

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

05 DEC 2012

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15th Congress
Third Regular Session

2496
COMMITTEE REPORT NO. _____

Submitted by the Committee on People's Participation on 05 DEC 2012
6739

Re : House Bill No. _____
Recommending its approval in substitution of House Bill No. 4962

Sponsors : Representatives Benjamin D. Asilo, Cinchona Cruz-Gonzales and Cresente M. Paez

Mr. Speaker:

The Committee on People's Participation, to which was referred House Bill No. 4962 introduced by Representative Cinchona Cruz-Gonzales, entitled:

AN ACT STRENGTHENING CIVIL SOCIETY ORGANIZATIONS (CSOs) PARTICIPATION IN COMMUNITY DEVELOPMENT THROUGH THE INSTITUTIONALIZATION OF "ONE VILLAGE ONE PRODUCT" (OVOP)-BASED PROGRAMS OF THE GOVERNMENT, AND FOR OTHER PURPOSES

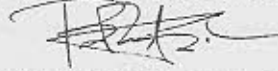
has considered the same and recommends that the attached House Bill No. **6739**, entitled:

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

be approved in substitution of House Bill No. 4962 with Rep. Cinchona Cruz-Gonzales as author and Reps. Benjamin D. Asilo, Godofredo V. Arquiza, Catalina G. Leonen-Pizarro, Cresente M. Paez, Edwin L. Olivarez, Rafael V. Mariano, Reena Concepcion G. Obillo, Neil Benedict A. Montejo, Carlos M.

Padilla, Salvador P. Cabaluna III, Maria Zenaida B. Angping, Rosendo S. Labadlabad and Winston "Winnie" Castelo as co-authors thereof.

Respectfully submitted,



BENJAMIN D. ASILO

Chairperson, Committee on
People's Participation

THE HONORABLE SPEAKER
HOUSE OF REPRESENTATIVES
QUEZON CITY

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
Third Regular Session

HOUSE BILL NO. 6739

(In Substitution to HB 4962)

Introduced by Reps. Cinchona C. Gonzales, Benjamin D. Asilo, Godofredo V. Arquiza, Catalina G. Leonen- Pizarro, Cresente C. Paez, Edwin L. Olivarez, Rafael V. Mariano, Reena Concepcion G. Obillo, Neil Banedict A. Montejo Carlos M. Padilla, Salvador P. Cabaluna III, Maria Zenaida B. Angping, Rosendo S. Labadlabad, and Winston "Winnie" Castelo

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 the House of Representatives in Congress of the Philippines assembled:

1 SECTION 1. **Short Title.** – This Act shall be known as "*People's Participation in Industry*
2 *Cluster-based Programs and Projects Act.*"

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

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

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

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

b. **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 supporting services and specialized infrastructure and facilities;

c. **Industry cluster-based programs and projects** refer to those programs and projects that promote convergence, job generation, and investment promotion through production of competitive products and services to achieve inclusive growth; 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 on Industry Cluster-based Programs and Projects.

Pursuant to the abovementioned policy, 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).

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

4 SEC. 6. *Meaningful Participation of the People in the Program.* The concerned LGUs
5 shall coordinate, encourage, and facilitate the participation of accredited civil society and
6 business organizations in all aspects of development work in industry cluster-based programs
7 and projects, namely, in planning, implementation, management, monitoring, and evaluation
8 stages, to enliven the sense of community acceptance and ownership of products and to ensure
9 the responsiveness of these programs and projects to the needs of the community.

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

12 SEC. 7. *Accreditation of CSOs and Private Sector Organizations* –Civil society and
13 business organizations shall be accredited by the DTI, in consultation with the local Sanggunians
14 prior to their participation in industry cluster-based programs and projects. The application for
15 accreditation, with the following documents, shall be submitted to the Office of the Provincial
16 Director of the DTI:

- 17 a. Articles of Incorporation and by-laws;
- 18 b. Certificate of Registration with a government registering agency;
- 19 c. List of officers and members;
- 20 d. Nature of business/work of the civil society/business organizations; and
- 21 e. Annual accomplishment report for the immediately preceding year.

22 All applications for accreditation shall be acted upon by the DTI and the local
23 Sanggunian within a period of ten (10) working days from receipt thereof. Upon approval, a
24 certificate of accreditation valid for three (3) years shall be issued to the organization. In case of
25 disapproval, a notice shall be sent to the organization concerned. The DTI and the local
26 Sanggunian concerned shall also have the power, upon verified complaint, duly uphold, to
27 cancel the certificate of accreditation.

28 Once accredited, the civil society and business organizations shall be asked to sign a
29 Memorandum of Agreement (MOA) with the Industry Cluster Management Board (ICMB),

1 which will commit these organizations to provide the appropriate expertise, facilities, and
2 financial support to ensure the success of industry cluster-based programs and projects.

3 **SEC. 8. *Development Process of the Inter-local Cooperation.*** –LGUs shall be organized
4 into clusters based on the following criteria:

- 5 a. Geographically adjacent or contiguous to each other;
- 6 b. Commonality in interests, needs, and development requirements;
- 7 c. Agreement in the identification of products and services that shall be developed;
- 8 d. Willingness to commit and share local resources, facilities, and services for local
9 development; and
- 10 e. Economic viability.

11 Each cluster shall be composed of two (2) or more LGUs: *Provided*, That each LGU, prior
12 to its inclusion into a cluster, shall pass a Sangguniang Bayan Resolution authorizing the Local
13 Chief Executive (LCE) to enter into an agreement with other LGUs, indicating therein its
14 willingness to commit resources for purposes of local development: *Provided, further*, That said
15 Sangguniang Bayan Resolution, together with a letter of intent signed by the LCE, shall be
16 submitted to the DILG as assent to membership into the cluster.

17 Each ILC, through the ICMB, shall formulate an industry plan which shall include: (a) a
18 list of products to be produced and services to be offered; (b) the activities involved towards
19 the development of such products or services; (c) the role of each LGU in the product
20 development process; (d) the assistance needed from other agencies and institutions; (e) the
21 sources of fund support; and (f) the projected income.

22 The Board shall present the master plan to the respective local Sanggunians, which shall
23 in turn pass a resolution approving the plan for implementation. Thereafter, such approved
24 master plan shall be implemented within sixty (60) days after its adoption.

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

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

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

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

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

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

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

- 19 a. Provide policy guidance in the formulation of cluster plans and programs;
- 20 b. Promulgate rules and regulations on the management, operation, and conduct
21 of the affairs and businesses of the cluster;
- 22 c. Enter into, make and execute contracts with government entities, private
23 organizations, CSOs, international organizations (IOs), and other parties, domestic or foreign, as
24 may be necessary for the implementation of the cluster plan or project;
- 25 d. Submit to the respective local Sanggunian any proposed plan, program, or
26 project for adoption and approval;
- 27 e. Recruit and designate personnel as may be deemed necessary to handle the
28 projects and activities of the cluster;

- 1 f. Provide leadership in the coordination and over-all management of the affairs of
- 2 the cluster;
- 3 g. Conduct continuing research and development of innovative and indigenous
- 4 technologies that will enhance the productivity of each cluster;
- 5 h. Review and approve project proposals of the cluster including the budget;
- 6 i. Raise or borrow adequate and necessary funds from local or foreign sources to
- 7 finance its programs and projects and programs, within the limitation provided by law;
- 8 j. Assess, levy, and collect fees and charges for products and services rendered;
- 9 and
- 10 k. Perform such other functions as may be required by law.

11 SEC. 11. ***Chairperson of the Board.*** –The Board shall be headed by a Chairperson who

12 shall be one of the LCEs of the member-LGUs. The Chairperson shall be elected annually by a

13 majority of the Board Members and shall exercise the following powers and functions:

- 14 a. Call and preside over the meetings of the Board;
- 15 b. Engage the services of experts or consultants either on full-time or part-time
- 16 basis, as may be required in the performance of the functions and duties of the Chairperson;
- 17 c. Execute and administer the policies and decisions approved by the Board and be
- 18 responsible for the effective day-to-day management of the operations of the Board;
- 19 d. Prepare, in coordination with the PMDS, the annual budget for the operations,
- 20 plans, programs, and projects of the cluster for submission and approval of the Board;
- 21 e. Present to the local Sanggunian for approval the proposed policies and
- 22 programs, revenue-raising measures, operations plan, draft rules and regulations, and such
- 23 other plans, programs, and projects necessary to carry out its purpose;
- 24 f. Submit for consideration of the Board such other policies and measures
- 25 necessary to carry out the provisions of this Act;
- 26 g. Prepare and submit to the Board and to the Secretary of the Interior and Local
- 27 Government and the Secretary of Trade and Industry annual reports and evaluation of
- 28 programs and projects;

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

i. Perform such other functions as may be required by law or the Board.

SEC. 12. **Cluster Advisory Committee.** – A Cluster Advisory Committee, hereinafter referred to as the CAC, is hereby created for every cluster. The CAC shall be the primary body that will give advice, technical assistance, and policy guidance to the Board, particularly in the formulation of cluster plans and programs and in 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 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 to Industry Cluster Entrepreneurs.** 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-program, project, or activity shall be exempt from donor's tax provided that the donations are made:

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

(2) In favor of an accredited CSO: Provided, however, that not more than thirty percent (30%) of said donation shall be used by such CSO for administration purposes. And provided, further, that the CSO is incorporated as a non-stock entity, paying no dividends, governed by trustees who receive no compensation, and devoting all of its income, whether gifts, donations, subsidies, or other forms of philanthropy for the accomplishment and promotion of the purposes enumerated in its Articles of Incorporation.

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

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

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

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

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

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

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

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

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

4 SEC. 18. *Repealing Clause.* – All laws, Executive Orders, Presidential Decrees, rules and
5 regulations or parts thereof contrary to or inconsistent with any provisions of this Act is hereby
6 repealed, amended or modified accordingly.

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

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

12 Approved,

HOUSE OF REPRESENTATIVES COMMITTEE AFFAIRS DEPARTMENT

FACT SHEET

House Bill No. **6739**
(In substitution to House Bill No. 4962)

"PEOPLE'S PARTICIPATION IN INDUSTRY CLUSTER- BASED PROGRAMS AND PROJECTS ACT"

Introduced by: **REPRESENTATIVES CINCHONA C. GONZALES, BENJAMIN D. ASILO, GODOFREDO V. ARQUIZA, CATALINA G. LEONEN- PIZARRO, CRESENTE C. PAEZ, EDWIN L. OLIVAREZ, RAFAEL V. MARIANO, REENA CONCEPCION G. OBILLO, NEIL BANEDICT A. MONTEJO CARLOS M. PADILLA, SALVADOR P. CABALUNA III, MARIA ZENAIDA B. ANGPING , ROSENDO S. LABADLABAD, AND WINSTON "WINNIE" CASTELO**

Committee Referral: **COMMITTEE ON PEOPLE'S PARTICIPATION**
Committee Chairperson: **REP. BENJAMIN D. ASILO**

OBJECTIVES:

- To strengthen the participation of civil society and business organizations in community development through industry cluster-based programs and projects of the government
- To build and strengthen partnerships among concerned agencies, local government units (LGUs) and civil society organizations (CSOs) toward the development of competitive local products and services

KEY PROVISIONS:

- Institutionalizes the Industry Cluster program which encourages the clustering of LGUs within the province based on the need to develop locally-based products and services, and to provide livelihood for the community
- Provides the procedures for the accreditation of civil society and business organizations who wish to meaningfully participate in industry cluster-based programs and projects
- Provides the criteria for formation of clusters; the procedures for creating them; and the guidelines pertaining to the formulation of their respective master plans

- Provides for the establishment of an Industry Cluster Management Board (ICMB), which shall be composed of the Local Chief Executives of member-LGUs, the respective Provincial Directors of DTI and DILG, one representative each from accredited CSOs of each member-LGU, and a representative from business organizations
- Defines the powers and functions of the ICMB and its Chairperson
- Creates a Cluster Advisory Committee, which shall provide technical and policy guidance to the Board, and which includes concerned national government agencies, financing institutions, as well as accredited civil society and business organizations
- Grants incentives to industry cluster entrepreneurs in terms of preferential access to low-interest government credit and to government-initiated promotion programs, as well as tax exemptions
- Provides for a Cluster Common Fund and other sources of funding to finance the operations of the Industry Cluster-based programs and projects
- Identifies the institutional linkages of the Board and assigns the Offices of the Secretaries of the DTI and the DILG to monitor and evaluate the implementation of Industry Cluster programs and projects.

RELATED LAWS

- RA 7160 or the Local Government Code of 1991
- Executive Order No. 176, s. 2003
- DILG – MC 2002-09