This action is funded by the European Union

**ANNEX II**

of the Commission Implementing Decision on the financing of the annual action programme in favour of the Asia region for 2019 part III

**Action Document for the ASEAN Regional Integration Support – Philippines Trade-Related Technical Assistance**

(ARISE Plus – Philippines)

| 1. Title/basic act/CRIS number | ASEAN Regional Integration Support – Philippines Trade-Related Technical Assistance (ARISE Plus – Philippines)  
CRIS number: ACA/2019/042-164  
financed under the Development Cooperation Instrument |
| 2. Zone benefiting from the action/location | Republic of the Philippines  
The action shall be carried out at the following location: Philippines, with the project team located in Metro Manila. |
| 3. Programming document | Addendum to the Multiannual Regional Indicative Programme (RIP) for Asia for the period 2014 – 2020¹ |
| 4. SDGs | Main SDG: Goal 8 ‘Decent Work and Economic Growth’  
Other significant SDGs: Goal 1 and Goal 10 |
| 5. Sector of intervention/thematic area | Focal sector 1 (ASEAN): Connectivity through Sustainable and Inclusive Economic Integration and Trade  
DEV. Aid: YES |
| 6. Amounts concerned | Total estimated cost: EUR 6 400 000  
Total amount of EU budget contribution EUR 6 400 000 |
| 7. Aid modality(ies) and implementation modality(ies) | Project Modality  
Indirect Management with an international organisation to be selected in accordance with the criteria set out in section 5.3.1  
Direct management – procurement of services |
| 8 a) DAC code(s) | 33110 Trade policy and administrative management  
33120 Trade Facilitation  
32130 SME Development |

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¹ C(2018)4741 of 20 July 2018
<table>
<thead>
<tr>
<th>b) Main Delivery Channel</th>
<th>1000 Public Sector Institutions</th>
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<tbody>
<tr>
<td>9. Markers (from CRIS DAC form)</td>
<td></td>
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<tr>
<td>General policy objective</td>
<td>Not targeted</td>
</tr>
<tr>
<td>Participation development/good governance</td>
<td>X</td>
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<tr>
<td>Aid to environment</td>
<td>X</td>
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<tr>
<td>Gender equality and Women’s and Girl’s Empowerment</td>
<td>X</td>
</tr>
<tr>
<td>Trade Development</td>
<td></td>
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<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>X</td>
</tr>
<tr>
<td>RIO Convention markers</td>
<td>Not targeted</td>
</tr>
<tr>
<td>Biological diversity</td>
<td>X</td>
</tr>
<tr>
<td>Combat desertification</td>
<td>X</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>X</td>
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<tr>
<td>Climate change adaptation</td>
<td>X</td>
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<tr>
<td>10. Global Public Goods and Challenges (GPGC) thematic flagships</td>
<td>Not relevant</td>
</tr>
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**SUMMARY**

The Association of Southeast Asian Nations (ASEAN) Regional Integration Support – Philippines Trade-Related Technical Assistance (ARISE Plus – Philippines) is a five-year programme with a budget of EUR 6,400,000 that contributes to the integration of the Philippines’ economy into the global production chain, through targeted support to both the public and private sectors. It is the national Philippines component of the ARISE Plus Programme, supporting regional economic integration and trade in the ASEAN under Focal Sector 1 of the 2014-2020 Multiannual Indicative Programme (MIP) for Asia. The Philippines’ openness to trade is still comparatively low and lagging behind its emerging ASEAN’s partners. Trade flows are only a fraction of those reported in Vietnam, Indonesia and Thailand. The creation of the ASEAN Economic Community and the Philippines’ accession to the Generalised Scheme of Preferences plus (GSP+) status in December 2014 (effectively lowering tariffs on a wide range of products entering the EU) could be factors of change. Ongoing negotiations for an EU-Philippines Free Trade Agreement (FTA) and possible membership in the Comprehensive and Progressive Agreement for Trans Pacific Partnership (CPTPP) may also offer privileged access to some of the largest markets in the world. ARISE Plus – Philippines seeks to take advantage of this new context to improve the competitiveness of Philippines’ exports through: 1/ targeted support to the private sector and 2/ the consolidation of legislative achievements obtained under the previous EU-Philippines trade-related technical assistance programme (TRTA3).

The programme is structured around five Expected Outputs:

- Output 1: Government and private operators are better able to identify and implement export priorities (including to the EU);
- Output 2: A National Quality Infrastructure that promotes export competitiveness is in place;
- Output 3: Quality management and control systems for exported food products are better aligned with international best practices;
- Output 4: Strengthened trade facilitation capacity to implement the Customs Modernisation and Tariffs Act (CMTA) and the World Trade Organisation (WTO) Trade Facilitation Agreement;
- Output 5: Achievements of the EU-Philippines Partnership are monitored and advertised widely to the Philippines’ public.

1. **CONTEXT ANALYSIS**

1.1. **Context Description**

The Philippines is a lower middle-income country within the Association of South East Asian Nations (ASEAN). Its economy expanded by an average 6.5% over the period 2015-2018, the fastest pace since the mid-1970s, as demand rebounded after the 2008-2009 recession and the country reaped the benefits of better governance under President Aquino’s administration and the strong push for infrastructure development under the Duterte administration. Under the administration of President Duterte, economic management has been handled mainly by the economic cabinet cluster headed by the Department of Finance. Overall, the Philippines maintains its course in terms of macroeconomic and fiscal policies. A spike in inflation was experienced in 2018, which is now slowly recovering within the government target of 2%-4% range. A wide trade deficit was also recorded in 2018 resulting in a wider current account deficit. Meanwhile, the IFC cautioned the Philippine government to keep its budget deficit at 3%; however, in 2018 the budget deficit was slightly up to 3.2%. Major credit ratings for the Philippines are currently at or above investment grade and remain positive with stable outlooks.

Despite the generally good economic performance, poverty remains high and the pace of poverty reduction has been slow compared with other East Asian countries, according to the World Bank’s recent poverty assessment for the Philippines. Poverty remains an issue for a large part of the population, with the poverty incidence estimated at 21 percent in 2018 (Philippine Statistical Authority). Coupled with persistent high inequality of income, wealth, and opportunities, this points to the urgent need to make growth more inclusive and inequality-reducing. The Philippine government has formulated strategic plans focused on reducing poverty and improving living conditions with a long-term vision, AmBisyon 2040, and the Philippine Development Plan 2017–2022, which together set ambitious goals for the country to become a prosperous middle-class society. The PDP includes trade liberalisation with a strong focus on export promotion, the implementation of a strategic external trade policy regime, through expansion of market access and diversification of export products and markets.

The Philippines became a member of the World Trade Organisation in 1995 yet overall openness to trade is still low. Between 2007 and 2017, Philippines’ total trade as percentage of GDP declined to 71.8% from 86.6%. In the last decade, the worst dip was in 2013 (at 60.2% of GDP) but it has since improved slowly. Recently, the Rice Tariffication Act was enacted into law after the WTO rice quota restriction expired in July 2017. This is a step in the right direction towards further trade liberalisation in the country. The Philippines is also characterised by a persistent trade deficit (record high in 2018 at more than $40 billion). Remittances from overseas workers which accounts for 10% of GDP and surplus in trade in services are not enough to balance out the trade deficit. The trend is the result of stagnant exports in goods. Total trade in goods follows an increasing trend in the past 5 years but Philippine exports continue to perform weakly and are relatively undiversified (concentrated...
in the electronics sector, which accounts for 50% of total exports). Trade in services on the other hand has enjoyed very strong growth rates for almost a decade largely due to the Business Process Outsourcing (BPO) industry.

1.2. Policy Framework (Global, EU)
The Philippines was granted GSP+ status in December 2014, effectively reducing tariffs for Philippine exports to the EU on more than 6,000 product lines. Philippine utilisation rate of the GSP preference was 73% in 2018—an almost flat performance compared to 2017. Around €2 billion of total EU imports from the Philippines enjoyed the trade preference. Negotiations for an FTA with the EU were announced in late 2015 (two rounds have taken place since, the first in Brussels in May 2016 and the second in Cebu in February 2017). Even if there were no new rounds in 2018 and the beginning of 2019, the prospect of signing an EU-Philippines FTA during the course of the programme remains a possibility. The implementation of the Partnership Cooperation Agreement between the EU and the Philippines (ratified in 2018) is another avenue to further strengthen the cooperation of the two economies. Another important negotiation track for the Philippines is the Comprehensive and Progressive Trans Pacific Partnership (CPTPP) of which the Philippines is not a member but for which it has expressed an interest. The CPTPP might also guide the trade reform agenda in the country in coming years. The updated EU Aid for Trade Strategy 2017 sets out a renewed vision on how to help developing countries fight poverty and create more and better jobs through trade and investment. The EU’s new Strategy on Connecting Europe and Asia, adopted in September 2018, highlights sustainable, comprehensive and rules-based connectivity as a means to contribute to the enhanced prosperity, safety and resilience of people and societies in Europe and Asia. It specifically mentions to need for the EU to continue strengthening its cooperation with ASEAN as a central player in connectivity in Southeast Asia and to support the Master Plan on ASEAN Connectivity 2025 and the convergence of standards within it.

The Philippines is a founding member of ASEAN and as such is committed to ASEAN integration. The economic and political priorities of the ASEAN Economic Community (AEC) were recently summed up in the AEC Blueprint 2025, adopted by ASEAN Leaders in November 2015. ARISE Plus – Philippines contributes to the implementation of the Regional Multiannual Indicative Programme Asia 2014-2020 which serves as the main framework for EU regional cooperation in Asia. The MIP Asia 2014-2020 includes a EUR 170 million allocation to ASEAN, including EUR 85 million to support ASEAN regional economic integration. The main initiative under this specific objective is the ARISE Plus Programme of which ARISE Plus – Philippines is the national component for the Philippines. ARISE Plus is closely aligned with the new 5 characteristics of the AEC Blueprint 2025 which provide a solid basis for trade-related technical assistance in the region. ARISE Plus – Philippines will follow this common regional approach and focus on several of the listed AEC Blueprint priorities identified under ARISE Plus (see Appendix 1). ARISE Plus – Philippines will consolidate the regulatory achievements, processes and best practices introduced by the previous intervention, the EU-Philippines Trade-Related Technical Assistance Programme 3 (TRTA 3), in line with national priorities.

1.3. Public Policy Analysis of the Partner Country
The Philippine Export Development Plan 2018-2022 (PEDP) aims to continue the plan of the previous PEDP 2015-2017 (drafted with TRTA 3 support under the DTI) that will implement existing and new export strategies and programmes to boost export performance and with the goal to achieve the target of $122-130 billion by the end of the Duterte administration. The PEDP acknowledges the role of government as a facilitator and offers strategies to boost competitiveness, such as the overall climate for export development, exploiting existing and
prospective opportunities from trading arrangements (including GSP+) and designing comprehensive packages to promote select products and service sectors. Business support for export promotion under the PEDP identifies priority sectors, with the agri-food sector featuring prominently. Another document underpinning DTI's approach is the Inclusive Innovation Industrial Strategy (i3S), which aims at growing innovative and globally competitive manufacturing, agriculture, and services while strengthening their linkages into domestic and global value chains with innovation at the core of the country’s strategic policies and programs. Underpinning the strategy is the competition-innovation-productivity relationship where a highly liberalised market environment leads to more competition which spurs innovation and productivity growth.

The National Quality Infrastructure, an important area previously supported by TRTA 3, is identified in the PDP as requiring legislative action to increase competitiveness, innovativeness and resilience; it is included in the legislative agenda 2017-2022. Although elements of an NQI are already in place, a comprehensive modernisation is needed to upscale NQI organisations and practices, separate and clarify regulatory functions and promote export competitiveness, including with an emphasis on voluntary standards used to penetrate foreign markets. Quality management and control systems relevant for exported food products were supported by TRTA 3 across a wide range of fields of activities, including the upgrading and rationalisation of laboratories, the upgrading of SPS inspection procedures and the introduction of risk management. TRTA 3 successfully supported the implementation of the Rapid Alert System for Food and Feed. These efforts need to be entrenched with continued support to public bodies and, crucially, the private sector. In the context of the WTO Trade Facilitation Agreement, under the so-called ‘Category C’ provisions, the Philippines has signalled its intention to request support for the National Single Window. The effective implementation of the landmark Customs Modernisation and Tariff Act (CMTA) and its implementing regulations (which benefitted from TRTA 3 support) needs to be supported through capacity building.

1.4. Stakeholder analysis

The Department of Trade and Industry is responsible for the implementation and coordination of trade and investment policies as well as for promoting and facilitating trade and investment. The Committee on Tariff and Related Matters (CTRM), chaired by the Secretary of Trade and Industry advises the President and the National Economic and Development Authority Board on tariff and related matters, coordinates the different agencies’ positions and proposes national positions for international economic negotiations. Although ARISE Plus – Philippines is not expected to directly support DTI's position during FTA negotiations, there is a strong need to support the effective dialogue and involvement with civil society on the FTA through studies, outreach and relevant analytical work. The main NQI bodies of relevance for exporters and business promotion fall under DTI and associated agencies.

SPS measures are implemented through regulatory agencies of the Department of Agriculture and the Department of Health. The Department of Agriculture manages the implementation of the WTO SPS agreement. The main agencies under the DA include the Bureau of Plant Industry, the Bureau of Fisheries and Aquatic Resources (which is the Competent Authority for exports of seafood products to the EU), the Bureau of Animal Industry, the National Meat Inspection Service and the Philippine Coconut Authority. Under the Department of Health, the Food and Drug Administration regulates processed food. There are potential weaknesses in terms of agency coordination, particularly between DA and FDA, which highlights the need for a strong coordinated approach. The nomination of the Food and Drug Administration as National Contact Point for the Rapid Alert System clarified roles and responsibilities.
However, FDA is a small agency with limited staff and inspectors. Given these constraints, ARISE Plus – Philippines intends to support FDA to more efficiently implement its mandate.

The Bureau of Customs (BOC) has a very poor reputation in the Philippines as possibly one of the most corrupt agencies. Several changes at the top of the Bureau in recent years have yielded little results. If properly implemented, the CMTA should promote reforms within the Bureau of Customs and make it a more professional and effective agency. There is a high visibility of this issue in the public discourse and political commitments of the current administration. The private sector in the Philippines is represented through numerous sector or industry associations, at the local and national levels, and by umbrella-type organisations and chambers of commerce (including European and other foreign chambers) that provide advocacy and business services to members. The private sector and civil society are involved in the process of trade policy formulation through DTI’s trade policy consultation initiative: One Country, One Voice (OCOV).

1.5. Problem analysis/priority areas for support

Foreign Direct Investment flow into the Philippines has been increasing at varying paces since 2010 but remains stubbornly low – $9.8 billion in 2018, practically unchanged from 2014. The Philippines receives only a fraction of FDI flows reported by its emerging ASEAN neighbours. High corruption levels, lack of infrastructure, relatively high costs of labour and energy, and foreign investment caps in several industries are seen as key constraints. The announced reform of corporate taxation and revision of fiscal incentives (Trabaho bill) is also generating uncertainty within the business community and does not help foreign investors to make long term investment decisions. Despite a relative stagnation of Philippine exports in 2018, the Philippines is optimistic that its export sector will gain traction as a result of spill-overs from China-based manufacturing moving to other locations for production. Amid this mixed picture overall, trade relations between the EU and the Philippines are improving but at a slow pace. Trade flows between the EU and the Philippines were up by 8% from €14.3 billion in 2017 to €15.5 billion in 2018 (essentially for the good performance of EU exports) but are modest compared to the likes of Vietnam or Thailand.

The Philippines’ poor export performance has its roots in the country’s weak manufacturing base and insufficient integration of smaller companies in global value chains. Addressing this situation requires the private sector to become aware of new trade opportunities, including under the AEC and GSP+, but also to upgrade its production processes to meet international standards. ARISE Plus – Philippines will therefore take advantage of the Philippines’ integration into ASEAN and unique access to the EU market to improve the competitiveness of selected export industries through direct support to the private sector. The delivery mechanisms will seek to use pre-existing government support systems and stakeholder platforms. This intervention will contribute to the AEC Blueprint, while contributing to the relevant SDGs.

In addition to being a women’s right, gender equality in the economic sector helps to increase growth and allows new talents and ideas to blossom. It is globally estimated that gender gaps cost the economy of a country some 15% of its GDP. Philippine business women have still limited access to capital and credit, to value-enhancing inputs, such as business development services, technology and training, and lack access to information. Women entrepreneurs also need role models who can help them gain confidence in their business. Hence ARISE Plus – Philippines will ensure gender equality in its activities, including in the access to training, information and events and in the awareness-raising actions.
2. **RISKS AND ASSUMPTIONS**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk level (H/M/L)</th>
<th>Mitigating measures</th>
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<tbody>
<tr>
<td>The mid-term elections of May 2019 have resulted in a new Congress</td>
<td>L</td>
<td>Sustained engagement with the legislative branch in the Philippines should figure prominently as part of any programme implementation strategy. Past efforts suggest that stakeholders in Congress are relatively open to policy discussions with the private sector.</td>
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<tr>
<td>that is politically more aligned with the Duterte administration</td>
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<tr>
<td>although it is difficult to predict at this stage how this will affect</td>
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<tr>
<td>the direction of the legislative agenda and continuity of reforms.</td>
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<tr>
<td>Customs remains a big unknown. This component has underperformed</td>
<td>H</td>
<td>The new CMTA Law might signal the start of a new, stable and rule-based cycle for Philippine Customs. Efforts to promote the re-organisation of the agency might also reduce rent seeking behaviour.</td>
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<tr>
<td>during TRTA3 due to frequent changes in management.</td>
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<tr>
<td>Civil society opposition to the EU-Philippines FTA might spill over</td>
<td>L</td>
<td>The intervention will support the effective dialogue and outreach on the FTA with civil society.</td>
</tr>
<tr>
<td>to ARISE Plus – Philippines.</td>
<td></td>
<td></td>
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<tr>
<td>Trade liberalisation may exacerbate rather than reduce inequalities,</td>
<td>L</td>
<td>The project will promote policies conducive to inclusive growth, including a robust labour-oriented regulatory framework. FTA negotiations between the EU and the Philippines may provide a good avenue for this.</td>
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<tr>
<td>including gender inequality, if the wrong policies are in place.</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Collaboration of all agencies involved in food safety and SPS</td>
<td>M</td>
<td>ARISE Plus – Philippines will have an inclusive policy for all activities. When possible, it will implement activities through existing government coordination mechanism and/or public/private platforms.</td>
</tr>
<tr>
<td>controls may prove difficult (e.g. to achieve recognition by European authorities).</td>
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**Assumptions**

- Donor coordination will continue both through official donor mechanisms (Philippine Development Forum) complemented by ad hoc coordination within each component.
- Budget availability for reforming public service (e.g. modernisation of public laboratory network) will not be a bottleneck. Government budget has grown steadily under the Aquino and Duterte administrations in part thanks to solid revenue collection. Consequently, ARISE Plus – Philippines is not designed to provide capital expenditure or long term staff. Instead, it provides expertise to line agencies, including when requesting additional resources from Congress if needed.
- The GSP+ status of the Philippines will remain in place throughout implementation.

3. **LESSONS LEARNT AND COMPLEMENTARITY**

3.1. **Lessons learnt**

The final evaluation of TRTA 3 showed that the programme was highly relevant to the needs and priorities of the targeted beneficiaries to assist the Philippines in the integration into the
international trade and investment system. An overarching recommendation was to continue to strengthen synergies and coordination between the various thematic issues and sectors that contribute to the Philippines’ overall trade policy strategy, through a more systematic and integrated approach and/or the development of common, multi-stakeholder platforms to enhance public-private dialogue and mutual awareness. In particular, local governments, the civil society sector and the private sector (particularly SMEs), including women-led companies, could be more systematically involved to ensure a wider dissemination of the benefits of international trade and greater linkages with cross-cutting issues (environment, green growth, gender equality) and poverty reduction strategies. Wider regional linkages, in particular at the ASEAN level, will also continue to be crucial.

The recommendations on the design of the programme, notably to implement it under a more streamlined system, as well as to build in flexibility through the continuation of a Rapid Response Facility, have been incorporated into the design of ARISE Plus – Philippines. The Rapid Response Facility (RRF) was first created under TRTA2 in order to address unforeseen needs and was able to address legitimate needs linked to the overall objectives by government and non-government stakeholders outside the main beneficiary agencies. One example includes the rapid mobilisation of expertise during the dialogue on Illegal, Unreported and Unregulated Fishing with the EU—effectively leading to the lifting of the ‘yellow flag’ threatening the Philippine fisheries sector. The RRF will continue to be a feature of the programme implementation approach under ARISE Plus – Philippines.

More focus on the private sector as beneficiary is needed and it is important that ARISE Plus – Philippines focuses on goods and services that are traded internationally or have potential for export. Similarly, capacity building for government should be undertaken as part of an overall plan to boost trade as opposed to ad hoc training on food safety which often addresses domestic issues. Finally, the programme implementation approach will aim to strengthen the inherent links and synergies between the components and corresponding beneficiaries, as mentioned above, to achieve higher impact and address coordination issues.

### 3.2. Complementarity, synergy and donor coordination

ARISE Plus – Philippines is part of the regional ARISE Plus programme (2017-2022). Identified activities under the regional programme which will directly involve the Philippines include the implementation of the ASEAN Rapid Alert System for Food and Feed as well as harmonisation of standards for food products and pharmaceuticals in ASEAN. The European Intellectual Property Office also provides technical assistance to ASEAN. It is important that ARISE Plus – Philippines allocates resources in a way that complements rather than overlaps with these priorities. A strong coordination and synergies will be ensured with the ongoing work of the regional ARISE Plus programme (e.g. on SPS, IPR, ASEAN Single Window, etc.) and FPI-PI/DG TRADE programme IP Key Southeast Asia (which is specifically working on IPR issues in the context of EU-Philippines FTA negotiations), including as appropriate through the annual regional steering committee.

ARISE Plus – Philippines will provide comprehensive and direct trade-related support to boost exports. The EU and USAID have been two major trade-related technical assistance providers to the Philippines over the past years. In particular, USAID supported the country’s trade competitiveness under its TRADE and COMPETE projects, but both projects have ended. JICA has provided assistance in the areas of industrial promotion and SME integration and development, as well as customs and trade facilitation. There are also aspects of trade and/or competitiveness addressed under other donor-funded programmes (IFAD, ILO, etc.) mainly focussing on development of entrepreneurship, agri and industrial value-chains. Donor coordination and dialogue with the Member States and EU industries will be an important feature of project implementation to identify synergies, foster linkages and investments.
4. DESCRIPTION OF THE ACTION

4.1. Overall objective, specific objectives, expected outputs and indicative activities

The overall objective is to foster inclusive economic growth and poverty reduction in the Philippines.

The specific objective is that the Philippines’ trade performance and competitiveness are improved.

This is a list of outputs and indicative activities. The activities may be adjusted and streamlined during implementation to reflect the Philippine Government’s evolving priorities, taking into account the overall resource envelope for the programme.

Output 1: Government and private operators are better able to identify and implement export priorities (including to the EU).

- Activity cluster 1.1. Inform private stakeholders, in particular Micro, Small and Medium Enterprises (MSMEs) on global trade opportunities, especially GSP+ and Free Trade Agreements (FTAs).

The envisaged support will identify, promote and support market access to the EU, including through the EU Generalised Scheme of Preferences Plus (GSP+) for eligible exports, for example through policy studies on maximising the GSP+ benefits, a nationwide information campaign for exporters to register in the Registered Exporters System (REX) of the EU GSP scheme and training on self-certification. Awareness-raising campaigns and economic studies for civil society, NGOs, including women-related organisations, and the broader public will also be conducted on FTA-related matters (e.g. intellectual property rights, government procurement, geographic indications), new generation FTAs, trade and sustainable development chapters. A monitoring system for Philippine Export Development Plan (PEDP) priority sectors will be supported (for e.g. concerning the design and implementation of an M&E system that captures, among others, trade statistics from REX) and the next PEDP will be drafted/updated as appropriate following broad consultations. Information flow to women entrepreneurs is ensured.

- Activity cluster 1.2. Technical and marketing support to priority sectors under the PEDP, including to MSMEs at firm or industry level.

The envisaged support will provide firm or industry level interventions to facilitate obtaining relevant market-specific certifications and market access for priority products and services, including to boost food exports to the EU (for e.g. fair trade/organic labelling certification, geographic indications, support to selected products and industries on qualifying for the rules of origin, providing advice and expertise on product design for the EU market, other support as appropriate). It will assist carefully selected Philippines MSMEs and export promotion agencies to participate in trade fairs in Europe and other B2B activities with EU stakeholders (for e.g. preparing guidelines for participation and coaching participants). Gender equality in the selection of MSMEs representatives is ensured.

- Activity cluster 1.3. Provide targeted support to address critical gaps to participation in global value chains that are hindering exports in priority products or industries, through linkages with EU industry, especially concerning inclusive innovation and the entrepreneurship ecosystem.

The envisaged support will, for example, foster linkages of start-ups and other ecosystem partners with EU partners and the acceleration of the commercialisation of R&D investments; conduct targeted studies on barriers to industrial competitiveness and funding gaps affecting investments; and support the formulation of strategies. Gender equality in the selection of beneficiary companies and start-ups is ensured.
Output 2: A National Quality Infrastructure (NQI) that promotes export competitiveness is in place.

- Activity cluster 2.1. Support the review and/or drafting of the NQI law and ancillary regulations.

The envisaged support will be related to the relevant NQI legislation, including as appropriate the codification of the Accreditation Act, amendments to the Standardisation Act, to the Metrology Act and the drafting of the Implementing Rules and Regulations of the law upon approval. In support of the review and passage of the NQI legislation in the 18th Philippine Congress, an advocacy campaign will be conducted to promote NQI institutions, including the rebranding and advertising of the NQI to the export-oriented private sector through the development of appropriate communication tools. The support may include as appropriate a survey and mapping of Conformity Assessment Bodies (CABs), inspection bodies, testing and calibration laboratories, certification bodies, and an evaluation and review of Philippine National Standards (PNS) (for e.g. assessment of adoption and utilisation of standards by industries and development of automated system for the PNS).

- Activity cluster 2.2. Capacity building of export-oriented operators and NQI bodies.

The envisaged support will target the relevant NQI stakeholders and local standards development bodies, with participation from public and private sector/MSMEs, to enhance their capabilities, especially with respect to activities that contribute to boosting exports (especially, but not limited to, MSMEs and food), the implementation of accreditation programmes and Multilateral Recognition Arrangements/Agreements (MLA/MRA), risk-based market surveillance systems, and other relevant sub-activities, through training and mentoring. This may also be supported by developing a strategy for targeted participation in meetings of international standards bodies and supporting targeted participation in relevant international fora in line with the above-mentioned. The support may target, as appropriate, the national accreditation, standardisation and metrology bodies, CABs, Philippine Accreditation Bureau (PAB), etc. Gender equality in the selection of participants is ensured.

Output 3: Quality management and control systems for exported food products are better aligned with international best practices.

- Activity cluster 3.1. Technical training for export-oriented operators along the value chain on food safety best practices and international standards.

The envisaged support will be carried out in close coordination with the other outputs under this programme as well as with the relevant ARISE Plus regional activities and components. It may include, for example, mapping of priority food products for exports in collaboration with relevant government agencies (e.g. Export Marketing Bureau) and other targeted interventions on critical aspects of the value chain and quality management for exported products, for example concerning the national laboratory network (e.g. inventory of available resources and gap analysis for public and private laboratories, design/update of national laboratory network, support for ISO 17025 certification for public, national and regional, and private laboratories, etc.). Gender equality in the selection of operators is ensured.

- Activity cluster 3.2. Training for Food and Drug Administration (FDA) and Department of Agriculture (DA) and attached agencies/bureaus to act as Competent Authority for food exports to the EU.

Training to the competent authorities for food exports to the EU will be provided based on a resource and training needs assessment, including in order to support them in addressing concerns raised by partners and exporters in various dialogue mechanisms and to increase overall efficiency. Support for the implementation of the Philippine Rapid Alert System
(PhilRASFF) and exchanges with other Rapid Alert Systems for Food and Feed (RASFF) in coordination with other regional programmes and components will be included. Alignment of import/export requirements with international standards will be supported. Gender equality in the consultation of partners and exporters is ensured.

Output 4: Strengthened trade facilitation capacity to implement the Customs Modernisation and Tariffs Act (CMTA) and WTO Trade Facilitation Agreement (WTO TFA).

- Activity cluster 4.1. Support the readiness of the Bureau of Customs (BOC) to comply with existing international commitments and new or evolving requirements.

The envisaged support will target the Category C provisions notified by the Philippines under the WTO Trade Facilitation Agreement relating to the training and other forms of technical assistance required to build the capacity of the human resources for the National Single Window, especially of the BOC and of the National Committee for Trade Facilitation, in strong coordination with the work ongoing at regional level (including ARISE Plus regional components). It will support the implementation of provisions contained in the CMTA, for example by supporting the updates/drafting of relevant implementing rules, guidelines and business process re-engineering, conducting regulatory impact assessments, identifying relevant organisational re-structuring and recommending improvements in control systems to align them with risk management best practices and international commitments. Support for the development of interoperability of common IT platforms among agencies involved in import/export operations and an assessment of the gaps for future connectivity with the ASEAN Single Window may be included, as appropriate and after a thorough needs analysis. Funding for large-scale software development and acquisition, as well as for hardware and equipment, is not envisaged.

- Activity cluster 4.2. Sensitise economic operators and external stakeholders on new business processes and rules.

Consultation mechanisms and the dissemination to internal and external stakeholders of new and amended regulations and business processes through infographics and workshops will be supported. Gender equality in the identification of stakeholders is ensured.

Output 5: Achievements of the EU-Philippines partnership are monitored and advertised to the Philippine public.

- Activity cluster 5.1. Promote success stories to non-specialists.

Based on an ongoing impact monitoring of all components, as well as on the design and implementation of a communication and visibility plan according to section 5.10., the programme will identify success stories for publication in main media and social media, including stories of women beneficiaries. Press briefings will be conducted on a quarterly basis and following key project events. Outreach through the development of a project website or social media will be ensured.

- Activity cluster 5.2. Organise EU-Philippines conferences on trending trade topics.

In addition to the above-mentioned activities, the programme implementation approach will include a Rapid Response Facility (RRF) to address unforeseen and legitimate needs linked to the overall objectives by government and non-government stakeholders outside the main beneficiary agencies. The support can include activities related to imports and to investments, especially to foster policy coherence, competitiveness, regional integration and the integration into international supply chains.
4.2. **Intervention logic**

ARISE Plus – Philippines will focus as a priority on enabling the Philippines to take advantage of EU market access and of the trade privileges granted under GSP+ as well as support the overall EU-Philippines trade relationship and trade-related policies. The intervention logic is premised on maintaining and fostering an effective and mutually supportive relationship between the public and private sector. If government and private operators are better able to work together to identify and implement export priorities (including to the EU), if a National Quality Infrastructure that promotes export competitiveness is in place, if quality management and control systems for exported food products are better aligned with international best practices, if trade facilitation capacity to implement the Customs Modernisation and Tariffs Act and WTO Trade Facilitation Agreement is strengthened, and if achievements of the EU-Philippines partnership are monitored and advertised to the public, then exporters will be in a better position to harness the opportunities generated by new trade regimes, including GSP+ and the EU-Philippines FTA. In the medium to long term, this will translate into an improvement of the Philippines' trade performance and competitiveness, which will contribute to inclusive economic growth and poverty reduction in the Philippines. The assumptions are that throughout the programme duration GSP+ status is maintained, that FTA negotiations and AEC integration continue, and that relevant organisational resources and staff are available at key agencies. The intervention will also be gender friendly, future-looking and enable Philippine stakeholders and industries to anticipate and to adapt to future trends.

4.3. **Mainstreaming**

Environmental mainstreaming will be particularly relevant in the field of SPS/agriculture. International/EU best practices in this area shall promote sustainable production including for exports. It will also play a role in trade policy activities with civil society including on trade and sustainable development. The project will closely monitor the gender balance of participants and direct beneficiaries, and specific sub-activities targeting women and youth entrepreneurs may be envisaged. Activities in the area of customs and trade facilitation will be particularly relevant from a good governance and anti-corruption perspective.

4.4. **Contribution to SDGs**

This programme is relevant for the Agenda 2030. It contributes primarily to the progressive achievement of SDG Goal 8 ‘Decent Work and Economic Growth’ but also promotes progress towards Goal 1 ‘No Poverty’ and Goal 10 ‘Reduced Inequalities’.

5. **IMPLEMENTATION**

5.1. **Financing agreement**

In order to implement this action, it is foreseen to conclude a financing agreement with the partner country.

5.2. **Indicative implementation period**

The indicative operational implementation period of this action, during which the activities described in section 4 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission’s responsible authorising officer by amending this decision and the relevant contracts and agreements.
5.3. Implementation modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures.²

5.3.1. Indirect management with an international organisation

This action may be implemented in indirect management with an entity which will be selected by the Commission’s services using the following criteria:

- An international organisation specialising in providing trade-related technical assistance, with experience of having implemented EU-funded projects and/or which is already implementing the national TRTA programmes under ARISE Plus in other ASEAN countries, and/or has been chosen recently by the EU as the implementing agency for similar projects in Asia, in order to foster synergies with other EU interventions.

- The entity will have specific expertise in the sectors covered by this action and can ensure coordination with other UN agencies on similar or related topics. Its mandate should combine a focus on expanding trade opportunities with the aim of fostering sustainable development; it should have experience in delivering gender and inclusiveness trade programmes and of providing integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels.

- The entity must have, or be able to set up, a project office in the Philippines to ensure the physical presence of the project team with the beneficiaries, as well as the operational capacity to mobilise the required expertise rapidly and efficiently, including through specialised sub-contracting under the Rapid Response Facility envisaged by the programme.

The implementation by this entity entails the provision of technical assistance that will contribute to achieving the overall and specific objectives, and the outputs of the programme, including for communication and visibility, as outlined above.

If negotiations with the international organisation fail, the entirety of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2.

5.3.2. Changes from indirect to direct management mode due to exceptional circumstances

The alternative implementation modality is direct management (procurement) and it will replace the implementation modality under indirect management above where this preferred modality cannot be implemented due to circumstances outside of the Commission’s control.

The procurement will contribute to achieving the overall and specific objectives, and the outputs of the programme.

5.4. Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply.

² www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.
a) The Commission’s authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of products and services in the markets of the countries concerned, or in other duly substantiated cases where the eligibility rules would make the realisation of this action impossible or exceedingly difficult.

5.5 Indicative Budget

<table>
<thead>
<tr>
<th>Item</th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution, in currency identified</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect management with an international organisation for technical assistance, including for communication and visibility (cf. section 5.3.1.)</td>
<td>5 800 000</td>
<td>N/A</td>
</tr>
<tr>
<td>Contingencies</td>
<td>300 000</td>
<td>N/A</td>
</tr>
<tr>
<td>Evaluation (cf. section 5.8), Audit (cf. section 5.9)</td>
<td>300 000</td>
<td>N/A</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>6 400 000</strong></td>
<td>0</td>
</tr>
</tbody>
</table>

5.6 Organisational set-up and responsibilities

A Project Steering Committee (PSC) will be established with responsibility for guiding the project and for approving work plans. The PSC will meet every six months, and ad hoc, as required. Membership will include representatives of the EU Delegation, the Department of Trade and Industry, the Department of Agriculture, the Department of Health (Food and Drug Administration), and the Department of Finance (Bureau of Customs and International Finance Group). The participation of DOF-IFG will be for monitoring/oversight purposes. Other relevant stakeholders as well as Member States or other donors may be invited when appropriate. The PSC will be chaired by DTI. The Secretariat of the PSC will be the responsibility of the Team Leader of the Technical Assistance team. The Steering Committee will coordinate activities with other components of the ARISE Plus programme in the region and ensure timely exchange of information and best practices. Work programmes will be prepared in consultation with the regional component. An annual joint regional steering committee will be set up, with the participation of EU Delegations and a representative from the Philippines.

5.7 Performance and Results monitoring and reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner’s responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (outputs and direct outcomes) as measured by corresponding indicators, using as reference the Logframe matrix (for project modality). SDGs indicators and, if applicable, any jointly agreed indicators as for instance per Joint Programming document should be taken into account. The report shall be laid out in such a way as to allow monitoring of the means envisaged and employed and of the budget details for the action. The final report, narrative and financial, will cover the entire period of the action implementation. The Commission may undertake additional project monitoring visits by its own staff and, under the budget for
evaluation independent consultants will be recruited directly by the Commission for independent monitoring reviews (or by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the importance of the action, a mid-term evaluation and a final evaluation will be carried out for this action or its components via independent consultants contracted by the Commission.

The mid-term evaluation will be carried out for problem solving and learning purposes. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the fact that the project will look back at four consecutive phases of trade assistance delivery in a context of strengthened trade relations between the EU and the Philippines.

The Commission shall inform the implementing partner at least 30 days in advance of the dates foreseen for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations and, where appropriate, in agreement with the partner country, jointly decide on the follow-up actions to be taken and any adjustments necessary, including, if indicated, the reorientation of the project.

Evaluation services may be contracted under a framework contract.

5.9 Audit

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audits or expenditure verification assignments for one or several contracts or agreements.

It is foreseen that audit services may be contracted under a framework contract.

5.10 Communication and visibility

Communication and visibility of the EU is a legal obligation for all external actions funded by the EU.

This action shall contain communication and visibility measures which shall be based on a specific Communication and Visibility Plan of the Action, to be elaborated at the start of implementation.

In terms of legal obligations on communication and visibility, the measures shall be implemented by the Commission, the partner country, contractors, grant beneficiaries and/or entrusted entities. Appropriate contractual obligations shall be included in, respectively, the financing agreement, procurement and grant contracts, and delegation agreements. The communication and visibility activities shall form part of the overall budget entrusted to the implementing entity as outlined in section 5.5.

The Communication and Visibility Requirements for European Union External Action (or any succeeding document) shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.
Appendix 1: Elements of the five characteristics of AEC 2025

Underlined are the main areas of intervention under ARISE Plus (regional component).

**Bolded** are the main areas of intervention under ARISE Plus – Philippines (national component).

<table>
<thead>
<tr>
<th>HIGHLY INTEGRATED AND COHESIVE ECONOMY</th>
<th>COMPETITIVE, INNOVATIVE, AND DYNAMIC ASEAN</th>
<th>ENHANCED CONNECTIVITY AND SECTORAL COOPERATION</th>
<th>RESILIENT, INCLUSIVE AND PEOPLE-ORIENTED, PEOPLE-CENTRED ASEAN</th>
<th>GLOBAL ASEAN</th>
</tr>
</thead>
<tbody>
<tr>
<td>• <strong>Trade in Goods</strong></td>
<td>• Effective Competition Policy</td>
<td>• Transport</td>
<td>• Strengthening the Role of Micro, Small, and Medium Enterprises</td>
<td></td>
</tr>
<tr>
<td>• Trade in Services</td>
<td>• Consumer Protection</td>
<td>• Information and Communications Technology</td>
<td>• Strengthening the Role of the Private Sector</td>
<td></td>
</tr>
<tr>
<td>• Investment Environment</td>
<td>• Strengthening Intellectual Property Rights Cooperation</td>
<td>• E-commerce</td>
<td>• Public-Private Partnership</td>
<td></td>
</tr>
<tr>
<td>• Financial Integration, Financial Inclusion, and Financial Stability</td>
<td>• Productivity-Driven Growth, Innovation, Research and Development, and Technology Commercialisation</td>
<td>• Energy</td>
<td>• Narrowing the Development Gap</td>
<td></td>
</tr>
<tr>
<td>• Facilitating Movement of Skilled Labour and Business Visitors</td>
<td>• Taxation Cooperation</td>
<td>• Food, Agriculture, and Forestry</td>
<td>• Contribution of Stakeholders on Regional Integration Efforts</td>
<td></td>
</tr>
<tr>
<td>• <strong>Enhancing Participation in Global Value Chains</strong></td>
<td>• Good Governance</td>
<td>• Tourism</td>
<td>• Continue strongly supporting the multilateral trading system and actively participating in regional fora</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Effective, Efficient, Coherent and Responsive Regulations, and Good Regulatory Practice</td>
<td>• Healthcare</td>
<td>• Continue to promote engagement with global and regional institutions.</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Sustainable Economic Development</td>
<td>• Minerals</td>
<td>• More strategic and coherent approach towards external economic relations</td>
<td></td>
</tr>
<tr>
<td></td>
<td>• Global Megatrends and Emerging Trade-related Issues</td>
<td>• Science and Technology</td>
<td>• Review existing FTAs</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Enhance economic partnerships with non-FTA Dialogue Partners by upgrading and strengthening trade and investment work programmes/plans</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Engage with regional and global partners</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Continue strongly supporting the multilateral trading system and actively participating in regional fora</td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td></td>
<td>• Continue to promote engagement with global and regional institutions.</td>
<td></td>
</tr>
</tbody>
</table>
## Appendix 2 – Indicative Logframe matrix

<table>
<thead>
<tr>
<th>Overall objective: Impact</th>
<th>Results chain</th>
<th>Indicators</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>O.2. GDP growth rate (%)</td>
<td>O.2. Philippine Statistics Agency (PSA)</td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td>O.3. Unemployment rate (%) (disaggregated by sex)</td>
<td>O.3. Philippine Statistics Agency (PSA)</td>
<td></td>
<td></td>
</tr>
</tbody>
</table>

### Specific objective: Outcome

**Improvement of the Philippines' trade performance and competitiveness**

<table>
<thead>
<tr>
<th>Output 1</th>
<th>Indicators</th>
<th>Sources and means of verification</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Government and private operators are better able to identify and implement export priorities (including to the EU)</td>
<td>SO1. Exports of goods and services (as % GDP)</td>
<td>SO.1. Philippine Statistics Agency (PSA)</td>
<td>Continued commitment to economic integration</td>
</tr>
<tr>
<td></td>
<td>SO3. Philippine utilisation rate of the GSP preference (%)</td>
<td>SO.3. EUROSTAT</td>
<td></td>
</tr>
</tbody>
</table>

**Output 1**

<table>
<thead>
<tr>
<th>Numbers and strategies carried out with support from the action</th>
<th>Numbers and strategies approved for publication and dissemination</th>
<th>Private and public sectors working together</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Number of participants in information events on global trade opportunities esp. GSP+ and FTAs targeting MSMEs (disaggregated by sex)</td>
<td>1.2. Attendance sheets and mission reports</td>
<td>FTA negotiations and AEC integration continue throughout ARISE Plus – Philippines</td>
</tr>
<tr>
<td>1.2. Number of Philippines MSMEs and export promotion agencies participating in trade fairs in Europe thanks to support from the action (MSMEs' representatives disaggregated by sex)</td>
<td>1.3. Studies and reports approved for publication and dissemination</td>
<td>GSP+ status maintained during entire project cycle</td>
</tr>
<tr>
<td>1.3. Number of economic studies and strategies on trade-related matters</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Output 2</td>
<td>A National Quality Infrastructure that promotes export competitiveness is in place</td>
<td>2.1. Status of legislation on the Philippine NQI developed with the support from the action</td>
</tr>
<tr>
<td>Output 3</td>
<td>Quality management and control systems for exported food products are better aligned with international best practices</td>
<td>3.1. Number of staff from export-oriented operators and competent agencies along the value chain trained on food safety best practices and international standards with support from the action (disaggregated by sex)</td>
</tr>
<tr>
<td>Output 4</td>
<td>Strengthened trade facilitation capacity to implement the Customs Modernisation and Tariffs Act and WTO Trade Facilitation Agreement</td>
<td>4.1. Number of staff at competent agencies trained on new business processes and rules (disaggregated by sex)</td>
</tr>
<tr>
<td>Output 5</td>
<td>Achievements of the EU-Philippines partnership are monitored and advertised to the Philippine public</td>
<td>5.1. Number of success stories, including women beneficiaries' stories, promoted with the support of the action reaching non-specialists</td>
</tr>
</tbody>
</table>

Private and public sectors working together on competitiveness  
Ongoing standard harmonisation at ASEAN level  
Effective separation of responsibilities between competent institutions in line with international best practice  
Private sector is consulted throughout  
Budget availability for modernisation of public laboratory network  
Government commitment to single window  
Limited staff turnover at BOC and availability of budgetary resources  
Timely contributions from beneficiaries