in studying and
14 amicably settling professional, labor relations issues and disputes, interpreting
15 employment service contracts, and monitoring work, work place, hygiene and safety
16 standards within the SpeDEZ, particularly of the duly registered entities and
17 enterprises. The Special Labor Center shall comprise a labor office, an industrial health
18 and safety office, an inspection/investigative and disputes office, and an enforcement
19 office. In order to support the economic and employment generation thrusts of the
20 LGUs, the SpeDEZA shall implement policies and programs that will serve to prioritize
21 employment in the SpeDEZ of workers who are residents of stakeholder LGUs.
22 Registered enterprises shall, as far as practicable, source all its labor needs from the
23 stakeholder LGUs of the SpeDEZ, subject to existing laws and regulations: *Provided,*
24 That "stakeholder LGUs" for the purpose of this Act shall refer to all local governments
25 which (1) derive a share in the five percent (5%) final tax imposition within the
26 SpeDEZ, (2) host expansion areas of the SpeDEZ in accordance with Section S(g) or
27 Section 6(f) of this Act, and/or (3) host registered enterprises of the SpeDEZ pursuant
28 to Section 6(g) of this Act; The SpeDEZA and, as far as practicable, the locators and
29 registered enterprises of the SpeDEZ, shall prioritize for employment qualified former
30 personnel of the GA who have been terminated or removed from the service due to
31 the modernization of the GA.

1 Sec. 13. *Investors Visa.* - Any foreign national who invests an amount of Two
2 Hundred Thousand US dollars (US\$200,000.00), either in cash and/or equipment, in
3 a registered enterprise shall be entitled to an investor's visa: *Provided*, That the foreign
4 national has the following qualifications:

- 5 a. Must be at least eighteen (18) years of age;
- 6 b. Must not have been convicted by final judgment of a crime involving moral
7 turpitude;
- 8 c. Must not be afflicted with any loathsome, dangerous or contagious disease;
- 9 d. Must not have been institutionalized for any mental disorder or disability; and
- 10 e. Must establish by verifiable and credible evidence of financial capability
11 and capacity. As a holder of an investor's visa, an alien shall be entitled to reside in
12 the Philippines while the alien's investment subsists. For this purpose, the alien should
13 submit an annual report, in the form duly prescribed for the purpose, to prove that
14 the alien has maintained investments in the country. Should the said alien withdraw
15 investments from the Philippines, then the investor's visa issued to the said alien shall
16 automatically expire and /or be withdrawn. The authority to issue visas and work
17 permits shall remain with the Bureau of Immigration (BI) and the Department of Labor
18 and Employment (DOLE), respectively: *Provided*, That the BI and the DOLE shall
19 implement measures to expedite the processing of such visas and permits for workers
20 in the SpeDEZ and coordinate with the SpeDEZA for the purpose of improving ease of
21 doing business.

22 Sec. 14. *Fiscal Incentives.* - Registered enterprises of the SpeDEZ may be
23 entitled to the existing pertinent fiscal incentives as provided for under Title XIII of
24 the NIRC of 1997, as amended: *Provided*, That in the administration, implementation
25 and monitoring of incentives, the SpeDEZA may impose conditions not otherwise
26 prohibited by this Act: *Provided, further*, That the SpeDEZA shall not be limited to the
27 conditions provided under Republic Act No. 7916, Republic Act No. 8748 or any other
28 related issuance, rule or regulation.

29 Sec. 15. *Administration/ Implementation and Monitoring of Incentives.* - For
30 the proper administration, implementation and monitoring of tax incentives provided
31 under this law, the following are herein mandated:

1 a. The SpeDEZA shall be responsible for the administration, management,
2 enforcement and implementation of the incentives granted to registered enterprises:
3 *Provided*, That the SpeDEZA shall, among others, adopt and implement systems and
4 procedures affecting defense/military trade and the appropriate customs policies:
5 *Provided, further*, That the BOC shall set up and establish a customs controlled area
6 outside the gate of the SpeDEZ or other registered enterprises of the SpeDEZ
7 operating outside its territory to facilitate payment of taxes on goods entering the
8 Philippine customs territory: *Provided, finally*, That notwithstanding the limitations in
9 this Act, the SpeDEZA and BOC may coordinate and jointly implement measures on
10 border protection; and

11 b. In the interest of enhancing transparency in the management and accounting
12 of tax incentives in the SpeDEZ, the SpeDEZA shall comply with the provisions of
13 Republic Act No. 10708, otherwise known as "*The Tax Incentives Management and*
14 *Transparency Act (TIMTA)*" and its implementing rules and regulations.

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

18 Sec. 17. *Remittances.* - In the case of foreign investments, a duly registered
19 entity or enterprise within the SpeDEZ shall have the right to remit earnings from the
20 investment in the currency in which the investment was originally made and at the
21 exchange rate prevailing at the time of remittance, subject to the provisions of
22 Republic Act No. 7653, otherwise known as "*The New Central Bank Act*".

23 Sec. 18. *Multi-Year Contracts and Other Contractual Arrangements.* - In order
24 to spur the development of SpeDEZ as a self-reliant and self-sustaining defense
25 investment hub where duly qualified and selected locators are provided with
26 guaranteed market access, the DND, the AFP, the Philippine Coast Guard (PCG), and
27 the PNP are hereby directed to procure their defense equipment and materiel,
28 whenever available and practicable, from defense industries registered with the
29 SpeDEZA. For this purpose, the DND, AFP, PCG, and PNP are authorized to enter into
30 multi-year contracts and other multi-year contractual arrangements with
31 manufacturers or suppliers registered with the SpeDEZA under such terms and
32 conditions to be provided in the rules and regulations implementing this Act. In

1 implementing this section, the SpeDEZA, the DND, AFP, PCG, and PNP shall jointly
2 formulate the mechanics for the selection of manufacturers/suppliers to be awarded
3 with multi-year contracts: *Provided*, That registration with the SpeDEZA and location
4 of operation and manufacture of the defense equipment and material to be procured
5 in the SpeDEZ shall be a condition precedent for the award of the multi-year contracts.
6 The selection of manufacturers or suppliers eligible for multi-year contracts with the
7 government shall be exempt from the provisions of Republic Act No. 9184, otherwise
8 known as the "*Government Procurement Reform Act*", and its implementing rules and
9 regulations. The length of the multi-year contracts shall be agreed upon by the
10 contracting parties taking into consideration the period within which the manufacturer
11 or supplier may recoup its investment together with a reasonable rate of return.
12 *Provided*, That the execution of the multi-year contract shall not preclude the
13 manufacturer or supplier concerned from accepting and filling in orders from other
14 clients as long as the fulfillment of its obligations under the multi-year contract are
15 not adversely affected.

16 Sec. 19. *Countertrade*. - Whenever applicable and practicable, any of the 18
17 countertrade arrangements defined in Executive Order No. 120 should be explored in
18 pursuing defense related acquisitions. The SpeDEZA in consultation with the DND, the
19 DTI, and other offices concerned, shall identify or develop a list of goods or services
20 or industries which may be subject to a countertrade.

21 Sec. 20. *Capitalization*. - The SpeDEZA shall have an authorized capital stock
22 of Three Billion Pesos (P3,000,000,000.00) to be subscribed wholly by the National
23 Government. In addition, all lands embraced and covered by the SpeDEZ, including
24 permanent improvements and fixtures, upon proper inventory by the GA or AFP, as
25 the case may be, not otherwise alienated, conveyed or transferred to
26 another government agency and all other assets which the President may transfer to
27 the SpeDEZA shall form part of the equity contribution of the government. The annual
28 subscription of the national government to the capital stock of the SpeDEZA shall be
29 included in the annual General Appropriations Act.

30 Sec. 21. *Supervision and Control*. - For purposes of policy direction and
31 coordination, the SpeDEZA shall be under the direct control and supervision of the
32 Office of the President of the Philippines.

1 *Sec. 22. Regional Development Council.* - The SpeDEZA shall determine
2 the development goals for the SpeDEZ within the framework of national development
3 plans, policies and goals. The Chairperson and Administrator shall, upon approval by
4 the Board, submit the SpeDEZA plans, programs and projects to the
5 Regional Development Council for inclusion and inputs to the overall regional
6 development plan.

7 *Sec. 23. Relationship with Local Government Units.* - Except as herein provided,
8 the Municipality of Limay in the Province of Bataan and such other local government
9 units where registered enterprises of the SpeDEZ conduct business shall operate and
10 function in accordance with the framework of the 1987 Constitution and Republic Act
11 No. 7898, as amended by Republic Act No. 10349, applicable provisions of the Local
12 Government Code, and this Act. In case of any conflict between the SpeDEZA, the
13 LGUs and any national government agency on matters affecting the SpeDEZA, other
14 than national defense and security matters, the decision of the SpeDEZA shall prevail.

15 *Sec. 24. Legal Office.* - The SpeDEZA shall have and maintain its own internal
16 legal office, with appropriate number of personnel under the supervision of the
17 Government Corporate Counsel. When the exigencies of its businesses and operations
18 demand, the SpeDEZA may engage the services of an outside counsel either on a case
19 to case or a fixed retainer basis. Such engagement shall not require further
20 approval and concurrence of the Office of the Government Corporate Counsel or the
21 Office of the Solicitor General.

22 *Sec. 25. Construction.* - The powers, authorities and functions that are vested
23 in the SpeDEZA are intended to establish national self-sufficiency and self-reliance in
24 the advancement and protection of the national integrity, enhancement of national
25 security, decentralization of governmental functions and authority, and promotion of
26 an efficient and effective working relationship between the SpeDEZA, the National
27 Government and the LGUs. Any interpretation of this Act shall consider such intentions.
28 In the event of conflict of interpretations, the provisions of this Act shall be construed
29 in favor of an interpretation that would tend to protect national security

30 *Sec. 26. Audit.* - The Commission on Audit (COA) shall appoint a full-time
31 auditor in the SpeDEZA or may assign such number of personnel as may be necessary
32 in the performance of its functions.

1 Sec 27. *Transitory Provisions.* - The SpeDEZA shall be responsible for the
2 operation, administration, management and development of the SpeDEZ. The
3 SpeDEZA shall effect the transfer herein provided in a manner that will ensure the
4 least disruption of ongoing programs of the GA.

5 Sec. 28. *Implementing Rules and Regulations (IRR).* - The SpeDEZA, DTI, DOF,
6 DND, and the LGUs concerned shall formulate the IRR of this Act within ninety (90)
7 days after its effectivity. Such rules and regulations shall take effect fifteen (15) days
8 after its publication in a newspaper of general circulation in the Philippines.

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

13 Sec. 30. *Separability Clause.* - If any provision of this Act is declared invalid or
14 unconstitutional, other provisions hereof which are not affected thereby shall remain
15 in full force and effect.

16 Sec. 31. *Repealing Clause.* - All laws, presidential decrees, executive orders,
17 rules and regulations contrary to, or inconsistent with, the provisions of this Act are
18 repealed, amended or modified accordingly.

19 Sec. 32. *Effectivity Clause.* - This Act shall take effect fifteen (15) days after its
20 complete publication either in the *Official Gazette* or in at least two (2) national
21 newspapers of general circulation in the Philippines.

Approved,