

COTTAGE INDUSTRIES DEVELOPMENT DECREE OF 1981

PRESIDENTIAL DECREE NO. 1788, January 15, 1981

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Amending and consolidating Republic Act Nos. 3470 and 5326 and Presidential Decree No. 817 and other related law, Decrees, Executive Orders, Letters of Instruction and Acts concerning the National Cottage Industries Development Authority and for other purposes.

WHEREAS, cottage industry development and promotion is the appropriate vehicle along the thrust of developing the countryside because of its high labor intensity, low investment requirements and adaptability to Philippine conditions owing to our abundant raw materials and superior craftsmanship;

WHEREAS, it is of strategic importance to further develop and vitalize the cottage industry sector to maintain the stability of our economy and to accelerate the pace of industrialization;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers in me vested by the Constitution, do hereby decree and order the following to be the revised charter of the National Cottage Industries Development Authority:

SECTION 1. Title. — This act shall be known as the Cottage Industries Development Decree of 1981.

SECTION 2. Declaration of Policy. — High employment levels, growth and diversification of exports, and countryside development are strategic aims of government in order to attain industrial stability and growth.

The State, realizing the vital importance and special significance of cottage industries towards improving the quality of life and spreading its benefits to the people, mandates mandated the National Cottage Industries Development Authority with the corporate mission to develop and promote cottage industries to its full potential.

SECTION 3. Creation. — To carry out the above policy, a body corporate to be known as the NATIONAL COTTAGE INDUSTRIES DEVELOPMENT AUTHORITY, hereinafter referred to as the NACIDA, is hereby created and placed under the Ministry of Industry for policy, program and administrative supervision.

SECTION 4. General Powers — The National Cottage Industries Development Authority as an authority with corporate powers, is hereby authorized to do or undertake the following:

To make or enter into contract; to lease or own real or personal property; to sell or otherwise dispose of its real or personal property; to sue and be sued; to acquire and hold assets of all types and kind resulting directly from operations authorized by this Decree or as are essential or incidental to the proper conduct of such operations; to accept donations or development aids to be used in furtherance of its objectives; to establish subsidiary corporations and/or other institutional mechanism deemed necessary by the Board of Directors to attain plan objective or program priorities under such scheme or design, as it may adopt in accordance with existing laws, rules and regulations; to make such expenditures to carry out the purposes and functions of the NACIDA; to prescribe such rules and regulations and other issuances as are necessary to carry out its functions vested on it by this Decree; to invest or make investments in any financial undertaking, public or otherwise, for the purpose of enhancing the interests of the cottage industries in general as may be deemed necessary by the Board, and all such

earnings accruing therefrom shall be held in trust for the account of NACIDA.

SECTION 5. Functions. — The NACIDA shall perform the following functions and duties:

- to organize, strengthen encourage and promote the establishment of cottage industries;
- to develop financial-assistance programs and funding mechanisms for the cottage industries;
- to undertake a program of development and expansion of cottage industries nationwide particularly in less developed areas;
- to plan, design and formulate viable, resource-based, low-budget, income generating and market oriented "training-production" livelihood projects;
- to evolve and validate viable special projects which are employment-generating and income-producing to be collectively managed and operated by trainee-graduates;
- to undertake industrial surveys of different craft skills needed by industry;
- to conduct field surveys of indigenous raw materials and equipment;
- to initiate, and if necessary, procure certified raw materials needed for production by cottage industries;
- to help producers attain, competitive footing in the market;
- to rationalize different aspects of cottage industry operations;
- to establish and develop Cottage Industries Training Centers and undertake research and development;
- to promote the quality assurance of cottage industries products;
- to extend assistance to cottage industries producers in their problems relating to financing, production and marketing; and
- to work in close coordination with the private sector.

SECTION. 6. Board of Directors. — The NACIDA shall have a duly constituted Board of Directors which shall be the governing body that shall define and promulgate the necessary policies affecting the NACIDA and the cottage industry in general.

- Term and Composition. — The affairs of the authority shall be managed by a Board of Directors of eleven (11) members composed of the following or their duly designated representatives.

- Minister of Industry - Chairman
- Minister of Trade - Vice-chairman
- Minister of Human Settlements - Member
- Minister of Education and Culture - Member
- Chairman of the National Manpower and Youth Council - Member
- Governor of the Central Bank of the Philippines - Member
- Chairman of the Development Bank of the Philippines - Member

- Administrator of the National Cottage Industries Development Authority - Member
- Three (3) representatives from the private sector - Member

All members of the Board of Directors shall be ex-officio members, except the representatives of the private sector, who shall be appointed by the President/Prime Minister of the Philippines for a term of four (4) years.

- Powers and Duties — The Board of Directors shall have the following powers and duties:
 - enunciate policies, determine objectives, establish priorities, allocate resources and provide overall direction and supervision over NACIDA operations;
 - establish regional and sub-regional offices as may be necessary,
 - approve the annual and other supplemental or special budgets of the NACIDA;
 - determine and grant merit increases, hazard pay, bonuses, allowances, other employee fringe benefits and compensation of officers and employees of the NACIDA at rates comparable with or similar to salary or wage scales or levels approved for agencies or instrumentalities under the Ministry of Industry. In the case of the administrator and the Deputy Administrators, their compensation level shall be determined by the Board of directors;
 - ban the export of any local raw material needed by cottage industries when available supply thereof is not sufficient to cover local demand;
 - issue summons, sub-poenas, and/or sub-poena duces tecum in connection with formal complaints, charges, or cases under formal investigation or controversies for fact-finding purposes;
 - adopt an accreditation scheme to upgrade and protect the industry along sectoral groupings pursuant to Section 10 of this Decree;
 - review and approve programs and projects which are mainly funded from sources external to the NACIDA; and
 - determine the uses, applications and expenditures to be made of earnings generated from investments made; by the NACIDA

SECTION 7. Administration. — The Minister of Industry as Chairman of the NACIDA Board shall be the Chief Executive Officer of NACIDA with full powers to restructure, reorganize and manage NACIDA. The Chairman as Chief Executive Officer shall review, develop, supervise and direct a revitalized national cottage industries development program.

The administrator shall be the Chief Operating Officer shall report to and be responsible directly to the Chairman.

SECTION 8. Powers and Duties of the administrator. — Administrator shall have the following powers and duties:

- to administer the affairs of NACIDA under the supervision and direction of the Chairman;
- to appoint subordinate officials and employees provided in the annual plantilla or budget necessary for the proper discharge of the duties and functions of the NACIDA
- to submit within sixty (60) days before the beginning of each fiscal/calendar year an annual budget to the Board of Directors;
- to submit within sixty (60) days before the close of the fiscal year an annual report to the President through the Board of Directors;

- to perform such acts necessary in the exercise of the duties of this office and such others in the furtherance and attainment of the objectives, purposes or corporate mission of NACIDA; and
- to perform other special duties as may be assigned by the Board of Directors.

SECTION 9. Regional Offices.— The NACIDA shall establish regional offices in accordance with the regional groupings of the Integrated Reorganization Plan. - Each of these regional offices to be established shall be headed by a Regional Manager and an Assistant Regional Manager.

SECTION 10. Cottage Industry — The term "Cottage Industry" shall mean a modest economic activity for profit using primarily indigenous raw materials in the production of various articles that generally involve craftsmanship, artistic skills and tradition of the country. Provided, however, that all cottage industries shall be owned and operated by Filipino citizens, or by corporations, partnerships, or cooperatives at least seventy-five percent (75%) of the capital investment of which shall be owned by Filipino citizens. Provided, further, that the total assets of which shall not exceed one hundred thousand pesos (100,000.00) at the time of registration with the NACIDA. Provided, finally, that the maximum total assets allowable for cottage industries for purposes of registration may be modified and/or increased accordingly by the NACIDA Board subject to the approval of the President of the Republic of the Philippines.

For facility of implementation, coordination and statistical gathering cottage industries shall be classified as follows;

- Handicraft Industry — That sector requiring manual dexterity and artistic skills in the production of utility products, decorative articles and items of personal use that generally highlights traditional and artistic features typical of a country;
- Metalcraft Industry —The sector using metals or its alloys as principal raw materials component in producing articles such as brasswares, cutlery items, fabricated tools, implements and equipment and other items requiring a certain degree of craftsmanship in the making thereof including the making of jewelry items involving the use of metals and/or its alloys in combination with semiprecious or artificial stones;
- Furniture Industry — That sector producing articles such as beds, chairs, tables, shelves, stools, sofas, cabinets and other similar movable items for home and office use of whatever raw material component or a combination thereof including the use of upholstery materials;
- Garment Industry — That sector consisting of ready-made apparel of ready-to-wear garments including such related production activities like knitting, crocheting, embroidery, beadwork and the weaving of native clothing materials or fabrics;
- Ceramics Industry — That sector consisting of such products or articles such as potteries, hollow blocks, tiles, firebricks, clay stoves and other products using1 clay, cement and/or plaster of paris as raw material components;
- Food Processing Industry —That sector consisting: of products and/or food items arising from processing activities requiring knowledge or expertise on food technology and food preservation;
- Complementation Industry — That sector responsible for the production or manufacture of articles which complement, supplement or form part of a separate or incomplete article or sub-assembly to make it whole or complete and/or to replace missing or defective parts of tools, implements, equipment or assemblies including the manufacture or fabrication of component parts, machine parts, car parts, electronics and radio parts, watch components and others.

The Board of Directors shall determine and issue more specific guidelines on the classification and categorization

of any other craft whose product lines are produced on the level of cottage industries for the purposes of registration, invalidation, and/or accreditation.

SECTION 11. Registration — All persons, corporations, partnerships, cooperatives and associations engaged in the production or manufacture of cottage products may register with the NACIDA to avail of the benefits granted by this Decree.

For purposes of this Decree, “registration” shall mean recognition by government through inclusions in the official registry of persons, partnerships, cooperatives, corporations and other establishments engaged in the production or manufacture of cottage products to avail of incentives and/or benefits granted under Section 14 of this Decree.

SECTION 12. Revalidation — producers registered prior to this Decree shall be required to revalidate their privileges granted to registered cottage industry producers by subsequent and related laws within one (1) year from the effectivity date of this Decree, otherwise such firms shall be deemed as having ceased operating or no longer in existence to warrant their cancellation or deletion from the NACIDA Registry of Registered Producers.

SECTION 13. Accreditation — The Board of directors may adopt an accreditation system as it may deem appropriate to attest to the fulfillment of, or compliance with, certain standards or requirements set by the government in consultation with appropriate industry sectors to attain a more favored reputation or status on the basis of available and verified business performance.

SECTION 14. Incentives and Benefits — To accelerate the growth and development of cottage industries, the government may provide, among others, the following incentives and benefits to persons, firms or corporations registered with the NACIDA: tax privileges, promotion/marketing assistance, production, assistance, skills development and technology assistance, credit and loans assistance, equipment assistance, raw materials assistance, and such other incentives or benefits as may be provided for by subsequent laws.

SECTION 15. Tax Exemptions — The tax privileges mentioned above shall mean exemption from all taxes except specific and income taxes for a period of five (5) years from the date of registration of such cottage industries with the NACIDA. Provided, However, that no exemption from the percentage taxes shall be enjoyed for sales in excess of four hundred thousand pesos (P400,000.00) aggregate each year. Provided, finally, that this tax exemption, shall be withheld from any firm or entity which has availed of this incentive under a previous registration for the same activity in another name or another organizational set up.

SECTION 16. Tax-Free Importation — Subject to the last proviso of the preceding section, NACIDA, is authorized to approve the tax-free importation of tools, gadgets, machineries, or equipment not available in the local market and which shall be used exclusively for production purposes by the NACIDA registered entity.

SECTION 17. Withdrawal of Registration and Accreditation — The Board, after due notice, can withdraw registration and accreditation of a NACIDA. producer upon violation of this Decree, failure to maintain the quality of its products if there are any government standards set for such products and to comply with the terms and conditions duly imposed by the Board for its registration, including submission of reports to NACIDA.

SECTION 18. Penal Provision — Any person, firm or corporation found violating Section 16 of this Decree shall, upon conviction by a court of competent jurisdiction, be punished by imprisonment not exceeding five years and/or a fine not exceeding five thousand pesos (P5,000.00). All aliens found violating this provision of the Decree shall, in addition to the aforementioned penalties, be subject to deportation.

SECTION 19 Incentive Pay — All officers and personnel of the NACIDA shall be entitled to an incentive pay

equivalent to one month salary for every year of meritorious service rendered. Provided, however, that an equivalent proportional fraction thereof shall be allowed for all those who have rendered less than one year of meritorious service.

SECTION 20. Memberships in Industry associations — To facilitate coordination and consultation with the private sector for planning and policy-formulation, the NACIDA shall encourage the formation of cottage industry associations along sectoral lines as classified under Section 10 of this Decree. The Board of Directors may require, as condition-precedent to registration or accreditation, membership in such industry associations.

SECTION 21. Repealing Clause — All laws, Decree, Letters of instruction, Executive Orders, Directives and other Acts or parts thereof inconsistent herewith are hereby repealed or modified accordingly.

SECTION 22. Effectivity — This Act shall take effect upon approval.

Done in the City of Manila, this 15th day of January, in the year of Our Lord, nineteen hundred and eighty-one.

(Sgd.) FERDINAND E. MARCOS
President of the Philippines

By the President:

(Sgd.) JUAN C. TUVERA
Presidential Executive Assistant

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