



HOUSE OF REPRESENTATIVES

H. No. 10233

BY REPRESENTATIVES SALIMBANGON, GARIN (S.), TIANGCO, SALCEDA, YAP (E.), GATCHALIAN, VERGARA, HARESCO, CUA, NOGRALES (J.J.), SUANSING (E.), BENITEZ, ALBANO (A.), AUMENTADO, DE JESUS, CHATTO, QUIMBO, DEL MAR, ESPINA, SANGCOPAN, GORRICETA, PADIERNOS, TAN (A.S.), BARONDA, GO (M.), SUNTAY, REYES, COLLANTES, BABASA, ZUBIRI, BIRON, SINGSON-MEEHAN, GARCIA (J.E.), CASTRO (F.L.), VILLAR, ALVAREZ (F.), OUANO-DIZON, TY (A.), DUAVIT, CAMPOS, SAGARBARRIA, LOPEZ, CUEVA, REVILLA, KHO (E.), OLIVAREZ, MARTINEZ, MATUGAS, PACQUIAO (R.), PANOTES, CALIXTO, ESPINO, GARBIN, UNABIA, VILLA, BAÑAS-NOGRALES, CANAMA, MERCADO, TAN-TAMBU, BORDADO, TAN (A.), TAMBUNTING, MANGAOANG, RODRIGUEZ, CRISOLOGO, NIETO, VIOLAGO, DAGOOC, DELOSO-MONTALLA, ONG (J.), GERON, FUENTEBELLA, SUANSING (H.), ONG (R.), ESCUDERO, ARENAS, BASCUG AND LEGARDA, PER COMMITTEE REPORT NO. 1226

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:

1

CHAPTER I

2

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Cebu Fourth District 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 legitimate and productive foreign investments in strategic locations in the country. It shall generate employment, enhance productivity, and increase individual and family incomes, thereby enhancing the quality of life of the Filipino people.

CHAPTER II

CREATION OF THE ECONOMIC ZONE

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

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

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

- a) Within the framework and limitations of the Constitution and applicable provisions of Republic Act. No. 7160, or the Local Government Code, as amended, the Cebu

Fourth District Ecozone shall be developed into and operated as a decentralized, self-reliant and self-sustaining industrial, commercial, trading, agro-industrial, tourist, banking, financial, and investment center with suitable residential areas;

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

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

d) Foreign citizens and companies owned by non-Filipinos in whatever proportion may set up enterprises in the Cebu Fourth District Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Cebu Fourth District Ecozone;

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

f) The areas comprising the Cebu Fourth District Ecozone may be expanded or reduced when necessary through a presidential proclamation issued for the said purpose. For this purpose, the CFDEZA, in consultation with the LGU, shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Cebu Fourth District Ecozone for the following purposes: (1) consolidation of lands for zone development; (2) acquisition of right of way to the Cebu Fourth District Ecozone; and (3) the protection of watershed areas

1 and natural assets valuable to the prosperity of the Cebu Fourth District Ecozone;

2
3 g) Goods manufactured by a Cebu Fourth District Ecozone enterprise may be made
4 available for immediate retail sale in the domestic market, subject to the payment of
5 corresponding taxes on raw materials and other regulations that may be formulated
6 by the CFDEZA, in coordination with the PEZA, the Bureau of Customs, the Bureau
7 of Internal Revenue, and the DTI. However, in order to protect domestic industries,
8 a Negative List of industries shall be drawn up and regularly updated by the PEZA.
9 Enterprises engaged in industries included in such Negative List shall not be allowed
10 to sell their products locally; and

11
12 h) The defense and security of the Cebu Fourth District Ecozone and its perimeter shall
13 be the responsibility of the national government, in coordination with the CFDEZA
14 and the concerned LGU.
15

16 **SEC. 6. *Development Goals of the Cebu Fourth District Ecozone.*** – The
17 CFDEZA shall determine the development goals of the Cebu Fourth District Ecozone
18 within the framework of national development plans, policies, and goals. The Chairperson-
19 Administrator shall, upon approval by the Board of CFDEZA, submit the plans, programs,
20 and projects of the Cebu Fourth District Ecozone to the Regional Development Council for
21 inclusion in the regional development plan.
22

23 **SEC. 7. *Capitalization.*** – The CFDEZA shall have an authorized capital stock of
24 two billion (2,000,000,000.00) no par shares with a minimum issue of Ten pesos
25 (Php10.00) each, the majority shares of which shall be subscribed and paid for by the
26 national government and the LGU embracing the Cebu Fourth District Ecozone. The
27 Board of Directors of the CFDEZA may, with the written concurrence of the Secretary of
28 Finance, sell shares representing not more than forty *per centum* (40%) of the capital stock
29 of the CFDEZA to the general public under such policy as the Board and the Secretary of
30 Finance may determine. The national government and the LGU of the Municipality of
31 Medellin shall in no case own less than sixty *per centum* (60%) of the total issued and
32 outstanding capital of the CFDEZA.
33

34 The amount necessary to subscribe and pay for the shares of the national
35 government to the capital stock of the CFDEZA shall be included in the General
36 Appropriations Act. For the LGU of the Municipality of Medellin, the funds shall be taken
37 from their internal revenue allotment and other local funds.

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

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

- 8 a) To operate, administer, manage, and develop the Cebu Fourth District Ecozone
9 according to the principles and provisions set forth in this Act;
10
- 11 b) To register, regulate, and supervise the enterprises in the Cebu Fourth District
12 Ecozone in an efficient and decentralized manner, subject to existing laws;
13
- 14 c) To coordinate with the LGU and exercise general supervision over the development
15 plans, activities, and operations of the Cebu Fourth District Ecozone;
16
- 17 d) To regulate and undertake the establishment, construction, operation, and
18 maintenance of public utilities, other services, and infrastructures in the Cebu Fourth
19 District Ecozone such as light and power, shipping, barging, stevedoring, cargo
20 handling, hauling, warehousing, storage of cargo, port services or concessions,
21 piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads,
22 telecommunications, transport, bridges, terminals, conveyors, water supply and
23 storage, sewerage, drainage, and airport operations, in coordination with the Civil
24 Aviation Authority of the Philippines, and such other services or concessions or
25 infrastructure necessary or incidental to the accomplishment of the objectives of this
26 Act;
27
- 28 e) To construct, acquire, own, lease, operate, and maintain on its own or through
29 contracts, franchise, licenses, bulk purchase from the private sector or permits under
30 any of the schemes allowed in Republic Act No. 6957, otherwise known as the “Build-
31 Operate-Transfer Law”, as amended, or joint venture, adequate facilities and
32 infrastructure required or needed for the operation and development of the Cebu
33 Fourth District Ecozone, in coordination with appropriate national and local
34 government authorities and in conformity with applicable laws;
35
- 36 f) To approve plans, programs, and projects of the Cebu Fourth District Ecozone to be

submitted to the Regional Development Council for inclusion in the regional development plan;

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

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

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

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

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

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

m) To establish one-stop shops for the issuance of all necessary permits, clearances, licenses, and other similar certifications to conduct such activities intended to improve the ease of doing business within the Cebu Fourth District Ecozone, in

1 coordination with government agencies having jurisdiction over activities therein:
2 *Provided*, That all government agencies are directed to provide and extend utmost
3 and full cooperation to the CFDEZA in the establishment of such one-stop shops;
4

5 n) To ensure that the area covered by the Cebu Fourth District Ecozone is secure at all
6 times: *Provided*, That the Armed Forces of the Philippines (AFP) or the Philippine
7 National Police (PNP) shall not interfere in the internal affairs of the CFDEZA except
8 to provide the necessary security and defense, or law enforcement assistance, as
9 the case may be: *Provided, finally*, That expenses of the AFP or the PNP in the Cebu
10 Fourth District Ecozone shall be borne by the national government;
11

12 o) To exercise such powers as may be essential, necessary or incidental to the powers
13 granted to it by this Act, as well as those that shall enable it to carry out, implement
14 and accomplish the purposes, objectives, and policies set forth in this Act; and
15

16 p) To issue rules and regulations consistent with the provisions of this Act as may be
17 necessary to accomplish and implement the purposes, objectives, and policies
18 provided herein.
19

20 **SEC. 10. Board of Directors of the CFDEZA.** – The powers of the CFDEZA shall
21 be vested in and exercised by a Board of Directors, hereinafter referred to as the Board,
22 which shall be composed of the following:
23

- 24 a) A Chairperson, who shall at the same time be the administrator of the CFDEZA;
25 b) A Vice-Chairperson who shall be elected from among the members of the Board of
26 Directors;
27 c) Members consisting of:
28 1) The Governor of the Province of Cebu or a duly-authorized representative from
29 the Provincial Government of Cebu;
30 2) The mayor of the Municipality of Medellin;
31 3) One (1) representative from the investors' group; and
32 4) One (1) representative from among the workers in the Cebu Fourth District
33 Ecozone.
34

35 The Governor or the Governor's duly authorized representative and the mayor of
36 the Municipality of Medellin shall serve as *ex officio* members of the Board, whose terms
37 in the Board shall correspond to their terms as elected officials.

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

12
13 The members of the Board, except the *ex officio* members, shall each receive a
14 *per diem* allowance at rates to be determined by the Department of Budget and
15 Management in accordance with existing rules and regulations: *Provided, however,* That
16 the total *per diem* allowance collected each month shall not exceed the equivalent of four
17 (4) meetings. Unless and until the President of the Philippines fixes a higher rate for the
18 *per diem* allowance of the members of the Board, such allowance shall not be more than
19 Ten thousand pesos (Php10,000.00) for every Board meeting.

20
21 **SEC. 11. Organization and Personnel.** – The Board of Directors of the CFDEZA
22 shall provide for its organization and staff. The Board shall appoint and fix the
23 remuneration and other emoluments of its officers and employees in accordance with
24 existing laws on compensation and position classification. The Board shall have exclusive
25 and final authority to promote, transfer, assign, reassign, or remove officers of the
26 CFDEZA, any provision of existing law to the contrary notwithstanding. The Chairperson-
27 Administrator shall execute the decisions of the Board.

28
29 The officers and employees of the CFDEZA, including all members of the Board,
30 shall not engage directly or indirectly in partisan activities nor take part in any election,
31 except to vote.

32
33 No officer or employee of the CFDEZA shall be removed or suspended except for
34 cause, as provided for by civil service rules and regulations.

35
36 **SEC. 12. Powers and Duties of the Chairperson-Administrator.** – The

1 Chairperson-Administrator shall have the following powers and duties:

- 2
- 3 a) To direct and manage the affairs of the CFDEZA in accordance with the policies of
- 4 the Board;
- 5
- 6 b) To establish the internal organization of the CFDEZA under such conditions that
- 7 the Board may prescribe;
- 8
- 9 c) To submit an annual budget and necessary supplemental budget to the Board for
- 10 its approval;
- 11
- 12 d) To submit within thirty (30) days after the close of each fiscal year an annual report
- 13 to the Board and such other reports as may be required;
- 14
- 15 e) To submit to the Board for its approval, policies, systems, procedures, rules, and
- 16 regulations that are essential to the operation of the Cebu Fourth District Ecozone;
- 17
- 18 f) To recommend to the Board the remuneration and other emoluments of its officers
- 19 and employees in accordance with existing laws on compensation and position
- 20 classification;
- 21
- 22 g) To create a mechanism in coordination with relevant agencies for the promotion of
- 23 industrial peace, the protection of the environment, and the advancement of the
- 24 quality of life in the Cebu Fourth District Ecozone; and
- 25
- 26 h) To perform such other duties as may be assigned by the Board or which are
- 27 necessary or incidental to the office.
- 28

29 **SEC. 13. *Legal Counsel.*** – The CFDEZA shall have its own internal legal counsel
30 who shall be under the supervision of the Government Corporate Counsel. When the
31 exigencies of business and operations demand it, the CFDEZA may engage the services
32 of an outside counsel either on a case-to-case basis or on a fixed retainer basis.

34 **CHAPTER III**

35 **INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS**

36

37 **SEC. 14. *Investor's Visa.*** – Any foreign national who invests an amount of Two

1 hundred thousand US dollars (US\$200,000.00) in a registered enterprise, either in cash
2 or equipment, shall be entitled to an investor's visa: *Provided*, That the foreign national
3 has the following qualifications:

- 4
- 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 turpitude;
 - 7 c) Must not be afflicted with any dangerous or contagious disease;
 - 8 d) Must not have been confined in an institution for any mental disorder or disability;
 - 9 and
 - 10 e) Must be financially capable as borne out by credible and verifiable evidence.
- 11

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

17

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

23

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

27

28 **SEC. 16. *Banking Rules and Regulations Governing Banks and Other***
29 ***Financial Institutions.*** – Banks and other BSP-supervised financial institutions to be
30 established in the Cebu Fourth District Ecozone shall be under the supervision of the BSP
31 and subject to existing banking laws, rules and regulations.

32

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

1
2
3
4
5
6
7
8
9
10
11
12
13
14
15
16
17
18
19
20
21
22
23

CHAPTER IV
NATIONAL GOVERNMENT AND OTHER ENTITIES

24
25
26
27
28
29
30
31
32
33

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

34
35

SEC. 19. *Relationship with the Local Government Unit.* – Except as herein provided, the LGU of the Municipality of Medellin shall retain its basic autonomy and identity. It shall operate and function in accordance with the framework of the Constitution, the Local Government Code of 1991, as amended, and this Act.

In case of any conflict among the CFDEZA, the LGU and the national government on matters affecting the Cebu Fourth District Ecozone, other than national defense and security matters, the decision of the CFDEZA shall prevail.

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

36
37
38
39
40
41
42
43
44
45
46
47
48
49
50
51
52
53
54
55

CHAPTER V
MISCELLANEOUS

SEC. 21. *Interpretation and Construction.* – The powers, authorities and functions that are vested in the CFDEZA are intended to enhance national security, encourage self-sufficiency, foster meaningful decentralization of government functions and authority, and promote the efficient and effective collaboration among the CFDEZA, the national government and the LGU of the Municipality of Medellin. Any interpretation of this Act shall consider such intentions. In the event of conflict of interpretation and provided the intentions cannot be harmonized, the provisions of this Act shall be construed in favor of an interpretation that shall protect national security.

SEC. 22. *Applicability Clause.* – Insofar as they are consistent with the provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,

1 otherwise known as “The Special Economic Zone Act of 1995”, as amended, shall likewise
2 apply to the Cebu Fourth District Ecozone.

3
4 **SEC. 23. *Implementing Rules and Regulations.*** – Within sixty (60) days from
5 effectivity of this Act, the DTI shall, in coordination with the DOF and the National
6 Economic and Development Authority, formulate rules and regulations for the effective
7 implementation of the provisions of this Act.

8
9 **SEC. 24. *Separability Clause.*** – If any provision of this Act shall be held
10 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
11 force and effect.

12
13 **SEC. 25. *Repealing Clause.*** – All laws, executive orders or issuances or any part
14 thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

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

Approved,