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

HOUSE OF REPRESENTATIVES

Introduced by Representative Rufus B. Rodriguez

House Bill No. 1459

EXPLANATORY NOTE

This bill seeks to establish a special economic zone in Barangay Balubal, Cagayan de Oro City, Province of Misamis Oriental, pursuant to the general policies and guidelines set forth under Republic Act No. 7916, otherwise known as the "Special Economic Zone Act of 1995."

Cagayan de Oro City is the gateway to the island of Mindanao. It is the focal point of domestic and foreign trade as well as the export outlet of the vast agricultural products of Mindanao. The city is rich in agricultural and forest lands, mineral resources and scenic tourist spots. It has a typhoon-free climate, favorable peace and order condition and good infrastructures and utilities. These factors are conducive to sustainable growth and development.

Balubal is one of the fast-growing barangays in the eastern side of Cagayan de Oro City. Its strategic location is an ideal site for industrial, commercial and recreational centers. It can also serve as a major entry and exit point of trade considering that its neighboring barangays have numerous seaports.

The establishment of a special economic zone will alleviate and improve the economic condition of the City and the nearby provinces. The residents will be assured of local employment opportunities which will hasten the economic growth not only in the area but in the nearby provinces as well.

In line with the government's policy to encourage, promote, induce and accelerate a sound and balanced industrial, economic and social development of the country, the establishment of Cagayan de Oro Special Economic Zone is earnestly recommended.

RUFUS B. RODRIGUEZ

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AN ACT
ESTABLISHING THE CAGAYAN DE ORO SPECIAL ECONOMIC ZONE IN BARANGAY BALUBAL, CAGAYAN DE ORO CITY, PROVINCE OF MISAMIS ORIENTAL, CREATING FOR THIS PURPOSE THE CAGAYAN DE ORO SPECIAL ECONOMIC ZONE AUTHORITY, AND APPROPRIATING FUNDS THEREFOR

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

CHAPTER 1
GENERAL PROVISIONS

SECTION 1. ***Short Title***. – This Act shall be known as the "*Cagayan de Oro Special Economic Zone Act*".

SEC 2. ***Declaration of Policy.*** – It is hereby declared the policy of the State to actively encourage, promote, and accelerate the sound and balanced industrial, economic and social development in 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 and increase productivity and individual, as well as family incomes, thereby enhancing the quality of life of the Filipino people.

CHAPTER 2
CREATION OF THE ECONOMIC ZONE

SEC 3. ***Creation of the Cagayan de Oro Special Economic Zone***. – In accordance with the foregoing declared policy and subject to the concurrence of the concerned local government units (LGUs) of Misamis Oriental affected by the zone, there is hereby established a Special Economic Zone, hereinafter referred to as the Cagayan de Oro Ecozone. The Cagayan de Oro Ecozone shall cover a particular area located in Barangay Balubal, Cagayan de Oro City in the Province of Misamis Oriental. The specific metes and bounds of the Cagayan de Oro Ecozone shall be more particularly defined in a presidential proclamation that shall be issued for this purpose. *Provided,* That the lands embraced therein shall be public lands and contiguous to one another.

SEC 4. ***Creation of the Cagayan de Oro Special Economic Zone Authority.*** – There is hereby created a body corporate to be known as the "Cagayan de Oro Special Economic Zone Authority" herein after referred to as the CDSEZA which shall manage and operate the Cagayan de Oro Ecozone, in accordance with the provisions of this Act. This corporate franchise shall expire in fifty (50) ears counted from the first year after the effectivity of this Act, unless otherwise extended by Congress. It shall be organized with one hundred eighty (180) days after the effectivity of this Act.

SEC 5. ***Governing Principles.*** – The Cagayan de Oro Ecozone shall be manage and operated by the CDSEZA under the following principles:

a. Within the framework and limitations of the Constitution and applicable provisions of the Local Government Code, the Cagayan de Oro 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 sustainable residential areas.

b. The Cagayan de Oro Ecozone shall be provided with transportation, telecommunications and other facilities needed to attract legitimate and productive investments, generate linkage industries and employment opportunities for the people of Cagayan de Oro City and its neighboring towns and cities.

c. The Cagayan de Oro 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 (DFA), the Philippine Economic Zone Authority (PEZA), and/or 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 Cagayan de Oro Ecozone, either by themselves or in a joint venture with Filipinos in any sector of industry, international trade and commerce with in the Cagayan de Oro Ecozone.

e. the Cagayan de Oro 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 such as tax and duty-free importations of raw materials, capital and equipment to registered enterprises located therein.

f. The areas comprising the Cagayan de Oro Ecozone may be expanded or reduced when necessary. For this purpose, the CDSEZA, in consultation with the LGUs concerned shall have the power to acquire either by purchase, negotiation or condemnation proceedings, any private land within or adjacent to the Cagayan de Oro Ecozone for the following purposes: 1. Consolidation of lands for zone development; 2. Acquisition of right of way to the Cagayan de Oro Ecozone; and 3. The protection of watershed areas and natural assets valuable to the prosperity of the Cagayan de Oro Ecozone.

g. Goods manufactured by a Cagayan de Oro Ecozone enterprise shall be made available for immediate retail sale in the domestic market, subject to the payment of corresponding taxes on raw materials and other regulations that may be formulated by the CDSEZA together with the PEZA, the Bureau of Customs (BOC), and the DTI. However, in order to protect domestic industries, a Negative List of industries shall be drawn up and regularly updated by PEZA. Enterprises engaged in industries included in such Negative List shall not be allowed to sell their products locally.

h. The defense of the Cagayan de Oro Ecozone and the security of its perimeter fence shall be the responsibility of the national government in coordination with the CDSEZA and the LGUs/

SEC 6. ***Capitalization***. – The CDSEZA shall have an authorized capital stock of Two Billion (2,000,000,000) no par shares with a minimum issue of Ten Pesos (Php 10.00) each, the majority shares of which shall be subscribed and paid for by the National Government and the LGUs embracing the Cagayan de Oro Ecozone. The Board of Directors of the CDSEZA may, with the written concurrence of the Secretary of Finance, sell shares, representing not more than forty *per centum* (40%) of the capital stock of the CDSEZA to the general public under such policy as the Board and Secretary of Finance may determine. The National Government and the LGUs shall in no case own less than sixty *per centum* (60%) of the total issued and outstanding capital of the CDSEZA.

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

SEC 7. ***Principal Office of the CDSEZA***. – The CDSEZA shall maintain its principal office in Cagayan de Oro City but it may establish branches within the Philippines as may be necessary for the proper conduct of its business.

SEC 8. ***Powers and Functions of the CDSEZA.*** – The CDSEZA shall have the following powers and functions:

a) To operate, administer, manage and develop the Cagayan de Oro Ecozone according to the principles and provisions set forth in this Act;
b) To register, regulate and supervise enterprises in the Cagayan de Oro Ecozone in an efficient and decentralized manner, subject to existing laws;
c) To coordinate with LGUs and exercise general jurisdiction over the development plans, activities and operations of the Cagayan de Oro Ecozone;
d) To regulate and undertake the establishment, construction, operation and maintenance of public utilities, other services and infrastructure in the Cagayan de Oro Ecozone such as lights 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 (CAAP), 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 Cagayan de Oro Ecozone, in coordination with appropriate national and/or local government authorities and in conformity with applicable laws thereon;
f) To approve plans, programs and projects of the Cagayan de Oro Ecozone to be submitted to the Regional Development Council for inclusion and inputs to the overall 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 Philippines Amusement and Gaming Corporation (PAGCOR);
h) To raise or borrow, within the limitation provided by law and subject to the approval or opinion 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, coral and coral reefs, and maintain ecological balance within the Cagayan de Oro Ecozone. Notwithstanding the authority of the CDSEZA to create rules for such purpose, the rules and regulations of the Department of Environment and Natural Resources (DENR) and other government agencies involved in the above functions shall be implemented by the CDSEZA;
j) To create, operate, and/or contract to operate such functional units or offices of the CDSEZA as it may deem necessary;

k) To adopt, alter, and use a corporate seal; contract, lease, buy, acquire, own or otherwise dispose of personal and/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 manufactures or processed in the Cagayan de Oro Ecozone in accordance with prevailing rules of origin and the pertinent regulations of the PEZA, DTI and/or 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 Cagayan de Oro Ecozone in coordination with the government agencies having jurisdiction over activities therein. *Provided,* That all government agencies are directed to provide and extend utmost and full cooperation to the Cagayan de Oro Ecozone in the establishment of such one-stop shops;
n) To provide internal security to the Cagayan de Oro Ecozone in coordination with the National Government and affected LGU. For this purpose, the CDSEZA shall provide and establish its own internal security and firefighting forces or hire others to provide the same. Military forces sent by the National Government for the purpose of defense shall not interfere in the internal affairs of the Cagayan de Oro Ecozone and expenditures for these military forces shall be borne by the National Government;
o) To exercise such powers as may be essential, necessary or incidental to the powers granted to it 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 issue rules and regulations consistent with the provisions of this Act as may be necessary to accomplish and implement the purposes, objectives, and policies provided herein.

SEC 9. ***Board of Directors***. – The powers of the CDSEZA shall be vested in and exercised by a Board of Directors, hereinafter referred to as the Board, which shall be composed of the following;

a) The Chairperson who shall, at the same time, be the Administrator of the CDSEZA;
b) The Governor of the Province of Misamis Oriental, or a duly authorized representative;
c) The Representative of the 2nd District of Cagayan de Oro City;
d) The Mayor of Cagayan de Oro City;
e) One (1) representative from the investors group; and
f) One (1) representative from among the workers in the ecozone.

A Vice-Chairperson shall be selected from among members of the Board.

The Governor of the Province of Misamis Oriental, Representative of the 2nd District of Cagayan de Oro City, and city mayor shall serve as ex-officio members of the Board whose terms in the Board correspond to their terms as elected officials.

The Chairperson-Administrator and the members of the Board, except the *ex-officio* members, shall be appointed by the President of the Philippines to serve for a term of six (6) years, unless sooner separated from service due to death, voluntary resignation or removal for cause, their replacements shall serve only the unexpired portion of the respective terms.

The Chairperson-Administrator must be a Filipino citizen, of good moral character, of proven probity and integrity, and a degree holder in any of the following fields: economics, business, public administration, law, management or their equivalent, and with at least ten (10) years relevant working experience preferably in the field of management or public administration.

The members of the Board shall each receive *per diem* at a ratio to be determined by the DBM in accordance with existing rules and regulations: *Provided,* however, That the total per diem collected each month shall not exceed the equivalent of per diem for four (4) meetings. Unless and until the President of the Philippines has fixed a higher amount of

per diem, the members of the Board shall receive per diem of not more than Ten Thousand Pesos (PHP 10,000) for every Board meeting.

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

The officers and employees of the CDSEZA, including all members of the Board except the ex-officio members, shall not engage directly or indirectly in partisan activities nor take part in any election except to vote.

SEC 11. ***Powers and Duties of the Chairperson-Administrator.*** – The Chairperson-Administrator shall exercise the following powers and duties:

a) To direct and manage the affairs of the Cagayan de Oro Ecozone in accordance with the policies of the Board;
b) To establish the internal organization of the CDSEZA under such conditions that the Board may prescribe;
c) To submit an annual budget and necessary supplemental budget to the Board for its approval;
d) To submit within thirty (30) days after the close of each fiscal year an annual report to the Board and such other reports as may be required;
e) To submit to the Board for its approval policies, systems, procedures, rules and regulations that are essential to the operation of the Cagayan de Oro Ecozone;
f) To recommend to the Board the remuneration and other emoluments of its officers and employees in accordance with existing laws on compensation and position classification;
g) To create a mechanism in coordination with relevant agencies for the promotion of industrial peace, the protection of the environment and the advancement of the quality of life in the Cagayan de Oro Ecozone; and
h) To perform such other duties as may be assigned by the Board or which are necessary or incidental to his office.

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

CHAPTER 3
INCENTIVES TO ECOZONE ENTERPRISES/INVESTORS

SEC 13. ***Investor's Visa.*** – Any foreign national who invests an amount of Two Hundred Thousand US Dollars (US$200,000) either in cash and/or equipment, in a registered enterprise shall be entitled to an investor's visa: *Provided,* That the foreign national has the following qualifications:

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 loathsome, dangerous, or contagious disease;

d. Must not have been institutionalized for any mental disorder, or disability; and

e. Must possess financial capability and capacity through verifiable and credible evidence.

A foreign national may reside in the Philippines while the investment herein required subsists. To prove this, the foreign national should submit an annual report, in the form duly prescribed for the purpose. Should said investments be withdrawn from the Philippines, the investor's visa issued to said foreign national shall automatically expire and/or 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 DOLE shall implement measures to expedite the processing of such visas and permits for workers in the Cagayan de Oro Ecozone and coordinate with CDSEZA for the purpose of improving ease of doing business.

SEC 14. ***Fiscal Incentives***. – Registered enterprises operating within the Cagayan de Oro Ecozone may be entitled to the existing pertinent fiscal incentives as provided under existing laws and regulations and/or those that may be further granted as the need and necessity arises by the appropriate government department, agency, or office: *Provided,* That in the administration, implementation, and monitoring of incentives, the CDSEZA may impose its own conditions not otherwise prohibited by this Act: *Provided, further,* That the CDSEZA shall not be limited to the conditions provided under existing laws.

SEC 15. ***Imposition of a Tax Rate of Five Percent (5%) on Gross Income Earned***. – No taxes, local and national, shall be imposed on business establishments operating within the Cagayan de Oro Ecozone, including income tax, withholding tax, donor's tax, percentage tax, and documentary stamp tax. In lieu thereof, and subject to Section 17 of this Act, said business establishments shall pay a five percent (5%) final tax on gross income earned: *Provided,* That the proceeds from such final tax shall be shared by instrumentalities of the government in accordance with the following schedule.

a. Three per centum (3%) to the National Government;
b. Two per centum (2%) shall be directly remitted by the business establishments to the treasurer's office of the municipality or city where the enterprise is located.

The CDSEZA shall have the authority to grant income tax holiday (ITH) and net operating loss carry over subject to Section 17 of this Act and conditions as it may have imposed pursuant to Section 14 of this Act.

SEC 16. ***Administration, Implementation and Monitoring of Incentives***. – In the interest of enhancing transparency in the management and accounting of tax incentives in the Cagayan de Oro Ecozone, the CDSEZA shall comply with the provisions of Republic Act No. 10708, otherwise known as "The Tax Incentives Management and Transparency Act (TIMTA)" and its implementing rules and regulations for the proper administration, management, enforcement, implementation and monitoring of tax incentives provided under this law.

The BOC shall set up and establish a customs controlled area outside the gate of the Cagayan de Oro Ecozone to facilitate payment of taxes on goods entering the Philippines customs territory: *Provided,* That notwithstanding the limitations in this Act, the CDSEZA and BOC may coordinate and jointly implement measures on border protection.

SEC 17. ***Duration of Incentives***. – Fiscal incentives under this Act shall be terminated after a cumulative period of twenty (20) years from date of registration or start of commercial operation, whichever is applicable, except that it could be extended with regard to industries deemed indispensable to national development and interest. The industries exempted from this provision shall be determined by CDSEZA, in consultation with other government agencies.

SEC 18. ***Sequential Availment of Incentives***. – Registered enterprises may enjoy the ITH granted by CDSEZA prior to the availment of the 5% final tax on gross income earned

incentive: *Provided,* That in the event a registered enterprise elects to avail of the final tax incentive, such registered enterprise shall be barred from availing the ITH incentive.

SEC 19. ***Extension of Period of Availment***. – The CDSEZA may extend the period of validity of the incentives extended to a registered enterprise in the event that it suffers, due to *force majeure*, a cessation or suspension of operations that impairs it viability or profitability.

SEC 20. ***Banking Rules and Regulations***. – Banks and Financial Institutions to be established in the Cagayan de Oro Ecozone shall be under the supervision of the BSP and subject to existing banking laws, rules and regulations.

SEC 21. ***Remittances***. – In the case of foreign investments, a duly registered entity or enterprise within the Cagayan de Oro Ecozone shall have the right to remit earnings from the investment 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".

CHAPTER 4
NATIONAL GOVERNMENT AND OTHER ENTITIES

SEC 22. ***Supervision and Control***. – For purposes of policy direction and coordination, the CDSEZA shall be under the direct control and supervision of the Office of the President.

SEC 23. ***Development Goals of the Cagayan de Oro Ecozone***. – The CDSEZA shall determine the development goals for the Cagayan de Oro Ecozone within the framework of national development plans, policies and goals. The Chairperson-Administrator shall, upon approval by the Board, submit the Cagayan de Oro Ecozone plans, programs and projects to the Regional Development Council for inclusion and inputs to the overall regional development plan.

SEC 24. ***Relationship with Local Government Units***. – Except as herein provided, the LGUs comprising the Cagayan de Oro Ecozone shall retain their basic autonomy and identity. The City of Cagayan de Oro, Province of Misamis Oriental, shall operate and function in accordance with the framework of the Constitution, the Local Government Code and this Act.

In case of any conflict among the CDSEZA, the LGUs and the National Government on matters affecting the Cagayan de Oro Ecozone, other than national defense and security matters, the decision of the CDSEZA shall prevail.

SEC 25. ***Audit***. – The Commission on Audit shall appoint a full time auditor in the CDSEZA or may assign such number of personnel as may be necessary in the performance of their functions.

CHAPTER 5
MISCELLANEOUS

SEC 26. ***Interpretation/Construction***. – The powers, authorities and functions that are vested in the CDSEZA 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 promote an efficient and effective working relationship among CDSEZA, 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 would tend to protect national security.

SEC 27. ***Applicability Clause***. – Insofar as they are consistent with the provisions of this Act, 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 Cagayan de Oro Ecozone.

SEC 28. ***Implementing Rules and Regulations***. – The NEDA, in coordination with the DTI and DOF, shall formulate the implementing rules and regulations of this Act within ninety (90) days after its approval.

SEC 29. ***Repealing Clause***. – All laws, decrees, executive orders, rules and regulations and other issuances, or parts thereof, inconsistent with the provisions of this Act, are hereby repealed or modified accordingly.

SEC 30. ***Separability Clause***. – If any part or provision of this Act is declared unconstitutional, or other parts or provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC 31. ***Effectivity***. – This Act shall take effect fifteen (15) days after its publication in at least one (1) national newspaper of general circulation.

Approved,