

# **IMPLEMENTING RULES AND REGULATIONS OF REPUBLIC ACT NO. 11337 OR THE “INNOVATIVE STARTUP ACT”**

Pursuant to the provisions of Section 19 of Republic Act No.11337, otherwise known as the “Innovative Startup Act”, the Department of Science and Technology (DOST), Department of Trade and Industry (DTI), and the Department of Information and Communications Technology (DICT), hereby adopt and promulgate the following rules and regulations:

## **CHAPTER 1 GENERAL PROVISIONS**

### **Rule 1 Preliminary Provisions**

**Section 1. Title.** This Implementing Rules and Regulations (IRR) shall be known and cited as the “Implementing Rules and Regulations of the Innovative Startup Act.”

**Section 2. Purpose.** The purpose of this IRR is to provide guidelines on the operationalization of the Innovative Startup Act.

**Section 3. Declaration of Policy.** It is hereby declared the policy of the State to foster inclusive growth through an innovative economy by encouraging a culture of innovation and streamlining government and non-government initiatives, in both local and international spheres, to create new jobs and opportunities, improve production, and advance innovation and trade in the country.

To this end, the State shall provide incentives and remove constraints aimed at encouraging the establishment and operation of innovative new businesses, businesses crucial to their growth and expansion, and to strengthen, promote, and develop an ecosystem of businesses and government and nongovernment institutions that foster an innovative entrepreneurial culture in the Philippines.

**Section 4. Relation to other Laws on Startups and Innovation.** This IRR recognizes the existing policies of the State on innovation insofar as their provisions have not been amended or repealed by Republic Act (RA) No. 11337.

**Section 5. Construction and Interpretation.** This IRR shall be construed and interpreted in light of the declaration of policy under Section 2, Chapter 1 of RA 11337. Any doubt in the interpretation of this IRR shall be resolved in a manner consistent with the policy of the State to promote science and technology to accelerate social progress and promote total human liberation and development (Section 17, Article II of the 1987 Philippine Constitution), to recognize the indispensable role of the private sector, encourage private enterprise, and provide incentives to needed investments (Section 20, Article II of the 1987 Philippine Constitution), and shall be resolved in favor of promoting innovation and entrepreneurship.

## **Rule 2**

### **Definition of Terms**

**Section 1.** All the terms in RA 11337, otherwise known as the “Innovative Startup Act”, shall retain their respective meanings in this IRR. In addition, the following terms shall mean:

- (a) **Beneficiary** - any person or entity that has derived any advantage/s, benefit/s, and/or incentive/s under RA 11337, its IRR, or any related issuances.
- (b) **Commercialization** - the process of bringing new goods, products and services, or a combination thereof, to market for economic gain.
- (c) **Host Agency** - the Department of Science and Technology (DOST), Department of Trade and Industry (DTI), Department of Information and Communications Technology (DICT), or any national government agency, attached agency, government-owned and controlled corporation (GOCC), local government unit, or public academic institution that provides programs, benefits and incentives to startups or startup enablers as defined in the Act.
- (d) **Innovation** - the creation of new ideas that result in the development of new or improved products, processes, business models, or services which are then spread, transferred or commercialized. Innovation can be a product, a process, or service that is new, original, or improved, which creates social, economic, or environmental impact.
- (e) **Innovative Business Model** - a new organizational method in business practices, workplace organizations or external relations.
- (f) **Innovative Process** - a new or significantly improved production or delivery method through changes in techniques, equipment, and/or software.
- (g) **Innovative Product** - a good or service that is new or significantly improved, such as improvements in technical specifications, component materials, software in the product, user friendliness or other functional characteristics.
- (h) **Research and Development** is comprised of creative work undertaken on a systematic basis in order to increase the stock of knowledge, including knowledge of man, culture and society, and the use of this stock of knowledge to devise new applications through the conduct of the following activities:
  - (i.) **Fundamental or Basic Research** - refers to the experimental or theoretical work undertaken primarily to acquire new knowledge on underlying phenomena and observable facts. This can either be: (1) without immediate or specific application or “fundamental research”; or (2) geared to come up with information toward the solution of a specific problem that

has not been solved before or "basic oriented research". This category includes natural and social sciences among other areas.

- (ii.) **Applied Research** - refers to investigation undertaken in order to utilize data or information gathered from fundamental or basic researches or to acquire new knowledge directed primarily towards a specific practical aim or objective with direct benefit to society.
- (iii.) **Experimental Development** - refers to systematic work that draws from existing knowledge gained from research and/or practical experience that is directed to:
  - a. produce new materials, products, prototypes, or devices;
  - b. install new processes, systems, or services; or
  - c. substantially improve those already produced or installed.
- (iv.) **Pilot Testing** - refers to innovative scaled-up (greater than laboratory or bench scale) activity aimed at gaining experience that may lead to further technical improvement of product or production process, and setting the parameters before the technology transfer of the process / product and design of the equipment.
- (i) **Startup** – any person or entity registered in the Philippines which aims to develop an innovative product, process, or business model.

For purposes of this IRR:

A **person** refers to a natural person who is Filipino citizen or foreign national.

An **entity** refers to a juridical person registered in the Philippines, including but not limited to, sole proprietor, company, partnership, joint venture, cooperative, or association.

- (j) **Startup Enabler** - any person or registered entity in the Philippines registered under the Philippine Startup Development Program that provides goods, services, or capital identified to be critical in supporting the operation and growth of startups by the DTI in consultation with DOST, DICT, and pertinent government and nongovernment organizations (NGOs).

Startup enablers shall include startup accelerators, incubators, co-working spaces, investors, funders, event or meetup organizers catered to startups, and other support organizations.

### **Rule 3**

#### **Philippine Startup Development Program**

**Section 1. Philippine Startup Development Program.** There is hereby created a Philippine Startup Development Program, hereinafter referred to as the “Program”.

The Program shall be composed of programs, benefits, and incentives for startups and startup enablers promulgated through the respective mandates of national government agencies, and through additional mandates provided by the provisions of RA 11337.

The Program shall also include programs, benefits, and incentives for startup and startup enablers extended by NGOs in partnership with any national government agency.

The Program shall support startups from ideation, product development, marketing and expansion.

The DOST, DTI, and DICT shall review their respective programs, benefits, and incentives and shall jointly develop the Program. They shall assess, monitor, and expand the Program consistent with the objectives of RA 11337. To this end and in consultation with government and NGOs, they shall set key metrics to track the impact and development of the Program.

As lead host agencies, the DOST, DTI, and DICT shall constitute a Steering Committee for the implementation of this IRR and the management of the Program.

**Section 2. Program Objectives.** The Program shall aim to achieve the following:

- (a) Support the research and development of startups and startup enablers in the Philippines;
- (b) Support and promote the access to startup development programs, such as, but not limited to, capacity building, exchange programs, and expert training courses, offered locally and internationally for startups, startup enablers, and the implementers of the Program;
- (c) Support and promote the participation of startups in international competitions and conferences integral to the promotion of the Philippine startup ecosystem;
- (d) Support the participation of startups in local and international events which aim to link them to potential investors, mentors, collaborators, and customers;
- (e) Support the collaboration of startups, startup enablers, national government agencies, attached agencies, GOCCs, local government units, public and private academic institutions, and industry partners to develop innovative

products, processes or business models which may be utilized in the delivery of public services, programs, or projects of host agencies;

- (f) Support the development and growth of enterprises whose innovative product, service, or business model is integral to creating a competitive startup community in the Philippines; and
- (g) Develop and amend policies and regulations, in consultation with concerned agencies including, but not limited to, Bureau of Internal Revenue (BIR), Commission on Audit (COA), Department of Budget and Management (DBM), Securities and Exchange Commission (SEC), and the Anti-Red Tape Authority (ARTA) to address or remove undue restrictions in the implementation of the Program, and in the development, establishment, and growth of startups and startup enablers to promote ease of doing business.

**Section 3. General Roles and Responsibilities of the Host Agencies.** The DOST, DTI, DICT, and other Host Agencies shall have the following general roles and responsibilities in the implementation of RA 11337 and this IRR:

- (a) Promulgate the appropriate policies, guidelines, rules and regulations in accordance with their respective agency charters and enabling laws, for the coordinated implementation of the Program through joint orders, memoranda of understanding, and other similar issuances;

In accordance with their respective agency charters and enabling laws, the DOST, DTI, DICT, and other host agencies shall issue the guidelines that are specifically required under RA 11337 and its IRR, and those that are deemed necessary for their effective and efficient implementation. Each host agency shall ensure proper coordination between and among other concerned host agencies in the formulation and promulgation of such guidelines.

The host agencies shall formulate and align their respective guidelines with the guidelines to be issued by the Steering Committee. In the formulation of future regulatory policies and plans, host agencies will consult with startups, startup enablers, and other concerned national and local government agencies.

- (b) Monitor and evaluate the impact and applicability of the initiatives, benefits and incentives that compose the Program upon the guidance of the Steering Committee;
- (c) Promote efficient, transparent, and equitable access to the benefits, incentives, and opportunities for startups and startup enablers; and
- (d) Ensure the immediate and efficient provision of the benefits and incentives provided under RA 11337 by supporting the streamlining and automation of

processes for startup/startup enabler registration, program application, and availment of benefits and incentives.

**Section 4. Specific Roles and Responsibilities of Lead Host Agencies.** The DOST, DTI, and DICT shall have the following specific roles and responsibilities in the implementation of RA 11337 and this IRR:

- (a) The DTI is tasked to promulgate the rules for the efficient registration and assessment of startup enablers to be registered under the Program and to initiate and coordinate with national and local government agencies involved with the registration, licensing, certification, including those who levy fees and charges for services subsidized by host agencies, and such other regulatory process to be undertaken by startups and startup enablers endorsed by host agencies.

The rules for startup enabler registration under the Program shall be stipulated in a set of guidelines, which shall include, among others, requirements for registration; procedures for application, assessment, and accreditation; and criteria/qualifications for eligibility.

- (b) The DTI, in coordination with ARTA and DICT, and concerned national and local government agencies, including, but not limited, to the Bureau of Internal Revenue (BIR), Securities and Exchange Commission (SEC), the Department of Labor and Employment (DOLE), and the Department of the Interior and Local Government (DILG), shall provide the venue for ease of starting their business to allow for the seamless business registration of startups and remove regulatory, informal and other obstacles to their innovative undertaking, which include the following:

- (i.) Establishment of a one-stop shop (the Startup Business One-Stop Shop, or Startup BOSS) where end-to-end registration of startups may be facilitated; it shall serve as a platform containing all information on the legal and regulatory processes involved from opening, operating, to closing or exiting a startup, in consonance with RA 11032, otherwise known as the Ease of Doing Business and Efficient Government Service Delivery Act of 2018 and other similar laws;
- (ii.) Coordination with respective LGUs and other concerned government agencies, through DTI field offices (such as Negosyo Centers) for the processing of application of permits and licenses of startups.

- (c) The DICT shall keep a joint database of all programs as well as startups and startup enablers who have availed of the benefits and incentives granted by the host agencies.

- (d) The DOST shall align the rules under RA 11337 in awarding Grants-In-Aid to startups.

## **CHAPTER 2 BENEFITS AND INCENTIVES**

### **Rule 1**

#### **Registration and Operational Benefits and Incentives**

**Section 1. General Registration and Operational Benefits and Incentives.** Host agencies shall be authorized to provide the following benefits and incentives to startups and/or startup enablers who have passed their selection and application process:

- (a) Full or partial subsidy for the registration and cost in the application and processing of permits and certificates required for the business registration and operation of an enterprise with the appropriate local or national government agencies;
- (b) Endorsement of the host agency for the expedited or prioritized processing of applications with other government agency;
- (c) Endorsement to the Intellectual Property Office of the Philippines (IPOPHL) for appropriate assistance and expedited intellectual property registration and protection, consistent with the law and existing rules and regulations;
- (d) Endorsement to the Department of Foreign Affairs (DFA) for the expedited processing of appropriate visas;
- (e) Full or partial subsidy for the use of facilities, office space, equipment, and/or services provided by government or private enterprises or institutions;
- (f) Full or partial subsidy in the use of repurposed government spaces and facilities of the host agency as the registered business address; and
- (g) Grants-in-aid (GIA) for research, development, training, and expansion projects.

**Section 2. Issuance of Subsidies.** Full or partial subsidies provided by the host agency may be incorporated in the approved Grants-In-Aid of the startup or startup enabler, or may be issued through vouchers issued by the host agency.

**Section 3. Guidelines for Application and Availment.** The requirements, process, and granting of applications for benefits, incentives, and subsidies will be promulgated by the Steering Committee.

## **Rule 2**

### **Participation in Startup Events and Competitions**

**Section 1. General Benefits for Participants in Local and International Startup Events.** Host agencies shall be authorized to provide the following benefits and incentives in order to support members of startups and/or startup enablers who have passed their respective selection and application process for the purpose of participating in local or international startup events or competitions:

- (a) Endorsement of the host agency for the expedited or prioritized processing of travel documents, such as, but not limited to, passport and/or visa application;
- (b) Full or partial subsidy for fees and charges incurred in the application for pertinent travel documents;
- (c) Full or partial subsidy for baggage allowance for materials, equipment, and/or products pertinent to the participation in the local or international startup event;
- (d) Full or partial airfare subsidy for roundtrip airfare; and/or
- (e) Per diem allowance.

**Section 2. Guidelines for Application for Benefits and Incentives.** The requirements, process, and granting of applications for benefits, incentives, and subsidies for participating in local and/or international startup events will be promulgated by the Steering Committee.

## **Rule 3**

### **Creation of Philippine Startup Ecozones**

**Section 1. Philippine Startup Ecozones.** The Philippine Economic Zone Authority (PEZA), in consultation and coordination with the DTI, DOST, and DICT, shall pursue and promote the creation of Philippine Startup Ecozones, or Special Economic Zones to spur the growth and development of startups and startup enablers through either private initiative, local government initiative with the assistance of the national government, and/or national government initiative consistent with the provisions of Republic Act No. 7916, as amended by Republic Act No. 8748, otherwise known as “The Special Economic Zone Act of 1995”, and its implementing rules and regulations. Investment Promotion Agencies (IPAs) are hereby authorized to extend applicable benefits to startups and/or startup enablers.

**Section 2. Registration Promotions.** The DTI, DICT, DOST, and other host agencies, through their respective regional and provincial offices, shall promote and facilitate the registration of qualified startups and startup enablers in appropriate Special Economic Zones in the Philippines.

## **Rule 4**

### **Startup Investment Development Plan**

**Section 1. Creation of the Startup Investment Development Plan.** The DTI, in coordination with the DICT, DOST and Board of Investments (BOI) shall spearhead initiatives to develop the short, medium, and long-term strategies in order to spur investment in, and promote the growth and development of startups and startup enablers in the Philippines.

**Section 2. Investment Promotion.** The DTI, in coordination with the BOI, shall promote and facilitate the provision of applicable benefits to current and prospective investors of startups and startup enablers.

## **Rule 5**

### **Startup Grant Fund**

**Section 1. Creation of the Startup Grant Fund.** There is hereby created a Startup Grant Fund (SGF) under DOST, DICT, and DTI. Each agency shall use its respective SGF to provide initial and supplemental GIA for startups and startup enablers that have passed the selection and application process.

The DOST, DTI, and DICT shall closely coordinate and implement guidelines to discourage forum shopping and duplication.

**Section 2. Appropriations.** Each agency shall propose and include the initial and succeeding appropriations for the creation and replenishment of its SGF in its regular budget under the annual General Appropriations Act.

## **Rule 6**

### **Startup Venture Fund**

**Section 1. Creation of the Startup Venture Fund.** There is hereby created a Startup Venture Fund (SVF) under the DTI, to be administered in coordination with the National Development Company (NDC). The SVF shall be used to match investments by selected investors in startups based in the Philippines.

**Section 2. Issuance of Rules and Guidelines.** The NDC and DTI shall jointly develop and issue the appropriate rules for the selection of investors and the effective management and utilization of the SVF.

The DTI and NDC will consult with the Steering Committee in developing and issuing the rules and guidelines for the SVF.

**Section 3. Appropriations.** The initial and succeeding appropriations for the SVF shall be proposed by the DTI and included in the budget of the NDC under the annual General Appropriations Act.

## **CHAPTER 3 STARTUP VISAS**

### **Rule 1 Issuance of Startup Visas**

**Section 1. Startup Visas.** The DFA shall create the following startup visas:

- (a) **Startup owner visa** - for prospective or current foreign owner of startup or startup enabler registered in the Philippines. For the purpose of this IRR, the owner may be termed as the “Founder”;
- (b) **Startup employee visa** - for foreign employee of a startup or startup enabler registered in the Philippines; and
- (c) **Startup investor visa** - for prospective or current foreign investor of a startup or startup enabler registered in the Philippines.

### **Section 2. Granting of Startup Visas**

- (a) The DFA shall promulgate the guidelines for the issuance of the startup visas by Philippine Consular Officers consistent with the provisions of RA 11337 and this IRR.
- (b) The Bureau of Immigration (BI) shall promulgate the immigration and admission guidelines consistent with the provisions of RA 11337 and this IRR.
- (c) The DFA shall allow foreign nationals to lodge their application and claim their visa in Philippine Embassies or Consulates.
- (d) The application for the startup visas shall require an endorsement from a host agency, on top of visa application requirements to be stipulated by the DFA. In issuing endorsements, the host agency may require proof of investment in the Philippines, which will be stipulated in the guidelines to be issued by the Steering Committee.

**Section 3. Validity of Startup Visas.** Startup visas shall have an initial five (5)-year validity and may be renewed or extended for another three (3) years.

Multiple-entry interim startup visas valid for six (6) months to one (1) year shall be issued for free to prospective startup owners, investors, or enablers upon the endorsement of the appropriate host agency.

**Section 4. Registry of Startup Visa Holders.** The DFA and BI shall develop and maintain a database of all the bearers of the startup visa and their immigration records, and ensure public access to such information subject to existing rules and regulations,

including on Freedom of Information and Data Privacy. The database shall be shared with the host agencies.

**Section 5. APEC Business Travel Card (ABTC).** Bona fide Filipino executives of qualified startups shall be eligible to apply for an ABTC, in accordance with rules and regulations to be promulgated by the DFA.

## **Rule 2 Exemptions**

**Section 1. Exemptions.** Bearers of the startup visa shall be exempt from securing an Alien Employment Permit (AEP) issued by the Department of Labor and Employment (DOLE). The DFA, BI and DOLE shall promulgate the rules for the implementation of this exemption.

## **CHAPTER 4 CAPACITY BUILDING**

**Section 1. Capacity Building.** The PEZA and IPAs extending benefits to startups and/or startup enablers shall assist the DTI, DICT and DOST in training their respective personnel assigned to assist startups and startup enablers in meeting the standards and regulations for registration and compliance requirements in Special Economic Zones.

The BOI shall assist the DTI, DICT, DOST and other host agencies in training their personnel tasked with assisting current and prospective startups and startup enablers to access and maximize benefits and incentives which may be extended consistent with the powers and mandate of the BOI.

The IPOPHL, in coordination with DTI, DOST, and DICT, shall be responsible for information, education, and promotion activities related to intellectual property.

## **CHAPTER 5 ACCOUNTABILITY OF BENEFECIARIES**

**Section 1. Responsibilities of Beneficiaries.** Beneficiaries are required to:

- (a) Comply with guidelines, as provided under RA 11337 and this IRR, to be issued by the Steering Committee;
- (b) Provide reports on performance, outputs, or milestones as may be required by host agencies or as stipulated in guidelines to be issued by the Steering Committee;

- (c) Submit appropriate accounting and liquidation requirements in accordance with existing government accounting and auditing rules and regulations; and
- (d) Observe proper conduct during the startup events and the laws of the place and/or country where the event or competition is held.

## **Section 2. Suspension and Termination of Benefits and Incentives**

The host agency shall suspend or terminate the benefits and incentives granted to beneficiaries in cases of non-performance of responsibilities enumerated in the previous Section or violation of the provisions of RA 11337, this IRR, its guidelines, and other relevant rules and regulations.

## **CHAPTER 6 FINAL PROVISIONS**

### **Rule 1 Creation of the Startup Philippines Website**

**Section 1. Startup Philippines Website.** The DICT, in consultation with the DTI and DOST, shall develop and maintain a website that shall serve as the primary source of information on statistics, events, programs, benefits, and incentives for startups and startup enablers and related enterprises in the Philippines not limited to those defined under RA 11337. This shall involve the integration of any existing websites and content on programs for startups and startup enablers implemented by the government.

**Section 2. Contents of the Startup Philippines Website.** The website shall at least have the following features:

- (a) Online database of startups and startup enablers, indicating basic information such as business address, founders, contact information, and funding received;
- (b) Online inquiry, registration, application, and release of results for endorsements, and applications for programs, benefits and incentives provided under RA 11337;
- (c) Statistical information, annual reports, and studies pertinent to the implementation of this Act, and such other content in line with the goals and objectives of RA 11337; and
- (d) Any other information deemed appropriate which are consistent with the rules and guidelines of RA 11337.

**Section 3. Website Manager.** The DICT shall assist and coordinate with the relevant national government agencies, attached agencies, GOCCs, and LGUs, in the development of a platform or feature to facilitate online applications for pertinent government-issued documents, such as, but not limited to, permits, authorities, approvals, and certificates, which are necessary for the registration and operation of the startup and/or startup enabler.

## **Rule 2 Education Programs**

**Section 1. Education Programs.** The Department of Education (DepEd), the Commission on Higher Education (CHED), and the Technical Education and Skills Development Authority (TESDA), in coordination with the DTI, DOST, and DICT, are hereby directed to develop and integrate in their respective curricula entrepreneurial programs and intellectual property that shall foster an environment conducive to innovation and aligned with industry needs, and extend incentives to academic institutions that provide funds and/or grants for the research of their students and faculty.

The design and delivery of such education programs shall be done in collaboration with higher educational institutions, training providers, and members of the private and industry sector.

## **Rule 3 Miscellaneous Provisions**

**Section 1. Creation of Positions.** The DBM shall undertake the assessment and creation of positions, whether temporary or permanent, in coordination with the host agencies in order to provide the administrative and technical capacity required in each host agency to undertake the implementation of the programs and benefits under RA 11337.

**Section 2. Data Privacy.** Any and all data provided, received, used, or otherwise obtained in connection with any matter relating to the provisions of RA 11337 or this IRR, and the pertinent guidelines, shall be covered by the Executive Order on Freedom of Information, Data Privacy Act, and other applicable laws, rules, and regulations.

**Section 3. Appropriations.** The amount necessary to carry out the initial implementation of the Act shall be sourced from the current budgets of the DOST, DTI, and DICT. Thereafter, such sums as may be necessary for the continued implementation of RA 11337 shall be included in the succeeding General Appropriations Act.

**Section 4. Separability Clause.** If any section or part of this IRR is held unconstitutional, no other section or provision shall be affected.

**Section 5. Effectivity Clause.** This IRR shall take effect fifteen (15) days after publication in the Official Gazette or in at least one (1) newspaper of general circulation.

Approved on 22 November 2019.

**FORTUNATO T. DELA PEÑA**

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