



HOUSE OF REPRESENTATIVES

H. No. 8710

BY REPRESENTATIVES SALIMBANGON, VALMAYOR, MARIÑO, VILLA, YAP (C.T.), SUANSING (M.A.), BARONDA, QUIMBO, MARQUEZ, PADIERNOS, TARRIELA, LOYOLA, COJUANGCO (J.), ALVAREZ (M.), GORRICETA, MACEDA, ALVAREZ (J.), GARCIA (M.A.), ESCUDERO, BASCUG, GARCIA (D.), EUDELA, DIONISIO, LIMKAICHONG, MOMO, CRUZ (R.), MATIBAG, BORDADO, GUINTU, VIOLAGO, GOLEZ, GULLAS, GO (M.), REVILLA (R.J.), UMALI, SINGSON (R.V.), DAYANGHIRANG, HARESCO, LAGON (S.), TY, SUANSING (H.), COLADA, DAGOOC, MARCOLETA, SINGSON-MEEHAN, REYES, CUA, CRUZ (A.), TEVES, CUARESMA, CHUNGALAO, CALDERON, LACSON-NOEL, KHO (R.), MENDOZA, PUMAREN, DELOS SANTOS, RECTO, FUENTEBELLA, ORDANES, VERZOSA, PALMA, RODRIGUEZ (R.), GUTIERREZ, PANOTES, CAGAS AND BERNOS

AN ACT
ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE
MUNICIPALITY OF MEDELLIN, PROVINCE OF CEBU,
CREATING FOR THE PURPOSE THE CEBU FOURTH
DISTRICT SPECIAL ECONOMIC ZONE AUTHORITY, AND
APPROPRIATING FUNDS THEREFOR

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

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CHAPTER I
GENERAL PROVISIONS

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SECTION 1. *Short Title.* – This Act shall be known as the “Cebu Fourth
District Special Economic Zone Act”.

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

8 **CHAPTER II**
9 **GOVERNING STRUCTURES**

10 **SEC. 3. Creation of the Cebu Fourth District Special Economic**
11 **Zone.** – In accordance with the foregoing declared policy and subject to the
12 concurrence of the local government unit (LGU) of the Municipality of Medellin,
13 Province of Cebu, there is hereby established a special economic zone,
14 hereinafter referred to as the Cebu Fourth District Special Economic Zone or
15 Cebu Fourth District Ecozone. The Cebu Fourth District Ecozone shall cover a
16 particular area in the Municipality of Medellin, Province of Cebu, the specific
17 metes and bounds of which shall be more particularly defined in a presidential
18 proclamation that shall be issued for this purpose: *Provided,* That the lands
19 embraced therein shall be contiguous to one another.

20 **SEC. 4. Creation of the Cebu Fourth District Special Economic**
21 **Zone Authority.** – There is hereby created a body corporate to be known as the
22 Cebu Fourth District Economic Zone Authority, hereinafter referred to as the
23 CFDEZA, which shall manage and operate the Cebu Fourth District Ecozone,
24 in accordance with the provisions of this Act. The corporate life of the CFDEZA
25 shall expire in fifty (50) years, counted from the first year after the effectivity of
26 this Act, unless otherwise extended by Congress. It shall be organized within
27 one hundred eighty (180) days after the effectivity of this Act.

28 **SEC. 5. Governing Principles.** – The CFDEZA shall manage and
29 operate the Cebu Fourth District Ecozone, under the following principles:

- 30 (a) Within the framework and limitations of the Constitution and
31 applicable provisions of Republic Act No. 7160, otherwise known as
32 the “Local Government Code of 1991”, as amended, the Cebu Fourth
33 District Ecozone shall be developed into and operated as a
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1 decentralized, self-reliant and self-sustaining industrial, commercial,
2 trading, agro-industrial, tourist, banking, financial, and investment
3 center with suitable residential areas;

4 (b) The Cebu Fourth District Ecozone shall be equipped with
5 transportation, telecommunications, and other facilities needed to
6 attract legitimate and productive investments, generate linkage
7 industries and employment opportunities for the people of the
8 Municipality of Medellin, Province of Cebu, and those in neighboring
9 towns and cities;

10 (c) The Cebu Fourth District Ecozone may establish mutually beneficial
11 economic relations with other entities or enterprises within the
12 country or, subject to the administrative guidance of the Department
13 of Foreign Affairs, Philippine Economic Zone Authority (PEZA), and
14 the Department of Trade and Industry (DTI), with foreign entities or
15 enterprises;

16 (d) Subject to the provisions of the Constitution and other relevant laws,
17 foreign citizens and companies owned by non-Filipinos may set up
18 enterprises in the Cebu Fourth District Ecozone, either by themselves
19 or in a joint venture with Filipinos in any sector of industry,
20 international trade and commerce within the Cebu Fourth District
21 Ecozone;

22 (e) The Cebu Fourth District Ecozone shall be managed and operated as
23 a separate customs territory thereby ensuring the free flow or
24 movement of goods and capital within, into, and out of its territory,
25 and shall likewise provide incentives subject to Title XIII of the
26 “National Internal Revenue Code of 1997”, as amended. However,
27 exportation or removal of goods from the territory of the Cebu Fourth
28 District Ecozone to the other parts of the Philippine territory shall be
29 subject to customs duties and taxes under Republic Act No. 10863,
30 otherwise known as the “Customs Modernization and Tariff Act
31 (CMTA)” and other relevant tax laws of the Philippines;

32 (f) The areas comprising the Cebu Fourth District Ecozone may be
33 expanded or reduced, when necessary, through a presidential
34 proclamation issued for the said purpose. For this purpose, the
35 CFDEZA, in consultation with the LGU, shall have the power to
36 acquire either by purchase, negotiation or condemnation proceedings,
37 any private land within or adjacent to the Cebu Fourth District

1 Ecozone for the following purposes: consolidation of lands for zone
2 development; acquisition of right of way to the Cebu Fourth District
3 Ecozone; and the protection of watershed areas and natural assets
4 valuable to the prosperity of the Cebu Fourth District Ecozone;

5 (g) Goods manufactured by a Cebu Fourth District Ecozone enterprise
6 may be made available for immediate retail sale in the domestic
7 market, subject to the payment of corresponding taxes on raw
8 materials and other regulations that may be formulated by the
9 CFDEZA, in coordination with the PEZA, the Bureau of Customs,
10 the Bureau of Internal Revenue, and the DTI. However, in order to
11 protect domestic industries, a Negative List of industries shall be
12 drawn up and regularly updated by the PEZA. Enterprises engaged
13 in industries included in such Negative List shall not be allowed to
14 sell their products locally; and

15 (h) The defense and security of the Cebu Fourth District Ecozone and its
16 perimeter shall be the responsibility of the national government, in
17 coordination with the CFDEZA and the concerned LGU.

18 **SEC. 6. *Development Goals of the Cebu Fourth District Ecozone.*** –

19 The CFDEZA shall determine the development goals of the Cebu Fourth District
20 Ecozone within the framework of national development plans, policies, and
21 goals. The Chairperson-Administrator shall, upon approval by the Board of
22 CFDEZA, submit the plans, programs, and projects of the Cebu Fourth District
23 Ecozone to the Regional Development Council for inclusion in the regional
24 development plan.

25 **SEC. 7. *Capitalization.*** – The CFDEZA shall have an authorized

26 capital stock of two billion (2,000,000,000.00) no par shares with a minimum
27 issue of Ten pesos (Php10.00) each, the majority shares of which shall be
28 subscribed and paid for by the national government and the LGU embracing the
29 Cebu Fourth District Ecozone. The Board of Directors of the CFDEZA may,
30 with the written concurrence of the Secretary of Finance, sell shares
31 representing not more than forty per centum (40%) of the capital stock of the
32 CFDEZA to the public under such policy as the Board and the Secretary of
33 Finance may determine. The national government and the LGU of the
34 Municipality of Medellin shall in no case own less than sixty per centum (60%)
35 of the total issued and outstanding capital of the CFDEZA.

36 The amount necessary to subscribe and pay for the shares of the national
37 government to the capital stock of the CFDEZA shall be included in the General

1 Appropriations Act. For the LGU of the Municipality of Medellin, the funds
2 shall be taken from their national tax allotment and other local funds.

3 **SEC. 8. *Principal Office of the CFDEZA.*** – The CFDEZA shall
4 maintain its own principal office in the Municipality of Medellin, Province of
5 Cebu, but it may establish liaison offices within the Philippines as may be
6 necessary for the proper conduct of its business.

7 **SEC. 9. *Powers and Functions of the CFDEZA.*** – The CFDEZA shall
8 have the following powers and functions:

9 (a) To operate, administer, manage, and develop the Cebu Fourth
10 District Ecozone according to the principles and provisions set forth in this Act;

11 (b) To register, regulate and supervise the enterprises in the Cebu
12 Fourth District Ecozone in an efficient and decentralized manner, subject to
13 existing laws;

14 (c) To coordinate with LGUs and exercise general provision over the
15 development plans, activities, and operations of the Cebu Fourth District
16 Ecozone;

17 (d) To regulate and undertake the establishment, construction,
18 operation and maintenance of public utilities, other services, and infrastructure
19 in the Cebu Fourth District Ecozone such as light and power in coordination
20 with the National Electrification Administration, shipping, barging,
21 stevedoring, cargo handling, hauling, warehousing, storage of cargo, port
22 services or concessions, piers, wharves, bulkheads, bulk terminals, mooring
23 areas, storage areas, roads, telecommunications transport, bridges, terminals,
24 conveyors, water supply and storage, sewerage, drainage, airport operations in
25 coordination with the Civil Aviation Authority of the Philippines, and such other
26 services or concessions or infrastructure necessary or incidental to the
27 accomplishment of the objectives of this Act;

28 (e) To construct, acquire, own, lease, operate and maintain on its own
29 or through contracts, franchise, license, bulk purchase from the private sector
30 or permits under any of the schemes allowed in Republic Act No. 6957, or the
31 Build-Operate-Transfer Law, as amended, or joint venture, adequate facilities
32 and infrastructure required or needed for the operation and development of the
33 Cebu Fourth District Ecozone, in coordination with appropriate national and
34 local government authorities and in conformity with applicable laws thereon;

1 (f) To approve plans, programs, and projects of the Cebu Fourth
2 District Ecozone to be submitted to the Regional Development Council for
3 inclusion and inputs to the overall regional development plan;

4 (g) To operate on its own, either directly or through license to others,
5 tourism-related activities, including games, amusements, recreational and
6 sports facilities, subject to the approval and supervision of the Philippine
7 Amusement and Gaming Corporation (PAGCOR);

8 (h) To raise or borrow, within the limitations provided by law, and
9 subject to the approval or opinion of the Monetary Board of the *Bangko Sentral*
10 *ng Pilipinas* (BSP), as the case may be, adequate and necessary funds from local
11 or foreign sources, to finance its projects and programs under this Act and for
12 this purpose, to issue bonds, promissory notes and other forms of securities, and
13 to secure the same by a guarantee, pledge, mortgage, deed of trust or an
14 assignment of all or part of its property or asset;

15 (i) To protect, preserve, maintain, and develop the forests, beaches,
16 coral and coral reefs, and maintain ecological balance within the Cebu Fourth
17 District Ecozone. Notwithstanding the Authority of the CFDEZA to create rules
18 for such purpose, the rules and regulations of the Department of Environment
19 and Natural Resources (DENR) and other government agencies involved in the
20 above functions shall be implemented by the CFDEZA;

21 (j) To create, operate or contract to operate such functional units or
22 offices of the CFDEZA as it may deem necessary;

23 (k) To adopt, alter and use a corporate seal, contract, lease, buy,
24 acquire, own or otherwise dispose of personal or real property of whatever
25 nature; sue and be sued; and otherwise carry out its functions and duties as
26 provided for in this Act;

27 (l) To issue certificate of origin for products manufactured or processed
28 in the Cebu Fourth District Ecozone in accordance with prevailing rules of origin
29 and the pertinent regulations of the PEZA, the DTI, and the Department of
30 Finance (DOF);

31 (m) To establish one-stop shops for the issuance of all necessary permits,
32 clearances, licenses, and other similar certifications to conduct such activities
33 intended to improve the ease of doing business within the Cebu Fourth District
34 Ecozone, in coordination with government agencies having jurisdiction over
35 activities therein: *Provided*, That all government agencies are directed to

1 provide and extend utmost and full cooperation to the Cebu Fourth District
2 Ecozone in the establishment of such one-stop shops;

3 (n) To provide internal security to the Cebu Fourth District Ecozone in
4 coordination with the national government and affected LGU. For this purpose,
5 the CFDEZA shall provide and establish its own internal security and
6 firefighting forces or hire others to provide the same. Military forces sent by the
7 national government for the purpose of defense shall not interfere in the
8 internal affairs of the Cebu Fourth District Ecozone and expenditures for these
9 military forces shall be borne by the National Government;

10 (o) To exercise such powers as may be essential, necessary or incidental
11 to the powers granted to it hereunder, as well as those that shall enable it to
12 carry out, implement and accomplish the purpose, objectives and policies of this
13 Act; and

14 (p) To issue rules and regulations consistent with the provisions of this
15 Act as may be necessary to accomplish and implement the purpose, objectives
16 and policies provided herein.

17 **SEC. 10. Board of Directors of the CFDEZA.** – The powers of the
18 CFDEZA shall be vested in and exercised by a Board of Directors, hereinafter
19 referred to as the Board, which shall be composed of the following:

20 (a) The Chairperson, who shall at the same time be the Administrator
21 of the CFDEZA;

22 (b) A Vice-Chairperson, who shall come from among the members of the
23 Board;

24 (c) Members consisting of:

25 (1) The Governor of the Province of Cebu or duly authorized
26 representative from the Provincial Government of Cebu;

27 (2) The Mayor of the Municipality of Medellin;

28 (3) One (1) representative from the investors' group; and

29 (4) One (1) representative from the workers in the Cebu Fourth
30 District Ecozone.

1 The Governor or the Governor's duly authorized representative and the
2 mayor of the Municipality of Medellin shall serve as *ex officio* members of the
3 Board, whose term in the Board corresponds to their term as elected officials.

4 The Chairperson-Administrator and members of the Board, except the *ex*
5 *officio* members, shall be appointed by the President of the Philippines to serve
6 for a term of six (6) years, unless sooner separated from service due to death,
7 voluntary resignation, or removal for cause. In case of death, resignation or
8 removal for cause, their replacements shall serve only the unexpired portion of
9 the respective terms. No person shall be appointed as a member of the Board
10 unless the person is a Filipino citizen, of good moral character, of proven probity
11 and integrity, and a degree holder in any of the following fields: economics,
12 business, public administration, law, management or their equivalent, and with
13 at least ten (10) years relevant working experience, preferably in the field of
14 management or public administration.

15 The members of the Board, except the *ex officio* members, shall each
16 receive *per diem* allowance at rates to be determined by the Department of
17 Budget and Management (DBM) in accordance with existing rules and
18 regulations: *Provided, however*, That the total *per diem* allowance collected each
19 month shall not exceed the equivalent *per diem* allowance for four (4) meetings.
20 Unless and until the President of the Philippines has fixed a higher *per diem*
21 for the members of the Board, such allowance shall not be more than Ten
22 thousand pesos (P10,000.00) for every Board meeting.

23 **SEC. 11. *Organization and Personnel.*** – The Board shall provide for
24 its organization and staff. The Board shall appoint and fix the remuneration
25 and other emoluments of its offices and employees in accordance with existing
26 laws on compensation and position classification. The Board shall have
27 exclusive and final authority to promote, transfer, assign, reassign or remove
28 officers of the CFDEZA, any provision of existing law to the contrary
29 notwithstanding. The Chairperson-Administrator shall execute the decisions of
30 the Board.

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

34 No officer or employee of the CFDEZA shall be removed or suspended
35 except for cause, as provided for by the civil service rules and regulations.

1 **SEC. 12. Powers and Duties of the Chairperson-Administrator.** –
2 The Chairperson-Administrator shall have the following powers and duties:

- 3 (a) To direct and manage the affairs of the CFDEZA in accordance with
4 the policies of the Board;
- 5 (b) To establish the internal organization of the CFDEZA under such
6 conditions that the Board may prescribe;
- 7 (c) To submit an annual budget and necessary supplemental budget to
8 the Board for its approval;
- 9 (d) To submit within thirty (30) days after the close of each fiscal year
10 an annual report to the Board and such other reports as may be
11 required;
- 12 (e) To submit to the Board for its approval, policies, systems,
13 procedures, rules and regulations that are essential to the operation
14 of the Cebu Fourth District Ecozone;
- 15 (f) To recommend to the Board the remuneration and other
16 emoluments of its officers and employees in accordance with existing
17 laws on compensation and position classification;
- 18 (g) To create a mechanism in coordination with relevant agencies for
19 the promotion of industrial peace, the protection of the environment,
20 and the advancement of the quality of life in the Cebu Fourth
21 District Ecozone; and
- 22 (h) To perform such other duties as may be assigned to him by the Board
23 or which are necessary or incidental to his office.

24 **SEC. 13. Legal Counsel.** – The CFDEZA shall have its own internal legal
25 counsel under the supervision of the government corporate counsel. When the
26 exigencies of its businesses and operations demand it, the CFDEZA may engage
27 the services of an outside counsel either on a case to case or on a fixed retainer
28 basis.

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2 **CHAPTER III**
INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS

3 **SEC. 14. *Investor's Visa.*** – Any foreign national who invests an amount
4 of Two hundred thousand US dollars (US\$200,000.00) in a registered
5 enterprise, either in cash or equipment, shall be entitled to an investor's visa:
6 *Provided*, That the foreign national has the following qualifications:

7 (a) Must be at least eighteen (18) years of age;

8 (b) Must not have been convicted by final judgement of a crime
9 involving moral turpitude;

10 (c) Must not be afflicted with any loathsome, dangerous, or contagious
11 disease;

12 (d) Must not have been confined in an institution for any mental
13 disorder or disability; and

14 (e) Must be financially capable as borne out by credible and verifiable
15 evidence.

16 With an investor's visa, a foreign national shall be entitled to reside in
17 the Philippines while the investment subsists. The foreign national shall
18 submit an annual report, in the form duly prescribed for the purpose, to prove
19 that the investment in the country subsists. Should the investments of the said
20 foreign national is withdrawn from the Philippines, the investor's visa to said
21 foreign national shall automatically expire and be withdrawn.

22 The authority to issue visas and work permits shall remain with the
23 Bureau of Immigration (BI) and the Department of Labor and Employment
24 (DOLE), respectively: *Provided*, That the BI and the DOLE shall implement
25 measures to expedite the processing of such visas and permits for workers in
26 the Cebu Fourth District Ecozone and coordinate closely with the CFDEZA to
27 facilitate the conduct of business operations.

28 **SEC. 15. *Fiscal Incentives.*** – Registered enterprises of the Cebu Fourth
29 District Ecozone may be entitled to pertinent fiscal incentives granted under
30 Title XIII (Tax Incentives) of the National Internal Revenue Code of 1997, as
31 amended.

1 **SEC. 16. *Banking Rules and Regulations Governing Banks and***
2 ***Other Financial Institutions.*** – All banks and other BSP-supervised financial
3 institutions to be established in the Cebu Fourth District Ecozone shall be under
4 the supervision of the BSP and subject to existing banking laws, rules and
5 regulations.

6 **SEC. 17. *Remittances.*** – In the case of foreign investments, a duly
7 registered entity or enterprise within the Cebu Fourth District Ecozone shall
8 have the right to remit earnings to its investors in the currency in which the
9 investment was originally made and at the exchange rate prevailing at the time
10 of remittance, subject to the provisions of Republic Act No. 7653, otherwise
11 known as the “New Central Bank Act”, as amended.

12 **CHAPTER IV**
13 **NATIONAL GOVERNMENT AND OTHER ENTITIES**

14 **SEC. 18. *Supervision and Control.*** – For purposes of policy direction
15 and coordination, the CFDEZA shall be under the direct control and supervision
16 of the Office of the President of the Philippines: *Provided, That the grant of*
17 *fiscal incentives shall be subject to the provisions of Title XIII of the National*
18 *Internal Revenue Code of 1997, as amended.*

19 **SEC. 19. *Relationship with the Local Government Unit.*** – Except as
20 herein provided, the LGU of the Municipality of Medellin shall retain its basic
21 autonomy and identity. It shall operate and function in accordance with the
22 framework of the Constitution, Republic Act No. 7160, otherwise known as the
23 “Local Government Code of 1991”, as amended, and this Act. In case of any
24 conflict among the CFDEZA, the LGU, and the national government on matters
25 affecting the Cebu Fourth District Ecozone, other than national defense and
26 security matters, the decision of the CFDEZA shall prevail.

27 **SEC. 20. *Audit.*** – The Commission on Audit shall appoint a full-time
28 auditor for the CFDEZA and may assign such number of personnel as may be
29 necessary to assist the auditor in the performance of the auditor's functions.

30 **CHAPTER V**
31 **MISCELLANEOUS**

32 **SEC. 21. *Interpretation and Construction.*** – The powers, authorities,
33 and functions that are vested in the CFDEZA are intended to enhance national
34 security, encourage self-sufficiency, foster meaningful decentralization of
35 government functions and authority, and promote the efficient and effective

1 collaboration among the CFDEZA, the national government, and the LGU of the
2 Municipality of Medellin. Any interpretation of this Act shall consider such
3 intentions. In the event of conflict of interpretation and provided the intentions
4 cannot be harmonized, the provisions of this Act shall be construed in favor of
5 an interpretation that shall protect national security.

6 **SEC. 22. *Applicability Clause.*** – Insofar as they are consistent with the
7 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No.
8 7916, otherwise known as “The Special Economic Zone Act of 1995”, as
9 amended, shall likewise apply to the Cebu Fourth District Ecozone.

10 **SEC. 23. *Implementing Rules and Regulations.*** – Within sixty (60)
11 days from the effectivity of this Act, the DTI shall, in coordination with the DOF
12 and the National Economic and Development Authority, formulate rules and
13 regulations for the effective implementation of the provisions of this Act.

14 **SEC. 24. *Separability Clause.*** – If any provision of this Act shall be held
15 unconstitutional or invalid, the other provisions not otherwise affected shall
16 remain in full force and effect.

17 **SEC. 25. *Repealing Clause.*** – All laws, executive orders or issuances or
18 any part thereof, which are inconsistent herewith, are hereby repealed or
19 amended accordingly.

20 **SEC. 26. *Effectivity.*** – This Act shall take effect fifteen (15) days after
21 its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,