



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) Nueva (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"¹ 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 commerciable 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.

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 (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)

- ii) allow startups at the *idea stage** to validate their ideas and begin to build their team and product (i.e. startup job events, hackathons, local and national startup challenges)
 - iii) assists startups at the *launch stage** to establish/formalize their enterprise, further develop their product, get feedback from customers and secure seed/initial funding (i.e. registration, business, accounting, marketing, technology and seed funding mentorship, startup pitches and demos)
 - iv) connects startups at the *growth stage** to business partners and other sources of funds/investments (i.e. loans, grants, angel investors, venture capitalists), as well as providers of other services that will facilitate the startup's growth (i.e. providers of office space, worker referrals, growth accelerators/consultants);
- c) Manages the city government's **Digital Innovation Fund** as seed funding for qualified startups at the idea and launch stages, subject to approval of priorities and projects by the Naga City Investment Board;
- d) Networks and establishes partnerships with other technology incubators (i.e. QBO, Ideospace, etc.), academic institutions, government agencies and other private institutions to expand the above services.

3. Functions and Services for Online Workers

The DIH:

- a) Provides co-working spaces with fast, reliable and redundant Internet connection, as well as 24/7 uninterruptible power supply;
- b) Conducts, organizes, co-organizes or sponsors events, trainings, knowledge sharing, and networking and mentoring sessions to:
 - i) inspires would-be online workers to consider the industry and educate/develop the skills of beginners (i.e. DICT's RIS trainings; meet-ups and consultations)
 - ii) develops the technical, entrepreneurial, marketing and other skills of existing online workers
 - iii) expands the network and market reach of online workers (i.e. partnerships with the Digital Careers Advocate of the Philippines [DCAP], Connected Women, etc.)
 - iv) ensures that online workers are able to avail of social protection (i.e. health insurance, etc.)
- c) Facilitates the registration of online workers as formal enterprises; and
- d) Networks and establishes partnerships with other government agencies and private institutions to expand the above services.

SECTION VII. GUIDELINES FOR AVAILMENT OF DIH STARTUP SERVICES

1. Startup must meet the following qualifications:

- a) Citizenship of Founder(s) - Filipino or foreign, provided that if a founder is a foreigner, he/she must be registered with and allowed by Philippine regulatory authorities to do business in the country
- b) Residency of Founder(s) and Team - current residency in Naga of the founder(s) is not a requirement. However, majority of the startup's technology/development team, as well as that of the whole organization, must be residents of Naga City or Metro Naga
- c) Full-time Work by Founder(s) - at least one (1) founder is working full time
- d) Number of Years as a Business Entity - less than five (5) years

e) Status of Business Registration - may be registered or unregistered, provided that:

- i) If registered - the registration must indicate that Naga is the main base of operations,
- ii) If unregistered - especially for startups at the *idea stage*, the business entity must be registered with the proper regulatory authorities once it reaches the *launch stage*- as determined by the DIH and the NCIB-- or within two (2) years from the time it qualifies for DIH assistance, whichever comes first.

The registration must indicate that Naga is the main base of operations.

2. Founder(s) can be entrepreneurs already involved in the development of another digital solution or other lines of business, currently-employed professionals, unemployed or underemployed workers, currently-enrolled students, graduating or newly-graduated students or out-of-school youth and adults. What is important is that they have new digital innovation ideas that can be scaled up.

3. DIH Service Categories & Startup General Registration

4. DIH services can be categorized into three (3) types:

- a) Digital Incubation Facilities
- b) Digital Innovation Funding
- c) Other Services - comprising of events, trainings, knowledge sharing, and networking and mentoring sessions

4. A qualified startup may avail of all or any of these services.

To avail, a startup must fill-up a NAGA DIH STARTUP REGISTRATION form. This shall be updated annually. Qualified registrants shall be included in a STARTUP ROSTER, subject to approval by the NCIB.

a) Facilities/Services Available

- i) four (4) incubation rooms, with floor area ranging from 8 to 12 sq.m.
- ii) with electrical outlets
- iii) no airconditioning unit
- iv) no furniture and fixtures

b) Other Amenities

- i) Redundant Internet connection
- ii) Fully-airconditioned hallway and co-work spaces
- iii) Common Areas
 - Conference/Meeting Area - with an 8 to 10 seat capacity
 - Reception Area
 - Pantry

Firms being incubated may use these at any time as these are part of the facility's common utility and services areas (CUSA). To ensure availability of the meeting area, however, use must be scheduled with the DIH support personnel at least two (2) hours in advance

- iv) Office Solution Services - for printing, scanning, photocopying

c) Application for Use of Incubation Facilities

Incubation facilities are open to all startups be they at the idea, launch or growth stages.

- i) Application Form - startups interested in availing of incubation facilities need to fill up an INCUBATION APPLICATION FORM - aside from the DIH Startup Registration form- and a BUSINESS PLAN
- ii) Selection of Qualified Applicants - A STARTUP DEVELOPMENT COMMITTEE shall select from the applicants those who are qualified to use DIH incubation facilities. This is subject to NCIB approval. The committee has the option of inviting applicants to a pitching session, demo or presentation.
- iii) Users of incubation facilities are required to sign a CONTRACT before being allowed to use DIH facilities

d) Supplies, Furniture, Fixtures & Equipment

- i) Users of facilities are responsible for providing their own supplies, furniture, fixtures and equipment, including computers and airconditioning units
- ii) Only inverter- and split-type airconditioning units are allowed to be installed
- iii) Users must secure written approval from the DIH and the City Engineer's Office prior to the installation of any airconditioning unit or any electrical extension
- iv) For purposes of security and accountability, all furniture, fixtures and equipment to be brought in or out of the DIH are to be recorded in an EQUIPMENT INVENTORY to be kept by the DIH

e) Rental Rates & Related Fees

- i) rental is at P 200.00/sq.m. per month which will include payment for Internet connection and utilities, except for electrical consumption of equipment and airconditioning units;
- ii) common utility and service area (CUSA) fees are at P 50.00/sq.m. per month;
- iii) one (1) month advance and (1) month deposit on rental and CUSA
- iv) Power consumption of equipment shall be billed monthly. This shall be based on the following formula: *Rated Kwh consumption of each equipment X average hours of use/day X number of days worked X current CASURECO rate/Kwh*
- v) ID card fee of P 50.00 for each startup team member or personnel

f) Rent-Free Period

Based on the recommendations of the Startup Development Committee, the NCIB may grant a startup, especially one at the idea or launch stage, a 6-month rent-free period. This may also cover electrical consumption and other fees.

The committee, in recommending a rent-free grant, shall consider a startup's development stage, resource capabilities and the nature of its digital solution vis-avis development priorities of the city government.

g) Term & Contract Renewal

- i) Contract Term - six (6) months, renewable every six (6) months, but not to exceed a total of two (2) years
- ii) Renewal - shall be approved by the NCIB, upon the recommendation of the Startup Development Committee. The committee shall base its recommendation on company performance vis-a-vis the startup's development targets or if a startup is ready to "graduate" from incubation. It shall develop its specific set of criteria for renewal.

h) Other Conditions

- i) Eating and drinking are not allowed within a startup's incubation space. These are only allowed in the DIH's pantry area.
- ii) All existing and new personnel of startups being incubated must be registered in the DIH's STARTUP PERSONNEL REGISTRY.

- iii) Startup team members shall be issued an ID. This shall be presented before entry into DIH facilities
- iv) Only startup personnel and authorized guests are allowed to enter the DIH. All shall log in and out through the DIH administrative staff in charge.
- v) Startups or specific team members, during the incubation period, shall be required to actively participate in DIH-specified trainings, programs and mentorships

i) Availment of Other DIH Services After "Graduation" from Incubation

Startups who have graduated from incubation or whose incubation contracts were not renewed may still avail of other DIH services such as the Digital Innovation Fund and participation in events, trainings, knowledge sharing, and networking, mentoring and pitching sessions.

j) DIH Services for Startups Qualified for Incubation but cannot be accommodated at DIH

DIH has a limited number of incubation spaces. It shall endeavor to partner with other institutions that can provide more of these spaces.

The Startup Development Committee, with NCIB approval, may recommend the release of a grant from the Digital Innovation Fund to cover the need for a qualified startup to operate in other incubation facilities found within the city.

5. Availment of the Digital Innovation Fund (DIF)

a) Application for an Innovation Fund Grant

Startups at the idea or launch stages may apply for this fund. This is meant as a seed grant that will allow those at the idea stage to begin developing their digital solutions or those at the launch stage to refine their product, organize the company and get more investments. Startups at the idea stage include senior high school, tech-voc or college students in IT-⁴ and science/engineering-related courses who are working on their senior projects.

- i) Application Form - Aside from the initial DIH Startup Registration form, applicants have to fill up a DIGITAL INNOVATION FUND APPLICATION FORM and a BUSINESS PLAN. The business plan shall also specify funding requirements, fund sources, and cash flow schedules
- ii) Application Period - The DIH, at least once a year, shall announce the application period. This announcement shall include the fund's focus area(s) (i.e. govtech, fintech, disaster mitigation, traffic management, agricultural innovations, etc.). These focus areas shall reflect the current digital solution needs of: a) the city government, b) local business, c) specific sectors of the local community, or d) the Naga citizen. While the priority areas focus on local needs, the solution should also be scalable or replicable
- iii) Initial Screening - The Startup Development Committee- along with other government decision makers, industry practitioners in the focus areas and the academe—shall form a panel that will initially screen the applications based on submitted documents
- iv) Final Screening - Final screening shall be by the same panel. Those who pass initial screening will be invited to present their idea through a pitching session/presentation. The panel shall submit its recommendation on qualified grantees, as well as the schedule of release of funds per grantee, to the NCIB, for review.
- v) Contract - Startups that qualify for DIF availment are required to sign a CONTRACT before the release of funds.

b) Availment of the DIF After the Application Period

There are cases when a startup idea may crop up after the DIH-specified application period. These may still be accepted by the DIH, provided that: a) there are still DIF funds available; and b) the idea goes through the whole application and screening process for availment of DIF grants.

c) Release of DIF Grants

Grant funds may be released in one (1) or several tranches, based on the recommendations of the screening panel. If the funds are to be released in several tranches, the Contract shall specify performance indicators and project schedules to be followed by the startup.

d) Other Conditions

All DIF beneficiaries, during the duration of their grant contract, shall be required to actively participate in DIH-specified trainings, programs and mentorships that are designed to improve their products/services and market viability.

e) Availment of Other DIH Services After the DIF Grant Period

After the grant period, startups shall still be qualified for other DIH services such as use of incubation facilities and participation in events, trainings, knowledge sharing, and networking, mentoring and pitching sessions.

f) DIH Services for Startups That Could Have Qualified for DIF Grants But Whose Project Ideas Do Not Fall Within the Focus Areas for the Current Application Period

The DIH shall endeavor to establish partnerships with other institutions (i.e. DOST, IdeaSpace, private sponsors) that can provide startup funds for project ideas that do not fall within the focus areas of the current DIF application period. It shall also provide mentoring to assist startups in applying and pitching to these institutions.

6. Availment of Other Startup Services

All existing and would-be startups may avail of other services- particularly events, trainings, knowledge sharing, networking and mentoring sessions organized, co-organized or sponsored by the DIH. Priority, however, will be given to existing firms registered in the DIH's Startup Roster. Fees, if any, are to be determined by the DIH.

SECTION VIII. GUIDELINES FOR AVAILMENT OF DIH SERVICES FOR ONLINE WORKERS

1) Qualified Online Workers

Online workers who can avail of DIH services must meet the following qualifications:

- a) Citizenship - Filipino
- b) Residency - must be a resident of Naga City or Metro Naga as evidenced by a valid voter's ID and/or a barangay certificate, or as certified by the *Online Bicolano Workers*, the local association of online workers
- c) Number of Years Doing Online Work - none required
- d) Type of Online Work - must not involve online gambling, porn or other unscrupulous activities
- e) Status of Registration of Business or Profession - may be registered or unregistered, provided that he/she must register with the proper regulatory authorities within two (2) years from the time of DIH service availment; the registration must indicate that Naga is the base of operations.

2) DIH Service Categories & Online Worker General Registration

DIH services can be categorized into two (2) types:

- a) Community work (Co-work) and Collaboration Facilities
 - b) Other Services - comprising of events, trainings, knowledge sharing, facilitation of registration of business/profession, and networking and mentoring sessions
- 3) A qualified **online worker may avail of all or any** of these services.

To avail, an online worker must fill-up a NAGA DIH ONLINE WORKER REGISTRATION form. Registered workers shall be included in an ONLINE WORKER ROSTER; and shall be issued an ID, subject to payment of the required fee.

4) Availment of Co-Work and Collaboration Facilities

a) Facilities/Services Available

- i) Hot Desks - work tables with chairs for sharing
- ii) Dedicated Desks - desks with chairs for the sole use of an online worker, some may be fitted with computer sets
- iii) Conference/Meeting Area - with an 8 to 10 seat capacity
- iv) Office Solution Services - for printing, scanning, photocopying

b) Other Amenities

- i) Redundant Internet connection
- ii) Fully-airconditioned facilities
- iii) With pantry and reception areas

c) Operating Hours

The DIH shall be open from 9AM to 6AM the next day, Monday to Saturday, except during U.S. holidays.

d) Allowable Use of Facilities

The workspace shall only be used for online work and meet-ups.

Use of facilities for Internet browsing only or online games is not allowed. The workspace is not an Internet Cafe.

Regular meetups, trainings and similar activities will be accommodated on specific schedules. Other unrelated activities such as parties, games, and other forms of entertainment are prohibited so as not to unduly disturb others doing online work and those locating their offices at the incubation spaces.

e) Entry Into/Exit from the DIH

- i) Upon entry - except for newly-registered freelancers, an online worker must present his/her DIH ID everytime he/she enters the DIH co-workspace. The date and time of entry will be logged by the DIH support staff as charging of fees for use of DIH facilities will start immediately after entry.
- ii) Upon final exit - the ID must also be presented to the DIH staff concerned for logging and computation of service fees. A freelancer may leave the premises from time to time for rest, meals or other activities. However, until a freelancer indicates that he/she is done working for the day/night, hourly charging for the use of the co-workspace will continue

- iii) An online worker may bring his/her own computer equipment, accessories and other paraphernalia. For security purposes, these shall be recorded in an EQUIPMENT ENTRY/EXIT LOG
- iv) Backpacks and other large bags must be left at the reception area.

f) Service Fees

- i) Hot Desks - P 10.00/hour
- ii) Dedicated Desks
 - With computer set - P 15.00/hour
 - Without computer set - P 10.00/hour
- iii) Conference/Meeting Area
 - First two (2) hours - P 300.00
 - Succeeding hours - P 100.00/hour
- iv) Office Solution Services
 - Printing (short or long, black & white or colored) - P 5.00/page
 - Scanning - P 2.00/page
 - Photocopying (short or long) - P 2.00/page

Use of hot and dedicated desks, as well as the conference/meeting area, for a fraction of an hour shall be considered as one (1) full hour.

g) No Service Fee Period

A newly-registered online worker is entitled to the free use of hot and dedicated desks for sixteen (16) hours.

h) Other Conditions

- i) Freelancers may bring food and drinks (except alcoholic beverages) into the co-work space. However, eating and drinking are not allowed at the hot and dedicated desks. These are only allowed in the DIH's pantry area, or at the conference area.
- ii) Only registered online workers are allowed entry into the DIH. Relatives, friends and companions are only allowed at the reception area.
- iii) Aside from online work, no other business activity of any form shall be allowed at the co-work spaces.

j. Availment of Other Services for Online Workers

All registered and would be online workers may avail of other services- particularly events, trainings, knowledge sharing, networking and mentoring sessions organized, co-organized or sponsored by the DIH.

For activities and events meant to enhance the knowledge and skills of existing freelancers, priority will be given to those in the DIH's Online Worker Roster.

Fees, if any, are to be determined by the DIH.

Part of the DIH's other services is its operation as a Tech4Ed Center, in partnership with DICT. This aims to provide access to information, communication, technology, government services, non-formal education, skills training, telehealth, job markets, and business portals giving individuals and communities opportunity for economic growth. Availment of this service shall be governed by the DICT Tech4Ed Center Operations Manual.

SECTION IX. EFFECTIVITY. - This ordinance shall take effect upon its approval.

ENACTED: March 10, 2020

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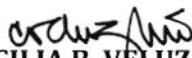
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WE HEREBY CERTIFY to the correctness of the foregoing ordinance.



GIL A. DE LA TORRE
Secretary to the
Sangguniang Panlungsod



CECILIA B. VELUZ-DE ASIS
City Vice Mayor
& Presiding Officer

APPROVED:

NELSON S. LEGACION
City Mayor


3/12/2020