


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



23 JAN 12 A9 23

SENATE
S.B. NO. 1657

RECEIVED BY: 

Introduced by Senator Ramon Bong Revilla, Jr.

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

EXPLANATORY NOTE

This bill seeks institutionalize nationwide industry cluster-based programs and projects through inter-local cooperation and people's participation as a means of pursuing local economic development.

Inter-Local Cooperation is an alliance of LGUs to integrate local production forces to create a concerted effort to push their development. This serves as a cooperation among adjacent units to forge teamwork towards a common goal of achieving local development.

This proposed measure also aims to promote unity among people of adjacent local government units and strengthen their participation towards their own local development.

As emphasized by the Department of Trade and Industry (DTI), this bill complements the Department's initiatives in developing industry clusters with the "overall aim to build more competitive Philippine industries¹." The DTI cited various

¹ DTI Position Paper on SBN 609, 18th Congress. Submitted 24 June 2020

benefits that this initiative would achieve, such as: (1) it will spur rural innovation, (2) promote product diversification and sustainability, and (3) stimulate local entrepreneurship and employment. These will ultimately boost productivity and income of local businesses.

Taking into account the potential of industry clustering as a catalyst for economic development and inclusive growth, consideration of this bill is earnestly sought.


RAMON BONG REVILLA, JR.


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PARTICIPATION**

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 the “People’s Participation
2 in Industry Cluster-Based Programs and Projects Act.”

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

8 Sec. 3. *Objectives.* – This Act shall have the following objectives:

- 9 a) To institutionalize the industry cluster approach as a means of pursuing
10 local economic development through inter-local cooperation among
11 LGUs;
- 12 b) To provide an effective mechanism to strengthen the participation of the
13 people in community development through institutionalized industry
14 cluster-based programs and projects;
- 15 c) To promote unity among the people from different LGUs by encouraging
16 them to work together in pursuing industry cluster-based programs and
17 projects; and

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

4 Sec. 4. *Definition of Terms.* – As used in this Act, the following terms shall mean:

5 a) *Industry cluster* refers to the geographic concentration of competing but
6 collaborating and independent businesses within a value chain of a broadly
7 defined industry, from suppliers to end products, including support services
8 and specialized infrastructure and facilities;

9 b) *Industry cluster-based programs and projects* refer to those programs and
10 projects undertaken within a contiguous geographic area that promote
11 convergence, job generation, and investment promotion through production
12 of competitive products and services to achieve inclusive growth;

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

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

22 Sec. 5. *Inter-Local Cooperation and People's Participation.* – The inter-local
23 cooperation on industry cluster-based programs and projects shall be strengthened
24 and institutionalized under the supervision of the Department of Trade and Industry
25 (DTI) and the Department of Interior and Local Government (DILG).

26 Consistent with Section 35 of Republic Act No. 7160, or the "Local Government
27 Code," the LGUs shall provide a mechanism that will encourage and facilitate the
28 participation of accredited civil society and business organizations in all aspects of
29 development work in industry cluster-based programs and projects to enliven the
30 sense of community acceptance and ownership of products and to ensure the
31 responsiveness of these programs and projects to the needs of the community.

1 Sec. 6. *Accreditation.* – Civil society and business organizations shall be
2 accredited by the DTI, in consultation with the local *Sanggunian*, prior to their
3 participation in industry cluster-based programs and projects.

4 The required documents for accreditation shall include the following:

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

11 All applications for accreditation shall be submitted to the Office of the Provincial
12 Director of the DTI. The DTI, in consultation with the local *Sanggunian* concerned,
13 shall act upon the application within a period of ten (10) working days from receipt
14 thereof.

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

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

22 Sec. 7. *Organization.* – Local government units shall be organized into clusters
23 based on the following criteria:

- 24 a) Commonality in interests, needs, and development requirements;
- 25 b) Agreement in the identification of products and services that shall be
26 developed;
- 27 c) Willingness to commit and share local resources, facilities, and services for
28 local development; and
- 29 d) Economic viability.

30 Each industry cluster shall be composed of two (2) or more LGUs. Prior to its
31 inclusion in an industry cluster, and LGU shall adopt a *Sanggunian* Resolution
32 authorizing the provincial governor, city mayor, or municipal mayor to enter into an

1 agreement with other LGUs, indicating therein its willingness to commit resources for
2 purposes of local development. The *Sanggunian* Resolution, together with a letter of
3 intent signed by the provincial governor, city mayor, or municipal mayor, shall be
4 submitted to the DTI as one of the requirements to become a member of a specific
5 industry cluster.

6 *Sec. 8. Philippine Industry Council.* – Each industry cluster shall create a
7 Philippine Industry Council (PIC) that shall provide the overall policy and program
8 direction for the industry and all stakeholders.

9 *Sec. 9. Composition of the PIC.* – Each PIC shall be composed of the concerned
10 DTI Regional Director as Chairperson and the following as members: representatives
11 from the DILG, Department of Labor and Employment (DOLE), Department of
12 Education (DepEd), Commission on Higher Education (CHED), Technical Education and
13 Skills Development Authority (TESDA), Department of Agriculture (DA), Department of
14 Agrarian Reform (DAR), Department of Tourism (DOT), Department of Science and
15 Technology (DOST); provincial governor, city mayor, or municipal mayor of the
16 member-LGUs of each cluster; one (1) representative each from two (2) private
17 industry associations; one (1) representative each from DTI-accredited civil society
18 organizations; one (1) representative from the sector of cooperatives; and one (1)
19 representative from a higher education institution recognized or accredited by CHED:
20 *Provided, further,* That the Chairperson of each industry council shall have the
21 discretion to add or remove any member thereof as may be necessary for the effective
22 administration of the industry cluster, after consultation from all members of concerned
23 industry cluster.

24 If member-LGUs of the PIC come from more than one (1) region, the
25 Chairperson shall be the DTI director of the region with the most number of member
26 LGUs in the pertinent industry cluster. However, if a DTI director is qualified to be the
27 Chairperson of two (2) or more PICs, the DTI Secretary shall designate the Chairperson
28 of the PIC.

29 *Sec. 10. Functions and Duties of the PIC.* – The PIC shall exercise the following
30 powers and functions:

- 31 a) Provide overall policy guidance in the formulation of cluster plans and
32 programs;

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

22 *Sec. 11. Chairperson of the PIC.* – The Chairperson shall exercise the following
23 powers and functions:

- 24 a) Call and preside over the meetings of the PIC;
- 25 b) Engage the services of experts or consultants either on a full-time or part-
- 26 time basis, as may be required in the performance of the functions and
- 27 duties of the Chairperson;
- 28 c) Execute and administer the polices and decisions approved by the PIC, and
- 29 be responsible for the effective day-to-day management of the operations
- 30 of the PIC;

- 1 d) Prepare, in coordination with the Secretariat, the annual budget for the
2 operations, plan, programs, and projects of the industry cluster, for
3 submission to and approval of the PIC;
- 4 e) Present to the local *Sanggunian*, for its approval, the proposed policies and
5 programs, revenue-raising measures, operations plan, draft rules and
6 regulations, and such other plans, programs, and projects necessary to carry
7 out its purpose;
- 8 f) Submit for consideration of the PIC such other policies and measures
9 necessary to carry out the provisions of this Act;
- 10 g) Prepare and submit to the PIC and to the Secretaries of the DTI and the
11 DILG annual reports and evaluation of programs and projects;
- 12 h) Recommend to the national policy-making bodies the implementation of
13 plans and programs of the industry cluster that conform to the regional
14 development plan; and
- 15 i) Perform such other function as may be required by law or by the PIC.

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

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

26 *Sec 14. Functions of the Secretariat.* – The Secretariat shall have the following
27 functions:

- 28 a) Formulate an industry plan for the approval of the PIC;
- 29 b) Establish and manage data and information systems on the relevant industry
30 and provide such data and information upon request by the stakeholders;
- 31 c) Generate and manage funds and resources for the implementation of the
32 industry plan and for other purposes that will promote the industry cluster;

- 1 d) Prepare programs and projects of the industry cluster;
- 2 e) Recommend to the PIC the appointment of secretariat personnel;
- 3 f) Accept grants, donations, and contributions from local or foreign sources to
- 4 finance its programs and projects, within the limitations provided by law:
- 5 *Provided*, That donations from foreign sources shall be subject to the
- 6 approval of the Department of Foreign Affairs (DFA);
- 7 g) Prepare the annual budget of the Secretariat and the Council, subject to the
- 8 approval of the PIC;
- 9 h) Conduct continuing research and development of innovative and indigenous
- 10 technologies that will enhance the productivity of each industry cluster; and
- 11 i) Perform such other functions as may be assigned to it.

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

- 14 a) List of products to be produced and services to be offered;
- 15 b) Activities involved towards the development of such products or services;
- 16 c) Role of each LGU in the product development process;
- 17 d) Assistance needed from other agencies and institutions;
- 18 e) Sources of fund support;
- 19 f) Projected income;
- 20 g) List of the areas or gaps that must be addressed in the industry;
- 21 h) Labor market study for the development of the products or services in the
- 22 industry; and
- 23 i) Identification of research or studies from academic institutions that may be
- 24 relevant to the development of such products or services.

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

29 Sec. 16. *Incentives*. – Industry cluster entrepreneurs shall be granted
30 preferential access to low-interest credit in government financing institutions and
31 priority in government-initiated product marketing and promotion programs.

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

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

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

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

29 Sec. 19. *Implementing Rules and Regulations (IRR).* – Within sixty (60) days
30 from the effectivity of this Act, the Secretary of the Department of Trade and Industry
31 (DTI) shall, in coordination with Secretaries of the DILG, DOLE, DepEd, CHED, TESDA,

1 DA, DAR, and other relevant government agencies and stakeholders issues the rules
2 and regulations necessary for the effective implementation of this Act.

3 Sec. 20. *Separability Clause.* In the event that any part, section or provision of
4 this Act shall be declared unconstitutional or invalid by a competent court, the
5 remaining provisions thereby shall remain valid and in full force and effect as if the
6 sections or provisions so annulled or voided had never been incorporated herein.

7 Sec. 21. *Repealing Clause.* All laws, decrees, executive orders, issuances, rules
8 and regulations, or parts thereof not consistent with the provisions of this Act are
9 hereby repealed or modified and/or supersede as case may be by this Act accordingly.

10 Sec. 22. *Effectivity.* This Act shall take effect fifteen (15) days after its complete
11 publication in the Official Gazette or in any newspaper of general circulation.

Approved,