

HOUSE OF REPRESENTATIVES

Quezon City

NINETEENTH CONGRESS

Third Regular Session

House Bill No. **11036**



Introduced by Representative PABLO JOHN F. GARCIA

EXPLANATORY NOTE

This bill seeks to address the pervasive digital divide in the Philippines, where internet access and digital literacy vary significantly across regions. Studies reveal that only 35% of Filipinos had internet access as of 2023,¹ with urban areas enjoying better connectivity than rural locations. The National Economic and Development Authority (NEDA) has underscored that digital inclusion is critical for economic growth, with the digital economy contributing approximately 8.4% to GDP as of 2023.² To accelerate digital development and create equitable access, this bill mandates affordable and quality internet for all, empowering citizens and businesses alike to participate fully in the digital economy.

A key element of this bill is a blended finance framework that incentivizes private companies to build and expand ICT infrastructure in underserved and remote areas. While private sector investment has driven digital advancements in metropolitan regions, rural access remains sparse. The International Telecommunication Union (ITU) recommends blended financing models to close these gaps.³ This bill aligns with these recommendations by offering tax incentives, subsidies, and prioritized access to government resources for ICT infrastructure development. Local Government Units (LGUs) will be empowered to partner with private sector stakeholders to expedite infrastructure projects that fulfill these objectives.

Additionally, the bill establishes a Digital Literacy Program led by the Department of Education (DepEd) and the Technical Education and Skills Development Authority (TESDA). Data shows that only 55% of Filipinos are digitally literate, indicating a

¹ <https://www.philstar.com/headlines/2023/06/14/2273740/dict-65-philippines-not-connected-internet>

² <https://www.trade.gov/country-commercial-guides/philippines-digital-economy>

³ <https://www.chathamhouse.org/2022/12/building-global-prosperity/07-closing-digital-infrastructure-and-connectivity-gap>

significant skills gap that could hinder economic competitiveness and social mobility.⁴ Digital literacy initiatives will be integrated into educational curricula and community programs, equipping citizens with essential skills for the digital economy. Programs like Singapore's Infocomm Media Development Authority (IMDA) have successfully increased digital literacy rates to over 80% by targeting all demographic sectors, a model that this bill seeks to emulate for inclusive and sustained development.

To enforce accountability, this bill imposes penalties on non-compliant telecommunications providers and private partners. Companies failing to meet agreed-upon service quality and accessibility benchmarks will face substantial fines, ensuring adherence to project timelines and quality standards. Funds collected from these penalties will support the Digital Inclusion Fund, earmarked for infrastructure improvements and digital literacy efforts across underserved regions.

This legislation represents a holistic approach to closing the digital divide in the Philippines. By leveraging public-private partnerships, enhancing digital literacy, and implementing strict compliance measures, the bill aligns with national development goals of inclusive growth and economic empowerment. Ensuring digital access for all Filipinos not only addresses immediate connectivity gaps but also creates pathways for educational attainment, job creation, and socio-economic mobility, fostering a more resilient and digitally capable society.



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⁴ <https://journalnews.com.ph/house-passes-e-governance-act-for-faster-services-to-the-public/#gsc.tab=0>

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AN ACT

**PROMOTING DIGITAL INCLUSION THROUGH UNIVERSAL INTERNET ACCESS,
DIGITAL LITERACY PROGRAMS, AND INFRASTRUCTURE DEVELOPMENT, AND
PROVIDING FUNDS THEREFOR**

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

Section 1. Short Title. This Act shall be known as the “Digital Inclusion Act.”

Section 2. Declaration of Policy. It is hereby declared the policy of the State to bridge the digital divide by providing universal and affordable access to information and communication technologies (ICT); establishing ICT infrastructure across the country, especially in underserved and unserved areas; improving digital literacy and skills development across all sectors of society, especially for marginalized groups; fostering a sustainable and equitable digital economy by enhancing e-governance, e-learning, e-commerce and other digital services; and encouraging private sector participation and innovation in the provision of ICT services. The State recognizes that access to ICT is essential for inclusive economic growth, social equity, and participation in the global digital economy.

Section 3. Definition of Terms. For the purposes of this Act, the following terms shall be defined as follows:

- a. Digital Divide refers to the gap between individuals, households, businesses, and geographic areas at different socio-economic levels with regard to their access to ICT, including the internet.

- b. ICT Infrastructure refers to the physical and technical infrastructure needed to support information and communication technologies, including but not limited to broadband networks, mobile networks, fiber optics, and satellite connections.
- c. Underserved Areas refers to areas where ICT infrastructure exists but is insufficient to meet demand.
- d. Unserved Areas refers to areas where ICT infrastructure is not available.

Section 5. Universal Internet Access Program. The Department of Information and Communications Technology (DICT), in coordination with local government units (LGUs) and the private sector, shall implement a Universal Internet Access Program to ensure that all Filipinos have access to reliable, high-speed, and affordable internet by 2030. The program shall include subsidized internet fees for low-income households, students, and micro-businesses and incentives to telecommunications companies that will offer discounted internet services for low-income households, students, and micro-businesses.

Section 6. ICT Infrastructure Development. The DICT shall expedite the rollout of the National Broadband Plan to ensure the nationwide installation of broadband infrastructure, with a focus on underserved and unserved areas. A Digital Infrastructure Fund is hereby established to finance ICT infrastructure projects, particularly in rural and geographically isolated areas. The fund may also be used to upgrade existing infrastructure and integrate new technologies such as 5G, satellite communications, and fiber optics.

Section 7. Digital Literacy and Capacity-Building Programs. The DICT, in coordination with the Department of Education (DepEd), the Commission on Higher Education (CHED), and the Technical Education and Skills Development Authority (TESDA) shall develop and integrate digital literacy programs into the curriculum at all educational levels. The DICT shall also conduct nationwide digital literacy campaigns aimed at marginalized sectors such as senior citizens, women, persons with disabilities, indigenous peoples, and out-of-school youth, to ensure equitable access to digital opportunities. TESDA, in collaboration with the private sector, shall offer ICT skills training programs, including coding, web development, data analytics, and other relevant fields to meet the needs of the growing digital economy.

Section 8. Blended Finance for ICT Development. The government shall promote and facilitate blended financing models to improve ICT infrastructure, increase competition in the telecommunications sector, and foster innovation in digital services. Participating ICT developers, as duly certified by the DICT and in consultation with the Board of Investments (BOI), shall be entitled to the following incentives:

- a. Income Tax Holiday (ITH) - For the first three (3) years of its commercial operations, the duly registered ICT developer shall be exempt from income taxes levied by the national government.
- b. Duty-free Importation of ICT Machinery, Equipment and Materials - Within the first five (5) years upon the issuance of a certification of an ICT developer, the importation of machinery and equipment, and materials and parts thereof, shall not be subject to tariff duties: Provided, however, That the said machinery, equipment, materials and parts are directly and actually needed and used exclusively in the ICT facilities is covered by shipping documents in the name of the duly registered ICT developers to whom the shipment will be directly delivered by customs authorities: Provided, further, That endorsement of the DICT is obtained before the importation of such machinery, equipment, materials and parts are made or before any sale, transfer or disposition of the imported capital equipment, machinery or spare parts is made.
- c. Zero Percent Value-Added Tax Rate. - The sale of duly-certified ICT infrastructure shall be subject to zero percent (0%) value-added tax (VAT), pursuant to the National Internal Revenue Code (NIRC) of 1997, as amended by Republic Act No. 9337.

Section 9. Monitoring and Evaluation. The DICT, in collaboration with the National Economic and Development Authority (NEDA) and other relevant agencies, shall monitor the implementation of this Act and submit an annual report to Congress on the progress of the Universal Internet Access Program, infrastructure development, and digital literacy initiatives.

Section 10. Funding. The amount necessary for the initial implementation of this Act shall be charged to the current year's appropriations of the DICT and other relevant agencies. Thereafter, such sums as may be necessary for its continued implementation shall be included in the annual General Appropriations Act (GAA).

Section 11. Penalty Clause. Penalties shall be imposed to any individual, entity, or partner found in violation of the following:

- a. Failure to meet service and accessibility standards starting from a fine of not less than PHP 500,000 for each month of non-compliance.
- b. Falsification of data, failure to disclose project delays, or concealment of financial data will incur a fine of not less than PHP 1,000,000 and potential disqualification from future government contracts under the New Government Procurement Act.
- c. Unjustified delays beyond the agreed project timeline shall be penalized with an additional fine equivalent to 5% of the project's total contract value for each quarter delayed.

Parties subject to penalties may file an appeal to the DICT within 15 days of the penalty notice. The DICT shall resolve appeals within 30 days; however, penalties shall remain in effect during the appeal process.

The DICT, in coordination with relevant government agencies, is tasked with the collection of fines and enforcement of penalties. Collected fines shall be allocated to a Digital Inclusion Fund dedicated to furthering the objectives of this Act, particularly in rural and underserved areas.

Section 13. Implementing Rules and Regulations. The DICT, in coordination with relevant agencies, shall issue the necessary rules and regulations for the effective implementation of this Act within ninety (90) days from its effectivity.

Section 14. Separability Clause. If any provision or part of this Act is declared unconstitutional or invalid, the remaining provisions shall not be affected and shall remain in full force and effect.

Section 15. Repealing Clause. All laws, executive orders, administrative orders, rules, regulations, or parts thereof inconsistent with the provisions of this Act are hereby repealed or modified accordingly.

Section 16. Effectivity. This Act shall take effect fifteen (15) days after its publication in the Official Gazette or in two (2) newspapers of general circulation.

Approved,