



Republika ng Pilipinas  
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**Lungsod ng Naga**

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205-2980 local 2060

**ORDINANCE NO. 2021-057**

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**AN ORDINANCE ESTABLISHING THE NAGA CITY DIGITAL INNOVATION AND STARTUP DEVELOPMENT PROGRAM, PROVIDING INCENTIVES AND BENEFITS TO STARTUPS, AND FOR OTHER PURPOSES:-**

AUTHORS: Hon. Jose B. Perez  
Hon. Jose C. Rañola  
Hon. Mila S.D. Raquid Arroyo  
Hon. Joselito S.A. Del Rosario, Ph.D.

**EXPLANATORY NOTE**

Key cities all over the world are working hard to boost their startup ecosystem and encourage a culture of digital innovation among their citizens, aware that a robust digital economy has become a cornerstone for economic growth and productivity. The talents and potential revenues that digital startups bring can drive new business developments and job creation; and attract investment capital.

In order to attract and cultivate these startups, extensive support and promotion, coupled with strong collaboration among key players-- specifically government, business and other non-government groups, and the academe-- are needed.

The Naga City Digital Innovation and Startup Ordinance is enacted to support R.A. 11337, otherwise known as the "Innovative Startup Act," in order to pursue the growth and advancement of an innovative economy in Naga. Through this, the City Government shall initiate programs; provide incentives and benefits in order to attract investments; and nurture an environment conducive for the development of startups-- be they local or foreign-- and other businesses crucial to their growth or expansion. The strengthening, promotion and development of the startup industry shall be supported by an ecosystem composed of other businesses, government and non-government institutions and the academe thus, fostering an innovative entrepreneurial culture.

This Ordinance shall also complement existing Ordinance No. 2020-016 known as "The Naga City Digital Innovation Hub Ordinance."

Be it ordained by the Sangguniang Panlungsod of Naga that:

**SECTION 1. Title.** This Ordinance shall be known as the "Naga City Digital Innovation and Startup Ordinance."

**SECTION 2. Creation and Purpose.** This ordinance is hereby created to establish Naga as one of the startup destinations in the Philippines by cultivating a startup ecosystem and encouraging a culture of innovation in the City. As such, this ordinance shall encourage the creation or expansion of Naga-based start-ups and other businesses crucial to their operations; and shall generate innovative digital services and solutions for businesses, private individuals, and government and non-government institutions, thereby boosting productivity and the local economy.

**SECTION 3. Definition of Terms.** For purposes of this ordinance, the following terms and phrases are hereby defined as follows:

- a) Digital Innovation Hub - 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 provides facilities and services to digital or tech startups, and freelance online workers. It is one of the City's approaches to building and promoting a digital innovation ecosystem;
- b) Expansion - refers to the stage when a startup is planning to grow its service or product offering in order to generate more revenues, increase profit or reach more customers by investing in new locations and/or developing product diversification;
- c) Founder(s) - a person or a group of persons who started/established a startup;
- d) Grant - refers to financial assistance awarded to a startup to further develop its innovation;
- e) Idea Stage - the earliest stage of the innovation process or the "conceptualization stage" after which an innovation is developed to prove its suitability and marketability;
- f) Innovation - the creation of new ideas that result to the development of new or improved products, processes, or services which are then spread or transferred across the market;
- 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) Innovative process - a new or significantly improved production or delivery method through changes in techniques, equipment and/or software;
- i) Innovative business model - a new organizational method in business practices, workplace organization or external relations;
- j) Investment - refers to a venture capital financing structure meant to give startups capital so that they can scale or grow their innovation; this may come in the form of a convertible security or an investment amount that eventually converts into equity;
- k) Launch Stage - a stage of the innovation process during which a startup already has a working prototype, has demonstrated and proven the product or service's scalability and profitability, and is ready to introduce the innovation to the market;
- l) Loan - amount of money that will be lent to startups-- which is either interest-free or interest-bearing-- to be

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paid in due time as stated in the terms and conditions of the loan;

- m) NCIB - or the Naga City Investment Board, also referred to as the Board, created under Ordinance No. 97-114, otherwise known as the "Investment Incentives Code of the City of Naga;"
- n) Pitching - is an opportunity to present and introduce an innovation with the goal of gaining new investors, partners, customers or stakeholders to support a startup;
- o) Program - shall refer to the Digital Innovation and Startup Development Program;
- p) Prototype - this pertains to the initial model of an innovation created after the idea stage which, with further research and development, can be improved to meet market requirements;
- q) Research and development - any activity which is a systematic, intensive study directed toward greater knowledge or understanding of the subject studied; a systematic study directed specifically toward applying new knowledge to meet a recognized need; or a systematic application of knowledge toward the production of useful materials, devices, and systems or methods, including design, development, and improvement of prototypes and new processes to meet specific requirements;
- r) Registered startup - startup that is duly registered with the Digital Innovation Hub per Ordinance No. 2020-016;
- s) Startup - person or entity that has an innovative product, service or business model;
- t) 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 crucial in supporting the operation and growth of startups by the Department of Trade and Industry in consultation with the Department of Science and Technology, Department of Information and Communications Technology and other pertinent government and non-government organizations;
- u) Traction - refers to the progress of a startup and the momentum it gains as the business grows, usually measured in terms of customers/users and/or revenues.

**SECTION 4. Naga City Digital Innovation and Startup Development Program.** There is hereby created a Naga City Digital Innovation and Startup Development Program, a holistic approach to cultivating startups as well as the startup ecosystem in the city. The Program shall aim to:

- a) Encourage the development and operation of startups and startup enablers in Naga City, including enhancing awareness of the startup industry within the local

community, academe and other possible sources of potential founders;

- b) Support the research and development of startups and startup enablers in the city;
- c) Support and promote access to startup development programs, such as, but not limited to, incubation, funding, capacity building, exchange programs and expert training courses, offered locally, nationally and internationally for startups, startup enablers and the implementers of the Program;
- d) Support and promote the participation of startups in local, national and international competitions and conferences integral to the promotion of the startup ecosystem;
- e) Support the participation of startups in local, national and international events which aim to link them to potential investors, mentors, collaborators, and customers;
- f) Support the collaboration of startups, startup enablers, national government agencies, City Government departments and offices, 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;
- g) Support the development and growth of enterprises whose innovative product, service, or business model is integral to creating a competitive startup community in the city;
- h) Develop and recommend policies and regulations 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 5. Program Benefits and Incentives for Startups** - The City Government shall provide the following benefits and incentives to startups that have passed its selection and application process:

- a) Funding, in the form a grant, loan or investment, from the City Government and/or its partner government and/or private institutions for research and development, launching of an innovation or expansion project;
- b) Assistance in securing additional funding from other funds meant to support the growth of startups, such as but not limited to, the Startup Grant Fund and the Startup Venture Fund created under R.A. No. 11337;
- c) Full or partial subsidy for the use of facilities, office space, equipment and/or services provided by the City Government through the Digital Innovation Hub, or endorsement to partner government or private institutions providing the same facilities and services;

- d) Financial assistance for participation in national and international startup events and/or endorsement to the relevant government agency for the expedited or prioritized processing of travel documents, such as, but not limited to, passport and/or visa application;
- e) Mentorship and linkaging to startup enablers, as well as other enterprises and institutions that assist startups, including the City Government and its partners in national government agencies, academe and business institutions;
- f) Fiscal or tax incentives provided by the City Government under Ordinance No. 97-114 or the "Investment Incentives Code of the City of Naga," as may be applicable;
- g) Assistance in availing of other fiscal incentives provided by other national government agencies; and/or
- h) Other non-fiscal incentives such as, but not limited to, facilitation of local and national permits and certificates required for business registration and operation of an enterprise, and for foreigners, assistance in securing startup owner visas, employee visas or investor visas per Republic Act No. 11337.

Provided that such benefits and incentives may only be availed once the startup commences operations in the City of Naga.

**SECTION 6. Startup Registration and Qualifications.** A startup availing of the Program's benefits and incentives shall register with the City Government through the Digital Innovation Hub.

- a) To qualify for registration, a Naga City startup:
  - i) may or may not be currently registered as a business;
  - ii) has been operating for not more than five (5) years per Ordinance No. 2020-016; and
  - iii) must operate in and or plans to base its operation in Naga City with at least fifty per cent (50%) of its workforce engaged in technology development being Naga or Metro Naga residents.
- b) To avail of funding, subsidies or financial benefits and incentives under Sections 5(a), 5(c) and 5(d) of this Ordinance, the startup shall comply with the "Selection and Application Process" detailed in Section 10(b); and must already be operating in Naga before receiving the benefits and incentives.

The flowchart for "Registration and Availment of Support for Startups" is attached as Annex A.

**SECTION 7. Program Benefits and Incentives for Startup Enablers** - The City Government shall provide the following benefits and incentives to registered startup enablers:

- a) Access to the list of registered startups in the City;



- b) Participation in events organized for linking startups and startup enablers;
- c) Full or partial subsidy for the use of facilities, office space, equipment and/or services provided by the City Government through the Digital Innovation Hub, or endorsement to partner government or private institutions providing the same facilities and services;
- d) Fiscal or tax incentives provided by the City Government under Ordinance No. 97-114 or the "Investment Incentives Code of the City of Naga," as may be applicable;
- e) Assistance in availing of other fiscal incentives provided by other national government agencies; and/or
- f) Other non-fiscal incentives such as, but not limited to, facilitation of local and national permits and certificates required for business registration and operation of a startup enabler, and for foreigners, assistance in securing startup enabler owner visas, employee visas or investor visas per Republic Act No. 11337.

**SECTION 8. Startup Enabler Registration and Qualifications.**

A startup enabler availing of the Program's benefits and incentives shall register with the City Government through the Digital Innovation Hub.

- a) To qualify for registration in the city's Program, the startup enabler must first be included in the Philippine registry under the Philippine Startup Development Program.
- b) A startup enabler may register with the City Government even if the same is not located or does not maintain operations in the city of Naga.
- c) To avail of benefits and incentives under Sections 7(c) to 7(f) of this Ordinance, the startup enabler must be located in and has operations in the city of Naga.

**SECTION 9. Program Implementation.**

- a) The Naga City Investment Board (NCIB) shall oversee implementation of the Program. It shall:
  - i) Approve all plans, programs, projects and activities aimed at developing and promoting startups and the city's startup ecosystem;
  - ii) Approve the procedures for startup and startup enabler registration, and application and availment of Program benefits and incentives;
  - iii) Approve, through its Chairperson, the release of funds under the Digital Innovation Fund, as well as the terms and condition thereof;
  - iv) Approve the grant of fiscal incentives to startups and startup enablers, as applicable, under Ordinance No. 97-114, as amended;

- v) Recommend to the Sangguniang Panlungsod policies and programs to further promote and develop the startup ecosystem in the city.
- b) A **Startup Development Committee** (SDC) is hereby created. It shall operate under the mandate of the Naga City Investment Board.
- i) Functions - The Committee shall have the following functions:
- 1) With the Investment and Trade Promotion Office (ITPO), formulate the:
    - long-term, medium-term and annual work and financial plans for developing startups and the local startup ecosystem, and
    - plans, programs, projects and activities for identifying potential startups and assisting in their development;
  - 2) Recommend to the NCIB the procedures for startup and startup enabler registration, and application and availment of Program benefits and incentives;
  - 3) Screen startup and startup enabler registration and their requests for Program benefits and incentives to ensure that they are qualified;
  - 4) Through the individual members' agencies/institutions and their networks, support the city's Startup Development Program and ensure alignment of the startup development programs and projects of national government agencies and private institutions with those of the city; and
  - 5) Recommend to the NCIB policies and programs to further develop the startup industry in Naga.
- ii) Composition - The SDC shall be composed of representatives from various government and private institutions with a special interest in the startup industry. Their involvement must augment the objectives and services provided under this Ordinance. Members shall come from, but is not limited to, the following organizations:
- 1) Sangguniang Panlungsod, Chairperson of the Committee on Investment, Trade & Economic Enterprises;
  - 2) Department of Trade and Industry;
  - 3) Department of Information and Communications Technology;
  - 4) Department of Science and Technology;
  - 5) Metro Naga Chamber of Commerce and Industry;
  - 6) City-based Information and Communications Technology association; and
  - 7) Educational institutions with programs for startups.

Members shall be appointed by the City Mayor and Chairperson of the Naga City Investment Board.

The committee shall elect a Chairperson among themselves. He/She may convene the committee at any time he/she deems necessary.

- iii) Term of Office - The term of office of Committee members shall be co-terminus with the members of the Naga City Investment Board.
- c) The Investment and Trade Promotion Office (ITPO) shall be the Program's implementing arm. It shall:
  - i) Provide inputs and support to the SDC in the formulation of its plans;
  - ii) Conduct, organize, co-organize or sponsor events, trainings, knowledge sharing, networking and mentoring sessions, and other startup programs, projects and activities;
  - iii) Manage the Digital Innovation Fund to provide funding for qualified startups at the idea and launch stages, subject to approval of priorities and projects by the Startup Development Committee and the Naga City Investment Board;
  - iv) Through the Digital Innovation Hub, provide incubation facilities/working space for qualified startups;
  - v) With the Startup Development Committee, network and establish partnerships with other technology incubators, academic institutions, government agencies and other private institutions to expand the above services; and
  - vi) Recommend to the Startup Development Committee the guidelines and procedures for registration and screening of startups, availment of benefits and services, and conduct of other activities.

**SECTION 10. Digital Innovation Fund.** There is hereby established a Digital Innovation Fund (DIF) as the source of City Government funding assistance for startups, particularly those at the idea or launch stage.

a) Nature of the DIF - The DIF shall be used for:

- i) Grants or loans to, or investments in, startups as indicated in Section 5(a), and
- ii) Providing full or partial subsidy for participation in national and international startup events, per Section 5(d).

Loans may be interest-bearing or interest-free.

b) Selection and Application Process -

- i) Only registered startups are qualified to apply for assistance from the Digital Innovation Fund;
- ii) Startups may avail of grants, loans or investments by:
  - a) applying for funding assistance at any time, or
  - b) participating in a pitching challenge that will be organized at least twice a year. For the pitching challenge, the NCIB and SDC shall indicate the startup



development stage (e.g. idea stage, launch stage, etc.) and priority technology areas (e.g. fintech, govtech, education, healthcare, etc.) that will be eligible for funding.

iii) The procedures for selection and application are:

- 1) startups shall be required to submit an application form expounding on the innovation, and indicating, among others, founder(s), funding requirement and traction, if any,
- 2) applications shall be pre-screened by a group of startup practitioners selected by the SDC,
- 3) only those that pass pre-screening shall be eligible for the pitching round where a startup will be required to present his/her prototype and be given the opportunity to personally make a case for funding,
- 4) the type of funding assistance (grant, interest-bearing loan, interest-free loan, equity investment), amount, and terms and conditions for qualified startups shall initially be negotiated during the pitching session but shall be formalized through a Memorandum of Agreement to be drafted after due diligence by the SDC and ITPO. This shall be formulated within thirty (30) working days after the pitching session. It shall also indicate the schedule of release of funding assistance, whether as a one-time disbursement or in tranches.
- 5) The Memorandum of Agreement shall be approved by the NCIB; and ratified by the Sangguniang Panlungsod.

iv) Any registered startup may apply for full or partial subsidy for participation in national and international startup events. However, priority shall be given to those that pass the pitching stage. The SDC and NCIB shall formulate the guidelines for availment of the same.

c) Accounting for Proceeds - The DIF and all proceeds arising from principal and interest payments on loans and returns from equity investments shall be deposited into a trust fund. This will be used solely for supporting the implementation of this Ordinance. The Sangguniang Panlungsod, based on startup development in the city and the recommendations of the NCIB, may appropriate additional funds for the purpose.

d) Monitoring and Evaluation - The NCIB and SDC shall institute a monitoring and evaluation system to track the progress made by startups availing of the Digital Innovation Fund, their contribution to the local economy, difficulties encountered, and adherence to the terms and conditions of funding. This monitoring and evaluation report shall be submitted to the Sangguniang Panlungsod quarterly.

**SECTION 10. Appropriation for Other Startup Program Benefits, Incentives and Activities.** Funding for other startup program

benefits, incentives and activities shall be included in the annual appropriation of the Investment and Trade Promotion Office and the Digital Innovation Hub.

**SECTION 11. Separability Clause.** Should any section or part of this Ordinance be declared unconstitutional, the remaining parts that are not affected shall remain valid.

**SECTION 12. Repealing Clause.** All provisions of existing laws, ordinance, rules and regulations and executive issuances contrary to or found inconsistent with the provisions of this Ordinance are hereby repealed, amended and modified accordingly.

**SECTION 13. Effectivity.** This ordinance shall take effect immediately upon approval.


ENACTED: July 13, 2021


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**WE HEREBY CERTIFY** to the correctness of the foregoing ordinance.

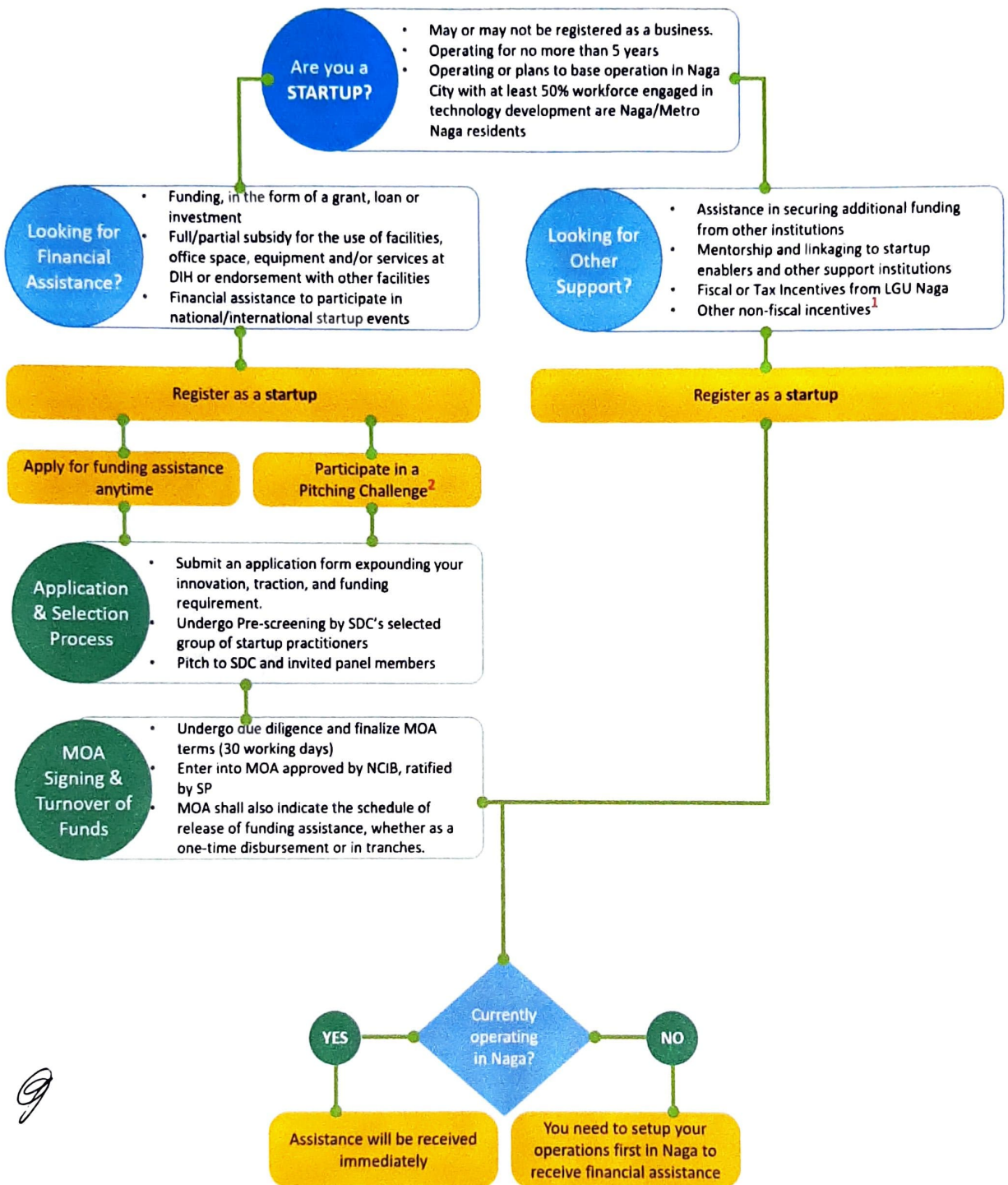
  
**GHIEL G. ROSALES**  
City Councilor &  
Acting Presiding Officer

  
**GIL A. DE LA TORRE**  
Secretary to the  
Sangguniang Panlungsod

APPROVED:

  
**NELSON S. LEGACION**  
City Mayor 7/15/21

# Registration and Availment of Support for Startups



<sup>1</sup> - Other non-fiscal incentives can still be provided for requesting startups even if they are not yet operating.

<sup>2</sup> - The Pitching Challenge will be organized at least twice a year, where the NCIB and SDC shall indicate the startup development stage and priority technology areas that will be eligible for funding.