

24 June 2020

**SENATOR AQUILINO PIMENTEL, III**

Chairperson

Committee on Trade, Commerce, and Entrepreneurship

Senate of the Philippines

GSIS Financial Complex, Roxas Boulevard

Pasay City, Philippines

Dear **Senator Pimentel**:

We are pleased to submit the Department's position on Senate Bill No. 609, entitled:

**“An Act Institutionalizing Industry Cluster-Based Programs and Projects through Inter-Local Cooperation and People's Participation and for Other Purposes”**

This is without prejudice to the Department's submission of additional inputs.

With my best regards.

Very truly yours,

  
**RAMON M. LOPEZ**  
Secretary



**OFFICE OF THE SECRETARY**

## Department of Trade and Industry

### DTI Position on

**Senate Bill No. 609**      **“An Act Institutionalizing Industry Cluster-Based Programs and Projects through Inter-Local Cooperation and People's Participation and for Other Purposes”**

The Department recognizes the intention of the bill to promote industry cluster-based programs and projects through inter-local cooperation and people's participation approach. The proposed legislation complements the Department's initiatives in developing industry clusters with the overall aim to build more competitive Philippine industries. Congruently, it will spur rural innovation, promote product diversification and sustainability, as well as stimulate local entrepreneurship and employment, which will boost productivity and income of local businesses particularly the micro, small, medium enterprises (MSMEs).

Realizing the potentials of industry clustering as one of the catalysts for economic development and inclusive growth, the DTI through its Regional Operations Group (ROG) and the Board of Investments (BOI), have long been promoting the formation of industry clusters. Particularly, the ROG had implemented the National Industry Cluster Capacity Enhancement Project (NICCEP)<sup>1</sup> whereas the BOI continuously implements the industry-led road mapping initiatives to help boost the competitiveness of various industry sectors.

Aside from this, the DTI led the establishment of the Regional Inclusive Innovation Centers (RIICs) in key pilot areas<sup>2</sup> across the country. The RIICs will build upon the existing industry clusters in the regions, focusing on sectors where localities have competitive advantage and capitalizing on the cluster strategies being implemented by the national and regional/local governments. As common points of convergence, the RIICs would connect the innovation activities of various ecosystem stakeholders in the regions, thereby transforming the regions into productive and innovative economic growth centers.

While the Department supports the promotion of industry clusters through inter-local cooperation and people's participation, we wish to submit our specific comments and recommendations including:

Section	Comment
Section 5. Inter-Local Cooperation and People's Participation – The inter-local cooperation in industry cluster-based programs and	The DTI notes the importance of strengthening and institutionalizing inter-local cooperation in industry cluster-based programs and projects as it greatly impacts

<sup>1</sup> NICCEP, a three-year (2012-2015) technical cooperation project funded by Japan International Cooperation Agency (JICA), aimed to enhance the capacity of selected industry clusters in increasing its contribution to inclusive growth and employment creation.

<sup>2</sup> Pilot areas in RIICs include: (1) Legaspi in Region V, focusing on pill industry; (2) Cebu in Region VII, focusing on advanced manufacturing; (3) Cagayan de Oro in Region X, focusing on processed food; and (4) Davao in Region XI, focusing on functional foods.

<p>projects shall be strengthened and institutionalized under the supervision of the Department of Trade and Industry (DTI). Consistent with Section 35 of the Local Government Code, the LGUs shall provide a mechanism to 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.</p>	<p>the effectiveness and sustainability of government programs for our Micro, Small, and Medium Enterprises (MSMEs) including, One Town, One Product (OTOP), Shared Services Facilities (SSF), and Fabrication Laboratories (FabLabs) among others.</p> <p>Likewise, inter-local cooperation and people's participation may facilitate employment and livelihood opportunities among the local communities in the Philippines. Hence, the Department expresses support on this provision.</p>
<p>Section 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 program</p>	<p>The Department interposes reservations with the accreditation mechanism stipulated in the bill as this can limit civil society and business organizations' participation in industry cluster-based programs and projects. We deem that the accreditation process may not be required and that civil societies and business organizations may continue to take part actively and provide involvement in supporting industry cluster-based programs and initiatives.</p>
<p>Section 8. Philippine Industry Councils – Each industry cluster shall create an Industry Management Council that shall provide the overall policy and program direction for the industry and all stakeholders.</p>	<p>We express our reservations on the creation of the Industry Management Council and Industry Cluster Management Board under Section 8 of the bill. The governing bodies, which shall provide the overall policy and program for the industry and all stakeholders are seen to add another layer of bureaucracy to the system.</p> <p>Moreover, the creation of the governing bodies may not be aligned with the objectives of Executive Order 366<sup>3</sup>, which aims to improve the quality and efficiency of government's service delivery by minimizing overlaps and duplication of government</p>

<sup>3</sup> Executive Order 366 – Directing a Strategic Review of the Operations and Organizations of the Executive Branch and Providing Options and Incentives for Government Employees Who May be Affected by the Rationalization of the Functions and Agencies of the Executive Branch.

	functions, hence, its establishment may no longer be necessary.
Section 10. Functions and Duties of the Philippine Industry Council	The Department believes that the identified functions, as proposed by the bill, is already being undertaken by the Regional Operations Group (ROG) and the Board of Investments (BOI) along with the technical working group (TWG) associated and identified per priority industry clusters, guided by its respective five-year roadmaps. <sup>4</sup>
Section 16. Incentives – Industry cluster entrepreneurs shall be granted preferential access to low-interest credit in government-initiated product marketing and promotion programs.	<p>We support the intention of the provision of incentives for industry cluster enterprises as it is aligned with the MSME Development Plan 2017-2020. The endowment of incentives would help achieve the Plan's strategic goal in seeking to promote an improved business climate through speedy delivery of MSME assistance services, providing incentives and job-promoting incentives, among others.</p> <p>As one of the results of the Industry Cluster Enhancement Program Monitoring Report, the DTI recognizes the vital role of private sector engagement in the improvement of technical and entrepreneurial capability of farmer-entrepreneurs particularly accessing to finance, financial literacy, and broader market linkages for raw material sources.</p>

*Karyaptris Chanay*

**Bureau of Trade & Industrial Policy Research**

**11 February 2020**

Ref: BTIPR-122019-263

<sup>4</sup> Department of Trade and Industry – Regional Operations Group's Post-Activity Report on Meeting with Senator Villanueva's Legislative Officers regarding ICE Bill