



HOUSE OF REPRESENTATIVES

H. No. 1166

BY REPRESENTATIVES ACOSTA-ALBA, SALON, LEE, YU, UY (J.), ABAYON, ALONTE-NAGUIAT, DALIPE, LAZATIN, MARCOLETA, AGGABAO, PINEDA, SIAO, ROMERO, HERRERA-DY, VILLAFUERTE, LOPEZ (B.), BELARO, GARBIN, MONTORO, CAMPOS, BAUTISTA-BANDIGAN, SALO, ARCILLAS, BOLILIA, BAG-AO, ROBES, LABADLABAD, ROCAMORA, CASTELO, TURABIN-HATAMAN, TAN (S.), ZARATE, FORTUN, CATAMCO, BANAL, TUGNA, VILLARAZA-SUAREZ, MARQUEZ AND PRIMICIAS-AGABAS

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 of the Philippines in Congress assembled:

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

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

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

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

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

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

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

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

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

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

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

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

SEC. 5. *Inter-local Cooperation and People's Participation.* – Inter-local cooperation on industry cluster-based programs and projects is hereby institutionalized under the supervision of the Department of the Interior and Local Government (DILG) and the Department of Trade and Industry (DTI).

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

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

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

- (a) Articles of incorporation and bylaws;
- (b) Certificate of registration with a government registering agency;
- (c) List of officers and members;
- (d) Nature of business or work of the civil society and business organizations;

and

- (e) Annual accomplishment report for the immediately preceding year.

All applications for accreditation shall be acted upon by the DTI, in consultation with the local sanggunian within a period of ten (10) working days from receipt thereof. Upon approval, a certificate of accreditation valid

for three (3) years shall be issued to the organization. In case of disapproval, a notice of disapproval shall be sent to the applicant. Upon a verified complaint against a civil society or business organization, the DTI, after consultation with the local sanggunian, may exercise the power to cancel the organization's certificate of accreditation.

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

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

- (a) Adjacent or contiguous location;
- (b) Commonality in interests, needs, and development requirements;
- (c) Agreement in the identification of products and services that shall be developed;
- (d) Willingness to commit and share local resources, facilities, and services for local development; and
- (e) Economic viability.

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

SEC. 8. Industry Cluster Management Board. – Each industry cluster shall create an Industry Cluster Management Board (ICMB) which shall be the primary body that shall prepare, integrate, coordinate, supervise, and control industry cluster-based plans, programs, projects, and activities of the cluster.

The ICMB shall be composed of the LCEs of the member LGUs of each cluster, the respective provincial directors of the DILG and the DTI or their authorized representatives, one (1) representative each from accredited civil society organizations (CSOs) of each member LGU as voted from among them, and one (1) representative from business organizations, as members.

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

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

An Industry Cluster Management Office (ICMO) shall be established in each industry cluster. It shall house the Project and Management Development Staff (PMDS), the location of which shall be determined by the ICMB fifteen (15) days after the ICMB shall have been organized. The PMDS shall come from the existing personnel of the participating LGUs.

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

- (a) Provide policy guidance in the formulation of cluster plans, programs and projects;
- (b) Promulgate rules and regulations on the management, operation, and conduct of the affairs and businesses of the industry cluster;
- (c) Enter into, make and execute contracts with government entities, private organizations, CSOs, international organizations (IOs), and other parties, domestic or foreign, as may be necessary for the implementation of the industry cluster plan, program or project;

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

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

(f) Provide leadership in the coordination and overall management of the affairs of the industry cluster;

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

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

(i) Accept grants, donations and contributions from local or foreign sources to finance its programs and projects, within the limitation provided by law. Donations from foreign sources shall be subject to the approval of the Department of Foreign Affairs (DFA);

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

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

SEC. 10. *Chairperson of the ICMB.* – The ICMB shall be headed by a Chairperson who shall be any one of the LCEs of the member LGUs. The Chairperson shall be elected annually by a majority of the ICMB members. The Chairperson shall exercise the following powers and functions:

(a) Call and preside over the meetings of the ICMB;

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

(c) Execute and administer the policies and decisions approved by the ICMB, including the effective day-to-day management of the operations of the ICMB;

(d) Prepare, in coordination with the PMDS, the annual budget for the operations, plans, programs, and projects of the industry cluster, for submission to and approval of the ICMB;

(e) Present to the local sanggunian, for its 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 mandate;

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

(g) Prepare and submit to the ICMB and to the Secretaries of the DILG and the DTI annual reports and evaluation of programs and projects;

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

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

SEC. 11. *Industry Plan.* – Each ILC shall formulate an industry plan which shall include:

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

The ICMB shall present the industry plan to the respective local sanggunians, which shall in turn pass a Resolution approving a plan for implementation. The approved industry plan shall be implemented within sixty (60) days after its adoption.

SEC. 12. *Cluster Advisory Committee.* – Every industry cluster shall create a Cluster Advisory Committee (CAC), which shall be the primary body to provide advice, technical assistance, and policy guidance to the ICMB, particularly in the formulation of cluster plans and programs, and on enterprise and livelihood development. The CAC shall be composed of representatives from the Department of Agriculture (DA), the Department of Labor and Employment-Technical Education and Skills Development Authority (DOLE-TESDA), the Department of Science and Technology (DOST), the Department of Tourism (DOT), the National Economic and Development Authority (NEDA), financing institutions, and other concerned agencies as identified by the CAC. The CAC shall also include representatives from accredited civil society and business organizations as members.

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

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

A donation or bequest made under the industry cluster-based program, project, or activity shall be exempt from donor's tax: *Provided*, That the donations are made to, or are for the use of an LGU or any political subdivision of the government, or an accredited CSO: *Provided, further*, That not more than thirty percent (30%) of said donation shall be used by such CSO for administration purposes: *Provided, furthermore*, That the CSO is incorporated as a nonstock entity, pays no dividends, is governed by trustees who receive no compensation, and devotes all of its income, including gifts, donations, subsidies, or other forms of philanthropic support to the

accomplishment and promotion of the purposes enumerated in its Articles of Incorporation.

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

An industry cluster shall be given incentives if it can innovate and share these with other clusters. Incentives shall be limited to training programs for the cluster entrepreneur, special credit program, and shared service facilities such as machinery or equipment.

SEC. 14. *Cluster Common Fund.* – Each industry cluster shall establish a Cluster Common Fund which shall be comprised of the amount of contribution agreed upon by the members of the industry cluster through a Cluster Resolution, and any local or foreign donation obtained by the ICMB to finance industry cluster-based programs and projects.

The proceeds from the revenue-raising powers stipulated under this Act shall accrue to the ICMB, to be used exclusively in the implementation of industry cluster-based programs and projects.

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

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

SEC. 16. *Monitoring and Evaluation.* – The respective offices of the Secretaries of the DTI and of the DILG, in coordination with the regional

offices and accredited civil society and business organizations, shall monitor and evaluate the implementation of industry cluster-based programs and projects and recommend necessary measures to support cluster-related activities.

SEC. 17. *Implementing Rules and Regulations.* – Within sixty (60) days, the Secretary of Trade and Industry shall, in coordination with the Secretary of the Interior and Local Government, issue the rules and regulations necessary for the effective implementation of this Act.

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

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

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

Approved,

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