



HOUSE OF REPRESENTATIVES

H. No. 4032

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PAGDILAO, DE JESUS, CASTELO AND MERCADO-REVILLA,
PER COMMITTEE REPORT NO. 112

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:*

1 SECTION 1. *Short Title.* – This Act shall be known as the “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 development.
5 Towards this end, the State shall encourage cooperation among local
6 government units (LGUs) and their instrumentalities to institutionalize a
7 program to strengthen people’s participation in local development and to
8 enhance productivity and guarantee income opportunities for all.

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

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

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

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

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

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

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

15 (b) *Industry cluster-based programs and projects* refer to those
16 programs and projects that promote convergence, job generation, and
17 investment promotion through production of competitive products and services
18 to achieve inclusive growth;

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

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

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

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

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

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

- 17 (a) Articles of incorporation and bylaws;
18 (b) Certificate of registration with a government registering agency;
19 (c) List of officers and members;
20 (d) Nature of business or work of the civil society and business
21 organizations; and
22 (e) Annual accomplishment report for the immediately preceding year.

23 All applications for accreditation shall be acted upon by the DTI, in
24 consultation with the local sanggunian, within a period of ten (10) working
25 days from receipt thereof. Upon approval, a certificate of accreditation valid
26 for three (3) years shall be issued to the organization. In case of disapproval,
27 a notice of disapproval shall be sent to the applicant. Upon verified

1 complaint, the DTI shall also have the power to cancel the certificate of
2 accreditation in consultation with the local sanggunian.

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

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

8 (a) Adjacent or contiguous location;

9 (b) Commonality in interests, needs and development requirements;

10 (c) Agreement in the identification of products and services that shall
11 be developed;

12 (d) Willingness to commit and share local resources, facilities and
13 services for local development; and

14 (e) Economic viability.

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

22 SEC. 8. *Industry Cluster Management Board.* – Each industry cluster
23 shall create an Industry Cluster Management Board (ICMB) which shall be the
24 primary body that shall prepare, integrate, coordinate, supervise and control
25 industry cluster-based plans, programs, projects and activities of the cluster.
26 The ICMB shall be composed of the LCEs of the member-LGUs of each
27 cluster, the respective provincial directors of the DILG and the DTI or their

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

1 (c) Execute and administer the policies and decisions approved by the
2 ICMB and be responsible for the effective day-to-day management of the
3 operations of the ICMB;

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

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

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

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

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

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

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

22 (a) A list of products to be produced and services to be offered;

23 (b) The activities involved towards the development of such products
24 or services;

25 (c) The role of each LGU in the product development process;

26 (d) The assistance needed from other agencies and institutions;

27 (e) The sources of fund support; and

28 (f) The projected income.

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

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

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

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

24 A donation or bequest made under the industry cluster based-program,
25 project or activity shall be exempt from donor's tax: *Provided,* That the
26 donations are made to or for the use of an LGU or any political subdivision of
27 the government or in favor of an accredited CSO: *Provided, further,* That not
28 more than thirty percent (30%) of said donation shall be used by such CSO for

1 administration purposes: *Provided, furthermore,* That the CSO is incorporated
2 as a nonstock entity, pays no dividends, governed by trustees who receive no
3 compensation and devotes all of its income, including gifts, donations,
4 subsidies or other forms of philanthropy, for the accomplishment and
5 promotion of the purposes enumerated in its articles of incorporation.

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

10 Industry clusters shall be given incentives if they can innovate and share
11 these with other clusters. Incentives shall be limited to training programs for
12 the cluster entrepreneur, special credit program, and shared service facilities
13 such as machinery or equipment.

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

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

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

25 SEC. 15. *Institutional Linkages.* – In carrying out its functions, the
26 ICMB shall consult, coordinate and work closely with the LGUs, the DA, the
27 DILG, the DOLE-TESDA, the DTI, the DOST, the DOT, the NEDA, the

1 Commission on Higher Education, and accredited civil society and business
2 organizations operating within the cluster.

3 SEC. 16. *Monitoring and Evaluation.* – The respective offices of the
4 Secretaries of the DTI and of the DILG, in coordination with the regional
5 offices and accredited civil society and business organizations, shall monitor
6 and evaluate the implementation of industry cluster-based programs and
7 projects and recommend necessary measures to support cluster-related
8 activities.

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

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

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

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

Approved,