

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City, Metro Manila

**EIGHTEENTH CONGRESS**  
Third Regular Session

HOUSE BILL NO. **10723**



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Introduced by Representative Stella Luz A. Quimbo

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**AN ACT STRENGTHENING THE PHILIPPINE FOOTWEAR, LEATHER GOODS AND TANNERY INDUSTRIES, PROVIDING INCENTIVES AND FUNDS THEREFOR, AND FOR OTHER PURPOSES**

**EXPLANATORY NOTE**

Our industries in footwear, leather goods and tannery remain among the most enduring manufacturing sectors in the country. For instance, the shoe industry in the Philippines began as early as 1887 in the City of Marikina. When the Americans came, the US colonial government provided business owners with resources such as imported leather, copper nails, and modern sewing machines, as well as opening trade schools.

The Philippine joined the World Trade Organization (WTO) in the 1980s, which liberalized many industries, including the footwear sector. Though the influx of foreign products brought greater competition, better product quality and lower prices, the lack of proper incentives and a supportive business environment led to a drastic shift in local industry and massive displacements. By the 2000's, 80 percent of the local supply of shoes in the country came from China, and the share of local brands in the footwear market significantly decreased.

The Board of Investments (BOI) states that the shoe industry is concentrated in the NCR, Central Luzon and CALABARZON. Most shoe manufacturers are considered as micro or small enterprises. The footwear industry continues to show economic potential. The gross value-added share of the sector was 3.75 million pesos in 2014, and rose to 5.024 million in 2017.

It is essential that the government is able to promote a policy environment that dually strengthens competition in the market, while at the same time providing the proper business conditions and incentives for local industries to flourish and be able to compete. In 2004, Republic Act No. 9290 or the "Footwear, Leather Goods and Tannery Industries Development Act" was enacted. The goal of the law was to bolster the covered industries so that it could generate employment, create quality and affordable products, and develop further SMEs in these sectors. However, it has been 20 years since the passage of this

law, thus requiring the need for urgent updating. For example, the development incentives stated under RA 9290 have already long passed its 10-year effectivity. These incentives included zero duty on imported capital equipment, gross income deductions for training expenses, and tax credits on domestically purchased supplies and materials.

This measure aims to establish a new law that would reinvigorate the footwear, leather goods and tannery industries. The bill shall reestablish development incentives for these sectors. These include providing industry players with support for marketing and promotional campaigns, green lane servicing in transactions with the government, and assistance in accessing foreign markets. Rebates will also be given for those who subcontract MSMEs or source raw materials from them that incorporates small businesses into the supply chain.

The bill also aims to provide industry players with preferential access to credit through low-interest package loans from the Landbank of the Philippines (LBP), the Development Bank of the Philippines (DBP), and the Small Business (SB) Corporation. It shall also create a Competitiveness Enhancement Fund, which would direct import duties of products from the foreign counterparts of these industries into incentives so that our local businesses may flourish.

Finally, the bill established an Industry Roadmap for the footwear, leather and tannery industries. This Roadmap shall be made in consultation between the government, industry players, and other important stakeholders to ensure that there is a clear and coherent framework with regards to developing these local industries.

By providing the proper support and incentives for our footwear, leather goods and tannery industries, businesses will be empowered to further create world-class products that can easily compete with the rest of the world. This would lead to more business, higher quality of products, and better opportunities for the industries and for the people.

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



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FOR OTHER PURPOSES**

**SEC 1. *Short Title.*** – This Act shall be known as the "Philippine Footwear, Leather Goods and Tannery Industries Development Act of 2022."

**SEC 2. *Declaration of Policy.*** – Recognizing that the footwear, leather goods and tannery industries have the potential to generate employment through their integrated development, and increase the country's foreign exchange earnings through exports and import substitutes, it shall be the policy of the State to support, promote and encourage the growth and development of these local industries including their supply chain. To this end, the State shall develop these industries by:

- a) establishing an adequate support structure to assist the viability of the footwear, leather goods and tannery industries and make them competitive;
- b) providing appropriate and time-bound incentives and programs to accelerate the growth of these industries;
- c) ensuring a ready domestic market by requiring government agencies to purchase products made by these industries and encouraging the private sector to do the same;
- d) encouraging the institutionalization of industry associations, organizations and cooperatives of footwear, leather goods and tannery, to promote improvement and advancement of skills and craftsmanship of Filipino workers therein; and
- e) creating a business environment to encourage local micro, small and medium enterprises in said industries to join the formal sector.

**SEC 3. *Developmental Incentives.*** – The following incentives shall be available to qualified enterprises of the footwear, leather goods, and tannery industries herein referred to as "covered industries" and their supply chain for a maximum period of ten (10) years from the date of registration:

- a) preferential access to financing at flexible loan terms;

- b) rebate for investments in modern machineries and equipment and new technologies;
- c) rebate for subcontracting to micro, small and medium enterprises (MSMEs) or sourcing of raw materials or services from MSMEs;
- d) support for marketing, promotional campaigns, fairs, exhibitions and conferences including distribution;
- e) discounted lease rates in government duty-free shops, and other establishments for promotion and sales of the Department of Trade and Industry (DTI), Department of Tourism (DOT), Local Government Units (LGUs), and other government agencies;
- f) access to customs bonded manufacturing warehouse;
- g) green lane servicing in business processes with government; and
- h) assistance on accessing foreign markets, matching with possible foreign partners, market intelligence and other similar support.

**SEC. 4. *Eligibility for Incentives.*** – To qualify for developmental incentives under Section 4 of this Act, enterprises belonging to covered industries including their supply chain must be at least 60 percent Filipino-owned, duly registered with the Board of Investments (BOI), and possess internationally comparable quality, including sizing of footwear, which shall be in accordance with, at least, the Philippine National Standards.

Manufacturing companies with foreign ownership higher than 40 percent cannot avail of the developmental incentives under this Act, but may avail of the incentives under RA 11534 or the CREATE Law.

**SEC 5. *Covered Industries Development and Competitiveness Enhancement Fund.***  
 – To implement the policy enunciated in this Act, there is hereby created the Covered Industries Development and Competitiveness Enhancement Fund herein referred to as the "the Fund". The Fund shall consist of 20% duties and Value-Added Tax (VAT) collected from the importations of covered industries, including interests, if any. The Fund shall be automatically credited to a Special Account in the General Fund of the National Treasury which shall be in place within ninety (90) days upon the effectivity of this Act: Provided, that fund releases shall not be subject to any ceiling by the Department of Budget and Management (DBM).

Subject to the usual accounting and auditing rules and regulations, the Fund shall be allocated and disbursed for developmental and competitiveness enhancement activities and support, such as, but not limited to, the following:

- a) access to preferential credit for modernization of plant machineries & equipment and technologies;
- b) subsidy for marketing, promotional campaigns, and participation to fairs, exhibitions and conferences;
- c) subsidy for distribution;

- d) subsidy for lease rates in government duty-free shops, and other establishments for promotion and sales of DTI, DOT, LGUs, and other government agencies; and
- e) assistance in accessing quality raw materials (e.g., establishment of consolidating office abroad).

The respective Heads of all implementing agencies that have been provided with the Fund as provided under this Act shall be accountable and responsible in ensuring that the said Funds are fully utilized in accordance with the provisions of this Act. The Secretary of the Department of Trade and Industry (DTI) shall coordinate with other implementing agencies on the determination, adoption and implementation of the programs based on this law for the development of the covered industries.

The Fund shall be released directly to the implementing agencies based on allowable developmental activities and interventions as provided for in this Act: Provided, That the unutilized portion of the Fund allocated to the implementing agencies shall not revert to the General Fund but shall continue to be used for the purpose for which it was set aside.

Any program undertaken in accordance with this Act shall only be deemed complementary and supplementary to and shall not be a replacement of any existing programs for the covered industries already implemented by the DTI and other agencies concerned.

Provided, That the implementing agencies and other identified agencies shall, whenever feasible, procure from accredited local manufacturers to assist in the promotion of locally manufactured machineries, equipment and technology.

Subject to the usual accounting and auditing rules and regulations, the Fund shall be allocated and disbursed as follows:

- a) Shared Service Facilities – Twenty percent (20%) of the Fund shall be released to the implementing agencies and other identified agencies in this Act as grant in kind for the establishment, upgrading, and maintenance of shared service facilities and modernization thereof by equipping it with new and tested technology such as but not limited to needed hardware and software for manufacturing operation, training, R&D, testing and design including tapping of solar power and other similar innovative technology to ensure sufficient supply of reliable and low-cost energy and other innovation on utilizing, conserving and optimizing usage of resources with the inclusion of sustainable waste management., in providing developmental support for the covered industries and their supply chain, such as, but not limited to, training facilities or institutions, R&D, innovation centers, promotion facilities, testing laboratories, stockpiling, consolidation of importation of raw materials, consolidation of outputs for public tender, shared retail outlets, and similar structures.

- b) Credit Assistance – Twenty percent (20%) of the Fund shall be released to and implemented by the SB Corporation, Landbank of the Philippines (LBP) and Development Bank of the Philippines (DBP). It shall be made available with minimal interest rates and with minimum collateral requirements to manufacturers of the covered industries and cooperatives thereof for acquisition of machineries and equipment, software and technology, and/or raw materials and supplies, working capital, R&D, and other operational costs; Provided, That the industries, whenever feasible, shall procure from local manufacturers to assist in the promotion of locally manufactured raw materials, supplies, machineries, equipment, software and other innovative technology.
- c) Creation and Strengthening of Linkages to Local Supply Chain Players - Fifteen percent (15%) of the Fund shall be released to and implemented by the implementing agencies and other identified agencies to enhance subsidies to qualified enterprises that exhibit good performance, including creation of linkages to local supply chain players in the covered industries, such as, but not limited to, outsourcing, subcontracting to MSMEs by larger enterprises.
- d) Marketing and Promotions - Fifteen percent (15%) of the Fund shall be released to and implemented by the implementing agencies and other identified agencies to subsidize marketing and promotional campaigns and participation to fairs, exhibitions and conferences of covered industries.
- e) Sales and Distribution - Fifteen percent (15%) of the Fund shall be released to and implemented by the implementing agencies and other identified agencies to subsidize distribution expenses of covered industries, including subsidy for lease rates in government duty-free shops, and other establishments for promotion and sales of DTI, DOT, LGUs, and other government agencies.
- f) Access to Quality Raw Materials - Fifteen percent (15%) of the Fund shall be released to and implemented by the implementing agencies and other identified agencies to assist covered industries in accessing quality raw materials, which may include the establishment of linkages with local manufacturers in the supply chain, especially MSMEs; and operation of a supply consolidation office abroad.

The Congressional Oversight Committee shall conduct a periodic review of the use of the Footwear Fund. At the end of the sixth (6th) year, a mandatory review shall be conducted by the Congressional Oversight Committee to determine whether the Footwear Fund and its use as provided for under this Act shall be continued, amended, or terminated.

**SEC 6. Access to Credit, Loans and Official Development Assistance Funds for the covered industries.** –The SB Corporation, LBP and DBP are hereby mandated to formulate Modernization Credit and Loan Package Facility for the covered industries under this Act, which shall provide low interest loans to manufacturers seeking to improve and modernize their production facilities. Similarly, LBP and DBP shall make available to

manufacturers of covered industries the official development assistance channeled through them.

The SB Corporation, LBP and DBP shall allot a part of such credit and loan package facility, including the official development assistance, to the MSMEs of the covered industries.

**SEC 7. Industry Roadmap for Covered Industries.** - Upon the effectivity of this Act, the DTI, in consultation with the National Economic and Development Authority (NEDA), Department of Finance (DOF), DBM, Department of Science and Technology (DOST), Technical Education and Skills Development Authority (TESDA), Department of the Interior and Local Government (DILG), Department of Education (DepEd), Commission on Higher Education (CHED), Armed Forces of the Philippines (AFP), Philippine National Police (PNP), Investment Promotion Agencies (IPAs), and industry associations of covered industries and other relevant agencies thereto, shall be given a maximum of one hundred eighty (180) days to formulate and adopt industry roadmaps of the covered industries to restructure the government's delivery of support services.

**SEC 8. Government Procurement.** – All government agencies, offices, bureaus, LGUs, state universities and colleges, government-owned and controlled corporations, government financial institutions and its subsidiaries, and all other government instrumentalities, with procurement requirements from the covered industries and directly sourcing footwear, leather goods and tannery products, are mandated to source their procurement requirements that are being manufactured or can be manufactured by local producers and manufacturers. Proactive posting and publication requirements relevant to public biddings, public tenders and other information that would ensure compliance and transparency in policies and implementation hereof shall be adopted.

The procedures under Republic Act No. 9184, otherwise known as the "Government Procurement Reform Act", on competitive bidding shall apply when there are more than one (1) local manufacturer or producer; Provided, that the procurement shall be done in the most judicious, economical, and expeditious manner. Otherwise, the procedures for the alternative methods of procurement shall be applied."

Government procuring entities shall give preference to manufacturing enterprises of covered industries participating in their bidding and procurement which are not registered in and enjoying incentives from any Investment Promotion Agency. The award shall be made to the lowest domestic non-IPA registered bidder, provided his bid is not more than fifteen percent (15%) in excess of the lowest bid of IPA-registered enterprises.

Ecozone locators that establish linkages with domestic MSMEs may be provided additional preference when participating in bids.

The implementing rules and regulations (IRR) shall provide the necessary requirements and procedures on this Act.

**SEC 9. *Inclusive Business*** – It is hereby encouraged that government procuring entities shall provide preference to participating enterprises belonging to covered industries that will bid for goods and are able to show proof of substantial linkage integration with MSMEs in their supply or value chain.

**SEC 10. *Lead Implementing Agency***. – The DTI shall monitor, oversee and supervise the implementation of this Act, and shall submit a yearly report thereof to the President and to Congress.

**SEC 11. *Product Development***. – The DTI, DOST, Philippine International Trading Corporation (PITC), and other relevant government agencies and offices shall be responsible for product development training and support for appropriate technology and capital equipment acquisition geared towards global competition and the export market. In coordination with the host LGU, the DTI, with the assistance of the aforementioned agencies, shall develop initiatives and programs for the covered industries.

**SEC 12. *Support Programs from Government Agencies***. – Government agencies, such as but not limited to, DTI, DOST, and TESDA shall develop support programs for the development and enhancement of competitiveness of the covered industries and shall prioritize them in providing relevant grants, trainings and support programs.

**SEC 13. *Support Services from DTI - FTSC***. Within the premises and under the jurisdiction of the Commercial Posts of the Department of Trade and Industry (DTI), the Foreign Trade Service Corps (FTSC) shall provide regular relevant information and market intelligence on covered industries as to trends, emerging policies and regulations, emerging opportunities, among others. They shall also support the covered industries in accessing foreign markets, matching with possible foreign partners, buyers, suppliers, distributors and may likewise act as consolidators of orders and/or quality raw material supplies. Related operational expenses may be eligible for allocation from the Fund.

**SEC 14. *Creation of a Unit in BOI for the implementation of this Act's provisions for the covered industries***. – A separate unit in the BOI, attached agency of DTI, is hereby established to ensure the implementation of the provisions of this Act. For this purpose, the operating expenses of the new unit, including the creation, maintenance of four (4) plantilla positions for the new unit, and one (1) plantilla position for a local hire in a foreign office that will function as a marketer/consolidator of raw materials and supplies in that country, shall be appropriated additional funds under the BOI's annual budget.

**SEC 15. *Penalties***. – The following prohibited acts shall be imposed with the penalties provided herein:

- a) False or Fraudulent Information. Any person or enterprise that knowingly presents or submits to government offices any false or fraudulent declaration, application, value-add, or other information shall be penalized by a fine ranging from Two Hundred Thousand Pesos (P200,000.00) to Five Hundred Thousand Pesos (P500,000.00). It will be blacklisted frhencefoth from the Program.

- b) Goods Not Locally Made. Any person or enterprise that falsely characterizes goods as locally made shall be penalized by a fine ranging from Five Hundred Thousand Pesos (P500,000.00) to One Million Pesos (P1,000,000.00).
- c) Violation of Section 8. Any employee of government procurement entities violating Section 8 of this Act shall be penalized by a fine equivalent to ten percent (10%) of the approved budget for the contract.
- d) Other Violations. Any other violation of this Act and its implementing rules and regulations shall be penalized by a fine equivalent to One Hundred Thousand Pesos (P100,000.00).  
In the case of enterprises, the penalty shall be imposed on the chief operating officer, chief executive officer, directors or officers responsible for the violation.
- e) Blacklisting

The penalties under this Act shall be without prejudice to the filing of cases punishable under other existing laws, rules or regulations.

**SEC 16. *Implementing Rules and Regulations.*** – Within ninety (90) days from the approval of this Act, the DTI shall, upon consultation with relevant government agencies, promulgate the rules and regulations implementing the provisions of this Act.

**SEC 17. *Separability Clause.*** – If any provision or part of this Act is declared unconstitutional, the remaining provisions thereof not otherwise affected shall remain in full force and effect.

**SEC 18. *Repealing Clause.*** – Republic Act No. 9290 otherwise known as Footwear, Leather Goods and Tannery Industries Development Act, is hereby repealed.

All other laws, decrees and executive orders inconsistent with this Act are hereby repealed or modified accordingly.

**SEC 19. *Effectivity.*** – This Act shall take effect fifteen (15) days from the date of its publication in the Official Gazette or in at least one (1) newspaper of general circulation.

*Approved,*