

-----  
www.congress.gov.ph  
-----

LAWNUM: RA07368

DATE : 04/10/92

TITLE : AN ACT TO LAUNCH AND PROMOTE COUNTRYWIDE INDUSTRIALIZATION THROUGH THE ESTABLISHMENT OF MANUFACTURING, PROCESSING AND RELATED INDUSTRIES BY PROVIDING FINANCIAL ASSISTANCE TO ENTERPRISES IN EVERY TOWN

AND CITY NOT EXCEEDING P30 MILLION AND P40 MILLION, RESPECTIVELY, AUTHORIZING THE APPROPRIATION THEREFOR IN THE AMOUNT OF P1 BILLION PER

YEAR FOR THE NEXT FIVE YEARS AS INITIAL CAPITAL, AND FOR OTHER PURPOSES

TEXT :

S. No. 1663

H. No. 22353

Republic of the Philippines  
Congress of the Philippines  
Metro Manila

Fifth Regular Session

Begun and held in Metro Manila, on Monday, the twenty-second day of July, nineteen hundred and ninety-one.

[REPUBLIC ACT NO. 7368]

AN ACT TO LAUNCH AND PROMOTE COUNTRYWIDE INDUSTRIALIZATION THROUGH THE ESTABLISHMENT OF MANUFACTURING, PROCESSING AND RELATED INDUSTRIES BY PROVIDING FINANCIAL ASSISTANCE TO ENTERPRISES IN EVERY TOWN AND CITY NOT EXCEEDING P30 MILLION AND P40 MILLION, RESPECTIVELY, AUTHORIZING THE APPROPRIATION THEREFOR IN THE AMOUNT OF P1 BILLION PER YEAR FOR THE NEXT FIVE YEARS AS INITIAL CAPITAL, AND FOR OTHER PURPOSES

Be it enacted by the Senate and House of representatives of the Philippines in Congress assembled:

SECTION 1. Short Title. - This Act shall otherwise be known as the "Countrywide Industrialization Act of 1992".

SEC. 2. Declaration of Policy. - It is hereby declared the

policy of the Senate to accelerate countrywide industrialization through the establishment of manufacturing, processing and related industries in all towns and cities of the country which add value to domestic resources and farm products, create employment and livelihood opportunities, enhance the well-being of the rural areas, hasten the formation and the integration of intraprovincial and regional trade and industry linkages thus sustaining national economic growth.

SEC. 3. Creation of Countrywide Industrialization Fund.  
-There is hereby created the Countrywide Industrialization Fund, hereinafter referred to as either the Fund or CIF, as a source of financial assistance to eligible countrywide industrialization projects in the manner and under the terms and conditions prescribed by this Act and the implementing rules and regulations.

The Fund shall be appropriated from the national budget, and supplemented by funds from bilateral and multilateral sources, which shall be negotiated and arranged by the National Government to ensure adequacy of the Fund.

The Fund shall be deposited with and managed by three (3) banks, namely: Philippine National Bank (PNB), Development Bank of the Philippines (DBP), and Land Bank of the Philippines (LBP), disbursements from which shall be made solely for investments as equity, grants or loans, in duly approved projects endorsed by the Local Countrywide Industrialization Boards (LCIBs) in the amounts authorized by the Countrywide Industrialization Office (CIO).

SEC. 4. Creation of the Countrywide Industrialization Office (CIO). - The Countrywide Industrialization Office, hereinafter referred to as CIO, is hereby created and attached with the Department of Trade and Industry with the following functions:

a) to effectively facilitate the programmed distribution of financial assistance to approved countrywide industrialization projects endorsed by especially accredited LCIBs referred to in Section 6 hereof, and to authorize disbursements by the PNB, DBP and LBP from the CIF of the amount of financial assistance approved by the CIO to the specified countrywide projects;

b) to provide such guidelines as may be necessary to carry out the policies of this Act;

c) to monitor and evaluate on a regular basis the status of all LCIBs and to help them achieve viability and success;

d) to pursue appropriate measures to increase the corpus of the CIF such as the availment of foreign loans/grants;

e) to make representations and coordinate with agencies of the National Government which provide advice and technical assistance to private sector enterprises so that these may be made accessible to countrywide industrialization projects as requested by their LCIBs.

SEC. 5. Management of the Countrywide Industrialization Office. - The Countrywide Industrialization Office shall be governed by a Management Board composed of ten (10) members, as follows:

a) six (6) from the Government, specifically: one (1) from the Department of Trade and Industry; one (1) from the Department of Science and Technology; one (1) from the Department of Finance; one (1) from the Governors' League of the Philippines; one (1) from the City Mayors' League of the Philippines; and one (1) from the Municipal Mayors' League of the Philippines.

b) four (4) from the private sector, specifically: two (2) from the trade and commerce groups; one (1) from the labor groups; and one (1) from the socio-civic groups.

The Management Board shall have the representative from the Department of Trade and Industry as its Chairman. All ten (10) members shall be appointed by the President within thirty (30) days from approval of this Act.

The table of organization for the CIO shall, after its adoption by the Management Board, be submitted to the Department of Budget and Management (DBM) for approval, and shall be acted upon by the latter within thirty (30) days upon its submission.

The Chairman is hereby vested with the authority to appoint personnel to positions in the approved table of organization as may be necessary to effectively implement the provisions of this Act, and in accordance with applicable civil service rules and regulations. The appointment shall take effect upon the approval by the Management Board.

The initial secretariat and the technical staff shall be provided by detailed personnel from the Department of Trade and Industry (DTI) and supplemented by detailed personnel as may be necessary from other departments and agencies of the Government including the Congress of the Philippines.

SEC. 6. Executive Committee of Local Development Council as the Local Countrywide Industrialization Board. - The Executive Committee of the municipal, city and provincial development councils shall serve as the Local Countrywide Industrialization Board (LCIB) which shall be directed towards the development of technology and skills, assist all

enterprises in the utilization of indigenous raw materials for livelihood programs and in the delivery of credit organizations and marketing services.

In addition to the functions of the local development councils as mandated in the Local Government Code of 1991 (Republic Act No. 7160), they shall perform the following functions:

a) receive all applications for countrywide industrialization projects within its area of jurisdiction; evaluate and approve or disapprove all project applications within thirty (30) days from receipt thereof; and endorse projects to the Countrywide Industrialization Office (CIO) for funding;

b) in coordination with the conduit banks, monitor the status of approved projects, help enterprises obtain marketing, technical training and other forms of non-financial assistance as they may require from agencies of the National and Local Governments;

c) review the industrialization plan for the province, city or municipality as prepared by the municipal, city or provincial development officer if the funding required for the proposed project is to be sourced from CIF;

d) disseminate pertinent information; and

e) submit quarterly reports to the CIO on the amounts of financial assistance received by the countrywide industrialization projects within its jurisdiction, and a status report on each countrywide industrialization project. Copy of the report shall be furnished the Sangguniang Bayan or Sangguniang Panlungsod concerned.

SEC. 7. Conditions of Financial Assistance. - The following criteria and guidelines shall be applied by the LCIB and others in determining eligibility of proposed enterprise:

a) Labor generation - It must generate new employment opportunities within the proposing, city and/or municipality, with preference to labor intensive projects.

b) Market-oriented - The products must have identified reliable markets, within and/or outside the province, which have growth potential to ensure viability of the project in the long term.

c) Foreign exchange contribution - The enterprise must desirably contribute towards the generation of, or savings in, foreign exchange through exportation and/or import substitution.

d) Use of local resources - The enterprise shall give priority to the utilization of raw material inputs indigenous to the municipality, city or province and its environs, with emphasis on agricultural projects and those with high forward and backward linkages.

e) Import of material inputs - Where indigenous raw materials are not readily available, the importation of inputs from other provinces or regions and/or other countries shall be allowed, without prejudice to availment of the Board of Investments and other government incentives. The enterprise shall be entitled to tax free importation of raw materials and machineries: Provided, That in the case of tax free raw material importations, the end products must be totally re-exported.

f) Agreements - The enterprise may enter into joint venture and/or management and marketing, agreements with any company capable and willing, to provide management, technical and marketing, expertise as well as capital.

g) Municipal development plan - The economic activity in which the enterprise is engaged or will engage shall be among those included in the priority projects list adopted by the local development council.

SEC. 8. Financial Conduits. - Remittance of the financial assistance to the countrywide industrialization projects authorized by the Countrywide Industrialization Office from the CIF shall be coursed to the accredited conduit bank branch selected by the LCIB for the projects.

a) The three (3) depository/managing, banks shall also serve as financial conduits for the CIF, namely: PNB, DBP, and LBP, and any private commercial or rural banks accredited by the CIO including private financial lending institutions authorized by the Central Bank.

In cities and municipalities where the nearest PNB, DBP, and LBP branch is deemed not accessible, or for other reasons would not be available to satisfactorily service the countrywide industrialization projects therein, the LCIB may appoint as financial conduit a branch in the area of any private commercial or rural bank and other private financial lending institution, or in the absence thereof, in the adjacent municipality or city upon the recommendation of the LCIB.

b) The fees to a conduit bank or private financial lending institution for its services shall be set percentage of outstanding loan amounts to the client countrywide industrialization enterprise served by such bank. The fee rate shall be uniform for all conduit banks and shall be established by the CIO in consultation with government

conduit banks (PNB, DBP and LBP).

c) The conduit banks shall perform the following functions:

1) ensure completeness of the submitted loan applications and corresponding requirements;

2) release the funding assistance to its client countrywide industrialization projects;

3) collect the loan amortization and interest payments of borrower enterprises/project proponents;

4) monitor and report to the LCIB the progress of local countrywide industrialization client enterprises and declare any loan in default based on specific criteria to be set by the CIO;

5) in conjunction with the LCIB, plan and supervise rehabilitation of distressed client enterprises; and

6) in behalf of the CIO, foreclose the assets of unsavable client projects, and assist the LCIB to auction the foreclosed assets.

SEC. 9. Selection of Countrywide Industrialization Projects. In addition to the criteria set forth in Section 7 hereof, preference in awards shall be given to projects with any of the following features:

a) whose equity is owned by residents of the city or municipality, and then of adjacent municipalities, and province;

b) owned by an established cooperative or non-governmental organization;

c) whose proponents have previous experience in successful ventures, have no unfavorable credit record and are reputed to be of good character; or

d) whose proponents have experience in an undertaking related to the project.

SEC. 10. Financial Assistance. - The financial assistance under this Act shall be awarded to deserving projects in a total amount not exceeding eighty-five percent (85%) of the value of the real physical assets of the project. The project sponsors must invest as equity at least fifteen percent (15%) of the real assets of the project, supplemented by financial assistance from the CIF in the following maximum proportions to real physical assets of the project:

a) ten percent (10%) - grants (maximum) for pre-operating expenses, technical assistance, feasibility studies, post-production marketing assistance, training and institution-building.

b) twenty percent (20%) - investment in equity by the CIF in the enterprise. This shall be subject to a stock purchase agreement within a ten-year period at book value, in which the project owners will be the priority buyers.

c) fifty-five percent (55%) - soft or concessional loans with:

- 1) loan terms allowing for reasonable grace periods:
- 2) interest rate of not more than eleven percent (11%), or seven percent (7%) above the CIF's or the National Government's true borrowing rate from bilateral or multilateral lenders, whichever is lower; and
- 3) collateral requirement not to exceed the total assets of the project per se, inclusive of the real estate where the factory or industry is located.

SEC. 11. Implementing Rules and Regulations. - The Management Board of the CIO shall issue the necessary rules and regulations within forty-five (45) days from its appointment, and shall promulgate such other measures as may be necessary to effectively implement the provisions of this Act, in consultation with the Congress.

SEC. 12. Annual Report of the Commission on Audit and the Management Board. - The availment and use of a financial assistance under this Act shall be subject to regular audit by the Commission on Audit which shall render an annual report of its findings to the President and the Congress. The Management Board shall likewise submit an annual report of its operations to the President.

SEC. 13. Penalties. - Any person who shall unlawfully and maliciously divert the financial assistance allocated under this Act or violate the provisions of Section 6 hereof shall, in addition to the penalties imposed under existing laws, be punished with imprisonment ranging from six (6) years to twelve (12) years and a fine of Fifty thousand pesos (P50,000.00).

Any public officer or employee who shall, on his own or in connivance with others, commit the acts mentioned under the preceding paragraph shall be punished with the maximum penalty imposed under this Section in addition to perpetual disqualification from public office.

If the commission of the Act is attributed to a

corporation, association, cooperative, or any other juridical person, the penalty shall be imposed on the president, treasurer, secretary or any other responsible officer thereof.

Finally, if the offender is an alien, he shall be deported immediately without further proceedings, after service of sentence.

SEC. 14. Appropriations. - There is hereby authorized be appropriated the amount of One billion pesos (P1,000,000,000.00) per year for the next five (5) years as counterpart fund and initial capital of the Countrywide Industrialization Fund: Provided, That the allocation in loans and grants in each town and city shall not excess Thirty million pesos (P30,000,000.00) and Forty million peso (P40,000,000.00), respectively.

The Management Board of the CIO shall submit to the Office the President the budget needed for its operations for inclusion in the annual General Appropriations Act.

Initial operations of the CIO, from the time the Management Board is constituted and organized until the first release to the CIO of funds from the national budget, shall be funded by the Department Trade and Industry.

SEC. 15. Repealing Clause. - All laws, decrees, orders, rules and regulations, or parts thereof, inconsistent with the provision of this Act are hereby repealed or modified accordingly.

SEC. 16. Separability Clause. - In case any provision or part of this Act is declared invalid or unconstitutional, all other portion not affected thereby shall remain valid.

SEC. 17. Effectivity. - This Act shall take effect immediately upon its approval without prejudice to its publication in at least two (2) newspapers of general circulation.

Approved,

GONZALES  
RAMON V. MITRA  
Speaker of the House  
of Representatives

NEPTALI A.  
President of the Senate

This bill which is a consolidation of Senate Bill No. 1663 and



House

Bill No. 22353, was finally passed by the Senate and the House of Representatives on January 30, 1992 and February 3, 1992, respectively.

JR.  
CAMILO L. SABIO  
Secretary General  
House of Representatives

ANACLETO R. BADOY,  
Secretary of the Senate

Approved: APR 10 1992

CORAZON C. AQUINO  
President of the Philippines