EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 3897

Introduced by:
Representatives FRANCISCO JOSE F. MATUGAS II, PROSPERO A. PICHAY, JR., JOHNNY T. PIMENTEL, ROBERT ACE S. BARBERS, ADOLFO EDWARD G. PLAZA, LAWRENCE “LAW” H. FORTUN, MA. ANGELICA M. AMANTE-MATBA, ALFELITO “ALFEL” M. BASCUÑ and ALAN I B. ECLEO

EXPLANATORY NOTE

This bill seeks to amend Republic Act No. 7916, otherwise known as “The Special Economic Zone Act of 1995”, as amended by Republic Act No. 8748, “An Act Amending Republic Act No. 7916, otherwise known as The Special Economic Zone Act of 1995”.

The 1987 Philippine Constitution declares that the State shall develop a self-reliant and independent national economy. Further, it is the policy of the State to encourage and promote the establishment and development of economic areas in the country as a means to achieve and enjoy a sound and balanced industrial, economic, and social development, so that territorial and political subdivisions of the State can attain meaningful local autonomy. It also recognizes the indispensable role of the private sector, encourages private enterprise, and provides incentives to prioritized investment sectors.

Republic Act No. 7916 or The Special Economic Zone Act of 1995 was enacted on February 21, 1995. Since its enactment, the Philippine Economic Zone Authority (PEZA) has become one of the leading Investments Promotions Agencies (IPAs) in the Philippines and its registered economic zones have been the preferred destination of foreign investors that intend to locate in the country. The PEZA is one of the government agencies that contribute to the economic development in the countryside. The economic zones that were proclaimed all over the country are now bustling provinces and metropolis.
As of 2018, the PEZA has a total of 4,341 operating enterprises located in 395 economic zones including Information Technology (IT) Parks/Centers. PEZA has brought in a total of ₱3.755 Trillion approved investments, generated US$760.479 billion exports and created 1,400,000 employment opportunities for our countrymen. PEZA exports contribute 63% of the country’s total commodity export and 80% of total Philippines service export and account for 16% of GDP. However, although economic gains have been achieved with RA 7916, there is a need to update said law in order to maximize the investments in the economic zones and obtain more significant gains for the Filipinos and the country at large, especially the less developed areas in the countryside.

This bill seeks to amend Republic Act No. 7916 in order to strengthen the PEZA by providing the following: (1) additional powers and functions of the authority so that it can be more pro-active and responsive to the demands of the local and international business markets; (2) establishment of a globally competitive and conducive investment climate and facility; (3) competitive and appropriate incentives package in order to attract more investors to the countryside; (4) creation of opportunities for more investment portfolios; (5) increased financial capability of the designated authority; (6) reduced import dependence by empowering, capacitating and incentivizing domestic enterprises, farmers, fishermen and every Filipino to participate in completing the supply chain, maximizing production of quality products and export manufacturing capability; and (7) more empowered and capable LGUs that are self-reliant, self-sustaining and resource-generating to enjoy social progress, peace and prosperity as experienced by model-LGU hosts of existing economic zones.

The amendment of Republic Act No. 7916 is also mandated by Administrative Order No. 18 Series of 2019 which directed the PEZA to accelerate rural progress through robust development of special economic zones in the countryside. This was also prompted by the recommendation of the Cabinet Cluster on environment and disaster management to enhance the incentives and the dispersion of economic activities outside Metro Manila to reduce its population density in support of the government’s efforts toward an earthquake and natural disaster-resilient Philippines.

In view of the foregoing, immediate passage of this bill is earnestly sought.

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AN ACT
STRENGTHENING THE PHILIPPINE ECONOMIC ZONE AUTHORITY (PEZA) TO ACCELERATE COUNTRYSIDE DEVELOPMENT THROUGH ROBUST CREATION OF SPECIAL ECONOMIC ZONES IN RURAL AND NEW GROWTH AREAS, ENHANCING THE INCENTIVES THEREOF, AND AMENDING FOR THIS PURPOSE, REPUBLIC ACT NO. 7916, AS AMENDED BY REPUBLIC ACT NO. 8748, OTHERWISE KNOWN AS “THE SPECIAL ECONOMIC ZONE ACT OF 1995”

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

1. SECTION 1. Section 3 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 3. Purposes, Intents and Objectives. – It is the purpose, intent and objective of this Act:

(a) To establish the legal framework and mechanisms for the integration, coordination, planning and monitoring of special economic zones, industrial estates / parks, export processing zones and other
economic zones IN ORDER TO FULLY INDUSTRIALIZE AND
DEVELOP THE PHILIPPINES INTO A GREEN, CLIMATE-
RESILIENT AND REGIONAL ECONOMY THAT WILL ATTRACT
EXPORT-ORIENTED INDUSTRIES, AS WELL AS STRATEGIC
DOMESTIC-ORIENTED INDUSTRIES;
(b) X X X
(c) X X X
(d) X X X
(e) X X X
(f) X X X
(g) TO MINIMIZE IMPORT DEPENDENCE, MAXIMIZE
EXPORTATION, PRODUCTION, AND MANUFACTURING
CAPABILITY OF FILIPINOS, AND COMPLETE THE SUPPLY
CHAIN;
(h) TO EMPOWER AND CAPACITATE THE PEOPLE AND THE
LOCAL GOVERNMENT UNITS (LGUS), THROUGH THE
ESTABLISHMENT OF SPECIAL ECONOMIC ZONES, AS
ECONOMIC DRIVERS TO GROW SMART TOWNS, DIGITAL
CITIES AND NEW METROPOLITAN AREAS IN EVERY
REGION, THEREBY MAKING THE LGUS SELF-RELIANT,
SELF-SUSTAINING, AND RESOURCE-GENERATING;
(i) TO FACILITATE THE CONSTRUCTION OF MORE
LOGISTICS HUBS, INTERNATIONAL AIRPORTS AND
SEAPORTS, AND PROVIDE MULTIMODAL MEANS OF
TRANSPORTATION IN EVERY REGION, ADDRESS THE
PUBLIC WORKS INFRASTRUCTURE GAPS, ENHANCE THE
INFORMATION TECHNOLOGY (IT) INFRASTRUCTURE,
RESEARCH AND DEVELOPMENT (R & D) AND KNOWLEDGE
PROCESS INFRASTRUCTURE, AND PROMOTE
AFFORDABLE, HIGH QUALITY, COMPETITIVE UTILITIES
AND RENEWABLE SOURCES OF ENERGY, IN PARTNERSHIP
WITH OTHER GOVERNMENT AGENCIES AND PRIVATE AND
INTERNATIONAL INSTITUTIONS;
(j) TO UTILIZE THE VAST AND IDLE PUBLIC LANDS,
RESTORE THE BASIC INDUSTRIES TO ENSURE FOOD
SECURITY AND SUSTAINABILITY, ATTRACT STRATEGIC
INDUSTRIES THAT ARE BADLY NEEDED TO FULLY
INDUSTRIALIZE THE COUNTRY, AND ENCOURAGE BIG-
TICKET INDUSTRIES THAT PROVIDE AT LEAST A BILLION
DOLLAR CAPITALIZATION, OR CREATE MORE THAN 5,000
JOBS, OR TRANSFER PIONEER TECHNOLOGY AND
DEVELOP AT LEAST 50 HECTARES OF LAND IN THE
COUNTRYSIDE; AND
(K) TO MATCH THE PROFESSIONAL, VOCATIONAL AND
TECHNICAL SKILLS TRAINING PROGRAM IN HIGHER
EDUCATION AND TRAINING CENTERS IN EVERY REGION,
TRANSFORMING THE FILIPINOS AS MULTI-KNOWLEDGE
AND SKILLED WORKERS, A RICH HUMAN CAPITAL, AND AS
WORLD-CLASS WORKERS.”

SEC. 2. Section 4 of Republic Act No. 7916 is hereby amended to read as
follows:

“SEC. 4. Definition of Terms. – For purposes of this Act, the
following definitions shall apply to the following terms:
(a) "Special Economic Zones (SEZ)" – hereinafter referred to as the
ECOZONES, are selected areas with highly developed or which have the
potential to be developed into TOWNSHIPS INTEGRATING
INDUSTRIAL, COMMERCIAL, MEDICAL/HEALTH,
EDUCATIONAL, RECREATIONAL AND RESIDENTIAL
COMPONENTS. AN ECOZONE MAY BE CLASSIFIED INTO
DIFFERENT TYPES DEPENDING ON ITS LAND/MARINE
POTENTIALS AND RESOURCES, SUCH AS:
(i) AGRO-FORESTRY;
(ii) AGRO-INDUSTRIAL;
(iii) AQUAMARINE;
(iv) AVIATION AND AEROSPACE PARKS;
(v) CREATIVE INDUSTRIES;
(vi) DEFENSE AND INDUSTRIAL COMPLEX;
(vii) DOMESTIC ECOZONES;
(viii) ECO-INDUSTRIAL PARKS;
(ix) EXPORT PROCESSING ZONES (EPZs);
(x) FREE TRADE ZONES;
(xi) HALAL AND FOOD PRODUCTION HUBS;
(xii) INFORMATION AND TECHNOLOGY (IT) PARKS AND/OR
CENTERS;
(xiii) ISLAND CITIES;
(xiv) KNOWLEDGE, INNOVATION, AND SCIENCE AND
TECHNOLOGY PARKS;
(xv) LOGISTICS HUB;
(xvi) MINERAL PROCESSING ECOZONES;
(xvii) RENEWABLE ENERGY ECOZONES;
(xviii) RETIREMENT, TOURISM AND MEDICAL TOURISM
ECOZONES; AND
(xix) OTHER TYPES AS MAY BE DETERMINED BY PEZA.
(b) x x x
(c) x x x
(d) x x x
(e) BASIC INDUSTRIES - ARE INDUSTRIES THAT: (A) CATER
TO THE BASIC NEEDS OF THE FILIPINOS SUCH AS, BUT NOT
LIMITED TO FOOD, AGRICULTURE, STEEL, WOOD AND
OTHER HOUSING AND CONSTRUCTION MATERIALS; (B) UTILITIES SUCH AS POWER, WATER AND SOURCES OF RENEWABLE ENERGY; (C) INDUSTRIES THAT ARE INTO CLOTHING, GARMENTS AND TEXTILE; (D) INDUSTRIES THAT ARE INTO AUTOMOBILE, RAILWAYS, AVIATION AND OTHER AIR, WATER, AND LAND VEHICLES; (E) HEALTH AND MEDICAL INDUSTRIES; AND (F) COMMUNICATIONS AND TECHNOLOGY INDUSTRIES; (f) STRATEGIC INDUSTRIES – REFER TO INDUSTRIES THAT USE PIONEERING TECHNOLOGIES AND THOSE PRIORITY ACTIVITIES AND INDUSTRIES THAT ARE BEING DEVELOPED TO MODERNIZE AND INDUSTRIALIZE THE COUNTRY, ATTRACT MORE INVESTMENTS, GENERATE EMPLOYMENT, UPGRADE THE COUNTRY’S POSITION IN THE GLOBAL VALUE CHAIN, AND SUSTAIN MANUFACTURING RESURGENCE TOWARDS ECONOMIC TRANSFORMATION. THESE INDUSTRIES INCLUDE, BUT ARE NOT LIMITED TO, THE FOLLOWING: MANUFACTURING, SEMICONDUCTORS, ELECTRONICS, INFORMATION TECHNOLOGY-BUSINESS PROCESS MANAGEMENT (IT-BPM), ASSEMBLY, REFINERY, PROCESSING, PETROCHEMICAL, TOURISM AND MEDICAL TOURISM, DEFENSE, LOGISTICS, SOURCES OF RENEWABLE ENERGY, INNOVATION, RESEARCH & DEVELOPMENT ACTIVITIES, INVESTMENTS IN ENVIRONMENTAL PROTECTION SYSTEMS AND REGIONAL OPERATING HEADQUARTERS, AND OTHERS THAT WILL MAKE THE PHILIPPINES A REGIONAL HUB; (g) BIG-TICKET INDUSTRIES – REFER TO LOCATOR INDUSTRIES THAT WILL INVEST AT LEAST ONE BILLION
DOLLAR CAPITALIZATION, OR CREATE MORE THAN 5,000 JOBS, OR ENGAGE IN PIONEER TECHNOLOGY. IT SHALL ALSO REFER TO ECOZONE DEVELOPERS THAT WILL ESTABLISH ECOZONES IN THE COUNTRYSIDE WITH AN AREA OF AT LEAST 50 HECTARES;
(h) COUNTRYSIDE – REFERS TO RURAL AND LESS DEVELOPED AREAS OUTSIDE CITIES IN METRO MANILA AND HIGHLY URBANIZED GROWTH CENTERS; AND
(i) INDIRECT-EXPORTERS/DOMESTIC ENTERPRISES - REFER TO SUPPLIERS OF EXPORTERS WHICH ARE LOCATED INSIDE THE ECONOMIC ZONES."
SEC. Section 5 of Republic Act No. 7916 is hereby amended to read as follows:
“SEC. 5. Establishment of ECOZONES. – To ensure the viability and geographical dispersal of ECOZONES through a system of prioritization, the following areas are initially identified as ECOZONES, subject to the criteria specified in Section 6:

(a) x x x
   x x x
   (mm) x x x
   These areas shall be developed through any of the following schemes:
   i. Private initiative;
   ii. Local government initiative with the assistance of the national government; and
   iii. National government initiative.

      The metes and bounds of each ECOZONE are to be delineated and more particularly described in a DESIGNATION TO BE ISSUED
BY THE PEZA BOARD OF DIRECTORS AND UPON
THE RECOMMENDATION OF THE HOST LOCAL
GOVERNMENT UNITS, in coordination with the municipal and/or
city council, National Land Use Coordinating Committee and/or the
Regional Land Use Committee."
SEC. 4. Section 6 of Republic Act No. 7916 is hereby amended to read as
follows:
"SEC. 6. Criteria for the Establishment of Other ECOZONES. –
In addition to the ECOZONES identified in Section 5 of this Act, other
areas may be established as ECOZONES in a DESIGNATION TO BE
ISSUED BY THE PEZA BOARD OF DIRECTORS subject to the
evaluation and recommendation of the PEZA, based on a detailed
feasibility and engineering study which must conform to the following
criteria:
(a) The proposed area must be identified as a regional growth center
in the Medium-Term Philippine Development Plan or by the Regional
Development Council;
The existence of required infrastructure in the proposed ECOZONE,
such as roads, railways, telephones, ports, airports, etc., and the
suitability and capacity of the proposed site to absorb such
improvements;
(c) The availability of water source and electric power supply for use
of the ECOZONE, AND IN THE CASE OF IT PARKS/CENTERS,
THE AVAILABILITY OF HIGH SPEED FIBER-OPTIC
TELECOMMUNICATION BACKBONE AND HIGH-SPEED
INTERNATIONAL GATEWAY FACILITY OR WIDE AREA
NETWORK (WAN) OR ANY HIGH SPEED DATA
TELECOMMUNICATION SYSTEM THAT MAY BE AVAILABLE
IN THE FUTURE;
(d) The extent of vacant lands available for industrial and commercial
development and future expansion of the ECOZONE as well as of
lands adjacent to the ECOZONE available for development of residential areas for the ECOZONE workers;

(e) The availability of skilled, semi-skilled and non-skilled trainable labor force in and around the ECOZONE;

(f) The area must have a significant incremental advantage over the existing economic zones and its potential profitability can be established;

(g) The area must be strategically located AND ESTABLISHED IN HAZARD AND DISASTER RESILIENT AREAS; and

(h) The area must be situated where controls can easily be established to curtail smuggling activities.

Other areas which do not meet the foregoing criteria may be established as ECOZONES: Provided, That the said area shall be developed only through local government and/or private sector initiative under any of the schemes allowed in Republic Act No. 6957 (the build-operate-transfer law), and without any financial exposure on the part of the national government: Provided, further, That the area can be easily secured to curtail smuggling activities: Provided, finally, That after five (5) years the area must have attained a substantial degree of development, the indicators of which shall be formulated by the PEZA.”

SEC. 5. Section 8 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 8. ECOZONE to be Operated and Managed as Separate Customs Territory. – The ECOZONE shall be managed and operated by the PEZA as a separate ADMINISTRATIVE AND customs territory.

SEC. 6. Section 11 of Republic Act No. 7916, as amended, is hereby amended to read as follows:
SEC. 11. The Philippine Economic Zone Authority (PEZA) Board. — There is hereby created a body corporate to be known as the Philippine Economic Zone Authority (PEZA) UNDER THE OFFICE OF THE PRESIDENT. The Board shall have a director general with the rank of department SECRETARY who shall be appointed by the President AND SHALL HAVE A TERM OF SIX (6) YEARS, UNLESS RENEWED, OR REMOVED FOR CAUSE. The director general shall be at least forty (40) years of age, 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.

The director general shall be assisted by FOUR (4) deputy director generals each for: (A) policy, planning AND PROGRAMS; (B) FINANCE AND administration; (C) ENTERPRISE operations AND INCENTIVES MANAGEMENT; AND (D) SPECIAL ECONOMIC ZONE DESIGNING, RESEARCH AND MARKETING, who shall be appointed by the PEZA Board, upon the recommendation of the director general. The deputy directors general shall be at least thirty-five (35) years old, with proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent. THE DIRECTOR GENERAL SHALL ALSO SIT AS MEMBER OF THE BOARD OF DIRECTORS OF THE NATIONAL ECONOMIC DEVELOPMENT AUTHORITY (NEDA) AND THE TECHNICAL EDUCATION AND SKILLS DEVELOPMENT AUTHORITY.

The Board shall be composed of TWENTY (20) members as follows: the Director General of the Philippine Economic Zone Authority as CHAIRMAN, the undersecretaries of the Department of Finance, the Department of Labor and Employment, the Department
of Interior and Local Government, the Department of Environment and
Natural Resources, the Department of Agriculture, the Department of
Public Works and Highways, the Department of Science and
Technology, the Department of Energy, THE DEPARTMENT OF
TRADE AND INDUSTRY, THE DEPARTMENT OF TOURISM,
THE DEPARTMENT OF TRANSPORTATION, THE
DEPARTMENT OF INFORMATION AND COMMUNICATIONS
TECHNOLOGY, THE DEPARTMENT OF NATIONAL DEFENSE,
the Deputy Director General of the National Economic and Development
Authority, THE DEPUTY DIRECTOR GENERAL OF TECHNICAL
EDUCATION AND SKILLS DEVELOPMENT AUTHORITY, THE
VICE CHAIRPERSON OF THE COMMISSION OF HIGHER
EDUCATION, one (1) representative from the investors / business
sector in the ECOZONE, ONE (1) REPRESENTATIVE FROM THE
LABOR SECTOR IN THE ECOZONE, AND ONE (1)
REPRESENTATIVE FROM THE UNION OF LOCAL
AUTHORITIES OF THE PHILIPPINES (ULAP).

The existing Export Processing Zone Authority (EPZA) created
under Presidential Decree No. 66 shall evolve into the PEZA in
accordance with the guidelines and regulations set forth in an executive
order issued for this purpose.

ONLY NON-EX OFFICIO members of the Board shall receive a
per diem of not less than the amount equivalent to the representation
and transportation allowances of the members of the Board and / or as
may be determined by the Department of Budget and Management:
Provided, however, That per diems collected per month does not exceed
the equivalent of four (4) meetings.
SEC. 7. Section 12 of Republic Act No. 7916 is hereby amended to read as
follows:
"SEC. 12. Functions and Powers of PEZA Board. — The Philippine Economic Zone Authority (PEZA) Board shall have the following functions and powers:

(a) Set the general policies on the establishment and operations of the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;

(b) Review proposals for the establishment of SPECIAL ECONOMIC ZONES AS DEFINED UNDER SECTION 2 OF THIS ACT, AND based on the set criteria under Section 6 DESIGNATE the establishment of ECOZONES, industrial estates, export processing zones, IT PARKS AND/OR CENTERS, free trade zones and the like. Thereafter, it shall facilitate and assist in the organization of said entities;

(c) Regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ECOZONE, such as heat, light and power, water supply, telecommunication, transport, toll roads and bridges, port services, etc., and to fix just, reasonable and competitive rates, charges and fees therefore. FOR THIS PURPOSE, THE PEZA BOARD SHALL BE THE EXCLUSIVE REGULATOR OF UTILITIES INSIDE THE ECOZONES AND SHALL HAVE THE AUTHORITY TO ISSUE FRANCHISES OVER POWER, WATER, COMMUNICATION AND OTHER UTILITIES THEREIN;

(d) Approve the annual budget of the PEZA and the ECOZONE development plans;

(e) Issue rules and regulations to implement the provisions of this Act in so far as its power and functions are concerned;

(f) Exercise its powers and functions as provided for in this Act; and

(g) Render annual reports to the President and the Congress."
SEC. 8. Section 13 of Republic Act No. 7916 is hereby amended to read as follows:

"SEC. 13. General Powers and Functions of the Authority. – The PEZA shall have the following powers and functions:

(a) To operate, administer, manage and develop the ECOZONE according to the principles and provisions set forth in this Act;
(b) To register, regulate, GRANT THE INCENTIVES UNDER SECTION 10 OF THIS ACT and supervise the enterprises in the ECOZONE in an efficient and decentralized manner;
(c) To coordinate with local government units and exercise general supervision over the development, plans, activities and operations of the ECOZONES, industrial estates, export processing zones, free trade zones, and the like;
(d) In coordination with local government units concerned and appropriate agencies, to construct, acquire, own, lease, operate and maintain on its own or through contract, franchise, license, bulk purchase from the private sector and build-operate-transfer scheme or joint venture, adequate facilities and infrastructure, such as light and power systems, water supply and distribution systems, telecommunication and transportation, buildings, structures, warehouses, roads, bridges, ports and other facilities for the operation and development of the ECOZONE;
(F) TO ISSUE SPECIAL REGULATIONS FOR THE BENEFIT OF PARTICULAR INDUSTRIES, DESIGNED TO IMPROVE EASE OF DOING BUSINESS, DECREASE COST OF DOING
BUSINESS AND LOWER BUREAUCRATIC BURDENS OF INVESTING AND DOING BUSINESS WITHIN THE ECOZONES; PROVIDED THAT, SUCH SPECIAL REGULATIONS SHALL NOT BE CONTRARY TO EXISTING LAWS;

(G) TO SUPPORT THE OPERATIONS OF REGISTERED ENTERPRISES BY SUBSIDIZING THE COST OF POWER, WATER AND OTHER UTILITIES INCLUDING THE FREE USE OF LAND IN THE PUBLIC ECOZONES, SUBJECT TO A CRITERIA TO BE APPROVED BY THE PEZA BOARD OF DIRECTORS AND THE APPROVAL OF THE PRESIDENT OF THE PHILIPPINES. THE CRITERIA FOR THE GRANT OF SUBSIDY WILL INCLUDE, AMONG OTHERS, THE AMOUNT OF INVESTMENTS MADE AND THE NUMBER OF EMPLOYMENT GENERATED, AND WILL BE PERFORMANCE-BASED, TARGETED, TRANSPARENT AND TIMEBOUND.

[(e)](H)To create, operate and/or contract to operate such agencies and functional units or offices of the authority as it may deem necessary;

[(f)](I)To adopt, alter and use a corporate seal; make contracts, lease, own or otherwise dispose of personal or real property; sue and be sued; and otherwise carry out its duties and functions as provided for in this Act;

[(g)](J)To coordinate the formulation and preparation of the development plans of the different entities mentioned above;

[(h)](K)To coordinate with the National Economic Development Authority (NEDA), the Department of Trade and Industry (DTI), the Department of Science and Technology (DOST), and the local government units and appropriate government agencies for policy and program formulation and implementation;

[(i)](L)To monitor and evaluate the development and requirements of entities in subsection (a) and recommend to the local government units
or other appropriate authorities the location, incentives, basic services, utilities and infrastructure required or to be made available for said entities;

(M) TO INTEGRATE COMMERCIAL, RESIDENTIAL AREAS, TRAINING, EDUCATIONAL AND MEDICAL FACILITIES AND SERVICES TOWARDS TOWNSHIPS IN PUBLIC ECONOMIC ZONES WHICH CAN BE REPLICATED IN DEVELOPING PRIVATE ECONOMIC ZONES;

(N) TO CREATE AND ESTABLISH A SPECIAL ECONOMIC ZONE (SEZ) INSITUTE IN EVERY REGION TO CONSOLIDATE THE TRAINING NEEDS OF INDUSTRIES, MANPOWER REQUIREMENTS, EDUCATIONAL, TECHNICAL AND PROFESSIONAL COURSES FOR CLASSROOM, LABORATORY AND OTHER FACILITIES. SAID INSTITUTE SHALL COORDINATE, CONSOLIDATE, INTEGRATE AND HARMONIZE THE POLICIES AND PROGRAMS OF GOVERNMENT AGENCIES AND GOVERNMENT-RECOGNIZED INDUSTRIES/STAKEHOLDERS ON MATTERS RELATED TO THE ADVANCEMENT OF THE INVESTMENT PROMOTION STRATEGY OF THE GOVERNMENT. THE INSTITUTE SHALL ALSO CAPACITATE THE PEZA WITH RESEARCH, INSTRUCTION AND SOCIO-CULTURAL DEVELOPMENT SERVICES FOR LOCALLY POSITIONED COMPETITIVENESS, IN GENERAL, AND PROMOTING INVESTMENT, EXPORT AND EMPLOYMENT IN EVERY REGION;

(O) TO EXERCISE SUCH POWERS AS MAY BE ESSENTIAL, NECESSARY OR INCIDENTAL TO THE POWERS GRANTED TO IT HEREUNDER AS WELL AS THOSE THAT SHALL ENABLE IT TO CARRY OUT, IMPLEMENT AND ACCOMPLISH
THE PURPOSES, OBJECTIVES AND POLICIES OF THIS ACT;
AND

(P) TO BE VESTED WITH OTHER POWERS ENJOYED OR
EXERCISED BY OTHER ECONOMIC ZONES AND/OR FREE
PORT ZONE AUTHORITIES.”

SEC. Section 14 of Republic Act No. 7916 is hereby amended to read as follows:

“SEC. 14. Powers and Functions of the Director General. – The
director general shall be the overall coordinator of the policies, plans and
programs of the ECOZONES. As such, he shall provide overall
supervision over and general direction to the development and
operations of these ECOZONES. He shall determine the structure and
the staffing pattern and personnel complement of the PEZA and
establish regional offices, when necessary, subject to the approval of the
PEZA Board.

In addition, he shall have the following specific powers and
responsibilities:
(a) To safeguard all the lands, buildings, records, monies, credits and
other properties and rights of the ECOZONES;
(b) To ensure that all revenues of the ECOZONE are collected and
applied in accordance with its budget;

(C) TO RECOMMEND TO THE PEZA BOARD THE
DESIGNATION OF SEZs IN ACCORDANCE WITH SET
POLICIES AND STANDARDS;
[(c)](D)To ensure that the investors/firms and employees of the
ECOZONES are properly discharging their respective duties;
[(d)](E)To give such information and recommend such measures to the
Board, as he shall deem advantageous to the ECOZONE;
[(e)](F)To submit to the Board, the ongoing and proposed projects,
work and financial program, annual budget of receipts, and expenditures of the ECOZONE;

[(f)](G) To represent the ECOZONE in all its business matters and sign on its behalf after approval of the Board, all its bonds, borrowings, contracts, agreements and obligations made in accordance with this Act;

[(g)](H) To acquire jurisdiction, as he may deem proper, over the protests, complaints, and claims of the residents and enterprises in the ECOZONE concerning administrative matters;

[(h)](I) To recommend to the Board the grant, approval, refusal, amendment or termination of the ECOZONE franchises, licenses, permits, contracts, and agreements in accordance with the policies set by the Board;

[(i)](J) To EXERCISE EMINENT DOMAIN AND POLICE POWER, INCLUDING, BUT NOT LIMITED TO, REQUIRING owners of houses, buildings or other structures constructed without the necessary permit whether constructed on public or private lands, to remove or demolish such houses, buildings, structures within sixty (60) days after notice and upon failure of such owner to remove or demolish such house, building our structure within said period, the director general or his authorized representative may summarily cause its removal or demolition at the expense of the owner, any existing law, decree, executive order and other issuances or part thereof to the contrary notwithstanding;

[(j)](K) To take such emergency measures as may be necessary to avoid fires, floods and mitigate the effects of storms and other natural or public calamities;

[(k)](L) To prepare and make out plans for the physical and economic development of the ECOZONE, including zoning and land subdivision,
and issue such rules and regulations which shall be submitted to the
Board for its approval; and
[(l)](M)To perform such other duties and exercises such powers as may
be prescribed by the Board, and to implement the policies, rules and
regulations set by the PEZA.”
SEC. 10. Section 16 of Republic Act No. 7916, as amended, is hereby amended
to read as follows:

“SEC. 16. Personnel. – The PEZA Board of Directors shall provide
for an organization and staff of officers and employees of the PEZA, and
upon recommendation of the director general with the approval of the
PRESIDENT OF THE PHILIPPINES, appoint and fix the
remunerations and other emoluments: Provided, That the Board shall
have exclusive and final authority to promote, transfer, assign and
reassign officers of the PEZA, any provision of existing law to the
contrary notwithstanding: Provided, further, That the director general
may carry out removal of such officers and employees.

All positions in the PEZA shall be governed by a compensation,
position classification system and qualification standards approved by
the director general with the concurrence of the Board of Directors based
on a comprehensive job analysis and audit of actual duties and
responsibilities. The compensation plan shall be comparable with the
prevailing compensation plans in the Subic Bay Metropolitan Authority
(SBMA), Clark Development Corporation (CDC), Bases Conversion and
Development Authority (BCDA) and the private sector and shall be
subject to the periodic review by the Board no more than once every two
(2) years without prejudice to yearly merit reviews or increases based on
productivity and profitability. The PEZA shall therefore be exempt from
existing laws, rules and regulations on compensation, position
classification and qualification standards. It shall however endeavor to
make its systems conform as closely as
possible with the principles under Republic Act No. 6758. PROVIDED,
FURTHER THAT, AS A GOVERNMENT INSTRUMENTALITY
THAT REMITS DIVIDENDS TO THE NATIONAL
GOVERNMENT, THE PEZA SHALL BE UNDER THE
GOVERNANCE COMMISSION FOR GOVERNMENT OWNED
AND CONTROLLED CORPORATIONS.

The PEZA officers and employees including all Members of the
Board shall not engage directly or indirectly in partisan activities or
take part in any election, except to vote.

No officer or employee of the PEZA subject to Civil Service laws
and regulations shall be removed or suspended except for cause, as
provided by law."

SEC. 11. Section 23 of Republic Act No. 7916 is hereby amended to read as
follows:

"SEC. 23. Fiscal Incentives. — REGISTERED ENTERPRISES
OPERATING WITHIN THE ECOZONES SHALL BE ENTITLED
TO THE FOLLOWING INCENTIVES ON A PER PROJECT BASIS
AND SUBJECT TO CONTINUING COMPLIANCE OF THE
TERMS AND CONDITIONS OF PEZA:
(A) ECOZONE REGISTERED ENTERPRISES INCLUDING
INDIRECT-EXPORTERS CLASSIFIED AS BASIC, STRATEGIC
AND BIG-TICKET INDUSTRIES SHALL ENJOY THE
FOLLOWING INCENTIVES:

1. INCOME TAX HOLIDAY (ITH) FOR TEN (10) YEARS
FOR PIONEER PROJECTS AND SIX (6) YEARS FOR NON-
PIONEER PROJECTS. ENTERPRISES THAT WILL
LOCATE AND OPERATE IN THE RURAL AREAS
PARTICULARLY THOSE CLASSIFIED UNDER 3RD, 4th
AND 5th CLASS MUNICIPALITIES MAY BE GRANTED BY
THE PEZA BOARD ADDITIONAL INCOME TAX HOLIDAY
FOR BIG-TICKET INDUSTRIES.

2. AFTER THE ENJOYMENT OF THE ITH,
ENTERPRISES SHALL BE GRANTED A SPECIAL
PREFERRED TAX RATE OF 7% GROSS INCOME EARNED
(GIE) IN LIEU OF ALL NATIONAL AND LOCAL TAXES
PROVIDED THAT, ENTERPRISES HAVE THE OPTION
TO IMMEDIATELY ENJOY THE 7% GIE INSTEAD OF THE
ITH;

3. TAX AND DUTY FREE IMPORTATION OF RAW
MATERIALS, CAPITAL EQUIPMENT, SPARE PARTS
AND OTHER SUPPLIES RELATED TO THE
REGISTERED ACTIVITY;

4. ZERO-VAT FOR LOCAL PURCHASES INCLUDING
BILLS ON UTILITIES;

5. ECOZONE EXPORT-ORIENTED ENTERPRISES
MUST MEET THE FOLLOWING MINIMUM EXPORT
REQUIREMENTS TO CONTINUE ENJOYMENT OF THE
AFORESAID INCENTIVES:
   i. BASIC INDUSTRIES –30%
   ii. STRATEGIC INDUSTRIES –50%
   iii. BIG-TICKET INDUSTRIES –70%

(B) ALLOWABLE DEDUCTIONS FOR BOTH EXPORTERS
AND INDIRECT EXPORTERS ENTERPRISES – BOTH THE
EXPORTERS AND INDIRECT EXPORTERS ENTERPRISES
SHALL BE GRANTED THE FOLLOWING ALLOWABLE
DEDUCTIONS:

1. UP TO 50% ADDITIONAL DEDUCTION ON LABOR
EXPENSES FROM INCREASE OF DIRECT LOCAL
EMPLOYMENT; AND
2. UP TO 100% ADDITIONAL DEDUCTION ON TRAININGS CONDUCTED.

THE FOREGOING INCENTIVES SHALL BE REVIEWED BY THE PEZA BOARD NO MORE THAN EVERY SIX (6) YEARS DEPENDING ON THE ECONOMIC CONDITIONS OF THE REGIONS.

Furthermore, tax credits for exporters using local materials as inputs shall enjoy the same benefits provided for in the Export Development Act of 1994.”
SEC. 12. Section 24 of Republic Act No. 7916, as amended, is hereby amended to read as follows:

“SEC. 24. Exemption from National and Local Taxes AND FEES—Except for real property taxes on land owned by developers, no taxes AND FEES, local and national, shall be imposed on REGISTERED ENTERPRISES operating within the ECOZONE. LOCAL TAXES SHALL INCLUDE THE MAYOR’S PERMIT AND OTHER CHARGES, PERMITS AND IMPOSITIONS BY THE LOCAL GOVERNMENT UNITS. In lieu thereof, A SPECIAL TAX RATE NOT EXCEEDING SEVEN percent (7%) of the gross income earned by all REGISTERED enterprises within the ECOZONE shall be paid and remitted as follows:

a. Three percent (3%) to the National Government;

B. Two percent (2%) TO THE MUNICIPALITY OR CITY WHERE THE ENTERPRISE IS LOCATED AND WHICH SHALL BE DIRECTLY REMITTED BY THE REGISTERED ENTERPRISES TO THE TREASURER’S OFFICE OF SAID MUNICIPALITY OR CITY;

(C) ONE PERCENT (1%) TO THE PROVINCE OF THE MUNICIPALITY OR COMPONENT CITY WHERE THE ENTERPRISE IS LOCATED, EXCEPT THOSE LOCATED
IN HIGHLY URBANIZED CITIES, WHICH SHALL BE
DIRECTLY REMITTED BY THE REGISTERED
ENTERPRISES TO THE TREASURER'S OFFICE OF SAID
PROVINCE; AND

(D) ONE PERCENT (1%) TO PEZA."

REGISTERED ENTERPRISES UNDER THE ITH REGIME
SHALL ALSO BE EXEMPT FROM PAYING LOCAL
GOVERNMENT TAXES INCLUDING MAYOR'S PERMIT AND
OTHER CHARGES, PERMITS AND IMPOSITION BY THE
LOCAL GOVERNMENT UNITS. HOWEVER, REGISTERED
ENTERPRISES SHALL PAY REAL PROPERTY TAXES FOR
THEIR BUILDINGS, MACHINERY AND EQUIPMENT DURING
THE TIME THAT THEY ARE UNDER THE ITH.”

SEC. 13. Non-Impairment of Contract/ Permits/ Licenses. - All existing
contracts, permits and licenses duly granted by the PEZA before the date of
effectivity of this Act, shall remain valid and unimpaired, shall be cured, and shall
be recognized by the Government.

SEC. 14. Transitory Clause. – The current officials of the PEZA shall remain
in office until appointed by the appropriate authority.

SEC. 15. Repealing Clause. - All laws, decrees, executive orders, rules and
regulations or parts thereof, inconsistent with the provisions of this Act are hereby
repealed or modified accordingly.

SEC. 16. Separability Clause. - Any portion or provision of this Act that may
be declared unconstitutional shall not have the effect of nullifying other portions or
provisions hereof as such remaining provisions can still subsist and be given effect.

SEC. 17. Effectivity. - This Act shall take effect after fifteen (15) days
following its complete publication in the Official Gazette or in two (2) newspapers of
general circulation.

Approved,