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[REPUBLIC ACT NO. **11293**]

AN ACT ADOPTING INNOVATION AS VITAL COMPONENT OF THE COUNTRY'S DEVELOPMENT POLICIES TO DRIVE INCLUSIVE DEVELOPMENT, PROMOTE THE GROWTH AND NATIONAL COMPETITIVENESS OF MICRO, SMALL AND MEDIUM ENTERPRISES, APPROPRIATING FUNDS THEREFOR, AND FOR OTHER PURPOSES

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

SECTION 1. *Short Title.* – This Act shall be known as the “Philippine Innovation Act”.

SEC. 2. *Declaration of Policy.* – It is hereby declared the policy of the State 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 will 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 and to enable micro, small and medium enterprises (MSMEs) to be a part of the domestic and global supply chain;
- (b) The State shall promote a culture of strategic planning and innovation 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, 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 will ensure policy coherence, alignment of priorities, and effective coordination in program delivery. This ecosystem should facilitate and support innovation efforts;

(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 economic growth through innovation. As such, the government will work and cooperate with these sectors and encourage the innovative 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. 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.

SEC. 3. Definition of Terms. – As used in this Act:

(a) *Blue economy* refers to the sustainable use of ocean resources for economic growth, improved livelihoods and jobs, while preserving the ocean ecosystem;

(b) *Business incubators* refer to facilities where startups are hosted and business development services are provided;

(c) *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;

- (d) *Genetic resources* refer to genetic material, which are any material of plant, animal, microbial or other origin containing functional units of heredity, of actual or potential value;
- (e) *Inclusive innovation* refers to the creation of new ideas that results in the development of new products, processes and services, that help improve the welfare of lower-income and marginalized groups;
- (f) *Innovation* refers to the creation of new ideas that results in the development of new or improved policies, products, processes, or services which are then spread or transferred across the market;
- (g) *Innovation alliance* refers to a coalition of research and development-based technology companies, academic or educational institutions, and/or research institutions, MSMEs and other relevant organizations, that have come together to support innovative efforts and enterprises;
- (h) *Innovation centers* refer to centers of competence and innovation activities, either housed in 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;
- (i) *Innovation governance* refers to the institutional setup of the various elements of the national innovation ecosystem, including the institutional structures and the processes governing policymaking and implementation, such as program delivery and monitoring, as well as the process of coordination and collaboration across public institutions and with relevant stakeholders;
- (j) *Innovation networks* refer to the interconnected system of companies and organizations in the knowledge infrastructure that is mainly focused on innovation;

- (k) *Innovative goods and services* refer to new or significantly improved products, services, processes, technical specifications or components, methods, and tools that enhance the government's ability to deliver services;
- (l) *Marketing innovation* refers to significant changes in product design or packaging, placement, promotion or pricing;
- (m) *Multi-stage process* refers to the various stages of product or solution development, from feasibility study, designing, prototyping, testing, and commercialization of products or services;
- (n) *Organizational innovation* refers to the development and/or introduction of new or significantly improved methods in business practices, workplace organization or external relations;
- (o) *Policy innovation* refers to the introduction of new or significantly different solutions to policy problems;
- (p) *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 or services;
- (q) *Process innovation* refers to the development and/or introduction of a new or significantly improved production or delivery method;
- (r) *Product innovation* refers to the introduction of a good or service that is new or significantly improved with respect to its features, applications, characteristics or intended uses;
- (s) *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;

(t) *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;

(u) *Technology diffusion procurement* refers to public procurement that is undertaken on behalf of end-users with the view to accelerating the diffusion of innovative solutions or technologies that offer the greatest advantage to users;

(v) *Technology platforms* refer to self-organized programs or arrangements that allow a wide range of stakeholders to collaborate in identifying common needs and to assemble a portfolio of funding sourced from government or industrial sources or a mix thereof to address those needs;

(w) *Technology programs* refer to programs that link industrial, academic or educational RD&E efforts towards building national capacities in developing industrially important technologies;

(x) *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 and heritage of a traditional or indigenous community; and

(y) *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.

SEC. 4. *Objective.* – The objective of this Act is to generate and scale up action in all levels and areas of

education, training, research and development towards promoting innovation and internationalization activities of MSMEs as driver of sustainable and inclusive growth.

The specific objectives of this Act 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.

SEC. 5. *Innovation Scope.* – The government shall adopt a broader view in developing its innovation goals and strategies covering all potential types and sources of innovation, including product innovation; process innovation; organizational innovation; social innovation; marketing innovation; academic or educational innovation; or policy innovation. While the country's innovation goals shall be directed at developing new technologies, it shall likewise seek to harness global knowledge and technology that will aid in developing new processes or services for increasing productivity and for promoting overall public welfare.

SEC. 6. *The National Innovation Council.* – The National Innovation Council, hereinafter referred to as the NIC, is hereby established to develop the country's innovation goals, priorities, and long-term national strategy. The NIC shall be composed of the following:

- (a) President of the Philippines – Chairperson;
- (b) Director General of the National Economic and Development Authority (NEDA) – Vice Chairperson;
- (c) Secretary of Science and Technology – Member;
- (d) Secretary of Trade and Industry – Member;
- (e) Secretary of Agriculture – Member;
- (f) Secretary of Environment and Natural Resources – Member;
- (g) Secretary of Health – Member;
- (h) Secretary of Transportation – Member;
- (i) Secretary of Energy – Member;
- (j) Secretary of National Defense – Member;

- (k) Secretary of Information and Communications Technology – Member;
- (l) Chairperson of the Commission on Higher Education – Member;
- (m) Secretary of Budget and Management – Member;
- (n) Secretary of Education – Member;
- (o) Secretary of the Interior and Local Government – Member;
- (p) Secretary of Foreign Affairs – Member;
- (q) Secretary of Labor and Employment – Member;
- (r) Director General of the Intellectual Property Office of the Philippines – Member; and
- (s) Seven (7) Executive Members to be appointed by the President.

The Executive Members shall be appointed from the ranks of business, entrepreneurs, academe, and the scientific community, 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 business sector. The representatives of business and the MSME shall be recommended by a legally established and reputable business organization. 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.

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 may not designate alternate representatives other than their respective undersecretaries to the meetings of the NIC.

Majority of the members shall constitute a quorum.

SEC. 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;
 - (b) Develop the country's innovation strategies to ensure coherent strategic direction and programs by government agencies;
 - (c) Serve as a source of strategic intelligence for national research and innovation policymaking;
 - (d) Engage technological expertise in strategic and innovation policymaking;
 - (e) Coordinate with various sectors and agencies to promote policy and program coherence;
 - (f) Monitor and assess 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 and task government agencies and LGUs that will be tasked to implement specific strategies under the National Innovation Agenda and Strategy Document (NIASD), to be developed under Section 9 of this 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 this Act;
 - (k) Identify and approve programs that may qualify for funding from the Innovation Fund;

- (l) Develop metrics and monitor the progress of strategic innovation programs, including publicly-funded RD&E projects;
- (m) 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;
- (n) Submit annual reports to the Congress of the Philippines on the progress of implementation of this Act; and
- (o) Perform other functions as may be necessary for the implementation of this Act.

SEC. 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 NEDA Director General. The Executive Director III shall have at least seven (7) years of experience and practice in the fields 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. Pending the creation of the appropriate plantilla positions, the NEDA shall constitute an interim Secretariat within one (1) month from the effectivity of this Act, through the temporary detail of personnel from its member agencies.

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 adopted 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, the 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;
- (e) Gather strategic intelligence and information to support the NIC in its policymaking, as well as in goal and strategy setting;
- (f) Build strategic intelligence on human capital development;
- (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 this 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; and
- (k) Perform other functions as may be directed by the NIC.

SEC. 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 and provide a road map and the strategies for improving innovation governance through clear-cut delineation and complementation of innovation efforts across agencies; deepening and accelerating innovation efforts, including inclusive innovation programs that are targeting the poorest of the poor; and integrating and fostering public-private partnerships, including those with large businesses, MSMEs, academe, and RD&E institutions.

In developing the NIASD, the NIC shall identify strategies to stimulate regional capacity for development that can contribute to differentiated innovation strategy across regions in the medium term. Such differentiated strategies shall take into consideration the competitive advantages and strengths of each province, region and community.

The NIASD shall also include the innovation priority areas, the strategies to be used to realize these priorities, and for which resources and budget will be provided. Agenda and strategies shall have a minimum of ten (10)-year horizon, subject to the periodic review by the NIC. All agencies shall strictly comply with the NIASD and shall pursue this as a collective, national effort. The agencies concerned shall incorporate pertinent programs in their respective work programs and action plans, guided by the NIASD.

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.

SEC. 10. Considerations in Setting Priority Areas for Innovation. – In identifying the priority areas for innovation, the NIC shall, in consultation with the sectors concerned, consider the issues and challenges in the following areas:

- (a) Food security and sustainable agriculture;
- (b) The blue economy;
- (c) Education and the academe;
- (d) Health;
- (e) Secure, clean 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) Potentials for innovation of traditional knowledge, traditional cultural expressions, and genetic resources;
- (k) Infrastructure needs;
- (l) Governance;
- (m) Development of human capital;
- (n) Digital economy; and
- (o) Transportation services; among others.

SEC. 11. *Inclusive Innovation.* – The NIC shall develop strategies to promote the creation of new ideas that will be developed into new and quality products, processes, and services aimed at improving the welfare of low-income and marginalized groups, as well as create livelihood opportunities for these sectors.

The NIC shall likewise integrate policies to promote women's participation and skills development in science, technology, engineering, arts and mathematics, including information and communications technologies.

Further, the NIC shall develop strategies for promoting social innovation as a tool for delivering new services that will improve the quality of life of individuals and communities, as well as enable the participation of communities in meeting their needs. Such strategies shall be incorporated in the NIASD.

SEC. 12. Micro, Small and Medium Enterprise (MSME) Innovation. – The NIC shall develop strategies towards promoting MSME internationalization and participation in the local and global value chains. A comprehensive support program, from incorporation to internationalization, 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 and management; patents; among others.

Through a startup MSME innovation development program, the government shall mobilize its various agencies to work hand in hand with private organizations to provide technical and/or financial support programs for the development training of entrepreneurs.

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 also develop metrics for purposes of assessing the progress of work in these areas.

SEC. 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.

The DTI and the Department of Science and Technology (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 and capacity building. Government-Academic-Business research collaborations shall be pursued to foster future innovations.

SEC. 14. Regional Innovation and Cluster Policy. – The NIC shall integrate in the NIASD strategies to promote regional innovation that will 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.

SEC. 15. Strategic Research, Development and Extension (RD&E) Programs. – The NIC, 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.

For this purpose, the NIC shall develop a "relevance criteria" that will be administered by the agencies concerned in the selection of RD&E programs or projects for funding. It shall likewise prepare an inventory of academic or educational and RD&E institutions, together with their resources and capacities to undertake these programs and projects which will provide the strategic intelligence for the generation of public funding and grants for these purposes.

The NIC shall also monitor the implementation of these 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 the strategies to address the multi-dimensional nature of certain research requirements, the NIC shall:

- (a) Establish centers of research excellence, 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 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.

SEC. 16. *Innovation Instruments.* – The government shall employ a range of instruments to achieve the objectives of this Act. These instruments shall include:

- (a) Technology programs;
- (b) Innovation centers;
- (c) Innovation networks;
- (d) Technology platforms;
- (e) Cluster policies; and
- (f) Human capacity building programs.

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 this Act, shall submit their respective action plans, guided by the strategies that will be imposed by the NIC.

The establishment of innovation centers shall be undertaken in coordination with the private sector, academic or educational institutions, and other sectors to maximize opportunities for collaboration and joint initiatives.

SEC. 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, including the following, shall be responsible for implementing the country’s innovation strategies and, as such, shall observe the “whole of government approach” provided herein:

- (a) National Economic and Development Authority (NEDA);
- (b) Department of Science and Technology (DOST);
- (c) Department of Trade and Industry (DTI);
- (d) Department of Agriculture (DA);
- (e) Department of Environment and Natural Resources (DENR);
- (f) Department of Health (DOH);
- (g) Department of Energy (DOE);
- (h) Department of Transportation (DOTr);
- (i) Department of National Defense (DND);
- (j) Department of Information and Communications Technology (DICT);
- (k) Department of Budget and Management (DBM);
- (l) Department of the Interior and Local Government (DILG);

- (m) Department of Foreign Affairs (DFA);
- (n) Department of Education (DepEd);
- (o) Commission on Higher Education (CHED);
- (p) Department of Labor and Employment (DOLE); and
- (q) Intellectual Property Office of the Philippines (IPOPHL).

Government agencies shall make available for public access, a joint web portal, that will 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.

It shall have interactive features that will 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. 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 acknowledgement 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.

SEC. 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, the Bureau of Immigration, the Bureau of Customs, the DFA, 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. The NIC shall develop the guidelines for this purpose, in coordination with the DOST and other agencies that have existing programs and funding for purposes of mobilizing overseas Filipino talents for innovation and science and technology efforts.

SEC. 19. *Intellectual Property System and Management.* – Republic Act No. 8293, otherwise known as the “Intellectual Property Code of the Philippines”, as amended, and related laws on intellectual property such as the “Philippine Plant Variety Protection Act”, “E-Commerce Act”, and “Technology Transfer Act”, shall be enforced to protect and secure the exclusive rights of scientists, inventors and innovators to their intellectual property and creations. The pertinent agencies of the government shall promote the diffusion of knowledge and information for the promotion of national development.

The IPOPHL shall promote the registration of patents, trademarks, copyrights, industrial designs and geographical indications among scientists, inventors and innovators to ensure protection of innovation against misappropriation.

It shall streamline and rationalize administrative and registration procedures and undertake programs to assist MSMEs in the registration of patents, trademarks, copyrights, industrial designs and geographical indications. Reforms to this effect shall be reported to the NIC within six (6) months from the effectivity of this Act, and every year thereafter.

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

The NIC shall develop a communication plan for this purpose.

SEC. 21. Innovation Fund. – An Innovation Fund to strengthen entrepreneurship and enterprises engaged in developing innovative solutions benefiting the poorest of the poor is hereby established. This Fund, from which grants will be issued, shall be administered by the NIC which shall screen and approve qualified proposals.

Subject to availability of funds, a revolving fund in the initial amount of One billion pesos (P1,000,000,000.00), is hereby allocated for the initial year's implementation of this 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 to 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.

SEC. 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.

SEC. 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.

The BSP shall impose administrative sanctions and other penalties on the lending institutions for noncompliance with the preceding paragraphs. 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. Ninety percent (90%) of the penalties collected shall go to the Innovation Fund and the remaining ten percent (10%) shall be given to the BSP to cover administrative expenses.

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 this Act within ninety (90) days after the effectivity of this Act. Such rules and regulations shall, among others, provide for modes of alternative compliance 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.

SEC. 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 the removal of barriers in accelerating innovation efforts, such as procurement rules and regulations, and to align efforts and enhance collaboration.

Government agencies and all 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 processes to ensure that applications for starting a business and renewal of business 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 application for patents, shall likewise be streamlined towards ensuring business environment that fosters innovation.

For this purpose, the NIC shall develop and prescribe guidelines towards streamlining and improving the country's performance in key indicators that will facilitate and promote innovation. The NIC shall identify these indicators for purposes of issuing the guidelines and monitoring its strict implementation.

SEC. 25. *Innovation Alliances.* – The NIC shall establish the necessary conditions and framework that will 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.

SEC. 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 will involve a 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.

SEC. 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”.

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

SEC. 28. Implementing Rules and Regulations. – The NEDA, in coordination with the DOST and the DTI, shall formulate and promulgate the IRR and other issuances as may be necessary to ensure the effective implementation of this Act within sixty (60) days from the effectivity thereof. The IRR issued pursuant to this section shall take effect thirty (30) days after its publication in any newspaper of general circulation.

SEC. 29. Penalty Provisions. – Failure to carry out any of the provisions of this Act will 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.

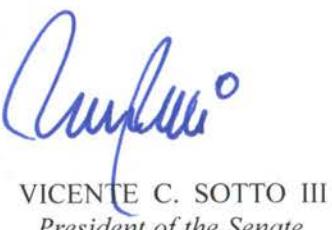
SEC. 30. Separability Clause. – Should any provision herein be subsequently declared invalid or unconstitutional, the same shall not affect the validity or the legality of the other provisions not so declared.

SEC. 31. Repealing Clause. – All laws, presidential decrees, executive orders, rules and regulations, or parts thereof, which are inconsistent with the provisions of this Act, are hereby repealed and modified accordingly.

SEC. 32. Effectivity. – This Act shall take effect fifteen (15) days after its publication in the *Official Gazette* or in a newspaper of general circulation.

Approved,

GLORIA MACAPAGAL-ARROYO
*Speaker of the House
 of Representatives*



VICENTE C. SOTTO III
President of the Senate

This Act which is a consolidation of Senate Bill No. 1355 and House Bill No. 8715 was passed by the Senate of the Philippines and the House of Representatives on February 4, 2019.

DANTE ROBERTO P. MALING
Acting Secretary General
House of Representatives

MYRA MARIE D. VILLARICA
Secretary of the Senate

Approved: APR 17 2019

RODRIGO ROA DUTERTE
President of the Philippines



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