



HOUSE OF REPRESENTATIVES

H. No. 10217

BY REPRESENTATIVES SAVELLANO, GARIN (S.), TIANGCO, YAP (E.), SALCEDA, SANGCOPAN, VERGARA, SUNTAY, MACEDA, NOGRALES (J.J.), SINGSON-MEEHAN, SUANSING (E.), BENITEZ, TAN (A.S.), ALBANO (A.), BIAZON, PADIERNOS, BAGATSING, BARONDA, CHATTO, YAP (V.), BARBERS, QUIMBO, CO (A.N.), SAGARBARRIA, GO (M.), BORDADO, ESTRELLA, GATCHALIAN, MACAPAGAL ARROYO, DE VENECIA, NIETO, ABU, DELOS SANTOS, DIMAPORO (M.K.), DY (F.), GO (E.C.), HERNANDEZ, MARINO, ROBES, SARMIENTO AND UMALI (A.), PER COMMITTEE REPORT NO. 1224

AN ACT

ESTABLISHING A SPECIAL ECONOMIC ZONE IN A PORTION OF THE SALOMAGUE COVE AND IN THE MUNICIPALITIES OF SAN JUAN AND CABUGAO, PROVINCE OF ILOCOS SUR, CREATING FOR THE PURPOSE THE ILOCOS SUR SPECIAL ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER 1

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Ilocos Sur Special Economic Zone Act.”

SEC. 2. *Declaration of Policy.* – It is declared the policy of the State to encourage, promote, and accelerate the sound and balanced industrial, economic, and social development of the country. The establishment of special economic zones shall attract

1 legitimate and productive foreign investments in strategic locations in the country. It shall
2 generate employment, enhance productivity, and increase individual and family incomes,
3 thereby enhancing the quality of life of the Filipino people.

4 5 **CHAPTER II** 6 **CREATION OF THE ECONOMIC ZONE** 7

8 **SEC. 3. *Creation of the Ilocos Sur Special Economic Zone.*** – In accordance
9 with the foregoing declared policy and subject to the concurrence of the concerned local
10 government units (LGUs) of Ilocos Sur, there is hereby established a special economic
11 zone, hereinafter referred to as the Ilocos Sur Special Economic Zone or Ilocos Sur
12 Ecozone. The Ilocos Sur Ecozone shall cover a particular area located in the Municipalities
13 of San Juan and Cabugao, Province of Ilocos Sur, the specific metes and bounds of which
14 shall be more particularly defined in a presidential proclamation that shall be issued for
15 this purpose: *Provided*, That the lands embraced therein shall be contiguous to one
16 another.
17

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

26 **SEC. 5. *Governing Principles.*** – The ISSEZA shall manage and operate the
27 Ilocos Sur Ecozone, under the following principles:
28

- 29 a) Within the framework and limitations of the Constitution and applicable provisions of
30 Republic Act No. 7160, or the Local Government Code, as amended, the Ilocos Sur
31 Ecozone shall be developed into and operated as a decentralized, self-reliant and
32 self-sustaining industrial, commercial, trading, agro-industrial, tourist, banking,
33 financial, and investment center with suitable residential areas;
34
35 b) The Ilocos Sur Ecozone shall be equipped with transportation, telecommunications,
36 and other facilities needed to attract legitimate and productive investments, generate
37 linkage industries and employment opportunities for the people of the Municipalities

1 of San Juan and Cabugao and those in neighboring towns and cities;
2

3 c) The Ilocos Sur Ecozone may establish mutually beneficial economic relations with
4 other entities or enterprises within the country or, subject to the administrative
5 guidance of the Department of Foreign Affairs, the Philippine Economic Zone
6 Authority (PEZA), and the Department of Trade and Industry (DTI), with foreign
7 entities or enterprises;
8

9 d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may
10 set up enterprises in the Ilocos Sur Ecozone, either by themselves or in a joint
11 venture with Filipinos in any sector of industry, international trade and commerce
12 within the Ilocos Sur Ecozone;
13

14 e) The Ilocos Sur Ecozone shall be managed and operated as a separate customs
15 territory thereby ensuring the free flow or movement of goods and capital within, into
16 and out of its territory, and shall likewise provide incentives subject to Title XIII of the
17 National Internal Revenue Code, as amended. However, exportation or removal of
18 goods from the territory of the Ilocos Sur Ecozone to the other parts of the Philippine
19 territory shall be subject to customs duties and taxes under Republic Act No. 10863,
20 otherwise known as the "Customs Modernization and Tariff Act" and other relevant
21 tax laws of the Philippines;
22

23 f) The areas comprising the Ilocos Sur Ecozone may be expanded or reduced when
24 necessary through a presidential proclamation issued for the said purpose. For this
25 purpose, the ISSEZA, in consultation with the LGUs, shall have the power to acquire
26 either by purchase, negotiation or condemnation proceedings, any private land
27 within or adjacent to the Ilocos Sur Ecozone for the following purposes: (1)
28 consolidation of lands for zone development; (2) acquisition of right of way to the
29 Ilocos Sur Ecozone; and (3) the protection of watershed areas and natural assets
30 valuable to the prosperity of the Ilocos Sur Ecozone;
31

32 g) Goods manufactured by an Ilocos Sur Ecozone enterprise shall be made available
33 for immediate retail sale in the domestic market, subject to the payment of
34 corresponding taxes on raw materials and other regulations that may be formulated
35 by the ISSEZA together with the PEZA, the Bureau of Customs, the Bureau of
36 Internal Revenue, and the DTI. However, in order to protect domestic industries, a
37 Negative List of industries shall be drawn up and regularly updated by the PEZA.

Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally; and

- h) The defense of the Ilocos Sur Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the ISSEZA and the concerned LGUs.

SEC. 6. Development Goals of the Ilocos Sur Ecozone. – The ISSEZA shall determine the development goals of the Ilocos Sur Ecozone within the framework of national development plans, policies, and goals. The Chairperson-Administrator shall, upon approval by the Board of the ISSEZA, submit the Ilocos Sur Ecozone plans, programs, and projects to the Regional Development Council for inclusion in the regional development plan.

SEC. 7. Capitalization. – The ISSEZA shall have an authorized capital stock of two billion (2,000,000,000) no par shares with a minimum issue of Ten pesos (Php10.00) each, the majority shares of which shall be subscribed and paid for by the national government and the LGUs embracing the Ilocos Sur Ecozone. The Board of Directors of the ISSEZA may, with the written concurrence of the Secretary of Finance, sell shares representing not more than forty *per centum* (40%) of the capital stock of the ISSEZA to the general public under such policy as the Board and the Secretary of Finance may determine. The national government and the LGUs shall in no case own less than sixty *per centum* (60%) of the total issued and outstanding capital of the ISSEZA.

The amount necessary to subscribe and pay for the shares of the national government to the capital stock of the ISSEZA shall be included in the General Appropriations Act. For the LGUs concerned, the funds shall be taken from their internal revenue allotment and other local funds.

SEC. 8. Principal Office of the ISSEZA. – The ISSEZA shall maintain its principal office in the Municipality of Cabugao, Province of Ilocos Sur, but it may establish liaison offices within the Philippines as may be necessary for the proper conduct of its business.

SEC. 9. Powers and Functions of the ISSEZA. – The ISSEZA shall have the following powers and functions:

- a) To operate, administer, manage, and develop the Ilocos Sur Ecozone according to

1 the principles and provisions set forth in this Act;

2

3 b) To register, regulate, and supervise the enterprises in the Ilocos Sur Ecozone in an
4 efficient and decentralized manner, subject to existing laws;

5

6 c) To coordinate with LGUs and exercise general supervision over the development
7 plans, activities, and operations of the Ilocos Sur Ecozone;

8

9 d) To regulate and undertake the establishment, construction, operation, and
10 maintenance of public utilities, other services, and infrastructure in the Ilocos Sur
11 Ecozone such as light and power, shipping, barging, stevedoring, cargo handling,
12 hauling, warehousing, storage of cargo, port services or concessions, piers,
13 wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
14 telecommunications, transport, bridges, terminals, conveyors, water supply and
15 storage, sewerage, drainage, airport operations in coordination with the Civil Aviation
16 Authority of the Philippines, and such other services or concessions or infrastructure
17 necessary or incidental to the accomplishment of the objectives of this Act;

18

19 e) To construct, acquire, own, lease, operate, and maintain on its own or through
20 contracts, franchise, licenses, bulk purchase from the private sector or permits under
21 any of the schemes allowed in Republic Act No. 6957, otherwise known as the "Build-
22 Operate-Transfer Law", as amended, or joint venture, adequate facilities and
23 infrastructure required or needed for the operation and development of the Ilocos
24 Sur Ecozone, in coordination with appropriate national and local government
25 authorities and in conformity with applicable laws thereon;

26

27 f) To approve plans, programs, and projects of the Ilocos Sur Ecozone to be submitted
28 to the Regional Development Council for inclusion in the regional development plan;

29

30 g) To operate on its own, either directly or through licenses to others, tourism-related
31 activities, including games, amusements, recreational and sports facilities, subject
32 to the approval and supervision of the Philippine Amusement and Gaming
33 Corporation;

34

35 h) To raise or borrow, within the limitation provided by law, and subject to the approval
36 of the Monetary Board of the *Bangko Sentral ng Pilipinas* (BSP), as the case may
37 be, adequate and necessary funds from local or foreign sources, to finance its

1 projects and programs under this Act and for this purpose, to issue bonds,
2 promissory notes, and other forms of securities, and to secure the same by a
3 guarantee, pledge, mortgage, deed of trust or an assignment of all or part of its
4 property or assets;

5
6 i) To protect, preserve, maintain, and develop the forests, beaches, corals and coral
7 reefs, and maintain ecological balance within the Ilocos Sur Ecozone.
8 Notwithstanding the power of the ISSEZA to create rules for such purpose, the rules
9 and regulations of the Department of Environment and Natural Resources and other
10 government agencies involved in the above functions shall be implemented by the
11 ISSEZA;

12
13 j) To create, operate or contract to operate such functional units or offices of the
14 ISSEZA as it may deem necessary;

15
16 k) To adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own or
17 otherwise dispose of personal or real property of whatever nature; sue and be sued;
18 and otherwise carry out its functions and duties as provided for in this Act;

19
20 l) To issue certificates of origin for products manufactured or processed in the Ilocos
21 Sur Ecozone in accordance with prevailing rules of origin and the pertinent
22 regulations of the PEZA, the DTI, and the Department of Finance (DOF);

23
24 m) To establish one-stop shops for the issuance of all necessary permits, clearances,
25 licenses, and other similar certifications to conduct such activities intended to
26 improve the ease of doing business within the Ilocos Sur Ecozone, in coordination
27 with government agencies having jurisdiction over activities therein: *Provided, That*
28 *all government agencies are directed to provide and extend utmost and full*
29 *cooperation to the ISSEZA in the establishment of such one-stop shops;*

30
31 n) To ensure that the area covered by the Ilocos Sur Ecozone is secure at all times:
32 *Provided, That the Armed Forces of the Philippines (AFP) or the Philippine National*
33 *Police (PNP) shall not interfere in the internal affairs of the ISSEZA except to provide*
34 *the necessary security and defense, or law enforcement assistance, as the case*
35 *may be: Provided, finally, That expenses of the AFP or the PNP in the Ilocos Sur*
36 *Ecozone shall be borne by the national government;*

- o) To exercise such powers as may be essential, necessary or incidental to the powers granted to it by this Act, as well as those that shall enable it to carry out, implement and accomplish the purposes, objectives, and policies of set forth in this Act; and
- p) To issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purposes, objectives, and policies provided herein.

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

- a) A Chairperson, who shall at the same time be the administrator of the ISSEZA;
- b) A Vice-Chairperson who shall be elected from among the members of the Board of Directors;
- c) Members consisting of:
 - 1) The Governor of the Province of Ilocos Sur or a duly-authorized representative from the Provincial Government of Ilocos Sur;
 - 2) One (1) of the mayors of the municipalities covered by the ecozone;
 - 3) One (1) representative from the investors' group; and
 - 4) One (1) representative from among the workers in the Ilocos Sur Ecozone.

The Governor or the Governor's duly authorized representative and the mayors of the municipalities within the ecozone shall serve as *ex officio* members of the Board, whose terms in the Board shall correspond to their terms as elected officials.

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

1 The members of the Board, except the *ex officio* members, shall each receive *per*
2 *diem* allowance at rates to be determined by the Department of Budget and Management
3 in accordance with existing rules and regulations: *Provided, however,* That the total *per*
4 *diem* allowance collected each month shall not exceed the equivalent of four (4) meetings
5 unless and until the President of the Philippines has fixed a higher rate for the *per diem*
6 allowance for the members of the Board, such allowance shall not be more than Ten
7 thousand pesos (Php10,000.00) for every Board meeting.

8
9 **SEC. 11. *Organization and Personnel.*** – The Board of Directors of the ISSEZA
10 shall provide for its organization and staff. The Board shall appoint and fix the
11 remuneration and other emoluments of its officers and employees in accordance with
12 existing laws on compensation and position classification. The Board shall have exclusive
13 and final authority to promote, transfer, assign, reassign, or remove officers of the ISSEZA,
14 any provision of existing law to the contrary notwithstanding. The Chairperson-
15 Administrator shall execute the decisions of the Board.

16
17 The officers and employees of the ISSEZA, including all members of the Board,
18 shall not engage directly or indirectly in partisan activities nor take part in any election,
19 except to vote.

20
21 No officer or employee of the ISSEZA, shall be removed or suspended except for
22 cause, as provided by civil service rules and regulations.

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

- 25
26 a) To direct and manage the affairs of the ISSEZA in accordance with the policies of
27 the Board;
28
29 b) To establish the internal organization of the ISSEZA under such conditions that the
30 Board may prescribe;
31
32 c) To submit an annual budget and necessary supplemental budget to the Board for
33 its approval;

- 1 d) To submit within thirty (30) days after the close of each fiscal year an annual report
2 to the Board and such other reports as may be required;
3
- 4 e) To submit to the Board for its approval, policies, systems, procedures, rules, and
5 regulations that are essential to the operation of the Ilocos Sur Ecozone;
6
- 7 f) To recommend to the Board the remuneration and other emoluments of its officers
8 and employees in accordance with existing laws on compensation and position
9 classification;
10
- 11 g) To create a mechanism in coordination with relevant agencies for the promotion of
12 industrial peace, the protection of the environment, and the advancement of the
13 quality of life in the Ilocos Sur Ecozone; and
14
- 15 h) To perform such other duties as may be assigned by the Board or which are
16 necessary or incidental to the office.
17

18 **SEC. 13. *Legal Counsel.*** – The ISSEZA shall have its own internal legal counsel
19 who shall be under the supervision of the Government Corporate Counsel. When the
20 exigencies of business and operations demand it, the ISSEZA may engage the services
21 of an outside counsel either on a case to case or on a fixed retainer basis.
22

23 **CHAPTER III**

24 **INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS**

25

26 **SEC. 14. *Investors Visa.*** – Any foreign national who invests an amount of Two
27 hundred thousand US dollars (US\$200,000.00) in a registered enterprise, either in cash
28 or equipment, shall be entitled to an investor's visa: *Provided*, That the foreign national
29 has the following qualifications:
30

- 31 a) Must be at least eighteen (18) years of age;
32 b) Must not have been convicted by final judgment of a crime involving moral turpitude;
33 c) Must not be afflicted with any dangerous or contagious disease;
34 d) Must not have been confined in an institution for any mental disorder or disability;
35 and
36 e) Must be financially capable as borne out by credible and verifiable evidence.

1 With an investor's visa, an alien shall be entitled to reside in the Philippines while
2 the investment subsists. The alien investor shall submit an annual report, in the form duly
3 prescribed for the purpose, to prove that the investment in the country subsists. Should
4 said alien investor withdraw the investments from the Philippines, then the investor's visa
5 issued to said alien shall automatically expire and be withdrawn.

6
7 The authority to issue visas and work permits shall remain with the Bureau of
8 Immigration (BI) and the Department of Labor and Employment (DOLE), respectively:
9 *Provided*, That the BI and the DOLE shall implement measures to expedite the processing
10 of such visas and permits for workers in the Ilocos Sur Ecozone and coordinate closely
11 with the ISSEZA to facilitate the conduct of business operations.

12
13 **SEC. 15. *Fiscal Incentives.*** – Registered enterprises of the Ilocos Sur Ecozone
14 may be entitled to pertinent fiscal incentives granted under Title XIII (Tax Incentives) of
15 the National Internal Revenue Code, as amended.

16
17 **SEC. 16. *Banking Rules and Regulations.*** – Banks and financial institutions to
18 be established in the Ilocos Sur Ecozone shall be under the supervision of the BSP and
19 subject to existing banking laws, rules and regulations.

20
21 **SEC. 17. *Remittances.*** – In the case of foreign investments, a duly registered
22 entity or enterprise within the Ilocos Sur Ecozone shall have the right to remit earnings to
23 its investors in the currency in which the investment was originally made and at the
24 exchange rate prevailing at the time of remittance, subject to the provisions of Republic
25 Act No. 7653, otherwise known as the “New Central Bank Act” as amended.

26
27 **CHAPTER IV**
28 **NATIONAL GOVERNMENT AND OTHER ENTITIES**
29

30 **SEC. 18. *Supervision and Control.*** – For purposes of policy direction and
31 coordination, the ISSEZA shall be under the direct control and supervision of the Office of
32 the President of the Philippines.

33
34 **SEC. 19. *Relationship with Local Government Units.*** – Except as herein
35 provided, the LGUs comprising the Ilocos Sur Ecozone shall retain their basic autonomy
36 and identity. The Municipalities of San Juan and Cabugao, Province of Ilocos Sur, shall

1 operate and function in accordance with the framework of the Constitution, the Local
2 Government Code of 1991, as amended, and this Act.

3
4 In case of any conflict among the ISSEZA, the LGUs and the national government
5 on matters affecting the Ilocos Sur Ecozone, other than national defense and security
6 matters, the decision of the ISSEZA shall prevail.

7
8 **SEC. 20. *Audit.*** – The Commission on Audit shall appoint a full-time auditor for the
9 ISSEZA and may assign such number of personnel as may be necessary to assist the
10 auditor in the performance of the auditor's functions.

11
12 **CHAPTER V**
13 **MISCELLANEOUS**

14
15 **SEC. 21. *Interpretation and Construction.*** – The powers, authorities and
16 functions that are vested in the ISSEZA are intended to establish national self-sufficiency
17 and self-reliance in the advancement of and protection of the national integrity,
18 enhancement of national security, decentralization of governmental functions and
19 authority, and promotion of an efficient and effective working relationship among the
20 ISSEZA, the national government and the LGUs. Any interpretation of this Act shall
21 consider such intentions. In the event of conflict of interpretation and provided the
22 intentions cannot be harmonized, the provisions of this Act shall be construed in favor of
23 an interpretation that shall protect national security.

24
25 **SEC. 22. *Applicability Clause.*** – Insofar as they are consistent with the
26 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
27 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise
28 apply to the Ilocos Sur Ecozone.

29
30 **SEC. 23. *Implementing Rules and Regulations.*** – Within sixty (60) days from
31 effectivity of this Act, the DTI shall, in coordination with the DOF and the National
32 Economic and Development Authority, formulate rules and regulations for the effective
33 implementation of the provisions of this Act.

34
35 **SEC. 24. *Separability Clause.*** – If any provision of this Act shall be held
36 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
37 force and effect.

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

3

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

Approved,