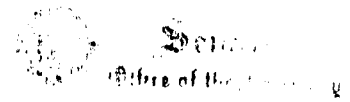


SEVENTEENTH CONGRESS OF THE)
REPUBLIC OF THE PHILIPPINES)
First Regular Session)



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SENATE

S. B. No. 969

BY:

Introduced by SENATOR JOEL VILLANUEVA

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

EXPLANATORY NOTE

The 1987 Constitution stipulates that the *"Local 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).

An opportunity for working collaboratively among local government units (LGUs), which are geographically adjacent, 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.

Inter-local cooperation has in the past 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 advantage¹.

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 nationwide².

Furthermore, 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 with partners including local government units, industry associations, NGOs, people's organizations, cooperatives, and state universities and colleges. As of November 2015, the Department of Trade and Industry (DTI) established 1,305 SSFs economy-wide³.

In pursuit of inclusive growth, this bill seeks to institutionalize the industry cluster-based approach, under the supervision of the Department of the Interior and Local Government (DILG) and the DTI, through collaboration or inter-local cooperation among LGUs.

This bill also seeks to establish effective mechanisms that will promote unity among the people 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.

The immediate passage of this bill is earnestly requested.


SENATOR JOEL VILLANUEVA

¹ <http://invest.cfo.gov.ph/pdf/part1/dti-one-town-one-product-otop-philippines.pdf>

² <http://industry.gov.ph/department-of-trade-and-industry/>

³ <http://www.gov.ph/2015/11/17/speech-president-aquino-apec-sme-summit/>

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**AN ACT INSTITUTIONALIZING INDUSTRY CLUSTER-BASED
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*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
4 the State to recognize the role of the people in community
5 development. Toward this end, the State shall encourage cooperation
6 among local government units (LGUS) and their instrumentalities to
7 institutionalize a program to strengthen people’s participation in local
8 development and to enhance productivity and guarantee income
9 opportunities for all.
- 10 SEC. 3. **Objectives.** - This Act shall have the following objectives:

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

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

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

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

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

15 a) **Industry cluster** refers to geographic concentration of
16 competing but collaborating and independent businesses
17 within a value chain of a broadly defined industry from
18 suppliers to end products, including support services and
19 specialized infrastructure and facilities;

20 b) **Industry cluster-based programs and projects** refer to
21 those programs and projects that promote convergence, job
22 generation, and investment promotion through production of
23 competitive products and services to achieve inclusive
24 growth;

25
26 c) **Inter-local cooperation (ILC)** refers to an alliance of

1 LGUs that are geographically adjacent to each other within a
2 province or two adjacent provinces to integrate local
3 production forces like manpower, materials, money,
4 machines or methods to create a concerted effort to push
5 their development and jointly provide programs, projects, and
6 services to their respective constituencies; and

7 d) **People's participation** refers to effective and meaningful
8 involvement of civil society and business organizations at all
9 levels of government operations for the pursuit of sustainable
10 local economic development.

11 **SEC. 5. *Inter-Local Cooperation and People's Participation.***

12 - Inter-local cooperation on industry cluster-based programs and
13 projects is hereby institutionalized under the supervision of the
14 Department of the Interior and Local Government (DILG) and
15 the Department of Trade and Industry (DTI).

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

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

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

- 1 a) Articles of Incorporation and by-laws;
- 2 b) Certificate of Registration with a government registering
- 3 agency;
- 4 c) List of officers and members;
- 5 d) Nature of business or work of the civil society and
- 6 business organizations; and
- 7 e) Annual accomplishment report for the immediately
- 8 preceding year.

9 All applications for accreditation shall be acted upon by the
10 DTI, in consultation with the local sanggunian within a period
11 of ten (10) working days from receipt thereof. Upon approval,
12 a certificate of accreditation valid for three (3) years shall be
13 issued to the organization. In case of disapproval, a notice of
14 disapproval shall be sent to the applicant. Upon verified
15 complaint, the DTI shall also have the power to cancel the
16 certificate of accreditation in consultation with the local
17 sanggunian.

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

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

- 24 a) Adjacent or contiguous location;
- 25 b) Commonality in interests, needs, and development
- 26 requirements;
- 27 c) Agreement in the identification of products and
- 28 services that shall be developed;
- 29

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

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

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

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

1 cluster-based programs and projects.

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

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

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

14 a) Provide policy guidance in the formulation of cluster
15 plans and programs;

16 b) Promulgate rules and regulations on the management,
17 operation, and conduct of the affairs and businesses of
18 the industry cluster;

19 c) Enter into, make and execute contracts with government
20 entities, private organizations, civil society organizations
21 (CSOs), international organizations (IOs), and other
22 parties, domestic or foreign, as may be necessary for the
23 implementation of the industry cluster plan or project;

24 d) Submit to the respective local sanggunian any proposed
25 plan, program, or project for adoption and approval;

- 1 e) Recruit and designate personnel as may be deemed
2 necessary to handle the projects and activities of the
3 industry cluster;
- 4 f) Provide leadership in the coordination and over-all
5 management of the affairs of the industry cluster;
- 6 g) Conduct continuing research and development of
7 innovative and indigenous technologies that will enhance
8 the productivity of each industry cluster;
- 9 h) Review and approve project proposals of the industry
10 cluster including the budget;
- 11 i) Accept grants, donations and contributions from local or
12 foreign sources to finance its programs and projects, within
13 the limitation provided by law. Donations from foreign
14 sources shall be subject to the approval of the Department
15 of Foreign Affairs;
16
- 17 j) Assess, levy, and collect fees and charges for products
18 and services rendered; and
- 19 k) Perform such other functions as may be required by law.

20 **SEC. 10. *Chairperson of the ICMB.*** –The ICMB shall be headed
21 by a chairperson who shall be one of the local chief executives of
22 the member-LGUs. The chairperson shall be elected annually by a
23 majority of the ICMB members. The chairperson shall exercise the
24 following powers and functions:

- 25 a) Call and preside over the meetings of the ICMB;

- 1 b) Engage the services of experts or consultants either on
2 full-time or part-time basis, as may be required in the
3 performance of the functions and duties of the chairperson;
- 4 c) Execute and administer the policies and decisions
5 approved by the ICMB and be responsible for the effective
6 day-to-day management of the operations of the ICMB;
- 7 d) Prepare, in coordination with the PMDS, the annual budget
8 for the operations, plans, programs, and projects of the
9 industry cluster for submission and approval of the ICMB;
- 10 e) Present to the local sanggunian for approval the proposed
11 policies and programs, revenue-raising measures, operations
12 plan, draft rules and regulations, and such other plans,
13 programs, and projects necessary to carry out its purpose;
- 14 f) Submit for consideration of the ICMB such other policies
15 and measures necessary to carry out the provisions of this Act;
- 16 g) Prepare and submit to the ICMB and to the Secretaries of
17 the DILG and the DTI annual reports and evaluation of
18 programs and projects;
- 19 h) Recommend to the national policy-making bodies the
20 implementation of plans and programs of the industry cluster
21 that conform to the regional development plan; and
- 22 i) Perform such other functions as may be required by law or
23 the ICMB.

24 **SEC. 11. *Industry Plan.*** – Each inter-local cooperation (ILC),
25 shall formulate an industry plan which shall include:

1 (a) a list of products to be produced and services to be offered;
2 (b) the activities involved towards the development of such
3 products or services; (c) the role of each LGU in the product
4 development process; (d) the assistance needed from other
5 agencies and institutions; (e) the sources of fund support; and
6 (f) the projected income.

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

12 **SEC. 12. *Cluster Advisory Committee.*** – Every industry
13 cluster shall create a Cluster Advisory Committee (CAC), which
14 shall be the primary body to give advice, technical assistance,
15 and policy guidance to the ICMB, particularly in the formulation
16 of cluster plans and programs and in enterprise and livelihood
17 development.

18 The CAC shall be composed of representatives from the
19 Department of Agriculture (DA), the Department of Labor and
20 Employment (DOLE), Technical Education and Skills
21 Development Authority (TESDA), the Department of Science
22 and Technology (DOST), the Department of Tourism (DOT),
23 the National Economic and Development Authority (NEDA),
24 financing institutions, and other concerned agencies as
25 identified by the CAC.

26 The CAC shall also include representatives from accredited
27 civil society and business organizations as members.

28 Accredited organizations shall nominate a representative each,

1 who will in turn elect among themselves two (2) CSO
2 representatives and two (2) private sector representatives
3 to the CAC.

4 **Sec. 13. *Incentives.*** - Industry cluster entrepreneurs shall
5 be granted preferential access to low-interest credit in
6 government financing institutions and priority in
7 government-initiated product marketing and promotion
8 programs.

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

24 The abovementioned donation or bequest shall be
25 considered as allowable deduction from the gross income in
26 the computation of the income tax of the donor, in
27 accordance with the provisions of the National Internal
28 Revenue Code of 1997, as amended. Industry clusters shall
29 be given incentives if they can innovate and share these
30 with other clusters. Incentives shall be limited to training

1 programs for the cluster entrepreneur, special credit
2 program, and shared service facilities such as machinery or
3 equipment.

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

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

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

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

21 SEC. 16. **Monitoring and Evaluation.** – The respective offices of the
22 Secretaries of the DTI and of the DILG, in coordination with the
23 regional offices and accredited civil society and business
24 organizations, shall monitor and evaluate the implementation of
25 industry cluster-based programs and projects and recommend
26 necessary measures to support cluster-related activities.

27 SEC. 17. **Implementing Rules and Regulations.** – The Secretary of

1 the Trade and Industry shall, in coordination with the Secretary of the
2 Interior and Local Government, issue the rules and regulations
3 necessary for the effective implementation of this Act.

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

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

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

Approved,