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BY REPRESENTATIVES VILLANUEVA (E.), RIVERA, ACOSTA-ALBA, ROBES, FORTUN, DALIPE, VILLARICA, NIETO, SALVADOR-TAMBUNTING, BAÑAS-NOGRALES, ERIGUEL, CHUNGALAO, LUSOTAN, BORDADO, DAGOOC, YAP (E.), ESCUDERO, ARENAS, OAMINAL, GARCIA (P.J.), SAVELLANO, RODRIGUEZ, REVILLA, DE VENECIA, BIAZON, CALDERON, CAMPOS, CUA, CUARESMA, DAZA, DUAVIT, FRASCO, GASATAYA, GONZAGA, HARESCO, MOMO, SAGARBARRIA, TEJADA, VIOLAGO, ALBANO (A.), BALINDONG, BASCUG, BENITEZ, CABATBAT, CAMINERO, CARI, DELOSO-MONTALLA, DIMAPORO (A.), DIMAPORO (M.K.), DUJALI, DY (F.), DY (I.P.), GORRICETA, GULLAS, GUYA, LABADLABAD, MACEDA, ONG (J.), ORTEGA, REYES, ROMAN, TAN (A.S.), TAN (A.), TIANGCO, TORRES-GOMEZ, TUTOR, VARGAS ALFONSO, VERGARA, DE JESUS, DEFENSOR (L.), ENVERGA, FLORES, LOYOLA, SAULOG, SALCEDA, SUANSING (E.), SINGSON-MEEHAN, SUANSING (H.), NOGRALES (J.J.), PICHAY, DY (F.M.C.), CABOCHAN, EBCAS, GO (M.), SACDALAN, QUIMBO, MACAPAGAL ARROYO AND NATIVIDAD-NAGAÑO, PER COMMITTEE REPORT NO. 1453

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

Be it enacted by the Senate and House of Representatives in Congress of the Philippines assembled:

1 **SECTION 1. *Short Title.*** – This Act shall be known as the “People’s Participation in
2 Industry Cluster-based Programs and Projects Act.”
3

4 **SEC. 2. *Declaration of Policy.*** – It is hereby declared the policy of the State to recognize
5 the role of the people in community development. Towards this end, the State shall encourage
6 cooperation among local government units (LGUs) and their instrumentalities to institutionalize a
7 program to strengthen people’s participation in local development, enhance productivity, and
8 guarantee income opportunities for all.
9

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

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

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

18 (c) To promote unity among the people from different LGUs by encouraging them to
19 work together in pursuing industry cluster-based programs and projects; and
20

21 (d) To build and strengthen partnerships with concerned agencies, LGUs, civil society,
22 and business organizations towards the development of globally competitive unique local products
23 and services.
24

25 **SEC. 4. *Definition of Terms.*** – As used in this Act:
26

27 (a) *Industry cluster* refers to the geographic concentration of competing but
28 collaborating and independent businesses within a value chain of a broadly defined industry, from
29 suppliers to end products, including support services and specialized infrastructure and facilities;
30

31 (b) *Industry cluster-based programs and projects* refer to those programs and projects
32 undertaken within a contiguous geographic area that promote convergence, job generation, and
33 investment promotion through production of competitive products and services to achieve
34 inclusive growth;
35

36 (c) *Inter-local cooperation* refers to an alliance of LGUs that are geographically
37 adjacent to each other within a province or two (2) adjacent provinces to integrate local production
38 forces like manpower, materials, money, machines, or methods to create a concerted effort to push

1 their development and jointly provide programs, projects, and services to their respective
2 constituencies; and
3

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

8 **SEC. 5. *Inter-Local Cooperation and People's Participation.*** – The inter-local
9 cooperation on industry cluster-based programs and projects shall be strengthened and
10 institutionalized under the supervision of the Department of Trade and Industry (DTI) and the
11 Department of the Interior and Local Government (DILG).
12

13 Consistent with Section 35 of Republic Act No. 7160, or the “Local Government Code.”
14 the LGUs shall provide a mechanism that will encourage and facilitate the participation of
15 accredited civil society and business organizations in all aspects of development work in industry
16 cluster-based programs and projects to enliven the sense of community acceptance and ownership
17 of products and to ensure the responsiveness of these programs and projects to the needs of the
18 community.
19

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

24 The required documents for accreditation shall include the following:
25

- 26 (a) Articles of Incorporation or Cooperation and by-laws;
- 27 (b) Certificate of Registration with a government registering agency;
- 28 (c) List of officers and members;
- 29 (d) Nature of business or work of the civil society and business organizations; and
- 30 (e) Annual accomplishment report for the immediately preceding year.
31
32
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36 All applications for accreditation shall be submitted to the Office of the Provincial Director
37 of the DTI. The DTI, in consultation with the local *sanggunian* concerned, shall act upon the
38 application within a period of ten (10) working days from receipt thereof.
39

40 The certificate of accreditation shall be valid for a period of three (3) years, unless
41 otherwise revoked or canceled by the DTI, on its own or upon a verified complaint, in consultation
42 with the local *sanggunian* concerned. In case an application is disapproved, a notice of disapproval
43 shall be sent to the applicant.

1 Participating civil society and business organizations shall provide the appropriate
2 expertise, facilities, and financial support to ensure the success of industry cluster-based programs
3 and projects.
4

5 **SEC. 7. Organization.** – Local government units shall be organized into clusters based
6 on the following criteria:
7

- 8 (a) Commonality in interests, needs, and development requirements;
- 9
- 10 (b) Agreement in the identification of products and services that shall be developed;
- 11
- 12 (c) Willingness to commit and share local resources, facilities, and services for local
13 development; and
- 14
- 15 (d) Economic viability.
16

17 Each industry cluster shall be composed of two (2) or more LGUs. Prior to its inclusion in
18 an industry cluster, an LGU shall adopt a *Sanggunian* Resolution authorizing the provincial
19 governor, city mayor, or municipal mayor to enter into an agreement with other LGUs, indicating
20 therein its willingness to commit resources for purposes of local development. The *Sanggunian*
21 Resolution, together with a letter of intent signed by the provincial governor, city mayor, or
22 municipal mayor, shall be submitted to the DTI as one of the requirements to become a member
23 of a specific industry cluster.
24

25 **SEC. 8. Philippine Industry Council.** – Each industry cluster shall create a Philippine
26 Industry Council (PIC) that shall provide the overall policy and program direction for the industry
27 and all stakeholders.
28

29 **SEC. 9. Composition of the PIC.** – Each PIC shall be composed of the concerned DTI
30 Regional Director as Chairperson and the following as members: representatives from the DILG,
31 Department of Labor and Employment (DOLE), Department of Education (DepEd), Commission
32 on Higher Education (CHED), Technical Education and Skills Development Authority (TESDA),
33 Department of Agriculture (DA), Department of Agrarian Reform (DAR), Department of Tourism
34 (DOT), Department of Science and Technology (DOST); provincial governor, city mayor, or
35 municipal mayor of the member-LGUs of each cluster; one (1) representative each from two (2)
36 private industry associations; one (1) representative each from DTI-accredited civil society
37 organizations; one (1) representative from the sector of cooperatives; and one (1) representative
38 from a higher education institution recognized or accredited by CHED: *Provided*, That the
39 representatives from the member-government agencies shall have the rank of at least a provincial
40 or regional director except the Chairperson who shall be a regional director: *Provided, further*, That
41 the Chairperson of each industry council shall have the discretion to add or remove any member
42 thereof as may be necessary for the effective administration of the industry cluster, after
43 consultation from all members of concerned industry cluster.
44

45 If member-LGUs of the PIC come from more than one (1) region, the Chairperson shall be
46 the DTI director of the region with the most number of member LGUs in the pertinent industry

1 cluster. However, if a DTI director is qualified to be the Chairperson of two (2) or more PICs, the
2 DTI Secretary shall designate the Chairperson of the PIC.

3
4 **SEC. 10. *Functions and Duties of the PIC.*** – The PIC shall exercise the following
5 powers and functions:

- 6
7 (a) Provide overall policy guidance in the formulation of cluster plans and programs;
8
9 (b) Formulate the industry development roadmap;
10
11 (c) Identify, prioritize, and recommend initial strategic interventions, research
12 directions, and critical data needs while the industry roadmap is being drawn up;
13
14 (d) Promulgate rules and regulations on the management, operation, and conduct of the
15 affairs and businesses of the industry cluster;
16
17 (e) Enter into and execute contracts with government entities, private organizations,
18 civil society organizations (CSOs), international organizations (IOs), and other parties, domestic
19 or foreign, as may be necessary for the implementation of the industry cluster plan or project;
20
21 (f) Submit to the respective local *sanggunian* any proposed plan, program, or project
22 for adoption and approval;
23
24 (g) Recruit and designate personnel as may be deemed necessary to handle the projects
25 and activities of the industry cluster;
26
27 (h) Provide leadership in the coordination and overall management of the affairs of the
28 industry cluster;
29
30 (i) Review and approve project proposals of the industry cluster including the budgets
31 therefor;
32
33 (j) Assess, levy, and collect fees and charges for products and services rendered; and
34
35 (k) Perform such other functions as may be required by law.
36

37 **SEC. 11. *Chairperson of the PIC.*** – The Chairperson shall exercise the following powers
38 and functions:

- 39
40 (a) Call and preside over the meetings of the PIC;
41
42 (b) Engage the services of experts or consultants either on a full-time or part-time basis,
43 as may be required in the performance of the functions and duties of the Chairperson;
44
45 (c) Execute and administer the policies and decisions approved by the PIC, and be
46 responsible for the effective day-to-day management of the operations of the PIC;

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

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

8 (f) Submit for consideration of the PIC such other policies and measures necessary to
9 carry out the provisions of this Act;
10

11 (g) Prepare and submit to the PIC and to the Secretaries of the DTI and the DILG
12 annual reports and evaluation of programs and projects;
13

14 (h) Recommend to the national policy-making bodies the implementation of plans and
15 programs of the industry cluster that conform to the regional development plan; and
16

17 (i) Perform such other functions as may be required by law or by the PIC.
18

19 **SEC. 12. *Establishment of a Secretariat.*** – Each PIC shall have a Secretariat to be headed
20 by the DTI Assistant Regional Director of the designated chairperson of the concerned PIC, in an
21 ex officio capacity. The head of the Secretariat shall be assisted by a Provincial Director, also in
22 an ex officio capacity, who shall be designated by the PIC Chairperson.
23

24 **SEC. 13. *Divisions of the Secretariat.*** – The Secretariat shall consist of a technical and
25 an administrative division. The composition of the two (2) divisions shall be determined by the
26 Executive Director of the concerned PIC Secretariat and approved by the PIC. The personnel
27 complement of these divisions shall be handled by the organic personnel of the concerned DTI
28 Regional Office.
29

30 **SEC. 14. *Functions of the Secretariat.*** – The Secretariat shall have the following
31 functions:
32

33 (a) Formulate an industry plan for the approval of the PIC;
34

35 (b) Establish and manage data and information systems on the relevant industry and
36 provide such data and information upon request by the stakeholders;
37

38 (c) Generate and manage funds and resources for the implementation of the industry
39 plan and for other purposes that will promote the industry cluster;
40

41 (d) Prepare programs and projects of the industry cluster;
42

43 (e) Recommend to the PIC the appointment of secretariat personnel;

1 (f) Accept grants, donations, and contributions from local or foreign sources to finance
2 its programs and projects, within the limitations provided by law: *Provided*, That donations from
3 foreign sources shall be subject to the approval of the Department of Foreign Affairs;

4
5 (g) Prepare the annual budget of the Secretariat and the Council, subject to the approval
6 of the PIC;

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

10
11 (i) Perform such other functions as may be assigned to it.

12
13 **SEC. 15. *Industry Plan.*** – Each industry cluster shall formulate an industry plan which
14 shall include:

15
16 (a) List of products to be produced and services to be offered;

17
18 (b) Activities involved towards the development of such products or services;

19
20 (c) Role of each LGU in the product development process;

21
22 (d) Assistance needed from other agencies and institutions;

23
24 (e) Sources of fund support;

25
26 (f) Projected income;

27
28 (g) List of the areas or gaps that must be addressed in the industry;

29
30 (h) Labor market study for the development of the products or services in the industry;
31 and

32
33 (i) Identification of research or studies from academic institutions that may be relevant
34 to the development of such products or services.

35
36 The PIC shall present the industry plan to the respective local *sanggunian* of member-
37 LGUs of each industry cluster. The concerned local *sanggunian* shall pass a resolution approving
38 a plan for implementation, which shall be implemented not later than sixty (60) days from its
39 adoption.

40
41 **SEC. 16. *Incentives.*** – Industry cluster entrepreneurs shall be granted preferential access
42 to low-interest credit in government financing institutions and priority in government-initiated
43 product marketing and promotion programs.

44
45 The DTI shall also develop a system of incentives for innovative industry clusters that share
46 their experiences and innovations with other clusters: *Provided*, That incentives shall be limited to

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

3
4 **SEC. 16-A. Tax Exemption.** – All grants, bequests, endowments, donations and
5 contributions made to the industry cluster-based program, project, or activity to be used actually,
6 directly, and exclusively by the industry cluster-based program, project or activity shall be exempt
7 from donor’s tax and the same shall be considered as allowable deduction from the gross income
8 of the donor for purposes of computing the taxable income of donor in accordance with the
9 provisions of the National Internal Revenue Code of 1997, as amended: *Provided*, That the
10 donations are made to, or are for the use of an LGU or any political subdivision of the government,
11 or in favor of an accredited civil society organization: *Provided, further*, That not more than thirty
12 percent (30%) of said donation shall be used by such civil society organization for administrative
13 purposes: *Provided, furthermore*, That the civil society organization is incorporated as a non-stock
14 entity, pays no dividends to its membership, is governed by trustees who receive no compensation,
15 and devote all of its income, including gifts, donations, subsidies, or other forms of philanthropic
16 support to the accomplishment and promotion of the purposes enumerated in its Articles of
17 Incorporation.

18
19 **SEC. 17. Institutional Linkages.** – In carrying out its functions, the PIC shall consult,
20 coordinate, and work closely with the LGUs, DA, DAR, DepEd, CHED, TESDA, DILG, DOLE,
21 DOST, DOT, DTI, the National Economic and Development Authority (NEDA), and other
22 relevant government agencies, and accredited civil society and business organizations operating
23 within the cluster.

24
25 **SEC. 18. Monitoring and Evaluation.** – The DTI, in consultation with relevant
26 government agencies and accredited civil society and business organizations, shall monitor and
27 evaluate the implementation of industry cluster-based programs and projects and recommend
28 necessary measures to support cluster-related activities.

29
30 **SEC. 19. Implementing Rules and Regulations.** – Within sixty (60) days from the
31 effectivity of this Act, the Secretary of the Department of Trade and Industry shall, in coordination
32 with the Secretaries of the DILG, DOLE, DepEd, CHED, TESDA, DA, DAR, and other relevant
33 government agencies and stakeholders issue the rules and regulations necessary for the effective
34 implementation of this Act.

35
36 **SEC. 20. Separability Clause.** – If for any reason, any part or provision of this Act is
37 declared invalid or unconstitutional, the remaining parts or provisions not affected thereby shall
38 remain in full force and effect.

39
40 **SEC. 21. Repealing Clause.** – All laws, executive orders, presidential decrees, rules, and
41 regulations, or parts thereof contrary to or inconsistent with any provisions of this Act are hereby
42 repealed, amended, or modified accordingly.

43
44 **SEC. 22. Effectivity.** – This Act shall take effect fifteen (15) days after its publication in
45 the *Official Gazette* or in a newspaper of general circulation.

Approved,