



**Republic of the Philippines
House of Representatives
Quezon City, Metro Manila**

**Nineteenth Congress
First Regular Session**

HOUSE BILL NO. 7463



Introduced by Representative Rudys Caesar G. Fariñas I

EXPLANATORY NOTE

This bill encourages cooperation among local government units (LGUs) to strengthen people's participation in local development, enhance productivity, and guarantee income opportunities.

To this end, this measure, among other salient features, strengthens and institutionalizes inter-local cooperation on industry cluster-based programs and projects under the supervision of the Department of Trade and Industry (DTI) and the Department of the Interior and Local Government (DILG). The DTI shall accredit civil society and business organizations in consultation with the local sanggunian. The DTI will act upon an application within ten working days, and the certificate of accreditation will be valid for three years unless revoked or canceled by the DTI. Civil society and business organizations must provide expertise, facilities, and financial support to ensure the success of industry cluster-based programs and projects. Each industry cluster must have two (2) or more LGUs. An LGU must adopt a Sanggunian Resolution authorizing the provincial governor, city mayor, or municipal mayor to commit resources for local development.

Hence, this representation seeks the passage of this measure.


RUDYS CAESAR G. FARIÑAS I



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**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
2 Participation in Industry Cluster-based Programs and Projects Act.”

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

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

12
13 (a) To institutionalize the industry cluster approach as a means of
14 pursuing local economic development through inter-local cooperation among
15 LGUs
16

1 (b) To provide an effective mechanism to strengthen the participation of
2 the people in community development through institutionalized industry cluster-
3 based programs and projects;
4

5 (c) To promote unity among the people from different LGUs by
6 encouraging them to work together in pursuing industry cluster-based programs
7 and projects; and
8

9 (d) To build and strengthen partnerships with concerned agencies, LGUs,
10 civil society, and business organizations towards the development of globally
11 competitive unique local products and services.
12

13 **SEC. 4. *Definition of Terms.*** – As used in this Act:
14

15 (a) *Industry cluster* refers to the geographic concentration of competing
16 but collaborating and independent businesses within a value chain of a broadly
17 defined industry, from suppliers to end products, including support services and
18 specialized infrastructure and facilities;
19

20 (b) *Industry cluster-based programs and projects* refer to those programs
21 and projects undertaken within a contiguous geographic area that promote
22 convergence, job generation, and investment promotion through production of
23 competitive products and services to achieve inclusive growth;
24

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

29 their development and jointly provide programs, projects, and services to their
30 respective constituencies; and
31

32 (d) *People’s participation* refers to effective and meaningful involvement
33 of civil society and business organizations at all levels of government operations
34 for the pursuit of sustainable local economic development.
35

36 **SEC. 5. *Inter-Local Cooperation and People’s Participation.*** – The
37 inter-local cooperation on industry cluster-based programs and projects shall
38 be strengthened and institutionalized under the supervision of the Department
39 of Trade and Industry (DTI) and the Department of the Interior and Local
40 Government (DILG).
41

42 Consistent with Section 35 of Republic Act No. 7160, or the “Local
43 Government Code.” the LGUs shall provide a mechanism that will encourage
44 and facilitate the participation of accredited civil society and business
45 organizations in all aspects of development work in industry cluster-based

1 programs and projects to enliven the sense of community acceptance and
2 ownership of products and to ensure the responsiveness of these programs and
3 projects to the needs of the community.

4
5 **SEC. 6. Accreditation.** – Civil society and business organizations shall
6 be accredited by the DTI, in consultation with the local *sanggunian*, prior to their
7 participation in industry cluster-based programs and projects.

8
9 The required documents for accreditation shall include the following:

- 10
11 (a) Articles of Incorporation or Cooperation and by-laws;
12
13 (b) Certificate of Registration with a government registering agency;
14
15 (c) List of officers and members;
16
17 (d) Nature of business or work of the civil society and business
18 organizations; and
19
20 (e) Annual accomplishment report for the immediately preceding year.
21

22 All applications for accreditation shall be submitted to the Office of the
23 Provincial Director of the DTI. The DTI, in consultation with the local *sanggunian*
24 concerned, shall act upon the application within a period of ten (10) working
25 days from receipt thereof.

26
27 The certificate of accreditation shall be valid for a period of three (3) years,
28 unless otherwise revoked or canceled by the DTI, on its own or upon a verified
29 complaint, in consultation with the local *sanggunian* concerned. In case an
30 application is disapproved, a notice of disapproval shall be sent to the applicant.

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

34
35 **SEC. 7. Organization.** – Local government units shall be organized into
36 clusters based on the following criteria:

- 37
38 (a) Commonality in interests, needs, and development requirements;
39

1 (b) Agreement in the identification of products and services that shall be
2 developed;
3

4 (c) Willingness to commit and share local resources, facilities, and
5 services for local development; and
6

7 (d) Economic viability.
8

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

18 **SEC. 8. *Philippine Industry Council.*** – Each industry cluster shall
19 create a Philippine Industry Council (PIC) that shall provide the overall policy
20 and program direction for the industry and all stakeholders.
21

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

41 If member-LGUs of the PIC come from more than one (1) region, the
42 Chairperson shall be the DTI director of the region with the most number of
43 member LGUs in the pertinent industry cluster. However, if a DTI director is
44 qualified to be the Chairperson of two (2) or more PICs, the DTI Secretary shall
45 designate the Chairperson of the PIC.
46

1 **SEC. 10. *Functions and Duties of the PIC.*** – The PIC shall exercise the
2 following powers and functions:

3
4 (a) Provide overall policy guidance in the formulation of cluster plans and
5 programs;

6
7 (b) Formulate the industry development roadmap;

8
9 (c) Identify, prioritize, and recommend initial strategic interventions,
10 research directions, and critical data needs while the industry roadmap is being
11 drawn up;

12
13 (d) Promulgate rules and regulations on the management, operation, and
14 conduct of the affairs and businesses of the industry cluster;

15
16 (e) Enter into and execute contracts with government entities, private
17 organizations, civil society organizations (CSOs), international organizations
18 (IOs), and other parties, domestic or foreign, as may be necessary for the
19 implementation of the industry cluster plan or project;

20
21 (f) Submit to the respective local *sanggunian* any proposed plan,
22 program, or project for adoption and approval;

23
24 (g) Recruit and designate personnel as may be deemed necessary to
25 handle the projects and activities of the industry cluster;

26
27 (h) Provide leadership in the coordination and overall management of the
28 affairs of the industry cluster;

29
30 (i) Review and approve project proposals of the industry cluster
31 including the budgets therefor;

32
33 (j) Assess, levy, and collect fees and charges for products and services
34 rendered; and

35
36 (k) Perform such other functions as may be required by law.
37

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

40
41 (a) Call and preside over the meetings of the PIC;

(b) Engage the services of experts or consultants either on a 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 PIC, and be responsible for the effective day-to-day management of the operations of the PIC;

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

(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 purpose;

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

(g) Prepare and submit to the PIC and to the Secretaries of the DTI and the DILG 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 by the PIC.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

(d) Assistance needed from other agencies and institutions;

(e) Sources of fund support;

(f) Projected income;

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

1 (h) Labor market study for the development of the products or services
2 in the industry; and
3

4 (i) Identification of research or studies from academic institutions that
5 may be relevant to the development of such products or services.
6

7 The PIC shall present the industry plan to the respective local *sanggunian*
8 of member- LGUs of each industry cluster. The concerned local *sanggunian* shall
9 pass a resolution approving a plan for implementation, which shall be
10 implemented not later than sixty (60) days from its adoption.
11

12 **SEC. 16. *Incentives.*** – Industry cluster entrepreneurs shall be granted
13 preferential access to low-interest credit in government financing institutions
14 and priority in government-initiated product marketing and promotion
15 programs.
16

17 The DTI shall also develop a system of incentives for innovative industry
18 clusters that share their experiences and innovations with other clusters:
19 *Provided*, That incentives shall be limited to
20 training programs for the cluster entrepreneur, a special credit program, and
21 shared service facilities such as machinery or equipment.
22

23 **SEC. 16-A. *Tax Exemption.*** – All grants, bequests, endowments,
24 donations and contributions made to the industry cluster-based program,
25 project, or activity to be used actually, directly, and exclusively by the industry
26 cluster-based program, project or activity shall be exempt from donor's tax and
27 the same shall be considered as allowable deduction from the gross income of
28 the donor for purposes of computing the taxable income of donor in accordance
29 with the provisions of the National Internal Revenue Code of 1997, as amended:
30 *Provided*, That the donations are made to, or are for the use of an LGU or any
31 political subdivision of the government, or in favor of an accredited civil society
32 organization: *Provided, further*, That not more than thirty percent (30%) of said
33 donation shall be used by such civil society organization for administrative
34 purposes: *Provided, furthermore*, That the civil society organization is
35 incorporated as a non-stock entity, pays no dividends to its membership, is
36 governed by trustees who receive no compensation, and devote all of its income,
37 including gifts, donations, subsidies, or other forms of philanthropic support to
38 the accomplishment and promotion of the purposes enumerated in its Articles
39 of Incorporation.
40

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

1
2 **SEC. 18. *Monitoring and Evaluation.*** – The DTI, in consultation with
3 relevant government agencies and accredited civil society and business
4 organizations, shall monitor and evaluate the implementation of industry
5 cluster-based programs and projects and recommend necessary measures to
6 support cluster-related activities.

7
8 **SEC. 19. *Implementing Rules and Regulations.*** – Within sixty (60) days
9 from the effectivity of this Act, the Secretary of the Department of Trade and
10 Industry shall, in coordination with the Secretaries of the DILG, DOLE, DepEd,
11 CHED, TESDA, DA, DAR, and other relevant government agencies and
12 stakeholders issue the rules and regulations necessary for the effective
13 implementation of this Act.

14
15 **SEC. 20. *Separability Clause.*** – If for any reason, any part or provision
16 of this Act is declared invalid or unconstitutional, the remaining parts or
17 provisions not affected thereby shall remain in full force and effect.

18
19 **SEC. 21. *Repealing Clause.*** – All laws, executive orders, presidential
20 decrees, rules, and regulations, or parts thereof contrary to or inconsistent with
21 any provisions of this Act are hereby repealed, amended, or modified accordingly.

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

Approved,