

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session



HOUSE BILL NO. 2786

Introduced by Congressman Antonio M. Diaz

EXPLANATORY NOTE

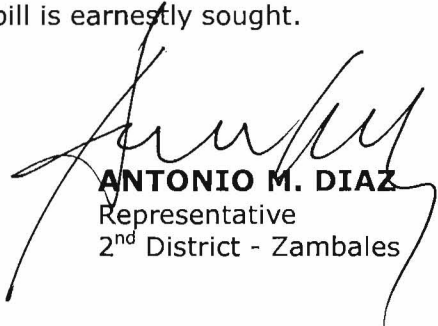
The 1987 constitution in a declaration of national policy emphasized that "the State shall give priority to science and technology to accelerate progress and promote total human development". It is in this light, the State is mandated to promote transfer of technology from all sources by encouraging widest participation of the private sector, the industry, the local government units and community-based organization in technology generation and utilization.

In an era of rapid scientific and technological development, the country must be able to seize the opportunities to develop its own capabilities or to quickly utilize new technological advancements. The country, however, has lagged behind in science and technology development given the severe socio-economic constraints it is presently facing. Expenditure on R&D is way below the recommended and accepted norm of at least 1% of gross national product.

The most crucial aspect in the program of government in effecting national development policy is the 'conscious effort to heighten public and private sector partnership in technology development and utilization'.

In this effort, the proposed bill seeks to operationalize the constitutional mandate by encouraging the private sector, industries, institutions and entrepreneurs to participate in the comprehensive technology transfer program. This will be done through the strategic commercialization of technology and granting of appropriate tax incentives to prospective investors.

Immediate approval of this bill is earnestly sought.


ANTONIO M. DIAZ
Representative
2nd District - Zambales

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City

THIRTEENTH CONGRESS
First Regular Session

HOUSE BILL NO. **2786**

Introduced by Congressman Antonio M. Diaz

**AN ACT
TO ACCELERATE THE TECHNOLOGICAL DEVELOPMENT
IN THE PHILIPPINES AND APPROPRIATING FUNDS
FOR THE PURPOSE**

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

SECTION 1. Title. - This Act shall be known as the "**Rapid Technology Development Act of 2004**".

SEC. 2. Declaration of Policy. - The State recognizes that technological development and modernization is a major factor for increasing productivity, improving competitiveness and spurring industrial growth. For this reason, the State shall:

- a) fast-track technology transfer and adaptation in commercial and livelihood undertakings to help develop a creative, dynamic and true Filipino entrepreneurial spirit;
- b) continuously source the latest technology and innovations that are available and affordable to the country and apply them in agriculture, industry and service sectors in order to raise productivity;
- c) improve and modernize the technologies being used in production sectors in order to boost comparative advantage of our agriculture, industry and service sectors and make them cost-efficient both locally and internationally;
- d) promote and provide for the use of the latest information and market technology to strengthen the linkage between the production and processing stage to the marketing stage;
- e) refocus the thrust of economic policy towards technological competitiveness through massive support for research and development activities, in the light of regional integrations such as the European Economic Community (EEC), the North American Free Trade Association (NAFTA) and the Asian Free Trade Association (AFTA);
- f) exploit to the fullest existing international linkages and foreign relations in entering into joint technological cooperation with other countries specially those concerning technology development and research that are pioneering in character.

SEC. 3. Rapid Technology Transfer and Adaptation Program. - The Comprehensive Technology Transfer and Commercialization (CTTC) Program now being implemented by the Technology Application and Promotion Institute (TAPI) of the Department of Science and Technology is hereby instituted to strengthen and broaden the technology transfer program of the government.

The Government, through TAPI, shall encourage the establishment by private firms, non-governmental organizations, cooperatives and such other private entities, as well as the local government units (LGU's) of technology livelihood and resource institutions for better dissemination, information, transfer and adaptability of technologies which can be used for commercial and livelihood purposes. The existing Provincial Science and Technology Centers (PSTCs) are hereby directed to provide technical assistance to said institutions.

SEC. 4. Incentives and Support. - Private firms, associations, institutions or entrepreneurs who provide services for technology transfer and development or engages in commercialization of technology and are otherwise not enjoying exemptions from payment of income taxes, are hereby exempted from payment of such income tax for the next five years, provided that such activities are being carried on outside of Metro Manila.

The Central Bank shall assist and coordinate the linkage of these entities with the local banking and financial institutions to support the financing requirement of production and marketing aspects of transferring and commercializing market-viable technologies.

The Department of Trade and Industry shall assist the beneficiaries of these entities in linking with the potential markets of their products.

The Department of Science and Technology shall encourage and help the private entities to become conduits of technology development, technology transfer and commercialization.

SEC. 5. Technology Development and Commercialization Trust Fund. - There is hereby created a Technology Development and Commercialization Trust Fund hereinafter known as the Fund, which shall be used to:

- a) provide research grants to persons, firms or entities who are engaged or will be engaging in research and development of promising technologies that are practical and commercially viable and will benefit an industry or industries with widespread market potential and high employment generation;
- b) provide loans at low interests for the development of promising inventions which can be easily transferred and commercialized; and
- c) support the sourcing and development of technologies that will provide the edge and strategic to areas that have high-growth and employment potentials.

The Fund, which shall be administered by the Department of Science and Technology shall be supported by an annual appropriations of FIVE BILLION PESOS (P5,000,000,000.00) from the national budget.

SEC. 6. Establishment of Science and Technology Parks. - The National Government, in coordination with the local government units shall cause the establishment of science and technology parks that will serve as centers for developing and commercializing indigenous technologies and those technologies

where the country has comparative advantage, contributes to export development and are appropriate to the industrial and agricultural needs of the different regions of the country.

The amount needed for the establishment of these parks shall be determined by the Department of Science and Technology in consultation with the local government units concerned.

SEC. 7. Support for Reverse Engineering. - The State shall support reverse engineering in order to encourage the local development and production of machines, equipments, tools and spare parts for use in the agriculture, industry, manufacturing and the service sector. The State shall also support innovation in such products as electronics, computers, automobiles and gadgetries.

SEC. 8. Acquisition of Technology. - In the purchase or any other form of acquisition of technology by the State, priority shall be given to technologies that are expected to:

- a) provide stable direct employment opportunities for at least one million people;
- b) raise the income level of people below the poverty line thru high value added;
- c) increase productivity in agriculture, industry, and service sectors by at least fifty percent (50%) within one year of using the technology;
- d) strengthen the linkage between the production and the product market;
- e) increase competitiveness in export;
- f) lead to self-sufficiency in food;
- g) lead to the development of the transport, telecommunications and the energy sectors.

SEC. 9. Incentives for Scientists. - All scientists working in technology research and development for small and medium scale enterprises (SMEs) shall be exempted from paying any and all kinds of income taxes in every year of service. Provided, that if the service rendered is less than one year only a proportionate exemption shall be allowed.

The Government shall hire foreign scientists who are known to be one of the best in other parts of the world and provided that they have maximum contribution in the development of a pioneering technology with very promising markets.

SEC. 10. Educational Reforms. - The State shall exert efforts to review and upgrade science and technology education in the country. The curricula in the educational system shall place heavy emphasis on science and technology sources in order to backstop the vision for industrialization.

SEC. 11. Effectivity. - This law shall take effect after fifteen (15) days from publication in the Official Gazette and a newspaper of general circulation.

Approved.