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This action is funded by the European Union

**ANNEX 1**

of the Commission Implementing Decision on the financing of the annual action programme in favour of the Asia region for 2018 part 2

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

<b>1. Title/basic act/ CRIS number</b>	<b>ASEAN Regional Integration Support – Myanmar Trade-Related Assistance (ARISE Plus – Myanmar)</b> CRIS number: ACA/2018/040-047 financed under the Development Cooperation Instrument	
<b>2. Zone benefiting from the action/location</b>	Myanmar The action will be carried out at the following location: mainly Nay Pyi Taw and Yangon, Myanmar, with some activities taking place in other parts of Myanmar where Micro Small and Medium Enterprises (MSMEs), producers and regional institutions are located (notably Mandalay)	
<b>3. Programming document</b>	Addendum to the Multiannual Regional Indicative Programme for Asia for the period 2014-2020 <sup>1</sup> (RIP)	
<b>4. Sector of concentration/ thematic area</b>	Connectivity through Sustainable and Inclusive Economic Integration and Trade	DEV. Aid: YES <sub>2</sub>
<b>5. Amounts concerned</b>	Total estimated cost: EUR 8 million Total amount of EU budget contribution: EUR 8 million	
<b>6. Aid modality(ies) and implementation modality(ies)</b>	Project Modality Indirect management with an International Organization (International Trade Centre - ITC)	
<b>7 a) DAC code(s)</b>	33110 Trade policy and administrative management 33120 Trade Facilitation 33130 Regional Trade Agreement 32130 SME Development 33181 Trade education/training 16062 Statistics	
<b>b) Main Delivery</b>	45001 World Trade Organisation - International Trade Centre	

<sup>1</sup> Expected to be approved by July 2018.

<sup>2</sup> Official Development Aid is administered with the promotion of the economic development and welfare of developing countries as its main objective.

Channel				
<b>8. Markers (from CRIS DAC form)</b>	<b>General policy objective</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Gender equality (including Women in Development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade Development	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Reproductive, Maternal, New born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>RIO Convention markers</b>	<b>Not targeted</b>	<b>Significant objective</b>	<b>Main objective</b>
	Biological diversity	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Combat desertification	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change adaptation	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	<b>9. Global Public Goods and Challenges (GPGC)</b>	<ul style="list-style-type: none"> <li>• Trade integration for green and inclusive growth</li> <li>• Switch to green</li> </ul>		
<b>10. SDGs</b>	Main: SDG 8; Secondary: SDG 5, 10, 12, and 16			

#### SUMMARY

Myanmar's emergence from sanctions in 2013 has left the country with a major deficit in its trade infrastructure and with complex, antiquated trade policies and laws that needed upgrading. The European Union (EU) has been an active development partner since the easing of sanctions and has invested heavily in building capacity, transparency and streamlining policies. Myanmar remains one of the lowest ranked countries in the region with respect to most trade governance and performance indicators. As a result, Myanmar's private sector, in particular Micro, Small and Medium-Sized Enterprises (MSMEs), face significant challenges in being competitive and integrating in regional and global value chains. Further efforts to build trade competitiveness will be critical to address pending challenges in poverty reduction and inclusiveness.

**ARISE Plus Myanmar** aims to contribute to inclusive and sustainable growth. It will support greater connectivity and economic integration between Myanmar and the rest of the world, focusing on the Association of Southeast Asian Nations (ASEAN) in line with the ASEAN Economic Community (AEC) Blueprint 2025. It is the national Myanmar component of the ARISE Plus regional Programme and will consolidate and enhance the results already achieved with past and on-going EU trade related technical assistance programmes.

The overall objective is inclusive and sustainable trade growth in Myanmar. The specific objective (outcome) is to increase trade diversification and integration, regionally (ASEAN) and internationally (EU and global markets).

The expected results (outputs) are:

1. Strengthened capacities of the private sector, notably MSMEs, to exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach.
2. Improved Sanitary and Phytosanitary Measures (SPS) regulatory, control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains.

3. Strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (World Trade Organisation - WTO, EU) commitments and addressing non-tariff barriers (NTBs) along value chains.

Implementation of Output 1 will determine the actions proposed in Outputs 2 and 3 by building the capacity of the private sector, especially MSMEs, to benefit from policy and regulatory reforms as well as institutional strengthening.

## 1. CONTEXT

### 1.1 Sector/Country/Regional context/Thematic area

Since the beginning of Myanmar's political transition in 2011, growth figures have overall been impressive. Foreign direct investment has more than doubled since 2013/2014 and until 2015 economic growth hovered above 7 % per annum. The Government of Myanmar has embarked on a series of political and economic reforms in order to re-engage with the international community and carry out market-based policies. It has sought to improve the business climate, liberalise foreign exchange controls, open up to trade, encourage foreign investment, and reinforce its financial sector. It has removed export license requirements for about 4,000 products, allowed for increased foreign ownership in some sectors and has established special economic zones. Further economic reforms would likely shift the country towards greater market efficiency.

A democratically elected governing coalition led by Daw Aung San Suu Kyi took office in April 2016, consolidating the country's resolve to achieve modernisation and economic growth. A 12-Point Outline of Economic Policy (2016-2020) has been presented alongside a Private Sector Development (PSD) Framework and Action Plan, together with other policy documents and strategies adopted after the 2016 elections (see below). Implementation has been slow however and the government has been criticised for lack of tangible progress on its economic agenda. Economic growth forecast has recently been lowered and Myanmar has not improved its ranking on the World Bank *Doing Business Index* (the country is placed 171 of 190 in the ranking for 2018).

The Government has a stated determination to pursue reforms while paying additional attention to sustainability, equity, balance in society and the rule of law. A new Investment law was adopted on 18 October 2016, further liberalising investments and providing additional incentives to foreign direct investment. A recent escalation of violence in Rakhine state since August 2017 had forced over 700 000 persons to flee into neighbouring Bangladesh. The events have had a serious impact on the international image of Myanmar and its government. These events have already impacted the economy negatively. Business confidence is down and key sectors such as tourism have seen rapid declines in sales.

Other challenges include continued armed conflicts in other parts of the country. These issues may undermine (and compromise results from) the pro-reform agenda of the government.

Myanmar continues to integrate more closely into the rapidly growing regional economy through the implementation of trade commitments both multilaterally and within the Association of Southeast Asian Nations (ASEAN). Around 78% of Myanmar's external trade is with its neighbouring countries, including China and India. Natural resources dominate exports, but much of these exports do not benefit either the government or the Myanmar population; especially mining and logging are dominated by actors with connections to the rampant crony capitalism. Increased public control over natural resources would greatly increase government revenue, but also require tangible progress in complex areas such as peace, transparency and democratic control over the armed forces.

In order to improve Myanmar's overall competitiveness, fundamental structural reforms are required. Myanmar's existing policy documents and strategies highlight the gaps that exist in several interrelated policy areas, as well as the lack of capacity in government to appreciate and manage such interrelationships. MSMEs are particularly affected by the lack of transparency and enforcement in

the regulatory regime, and struggle with increasingly complex regulations and standards (including export processes, technical measures, and registration).

It is important to better foster the rule of law and good governance, a favourable business environment, more effective regional and international integration, improved education, and more adequate physical and services infrastructure.

Furthermore, in order to resolve the still remaining important gender disparities in employability and work conditions, it is important to promote inclusive and/or equitable growth and job creation in export oriented sectors, and, in line with the government's own strategy, help diversify the economy to more added value and productive industries. This should result in additional opportunities for women to enter the labour market, access better paid jobs, and improved working conditions. There is a priority to address women businesses' barriers to integrate into export value chains, as well as to support women entrepreneurs associations. Furthermore, investments in upgraded enterprises, moving up the value chain and increasing exports, should lead to improved environmental standards and quality, better working conditions for labour and higher salaries for all women and men workers. *Inclusive growth* is essential in this context. All these aspects have been strongly highlighted by country partners as well as business and sector associations during the project formulation mission. They are also part of the ten year National Strategic Plan which targets the key areas that affect women's lives, and indicates practical ways to address the issues that Myanmar women are experiencing.

### **1.1.1 Public Policy Assessment and EU Policy Framework**

**National Level** - On 29 July 2016, the Government of Myanmar presented its 12-point Outline of Economic Policy. In its strategy, the government pledges to support competition and a dynamic private sector. It seeks to obtain a market-oriented system in every sector, cut unnecessary red tape, dilute the power of monopolies, reform State-owned enterprises, and expand access to credit. The government is also determined to help small and medium size enterprises by improving the business environment in Myanmar and identify the means to take advantage of the opportunities created by the ASEAN and beyond. The plan has however been criticized for being insufficient, and has so far been poorly implemented. Fundamental reforms of the Myanmar economy would require tangible progress in areas such as infrastructure development, energy, education and the rule of law, to mention a few examples. Progress in these key areas is however slow.

The Ministry of Commerce (MOC) adopted in March 2015 a National Export Strategy (NES), with the technical assistance of ITC. The NES sets out a five-year roadmap for Myanmar's sustainable development through trade. Seven sectors were identified with potential for increasing exports: 1. textiles and garments, 2. forestry products, 3. beans, pulses and oil seeds, 4. rice, 5. fisheries, 6. rubber, and 7. tourism.

In March 2016, the Government published the Private Sector Development Framework and Action Plan (PSDF) with the support of the ADB. The PSDF proposes an action plan to achieve the objective to create a dynamic and competitive private sector and "*expand businesses that contribute to market-led economic growth*". The PSDF insists on the need to improve the legal and regulatory environment, ensure access to finance, promote trade and investment, restructure the State's role in business enterprises and service delivery and build Myanmar's human capital base. It provides a comprehensive diagnosis of the problems the private sector faces in the country and actions to overcome them and "*achieve parity with ASEAN neighbours*".

The NES and PSDF were followed in June 2016 by the Diagnostic Trade and Integration Strategy (DTIS). The DTIS was prepared by the World Bank under the guidance of the Trade Coordination Unit (TCU) and the Department of Trade (DOT) of the MOC, and in consultation with stakeholders and development partners. The DTIS highlights the need to maintain the momentum of the reform agenda towards greater trade openness, while ensuring a fairer distribution of the gains of trade for the most vulnerable communities. It also underscores the need for the country to further diversify its economy by boosting services, developing labour intensive sectors like garment and by modernising the agricultural sector in a sustainable manner, away from the over-reliance on natural resources.

In October 2016, the Department of Trade Promotion and Consumer Affairs adopted a Master Plan for Establishment of Myanmar Trade Promotion Organization – MYANTRADE.

Finally, among the most recent strategy documents the Government of Myanmar adopted, is the new draft "*Myanmar Sustainable Development Plan*" and "*Development Assistance Policy*", issued in March 2018, as well as a Medium Term Programme (MTP) for Coordinated Aid-For-Trade Resource Mobilization and Delivery. The Sustainable Development Plan aims to serve as a framework for integrating environmental considerations into future national development. The Development Assistance Policy defines the policy framework which shall guide the delivery of development assistance, together with the procedures that streamline the identification, design, negotiation, approval, and implementation of initiatives funded in part or in whole by development assistance. The MTP was elaborated under the auspices of the MOC, building on the NES, PSDF and DTIS, and was adopted in February 2017. The MTP sets out an Action Plan to implement the country's core national development and economic growth strategies; the priority list counts 5 potential areas, namely services, e-commerce, cross-border trade processes, tourism/horticulture and food safety.

The "*National Strategic Plan for the Advancement of Women (2013–2022)*" is based on the 12 Priority Areas of the Beijing Platform for Action and the principles of the Convention on the Elimination of All Forms of Discrimination against Women, to which Myanmar became a signatory in 1997. It proposes a gender agenda through inter-ministerial collaboration and gender mainstreaming into sectoral policies, plans, and programmes.

**ASEAN Level** - Through the above-mentioned policies, the Government of Myanmar confirms it is increasingly aware of the need to further integrate its economy within the region and take advantage of the opportunities that regional trade, and particularly ASEAN, create for its enterprises. This objective is perfectly in line with the existing ASEAN Strategies. In this regard, the new AEC Blueprint 2025, which the ASEAN Economic Ministers (AEM) and AEC Councils endorsed on 6 February 2017, confirms the ASEAN States' priorities to further integrate and establish the right regulatory and policy environment, fostering investments and trade, alongside the efficiency of regional supply chains. Simplified rules of origin and trade facilitation predominantly feature in the new AEC Blueprint 2025, in support of the 2016 ASEAN Trade Facilitation Framework (ATFF).

The AEM and AEC Councils also endorsed the 2025 Consolidated Strategic Action Plan (CSAP) on 6 February 2017. In addition, the ASEAN Strategic Action Plan for SME Development 2016-2025 integrates the need for an enhanced policy and regulatory environment and increased domestic exports. Finally, the ASEAN Trade in Goods Agreement (ATIGA) Gaps Assessment Report, concluded in 2016, provides a comprehensive matrix relative to the commitments made by Myanmar in 2010 as a signatory to the ATIGA. The report identifies implementing gaps in relation to more than 30 articles of the ATIGA and it lists practical and policy recommendations for Myanmar to consider, and the related technical assistance requirements.

The ASEAN Framework Agreement on Services was signed in 1996, calls for the progressive improvement in Market Access, and ensures National Treatment for services suppliers in ASEAN, with a view to extending beyond commitments taken at the WTO under GATS. The AEC Blueprint 2025 further calls on deeper services integration. Under the Blueprint, Member States are negotiating an ASEAN Trade in Services Agreement (ATISA), moving from a positive list approach to a negative list approach for scheduling commitments.

Myanmar is an active member of the ASEAN Committee on Women and the ASEAN Commission on Protection and Promotion of the Rights of Women and Children.

Given the above regional context, ARISE Plus Myanmar naturally ties the national priorities with the objectives of regional integration and the strategies pursued at the ASEAN level.

**EU level** - The EU reinstated the GSP programme in favour of Myanmar in 2013, which mainly resulted in growth of garment exports to the EU. EU Aid for Trade Assistance to Myanmar includes the Trade Development Programme (TDP), implemented by Deutsche Gesellschaft für Internationale Zusammenarbeit GmbH (GIZ) (2014-2018; EUR 10 million). The TDP encompasses four

components, namely (1) trade policy and promotion; (2) trade facilitation; (3) SPS and food safety; and (4) national quality infrastructure.

The EU's policy towards Myanmar and the ASEAN region is laid out in a Joint Communication to the EU Council and the Parliament "*Elements for an EU strategy vis-à-vis Myanmar/Burma: A Special Partnership for Democracy, Peace and Prosperity*", dated 1 June 2016 (JOIN(2016) 24 final). The Communication confirms the EU's priority to develop the rule of law and to "*work with the new government in a regional context, especially on ASEAN integration*". The Communication also indicates the need to prepare for negotiations on a Governance and Trade Voluntary Partnership Agreement (FLEGT VPA) in the forestry sector, and an Investment Protection Agreement with the EU. It also calls for the implementation of the AEC Blueprint 2025.

The EU's overall diplomacy towards Myanmar, and generally its development partners, is to promote peace, protect human rights, and encourage democracy, prosperity and the rule of law. It is also to foster sustainable and inclusive growth, gender equity and improved labour rights. Since ARISE Plus, Myanmar is dedicated to investment promotion in diversified sectors, to ASEAN integration, job creation and the improvement of the regulatory framework. This is well in line with the EU's priorities in the ASEAN region and the overall orientation of the European Economic Diplomacy for which Myanmar is a case study: helping Myanmar reintegrate into the regional and the global economy will benefit European companies seeking a more open, transparent Myanmar and a level playing field for trade and investments in the country.

The EU has on numerous occasions expressed serious concern regarding the tragic developments in Rakhine State. There is growing evidence that security forces have been engaged in serious abuse of human rights. Myanmar is not cooperating fully with key UN human rights actors, as requested by international partners such as the EU. This situation could have direct consequences with regards to Myanmar's Everything but Arms beneficiary status.

This Action is in line with EU "*Gender Equality Policy (GAP II 2016-2020)*". It is particularly relevant to the thematic priority "Economic and Social Empowerment", objectives 14 & 15.

This Action is also in line with the updated "*EU Aid for Trade Strategy*" as well as the EU Communication on "*A Stronger Role of the Private Sector in Achieving Inclusive and Sustainable Growth in Developing Countries*". In that regard, criteria for supporting private sector actors will be defined, including development impact, additionality, neutrality, shared interest and co-financing, demonstration effect and adherence to social, environmental and fiscal standards.

**WTO level** - Myanmar is a founding Member of the WTO. It accepted the Trade Facilitation Agreement (TFA) on 16 December 2015. The TFA was concluded at the WTO's 2013 Bali Ministerial Conference, and contains provisions for expediting the movement, release and clearance of goods, including goods in transit. It also sets out measures for effective cooperation between customs and other appropriate authorities on trade facilitation and customs compliance issues, and provisions for technical assistance and capacity building.

### **1.1.2 Stakeholder analysis**

This Action Document reflects the content of consultations carried out with a wide range of stakeholders. Relevant gender-specific capacities and stakeholders are integrated into the analysis.

**The Public Sector** - The primary direct beneficiary will be the MoC which is in charge of the country's trade policy, trade promotion and ASEAN agenda for both trade in goods and services. Other line Ministries which will benefit from trainings and capacity building include the Ministry of Planning and Finance (MOPF), the Ministry of Industry (MOI) and the Ministry of Agriculture, Livestock and Irrigation (MOALI), the Ministry of Health and Sport, and its Food and Drug Administration (FDA), the Central Statistical Organization (CSO) and Myanmar Customs, under the MOPF, the Ministry of Education, Department of Research and Innovation. Most public institutions in Myanmar suffer from a lack of financial and human resources, as well as uneven coordination, vertically and horizontally. However, experience gained by international organisations engaged with

the public sector confirmed the high potential for results and lasting impact, when a firm commitment from public stakeholders and their leaders is received to dedicate the necessary resources – in particular human resources – to the implementation of proposed actions. The MOC has been granted a far more ambitious portfolio, which includes regional integration and services, which was hitherto within the purview of the Ministry of Transport and MOPF. Given the MOC and other line ministries' current level of development and institutional limitations, the complex and multi-layer regional integration processes risks to increase coordination challenges for Myanmar and poses a threat to the integration process. Regarding gender, public sector organisations have not mainstreamed gender equality in their organisational structure. While many women are employed in ministries and occupy important professional and technical positions, they seldom make it to the higher levels of the hierarchy. Raising gender equality in public administration is consistent with the National Strategic Plan for the Advancement of Women (2013–2022).

**The Private Sector** - It is a direct beneficiary of the action; the AEC 2025 places a new emphasis on enhancing the contribution of MSMEs to development and on developing private sector outreach. Despite the existence of national-level mechanisms for consultation between the government and the private sector (i.e. the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI) and other associations), private sector engagement in the ASEAN processes is weak, and there is a lack of awareness about the benefits and opportunities of regional economic integration. International Chambers, such as Euro-Cham have provided an effective vehicle for attracting investors, and disseminating market information. For the private sector to get involved in the ASEAN regional processes, skills have to be built to engage in a productive dialogue with the Government and regional partners, supply-side capacities and business linkages with regional and international markets. This needs to be done following an integrated value chain approach, involving gender-relevant stakeholders and incorporating gender-sensitive value chain analysis and implementation. The project will work with UMFCCI and its member associations.

**Civil Society Organizations** - They will be important project partners for advocacy and monitoring of outcomes of trade and investment policy, including representation of stakeholders, and to improve data gathering, analysis and research on informal trade, as well as social and environmental impacts. They also work with the private sector, which is a direct beneficiary of the Action. Civil society organizations, including for example associations of women entrepreneurs and women traders, can also facilitate the social dialogue within the country, and the understanding of the added value of trade openness for combating poverty, both regional and international, by the population. These organisations can make the link to a wider audience, to promote the project and its results, thereby increasing impact and visibility of the project itself and the EU as the donor.

**Development Partners** – The Asian Development Bank (ADB), World Bank, United Nations Conference on Trade and Development (UNCTAD), the International Labour Organisation (ILO), the International Trade Centre (ITC), the EU, Germany (GIZ), Korea (KOICA), the Dutch Centre for the Promotion of Imports from developing countries (CBI), the Japanese Japan International Cooperation Agency (JICA), the United Kingdom (DFID), and the U.S. Agency for International Development (USAID) have been providing Trade-Related Assistance since the easing of sanctions (and some even earlier). Most partners will be designing new programmes in 2019-2020. Details of donors' programmes are provided in the donor Matrix. Within the **European Commission**, the Directorate-General for International Cooperation and Development (DG DEVCO), the Directorate-General for Trade (DG TRADE), the Directorate-General for Health and Food Safety (DG SANTE), the Directorate General for Taxation and Customs (DG TAXUD), and the European External Action Service (EEAS) with its Delegations in Bangkok and in Jakarta are also stakeholders of the programme and will be closely involved in the implementation of the programme, together with EU Member States. In 2016, the ADB, the United Nations Development Programme (UNDP), United Nations Fund for Population Activities (UNFPA), and UN Women worked together with the Department of Social Welfare under the Ministry of Social Welfare, Relief and Resettlement to produce an extensive situation analysis on “Gender Equality and Women’s Rights in Myanmar”.

Representatives of all stakeholders listed above were consulted during the identification and formulation phases. A final workshop, which took place in Yangon on 8 December 2017 and gathered

more than 40 representatives from the public and private sector, confirmed the overall endorsement of the identification and formulation analysis as well as the orientation of the project.

### ***1.1.3 Priority areas for support/problem analysis***

Following almost 60 years of isolation, Myanmar presents a wide and complex situation where a plurality of problems should be addressed in order to modernise internal and external trade: outdated regulatory frameworks, inadequate standards, reduced capacities in both private and public sectors, limited access to credit and modern technologies, low productivity and minimum transport network amongst others. Prioritisation of actions will be aligned to the Medium-Term Plan, with a focus on diversifying the economy, meeting ASEAN connectivity objectives, supporting the upcoming regional ARISE Plus programme, contributing to building capacity for implementing regional commitments, and strengthening the private sector's participation in ASEAN. The priority areas have been identified based on lessons from the TDP and past EU trade programmes in Myanmar, the AEC 2025 Consolidated Strategic Action Plan (adopted in February 2017), existing and forecasted donor interventions, the resources earmarked and the need for emphasizing inclusiveness, gender equity, connectivity and sustainability. This prioritisation has led to three critical areas of support:

- a) Strengthen the capacities of the private sector, notably Micro, Small and Medium-Sized Enterprises (MSMEs), including those led by women, engagement, capacities and preparedness for exploiting the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach.
- b) Improve the SPS regulatory control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains.
- c) Strengthen trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains.

From a gender equity perspective, two sets of issues are of particular interest in support of better trade integration:

1. Gender disparities in employability and work conditions;
2. Disadvantages faced by women-owned MSMEs.

Trade has contributed to increased female participation in waged labour through the creation of jobs in export-oriented manufacturing sectors (in particular garment and footwear industry). However:

- a. Employment created is largely in low skilled, low paid jobs;
- b. Only certain export sectors such as garments are 'regulated' with regard to labour standards, and in several export industries living and working conditions remain inadequate;
- c. Female employees are often not aware of their rights, such as maternity leave, and are more exposed to informality.

The Action is expected to indirectly support the promotion of equitable and inclusive growth and job creation in export-oriented sectors, and in line with Government strategy, help diversify the economy to more added value and productive industries. This should result in additional opportunities for women to enter the labour market and access better paid jobs. In addition, the Project will contribute to increased transparency of trade rules potentially addressing women businesses' barriers to integrate into export value chains. The Action will also support business associations' capacity for advocacy, including women entrepreneurs associations.

## 2. RISKS AND ASSUMPTIONS

Risks	Risk level (H/M/L)	Mitigating measures
There is overall limited transparency in all Government agencies, which affects inter-ministerial and inter-agency cooperation, which is necessary for the implementation of the project activities and ensuring sustainability.	H	The Minister of Commerce is determined to resolve the issue and improve intra-ministry and intra-department communication: a steering committee for this and possibly other trade development initiatives will contribute to more effective reporting and transparency among institutions and agencies.
Weak absorption capacity of beneficiary institutions.	H	The project takes into account the available capacities (including for gender analysis of trade and investment policies and actions). Strengthening donor coordination mechanisms, under leadership by country institutions, and division of labour will contribute to avoid conflicting messages, and improve the absorption capacity. The project will use the train the trainer approach based on the below-explained lessons learned.
The lack of capital and access to credit in the private sector may affect its ability to invest in standards, machinery and equipment which may be required in regional and global supply chains.	M	Access to finance is expected to improve through value chain approach support by other programmes, e.g. the Livelihoods and Food Security Trust Fund (LIFT), DaNa Facility, etc.), but will likely remain a certain constraint to private sector participation
Political risks: Humanitarian crisis and serious human rights violations in Rakhine State. Continued clashes in several ethnic states, including Kachin and North Shan States. Lack of democratic control over the armed forces. These challenges jeopardise the democratic transition and the overall functioning of the civilian government.	H	The ongoing crisis in Rakhine State attracts global attention. Mitigating measures include political dialogue, action in multilateral fora and possible measures under EU's trade and development policy. As part of this Action, the possible impact of the evolving political and humanitarian situation on the project outcome and outputs will be closely monitored.
Despite all good intentions noted in the 12 Point Outline of Economic Policy, NES, PSDF and MTD, the Government and the top public officials do not proactively pursue the reforms.	M	The project will be centrally managed and will incorporate a high degree of flexibility to adapt to a potentially changing institutional framework. In addition, working not only with public institutions, but also with private organisations, incl. in the steering committee will also mitigate this risk.
Limited dialogue among the public and private sector and vested interests exist in Myanmar and may derail reform process.	M/H	An opened, structured and supported public-private dialogue is necessary, with significant consultation (and awareness raising), in order to ensure that the interests of all are considered (including women's interests and priorities). The project, while coordinating with specific coordination mechanisms recently created like the Task Force for Trade and Business Promotion, the Myanmar Business Forum (MBF) and the PSD Working Group, could facilitate open dialogue and exchange.
Poor labour conditions among the developing value chains and lack of management skills among SOE delay the action's intended outcomes and future impact	M	Conduct an extensive analysis of the intended value chains before final selection, to focus on those with best potential. Engage with SOE management to secure commitment to

		continuous learning.
There aren't a sufficient number of men and women entrepreneurs, which are ready and willing to engage in trade, despite improvements made to the trade policy implementation	M	Awareness events on benefits of trade, enterprise support, and the multiplier effects from observing those that benefit from internationalising their operations, should encourage more entrepreneurs to become engaged in international trade.
<b>Assumptions</b>		
ARISE Plus – Myanmar is grounded on key assumptions:		
<ol style="list-style-type: none"> <li>1. The process of regional integration maintains its momentum and Myanmar Government is determined to ensure good faith implementation of its ASEAN and WTO commitments.</li> <li>2. The commitment towards the reform process from the Ministries involved in trade and investment policy continues to hold.</li> <li>3. The public sector can retain and motivate staff.</li> <li>4. The Government gradually increases budget and resources towards SPS compliance, education, health, gender awareness and equity, and other development areas to reflect its commitment towards a long-term sustainable and inclusive development strategy.</li> <li>5. Increased effectiveness of coordination between government and development partners in Myanmar.</li> </ol>		

### 3. LESSONS LEARNT, COMPLEMENTARITY AND CROSS-CUTTING ISSUES

#### 3.1 Lessons learnt

The Mid-Term Evaluation (MTE) of the TDP provides useful lessons learnt. The overall assessment of the EU's trade intervention through the TDP was rated as satisfactory. Among the overall outputs, SPS and trade promotion appeared to show substantial progress in terms of delivery, while the activities under the components of trade policy, trade facilitation and National Quality Infrastructure (NQI) have been more modest due to substantial delays. The delays were caused by the beneficiary's limited capacity for absorption, the recent change of government, and challenges at the implementation level.

The MTE insisted on the importance to plan the involvement and participation of the private sector in the project's identification and delivery of activities. Liaison with the Union of Myanmar Federation of Chambers of Commerce and Industries (UMFCCI) or its member associations such as the Myanmar Agri-food Processors and Exporters Association (MFAPEA) or the Myanmar Fisheries Processors and Exporters Association (MFPEA) will be ensured.

The MTE suggested that absorption difficulties of the project were due in part to the overstretched capacity of beneficiary institutions, particularly where multiple donors are supporting the same institutions albeit with complementary projects. The MTE considered that in the TDP, the training of trainers (ToT) approach, which included hands on training in the field was effective, likely more effective than what could have been achieved in a classroom training. Such ToT will feature throughout the design of the Action's activities.

The MTE also highlighted the positive impact of leveraging on the experience of a partner, who already had the experience in project implementation in Myanmar. In this case, it was GIZ as well as Expertise France (subcontracted by GIZ for the SPS/Food Safety component of TDP). However, it is also important to ensure retention of the key experts and work with national experts when possible. As indicated in the MTE, personnel issues contributed to a difficult startup of the TDP.

Regarding substance, the MTE suggested to provide a greater emphasis on the SME sector and a more explicit value-chain approach, especially in the sector of processed food. Regarding trade facilitation, it stressed the importance to keep building confidence between the MoC and Customs. The value-chain approach will be integrated specifically under Output 1 activities and linked to the activities throughout Outputs 2 and 3. This approach will incorporate a gender dimension, from the value-chain assessment stage, through the analysis of the role of women along the value chain. Value-chain support activities will take into account the impact on women at all stages, and the involvement of

women in project activities will be reported according to the project's logical framework (through gender-disaggregated data), as much as possible.

In conclusion, the lessons learned from the TDP show that SPS and trade promotion areas showed substantial progress, while the work on trade policy was less satisfactory with delays linked to, in particular, absorption capacity. A larger part of the support under this Action will therefore focus on the areas where concrete outputs and progress can be made i.e. outputs 1 and 2 on trade promotion, MSME support and building value chains as well as on quality and food safety; while somewhat less on trade policy strengthening (output 3).

Two other EU projects target private sector development: SMART and EuroCham. The first one, **SMART**, currently works with around 200 factories operating in the sector of apparel, to strengthen their social and environmental performances. It also encompasses trainings in areas such as safety and management, undertakes audits and raises awareness on energy efficiency management and chemical management programmes. SMART has been helpful for companies to adopt Corporate Social Responsibility (CSR) strategies and policies within their operations, and to comply with demands of the EU and US markets. SMART has recorded many successes and has promoted safer and cleaner business processes. The second one, **Eurocham** – the European Chamber of Commerce - enjoys strong government relations, access to large investors, and qualified technical teams. Eurocham has been successful in linking European and Myanmar companies, as well as informing European companies interested in green field investments. Eurocham also provides business environment feedback to the Government from its members (through an annual compilation of issues and suggested strategies for removing obstacles). Eurocham has a private sector driven agenda with strong connections to public policy makers and as such would be a pivotal partner for this Action. Both actions, extremely positive in terms of impact, raise concerns with regards to long/medium term sustainability and reconfirm the need to link selected value chains to the European private sector, eager to import quality products produced according to best practices and international standards, as it has been proved particularly challenging to gain interest of local buyers not interested in CSR.

### 3.2 Complementarity, synergy and donor coordination

The Arise Plus - Myanmar project is part of the ARISE Plus programme, the regional component which will be implemented roughly during the same period (2016-2022). The ARISE Plus regional programme and Arise Plus - Myanmar pursue the same objectives connected with the AEC Blueprint 2025. Existing complementary projects include:

- **Aquaculture and agricultural value chains**, including the LIFT multi-donor trust fund, DG SANTE / Better Training for Safer Food / EU-funded TA on Official Controls of fish and fishery products and green mung beans; Myanmar Sustainable Aquaculture Programme (MYSAP) 2017-20 funded by EU and Germany; Sustainable Coastal Fisheries Support Program 2017-20 funded by DANIDA; Promotion of Agri-food Value Chain Development, Small Farm Modernization and Rural Livelihoods in Myanmar implemented by USAID; ITC improves food safety and compliance with SPS measures to increase export revenues in the oilseeds value chain in Myanmar funded by the WTO Standards and Trade Development Facility (STDF).
- **Trade facilitation** efforts (Greater Mekong Sub-Region (GMS) project by the ADB, IFC/World Bank Group, and Myanmar Automated Cargo Clearance System by JICA.
- **Policy formulation and implementation** support, including Strengthening Policy Development to Meet Millennium Development Goals Project (UNDG); PSD by GIZ; Enhanced Integrated Framework (EIF) tier 2 projects to support MOC negotiation of trade in services,
- **SME Support**, including the United Nations Industrial Development Organization (UNIDO) 'Fostering pro-poor and inclusive Micro Small and Medium Sized Enterprises (MSME) development in Myanmar', 2013-16, PSD project by GIZ, ITC oilseeds value chain and inclusive tourism projects funded by STDF and The Netherlands, and SWITCH-Asia support for SMEs implementing SCP (e.g. current projects on textiles).

ARISE Plus Myanmar will be implemented through the Aid for Trade Co-ordination Mechanism headed by the MOC (aid for trade coordination unit), the Government's Development Assistance

Coordination Unit (DACU) and the Job Creation Sector Coordination Group (which now replaces the Trade Sector Working Group) chaired by MoC, of which EU and ITC are members. The Action will also coordinate with various Working Groups and Task Forces which are chaired by the Minister of Commerce, including the Task Force for Trade and Business Promotion, MBF and the PSD Cooperation Partners Group.

### 3.3 Cross-cutting issues

ARISE Plus Myanmar will have the indirect effect of lifting persons out of poverty, as past economic performance suggests that trade expansion is a powerful engine for decent job creation. There is also evidence that trade integration can contribute to women's economic empowerment through the creation of jobs in export-oriented manufacturing sectors. The focus on increasing transparency and simplification of regulations will notably address disadvantages faced more intensely by women owned businesses. Positive impacts on climate change mitigation and sustainable environment are expected through the adoption and implementation of better standards, efficient technology and better enforcement for the production and trade of sustainable goods and services. ARISE Plus Myanmar will also be very relevant to good governance and anti-corruption through the strengthening of institutional capacities, improved regulatory practices and transparency.

The experience of other countries also indicates that the equitable trickle down of trade integration cannot be taken for granted. Trade expansion in Myanmar often takes place through informal channels, and inconsistencies or malpractices at the border can lead to unfair trade conditions for smaller actors, including women traders. ARISE Plus Myanmar will include support for connecting Government trade policy with issues such as gender equality, environmental sustainability, and labour standards.

In relation to gender issues, the proposed action will integrate elements of the new EU Gender Action Plan 2 (GAP II) on gender equality and women empowerment. Particular focus will be placed on GAP II's Objective 14 "Access to decent work for women of all ages" and Objective 15 "Equal access by women to financial services, productive resources including land, trade and entrepreneurship. A selection of indicators linked to GAP II is integrated in the final proposed action logical framework matrix, and will be confirmed during the project's inception (see also Annex f3).

## 4. DESCRIPTION OF THE ACTION

### 4.1 Objectives/results

ARISE Plus Myanmar contributes primarily to the progressive achievement of the 12 Point Outline of Economic Policy, the NES, the PSDF, the MTP and the ASEAN AEC Blueprint 2025. The **overall objective** is inclusive and sustainable trade growth in Myanmar. The **specific objective** (outcome) is to increase trade diversification and integration, regionally (ASEAN) and internationally (EU and global markets). The expected results (outputs) are (i) strengthened capacities of the private sector, notably MSMEs, to exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on a market-led and gender-inclusive value chain approach; (ii) improved SPS regulatory control systems and quality compliance in line with ASEAN and international commitments, with a focus on selected value chains; and (iii) strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains.

The priority areas have been identified based on the problem analysis above, lessons from the TDP and past EU trade programmes in Myanmar, consultations with the Government, the AEC 2025 Consolidated Strategic Action Plan (adopted in February 2017), existing and forecasted donor interventions, and the need for emphasizing inclusiveness, gender equity, connectivity and sustainability in the intervention of the ARISE Plus. The need to facilitate high-level trade diplomacy between the EU and Myanmar was also considered. This prioritization has led to three outputs:

**Output 1 – Support to MSMEs focusing on a market-led and gender-inclusive value chain approach.** It is suggested that these activities focus on 2 specific non-extractive value chains for maximum results and impact, and in line with the lessons learned described in section 3.1. The detailed sectors/value chains will be identified during the project inception. This would build on EU support provided to Myanmar over the last years through TDP. This output should focus on capacity building and raising awareness of rights and opportunities for the private sector, and facilitating business synergies at regional level. Specific activities to create business linkages for Myanmar MSMEs in ASEAN/regional and international markets, with focus on the EU market, will be included in order to link-up with the project-specific objective and impact.

**Output 2 - Food Safety and Quality compliance.** This output will focus on ensuring the development and enforcement of an effective SPS regulatory control system in compliance with ASEAN and international standards. The output will focus on sensitising and building common understanding of the technical requirements between institutions and operators from farmers to processors, to exporters. The output will build on the achievements of TDP, particularly with respect to the implementation of the National Residue Monitoring Plan and improving the testing, control and monitoring of foods safety measures.

**Output 3 - Trade policy formulation and implementation.** The output will focus on the development and effective implementation of laws and regulations and their compliance in key areas covered by the ASEAN and the WTO. Proposed activities will be directly linked to the specific value chains supported under Output 1. They will support the efforts of the MSMEs to better take advantage of the opportunities offered by the ASEAN and the WTO, through business advocacy and public-private dialogue to integrate MSME's endeavours in global and regional markets into policy making and implementation. Updating Myanmar's archaic legislation and assisting in the implementation of adopted laws are precursors for the rule of law in the field and has thus intrinsic links to European Economic Diplomacy in the country.

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 Goals 5 “Gender Equality”, 9 “Industry, Innovation and Infrastructure” and 10 “Reduced Inequalities”. This does not imply a commitment by the Government of Myanmar benefiting from this programme.

## **4.2 Main activities**

The activities listed below are indicative and will be fine-tuned during the inception phase - also based on the progress achieved by TDP in 2018.

In accordance with the EU Development Cooperation Instrument (DCI) Regulation 233/2014 Article 16, 8 ASEAN Member States (Cambodia, Indonesia, Lao PDR, Myanmar, Malaysia, the Philippines, Thailand and Viet Nam) are direct project beneficiaries, while the 2 other ASEAN Member States (Singapore and Brunei Darussalam) are entitled to travel and per diem allowance for their essential participation in some of the activities of this action.

### **Output 1 – Support to MSMEs in selected value chains.**

This output will constitute the backbone of the entire project (with approx. 45% of the total budget). All project activities will heavily rely on the initial selection of 2 value chains. The following value chains have been identified during the formulation mission: horticulture, fishery, oilseeds, honey, coffee and tea. Activities could include:

- Review (including in a gender sensitive way) and complete analyses of the shortcomings, capacity gaps and bottlenecks at the MSME and producer level along the selected value chains;
- Train private sector stakeholders on global and regional market access opportunities;

- Provide customized training/coaching/mentoring on export and business management, how to build a business plan, understanding target markets and buyers' requirements and procedures, with particular focus on building the export and management capacity of women entrepreneurs;
- Develop marketing function of the business in terms of promotion, design, labelling; this includes sales and negotiations (with possible reference to "Made in Myanmar" and Geographical Indications) as well as online marketing/digital technologies when appropriate;
- Develop packaging skills in line with market requirements;
- Extend the helpdesk functions of MYANTRADE to other markets than the EU;
- Inform informal operators on the benefits of registration and formalization of their business;
- Build market linkages through Business to Business (B2B) events and trade fairs; and
- Create awareness and inform the private sector on sustainability, the need and benefits of compliance with labour and environmental standards, green technology, and private standards.

The above activities will be carried out taking into account the gender dimension.

## **Output 2: Improved SPS rules and procedures, food safety and quality compliance and implementation in line with international and regional/ASEAN commitments**

The inception phase will confirm the progress made under TDP in 2018 and fine-tune the project activities which will depend on the selected supply chains and could include (with an allocation of resources equal to approximately 30% of the total amount) the following activities:

- Design and conduct awareness-raising campaigns for policy makers, public and private sectors and the general public on the importance of standards, quality, technical regulations and SPS measures and quality (materials, sensitisation events);
- Improve access to information on standards, technical regulations and SPS measures and quality for target markets for the selected value chains and user-friendly explanation (bulletins, guides, online information, directory of services in Myanmar);
- Review and strengthen the SPS Regulatory framework (in accordance with its programme priorities), if a selected supply chain concerns food products;
- Strengthen food testing and calibration laboratory(ies) in support of the selected value chains and their network of laboratories, by undertaking gap assessments, providing technical assistance to selected laboratories for the implementation of ISO 17025 and for the preparation for accreditation covering selected test parameters;
- Design gender sensitive training curricula and conduct training and coaching programmes on food hygiene and safety (i.e. Good Agricultural Practices (GAP)/ Good Aquacultural Practices (GAqP), Good Hygiene Practices (GHP), Hazard Analysis and Critical Control Points (HACCP), ISO 22000) through ToT for the selected value chains and build a pool of advisers/counsellors;
- Design gender sensitive training curricula and conduct training and coaching programmes on food processing technology (i.e. freezing, chilling, storage, packaging, smoking, drying, etc.) and quality improvement (processes, waste reduction, etc.) through ToT for the selected value chains for institutions and MSMEs and build a pool of advisers/counsellors;

- Set up a network of experts on quality, SPS and promote their services. A database of such experts (women and men) will be created and will be made available to MSMEs and other interested parties;
- Set up and operationalise a mechanism for screening, disseminating and responding to notifications on new or changing SPS measures with involvement of the private sector;
- Provide advisory support services to establish the national Rapid Alert System for Food and Feed (RASFF) and integrate them into the ASEAN RASFF (ARASFF); and
- Facilitate coordination and participation in regional and international SPS related ASEAN and International Standard Setting work (i.e. ASEAN Working groups; Codex).

### **Output 3: Trade policy formulation and implementation strengthened for meeting international and regional commitments and addressing NTBs along value chains**

As is the case for Output 2, activities will depend on the selected value chains and the final content of the approved Work Plan. A number of cross-cutting activities will be conducted, since they contribute to the establishment of the public service capacities and business environment that is required to support enterprises in the selected value-chains. Activities include (budget allocation approximately 25%):

- Address NTBs at the output level by carrying out Business Process Analysis (BPA) of the export procedures with the private sector/exporters to map out as-is export processes, and prioritize the reforms required to ensure efficient export processes in the value chains selected under output 1 and focusing on the EU and ASEAN markets; formulating policy recommendations to eliminate/reduce the most trade restrictive barriers; validating the recommendations with relevant stakeholders; building business advocacy skills and empower key business organizations incl. women organizations to inform trade policy making and implementation;
- Address the gaps identified to comply with ATIGA – based on the ATIGA gap assessment, by defining a strategic action plan/roadmap for a structured and coordinated implementation with roles and responsibilities of the various line ministries; disseminate/create awareness within relevant Ministries; defining and supporting the set-up of a monitoring system for the domestication of ASEAN rules (in conjunction with other implementing partners); and
- Provide advisory support on trade policy priority issues – including empowerment of the MOC to take the lead on those issues, including ASEAN-related portfolios which will fall under the MOC’s responsibility as of 2018; elaboration of an Action Plan to eliminate the shortcomings related to inter-ministerial coordination at policy making levels; update/expansion of the trade portal; negotiation of trade in services (in complement/coordination with the EIF Tier 2 project); assistance in the publication of clear guidelines on trade and customs procedures/regulations in the ASEAN National Trade Repository (ATR); and facilitating dialogue events between decision-makers in the EU and Myanmar, both on the political level and among private actors.

This output will support the EU-Myanmar trade and investment relations and remain consistent with the European Economic Diplomacy objective and principles.

### **4.3 Intervention Logic**

The ARISE Plus Myanmar project will provide assistance to both the Government and the private sector through an equitable mix of activities between the two categories of stakeholders and specific focus on MSMEs. In all outputs, activities will support the effectiveness and efficiency of the selected value chains. In this regard, the intervention logic will be characterised by a bottom-up approach, in

which actions will be identified based on the market needs of the economic operators in the selected supply chains, and address policy matters that directly impede the competitiveness or access to markets of the operators in the value chains. This approach is supposed to better ensure the multiplication of investments to add value in Myanmar in the selected chains, as well as to ensure higher inclusiveness of the support through the selection of sectors in which gender equality and support to vulnerable groups are considered. The resources dedicated to the Action have been drawn up based on the relative risks associated with the implementation of the Activity, with a desire to reduce resources targeted at high-risk activities identified in "2 Risks and Assumptions", particularly concerning policy making institutions and the lessons learnt in previous programmes (TDP). More precisely, it has been considered that the previous TDP budget – excluding EUR 2 million allocated to procurement of equipment – amounts to EUR 8 million for a four years implementation period. On this basis of the current needs and the absorption capacity, the ARISE Plus Myanmar scope and timeframe have been defined. The Action will focus on two value chains, with view to maximising impact and value for money, rather than being spread too thinly across a number of sectors.

## **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 4.2, 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 authorising officer responsible by amending this decision and the relevant contracts and agreements; such amendments to this decision constitute technical amendments in the sense of point (i) of Article 2(3)(c) of Regulation (EU) No 236/2014.

### **5.3 Implementation modalities:**

Both in indirect and direct management, 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 affecting the respective countries of operation<sup>3</sup>.

#### ***5.3.1 Indirect management with an International Organization (ITC UNCTAD/WTO)***

This action may be implemented in indirect management with the International Trade Centre (ITC UNCTAD/WTO). This implementation entails the delivery of the technical assistance services provided under the project. This implementation is justified because of the following reasons:

ITC is the joint agency of the World Trade Organization and the United Nations. Established in 1964, ITC is the only development agency that is fully dedicated to supporting the internationalization of MSMEs which are proven to be major job creators and engines of inclusive growth. In 1973, the United Nations Economic and Social Council (ECOSOC) resolution appoints ITC as "the focal point for technical assistance and cooperation activities in the export promotion field within the United Nations system of assistance to developing countries". Since its inception, ITC has been working with MSMEs to improve their competitiveness and use trade as a lever of growth and employment.

MSMEs are the backbone of the economy, creating sustainable jobs especially for women and youth. Globally, small businesses represent more than 90% of all enterprises and over 70% of jobs. In order

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<sup>3</sup> [https://eeas.europa.eu/sites/eeas/files/restrictive\\_measures-2017-04-26-clean.pdf](https://eeas.europa.eu/sites/eeas/files/restrictive_measures-2017-04-26-clean.pdf)

to achieve sustained growth and jobs, ITC helps MSMEs to connect to, and move up in regional and international value chains with products and services that meet market standards. To support a more inclusive distribution of development gains, ITC works with women, youth, and marginalized groups in developing countries to empower them through entrepreneurship and business skills that provide gateways to jobs and enterprise creation. It targets sectors that provide employment opportunities at scale for these groups, and helps them benefit from international trade and investment opportunities.

In its over 50 years of operation, ITC has developed a depth of experience operating coherently at all levels from trade policy to practice: ITC has a strong track record of connecting MSMEs in developing countries to value chains, building sustainable market linkages and delivering positive development outcomes. ITC's distinctive feature is to offer integrated solutions combining institutional, managerial and entrepreneurial capacities simultaneously at government, institutional and enterprise levels.

ITC currently provides support to several countries in the region. ITC's main strengths lie in its private sector focus, pool of internal and external expertise as well as large network of trade and business actors. ITC was instrumental in the formulation and management of the implementation of the NES. ITC manages and implements sector value chain and SPS/food safety projects in Myanmar in the oilseeds and tourism sectors, works on trade and inclusiveness themes and enjoys positive contacts with the MOC. ITC has two field offices in Myanmar and plans to open one in Yangon and/or Nay Pyi Taw for this project. It has managed trade-related technical assistance TRTA projects in several ASEAN countries and LDCs, and has expertise in coordinating and implementing EU-funded projects. ITC's experience in ASEAN countries and LDCs highlighted the importance of maintaining and managing close dialogue with the EU offices in countries as well as with the country partners, Government and the private sector, for strong ownership and buy-in. ITC has expressed interest to manage and implement the project. ITC would carry out the following budget-implementation tasks: launching and evaluation of calls for tenders, acting as contracting authority concluding and managing contacts, carrying out payments. In light of the above, this is the preferred option of the EU Delegation to Myanmar.

ITC delivers integrated solutions around a core set of six focus areas, two of which are "Supporting regional economic integration and South-South links" and "Promoting and mainstreaming inclusive trade". The Empowering Women to Trade Programme contributes to the economic empowerment of women by increasing the participation in trade of women-owned businesses from developing countries, raising the value of the international business they transact and diversifying the markets they access. ITC in 2015 launched SheTrades, a wide-ranging initiative to empower women economically through greater integration in global trade and investment.

The entrusted entity would carry out the following budget-implementation tasks: procurement and grant award procedures, and awarding, signing and executing the resulting procurement contracts and grant contracts, notably accepting deliverables, carrying out payments and recovering the funds unduly paid. The entrusted international organisation is currently undergoing ex-ante assessment. The Commission's authorising officer responsible deems that, based on the compliance with the ex-ante assessment based on Regulation (EU, Euratom) No 1605/2002 and long-lasting problem-free cooperation, the international organisation can be entrusted with budget-implementation tasks under indirect management.

#### **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.

In accordance with Article 9(2)(a) of Regulation (EU) No 236/2014; 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.

In accordance with Article 8(3) of Regulation (EU) No 236/2014 and with regard to the regional nature of this action, the Commission decides that natural and legal persons from the following countries, territories or regions shall be eligible for participating in procurement and grant award procedures: ASEAN Member States. The supplies originating there shall also be eligible.

The Commission's authorising officer responsible may extend the geographical eligibility in accordance with Article 9(2)(b) of Regulation (EU) No 236/2014 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

	<b>EU contribution (amount in EUR)</b>	<b>Indicative third party contribution</b>
5.3.1 - Indirect management with an international organization (ITC)	7 900 000	0
5.8 - Evaluation, 5.9 - Audit	100 000	0
Total	8 000 000	0

## 5.6 Organisational set-up and responsibilities

The modalities of implementation will respect the principles of aid effectiveness in terms of ownership by the final beneficiary and alignment on national policies e.g. thorough joint planning and steering of project implementation.

ITC will facilitate the set-up of a Project Steering Committee (PSC) to ensure governance and ownership over the Action. The Committee will be composed of senior representatives of the MOC and other relevant line Ministries, private sector representatives as well as representatives of the EU, to ensure effective leadership and ownership - including private sector participation. Detailed Terms of Reference (TORs) of the PSC shall be elaborated at the outset of the project by ITC in full coordination with the EU and MoC.

For the day-to-day coordination throughout the implementation of the Action, ITC will establish a project office and representation in Nay Pyi Taw and/or Yangon within the premises of the MOC.

It is foreseen that the project will coordinate closely with the Aid for Trade Coordination Unit, recently established in the MOC, and report to the Development Assistance Coordination Unit (DACU). ITC will make every attempt to not establish unnecessary parallel structures, but rather rely on the existing government staff, civil society and management systems, providing technical assistance when needed in order to improve performance, quality and absorption capacity.

In addition, working groups involving public and private country partner organizations relevant to each project output will contribute to define the annual project work plans and monitor the progress of activities according to country priorities, and in coordination with other development partners' programmes and initiatives.

## 5.7 Performance monitoring and reporting

Performance monitoring and reporting arrangements will be specified in the Delegation Agreement between the international organisation and the EU.

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. 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.

Some of the project baseline data will be collected by ITC together with country partners during the project inception phase, as indicated in the logical framework.

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, a final evaluation will be carried via independent consultants contracted by the Commission. ITC will in addition carry out a mid-term review to assess the overall progress and appropriate implementation of the project, and to provide recommendations for the remaining duration of the project. The Consultant who will conduct the mid-term review will be contracted by ITC. In line with OECD-Development Assistance Committee (OECD-DAC) criteria, the mid-term review will mainly focus on relevance, effectiveness, efficiency, potential impact, and sustainability of the project. It will integrate cross-cutting dimensions including gender equality.

It 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 will be one of the first EU bilateral Actions focusing on Agricultural value chains development in Myanmar, hence it will be particularly relevant to assess whether this approach will have been successful in identifying and removing regulatory framework bottlenecks with consequent modernization of the business environment.

The Commission shall inform the implementing partner at least 45 days in advance of the dates foreseen for the final evaluation mission. 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.

Indicatively, a contract for evaluation services shall be concluded under a framework contract during the last semester of project implementation.

## **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.

Indicatively, one contract for audit services shall be concluded under a framework contract in the second half of project implementation.

## **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.

Approximately EUR 100,000 will be allocated for this purpose under the indicative budget line "5.3.1 - *Indirect management with an international organization (ITC)*".

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 Manual for EU External Action shall be used to establish the Communication and Visibility Plan of the Action and the appropriate contractual obligations.

## ANNEX - INDICATIVE LOGFRAME MATRIX

The activities, the expected outputs and all the indicators, targets and baselines included in the Logframe matrix are indicative and will be revised during the project formulation 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.

	Results chain	Indicators	Baselines	Targets	Sources and means of verification	Assumptions
Overall objective: Impact	Inclusive and sustainable trade growth in Myanmar	<p>a. Share of trade to GDP (Percentage) ** (EU RF L1 30)</p> <p>b. Proportion of the selected value chains in Myanmar exports to ASEAN and international (EU) markets</p> <p>c. Incomes of beneficiary stakeholders (manufacturers and exporters) –(sex disaggregated) in the selected value chains (SDG 5.1)</p>	<p>a. Trade to GDP: 42.8% (2016)</p> <p>b. Data to be collected during project inception</p> <p>c. Data to be collected during project inception</p>	<p>a. Increase to reach 60% (2022-2023)</p> <p>b. To be confirmed during project inception</p> <p>c. 20% increase in income (2022-2023)</p>	<p>a. COMTRADE and Customs data</p> <p>b. ASEAN stats: ASEAN International Merchandise Trade Statistics Database, IMTS databases</p> <p>c. Baseline and final surveys to be commissioned by the project</p>	

Specific objective (outcome)	Increase trade diversification and integration, regionally and internationally	<p>d. Number of business transactions to ASEAN and international markets in the selected value chains</p> <p>e. Number of MSMEs - of which men / women-owned - reporting improved competitiveness as a result of the Action</p> <p>f. Number of export markets in ASEAN and EU to which new sales have been made</p>	<p>d. Data to be collected during project inception</p> <p>e. 0</p> <p>f. 0</p>	<p>d. 15% increase</p> <p>e. 200 MSMEs (tbc during inception phase)</p> <p>f. 5 new export markets</p>	<p>d. Sales statistics of exporters/producers, evaluation/feedback forms</p> <p>e. Value chain analyses, project surveys and mission reports, questionnaires, reports</p> <p>f. Mission reports, questionnaires, project surveys</p>	<p>The process of regional integration maintains its momentum and Myanmar Government is determined to ensure good faith implementation of its ASEAN commitments (AEC Blueprint 2025) and to fully cooperate to further the ASEAN objectives.</p> <p>Myanmar Government is determined to entirely implement the country's WTO commitments</p>
	<b>Output 1</b> Strengthened capacities of the private sector - notably Micro, Small and Medium-Sized Enterprises (MSMEs)- to	1.1 Number of MSMEs - of which those managed by women and employing a majority of women – in selected	1.1. 0	1.1. 500 MSMEs (of which those managed by women to be specified during	1.1 Questionnaire and Surveys, progress reports, reports from trade associations, including women's	Availability of resources (human and financial) of target beneficiaries in the selected value chains to engage and follow-up on

	exploit the business opportunities offered by the ASEAN single economic space (AEC), EU and global markets, with a focus on market-led and gender-inclusive value chain approach	<p>value chains reporting improved knowledge of trade opportunities (ASEAN, EU, global).</p> <p>1.2 Number of MSMEs – of which those managed by women and employing a majority of women – in the selected sectors trained/coached on business formalization, management, marketing, digital technologies, packaging, labour and environmental standards (ILO/OECD) in line with market requirements</p> <p>1.3 Number of MSMEs - of which those managed by women and employing a majority of women – in the selected value chains which participated in trade fairs and/or B2B events</p> <p>1.4 Number of private sector organizations/associations in the selected value chains reporting improved capacities to support MSMEs</p>	<p>1.2 0</p> <p>1.3 0</p> <p>1.4 0</p>	<p>the project inception phase)</p> <p>1.2 500 MSMEs (of which those managed by women to be specified during the project inception phase)</p> <p>1.3 100 MSMEs (of which those managed by women to be specified during the project inception phase)</p> <p>1.4 5 organizations</p>	<p>networks of entrepreneurs</p> <p>1.2 Meeting minutes and/or reports, mission and event reports, training attendance sheets,</p> <p>1.3 Event reports, feedback/evaluation forms from participants, list of visitors/buyers met, correspondence with buyers</p> <p>1.4 Surveys, questionnaires, interviews and evaluations</p>	<p>project activities</p>
	<b>Output 2</b> Improved SPS regulatory control systems and quality	2.1 Number of national standards (including product standards),	2.1 Data to be collected during inception phase	2.1 At least 7 procedures / guidelines developed /, national	2.1 MOC trade data and reports, ASEAN monitoring reports,	Same as above Institutions employ

	compliance of MSMS in line with ASEAN and international commitments, with a focus on selected value chains	technical regulations and SPS measures adopted by producers and exporters for selected value chains aligned with ASEAN and/or international standards	2.2 0	standards/ technical regulations and SPS measures aligned with ASEAN and/or international standards	Progress Reports, Myanmar gazettes, copies of the standards	required human resources and monitors their performance
		2.2 Number of stakeholders (disaggregated by sex) sensitised on quality, technical requirements, SPS measures	2.3 0	2.2 At least 500 stakeholders sensitized	2.2 Training materials, curricula, list of courses delivered and evaluated by participants	Laboratories and institutions assisted are able to sustain their operations
		2.3 Number of inspection/food testing/certification bodies, and extension services offering improved certification and testing services for MSMEs	2.4 0	2.3 12	2.3 Reports from bodies and institutions, evaluations and mission reports	Laboratories and institutions have the required staff, building and budget for operation
		2.4 Number of SPS officers sensitised and trained on ATIGA SPS chapters (disaggregated by sex) * RIP	2.5 0	2.4 10	2.4 Training and coaching attendance sheets and feedback forms	
		2.5 Number of MSMEs – of which those managed by women and/or employing a majority of women – in selected value chains (including primary producers groups) trained/coached on quality, food safety,		2.5 At least 30 MSMEs	2.5 Training and coaching attendance sheets and feedback forms	

		production				
	<b>Output 3</b> Strengthened trade policy formulation and implementation for meeting regional (ASEAN) and international (WTO, EU) commitments and addressing NTBs along value chains	<p>3.1 Status of action plan/roadmap to address the identified gaps and comply with ATIGA</p> <p>3.2 Number of recommendations, including those that are gender sensitive, produced to improve the business environment incl. trade facilitation related policies, strategies and regulations, elimination of NTBs</p> <p>3.3 Number of trade-related policy position papers, with the support of this Action, prepared by non-state actors, including number of gender and trade papers drafted by women and women's organisations</p> <p>3.4 Number of participants in dialogues/meetings/trainings - of which number of women and MSME representatives organized by the Action (disaggregated by sex)</p>	<p>3.1 No plan</p> <p>3.2 Data to be collected during the inception phase</p> <p>3.3 0</p> <p>3.4 0</p>	<p>3.1 1 action plan/roadmap prepared</p> <p>3.2 10 recommendations</p> <p>3.3 8 position papers</p> <p>3.4 400 participants</p>	<p>3.1 ASEAN Reports (ASEAN Integration Monitoring Directorate (AIMD)), roadmap document, meeting reports</p> <p>3.2 Private sector surveys World Bank and ADB Business Surveys, Task forces and working group reports on trade, PPD event reports, project mission reports</p> <p>3.3 Mission and event reports, position papers, reports from trade and private sector associations</p> <p>3.4 Participants' lists and feedback forms, event reports</p> <p>3.5 Mission reports,</p>	<p>Myanmar Government remains committed to reforms as stated in its 12 Point Outline of Economic Policy, NED, PSDF and MTP</p> <p>The commitment towards the reform process from the Ministries involved in trade and investment policy continues to hold.</p> <p>The PSD and taskforces set-up by the MOC remain in place and operational</p> <p>Absorption capacities within private sector institutions and business associations for applying business advocacy skills</p>

		3.5 Number of advisory support services (technical recommendations, revisions of documents, etc.) provided to the MoC and other line ministries for trade policy making, implementation and monitoring and the management of trade relationships with ASEAN and EU * RIP	3.5 0	3.5 16 advisory services	evaluation forms	
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