

FOOD AND BEVERAGE ADVOCACY PAPER 2022



ABOUT ECCP

The **European Chamber of Commerce of the Philippines** (ECCP) is a service-oriented organization whose main goal is to foster close economic ties and business relations between the Philippines and Europe. The ECCP does this through offering a wide range of consultancy services and by fostering connections between companies, organizations, and individuals with existing or potential business ties to Europe and the Philippines. It is also at the forefront of pro-business, pro-growth advocacy in the Philippines, representing European business interests for increased market access and trade facilitation, at the highest level of Philippine political discussions.

The ECCP views itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.



FOOD AND BEVERAGE ADVOCACY PAPER 2022



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Positions expressed in the advocacy papers are the result of the activities of the Sector Committees working under the ECCP.

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We would also like to acknowledge the support of our committee members.

METHODOLOGY

The 2022 edition of the ECCP Advocacy Papers features issues and recommendations developed after extensive discussions among members of the ECCP sector committees, consultations and meetings with representatives from the Philippine Government, and other stakeholders. Information gathered from organizing events that cover relevant topics, participating in numerous hearings and committee meetings in both chambers of the Philippine Congress, as well as in private sector consultations held by several government agencies were also taken into consideration upon writing.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. The ECCP Advocacy Team carefully examined each issue and advocacy recommendation in close collaboration with the sector committee leaders and members to make sure they were in line with European business interests and priorities. Once the Advocacy Team had finalized the first draft of each sector paper, it was then disseminated to the Committee members and other important stakeholders for consultation. This allowed for the collection of input that would later be used to create the final draft of the papers.

The assessment of the status of each recommendation included in 2021 Advocacy Papers were examined under the following criteria:

Completed/Substantial Progress: Recommended action has either been completed or there has been significant progress towards the realization of the recommendation.

Some Progress: Movement towards realizing the recommendation has been made, but substantial work still needs to be done to fully achieve and complete the proposed measure.

No Progress/Retrogression: Minimal progress or no movement towards attaining the recommended reforms were done, or the status of the issue has worsened and has evolved to an even bigger bottleneck for European businesses.

MESSAGE FROM THE ECCP PRESIDENT

I am pleased to present the latest set of the European Chamber of Commerce of the Philippines' (ECCP) Advocacy Papers. This features an overview of the country's current business landscape and industry-specific challenges identified by the Chamber's sector committees. More importantly, the papers put forward constructive policy recommendations for strengthening European-Philippine economic relations and promoting sustainability.

We have witnessed uncertainties and concerns arising from the Russia-Ukraine crisis, inflationary pressures, and disruptions in the global supply chain, among others. Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos. Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively.

The ECCP seeks to continue to maximize the opportunities brought about by these recent socioeconomic developments. This year's set of ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to realize the potential of the European-Philippine economic ties as well as advance sustainable development. Lastly, I would like to extend my sincerest thanks to our Committee leaders, member companies, and the ECCP team who supported the completion of this publication. The ECCP is committed to working with the European-Philippine stakeholders in navigating this new era of progress, possibilities, and partnerships.

Mr. Lars Wittig
ECCP President



WHERE ARE WE NOW?

THE PHILIPPINES

The Philippines prides itself in its dynamic and robust economy, transforming into one of the region's top economic performers and attracting companies to invest and expand their operations. In the last decade, the country was able to sustain an average annual growth of 6.4% between 2010-2019 from an average of 4.5% between 2000-2009.¹ However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. The Philippines has not been spared from the economic effects of the pandemic. The country's growth collapsed, with a negative growth rate of 9.6% in terms of Growth Domestic Product (GDP), in 2020 (Table 1). Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 10th in terms of Gross Domestic Product (GDP) growth rate (Table 1). Ranked last, the Philippines appears to be the Southeast Asian economy most affected by the pandemic in 2020.

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2020 and 2021 (% per year)

Country	2020	2020 ranking	2021	2021 ranking
Brunei Darussalam	1.1	3rd	-1.5	9th
Cambodia	-3.1	6th	3	5th
Indonesia	-2.1	5th	3.7	3rd
Lao People's Dem. Rep.	-0.5	4th	2.3	7th
Malaysia	-5.6	8th	3.1	4th
Myanmar	3.3	1st	-18.4	10th
Philippines	-9.6	10th	5.6	2nd
Singapore	-5.4	7th	7.6	1st
Thailand	-6.1	9th	1.6	8th
Vietnam	2.9	2nd	2.6	6th

Asian Development Bank. Asian Development Outlook 2022²

Nonetheless, in 2021, the Philippines ranked second among the ASEAN countries in terms of growth rates. Growth was buoyed by robust private domestic demand, including a dramatic increase in investment in the second quarter of 2021 and a steady rise in household final consumption expenditure³.

Furthermore, for the year 2022, multilateral agencies have expressed optimism for the Philippines with an estimated 6.0% and 6.5% growth rate by the World Bank and the Asian Development Bank, respectively. A strong rebound in domestic demand with the easing of COVID-19 mobility restrictions in the country will support robust growth for the Philippine economy in 2022 amidst the Russia-Ukraine conflict, inflationary pressures and disruptions in global supply chains.

¹ World Bank. (07 April 2021). Philippines: Overview. Retrieved from <https://www.worldbank.org/en/country/philippines/overview>

² Asian Development Bank (April 2022). Asian Development Outlook 2022. Retrieved from <https://data.adb.org/dataset/asian-development-outlook-ado-2022-statistical-appendix-tables>

³ World Bank (June 2022). Philippines economic update 2022 edition. Retrieved from <https://documents1.worldbank.org/curated/en/099325006072264961/pdf/P177408091735101c0b25405cf39f312c86.pdf>.

The growth projection for 2023 is at 5.8% and 6.3% by the World Bank and ADB, respectively. This is attributed to monetary policy tightening and accelerating inflation affecting domestic demand.

Additionally, the annual preliminary figures show that the country's employment rate rose from 89.7% in 2020 to 92.2% in 2021, with the services sector accounting for 58.1% share, followed by the agriculture sector with 22%, and the industry sector with 19.9%⁴. As of writing, the country's unemployment rate decreased to 5.2 percent in July 2022 from 7.2 percent in the same period last year.⁵

On the other hand, inflationary pressures have been widely felt. As of writing, inflation in the Philippines heated up to 6.9 percent in September 2022 from 6.3 percent in July, according to the Philippine Statistics Authority. This was mainly driven by faster rate of increases in prices of foodstuff as well as electricity and housing.⁶

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 10.518 billion net inflows for 2021. Majority of the equity capital placement came from Singapore (USD 526.69 million), Japan (USD 257 million), USA (USD 73.60 million), Germany (USD 29.20 million), and Hong Kong (USD 23.45 million)⁷. In the same year, top European FDI sources are include Germany (USD 32.94 million), United Kingdom (USD 15.77 million), Sweden (USD 6.24 million), France (USD 4.43 million) and Spain (USD 4.34 million). More recently, total FDI net inflows from January to June 2022 reached USD 4.64 billion, an increase of 3% over the same period last year. Specifically, the top source country is **Singapore** with USD 526.69), followed by **Japan** (USD 257), **USA** (USD 73.60), **Germany** (USD 29.20), and **Hong Kong** (USD 23.45).



	Jan-June 2022	Jan-June 2021	2021	2020
Globally	USD 4.64 billion (+3.07% year-on-year increase)	USD 4.50 billion	USD 12.41 billion	USD 6.82 billion
Europe (both EU and non-EU states)	USD 62.54 million (+53% year-on-year increase)	USD 40.87 million	USD 48.08 million	USD 326.47 million

⁴ Philippines Statistics Authority. Percent distribution of employed persons by major industry group July 2020 and July 2021. Retrieved from <https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/tab1>

⁵ National Economic and Development Authority (September 2022). Ph Records Lowest Unemployment Rate Since Covid-19 Onset—Neda. Retrieved from <https://neda.gov.ph/ph-records-lowest-unemployment-rate-since-covid-19-onset-neda/#:~:text=As%20reported%20by%20the%20Philippine,Labor%20Force%20Survey%20since%202005.>

⁶ <https://psa.gov.ph/press-releases/id/168188>

⁷ Bangko Sentral ng Pilipinas. Net foreign direct investment flows (BPM6), by country. Retrieved from https://www.bsp.gov.ph/Statistics/External/tab10_fdc.aspx.

The total external trade of the country in terms of goods was recorded at USD 192.532 billion in the year 2021, representing a growth of 24.2% compared to the USD 155.02 billion recorded during 2020, but most importantly an augmentation of 10 billion compared to the 2019, pre-pandemic data. Among the major trading partners are the People's Republic of China, Japan, and the USA⁸. The European Union (EU) followed as the fourth largest trading partner, accounting for 7.9% of the country's total trade in 2021⁹. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner, with a total of trade of USD 4.985 billion. Likewise, in 2020, Germany ranked as the highest trading partner with a total trade of USD 4.343 billion.¹⁰

Furthermore, in the 2022 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 48th out of 63 countries, climbing four spots from the previous ranking. Specifically, the report notes that the country moved up in two of the factors: Economic Performance rose 4 places to 53rd; Infrastructure climbed 2 spots to 57th. Meanwhile, the Philippines' ranking for government Efficiency slipped three more spots to 48th, and public finance fell six places to 51st.

Nevertheless, we have seen significant progress such as the easing of COVID-19 restrictions, increased mobility for businesses and consumers, as well as solid headways in boosting business confidence and the country's position as a competitive destination for trade and investments. We are optimistic that we will see positive outcomes from the passage of game-changing economic reforms such as the amendments to the Public Services Act, the Retail Trade Liberalization Act, and the Foreign Investment Act. These will undoubtedly usher in foreign direct investments and create more jobs for Filipinos.

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8 Philippines Statistics Authority. Highlights of the 2021 annual final international merchandise trade statistics of the philippines . Retrieved from <https://psa.gov.ph/content/highlights-2021-annual-final-international-merchandise-trade-statistics-philippines>, table 1 and 5.

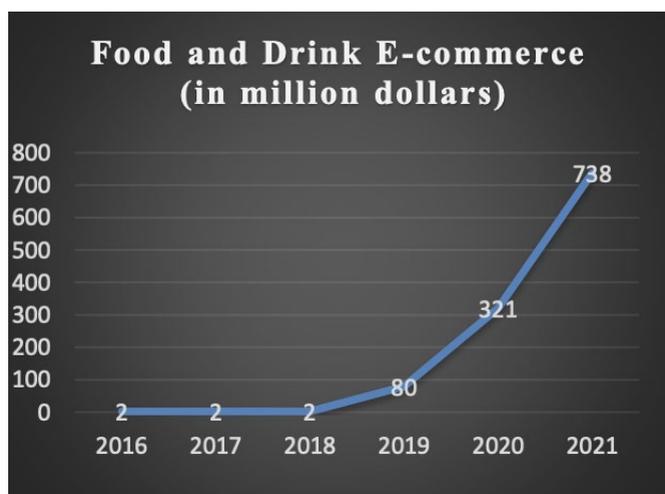
9 European commission. Countries and Regions: The Philippines. Retrieved from https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en.

10 Department of trade and industry of the Philippines. Philippines merchandise total trade, historical trend. Retrieved from <http://www.tradelinephilippines.dti.gov.ph:8080/total-trade>.

INTRODUCTION

The Philippine food and beverage manufacturing sector is forecasted to have a 3% increase in 2022 with the help of expanded economic openness and rise of consumer mobility.¹ Similarly, there is an expected growth of 6% for the retail food industry of the Philippines due to relaxed quarantine regulations and the economy being strengthened by the most recent national elections.² The reopening of the economy and easing of COVID-19 restrictions have indeed helped the industry to bounce back. Furthermore, the increase in employment rates and wages as well as the resumption of onsite work and school classes boosted the purchase and consumption of food and beverages.

Similarly, there was significant growth in food and drink e-commerce as individuals found this more convenient than the traditional brick and mortar stores—sales increased from USD 321 million in 2020 to USD 738 million in 2021. As retail establishments continue to improve their online services, e-commerce sales continue to expand significantly. Modern retail establishments reach consumers by strengthening their online marketing presence. E-commerce for the food and beverage industry is expected to continue growing in the coming years, even beyond the pandemic. This can be largely attributed to the partnership of physical groceries and warehouse partners with third-party online retailers.³



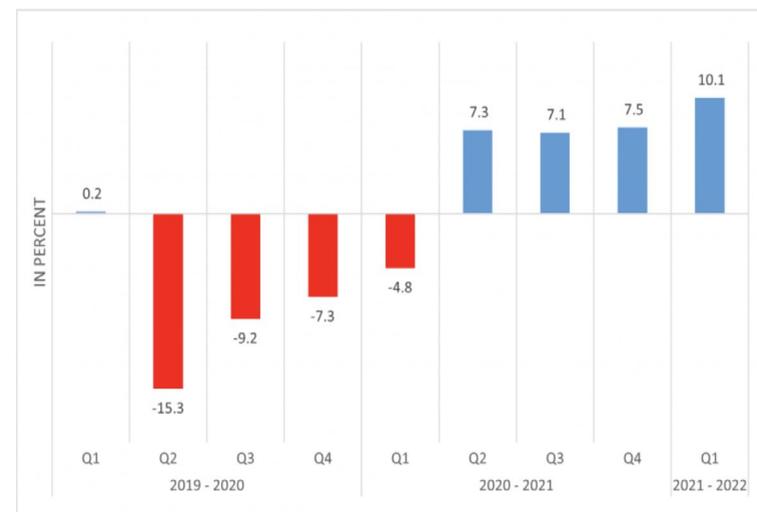
Source: Euromonitor International and USDA Foreign Agricultural Services

Furthermore, in 2021, the gross value added generated from the Philippine food manufacturing industry totaled approximately PHP 1.72 trillion. This shows an increase from the previous year's value added of about PHP 1.64 trillion.⁴ Looking ahead, there are estimates that the foodservice industry, which had a 2021 valuation of USD 10,370.6 million, may expand at a compound annual growth rate of 7.83 percent from 2021 to 2026.⁵

1 US Department of Agriculture (2022). Philippine Food Processing Ingredients. Retrieved from: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20Processing%20Ingredients_Manila_Philippines_RP2022-0018.pdf
 2 US Department of Agriculture (2022). Philippine Retail Food Report. Retrieved from: https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Retail+Foods_Manila_Philippines_RP2022-0041.pdf
 3 Ibid.
 4 Statista. (2022). GVA of food manufacturing in the Philippines 2018-2021. Retrieved from: <https://www.statista.com/statistics/758282/food-manufacturing-value-added-philippines/>
 5 Mordor Intelligence. (June 2022). Philippines Foodservice Market - Growth, Trends, COVID-19 Impact, and Forecasts (2022 - 2027). Retrieved from: <https://www.mordorintelligence.com/industry-reports/philippines-foodservice-market#:~:text=Market%20overview,forecast%20period%2C%202021%20%202026>

Due to the pandemic and inflation's effects on prices, households are more likely to focus on purchasing essential commodities such as food. For the past few years, food and non-alcoholic beverages have had the highest shares in Household Final Consumption Expenditure (HFCE). Having a total share of 36.2%, food and non-alcoholic beverages had a growth of 9.9% in quarter one of 2022 when compared to its HFCE in the same period in 2021. Along with other top contributors to HFCE such as restaurants and hotels, transport, miscellaneous goods and services, as well as housing, water, electricity, gas and other fuels, food and non-alcoholic beverages helped contribute to the 10.1% growth of the total HFCE in the first quarter of 2022.⁶

Figure 5. Household final consumption expenditure, Q1 2020 to Q1 2022 Growth Rates, At constant 2018 prices



Source: Philippine Statistics Authority

The industry continues to face headwinds with the disruptions of the supply chain caused by the pandemic, the Russia-Ukraine conflict, among others. Rise of prices and slow turnover of supplies plague food manufacturing businesses, especially businesses that rely significantly on imported raw ingredients. As 30% of global exports of wheat come from both Russia and Ukraine, the food production input costs are expected to soar in the Philippines.⁷

While these aforementioned factors challenge the growth and day-to-day business operations of the F&B companies, the Philippine food and beverage industry remains vibrant, competitive, and full of potential for foreign investors. As a result, to further promote the growth of the food and beverage industry amidst the ongoing pandemic, the ECCP remains committed to cooperating closely with stakeholders to address matters relating to the ease of doing business; use of trans-fatty acids; amendments to the Price Act; effective management of plastic waste; and protection of geographical indications.

6 Philippines Statistics Authority. (2022). Gross National Income & Gross Domestic Product: Household Final Consumption Expenditure (HFCE) continues to expand. Retrieved from: <https://psa.gov.ph/national-accounts/sector/Household%20Final%20Consumption>
 7 Noble, L.W.T. (26 April 2022). Food, consumer businesses to bear brunt of war impact. Retrieved from: <https://www.bworldonline.com/top-stories/2022/04/26/444479/food-consumer-businesses-to-bear-brunt-of-war-impact/>

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **Philippine Plan of Action for Nutrition 2017-2022 (PPAN):** Formally launched last 21 February 2017, the PPAN was developed to act as a national framework for the Philippines in its goal of resolving the longstanding issue of malnutrition, and ultimately to achieve nutritional adequacies in the Philippines. PPAN consists of 12 programs, eight of which are nutrition specific while one is nutrition-sensitive and three are enabling support programs.⁸ The National Nutrition Council is working on formulating PPAN 2023-2028. Industry, thru the Philippine Chamber of Food Manufacturers, Inc. (PCFMI), was invited to participate in virtual FGD last April 29, 2022 represented by Ms. Cheryl Singson.
- **The Department of Education Order No. 13 s.2017⁹:** On 14 March 2017, the Department of Education (DepEd) issued DO 13, s. 2017, Policy and Guidelines on Healthy Food and Beverage Choices in Schools and in DepEd Offices for the promotion and development of healthy eating habits among the youth and DepEd employees by making available healthy, nutritious, and affordable menu choices, and for setting food standards. This will also introduce a system of categorizing locally available foods and drinks in accordance with geographical, cultural, and religious orientations. This DO provides guidance in evaluating and categorizing which foods may be sold (made available) at school canteens either every day, twice a week or not all. This continues to be in place and executed in most if not all schools.
- **Republic Act No. 11037 on Child Nutrition or the Masustansyang Pagkain para sa Batang Filipino Act: On 24 July 2017, An Act institutionalizing a National Feeding Program for undernourished children in public day care, kindergarten and elementary schools to combat hunger and undernutrition among Filipino children and appropriating funds¹⁰:** The State recognizes the vital role of the youth in nation-building and shall promote and protect their physical, moral, spiritual, intellectual, and social well-being. In recognition of the demonstrated relationship between food and nutrition, and the capacity of students to develop and learn, the State establishes a comprehensive national feeding programme that will address the problem of undernutrition among Filipino children. The Programme has the following components and coverage:
 - Supplemental Feeding Programme for Day Care Children: Undernourished children ages 3 to 5 in day care centers are to be given at least one fortified meal (meal with improved nutritional quality based on government standards) for a period of at least 120 days in a year. This will be implemented by the Department of Social Welfare and Development and local government units (LGUs).
 - School-Based Feeding Programme: Undernourished children from kindergarten to Grade 6 are to be given at least one fortified meal for at least 120 days in a year. This will be implemented by the Department of Education.
 - Milk Feeding Programme: Fresh milk and fresh milk-based food products should be included in the fortified meals and cycle menu. This should be done in coordination with the Department of Agriculture, Philippine Carabao Center, and the Cooperative Development Authority.

○ Other components:

- Micronutrient Supplements;
- Health Examination, Vaccination and Deworming;
- Gulayan sa Paaralan encourages their respective component units to devote a portion of their land or space for the cultivation of vegetables;
- Water, Sanitation, and Hygiene; h) Integrated Nutrition Education, Behavioral Transformation, and Social Mobilization.

- **Food and Drug Administration (FDA) Issuances:** On 31 December 2021, the FDA released Circular No. 2021-028, in line with the Department of Health Administrative Order No. 2021-0039 “National Policy on the Elimination of Industrially-Produced Trans-Fatty Acids for the Prevention and Control of Non-Communicable Diseases”, which aims to provide guidelines for prepackaged processed food products containing Trans-Fatty Acids (TFA). In accordance with the said FDA Circular, all product formulations, and labels of prepackaged processed food with TFA must be fully compliant to the circular guidelines by 18 June 2023.¹¹

On 12 May 2022, a public consultation was held on two FDA draft circular guidelines namely, FDA Circular on Updated Guidelines for the Assessment of Microbiological Quality of Processed Food Products Repealing FDA Circular No. 2013-010 “Revised Microbiological Quality of Processed Foods” and FDA Circular Guidelines in the Voluntary Certification of Food Contact Articles Used for Prepackaged Processed Food Products.

The FDA also shared the proposed amendments on Unified Licensing (AO 2020-0017) and on Licensing of Food Establishments and Registration of Food Products (AO 2014-0029).

- **Protection of Geographical Indications (GIs):** On 12 May 2022, the Intellectual Property Office of the Philippines (IPOPHL) conducted its first round of public consultation on the draft rules and regulations (IRR) of GI products. Under the draft IRR, once registered, GI protection is not subject to a validity period and shall remain valid unless otherwise canceled by the government authorities.¹²
- **Price Act Amendment:** Over the years, there have been several calls for the amendment of the 25-year-old law, Republic Act 7581 otherwise known as the Price Act. During the 18th Congress, several bills have been filed to this end including House Bills No. 1278, 2662, 5176, 6658, 8450, and 9278 which were all referred to the House Committee on Trade and Industry.
- **Department of Health-National Nutrition Council Devolution Transition Plan CY 2022-2024:** Jointly developed by the DOH and the NNC, the Devolution Transition Plan which was updated last 20 January 2022 puts emphasis on the significant role of local government units (LGUs) in improving the nutrition performance of the country following the implementation of the Mandanas Ruling. Among the salient features of the transition plan is the creation of a Health/ Nutrition Offices in LGUs to aid the implementation of nutrition-related policies and projects at the local level and ensure that these initiatives are able to reach the target beneficiaries, particularly those belonging in high-risk and vulnerable groups.¹³
- **Extended Producer Responsibility (EPR) Bill:** Following the approval of the conference committee report by the Senate and House of Representatives on 23 May and 26 May 2022

⁸ National Nutrition Council. (2017). Philippine Plan of Action for Nutrition 2017-2022. Retrieved from <https://nnc.gov.ph/downloads/category/142-ppan?download=3248:philippine-plan-of-action-for-nutrition-ppan-2017-2022-full-document>
⁹ DO 13, S. 2017 – Policy and Guidelines on Healthy Food and Beverage Choices in Schools and DepEd Offices. Retrieved from <https://www.deped.gov.ph/2017/03/14/do-13-s-2017-policy-and-guidelines-on-healthy-food-and-beverage-choices-in-schools-and-in-deped-offices/>
¹⁰ Republic Act No. 11037 or the Masustansyang Pagkain Para sa Batang Filipino Act. Retrieved from <https://www.officialgazette.gov.ph/downloads/2018/06jun/20180620-RA-11037-RRD.pdf>

¹¹ Food and Drug Administration. (18 January 2022). FDA Circular No.2021-028 || Guidelines for Prepackaged Processed Food Products Containing Trans-Fatty Acids (TFA). Retrieved from <https://www.fda.gov/wp-content/uploads/2022/01/FDA-Circular-No.2021-028.pdf>

¹² Intellectual Property Office of the Philippines. (12 May 2022). IPOPHL Drafts Initial Rules on Geographical Indications. Retrieved from <https://www.ipophil.gov.ph/news/ipophil-drafts-initial-rules-on-geographical-indications/#:~:text=GIS%20in%20the%20Philippines%20are,are%20identified%20as%20potential%20GIs.>

¹³ Department of Health. (20 January 2022). Devolution Transition Plan 2022-2024. Retrieved from <https://doh.gov.ph/sites/default/files/publications/Joint-DOH-NNC-DTP-Narrative-and-Annexes-20Jan2022.pdf>

respectively,¹⁴ the legislation officially lapsed into law last 22 July 2022. The new law requires large businesses, especially those in industries that generate plastic waste, to be responsible “for the proper and efficient disposal of their goods after they have been sold to and used by consumers, with the goals of minimizing waste generation and improving waste recyclability or reusability, which includes plastic containers or packaging materials.”

- **Customs Administrative Order (CAO) No. 07-2022:** The Bureau of Customs approved CAO No. 07-2022 which aims to enhance the process for the accreditation of importers. The said administrative order covers all importers who will transact with BOC in relation to the importation, movement, and clearance of goods. Among its salient points is the provision on the automatic renewal of importer accreditation following several instances and subject to submission of the required documentation¹⁵ to the Account Management Office or other equivalent unit. As per the BOC, a separate customs memorandum order shall be released to expound on the procedures and qualifications for the automatic renewal.¹⁶
- **Sodium Taxation:** Following the implementation of the excise tax on sugar sweetened beverages, the congress is now looking at imposing sodium tax. According to Barangay Health Workers Party-list Representative. Angelica Natasha Co, she intends to file a bill in the 19th Congress to implement a two-tier tax on products with sodium content to motivate manufacturers and consumers to choose low-sodium products and, at the same time, generate additional revenue to be used for the implementation of the Universal Health Care Act.¹⁷ Aside from this recent initiative, other government agencies such as the Department of Health have also proposed to implement sodium tax.
- **TradeNet:** As of February 2022, the Bureau of Customs reported that 21 out of the 76 trade regulatory government agencies (TRGAs) have onboarded TradeNet¹⁸ following the issuance of the Anti-Red Tape Authority’s issuance of Memorandum Circular 2021-01 last year, which mandates all TRGAs to onboard the said platform. According to the BOC, the remaining 55 TRGAs are anticipated to use the system within the year. The following are the 21 TRGAs who have joined TradeNet.

- | | |
|---|--|
| • Biodiversity Management Bureau | • National Meat Inspection Service |
| • Bureau of Agriculture and Fisheries Standards | • National Telecommunications Commission |
| • Bureau of Animal Industry | • National Tobacco Administration |
| • Bureau of Fisheries and Aquatic Resources | • Oil Industry Management Bureau |
| • Bureau of Internal Revenue | • Optical Media Board |
| • Bureau of Plant Industry | • Philippine Coconut Authority |
| • Bureau of Quarantine | • Philippine Drug Enforcement Agency |

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|--|---|
| • Bureau of Customs | • Philippine National Police Firearms and Explosives Office |
| • Department of Foreign Affairs-Office of Protocol | • Philippine Nuclear Research Institute |
| • Department of Trade and Industry-Export Marketing Bureau | • Sugar Regulatory Administration |
| • Fertilizer and Pesticide Authority | |
- **World Health Organization Draft Guideline on Marketing to Children:** Last 30 June, the WHO launched a public consultation on the draft guideline on policies to protect children from the harmful impact of food marketing. The guideline contains recommendations for countries on “measures to restrict food marketing to which children are exposed, including on policy design elements to improve the measures’ effectiveness”.¹⁹

ADVOCACY RECOMMENDATIONS

1. Philippine Nutrient Profile Model

Childhood obesity is one of the most serious public health concerns of today. This is being experienced globally and is steadily affecting many low- and middle-income countries, particularly in urban settings. In the case of the Philippines, the country witnessed a rise in the prevalence of overweight and obesity among Filipinos and adolescents (11-19 years) which almost doubled from 6.6% and 6.1% in 2008, respectively to 11.6%, for both age groups in 2018. Diet is considered a modifiable risk factor for non-communicable diseases.

The ECCP recognizes the expertise of DOST-FNRI in developing a Philippine nutrient profile model to consider local food context and dietary recommendations. Furthermore, we share the same concerns of the government and health authority about obesity and non-communicable diseases. As the country works toward the crafting of the Philippine Nutrient Profile Model to help counter childhood overweight and obesity, the ECCP along with its Food and Beverage Committee stands ready to work with the government to develop and implement a nutrient profile model that considers both the welfare of the consumers and businesses alike.

We highly recommend for the FNRI to conduct inclusive stakeholder engagements to promote transparency and ensure that the policy is holistic and comprehensive. In particular, we hope to have the opportunity of meeting with the FNRI and NNC to discuss NPM thresholds and purpose. Furthermore, we look forward to engaging with the government on the discussion to translate the Nutrient Profile Model into a front-of-package label to allow for easier understanding by the consumers. We also recommend that FDA Circular No. 2021-028: Guidelines for Prepackaged Processed Food Products Containing Trans-Fatty Acids be revised to specify prohibition on industrially-produced TFAs and processed food products containing industrially-produced TFAs consistent with the general guidelines of the DOH AO No. 2021-0039: National Policy on the Elimination of Industrially-Produced Trans-Fatty Acids for the Prevention and Control of NCDs.

¹⁴ Senate of the Philippines. Senate Bill No. 2425. Retrieved from https://legacy.senate.gov.ph/lis/bill_res.aspx?congress=18&q=SBN-2425
¹⁵ (i) Request for Automatic Renewal; (ii) Affidavit of No Changes in Business Information; (iii) Bureau of Customs Official Receipt showing payment processing fee of for renewal of accreditation; and (iv) Clearance from concerned offices within the Bureau.

¹⁶ Bureau of Customs. (5 July 2022). Customs Administrative Order (CAO) No. 07-2022. Retrieved from <https://customs.gov.ph/wp-content/uploads/2022/07/CAO-07-2022-Accreditation-of-Importers.pdf>

¹⁷ Tan, A. N. (19 June 2022). BWH Party-List Rep to File Bill on Salt Tax. Retrieved from <https://www.bworldonline.com/the-nation/2022/06/19/455990/bwh-party-list-rep-to-file-bill-on-salt-tax/>

¹⁸ TradeNet is the country’s online platform established as the operating system for all issuances of trade permits and other required documents related to trade facilitation and is used to connect to the ASW.

¹⁹ World Health Organization. (29 June 2022). Online Public Consultation on Draft Guideline on Policies to Protect Children from the Harmful Impact of Food Marketing. Retrieved from <https://www.who.int/news-room/articles-detail/Online-public-consultation-on-draft-guideline-on-policies-to-protect-children-from-the-harmful-impact-of-food-marketing>

2. Achieve a Trans-Fat Free Philippines

Trans fats or trans-fatty acids (TFA) are defined as “unsaturated fatty acids that come from either natural or industrial sources. Industry-produced trans-fat comes from an industrial process that adds hydrogen to vegetable oil converting liquid into solid, resulting in partially hydrogenated oil (PHO)”.²⁰ According to the World Health Organization (WHO), high consumption of TFA can lead to increased risk of developing coronary heart disease (CHD) by 21% as well as higher risk of death from CHD and from any cause by 28% and 34% respectively. Furthermore, excessive consumption of industrially-produced TFA can be associated with an annual estimate of 540,000 deaths.

In response to the growing concerns over the increased usage and consumption of trans-fat, the WHO launched the REPLACE action package in May 2018 which serves as a framework to remove industrially produced TFA in the global food supply by 2023.²¹ As of December 2021, 57 countries have implemented mandatory TFA policies, thereby protecting 3.2 billion people in response to the WHO’s call to action.²² Regional international groups such as the European Union and the WHO American Region/Pan American Health Organization have also put in place standards and best-practice policies to devoid their food supply of industrially produced trans-fat. While there have been positive developments in policymaking for TFA elimination as mentioned above, it is worthy to note that most of the recent progress can be observed in developed countries as no low-income or lower-middle-income countries have yet to implement such laws/policies.

In the Philippines, there have been some initiatives in the Congress to enact a law that will limit the amount of industrially produced trans-fat in food and beverages and ultimately, devoid the use of PHO in the nation’s food supply chain. With non-communicable diseases, particularly cardiovascular diseases, being among the leading cause of mortality in the country along with the reported incidence of premature mortality due to the high intake of TFAs for at least 3,000 people, the move towards a trans-fat free Philippines is timely and a welcome development.

In line with the ECCP Food and Beverage Committee’s advocacy to promote good health and wellness in the country, we express our support for the enactment of a legislation that will regulate the usage and consumption of industrially produced TFAs. As the country works toward the achievement of a trans-fat free Philippines to help reduce the risk of developing cardiovascular and other non-communicable diseases, the ECCP respectfully submits the following comments and proposals:

Limit the levels of industrial trans-fats to a maximum of 2% industrial trans-fats per total fat.

In line with scientific data on health impact of industrial trans fats, on exclusion of trans fats from ruminant sources and with WHO’s strategic program on industrial trans-fats, the Chamber reiterates its support to the proposal of Senate Bill No. 1984 on limiting industrial trans-fat to a maximum of 2 grams per 100 grams of total fat. We further recommend that similar bills such as House Bill No. 7202 and Senate Bill No. 1916 be revised to explicitly state that the threshold limit refers to the levels of industrially produced trans-fat instead of the proposed ‘2g TFA content’, without any mention of the exclusion of naturally occurring ruminant trans-fats.

Consider the deletion of prohibition for trans-fat free claims.

We respectfully call for the deletion of the prohibitions for trans-fat free claims under the rationale that the proposed prohibitions are inconsistent to existing regulations and consequently, as a possible barrier to trade. As of writing, the Philippine FDA adheres to the CODEX guidelines and standards (i.e.,

CAC/GL 2-1985 and CAC/GL 23-1997) which provide the requirements and standards for nutrition and health claims including references and definition for trans-fats. Furthermore, the agency also refers to established guidance documents and clear criteria from other health authorities such as the US FDA.

Provide for a longer transitory period to give MSMEs adequate preparation time to comply with the new policy.

To ensure proper compliance to the new legislation, the Chamber recommends for the extension of the two-year transition period, taking into consideration the financial and HR capabilities of micro-, small-, and medium-sized food business operators to make the necessary changes to comply with such strict prohibitions. Product reformulation, consumer and market studies, shelf-life validation, and depletion of inventories, in particular, take time and additional investments. The extension of the transitory period to comply with the new standards would not only provide relief to businesses who are still reeling from the adverse impact of the COVID-19 pandemic but would also help them avoid unnecessary costs in the form of fees and penalties.

We further recommend for our legislators to review the local realities versus the strategic program of WHO. That is, to implement firstly, the review and promotion of implementation in gradual stages to establish feasible options, prior to enforcement of legislative measures in the country.

3. A whole-of-society and inclusive approach on promoting healthy lifestyle

The Chamber, together with its members, strongly supports the overall objective of the government to promote a healthier lifestyle in the country, and continuously advocates for a whole-of-society approach on this important matter. In line with this, we recommend that the government consider other alternatives instead of imposing new taxes like the sodium tax or expanding the sugar tax to induce healthier lifestyles. Some examples of this would be the usage of IEC and incentivized reformulation efforts which may be more effective in improving health and nutrition outcomes rather than taxes.

4. Reduce Plastic Pollution through the implementation of an Extended Producers’ Responsibility (EPR) Scheme

Over the years, plastic pollution has risen to be one of the most pressing environmental issues in the world with the continuous increase in the production and usage of disposable plastic products while garbage collections and recycling systems remain inefficient, particularly for developing countries. In the case of the Philippines, an estimate of 1.7 million tons of plastics is reported to be produced in the country every year according to the World Bank. Meanwhile, recycling rates in the country remain low with only 28% of the key plastic resins recycled in 2019.²³

The ECCP reiterates its support to the implementation of a mandatory EPR scheme instead of an outright, sweeping ban of sachets and multi-layered packaging. It is worth noting that an EPR scheme requires significant public and private sector investment towards the establishment of a sustainable waste management infrastructure involving many players that will divert, reuse, reduce, and recycle waste. We also wish to note that the viability of an EPR system will depend on the availability of feedstock for diversion, reuse and recycling. If sachets, multi-layer packaging, and other single-use plastics are banned, a significant portion of the feedstock for an EPR system will be lost which affects the viability of the EPR scheme.

²⁰ World Health Organization. (3 May 2018). Nutrition: Trans fat. Retrieved from <https://www.who.int/news-room/questions-and-answers/item/nutrition-trans-fat>

²¹ World Health Organization. (n.d.). REPLACE Trans Fat. Retrieved from <https://www.who.int/teams/nutrition-and-food-safety/replace-trans-fat>

²² World Health Organization. (7 December 2021). Virtual High-level Event: Third Progress Report on Global Trans Fat Elimination. Retrieved from <https://www.who.int/news-room/events/detail/2021/12/07/default-calendar/virtual-high-level-event-third-progress-report-on-global-trans-fat-elimination>

²³ World Bank. (21 March 2021). Market Study for the Philippines: Plastic Circularity Opportunities and Barriers. Retrieved from <https://www.worldbank.org/en/country/philippines/publication/market-study-for-philippines-plastics-circularity-opportunities-and-barriers-report-landing-page>

We appreciate the initiative of the government to conduct public consultations with stakeholders to develop an inclusive, target based, phased, achievable, and implementable EPR scheme, and welcome the passage of the legislation. We look forward to working with the government and other stakeholders in crafting the Implementing Rules and Regulations (IRR) of the law to implement this measure effectively and efficiently.

When done right, we believe that this will massively help increase collection and recycling rates as well as enable obliged companies to share responsibility and resources for waste management with the ultimate goal of achieving plastic neutrality.

5. Promote Ease of Doing Business (EODB) in the Food and Beverage Industry

Simplify accreditation procedures for importers

For more than four decades, the ECCP has advocated for reforms aimed at making the Philippines' business climate more competitive, and an attractive destination for local and foreign investments. In this context, the Chamber commends the government for advancing reforms aimed at facilitating the ease of doing business in the country. We believe that further reduction of red tape will encourage more foreign businesses to come into the country, improve global competitiveness, and spur inclusive growth through increased job generation.

In line with this, the Chamber welcomes the decision of the BOC to simplify accreditation procedures for importers by granting automatic renewals of import permits under certain conditions under BOC CAO No. 07-2022. We also look forward to the issuance of a separate CMO on the process and qualifications to avail of the said process. The Chamber remains steadfast in its desire to work with the BOC and other regulatory agencies of the government to identify the remaining bottlenecks in business facilitation and come up with possible solutions in pursuit of our shared advocacy.

Fully Operationalize the National Single Window (NSW) and pursue integration with the ASEAN Single Window (ASW)

Similarly, the ECCP lauds the initiative of the government to launch and operationalize the National Single Window or most commonly known as the TradeNet. The system, once fully operationalized and integrated with the ASW, will not only expedite the trade procedures in the country, but would also promote trust and transparency between our trading partners and lead to a more robust and dynamic trade, both at the international and domestic level.

As such, we welcome the reported onboarding of the 21 TRGAs earlier this year and we look forward to the onboarding of the remaining 50 TRGAs by the end of the 2022 as pronounced by the BOC. The Chamber urgently calls to expedite the onboarding of the required government agencies and integrate with the ASW which will allow the Philippines to maximize the benefits of being a member of the Association of Southeast Asian Nations (ASEAN).

Further streamlining of FDA processes and consistent issuance of FDA permits within the prescribed EODB lead time for government agencies

The ECCP recognizes the very critical role of the FDA and the many significant improvements taken by the various Offices of FDA in enabling Food Businesses through issuance of FDA permits. However, its services may still be improved, in particular, its consistency in meeting the prescribed EODB timelines for the issuance of FDA permits. The FDA has revised its Citizen's Charter for certain processes in each Center which do not include the lead time for certain steps, such as posting of payment and pre-assessment. As such, the issuance of Certificate of Product Registration, as an example, takes more than twenty (20) working days.

We also recognize the FDA's initiatives on ensuring the Philippine regulations are updated with the latest developments in its neighboring countries and with the latest outcome of scientific studies, such as its work on TFA regulations and updating of microbiological criteria. We find its current process of involving its stakeholders during Public Consultation may still be improved by reviving its practise of allowing industry experts in its Technical Working Group, during the drafting of the regulations to shorten the process of consultation and issuance of amended regulations.

We also recommend for the FDA processes be continuously reviewed with Food Business Operators. We propose the former set-up of FDA Centers on providing access to its stakeholders be revived, for immediate resolution of requests, receipt of advice and equal access to its applicants as provided by other key government agencies.

6. Amendments to the Price Act

Signed into law on 27 May 1992, Republic Act No. 7581 otherwise known as the Price Act is the State's guiding policy to ensure that consumers are well protected from price manipulation by establishing measures to prevent undue price increases particularly during emergencies or special occasions. 30 years after its passage, government agencies including the Department of Trade and Industry along with several legislators have called for the amendment of the law citing that there is a need to update the legislation to be more responsive to modern times.

One of the proposed changes that received great support from the industry is the Department of Trade and Industry's (DTI) pronouncement to deregulate the process of obtaining approvals for adjustments of suggested retail price (SRP) for basic necessities and prime commodities (BNPC). In the Philippine context, SRP and BNCP are set by manufacturers and subject to the evaluation and approval of the government which means that any intent to implement a price adjustment would have to go through the DTI for their approval which usually takes two to three months to acquire.

This cumbersome process of providing notification of SRPs on BNPC and requesting price adjustments has long been a concern for businesses. As such, the pronouncement from the DTI that the agency is supportive of removing the requirement of acquiring approval from the government and allowing businesses to decide the SRP, subject to their monitoring, is a positive development for the industry and is expected to further facilitate ease of doing business in the country. However, despite the DTI's efforts to carry out the proposed revisions, the process remains unchanged.

The ECCP reiterates its support to the initial proposal of the DTI to deregulate the process for price adjustments in the country and humbly calls on our legislators to incorporate the same in the amending of the Price Act. We highly believe that the prerogative of manufacturers to determine pricing should be maintained as long as it is not grossly unreasonable, particularly in today's time where high inflation coupled with the lingering adverse effect of the pandemic are heavily affecting business performance. It is also worthy to note that due to the fierce and cutthroat competition, pricing actions of companies in the fast-moving consumer goods industry fully take into account consumer response to any adjustment as this would affect sales. As such, we believe that the extremely stiff competition in consumer goods comprising BNPC will serve as a check on untrammled and unjustified pricing actions.

Furthermore, in support to the government's thrust to safeguard consumer welfare while at the same time encouraging business activities during times of emergencies, we submit the following proposals:

Amend the definition of SRP

In accordance with our expressed support to the DTI's initial proposal as mentioned above, we recommend for the SRP to be defined as "the recommended price issued by the producers and manufacturers" as reference in price monitoring. We wish to make reference to the Department

of Justice-Office for Competition's 2015 study which stated that there are no adequate rules or guidelines defining reasonable price increase or decrease acceptable to the implementing agency and that the same agencies have gone beyond the scope of the law by impliedly prescribing SRPs as a de facto price ceiling with corresponding penalties as basis for our proposal.

Limit coverage of price control to basic necessities.

We strongly believe that the imposition of price control should only be limited to basic necessities and not cover prime commodities considering that the latter are not necessary for the daily sustenance of consumers during a crisis. We are of opinion that the proposal to expand the coverage of price control will only lead to more red tapes in the country as more manufacturers will be required to submit SRPs for even more categories of products to the DTI which in turn will lead to an extremely long list of products that require monitoring by the agency's field officers. This is very problematic and difficult to enforce and has consequences in an emergency or disaster scenario

In view of the foregoing, we call on our legislators to reconsider the proposed measure to expand the coverage of price control under the Price Act to include prime commodities. While we understand that prime commodities are necessary to many large consumer segments, this class of items should not be automatically included in the price freeze. Moreover, it can be safely assumed that there is little to no risk of fraudulent business activities such as monopolization or profiteering considering that consumers will always have a choice as to which products to buy and which price points are reasonable to them given that there are many players in the fast-moving consumer goods industry producing prime commodities.

Limit the definition of the Basic Necessities and Prime Commodities (BNPC) only to goods vital to the needs of consumers for daily existence and sustenance, or those which are deemed essential

In relation to the previous recommendation, we are also of the opinion that the list of goods defined as BNPC should be limited to goods that are vital to the needs of consumers for daily sustenance and existence. We reiterate our position that the law should focus only on the "base" products within the category in order to limit the imposition of artificial price caps on a market that should be open and free.

Furthermore, in the spirit of partnership, the Chamber looks forward to a simpler and practical process of stakeholder consultations particularly on the issue of what goods should be classified as BNPC. We also suggest that the private sector be allowed to provide a list of its "base" products that should be included in the BNPC list, taking into account the objective of the Price Act which, as mentioned, is to make available to the consumers goods that are essential to their daily needs at reasonable prices.

Implement a special SRP only during emergencies

The ECCP concurs with the state's policy to ensure the availability of basic necessities and prime commodities at reasonable prices at all times without denying legitimate businesses a fair return on investment. To this end, we call on our legislators to reconsider implementing a special SRP on certain occasions aside from emergencies and/or calamities. We believe that manufacturers should be given the opportunity to earn, particularly on premium and innovative items which require higher investments, during peak seasons provided that their prices are not excessive and unreasonable.

We support the government's thrust to safeguard consumer welfare while at the same time encourage business activities during times of emergencies. To do so, we are of the opinion that in order for the country to cope with the increasing inflation, consumer protection laws must provide a balance between the interests of both the consumers and businesses.

Establish a national body to oversee the implementation of the Price Act

We support and second the proposed creation of a national body to oversee the implementation of the Price Act's mandate and recommend an avenue for the President to cast its decision in case of a deadlock of the National Price Coordinating Council (NPCC). The rationale behind the former is to allow the chief executive to focus on disaster preparedness and/or relief efforts during crisis and delegate the specific function of price control setting to the NPCC, while the latter being the President's inherent right to exercise power of control over the executive branch

7. Strengthen protection of GI Products in the Philippines

The protection of GIs remains to be a priority for European food and beverages companies as it may help to promote those products to consumers, prevent the unauthorized use of them or prevent similar products from benefiting from that "given quality" or characteristic attached to a particular GI. As such, we support the initiatives of the government to strengthen the protection of GIs in the country. Moreover, we welcome the recent pronouncement from the Intellectual Property Office of the Philippines (IPOPHL) last May 2022 regarding the drafting of the implementing rules and regulations (IRR) of GI products.²⁴ According to the Bureau of Trademarks, the draft IRR will "fulfill the recognition of GIs as protectible IP under the IP Code of 1997 and will also fulfill the obligation of the Philippines as a member of the World Trade Organization to provide reciprocal rights and GI protection to other members".²⁵

The recognition of GIs is pivotal for both EU and domestic food & beverages products, raising their value and providing them with a competitive advantage worldwide. As such, we look forward to the formal adoption of the said IRR and we stand ready to work with the government in our shared goal of maximizing the use of intellectual property systems to harness the potential of local products and to encourage more businesses to come into the country.

8. Promote investment in food manufacturing

Considering the huge impact that food manufacturing has on the local economy and employment, the government should find ways to provide incentives for further investments and to induce further growth of the sector. One way to do this with possible positive externalities is by incentivizing F&B manufacturers for investments that include high tech adoption/tech transfer, sustainability contributions, employment generation and/or improved health and nutrition outcomes (e.g. reformulation for better health outcomes).

Access to affordable and easily available raw materials also plays a significant role in the businesses' decision making process on whether to participate or invest in the sector. As such, it is highly important for the government to enact policies and programs aimed at boosting local raw ingredient supply chains and, when needed, lowering trade barriers for key inputs.

Additionally, we highly recommend that the FDA provide more free training opportunities for the industry on their regulatory systems and processes to further build compliance. A great example of this would be providing additional slots in the FDA Academy to accommodate more interested participants and uploading recorded video of seminars/trainings in the FDA website for easier access and reference of the industry.

²⁴ Intellectual Property Office of the Philippines. (12 May 2022). IPOPHL Drafts Initial Rules on Geographical Indications. Retrieved from <https://www.ipophil.gov.ph/news/ipophil-drafts-initial-rules-on-geographical-indications/#:~:text=GIs%20in%20the%20Philippines%20are,are%20identified%20as%20potential%20GIs.>

²⁵ Ibid.



ASSESSMENT OF 2021 RECOMMENDATIONS

ADVOCACY	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
Continued stakeholder dialogues and industry capacity building for sustained and enhanced regulatory compliance	The ECCP welcomes the opportunity of being part in the regular Kapihan sessions of the FDA-CFRR.		
Further improvements on the ease of doing business in the food and beverage industry		Significant improvement has been seen since the implementation of the new e-portal of the Food and Drugs Administration. Additionally, improvements in customs procedure on the renewal of importer accreditation and positive developments on the operationalization of TradeNet were observed.	
Promotion of Trans-Fat Free Philippines			X
Amendments to the Price Act			X
Effective Plastic Waste Management through the implementation of an Extended Producers' Responsibility (EPR)	Following the approval of the conference committee report by the Senate and House of Representatives on 23 May and 26 May 2022 respectively, the legislation officially lapsed into law last 22 July 2022.		
Protection of Geographical Indications		On 12 May 2022, the Intellectual Property Office of the Philippines (IPOPHL) conducted its first round of public consultation on the draft rules and regulations (IRR) of GI products. Under the draft IRR, once registered, GI protection is not subject to a validity period and shall remain valid unless otherwise canceled by the government authorities.	





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