

H. No. 422

## [REPUBLIC ACT No. 3470]

## AN ACT CREATING THE NATIONAL COTTAGE INDUSTRIES DEVELOPMENT AUTHORITY (NACIDA) UNDER THE DEPARTMENT OF COMMERCE AND INDUSTRY, PRESCRIBING ITS DUTIES, POWERS AND FUNCTIONS, AND APPROPRIATING FUNDS THEREFOR.

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

SECTION 1. Within thirty days after the approval of this Act, the President of the Philippines shall create a board known as the National Cottage Industries Development Authority, hereinafter referred to as the Board, under the Department of Commerce and Industry, which shall be composed of a chairman and four members, one of whom shall be the Chief of the Division of Home Industries of the Bureau of Public Schools: *Provided*, That no person appointed to this Board shall simultaneously serve as director of any government-owned or controlled corporation: *Provided, further*, That no person who is a candidate for a public elective office at the time of his appointment or was such a candidate at the general or special elections immediately preceding the same shall be eligible for appointment as administrator, deputy administrator, member of the board of directors or director of regional institutes: *Provided, further*, That one of the members of the Board must come from the minority party to be nominated by the president of said party. The chairman and members of the Board who shall be appointed by the President of the Philippines, with the consent of the Commission on Appointments, shall hold office for a term of six years unless sooner removed or otherwise separated from the service for causes provided by law, in which case a successor may be appointed for the unexpired term. The chairman and members of the Board shall be

entitled to a *per diem* of twenty-five pesos for each session actually attended by them: *Provided, however*, That in no case shall the regular or special sessions exceed ten sessions monthly but under no circumstance shall a member receive more than five hundred pesos a month including privileges, allowances and expenses. The President of the Philippines shall appoint the Administrator of the Board with a compensation of fifteen thousand pesos *per annum*. There shall also be a Deputy Administrator to be appointed by the President with a compensation of twelve thousand pesos *per annum*. The other officers and personnel of the Board shall be appointed and their compensation fixed by the Board in accordance with the Civil Service Law and Rules and Salary Law.

SEC. 2. The National Cottage Industries Development Authority, shall perform the following duties:

(a) To organize, revive, encourage, and promote the establishment of cottage industries; however, projects for the establishment, expansion and development of cottage industries now being undertaken by other governmental agencies or offices shall be transferred to the Board and the personnel, know-how and technology from these governmental agencies shall be absorbed by the Board;

(b) To survey and evaluate existing skills, machinery and equipment, and raw materials available in industrial quantities;

(c) To promote the effective merchandising of cottage products in domestic and foreign market so that those engaged in such industries will be placed on a basis of economic security and towards this end the Board itself may, if necessary, market the cottage products for the producers;

(d) To promote the standardization of cottage industries products, prescribe rules and regulations governing the grading, classifying, and inspecting of cottage industries products, especially those for export;

(e) To grant small loans under such terms and conditions as may be prescribed by the Board or arrange for necessary loans with public or private credit institutions



and banks, including such other loans intended for the planting, cultivation, and production of needed raw materials for the cottage industries covered under this Act;

(f) To extend assistance to cottage industries producers in their problems relating to financing, production and marketing;

(g) To render consultation services, provide technical know-how and field assistance to cottage industries producers;

(h) To undertake research and training programs designed to improve cottage industries products;

(i) To administer and maintain a tool and dye development program responsive to the technological needs of the cottage industries; and

(j) To adopt such measures as may be deemed necessary and proper to carry out the purposes of this Act.

SEC. 3. *General Powers.*—The National Cottage Industries Development Authority is hereby authorized to make contracts; to lease or own real and personal property, and to sell or otherwise dispose of the same; to sue or be sued; to prescribe such rules and regulations as are necessary to carry out the functions vested it by this Act; to make such expenditure to carry out the purposes and functions of the Board; and to acquire and hold such assets resulting directly from operations authorized by the provisions of this Act, or as are essential or incidental to the proper conduct of such operations. The rules and regulations issued by the Board shall take effect fifteen days after their publication in a newspaper of general circulation in the Philippines.

SEC. 4. *Powers and duties of the Board of Directors.*—The Board of Directors shall have the following powers and duties:

(a) To fix the compensation and number of officers and employees of the Board;

(b) To approve the annual and/or such supplemental budget of the Board which may be submitted to it from time to time; and

(c) To enunciate the policies that shall guide the operations of the Board.

SEC. 5. *Managing Head*.—The Head of the Technical Office of the Board shall be known as Administrator who, together with the Deputy Administrator, shall be appointed by the President with the consent of the Commission on Appointments.

SEC. 6. *Powers and Duties of the Administrator*.—The Administrator shall have the following powers and duties:

(a) To manage the affairs of the Board subject to the policies of the Board of Directors;

(b) To submit within sixty days before the beginning of each fiscal year an annual budget to the Board of Directors;

(c) To appoint such subordinate officials and employees as may be provided in the annual plantilla or budget necessary for the proper discharge of the duties and functions of the Board. Appointments to supervisory positions shall be subject to the confirmation of the Board of Directors;

(d) To submit within sixty days after the close of the fiscal year an annual report to the President and Congress through the Board of Directors. Said report shall contain a detailed account of all activities, achievements, receipts and disbursements, financial condition of the institution, problems encountered, solved and unsolved, recommendations, and a program of future activities; and

(e) To perform such other duties as may be assigned to him by the Board of Directors.

SEC. 7. *Regional Institute*.—There shall be at least nine institutes suitably located in Northern Luzon, Central Luzon, Tagalog Region, Bicol Region, Western Visayas, Central Visayas, Eastern Visayas, Western Mindanao and Eastern Mindanao, which will be charged with the conduct of research, the determination of which cottage industry products shall be produced in specified regions or localities in a commercial manner, the standardization of products and such other functions as the Secretary of Commerce and Industry may fix in relation to the promotion of cottage industries.



Each of these institutes will be headed by a Director who will likewise be appointed by the President upon the recommendation of the Board with compensation of six thousand pesos *per annum*.

SEC. 8. *Funds*.—The sum of four million pesos as initial fund for the National Cottage Industries Development Authority is hereby appropriated, out of any funds in the National Treasury not otherwise appropriated. Hereafter, the necessary amount to carry out the purposes of this Act shall be included in the annual General Appropriation Acts.

SEC. 9. Within one year after the organization of the National Cottage Industries Development Authority and from time to time thereafter, it shall furnish the Bureau of Supply with a list and samples of items produced by cottage industries and thereafter the Bureau of Supply shall give priority in the procurement of these cottage products for government use.

SEC. 10. The Development Bank of the Philippines shall allocate an amount of fifty million pesos of its available funds for loans to cottage industries under its program of loan assistance to industries: *Provided*, That a guaranty of mortgage or pledge on cottage industries products shall be considered sufficient in granting said loans. Likewise, the Philippine National Bank shall allocate an amount of fifty million pesos of its available fund for loans to cottage industries under the terms and conditions similar to that of the Development Bank of the Philippines. The loans to be granted under this section shall bear interest not exceeding four per cent annually. Real estate which has no Torrens Title may be accepted as security for the loans.

SEC. 11. *Definition*.—The term "cottage industry" as used in this Act shall mean an economic activity in a small scale which is carried on mainly in the homes or in other places for profit and which is mainly done with the help of the members of the family. It shall include the following: (1) fiber crafts such as making of abaca ropes and twines, buntal fiber extracting and buri leaf braiding; (2) woodcraft such as making of wooden shoes, wooden fans,

walking sticks (canes) and wood carvings; (3) hat weaving such as Calasiao, buri, rafia, buntal and bamboo hats, salakots and helmets; (4) mat weaving such as door, sleeping, buri, pandan, baliha, and sabutan mats; (5) metal craft such as making of jewelries, knives, boloes, scissors, razors, silverwares, and brassworks; (6) ceramics such as making of potteries, hollow blocks, tiles, firebricks, clay stoves and other ceramics products; (7) shell craft such as making of sea shell buttons and coconut shell products; (8) bamboo and rattan crafts such as making of hammocks, basketry, making of sawali and other bamboo and rattan furniture and articles; (9) small agricultural hand tools such as plow point; (10) toy craft such as making of dolls and toys; (11) embroidery industries; (12) needle craft (including knitting and crocheting); (13) loom weaving such as making of fish nets, making of mosquito nets, weaving of Ilocano cloth, Igorot weaving, piña "barong Filipino," jusi and sinamay; (14) machine parts manufacture such as wheels and stone mortars; (15) poultry including duck raising and "balut" making; (16) piggery; (17) home cigar making; (18) food preservation and canning, including the making of vinegar wine, "bagoong," "mazapan" pili, "tostado compitado" de pili, "bucayo;" (19) small mining operations; (20) other related crafts such as making of brooms, nito and buri bags, "karagomoy" bags, bead making, guitar and other musical instruments; and (21) such other industries done in the home with the aid of electrical gadgets and/or by hand manipulation. The cottage industries shall be owned and operated by Filipino citizens, or if a corporation, partnership or cooperative, at least seventy-five per cent of its capital and its stockholders and all members of its Board of Directors shall be Filipino citizens.

The term "cottage products" shall mean product produced by cottage industries and shall be labeled as "Cottage Products—Made in the Philippines."

SEC. 12. Any person, corporation, partnership, or association who desires to avail of the benefits and assistance under this Act may register with the Board, and any such



registered person or firm who fails to comply with the rules and regulations issued by the Board shall not be entitled to the assistance and benefits of this law, including but not limited to those provided in Section ten of this Act.

SEC. 13. Notwithstanding any provision of law to the contrary, the export of any local raw materials which may be needed for the promotion of cottage industries herein provided shall be prohibited as long as local demands therefor have not yet been satisfied.

SEC. 14. *Producers and Marketing Cooperatives.*—The Board shall stimulate the organization and establishment of producers and marketing cooperatives in coordination with the activities of the Cooperatives Administration Office and train and develop a competent management pool for the operation of producers and marketing cooperatives and cottage industries.

SEC. 15. The Reparations Commission shall give priority allocation for capital goods and fields of studies intended for cottage industry projects certified by the Board.

SEC. 16. The production, manufacture and sale of cottage products shall be exempt from all taxes for a period of five years from the date of registration of the person or firm engaged in the production or manufacture of cottage products with the Board.

SEC. 17. Any person who utilizes or abstains from the utilization of any funds borrowed under the provisions of this Act for any purpose or purposes other than those applied for in their loans shall be punished by imprisonment of one year and fine of two thousand pesos.

SEC. 18. *Repealing clause.*—All Acts, executive orders, administrative orders, proclamations, rules and regulations, or parts thereof, inconsistent with any of the provisions of this Act are repealed or modified accordingly.

SEC. 19. This Act shall take effect upon its approval.

Approved, June 16, 1962.

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