NINETEENTH CONGRESS OF THE REPUBLIC OF THE PHILIPPINES
First Regular Session

SENATE

S.B. No. 1315

INTRODUCED BY SENATOR RISA HONTIVEROS

AN ACT
PROVIDING FOR THE DEVELOPMENT OF HEALTHCARE AND MANUFACTURING INDUSTRIES IN THE PHILIPPINES TO STRENGTHEN THE COUNTRY'S READINESS AND PROTECTION AGAINST PANDEMICS AND PROVIDING FUNDS THEREFORE

EXPLANATORY NOTE

The COVID-19 pandemic caught us by surprise with the absence of demonstrated capacity to locally manufacture and to adequately supply critical healthcare products needed to respond to Covid-19 such as personal protective equipment (PPE) and testing kits.

With the global high demand for and low supply of these critical healthcare products, including its raw materials, the government was prompted to call on key industry players and manufacturers to repurpose their respective manufacturing operations to produce and supply locally the much-needed PPE, especially for our frontline health workers. Some local manufacturers heeded the call, yet they find themselves unfairly competing with imported products with questionable source, quality, standards, safety and use.

COVID-19 taught us the need to have our very own supply base of critical healthcare products, such as PPEs, and to be mindful of its quality and safety standards to protect our consumers and healthcare workers.

To meet these needs, this measure seeks to support the development of the local healthcare and manufacturing industry in the country to strengthen its readiness and be protected against pandemics by providing them incentives to build a strong local supply base and by promoting preference of locally made and produced quality healthcare products. This measure shall also provide opportunity for local manufacturers and industry players to preserve and create jobs for the Filipinos in the future.

It is for these reasons that the passage of this bill is earnestly sought.

RISA HONTIVEROS
Senator

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Office of the Secretary

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

Section 1. *Short Title.* – This Act shall be known as the "Pandemic Readiness and Protection Act".

Sec. 2. *Declaration of Policy.* – It is hereby the declared policy of the State to protect and promote the right to health of the people and instill health consciousness among them.

The State recognizes pandemics and other public health emergencies as threats to public health and national security, which can undermine the social, economic, and political functions of the State. It shall protect the people from pandemics and other public health emergencies. To this end, the State shall:

a. adopt efficient and effective measures that will prevent the overburdening of the healthcare system;
b. develop the healthcare and manufacturing industries and preserve and generate employment during the crisis;
c. ensure adequate and readily available supply of critical products and services for the health workers and the public;
d. protect the interest of the consumers and establish standards of conduct for business and industry; and
e. build strong partnership with the private sector and other stakeholders to deliver these measures quickly and efficiently.

Sec. 3. *Coverage.* – This Act shall cover the manufacture or production of critical products, including repurposing of existing manufacturers, and supply of critical services.

This also covers their entire supply chain including their raw materials, packaging and its raw materials. The benefits under this Act shall be in addition to the incentives provided under existing laws.

Sec. 4. *Definition of Terms.* – For the purposes of this Act, the following definitions shall apply:

a. *Accreditation* refers to the process of officially recognizing a person or entity under this Act;

b. *Critical Products* refer to medicines, testing kits, vaccines, personal protective equipment, ventilators and such other supplies or equipment, including its raw materials, required to address the pandemic as may be determined by the Department of Health (DOH) and other relevant government agencies;

c. *Critical Services* refer to services required for the manufacture, production and distribution of critical products. This shall also include testing laboratories; waste management, including but not limited to waste segregation, storage, collection, sorting, treatment and disposal services; and other services as may be determined by the DOH and other relevant government agencies.

d. *Manufacturer* refers to an enterprise duly accredited or registered under Section 6 hereof, engaged in the production of critical products including preparation, processing, compounding, formulating, filling, packing, repacking, altering, ornamenting, finishing and labeling;

e. *Packaging* refers to material used to wrap or protect critical products;

f. *Producer* refers to an enterprise that manufactures, makes, grows, or produces critical products;

g. *Raw Material* refers to materials and inputs from which a critical product and its packaging is made; and

h. *Stockpiling* refers to the acquisition and accumulation of critical products to make them readily available and accessible.

Sec. 5. *Conformity to Standards.* – The materials, products, processes, and services shall conform and comply with the guidelines on the standards and requirements issued by the relevant government agencies such as, but not limited to, the DOH, Food and Drug Administration (FDA), and Bureau of Philippine Standards. In the case of other critical services, the equipment and technologies and services should be approved by the Department of Environment and Natural Resources, DOH or other concerned regulatory agencies

For this purpose, the relevant government agencies shall prioritize the facilitation of the issuance of licenses and other requirements to manufacturers covered by this Act.

Sec. 6. *Development and Promotion of Healthcare and Manufacturing Industries.* – The Board of Investments (BOI) is hereby mandated to develop and promote the healthcare and manufacturing industries to strengthen the country's public health emergency preparedness and response mechanisms during the pandemic.

Sec. 7. *Accreditation.* – Prior to the availment of benefits herein, the manufacturers and producers shall apply for accreditation with the Department of Trade and Industry (DTI), through the BOI. *Provided That*, in lieu of DTI-BOI accreditation, manufacturers that are registered with other Investment Promotion Agencies (IPAs) shall directly apply for authority to import with the concerned IPA.

Sec. 8. *Exemption from Custom Duties, Value Added Tax (VAT), Other Taxes and Fees.* – Regardless of the country of origin, importation under this Act of the capital equipment, spare parts and accessories, raw materials, packaging and its raw materials, or any articles needed in the supply chain of the critical products or services shall be exempt from custom duties, VAT, other taxes and fees such as import processing fees and fees imposed by the Bureau of Customs, FDA and other relevant agencies. Provided, further, that the exemption from import duties, taxes and other fees on the importation of equipment and supplies that are already considered as finished goods shall only apply upon determination by the DOH or DTI on the non-availability or insufficiency of local supply of the said equipment and supplies.

Sec. 9. *Exemption from VAT on Local Sales.* – The exemption from VAT shall apply to the sale of critical products and services. The DTI-BOI shall provide the Bureau of Internal Revenue (BIR) the list of VAT-exempt critical products or services, including the new and/or additional critical products covered under this Act. The list of VAT-exempt critical products or services shall be posted in the BIR website through a Revenue Memorandum Circular.

Further, in accordance with the invoicing requirements, the word "VAT-EXEMPT" shall prominently be indicated in the invoice issued for the sale of critical products.

Sec. 10. *Suspension of Export Requirement.* – The export requirement imposed under the laws administered by relevant IPAs may be suspended by the DTI-BOI to satisfy national interest or in an emergency situation. The export enterprises that manufacture the critical products or render critical services shall supply up to eighty percent (80%) of their daily production or service to government institutions, hospitals, and private establishments in the country for local or domestic use.

The local sales of critical products and services of such export enterprises shall be deemed and treated as "export sales" in compliance of their export requirement. As such, the corresponding treatment, exemption on duties, taxes and fees, and other incentives warranted under the existing laws governing these export enterprises shall continue to apply. Further, if such export enterprises are located in special economic zones with status of separate customs territory under relevant laws, such local sales shall likewise be exempt under Sections 7 and 8 hereof. For this purpose, the DTI-BOI or concerned IPA shall monitor the compliance of said export enterprises.

The exemption on duties, taxes and fees under this Section shall subsist for a period of three (3) years after the declaration by the World Health Organization that the pandemic has ended.

Sec. 11. *Procurement of Critical Products by the Government.* – To ensure adequate and responsive supply of critical products and services, the government, as the procuring entity shall strictly implement Section 43, Article XII of Republic Act 9184, otherwise known as the "*Government Procurement Reform Act*" particularly to give preference to the purchase of domestically-produced and manufactured goods, supplies and materials that meet the specified or desired quality.

In the interest of availability, efficiency and timely delivery of critical products and services under this Act, the Department of Budget and Management (DBM)-Procurement Service or the concerned procurement entity shall make the award to the lowest domestic manufacturer-bidder notwithstanding that its bid is up to fifteen percent (15%) in excess of the lowest foreign bid;

Provided, that it secures from the DTI a certification that the articles forming part of its bid are substantially composed of articles, materials, or supplies grown, produced, or manufactured in the Philippines.

Private enterprises are also encouraged to prioritize local manufacturers to source their requirements for critical products.

Sec. 12. *Stockpiling of Critical Products.* – The DOH and the DBM, in coordination with DTI and other relevant agencies, shall stockpile necessary critical products to prepare for an imminent or potential pandemic or public health emergency. The DOH and DBM shall procure the critical products and services in accordance with the preceding Section.

Sec. 13. *Relocation or Expansion of Manufacturing Enterprises in the Philippines.* – Manufacturers or producers of critical products that will relocate or expand operations in the Philippines are qualified to avail of the exemptions under this Act provided that they meet the requirements prescribed herein. The manufacturing activities covered

under this Act shall be included as a strategic preferred area in the Investment Priorities Plan under Executive Order No. 226, otherwise known as the "*Omnibus Investments Act of 1987*" as amended. The strategic preferred areas listed therein shall be granted pioneer incentives or the maximum incentives allowed under existing laws.

Nothing in this Act or any law that may be created to the contrary shall diminish, derogate, nor limit in whatever manner the grant and entitlement to incentives by qualified activities herein, including the option to avail of future incentives that are more relevant and generous.

Sec. 14. *Synchronized and Integrated Government Approach.* – All departments, bureaus, agencies or instrumentalities of the government shall ensure the implementation of this Act by the agencies concerned in a synchronized and integrated manner. No government body shall adopt any policy or take any course of action contrary to or inconsistent with this Act.

Sec. 15. *Funding.* – The amounts necessary for the implementation of this Act shall be taken from current appropriations of agencies concerned. Thereafter, such amount as may be necessary for the implementation of this Act shall be included in the General Appropriation Act.

Sec. 16. *Penalty for Government Official or Employee.* – Any government official or employee who fails to implement Section 11 of this Act shall be penalized, after due process, by a fine equivalent to the official's or employee's basic salary for a period of one (1) month to six (6) months or by suspension from government service for not more than one (1) year, or both, in addition to any criminal and administrative penalties imposable under existing laws.

Sec. 17. *Applicability.* – This Act shall apply and shall remain in force and effect during the existence of a public health emergency of international concerns or pandemic as declared by the World Health Organization, a Public Health Emergency as declared by the President, and/or an epidemics of national and/or international concerns as declared by the Secretary of Health.

Sec. 18. *Implementing Rules and Regulations (IRR).* – The DTI and BOI shall promulgate the rules to implement this Act within sixty days (60) after the approval of this Act, prepare and issue the necessary guidelines to implement the provisions of this Act.

Sec. 19. *Repealing Clause.* – All laws, issuances, orders, rules and regulations, or parts thereof, which are contrary or inconsistent with this Act are hereby repealed, amended or modified accordingly.

Sec. 20. *Separability Clause.* – If any provision of this Act is declared invalid or unconstitutional, the other provisions not affected thereby shall remain valid and subsisting.

Sec. 21. *Effectivity Clause.* – This Act take shall effect immediately upon its publication in a newspaper of general circulation or in the Official Gazette: *Provided that*, Sections 7 and 8 shall apply to all transactions during the effectivity of Republic Act No. 11469. Except for Section 9 under this Act, Sections 7 and 8 shall terminate upon declaration by the President that this public health emergency has ceased to exist.

Approved,