

CREATING THE KKK PROCESSING CENTER AUTHORITY, PROVIDING FUNDS THEREFOR AND FOR OTHER PURPOSES

EXECUTIVE ORDER NO. 866, January 11, 1983

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WHEREAS, the Constitution mandates that the State shall promote social justice and establish, maintain and ensure adequate social services in the field, of welfare, among others, to guarantee the well-being of the Filipino people;

WHEREAS, Executive Order No. 715 established the Kilusang Kabuhayan at Kaunlaran (KKK) as a priority program of government in fulfillment of the above-mentioned constitutional mandate;

WHEREAS, it is necessary to strengthen the institutional structure of the KKK in order to accelerate the effective implementation, monitoring and coordination of specific KKK programs;

WHEREAS, agricultural products as well as small and medium scale industrial commodities manufactured under the auspices of the KKK can attain greater economic value through the introduction and application of modern processing technology;

WHEREAS, the processing of primary agro-industrial products will likewise stimulate self-sustaining economic activities, generate employment and entrepreneurial opportunities, and ultimately enhance the socio-economic development of the country;

WHEREAS, KKK Regional Processing Centers strategically located in various parts of the country can provide valuable technical assistance, quality control, and marketing services and facilities, in order to meet the rigid standards of local and foreign buyers;

WHEREAS, the role of the KKK Regional Processing Centers can be pursued with flexibility under the aegis of a corporate body;

NOW, THEREFORE, I, FERDINAND E. MARCOS, President of the Philippines, by virtue of the powers vested in me by the Constitution and by Presidential Decree No. 1416, as amended do hereby order:

SEC. 1. Declaration of Policy. The establishment, operation, maintenance and expansion of self-reliant and economically viable agro-industrial processing areas in various regions of the Philippines under the Kilusang Kabuhayan at Kaunlaran (KKK) is hereby declared to be a national policy of utmost priority, as a means of accelerating the economic development of the country, reducing the domestic unemployment rate, strengthening the Philippines' trading and foreign exchange position, and ultimately realizing the enjoyment by the people of a decent standard of living. Towards this end, it is hereby declared to be in the national interest that all workers within the KKK Regional Processing Centers shall be considered for all legal intent and purposes as government employees and partners in progress.

SEC. 2. Creation of the KKK Processing Center Authority. There is hereby created a body corporate to be known as the KKK PROCESSING CENTER AUTHORITY, hereinafter referred to as the AUTHORITY, which shall implement the policy declared in this Executive Order in line with the purposes and objectives of Executive Order

No. 715. The AUTHORITY shall have its principal office in Metro Manila and may have such branches, agencies and/or subsidiaries in other areas in the Philippines as it may deem proper and necessary. The AUTHORITY shall be an implementing agency of the Kilusang Kabuhayan at Kaunlaran and shall coordinate with the National Secretariat in program implementation.

SEC. 3. Powers and Functions. The AUTHORITY, as a body corporate action through its Board of Trustees, shall have the following powers and functions in addition to those provided for in the other sections of this Executive Order:

- (a) To adopt and use a corporate seal;
- (b) To sue and be sued as to succeed in its corporate name;
- (c) To adopt its by-laws, rules and regulations as it may deem proper and necessary for implementation of the purposes and objectives of the KKK;
- (d) To acquire and possess properties, rights and interests of whatever kind and nature, and mortgage, pledge, alienate, encumber or otherwise dispose of the same;
- (e) To exercise the power of eminent domain in the pursuit of the purposes and objectives of the KKK;
- (f) To award, enter into, make, execute, perform and carry out domestic or foreign contracts of whatever kind and nature, and for this purpose the AUTHORITY is hereby exempted from the requirements of public bidding, any provision of law, rule or regulation to the contrary notwithstanding;
- (g) To invest in, and purchase or otherwise acquire, own, hold, use, lease, grant, mortgage, pledge, sell, assign, convey, transfer, exchange or otherwise deal with, real and/or personal properties of every kind and nature, including shares of stock, bonds, debentures, notes, securities and other evidences of indebtedness or obligations of other corporations, whether domestic or foreign, and whether government or private;
- (h) To require submission of and register articles of incorporation of community organizations or associations who are proponents or beneficiaries of KKK programs and issue certificates of incorporation/registration, upon compliance by the registering associations with the duly promulgated rules and regulations thereof; maintain a registry thereof; and exercise all the powers, authorities and responsibilities that are vested in the Securities and Exchange Commission with respect to such associations;
- (i) To act as general or operating managers, representatives, or agents of agricultural, commercial and/or industrial concerns of whatever kind and nature, and to engage in the promotion, assistance, encouragement, development and expansion of any lawful business in the Philippines or abroad;
- (j) To obtain loans, borrow funds and/or arrange financing on credit assistance of whatever kind and nature from all sources, whether domestic or foreign and whether government or private, to arrange commodity swaps and other similar offset arrangements, and to mortgage, pledge or otherwise encumber any of its properties and assets for the purpose of securing or guaranteeing the performance or fulfillment of any obligation it may undertake for itself or for other entities in which it may be interested;
- (k) To levy, assess and collect such fees, charges and assessments as may be necessary or proper to support, finance and maintain its operations; and
- (1) To exercise such other powers and functions as may be incidental or necessary to carry out the intent of this Executive Order.

SEC. 4. The Board of Trustees; Composition; Term and Compensation. The AUTHORITY shall be governed, and

its activities and properties shall be controlled and managed, by a Board of Trustees, hereinafter referred to as the Board, which shall be composed of the Minister of Human Settlements as Chairman, the Deputy Minister of Human Settlements as Vice-Chairman, the Deputy Ministers of Trade and Industry, Agriculture, and Natural Resources, the President of the Philippine National Bank, the Chairman of the Board of Development Bank of the Philippines, and the Administrator of the Authority as ex officio members, and three (3) representatives from the private sector to be appointed by the President of the Philippines. The representatives from the private sector shall each hold office for a term of three (3) years, and until their respective successors shall have been duly appointed and qualified: Provided, that they shall be eligible for immediate re-appointment after the expiration of their respective terms.

In the absence of the Chairman, the Vice-Chairman shall act as Chairman. Only the ex-officio Board members may designate their individual alternates to attend Board meetings in their absence. Such alternates shall attend Board meetings and the meetings of any committee assigned to their principals, and receive the corresponding per diems.

The Board shall meet regularly at least once a month and as often as the exigencies of the service demand. The presence of at least six (6) members shall constitute a quorum, and the vote of a majority of the members present there being a quorum shall be necessary for the adoption of any resolution, rule, regulation, decision, award or any other corporate act.

Each member of the Board shall receive a per diem of at least FIVE HUNDRED PESOS (P500.00) per meeting actually attended: Provided, That no member shall receive a per diem of more than TWO THOUSAND FIVE HUNDRED PESOS (P2,500.00) per month.

SEC. 5. Powers and Functions of the Board. The Board shall have the following powers and functions:

- (a) To formulate policies, guidelines and programs to effectively implement and carry out this Executive Order in line with the purposes and objectives of the KKK;
- (b) To prescribe and periodically review and revise the amount of the fees, charges, and assessments levied and collected for the support and maintenance of the operations of the AUTHORITY;
- (c) To control the management, operation and administration of the AUTHORITY;
- (d) To promulgate such rules and regulations as may be necessary or proper for the effective exercise of powers and functions as well as the discharge of the duties and responsibilities of the AUTHORITY, its officers, and employees;
- (e) To authorize such expenditures of the AUTHORITY as may be necessary or proper for the effective management, operation and administration of the AUTHORITY;
- (f) Upon the recommendation of the Administrator of the AUTHORITY, to determine and approve the AUTHORITY's organizational and administrative structure or pattern, and establish and fix, review, revise and adjust the appropriate compensation scheme of the officers and employees of the AUTHORITY with reasonable allowances, bonuses and other incentives as may be recommended by the Administrator of the AUTHORITY;
- (g) To approve the annual and supplemental budget of receipts and expenditures of the AUTHORITY;
- (h) To appoint, remove, suspend or otherwise discipline the Deputy Administrator and other officers of the AUTHORITY occupying executive and senior management positions; and
- (i) To do any and all acts and transact such business as may be necessary or proper for the attainment of the

powers and functions of the AUTHORITY.

SEC. 6. Officers of the AUTHORITY. The Chief Operating Officer of the AUTHORITY is the Administrator, assisted by one or two Deputy Administrator(s) all appointed by the Board. The Board shall determine the other officers of the AUTHORITY who, except as provided in this Executive Order, shall be appointed by the Administrator subject to confirmation by the Board.

SEC. 7. The Administrator; His Powers and Duties. The Administrator shall exercise the following powers and duties:

- a) To execute the policies, guidelines and programs approved by the Board, and to be responsible for the efficient discharge of management and operational functions;
- b) To submit for the consideration and approval of the Board proposed measures, policies, guidelines and programs as he may deem necessary or proper for the effective implementation of this Executive Order;
- c) To direct and supervise, the management, operation and administration of the AUTHORITY, and, for this purpose, he may delegate any or some of his administrative responsibilities and duties to the other officers of the AUTHORITY;
- d) To execute, on behalf of the AUTHORITY, all contracts and agreements which the AUTHORITY may enter into, and to execute accomplish, and deliver any and all documents relative to such contracts and agreements;
- e) To represent the AUTHORITY in all dealings with other offices, agencies and instrumentalities of the Government, and with all other persons or entities, whether domestic or foreign and whether government or private;
- f) To appoint, promote, transfer, remove, suspend or otherwise discipline the officers and employees of the AUTHORITY subject to the approval of the Board; and
- g) To exercise such other powers and perform such other duties as may be vested or reposed upon him by the Board.

SEC. 8. Location of KKK Regional Processing Centers. The AUTHORITY shall establish, operate, administer and manage KKK Regional Processing Centers in various regions of the Philippines. The KKK Regional Processing Centers may be located in, but not limited to, the following areas:

- a) existing industrial/commercial estates and/or export processing zones, or future industrial/commercial estates and/or export processing zones;
- b) less developed areas in the country as defined under Batas Pambansa Blg. 44; and
- c) Bagong Lipunan sites as defined under Presidential Decree No. 1396.

In planning the location of the KKK Regional Processing Centers, the AUTHORITY shall consider natural and human resource availability, accessibility to transport networks and carriers, as well as equitable distribution of growth benefits.

For this purpose, the AUTHORITY in coordination with KKK National Secretariat shall submit for the approval of the President of the Philippines such sites proposed to be declared and developed as KKK Regional Processing Centers.

SEC. 9. Processing Facilities and Services. Regional Processing Centers shall provide the following facilities and services to small and medium scale enterprises as well as to vital large scale industries that will be necessary to

anchor small and medium enterprise development;

- a) sites and services, consisting of serviced lots and necessary utilities and infrastructures;
- b) workshops and other buildings;
- c) raw materials procurement services and warehousing, storage and stockpiling facilities;
- d) common-service facilities, including major and ancillary processing and semi-processing equipment;
- e) research and development facilities, including laboratories and testing equipment and materials;
- f) skills training facilities; and
- g) such other facilities and/or services as may be deemed necessary or proper by the AUTHORITY.

SEC. 10. Incentives and Benefits. In order to encourage small and medium scale enterprises to locate and operate in the KKK Regional Processing Centers, the following set of incentives are hereby accorded to enterprises which register with the AUTHORITY.

- a) simplification of registration procedure and regulation;
- b) rent-free period of at least six months applicable to serviced lots and workshops within the KKK Regional Processing Centers;
- c) priority in the allocation of loan funds from the Kilusang Kabuhayan at Kaunlaran as well as accessibility, through the provision of technical assistance in project documentation, to loan funds and loan guarantees of the Industrial Guarantee and Loan Fund of the Central Bank of the Philippines, Industrial Project Financing Program of the National Investment Development Corporation, Small and Medium Scale Industries Projects and Lending Program of the Development Bank of the Philippines, Export Industry Modernization Program of the Technology Resource Center, Cottage Industry Guarantee and Loan Fund of the National Cottage Industry Development Authority.
- d) tax benefits, including:
 - (i) deductions, from taxable income, of all capitalized organizational and pre-operating expenses attributable to the establishment of enterprise;
 - (ii) deduction, from taxable income, of one-half (1/2) the value of labor training expenses incurred for improving the productivity and efficiency of unskilled labor; provided, that the deduction does not exceed ten percent (10%) of direct labor wages;
 - (iii) tax credit equivalent to the sales, compensating and specific taxes and duties on supplies, materials, and semi-manufactured products used in the manufacture, processing and production of which are exported;
 - (iv) accelerated depreciation of fixed assets
 - (v) carry-over of net operating loss incurred in the first five years of operation; and
 - (vi) tax-free and custom-duty free importation of machineries, equipment, raw materials and supplies as well as exemption from the payment of export tax for products which are exported.

The grant of the foregoing incentives in favor of registered enterprises within the KKK Regional Processing Centers, shall not preclude the entitlement, if applicable, of such enterprises to the incentives and benefits under the Omnibus Investments Code (P D. 1789), the Tourism Incentives Program of 1974 (P.D. 535), the Investments

Promotion Act in Less Developed Areas (B.P. 44), the National Cottage Industries Development Authority Act (R.A. 3470, as amended) and the Labor Code of the Philippines (P.D. 442, as amended).

SEC. 11. Capitalization of the AUTHORITY. The AUTHORITY shall have a capitalization of ONE BILLION PESOS (P1.0 Billion). The amount of Three Hundred Million Pesos (P300,00,000) is hereby authorized by appropriation for AUTHORITY and charged against available funds in the Treasury. Provided, that thereafter, the necessary amount to support the continued operation/ maintenance and expansion of the AUTHORITY shall be included in the General Appropriations Act.

SEC. 12. Donations to the AUTHORITY. The Authority is hereby authorized to solicit and receive donations, grants, contributions, gifts or endowments from all sources whether foreign or domestic, and whether government, or private, without the need of securing a permit, approval or registration from any government agency. Notwithstanding any provisions of law to the contrary, all donations, grants, contributions, gifts or endowments received by the AUTHORITY pursuant hereto, shall be except from income, gifts and all other kinds of taxes, and shall further be deductible in full or purposes of computing the maximum amount of deductible for tax purposes under the National Internal Revenue Code, as amended.

SEC. 13. Exemption from Fees, Duties, and Taxes. The AUTHORITY is hereby declared exempt from all income and all other internal revenue taxes, tariff and customs duties and all other kinds of taxes, fees, charges and assessments levied by the Government and its political subdivisions, agencies and instrumentalities.

The President of the Philippines, upon the recommendation of the Minister of Finance, may partially or entirely lift the exemptions herein granted, if he shall find that the AUTHORITY is already self-sustaining and financially capable of paying such taxes, customs duties, fees, charges and other assessments, after providing for the debt service requirements and the projected capital and operating expenditures of the AUTHORITY.

SEC. 14. Appointment, Promotion, Terms and Conditions of Employment. The AUTHORITY and its officers and employees shall not be covered by the Civil Service Law, rules and regulations, and by the Office of the Compensation and Position Classification. The officers and employees of the AUTHORITY shall be appointed or promoted pursuant to such management policies and/or appropriate merit and fitness system as may be adopted by the Board.

SEC. 15. Corporate Auditor. The AUTHORITY shall not be under the audit jurisdiction of the Commission on Audit. The AUTHORITY shall have its own Auditor who shall not be subject to the supervision and control of the Commission on Audit, and who shall be appointed by the Board.

SEC. 16. Legal Counsel. The Office of the Government Corporate Counsel shall be the Legal Counsel of the AUTHORITY. For the services of the staff of the Office of the Government Corporate Counsel, the AUTHORITY shall appropriate and pay such amount as may be assessed by the Government Corporate Counsel to defray the maintenance of the office and the transportation and representation expenses of the lawyers in the Office of the Government Corporate Counsel who may be assigned to handle the legal matters of the AUTHORITY.

SEC. 17. Annual Report. The AUTHORITY shall render to the President of the Philippines through the KKK Pambansang Lupon an annual report on its operations and accomplishments.

SEC. 18. Applicability of the Corporation Law. The provisions of the general corporation law, insofar as they are not inconsistent with the provisions of this Executive Order shall apply to the AUTHORITY.

SEC. 19. Repealing Clause. All laws, executive orders, rules and regulations or parts thereof inconsistent with this

Executive Order are hereby repealed, amended or modified accordingly. The provision of this Executive Order shall not be repealed, amended or modified, unless expressly so provided in subsequent general or special laws.

SEC. 20. Separability Clause. The provisions of this Executive Order are hereby declared to be separable, and if any provision or sections of this Executive Order or application hereof to any person or circumstances should for any reason be held invalid or unconstitutional, such invalidity or unconstitutionality shall not affect the other provisions or sections of this Executive Order.

SEC. 21. Effectivity. This Executive Order shall take effect immediately.

Done in the City of Manila, this 11 of January the year of Our Lord Nineteen Hundred and Eighty-three.

(SGD.) FERDINAND E. MARCOS

President of the Philippines

By the President:

(SGD.) JOAQUIN T. VENUS, JR.

Deputy Presidential Executive Assistant

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