

NINETEENTH CONGRESS OF THE
REPUBLIC OF THE PHILIPPINES
First Regular Session



Senate
Office of the Secretary

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'22 JUL 18 P5:02

SENATE

RECEIVED BY:

S. B. NO. 740

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 May 2022, a total of 3,313 Shared Service Facilities have been established, which in turn, paved the way for the creation of approximately 200,000 jobs nationwide.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, *accessible at <http://industry.gov.ph/department-of-trade-and-industry/>* (last accessed June 23, 2019).

² *Id.*

³ Department of Trade and Industry, Shared Service Facilities: Shared Success for Filipino MSMEs, *accessible at <https://www.dti.gov.ph/negosyo/shared-service-facilities/>* (last accessed July 16, 2022).

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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
5 State to recognize the role of the people in community development. Toward
6 this end, the State shall encourage cooperation among local government units
7 (LGUs), and business and civil society organizations to institutionalize a
8 program that will strengthen people’s participation in local development, and to
9 enhance 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
14 pursuing local economic development through inter-local
15 cooperation (ILC) among LGUs;
16
17 (b) To provide an effective mechanism to strengthen the participation
18 of the people in community development through institutionalized
19 industry 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-
23 based programs and projects; and
24

- 1 (d) To build and strengthen partnership with concerned agencies,
2 LGUs, civil society and business organizations toward the
3 development of globally competitive unique local products and
4 services.
5

6 **SEC. 4. Definition of Terms.** – For the purposes of this Act, the
7 following terms shall have the following meaning:
8

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

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

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

43 **SEC. 6. Organization.** – LGUs shall be organized into clusters based
44 on the following criteria:
45

- 46 (a) Commonality in interests, needs, and development requirements;
47
48 (b) Agreement in the identification of products and services that shall
49 be developed;
50

- 1 (c) Willingness to commit and share local resources, facilities, and
2 services for local development; and
3
- 4 (d) Economic viability.
5

6 Each industry cluster shall be composed of two (2) or more LGUs.
7

8 Prior to its inclusion into an industry cluster, each LGU shall adopt a
9 resolution consistent with the requirements of the Local Government Code,
10 authorizing the local chief executive (LCE) to enter into an agreement with other
11 LGUs, indicating therein its willingness to commit resources for purposes of
12 local development. The resolution, together with a letter of intent signed by the
13 LCE, shall be submitted to the DTI as one of the requirements to become a
14 member of a specific industry cluster.
15

16 **SEC. 7. Lead Agency.** – The DTI, through its Regional Operations
17 Group, shall be the lead agency in the implementation of this Act and shall
18 provide the over-all policy and program direction for the industry and all
19 stakeholders. The Board of Investments and technical working groups per
20 priority cluster shall assist the DTI in the implementation of the Act. It shall have
21 the following powers and functions:
22

- 23 (a) Provide overall policy guidance in the formulation of cluster plans
24 and programs;
25
- 26 (b) Formulate the industry development roadmap;
27
- 28 (c) Identify, prioritize and recommend initial strategic interventions,
29 research directions and critical data needs while the industry
30 roadmap is being drawn up;
31
- 32 (d) Promulgate rules and regulations on the management, operation,
33 and conduct of the affairs and businesses of the industry cluster;
34
- 35 (e) Enter into, make and execute contracts with government entities,
36 private organizations, civil society organizations (CSOs),
37 international organizations (IOs), and other parties, domestic or
38 foreign, as may be necessary for the implementation of the industry
39 cluster plan or project;
40
- 41 (f) Submit to the concerned local sanggunian any proposed plan,
42 program, or project for adoption and approval;
43
- 44 (g) Recruit and designate personnel as may be deemed necessary to
45 handle the projects and activities of industry clusters;
46
- 47 (h) Engage the services of experts or consultants either on full-time or
48 part-time basis, as may be required for the development and
49 implementation of policies, plans, programs, and projects per
50 industry cluster;

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- (i) Provide leadership in the coordination and over-all management of the affairs of industry clusters;
- (j) Review and approve project proposals, including their respective budgets;
- (k) Assess, levy, and collect fees and charges for products and services rendered;
- (l) Prepare and submit annual reports and evaluations of programs and projects implemented, as well as any recommendations for improvement, to the Congress and to the President of the Philippines; and
- (m) Perform such other functions as may be required by law.

SEC. 8. Technical Working Groups (TWG). – The DTI shall create Technical Working Groups per priority industry clusters, guided by industry development roadmaps. They shall have the following functions:

- (a) Formulate industry plans for the approval of DTI;
- (b) Coordinate with local sanggunians of industry clusters 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;
- (c) Establish and manage a data and information system on the relevant industry and provide such data and information upon request by the stakeholders;
- (d) Generate and manage funds and resources for the implementation of the industry plan and for other purposes that will promote the industry cluster;
- (e) Prepare programs and projects of the industry cluster, in coordination with local sanggunians of such industry clusters;
- (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;

- 1 (h) Conduct continuing research and development of innovative and
2 indigenous technologies that will enhance the productivity of each
3 industry cluster;
4
5 (i) Submit for consideration of the DTI such other policies and
6 measures necessary to carry out the provisions of this Act;
7
8 (j) Prepare and submit to DTI annual reports and evaluation of
9 programs and projects; and
10
11 (k) Perform such other functions as may be required by law.
12

13 **SEC. 9. Industry Plan.** – Each industry cluster shall formulate an
14 industry plan which shall include: (a) a list of products to be produced and
15 services to be offered; (b) the activities involved towards the development of
16 such products or services; (c) the role of each LGU in the product development
17 process; (d) the assistance needed from other agencies and institutions; (e) the
18 sources of fund support; (f) the projected income; (g) a list of the areas or gaps
19 that must be addressed in the industry; (h) labor market study for the
20 development of the products or services in the industry; and (i) identification of
21 research or studies from academic institutions that may be relevant to the
22 development of such products or services.
23

24 The TWGs shall present the industry plan to the local sanggunians of
25 member-LGUs of each industry cluster. The concerned local sanggunian shall
26 pass a resolution approving a plan for implementation, which shall be
27 implemented not later than sixty (60) days from its adoption.
28

29 **SEC. 10. Incentives.** – Industry cluster entrepreneurs shall be granted
30 preferential access to low-interest credit in government financing institutions
31 and priority in government-initiated product marketing and promotion programs.
32

33 A donation or bequest made under the industry cluster-based program,
34 project, or activity shall be exempt from donor's tax; *Provided*, That the
35 donations are made to or for the use of an LGU or any political subdivision of
36 the government or in favor of an accredited civil society organization: *Provided*,
37 *further*, That not more than thirty percent (30%) of said donation shall be used
38 by such civil society organization for administration purposes: *Provided*,
39 *furthermore*, That the civil society organization is incorporated as a non-stock
40 entity, pays no dividends, governed by trustees who receive no compensation,
41 and devotes all of its income, including gifts, donations, subsidies, or other
42 forms of philanthropy, for the accomplishment and promotion of the purposes
43 enumerated in its articles of incorporation.
44

45 The abovementioned donation or bequest shall be considered as
46 allowable deduction from the gross income in the computation of the income
47 tax of the donor, in accordance with the provisions of the National Internal
48 Revenue Code of 1997, as amended.
49

1 The DTI shall also develop a system of incentives for innovative industry
2 clusters that share their experiences and innovations to other clusters;
3 *Provided*, That incentives shall be limited to training programs for the cluster
4 entrepreneur, special credit program, and shared service facilities such as
5 machinery or equipment.
6

7 **SEC. 11. *Institutional Linkages.*** – In carrying out its functions, the
8 DTI, through the TWGs, shall consult, coordinate, and work closely with the
9 LGUs, relevant government agencies, and civil society and business
10 organizations operating within the industry cluster.
11

12 **SEC. 12. *Monitoring and Evaluation.*** – DTI, in coordination with
13 relevant government agencies and civil society and business organizations,
14 shall monitor and evaluate the implementation of industry cluster-based
15 programs and projects and recommend necessary measures to support
16 cluster-related activities.
17

18 **SEC. 13. *Implementing Rules and Regulations.*** – Within sixty (60)
19 days from the effectivity of this Act, the Secretary of the Trade and Industry, in
20 coordination with relevant government agencies and stakeholders, shall issue
21 the rules and regulations necessary for the effective implementation of this Act.
22

23 **SEC. 14. *Separability Clause.*** – If for any reason, any part or
24 provision of this Act is declared invalid or unconstitutional, the remaining parts
25 or provisions not affected thereby shall remain in full force and effect.
26

27 **SEC. 15. *Repealing Clause.*** – All laws, executive orders, presidential
28 decrees, rules and regulations or parts thereof contrary to or inconsistent with
29 any provisions of this Act are hereby repealed, amended or modified
30 accordingly.
31

32 **SEC. 16. *Effectivity.*** – This Act shall take effect fifteen (15) days after
33 its publication in the Official Gazette or in two (2) national newspapers of
34 general circulation.
35

36 **Approved,**
37