ECCP ADVOCACY PAPERS 2021

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EUROPEAN CHAMBER OF COMMERCE OF THE PHILIPPINES

AGRICULTURE ADVOCACY PAPER 2021

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 by providing a wide range of consultancy services and by creating linkages between companies, organizations, and individuals with existing or potential business interests in 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 sees itself as the stepping stone for Europeans into the Philippine market and for Filipinos into the European market.

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

AGRICULTURE ADVOCACY PAPER 2021

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

METHODOLOGY

The 2021 edition of the ECCP Advocacy Papers features issues and recommendations formed after extensive discussions between members of the ECCP sector committees, dialogues and meetings with representatives from the Philippine Government, and other stakeholders. The ECCP has also taken into consideration the information gathered from organizing different events, 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.

Further, the recommendations provided in each paper were primarily based on the discussions during the quarterly sector committee meetings. In close cooperation with the sector committee leaders and members, the ECCP Advocacy Team thoroughly analyzed every issue and advocacy recommendation to ensure that they are in line with European business interests and priorities. Once the Advocacy Team has finalized the first draft of each sector paper, it was then circulated to the Committee members and other stakeholders for consultation and subsequently, gathered inputs to be included in the final draft of the papers.

The assessment of the status of each recommendation included in *2019* 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

On behalf of the European Chamber of Commerce of the Philippines (ECCP), I am pleased to present the 2021 ECCP Advocacy Papers. This year's edition features an overview of the current business regulatory landscape in the Philippines as well as industry-specific challenges of the 22 sector committees of the Chamber. More importantly, the paper puts forward constructive policy recommendations for strengthening European-Philippine economic relations and opening up a new decade of growth opportunities as the theme of this year's Summit suggests.

Indeed, the past year has been a period unlike any other with the ongoing health crisis testing the resilience of most organizations and redefining the way we do business. Our advocacy work has also stepped up in organizing virtual discussions and actively engaging key stakeholders including policymakers to raise awareness on issues that matter the most to our members as well as push for reforms that will support our community during this period of uncertainty.

Understandably, the past 20 months have seen a shift of policy priorities from the Philippine government by focusing more on pandemic response and providing social safety nets to the affected and vulnerable. Nevertheless, we have witnessed promising developments on the economic front that will help restore business confidence and boost the country's position as a competitive destination for trade and investments including those from Europe. Among these include the signing of the landmark Corporate Recovery and Tax Incentives for Enterprises Act, the Financial Institutions Strategic Transfer Act, and the inking of the world's largest trade bloc known as the Regional Comprehensive Economic Partnership, of which the Philippines is a party. In addition, the Philippines' improved ranking of 90th in 2020 from 124th in 2019 of the World Bank's Doing Business report demonstrates the global community's relative trust in the country's business environment.

We at the Chamber strive to make the most of these exciting developments in the years to come. The 2021 ECCP Advocacy Papers is our contribution to addressing some of the remaining challenges to helpfully realize the potential of our bilateral ties and economic prospects. I would like to thank our Committee leaders, member companies, and the team behind our flagship publication. Moreover, the European business community continues to stand at the forefront of these crucial issues, which when addressed, will further support our shared goals towards inclusive and sustainable recovery. As such, we remain committed to working with the Philippines in navigating this new decade of growth opportunities.

Mr. Lars Wittig
ECCP President

MESSAGE FROM THE EU AMBASSADOR

I congratulate the European Chamber of Commerce of the Philippines (ECCP) for the 2021 edition of their Advocacy Papers.

These papers offer useful food for thought and action at a crucial time.

At present, the global economy is poised to show its most robust post-recession recovery. In the EU, recovery is underway following a massive vaccination campaign and an ambitious recovery plan decided collectively by EU leaders in 2020. In the EU, today, more than 70% of adults are vaccinated, resulting in improved business and consumer confidence.

Vaccination is the way to pull through collectively from a health crisis of this proportion. It should not stop there. At present, the EU is first and most urgent priority is to speed up global vaccination to ensure that access to vaccines becomes equitable worldwide.

While the European Union has focused on tempering the spread of the virus and its impact on lives and the economy, the EU has remained crucial in the global effort to strengthen the multilateral trading system, fight protectionism and ensure that global trade remains unhampered.

This strategy has reaped fruits. It is anticipated that 19 EU Member States will revert to pre-pandemic growth levels in 2021 and the remainder will follow in 2022. In the last quarter, growth in the Euro area outpaced both the US and China.

Next Generation EU and the seven years multi-annual budget will invest in both short-term recovery and long-term prosperity. It will support innovative policies and will set Europe on a path to a sustainable resilient recovery. One-third of this €1800 billion budget will finance the European Green Deal, which will be the EU's lifeline out of the COVID 19 crisis. This Green Deal will transform the EU into a modern, resource-efficient competitive economy.

The EU and the Philippines have established a relationship characterized by a shared goal of peace and prosperity for our peoples. In terms of commercial relations, we have seen steady growth in the bilateral trade in goods between the EU and the Philippines over the last years. However, EU-PH trade today is far from its full potential. Likewise, the Philippines needs to attract a greater portion of EU investments in ASEAN.

Let us continue to work together to achieve a sustainable and resilient recovery for our economies. I welcome these advocacy papers as a useful contribution in our pursuit of creating a level playing field and opportunities for industries and sectors to be able to participate; provide more choices to our consumers, and promote a sustainable approach to trade.

H.E. Luc Véron
Ambassador
Delegation of the European Union to the Philippines

MESSAGE FROM THE PRESIDENT OF THE REPUBLIC OF THE PHILIPPINES

My warmest greetings to the **European Chamber of Commerce of the Philippines (ECCP)** as it organizes the **2021 European-Philippine Business Summit**.

This event is an opportune time to explore and pursue various programs and strategies that will enable the business community to overcome the adverse effects of the COVID-19 pandemic on our economy.

The government is one with you in this goal as it has shown in its commitment to advance free trade and to restore confidence in the Philippine economy through our landmark Tax Reform Law and the ratification of the Regional Comprehensive Economic Partnership, of which the Philippines is a party.

I hope that you will remain steadfast in promoting and attracting trade and investments to the country, especially from Europe. Together, let us revitalize our industries and boost our productivity under the new normal.

May you have a successful summit.

Rodrigo Roa Duterte
President of The Republic of the Philippines

MESSAGE FROM THE DEPARTMENT OF TRADE AND INDUSTRY

The presence of the European Chamber of Commerce in the Philippines (ECCP) in the country is a testament to the relationship between our economies evident in the current levels of trade and investments. In 2020, Europe ranked as the Philippines' 5th trading partner, with total bilateral trade amounting to US$13.06 billion. And as we secure the collective development of both our nations, the Department of Trade and Industry (DTI) continues to rely on the steadfast efforts of ECCP in facilitating market access and in creating a level playing field for both European and Filipino companies

Together with the holding of the **2021 European-Philippine Business Summit (EPBS),** the launch of the **2021 ECCP Advocacy Papers** not only reflects the continued partnership of both nations that has flourished and strengthened throughout the years, but is also the fruit of the hard work and commitment of the men and women behind the successes of your organization.

Despite the challenges of the pandemic, the Philippines remains a conducive place to do business and is still considered an emerging economy for investment. This can be attributed to our strong economic fundamentals and is a result of landmark policies and programs of the Duterte administration to create an enabling business environment in the country.

Among these initiatives is the consistent pursuit of game-changing reforms such as the **Corporate Recovery and Tax Incentives for Enterprises (CREATE) Act** and the **Financial Institutions Strategic Transfer (FIST) Act,** which are expected to bring in more investments and ensure the stability of our financial system to accelerate the country's quick and sustainable economic recovery. The Philippines is also part of the **Regional Comprehensive Economic Partnership (RCEP) Agreement,** which is intended to strengthen regional economic integration and increase economic resiliency through enhancing market access for goods, services, and investment. All of these, together with the review of other economic restrictions, have the common goal of attracting more investments that will create more jobs in the country.

As the Philippine economic situation continues to improve, this year's theme, **Amidst theCrisis: A New Decade of Growth Opportunities,** sets the tone for our continued partnership. We are counting on the private sector to harness the potential of our revitalization as we embark on pursuits that will ensure the inclusive and sustainable development of our nations. Ultimately, our goal is to make your investments in the country as profitable as possible, which will secure the development of our economies, provide better opportunities for employment, and empower our citizens to become productive members of society as we take on the greater effort of nation-building to create a better quality of life for all Filipinos.

Congratulations and *mabuhay po kayo!*

Hon. Ramon Lopez
Secretary
Department of Trade And Industry

MESSAGE FROM THE HOUSE OF REPRESENTATIVES

Our warmest felicitations to the European Chamber of Commerce of the Philippines, ECCP President Lars Wittig, ECCP Vice Presidents Amal Makhloufi and Kavita Hans, distinguished officers and members, on the launching of the 2021 edition of ECCP Advocacy Papers.

They say that the darkest nights produce the brightest stars. We convene today at a time of great uncertainty brought about by a global pandemic. As Speaker of the House of Representatives of the Philippines, I would like to express my deep appreciation to the European Chamber of Commerce in the Philippines and the ECCP Advocacy Committees in producing the 2021 ECCP Advocacy Papers, covering the most significant areas in development policy, from agriculture, the environment and water, to education, health care, and human capital, and of recent import, defense and disaster response, and renewable and energy efficiency. These papers are vital inputs to policy formulation, can serve to enhance Philippine development road maps, and be our springboard for continued discussion and engagement between the ECCP and our government in forging sustainable means of collaboration.

On the part of the House of Representatives, we intend to move towards a more resilient, more inclusive, and more sustainable post-pandemic economy with reforms which seek the following: one, to liberalize foreign investments into the country; two, to promote greater competition in key industries; three, to enhance governance in key infrastructure agencies; and four, to remove restrictions on foreign equity, thereby making economic policies more attuned to the realities in both local and international landscapes.

The opportunity to build a better economy is before us and should indeed, be seized. Through cooperation and collaboration, let us together bring into fulfillment a decade of renewal and growth.

Thank you.

Lord Allan Jay Q. Velasco
House Speaker District Representative Marinduque

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] Among its neighboring countries in the Association of Southeast Asian Nations (ASEAN), the Philippines was ranked 4th in terms of Gross Domestic Product (GDP) growth rate with 6.1% in 2019 (Table 1).

Table 1. ASEAN GDP Year-on-Year Growth Rates, 2019 and 2020 (% per year)

Country	2019	2019 ranking	2020	2020 ranking
Brunei Darussalam	3.9	8th	1.2	3rd
Cambodia	7.1	1st	-3.1	6th
Indonesia	5.0	5th	-2.1	5th
Lao People's Dem. Rep.	4.7	6th	-0.5	4th
Malaysia	4.3	7th	-5.6	8th
Myanmar	6.8	3rd	3.3	1st
Philippines	**6.1**	**4th**	**-9.6**	**10th**
Singapore	1.3	10th	-5.4	7th
Thailand	2.3	9th	-6.1	9th
Vietnam	7.0	2nd	2.9	2nd

Asian Development Bank. *Asian Development Outlook 2021*[2]

However, the onset of the unprecedented COVID-19 pandemic has resulted in a drastic decline of economic activity around the world. In the Philippines, like in many other countries, the government had to implement huge fiscal support programs and impose strict quarantine measures to mitigate the spread of the virus, which in return restricted economic activity. Specifically in the Philippines, the recessionary impacts of the pandemic contracted the GDP growth rate by 9.6% for the year 2020 (Table 1). The Philippine Statistics Authority (PSA), which has been collecting annual data since 1947, records this decline as the first annual contraction since the Asian Financial Crisis seen in 1998. It also surpassed the prior record of 7.0% contraction in 1984.[3]

The annual preliminary figures from the PSA show that the unemployment rate rose to 10.3% in 2020, accounting for 4.5 million unemployed Filipinos in the labor force, which is significantly higher compared to the previous year's 5.1% rate. Likewise, the country's employment rate dropped from 94.9% in 2019 to 89.7% in 2020, with the Services sector accounting for 56.9% share, followed by the Agriculture sector with 24.8%, and the Industry sector with 18.3%.[4]

Currently, unemployment rate for July 2021 is estimated at 6.9%, the lowest recorded rate since in April

1 World Bank. (07 April 2021). Philippines: Overview. Retrieved from https://www.worldbank.org/en/country/philippines/overview
2 Asian Development Bank. (April 2021). Asian Development Outlook 2021. Retrieved from https://data.adb.org/dataset/gdp-growth-asia-and-pacific-asian-development-outlook
3 Nikkei Asia. (28 January 2021). Philippines GDP shrinks 9.5% in 2020, worst since 1947. Retrieved from https://asia.nikkei.com/Economy/Philippines-GDP-shrinks-9.5-in-2020-worst-since-1947
4 Philippine Statistics Authority. (08 March 2021). 2020 Annual Preliminary Estimates of Labor Force Survey. Retrieved from https://psa.gov.ph/content/2020-annual-preliminary-estimates-labor-force-survey-lfs

2020. The country also recorded a significant increase in terms of employment rate at 93.1% for the same month.[5]

On the other hand, headline inflation rose further to 3.5% in December 2020, from 3.3% in November 2020, primarily due to the increase in the inflation of heavily-weighted food and non-alcoholic beverages at 4.8% during the month. Additionally, annual increments were higher in terms of health (2.6%); transport (8.3%); and restaurant and miscellaneous goods and services (2.5%).[6] The Bangko Sentral ng Pilipinas (BSP) posted a slight increase in the average headline inflation for 2020 at 2.6%, but remained well within the government's target range of 2-4% for the year.[7] Subsequently, the PSA recorded a 4.9% headline inflation rate for August 2021, from 4.0% of the previous month, which is the highest inflation recorded since January 2019. The uptrend was mainly brought about by the higher annual increment in the index of the heavily-weighted food and non-alcoholic beverages at 6.5% during the month, from 4.9% in July 2021.[8]

In the 2021 World Competitiveness Ranking compiled by the Institute for Management Development (IMD), the Philippines ranked 52nd out of 64 countries, slipping down seven spots from the previous ranking. Specifically, the report noted the country's rankings dropping in three of the factors with Economic Performance falling 13 places to 57th; Government Efficiency slipping three spots to 45th; and Business Efficiency dropping from 33rd to 37th. Meanwhile, the Infrastructure category retained its ranking at 59th.[9]

In terms of the country's Foreign Direct Investments (FDI), the BSP officially recorded USD 6.5 billion net inflows for 2020, which is a 24.6% contraction from the USD 8.7 billion net inflows in 2019. The contraction was primarily driven by the fluctuation of supply chains and business outlooks that had affected investor decisions. Majority of the equity capital placement came from Japan, the Netherlands, United States of America (USA) and Singapore wherein these capital were channeled to manufacturing, real estate and the financial and insurance industries.[10]

On the other hand, total FDI net inflows from January to June 2021 registered at USD 4.3 billion. Specifically, the top source country is Singapore with USD 519.88 million, followed by Japan with USD 259.85 million and USA with USD 69.87 million. Investments were channeled mainly to manufacturing, financial and insurance, and electricity, gas, steam, and air-conditioning industries.[11]

5 Philippine Statistics Authority. (07 September 2021). Unemployment Rate in July 2021 is Estimated at 6.9 percent. Retrieved from https://psa.gov.ph/content/unemployment-rate-july-2021-estimated-69-percent
6 Philippine Statistics Authority. (05 January 2021). Summary Inflation Report Consumer Price Index (2012=100): December 2020. Retrieved from https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-december-2020
7 Bangko Sentral ng Pilipinas. (2020). BSP Inflation Rate Report. Retrieved from https://www.bsp.gov.ph/SitePages/MediaAndResearch/Inflation%20Report.aspx
8 Philippine Statistics Authority. (07 September 2021). Summary Inflation Report Consumer Price Index (2012=100): August 2021. Retrieved from https://psa.gov.ph/statistics/survey/price/summary-inflation-report-consumer-price-index-2012100-august-2021
9 IMD World Competitiveness Center. (2021). World Competitiveness Ranking. Retrieved from https://www.imd.org/centers/world-competitiveness-center/rankings/world-competitiveness/
10 Bangko Sentral ng Pilipinas. (10 March 2021). FDI Registers US$509 Million Net Inflows in December 2020; Full-Year Level Reaches US$6.5 Billion. Retrieved from https://iro.ph/articledetails.php?articleid=3547&catid=4
11 Bangko Sentral ng Pilipinas. (10 September 2021). FDI Net Inflows Up by 60.4 Percent YoY in June 2021; H1 2021 Level Reaches US$4.3

At the European level, FDI net inflows registered at USD 38.42 million with Germany accounting for USD 29.02 million, followed by the United Kingdom (USD 4.52 million), Sweden (USD 3.88 million), France (USD 1.99 million), and Luxembourg (USD 1.66 million).[12]

The total external trade of the country in terms of goods was recorded at USD 155.03 billion in the year 2020, which is lower by 15.1% compared to the USD 182.52 billion recorded during 2019. Among the major trading partners are the People's Republic of China, Japan, and the USA.[13] The European Union (EU) followed as the fourth largest trading partner, accounting for 8.4% of the country's total trade in 2020. Meanwhile, as for the Philippines' bilateral trade with the EU member countries, Germany ranked as the top trading partner.[14] Likewise, in 2019, Germany ranked as the highest trading partner with a total trade of USD 5.55 billion or 31.5 percent of EU's total trade, followed by the Netherlands, France, the United Kingdom, and Italy.[15]

Over the past years, the Philippines was able to maintain its credit ranking at 'BBB' with a stable outlook from various agencies. However, the recent negative outlook from Fitch reflects the increasing risks to the credit profile from the impact of the pandemic and its aftermath.[16] The table below shows the latest ratings from various agencies:

Table 2. Philippine Credit Ratings

Date	Agency	Rating
July 2020	Moody's	Baa2 Stable
May 2021	Standard & Poor	BBB Positive
July 2021	Fitch	BBB Negative

Source: Moody's, Standard and Poor, Fitch

Without a doubt, the adverse impacts of the global crisis hampered the country's long-term notable gains. However, recent reports also show a promising growth forecast for the country as global recovery sustains its momentum. Particularly, the country posted a strong rebound in the second quarter of 2021 with a GDP growth of 11.8% compared to the -16.9% rate of the same period last year. Categorically, the main contributors are manufacturing (22.3%); construction (25.7%); and wholesale and retail trade; repair of motor vehicles and motorcycles (5.4%). Among the major economic sectors, Industry and Services posted positive growths of 20.8% and 9.6%, respectively.[17]GDP growth is also expected to increase at 4.5% in 2021 and 5.5% in 2022; while inflation rates are forecasted at 4.1% in 2021 and 3.5% in 2022.[18] However, the country continues to be vulnerable given the emergence of new variants of the virus and hiccups on the vaccine rollout. With this, substantial reforms on key economic policies, ease of doing business, investment on digital infrastructure, and strengthening the public health system have a pivotal role for the country to address the adverse impacts caused by the pandemic as well as boost economic recovery and competitiveness.

Billion. Retrieved from https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5926
12 Bangko Sentral ng Pilipinas. (n.d.) Net Foreign Investment Flows. Retrieved from https://www.bsp.gov.ph/statistics/external/Table%2010.pdf
13 Philippine Statistics Authority. (August 2021). 2020 Foreign Trade Statistics of the Philippines. Retrieved from https://psa.gov.ph/sites/default/files/2020%20FTS%20Publication_signed-compressed.pdf
14 European Commission. (2021). Countries and Regions: The Philippines. Retrieved from https://ec.europa.eu/trade/policy/countries-and-regions/countries/philippines/
15 Philippine Statistics Authority. (28 April 2020). Highlights of the 2019 Annual Report on International Merchandise Trade Statistics of the Philippines. Retrieved from https://psa.gov.ph/content/highlights-2019-annual-report-international-merchandise-trade-statistics-philippines
16 FitchRatings. (12 July 2021). Fitch Revises Philippines' Outlook to Negative; Affirms at 'BBB'. Retrieved from https://www.fitchratings.com/research/sovereigns/fitch-revises-philippines-outlook-to-negative-affirms-at-bbb-12-07-2021
17 Philippine Statistics Authority. (10 August 2021). GDP posted double digit growth of 11.8 percent in the second quarter of 2021, the highest since fourth quarter of 1988. Retrieved from https://psa.gov.ph/national-accounts
18 Asian Development Bank. (n.d.). Economic indicators for the Philippines. Retrieved from https://www.adb.org/countries/philippines/economy

AGRICULTURE
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INTRODUCTION

Agriculture plays a vital role as one of the key sectors of the Philippine economy accounting for 24.8 percent of the country's total labor force;[1] thus, making it a crucial source of livelihood for the rural population. However, the extent of its potential is yet to be fully realized. Therefore, it is imperative to address the underlying challenges to increase productivity, create high-quality employment, boost trade and investments, and promote inclusive growth and development—one that benefits smallholder farmers, consumers, businesses, and the public at large.

In line with this, the Department of Agriculture (DA) has set a conservative growth target of 2.5 percent for 2021 against the backdrop of the ongoing COVID-19 pandemic. DA officials are banking on the implementation of an upgraded "Agriculture 4.0" program that will utilize smart farming technologies in modernizing and industrializing the agriculture and fishery sector.[2]

Undeniably, 2020 found the economy in a difficult position as the pandemic dragged almost all economic activities in negative territory. Figures from the Philippine Statistics Authority show that the gross domestic product of the agriculture, forestry, and fishing sector contracted to PHP1.780 million in 2020 from PHP1.783 million the year prior. However, the 2020 data remain higher compared to the 2018 report which shows the output of the sector reached PHP1.762 million.[3] In addition, the sector also faced significant challenges such as natural calamities and biosecurity threats last year which adversely affected the overall productivity of the sector (see Table 1).

Table 1. Major non-COVID agricultural headwinds in the Philippines and estimated loss on the sector

Issue	Estimated agricultural damage
Taal Volcano eruption[4]	PHP 3 billion
African swine fever outbreak[5]	PHP 135 billion (as of January 2021)
Fall armyworm crop infestation[6]	PHP 20 billion (as of October 2020)
Source: Department of Agriculture and industry reports	

In terms of employment, it can be observed that there is a steady decline in the number of agriculture workers in recent years despite remaining as one of the top employing industries in the country. While the country's overall labor force shrank in 2020 because of businesses closing and downsizing due to the pandemic, the agriculture sector posted a slight growth in its workers with preliminary figures from the Philippine Statistics Authority pointing out the share of those employed increased to 24.8 percent from 22.2 percent a year prior (see Table 2).

Table 2. Employment share of the agriculture sector in the total labor force of the Philippines

2020 (preliminary)	2019	2018	2017	2016
24.8%	22.2%	24.3%	25.4%	26.9%
Source: Philippine Statistics Authority				

1 https://psa.gov.ph/statistics/survey/labor-and-employment/labor-force-survey/title/2020%20Annual%20Preliminary%20Estimates%20of%20Labor%20Force%20Survey%20%28LFS%29
2 https://www.cnn.ph/business/2020/12/30/agriculture-growth-target-2021.html
3 https://psa.gov.ph/sites/default/files/1_Full%20Report%20Economic%20Growth%20Agriculture%202016-2020%20as%20of%2015%20June_v2_signed.pdf
4 https://www.cnnphilippines.com/news/2020/1/17/Taal-Volcano-eruption-agriculture-damage-3-billion.html
5 https://www.philstar.com/business/2021/01/16/2070697/losses-african-swine-fever-now-p135-billion
6 https://mb.com.ph/2020/10/27/fall-armyworm-infestation-over-corn-farms-to-result-in-p20-b-loss/

Agricultural trade in 2020 stood at USD18.88 billion which is a -7.1 percent decline from the USD20.21 billion posted in 2019. During the year, agricultural exports and imports were recorded at USD6.20 billion and USD12.58 billion, respectively.[7] The top three major agricultural commodities exported to the European Union in 2020 were (a) animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes; (b) preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates, and; (c) preparation of vegetables, fruit, nuts or other parts of plants (see Table 3).

Table 3. Top 10 countries in the European Union for agricultural exports, the total value of agricultural exports, and their respective top export commodity group in 2020

	Country	Total Value of Agricultural Exports	Top commodity group
1	**The Netherlands**	USD443.05 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
2	**Germany**	USD143.78 million	Preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates
3	**United Kingdom***	USD115.69 million	Preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates
4	**Spain**	USD96.35 million	Preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates
5	**Italy**	USD95.34 million	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal or vegetable waxes
6	**France**	USD37.06 million	Preparations of vegetables, fruit, nuts or other parts of plants
7	**Belgium**	USD24.98 million	Tobacco and manufactured tobacco substitutes
8	**Poland**	USD16.70 million	Preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates
9	**Denmark**	USD9.74 million	Lac; gums, resins and other vegetable saps and extracts
10	**Sweden**	USD8.45 million	Preparations of meat, of fish or of crustaceans, mollusks, and other aquatic invertebrates
* The United Kingdom of Great Britain and Northern Ireland is listed under the European Union group of the Philippine Statistics Authority Source: Philippine Statistics Authority			

7 https://psa.gov.ph/content/highlights-2020-foreign-trade-statistics-agricultural-commodities-philippines-final-results

On the other hand, the top three major agricultural commodities imported from the European Union in 2020 were (a) meat and edible meat offal; (b) dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified, and; (c) cereals (see Table 4).

Table 4. Top 10 countries in the European Union for agricultural imports, the total value of agricultural imports, and their respective top import commodity group in 2020

	Country	Total Value of Agricultural Imports	Top commodity group
1	**The Netherlands**	USD280.15 million	Meat and edible meat offal
2	**Belgium**	USD162.94 million	Tobacco and manufactured tobacco substitutes
3	**Spain**	USD159.80 million	Meat and edible meat offal
4	**France**	USD118.36 million	Meat and edible meat offal
5	**Romania**	USD106.44 million	Cereals
6	**Germany**	USD104.75 million	Dairy produce; birds' eggs; natural honey; edible products of animal origin, not elsewhere classified
7	**Italy**	USD85.85 million	Residues and waste from the food industries; prepared animal fodder
8	**Ireland**	USD80.64 million	Meat and edible meat offal
9	**United Kingdom***	USD65.83 million	Meat and edible meat offal
10	**Bulgaria**	USD63.05 million	Cereals

* The United Kingdom of Great Britain and Northern Ireland is listed under the European Union group of the Philippine Statistics Authority
Source: Philippine Statistics Authority

Without a doubt, the sector is ripe for further growth and development as well as a catalyst for post-pandemic economic recovery. To enhance these opportunities, a conducive policy and regulatory framework should be put in place. As such, the ECCP presents this paper highlighting the major policy recommendations of the European-Philippine business community to enhance the competitiveness of the Philippine agriculture sector.

RECENT REFORMS AND INDUSTRY DEVELOPMENTS

- **European Free Trade Association (EFTA)-Philippines Free Trade Agreement (FTA):** A trade deal between the Philippines and EFTA entered into force for its remaining party, Iceland, in January 2020.[8] Most tariffs will be eliminated within seven years and export duties are prohibited on both sides. The preferential trade arrangement covers most agricultural goods such as poultry, dairy products, vegetables, seafood, animal oils, and coconut among others. It is the second bilateral FTA of the Philippines after Japan.

- **European Union (EU) – Philippines Trade Relations**: In December 2020, EU Executive Vice President Valdis Dombrovskis and Philippine Trade Secretary Ramon Lopez met and discussed trade and investment matters between the EU and the Philippines. A Subcommittee on Trade, Investment and Economic Cooperation under the EU-Philippines Partnership and Cooperation Agreement (EU-PH PCA) was convened in January 2021. A bilateral dialogue on various trade related agenda were discussed including market access, EU GSP+ implementation and the perspective for the EU-PH FTA.

- **30-Year National Infrastructure Master Plan Act:** Lawmakers have filed bills in both Houses of Congress since 2020 seeking to institutionalize the government's flagship Build, Build, Build program. The proposed infrastructure roadmap will cover major projects of the national government as well as those entered under public-private partnership schemes and in partnership with local government units including agriculture infrastructure such as irrigation systems, transport networks, trading centers and laboratories, among others. Proponents pointed out the need to adopt a long-term development plan to ensure continuity in project implementation regardless of changes in national leadership.

- **Agri-Agra Law amendments:** The lower house approved on third and final reading House Bill (HB) No. 6134 or the Rural Agricultural and Fisheries Development Financing System Act seeking to amend the agri-agra credit provisions on an older law Republic Act (RA) No. 10000 or the Agri-Agra Reform Credit Act of 2009 (Agri-Agra Law).[9] Last March 2021, the government issued amendments to the implementing rules and regulations (IRR) of the Agri-Agra Law to boost lending to the sector while HB 6134 is pending at the Senate Committee level.[10] The revisions are interim while an amended bill is yet to be signed into law.

- **Youth agripreneurship programs:** The Department of Agriculture (DA) launched financial and technical assistance programs to court the next generation of agriculture leaders such as the Kapital Access for Young Agripreneurs (KAYA) in January 2020 which aims to finance capital requirements up to PHP500,000 at zero interest rate of startup or existing agri-based projects of young entrepreneurs and agri-fisheries graduates aged 18 to 30 years old.[11] Another program is the Mentoring and Attracting Youth in Agribusiness (MAYA), launched also by the DA in February 2021, which provides a 24-week internship on agribusiness programs.[12]

- **Pesticide testing fees:** In an administrative order released last May 2021, DA has ordered the Bureau of Plant Industry and its satellite laboratories to waive the fees for the pesticide residue analysis tests for fruits and vegetable exports in line with the government's economic recovery efforts. Industry

8 The member-states of the European Free Trade Association are Iceland, Liechtenstein, Norway, and Switzerland.
9 https://congress.gov.ph/legisdocs/first_18/CR00210.pdf
10 https://www.bsp.gov.ph/SitePages/MediaAndResearch/MediaDisp.aspx?ItemId=5710
11 https://acpc.gov.ph/da-acpc-launch-kapital-access-for-young-agripreneurs-kaya-and-agri-negosyo-loan-programs/
12 https://www.da.gov.ph/wp-content/uploads/2021/03/ao12_s2021.pdf

groups welcomed the measure as this will facilitate ease of exporting such commodities to major markets including Europe which have stringent traceability standards or the maximum residue limit on pesticides to safeguard their consumers.[13]

- **Coconut Farmers and Industry Trust Fund Act:** After vetoing a similar bill in 2019, President Rodrigo Duterte signed RA No. 11524 which creates a coconut levy trust fund to support coconut farmers and their families last February 2021. The law also reconstitutes the Philippine Coconut Authority to improve the implementation of its programs to benefit the coconut sector.[14] The law's IRR took effect in July 2021.

- **Agriculture Information System Act:** In June 2021, the House of Representatives approved on third and final reading HB No. 9205 mandating cities and municipalities to create an online platform that will connect farmers to buyers, streamline information related to commodities, crop planning, and supply chain management among others.[15] As of date, there is no counterpart bill filed in the Senate.

- **Commodity roadmaps:** Following the conclusion of the National Food Security Summit last June 2021, the DA, in a memorandum order, will set aside PHP30 million for the development of six commodity industry roadmaps, namely on corn, livestock and poultry, high-value crops development program, aquaculture and fisheries, coconut, and sugar.[16] DA has already developed other roadmaps on other high-value crops, namely coffee, cacao, abaca, banana, mango, and rubber.

- **Policy response to African Swine Fever (ASF):** The government has rolled out various policy interventions to contain the spread of the ASF which has already affected 12 regions including the capital since 2019.[17] Last February 2021, agriculture authorities launched two programs on hog repopulation[18] and biosecurity measures[19] with a combined budget of PHP29.6 billion. The government also announced that vaccine trials are taking place with select commercial hog farms in April of the same year.[20] By May 2021, the president placed the country under a state of calamity due to the worsening ASF situation[21] and increased the minimum access volume (MAV) for pork imports to 254,210 metric tons (MT) for 2021 from the previous 54,210 MT.[22] To temper rising food inflation and provide clarity on the increased MAV for pork imports, an inter-agency body also released a resolution in June 2021 guiding how the additional pork imports will be utilized.[23] More recently, state lenders launched credit facilities to support the recovery efforts of the hog industry.[24]

- **Meat import ban from Europe:** Domestic regulators have imposed temporary importation bans on the meat trade from Europe due to the ASF and the highly pathogenic avian influenza. As of April 2021, countrywide import bans on poultry are in place in Bulgaria, Czechia, Germany, Denmark, France, the Netherlands (except mechanically deboned meat), Poland, Slovakia, and Sweden; while area-specific bans are in place in Belgium, Hungary, and Ireland. For pork products, countrywide bans are in place in Germany, Greece, Hungary, Latvia, Poland, Romania, and Slovakia.

- **Agricultural bank merger:** To strengthen the delivery of financial services to the coconut industry and the agriculture sector, President Duterte approved the merger of the Land Bank of the Philippines (LANDBANK) and the United Coconut Planters Bank (UCPB) with the former as the surviving entity last June 2021.[25] However, global credit watcher Fitch Ratings raised risks on UCPB's weak financial health potentially dragging LANDBANK's credit profile and profitability in the short term.[26]

13 https://www.philstar.com/business/2021/03/26/2086966/da-waives-fees-pesticide-residue-tests-agri-exports
14 https://www.officialgazette.gov.ph/downloads/2021/02feb/20210226-RA-11524-RRD.pdf
15 https://congress.gov.ph/legisdocs/first_18/CR00915.pdf
16 https://www.da.gov.ph/wp-content/uploads/2021/05/mo37_s2021.pdf
17 http://www.fao.org/ag/againfo/programmes/en/empres/ASF/situation_update.html
18 Integrated National Swine Production Initiatives for Recovery and Expansion (INSPIRE)
19 Bantay ASF sa Barangay (BABay ASF)
20 https://www.da.gov.ph/da-bai-starts-asf-vaccine-trials/
21 https://www.officialgazette.gov.ph/downloads/2021/05may/20210510-PROC-1143-RRD.pdf
22 https://www.officialgazette.gov.ph/downloads/2021/05may/20210510-EO-133-RRD.pdf
23 https://www.da.gov.ph/guidelines-on-mav-plus-pork-import-approved/
24 PHP12-billion under the Swine Repopulation, Rehabilitation and Recovery Credit Program (Swine R3 Credit Program) of the Development Bank of the Philippines and PHP15-billion under the Special Window and Interim Support to Nurture Hog Enterprises (SWINE loan program) of the Land Bank of the Philippines

ADVOCACY RECOMMENDATIONS

1. Pursue a sound, transparent, and efficient regulatory framework

Utilize trade remedy measures such as the Special Agricultural Safeguard to ensure the growth of the domestic coffee industry

Trade remedy measures are available for the utilization of the local industry when unfair trade practices and a surge of imports happen. As such, the ECCP welcomes the continued imposition of special agricultural safeguards (SSG) on imported coffee and coffee products to ensure a level playing field between importers and local manufacturers.

Over the years, European companies have made substantial investments in the country's agriculture sector by partnering with local manufacturers to generate employment, utilize local raw materials, purchase more local produce, increase farmers' incomes, promote knowledge transfer, and boost the country's export revenues. However, the proliferation of cheap and illegal imported agricultural commodities including coffee products poses a significant risk to the sustainable growth and development of the sector. Moreover, the trade remedy supports the livelihoods of smallholder Filipino farmers by ensuring a ready market for them including those from Europe.

These are the following agricultural products that have existing SSG out-quote in place: roasted coffee, not decaffeinated, unground; roasted coffee, not decaffeinated, ground; roasted coffee, decaffeinated, unground; instant coffee; other extracts, essences and concentrates of coffee; preparations with a basis of extracts, essences or concentrates or with a basis of coffee, mixtures in paste form with a basis of ground roasted coffee, containing vegetable fats; other preparations with a basis of extracts, essences or concentrates or with a basis of coffee.[27]

Improve fertilizer and pesticide regulations

Structural reforms are critical to improving the regulatory environment that works for the farming community, consumers, businesses, and the wider public. This also creates a predictable landscape as well as facilitates ease of doing business in the agriculture sector. Among key proposals, the ECCP champions the modernization and computerization of the Fertilizer and Pesticide Authority (FPA) to ease administrative procedures for private enterprises and individuals engaging with the regulatory authority.

Additionally, we highly recommend the revision of controlled and regulated chemicals to facilitate the importation of high-quality fertilizer and pesticide products in the Philippines. Currently, the FPA treats some natural substances such as pheromones with additional requirements which unnecessarily lengthens the importation process and commercial distribution of these chemicals despite having lower potential risks than conventional pesticides. The stringent guidelines deprive farmers of low-cost and

25 https://www.officialgazette.gov.ph/downloads/2021/06jun/20210625-EO-142-RRD.pdf
26 https://www.fitchratings.com/research/banks/planned-merger-with-ucpb-highlights-land-banks-policy-role-01-07-2021
27 https://www.da.gov.ph/wp-content/uploads/2018/04/do06_s2018.pdf

safer alternatives to improve and maintain their yield as well as combat biosecurity threats like the destructive fall armyworm.

Fast-track implementation of the TradeNet program

TradeNet is an interoperable online platform run by the government to streamline permitting and licensing processes concerning import and export procedures. The platform replaces Phase 1 of the National Single Window (NSW) which was launched in 2010 and deployed in 2011. The second phase of the NSW, currently operated by the Bureau of Customs, was stalled by a temporary restraining order. In 2017, the NSW Steering Committee issued a resolution adopting TradeNet as the new NSW instead.

As of March 2021, however, the platform has only two agencies that are live pilot users, four in the preparatory stage of going live, 13 undergoing process refinements, and 26 admitted for configuration and linking. The situation prompted the Anti-Red Tape Authority to issue a memorandum circular requiring the mandatory onboarding of all 73 trade regulatory government agencies (TRGAs) in the platform.[28]

We welcome the development of a seamless and online single-entry point platform to promote transparency and lower administrative costs in line with the government's commitment to facilitate ease of doing business and efficient delivery of government service. Nevertheless, we continue our longstanding call to accelerate the full implementation of the platform to enable traders and TRGAs including agricultural regulatory bodies to use the platform and exchange information in real-time. This will also link the country's NSW to the ASEAN Single Window further expediting cargo clearance and promote regional integration.

Modernize the seed industry regulatory environment

The ECCP strongly calls for amending RA No. 7308 or the Seed Industry Development Act (SIDA) of 1992 to prevent the proliferation of counterfeit seeds including fake genetically modified seeds. These counterfeit varieties are relatively cheaper than branded seeds which makes them attractive to farmers. However, the use of these unregulated seeds carries risks in terms of plant health, pest infestation, and lower yields which adversely affect the livelihood of farmers.

One major factor is the lack of police powers as well as the absence of any provisions specifying what comprises illegal seed practices in SIDA. Amending the almost three-decade-old law will strengthen the law enforcement powers of the Bureau of Plant Industry to apprehend violators. Furthermore, we support including amendatory provisions that will cover all types of seeds including open-pollinated, hybrids, and seeds developed through biotechnology; shift away from mandatory towards voluntary crop variety registration; and the harmonization with the Plant Variety Protection Act of 2002 which protects the use of seed varieties by smallholder farmers and the companies that own them. There are two House bills proposing amendments to SIDA pending at the Committee level as of writing.

At the same time, we call on adopting international benchmarks in seed trade by implementing the International Standard for Phytosanitary Measures 38. The protocols provide guidance in identifying, assessing, and managing the pest risk associated with the international movement of seeds which will further help facilitate ease of trade in the seed industry.[29]

Further liberalize the rice and corn trade

28 https://arta.gov.ph/wp-content/uploads/2021/03/ARTAMC1.pdf

29 https://assets.ippc.int/static/media/files/publication/en/2017/05/ISPM_38_2017_En_2017-05-15.pdf

Another potential area to allow greater foreign participation is the rice and corn industry. At present, the sector is heavily limited to domestic participation due to a 1960 law that prohibits foreigners from engaging in the culture, milling, warehousing, transporting, exportation, importation, distribution, or acquisition for the purpose of trade of such crops.[30] The purpose of the law then was to transfer the rice and corn industry to Filipinos and Filipino-owned entities and eliminate the possibility and practice of foreigners creating artificial shortages of rice and corn by hoarding these commodities, or cornering the market.

While such scenario was achieved 13 years later, the current environment restrained competition and foreign investment. Consequently, Presidential Decree (PD) No. 194 was issued in 1973 to lift such prohibitions and encourage non-Filipinos to engage in rice and corn trade. While such move was laudable, however, a certain provision of the executive issuance mandates foreign companies, even those that merely use rice and/or corn in their production processes, to eventually divest at least 60 percent of its interest to Filipino citizen or Filipino-owned entity for a period of 30 years. This rule created an unnecessary restraint on foreign investment particularly in manufacturing concerns that merely use the crops as raw materials such as feed millers and food companies.

As such, we call on Congress to pass the proposed Rice and Corn Liberalization Act that will fulfill the original intention of PD NO. 194 to fully liberalize rice and corn industry by repealing the divestment requirement, rationalize the definition of rice and corn industry, and reiterate the promotion of productive foreign investments in agriculture as key to national and rural development. This will allow such foreign investments to create ripple effects by generating jobs and invigorate the countryside. At the same vein, we welcome the inclusion of this proposed legislation as a priority legislative measure in the updated PDP 2017-2022.

Delineate the regulatory jurisdiction of veterinary drugs and biologics

For quite some time, the Bureau of Animal Industry (BAI) and Food and Drug Administration (FDA) have performed overlapping functions on the registration, importation, testing, inspection, and use of veterinary drugs and biologics in the Philippines. These duplicate regulatory regimes have created unnecessary confusion in the industry which adversely affects its overall productivity in terms of cost and compliance issues. Hence, the ECCP strongly calls for the government to revert the delineation of regulatory jurisdictions between BAI and FDA under the Joint Administrative Order (JAO) No. 2013-0026 permanently.

Released last September 2013, the joint issuance of the Department of Agriculture and Department of Health made clear regulatory boundaries between BAI and FDA by granting the former the exclusive authority to regulate animal health products such as veterinary drugs and feed ingredients.[31] However, JAO No. 2013-0026 only has a five-year mandate thus its expiration in 2018 has once again created uncertainty in animal feeds and veterinary drugs regulation. Moreover, the situation has only heightened the regulatory tussle between BAI and FDA.

It is imperative to reinstate the *modus vivendi* that governed under JAO No. 2013-0026 but keeping its effectivity permanent in line with the government's thrust to facilitate ease of doing business in the animal industry. We have full confidence in the technical expertise of BAI's veterinarians and animal nutritionists; hence, animal health products should be within the remit of BAI while human health products should be within the jurisdiction of FDA. This will also release additional responsibilities from the FDA and allow it to prioritize other responsibilities concerning human health especially in the middle of the COVID-19 pandemic. In the longer term, we strongly recommend that prioritization of the passage of the Animal

30 Republic Act No. 3018 or the Rice and Corn Nationalization Law

31 https://www.fda.gov.ph/wp-content/uploads/2021/04/JOINT-DOH-and-DA-Administrative-Order-No.-2013-0026.pdf

Health and Veterinary Services Act currently pending in the Lower House in order to permanently and clearly delineate BAI's jurisdiction over veterinary drugs while also strengthening BAI to carry out its mandate as the premier agency charged with overseeing the animal sector.

2. Address both European and Philippine agriculture issues in trade arrangements

Europe and the Philippines remain key trading partners, especially for agricultural trade and investments. At the European Union (EU) level, high-level dialogues between Brussels and Manila took place in 2016 followed by a subsequent round of negotiations in 2017 for a proposed EU-Philippines Free Trade Agreement (FTA). The ECCP greatly welcomes these engagements toward strengthened economic relations between the two partners. We also believe that this paves the way for greater region-to-region trade between the EU and the Association of Southeast Asian Nations (ASEAN) for an eventual EU-ASEAN FTA as well as the signing of bilateral EU FTAs with Singapore and Vietnam in 2019.

Due to its vital economic potential, the ECCP strongly supports the inclusion of provisions that will guarantee the promotion and recognition of geographical indications on agricultural products, ease trade on fertilizer and pesticide products, as well as recognize international trade standards and best practices particularly the adoption of the regionalization principle of the World Trade Organization and World Organization for Animal Health in meat trade.

Reducing both tariff and nontariff barriers provides an opportunity to address the various competitiveness issues affecting European agricultural products in the Philippine market. At the same time, this bilateral trade agreement will ensure the availability of food items that are in short supply in the Philippines such as certain meat, highland vegetables, and dairy products at affordable prices. Creating an environment with no market access restrictions would also favor quality employment and transfer of technical know-how further enhancing the quality of Filipino products, trade practices, and employment standards.

On a separate note, the ECCP calls on maximizing the use of the EU Generalised Scheme of Preferences Plus (GSP+) as well as its existing FTA with the European Free Trade Association (EFTA), especially on agricultural products. The former is a preferential trade arrangement for sustainable development and good governance granted by the EU in 2014 in which the Philippines enjoys zero tariffs on 6,274 tariff products or 66 percent of all EU tariff lines.[32] On the other hand, the latter cuts tariff on most of the USD860 million worth of merchandise traded annually.[33]

Since 2014, the country has seen double-digit growth rates in its utilization rate of the EU GSP+ which covers agricultural commodities such as fish, dairy, fruits, vegetables, coconut oils, coffee, cocoa.[34] Meanwhile, live animals and animal products only account for 4 percent of the top Philippine exports to EFTA in 2019.[35] Nevertheless, we urge Philippine exporters to fully take advantage of these preferential trade arrangements with the European market.

3. Further develop the agricultural value chain

Increase investments in agriculture-related infrastructure projects

The ECCP recognizes and welcomes the government's commitment to improving the state of the country's infrastructure through its flagship Build, Build, Build (BBB) program. At a time of subdued economic landscape brought about by the COVID-19 pandemic, a reliable and modernized infrastructure system is critical to support the government's efforts to rebuild the economy and address recurrent challenges in the agricultural value chain.

According to official reports, a total of 1,835 kilometers of farm-to-market roads and another 90 kilometers of farm-to-mill roads were completed since the start of the BBB program.[36] More recently, bills seeking to institutionalize the BBB program call for a 30-year infrastructure plan which will include provisions on agriculture-related projects.

As such, we strongly urge the government to expand the portfolio of the BBB program to increase investments in agricultural infrastructure such as farm-to-market roads, irrigation systems, production, post-harvest, processing and marketing facilities, and automated weather stations, among others. We likewise support increasing investments in other innovative projects such as renewable-energy-powered farms and efficient irrigation methods to promote sustainable agricultural practices.

We remain committed to working with the government to extend technical assistance and expertise as well as best practices in project delivery and management on how to modernize agricultural infrastructure. To that end, we call for policymakers to provide an incentives mechanism that will attract and facilitate the participation of the private sector including those from Europe in the BBB and other public investment programs of the government in the sector.

Make access to finance easier for agricultural stakeholders

Access to finance remains a perennial challenge for smallholder farmers to secure enough capital to raise farming productivity as well as improve their livelihoods. Presently, private sector finance for agriculture is governed by Republic Act (RA) No. 1000 or The Agri-Agra Reform Credit Act of 2009 (Agri-Agra Law) which requires banks to set aside 15 percent for agriculture and 10 percent for agrarian reform beneficiaries. However, banks are unable to comply with the law's provisions and prefer to pay penalties instead with monetary authorities collecting an average of PHP2 billion in fines every year.[37]

Loans for agri-agri credit slipped by 2.8 percent to PHP713.6 billion in 2020 from PHP733.92 billion in 2019. Nevertheless, the amount is about 10 percent of the total loanable funds last year, still falling behind the 25 percent mandatory allocation. Observers attributed the persistent non-compliance of the banking system to processing time related to securities accreditation, borrowers' difficulties in securing agrarian reform credits, limited availability of agri-agra complaint debt papers, and lack of viable agricultural projects—factors that adversely affect the sector's creditworthiness.

To address these concerns, we call on policymakers to put this issue back on the political agenda. We laud the government's move to include amendments to the Agri-Agra Law as part of the updated Philippine Development Plan (PDP) 2017-2022[38] as well as the administration's common legislative agenda for the 18th Congress.[39] Moreover, we support further measures that will reduce the risks in the sector such as developing an effective crop insurance system, reforming the land title regime, promoting financial literacy to farmers, facilitating long-gestation high-value crops to ensure cash flow capabilities, and exploring innovations in inclusive microfinancing models, Islamic finance, and agricultural cooperatives, to name a few. Additionally, we urge the government to look for alternative ways to expand modes of compliance, reduce administrative burdens, promote special lending arrangements, and incentivize banks that will participate in agricultural value chain financing.

32 https://www.dti.gov.ph/generalized-system-of-preferences/
33 https://www.efta.int/sites/default/files/images/FTA-Fact-Sheets-EFTA-Philippines.pdf
34 Department of Trade and Industry-Export Marketing Bureau
35 The EFTA-Philippines Free Trade Agreement: Highlights and challenges from 2018 to Covid-19 and beyond. Presentation of Ambassador of Norway to the Philippines Bjørn Jahnsen at the 2021 European Ambassadors' Meeting last 27 January 2021.

36 Infrastructure Cluser Performance Highlights. Presentation of Infrastructure Chair Department of Public Works and Highways Secretary Mark A. Villar at the 2021 Sulong Pilipinas: A Pre-SONA Economic Development and Infrastructure Clusters Forum last 26 April 2021.
37 https://www.bworldonline.com/banks-pay-p2b-yearly-for-failure-to-meet-agri-agra-quotas-bsp-says/
38 http://pdp.neda.gov.ph/wp-content/uploads/2021/02/Pre-publication-copy-Updated-PDP-2017-2022.pdf
39 https://www.neda.gov.ph/enabling-economic-environment-medical-and-fiscal-resiliency-tops-ledac-common-legislative-agenda/

Strengthen capacity-building measures through youth engagement and agriprenuership

In recent years, various industry reports have pointed out that the average age of Filipino farmers is between 57 to 60. In addition, anecdotal evidence shows that the majority of the youth are losing interest in agriculture—preferring instead relatively higher-paying jobs in the service sector. This situation poses a challenge in keeping an adequate workforce in the backbone of the economy.

Hence, we support the government's increased attention towards attracting and encouraging the younger population to pursue agribusiness opportunities including the recent launching of the Kapital Access for Young Agriprenuers (KAYA) and Mentoring and Attracting Youth in Agribusiness (MAYA) programs by the Department of Agriculture (DA).

On the legislative front, a few bills were drawn in Congress to promote active youth involvement in the sector such as proposals to create youth agricultural hubs in local government units, a Young Farmers and Fisherfolk Challenge Program, and a national agriculture education system.

In this context, the ECCP believes that achieving the twin goals of increasing agricultural productivity and achieving food security requires the involvement of different segments of the society including the youth sector. Furthermore, we push for intensifying youth engagement efforts by furthering education, training, and extension programs to equip young farmer leaders and agriprenuers with the necessary skills that will support achieving the abovementioned objectives.

4. Promote regular, inclusive, and constructive stakeholder dialogue

The ECCP commends efforts of the government to involve the private sector in the formulation of its policies through public consultations. We recommend that policymakers strengthen their outreach and actively support multi-stakeholder platforms for policy dialogue and implementation coordination which provides an opportunity for the private sector, including the European-Philippine business community, to engage in policy development and implementation. Participatory governance would go a long way in securing stakeholder buy-in as well as attract more private sector-led initiatives to complement the government's priority projects and initiatives particularly those under the DA's Plant, Plant, Plant program.

The ECCP and its Agriculture Committee stand ready to work with the government in maximizing partnership and cooperation with the government, civil society groups, academe, and other stakeholders to address bottlenecks in key areas including agricultural trade and investments, regulatory development, and capacity building, among others.

5. Harness the agricultural potential of the Bangsamoro region

The ECCP shares the sentiment of national and foreign observers that the Bangsamoro Autonomous Region in Muslim Mindanao (BARMM) holds an untapped economic potential in one of its strongest suits: its agriculture sector. As a matter of fact, the Chamber has positioned itself to demonstrate the region's growth prospects by facilitating the signing of partnership agreements between the region's development agency and six local and European companies last October 2020 to boost the BARMM's food system and agricultural productivity.

Despite being endowed with natural resources and other comparative advantages that can be used to improve the current state of the region, BARMM's economic growth story remains slow due to other factors related to policy and regulatory environment, access to finance and markets, productivity and efficiency, as well as the local peace and security situation. The COVID-19 pandemic exacerbates the situation which makes it more challenging for local businesses to continue operations and innovate as well as for potential investors willing to set up shop in the region. Without the necessary support

measures in place, businesses, especially micro, small, and medium-sized enterprises, might close and investors relocate elsewhere, both of which could adversely affect the investment climate of the region and its overall socioeconomic development objectives.[40]

With this in mind, we call for stronger policy environment through the enactment of bills, resolutions, and other relevant legal framework that will enable Bangsamoro as an important contributor to the agricultural development of the country with the end-goal to shift from low-value agricultural practices into high-value agribusiness ventures. This could be achieved through the establishment of government-owned and -controlled corporations with the mandate to pursue agricultural development projects and initiatives. Likewise, the region's strategic geography is well placed to maximize trade and investment opportunities among its regional neighbors in Brunei Darussalam, Indonesia, and Malaysia. Finally, and due to the region's Muslim-dominated demographics, there is an opportunity to also harness the region's competitive advantage in halal food industry and Islamic banking and finance.

Undeniably, the road ahead remains a long one as such private sector-led initiatives should be supported by both the national and local governments to encourage more trade and investments in the region and provide economic opportunities through job creation, infrastructure development, and integrated value chains among others. We look forward to working with stakeholders in achieving our shared vision to use agriculture as a driver towards sustainable and inclusive growth and development.

40 European Chamber of Commerce of the Philippines & Konrad Adenauer Stiftung. (2021). BARMM MSME Development Report.

ASSESSMENT OF RECOMMENDATIONS

ISSUE	RECOMMENDATIONS	COMPLETED / SUBSTANTIAL PROGRESS	SOME PROGRESS	NO PROGRESS / RETROGRESSION
Address both European and Philippine agriculture issues in trade arrangements	Guarantee agriculture interests in preferential trade arrangements of the Philippines and European countries		The EFTA-Philippines FTA entered into force for its remaining party-state, Iceland, last January 2020.	While trade officials between Brussels and Manila have virtually met in 2020, there are not yet any clear details as to the next round of negotiations for the EU-Philippines FTA.
Further develop the agricultural value chain	Increase investments in agriculture-related infrastructure projects		Various iterations of the 30-Year National Infrastructure Master Plan were filed in the Senate and House of Representatives and are pending at the Committee level as of June 2021.	
	Make access to finance easier for agricultural stakeholders	HB 6134 approved on third and final reading and transmitted to the Senate last March 2020. Meanwhile, the amended IRR of Agri-Agra Law was issued a year after while Congress deliberates on the bill. The central bank has thrown its support for the amendments while the government included the measure in the updated PDP 2017-2022 and LEDAC-CLA for 18th Congress.		
	Strengthen capacity-building measures through youth engagement and agriprenuership		DA launched two new programs—KAYA and MAYA—in 2020 to promote youth agripreneurship. Lawmakers also filed bills seeking to create youth agricultural hubs, a challenge program, and a national agriculture education system to entice active youth participation in the sector.	

Pursue a sound, transparent, and efficient regulatory framework	Improve fertilizer and pesticide regulations		FPA has completed its onboarding to the NSW and TradeNet program and has started to discourage face-to-face transactions in line with COVID-19 physical distancing measures. Nevertheless, members noted that stringent additional requirements remain in place to import and distribute certain natural substances.	
	Fast-track implementation of the TradeNet program	According to the TradeNet website, the platform has completed the onboarding of regulatory agencies with 76 TRGAs linked in the system.		
	Modernize the seed industry regulatory environment			There have been no significant developments on the proposed amendments to SIDA and the country has yet to adopt ISPM 38.
	Utilize trade remedy measures to ensure the growth of the domestic coffee industry	DA DO No. 06-2018 imposing out-quota SSG on coffee and coffee products remains in effect		
	Further liberalize the rice and corn trade		HB 6161 and HB 6154, both seeking to liberalize the rice and cord industry, are pending at the Committee level. Furthermore, this measure is included as priority legislation under the updated PDP 2017-2022 released last February 2021.	
	Delineate the regulatory jurisdiction of veterinary drugs and biologics		While DA MC No. 1-2021 asserted BAI's jurisdiction over feed premixes and water-soluble supplements, FDA has a draft AO claiming jurisdiction over the same product categories.	Pure-form vitamins and minerals intended for incorporation into animal feeds have been orphaned as both BAI and FDA claim it is the other's responsibility.
Promote regular, inclusive, and constructive stakeholder dialogue	Actively support participatory governance		The ECCP, through its Agriculture Committee, has been organizing various webinars, engaging with key stakeholders through policy advocacy, submitting position papers, and partnering with other partnership platforms on common interests in the agriculture sector.	
Harness the agricultural potential of the Bangsamoro region	Create a favorable and enabling environment for the sustainable and inclusive growth of the region's agriculture sector		BPDA launched its 1st BDP 2020-2022 last November 2020 which highlighted the comparative advantage in agricultural production of the region. Most pending BARMM-related legislation in Congress are on the extension of the region's transition phase due to COVID-19 pandemic.	

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