



HOUSE OF REPRESENTATIVES

H. No. 10255

BY REPRESENTATIVES RAMIREZ-SATO, 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. 1239

AN ACT

ESTABLISHING A SPECIAL ECONOMIC ZONE IN THE MUNICIPALITY OF PALUAN, PROVINCE OF OCCIDENTAL MINDORO, CREATING FOR THE PURPOSE THE PALUAN 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 1

2

GENERAL PROVISIONS

SECTION 1. *Short Title.* – This Act shall be known as the “Paluan 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 Paluan Special Economic Zone.* – In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of the Province of Occidental Mindoro, there is hereby established a special economic zone, hereinafter referred to as the Paluan Special Economic Zone or Paluan Ecozone. The Paluan Ecozone shall cover a particular area located in the Municipality of Paluan, Province of Occidental Mindoro, 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 Paluan Special Economic Zone Authority.* – There is hereby created a body corporate to be known as the Paluan Special Economic Zone Authority, hereinafter referred to as the PSEZA, which shall manage and operate the Paluan Ecozone, in accordance with the provisions of this Act. The corporate life of the PSEZA 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 PSEZA shall manage and operate the Paluan 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 Paluan

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 Paluan 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 Paluan, Province of Occidental Mindoro and those in neighboring towns and cities;

c) The Paluan 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 Paluan Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce within the Paluan Ecozone;

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

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

9 h) The defense of the Paluan Ecozone and the security of its perimeter fence shall be
10 the responsibility of the national government in coordination with the PSEZA and the
11 concerned LGUs.
12

13 **SEC. 6. *Development Goals of the Paluan Ecozone.*** – The PSEZA shall
14 determine the development goals of the Paluan Ecozone within the framework of national
15 development plans, policies, and goals. The Chairperson-Administrator shall, upon
16 approval by the Board of the PSEZA, submit the Paluan Ecozone plans, programs, and
17 projects to the Regional Development Council for inclusion in the regional development
18 plan.
19

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

30 The amount necessary to subscribe and pay for the shares of the national
31 government to the capital stock of the PSEZA shall be included in the General
32 Appropriations Act. For the LGUs concerned, the funds shall be taken from their internal
33 revenue allotment and other local funds.
34

35 **SEC. 8. *Principal Office of the PSEZA.*** – The PSEZA shall maintain its principal
36 office in the Municipality of Paluan, Province of Occidental Mindoro, 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 PSEZA. – The PSEZA shall have the following powers and functions:

- a) To operate, administer, manage, and develop the Paluan Ecozone according to the principles and provisions set forth in this Act;
- b) To register, regulate, and supervise the enterprises in the Paluan Ecozone in an efficient and decentralized manner, subject to existing laws;
- c) To coordinate with LGUs and exercise general supervision over the development plans, activities, and operations of the Paluan Ecozone;
- d) To regulate and undertake the establishment, construction, operation, and maintenance of public utilities, other services, and infrastructure in the Paluan Ecozone such as light and power, shipping, barging, stevedoring, cargo handling, hauling, warehousing, storage of cargo, port services or concessions, piers, wharves, bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications, transport, bridges, terminals, conveyors, water supply and storage, sewerage, drainage, airport operations in coordination with the Civil Aviation Authority of the Philippines, and such other services or concessions or infrastructure necessary or incidental to the accomplishment of the objectives of this Act;
- e) To construct, acquire, own, lease, operate, and maintain on its own or through contracts, franchise, licenses, bulk purchase from the private sector or permits under any of the schemes allowed in Republic Act No. 6957, otherwise known as the “Build-Operate-Transfer Law”, as amended, or joint venture, adequate facilities and infrastructure required or needed for the operation and development of the Paluan Ecozone, in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
- f) To approve plans, programs, and projects of the Paluan 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 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 Paluan Ecozone. Notwithstanding the power of the PSEZA 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 PSEZA;

j) To create, operate or contract to operate such functional units or offices of the PSEZA 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 Paluan 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 Paluan Ecozone, in coordination with government agencies having jurisdiction over activities therein: *Provided, That* all government agencies are directed to provide and extend utmost and full cooperation to the PSEZA in the establishment of such one-stop shops;

n) To ensure that the area covered by the Paluan Ecozone is secure at all times:

1 *Provided*, That the Armed Forces of the Philippines (AFP) or the Philippine National
2 Police (PNP) shall not interfere in the internal affairs of the PSEZA except to provide
3 the necessary security and defense, or law enforcement assistance, as the case
4 may be: *Provided, finally*, That expenses of the AFP or the PNP in the Paluan
5 Ecozone shall be borne by the national government;

- 6
- 7 o) To exercise such powers as may be essential, necessary or incidental to the powers
8 granted to it by this Act, as well as those that shall enable it to carry out, implement
9 and accomplish the purposes, objectives, and policies set forth in this Act; and
- 10
- 11 p) To issue rules and regulations consistent with the provisions of this Act as may be
12 necessary to accomplish and implement the purposes, objectives, and policies
13 provided herein.
- 14

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

18

- 19 a) A Chairperson, who shall at the same time be the administrator of the PSEZA;
- 20 b) A Vice-Chairperson who shall be elected from among the members of the Board of
21 Directors;
- 22 c) Members consisting of:
- 23 1) The Governor of the Province of Occidental Mindoro or a duly-authorized
24 representative from the Provincial Government of Occidental Mindoro;
- 25 2) One (1) of the mayors of the municipalities covered by the ecozone;
- 26 3) One (1) representative from the investors' group; and
- 27 4) One (1) representative from among the workers in the Paluan Ecozone.
- 28

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

32

33 The Chairperson-Administrator and the members of the Board, except for the
34 representatives of the investors and workers groups and the *ex officio* members, shall be
35 appointed by the President of the Philippines to serve for a term of six (6) years, unless
36 sooner separated from service due to death, voluntary resignation or removal for cause.
37 In case of death, resignation or removal for cause, their replacements shall serve only the

1 unexpired portion of the respective terms. No person shall be appointed as a member of
2 the Board unless the person is a Filipino citizen, of good moral character, of proven probity
3 and integrity, and a degree holder in any of the following fields: economics, business,
4 public administration, law, management or their equivalent, and with at least ten (10) years
5 relevant working experience, preferably in the field of management or public
6 administration.

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

15
16 **SEC. 11. Organization and Personnel.** – The Board of Directors of the PSEZA
17 shall provide for its organization and staff. The Board shall appoint and fix the
18 remuneration and other emoluments of its officers and employees in accordance with
19 existing laws on compensation and position classification. The Board shall have exclusive
20 and final authority to promote, transfer, assign, reassign, or remove officers of the PSEZA,
21 any provision of existing law to the contrary notwithstanding. The Chairperson-
22 Administrator shall execute the decisions of the Board.

23
24 The officers and employees of the PSEZA, including all members of the Board,
25 shall not engage directly or indirectly in partisan activities nor take part in any election,
26 except to vote.

27
28 No officer or employee of the PSEZA, shall be removed or suspended except for
29 cause, as provided by civil service rules and regulations.

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

- 32
33 a) To direct and manage the affairs of the PSEZA in accordance with the policies of
34 the Board;

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

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

29 **CHAPTER III**

30 **INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS**

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32 **SEC. 14. *Investors Visa.*** – Any foreign national who invests an amount of Two
33 hundred thousand US dollars (US\$200,000.00) in a registered enterprise, either in cash
34 or equipment, shall be entitled to an investor's visa: *Provided*, That the foreign national
35 has the following qualifications:
36

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

- b) Must not have been convicted by final judgment of a crime involving moral turpitude;
- c) Must not be afflicted with any dangerous or contagious disease;
- d) Must not have been confined in an institution for any mental disorder or disability;
and
- e) Must be financially capable as borne out by credible and verifiable evidence.

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

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

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

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

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

CHAPTER IV NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 18. *Supervision and Control.* – For purposes of policy direction and

1 coordination, the PSEZA shall be under the direct control and supervision of the Office of
2 the President of the Philippines.

3
4 **SEC. 19. *Relationship with Local Government Units.*** – Except as herein
5 provided, the LGUs comprising the Paluan Ecozone shall retain their basic autonomy and
6 identity. The Municipality of Paluan, Province of Occidental Mindoro, shall operate and
7 function in accordance with the framework of the Constitution, the Local Government Code
8 of 1991, as amended, and this Act.

9
10 In case of any conflict among the PSEZA, the LGUs and the national government
11 on matters affecting the Paluan Ecozone, other than national defense and security
12 matters, the decision of the PSEZA shall prevail.

13
14 **SEC. 20. *Audit.*** –The Commission on Audit shall appoint a full-time auditor for the
15 PSEZA and may assign such number of personnel as may be necessary in the
16 performance of the auditor's functions.

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

30
31 **SEC. 22. *Applicability Clause.*** – Insofar as they are consistent with the
32 provisions of this Act, the provisions of Sections 30 to 41 of Republic Act No. 7916,
33 otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise
34 apply to the Paluan Ecozone.

35
36 **SEC. 23. *Implementing Rules and Regulations.*** – Within sixty (60) days from
37 effectivity of this Act, the DTI shall, in coordination with the DOF and the National

1 Economic and Development Authority, formulate rules and regulations for the effective
2 implementation of the provisions of this Act.

3
4 **SEC. 24. *Separability Clause.*** – If any provision of this Act shall be held
5 unconstitutional or invalid, the other provisions not otherwise affected shall remain in full
6 force and effect.

7
8 **SEC. 25. *Repealing Clause.*** – All laws, executive orders or issuances or any part
9 thereof, which are inconsistent herewith, are hereby repealed or amended accordingly.

10
11 **SEC. 26. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
12 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,