

[**ZCSEZA, June 28, 1997**]

RULES AND REGULATIONS IMPLEMENTING REPUBLIC ACT NO. 7903 CREATING THE ZAMBOANGA CITY SPECIAL ECONOMIC ZONE AND FREEPORT

CHAPTER I

Preliminary Provisions

SECTION 1. Title. — These Rules and Regulations shall be referred to as the "Rules and Regulations Implementing Republic Act No. 7903."

SECTION 2. Scope. — These Rules and Regulations are hereby promulgated to implement the provisions governing the Zamboanga City Special Economic Zone and Freeport, hereinafter referred to as ZAMBOECOZONE, and the Zamboanga City Special Economic Zone Authority, hereinafter referred to as the AUTHORITY, under Republic Act No. 7903, otherwise known as the "Zamboanga City Special Economic Zone Act of 1995."

SECTION 3. Declaration of Policy. — Within the framework and subject to the mandate of the Constitution and applicable provisions of the Local Government Code, it is hereby declared the policy of the AUTHORITY to develop the ZAMBOECOZONE into a decentralized, self-reliant and self-sustaining agro-industrial, commercial, financial, investment and tourist center and freeport with suitable retirement and residential areas, to generate employment opportunities in and around the ZAMBOECOZONE, to attract and promote productive foreign investments, and to enhance the benefits to be derived from the ZAMBOECOZONE in order to promote the economic and social development of the City of Zamboanga and its surrounding areas.

It is also declared the policy of the AUTHORITY to operate and manage the ZAMBOECOZONE as a separate customs territory ensuring free flow or movement of goods and capital within, into and exported out of the ZAMBOECOZONE, as well as provide incentives, such as tax and duty free importations of raw materials; capital and equipment.

SECTION 4. Definitions. — For purposes of these Rules, these terms shall be understood to have the following meanings:

a. Act — refers to Republic Act No. 7903, otherwise known as the Zamboanga City Special Economic Zone Act of 1995.

b. Rules — refers to these Implementing Rules and Regulations.

- c. ZAMBOECOZONE** — is the Zamboanga City Special Economic Zone and Freeport created in Sec. 3 of the Act.
- d. AUTHORITY** — refers to the Zamboanga City Special Economic Zone Authority created under Sec. 5 of the Act.
- e. Point of Entry** — refers to any place designated, or any part therein, by the AUTHORITY where articles may be lawfully introduced into or removed from the ZAMBOECOZONE.
- f. ZAMBOECOZONE Enterprise** — refers to any business entity or concern within the ZAMBOECOZONE, duly registered with and/or licensed by the AUTHORITY to operate any lawful economic activity within the ZAMBOECOZONE.
- g. Certificate of Registration** — refers to the certificate issued by the AUTHORITY representing the registration of the business entity as a ZAMBOECOZONE Enterprise.
- h. Certificate of Residency** — refers to the certificate issued by the AUTHORITY representing the registration of an individual as a ZAMBOECOZONE Resident.
- i. ZAMBOECOZONE Facilities Operator** — refers to as ZAMBOECOZONE Enterprise which operates facilities or services within the ZAMBOECOZONE, including the subleasing of land or other property to other ZAMBOECOZONE Enterprises.
- j. Board** — refers to the Board of Directors of the AUTHORITY.
- k. Domestic Articles** — refers to articles which are the growth, product or manufacture of the Philippines and upon which all national internal revenue taxes have been paid, if subject thereto, and upon which no drawback or bounty has been allowed; and articles of foreign origin on which all duties and taxes have been paid and upon which no drawback or bounty has been allowed, or which have previously been entered into customs territory free of duties or taxes.
- l. Foreign Articles** — refers to articles of foreign origin on which duties and taxes have not been paid, or upon which drawback or bounty has been allowed, or which have not been previously entered into customs territory; or articles which are the growth, product or manufacture of the Philippines on which not all national internal revenue taxes have been paid, if subject thereto, or upon which drawback or bounty has been allowed.
- m. Customs Territory** — refers to the portion of the Philippines outside the ZAMBOECOZONE where the Tariff and Customs Code of the Philippines and other national tariff and customs laws are in force and effect.
- n. Articles** — for purposes of these Rules, and when used with reference to importations or exportations, the term includes raw materials, supplies, equipment, machinery, packaging materials, goods, wares, merchandise and in general, anything that may under the Rules of the AUTHORITY, be made the subject of importation into or exportation from the ZAMBOECOZONE.

o. Transshipment — refers to transshipment of articles discharged at ports or airports of entry located in Customs Territory destined for delivery to the ZAMBOECOZONE, and articles coming from the ZAMBOECOZONE intended for export through a Philippine Customs port/airport of entry which may be transported under bond, upon examination, and consigned to the Collector at the port of destination/export who will allow the consignor or consignee, as the case may be, to make entry for exportation.

p. Foreign Exchange — refers to any currency other than the Philippine Peso acceptable for payment by the Bangko Sentral ng Pilipinas (BSP).

q. National Government — refers to the Government of the Philippines.

r. Foreign National — refers to a natural person who is not a citizen of the Philippines.

s. Offshore Banking Unit (OBU) — refers to an offshore bank licensed and registered under the laws of the Philippines.

SECTION 5. Rules of Interpretation. — Pursuant to the declared policies of the State on the ZAMBOECOZONE, the following rules of interpretation shall be observed in the implementation of the Act and these Rules:

a. All trade and business, immigration, corporation, banking and quarantine laws shall be subordinated to and/or liberally construed in favor of the ZAMBOECOZONE to enhance and promote the policies of the special economic and freeport system within the boundaries established by law and these Rules.

b. In case of conflict between national and local laws and tax exemption privileges in the ZAMBOECOZONE, the same shall be resolved in favor of the latter.

c. In case of conflict between the AUTHORITY and the local government unit (Zamboanga City) on matters affecting the ZAMBOECOZONE, other than the defense and security of the said local government unit, the decision of the AUTHORITY shall prevail.

d. The provisions of existing laws, rules and regulations to the contrary notwithstanding, the AUTHORITY shall exercise administrative powers, rule-making and disbursements of funds over the ZAMBOECOZONE.

SECTION 6. Boundaries of the ZAMBOECOZONE. — The ZAMBOECOZONE established in Zamboanga City under Sec. 3 of the Act shall comprise of such sites or areas within the said city, the specific metes and bounds of which shall be more particularly defined in Presidential Proclamations issued for the purpose.

CHAPTER II

The Zamboanga City Special Economic Zone Authority

A. The AUTHORITY and its Board of Directors

SECTION 7. Creation of the AUTHORITY . — The Zamboanga City Special

Economic Zone Authority (ZAMBOECOZONE AUTHORITY), created under Sec. 5 of the Act, is a body corporate, with principal office in the City of Zamboanga, Philippines, which is duly authorized and empowered to manage and operate the ZAMBOECOZONE.

SECTION 8. Board of Directors. — The powers of the AUTHORITY shall be vested in and exercised by the Board of Directors constituted in accordance with Sec. 9 of the Act.

SECTION 9. Composition. — The Board shall be composed of eight (8) members appointed by the President of the Philippines, except those who are ex officio members, as provided under Sec. 9 of the Act, as follows:

- a. A Chairman who shall, at the same time, be the Administrator of the AUTHORITY;
- b. A Vice Chairman, who shall come from the national agency tasked to coordinate and monitor special economic zones and the like in the country;
- c. Six members consisting of:
 1. The city's congressional representative;
 2. The mayor of the City of Zamboanga;
 3. One (1) representative of the city council;
 4. One (1) representative from the domestic investors in the ZAMBOECOZONE;
 5. One (1) representative from the foreign investors in the ZAMBOECOZONE; and
 6. One (1) representative from the labor sector chosen from the workers in the ZAMBOECOZONE.

SECTION 10. Ex-Officio Members. — The city's congressional representative, the mayor of the City of Zamboanga, and the representative of the city council shall serve as ex-officio voting members of the Board.

SECTION 11. Appointive Members. — The Chairman and 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 removed for cause or dies or resigns voluntarily. In case of death, resignation or removal for cause, the replacement shall serve only the unexpired portion of the term.

SECTION 12. Qualifications. — Except for the representatives of the business and investment sectors, no person shall be appointed by the President of the Philippines as member of the Board unless he is a Filipino citizen, of good moral character and of recognized competence in some relevant fields of business, banking, shipping, business or labor management, port operations, engineering or law.

SECTION 13. Per Diems. — Members of the Board shall receive a reasonable per diem which shall be fixed by the President of the Philippines once every six (6) years for every Board meeting: provided, however, that the total per diem collected each month shall not exceed the equivalent per diems for four (4) meetings. Unless and until the President of the Philippines has fixed a higher per diem for the members of the Board, such per diem shall not be more than Ten Thousand Pesos (P10, 000) for every Board meeting.

SECTION 14. By-Laws. — The Board of Directors shall adopt a set of By-Laws to govern the internal business and operations of the AUTHORITY.

SECTION 15. Chairman & Administrator. — The President of the Philippines shall appoint a full-time and competent administrator and chief executive officer of the AUTHORITY, whose compensation shall be determined by the Board subject to existing rules and regulations on position classification and compensation. The administrator shall be concurrently Chairman of the Board.

B. Powers and Functions of the AUTHORITY

SECTION 16. Powers and Functions. — The AUTHORITY shall have the following powers and functions:

- a. To operate, administer, and manage the ZAMBOECOZONE according to the principles and provisions set forth in the Act;
- b. To recommend to the President of the Philippines the issuance of Proclamations defining, fixing and delimiting the sites of the ZAMBOECOZONE;
- c. To register, regulate and supervise the enterprises in the ZAMBOECOZONE in an efficient and decentralized manner;
- d. To regulate and undertake the establishment, operation and maintenance of utilities, other services and infrastructure in the ZAMBOECOZONE such as heat, light and power, water supply, telecommunications, transport, toll roads and bridges, port services, etc. and to fix just, reasonable and competitive rates, fares, charges and prices therefor;
- e. To construct, acquire, own, lease, operate and maintain on its own or through others by virtue of contracts, franchises, licenses, or permits under any of the schemes allowed in Republic Act No. 6957 (the Build-Operate-Transfer Law), or in joint venture with the private sector, any or all of the public utilities and infrastructure required or needed by the ZAMBOECOZONE in coordination with appropriate national and local government authorities and in conformity with applicable laws thereon;
- f. To operate on its own, either directly or through a subsidiary entity, or license to others, tourism related activities, including games, amusements and recreational and sports facilities;
- g. Within the limitation provided by law, to raise or borrow adequate and necessary funds from local or foreign sources to finance its projects and programs under the Act, and for that purpose to issue bonds, promissory notes, and other