

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 99

Introduced by Representative Maria Lourdes Acosta-Alba

EXPLANATORY NOTE

It is the policy of the state to recognize fully the role of the people in community development. As early as 2004, the Government's Anti-Poverty Programs and Projects (APP) initiated the One Town One Percent (OTOP) Philippines. This program was patterned after Japan's "One Village One Product OVOP) program which was rated highly successful. While the program's design was found effective, it could not be sustained due to lack of funding.

This Bill aims to institutionalize the Anti-Poverty measures through INTER-LOCAL COOPERATION (ILC) measure with the cooperation of Local Government Units (LGUs) which are contiguously located within a province or two adjacent provinces. This strategic move will bring effective and efficient integration and cooperation among the stakeholders and main actors of local production forces such as manpower, materials, machine, money, and methods to push the National Government's agenda on socio-economic development countrywide.

This proponent is therefore re-filing House Bill No. 1166, in consolidation with House Bill No. 1615, during the 17th Congress, as per Committee Report No. 54 of the House Committee on People's Participation.

The enactment of this Bill will address the desire of the provisions of Article X, Section 13 of the 1987 Constitution which provides that, "*Local government units may group themselves, consolidate or coordinate their, services, and resources for purposes commonly beneficial to them in accordance with law.*"



MARIA LOURDES ACOSTA-ALBA

1st District, Bukidnon

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

EIGHTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. 99

Introduced by Representative Maria Lourdes O. Acosta-Alba

AN ACT
INSTITUTIONALIZING INDUSTRY CLUSTER-BASED PROGRAMS AND
PROJECTS THROUGH INTER-LOCAL COOPERATION AND PEOPLE'S
PARTICIPATION

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

1 SECTION 1. *Short Title.* – This Act shall be known as “People’s
2 *Participation in Industry Cluster-based Programs and Projects Act.*”

3 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State
4 to recognize the role of the people in community development. Toward this end,
5 the State shall encourage cooperation among local government units (LGUs) and
6 their instrumentalities to institutionalize a program to strengthen people’s
7 participation in local development and to enhance productivity and guarantee
8 income opportunities for all.

9 SEC. 3. *Objectives.* - This Act shall have the following objectives:

10 a. To institutionalize the industry cluster approach as a means of
11 pursuing the local economic development through the inter-local cooperation
12 (ILC) among LGUs;

1 b. To provide an effective mechanism to strengthen the participation of
2 the people in community development through institutionalized industry cluster-
3 based programs and projects;

4 c. To promote unity among the people of the member LGUs by
5 encouraging them to work together in pursuing industry cluster-based programs
6 and projects; and

7 d. To build and strengthen partnership with concerned agencies,
8 LGUs, civil society and business organizations toward the development of
9 globally competitive unique local products and services.

10 *SEC. 4. Definition of Terms.* – For the purposes of this Act:

11 a. Industry cluster refers to geographic concentration of competing but
12 collaborating and independent businesses within a value chain of a broadly
13 defined industry, from suppliers to end products, including support services and
14 specialized infrastructure and facilities;

15 b. Industry cluster-based programs and projects refer to those programs
16 and projects undertaken within a contiguous geographic area that promote
17 convergence, job generation, and investment promotion through production of
18 competitive products and services to achieve inclusive growth;

19 c. Inter-local cooperation (ILC) refers to an alliance of LGUs that are
20 geographically adjacent to each other within a province or two adjacent provinces
21 to integrate local production forces like manpower, materials, money, machines
22 or methods to create a concerted effort to push their development and jointly
23 provide programs, projects, and services to their respective constituencies; and

24 d. People's participation refers to effective and meaningful involvement of
25 civil society and business organizations at all levels of government operations for
26 the pursuit of sustainable local economic development.

27 *SEC. 5. Inter-Local Cooperation and People's Participation.* - Inter-local
28 cooperation on industry cluster-based programs and projects is hereby
29 institutionalized under the supervision of the Department of the Interior and
30 Local Government (DILG) and the Department of Trade and Industry (DTI).

1 The LGUs shall provide a mechanism that will encourage and facilitate the
2 participation of accredited civil society and business organizations in all aspects
3 of development work in industry cluster-based programs and projects to enliven
4 the sense of community acceptance and ownership of products and to ensure
5 the responsiveness of these programs and projects to the needs of the
6 community.

7 SEC. 6. *Accreditation* – Civil society and business organizations shall be
8 accredited by the DTI, in consultation with the local sanggunian, prior to their
9 participation in industry cluster-based programs and projects.

10 The following documents for accreditation shall be submitted to the Office
11 of the Provincial Director of the DTI:

- 12 a. Articles of Incorporation and by-laws;
- 13 b. Certificate of Registration with a government registering agency;
- 14 c. List of officers and members;
- 15 d. Nature of business or work of the civil society and business
16 organizations; and
- 17 e. Annual accomplishment report for the immediately preceding year.

18 All applications for accreditation shall be acted upon by the DTI, in
19 consultation with the local sanggunian within a period of ten (10) working days
20 from receipt thereof. Upon approval, a certificate of accreditation valid for three
21 (3) years shall be issued to the organization. In case of disapproval, a notice of
22 disapproval shall be sent to the applicant. Upon a verified complaint against a
23 civil society or business organization, the DTI, after consultation with the local
24 sanggunian, may exercise the power to cancel organization's certificate of
25 accreditation.

26 Civil society and business organizations shall provide the appropriate
27 expertise, facilities, and financial support to ensure the success of industry
28 cluster-based programs and projects.

29 SEC. 7. *Organization*. – LGUs shall be organized into clusters based on
30 the following criteria:

- 31 a. Adjacent or contiguous location;

- 1 b. Commonality in interests, needs, and development requirements;
- 2 c. Agreement in the identification of products and services that shall
- 3 be developed;
- 4 d. Willingness to commit and share local resources, facilities, and
- 5 services for local development; and
- 6 e. Economic viability.

7 Each industry cluster shall be composed of two (2) or more LGUs. Prior to
8 its inclusion into an industry cluster, each LGU shall adopt a Resolution
9 authorizing the local chief executive (LCE) to enter into an agreement with other
10 LGUs, indicating therein its willingness to commit resources for purposes of local
11 development. The Resolution, together with a letter of intent signed by the LCE,
12 shall be submitted to the DILG to serve as proof of membership in the industry
13 cluster.

14 SEC. 8. *Industry Cluster Management Board.* – Each industry cluster shall
15 create an Industry Cluster Management Board (ICMB) which shall be the
16 primary body that shall prepare, integrate, coordinate, supervise, and control
17 industry cluster-based plans, programs, projects, and activities of the cluster.
18 The ICMB shall be composed of the LCEs of the member-LGUs of each cluster,
19 the respective provincial directors of the DILG and the DTI or their authorized
20 representatives, one (1) representative each from accredited civil society
21 organizations of each member-LGU as voted from among them, and one (1)
22 representative from business organizations, as members.

23 The members of the ICMB shall be entitled to one (1) vote each. The ICMB
24 shall establish and provide the necessary technical, consultative, and secretariat
25 support to member-LGUs and shall also perform planning, monitoring, and
26 coordinative functions, and exercise supervisory authority over the
27 implementation of industry cluster-based programs and projects.

28 The ICMB shall be organized thirty (30) days after the DILG has identified
29 an industry cluster and shall convene not more than fifteen (15) days following
30 its organization.

1 An Industry Cluster Management Office (ICMO) shall be established in
2 each industry cluster. It shall house the Project and Management Development
3 Staff (PMDS), the location of which shall be determined by the ICMB fifteen (15)
4 days after the ICMB shall have been organized. The PMDS shall come from the
5 existing personnel of the participating LGUs.

6 SEC. 9. *Powers and Functions of the Board.* – The ICMB shall exercise the
7 following powers and functions:

8 a. Provide policy guidance in the formulation of cluster plans and
9 programs;

10 b. Promulgate rules and regulations on the management, operation,
11 and conduct of the affairs and businesses of the industry cluster;

12 c. Enter into, make and execute contracts with government entities,
13 private organizations, civil society organizations (CSOs) , international
14 organizations (IOs), and other parties, domestic or foreign, as may be necessary
15 for the implementation of the industry cluster plan or project;

16 d. Submit to the respective local sanggunian any proposed plan,
17 program, or project for adoption and approval;

18 e. Recruit and designate personnel as may be deemed necessary to
19 handle the projects and activities of the industry cluster;

20 f. Provide leadership in the coordination and over-all management of
21 the affairs of the industry cluster;

22 g. Conduct continuing research and development of innovative and
23 indigenous technologies that will enhance the productivity of each industry
24 cluster;

25 h. Review and approve project proposals of the industry cluster
26 including the budget;

27 i. Accept grants, donations and contributions from local or foreign
28 sources to finance its programs and projects, within the limitation provided by
29 law. Donations from foreign sources shall be subject to the approval of the
30 Department of Foreign Affairs;

1 j. Assess, levy, and collect fees and charges for products and services
2 rendered; and

3 k. Perform such other functions as may be required by law.

4 SEC. 10. *Chairperson of the ICMB.* –The ICMB shall be headed by a
5 Chairperson who shall be any one of the local chief executives of the member-
6 LGUs. The Chairperson shall be elected annually by a majority of the ICMB
7 members. The Chairperson shall exercise the following powers and functions:

8 a. Call and preside over the meetings of the ICMB;

9 b. Engage the services of experts or consultants either on full-time or
10 part-time basis, as may be required in the performance of the functions and
11 duties of the Chairperson;

12 c. Execute and administer the policies and decisions approved by the
13 ICMB, including the effective day-to-day management of the operations of the
14 ICMB;

15 d. Prepare, in coordination with the PMDS, the annual budget for the
16 operations, plans, programs, and projects of the industry cluster, for submission
17 to and approval of the ICMB;

18 e. Present to the local Sanggunian, for its approval, the proposed
19 policies and programs, revenue-raising measures, operations plan, draft rules
20 and regulations, and such other plans, programs, and projects necessary to
21 carry out its mandate;

22 f. Submit for consideration of the ICMB such other policies and
23 measures necessary to carry out the provisions of this Act;

24 g. Prepare and submit to the ICMB and to the Secretaries of the DILG
25 and the DTI annual reports and evaluation of programs and projects;

26 h. Recommend to the national policy-making bodies the
27 implementation of plans and programs of the industry cluster that conform to
28 the regional development plan; and

29 i. Perform such other functions as may be required by law or the
30 ICMB.

1 SEC. 11. *Industry Plan.* – Each inter-local cooperation (ILC) shall
2 formulate an industry plan which shall include: (a) a list of products to be
3 produced and services to be offered; (b) the activities involved towards the
4 development of such products or services; (c) the role of each LGU in the product
5 development process; (d) the assistance needed from other agencies and
6 institutions; (e) the sources of fund support; and (f) the projected income.

7 The ICMB shall present the industry plan to the respective local
8 sanggunians, which shall in turn pass a Resolution approving a plan for
9 implementation. The approved industry plan shall be implemented within sixty
10 (60) days after its adoption.

11 SEC. 12. *Cluster Advisory Committee.* – Every industry cluster shall create
12 a Cluster Advisory Committee (CAC), which shall be the primary body to provide
13 advice, technical assistance, and policy guidance to the ICMB, particularly in the
14 formulation of cluster plans and programs, and on enterprise and livelihood
15 development. The CAC shall be composed of representatives from the
16 Department of Agriculture (DA), the Department of Labor and Employment-
17 Technical Education and Skills Development Authority (DOLE-TESDA), the
18 Department of Science and Technology (DOST), the Department of Tourism
19 (DOT), the National Economic and Development Authority (NEDA), financing
20 institutions, and other concerned agencies as identified by the CAC. The CAC
21 shall also include representatives from accredited civil society and business
22 organizations as members.

23 Accredited organizations shall nominate a representative each, who will in
24 turn elect among themselves two (2) CSO representatives and two (2) private
25 sector representatives to the CAC.

26 Sec. 13. *Incentives.* - Industry cluster entrepreneurs shall be granted
27 preferential access to low-interest credit in government financing institutions
28 and priority in government-initiated product marketing and promotion
29 programs.

30 A donation or bequest made under the industry cluster- based program,
31 project, or activity shall be exempt from donor's tax: *Provided* , That the

1 donations are made to, or are for the use of an LGU or any political subdivision
2 of the government, or an accredited civil society organization: *Provided, further,*
3 That not more than thirty percent (30%) of said donation shall be used by such
4 civil society organization for administration purposes: *Provided, furthermore,*
5 That the civil society organization is incorporated as a non-stock entity, pays no
6 dividends, is governed by trustees who receive no compensation, and devotes
7 all of its income, including gifts, donations, subsidies, or other forms of
8 philanthropic support to the accomplishment and promotion of the purposes
9 enumerated in its Articles of Incorporation.

10 The abovementioned donation or bequest shall be considered as allowable
11 deduction from the gross income in the computation of the income tax of the
12 donor, in accordance with the provisions of the National Internal Revenue Code
13 of 1997, as amended.

14 An industry cluster shall be given incentives if it can innovate and share
15 these with other clusters. Incentives shall be limited to training programs for
16 the cluster entrepreneur, special credit program, and shared service facilities
17 such as machinery or equipment.

18 SEC. 14. *Cluster Common Fund.* – Each industry cluster shall establish a
19 Cluster Common Fund which shall be comprised of the amount of contribution
20 agreed upon by the members of the industry cluster through a Cluster
21 Resolution, and any local or foreign donation obtained by the ICMB to finance
22 industry cluster-based programs and projects.

23 The proceeds from the revenue-raising powers stipulated under this Act
24 shall accrue to the ICMB, to be used exclusively in the implementation of
25 industry cluster-based programs and projects.

26 The ICMB shall be authorized to directly utilize a portion of the income
27 generated from fees and other collections in the performance of its functions to
28 defray operating expenses.

29 SEC. 15. *Institutional Linkages.* – In carrying out its functions, the ICMB
30 shall consult, coordinate, and work closely with the LGUs, the DA, the DILG, the
31 DOLE-TESDA, the DTI, the DOST, the DOT, the National Economic and

1 Development Authority, Commission on Higher Education, and accredited civil
2 society and business organizations operating within the cluster.

3 SEC. 16. *Monitoring and Evaluation.* – The respective offices of the
4 Secretaries of the DTI and of the DILG, in coordination with the regional offices
5 and accredited civil society and business organizations, shall monitor and
6 evaluate the implementation of industry cluster-based programs and projects
7 and recommend necessary measures to support cluster-related activities.

8 SEC. 17. *Implementing Rules and Regulations.* – Within sixty (60) days,
9 the Secretary of the Trade and Industry shall, in coordination with the Secretary
10 of the Interior and Local Government, issue the rules and regulations necessary
11 for the effective implementation of this Act.

12 SEC. 18. *Separability Clause.* - If for any reason, any part or provision
13 of this Act is declared invalid or unconstitutional, the remaining parts or
14 provisions not affected thereby shall remain in full force and effect.

15 SEC. 19. *Repealing Clause.* – All laws, executive orders, presidential
16 decrees, rules and regulations or parts thereof contrary to or inconsistent with
17 any provisions of this Act are hereby repealed, amended or modified accordingly.

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

21 Approved,