

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

TWENTIETH CONGRESS
First Regular Session

HOUSE BILL NO. 4142



Introduced by: Hon. Iris Marie D. Montes

AN ACT
PROMOTING CIRCULAR ECONOMY AS A TRANSFORMATIVE MODEL FOR SUSTAINABILITY AND APPROPRIATING FUNDS THEREFOR

EXPLANATORY NOTE

The United Nations Economist Network describes circular economy at the macroeconomic level as one implying the “decoupling of economic growth from the use of natural resources and inputs. Ideally, the rate of resource extraction ought to remain below the rate of resource consumption, and the rate of waste production ought to remain below the environment’s ability to absorb and transform the waste. A circular economy can also be seen as a regenerative system in which resource input and waste, emissions, and energy leakages are minimized through long-lasting design, maintenance, repair, reuse, sharing, remanufacturing, refurbishing, and recycling activities.”¹

Accordingly, the circular economy is based in the “reduction of waste (e.g., goods with negative value), which can take the form of physical waste such as technical materials (construction, metals, plastics), organic (agriculture residues), or informational waste (e.g., absence of or imperfect information leading to a mismatch between supply and demand).”

Moreover, the implementation of the circular economy concept “is likely to have important macro effects in the medium term. Its gradual adoption will produce structural change – in investment, employment, capital depreciation and sectoral growth – as attention shifts towards end-of life resource management, design-for-durability and services playing a larger role in the economy. The circular economy is also likely to bring production and consumption sites closer to each other, as material loops are more easily managed on a national and regional basis. As in many industrial areas and manufactures, inputs are predominantly imported. A circular economy can contribute to lower input-based imports towards greater regionalization of supply chains.”

¹ New Economics for Sustainable Development, Circular Economy (https://www.un.org/sites/un2.un.org/files/circular_economy_14_march.pdf)

A circular economy implies using and reusing resources already in the economy more efficiently to minimize losses and rely less on extracting natural resources.

Almost half a century ago, the Marine Pollution Decree of 1976 or Presidential Decree 979 had the principles of a circular economy very much like the Philippine Ecological Solid Waste Management Act of 2000, amended as the Extended Producer Responsibility (EPR) Act of 2022, both laws prove that circular economy is not an entirely new concept in the country.

This bill, which was introduced by Sen. Loren B. Legarda during the previous Congress, seeks to pave the way for the development of green markets by instituting measures that promote the circular economy, sustainable consumption, and production by improving reuse, recycling, and reducing plastic consumption; promote the use of permaculture as a design tool for urban and rural development; and foster a just, inclusive, and sustainable green recovery from the pandemic.

The activities contemplated in this act cover the interplay between the public and private sectors, as well as national, subnational, regional, and global stakeholders, taking into consideration the trajectories under the better normal or green recovery directions consistent with the national economy and planet-people-nature nexus.

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


IRIS MARIE D. MONTES
Kababaihan Kabalikatan para sa Kapakanan
at Kaunlaran ng Bayan (4K) Party-list

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

SECTION 1. *Title.* — This Act shall be known as the "Philippine Circular Economy Promotion Act."

SEC. 2. *Declaration of Policy.* - It is the policy of the State to protect and advance the right of the people to a balanced and healthful ecology in accord with the rhythm and harmony of nature and promote sustainable development. In line with the 2030 Sustainable Development Agenda, the Philippines adopts the goals of making cities and human settlements inclusive, resilient, and sustainable, ensuring sustainable production and consumption patterns, taking urgent action to combat climate change and its impacts, and restoring natural ecosystems, in line with national development priorities and capacities. Towards this end, the State shall prevent and reduce the impact of certain plastic products, particularly marine litter, on the environment, and human health, as well as promote the transition to a circular economy with innovative and sustainable business models, products, and materials.

SEC. 3. *Definition of Terms.* - For purposes of this Act, the following terms are defined:

(a) Alternative delivery systems shall refer to sustainable eco-friendly apparatuses or processes for storing and dispensing different retail items, goods, and consumer products;

(b) Assimilating capacity assessment shall refer to an assessment of the assimilative capacity of a certain ecosystem, which is the ability to accommodate a particular activity or rate of an activity (usually pertaining to waste and residuals-producing activities such as the discharge of contaminants), without unacceptable impact;

(c) Biocapacity assessment shall refer to an assessment of the biocapacity which is the ability of biologically productive ecosystems to provide the resources and services used by humanity;

(d) Business enterprises shall refer to establishments engaged in the production, manufacturing, processing, repacking, assembly, or sale of goods and/or services, including service-oriented enterprises. It shall include self employed or own-account workers, micro, small and medium enterprises (MSMEs) and community-based business enterprises;

(e) Capacity assessment shall refer to the generic term for the following sub classifications: carrying capacity assessment, biocapacity assessment and assimilating capacity assessment. The assessments shall focus on ecosystem and environment-related systems of interest;

(f) Carrying capacity assessment shall refer to an assessment of the carrying capacity of a certain ecosystem, which is the maximum number of people, or individuals of a particular species, that a given area of the environment can sustain without causing environmental, economic or socio-cultural stress or damage;

(g) Circular economy shall refer to a system approach wherein products are designed for durability, reuse and recyclability, and materials for new products come from old products. It minimizes waste and maximizes the use of natural resources;

(h) Collection shall refer to the act of gathering and/or removal of solid waste from a source or from a communal storage point and/or facility;

(i) Consumer shall refer to a natural person who is a purchaser, lessee, recipient or prospective purchaser, lessor or recipient of consumer products, services or credit, pursuant to the defined terms under Republic Act No. 7394 or the Consumer Act of the Philippines;

(j) Ecological footprint shall refer to human demand/ activity on the biosphere, the extent to which the regenerative capacity of the planet is being used by 3 human activities, and related methods of assessing or computing the same;

(k) Incentives shall refer to incentives provided for under RA No. 9520 otherwise known as the Philippine Cooperative Code of 2008, RA No. 9178 otherwise known as the Barangay Micro-Business Enterprise Act of 2002, RA No. 9501 otherwise known as the Magna Carta for Micro, Small and Medium Enterprises, Executive Order No. 226 otherwise known as the Omnibus Investment Code of 1987, RA No. 10771 otherwise known as the Green Jobs Act of 2016 or incentives as defined by the local government unit through an ordinance specifically for the purpose of this Act, where applicable;

(l) Natural Capital Accounting and Valuation or Environment and Natural Resource Accounting and Valuation shall refer to a process that provides a systematic

way to measure and report on stocks and flows of natural capital, recognizing the environment as an asset that must be maintained and managed;

(m) Permaculture shall refer to an innovative framework for creating sustainable ways of living. It is a practical method of developing ecologically harmonious, efficient, and productive systems. The application of permaculture principles enables households, communities, and businesses to creatively re-design their environment with less energy and resources;

(n) Producer shall also refer to a manufacturer which has been defined under RA No. 7394 as "any person who manufactures, assembles, or processes consumer products, except that if the goods are manufactured, assembled or processed for another person who attaches his own brand name to the consumer products, the latter shall be deemed the manufacturer. In case of imported products, the manufacturer's representative or, in his absence, the importer, shall be deemed the manufacturer";

(o) Recovery or Resources recovery shall refer to the collection, extraction or recovery of recyclable materials from the waste stream for the purpose of recycling, generating energy or producing a product suitable for beneficial use;

(p) Recycling shall refer to the treatment of used or waste materials through a process of making them suitable for beneficial use and for other purposes, and includes any process by which solid waste materials are transformed into new products in such a manner that the original product may lose their identity, and which may be used as raw materials for the production of other goods or services;

(q) Single-use plastics shall refer to plastic products which are not conceived, designed and placed on the market to accomplish, within its life span/cycle, multiple usage or rotations such as being returned to the producer for refill or reused for the same purpose for which it was conceived. These include, but are not limited to, items such as grocery bags, food packaging films and bags, straws, stirrers, containers, styrofoam/ styros, cups, sachets and plastic cutlery;

(r) Sustainable Consumption and Production (SCP) shall refer to the use of services and related products, which respond to basic needs and bring a better quality of life while minimizing the use of natural resources and toxic materials as well as the emissions of waste and pollutants over the life cycle of the service or product so as not to jeopardize the needs of further generations; and

(s) Source reduction refers to the reduction of solid waste before it enters the solid waste stream by methods such as product design, materials substitution, materials reuse, and packaging restrictions.

SEC. 4. Scope. — This Act shall apply to producers and consumers involved in value chains of all goods, products, services, and processes contributing to the Philippine economy, and to the mechanisms facilitating the policy, regulatory, and

advocacy measures to promote, implement, monitor, and evaluate the strategies on circular economy, complementing thereby the goals and targets of sustainable consumption and production.

The activities contemplated in this Act cover the interplay between the public and private sectors, as well as national, subnational, regional, and global stakeholders, taking into consideration the trajectories under the better normal or green recovery directions consistent with the national economy and planet-people-nature nexus.

In pursuing the circular economy, the following value creation principles, which underpin the transition from a value chain to a value circle perspective, shall be adhered to:

(a) The "inner circle" refers to minimizing comparative materials use vis-a-vis the linear production system. The tighter the circle, i.e. the less a product has to be changed in reuse, refurbishment, and remanufacturing and the faster it returns to use, the higher the potential savings on the shares of material, labor, energy, and capital still embedded in the product, and the associated externalities (such as greenhouse gas emissions, water, and toxicity).

(b) The "circling longer" refers to maximizing the number of consecutive cycles (be it repair, reuse, or full remanufacturing) and/or the time in each cycle. Each prolonged cycle avoids the material, energy and labor of creating a new product or component;

(c) The "cascaded use" refers to diversifying reuse across the value chain or transforming materials across product categories to offset the need for virgin material inputs;

(d) The "pure inputs" postulates that uncontaminated material streams increase collection and redistribution efficiency while maintaining quality, particularly of technical materials, which in turn extends product longevity and thus increases material productivity;

(e) The utmost need to remove the use of toxic chemicals and hazardous substances in the production of goods and products. The elimination of toxicity in the production line will protect workers' health and guarantee safe and clean recycling processes throughout the product's lifecycle; and

(f) All products are designed to avoid waste leakage into the oceans and environment and must meet the guaranteed minimum number of recycling cycles per material.

SEC. 5. *Product or Process Design.* - Any entity or individual engaging in the design of process, equipment, product, and packing material shall, in accordance with the requirements of reducing resource consumption and waste generation, give priority to choosing designs and materials that are easy to be recovered, dismantled, and

degraded, nontoxic and harmless or with low toxic or harm, in addition to complying to the mandatory requirements as prescribed in relevant industry standards.

With respect to electric and electronic products that may pollute the environment in the processes of dismantling and handling, toxic and harmful substances as defined by law or treaty may not be used in the design. The design of product packing shall be subject to standards for product packing to avoid wasting resources and polluting the environment due to overpacking.

SEC. 6. *Innovation in Products and Services.* — Innovation contemplated in this Act shall include the following, among others:

(a) Mobile technology which enables universal and low-cost access to data and applications and reduces the need for physical resources;

(b) Machine-to-Machine (M2M) Communication being used in factory control systems and vehicle telematics enabling critical mass to mainstream M2M use as wireless network coverage expands worldwide;

(c) Cloud Computing/Dematerialization which enables the replacement of "something physical" with a digital alternative transforming data and service industries and services;

(d) Social technology which reduces the cost of setting up sharing platforms as it allows tapping into existing networks and receiving consumer feedback;

(e) Big Data Analytics that, consistent with the circular economy, enables organizations to generate revenues from product use instead of sales;

(f) Modular Design Technology which revolutionizes not only how products function but also the length and nature of customers' relationships with those products such that when a modularly designed product breaks, only the defective part is replaced or repaired extending its overall product lifecycle;

(g) Advanced Recycling Technology which recognizes that recycling has benefited from innovation and returns on circular economy investments;

(h) Life and Material Sciences Technology which leads to new circular material input options at scale and enables altering of outputs so they can be used as inputs;

(i) Trace and Return Systems which supports circular business models by making it more cost-effective to collect used products in order to service, repair, recover, reuse, refurbish, or recycle them; and

(j) 3-D Printing which facilitates repairing and creates opportunities for circular inputs that are biodegradable or infinitely recyclable.

SEC. 7. *Role of National Government Agencies and Stakeholders.* -

(a) The National Economic and Development Authority (NEDA) shall formulate and regularly update the Philippine Action Plan for Sustainable Consumption and Production (PAP4SCP). It shall be the anchor plan to mainstream the circular economy in the development activities of various stakeholders in the country and ensure its impact on sustainable development. As such, the NEDA shall lead the implementation of this Act.

(b) The Department of Environment and Natural Resources (DENR) and Philippine Statistics Authority (PSA) shall formulate the National Natural Capital Accounting or Environment and Natural Resource Accounting and Capacity Assessment Plan (NCACAP). The Plan will institutionalize a comprehensive system for accounting, valuing, and assessing the quality and integrity of the rich natural capital of the country, and shall serve as a basis for the policy, technical and technological, administrative, and market-based interventions promoting the principles of circular economy, complementing the PAP4SCP.

The NCACAP shall enable the following programs and activities, among others:

(1) Development of localized methodology for accounting and valuation of capital resources covered in the value chain of goods and services contemplated in this Act;

(2) Development of implementing guidelines and methodology on capacity assessments;

(3) Development of standards and indicators for calculating ecological footprints;

(4) Development of circularity indicators and adequate metrics to assess performance in the context of a circular economy;

(5) Development of guidelines on damage compensation;

(6) Design of finance modalities for payment for ecosystem services (PES) and user-fee system;

(7) Implementing actual NCA and capacity assessment interventions;

(8) Conduct of valuation of losses and damages for ecosystems;

(9) Development of Data Transparency Arrangements and Reporting Systems;
and

(10) Development of Information and Communications Technology (ICT) infrastructure/system/platform to support the implementation of the NCA and capacity assessment programs.

The DENR and the PSA shall lead the formulation and implementation of the NCACAP within one (1) year upon effectivity of this Act, in consultation with national government agencies concerned, including the Department of Information and Communications Technology (DICT), Department of Economy, Planning and Development, Department of Finance (DOF), Department of Tourism, (DOT) and Department of Agriculture (DA), Philippine Council for Sustainable Development (PCSD), Office of Civil Defense (OCD), Climate Change Commission (CCC), and Office of Civil Defense (OCD), Climate Change Commission (CCC), and relevant stakeholders.

(c) The DOF shall identify incentives and market interventions to promote and facilitate the mainstreaming of the circular economy principles and practices consistent with the harmonization of incentives under existing law.

(d) The DTI, in coordination with the DILG, shall lead in developing standards for circular economy design on a product or process.

(e) Non-government organizations, civil society organizations, and academe actively working in the fields of marine ecosystems, healthcare, forest conservation, mining, and sustainable ecological agriculture, among others, shall be consulted by the NEDA, DENR, and PSA in the formulation of the PAP4SCP and NCACAP.

SEC. 8. *Single-use Plastic Phase-Out and Source Reduction and Waste Minimization through Polluters Pay Principle/Extended Producer Responsibility Schemes.* — The phase-out of single-use plastics by all business enterprises to consumers shall be in full force and in effect three (3) years from the effectivity of the Act. A phase-out and transition plan shall be formulated within one (1) year from the effectivity of this Act, and shall be led by the DENR through the National Solid Waste Management Commission (NSWMC), in coordination with DTI, DOST, DILG, DOF, Department of Labor and Employment (DOLE), NEDA, and CCC and other government agencies concerned, and non-government stakeholders, as may be necessary.

The phase-out and transition plan shall include, but are not limited to, the following components:

(a) Single-use Plastic Production and Consumption Reduction Program, including phase-out;

(b) Extended Producer Responsibility Schemes for business enterprises and plastic producers;

(c) Greener Plastic Product Standards for plastic products that are made of compostable materials, do not produce microplastics, and can degrade naturally in the environment;

(d) Research and Technology Development for Alternatives to Single-use Plastics Products;

(e) Regulatory Instruments and Fiscal and Non-Fiscal Rewards and Incentives for Producers and Consumers;

(f) Collection, Recovery, and Recycling Plan for local governments and business enterprises;

(g) Just transition plan for displaced workers in affected industries and ensure their access to livelihood support programs and other available green job opportunities;

(h) Support to business enterprises adopting Zero Waste business models, refills and alternative delivery systems, and producing sustainably sourced alternatives to SUP products; and

(i) Awareness-raising and other Information, Education, and Communication Strategies for business enterprises, producers, and consumers.

The Plan shall adopt a phased-transition approach towards phasing out plastic, recognizing the rippling effects of the phase-out on the economy, including the shift of business models of plastic producers and the livelihood opportunities for workers of plastic producers.

SEC. 9. *Circular Public Procurement Program.* — All departments, bureaus, offices, and agencies of the government shall establish their respective Circular Public Procurement Programs, which shall take into account circular economy standards and set annual target accomplishments through a phased approach. All agencies shall submit their respective Circular Public Procurement Program to the Government Procurement Policy Board (GPPB) within six (6) months from the effectivity of this Act. The GPPB shall in turn submit an annual report to the Congress of the Philippines on the compliance of agencies.

The GPPB, in coordination with the DBM, DTI, and Commission on Audit (COA), within thirty (30) days from the effectivity of this Act, shall issue the necessary guidelines to accelerate the optimal use of government resources through the procurement of public goods and services adhering to the circular economy and sustainable consumption and production, subject to development and accountability measures as may be appropriate and promulgated under the said joint implementing rules.

The GPPB shall develop and provide a capacity-building program for agencies to develop circular public procurement professionals and experts.

The Public-Private Partnership Center and the Bureau of Product Standards of the DTI, among others, shall ensure that the procurement for vital government 29 infrastructure and enforcement of standards in the sale of products in the Philippines shall adhere to the principles under this Act.

SEC. 10. *Integration of Permaculture Principles and Practices.* - National Government agencies (NGAs), government-owned and controlled corporations

(GOCCs), state universities and colleges (SUCs), and local government units (LGUs) shall integrate permaculture principles and practices in their respective programs, services, projects, and operations.

The Department of Education (DepEd) shall integrate permaculture education into the primary and secondary education curricula, which shall include basic permaculture concepts and principles, sustainable mobility, agrobiodiversity, saving seeds, establishing a home, school, and community food gardens, and ecological solid waste management, among others.

The Department of the Interior and Local Government (DILG) - Local Government Academy shall facilitate the development and provision of a training program for LGUs on implementing permaculture practices.

The Technical Education and Skills Development Authority (TESDA) shall offer technical-vocational skills training programs and certificate courses on permaculture design and practices geared toward the acquisition of practical skills and employment and entrepreneurship opportunities.

SEC. 11. *Incentives and Reward for the Public Sector.* - The DBM, in coordination with national government agencies concerned, shall institute an incentives and rewards system for NGAs, GOCCs, SUCs, and LGUs for choices in products, services, operations, and public works that adhere to the circular economy standards. The incentives and rewards system shall include the utilization of 25% of the savings generated from such measures for the payment of additional performance incentives.

SEC. 12. *Capacity-building for Government and Sectors.* - National government agencies shall promote and invest in capacity building for their institutions and stakeholders to enhance their technical, institutional, and implementation capacities to design, implement/ and monitor circular economy programs and projects, 26 including circular public procurement.

The DOLE, TESDA, DICT, and DENR, among other NGAs, shall extend technical assistance to their respective sectors and stakeholders in building their capacities to contribute to the implementation of this Act.

SEC. 13. *Strategic Communications Plan.* - The Philippine Information Agency (PIA) shall formulate and implement a strategic communications plan for sustainable consumption and production.

This Plan shall build on the existing plans and programs of the government, including among others, RA No. 9512 or the "National Environmental Awareness and Education Act of 2008."

SEC. 14. *Mainstreaming Circular Economy in the National Government Budget.* - The DBM shall undertake the formulation of the annual national budget in a way that

ensures the alignment of the allocation of funds with the circular economy and sustainable consumption and production standards and practices.

SEC. 15. *Monitonng.* - The PCSD shall oversee the implementation of this Act and ensure that all provisions, plans, and programs are formulated and implemented within the timelines set forth in this Act. It shall convene regularly, enjoin other relevant stakeholders, as it deems necessary, and establish a monitoring and evaluation system to track the progress of the implementation of this Act. The PCSD shall determine whether existing regulations hamper circular economic activities or resource efficiency and propose interventions such as lifting existing restrictions or setting positive legal frameworks.

SEC. 16. *Citizen Participation and Community Mobilization.* - The State shall take measures to enable citizen participation and community mobilization towards the effective implementation of this Act. In all strategies, plans, and programs, citizen participation must be ensured, and massive awareness-building shall be conducted in local government units (LGUs) to localize and inform communities on the strategies.

SEC. 17. *Appropriations.* - The amount necessary for the initial implementation of this Act shall be taken from existing allocations of the agencies concerned. Thereafter such sums as shall be necessary to carry out the provisions of this Act shall be included in the annual General Appropriations Act.

SEC. 18. *Implementing Rules and Regulations.* - The NEDA, in coordination with the DENR, DTI, DOST, DICT, DOF, CCC, and PCSD, among other government agencies, shall issue implementing rules and regulations, within six (6) months after 29 the effectivity of the law. Failure to issue rules and regulations shall not in any manner affect the executory provisions of the Act.

SEC. 19. *Separability Clause.* - If for any reason any section or provision of this Act is declared by the Court as unconstitutional or invalid, the other sections or provisions thereof shall not be affected thereby.

SEC. 20. *Effectivity.* - This Act shall take effect fifteen (15) days after its complete publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,