

SMALL ENTERPRISE TECHNOLOGY UPGRADING PROGRAM (SETUP) GUIDELINES

DOST Administrative Order No. 002, s. 2015, March 18, 2015

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Adopted: 18 March 2015

Date Filed: 20 March 2015

PART I. INTRODUCTION:

Recognizing the role of micro, small and medium enterprises (MSMEs) in national growth, economic policies have been refocused and strengthened to develop the MSMEs. The Department of Science and Technology launched and sustained the Small Enterprise Technology Upgrading Program (SETUP) as a nationwide strategy to encourage MSMEs to adopt technological innovations to improve their products, services, operations, increase their productivity and competitiveness, and develop new products. Included among the MSMEs are communities/cooperatives/ associations with businesses, and local government units with entrepreneurial activities/ businesses.

- Purpose of the Program

The Program enables MSMEs to address their technological requirements and improve productivity and efficiency through:

1.a

Infusion of appropriate technologies to improve/develop products, services and/or operations

1.b

Human resource training, technical assistance and consultancy services

1.c

Design and execution of functional packages and labels

1.d

Assistance for compliance with regulatory and market standards including testing

1.e

Provision of assistance for technology acquisition

- Priority Sectors

The Program focuses assistance on the following priority sectors:

2.a

Food processing

2.b

Furniture

2.c

Gifts, decors, handicrafts

2.d

Agriculture / Marine / Aquaculture

2.e

Metals and engineering

2.f

Others (including ICT and pharmaceuticals and health products)

- Program Implementation

3.a

Program Director

The Regional Director is the designated SETUP Program Director in the region and he/she shall ensure the proper implementation of the Program in his/her region.

3.b

DOST-GIA Executive Committee (EXECOM)

The DOST-GIA EXECOM shall act on policy recommendations and shall approve projects beyond the delegated authority of the Regional Directors.

3.c

Evaluating/Monitoring Council

The concerned DOST-Council identified by the DOST-GIA EXECOM/ OUSEC for R&D shall evaluate and recommend to the DOST-GIA EXECOM the consideration of SETUP proposals based on technical and financial viability, in amounts beyond the delegated authority of the Regional Director.

3.d

Regional Technical Evaluation Committee (RTEC)

The Regional Technical Evaluation Committee (RTEC) shall be composed of experts from different sectors relevant to the Program (SETUP), and may include members with business/ entrepreneurial expertise. They are non-DOST regional office personnel and may come from industry, academe, private or government sectors, and who possess the minimum qualification set by the DOST Regional Director. The Chairperson and two (2) other members shall be appointed by the Regional Director for a term of 1 year. Their engagement may be renewed each year. Additional members may be appointed if necessary. The committee shall evaluate and recommend to the Regional Director the approval/disapproval of SETUP proposals based on technical and financial viability.

- Strategies to assist MSMEs

Interested MSMEs enrolling under SETUP shall be assisted in technology needs assessment and in the determination of appropriate technologies for adoption, sourcing/acquisition of the required technology.

DOST, thru the Program, shall provide assistance using the following strategies:

4.a

Provision of Technology

DOST shall provide technologies developed by the research and development institutes (RDIs)/ members of the S&T community and other sources, that are new to the MSMEs and will improve their productivity. If the S&T intervention is in the form of equipment, the quantity shall be limited to reasonable number that will show the client/beneficiary the effect of the intervention on productivity, and shall not cover provision of additional units of the same/existing equipment to increase volume of production.

4.b

Human Resource Training

Technical training shall be provided on key production aspects such as hazard analysis and critical control point (HACCP); food safety particularly for food processing; current good manufacturing practices (cGMP); quality/environment management system (QMS/EMS); technopreneurship; ISO; 5S; Energy Audit as well as training on specific technical skills such as machining for furniture, handloom weaving, seaweed culture and tissue culture production, among others. Training services already provided by other government agencies are not covered under the program.

4.c

Consultancy and Technical Advisory Services

Continuing technical and productivity consultancy services shall be offered under the Manufacturing Productivity Extension Program (MPEX); Consultancy for Agricultural Productivity Enhancement (CAPE) Program; design and engineering assessment assistance; cleaner production (CP)/ environmental technology verification (ETV); food safety assessment/audit; and effective energy management/energy audit to ensure successful adoption of technologies through DOST's pool of science and technology experts from its various agencies and members of the R&D network including academic institutions and industry and to ensure compliance with regulatory and market requirements.

4.d

Product Standards and Testing

Participating MSMEs shall be assisted with product standards and testing to enable them to meet regulatory and market standards and allow them to compete locally and globally. Services shall be provided by DOST-established network of national and regional testing laboratories in cooperation with the state colleges and universities and private testing centers.

4.e

Packaging and Labeling

Participating MSMEs shall be assisted with packaging solutions in the form of design, selection and execution of appropriate labeling/packaging materials to increase shelf life, protection of products and its marketability. The Packaging Technology Division of the Industrial Technology Development Institute (ITDI), DOST, assists

MSMEs in developing functional designs for packages and identifies and develops suitable or alternative packaging materials especially from indigenous sources. Local designers are also available in the regions to design appropriate label of the products.

4.f

Database Management and Information System

Several databases vital to MSMEs are now being developed/maintained at the national and regional levels which include list of available technologies and necessary equipment per technology including specification, list of S&T experts, list of accredited fabricators and list of testing laboratories including services and cost. These databases are made available through the DOST SETUP website.

- Type of Support

5.a

Technology and/or knowledge-based Interventions

The primary assistance provided by DOST to the MSMEs are technology and/or knowledge-based interventions such as training, consultancy, technical assistance, information, S&T Caravan, cluster fairs, etc. These enable them to harness their inherent potential, enabling them to surmount the challenges of business complexity in the highly competitive global market.

5.b

Innovation System Support (ISS)

DOST expanded its assistance to MSMEs from solely technical assistance in transferring technologies to provision of Innovation System Support (ISS) to acquire technology and/or processing/production equipment; provision of consultancy services, laboratory analysis, label designs/ packaging systems; and, acquisition of software.

Support funds spent for the purchase of S&T intervention-related equipment/ machineries, packaging and label designs and execution, and laboratory analyses shall be for refund while technical assistance in the form of consultancy services, training and other soft technology transfer support shall be free of charge.

PART II. THE INNOVATION SYSTEM SUPPORT (ISS):

- Rationale/Objective

DOST provides assistance to participating MSMEs in the form of technology and/or S&T intervention-related equipment to improve their production efficiency and/or product quality and make them more competitive.

- Source of Fund:

2.a

DOST Central Office

2.b

DOST Regional Office

2.c

Other government entity and/or private institution

- Coverage:

Innovation System Support (ISS) fund shall cover S&T intervention(s)/technology(ies) new to the firm that falls in any of the following criteria:

3.a

Will introduce improvement in product quality/process in terms of productivity such as mechanization, automation and better efficiency

3.b.

Will comply with regulatory/market requirement

3.c

DOST-developed technology

3.d

Packaging solution which covers execution of DOST-developed package/label design at minimum volume

3.e

ICT-based technology needed to improve/enhance firm operations

ISS fund does not cover infrastructure that are not DOST developed technologies.

- Eligibility of Proponent

4.a

Any MSME (with business existing for at least 3 years upon application for assistance) or organization based in the Philippines, wholly owned by Filipino citizens and willing to apply technological innovations to their existing products, services and/or operations.

4.b

Any government entity (including state universities and colleges) operating business- like projects/activities (such as Common Service Facilities, innovation/ incubation centers) for entrepreneurs/ graduates of entrepreneurship.

- Application Requirements

The proponent shall submit the following required documents to the concerned DOST Regional Office through the DOST Provincial S&T Center:

5.a

Letter of intent to avail of the SETUP assistance, stating commitment to refund the cost of innovation system support and, as its counterpart, cover the insurance for the acquired equipment.

5.b

Accomplished DOST TNA Form 1, "Application for Technology Needs Assessment"

5.c

Proposal using SETUP Form 1, "SETUP Project Proposal Format"

5.d

Copy of business permits and licenses issued by LGUs and other government offices

5.e

Copy of Environmental Compliance Certificate (ECC) or Certificate of Non-Coverage (CNC) issued by DENR/EMB for projects located in environmentally critical areas[*].

5.f

Certificate of registration of business name with the Department of Trade and Industry (DTI), Securities and Exchange Commission (SEC) or Cooperative Development Authority (CDA), whichever is applicable.

5.g

In the case of corporations, cooperatives and non-single proprietorship, LGUs, organization, Board/Legislative Council resolution authorizing the availment of the assistance and designating authorized signatory for the financial assistance.

5.h

Financial statements at least for the past three (3) years with notarized certification (SWORN STATEMENT) from the beneficiary that all information provided are correct and true.

5.i

Projected financial statements for the next five (5) years

5.j

Complete technical specifications for equipment to be purchased and design/drawing of equipment to be fabricated, as determined in the TNA Report

5.k

Three (3) quotations from suppliers/fabricators for each equipment to be purchased/fabricated, as indicated in item 5.j.

- Project Proposal Processing Procedures:

6.a Proposal Submission:

6.a.1

The proponent shall submit its letter of interest to avail of the SETUP assistance to the DOST Regional Office/Provincial S&T Center.

6.a.2

The DOST Regional Office/Provincial S&T Center and DOST Research and Development Institute/technical expert, shall conduct technology needs assessment (TNA) to identify the firm's current problems that need to be addressed, requirement for improvements and potential scientific and technological interventions needed.

6.a.3

The proponent shall submit proposal using SETUP Form 1, "SETUP Project Proposal Format" with all the requirements indicated in section II-6. The proposal must be supported by accomplished DOST TNA Form 4, "Technology Needs Assessment (TNA) Report" and Regional Technical Evaluation Committee (RTEC) Report (SETUP Form No. 2)

6.b

Evaluation/Review/Approval

Endorsed proposal from the PSTC/Cluster shall be evaluated/reviewed following the Procedure in Annex A (SETUP Proposal Evaluation Scheme)

Proposals endorsed by the RTEC shall be for consideration by concerned DOST Officials or their authorized representatives according to amount requested, as follows:

6.b.1

Proposals amounting to two million pesos (P2M) and below

The Regional Director shall act on proposals amounting to two million pesos and below.

6.b.2

Proposals over two million pesos (P2M)

The DOST-GIA EXECOM shall act on proposals amounting to more than two million pesos (P2M). Evaluation process shall follow the DOST-GIA policy guidelines in evaluating proposals for DOST-GIA EXECOM consideration.

- Release of funds

After approval of the proposal by the Regional Director/DOST-GIA EXECOM, a Memorandum of Agreement (MOA) between the DOST regional office and the SETUP beneficiary shall be prepared (Annex D-Pro-forma MOA, of this guidelines) after which release of funds shall be processed.

- Project Implementation

The Beneficiary shall coordinate with the PSTC/DOST Regional Office to commence project implementation upon receipt of the SETUP fund. Project duration shall be for a period of one (1) year to commence upon receipt of funds from the regional office. The concerned regional office shall keep/maintain all project documents.

- Project Monitoring:

9.a

Monitoring Units

9.a.1

Office of the Regional Director (Program Director)

The office of the Regional Director (Program Director) shall ensure proper implementation of projects in the regions.

9.a.2

Concerned DOST-Council identified by the DOST-GIA EXECOM/ OUSEC for R&D

Concerned DOST-Council identified by DOST-GIA EXECOM/OUSEC for R&D shall monitor implementation of SETUP projects approved by the DOST-GIA EXECOM

9.a.3

Office of the Undersecretary for Regional Operations

The Office of the Undersecretary for Regional Operations shall exercise oversight and shall monitor the implementation of the Program across regions.

9.b

Monitoring Reports

The following shall be prepared by the office of the Regional Director (Program Director).

9.b.1

Semestral progress report using SETUP Form No. 3, to be submitted not later than two (2) weeks after the end of each semester, to the OUSEC for RO.

9.b.2

Terminal report, audited financial report, acknowledgement receipt of equipment and inventory of equipment using SETUP Form Nos. 10, 4, 5 and 6, respectively, not later than one (1) month after the end of the project duration and/or completion of equipment acquisition/ fabrication.

9.b.3

Pre-Implementation Project Information Sheet using SETUP Form 008 and Project Information Sheet using SETUP Form 009 as prescribed in the memorandum of agreement between the DOST regional office and the project implementer.

9.c

Budget Realignment and Fund Balance

Disbursements shall be in accordance with the approved line-item budget and subject to existing government accounting and auditing rules and regulations. If budget realignment is necessary, a request shall be made at least one (1) month before the end of the project duration and shall not be done more than three (3) times in each implementation period except in meritorious cases as may be approved by the Regional Director (Program Director) or DOST-GIA EXECOM, as the case may be. A revised LIB shall be prepared to cover any of the following: budget realignment and creation of expense item/s.

If request for realignment covers the existing expense item indicated in the approved LIB, request of the beneficiary with endorsement of the Provincial S&T Director/Regional Director, as the case may be, shall be submitted for consideration by the Regional Director or appropriate Monitoring Council, where appropriate.

If request for realignment includes new items of expenditure, the request of the beneficiary, together with TNA Report, RTEC endorsement and endorsement of the Provincial S&T Director/ Regional Director, as the case may be, shall be submitted for consideration of the Regional Director or DOST-GIA EXECOM, where appropriate.

For projects approved by DOST-GIA EXECOM, request for realignment should be supported by an endorsement from the concerned evaluating/monitoring Council.

Fund balance of completed, terminated or withdrawn projects may be utilized to fund approved SETUP projects awaiting funding, upon approval by the Regional Director (Program Director) or DOST GIA EXECOM, as the case may be, and where appropriate.

9.d

Refund Mechanism/Restructuring

Refund schedule shall commence twelve (12) months after the start of project duration, within a period of three (3) years to five (5) years depending on the nature of the project and financial capacity of the beneficiary/project implementer as recommended by the RTEC subject to the approval of the Region Director or DOST-GIA EXECOM, where appropriate. Refund schedule may be extended to a maximum of two (2) years from the original approved refund schedule subject to the approval of the Regional Director. The beneficiary shall be required to submit post-dated checks (as alternative surety bond) covering the total funding assistance plus technology transfer fee (0.5% of acquisition cost of all equipment acquired), prior to release of funds (e.g. for a 3-year/36-month refund period, 37 post-dated checks must be submitted).

9.e

Change in Implementation Date/Extension of Duration

Procurement/fabrication of the approved items of expenditures should be done within the approved project duration. If change in implementation date/extension of duration is necessary, request must be submitted at least one (1) month prior to the end of the approved duration.

Request for change in implementation date shall be submitted with justification endorsed by the Provincial S&T Director and approved by Regional Director or appropriate Monitoring Council, as the case may be, and where appropriate.

Request for extension without additional funding may be considered by the Regional Director/ appropriate Monitoring Council, if justified/ warranted. Justification along with the latest financial report, status report and Gantt chart of activities for the proposed extended period shall be submitted by the beneficiary.

- Project Completion/Termination

10.a

Project Completion

As soon as the beneficiary shall have refunded the total amount of assistance provided (including attendant penalties, if any) and paid an amount equivalent to 0.5% of the acquisition cost of all equipment acquired, the ownership of the equipment shall be transferred to the beneficiary through the issuance of "Certificate of Ownership" and "Invoice Receipt for Property".

10.b.

Termination/Withdrawal

10.b.1

In case of failure or termination of the project due to force majeure or fortuitous event, the Regional Director shall submit to the Regional COA a written request for "Relief of Accountability" which shall be subject to Sections 26 and 73 of P.D. 1445 otherwise known as "Government Auditing Code of the Philippines".

10.b.2

In case of failure or termination of the project, the DOST Regional Office/Provincial Office shall collect final Obligation, if any, and prepare a terminal report and a financial report using SETUP Form Nos. 10 and 4, respectively. Final Obligation shall be computed according to computation/formula presented in Annex C (Computation of Final Obligation). Legal action shall be pursued by the concerned regional office in case of client's failure to refund the final obligation.

10.b.3

In case of withdrawn projects, the Office of the DOST Regional Director shall prepare the terminal and financial reports, where applicable, using SETUP Form No. 10 and 4, respectively, to facilitate liquidation of the project.

10.c

Pulled-Out Equipment

The concerned DOST regional office shall immediately post in the SETUP website the pulled-out equipment for information of all DOST regional/provincial S&T offices.

All pulled-out equipment shall be housed at the Provincial S&T Center/Regional Office or any other secured facility and shall be made available to any SETUP adoptor or potential SETUP adoptor who may have use for it. Any proponent interested in acquiring the pulled-out equipment shall submit the following:

10.c.1

For new adoptor

The interested adoptor shall apply for SETUP assistance by submitting a proposal with all the required documents. The application shall be processed following the same procedure for a new proposal.

10.c.2

For existing adoptor

The interested adoptor shall submit a letter of intent to acquire the pulled-out equipment in addition to the existing SETUP assistance together with a TNA Report and RTEC endorsement. Once approved, a supplemental MOA shall be executed stipulating the additional SETUP assistance. The refund schedule for the financial assistance shall be revised accordingly.

10.c.3

For donation to SUCs

In the event that there will be no interested adoptor six (6) months after pull-out of equipment and all efforts of finding possible SETUP adoptor has been exhausted, the PSTC may endorse a request to utilize pulled out equipment for R&D use or any entrepreneurship activity of an interested State University or College and transfer of equipment to the requesting party by donation. The request for donation shall require approval of the DOST Secretary.

The value of pulled-out equipment shall be assessed by the authorized DOST region representative and validated by the COA before the equipment can be transferred to the new technology adoptor.

PART III. OTHER PROVISIONS

All existing orders, guidelines, rules and regulations inconsistent with the provisions of this order are hereby

repealed, amended or modified accordingly.

All other provisions of the DOST Administrative Order No. 006, Series of 2004, “Guidelines for the Grants-In-Aid Funds of Department of Science and Technology and Its Agencies” shall apply to all projects under SETUP.

PART IV. EFFECTIVITY

This order takes effect on 30 January 2015.

Approved by:

(SGD) MARIO G. MONTEJO

Secretary

[*] Environmentally Critical Area (ECA) – area delineated as environmentally sensitive such that significant environmental impacts are expected if certain types of proposed projects or programs are located, developed or implemented in it. (Source; DENR Administrative Order No. 2003-30, Section 3.e)

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