



22 DEC -6 P12 :12

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

RECEIVED BY:

SENATE
S.B. No. 1599

Introduced by **SENATOR IMEE R. MARCOS**

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

EXPLANATORY NOTE

Article II, Section 20 of the 1987 Philippine Constitution provides that, *"The State recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to needed investments."*

The Philippines is seen as one of the most vibrant economies in the Southeast Asian region, and is expected to grow robustly in the coming years. Vital to its economic agenda is economic dynamism and competitiveness. Conversely, the country lags behind its peers in terms of inflows of foreign investments, which makes it harder to provide business opportunities and create job opportunities.

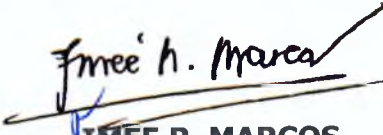
The increasing competitive environment of the global market merits the creation of economic zones. However, in order to reap the full benefits of economic zones, various parts of the country must be promoted as alternative areas for investments.

This bill seeks to establish a special economic zone which shall cover a particular area located in the Municipalities of San Juan and Cabugao, Province of Ilocos Sur, which shall be managed and operated by the Ilocos Sur Special Economic Zone Authority (ISSEZA). The creation of the Ilocos Sur Special Economic Zone is based on the idea that economic opportunities initiated by the government attract investments

and tourists, while generating employment. In turn, boosted productivity and increased income are expected to raise the quality of life of the local residents.

Moreover, the proposed Ilocos Sur Special Economic Zone will not only contribute to the development of the province, but also concomitantly contribute to regional and national development as the capital, technological, and knowledge spillovers of the ecozone will filter throughout the country, thereby helping attain the government's agenda of economic dynamism and competitiveness.

For the foregoing reasons, the passage of this bill is earnestly sought.


IMEE R. MARCOS



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

**CHAPTER I
GENERAL PROVISIONS**

1
2
3
4 **SECTION 1. *Short Title.*** – This Act shall be known as the "*Ilocos Sur Special*
5 *Economic Zone Act.*"

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

13
14 **CHAPTER II**
15 **CREATION OF THE ECONOMIC ZONE AND FREEPORT**

16
17 **SEC. 3. *Creation of the Ilocos Sur Special Economic Zone.*** – In
18 accordance with the foregoing declared policy and subject to the concurrence of the

1 concerned local government units (LGUs) of Ilocos Sur, there is hereby established a
2 special economic zone, hereinafter referred to as the Ilocos Sur Special Economic Zone
3 or Ilocos Sur Ecozone. The Ilocos Sur Ecozone shall cover a particular area located in
4 the Municipalities of San Juan and Cabugao, Province of Ilocos Sur, the specific metes
5 and bounds of which shall be more particularly defined in a presidential proclamation
6 that shall be issued for this purpose. *Provided,* That the lands embraced therein shall
7 be contiguous to one another.

8
9 **SEC. 4. Creation of the Ilocos Sur Special Economic Zone Authority. –**

10 There is hereby created a body corporate to be known as the Ilocos Sur Special
11 Economic Zone Authority, hereinafter referred to as the ISSEZA, which shall manage
12 and operate the Ilocos Sur Ecozone, in accordance with the provisions of this Act. The
13 corporate life of the ISSEZA shall expire in fifty (50) years, counted from the first year
14 after the effectivity of this Act, unless otherwise extended by Congress. It shall be
15 organized within one hundred eighty (180) days after the effectivity of this Act.

16
17 **SEC. 5. Governing Principles. –** The ISSEZA shall manage and operate the
18 Ilocos Sur Ecozone, under the following principles:

19
20 a) Within the framework and limitations of the Constitution and applicable
21 provisions of Republic Act No. 7160 or the Local Government Code, as amended, the
22 Ilocos Sur Ecozone shall be developed into and operated as a decentralized, self-reliant
23 and self-sustaining industrial, commercial, trading, agro-industrial, tourist, banking,
24 financial, and investment center with suitable residential areas;

25 b) The Ilocos Sur Ecozone shall be equipped with transportation,
26 telecommunications, and other facilities needed to attract legitimate and productive
27 investments, generate linkage industries and employment opportunities for the people
28 of the Municipalities of San Juan and Cabugao and those in neighboring towns and
29 cities;

30 c) The Ilocos Sur Ecozone may establish mutually beneficial economic relations
31 with other entities or enterprises within the country or, subject to the administrative
32 guidance of the Department of Foreign Affairs, the Philippine Economic Zone Authority
33 (PEZA), and the Department of Trade and Industry (DTI), with foreign entities or
34 enterprises;

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

1 e) The Ilocos Sur Ecozone shall be managed and operated as a separate customs
2 territory thereby ensuring the free flow or movement of goods and capital within, into,
3 and out of its territory, and shall likewise provide incentives such as tax and duty-free
4 importations of raw materials, capital and equipment to registered enterprises located
5 therein, as provided under Republic Act No. 11534, otherwise known as the "*Corporate*
6 *Recovery and Tax Incentives for Enterprises Act*";

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

15 g) Goods manufactured by Ilocos Sur Ecozone enterprise shall be made available
16 for immediate retail sale in the domestic market, subject to the payment of
17 corresponding taxes on raw materials and other regulations that may be formulated by
18 the ISSEZA together with the PEZA, the Bureau of Customs, the Bureau of Internal
19 Revenue, and the DTI. However, in order to protect domestic industries, a Negative
20 List of industries shall be drawn up and regularly updated by the PEZA. Enterprises
21 engaged in industries included in such Negative List shall not be allowed to sell their
22 products locally; and

23 h) The defense of the Ilocos Sur Ecozone and the security of its perimeter fence
24 shall be the responsibility of the National Government, in coordination with the ISSEZA
25 and the concerned LGUs.

26
27 **SEC. 6. *Development Goals of the Ilocos Sur Ecozone.*** – The ISSEZA shall
28 determine the development goals of the Ilocos Sur Ecozone within the framework of
29 national development plans, policies, and goals. The Chairperson-Administrator shall,
30 upon approval by the Board of the ISSEZA, submit the Ilocos Sur Ecozone plans,
31 programs, and projects to the Regional Development Council for inclusion in the
32 regional development plan.

33
34 **SEC. 7. *Capitalization.*** – The ISSEZA shall have an authorized capital stock of
35 two billion pesos (Php 2,000,000,000) no par shares with a minimum issue of Ten pesos
36 (Php10.00) each, the majority shares of which shall be subscribed and paid for by the
37 national government and the LGUs embracing the Ilocos Sur Ecozone. The Board of
38 Directors of the ISSEZA may, with the written concurrence of the Secretary of Finance,

1 sell shares representing not more than forty per centum (40%) of the capital stock of
2 the ISSEZA to the general public under such policy as the Board and the Secretary of
3 Finance may determine. The national government and the LGUs shall in no case own
4 less than sixty per centum (60%) of the total issued and outstanding capital of the
5 ISSEZA.

6
7 The amount necessary to subscribe and pay for the shares of the National
8 Government to the capital stock of the ISSEZA shall be included in the annual General
9 Appropriations Act. For the LGUs concerned, the funds shall be taken from their internal
10 revenue allotment and other local funds.

11
12 **SEC. 8. Principal Office of the ISSEZA.** – The ISSEZA shall maintain its
13 principal office in the Municipality of Cabugao, Province of Ilocos Sur, but it may
14 establish liaison offices within the Philippines as may be necessary for the proper
15 conduct of its business.

16
17 **SEC. 9. Powers and Functions of the ISSEZA.** – The ISSEZA shall have the
18 following powers and functions:

19 a) To operate, administer, manage and develop the Ilocos Sur Ecozone
20 according to the principles and provisions set forth in this Act,

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

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

25 d) To regulate and undertake the establishment, construction, operation, and
26 maintenance of public utilities, other services, and infrastructure in the Ilocos Sur
27 Ecozone such as light and power, shipping, barging, stevedoring, cargo handling,
28 hauling, warehousing, storage of cargo, port services or concessions, piers, wharves,
29 bulkheads, bulk terminals, mooring areas, storage areas, roads, telecommunications,
30 transport, bridges, terminals, conveyors, water supply and storage, sewerage,
31 drainage, airport operations in coordination with the Civil Aviation Authority of the
32 Philippines, and such other services or concessions or infrastructure necessary or
33 incidental to the accomplishment of the objectives of this Act;

34 e) To construct, acquire, own, lease, operate, and maintain on its own or
35 through contracts, franchise, licenses, bulk purchase from the private sector or permits
36 under any of the schemes allowed in Republic Act No. 6957, otherwise known as the
37 "Build-Operate-Transfer Law", as amended, or joint venture, adequate facilities and
38 infrastructure required or needed for the operation and development of the Ilocos Sur

1 Ecozone, in coordination with appropriate national and local government authorities
2 and in conformity with applicable laws thereon;

3 f) To approve plans, programs and projects of the Ilocos Sur Ecozone, to be
4 submitted to the Regional Development Council for inclusion and inputs to the overall
5 Regional Development Plan;

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

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

16 i) To protect, preserve, maintain, and develop the forests, beaches, corals and
17 coral reefs, and maintain ecological balance within the Ilocos Sur Ecozone.
18 Notwithstanding the power of the ISSEZA to create rules for such purpose, the rules
19 and regulations of the Department of Environment and Natural Resources and other
20 government agencies involved in the above functions shall be implemented by the
21 ISSEZA;

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

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

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

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

36 n) To ensure that the area covered by the Ilocos Sur Ecozone is secure at all
37 times: *Provided*, That the Armed Forces of the Philippines (AFP) or the Philippine
38 National Police (PNP) shall not interfere in the internal affairs of the ISSEZA except to

1 provide the necessary security and defense, or law enforcement assistance, as the case
2 may be: *Provided, finally*, That expenses of the AFP or the PNP in the Ilocos Sur Ecozone
3 shall be borne by the national government;

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

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

11
12 **SEC. 10. Board of Directors of the ISSEZA.** – The powers of the ISSEZA
13 shall be vested in and exercised by a Board of Directors, hereinafter referred to as the
14 Board, which shall be composed of the following:

15
16 a) A Chairperson, who shall at the same time be the administrator of the ISSEZA;
17 b) A Vice-Chairperson who shall be elected from among the members of the
18 Board of Directors;

19 c) Members consisting of:

20 1) The Governor of the Province of Ilocos Sur or a duly-authorized
21 representative from the Provincial Government of Ilocos Sur;

22 2) One (1) of the mayors of the municipalities covered by the ecozone;

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

24 4) One (1) representative from among the workers in the Ilocos Sur
25 Ecozone.

26
27 The Governor or the Governor's duly authorized representative and the mayors
28 of the municipalities within the ecozone shall serve as *ex officio* members of the Board,
29 whose terms in the Board shall correspond to their terms as elected officials.

30
31 The Chairperson-Administrator and the members of the Board, except for the
32 representatives of the investors and workers groups and the *ex officio* members, shall
33 be appointed by the President of the Philippines to serve for a term of six (6) years,
34 unless sooner separated from service due to death, voluntary resignation or removal
35 for cause. In case of death, resignation or removal for cause, their replacements shall
36 serve only the unexpired portion of the respective terms. No person shall be appointed
37 as a member of the Board unless the person is a Filipino citizen, of good moral
38 character, of proven probity and integrity, and a degree holder in any of the following

1 fields: economics, business, public administration, law, management or their
2 equivalent, and with at least ten (10) years relevant working experience, preferably in
3 the field of management or public administration.

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

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

20
21 The officers and employees of the ISSEZA, including all members of the Board,
22 shall not engage directly or indirectly in partisan activities nor take part in any election,
23 except to vote.

24
25 No officer or employee of the ISSEZA, shall be removed or suspended except
26 for cause, as provided by civil service rules and regulations.

27
28 **SEC. 12. Powers and Duties of the Chairperson-Administrator.** – The
29 Chairperson-Administrator shall have the following powers and duties:

30
31 a) To direct and manage the affairs of the ISSEZA in accordance with the policies
32 of the Board;

33 b) To establish the internal organization of the ISSEZA under such conditions
34 that the Board may prescribe;

35 c) To submit an annual budget and necessary supplemental budget to the Board
36 for its approval;

37 d) To submit within thirty (30) days after the close of each fiscal year an annual
38 report to the Board and such other reports as may be required;

1 e) To submit to the Board for its approval, policies, systems, procedures, rules,
2 and regulations that are essential to the operation of the Ilocos Sur Ecozone;

3 f) To recommend to the Board the remuneration and other emoluments of its
4 officers and employees in accordance with existing laws on compensation and position
5 classification;

6 g) To create a mechanism in coordination with relevant agencies for the
7 promotion of industrial peace, the protection of the environment, and the advancement
8 of the quality of life in the Ilocos Sur Ecozone; and

9 h) To perform such other duties as may be assigned by the Board or which are
10 necessary or incidental to the office.

11
12 **SEC. 13. Legal Counsel.** – The ISSEZA shall have its own internal legal
13 counsel who shall be under the supervision of the Government Corporate Counsel.
14 When the exigencies of business and operations demand it, the ISSEZA may engage
15 the services of an outside counsel either on a case to case or on a fixed retainer basis.

16
17 **CHAPTER III**
18 **INCENTIVES TO ECOZONE ENTERPRISES AND INVESTORS**

19
20 **SEC. 14. Investors Visa.** – Any foreign national who invests an amount of
21 Two hundred thousand US dollars (US\$200,000.00) in a registered enterprise, either
22 in cash or equipment, shall be entitled to an investor's visa: *Provided*, That the foreign
23 national has the following qualifications:

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

31
32 With an investor's visa, an alien shall be entitled to reside in the Philippines while
33 the investment subsists. The alien investor shall submit an annual report, in the form
34 duly prescribed for the purpose, to prove that the investment in the country subsists.
35 Should said alien investor withdraw the investments from the Philippines, then the
36 investor's visa issued to said alien shall automatically expire and be withdrawn.

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

6
7 **SEC. 15. Fiscal Incentives.** – Registered enterprises operating within the
8 Ilocos Sur Economic Zone may be entitled to the existing fiscal incentives provided and
9 granted under Title XIII (Tax Incentives) of the National Internal Revenue Code of
10 1997, as amended by Republic Act No. 11534, otherwise known as the "*Corporate*
11 *Recovery and Tax Incentives for Enterprises Act*".

12
13 **SEC. 16. Administration, Implementation and Monitoring of**
14 ***Incentives.*** – In the interest of enhancing transparency in the management and
15 accounting of tax incentives in the Ilocos Sur Ecozone, and ensuring the proper
16 administration, management, enforcement, implementation and monitoring of tax
17 incentives, the ISSEZA shall comply with the provisions of Republic Act No. 11534,
18 otherwise known as the "*Corporate Recovery and Tax Incentives for Enterprises Act*".

19
20 The BOC shall set up and establish a customs-controlled area outside the
21 premises of the Ilocos Sur Ecozone to facilitate payment of duties and taxes on goods
22 entering the Philippine customs territory: *Provided*, That notwithstanding the
23 limitations on this Act, the ISSEZA and BOC may coordinate and jointly implement
24 measures on border protection.

25
26 **SEC. 17. Banking Rules and Regulations.** – Banks and financial institutions
27 to be established in the Ilocos Sur Ecozone shall be under the supervision of the BSP
28 and subject to existing banking laws, rules and regulations.

29
30 **SEC. 18. Remittances.** – In the case of foreign investments, a duly registered
31 entity or enterprise within the Ilocos Sur Ecozone shall have the right to remit earnings
32 to its investors in the currency in which the investment was originally made and at the
33 exchange rate prevailing at the time of remittance, subject to the provisions of Republic
34 Act No. 7653, otherwise known as the "New Central Bank Act" as amended.

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CHAPTER IV
NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC. 19. *Supervision and Control.* – For purposes of policy direction and coordination, the ISSEZA shall be under the direct control and supervision of the Office of the President of the Philippines.

SEC. 20. *Relationship with Local Government Units.* – Except as herein provided, the LGUs comprising the Ilocos Sur Ecozone shall retain their basic autonomy and identity. The Municipalities of San Juan and Cabugao, Province of Ilocos Sur, 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 ISSEZA, the LGUs and the national government on matters affecting the Ilocos Sur Ecozone, other than national defense and security matters, the decision of the ISSEZA shall prevail.

SEC. 21. *Audit.* – The Commission on Audit shall appoint a full-time auditor for the ISSEZA and may assign such number of personnel as may be necessary to assist the auditor in the performance of the auditor's functions.

CHAPTER V
MISCELLANEOUS

SEC. 22. *Interpretation and Construction.* – The powers, authorities and functions that are vested in the ISSEZA are intended to establish national self-sufficiency and self-reliance in the advancement of and protection of the national integrity, enhancement of national security, decentralization of governmental functions and authority, and promotion of an efficient and effective working relationship among the ISSEZA, the national government and the LGUs. 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. 23. *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, otherwise known as "The Special Economic Zone Act of 1995", as amended, shall likewise apply to the Ilocos Sur Ecozone.

1 **SEC. 24. *Implementing Rules and Regulations.*** – Within sixty (60) days
2 from effectivity of this Act, the DTI shall, in coordination with the DOF and the National
3 Economic and Development Authority, formulate rules and regulations for the effective
4 implementation of the provisions of this Act.

5
6 **SEC. 25. *Separability Clause.*** – If any provision of this Act shall be held
7 unconstitutional or invalid, the other provisions not otherwise affected shall remain in
8 full force and effect force and effect.

9
10 **SEC. 26. *Repealing Clause.*** – All laws, executive orders or issuances or any
11 part thereof, which are inconsistent herewith, are hereby repealed or amended
12 accordingly.

13
14 **SEC. 27. *Effectivity.*** – This Act shall take effect fifteen (15) days after its
15 publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,