



Joint NEDA-DOST-DTI Administrative Order No. 01 series of 2020

Promulgating the Implementing Rules and Regulations of Republic Act No. 11293 otherwise known as the Philippine Innovation Act

WHEREAS, Republic Act (RA) No. 11293, otherwise known as the "Philippine Innovation Act" (the "Act"), was enacted on 17 April 2019 in order to foster innovation in the country as a vital component of national development and sustainable economic growth.

WHEREAS, Pursuant to the provisions of Section 28 of the Act, the National Economic and Development Authority (NEDA), in coordination with the Department of Science and Technology (DOST) and the Department of Trade and Industry (DTI), shall formulate and promulgate the Implementing Rules and Regulations to ensure the effective implementation of the Act.

NOW THEREFORE, these following Implementing Rules and Regulations are hereby promulgated:

**Rule 1. Title.** – The Implementing Rules and Regulations of RA No. 11293, otherwise known as the "Act", shall be hereinafter referred to as the "Rules".

**Rule 2. Declaration of Policy.** – These Rules and Regulations are promulgated consistent with and in furtherance of the State policy to foster innovation as a vital component of national development and sustainable economic growth. Pursuant to Section 10, Article XIV of the Constitution that recognizes science and technology as "essential for national development and progress" and gives priority to "research and development, invention, innovation and their utilization", the State hereby adopts the following policies:

- (a) The State shall place innovation at the center of its development policies, guided by a clear and long-term set of goals that shall take into consideration the key advantages of the country and the opportunities in the regional and global economic arena. As such, it shall harness innovation efforts to help the poor and the marginalized, enable micro, small and medium enterprises (MSMEs) to be a part of the domestic and global supply chain, and catalyze the growth of Philippine industries and local economies;
- (b) The State shall promote a culture of strategic planning and innovation resulting in a more inclusive, competitive and results-oriented development framework, and ensure that knowledge is created, acquired, disseminated, and used more effectively by individuals, enterprises, organizations, and communities to promote sustainable economic and social development;

- (c) Investments in education, science, technology and innovation shall be guided by a strategic direction towards strengthening the country's knowledge-based economic development that benefits all. Innovation starts with a robust pool of skilled, talented and creative people. Educational institutions, private organizations, businesses, government agencies and local government units (LGUs) are key drivers of programs that stimulate innovation literacy and skills development for the Filipino workforce and entrepreneurs, including women and the youth;
- (d) The State recognizes the importance of an effective and efficient innovation ecosystem that addresses and delivers action in various policy areas, including MSME development, education, trade, investment, finance, and agriculture, sustainable energy, climate change, among others. This requires the various departments and agencies of government to implement a "whole of government" approach that shall ensure policy coherence, alignment of priorities, and effective coordination in program delivery.

This ecosystem should facilitate and support innovation efforts including, but not limited to, digitalization, cultivation and development of skills and knowledge in science, technology, engineering, entrepreneurship, and mathematics in all educational levels and intellectual property protection;

- (e) The State recognizes the indispensable role of governance in enabling and maximizing the benefits from the country's innovation policy. As such, it shall put efficient institutions in place, with the necessary authority to remove regulatory, informal, and other obstacles to the innovative undertaking;
- (f) The business sector, academe, scientific community and research institutions play a crucial role in driving inclusive economic growth through innovation. As such, the government shall work and cooperate with these sectors and encourage the innovation-driven efforts of businesses, MSMEs, academe, and the scientific community. Public sector innovation plays a key economic role whereby an efficient public sector can drive more private sector growth across industries. To this end, the State shall promote, integrate and strengthen policies that engage with innovative businesses and entrepreneurs on collaboration efforts to improve productivity, good governance and efficient delivery of public services; and
- (g) The State recognizes the value of sources of innovation that are unique to the country, such as traditional knowledge, traditional cultural expressions, and genetic resources, and shall strive to promote their potentials for innovation while protecting them from misappropriation. In these Rules, misappropriation includes misuse or exploitation.

**Rule 3. Definition of Terms.** – As used in these Rules:

- (a) Academic or educational innovative programs refer to significant improvements on the delivery and production of knowledge, skills, programs and curricula, research infrastructure, access to quality education among others in order to produce the human talents and capital needed to compete in the global knowledge economy as well as find solutions to national social development and economic issues.
- (b) Blue economy refers to the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, while preserving the ocean ecosystem.

- (c) Business incubators refer to the facilities and hubs where startups are hosted, nurtured and provided with business development services. Business incubators are either public or private organizations that help startups to thrive, develop and be sustainable.
- (d) Cluster policies refer to policies which aim to support geographic concentrations of interconnected firms and related actors, such as specialized service providers, academic or educational institutions, MSMEs, businesses, among others. Cluster policies also cover digital concentrations.
- (e) Genetic resources (GR) refer to the genetic materials which are any material of plant, animal or microbial or other origin containing functional units of heredity, of actual or potential value.
- (f) Inclusive innovation refers to the creation of new ideas that results in the development of new or improved products, processes, or services that create value to society and help improve the welfare of lower-income group as defined by the Philippine Statistics Authority and marginalized groups.
- (g) Innovation refers to the creation of new ideas that results in the development of new or improved products, processes, or services which are then spread or transferred across markets.
- (h) Invention, pursuant to Section 1 of the IRR of R.A. No. 7459, otherwise known as the Inventors and Invention Incentives Act of the Philippines, shall refer to any patented machine, product, process, including implements or tools and other related gadgets of invention, utility model and industrial design patents.
- (i) Innovation alliance refers to the coalition of research and development-based technology companies, academic or education institutions, and/or research institutions, MSMEs and other relevant organizations, that have come together to support innovative efforts and enterprises. Innovation alliance encompasses public and private institutions and academe.
- (j) Innovation centers refer to centers of competence and innovation activities, either housed in government, academic, educational, or non-academic facility that supports collaborative research, development and extension (RD&E) initiatives and innovation-related activities between and among academic or educational institutions, RD&E centers, and business. Innovation centers are collaborative partnerships of public and private institutions and academe.
- (k) Innovation governance refers to the institutional set-up of the various elements of the national innovation ecosystem, including the institutional structures and the processes governing policymaking and implementation, including program delivery, monitoring and evaluation, as well as the process of coordination and collaboration across public institutions with relevant stakeholders.
- (l) Innovation networks refer to the interconnected system of companies and organizations in the knowledge infrastructure that is mainly focused on innovation.

- (m) Innovative goods and services refer to the new or significantly improved products, services, processes, technical specifications or components, methods and tools that enhance the government's ability to deliver services and improve market outcomes.
- (n) Intellectual property (IP), pursuant to the IRR of R.A No. 10055, otherwise known as the Philippine Technology Transfer Act of 2009, is the term used to describe intangible assets resulting from the creative work of an individual or organization. IP also refers to the creation of the mind, such as inventions, literary and artistic work and symbols, names, images and designs used in commerce. IP can also refer to future tangible and/or intangible assets that may be recognized as intellectual property.
- (o) Intellectual property rights, pursuant to Section 4 .1 of R.A. No. 8293 as amended, consists of Copyright and Related Rights, Trademarks and Service Marks, Geographic Indications, Industrial Designs, Patents, Layout-Designs (Topographies) of Integrated Circuits, and Protection of Undisclosed Information (n, TRIPS).
- (p) Marketing innovation refers to significant changes in the product design, packaging, placement, distribution, promotion or pricing.
- (q) Micro, Small and Medium Enterprises (MSMEs) – MSMEs refer to any business activity or enterprise engaged in industry, agribusiness and/or services, whether single proprietorship, cooperative, partnership or corporation as defined under R.A. No. 9501.
- (r) Multi-stage process refers to the various stages of product or solution development from feasibility study, designing, prototyping, testing, and commercialization of products and services.
- (s) National also covers regional and local units.
- (t) Organizational innovation refers to the development and/or introduction of new or significantly improved methods in business practices, workplace organization or external relations.
- (u) Pre-commercial procurement refers to the procurement of RD&E services for services, solutions, or products that do not yet exist, which may involve contracting by development phase from the conduct of feasibility study, designing, prototyping, testing, and commercialization of products and services.
- (v) Policy innovation refers to the development and/or introduction of new or significantly different solutions to policy problems.
- (w) Process innovation refers to the development and/or introduction of a new or significantly improved production or delivery method.
- (x) Product innovation refers to the development and/or introduction of a good or service that is new or significantly improved with respect to its features, applications, characteristics or intended uses.
- (y) Project-based competition refers to a process whereby contractors bid for contracts for a specific project with the proponent being given the flexibility to submit particulars

detailing the unique scope and features of its proposal. The contracting agency shall award the contract to the proponent deemed to have submitted the best innovation solution or product.

- (z) R&D is any systematic and creative work undertaken to increase the stock of new knowledge (idea/knowledge generation) and the use of this idea/knowledge to devise new applications (technology generation). Prototyping is its culmination.
- (aa) Social innovation refers to the process of identifying and delivering new services that improve the quality of life of individuals and communities, including through employment, consumption and/or participation.
- (bb) Startup refers to any person or registered entity in the Philippines which aims to develop innovative products, processes or business model as defined under R.A. No. 11337, otherwise known as the Innovative Startup Act.
- (cc) Technology diffusion procurement refers to public procurement that is undertaken in behalf of end-users with the view of accelerating the diffusion of innovative solutions or technologies that offer the greatest advantage to users.
- (dd) Technology platforms refer to self-organized programs or arrangements that allow a wide-range of stakeholders to collaborate in identifying common needs to assemble a portfolio of funding sourced from government or industrial sources or a mix thereof to address those needs.
- (ee) Technology programs refer to the programs that link industrial, academic or educational RD&E efforts towards building national capacities in industrially important technologies.
- (ff) Traditional cultural expressions refer to forms in which traditional culture is expressed and passed from generation to generation which then become part of the identity, heritage of a traditional or indigenous community.
- (gg) Traditional knowledge refers to a body of knowledge, innovations, systems and practices of indigenous peoples and local communities developed, sustained and passed from generation to generation within a community, and often forming part of the community's cultural heritage or spiritual identity.

**Rule 4. Objective.** – The Objectives of these Rules are to prescribe and provide for logical guidelines, strategic mechanisms, rules, regulations and rational parameters, in order to successfully and effectively achieve the purpose of the Act to generate and scale up action in all levels and areas of education, training, research and development towards promoting innovation, internationalization, and digitalization activities of MSMEs as driver of sustainable and inclusive growth.

The specific objectives are as follows:

- (a) Promote a culture of strategic planning and innovation to encourage creative thinking and knowledge creation and dissemination towards expanding and maintaining economic competitiveness;



- (b) Improve innovation governance in the country and compel the adoption of a long-term vision and focused priorities for innovation;
- (c) Ensure effective coordination and eliminate fragmentation of innovation policies and programs at all levels;
- (d) Strengthen the position of MSMEs in the innovation system;
- (e) Remove obstacles to innovation by suppressing bureaucratic hurdles, and adapting the regulatory framework to support the creation of and diffusion of new knowledge, products, and processes;
- (f) Encourage entrepreneurial attitude in order to stimulate growth ambitions in businesses, especially among MSMEs;
- (g) Explore, promote and protect the potentials for innovation of traditional knowledge, traditional cultural expressions and genetic resources; and
- (h) Strengthen and deepen interactions and partnerships among different actors from the public and private sector, academe, MSMEs, research and development institutions and communities towards promoting inclusive growth and improving the quality of life through innovation.

**Rule 5. Innovation Scope.** – These Rules shall apply to all potential types and sources of innovation encompassing, inter alia, product innovation, process innovation, organizational innovation, marketing innovation; academic or educational innovation, policy innovation, and social innovation.

While the country's innovation goals shall be directed at developing new technologies, it shall likewise seek to harness available global knowledge and technologies that support the development of new and/or improved products, systems, processes, policies or services to increase productivity and promote overall welfare.

**Rule 6. The National Innovation Council.** – The National Innovation Council (hereinafter referred to as “NIC”), as established by virtue of Section 6 of the Act, shall be the policy advisory body in the formulation, development, implementation and monitoring of the country's innovation goals, priorities, and long-term national strategy. The NIC shall be composed of members enumerated under Section 6 of the Act.

The Executive Members shall be appointed from the ranks of business, entrepreneurs, academe, and the scientific community, and at least one (1) of whom shall be a woman.

There shall be at least one (1) representative from the MSME sector, and at least one (1) from the large reputable business enterprises, and both shall be recommended by legally established and reputable business organizations. Those to be appointed from the academe and the scientific community shall have at least seven (7) years of experience in the field of science and technology, research and development, or innovation gained from reputable and recognized communities.



The President may designate the Executive Secretary to attend on his behalf and preside over the meetings of the NIC. The Department Secretaries and other members shall designate alternate representatives with a rank not lower than an Undersecretary or its equivalent to the meetings of the NIC.

The NIC shall be fully constituted as soon as practicable after the issuance of these Rules. An inter-agency working group (composed of senior officials of the NIC member agencies as formally designated by their respective principals/Secretaries) shall draft the National Innovation Agenda and Strategy Document (NIASD) with the assistance of the NIC Secretariat and submit it to the NIC after the Rule's effectiveness (per Section 9 of the Act) and promulgate the same immediately thereafter.

Further, the heads of each member agency of the NIC shall designate a focal unit within their respective organizations to ensure effective coordination.

**Rule 7. Functions of the National Innovation Council.** – The NIC shall have the following functions:

- (a) Develop the country's strategic vision for innovation and long-term innovation goals and priorities consistent and aligned with the country's long-term vision and global and regional commitments;
- (b) Develop the country's innovation strategies to ensure coherent strategic direction and programs;
- (c) Serve as a source of strategic intelligence for national research and innovation policy-making;
- (d) Engage scientific and technological expertise, both domestic and foreign, in strategic and innovation policy-making;
- (e) Coordinate with various sectors and agencies to promote policy and program coherence;
- (f) Monitor and asses the country's strategic and innovation programs;
- (g) Regularly review and update the country's strategic and innovation policies;
- (h) Guided by the legal mandates of the agencies and LGUs concerned, identify government agencies and LGUs to implement specific strategies under the National Innovation Agenda and Strategy Document (NIASD), to be developed under Section 9 of the Act;
- (i) Communicate the country's innovation policies, priorities, and agenda to local and international publics;
- (j) Establish and administer the Innovation Fund established in Section 21 of the Act. Further, a transparent and open support system in the management of the Innovation Fund, conducive to innovation, shall be developed in collaboration with the Department of Budget and Management (DBM), Commission on Audit (COA), and Government Procurement Policy Board (GPPB);



- (k) Identify and approve programs that may qualify for funding from the Innovation Fund;
- (l) Create committees and/or invite resource persons or institutions, as necessary, to ensure effectiveness or expedite policy decision-making and implementation;
- (m) Develop metrics aligned with Global Innovation Index and other international indices to monitor the progress of strategic innovation programs, including publicly funded RD&E projects;
- (n) Implement an action agenda for the development of the country's capacity for, and success in innovation as measured by the Global Innovation Index and other indices and measures that it may deem appropriate in measuring the growth and development of innovation in the country, or among countries;
- (o) Submit annual reports to the Congress of the Philippines on the progress of implementation of the Act; and
- (p) Perform other functions as may be necessary for the implementation of the Act.

**Rule 8. Secretariat to the NIC.** – A Secretariat to the NIC shall be established within the NEDA to be headed by an Executive Director III (Salary Grade 28) who shall be appointed by the President of the Philippines. The Secretariat shall be under the control and supervision of the Secretary of Socioeconomic Planning. The Executive Director III shall have at least seven (7) years of experience and practice in the field of science and technology, research and development, MSME, innovation, finance, or business management to qualify for appointment. The Executive Director III shall be nominated by the NIC.

The initial staffing structure and complement of the Secretariat shall be submitted by the NEDA to the Department of Budget and Management (DBM) for funding immediately after effectivity of this Rule. Pending the creation of the appropriate plantilla positions, the NEDA shall constitute an interim Secretariat within one (1) month from the effectivity of this Rule, through the temporary detail of at least one (1) personnel from each of the member agencies of the NIC.

The Secretariat shall have the following functions:

- (a) Provide Secretariat support to the NIC, including the preparation of draft strategies, priorities and other outputs to be considered for adoption by the NIC;
- (b) Consult with experts who can offer insights on innovation policymaking and priority setting;
- (c) Coordinate with various agencies of the government and private sector, academe, scientific community and other sector stakeholders towards achieving policy and program coherence;
- (d) Design and implement an innovative startup development program aimed to support entities and individual entrepreneurs developing an innovative product, process or business model. In the performance of this function, the NIC Secretariat shall defer to the relevant provisions under Republic Act No. 11337 or the Innovative Startup Act of the Philippines, especially Section 4 on the Philippine Startup Development Program.

- (e) Gather strategic intelligence and information to support the NIC in its policy making, as well as in goal and strategy setting;
- (f) Build strategic intelligence on human capital development to foster a culture of innovation among workforce;
- (g) Assess the effectiveness of existing science and technology, and innovation grant programs and scholarships, and submit recommendations to the NIC on these programs, according to the NIASD framework in accordance with Section 9 of the Act;
- (h) Draft a set of "relevance criteria" which shall be used by the NIC to evaluate RD&E proposals for public funding through the Innovation Fund;
- (i) Develop and administer metrics for monitoring and evaluation of the country's innovation programs;
- (j) Develop recommendations for consideration by the NIC including the review of existing policies and programs to align and harmonize with one another and ensure consistency with the NIASD and the Act.
- (k) Perform other functions as may be directed by the NIC.

The Secretary of Socioeconomic Planning shall exercise supervision in carrying out the directives of the NIC consistent with Rule 8 of these Rules.

**Rule 9. National Innovation Agenda and Strategy Document.** – The NIC shall develop a National Innovation Agenda and Strategy Document, hereinafter referred to as the NIASD, that shall establish the country's vision and long-term goals for innovation consistent with the country's long-term vision, and with global and regional commitments. This document shall provide a road map consisting of strategies and action plans for improving innovation governance through the following: (i) coordination of innovation policies, programs and projects across agencies and LGUs; (ii) deepening and accelerating innovation efforts, including inclusive innovation programs that target the poorest of the poor; (iii) integrating and fostering public-private partnerships, including those with large businesses, MSMEs, academe, and RD&E institutions; (iv) recommend measures to enable and empower public and private higher education institutions (HEIs) as knowledge producers and technology generators; and (v) the creation, protection, and commercialization of intellectual properties.

In developing the NIASD, the NIC shall identify strategies to stimulate regional capacity for development that can contribute to differentiated innovation strategy across regions and provinces in the medium term. Such differentiated strategies shall take into consideration the competitive advantages and strengths of each province, region and community while protecting its traditional knowledge, cultural expressions, natural resources and the environment.

The NIASD shall also include the innovation priority areas, the strategies to be used to realize these priorities, and for which resources and budget shall be provided. Agenda and strategies shall have a minimum of ten (10)-year horizon, subject to the periodic review by the NIC every five (5) years after issuance.

All agencies and LGUs shall strictly comply with the NIASD and shall pursue this as a collective, national effort. The agencies and the LGUs innovation policies shall be guided by the NIASD such that innovation programs and projects are incorporated in their respective work programs and action plans.

The NIASD shall be developed in consultation with government agencies, Regional Development Councils (RDCs), LGUs, and other stakeholders, and shall be completed within six (6) months from the effectivity of this Act.

The NIC shall issue guidelines on the implementation, monitoring and evaluation of the NIASD.

The Harmonized National Research & Development Agenda and other similar documents shall be aligned and harmonized with the NIASD.

**Rule 10: Consideration in Setting Priority for Innovations.** – In identifying the priority areas for innovation, the NIC shall, in consultation with the sectors concerned, consider the issues, challenges and potentials in the following areas:

- (a) Food security and sustainable agriculture and natural resources;
- (b) The blue economy;
- (c) Education and the academe including STEM Education and high-grade, technology-focused, upskilling and re-skilling vocational training (i.e., advanced, intermediate, and entry-level digital skills);
- (d) Health;
- (e) Secure, clean, renewable and reliable energy;
- (f) Climate change and disaster resilience;
- (g) Resource efficiencies;
- (h) National and community-based comparative advantages in the context of global value chains;
- (i) Comparative strengths and advantages of sectors and communities;
- (j) Traditional knowledge, traditional cultural expressions, and genetic resources;
- (k) Infrastructure;
- (l) Governance;
- (m) Development of human capital;
- (n) Digital economy;
- (o) Transportation services; and
- (p) Others as maybe deemed relevant by the NIC.

**Rule 11. Inclusive Innovation.** – The NIC shall develop strategies to promote the participation of different sectors in the creation of new ideas that shall be developed into new and quality products, processes, and services aimed at improving the welfare of low-income and marginalized groups, as defined in Section 3f of these Rules, as well as create livelihood and entrepreneurship opportunities for these sectors.

**Rule 12. Micro, Small and Medium Enterprise (MSME) Innovation.** – The NIC shall develop strategies towards promoting MSME internationalization, digitalization, and participation in the local and global value chains. A comprehensive support program, from incorporation to internationalization, including industry firm-level collaborations, shall be



developed by the NIC and implemented by the agencies concerned. These programs shall include coaching and mentoring in the areas of:

- design;
- technology extension services;
- standard business practices in contracting, accounting and project management;
- quality control;
- standard-setting;
- business services such as commercialization market needs assessment, marketing and promotion and management;
- patents, and other forms of intellectual property rights;
- and others.

The Department of Trade and Industry (DTI) shall look for high productivity innovative businesses to help them identify and exploit opportunities in overseas markets. The NIC shall develop metrics for the purposes of assessing the progress of work in these areas.

The NIC shall assign areas of responsibility to implementing agencies according to their mandate to avoid duplication of assistance provided.

For purposes of implementing Section 12 of the Act, these Rules further define the Startup MSME Innovation Development Program.

The MSME Innovation Development Program shall mobilize government agencies to work hand in hand with private organizations and academic institutions to provide technical and/or financial support programs for the development training of entrepreneurs. The Program shall also include the search for high productivity innovative businesses that could help in identifying and exploiting opportunities in overseas markets and provide for appropriate incentives, intellectual property registration, among others, under the Investment Priorities Plan (IPP).

The innovation development program for startups shall be done through the Philippine Startup Development Program as provided under Republic Act No. 11337 or the Innovative Startup Act of the Philippines. The DTI shall lead the development of this comprehensive support program for MSME innovation in coordination with relevant members of the NIC.

The Programs shall also provide for capacity-building for the public sector particularly, those who shall be expected to provide training to startups and MSMEs in order to ensure that the training shall be suitable, updated, and valuable. Other existing initiatives must be considered in the design of financial support programs.

Existing programs for MSMEs may be redesigned and prioritized to include improved innovative capacity.

The Philippine Statistics Authority (PSA), in coordination with the DTI Bureau of Small and Medium Enterprise Development (DTI-BSMED), shall collect data and ensure the consistency, accessibility and availability of adequate and timely statistics on MSMEs, including startups, by asset size as defined under Republic Act No. 9501 or the Magna Carta for Micro, Small and Medium Enterprises, including other indicators such as but not limited to employment size. Other pertinent information shall also be made available to characterize and track the progress

of MSMEs over time. These statistics and information shall be used for development planning and investment programming purposes.

Implementing agencies of programs, projects and activities shall annually report to the NIC the implementation status and challenges, as well as accomplishments vis-à-vis targets approved by the NIC.

**Rule 13. Innovation Centers and Business Incubators.** – The government, through the NIC, shall encourage and support the establishment of innovation centers and business incubators, in partnership with the private sector, the academe, and research and development institutions towards fostering skills and technology transfer, collaboration on innovation initiatives between small and big businesses, supplier development, access to finance, and creating marketing opportunities.

As used in these Rules, the DTI and the DOST shall collaborate in ensuring complementation of and coherence in programs that provide innovation-related services to MSMEs and innovators. These programs shall build links between tertiary institutions, research institutions, and industry towards creating avenues for knowledge diffusion, capacity building, and commercialization of R&D outputs. Government-Academe-Business research collaborations shall be pursued to foster future innovations.

The NIC may enjoin the participation of other government agencies and institutions such as the Department of Information and Communications Technology (DICT), the Intellectual Property Office of the Philippines (IPOPHL), and Higher Education Institutions (HEIs). The NIC may tap these agencies to provide technical assistance to the DTI and DOST in developing a framework for the implementation, monitoring and evaluation of programs that aim to build links between tertiary institutions, research institutions, and industry towards creating avenues for knowledge diffusion and capacity building.

**Rule 14. Regional Innovation and Cluster Policy.** – The NIC shall integrate in the NIASD strategies to promote regional innovation that shall harness the competitive advantages, as well as existing and potential strengths of regions and provinces. Such strategies shall promote regional development through sound science, technology and innovation programs.

For this purpose, the RDCs shall help coordinate and monitor the implementation of the NIASDs in their respective regions.

The NIC shall adopt cluster policies or strategies as significant components of the country's innovation policy mix. In determining the feasibility and effectiveness of cluster policies in pursuit of innovation goals, other policy streams, such as regional economic development policy, industrial/enterprise policy, higher education policy, among others, shall be considered.

The cluster policies shall be adopted to focus on regional hubs or provinces or sectors such as MSMEs, large firms, spinoffs and startups, academic or educational institutions and research centers, or combinations of these. For this purpose, the NIC shall establish a Cluster Development Program. Funding for this purpose shall be incorporated in the annual General Appropriations Act.

Cluster strategies and programs shall be implemented through the agencies concerned, through a well-coordinated system facilitated by the NIC to improve performance by addressing the common needs of businesses and communities within the cluster.

These Rules further provide that the DTI, in coordination with relevant agencies, shall be responsible in formulating the Cluster Development Program for approval of the NIC. The Cluster Development Program shall provide the mechanisms for the establishment of the regional inclusive innovation centers, R&D centers, as well as the evaluation of innovation policy and impacts and a database linked to the Filipinnovation portal.

**Rule 15. Strategic Research, Development and Extension (RD&E) Programs.** – The NIC, in consultation with relevant stakeholders, guided by the country's innovation agenda and development goals, shall develop RD&E themes. These themes shall be adopted in the RD&E programs of concerned agencies which will ensure that a higher level of mission orientation in publicly funded research is observed. These themes shall be reviewed periodically as determined by the NIC aligned with priorities identified in the National Innovation Agenda and Strategy Document (NIASD).

For this purpose, the NIC shall:

- (a) develop a “relevance criteria” that shall be administered by the agencies concerned in the selection of RD&E programs or projects (e.g. government R&D grants and R&D initiatives to be undertaken by the government, and research papers/publications, among others) for funding;
- (b) conduct periodic review of RD&E themes and the “relevance criteria”;
- (c) prepare, maintain and update regularly an inventory of academic or educational and RD&E institutions, together with their resources and capacities to undertake these programs and projects which shall provide the strategic intelligence for the generation of public funding and grants for these purposes; and
- (d) monitor the implementation of the projects and ensure that they comply with the criteria established for the purpose and meet the objectives for which they were funded. A system for “peer review” may be established for this purpose.

As part of strategies to address the multi-dimensional nature of certain research requirements, the NIC shall:

- (a) Establish new and/or strengthen existing centers of research excellence and/or adopt best practices, to bring together multi-sector/stakeholder teams to address multi-disciplinary research agenda;
- (b) Establish centers of collaborative research activity between academic and business; and
- (c) Mandate pertinent agencies to work with academic or educational and research institutions to provide research infrastructure to support key research areas.



The NIC shall recommend to the Congress of the Philippines the annual proposed level of Gross Expenditure on Research and Development (GERD) based on the NIASD. This recommendation shall be submitted at the beginning of each annual budget cycle.

Relative to the foregoing, the DBM shall prepare and submit to the NIC an annual and multi-year expenditure program on RD&E following a harmonized Unified Accounts Code Structure (UACS) coming from all the government instrumentalities---National Government Agencies (NGAs), Government Financial Institutions (GFIs), Government-Owned and Controlled Corporations (GOCCs), and State Universities and Colleges (SUCs). Likewise, the Bureau of Local Government Finance (BLGF), through the Department of Finance (DOF), shall submit to the NIC the consolidated LGU expenditure program on RD&E.

**Rule 16. Innovation Instruments.** – The government shall employ a range of instruments to achieve the objectives of this Act. These instruments, shall include, but are not limited to:

- (a) Technology programs;
- (b) Innovation centers;
- (c) Innovation networks;
- (d) Technology platforms;
- (e) Science and Technology Parks (STPs);
- (f) Cluster policies, including policy dialogues;
- (g) Human capacity building programs; and
- (h) Use of patent information, including patent landscape reports.

For this purpose, the NIC shall develop strategies by which government agencies concerned may harness these instruments to more efficiently deliver programs and promote greater collaboration among stakeholders. These agencies, enumerated in Section 17 of the Act, shall submit their respective action plans, guided by the strategies that shall be imposed by the NIC.

The establishment of innovation centers shall be undertaken in coordination with the private sector, academic, or education institutions, and other sectors to maximize opportunities for collaboration and joint initiatives. As used in these Rules, coordination with other sectors may include partnerships with foreign governments, development partners, and private entities from abroad in employing these innovation instruments to achieve the objectives of the Act.

**Rule 17. Whole of Government Approach.** – In order to effectively drive innovation across all areas of government policy – spanning education, training, health, energy, communication, industry, science and technology, defense, among others – a “whole of government approach” shall be adopted.

This approach shall facilitate engagement with business, the RD&E sector, MSMEs, and the broader community towards ensuring the full and effective implementation of the country’s innovation agenda.

All government agencies concerned as may be mandated by the NIC, including those enumerated under Section 17 of the Act, shall be responsible for implementing the country's innovation strategies and, as such, shall observe the "whole of government approach."

Government agencies shall make available for public access, a joint web portal that shall bear information pertinent to innovation policies, strategies, programs, including services, grants and financial assistance for related trainings. The agencies shall likewise ensure that beneficiaries are guided on services that are available. The web portal shall also include a database of all ongoing and completed innovation projects implemented under the NIASD.

For purposes of these Rules, the management of the web portal shall be designated by the NIC, with links to the other websites relevant to startups, MSME development, human resource development and other innovation-related matters.

It shall have interactive features that shall allow the public to access services or file applications for scholarships or other services and programs online. Inquiries shall be addressed within three (3) days from receipt thereof. Processing of applications for scholarships and other services shall be streamlined in accordance with the guidelines to be established by the NIC and consistent with existing rules and regulations on anti-red tape and ease of doing business. Reforms to this effect shall be reported to the NIC within six (6) months from the effectivity of this Act.

The online facility shall provide an acknowledgment receipt and reference number for each transaction for monitoring purposes.

Government agencies concerned shall submit periodic progress reports to the NIC on the status of innovation strategies and projects. Reportorial requirements prescribed under this Act shall take into consideration reports required under other laws related to innovation, with the view to harmonizing and achieving efficiencies in the preparation of these reports. Reporting guidelines shall be prepared by the NIC for this purpose.

The enumeration of agencies provided herein is without prejudice to other agencies that the NIC may mandate.

**Rule. 18. Diaspora for Innovation and Development.** – A Diaspora for Innovation and Development Program is hereby established to enable the country to mobilize and tap the high level expertise of the Filipino diaspora in pursuit of innovation and development efforts.

The NIC, in coordination with the DOLE, BOI, BOC, DFA, CHED, TESDA and PRC, among other agencies, shall establish the necessary mechanisms to facilitate the participation of qualified members of the Filipino diaspora in the country's innovation drive.

The NIC shall develop an inventory of skills and talent requirements, and the institutions or programs needing them as basis for inviting Filipinos in the diaspora to participate in the program. These shall be identified and detailed in the NIASD, taking into consideration the current and future demands in the local and global market and needs of our society.



The NIC shall issue the guidelines for this purpose, through the NIC Secretariat in coordination with the DOST and other agencies that have existing programs and funding for purposes of mobilizing Overseas Filipino (OF) talents for innovation and science and technology efforts.

#### **Rule 19. Intellectual Property System and Management.**

**a. Intellectual Property (IP) Laws.** All existing laws related to intellectual property shall be enforced to protect and secure the exclusive rights of scientists, inventors and innovators, such as engineers, artists, designers, entrepreneurs, among others, to their intellectual property and creations, including but not limited to the following:

1. Republic Act No. 8293 or the “Intellectual Property Code of the Philippines”, as amended by Republic Act No. 10372;
2. Republic Act No. 9168 or the “Philippine Plant Variety Protection Act”;
3. Republic Act No. 8792 or the “Electronic Commerce Act of 2000”;
4. Republic Act No. 10055 or the “Philippine Technology Transfer Act of 2009”; and
5. Republic Act No. 8371 or the Indigenous Peoples Rights Act of 1997

Any new laws or changes/amendments to the above listed laws and corresponding IRRs shall form part of these Rules.

The NIC shall issue policy direction to ensure mainstreaming of intellectual property among relevant government agencies to promote innovation and use of intellectual property as competitive tools.

The pertinent agencies of the government shall promote the diffusion of knowledge and information for the promotion of national development.

#### **b. Registration of Patents, Utility Models, Layout Designs, Trademarks, Copyrights, Industrial Designs and Geographical Indications.**

1. The Intellectual Property Office of the Philippines (IPOPHL) shall promote the registration of patents, utility models, layout designs, trademarks, copyrights, industrial designs and geographical indications among scientists, inventors and innovators including engineers, artists, designers, entrepreneurs, among others, to ensure protection of innovation against misappropriation. Inclusion shall be its guiding principle covering (i) access; (ii) usage; (iii) quality and (iv) perceived welfare.
2. The IPOPHL shall streamline and rationalize administrative and registration procedures and undertake programs to assist MSMEs in the registration of patents, layout designs, registration of trademarks, and geographical indications and other marks of ownership, industrial designs, utility models, and deposit of copyrights. Reforms to this effect shall be reported to the NIC within six months from the effectivity of the Act, and every year thereafter, consistent with law and regulations and international commitments.

#### **c. Fostering Innovation and Business Development**

The IPOPHL, together, with pertinent agencies of the government, academe and private sector shall promote the use of patent information and analytics as a strategic tool to facilitate technology development in the country.

**Rule 20. Advocacy and Community Education.** – The NIC, in cooperation with the various agencies concerned, shall undertake an information and community education program to rally everyone around the country's innovation agenda and properties, and to generate public support for these initiatives. Such program shall aim to inform the public on available programs, services, grants and financial assistance for related trainings, among others, to widen the base of participation in the conduct of the country's innovation agenda.

The government shall undertake its advocacy and community education program, in partnership with the business sector and business associations, MSMEs, incubation centers and networks, Negosyo Centers, and academic or educational institutions.

LGUs, in coordination with the DILG, are also hereby mandated to create innovation programs through collaboration with other government agencies, nongovernment organizations, academic institutions and private companies consistent with the provisions of the Act and the NIASD. LGUs may provide incentives for the implementation of various innovation instruments, including the provisions of Section 16 of the Act.

The NIC shall develop a communication plan for this purpose and implement it consistent with the whole of government approach as prescribed by these Rules.

**Rule 21. Innovation Fund and Appropriations –**

**Innovation Fund.** – An Innovation Fund to strengthen entrepreneurship and enterprises engaged in developing innovative solutions benefiting directly or indirectly, the poorest of the poor is hereby established. This Fund, from which grants shall be issued, shall be administered by the NIC which shall screen and approve qualified proposals.

The NIC shall formulate guidelines for programming, disbursing, and accessing the Innovation Fund.

Subject to availability of funds, a revolving fund in the initial amount of One Billion Pesos (₱1,000,000,000.00), is hereby allocated for the initial year's implementation of the Act, and such funds necessary for its continuous and effective implementation shall thereafter be included in the annual General Appropriations Act.

Further, the NIC, in coordination with the agencies concerned, shall explore the possibility of accessing a growing range of bilateral and multilateral funds in order to be able assist in the funding of RD&E and other innovation efforts. Public-private partnerships shall also be encouraged in the development and implementation of innovation initiatives in the sphere of RD&E, education, product development and testing, among others.

**Rule 22. Innovation Development Credit and Financing.** – An innovation development credit and financing program shall be developed to generate and scale up innovation in accordance with the NIASD. Innovation development credit, as used herein, shall consist of loans and other financing activities for purposes of including the development of new technologies, product innovation, process innovation, organizational innovation, and marketing innovation.



The NIC, in coordination with the Bangko Sentral ng Pilipinas (BSP) and other relevant agencies, shall involve the private sector in developing such credit and financing program.

**Rule 23. Credit Quota.** – All banking institutions, whether government or private, shall set aside at least four percent (4%) of their total loanable funds for innovation development credit: Provided, however, That the loanable funds as used in this section shall refer to funds generated from the date of effectivity of this Act: Provided, further, That innovation development loans benefitting agricultural sector workers and businesses shall be considered as part of the compliance with the credit quota requirement of Republic Act No. 10000, otherwise known as “The Agri-Agra Reform Credit Act of 2009”; Provided, furthermore, that the four percent (4%) credit quota is subject to a joint review by the NIC and the BSP after three (3) years of implementation to determine whether the law has been effective in accomplishing its goals. The findings shall be submitted to the Congress of the Philippines.

The NIC shall conduct an annual assessment on the compliance of these banking institutions with applicable regulations on credit quotas for innovation development and submit its recommendations to the BSP.

a. Sanctions for Noncompliance/Under-compliance

1. **Penalties/Sanctions Applicable to Lending Institutions.** The BSP shall impose administrative sanctions and other penalties on the lending institutions for noncompliance with the preceding paragraphs. Noncompliance/under-compliance, as used in these Rules, include false/misleading statements, perjury, and other acts violative of the usual banking rules and regulations, without prejudice to criminal sanctions. Penalties on noncompliance/under-compliance shall be computed at one-half of one percent (0.5%) of the amount of noncompliance/under-compliance and shall be directed towards innovation development.

2. **Disposition of Penalties Collected.** Ninety percent (90%) of the penalties collected by the BSP shall go to the Innovation Fund and the remaining ten percent (10%) shall be retained by the BSP to cover administrative expenses.

3. **Implementation.** The BSP and the NIC, in consultation with the concerned agencies and sectors, shall promulgate such rules and regulations as may be necessary to implement Sections 22 and 23 of the Act within ninety (90) days after the effectivity of these Rules. Such rules and regulations shall, among others, provide for modes of alternative compliance (e.g., investments in bonds issued by the DBP and LBP that have been expressly declared as eligible by competent authority/ies, including investments in other debt securities) to the credit quota allocation and take into account the varying scale and maturity of operation of the banks in the country. Such rules and regulations shall take effect fifteen (15) days after its publication in a newspaper of general circulation in the Philippines.

**Rule 24. Removing Barriers to Innovation.** – The NIC and its member government agencies shall eliminate regulatory barriers to innovation and cut red tape to boost innovation efforts. Towards this end, the NIC shall facilitate consultations with stakeholders to identify and cause removal of barriers in accelerating innovation efforts, such as procurement rules and regulations, and to align efforts and enhance collaboration.

Government agencies and LGUs shall hereby improve efficiencies in addressing public transactions that impact on innovation, including reducing the number of days and costs of starting or expanding a business.

Government agencies and LGUs shall undertake reforms in their systems and process to ensure that applications for starting a business and renewal of licenses are processed within three (3) working days from the time the application is received. The processing of other government permits and clearances, as well as applications for patents, shall likewise be streamlined towards ensuring a business environment that fosters innovation, consistent with existing rules and regulations on anti-red tape and ease of doing business.

For this purpose, the NIC shall develop and prescribe guidelines towards streamlining and improving the country's performance in key indicators that shall facilitate and promote innovation. The NIC shall identify these indicators for purposes of issuing guidelines and monitoring strict implementation. The guidelines shall include provisions to ensure that budgeting, procurement and auditing are conducive to innovation. This means that the procedures, steps and processes shall be simplified to ensure the timeliness and responsiveness of the support systems to innovation. In particular, the DBM, GPPB, CSC, PRC and COA shall collaborate closely with the NIC to adopt a more flexible approach in consonance with existing laws with a view of maximizing their benefits.

LGUs are expected to be proactive in innovation as stipulated under RA 7160 or the Local Government Code, Chapter 2, Section 17(a); Section 17(b)(2)(i); Section 17(b)(3)(i) & Section 17(b)(3)(ii). Moreover, LGUs shall ensure the inclusion of an innovation agenda in their local development plans submitted to the DILG. Further, the LGUs may create innovation committees as per Section 112 of the LGC.

**Rule 25. Innovation Alliances.** – To encourage collaborative innovation, the NIC shall establish the necessary conditions and framework that shall promote the establishment of Innovation Alliances. Such framework should encourage companies to engage in collaborative research consortia among private sector entities and with academic or educational institutions.

This framework shall also facilitate regional networking and alliances to promote knowledge and technology sharing as well as collaboration in innovation projects.

Under these Rules, the various Regional Development Councils (RDCs) shall serve as the regional counterpart of the NIC to develop this framework and strengthen functional innovation alliances in the region consistent with the NIASD.

Innovation alliances with foreign governments, development partners, private entities from abroad and academic institutions shall also be encouraged and supported by the NIC towards achieving the objectives of this Act.

**Rule 26. Government procurement.** – Public procurement shall be conducted in accordance with Republic Act No. 9184, otherwise known as the “Government Procurement Reform Act” and its Implementing Rules and Regulations (IRR).

To help stimulate innovation in the country, the NIC shall coordinate with the Government Procurement Policy Board (GPPB) and its Technical Support Office for the development and

issuance of public procurement guidelines as authorized under Republic Act No. 9184 and its IRR, covering the following:

- (a) Innovative Goods and Services. Requirements for innovative goods and services shall be identified, together with the clear output specifications, as well as functional or performance criteria. The guidelines shall also allow project-based competition to encourage participants to develop innovative solutions’;
- (b) Pre-commercial procurement. Government agencies are mandated to determine their long-term needs towards encouraging the development of innovative solutions in areas for which solutions are not currently available. Procurement contracts of this nature shall involve multi-stage process; and
- (c) Technology Diffusion Procurement. The Government may aggregate demand and initiate a technology procurement process to promote technology diffusion and market transformation.

The guidelines to be issued by the NIC, in coordination with the GPPB for this purpose, shall ensure efficiency, transparency, timeliness and relevance in the procurement process. Further, the guidelines should be timely and responsive for all the items under (a), (b) and (c).

**Rule 27. Declaration of National Innovation Day.** – To promote public awareness and national support for innovation and highlight milestones of government and private sector initiatives, April 21 of every year is hereby declared as a special working public holiday throughout the country, to be known as the ‘National Innovation Day’.

All current innovation-related public events are encouraged to be conducted in the month of April for the celebration of the National Innovation Day.

The NIC, in close coordination with the DOST, DTI, DepEd, CHED, and the TESDA shall plan, design, and implement programs and activities in celebration of the National Innovation Day, that shall involve the participation of other national government agencies, LGUs, the private sector, and schools.

An annual event shall be organized to serve as a discussion platform for various industry movers, entrepreneurs, HEIs, R&D Institutes (RDIs), government funding agencies (GFAs), and other national and local government agencies to explore different innovation models, collaborative engagements, social motivations, and collective aspirations geared towards achieving the country’s innovation agenda and consistent with the long-term vision using innovative approaches.

Moreover, to ensure that the culture of innovation become firmly rooted on the ground, LGUs shall conduct innovation-related activities in coordination with appropriate agencies within their respective jurisdictions.

**Rule 28. Review and Amendments to these Rules.** – These Rules shall be subject to review every five (5) years. Any member of the NIC may initiate or propose any amendment to these Rules subject to the approval of the NIC, as needed. Any amendment to these Rules shall take effect thirty (30) days after its publication in any newspaper of general circulation.

**Rule 29. Penalty Provisions.** – Failure to carry out any of the provisions of the Act shall be ground for the filing of criminal or administrative cases, as may be warranted, under the Administrative Code of 1987; Republic Act No. 6770 (The Ombudsman Act of 1989); Republic Act No. 6713 (Code of Conduct and Ethical Standards for Public Officials and Employees); Republic Act No. 3019 (Anti-Graft and Corrupt Practices Act); Republic Act No. 7160 (Local Government Code of 1991); and Act No. 3815, as amended (Revised Penal Code), and all other applicable general and special laws.

**Rule 30. Construction and Interpretation.** – These Rules shall be construed and interpreted in light of the Declaration of Policy found in Section 2 of Republic Act No. 11293. Any doubt in the interpretation of these Rules shall be resolved in a manner consistent with the policy of the State to foster innovation as a vital component of national development and sustainable economic growth.

**Rule 31. Separability Clause.** – Should any provision herein be subsequently declared invalid or unconstitutional, the same shall not affect the validity or the legality of the other provisions not so declared.

**Rule 32. Repealing Clause.** – Any other issuance, executive order, administrative order, proclamation, charter, rule or regulation and/or parts thereof contrary to or inconsistent with the provisions of these Rules are hereby repealed, modified or amended accordingly.

**Rule 33. Effectivity.** – These Rules shall take effect thirty (30) days after its publication in any newspaper of general circulation and fifteen (15) days after the filing of three (3) certified copies in the University of the Philippines Law Center.

Approved, February 7, 2020.

**ERNESTO M. PERNIA**

Secretary of Socioeconomic Planning, NEDA

**FORTUNATO T. DELA PEÑA**

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