

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City  
**SEVENTEENTH (17<sup>TH</sup>) CONGRESS**  
1<sup>st</sup> Regular Session  
HOUSE BILL NO. 1615

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Introduced by: AGRI Party List  
Representative Orestes T. Salon and Representative Delphine Gan Lee

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#### EXPLANATORY NOTE

In the year 2004, the One Town One Product (OTOP) Philippines, was conceived as one of the priority projects under the Anti-Poverty Programs and Projects (APP). This program was modeled after Japan's highly successful "One Village One Product" (OVOP) program. The program was designed for regional and rural development. However, this project was short-lived due to lack of funding.

This bill aims to institutionalize or continue the OTOP Program through INTER-LOCAL COOPERATION (ILC), which also encourages group of Local Government Units (LGUs) that are geographically adjacent to each other within a province or two adjacent provinces to bring the integration of local production forces like manpower, materials, money, machine, and methods and create a concerted effort to push their development and jointly provide programs, projects, and services.

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

The immediate passage of the bill serves the intention of the constitution and promotes peace and justice to the Filipinos.

  
**HON. ORESTES T. SALON**  
Representative, Agri Party-List

  
**HON. DELPHINE GAN LEE**  
Representative, Agri Party-List

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SEVENTEENTH (17<sup>TH</sup>) CONGRESS  
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HOUSE BILL NO. \_\_\_\_\_

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Representative Orestes T. Salon and Representative Delphine Gan Lee

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:*

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

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

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

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

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

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

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

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

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

4           b. **Industry cluster-based programs and projects** refer to those programs and projects  
5 that promote convergence, job generation, and investment promotion through production of  
6 competitive products and services to achieve inclusive growth;

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

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

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

19           The LGUs shall provide a mechanism that will encourage and facilitate the participation  
20 of accredited civil society and business organizations in all aspects of development work in  
21 industry cluster-based programs and projects to enliven the sense of community acceptance  
22 and ownership of products and to ensure the responsiveness of these programs and projects  
23 to the needs of the community.

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

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

- 29           a. Articles of Incorporation and by-laws;
- 30           b. Certificate of Registration with a government registering agency;
- 31           c. List of officers and members;
- 32           d. Nature of business or work of the civil society and business organizations; and
- 33           e. Annual accomplishment report for the immediately preceding year.

34           All applications for accreditation shall be acted upon by the DTI, in consultation with the  
35 local sanggunian within a period of ten (10) working days from receipt thereof. Upon approval,  
36 a certificate of accreditation valid for three (3) years shall be issued to the organization. In case

1 of disapproval, a notice of disapproval shall be sent to the applicant. Upon verified complaint,  
2 the DTI shall also have the power to cancel the certificate of accreditation in consultation with  
3 the local sanggunian.

4 The civil society and business organizations shall provide the appropriate expertise,  
5 facilities, and financial support to ensure the success of industry cluster-based programs and  
6 projects.

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

- 9 a. Adjacent or contiguous location;
- 10 b. Commonality in interests, needs, and development requirements;
- 11 c. Agreement in the identification of products and services that shall be developed;
- 12 d. Willingness to commit and share local resources, facilities, and services for local  
13 development; and
- 14 e. Economic viability.

15 Each industry cluster shall be composed of two (2) or more LGUs. Prior to its inclusion  
16 into an industry cluster, each LGU shall adopt a resolution authorizing the local chief executive  
17 (LCE) to enter into an agreement with other LGUs, indicating therein its willingness to commit  
18 resources for purposes of local development. The resolution, together with a letter of intent  
19 signed by the LCE, shall be submitted to the DILG to serve as proof of membership in the  
20 industry cluster.

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

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

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

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

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

- 7        a.        Provide policy guidance in the formulation of cluster plans and programs;
- 8        b.        Promulgate rules and regulations on the management, operation, and conduct  
9 of the affairs and businesses of the industry cluster;
- 10       c.       Enter into, make and execute contracts with government entities, private  
11 organizations, civil society organizations (CSOs) , international organizations (IOs), and other  
12 parties, domestic or foreign, as may be necessary for the implementation of the industry  
13 cluster plan or project;
- 14       d.       Submit to the respective local sanggunian any proposed plan, program, or  
15 project for adoption and approval;
- 16       e.       Recruit and designate personnel as may be deemed necessary to handle the  
17 projects and activities of the industry cluster;
- 18       f.       Provide leadership in the coordination and over-all management of the affairs of  
19 the industry cluster;
- 20       g.       Conduct continuing research and development of innovative and indigenous  
21 technologies that will enhance the productivity of each industry cluster;
- 22       h.       Review and approve project proposals of the industry cluster including the  
23 budget;
- 24       i.       Accept grants, donations and contributions from local or foreign sources to  
25 finance its programs and projects, within the limitation provided by law. Donations from foreign  
26 sources shall be subject to the approval of the Department of Foreign Affairs;
- 27       j.       Assess, levy, and collect fees and charges for products and services rendered;  
28 and
- 29       k.       Perform such other functions as may be required by law.

30       SEC. 10. ***Chairperson of the ICMB.*** –The ICMB shall be headed by a chairperson who  
31 shall be one of the local chief executives of the member-LGUs. The chairperson shall be elected  
32 annually by a majority of the ICMB members. The chairperson shall exercise the following  
33 powers and functions:

- 34       a.       Call and preside over the meetings of the ICMB;
- 35       b.       Engage the services of experts or consultants either on full-time or part-time  
36 basis, as may be required in the performance of the functions and duties of the chairperson;



1 c. Execute and administer the policies and decisions approved by the ICMB and be  
2 responsible for the effective day-to-day management of the operations of the ICMB;

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

5 e. Present to the local sanggunian for approval the proposed policies and  
6 programs, revenue-raising measures, operations plan, draft rules and regulations, and such  
7 other plans, programs, and projects necessary to carry out its purpose;

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

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

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

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

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

20 The ICMB shall present the industry plan to the respective local sanggunians, which  
21 shall in turn pass a resolution approving a plan for implementation. Thereafter, such approved  
22 industry plan shall be implemented within sixty (60) days after its adoption.

23 **SEC. 12. *Cluster Advisory Committee.*** – Every industry cluster shall create a Cluster  
24 Advisory Committee (CAC), which shall be the primary body to give advice, technical  
25 assistance, and policy guidance to the ICMB, particularly in the formulation of cluster plans and  
26 programs and in enterprise and livelihood development. The CAC shall be composed of  
27 representatives from the Department of Agriculture (DA), the Department of Labor and  
28 Employment- Technical Education and Skills Development Authority (DOLE-TESDA), the  
29 Department of Science and Technology (DOST), the Department of Tourism (DOT), the National  
30 Economic and Development Authority (NEDA), financing institutions, and other concerned  
31 agencies as identified by the CAC. The CAC shall also include representatives from accredited  
32 civil society and business organizations as members.

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

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

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

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

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

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

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

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

28       SEC. 15. **Institutional Linkages.** – In carrying out its functions, the ICMB shall consult,  
29 coordinate, and work closely with the LGUs, the DA, the DILG, the DOLE-TESDA, the DTI, the  
30 DOST, the DOT, the National Economic and Development Authority, Commission on Higher  
31 Education, and accredited civil society and business organizations operating within the cluster.

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

1           SEC. 17. **Implementing Rules and Regulations.** – The Secretary of the Trade and  
2 Industry shall, in coordination with the Secretary of the Interior and Local Government, issue  
3 the rules and regulations necessary for the effective implementation of this Act.

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

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

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

12          Approved,