

EIGHTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
Second Regular Session)



SENATE
S. B. No. 1708

Introduced by **SENATOR IMEE R. MARCOS**

AN ACT
STRENGTHENING DOMESTIC HEALTHCARE MANUFACTURING
INDUSTRIES, PROVIDING FOR THE PROTECTION AGAINST
PANDEMIC, AND FOR OTHER PURPOSES

EXPLANATORY NOTE

Article II, Section 15 of the 1987 Constitution provides that *"the State shall protect and promote the right to health of the people and instill health consciousness among them."*

To date, the Philippines now has the highest number of corona virus 2019 (COVID-19) active cases in Southeast Asia, reaching to thirty eight thousand one hundred eighty three (38,183), with sixty one thousand two hundred sixty six (61,266) total number of cases, and its death toll already at one thousand six hundred forty three (1,643).

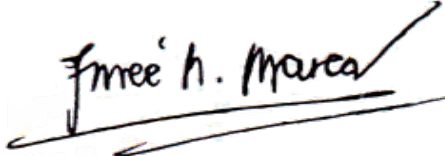
Even in the initial stage of the battle against COVID-19, frontline healthcare workers have repeatedly expressed their dismay on the dangerously low supply of Personal Protective Equipment (PPE) which are crucial in the performance of their duties. As a result, thirty (35) of them died while two thousand three hundred and fourteen (2,314) have been infected by the corona virus, a tragedy that could have been prevented if proactive measures were taken early on.

The Department of Health (DOH) has been under fire for having acquired allegedly overpriced set of PPEs amounting to PhP 1.8 billion when there are local manufacturers who can readily produce the same medical equipment for a much cheaper price.

According to the Secretary Ramon Lopez of the Department of Trade and Industry (DTI), we are now able to domestically produce three hundred thousand (300,000) PPEs per month. This growing domestic capacity decreases the country's import requirements for protective equipment for frontline healthcare workers while at the same time be able to boost local economy and increase labor and employment in the country.

Thus, this bill seeks to promote healthcare manufacturing industries by granting them tax benefits and mandating that, in times of pandemic or public health emergencies, they be given preference by the government in the procurement of critical products and services.

In view of the foregoing, the passage of this measure 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:

1 **Section 1. Short Title.** – This Act shall be known as the “Healthcare
2 Manufacturing and Pandemic Protection Act.”

3 **SEC. 2. Declaration of Policy.** – It is the policy of the State to protect and
4 promote the right to health of the people and instill health consciousness among them.

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

9 (a) adopt efficient and effective measures that will prevent the
10 overburdening of the healthcare system;

11 (b) develop the healthcare and other health-related industries and preserve
12 and generate employment during the crisis;

13 (c) ensure adequate and readily available supply of critical products and
14 services for the health workers and the public;

1 (d) protect the interest of the consumers and establish standards of conduct
2 for business and industry; and

3 (e) build strong partnership with the private sector and other stakeholders
4 to deliver these measures quickly and efficiently.

5 **SEC. 3. Coverage.** – The provisions of this Act shall apply to domestic
6 manufacturers or producers of critical products and providers of critical services during
7 the existence of a pandemic or public health emergencies and only upon compliance
8 with the accreditation requirements and standards issued by relevant government
9 agencies.

10 **SEC. 4. Definition of Terms.** – For purposes of this Act, the following terms shall
11 be understood as follows:

12 (a) *Accreditation* - refers to the written authority issued by the Department of
13 Trade and Industry (DTI), through the Board of Investments (BOI), and other relevant
14 government agencies to manufacturers and producers of critical products and
15 providers of critical services.

16 (b) *Critical Products* - refer to medicines, vaccines, ventilators and other medical
17 supplies or equipment, such as personal protective equipment (PPE) and surgical
18 masks, including its raw materials, required to address a pandemic or national health
19 emergency, as may be determined by the Department of Health (DOH) or other
20 relevant government agencies.

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

26 (d) *Manufacturer* - refers to an enterprise duly accredited or registered under
27 the provisions of this Act, engaged in the production of critical products including the
28 preparation, processing, compounding, formulating, filling, packing, repacking,
29 altering, ornamenting, finishing and labeling.

1 (e) *Packaging* - refers to material used to wrap or protect critical products.

2 (f) *Producer* - refers to an enterprise that manufactures, makes, grows, or
3 produces critical products.

4 (g) *Raw Material* - refers to materials and inputs from which a critical product
5 and its packaging is made.

6 (h) *Standards* - refer to the guidelines and requirements issued by the relevant
7 government agencies such as but not limited to the DOH, Food and Drug
8 Administration (FDA), and Bureau of Philippine Standards.

9 **SEC. 5. Tax Benefits. -**

10 (a) *Exemption from Custom Duties, Value Added Tax (VAT), Other Taxes and*
11 *Fees.* – Regardless of the country of origin, importation under this Act of the capital
12 equipment, spare parts and accessories, raw materials, packaging and its raw
13 materials, or any articles needed in the supply chain of the critical products or services
14 shall be exempt from custom duties, VAT, other taxes and fees such as import
15 processing fees and fees imposed by the Bureau of Customs (BoC), the Food and Drug
16 Authority (FDA) and other relevant agencies.

17 (b) *Exemption from VAT on Local Sales.* – The sale of critical products and
18 rendition of critical services shall be exempted from VAT which shall be based on the
19 gross sales or gross receipts, respectively.

20 (c) *Treatment of Export Enterprises.* - The local sales of critical products and
21 rendition of critical services by export enterprises shall be deemed and treated as
22 “export sales” for purposes of its export requirement pursuant to existing laws. As
23 such, the corresponding treatment, exemption on duties, taxes and fees, and other
24 incentives warranted under existing laws governing these export enterprises shall
25 continue to apply. Further, if such export enterprises are located in special economic
26 zones with status of separate customs territory under relevant laws, such local sales
27 shall likewise be treated as “export sales” for purposes of its export requirement.

1 **SEC. 6. *Export Limitation.*** - Export enterprises that manufacture or produce
2 critical products or render critical services shall supply up to eighty percent (80%) of
3 their daily production or service to government institutions, hospitals, and private
4 establishments in the country for local or domestic use. *Provided, That* in case the
5 demand for critical products and critical services does not reach such percentage, as
6 certified by the DTI, the manufacturer or producer may opt to export the critical
7 product or critical service.

8 **SEC. 7. *Procurement of Critical Products by the Government.*** – To ensure
9 adequate and responsive supply of critical products and supplies, the government, as
10 the procuring entity shall give preference to critical products manufactured, produced
11 or made in the Philippines; *Provided, That* the award shall be made to the lowest
12 domestic manufacturer-bidder whose bid is not more than twenty five percent (25%)
13 in excess of the lowest foreign bid; *Provided Further, That* it has secured from the DTI
14 a certification that the products, articles, materials, or supplies are produced, made or
15 manufactured in the Philippines.

16 Private enterprises are also encouraged to source their requirements for critical
17 products from the local manufacturers and producers.

18 **SEC. 8. *Funding.*** – The amount necessary to carry out the provisions of this
19 Act shall be sourced from the current year’s appropriations of the concerned
20 department/agency. Thereafter, such sums as may be needed for its continued
21 implementation shall be included in the General Appropriations Act (GAA).

22 **SEC. 9. *Implementing Rules and Regulations.*** – The DTI, DOH and BOI shall
23 promulgate the rules to implement this Act.

24 **SEC. 10. *Repealing Clause.*** – All provisions of existing laws, orders and
25 regulations contrary to or inconsistent with this Act are hereby repealed or modified
26 accordingly.

1 **SEC. 11. *Separability Clause.*** – If for any reason any part or provision of this
2 Act shall be deemed unconstitutional or invalid, the other sections or provisions hereof
3 shall not be affected and shall remain in force and effect.

4 **SEC. 12. *Effectivity.*** – This Act shall take effect fifteen (15) days following its
5 publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,