

Republic of the Philippines  
**HOUSE OF REPRESENTATIVES**  
Quezon City

**SEVENTEENTH CONGRESS**  
Second Regular Session

**HOUSE BILL NO. 6227**



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Introduced by **HON. LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.**

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**EXPLANATORY NOTE**

In 1991, the Philippine Congress enacted into law Republic Act No. 6977, further amended by Republic Act No 8289 in 1997<sup>1</sup>, what is more commonly known as the "Magna Carta for Micro, Small and Medium Enterprises (MSMEs)". This landmark legislation is geared towards the development of the Filipino entrepreneurial spirit. With over 99% of establishments in the Philippines being MSMEs by 2015<sup>2</sup>, the Magna Carta provided a business environment conducive for their growth in the country.

It is clear that MSMEs play an important socioeconomic role in the country, and the laws enacted in support of the role it plays have helped sustained the growth this sector continuously seeks. If we play into the progress that this sector is experiencing, and harness the efforts being done, this will help promote sustainable economic and social development.

MSMEs have contributed over 60% of the total jobs generated by all types of business establishments. These industries, albeit small in scale, have a large impact on the nation's economy. Government has continually supported this sector of society through enactment of laws, such as Republic Act No. 10644 also known as the "*Go Negosyo Act*" which sought to push the development of small businesses

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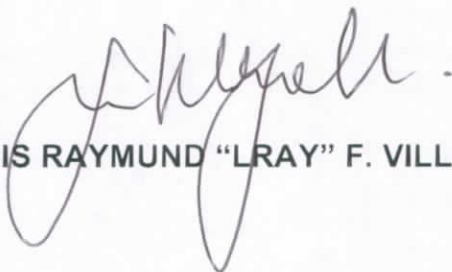
<http://philippines.smetoolkit.org/philippine/en/file/content/6887/en/magnacartaformicrosmallandmediumenterprises.pdf>

<sup>2</sup> <http://www.dti.gov.ph/businesses/msmes/msme-resources/msme-statistics>

through the establishment of "*Negosyo Centers*" in all provinces, cities and municipalities to help facilities access services for MSMEs in the area.

The proposed bill intends to build on what the Government has done for the MSMEs by improving innovation governance in the country and promote a culture of strategic planning and innovation. The State recognizes research and development as essential for national development and progress and that innovation is a key driver of economic growth and competitiveness. The bill seeks to create a National Innovation Council and develop a National Innovation Agenda and Strategy Document to establish the country's vision and long-term goals for innovation and provide a road map thereof. The bill also focuses on MSME Innovation with a provision to develop strategies towards promoting MSME internationalization through a comprehensive support program, from incorporation to internationalization.

In view of the foregoing, the approval of this bill is earnestly sought.



LUIS RAYMUND "LRAY" F. VILLAFUERTE, JR.

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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 the House of Representatives of the  
Philippines in Congress Assembled:*

**Section 1. Short Title.** – The Act shall be known as "The Philippine Innovation Act".

**Section 2. Declaration of Policies.** – In conformity with the provision of the Constitution that recognizes science and technology as "essential for national development and progress" and gives priority to "research & 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 will be guided by a strategic direction towards strengthening the country's knowledge-based economic development that benefits all.
- 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 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.
- 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.

**Section 3. *Definition of Terms.*** – The following terms shall have their respective meanings:

- a) "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;

- b) "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;
- c) "Inclusive Innovation" refers to the creation of new ideas that results to the development of new products, processes and services that help improve to the welfare of lower-income and marginalized groups;
- d) "Innovation" means 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;
- e) "Innovation Alliance" refers to a coalition of research and development-based technology companies, academic or educational institutions, and/or come together to support innovative efforts and enterprises;
- f) "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;
- g) "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 policy making and implementation including program delivery and monitoring, as well as the process of coordination and collaboration across public institutions and with relevant stakeholders;
- h) "Innovation Networks" refer to the interconnected system of companies and organizations in the knowledge infrastructure, strongly focused on innovation;
- i) "Innovative Goods and Services" refer to new or significantly improved products, services, processes, technical specifications or components, methods, and tools that enhance government's ability to deliver services;
- j) "Marketing Innovation" refers to significant changes in product design or packaging, placement, promotion or pricing;

- k) "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;
- l) "Organizational Innovation" refers to business practices, workplace organization or external relations;
- m) "Policy Innovation" refers to the introduction of new or significantly different solutions to policy problems;
- n) "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;
- o) "Process Innovation" refers to the implementation of a new or significantly improved production or delivery method;
- p) "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 users;
- q) "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;
- r) "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;
- s) "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;
- t) "Technology Platforms" are 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;

- u) "Technology Programs" refer to programs that link industrial, academic or educational RD&E efforts towards building national capacities in developing industrially important technologies;
- v) "Traditional Cultural Expressions" refer to forms in which traditional culture is expressed; passed down from generation to generation, they form part of the identity and heritage of a traditional or ingenuous community; and
- w) "Traditional Knowledge" refers to a living body of knowledge, innovations, systems, and practices of indigenous peoples and local communities developed, sustained and passed on from generation to generation within a community, and often forming part of the community's cultural heritage or spiritual identity.

**Section 4. Objectives.** – The overarching 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 objective 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 as driver for sustainable and inclusive growth;
- 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, specially 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 & development institutions and communities towards promoting inclusive growth and improving the quality of life through innovation.

**Section 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; among others. 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 in the agricultural sector and of the MSMEs, and for promoting over-all public welfare. As such, the National Innovation Council (NIC), as created in Sec. 9, shall set the country's innovation goals and priorities, as well as assess the innovation programs of various agencies, guided by this provision.

**Section 6. *National Innovation Agenda and Strategy Document.*** – The National Innovation Council (NIC), created under this Act, shall develop a National Innovation Agenda and Strategy Document (NIASD) that establishes the country's vision and long-term goals for innovation and provides a road map and the strategies for improving innovation and provides a road map 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 will 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 will also include the innovation priority areas for which resources and budget will be provided. The agenda and strategies shall have a minimum of ten-year horizon, subject to periodic review by the NIC.

All agencies shall strictly comply with the NIASD and will pursue this as a collective, national effort. The agencies concerned will incorporate pertinent programs in their respective work programs and action plans, guided by the NIASD.

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

**Section 7. *Considerations in Setting Priority Areas for Innovation.*** – It is vital that the challenges in the following areas be considered in developing the country's priorities for innovation:

- Food security and sustainable agriculture;
- The blue economy;
- Education and the academe;
- Health;
- Secure, clean and reliable energy;
- Climate change and disaster resilience;
- Resource efficiencies;
- National and community-based comparative advantages in the context of Global Value Chains;
- Comparative strengths and advantages of sectors and communities;
- Potentials for innovation of traditional knowledge, traditional cultural expressions and genetic resources;
- Infrastructure needs;
- Governance; among others.

The NIC, in consultation with various sectors, will identify the priority areas as provided for in Sec. 5 of this Act.

**Section 8. *Inclusive Innovation.*** – The NIC shall develop strategies to promote creation of new ideas that will be developed into new, quality products, processes, and services that are aimed at improving the welfare of low-income and marginalized groups, as well as create livelihood opportunities for these sectors.

The NIC will likewise 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 will be incorporated in the NIASD.

**Section 9. *The National Innovation Council.*** – A National Innovation Council (NIC) is hereby established to develop the country's innovation goals, priorities and long-term national strategy.

The NIC shall be constituted by the following:

- a) President of the Philippines – Chairperson
- b) Director General of the National Economic and Development Authority – 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 Interior and Local Government – Member

- p) Secretary of Foreign Affairs – Member
- q) Director-General of the Intellectual Property Office – Member
- r) Seven Executive Members to be appointed by the President

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

There shall be at least one representative from the MSME sector, and at least one from the business sector. The representative 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 should have at least 7 years of experience in the field of science and technology, research and development, or innovation.

The President may designate the Executive Secretary to preside over the meetings of the NIC in his absence. The Department Secretaries and other members may not designate alternate representatives other than their respective undersecretaries to the meetings of the NIC.

**Section 10. *Functions of the NIC.*** – The NIC shall have the following functions:

- a) Develop the country's strategic vision for innovation and long-term innovation goal;
- b) Develop the country's innovation strategies to ensure coherent strategic direction and programs by government agencies;
- c) Set the country's innovation priorities;
- d) Serve as a source of strategic intelligence for national research and innovation policymaking;
- e) Engage technological expertise in strategic and innovation policymaking;
- f) Coordinate with various sectors and agencies to promote policy and program coherence;
- g) Monitor and assess the country's strategic and innovation programs;
- h) Regularly review and update the country's strategic and innovation policies;

- i) Guided by the legal mandates of the agencies/LGUs concerned, identify and task government agencies and LGUs that will be tasked to implement specific strategic under the NIASD;
- j) Communicate the country's innovation policies, priorities, and agenda to local and international publics;
- k) Establish and administer the Innovation Fund;
- l) Identify and/or approve programs that may qualify for funding from the Innovation Fund;
- m) Develop metrics and monitor the progress of strategic innovation programs, including publicly-funded RD&E projects;
- n) Submit annual reports to the Philippine Congress on the progress of implementation of this Act; and
- o) Undertake other functions as mandated under this Act.

**Section 11. *Secretariat to the Council.*** – A Secretariat to the NIC shall be established within NEDA, to be headed by an Executive Director who will be appointed by the President and will have the rank of Undersecretary. The Executive Director shall have at least seven (7) years of experience and practice in the fields of Science and Technology, Research & Development, MSME, Innovation, Finance, or Business Management to qualify for appointment. The Executive Director will be nominated by the NIC.

An NIC Secretariat is hereby established whose staffing structure and complement will be submitted by the NIC to the Department of Budget and Management for funding. Pending creating of these positions, the NIC shall constitute an interim Secretariat within one month from the adoption 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 in innovation, policymaking and priority setting;

- c) Coordinate with various agencies of the government, the private sector, academe, scientific community, and other sector towards achieving policy and program coherence;
- d) Gather strategic intelligence and information to support the NIC in its policy making, as well as goal and strategy setting;
- e) Build strategic intelligence on human capital development;
- f) Assess the effectiveness of existing S&T and Innovation grant programs and scholarships and submit recommendations to the NIC on these programs guided by the NIASD;
- g) Draft a set of "relevance criteria" which will be used by the NIC to evaluate RD&E proposals for public funding through the Innovation Fund;
- h) Develop and administer metrics for monitoring and evaluation of the country's innovation programs;
- i) Develop recommendations for consideration by the NIC; and
- j) Perform other functions as may be directed by the NIC.

**Section 12. *MSME Innovation.*** – The NIC will develop strategies towards promoting MSME internationalization and participation in the local and global value chains. A comprehensive support program, from incorporation to internationalization, will be developed by the NIC and implemented by the agencies concerned. These programs will 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; patent; among others.

The government, through the DTI, shall encourage and support the establishment of business incubators, in partnership with the private sector, towards fostering collaboration between small and big businesses in promoting skills and technology transfer, supplier development, access to finance, and creating marketing opportunities for MSMEs.

The DTI will scope high productivity innovative businesses to help them identify and exploit opportunities in overseas markets.

The NIC shall develop metrics for purposes of assessing the progress of work in these areas.

**Section 13. *Regional Innovation and Cluster Policy.*** – The NIC will 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 will help coordinate and monitor the implementation of the NIASDs in their respective regions.

Cluster policies or strategies shall be adopted by the NIC as a significant component 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, will be considered.

The cluster policies shall be adopted to focus on regional hubs or provinces or sectors such as MSMEs, large firms, spinoffs and start-ups, 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 will be incorporated in the annual General Appropriations Act.

Cluster strategies and programs will be implemented through the agencies concerned through a well-coordinated system facilitated by the NIC.

**Section 14. *Strategic Research, Development and Extension Programs.*** – The NIC, guided by the country's innovation agenda and development goals, will develop RD&A themes. These themes will 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 will develop a "relevance criteria" that will be administered by the agencies concerned in the selection of RD&E projects or programs for funding. It shall likewise prepare an inventory of academic or educational and RD&E institutions, together with their resources and

capacities to undertake RD&E. This will provide the strategic intelligence for RD&E public funding and grants.

The NIC will also monitor the implementation of these RD&E projects and ensure that these comply with the criteria established for the purpose and meets the objectives for which these 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 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 will recommend to Congress the annual proposed level of Gross Expenditure on R&D (GERD) based on the National Innovation Agenda and Strategy Document. This recommendation will be submitted by the beginning of each annual budget cycle.

**Section 15. *Innovation Instruments.*** – The government shall employ a range of instruments to achieve the objectives of this Act. These instruments include:

- a) Technology programs
- b) Innovation centers
- c) Innovation networks
- d) Technology platforms
- e) Cluster policies
- 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 Sec. 16, 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.

**Section 16. *Whole of Government Approach.*** – In order to effectively drive innovation across all areas of government policy – spanning education, training, health, energy, communication, industry, science & 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, will observe the “whole of government approach” provided herein:

- a) National Economic Development Authority
- b) Department of Science and Technology
- c) Department of Trade and Industry
- d) Department of Agriculture
- e) Department of Environment and Natural Resources
- f) Department of Health
- g) Department of Energy
- h) Department of Transportation
- i) Department of National Defense
- j) Department of Information and Communications Technology
- k) Department of Budget and Management
- l) Department of Interior and Local Government

- m) Department of Foreign Affairs
- n) Department of Education
- o) Commission on Higher Education
- p) Intellectual Property Office

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 adoption 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 required under other laws related to innovation, with the view to harmonizing and achieving efficiencies in the preparation of these reports. Reporting guidelines will 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.

**Section 17. *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 Department of Labor and Employment, the Bureau of Immigration, the Bureau of Customs, the Department of Foreign Affairs, among other agencies, will establish the necessary mechanisms to facilitate the participation of qualified members of the Filipino Diaspora in the country's innovation drive.

The NIC will 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 will develop the guidelines for this purpose, coordination with the DOST and other agencies that have existing programs and funding for purposes of mobilizing overseas Filipino talents for innovation and S&T efforts.

**Section 18. *Intellectual Property System and Management.*** – Republic Act No. 8293, as amended, or the Intellectual Property Code of the Philippines, will 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 Intellectual Property Office 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. Towards this end, it shall streamline administrative procedures of registering patents, trademarks, copyrights, industrial designs and geographical indications to liberalize the registration on the transfer of technology, and to enhance the enforcement of intellectual property rights in the Philippines. Reforms to this effect shall be reported to the NIC within six (6) months from the adoption of this Act.

It shall undertake programs to assist MSMEs in the registration of patents, trademarks, copyrights, industrial designs and geographical indications.

**Section 19. *Advocacy and Community Education.*** – The NIC, in cooperation with the various agencies concerned, will undertake an information and community education program to rally everyone around the country's innovation agenda and priorities, and to generate public support to 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 will 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.

The NIC will develop a communication plan for this purpose.

**Section 20. *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 Secretariat which shall screen and approve qualified proposals.

Subject to availability of funds, an initial amount of One Billion Pesos (Php 1,000,000,000), to be sourced by the DBM from government savings, 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.

**Section 21. *Removing Barriers to Innovation.*** – The NIC and its member government agencies shall eliminate regulatory barriers and cut red tape to boost innovation efforts. Towards this end, the NIC shall facilitate consultations with stakeholders to identify and remove barriers to accelerating innovation efforts, including but not limited to 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 will 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 will identify these indicators for purposes of issuing the guidelines and monitoring its strict implementation.

**Section 22. *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 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.

**Section 23. *Government Procurement.*** – Public procurement shall be conducted in accordance with Republic Act No. 9184 or the Government Procurement Reform Act and its Implementing Rules and Regulations.

To help stimulate innovation in the country, the NIC, in coordination with the Government Procurement Policy Board, shall develop public procurement guidelines, as authorized under RA 9184, covering the following:

- a) Innovative Goods and Services – Requirements for innovative goods and services shall be identified, together with the clear output 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 for this purpose shall ensure efficiency, transparency, timeliness and relevance in the procurement process.

**Section 24. Rules and Regulations.** – The NIC shall promulgate the implementing rules and regulations (IRR) and other issuances as may be necessary to ensure the effective implementation of this Act within sixty (60) days from its adoption.

**Section 25. 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.

**Section 26. *Separability Clause.*** – Should any provision herein be subsequently declared invalid or unconstitutional, the same shall not affect the validity or the legality of other provisions not so declared.

**Section 27. *Repealing Clause.*** – All laws, decrees, executive orders, rules and regulations, or parts thereof which are inconsistent with this Act are hereby repealed, amended or modified accordingly.

**Section 28. *Effectivity.*** – This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in a newspaper of general circulation.

*Approved,*