

ARISE Plus Philippines

Inclusive economic growth in the Philippines through international trade and economic integration



PROJECT SUMMARY

ARISE Plus Philippines is a 4-year project, funded by the European Union (EU) and worth EUR 5.8 million. The project started on 1 March 2021. It aims to foster inclusive economic growth in the Philippines through improved international trade performance and competitiveness as well as economic integration. The project is aligned and contributes to the Philippines Development Plan 2017-22, the Philippines Export Development Plan 2018-22, the Inclusive Innovation Industrial Strategy, and the Micro, Small and Medium-Sized Enterprises (MSME) Development Plan 2017-22, all feeding into the 25 Year AmBisyon Natin 2040, the country's long term development plan.

ARISE Plus Philippines will focus as a priority on enabling the Philippines to take advantage of EU market access and of the trade privileges granted under the Generalized System of Preference (GSP+) as well as support the overall EU-Philippines trade relationship and trade-related policies.

The project aims to facilitate the identification and leveraging of export priorities, support the set-up of a National Quality Infrastructure (NQI) as well as internationally aligned quality management and control systems for exported food products, and strengthen institutional and private sector capacities on trade facilitation for the implementation of national legislation and international trade commitments. It supports greater economic integration between the Philippines and the Association of Southeast Asian Nations (ASEAN) region, in line with the ASEAN Economic Community (AEC) Blueprint 2025. It also contributes to the effective participation in the multilateral trading system through better understanding and leveraging of existing Free Trade Agreements (FTAs).

These priority areas of support were identified with the Department of Trade and Industry (DTI) and Philippine stakeholders to improve the competitiveness of trade-oriented sectors and maximize their export potential. They are also relevant to support the Philippines in managing the economic and trade impact of COVID-19.

Ultimate project beneficiaries include Philippine MSMEs, which will benefit from improved business environment, policies and processes to increase their competitiveness. The project aims to positively impact export-oriented sectors and contribute to addressing disadvantages faced more intensely by women and youth-owned businesses.

CONTEXT

Third largest economy of the region, the Philippines has achieved sustained rapid economic growth since the early 2000's with an average real Gross Domestic Product (GDP) growth of 6.4% over the period 2010-19, outperforming most of its regional peers. This makes the Philippines one of the most dynamic economies in the region with a population in 2019 of 108 million, with a large proportion of youth (28% between 10 and 24 years old). The Philippine economy has undergone a persistent transformation, increasingly heading towards a service-based economy, with the services sector accounting for more than two thirds of the GDP, and agriculture declining to below 9% in 2019.

The Philippines reached lower middle-income country status in the late 70's and set itself the target of achieving upper middle-income country status by 2022. While recent economic performances have translated into sustained and inclusive benefits, and improved the living conditions of millions of Filipinos, poverty remains widespread across the country, with one in five persons living in extreme poverty.

Openness to trade has increased steadily since 2014, although the Philippines' trade balance remains characterised by a persistent and widening trade deficit caused by significant imports over exports, especially of key commodities such as crops and livestock. While the country's exports recorded a 6% growth over the period 2015-19, exports in goods perform weakly and are highly concentrated, with electronics making up about 50% of the total. The majority of the country's exports go to the United States of America, China, Japan, Singapore and the European Union (EU).

As such, the Philippines is actively pursuing increased trade openness, through reforms, regional and bilateral negotiations, and multilateral rule-making, to achieve its development objectives.

The project contributes to the achievement of the Sustainable Development Goals (SDGs):



OVERALL OBJECTIVE: Foster inclusive economic growth and poverty reduction in the Philippines.

SPECIFIC OBJECTIVE: Improve the Philippines' trade performance and competitiveness.

EXPECTED RESULTS:

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



EXPECTED RESULTS

Improved export market access

Government and private operators are better able to identify and implement export priorities

Incomplete utilization rates of preferential trade schemes, such as the Generalized System of Preference+ (GSP+) prevent Philippine MSMEs from realizing their export potential. The project will provide the Philippine private sector with market intelligence, training and coaching to increase awareness of export opportunities, and to establish new market linkages, focusing on the EU-GSP+ market. Support will also be provided for industrial and investment policy design and implementation to improve global value chains participation.

The project aims to:

- Inform private stakeholders, in particular MSMEs on global trade opportunities (GSP+ and FTAs)
- Provide technical and marketing support to priority sectors under the Philippine Export Development Plan (PEDP), including to MSMEs at firm or industry level
- Provide targeted support to address critical gaps hindering participation in global value chains for priority products or industries, through linkages with EU industry, especially concerning inclusive innovation and the entrepreneurship ecosystem

Increased export competitiveness

A National Quality Infrastructure that promotes export competitiveness is in place

A well-functioning quality infrastructure system is an integral part of an enabling environment for effective participation in international trade. The project will thus support the development of a NQI for the Philippines and the improvement of capacities to set, manage and enforce standards, which will contribute to increased competitiveness of Philippine exports.

The project aims to:

- Support the review and/or drafting of the NQI law and ancillary regulations.
- Build the capacities of export-oriented operators and NQI bodies

Improved quality of exported food products

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

The ability to meet national and international technical regulatory requirements, quality and safety standards is key for expanding market linkages in the food sector. The project will therefore support the set-up and operationalization of efficient mechanisms, increasing

overall trust in Philippine products and food industry, particularly in export markets such as the EU.

The project aims to:

- Provide technical training for export-oriented operators along the value chain on food safety best practices and international standards
- Support capacity-building of the Food and Drug Administration (FDA), the Department of Agriculture (DA) and attached agencies/bureaus to act as Competent Authority for food exports to the EU. This will include supporting the implementation of a Rapid Alert System (PhilRASFF) for the Philippines.

Improved trade facilitation procedures and connectivity to international markets

Strengthened trade facilitation capacity to implement the Customs Modernisation and Tariffs Act (CMTA) and the World Trade Organisation (WTO) Trade Facilitation Agreement

With the entry into force of the CMTA and the ratification of the WTO TFA in 2016, the Philippines showed its commitment towards more efficient administration of customs for improved international trade. The project will work with the competent authorities to support the effective engagement and improved connectivity of Philippine MSMEs in the ASEAN and international markets in a cost-effective manner.

The project aims to:

- Support the readiness of the Bureau of Customs (BOC) to comply with existing international commitments and new or evolving requirements
- Sensitise economic operators and external stakeholders on new business processes and rules

Increased awareness on EU-Philippines partnership

Achievements of the EU-Philippines Partnership are monitored and advertised widely to the Philippine public.

The partnership and its results will be widely advertised to the public to promote and facilitate the successful implementation of project activities. The sharing of experiences by Philippine companies successfully exporting to the EU should encourage other SMEs to explore new market opportunities and benefit from GSP+.

The project aims to:

- Promote success stories to non-specialists
- Organise EU-Philippines conferences on trending trade topic



PROJECT PARTNERS

European Union

The European Union is a unique economic and political union between 27 EU countries, with a population of 446 million inhabitants. It plays an important role in international affairs through diplomacy, trade, development assistance and working with global organisations. As one of the world's largest economies and trading blocks, the EU is the top trading partner for many countries and is committed to ensuring that its partners can take full advantage of global trade opportunities. The EU has been leading in integrating sustainable development objectives into trade policy and making trade an effective tool to promote sustainable development worldwide.

The EU has been supporting the Philippines with trade-related technical assistance since 2005. *The Association of Southeast Asian Nations (ASEAN) Regional Integration Support – Philippines Trade-Related Technical Assistance (ARISE Plus – Philippines)* is a five-year programme (2020-2025) with an overall budget of €6.4 million comprising a technical assistance project of €5.8 million implemented by the International Trade Centre (ITC). It is the national Philippines component of the EU-funded ARISE Plus Programme, supporting regional economic integration and trade in the ASEAN, and contributes to the integration of the Philippines' economy into the global production chain, through targeted support to both the public and private sectors.

The relationship between the EU and the Republic of the Philippines is a longstanding one, which has broadened and deepened remarkably in recent years. In 2018, the Partnership and Cooperation Agreement (PCA) between the EU and the Philippines entered into force. The Agreement provides an enhanced legal framework, enabling the European Union and the Philippines to strengthen their bilateral relationship, in particular on political, social and economic matters. The Delegation of the European Union to the Philippines was officially opened in 1991. A fully-fledged diplomatic mission, it officially represents the EU in the Philippines and aims to strengthen EU-Philippine relations, including by promoting strong economic and trade ties and by supporting the Philippines to achieve the UN Sustainable Development Goals (SDGs).



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Department of Trade and Industry

The Government of the Philippines is in the lead for this project. The project has been designed and will be implemented jointly with the Government of the Philippines, in collaboration with the Department of Trade and Industry (DTI).

A Steering Committee co-chaired by the DTI and the EU Delegation to the Philippines will ensure the overall project governance.



International Trade Centre

The International Trade Centre (ITC) is the only United Nations development agency fully dedicated to supporting the internationalization of SMEs. ITC enables SMEs in developing and transition economies to become more competitive and connect to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. Established in 1964, ITC is the joint agency of the United Nations and the World Trade Organization.



ITC is the technical agency of the ARISE Plus Philippines project.

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