This action is funded by the European Union

ANNEX I

of the Commission Implementing Decision on the financing of the multiannual action programme in favour of the Asia region for 2019 part II and 2020 Part I

Action Document for the ASEAN Regional Integration Support – Malaysia Trade-Related Assistance (ARISE Plus – Malaysia)

### ANNUAL PROGRAMME

This document constitutes the annual work programme in the sense of Article 110(2) of the Financial Regulation and action programme/measure in the sense of Articles 2 and 3 of Regulation No 236/2014.

<table>
<thead>
<tr>
<th>1. Title/basic act/CRIS number</th>
<th>ASEAN Regional Integration Support – Malaysia Trade-Related Assistance (ARISE Plus – Malaysia) CRIS number: ACA/2019/041-126 financed under the Development Cooperation Instrument</th>
</tr>
</thead>
<tbody>
<tr>
<td>2. Zone benefiting from the action/location</td>
<td>Malaysia The action shall be carried out at the following location: mainly Kuala Lumpur and Putrajaya for components 1 and 2 while activities under component 3 will be carried out mainly at state and provincial level.</td>
</tr>
<tr>
<td>3. Programming document</td>
<td>Addendum to the Multiannual Regional Indicative Programme (RIP) for Asia for the period 2014 – 2020[^1]</td>
</tr>
<tr>
<td>4. SDGs</td>
<td>Main SDG(s) – SDG 8 Other significant SDG(s) – 1,10, 12, 15, 17</td>
</tr>
<tr>
<td>5. Sector of intervention/thematic area</td>
<td>Prosperity - Jobs and Growth DEV. Assistance: YES</td>
</tr>
<tr>
<td>6. Amounts concerned</td>
<td>Total estimated cost: EUR 3 000 000 Total amount of EU budget contribution EUR 3 000 000</td>
</tr>
<tr>
<td>7. Aid modality(ies) and implementation modality(ies)</td>
<td>Preferred option : Project Modality Indirect management with an International Organization (International Trade Centre - ITC)</td>
</tr>
<tr>
<td>8 a) DAC code(s)</td>
<td>33110 Trade policy and administrative management 33120 Trade Facilitation 33130 Regional Trade Agreement</td>
</tr>
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</table>

[^1]: C(2018)4741 of 20 July 2018
33140 Multilateral trade negotiations
33181 Trade education/training
32130 Small and medium-sized enterprises (SME) development
16062 Statistics

b) Main Delivery Channel
45001 World Trade Organization - International Trade Centre

9. Markers (from CRIS DAC form)

<table>
<thead>
<tr>
<th>General policy objective</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Principal objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Participation development/good governance</td>
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<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Aid to environment</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Gender equality and Women’s and Girl’s Empowerment</td>
<td>☐</td>
<td>X</td>
<td>☐</td>
</tr>
<tr>
<td>Trade Development</td>
<td>☐</td>
<td>☐</td>
<td>X</td>
</tr>
<tr>
<td>Reproductive, Maternal, New born and child health</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>RIO Convention markers</th>
<th>Not targeted</th>
<th>Significant objective</th>
<th>Principal objective</th>
</tr>
</thead>
<tbody>
<tr>
<td>Biological diversity</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Combat desertification</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Climate change mitigation</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
<tr>
<td>Climate change adaptation</td>
<td>X</td>
<td>☐</td>
<td>☐</td>
</tr>
</tbody>
</table>

10. Global Public Goods and Challenges (GPGC) thematic flags

- Trade integration for green and inclusive growth

**SUMMARY**
The ARISE Plus Malaysia programme is aimed at supporting country-specific needs to complement the ARISE PLUS Regional programme and the overall ASEAN regional integration process. The project is in line with the strategy of the new Malaysian Government and would also support the EU-Malaysia Free Trade Agreement (FTA) negotiations process, once resumed.

The **overall objective** is to support inclusive and sustainable trade growth and poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

The **specific objectives** are:
1. Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments;
2. Quality infrastructure system (including standards, certification and metrology) aligned with ASEAN and EU standards;
3. Sustainable practices in the agri-food sector (agriculture and fisheries) enhanced in line with ASEAN, international and EU standards.

The project will be implemented in indirect management mode with the International Trade Centre (ITC).
1 CONTEXT ANALYSIS

1.1 Context Description

Malaysia achieved sustained rapid and inclusive economic growth in the past 50 years. Real Gross domestic product (GDP) growth has averaged 6.4% per year between 1970 and 2017, with GDP growth for 2018 being estimated at 5.5-6%, outperforming most of its regional peers. The Malaysian economy has undergone a dramatic transformation: from dependence on agriculture and commodity exports to a more diversified and open economy with strong links to global value chains. Malaysia reached high middle-income country status in 1992 and set itself the target of achieving a high-income country status by 2020. Although Malaysia almost entirely eradicated poverty, there are still vulnerable groups of people experiencing poverty, especially in rural areas.

Following the May 2018 elections the political situation is evolving at a fast pace. The new government has released in October 2018 the Mid-Term review of the 11th development plan where it outlines its strategy for reforms. Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives. The World Economic Forum's (WEF) Global Competitiveness Report ranked Malaysia 25th out of 138 economies in 2016-17, down from 18th out of 140 economies in 2015-16. The most problematic factors involved in doing business in Malaysia, as identified in the Global Competitiveness Report 2017-2018, include access to financing, corruption, and inefficient government bureaucracy.

1.2 Policy Framework (Global, EU)

Global Policy framework: Malaysia is a founding member of the Association of Southeast Asian Nations (ASEAN) and since 1995 a member of the World Trade Organization (WTO). Malaysia’s economic and trade policies have so far been aligned to commitments taken in these and other international fora. Following the May 2018 elections the new government is currently reviewing its national strategies and the political situation is rapidly evolving.

Contribution to EU priorities in Malaysia and the ASEAN region: This ARISE Plus Malaysia programme contributes to the implementation of the Regional Multiannual Indicative Programme (RIP) Asia 2014-2020, the main framework for EU regional cooperation in Asia. In this context, EUR 85 million have been allocated to support ASEAN regional economic integration. The main EU support programme for ASEAN is the ARISE Plus regional programme. The latter is complemented by the ARISE Plus - Malaysia country-level trade related assistance (TRA) programme and country-level ARISE Plus TRA programmes in other ASEAN Member States. The ARISE Plus regional and country programmes are closely aligned with the five characteristics of the ASEAN Economic Community (AEC) Blueprint 2025, which provides a solid basis for EU’s trade related assistance in the region. The ARISE Plus - Malaysia programme will follow this common regional approach and will focus on selected elements of this Blueprint, particularly in the areas of active participation and engagement in regional and global fora, through capacity building and support to sustainable agricultural practices. Furthermore, ARISE Plus – Malaysia is aligned to the EU Aid for Trade (AfT) policy and the Communication "Achieving Prosperity through Trade and
Investment”, which are updating the 2007 Joint EU Strategy on Aid for Trade. Furthermore, this programme is aligned to the objectives of the 2018 "EU Strategy on Connecting Europe and Asia".

Malaysia was the EU’s fourth largest trade partner in the Southeast Asia region in 2017, whilst the EU is Malaysia’s third largest trading partner, after China and Singapore. Cooperation in trade and economic issues has been a driving force for closer ties between the EU and Malaysia. Two major EU-Malaysia bilateral initiatives were launched in October 2010, namely the negotiations for the Free Trade Agreement (FTA) and for the Partnership and Cooperation Agreement (PCA). These two initiatives are respectively aimed at boosting bilateral trade and investment and at creating a new strategic dimension for EU-Malaysia political dialogue and economic cooperation. Negotiations for the PCA concluded on 8 December 2015, whereas FTA negotiations have been put on hold by Malaysia in 2012. A stocktaking/mapping exercise to identify FTA issues and exploring the possibility of resuming the negotiations was completed end-2017.

Following the May 2018 elections, the Malaysian Government has not yet signed the PCA nor taken a decision on the resumption of negotiations of the FTA. The ARISE Plus programme for Malaysia will accompany the implementation of the PCA and the FTA negotiations process, should these initiatives be resumed and endorsed in the future.

1.3 Public Policy Analysis of the partner country/region

Following the May 2018 elections and the appointment of a new government, the national strategies and policies are currently being reviewed and the political situation is evolving.

In October 2018 the government published the mid-term review of the 11th Malaysia Plan (MP11) (2016-2020). This review will guide the Malaysian government national policy for the period 2018-2020. The government will undertake efforts to ensure a more inclusive and sustainable growth, to reduce the urban-rural imbalance and to promote more inclusive trade and investments. The 2019 budget law is structured along three pillars which focus on institutional reforms, socio-economic wellbeing and promoting entrepreneurship. The last pillar focuses on promoting new technologies, assisting Small and medium-sized enterprises (SMEs) to become more internationally oriented, encouraging green technology adoption, providing subsidies for environment preservation, special assistance to commodity producers and addressing special needs of racial minority groups and women.

Specific trade and investment policies are formulated by the Ministry of International Trade and Industry (MITI). The WTO World Trade Review, May 2018, states that there had been no major changes to the institutions responsible for trade policy formulation since 2014. On the basis of these policy documents and following consultation with the Malaysian authorities three focus areas have been identified during the preparation phase of this project: Capacity building to formulate and implement trade policies in line with international commitments, strengthened Quality Infrastructure System (including standards, certification and metrology) and sustainable practices in the agri-food sector (agriculture and fisheries).

1.4 Stakeholder analysis

The public sector: primary direct beneficiaries include the Ministry of International Trade and Industry (MITI), the Ministry of Primary Industries, the Ministry of Agriculture, the
Ministry of Social Affairs and all other trade-related line ministries that are dealing or concerned with international trade regulations, or involved in trade negotiations at ASEAN, EU or WTO levels. Other beneficiaries include governmental agencies and parastatals: the Malaysian Palm Oil Council (MPOC), the Malaysian Palm Oil Certification Council (MPOCC), and the Malaysian Palm Oil Board (MPOB).

Civil society organisations will be important project partners for advocacy, especially in the areas of capacity building and sustainable agriculture, by monitoring social and environmental impacts of new policies and agreements. Among those we note the potential role of key Malaysian think tanks such as Asian Strategy and Leadership Institute (ASLI), Economic Research Institute for ASEAN & East Asia (ERIA), Institute for Democracy and Economic Affairs (IDEAS), Institute of Strategic and International Studies (ISIS) Malaysia.

The project will enhance the involvement of the private sector and the business community (including workers and employers representatives) to better participate in domestic and international trade. The private sector can have an active role in sustainable production and consumption in its investor/buyer roles, where it can lead to more sustainable business choices.

Development partners: since Malaysia is considered a developed country by most development partners, TRA at country level is very limited. Most international donors target the ASEAN countries from a regional perspective and Malaysian stakeholders benefit from these activities. During the inception phase, the project team will map existing regional and national initiatives.

The project will systematically liaise with the EU Commission Directorate Generals for TRADE, SANTE, ENV, MARE, AGRI, EMPL and with FPI, as well as the European External Action Service (EEAS) and the EU Delegation in Jakarta, due to its regional ASEAN mandate work.

1.5 Problem analysis/priority areas for support

Malaysia has the aspiration of achieving a high-income nation status and moving towards a knowledge-intensive and services-driven economy while ensuring inclusive and sustainable growth. Being a major trading nation with a small domestic market, the Malaysian economy is very much dependent on international trade. As such, Malaysia is actively pursuing increased trade openness, through unilateral reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives. Malaysia attaches great importance to the multilateral trading system. Therefore it is crucial to support the upgrading of certain sectors of the economy and to promote the upskilling of government personnel to take active part in multilateral institutions. At the same time it is important to ensure sustainability and inclusiveness of the economy and of its trade oriented sectors. The findings of the sustainability Impact Assessment interim report will be taken in due consideration.

Malaysia should improve the business environment for foreign investments and enhance competition across all sectors. There are a number of issues hampering regional ASEAN integration and trade and investment with the EU and the rest of the world: limited transparency in rules and procedures, capacity gaps in setting and enforcing regulations and
standards, limited control at borders and lack of laboratories. Another major concern is unsustainable agricultural production. In order to target these issues, consultations with stakeholders were organised and revealed a strong interest for technical assistance provided by the EU, in order to enhance the sharing of EU policies and best practices. The three priority areas identified are:

1) **Institutional capacity building on trade policy formulation and implementation, aligned with international trade commitments:** the project will support Malaysia to upgrade capacities in a number of policy areas that are likely to be covered by a future EU-Malaysia FTA. The requested technical assistance would also be relevant to improve better connectivity with ASEAN as well as to implement international commitments under the WTO. Exposure to international policies and practices should contribute to ASEAN regional economic integration and a more active and effective participation in the multilateral trading system.

2) **Strengthening of the Quality Infrastructure System** (including standards, accreditation and metrology): Malaysia's sustainable development will benefit from the upgrading of the quality infrastructure system, including the development of a national quality policy, enforcement of good regulatory practices and improvement of capacities to set, manage and enforce standards. It is essential to raise awareness amongst policy makers, regulators and the wider business community on the importance of quality infrastructure as an integral part of an enabling environment for effective participation in international trade. Those efforts will contribute to reinforce the country’s and regional connectivity, in line with both the Masterplan on ASEAN Connectivity (MPAC) 2025 as well as the EU-Asia Connectivity Strategy (2018).

3) **Sustainable practices in the agri-food sector (agriculture and fisheries):** This component focuses on agricultural and fisheries products with a focus on the development of sustainable practices. In this context, institutional capacities of ministry personnel can be strengthened in particular to promote compliance of products with EU standards. Focus will be given to the agro-based certification processes as well as the need to raise awareness of farmers on the certification and compliance management processes.

2 **RISKS AND ASSUMPTIONS**

<table>
<thead>
<tr>
<th>Risks</th>
<th>Risk Level (H/M/L)</th>
<th>Proposed Mitigation Measure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Political instability may cause disruption in the TRA delivery or change orientation at higher political level.</td>
<td><strong>Medium</strong></td>
<td>The EU will meet on a regular basis at technical level and will engage with potential new senior government officials. The governance system of the project will ensure country ownership Written confirmation of the willingness of the government to sign a financing agreement will be obtained before adoption of the action document</td>
</tr>
</tbody>
</table>

[6]
The Authorities do not agree to sign a financing agreement  
**Medium**  
Although the signature of the financing agreement has not been secured yet the EU Delegation will continue to hold high-level discussion with the authorities to sign it.

Changes are possible in national strategies and policies as well as key ministries and agencies following the election of a new Government in May 2018  
**Medium**  
Possible changes are unlikely to affect selected priorities of this Action. The EU Delegation will engage in political and policy dialogue with Ministries/ agencies and analyse the revised systemic architecture of the relevant sectors.

Adverse impact from the legal and regulatory environment  
**High**  
EU will sustain political dialogue with key ministries to address any issues.

Lack of coordination between relevant stakeholders and beneficiaries impacts on the TA programme  
**Low**  
The EU will engage in high-level dialogue to agree a coordinative measure to resolve the issues. Programme will initiate and support coordination and involvement of key stakeholders.

Low level of ownership and low absorption capacity of the institutions involved.  
**Low**  
By providing assistance in building up institutional structures and capacities ownership and absorption capacity will be strengthened.

Resistance from private sector and regional/state policy-makers against sustainable and inclusive growth due to long-term investments and reduced growth rates in the short-term  
**Medium**  
Increasing awareness-raising on long-term benefits of access to markets based on better certification and standards, increasing competitiveness, reducing social and environmental costs, long-term sustained and inclusive growth. Providing support for national R&D and innovation programmes for the private sector. Improving access to finance for SMEs.

### Assumptions

1. The regional economic integration process (AEC 2025) maintains its current momentum to harmonise standards.
2. The Malaysian Government is committed to inclusive and sustainable trade growth and to increasing trade integration both regionally and internationally.
3. The Malaysian Government is supportive of efforts to pursue and reach agreement on FTAs.
4. The Government is willing and able to enter into meaningful dialogue with key trade partners and to finding common solutions to trade and environmental impediments.
5. Possible changes in the political environment will not affect the selected priorities of this action.
6. Interest and demand of project stakeholders at technical level remains strong.
7. Continued interest and demand by consumers for sustainable products and the need to apply sound quality, social and environmental standards.
3 LESSONS LEARNT AND COMPLEMENTARITY

3.1 Lessons learnt

Whilst the EU has not had any specific country programmes in Malaysia for a number of years, the country has taken part in several regional programmes to support ASEAN regional integration. Lessons have been identified from regional programmes and other initiatives:

- **Long standing partnership:** The EU Delegation established good working relations with the relevant stakeholders, which were involved during the different phases of programme preparation.

- **Project approach:** Previous projects showed the need for: 1) a flexible and demand-driven approach, which enhanced the project’s ownership and commitment from beneficiaries; 2) a good access of the technical assistance teams to high level officials and key policy makers; 3) a strong engagement of business representatives, which facilitated policy dialogue. During the inception phase the implementer will be responsible, under the supervision of the EU Delegation, to adapt the work plans to the need of the stakeholders and to the recent evolution in the situation.

- **Synergy and complementarity:** Attention should be given to activities fostering synergy and complementarity, optimum allocation of resources within and among components, avoidance of delays in project management as well as management of cross-cutting issues; A consultation mechanism between donors is essential to avoid overlapping and ensure better targeted capacity building programmes for the authorities. Coordination with other EU funded projects as well as with projects funded by other donors has been discussed during the formulation phase to avoid overlap. This will be ensured during the implementation.

- **Sustainability:** Impact can be achieved by strengthening the capacities of beneficiaries. That is the reason why most activities are devoted to capacity building in order to promote self-sustainability of the initiative. Provision of training should target senior and middle management and a "training the trainers" system should be promoted for future sustainability.

- **Monitoring and evaluation:** Establishing a set of objectively verifiable indicators at the inception phase, as well as regularly measuring achievement and progress is imperative to ensure proper follow up and sound project implementation. An indicative set of indicators has been suggested during the formulation phase and it will be revised during the inception phase.

3.2 Complementarity, synergy and donor coordination

Programmes funded by the European Commission:

The ARISE Plus Malaysia programme complements the ARISE plus regional programme in pursuing the AEC Blueprint 2025. Cooperation will be ensured with the regional ARISE plus dimension of work and with other national ARISE Plus programmes. The activities of the ARISE Plus Malaysia programme will be coordinated with the "EU-Asia cooperation on SPS and Food Safety Regulation" and "Promoting biodiversity& sustainability in the agriculture and food sector through economic valuation" (FPI-funded projects) as well as with other related initiatives promoted by other EU Commission DGs (ENV and SANTE). Synergies will also be ensured with the FPI-funded project currently under identification, aiming to reinforce EU-Indonesia and EU-Malaysia partnerships by supporting dialogue on the
sustainable use of natural resources, with specific focus on palm oil in the overall regional context of the EU-ASEAN partnership.

The EU-Malaysia Chamber of Commerce and Industry (EUMCCI) is implementing the “Increasing EU’s Trade and Investment Flows into Malaysia and ASEAN” (SEBSEAM-M) project. The project is aimed at promoting EU SMEs in Malaysia, considered as a direct trade market and as an easy, cost-effective gateway to the ASEAN market of 600 million consumers. At the same time, Malaysian SMEs wanting to establish themselves regionally benefit from partnerships with reputed and innovative EU companies which can offer high standard quality and services.

The “SWITCH-Asia sustainable consumption and production (SCP) policy support” project, coordinated by the Environment and Natural Resource Economic Section (SEASSA) of the Economic Planning Unit (EPU), initiated a National Action Plan on SCP that supports up-scaling SCP best practices through strengthening the enabling policy environment (policy instruments mix), to address a change of behaviour and patterns in industry, of consumers, and in key economic sectors.

Synergies can also be sought with the “Sustainable Use of Peatlands and Haze Mitigation in ASEAN (SUPA)” project, to promote cross learning and methodology sharing (e.g. on soil degradation and on potential for rehabilitation and conservation of areas at risk).

Programmes funded by EU member states and other donors:

With the exception of the UK and Japan who are present with regional TRA programmes with a limited focus on Malaysia, no other donor is currently providing trade-related country-level assistance to Malaysia. The UK has a regional programme under the Prosperity fund. JICA has supported Malaysia’s trade facilitation since 2006 through cooperation with the Royal Malaysia Customs Department, mainly in the areas of risk management, trade facilitation and rules of origin and other elements of trade facilitation. The UNDP’s regional project “Promoting a Fair Business Environment in ASEAN” is being implemented until March 2021 and financed by the UK. It aims to promote a fair business environment in ASEAN by minimising corruption risks and encouraging sustainable practices, improving transparency in government contracts and increasing compliance with international procurement and trade standards.

The Dutch government has just launched a National Initiatives for Sustainable & Climate Smart Oil Palm Smallholders.

Strong coordination will be established through the ARISE Plus Malaysia programme to ensure complementarity and synergies between all relevant stakeholders.

4 DESCRIPTION OF THE ACTION

4.1 Overall objective, specific objective(s), expected outputs and indicative activities

ARISE Plus Malaysia conforms to the progressive achievement of the ASEAN AEC Blueprint 2025 and to the realisation of the 1st and 5th pillars of the new policy priority of inclusive growth and sustainable development set by the Mid-Term Review of 11th Malaysia Plan (2016-2020). The action contributes to the objective of the "EU strategy on connecting Europe and Asia".
The overall objective is to support inclusive and sustainable trade growth and poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

The Specific objectives are:

1. Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments.
2. Quality Infrastructure System (including standards, certification and metrology) aligned with ASEAN and EU standards.
3. Sustainable practices in the agri-food sector (agriculture and fisheries) enhanced and disseminated, in line with ASEAN, international and EU standards.

The expected results (outputs) are:

- Result (Output) 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments.
- Result (Output) 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices.
- Result (Output) 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.

Indicative Activities

The following represents an indicative and non-exhaustive list of activities for the three result areas, which may be revised and adjusted during inception and implementation in accordance with contingent conditions.

Result 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and international commitments.

- Capacity building to formulate and implement trade policies: Support to policy making skills and implementation capacities of ministries’ personnel. Upskilling of key personnel of the target ministries to prepare policies and strategies for meaningful implementation of a possible EU-Malaysia FTA.
- Raise awareness on and build capacities to effectively participate in investment-related dispute settlement under bilateral and regional trade agreements: This activity would target jurists of MITI and other line ministries involved in the negotiations and enforcement of trade and investment agreements. It would cover the investment dispute settlements provisions (both State-to-State investment dispute settlement and Investor-to-State mechanisms) in relevant trade and investment agreements.
- Raise awareness of international trade commitments amongst the business community and wider public: Target the business community and the wider public to contribute to a better understanding of international trade commitments and their impact on private sector, workers and consumers.

Result 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices.
- **Development of a national quality policy and harmonisation of Malaysian standards policies:** Accompany the department of standards, under MITI, and other quality infrastructure institutions of Malaysia to develop a national quality policy (NQP) as part of the national effort to strengthen the quality infrastructure (standards; accreditation and conformity assessment; and metrology); Support to harmonise Malaysian standards' policies towards ASEAN and international standards, strategies and regulatory framework.

- **Support the implementation of the National Standards Compliance Programme (NSCP):** Support and accompany Malaysian Conformity assessment bodies, standard development agencies, the private sector and the wider public to acquire and enact a quality infrastructure culture. The department of standards of MITI will work closely with the relevant stakeholders to apply international standards to Malaysian products, goods and services, with the ultimate aim to improve export competitiveness. Enhance Malaysia’s capacities to engage in international connectivity efforts, notably under EU Strategy on Connecting Europe and Asia. Promote the implementation of Malaysia’s National Action Plan for Sustainable Consumption and Production in support of industry seeking compliance with international standards and certification and adaptation to greener technology.

**Result 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries.**

- **Capacity building for agriculture personnel to engage in international institutions and to promote a sustainable agricultural industry:** Capacity building activities to enable the Malaysian institutions to gain knowledge, plan for and develop appropriate and effective policies and responses thus enabling meaningful dialogue with international partners.

- Support Malaysian agriculture sector public institutions to develop awareness and understanding of the EU’s regulatory / law-making processes with respect to agriculture.

- Develop awareness and understanding of the positions, legal expectations, environmental compliance and key drivers of international customers, including the EU, with regard to agriculture and its production.

- **Institutional capacity building to Malaysian certification bodies for agricultural and fisheries products:** This capacity building activity will assist the Malaysian authorities to develop the systemic architecture and processes to certify agricultural and fisheries products, including for export, in line with international standards.

- **Raising awareness on sustainable agricultural and fisheries products:** Target the business community and the wider public to raise awareness about sustainable and responsible production and consumption of agricultural and fisheries products.

### 4.2 Intervention Logic

The overall objective of the action is to support inclusive and sustainable trade growth as well as poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region.

This is based on the following assumptions:
1. Malaysian trade policy making and policy implementation is aligned to international commitments. Therefore trade between Malaysia and the rest of the ASEAN region and between Malaysia and the EU should be facilitated.

2. The national quality infrastructure system is compliant with international criteria and stakeholders apply international standards. As a result, export competitiveness is increased.

3. Sustainable production practices are more widely promoted, applied and certified, translating into more sustainable and inclusive business environment.

The programme consists of three components:

- **Component 1** seeks to strengthen institutional capacities of key trade-related and economic ministries that are involved in policy making and implementation.
- **Component 2** concerns the strengthening and implementation of a quality infrastructure system (including standards, certification and metrology) to comply with ASEAN, EU and international commitments and practices. The indicative activities cover ASEAN, WTO and EU Acquis aspects of standards and will assist with improving the legal and regulatory environment with regard to Malaysia’s quality infrastructure system.
- **Component 3** deals with sustainable agriculture and fisheries with the aim to increase the export potential, of paramount interest for Malaysia. The component will cover a range of change management and capacity building activities which will include public institutions in the agriculture sector. This capacity building will also assist the Ministry and the certification bodies to develop the required systemic architecture and processes to implement certification schemes successfully, to comply with international best practices.

4.3 Mainstreaming

There are no adverse implications for **human rights**, as the intended results of the action are to support increased and inclusive economic development and employment thereby improving the lives of the people of Malaysia without prejudice to rights and preserving the environment. Furthermore, some activities will be dedicated to the **trade and sustainable development** chapter of the new generation of FTAs, thus supporting the promotion of labour rights and socio-economic rights.

Trade liberalisation brings many changes and can have both positive and negative socio-economic impact for both women and men, depending on the current distribution of economic power and the changes and opportunities introduced. Efforts will be made towards **dedicated gender activities** to compensate for gender inequalities in Malaysia. The project team will follow up on those issues to promote a positive impact for all beneficiaries and for women in particular. **Gender disaggregated data** will be collected to monitor women’s participation and involvement.

The action is intended to have a **positive impact on the environment** by supporting the efforts of the Government to limit environmental damage through improved use and management of agricultural practices and commodities, in particular with regard to palm oil production, and to promote sustainable fisheries management and seafood production. The action is in line with efforts to mitigate the effects of climate change, e.g. through climate-smart agriculture.
4.4 Contribution to SDGs

This intervention is relevant for the 2030 Agenda. It contributes primarily to the progressive achievement of SDG 8 (Promote inclusive and sustainable economic growth, employment and decent work for all). The action contributes also to SDG 1 (End poverty) by helping trade, growth and focusing on agriculture sector which harbour the largest population of poor people in Malaysia, SDG 10 (Reduce inequality within and among countries), SDG 12 (Ensure sustainable consumption and production patterns), SDG 15 (Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss), and SDG 17 (Strengthen global partnerships for sustainable development) – targets on trade and promoting a universal, rules-based, open, non-discriminatory and equitable multilateral trading system.

5 IMPLEMENTATION

5.1 Financing agreement

In order to implement this action, it is foreseen that a financing agreement with the partner country will be concluded.

5.2 Indicative implementation period

The indicative operational implementation period of this action, during which the activities described in section 4.1 will be carried out and the corresponding contracts and agreements implemented, is 42 months from the date of entry into force of the financing agreement. The indicative start date is January 2020. 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 the International Trade Centre. This implementation entails the provision of technical assistance for the project as outlined above. The envisaged entity has been selected using the following criteria:

• The International Trade Centre (ITC) is an international organisation specialising in providing trade-related technical assistance and has all the expertise required for the delivery of the results expected under this project. ITC has implemented a large number of EU-funded projects in the past. In particular, ITC is implementing the national TRA programmes under ARISE plus in Laos and Myanmar and has been chosen recently by the EU as the implementing agency for similar projects in Afghanistan, Sri Lanka and Bhutan;

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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.
• ITC has specific expertise in the sectors covered by this Action and can ensure coordination with other UN agencies dealing with these topics;
• As a joint UN/WTO agency, ITC’s mandate combines a focus on expanding trade opportunities with the aim of fostering sustainable development and has strong experience in delivering gender and inclusiveness trade programmes;
• ITC has developed a depth of experience operating coherently at all levels from trade policy to practice and has a strong track record of connecting the public and private sectors;
• ITC’s distinctive feature is to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels;
• ITC has expressed interest to manage and implement the project and the implementation by ITC would ensure coherence with other ongoing programmes in the ASEAN regions and would favour trilateral cooperation.

The entrusted entity would carry out the following budget implementation tasks: procurement, notably signature and execution of the resulting procurement contracts, including the acceptance of deliverables, carrying out payments and recovering funds unduly paid.

The international organisation identified above, is currently undergoing an ex-ante assessment of its systems and procedures. Based on its compliance with the conditions in force at the time previously other indirect management actions were awarded to the organisation and based on a long-lasting problem-free cooperation, the international organisation can also now implement this action under indirect management, pending the finalisation of the ex-ante assessment and where necessary, subject to appropriate supervisory measures in accordance with Article 154(5) of the Financial Regulation. The assessment is expected to be finalised in an estimated 6 months.

If negotiations with the above-mentioned entity fail, that part of this action may be implemented in direct management in accordance with the implementation modalities identified in section 5.3.2 below.

5.3.2 Procurement (direct management)

Should negotiations with the international organisation identified above (5.3.1) fail then the entirety of this action may be implemented in direct management through a call for services.

<table>
<thead>
<tr>
<th>Subject in generic terms, if possible</th>
<th>Type (works, supplies, services)</th>
<th>Indicative number of contracts</th>
<th>Indicative trimester of launch of the procedure</th>
</tr>
</thead>
<tbody>
<tr>
<td>Technical Assistance (Specific objectives 1,2,3)</td>
<td>Service</td>
<td>1</td>
<td>Q1 of 2020</td>
</tr>
</tbody>
</table>

5.3.3 Changes from indirect to direct management mode due to exceptional circumstances

If indirect management with ITC is not possible due to circumstances outside of the Commission's control, the alternative implementation modality is direct management through a call for tenders to award one technical assistance contract, as was the case for the regional and other national ARISE plus projects.
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, subject to the following provisions.

a) With regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries having traditional economic, trade or geographical links with neighbouring partner countries shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.

b) 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></th>
<th>EU contribution (amount in EUR)</th>
<th>Indicative third party contribution</th>
</tr>
</thead>
<tbody>
<tr>
<td>Indirect management with an international organisation (ITC) (cf. paragraph 5.3.1)</td>
<td>2 850 000</td>
<td>0</td>
</tr>
<tr>
<td>Evaluation (cf. 5.8)(^3) Audit (cf. 5.9)(^4)</td>
<td>150 000</td>
<td>0</td>
</tr>
<tr>
<td>Total</td>
<td>3 000 000</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 at the technical level. The PSC will meet twice a year and ad hoc, as required. The secretariat of the PSC will be the responsibility of the ITC project team.

The PSC shall be made up of at least:

- A representative from the EU Delegation to Thailand at Head of Cooperation level and/or from the EU delegation to Malaysia at Head of Sector level
- Ministry of international trade and industry (MITI)
- the Ministry of Agriculture (MoA)
- the ministry of Primary industries (MPI)

Other relevant stakeholders, including business associations, as well as EU Member States or other donors may be invited.

\(^3\) Evaluation services may be contracted under a framework contract

\(^4\) Audit services may be contracted under a framework contract
Detailed Terms of Reference (TORs) of the PSC, including set up and frequency of meetings, shall be elaborated at the outset of the project by ITC in full coordination with the EU and MoC.

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. A baseline survey/data collection exercise will be conducted by the implementing partner during the inception phase. A final survey/data collection exercise will be conducted at the end of the project. During the implementation of the project the implementing partner will be responsible to collect data and every report shall provide an accurate account of implementation of the action, detailing 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. SDGs indicators and, if applicable, any jointly agreed indicators as for instance per joint Programming documents 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 both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

5.8 Evaluation

Having regard to the nature of the action, mid-term and final evaluations will be carried out for this action or its components via independent consultants contracted by the Commission. A mid-term evaluation will be carried out for learning purposes, in particular with respect to the broader regional framework of the action to promote exchange of experiences among ASEAN countries. A 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 this action has to be inserted in the broader ASEAN framework.

The Commission shall inform the implementing partner at least 3 months 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.

It is foreseen that 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 contribution agreements.

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 - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the logframe matrix are indicative and may be updated during the implementation of the action, no amendment being required to the financing decision. When it is not possible to determine the outputs of an action at formulation stage, intermediary outcomes should be presented and the outputs defined during inception of the overall programme and its components. The indicative logframe matrix will evolve during the lifetime of the action: new lines will be added for including the activities as well as new columns for intermediary targets (milestones) for the output and outcome indicators whenever it is relevant for monitoring and reporting purposes. Note also that indicators should be disaggregated by sex whenever relevant.

<table>
<thead>
<tr>
<th>Results chain: Main expected results (maximum 10)</th>
<th>Indicators</th>
<th>Sources of data</th>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>Impact (Overall Objective)</td>
<td></td>
<td></td>
<td>Not applicable</td>
</tr>
<tr>
<td>Support inclusive and sustainable trade growth as well as poverty reduction in Malaysia, while contributing to economic integration in the ASEAN region</td>
<td>1. GDP Growth (EURF L1, I3) 2. Trade with ASEAN to GDP ratio 3. Doing business ranking</td>
<td>1. Malaysian government reports 2. ITC TradeMap 3. World Bank Doing business</td>
<td></td>
</tr>
<tr>
<td>Outcome(s) (Specific Objective(s))</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>1) Trade policy formulation and implementation aligned with regional (ASEAN) and international commitments</td>
<td>1.1 Malaysian share of international trade 1.2 Malaysian share of ASEAN Trade 1.3 Malaysian position in world business ranking 1.4 Malaysian Global Competitiveness Score</td>
<td>1.1 WTO World Trade Stats 1.2 Department of Statistics, Malaysia MATRADE/MITI 1.3 World Bank Doing Business 1.4 World Economic Forum</td>
<td>• The Malaysian government is committed to inclusive and sustainable trade growth and to increasing trade integration both regionally and internationally. • The Malaysian Government is supportive of efforts to pursue and reach agreement on FTAs</td>
</tr>
<tr>
<td>2) Quality Infrastructure System (including standards, certification and metrology) aligned with ASEAN and EU standards;</td>
<td>2.1 Status of Malaysian policy documents on quality infrastructure 2.2 Number of public authority officials participating in Technical Committees (disaggregated by sex and age)</td>
<td>2.1 Government reports and annual reviews on quality infrastructure 2.2 Government reports and registration sheets</td>
<td></td>
</tr>
</tbody>
</table>

[18]
<table>
<thead>
<tr>
<th>Results chain:</th>
</tr>
</thead>
<tbody>
<tr>
<td>Main expected results (maximum 10)</td>
</tr>
<tr>
<td>3) Sustainable practices in the agri-food sector (agriculture and fisheries) enhanced and disseminated in line with ASEAN and EU standards;</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Status of Malaysian policy documents on sustainable agriculture, fisheries and trade</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1 Government reports and annual reviews</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Government is willing and able to enter into meaningful dialogue with key trade partners and to finding common solutions to trade and environmental impediments.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Outputs</th>
</tr>
</thead>
<tbody>
<tr>
<td>Result 1: Strengthened institutional capacities to formulate and implement trade policies aligned with ASEAN and global commitments.</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Number of ministry personnel trained on new regulatory areas of trade agreements (disaggregated by sex and age)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>1.1. Project database of training participants</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Assumptions</th>
</tr>
</thead>
<tbody>
<tr>
<td>• The Government implements and sustains its stated policies</td>
</tr>
<tr>
<td>• High-level adoption and consistent buy-in by all beneficiaries</td>
</tr>
</tbody>
</table>

| Result 2: Enhanced capacity to develop and implement a quality infrastructure system (standards, certification and metrology) compliant with ASEAN and EU commitments and practices. |

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Number of quality infrastructure institutions (laboratories, accreditation bodies etc) supported by the Action to comply with ASEAN and international commitments and practices</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>2.1. Project progress reports</td>
</tr>
</tbody>
</table>

| Result 3: Enhanced understanding and implementation of sustainable production standards and practices in the agriculture and fisheries. |

<table>
<thead>
<tr>
<th>Indicators</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. Number of ministry personnel and extension services trained on sustainable production in the agriculture sector (disaggregated by sex and age)</td>
</tr>
</tbody>
</table>

<table>
<thead>
<tr>
<th>Sources of data</th>
</tr>
</thead>
<tbody>
<tr>
<td>3.1. Project database of training participants</td>
</tr>
</tbody>
</table>