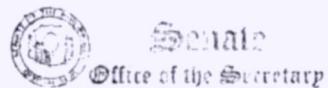


EIGHTEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session



SENATE
S. B. NO. 609

'19 JUL 18 P1 :26

RECEIVED BY [Signature]

Introduced by SENATOR JOEL VILLANUEVA

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

EXPLANATORY NOTE

The 1987 Constitution provides that "[l]ocal government units may group themselves, consolidate or coordinate their efforts, services, and resources for purposes commonly beneficial to them in accordance with law" (Art. X, Sec. 13). This Constitutional policy is given life in Section 33 of the Local Government Code of 1991 (or Republic Act No. 7160), which provides that "[l]ocal 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." In addition, Section 35 of the Local Government Code also recognizes the establishment of linkages with people's and non-governmental organizations for the delivery of basic services, capability-building and livelihood projects, among others.

An opportunity for collaborative work among local government units (LGUs) exists in the area of inclusive entrepreneurship. Building alliances among LGUs, civil society and business organizations can help integrate local production forces, create concerted effort to push their development and jointly provide programs, projects, and services to their respective constituencies.

In the past, inter-local cooperation has been especially valued because of its significant contribution to inclusive growth. Specifically, it has greatly influenced the success of government's programs that pushed for micro, small, and medium enterprises (MSMEs) in the country such as the One Town, One Product (OTOP) Program, National Industry Cluster Capacity Enhancement Project (NICCEP), Shared Service Facilities (SSFs) Project, among others.

The OTOP Program offers a comprehensive assistance package such as business counseling, introduction of appropriate technologies, skills and entrepreneurial training, marketing, and product designs and development through a convergence of services from LGUs, national government agencies, and the private sector. Since its inception 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

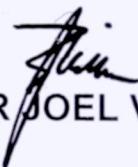
On the other hand, the NICCEP intensified industry stakeholders' participation in the value chain. As of December 2014, the project has supported the creation of 174,072 jobs and 3,561 new enterprises nationwide.²

Meanwhile, the SSF Project, a public-private partnership initiative, aims to address the bottlenecks in the value chain of priority industry clusters through the provision of processing equipment for the common use of MSMEs within those clusters. It is implemented through the collaboration of several partners including LGUs, industry associations, NGOs, people's organizations, cooperatives, and state universities and colleges. As of 30 April 2019, the Department of Trade and Industry (DTI) allocated an estimated 1.45 billion pesos to establish 2,443 Shared Service Facilities economy-wide.³

In pursuit of inclusive growth, this bill seeks to institutionalize the industry cluster-based approach, under the supervision of the DTI, through collaboration or inter-local cooperation among LGUs and the private sector.

This bill also seeks 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.

The immediate passage of this bill is earnestly sought.



SENATOR JOEL VILLANUEVA

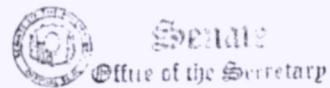
¹ DTI One Town One Product (OTOP) Philippines. Department of Trade and Industry. Retrieved from: <http://industry.gov.ph/department-of-trade-and-industry/> (date last accessed: June 23, 2019).

² Id.

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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AN ACT INSTITUTIONALIZING INDUSTRY CLUSTER-BASED
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COOPERATION AND PEOPLE'S PARTICIPATION
AND FOR OTHER PURPOSES

*Be it enacted by the Senate and House of Representatives of the Philippines in
Congress 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
4 **SEC. 2. Declaration of Policy.** – It is hereby declared the policy of the State
5 to recognize the role of the people in community development. Toward this
6 end, the State shall encourage cooperation among local government units
7 (LGUS), business and civil society organizations to institutionalize a program
8 that will strengthen people’s participation in local development and to enhance
9 productivity and guarantee income opportunities for all.

10
11 **SEC. 3. Objectives.** – This Act shall have the following objectives:

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

16
17 (b) To provide an effective mechanism to strengthen the participation of the
18 people in community development through institutionalized industry
19 cluster-based programs and projects;

20
21 (c) To promote unity among the people of the member LGUs by
22 encouraging them to work together in pursuing industry cluster-based
23 programs and projects; and

24

1 (d) To build and strengthen partnership with concerned agencies, LGUs,
2 civil society and business organizations toward the development of
3 globally competitive unique local products and services.
4

5 **SEC. 4. Definition of Terms.** – For the purposes of this Act, the following
6 terms shall have the following meaning:
7

8 (a) **Industry cluster** refers to a concentration of competing but collaborating
9 and independent businesses within a value chain of a broadly defined
10 industry from suppliers to end products, including support services and
11 specialized infrastructure and facilities;
12

13 (b) **Industry cluster-based programs and projects** refers to programs and
14 projects that promote convergence, job generation, and investment
15 promotion through production of competitive products and services to
16 achieve inclusive growth;
17

18 (c) **Inter-local cooperation (ILC)** refers to an alliance of LGUs for the
19 purpose of integrating local production forces like manpower, materials,
20 money, machines or methods with a view to further enhancing their
21 development by jointly providing programs, projects, and services to
22 their respective constituencies; and
23

24 (d) **People's participation** refers to the effective and meaningful
25 involvement of civil society and business organizations at all levels of
26 government operations for the pursuit of sustainable local economic
27 development.
28

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

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

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

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

- 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
6 organization; 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
11 Provincial Director of DTI. The DTI, in consultation with the local sanggunian
12 concerned, shall act upon the application within a period of ten (10) working
13 days from receipt thereof.
14
- 15 The certificate of accreditation shall be valid for a period of three (3) years,
16 unless otherwise revoked or cancelled by the DTI, on its own or upon verified
17 complaint, in consultation with the local sanggunian concerned.
18
- 19 In case an application is disapproved, a notice of disapproval shall be sent to
20 the applicant.
21
- 22 Participating civil society and business organizations shall provide the
23 appropriate expertise, facilities, and financial support to ensure the success of
24 industry cluster-based programs and projects.
25
- 26 **SEC. 7. Organization.** – LGUs shall be organized into clusters based on the
27 following criteria:
28
- 29 (a) Commonality in interests, needs, and development requirements;
30
31 (b) Agreement in the identification of products and services that shall be
32 developed;
33
34 (c) Willingness to commit and share local resources, facilities, and services
35 for local development; and
36
37 (d) Economic viability.
38
- 39 Each industry cluster shall be composed of two (2) or more LGUs.
40
- 41 Prior to its inclusion into an industry cluster, each LGU shall adopt a resolution
42 consistent with the requirements of the Local Government Code, authorizing
43 the local chief executive (LCE) to enter into an agreement with other LGUs,
44 indicating therein its willingness to commit resources for purposes of local
45 development. The resolution, together with a letter of intent signed by the
46 LCE, shall be submitted to the DTI as one of the requirements to become a
47 member of a specific industry cluster.
48

1 **SEC. 8. Philippine Industry Councils.** – Each industry cluster shall create
2 an Industry Management Council that shall provide the over-all policy and
3 program direction for the industry and all stakeholders.
4

5 **SEC. 9. Composition of Philippine Industry Council.** – Each Philippine
6 Industry Council shall be composed of a representative from the DTI as
7 Chairperson; and as members, representatives from the Department of Labor
8 and Employment (DOLE), Department of Interior and Local Government
9 (DILG), Commission on Higher Education (CHED), Technical Education and
10 Skills Development Authority (TESDA), Department of Agriculture (DA),
11 Department of Agrarian Reform (DAR), Department of Education (DepEd),
12 LCEs of the member-LGUs of each cluster, one (1) representative each from
13 two (2) Private Industry Associations, one (1) representative each from DTI
14 accredited civil society organizations and one (1) representative from a Higher
15 Education Institution recognized or accredited by CHED; Provided, That the
16 representatives from the member-government agencies shall have the rank of
17 at least a Provincial or Regional Director; Provided further, That the
18 chairperson of each industry council shall have discretion to add or remove
19 any members thereof as may be necessary for the administration of the
20 industry cluster, after consultation from all members of concerned industry
21 cluster.
22

23 **SEC. 10. Functions and Duties of the Philippine Industry Council.** – The
24 Philippine Industry Council shall exercise the following powers and functions:
25

- 26 (a) Provide overall policy guidance in the formulation of cluster plans and
27 programs;
28
- 29 (b) Formulate the industry development roadmap;
30
- 31 (c) Identify, prioritize and recommend initial strategic interventions, research
32 directions and critical data needs while the industry roadmap is being
33 drawn up;
34
- 35 (d) Promulgate rules and regulations on the management, operation, and
36 conduct of the affairs and businesses of the industry cluster;
37
- 38 (e) Enter into, make and execute contracts with government entities, private
39 organizations, civil society organizations (CSOs), international
40 organizations (IOs), and other parties, domestic or foreign, as may be
41 necessary for the implementation of the industry cluster plan or project;
42
- 43 (f) Submit to the concerned local sanggunian any proposed plan, program,
44 or project for adoption and approval;
45
- 46 (g) Recruit and designate personnel as may be deemed necessary to
47 handle the projects and activities of the industry cluster;
48
- 49 (h) Provide leadership in the coordination and over-all management of the
50 affairs of the industry cluster;

- 1 (i) Review and approve project proposals of the industry cluster including
 - 2 their respective budgets;
 - 3
 - 4
 - 5 (j) Assess, levy, and collect fees and charges for products and services
 - 6 rendered; and
 - 7
 - 8 (k) Perform such other functions as may be required by law.

SEC. 11. Chairperson of the Industrial Council. – The Chairperson shall exercise the following powers and functions:

- (a) Call and preside over the meetings of the Industrial Council;
 - (b) Engage the services of experts or consultants either on full-time or part-time basis, as may be required in the performance of the functions and duties of the chairperson;
 - (c) Execute and administer the policies and decisions approved by the industrial council and be responsible for the effective day-to-day management of the operations of the Industrial council;
 - (d) Prepare, in coordination with the Secretariat, the annual budget for the operations, plans, programs, and projects of the industry cluster for submission and approval of the Industrial Council;
 - (e) Execute and administer the policies and decisions approved by the industrial council and be responsible for the effective day-to-day management of the operations of the industrial council;
 - (f) Prepare, in coordination with the Secretariat, the annual budget for the operations, plans, programs, and projects of the industry cluster for submission and approval of the industrial council;
 - (g) Present to the local sanggunian for approval the proposed policies and programs, revenue-raising measures, operations plan, draft rules and regulations, and such other plans, programs, and projects necessary to carry out its purpose;
 - (h) Submit for consideration of the industrial council such other policies and measures necessary to carry out the provisions of this Act;
 - (i) Prepare and submit to the industrial council and to the DTI annual reports and evaluation of programs and projects;
 - (j) Recommend to the national policy-making bodies the implementation of plans and programs of the industry cluster that conform to the regional development plan; and

- (k) Perform such other functions as may be required by law or the Industrial Council.

SEC. 12. Establishment of a Secretariat. – Each industry council shall have a Secretariat to be headed by the Undersecretary for Regional Operations and Development Group (RODG) of the DTI. The Undersecretary for RODG shall be the *ex-officio* Executive Director of the Secretariat of the Council. The Head of the Secretariat shall be assisted by a Deputy Executive Director who shall be appointed by the Chairman of the Council upon the recommendation of the Executive Director.

SEC. 13. Divisions of the Secretariat. —The Secretariat shall consist a Technical Division and an Administrative Division. The composition of the two divisions shall be determined by the Executive Director and approved by the Council. The personnel complement of these divisions shall follow the Civil Service rules and regulations and the Salary Standardization Law.

SEC. 14. Functions of the Secretariat. – The Secretariat shall have the following functions:

- (a) Formulate an industry plan for the approval of the Council;
 - (b) Establish and manage a data and information system on the relevant industry and provide such data and information upon request by the stakeholders;
 - (c) Generate and manage funds and resources for the implementation of the industry plan and for other purposes that will promote the industry cluster;
 - (d) Prepare programs and projects of the industry cluster;
 - (e) Recommend to the Council the appointment of Secretariat personnel;
 - (f) Accept grants, donations and contributions from local or foreign sources to finance its programs and projects, within the limitation provided by law; *Provided*, That donations from foreign sources shall be subject to the approval of the Department of Foreign Affairs;
 - (g) Prepare the annual budget of the Secretariat and the Council, subject to the approval of the Council;
 - (h) Conduct continuing research and development of innovative and indigenous technologies that will enhance the productivity of each industry cluster; and
 - (i) Perform such other functions as may be assigned to it.

1 **SEC. 15. Industry Plan.** – Each industry cluster shall formulate an industry
2 plan which shall include: (a) a list of products to be produced and services to
3 be offered; (b) the activities involved towards the development of such
4 products or services; (c) the role of each LGU in the product development
5 process; (d) the assistance needed from other agencies and institutions; (e)
6 the sources of fund support; (f) the projected income; (g) a list of the areas or
7 gaps that must be addressed in the industry; (h) labor market study for the
8 development of the products or services in the industry; and (i) identification of
9 research or studies from academic institutions that may be relevant to the
10 development of such products or services.

11
12 The Industry Council shall present the industry plan to the local sanggunians
13 of member-LGUs of each industry cluster. The concered local sanggunian
14 shall pass a resolution approving a plan for implementation, which shall be
15 implemented not later than sixty (60) days from its adoption.

16
17 **SEC. 16. Incentives.** – Industry cluster entrepreneurs shall be granted
18 preferential access to low-interest credit in government financing institutions
19 and priority in government-initiated product marketing and promotion
20 programs.

21
22 A donation or bequest made under the industry cluster- based program,
23 project, or activity shall be exempt from donor's tax; *Provided*, That the
24 donations are made to or for the use of an LGU or any political subdivision of
25 the government or in favor of an accredited civil society organization;
Provided further, That not more than thirty percent (30%) of said donation
27 shall be used by such civil society organization for administration purposes;
Provided, furthermore, That the civil society organization is incorporated as a
29 non-stock entity, pays no dividends, governed by trustees who receive no
30 compensation, and devotes all of its income, including gifts, donations,
31 subsidies, or other forms of philanthropy, for the accomplishment and
32 promotion of the purposes enumerated in its articles of incorporation.

33
34 The abovementioned donation or bequest shall be considered as allowable
35 deduction from the gross income in the computation of the income tax of the
36 donor, in accordance with the provisions of the National Internal Revenue
37 Code of 1997, as amended.

38
39 The DTI shall also develop a system of incentives for innovative industry
40 clusters that share their experiences and innovations to other clusters;
41 *Provided*, That incentives shall be limited to training programs for the cluster
42 entrepreneur, special credit program, and shared service facilities such as
43 machinery or equipment.

44

1 **SEC. 17. Institutional Linkages.** – In carrying out its functions, the industry
2 council shall consult, coordinate, and work closely with the LGUs, DA, DILG,
3 DOLE, TESDA, DTI, DOST, DOT, National Economic and Development
4 Authority, CHED, and other relevant government agencies, and accredited
5 civil society and business organizations operating within the cluster.
6

7 **SEC. 18. Monitoring and Evaluation.** – DTI, in coordination with relevant
8 government agencies and accredited civil society and business organizations,
9 shall monitor and evaluate the implementation of industry cluster-based
10 programs and projects and recommend necessary measures to support
11 cluster-related activities.
12

13 **SEC. 19. Implementing Rules and Regulations.** – Within sixty (60) days
14 from the effectivity of this Act, the Secretary of the Trade and Industry, in
15 coordination with the Secretaries of DILG, DOLE, CHED, TESDA, DA, DAR,
16 DepEd, TESDA and other relevant government agencies and stakeholders,
17 shall issue the rules and regulations necessary for the effective
18 implementation of this Act.
19

20 **SEC. 20. Separability Clause.** – If for any reason, any part or provision of
21 this Act is declared invalid or unconstitutional, the remaining parts or
22 provisions not affected thereby shall remain in full force and effect.
23

24 **SEC. 21. Repealing Clause.** – All laws, executive orders, presidential
25 decrees, rules and regulations or parts thereof contrary to or inconsistent with
26 any provisions of this Act are hereby repealed, amended or modified
27 accordingly.
28

29 **SEC. 22. Effectivity.** – This Act shall take effect fifteen (15) days after its
30 publication in the Official Gazette or in two (2) national newspapers of general
31 circulation.
32 **Approved,**
33