

Republic of the Philippines
HOUSE OF REPRESENTATIVES
Quezon City, Metro Manila

FIFTEENTH CONGRESS
First Regular Session

House Bill No. 195

Introduced by the Honorable ROILO GOLEZ

EXPLANATORY NOTE

The 1987 Constitution provides that the State shall give priority to science and technology and recognizes the indispensable role of the private sector, encourages private enterprise and shall provide incentives to needed investments (Section 20 of Article II). It provides further that the State shall promote a just and dynamic social order that will ensure the prosperity and independence of the nation and free the people from poverty through policies that provide adequate social services, promote full employment, a rising standard of living, and an improved quality of life for all (Section 9 of Article II). Moreover, the State recognizes the vital role of communication and information in nation-building (Section 24 of Article II) and shall promote the adaptation of technology from all sources for the national benefit (Section 12 of Article XIV).

Consistent with the above provisions of the fundamental law, the information technology (IT) sector must be supported and developed by the state, particularly small technology startup companies that have the ability to grow and expand rapidly on a relatively small capital due to the business prospects of the global market and opportunity provided by the Internet or the World Wide Web.

In my privilege speech entitled "Proud to be Pinoy" that I delivered during the 13th Congress, I pointed out that the Philippines is not lacking in manpower, talent, and skills in Information Technology (IT) related fields which must be harnessed and encouraged. I mentioned in the said speech of the fact that according to the 2002 Global New Economy Index (GNEI) of the META Group, a US-based research firm, the Philippines was given the highest rating in Southeast Asia for the "excellent availability" of skilled IT workers with high proficiency in mainframes, minicomputers and microcomputers as well as technical and business skills for information and communications technology (ICT) projects. The Philippines ranked fourth after India, Israel, and Ireland. A study on the Competitiveness of the Philippines' IT sector conducted by Gartner Research in March 2002 also confirmed the competitiveness of the Philippines

in world-class English language proficiency as an international language. Moreover, the IMD Competitiveness Yearbook 2005 cites the Philippines as one of the top 10 countries with competent senior managers and skilled workers

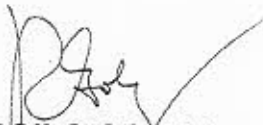
With the substantial pool of talent and available local IT skills of the Filipino workforce, the state must take notice and encourage IT entrepreneurship and startup companies engaged in producing and rendering software and online products and information processing e-services similar to or modeled after small start-up companies abroad that started small but became huge billion dollar or multi-billion dollar enterprises.

In the United States, technology start-up companies that started on a small-scale budget prospered and became multi-billion dollar corporations. Notable of these companies are Microsoft, MySpace, Amazon.com, Google, YouTube, and Pixar whose products and e-services can be modeled from or designed after and developed by Filipino IT entrepreneurs.

Undoubtedly, the small technology startups in the Philippines are well positioned in spawning development and is capable of growing at a rapid pace thru the means available on the Internet or the world wide web that has created a global market for high-value technology services and products, such as web portals, real-time messaging softwares, e-groups, online music and video sharing, web logging or blogging, online and video gaming, animation, and data warehousing, among others.

By assisting in the development of small to medium-scale technology startup companies in the country thru the establishment of an IT capital venture fund, we will help strengthen the global competitiveness of the Philippines as well as maximize the unlimited potential of capable Filipinos to develop breakthrough products in the IT field that can become multi-million or even multi-billion dollar bestsellers.

In view of the foregoing the passage of this bill is earnestly sought.



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**AN ACT TO ACCELERATE THE DEVELOPMENT OF INFORMATION
TECHNOLOGY STARTUP COMPANIES BY PROVIDING AN IT VENTURE
CAPITAL FUND AND FOR OTHER PURPOSES**

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

SECTION 1. This Act shall be known and cited as the "IT Venture
Capital Fund of 2010".

SEC. 2. *Declaration of State Policy.* - It is the policy of the State to
accelerate the development of information technology (IT) startup companies
consistent with Section 9, 20, and 24 of Article II and Section 12 of Article XIV
of the 1987 Constitution recognizing the indispensable role of the information
technology (IT) sector in driving modern business and enterprises as well as the
national economy and the country's global competitiveness.

SEC. 3. *Creation of IT Venture Capital Fund.* - There is hereby
created a one (1) Billion Peso IT Venture Capital Fund (ITVCF) to be
administered by the Department of Science and Technology (DOST) to cover
the initial or supplemental investment requirement of small technology startup
companies as contemplated in this Act. Funding for this Act shall come from
special appropriation by the Department of Budget and Management (DBM)
from budget surplus which shall be maintained by the DOST.

SEC. 4. *Release of Fund.* - The amount herein appropriated shall
be released to the authorized officials of the DOST by the Department of
Budget and Management (DBM) in accordance with existing budgeting laws,
rules and regulations as well as the 1987 Constitution particularly Section 24,
paragraph (4) of Article VI thereof requiring certification by the National

Treasurer of funds actually available to support the release of this special appropriation.

SEC. 5. *Target Beneficiaries.* - The following sectors shall be the exclusive beneficiaries of this Act: small technology startup companies engaged in high-value technology e-services and products based on a set criteria to be laid down by the DOST for the purpose, such as, but not limited to:

- a) web portals;
- b) real-time messaging softwares;
- c) e-groups;
- d) online music and video sharing;
- e) web logging or blogging;
- f) animation;
- g) web design;
- h) video games;
- i) online gaming;
- j) data warehousing;

SEC. 6. *Implementing Rules and Regulations.* - Within sixty (60) days from the effectivity of this Act, the DOST shall formulate the necessary rules and regulations necessary to implement the objectives of this Act, and shall create a Technical Working Group that will review and submit a quarterly report to the Oversight Committee of the House of Representatives and the Senate of the Philippines on the status and progress of the implementation of this Act.

SEC. 7. *Separability Clause* - If any provision of this Act, or portions thereof, be held or declared unconstitutional or invalid, the other provisions hereof which are not affected thereby shall continue to be in full force and effect.

SEC. 8. *Repealing Clause.* - All laws, executive orders, rules and regulations, or any part thereof inconsistent herewith are deemed repealed or modified accordingly.

SEC. 9. *Effectivity.* - This Act shall take effect fifteen (15) days after its publication in at least two (2) national newspapers of general circulation.

Approved,