

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City



EIGHTEENTH CONGRESS
First Regular Session

House Bill No. 1974

Introduced by CIBAC Party-List Representatives
Eduardo 'Bro. Eddie' C. Villanueva and Domingo C. Rivera

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

EXPLANATORY NOTE

The Constitution recognizes the role of local government units (LGUs) in the development of the State and, therefore, supports cooperative undertakings among them. As stated in Article X, Section 13, "local government units may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them in accordance with law."

To support this constitutional policy, Section 33 of the Local Government Code of 1991 (or Republic Act No. 7160) was created. This states that "local government units may, through appropriate ordinances, group themselves, consolidate, or coordinate their efforts, services, and resources for purposes commonly beneficial to them. In support of such undertakings, the local government units involved may, upon approval by the sanggunian concerned after a public hearing conducted for the purpose, contribute funds, real estate, equipment, and other kinds of property and appoint or assign personnel under such terms and conditions as may be agreed upon by the participating local units through Memoranda of Agreement." Moreover, in Section 35, establishment of linkages with

people's and non-governmental organizations for the delivery of basic services, capability-building and livelihood projects, among others, was also recognized.

These laws create opportunities for collaboration among LGUs with regard to inclusive entrepreneurship. Cooperation among LGUs, business organizations, and civil society integrates the local workforce, unites effort towards development, and creates joint programs, projects, and services for their respective sectors.

Over the years, inter-local collaboration has significantly impacted the growth of various localities. Success of different government programs especially those for micro, small, and medium enterprises (MSMEs) like One Town, One Product (OTOP) Program, National Industry Cluster Capacity Enhancement Project (NICCEP), Shared Service Facilities (SSFs) Project, and others have been greatly influenced by it.

Through the merging of services from LGUs, national government agencies, and the private sector, the OTOP Program provides a comprehensive assistance package such as business counseling, introduction of appropriate technologies, skills and entrepreneurial training, marketing, and product designs and development. Since its establishment in 2004, local chief executives have been taking the lead in identifying, developing, and promoting a specific product or service, which has a competitive advantage.¹

The NICCEP, on the other hand, a three-year program which began in 2012, provided capacity-building training and related activities that helped boost industry stakeholders' participation in the value chain and enabled them to maximize available entrepreneurial opportunities beyond farming for those in the agri-based clusters. As of December 2014, the project has supported the creation of 174,072 jobs and 3,561 new enterprises nationwide, and also assisted around 12,711 MSMEs nationwide.²

Also, the SSF Project, a public-private partnership initiative, aims to improve the competitiveness of MSMEs by providing them with machinery, equipment, tools, systems, skills and knowledge under a shared system. It is being implemented nationwide with project partners termed as Cooperators, which may be any juridical entity such as but not limited to non-government organizations, people's organizations, cooperatives, industry/trade/business associations, local government units (LGUs), state universities/colleges technical vocational schools and other similar government and training institutions. The Department of Trade and Industry

¹ DTI One Town One Product (OTOP) Philippines. Department of Trade and Industry. Retrieved from: <http://industry.gov.ph/department-of-trade-and-industry/> (date last accessed: June 23, 2019).

² Id.

(DTI) allocated an estimated 1.45 billion pesos to establish a target of 2,443 Shared Service Facilities economy-wide.³

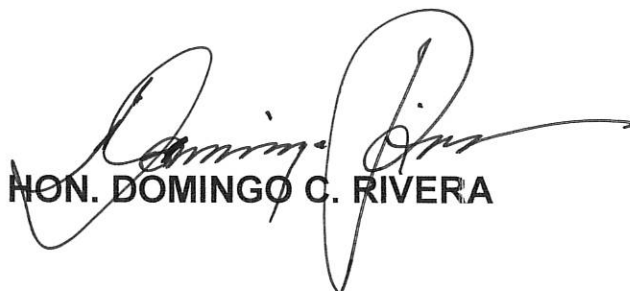
Taking into account the already undeniable inclusive growth brought about by collaboration or inter-local cooperation among LGUs and the private sector and the potential development it can bring in the future, this bill aims to institutionalize the industry cluster-based approach, under the supervision of the DTI.

This bill also aims to establish effective mechanisms that will promote unity among the constituencies of the member LGUs by encouraging them to work together in pursuing industry cluster-based programs and projects. The benefits for industry cluster entrepreneurs include preferential access to low-interest government credit and priority in government-initiated product marketing and promotion programs as well as tax exemptions, to name a few.

Hence, the immediate passage of this bill is earnestly requested.



HON. EDUARDO "BRO. EDDIE" C. VILLANUEVA



HON. DOMINGO C. RIVERA

³ List of established SSF Project. Department of Trade and Industry. Retrieved from: <https://www.dti.gov.ph/programs-projects/shared-service-facilities> (date last accessed: June 23, 2019).

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1 **AN ACT INSTITUTIONALIZING INDUSTRY CLUSTER-BASED**
2 **PROGRAMS AND PROJECTS THROUGH INTER-LOCAL**
3 **COOPERATION AND PEOPLE'S PARTICIPATION**
4 **AND FOR OTHER PURPOSES**

5
6
7 *Be it enacted by the Senate and the House of Representatives in Congress of the*
8 *Philippines assembled:*
9

10
11 **SECTION 1. Short Title.** – This Act shall be known as "*People's Participation in*
12 *Industry Cluster-based Programs and Projects Act.*"
13

14 **SECTION 2. Declaration of Policy.** – It is hereby declared the policy of the State
15 to recognize the role of the people in community development. Toward this end, the
16 State shall encourage cooperation among local government units (LGUs), business
17 and civil society organizations to institutionalize a program that will strengthen
18 people's participation in local development and to enhance productivity and
19 guarantee income opportunities for all.
20

21 **SECTION 3. Objectives.** – This Act shall have the following objectives:
22

- 23 (a) To institutionalize the industry cluster approach as a means of pursuing local
24 economic development through inter-local cooperation (ILC) among LGUs;
25
26 (b) To provide an effective mechanism to strengthen the participation of the people
27 in community development through institutionalized industry cluster-based
28 programs and projects;

- 1
2 (c) To promote unity among the people of the member LGUs by encouraging them
3 to work together in pursuing industry cluster-based programs and projects; and
4
5 (d) To build and strengthen partnership with concerned agencies, LGUs, civil
6 society and business organizations toward the development of globally
7 competitive unique local products and services.
8

9 **SECTION 4. Definition of Terms.** – For the purposes of this Act, the following
10 terms shall have the following meaning:
11

- 12 (a) **Industry cluster** refers to a concentration of competing but collaborating and
13 independent businesses within a value chain of a broadly defined industry from
14 suppliers to end products, including support services and specialized
15 infrastructure and facilities;
16
17 (b) **Industry cluster-based programs and projects** refers to programs and
18 projects that promote convergence, job generation, and investment promotion
19 through production of competitive products and services to achieve inclusive
20 growth;
21
22 (c) **Inter-local cooperation (ILC)** refers to an alliance of LGUs for the purpose of
23 integrating local production forces like manpower, materials, money, machines
24 or methods with a view to further enhancing their development by jointly
25 providing programs, projects, and services to their respective constituencies;
26 and
27
28 (d) **People's participation** refers to the effective and meaningful involvement of
29 civil society and business organizations at all levels of government operations
30 for the pursuit of sustainable local economic development.
31

32 **SECTION 5. Inter-Local Cooperation and People's Participation.** – The inter-
33 local cooperation in industry cluster-based programs and projects shall be
34 strengthened and institutionalized under the supervision of the Department of Trade
35 and Industry (DTI).
36

37 Consistent with Section 35 of the Local Government Code, the LGUs shall provide a
38 mechanism to encourage and facilitate the participation of accredited civil society
39 and business organizations in all aspects of development work in industry cluster-
40 based programs and projects to enliven the sense of community acceptance and
41 ownership of products and to ensure the responsiveness of these programs and
42 projects to the needs of the community.
43

44 **SECTION 6. Accreditation.** – Civil society and business organizations shall be
45 accredited by the DTI, in consultation with the local sanggunian, prior to their
46 participation in industry cluster-based programs and projects.
47

48 The required documents for accreditation shall include, but not be limited to, the
49 following:
50

- 1 (a) Articles of Incorporation and by-laws;
- 2
- 3 (b) List of officers and members;
- 4
- 5 (c) Nature of business or work of the civil society and/or business organization;
- 6 and
- 7
- 8 (d) Annual accomplishment report for the immediately preceding year.
- 9

10 All applications for accreditation shall be submitted to the Office of the Provincial
11 Director of DTI. The DTI, in consultation with the local sanggunian concerned, shall
12 act upon the application within a period of ten (10) working days from receipt thereof.

13
14 The certificate of accreditation shall be valid for a period of three (3) years, unless
15 otherwise revoked or cancelled by the DTI, on its own or upon verified complaint, in
16 consultation with the local sanggunian concerned.

17
18 In case an application is disapproved, a notice of disapproval shall be sent to the
19 applicant.

20
21 Participating civil society and business organizations shall provide the appropriate
22 expertise, facilities, and financial support to ensure the success of industry cluster-
23 based programs and projects.

24
25 **SECTION 7. Organization.** – LGUs shall be organized into clusters based on the
26 following criteria:

- 27
- 28 (a) Commonality in interests, needs, and development requirements;
- 29
- 30 (b) Agreement in the identification of products and services that shall be
31 developed;
- 32
- 33 (c) Willingness to commit and share local resources, facilities, and services for
34 local development; and
- 35
- 36 (d) Economic viability.
- 37

38 Each industry cluster shall be composed of two (2) or more LGUs.

39
40 Prior to its inclusion into an industry cluster, each LGU shall adopt a resolution
41 consistent with the requirements of the Local Government Code, authorizing the
42 local chief executive (LCE) to enter into an agreement with other LGUs, indicating
43 therein its willingness to commit resources for purposes of local development. The
44 resolution, together with a letter of intent signed by the LCE, shall be submitted to
45 the DTI as one of the requirements to become a member of a specific industry
46 cluster.

47
48 **SECTION 8. Philippine Industry Councils.** – Each industry cluster shall create an
49 Industry Management Council that shall provide the over-all policy and program
50 direction for the industry and all stakeholders.

SECTION 9. Composition of Philippine Industry Council. – Each Philippine Industry Council shall be composed of a representative from the DTI as Chairperson; and as members, representatives from the Department of Labor and Employment (DOLE), Department of Interior and Local Government (DILG), Commission on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA), Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Education (DepEd), LCEs of the member-LGUs of each cluster, one (1) representative each from two (2) Private Industry Associations, one (1) representative each from DTI accredited civil society organizations and one (1) representative from a Higher Education Institution recognized or accredited by CHED; Provided, That the representatives from the member-government agencies shall have the rank of at least a Provincial or Regional Director; Provided further, That the chairperson of each industry council shall have discretion to add or remove any members thereof as may be necessary for the administration of the industry cluster, after consultation from all members of concerned industry cluster.

SECTION 10. Functions and Duties of the Philippine Industry Council. – The Philippine Industry Council shall exercise the following powers and functions:

- (a) Provide overall policy guidance in the formulation of cluster plans and programs;
- (b) Formulate the industry development roadmap;
- (c) Identify, prioritize and recommend initial strategic interventions, research directions and critical data needs while the industry roadmap is being drawn up;
- (d) Promulgate rules and regulations on the management, operation, and conduct of the affairs and businesses of the industry cluster;
- (e) Enter into, make and execute contracts with government entities, private organizations, civil society organizations (CSOs), international organizations (IOs), and other parties, domestic or foreign, as may be necessary for the implementation of the industry cluster plan or project;
- (f) Submit to the concerned local sanggunian any proposed plan, program, or project for adoption and approval;
- (g) Recruit and designate personnel as may be deemed necessary to handle the projects and activities of the industry cluster;
- (h) Provide leadership in the coordination and over-all management of the affairs of the industry cluster;
- (i) Review and approve project proposals of the industry cluster including their respective budgets;
- (j) Assess, levy, and collect fees and charges for products and services rendered; and

- 1
2 (k) Perform such other functions as may be required by law.
3
4

5 **SECTION 11. Chairperson of the Industrial Council.** – The Chairperson shall
6 exercise the following powers and functions:
7

- 8 (a) Call and preside over the meetings of the Industrial Council;
9
10 (b) Engage the services of experts or consultants either on full-time or part-time
11 basis, as may be required in the performance of the functions and duties of the
12 chairperson;
13
14 (c) Execute and administer the policies and decisions approved by the industrial
15 council and be responsible for the effective day-to-day management of the
16 operations of the Industrial council;
17
18 (d) Prepare, in coordination with the Secretariat, the annual budget for the
19 operations, plans, programs, and projects of the industry cluster for submission
20 and approval of the Industrial Council;
21
22 (e) Execute and administer the policies and decisions approved by the industrial
23 council and be responsible for the effective day-to-day management of the
24 operations of the industrial council;
25
26 (f) Prepare, in coordination with the Secretariat, the annual budget for the
27 operations, plans, programs, and projects of the industry cluster for submission
28 and approval of the industrial council;
29
30 (g) Present to the local sanggunian for approval the proposed policies and
31 programs, revenue-raising measures, operations plan, draft rules and
32 regulations, and such other plans, programs, and projects necessary to carry
33 out its purpose;
34
35 (h) Submit for consideration of the industrial council such other policies and
36 measures necessary to carry out the provisions of this Act;
37
38 (i) Prepare and submit to the industrial council and to the DTI annual reports and
39 evaluation of programs and projects;
40
41 (j) Recommend to the national policy-making bodies the implementation of plans
42 and programs of the industry cluster that conform to the regional development
43 plan; and
44
45 (k) Perform such other functions as may be required by law or the Industrial
46 Council.
47

48 **SECTION 12. Establishment of a Secretariat.** – Each industry council shall have a
49 Secretariat to be headed by the Undersecretary for Regional Operations and
50 Development Group (RODG) of the DTI). The Undersecretary for RODG shall be the

1 *ex-officio* Executive Director of the Secretariat of the Council. The Head of the
2 Secretariat shall be assisted by a Deputy Executive Director who shall be appointed
3 by the Chairman of the Council upon the recommendation of the Executive Director.
4
5

6 **SECTION 13. Divisions of the Secretariat.** –The Secretariat shall consist a
7 Technical Division and an Administrative Division. The composition of the two
8 divisions shall be determined by the Executive Director and approved by the Council.
9 The personnel complement of these divisions shall follow the Civil Service rules and
10 regulations and the Salary Standardization Law.
11

12 **SECTION 14. Functions of the Secretariat.** – The Secretariat shall have the
13 following functions:
14

- 15 (a) Formulate an industry plan for the approval of the Council;
- 16
- 17 (b) Establish and manage a data and information system on the relevant industry
18 and provide such data and information upon request by the stakeholders;
19
- 20 (c) Generate and manage funds and resources for the implementation of the
21 industry plan and for other purposes that will promote the industry cluster;
22
- 23 (d) Prepare programs and projects of the industry cluster;
- 24
- 25 (e) Recommend to the Council the appointment of Secretariat personnel;
26
- 27 (f) Accept grants, donations and contributions from local or foreign sources to
28 finance its programs and projects, within the limitation provided by law;
29 *Provided, That* donations from foreign sources shall be subject to the approval
30 of the Department of Foreign Affairs;
31
- 32 (g) Prepare the annual budget of the Secretariat and the Council, subject to the
33 approval of the Council;
34
- 35 (h) Conduct continuing research and development of innovative and indigenous
36 technologies that will enhance the productivity of each industry cluster; and
37
- 38 (i) Perform such other functions as may be assigned to it.
39

40 **SECTION 15. Industry Plan.** – Each industry cluster shall formulate an industry plan
41 which shall include: (a) a list of products to be produced and services to be offered;
42 (b) the activities involved towards the development of such products or services; (c)
43 the role of each LGU in the product development process; (d) the assistance needed
44 from other agencies and institutions; (e) the sources of fund support; (f) the projected
45 income; (g) a list of the areas or gaps that must be addressed in the industry; (h)
46 labor market study for the development of the products or services in the industry;
47 and (i) identification of research or studies from academic institutions that may be
48 relevant to the development of such products or services.
49

1 The Industry Council shall present the industry plan to the local sanggunians of
2 member-LGUs of each industry cluster. The concerned local sanggunian shall pass
3 a resolution approving a plan for implementation, which shall be implemented not
4 later than sixty (60) days from its adoption.

5
6 **SECTION 16. Incentives.** – Industry cluster entrepreneurs shall be granted
7 preferential access to low-interest credit in government financing institutions and
8 priority in government-initiated product marketing and promotion programs.

9
10 A donation or bequest made under the industry cluster- based program, project, or
11 activity shall be exempt from donor's tax; *Provided*, That the donations are made to
12 or for the use of an LGU or any political subdivision of the government or in favor of
13 an accredited civil society organization: *Provided further*, That not more than thirty
14 percent (30%) of said donation shall be used by such civil society organization for
15 administration purposes: *Provided, furthermore*, That the civil society organization
16 is incorporated as a non-stock entity, pays no dividends, governed by trustees who
17 receive no compensation, and devotes all of its income, including gifts, donations,
18 subsidies, or other forms of philanthropy, for the accomplishment and promotion of
19 the purposes enumerated in its articles of incorporation.

20
21 The abovementioned donation or bequest shall be considered as allowable
22 deduction from the gross income in the computation of the income tax of the donor,
23 in accordance with the provisions of the National Internal Revenue Code of 1997, as
24 amended.

25
26 The DTI shall also develop a system of incentives for innovative industry clusters
27 that share their experiences and innovations to other clusters; *Provided*, That
28 incentives shall be limited to training programs for the cluster entrepreneur, special
29 credit program, and shared service facilities such as machinery or equipment.

30
31 **SECTION 17. Institutional Linkages.** – In carrying out its functions, the industry
32 council shall consult, coordinate, and work closely with the LGUs, DA, DILG, DOLE,
33 TESDA, DTI, DOST, DOT, National Economic and Development Authority, CHED,
34 and other relevant government agencies, and accredited civil society and business
35 organizations operating within the cluster.

36
37 **SECTION 18. Monitoring and Evaluation.** – DTI, in coordination with relevant
38 government agencies and accredited civil society and business organizations, shall
39 monitor and evaluate the implementation of industry cluster-based programs and
40 projects and recommend necessary measures to support cluster-related activities.

41
42 **SECTION 19. Implementing Rules and Regulations.** – Within sixty (60) days from
43 the effectivity of this Act, the Secretary of the Trade and Industry, in coordination with
44 the Secretaries of DILG, DOLE, CHED, TESDA, DA, DAR, DepEd, TESDA and
45 other relevant government agencies and stakeholders, shall issue the rules and
46 regulations necessary for the effective implementation of this Act.

47
48 **SECTION 20. Separability Clause.** – If for any reason, any part or provision of this
49 Act is declared invalid or unconstitutional, the remaining parts or provisions not
50 affected thereby shall remain in full force and effect.

1
2 **SECTION 21. Repealing Clause.** – All laws, executive orders, presidential decrees,
3 rules and regulations or parts thereof contrary to or inconsistent with any provisions
4 of this Act are hereby repealed, amended or modified accordingly.

5
6 **SECTION 22. Effectivity.** – This Act shall take effect fifteen (15) days after its
7 publication in the Official Gazette or in two (2) national newspapers of general
8 circulation.

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11 Approved,
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14