



HOUSE OF REPRESENTATIVES

H. No. 6739

BY REPRESENTATIVES CRUZ-GONZALES, ASILO, ARQUIZA, LEONEN-PIZARRO,
PAEZ, OLIVAREZ, MARIANO, OBILLO, MONTEJO, TUGNA, PADILLA,
CABALUNA, ANGPIING, LABADLABAD AND CASTELO, PER COMMITTEE
REPORT NO. 2496

AN ACT INSTITUTIONALIZING INDUSTRY CLUSTER-BASED
PROGRAMS AND PROJECTS THROUGH INTER-LOCAL
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 SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the
4 State to recognize the role of the people in community development. Toward
5 this end, the State shall encourage cooperation among local government units
6 (LGUs) and their instrumentalities to institutionalize a program to strengthen
7 people’s participation in local development and to enhance productivity and
8 guarantee income opportunities for all.

9 SEC. 3. *Statement of Goals and Objectives.* – Pursuant to the
10 abovementioned policy, the government shall attain the following objectives:

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

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

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

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

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

14 (a) *Inter-local cooperation (ILC)* refers to an alliance of LGUs that are
15 geographically adjacent to each other within a province or two (2) adjacent
16 provinces, whose purpose is to integrate local production forces like
17 manpower, materials, money, machine, methods, create a concerted effort to
18 push their development, and jointly provide programs, projects and services to
19 constituencies.

20 (b) *Industry cluster* refers to geographic concentration of competing
21 but collaborating and independent businesses within a value chain of a broadly
22 defined industry from suppliers to end products, including supporting services
23 and specialized infrastructure and facilities.

24 (c) *Industry cluster-based programs and projects* refer to those
25 programs and projects that promote convergence, job generation, and
26 investment promotion through production of competitive products and services
27 to achieve inclusive growth.

1 (d) *People's participation* refers to effective and meaningful
2 involvement of civil society and business organizations at all levels of
3 government operations for the pursuit of sustainable local economic
4 development.

5 *SEC. 5. Inter-Local Cooperation on Industry Cluster-Based Programs*
6 *and Projects.* -- Pursuant to the abovementioned policy, inter-local
7 cooperation on industry cluster-based programs and projects is hereby
8 institutionalized under the supervision of the Department of the Interior and
9 Local Government (DILG) and the Department of Trade and Industry (DTI).

10 The civil society and business organizations shall act as enablers and
11 ensure meaningful participation to the clusters in all development processes
12 which pertain to industry cluster-based programs and projects.

13 *SEC. 6. Meaningful Participation of the People in the Program.*
14 -- The concerned LGUs shall coordinate, encourage and facilitate the
15 participation of accredited civil society and business organizations in all
16 aspects of development work in industry cluster-based programs and projects,
17 namely: in planning, implementation, management, monitoring, and evaluation
18 stages, to enliven the sense of community acceptance and ownership of
19 products and to ensure the responsiveness of these programs and projects to
20 the needs of the community.

21 LGUs shall introduce a mechanism to encourage the active participation
22 of the civil society organizations (CSOs) and the private sector and serve as
23 partner in local development.

24 *SEC. 7. Accreditation of the CSOs and the Private Sector*
25 *Organizations.* -- Civil society and business organizations shall be accredited
26 by the DTI, in consultation with the local sanggunians prior to their
27 participation in industry cluster-based programs and projects. The application

1 for accreditation, with the following documents, shall be submitted to the
2 Office of the Provincial Director of the DTI:

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

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

16 Once accredited, the civil society and business organizations shall be
17 asked to sign a Memorandum of Agreement (MOA) with the Industry Cluster
18 Management Board (ICMB), which will commit these organizations to provide
19 the appropriate expertise, facilities and financial support to ensure the success
20 of industry cluster-based programs and projects.

21 *SEC. 8. Development Process of the Inter-Local Cooperation.* –
22 LGUs shall be organized into clusters based on the following criteria:

- 23 (a) Geographically adjacent or contiguous to each other;
- 24 (b) Commonality in interests, needs and development requirements;
- 25 (c) Agreement in the identification of products and services that shall
26 be developed;
- 27 (d) Willingness to commit and share local resources, facilities and
28 services for local development; and

1 (e) Economic viability.

2 Each cluster shall be composed of two (2) or more LGUs: *Provided,*
3 That each LGU, prior to its inclusion into a cluster, shall pass a sangguniang
4 bayan resolution authorizing the Local Chief Executive (LCE) to enter into an
5 agreement with other LGUs, indicating therein its willingness to commit
6 resources for purposes of local development: *Provided, further,* That said
7 sangguniang bayan resolution, together with a letter of intent signed by the
8 LCE, shall be submitted to the DILG as assent to membership into the cluster.

9 Each ILC, through the ICMB, shall formulate an industry plan which
10 shall include:

11 (1) A list of products to be produced and services to be offered;

12 (2) The activities involved towards the development of such products
13 or services;

14 (3) The role of each LGU in the product development process;

15 (4) The assistance needed from other agencies and institutions;

16 (5) The sources of fund support; and

17 (6) The projected income.

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

22 SEC. 9. *Industry Cluster Management Board.* – The Industry Cluster
23 Management Board (ICMB), hereinafter referred to as the Board, is hereby
24 created for every cluster. The Board shall be the primary body that will
25 prepare, integrate, coordinate, supervise, and control industry cluster-based
26 plans, programs, projects and activities of the cluster. The Board shall be
27 composed of the LCEs of the member-LGUs of each cluster, the respective
28 provincial directors of the DILG and the DTI or their authorized

1 representatives, one (1) representative each from accredited CSOs of each
2 member-LGU as voted from among them, and one (1) representative from
3 business organizations, as members.

4 The members of the Board shall have one (1) vote each. The Board
5 shall establish and provide the necessary technical, consultative and secretariat
6 support to member-LGUs. The Chairperson and members of the Board shall
7 be entitled to allowances and honoraria in accordance with pertinent policies,
8 rules and regulations.

9 The Board shall also perform planning, monitoring and coordinative
10 functions, and exercise supervisory authority over the implementation of
11 industry cluster-based programs and projects.

12 The Board shall be organized thirty (30) days after the DILG has
13 identified a cluster and shall convene not more than fifteen (15) days following
14 its organization.

15 There shall be established an Industry Cluster Management Office
16 (ICMO) in each cluster, which shall house the Project and Management
17 Development Staff (PMDS), the location of which shall be determined by the
18 Board fifteen (15) days after the Board shall have been organized.

19 *SEC. 10. Powers and Functions of the Board.* – The Industry Cluster
20 Management Board shall have the following powers and functions:

21 (a) Provide policy guidance in the formulation of cluster plans and
22 programs;

23 (b) Promulgate rules and regulations on the management, operation and
24 conduct of the affairs and businesses of the cluster;

25 (c) Enter into, make and execute contracts with government entities,
26 private organizations, CSOs, international organizations (IOs), and other
27 parties, domestic or foreign, as may be necessary for the implementation of the
28 cluster plan or project;

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

3 (e) Recruit and designate personnel as may be deemed necessary to
4 handle the projects and activities of the cluster;

5 (f) Provide leadership in the coordination and over-all management of
6 the affairs of the cluster;

7 (g) Conduct continuing research and development of innovative and
8 indigenous technologies that will enhance the productivity of each cluster;

9 (h) Review and approve project proposals of the cluster including the
10 budget;

11 (i) Raise or borrow adequate and necessary funds from local or foreign
12 sources to finance its programs and projects within the limitation provided by
13 law;

14 (j) Assess, levy, and collect fees and charges for products and services
15 rendered; and

16 (k) Perform such other functions as may be required by law.

17 SEC. 11. *Chairperson of the Board.* – The Board shall be headed by a
18 Chairperson who shall be one of the LCEs of the member-LGUs. The
19 Chairperson shall be elected annually by a majority of the board members and
20 shall exercise the following powers and functions:

21 (a) Call and preside over the meetings of the Board;

22 (b) Engage the services of experts or consultants either on full-time or
23 part-time basis, as may be required in the performance of the functions and
24 duties of the Chairperson;

25 (c) Execute and administer the policies and decisions approved by the
26 Board and be responsible for the effective day-to-day management of the
27 operations of the Board;

1 (d) Prepare, in coordination with the PMDS, the annual budget for the
2 operations, plans, programs and projects of the cluster for submission and
3 approval of the Board;

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

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

10 (g) Prepare and submit to the Board and to the Secretary of the Interior
11 and Local Government and the Secretary of Trade and Industry annual reports
12 and evaluation of programs and projects;

13 (h) Recommend to the national policy-making bodies the
14 implementation of plans and programs of the cluster that conform to the
15 regional development plan; and

16 (i) Perform such other functions as may be required by law or the
17 Board.

18 *SEC. 12. Cluster Advisory Committee.* – A Cluster Advisory
19 Committee, hereinafter referred to as the CAC, is hereby created for every
20 cluster. The CAC shall be the primary body that will give advice, technical
21 assistance and policy guidance to the Board, particularly in the formulation of
22 cluster plans and programs and in enterprise and livelihood development. The
23 CAC shall be composed of representatives from the Department of Agriculture
24 (DA), the Department of Labor and Employment-Technical Education and
25 Skills Authority (DOLE-TESDA), the Department of Science and Technology
26 (DOST), the Department of Tourism (DOT), the National Economic and
27 Development Authority (NEDA), financing institutions and other concerned

1 agencies as identified by the CAC. The CAC shall also include representatives
2 from accredited civil society and business organizations as members.

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

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

10 A donation or bequest made under the industry cluster-program, project
11 or activity shall be exempt from donor's tax: *Provided*, That the donations are
12 made:

13 (a) To or for the use of an LGU or any political subdivision of the
14 government; and

15 (b) In favor of an accredited CSO: *Provided, however*, That not more
16 than thirty percent (30%) of said donation shall be used by such CSO for
17 administration purposes: *Provided, further*, That the CSO is incorporated as a
18 *nonstock entity, paying no dividends, governed by trustees who receive no*
19 *compensation and devoting all of its income, whether gifts, donations,*
20 *subsidies, or other forms of philanthropy for the accomplishment and*
21 *promotion of the purposes enumerated in its Articles of Incorporation.*

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

26 Industry clusters shall be given incentives if they can innovate and share
27 these with other clusters. Incentives shall be limited to training programs for

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

3 SEC. 14. *Financial Support and the Cluster Common Fund.* – There
4 is hereby established a Cluster Common Fund which shall comprise of the
5 amount of contribution agreed upon by the members of the cluster thru a
6 cluster resolution, and any local or foreign donation obtained by the Board to
7 finance industry cluster-based programs and projects.

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

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

14 The Board shall submit proposals to the Representative of the
15 Legislative District who has jurisdiction over the member-LGU for inclusion in
16 the District's priority projects. Representatives shall allocate part of their
17 budget allocation to industry cluster-based programs and projects in their
18 respective districts.

19 SEC. 15. *Institutional Linkages.* – The Board shall, in carrying out its
20 functions, consult, coordinate and work closely with the LGUs, the DA, the
21 DILG, the DOLE-TESDA, the DTI, the DOST, the DOT, the NEDA, the
22 Higher Educational Institutions (HEIs), and accredited civil society and
23 business organizations operating within the cluster.

24 SEC. 16. *Monitoring and Evaluation.* – The respective offices of the
25 Secretary of the DTI and of the DILG, thru the Regional Offices and with the
26 help of accredited civil society and business organizations, shall monitor and
27 evaluate the implementation of industry cluster-based programs and projects
28 and recommend necessary measures to support cluster-related activities.

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

5 SEC. 18. *Repealing Clause.* – All laws, executive orders, presidential
6 decrees, rules and regulations or parts thereof contrary to or inconsistent with
7 any of the provisions of this Act are hereby repealed, amended or modified
8 accordingly.

9 SEC. 19. *Separability Clause.* – If, for any reason, any part or
10 provision of this Act is declared invalid or unconstitutional, the remaining
11 parts or provisions not affected thereby shall remain in full force and effect.

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

Approved,

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