



Republika ng Pilipinas  
**TANGGAPAN NG SANGGUNIANG PANLUNGSOD**  
**Lungsod ng Naga**

City Hall Compound, J. Miranda Avenue, Naga City, 4400




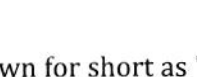
 [www.naga.gov.ph](mailto:www.naga.gov.ph) / <tel:205-2980>  
 205-2980 local 2060



**ORDINANCE NO. 2020-016**  
**VVVVVVVVVVVVVVVVVVVVV**

**AN ORDINANCE PRESCRIBING THE GUIDELINES FOR AVAILMENT OF THE FACILITIES AND SERVICES OF THE NAGA CITY DIGITAL INNOVATION HUB AND THE FEES AND CHARGES THEREFOR:-**

Sponsors:

- Hon. Gregorio Re Abonal 
- Hon. Salvador M. del Castillo
- Hon. Ghiel G. Rosales 
- Hon. Jose C. Ranaola 
- Hon. Jose B. Perez 

**Let it be ordained that:**

**SECTION I. TITLE.** This ordinance shall be known for short as "The Naga City Digital Innovation Hub Ordinance"

**SECTION II. SCOPE.**

1. The Naga City Digital Innovation Hub (DIH) is a special project of the City Government of Naga that is managed by the Naga City Investment Board/Investment & Trade Promotion Office (NCIB/ITPO). It was opened on October 19, 2019.
2. The DIH provides facilities and services to digital or tech startups, and freelance online workers. It is a component of a general NCIB and city strategy to build and promote a digital innovation ecosystem. This innovation ecosystem, while focused on information and communications technology, have the following elements:
  - a) Institutions that attract and support the people with the talent and foresight to create new ideas;
  - b) Industry networks that encourage interaction, stimulate further innovation, help develop specialized services to support area companies, and encourage cross-industry partnerships;
  - c) Facilitation of entrepreneurship to commercialize concepts so that ideas, and businesses based on them are able to grow in the area; and
  - d) Cultural and social amenities constituting quality of life that motivate knowledge workers and the innovation-based companies that rely on them to stay in the area.

*Source: Rosabeth Moss Ranter, 1995, Harvard Business School*

3. The DIH takes off from the city's experiences, failures and successes in convincing global IT/BPM firms to locate in Naga. Its focus is on growing local companies and **increasing the work volume** of freelance online workers. Its precursor is the NCIB-run Naga City Creative Media Center (NCCMC), an IT Incubation Facility which operated from 2007 until 2010 at the City Hall Compound (at the G/F of the RSR Library in what is now the Blue Room and the PSO Office). The NCCMC produced the following IT firms, among others:
  - a) Nueca (Nueva Caceres Technologies) - a pioneering firm in mobile app development in Naga, producing apps such as *Hungrily*, *Community Mart* and *Tindahang Tapat*
  - b) Extesoft - a security software firm serving the French market; and
  - c) MediaFarm, Inc. - an animation and e-learning company doing work for Philippine and international firms.

**SECTION III. TARGET CLIENTELE.**

The DIH has two (2) types of clientele:

- a) Digital Startups; and
- b) Freelance Online Workers.

#### SECTION IV. DIGITAL STARTUPS.

1. Which are defined as enterprises, whether registered or unregistered, that are about to work on or are working for *a short number of years* on information and communications technology (ICT)/digital products, services or solutions that have the potential of reaching commercial scale.
2. The nature of a startup's business model can range from digital solutions for specific niches, community public services, business process outsourcing to scalable global innovations. Examples of startups projects that scaled up are (those in red are Philippine firms):
  - a) E-commerce - commercial transactions made electronically on the Internet (Amazon, eBay, Lazada, OLX, MyProperty, AyosDito)
  - b) Search - (Google, Yahoo, Edukasyon.ph)
  - c) Communication - (Facebook, Skype, Chikka, PinoyMail)
  - d) Gaming - (Makerbot, Autodesk, Anino)
  - e) B2B - transactions involving only companies; for example, a manufacturer and a wholesaler (Axion)
  - f) SaaS - a.k.a. "Software as a Service" is a software distribution model involving a third-party provider which hosts applications and make them available to customers over the Internet (Google Apps, Salesforce, Honesty Apps)
  - g) Media and Entertainment - (Youtube, Snapchat, Rappler)
  - h) Payment - (WePay, BuyBitcoin.ph, Dragonpay, Coin.ph, ExpressPay)
  - i) Others - which includes but is not limited to: Enterprise Security (Palo Alto Networks), Disruptive Services (Uber, MiCab, Angkas), Sharing Economy (Airbnb, Booky), Internet of Things (Android Watch), Health Technology (23andMe, Aide, KonsultaMD), Education Technology (Coursera, Frontlearners), Food Technology (Spoonrocket), and Travel (Kayak, PinoyTravel)
3. The main goal of launching a digital startup is usually to be able to:
  - a) acquire exponential growth, disrupt an industry (much as AirBNB and Grab/Uber have disrupted the hotel and public transport industries) and raise more funds which can result to exiting by founders through acquisition or a public investment offering; or
  - b) continue as an on-going business.
4. A "Startups Ecosystem Mapping" done by the Department of Trade and Industry, Startup Pilipinas and QBO Innovation Hub in December, 2018 shows that there are around 20 startup founders/enthusiasts in Naga. Most of these have been products of national idea competitions and inspirational events provided by existing Philippine startup incubators (i.e. IdeaSpace, QBO, KickStart, Ayala Tech Incubator, etc.).
5. There is a strong potential for increasing the number of startups in the city as some academic institutions offering IT-related courses require real-life and innovative "senior projects"<sup>1</sup> as a requirement for graduation. Coupled with institutional support—such as those from the DIH and other innovation support projects (i.e. the Ateneo Innovation Center of the Ateneo de Naga University)—these senior projects can be turned into commercial products and services. Informal groups of startup enthusiasts, such as Startup Bicol, also currently provide inspirational events and seminars to introduce the concept of startups to potential entrepreneurs/founders.

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## SECTION V. ONLINE WORKERS.

1. Who are individuals or groups of individuals who use the Internet to provide ICT-enabled services to clients, most of whom are based abroad. They usually do not represent any registered enterprise, are directly paid by their clients, do not maintain an office, and work from home, at Internet cafes, or at co-working spaces. Services include software development, web development, graphic arts/design, animation, video production, engineering design, medical transcription, English tutorials, search engine optimization, technical writing, digital marketing, virtual assistance and home-based customer support services.
2. The usual challenge for most of these online-based workers is accessibility to resources, particularly computer equipment, a decent workplace, reliable and fast internet connection, and consistent power supply.
3. There are an estimated 700 online workers in Naga. A group composed of freelancers from all over Bicol, the Online Bicolano Workers (OBW), was organized in 2016. This provides an avenue for collaboration among local online workers. There are also national groups There are also national groups (e.g. Digital Careers Advocate of the Philippines [DCAP], Connected Women, etc.) with which OBW and individuals can collaborate.
4. The Department of Information and Communications Technology (DICT) started promoting online work, especially in the provinces, starting 2017. DICT is implementing its Rural Impact Sourcing (RIS) project that provides free intensive training for prospective online workers. It also provides equipment support to incubation and co-working spaces that DICT calls its RIS Hubs.
5. Online workers may, after some time, form a group of workers involved in the same field to serve a growing clientele. At this time, the group becomes a digital startups.

## SECTION VI. DIH OBJECTIVES AND FUNCTIONS.

### 1. Objectives

The DIH is the city government and NCIB's core program for:

- a) cultivating digital startups and developing the local digital startup ecosystem; and
- b) growing the online worker/freelancer community, **in terms of number of workers and volume of transactions**, with the goal of transforming some of them into ICT solution enterprises/startups.

Ultimately, DIH work lead to:

- a) enhanced competitiveness of the local economy, especially in the ICT field;
- b) creation of new jobs; and
- c) development, retention and attraction of digital talent in the city.

### 2. Functions & Services for Digital Start ups

The DIH functions as a technology incubator. Specifically, it:

- a) Provides incubation facilities/working space for qualified startups;
- b) Conducts, organizes, co-organizes or sponsors events, trainings, knowledge sharing, and networking and mentoring sessions to:
  - h) inspires would-be startups to consider tech entrepreneurship and educate/develop the skills of beginners (i.e. meet-ups, business ideation workshops, bootcamps, Startup 101 trainings and consultations)