UNITED NATIONS
INDUSTRIAL DEVELOPMENT ORGANIZATION

SUSTAINABLE DEVELOPMENT GOALS

STANDARDS COMPLIANCE ANALYTICS REPORT

BORDER REJECTIONS IN MAJOR GLOBAL MARKETS
PHILIPPINES

DISCLAIMER

October 2024

INTRODUCTION

Technical regulations and standards in the area of international trade of food and non-food (industrial) products become increasingly prevalent and are continuously evolving. Moreover, the available evidence indicates that many developing countries face challenges in terms of complying with the safety and quality requirements these regulations and standards lay down. Since 2008, UNIDO has regularly collected evidence about trade-related challenges and their evolution over time, particularly in the area of compliance with the requirements set by international markets (involving quality, certification, labelling, etc.).

The challenge for national governments and donors, as they undertake efforts to improve compliance, is to allocate wisely the scarce financial and technical resources amongst a plethora of capacity-building needs. This would require pinpointing the areas where the most acute compliance problems lie. In the context of trade, this implies identifying the products and markets with the highest non-compliance rates based on reported rejections. From this viewpoint, the Standards Compliance Analytics (SCA) proves to be a convenient tool, facilitating the use of rejection data. It helps identify the key compliance challenges confronted by exporting countries and, thereby, contributes to an improved targeting of investments aimed at building up relevant compliance capacities (more details about the SCA tool can be found in the Annex).

The present report employs the SCA tool to analyse the trends and patterns of the Philippine agri-food import rejections at the border of five major international markets, namely Australia, China, the European Union (EU), Japan and the United States (US). Its objective is to gain an insight into the challenges faced by the Philippines at complying with product quality and safety standards & regulations in the agri-food trade both in the context of regional and global markets.

The report was developed under the Global Quality and Standards Programme (GQSP), funded by Switzerland through its State Secretariat for Economic Affairs (SECO).

The UNIDO Knowledge Hub offers abundant information, online trainings, and digital tools about Quality Infrastructure, including the SCA tool. Any feedback and comments on this report are welcome and can be addressed to knowledgehub@unido.org.

CONTEXT

A. COUNTRY PROFILE

Country	**Republic of the Philippines**
Continent	**Southeastern Asia**
Population	**117.3 million** (2023)
GDP	**437.15 billion USD** (2023)
GDP per capita	**3,668 USD** (2023)
Value added by Agriculture, Forestry and Fishing	**9.4%** of GDP (2023)
Food Safety Index	**80** (2020)
Logistics Performance Index (overall)	**3.3** (2023)
Gross Food Production Value in constant	**$30,346** (2014 – 2016; thsd in $)

According to the World Bank, the Philippines is classified as a **lower middle-income**[1] country, with a Human Development Index (HDI) value of **0.710**[2]. This places the Philippines in the **high** human development category, ranking at **113** out of 193 countries and territories in 2022. Unlike the majority of countries, the Philippines experienced a slight increase in its HDI score during the COVID-19 pandemic, from 0.692 in 2021 to 0.710 in 2022[3].

The Philippines is recognized as one of the most dynamic economies in the East Asia and Pacific region. This economic vitality is primarily driven by increasing urbanization, an expanding middle class, and a large and youthful population. The strong consumer demand, supported by a lively labor market and substantial remittances, serves as the foundation for this dynamism. While the COVID19 pandemic led to a contraction of the country's real GDP by 9.6%, its resilient development momentum contributed to a fast recovery in 2021 and 2022. The private sector remains resilient, showing positive growth particularly in the services sector, which includes business process outsourcing, wholesale and retail trade, real estate, and tourism. Despite challenges posed by the Covid-19 pandemic and other global obstacles, including high global commodity prices and tight financial conditions worldwide, the poverty rate decreased from 23.3% in 2015 to 18.1% in 2021. The Philippines is undergoing a strong economic recovery, maintaining a growth rate of 5.6% in 2023, placing it among the top performers in the region. In the medium term, the outlook for growth remains promising, supported by robust domestic demand, an active labor market, sustained public investments, and the favorable impact of recent investment policy reforms which could boost private investment. With ongoing recovery and reform initiatives, the country is on a trajectory to transition from a lower middle-income status, reflected in a gross national income per capita of US$4,230 in 2023, towards achieving upper middle-income status, representing a 7.09% increase from 2022.

The Philippine Development Plan (PDP) 2023–2028 outlines a transformative strategy aimed at revitalizing job creation and accelerating poverty reduction by steering the economy towards a high-growth trajectory. The plan emphasizes inclusivity, seeking to

[1] World Bank. World Bank Country and Lending Groups. https://datahelpdesk.worldbank.org/knowledgebase/articles/906519-world-bank-country-and-lending-groups
[2] United Nations Development Program. Human Development Report 2020 - The Next Frontier: Human Development and the Anthropocene. UNDP. https://hdr.undp.org/content/human-development-report-2020
[3] United Nations Development Program. 2022. Human Development Reports. Philippines. UNDP. https://hdr.undp.org/data-center/specific-country-data#/countries/PHL

TABLE 1: INTERNATIONAL LPI IN 2023 - PHILIPPINES

DATA TABLE

(Toggle Rank and Score for Subindicators)

Country	Year	LPI Score	Customs	Infrastructure	International shipments	Logistics competence	Tracking & tracing	Timeliness
Philippines	2023	3.3	2.8	3.2	3.1	3.3	3.3	3.9

create an environment that offers equal opportunities for all Filipinos and equips them with the necessary skills to engage fully in an innovative and globally competitive economy. Guided by President Ferdinand R. Marcos Jr.'s 8-point socioeconomic agenda, the PDP addresses urgent issues such as rising inflation, the lasting impact of COVID-19, and constrained fiscal space. It also aims to overcome long-standing barriers to generating more jobs—specifically quality and green jobs—while creating a supportive environment that fosters a level playing field alongside ensuring peace and security[4].

As a key component of a country's exports business, the Logistics Performance Index (LPI) measures the efficiency of trade-related logistics activities in a country, including international shipment, logistics quality, customs clearance, infrastructure, and tracking and tracing. Thus, a higher LPI score points to a better logistics performance of a country and its greater competitiveness in the global market. In 2023, the Philippines's overall LPI score was **3.3**, placing it at the **43rd** rank out of 139 countries included in the study (**Table 1**[5]). Remarkably, within a span of merely five years, the Philippines has achieved the incredible feat of gaining 17 places in rank, having previously held the 60th position in 2018[6].

The Global Competitiveness Index (GCI) comprises up to 103 indicators derived from a combination of data sources from international organizations and the World Economic Forum's survey. It encompasses various factors, including institutions, infrastructure, Information and Communications Technologies (ICT) adoption, macroeconomic stability, health, skills, product market, labour market, financial system, market size, business dynamism, and innovation capability, among others. The GCI provides a score ranging between 1 to 100. In 2019, the Philippines obtained a score of **61.9**, ranking **64th** out of 141 countries[7]. This represented an improvement of two places as it was ranked 66th out of 140 countries in 2018. Among the 12 pillars or economic drivers, the Philippines's market size achieved the highest ranking at 31st with a score of 71, while its health (human capital category) received the lowest ranking at 102nd with a score of 66. This category assesses each country in terms of its health and life expectancy[8].

The agriculture sector, contributed to **9.4%**[9] of the Philippines's gross domestic product (GDP) in 2023 and employed **24%**[10] of the workforce in 2022, according to the World Bank. The industrial sector accounted for **28.2%**[11] of the country's GDP and employed **19%**[12] of the active population in 2022. Industrial food processing is one of the country's main manufacturing activities. The manufacturing sector, which refers to a segment of the economy in which raw material is converted into tangible output 'products' through value addition, contributed to nearly **16%**[13] of the country's GDP in 2023. Within manufacturing, mining and mineral processing, cement, chemicals, iron and steel, pulp and paper, and ceramics are the focus areas. Over the last decade, the services sector continued to rise in importance in terms of contribution to the Philippine economy. Indeed, it accounted for **62.4%**[14] of the GDP and employed more than half of the workforce in 2022[15]. The service sector has now far surpassed the agriculture and industry sectors in terms of contribution to the GDP. The Philippines is also the 11th most attractive pharmaceutical market in the Asia-Pacific region and the third-largest pharmaceutical market in the Association of Southeast Asian Nations (ASEAN), after Indonesia and Thailand[16].

[4] National Government Portal. Philippine Development Plan (PDP) 2023-2028. https://pdp.neda.gov.ph/philippine-development-plan-2023-2028/

[5] World Bank. International LPI - Philippines 2023. https://lpi.worldbank.org/international/global

[6] World Bank. International LPI – Global Ranking 2018. https://lpi.worldbank.org/2018

[7] Schwab, K. World Economic Forum. 2019. The Global Competitiveness Report 2019. https://www3.weforum.org/docs/WEF_TheGlobalCompetitivenessReport2019.pdf

[8] World Economic Forum. Philippines: Innovation Capability. https://intelligence.weforum.org/topics/a1Gb00000015MMoEAM

[9] World Bank (2023). *Agriculture, forestry, and fishing, value added (% of GDP) - Philippines*. The World Bank Data. https://data.worldbank.org/indicator/NV.AGR.TOTL.ZS?locations=PH

[10] World Bank (2022). *Employment in agriculture (% of total employment) (modeled ILO estimate) - Philippines*. The World Bank Data. https://data.worldbank.org/indicator/SL.AGR.EMPL.ZS?locations=PH

[11] World Bank (2023). *Industry (including construction), value added (% of GDP) - Philippines*. The World Bank Data. https://data.worldbank.org/indicator/NV.IND.TOTL.ZS?locations=PH

[12] World Bank (2022). Employment in industry (% of total employment) (modeled ILO estimate) - Philippines. The World Bank Data. https://data.worldbank.org/indicator/SL.IND.EMPL.ZS?locations=PH

[13] World Bank (2023). Manufacturing, value added (% of GDP) – Philippines. The World Bank Data. https://data.worldbank.org/indicator/NV.IND.MANF.ZS?locations=PH

[14] World Bank (2023). Services, value added (% of the GDP) – Philippines. The World Bank Data. https://data.worldbank.org/indicator/NV.SRV.TOTL.ZS?locations=PH

[15] World Bank (2022). Employment in services (% of total employment) (modeled ILO estimate) - Philippines. The World Bank Data. https://data.worldbank.org/indicator/SL.SRV.EMPL.ZS?locations=PH

[16] KPMG (2019, February 11). *Philippines pharma: All set for continuous growth*.https://kpmg.com/ph/en/home/insights/2019/02/philippines-pharma-all-set-for-continuous-growth.html

B. AGRICULTURE SECTOR

The Philippines is an archipelago consisting of over 7,000 islands and located in Southeastern Asia in the western Pacific ocean. The Philippine archipelago is bounded by the Philippine Sea to the east, the Celebes Sea to the south, the Sulu Sea to the southwest, and the South China Sea to the west and north. The nation spread out in the shape of a triangle, with those south of Palawan, the Sulu Archipelago, and the island of Mindanao outlining (from west to east, respectively) its southern base and the Batan Islands to the north of Luzon forming its apex. The total arable land in the Philippines is 5.59 million hectares, amounting to 18.7% of the total land area.

Agricultural Production:

Although it contributes to only roughly 10% of the GDP, the agricultural sector is a vital part of the Philippine economy as it employs nearly a quarter of the total workforce in 2022. The country's rich and fertile soils allow for year-round crop cultivation. Key agricultural products include **sugarcane**, rice, **coconuts**, **bananas**, **corn** (maize), and **pineapples**. Additionally, the sector produces **mangoes**, **citrus fruits**, papayas, **coffee**, tobacco, and various **fibers** like abaca (Manila hemp) and maguey, primarily used for making rope. A diverse range of vegetables is also cultivated for local consumption.

Approximately one-fourth of the total farmland in the Philippines is dedicated to **rice** cultivation. Since the early 1970s, rice production has seen significant improvements, with some years yielding enough surplus for exports. Key factors contributing to this increased output include the development of high-yielding rice strains, the construction of feeder roads and irrigation canals, and the application of chemical fertilizers and insecticides. However, the adoption of scientific farming techniques has also led to challenges. The newer rice strains necessitate costly chemicals, often imported, and improper application has resulted in serious soil degradation in certain regions[17].

Since 1990s, fisheries have been growing slowly but steadily. The main fish exported is canned tuna. Among the most important commercial fishes are milkfish (a herring like fish), sardines, anchovies, tuna, scad, and mackerel. Fish are raised in ponds in some provinces of Luzon, the Visayas, and Mindanao. The Sulu Archipelago is known for its pearl farms[18].

Agriculture exports:

In terms of overall exports, the Philippines reported a total of **$110B** in 2022, positioning it as the 40th (out of 226 countries) largest exporter worldwide. Philippine exports have risen by $15B from $95.2B in 2017 to $110B in 2022. The recent export composition consists of integrated circuits ($32.4B), office machine parts ($10.2B), gold ($8.9B), semiconductor devices ($3.33B), and insulated wire ($3.26B), shipped mostly to the US ($15.5B), China ($15.3B), Hong Kong ($12.6B), Japan ($11.3B), and Singapore ($7.07B)[19].

Among the commodity groups of agricultural Philippine exports, edible fruit and nuts, peel of citrus fruit or melons, which was valued at $543.62M, comprised the largest share of the total agricultural exports in the second quarter of 2024[20]. The Philippines exported **$2.66B** worth of vegetable products in 2022. The primary export destinations for these products were Japan ($809M), China ($589M), South Korea ($272M), the US ($220M), and the Netherlands ($104M)[21]. Between 2021 and 2022, the fastest growing export markets for vegetable products were the Netherlands, followed by Spain and Kuwait.

With respect to foodstuffs, Philippine exports amounted to **$3.11B,** ranking it as the 44th largest exporter globally in 2022. Key export markets for foodstuffs included the US ($755M), South Korea ($225M), Thailand ($178M), China ($158M), and Japan ($153M)[22]. In 2022, the top agri-food export destinations were the US ($1.36B or 18%), China ($971M or 13%), the Netherlands ($941M or 13%), Japan ($917M or 12%), and South Korea ($462M or 6%). **Figure 1** lists the top traded agrifood exports from the Philippines[23].

[17] Britannica. *Agriculture, forestry, and fishing – Philippines*. https://www.britannica.com/place/Philippines/Demographic-trends#ref23734

[18] Philippines Statistics Authority (2023, January 31). *Fisheries Situation Report, July to September 2022*. https://psa.gov.ph/statistics/fisheries-situationer/index#:~:text=The%20total%20fisheries%20production%20during,metric%20tons%20output%20in%202021.

[19] Observatory of Economic Complexity. Philippines. OEC. https://oec.world/en/profile/country/phl

[20] Philippines Statistics Authority (2024, September 2). Highlights of the Foreign Trade Statistics for Agricultural Commodities in the Philippines Second Quarter 2024, Preliminary. https://psa.gov.ph/statistics/agricultural-export-import/quarterly

[21] Observatory of Economic Complexity. Vegetable products in Philippines. OEC. https://oec.world/en/profile/bilateral-product/vegetable-products/reporter/phl

[22] Observatory of Economic Complexity. Foodstuffs in Philippines. OEC. https://oec.world/en/profile/bilateral-product/foodstuffs/reporter/phl

[23] Senate Economic Planning Office (2024, June). Agriculture Trade – At A Glance. https://legacy.senate.gov.ph/publications/SEPO/SEPO_AAG%20on%20Agricultural%20Trade_10July2024.pdf

FIGURE 1: TOP TRADED AGRI PRODUCTS (IN US$ BILLIONS, 2013 – 2022)

	EXPORTS		IMPORTS
	COCONUT OIL (COPRA) US$12.6b (20%)	1	WHEAT & MESLIN US$13.8b (12%)
	BANANAS (INCL. PLANTAINS) US$11.8b (19%)	2	OIL-CAKE & OTHER SOLID RESIDUES US$10.4b (9%)
	PREP. OR PRESERVED FRUITS & NUTS US$4.3b (7%)	3	FOOD PREPARATIONS US$7.1b (6%)
	PREP. OR PRESERVED FISH US$3.7b (6%)	4	RICE US$6.9b (6%)
	FRESH/DRIED FRUITS (INCL. PINEAPPLES) US$3.0b (5%)	5	MILK & CREAM US$5.0b (4%)
	DESICCATED COCONUT US$2.8b (5%)	6	ANIMAL OR VEGETABLE OILS US$4.7b (4%)
	THICKENER (INCL. CARRAGEENAN) US$2.0b (3%)	7	COFFEE AND TEA EXTRACTS US$4.4b (4%)
	CIGARETTES US$1.9b (3%)	8	BOVINE MEAT US$3.8b (3%)
	FRUIT JUICES US$1.8b (3%)	9	FROZEN FISH US$3.4b (3%)
	UNMANUFACTURED TOBACCO US$1.2b (2%)	10	ANIMAL FEEDS US$3.0b (3%)

While traditional raw products have usually led exports, processed agricultural goods have emerged to diversify exports

C. INTERNATIONAL TRADE

Since January 1995, the Philippines became a member of the World Trade Organization (WTO) and once it had acceded it promptly strived to comply with WTO agreements on Customs Valuation, Technical Barriers to Trade (TBT), and Sanitary and Phytosanitary Measures (SPS). In addition, the Philippines was a founding member of the Association of South East Asian Nations (ASEAN) since 8 August 1967, which translates into being a member of the ASEAN Free Trade Area (AFTA). Other members of AFTA include Brunei, Vietnam, Indonesia, Laos, Myanmar, Malaysia, Singapore, Thailand, and Cambodia[24].

In 1992, during the early stages of ASEAN integration, the Agreement on the Common Effective Preferential Tariff (CEPT) Scheme for the AFTA was signed in Singapore. This agreement became a foundational element in ASEAN's pursuit of establishing a single market and production base characterized by the unrestricted movement of goods, services, investments, skilled labor, and capital, as outlined in the ASEAN Charter and the Declaration on the ASEAN Economic Community (AEC) Blueprint. In 2010, ASEAN Economic Ministers convened in Thailand and signed the ASEAN Trade in Goods Agreement (ATIGA) to create a legal framework facilitating the free flow of goods within the region. ATIGA not only retained the core principles of the CEPT Agreement but also aimed at improving the commitments among ASEAN Member States, promoting a more significant free flow of goods throughout the region. It is anticipated that by 2025, ASEAN will achieve a competitive, efficient, and seamless movement of goods, fulfilling the vision of a true ASEAN Economic Community[25].

Under ASEAN, the Philippines has preferential trade agreements with China, Hong Kong, India, Japan, South Korea, Australia, and New Zealand. Since 2008, the Philippines has entered in a free trade agreement (FTA) with Japan, known as the Philippines-Japan Economic Partnership Agreement (PJEPA). This agreement represents the nation's sole bilateral FTA and covers various aspects, including trade in goods and services, investments, the movement of natural persons, intellectual property rights, customs procedures, enhancement of the business environment, and government procurement.

In 2016, the Philippines signed a FTA which entered into force in 2018 with all EFTA members - Iceland, Liechtenstein, Norway, and Switzerland. In 2020, the Philippines signed a Regional Comprehensive Economic Partnership (RCEP) with 14 Asia Pacific countries – Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, Singapore, Thailand, and Vietnam. This agreement entered into force in 2022. The RCEP agreement covers trade in goods, services, investment, intellectual property, e-commerce, competition, small and medium enterprises, and government procurement. The Senate ratified the Philippines' membership to the RCEP in February 2023[26].

Since December 2014, the Philippines has benefited from enhanced trade preferences with the EU under the EU's Generalised Scheme of Preferences Plus (GSP+). This special incentive program for Sustainable Development and Good Governance allows for the complete removal of tariffs on two-thirds of all product categories, with the goal of promoting sustainable development and good governance[27]. The US and the Philippines have enjoyed a strong trade relationship for over a century, formalized thanks to the 1989 bilateral Trade and Investment Framework Agreement (TIFA). Through the TIFA, the two countries have signed agreements on customs administration and trade facilitation (2010), cooperation to combat illegal transshipments of textiles and apparel (2006), and the implementation of minimum access commitments by the Philippines (1998)[28].

[24] Association of Southeast Asian Nations. The Founding of ASEAN. https://asean.org/the-founding-of-asean/
[25] Association of Southeast Asian Nations. Trade in Goods – Overview. https://asean.org/our-communities/economic-community/trade-in-goods/
[26] International Tarde Administration (2024, January 24). Philippines – Country Commercial Guide. https://www.trade.gov/country-commercial-guides/philippines-trade-agreements
[27] European Union. EU trade relations with the Philippines – Facts, figures and latest developments. https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en#:~:text=Total%20trade%20in%20goods%20between,United%20States%20at%209.9%25)..
[28] Office of the United States Trade Representative. Southeast Asia & Pacific – Philippines. https://ustr.gov/countries-regions/southeast-asia-pacific/philippines

STANDARDS COMPLIANCE ANALYSIS

A. COMPLIANCE WITH REGULATIONS IN AGRI-FOOD TRADE

To foster a unique relationship with its international trading partners, the Philippines has been a member of the WTO since January 1995, recognizing the multilateral trading system established by the General Agreement on Tariffs and Trade (GATT) since 1979. Membership in the WTO includes adherence to the SPS Agreement, which allows member countries to implement legitimate measures to ensure food safety and protect human, animal, and plant health, provided that these measures are scientifically justified and do not obstruct free trade. The SPS Agreement designates the FAO/WHO Codex Alimentarius Commission (CAC) as the standard-setting body for food safety, the International Animal Health Organization (OIE) for animal health, and the FAO Secretariat of the International Plant Protection Convention (IPPC) for plant health. It also requires all member countries to conduct food safety risk analysis as the foundation for their SPS measures in trade.

In the Philippines, Republic Act No. 10611, known as the **Food Safety Act of 2013**, establishes the foundation for the farm-to-fork food safety regulatory system. This legislation aims to safeguard consumer health, promote fair trade practices, and enhance the global competitiveness of Philippine food products. It achieves these objectives by managing hazards within the food supply chain, implementing precautionary measures grounded in scientific risk analysis, and complying with international standards[29]. The main laws governing food safety and international trade are the Food Safety Act of 2013, the Food, Drug and Cosmetics Act, and the Agriculture and Fisheries and Modernization Act. The primary departments responsible for the formulation and enforcement of food safety standards in the Philippines are the Department of Health and the Department of Agriculture. Specifically, the Center for Food Regulations and Research within the Philippine Food and Drug Administration oversees the safety of processed food products, while the Department of Agriculture and its associated regulatory bodies are tasked with ensuring the safety of primary agricultural and fisheries products[30].

The Bureau of Philippine Standards of the Department of Trade and Industry (DTI-BPS) functions as the National Standards Body (NSB) of the Philippines, tasked with the development, promulgation, and implementation of standards for all products in the country. Its mission includes promoting standardization activities and ensuring the manufacture, production, and distribution of quality products to protect consumers. Established on June 20, 1964, under Republic Act (RA) 4109, known as the Standards Law, the Bureau initially operated as the Division of Standards within the Bureau of Commerce of the Department of Commerce and Industry (now DTI). RA 4109's objectives are reinforced by RA 7394, or the Consumer Act of the Philippines, which emphasizes the government's obligation to develop and provide safety and quality standards for consumer products, including performance standards, codes of practice, and testing methods. Currently, the Bureau operates within the Fair-Trade Group (FTG) of the DTI, collaborating with the Fair-Trade Enforcement Bureau (FTEB) and the Philippine Accreditation Bureau (PAB)[31].

Quality Infrastructure for Sustainable Development Index:

The Quality Infrastructure for Sustainable Development (QI4SD) Index, developed by UNIDO, provides a framework of indicators for assessing the overall state of development of a country's and/or region's Quality Infrastructure (QI) and its readiness to support the Sustainable Development Goals (SDGs). Countries are broken down into GDP groups, and within these groups, they are ranked based on their QI readiness to implement SDGs. It is to be noted that most of the ranking information relates to the ranks within the abovesaid groups, and even within the same GDP group, countries may vary considerably in terms of size and other growth indicators. The data from the INetQI organizations were collected from February to June 2021. However, the data year might differ from the year of collection as these organizations have different timeframes for updating their own information.

QI is a multidimensional concept, decomposed into the following five dimensions that are captured using 36 indicators from combined data sources: Metrology, Standardization, Conformity Assessment, Accreditation, and Policy. The Philippines has achieved a QI4SD Index score of **34.9** placing it in the **66th** position out of the 137 countries assessed. As per the five dimensions, The Philippines has scored 16.5 for Metrology, 46.3 for Standardization, 4.8 for Conformity assessment, and 72.0 for Accreditation. No score is available for the Policy dimension.

[29] Abigail S. Rustia, Mariel Adie P. Tan, Danisha Niña S. Guiriba, Francis Philip S. Magtibay, Isaiah Rome J. Bondoc, Christine Bernadette D.G. Mariano, Desiree H. Caincol, Karina Angela D. Bautista, Bebviet Franz R. Bulagao, Vea Clarissa L. De Guzman, Angelica C. Musni, Andrea Mae T. Salem and Joyce Efraim B. Villanueva (2021, January 16th). Defining Risk in Food Safety in the Philippines. Current Research in Nutrition and Food Science. https://dx.doi.org/10.12944/CRNFSJ.9.1.23

[30] Foreign Agriculture Service (2020, January 13). Food and Agriculture Import Regulations and Standards Country Report. USDA. https://apps.fas.usda.gov/newgainapi/api/Report/DownloadReportByFileName?fileName=Food%20and%20Agricultural%20Import%20Regulations%20and%20Standards%20Country%20Report_Manila_Philippines_12-31-2019

[31] Bureau of Philippine Standards – Department of Trade and Industry (2024, October 28th). Who we are. https://bps.dti.gov.ph/about-us/about-the-bureau-of-philippine-standards-dti-bps#:~:text=The%20Bureau%20of%20Philippine%20Standards,country%2C%20and%20to%20ensure%20the

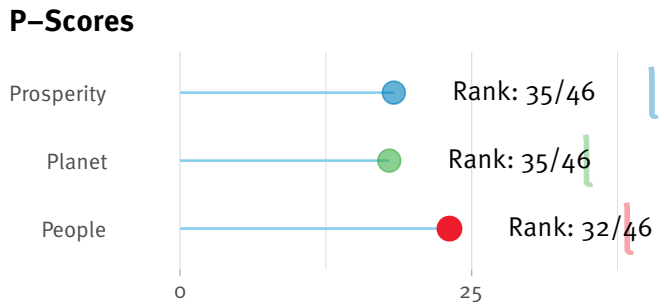
Philippines has done well in the following areas:

Strengths	Dimension	Rank	Value	Unit
Number of recognised certificates (ISO)	Conformity	38	6,090	Number
Number of recognised certificates (IQNet)	Conformity	47	506	Number
Participation in IEC technical committees	Standards	49	39	Number

The report has identified the following weaknesses which the Philippines should focus on:

Weaknesses	Dimension	Rank	Value	Unit
Scopes of IAF accreditation bodies	Accreditation	62	3	Number
Breadth of CMCs	Metrology	65	3	Number of types
Participation in key and supplementary comparisons	Metrology	66	23	Number

Within its GDP group, the Philippines ranked on the three pillars of sustainable development (people, prosperity, and planet) as follows:



More details about the QI4SD Index can be found at https://hub.unido.org/qi4sd/.

B. REJECTION ANALYSIS

Sanitary and phytosanitary (SPS) measures are aimed at protecting the safety and health of consumers, hence, the requirement to comply with these measures applies equally both to domestic and exported products. When food and feed products get rejected at the border, the consequences may be extremely dire and costly. The total costs associated with border rejections include the loss of the exported products (as they are usually destroyed by the importing country), together with the transportation, freight and insurance and other related expenses. On top of the loss of earnings, rejections tend to damage the exporting country's reputation, weakening its export competitiveness in the long term, as the importing country may lose trust toward the quality and safety of products originating from that country. Exporters may have to sell rejected products at a discounted price to account for the risk. Besides, they may well be put on the list of producers to be subject to reinforced checks (as in the case of exports to the EU)[32].

Aggregate Rejection Rate

The Aggregate Rejection Rate (ARR) is a simple sum of the annual number of rejections. An increase in the number of rejections may be indicative both of an increase in the overall volume of exports from the country concerned, and a risen rate of non-compliance with the quality and safety standards and regulations for exported products. Although the ARR, in this study, is used to compare how well Philippine food exports are performing in various markets, it is to be noted that importing countries do not always apply similar approaches to inspection. For instance, US rejection information contains no data on meat, poultry, or their products. Additionally, not all importing countries include data on such elements as volume, size, and value of the consignments in their rejection datasets.

[32] Kareem, F. O., Brümmer, T. L., & Martinez-Zarzoso, I. (2015). Food safety standards, compliance and European Union's rejection of African exports: The role of domestic factors. *GlobalFood Discussion Papers*, 74. https://www.econstor.eu/bitstream/10419/121845/1/837623928.pdf

Consequently, a more in-depth sub-analysis would be necessary in order to gain a thorough insight into the correlation between the total number of rejections of the exported food and feed products and the overall volume of exports going to a particular market.

Although analyzing border rejection data proves quite instrumental in determining some of the causes of non-compliance to food safety standards, it is important to use caution and keep in mind that this is not the sole indicator of non-compliance. For instance, if a certain food or feed product is not exported to a particular market for the mere reason of a prior knowledge that, prospectively, it will be rejected at the border for non-compliance, naturally, this product will not feature in the collected rejection data (as no exports means no rejections). Accordingly, such an analysis should be used hand-in-hand with other sets of data and indicators in order to get a broader picture of the short-term and long-term challenges plaguing the quality infrastructure landscape of a specific country.

Table 2 and **Figures 2** and **3** show that during the period of 2010 - 2022 the US market had the largest share of rejections (63%). The other three markets have a similar share of rejections (between 6 to 9%) while the Australian market has a slightly higher share of 14%. As the US enjoys the highest number of agricultural exports from the Philippines, this high number of rejections is expected. It can be noted that the aggregate number of rejections for food and feed Philippine exports for the five markets has decreased by 66% from 289 to 97 during the studied period. This is a remarkable accomplishment to be acknowledged and commended, given the fact that the total amount of exports from the Philippines has increased during that period of time.

TABLE 2:
AGGREGATE NUMBER OF REJECTIONS OF PHILIPPINE FOOD AND FEED HS 1-23 EXPORTS DURING 2010 – 2022

Markets	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total	%
Australia	43	25	17	30	20	18	13	13	33	15	33	19	21	**300**	**14%**
China	24	21	14	19	13	11	12	27	2	1	3	19	16	**182**	**8%**
EU	7	12	12	2	8	12	9	14	14	14	12	11	10	**137**	**6%**
Japan	19	16	20	13	16	22	18	14	21	12	15	5	7	**198**	**9%**
USA	196	184	169	164	85	62	60	67	140	142	57	25	43	**1,394**	**63%**
Total	289	258	232	228	142	125	112	135	210	184	120	79	97	**2,211**	**100%**

Table 2 and **Figures 2** and **3** demonstrate that the decrease in rejections during the last decade does not come from a decrease in exports. On the contrary, Philippine food and feed exports have increased during that period. For instance, rejections of exports to the American market have steadily dropped year by year during the 2010 – 2022 period except for peaks in 2018 and 2019, while exports to this market have increased. In 2022, the U.S. market was the largest market for Philippine agricultural exports, accounting for 18% of the total export turnover of the agricultural sector. This market is currently in first place winning slightly over China (13%), the Netherlands (13%), Japan (12%), and South Korea (6%). The same findings apply for the Japanese and Australian markets, with a 63% and 51% decrease in rejections respectively over the 2010 to 2022 period (**Figure 2**).

As shown in **Figure 4**, the share of rejections from the European market has remained steady. For the Chinese market, there was a peak in rejections in 2021 and 2022, which may be caused by stricter border controls during the COVID-19 pandemic. This has caused the share of Chinese rejections to increase during those years as well, accounting for 24% of the total in 2021 and 16% in 2022.

FIGURE 2: EVOLUTION OF ARR BY MARKET, 2010 - 2022

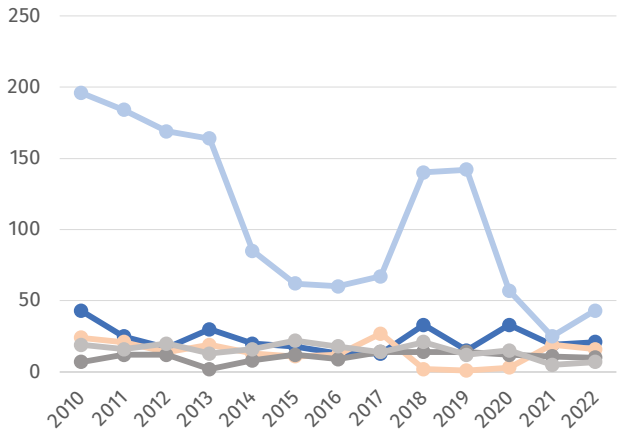


FIGURE 3: GLOBAL NUMBER OF REJECTIONS FOR ALL MARKETS, 2010 - 2022

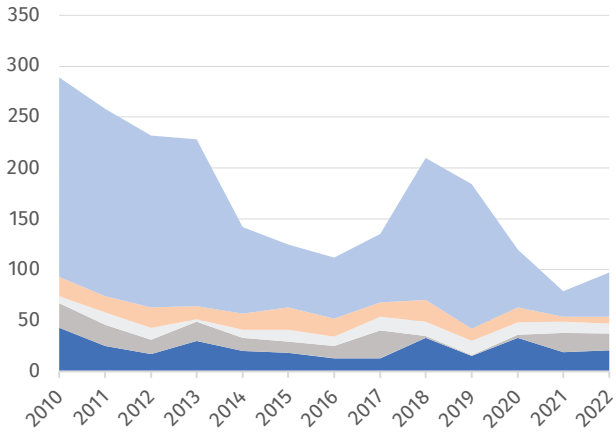
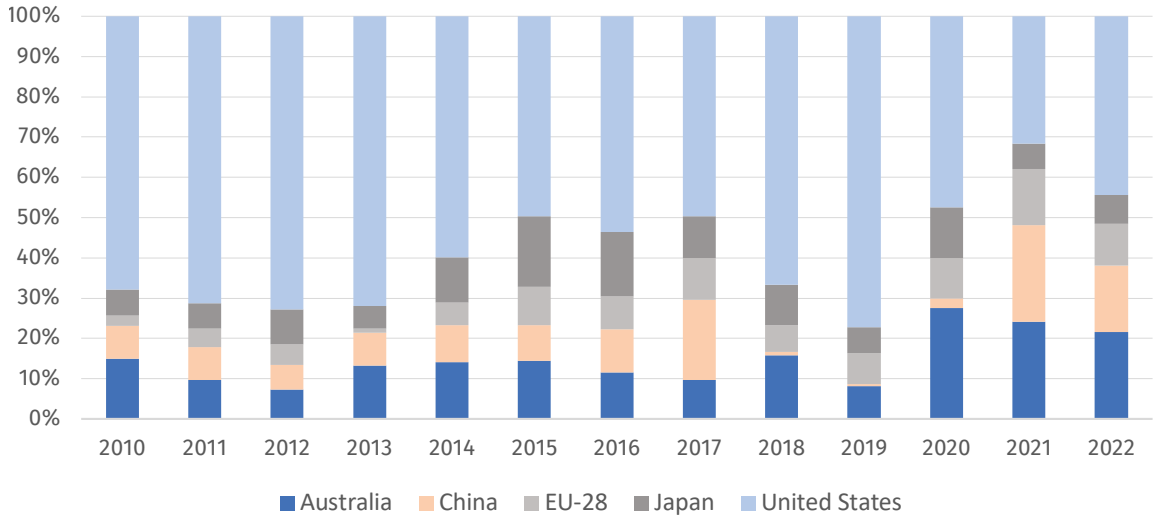


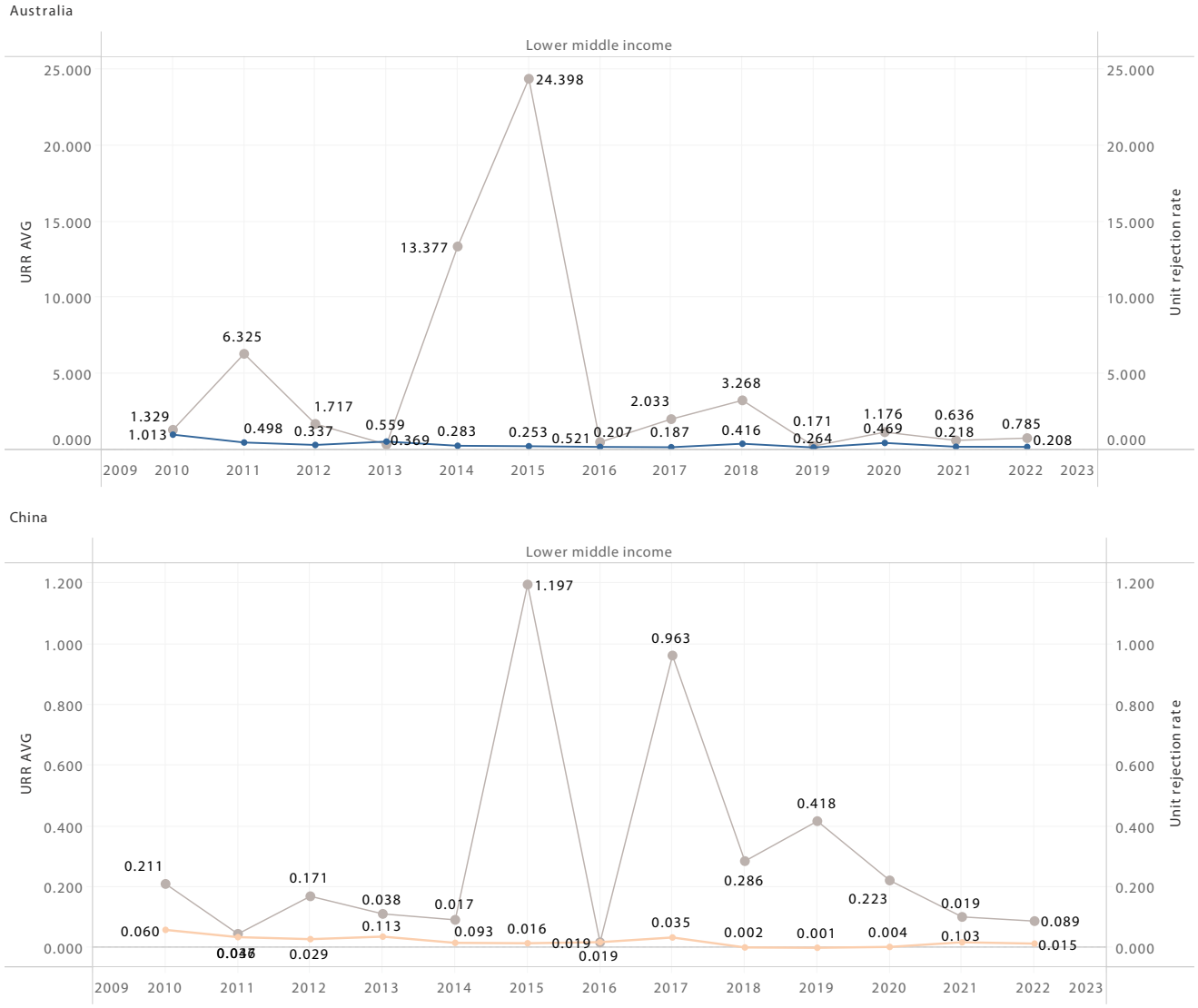
FIGURE 4: SHARE OF REJECTIONS FOR PHILIPPINE FOOD AND FEED EXPORTS BY MARKET, 2010 - 2022

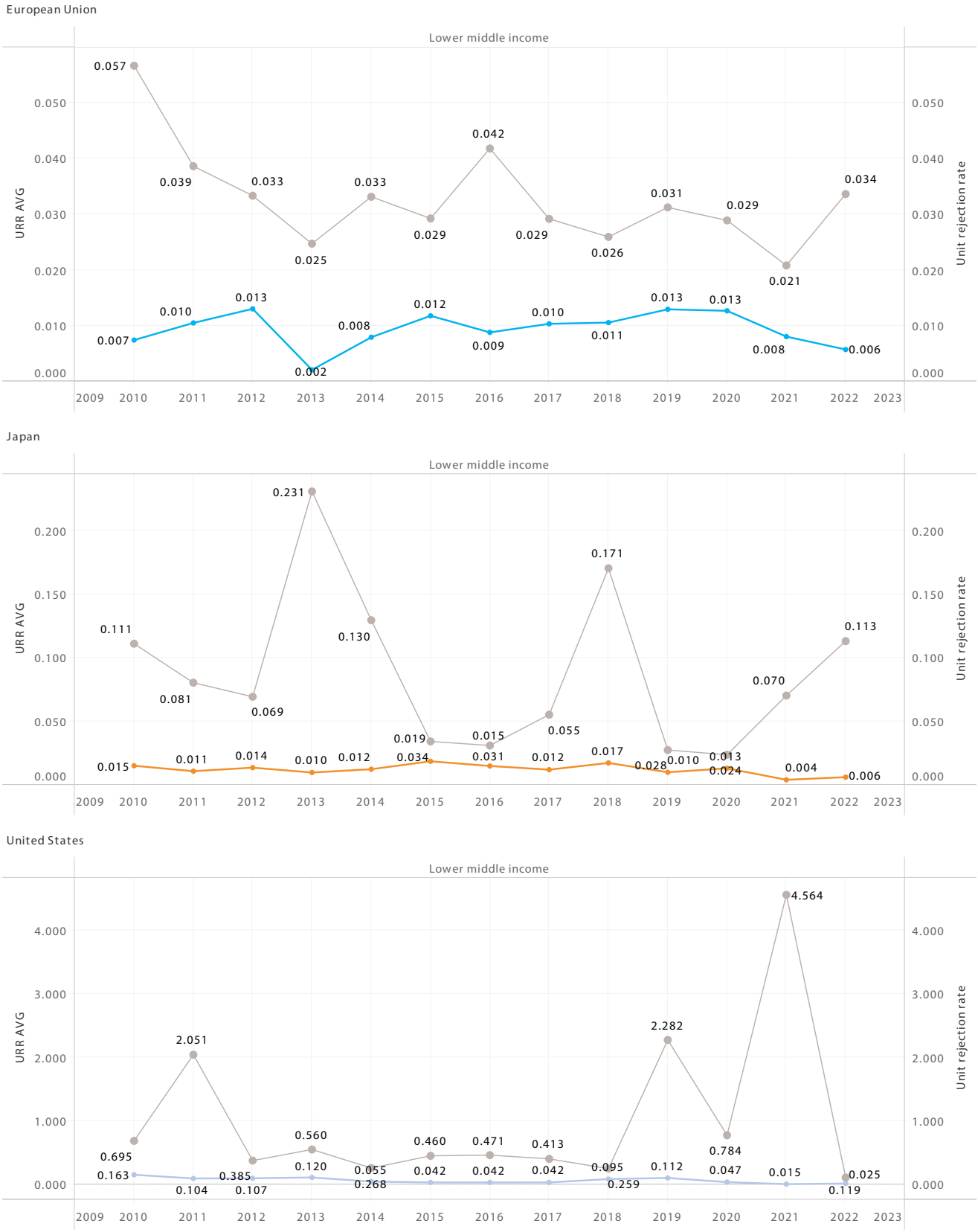


Unit Rejection Rate

The Unit Rejection Rate (URR) is defined as the number of rejections per US$ 1 million imports. The coloured charts represent the URR for Philippine food and feed (HS 1-23) products for a specific market during the period of 2010 to 2022. The Philippines's URR (the coloured line) is being compared with the average URR for the World Bank income bracket Philippines belongs to, which is the lower middle-income level in 2022 (the grey line). The URR indicator takes into account the changes in volumes of export thus providing a direct measure of the non-compliance rate. A higher URR points to a higher rate of non-compliance with food safety and quality regulations.

FIGURE 5: URR FOR PHILIPPINE FOOD AND FEED HS 1-23 EXPORTS TO THE FIVE MARKETS DURING 2010 – 2022





According to **Figure 5**, the Philippines's URR for food and feed exports for the US market fluctuated between 0.015 and 0.163 during the period of 2010 – 2022 with an average of 0.07, which means that for every US$ 100 million of imports from the Philippines to the US, there were about seven rejections. This figure is lower than the average URR of all lower middle-income countries as classified by the World Bank, which suggests that the Philippines has done well in complying with the American food safety and quality regulations. For the Australian, Chinese, and Japanese markets, the URR is close to null and much lower than the average URR for all lower middle-income countries. Simarlaly, the Philippines's performance in the European market is to be commanded.

Relative Rejection Rate Indicator

The bar charts in **Figure 6** display the distribution of the Relative Rejection Rate (log ratio) across different markets for Philippine food and feed (HS 1-23) exports in 2022. The shown Relative Rejection Rate (RRR) is the natural logarithm of the ratio of the country's share in total rejections to the share of its total imports into particular markets. The indicator provides a convenient measure of the performance of countries relative to one another during a year or over a specific period of time. A higher RRR (log ratio) for a particular market indicates the Philippines's poorer performance in terms of compliance with this market's food safety and quality standards, relative to other markets.

FIGURE 6: RRR FOR PHILIPPINE FOOD AND FEED HS 1-23 EXPORTS IN 2022

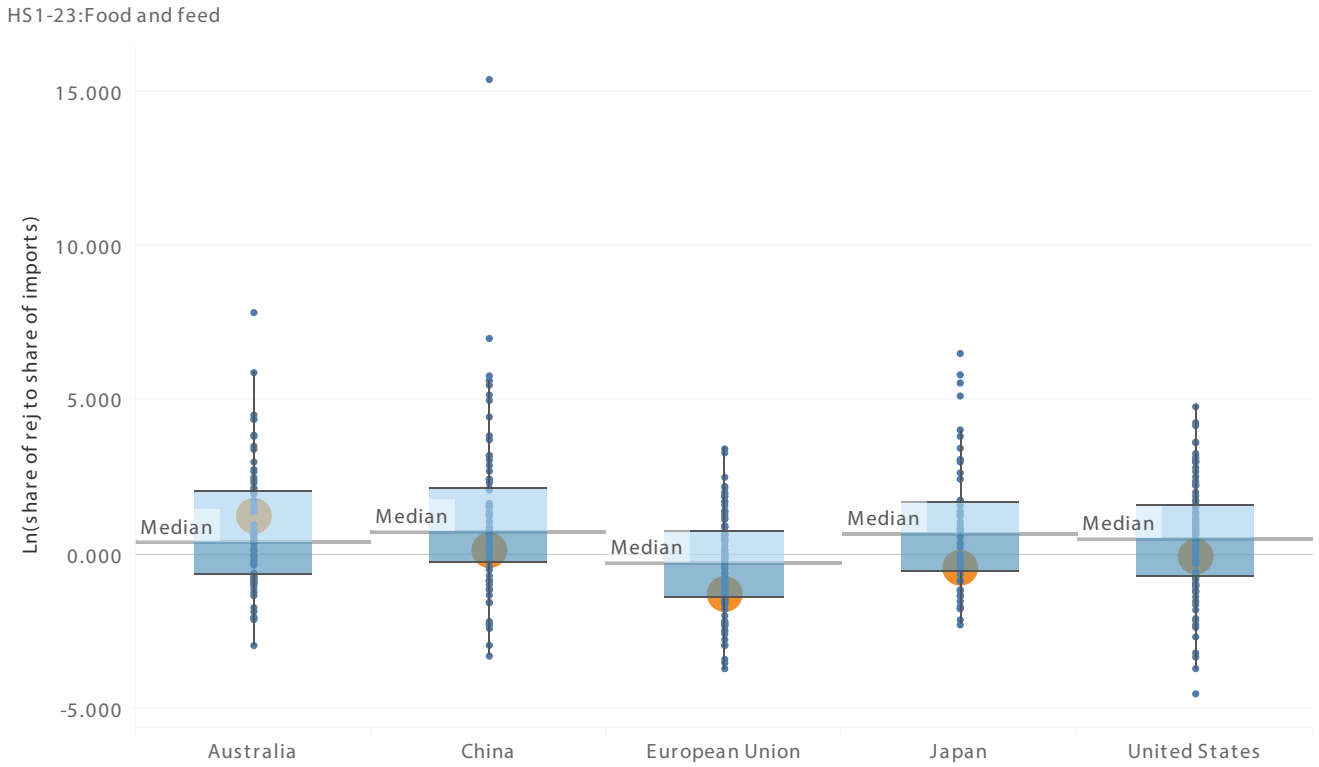


TABLE 3: RRR FOR PHILIPPINE FOOD AND FEED HS 1-23 EXPORTS IN 2022

Australia		China		EU		Japan		United States	
Median	Philippines	Median	Philippines	Median	Philippines	Median	Philippines	Median	Philippines
0.396	**1.273**	0.717	**0.164**	- 0.275	**-1.254**	0.687	**-0.404**	0.528	**-0.038**

As shown in **Figure 6** and **Table 3,** the Philippines's RRR for the Australian markets is higher than in other markets, which points to the country's poorer performance in terms of compliance with the Australian food safety and quality standards compared to other markets. While the other RRR values for the Philippines are lower than the median RRR for the respective markets, the Philippines should focus its efforts on improving its compliance with the Chinese market followed by the Japanese and American ones. Similarly to what was noted using the URR indicator earlier, its best performance is in the European market.

REASONS FOR REJECTION

Frequency of Reasons for Rejection

The frequency of reasons for rejection represents the total counts of consignments rejected at the border of entry for a particular reason. Examples of possible reasons for rejection include labelling, hygienic condition, adulteration, missing document, additives, bacterial contamination, pesticide residues, veterinary drugs residues, mycotoxins, heavy metal, and packaging. It should be remembered that "the aggregate frequency of reasons of rejections" is not the same as "the aggregate number of rejections", as a single consignment may be rejected on multiple grounds.

General Reasons for Rejection

TABLE 4: FREQUENCY OF REASONS FOR REJECTION (NUMBER & %) OF PHILIPPINE FOOD & FEED HS 1-23 EXPORTS TO THE 5 MARKETS DURING 2010 - 2022

PHILIPPINES	Australia		China		EU		Japan		US		Total	
	Numbers	**%**	**Numbers**	**%**	**Numbers**	**%**	**Numbers**	**%**	**Numbers**	**%**	**Numbers**	**%**
Additive	1	0%	55	30%	59	42%	31	16%	308	13%	454	**14%**
Adulteration / missing document	37	10%	41	22%	11	8%	7	3%	350	14%	446	**13%**
Bacterial contamination	5	1%	48	26%	3	2%	112	57%	262	11%	430	**13%**
Heavy metal	0	0%	1	1%	3	2%	3	1%	0	0%	7	**0%**
Hygienic condition / controls	0	0%	4	2%	11	8%	6	3%	772	32%	793	**24%**
Labeling	229	58%	10	5%	2	1%	0	0%	632	26%	873	**26%**
Mycotoxins	34	9%	0	0%	9	6%	3	1%	19	1%	65	**2%**
Other contaminants	75	19%	4	2%	14	10%	11	6%	41	2%	145	**4%**
Other microbiological contaminants	0	0%	8	4%	3	2%	0	0%	0	0%	11	**0%**
Others	0	0%	12	7%	20	15%	1	1%	8	0%	41	**1%**
Packaging	0	0%	1	1%	4	3%	0	0%	0	0%	5	**0%**
Pesticide residues	11	3%	0	0%	2	1%	24	12%	12	0%	49	**1%**
Veterinary drugs residues	0	0%	0	0%	0	0%	0	0%	27	1%	27	**1%**
Total	**392**	100%	**184**	100%	**141**	100%	**198**	100%	**2,431**	100%	**3,346**	**100%**

FIGURE 7: AGGREGATE FREQUENCY OF REASONS FOR REJECTION (%) FOR PHILIPPINE FOOD & FEED HS 1-23 EXPORTS TO THE 5 MARKETS DURING 2010 - 2022

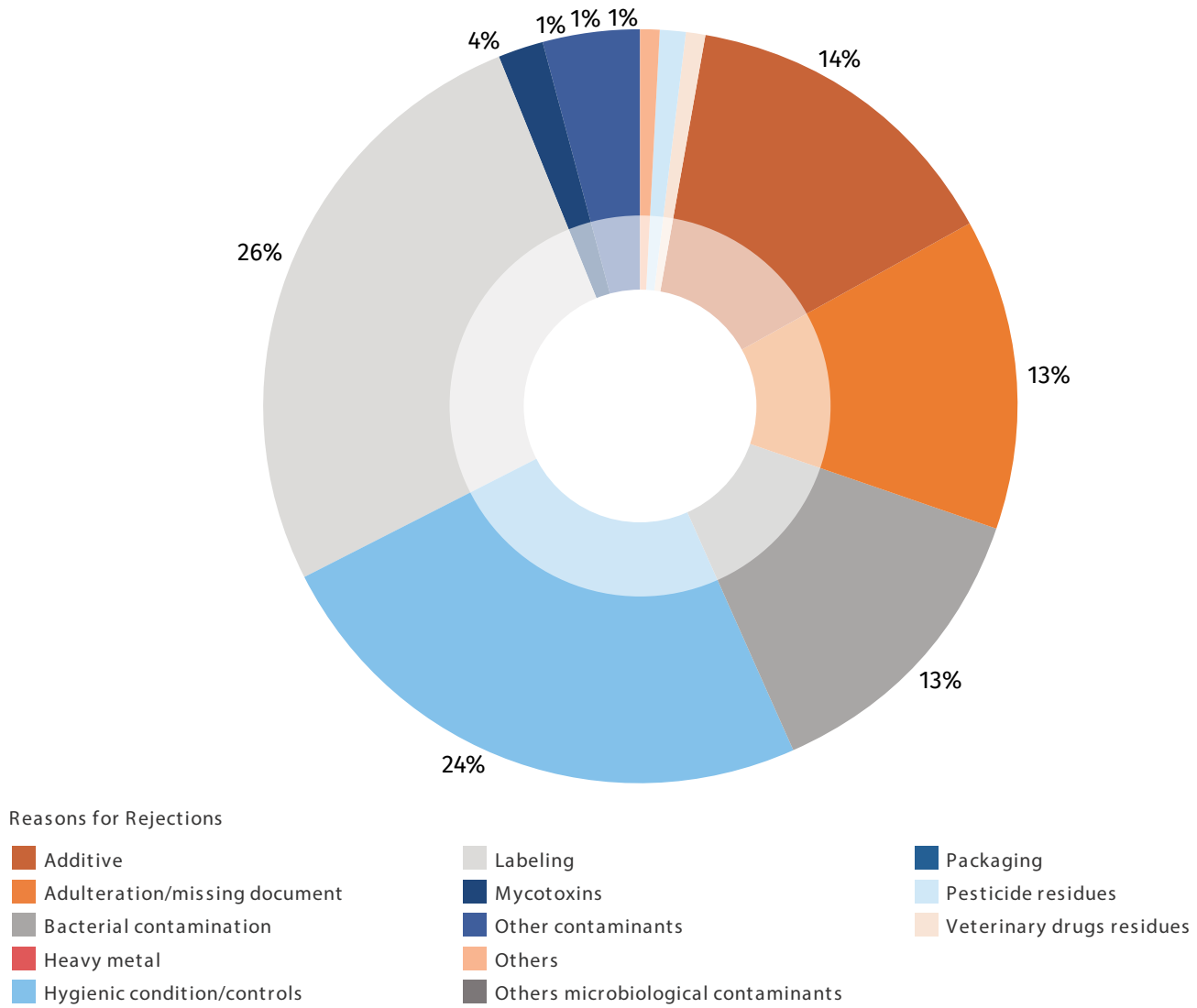


Table 4 and **Figure 7** present the aggregate frequency of reasons for rejection of food and feed products exported from the Philippines into the five markets during the period of 2010 - 2022. The frequency of reasons for rejection denotes the total count of consignments rejected at the border of entry due to a specific reason. This indicator plays a crucial role in assisting exporting countries to identify areas for capacity building and, in particular, address the key reasons for rejections, with a view to achieving or enhancing compliance with the international trade standards. Causes of rejections for the Philippines are diverse and include **labelling** (26%), **hygienic condition/controls** (24%), **additives** (14%), **adulteration/missing document** (13%), and **bacterial contamination** (13%).

Reasons for Rejection by Market

Figure 8 illustrates the frequency of reasons for rejection of Philippine food and feed products at the border of each of the five markets.

FIGURE 8: FREQUENCY OF REASONS FOR REJECTION (%) FOR FOOD & FEED HS 1-23 PHILIPPINE EXPORTS BY MARKET DURING 2010 – 2022

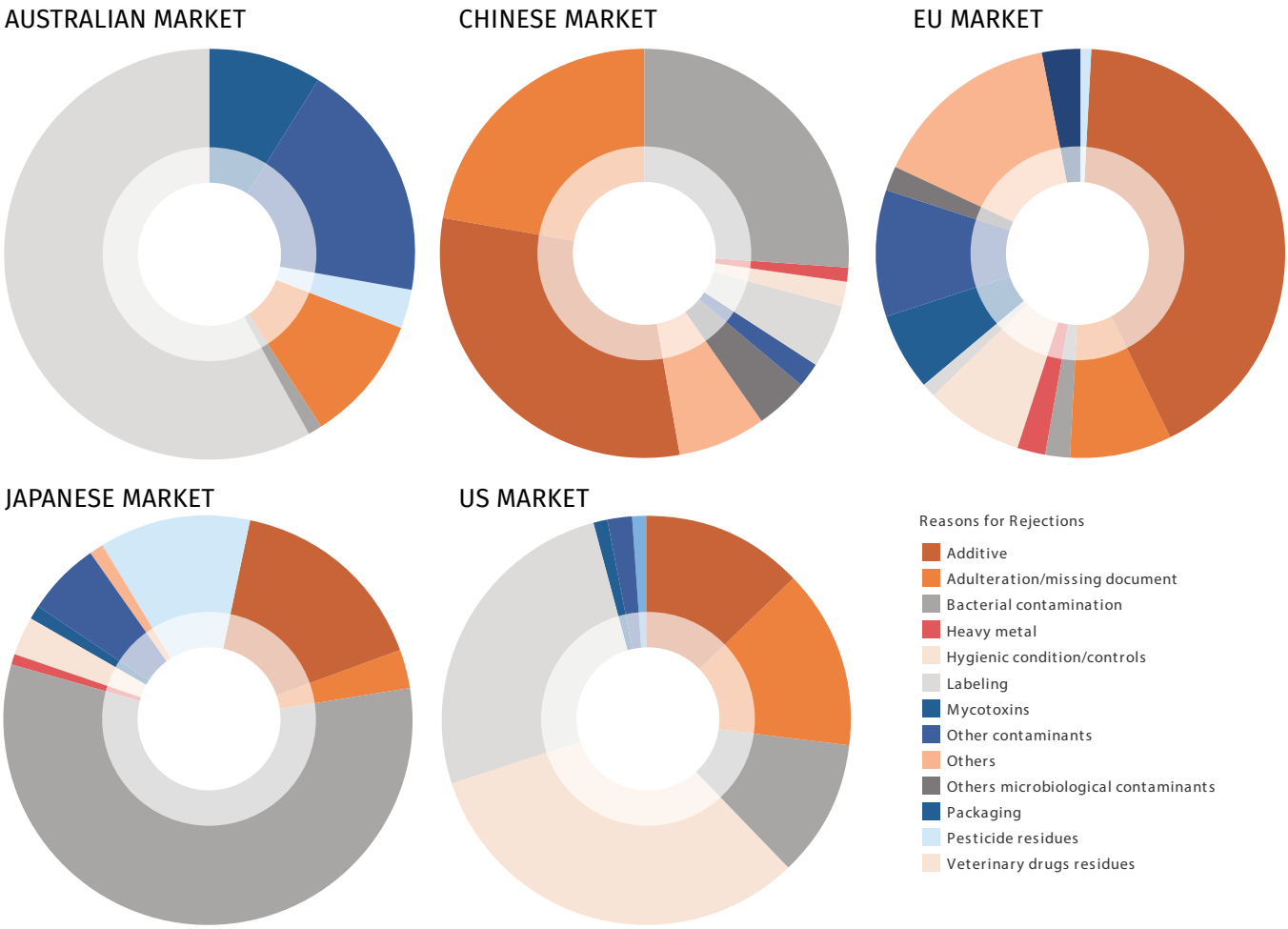


Table 4 and **Figure 8** demonstrate that for the American market, the most common reasons for the rejection of Philippine food and feed exports during the period of 2010 to 2022 were **hygienic control/missing documents** (32%), **labelling** (26%), **adulteration/missing document** (14%), and **additives** (13%). The U.S. Department of Agriculture (USDA) and the Food and Drug Administration (FDA) oversee the production of more than 80% of foodstuffs on the U.S. soil, including fish, seafood, produce, and dairy products. In 2019, the measures enforced by the USDA and FDA amounted to a total of $2 billion. This high price tag is justified by the excellent performance of the US inspection regime. Bearing this in mind, the Philippines ought to take extra efforts in order to make sure its agricultural products are not rejected at the US border because of labelling or missing documents as the US is a major export destination for agri-food Philippine commodities. As for the Japanese market, the most common reasons for rejection were **bacterial contamination** (57%) followed by **additives** (16%). Hence, in order to ensure a better quality and safety of its products, the country should put more emphasis on monitoring the process of ripening, spoilage and proliferation of pathogenic microorganisms. For the Australian market, the most common reasons for rejection were **labelling** (58%) and **other contaminants** (19%) while in the European market, rejections were mostly due to **additives** (42%). Finally, for the Chinese market, the most common reasons for rejection were **additives** (30%), **bacterial contamination** (26%), and **adulteration/missing document** (22%).

ANNEX:
Contextualizing trade-related standards

Technical regulations and standards in the area of international trade of food and non-food (industrial) products become increasingly prevalent and are continuously evolving. Moreover, the available evidence indicates that many developing countries face challenges in terms of complying with the safety and quality requirements these regulations and standards lay down. Since 2008, UNIDO has regularly collected evidence about trade-related challenges and their evolution over time, particularly in the area of compliance with the requirements set by international markets (involving quality, certification, labelling, etc.).

The challenge for national governments and donors, as they undertake efforts to improve compliance, is to allocate wisely the scarce financial and technical resources amongst a plethora of capacity-building needs. This would require pinpointing the areas where the most acute compliance problems lie. In the context of trade, this implies identifying the products and markets with the highest non-compliance rates based on reported rejections. From this viewpoint, the Standards Compliance Analytics (SCA) proves to be a convenient tool facilitating the use of rejection data. It helps identify the key compliance challenges confronted by exporting countries and, thereby, contributes to an improved targeting of investments aimed at building up relevant compliance capacities (more details about the SCA tool can be found in the Annex). Furthermore, alongside with additional key indicators related to the development, production and trade, the SCA tool supports assessment of the overall impact of rejection on the export performance of individual countries and helps estimate their compliance capacity by analysing rejection trends. Lastly, the SCA tool allows to compare trade compliance performance of exporting countries by different markets, or by specific product groups.

Finally, information on rejection is a useful resource for policymaking and planning technical assistance as it helps navigate and target efforts aimed at addressing compliance issues in a more effective and focused manner. A deeper insight into trade-related compliance challenges will contribute to a better preparedness of exporting countries to meet requirements of importing markets and will eventually lead to fewer rejections in the long term. As a result, countries will not sustain as much economic losses or suffer a reputational damage due to large scale rejections.

The SCA tool compiles data from several data sources covering five major markets including:

» **China**: Chinese rejection data records for agri-food products are published by the General Administration of Customs (GAC). The data include records of rejected consignments under HS codes 1 to 24.

» **United States:** The US food and feed border rejection data have been obtained from the US Food and Drug Administration's (USFDA) Operational and Administrative System for Import Support (OASIS), an automated system for processing shipments and making admissibility determinations on the imported products that come under the jurisdiction of the USFDA. Besides, the USFDA's website provides details on some variables related to rejection data (Import Refusal Report). Overall, this system comprises both food & feed and non-food rejection data. However, the present report takes no account of non-food rejections, as it only focuses on the analysis of food and feed exports.

» **Australia:** Australian food and feed border rejection data have been obtained from the Australian Department of Agriculture, Water and the Environment. Alongside with other causes of rejection, these data contain rejections due to labels and failed visual inspections. Imported food is inspected using a special program known as the Imported Food Inspection Scheme (IFIS). The scheme examines imported food for its compliance with Australia's public health and safety requirements and food standards. Regulation of imported food is based on the risk-based approach. More specifically, when a consignment of imported food gets referred for inspection, it will undergo visual and label checks, as well as sampling for analytical tests, as required. IFIS categorizes food either as 'risk food' or 'surveillance food'. According to Food Standards Australia New Zealand (FSANZ), 'risk food' is the food posing medium to high risk to the public health, thereby requiring stricter border controls, whereas 'surveillance food' is associated with a low risk to human health and safety.

» **Japan:** the Japanese food and feed border rejection data are obtained from Japan's Ministry of Health, Labour and Welfare (MHLW). The MHLW tracks and controls import consignments that violate the Food Sanitation Law, in order to secure the "safety of diet" of Japanese people.

» **European Union:** food and feed border rejection data have been obtained directly from the officials responsible for running the EU's Rapid Alert System for Food and Feed (RASFF). RASFF provides a platform for the exchange of information between EU Member States on measures effected in response to food and feed products that pose an immediate risk to human health, both in the EU internal market and with respect to imports from Third Countries. Overall, these data contain both food & feed and non-food (food contact material) rejections. However, the present report takes no account of non-food rejections, as it focuses only on the analysis of food and feed rejections. It is important to note that after 2020, the United Kingdom's rejections are no longer incorporated into the EU's rejection data set.

United Nations Industrial Development Organisation (UNIDO)
Vienna International Centre
Wagramer Str. 5, P.O. Box 300,
A-1400 Vienna, Austria

+43 1 26026-0

www.unido.org

unido@unido.org

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This work was supported by Switzerland through the State Secretariat for Economic Affairs (SECO) under the Global Quality and Standards Programme (GQSP).