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ANNEX I

to the Commission Implementing Decision on the financing of the annual action plan in favour of the Philippines for 2022

Action Document for the Green Economy Programme in the Philippines

MULTIANNUAL PLAN

This document constitutes the Multiannual work programme within the meaning of Article 110(2) of the Financial Regulation, within the meaning of Article 23 of the NDICI-Global Europe Regulation.

1 SYNOPSIS

1.1 Action Summary Table

1. Title CRIS/OPSYS business reference Basic Act	Green Economy Programme in the Philippines OPSYS number: ACT-61024 Financed under the Neighbourhood, Development and International Cooperation Instrument (NDICI-Global Europe)
2. Team Europe Initiative	Yes, Team Europe Initiative on Green Economy
3. Zone benefiting from the action	The action shall be carried out in the Philippines.
4. Programming document	Multi-annual Indicative Programme for the Philippines (2021-2027)
5. Link with relevant MIP(s) objectives / expected results	<p><u>Specific Objective (SO) 1</u>: Circular Economy and Plastic Waste Management: An innovative climate-neutral, resource efficient, circular economy particularly plastic, which prioritises a progressive reduction of the production and consumption of unnecessary and problematic plastics, is developed.</p> <p><u>Specific Objective (SO) 3</u>: Support to specific national strategies linked to Climate Change mitigation and adaptation: Climate change response objectives in the Nationally Determined Contribution (NDC) are supported through low carbon development planning and implementation.</p>
PRIORITY AREAS AND SECTOR INFORMATION	
6. Priority Area(s), sectors	Priority Area 1: Green, Resilient Economy and Green Jobs Sectors: DAC code 250, 410, 151 and 14

7. Sustainable Development Goals (SDGs)	<p>Main SDG: SDG 12 (Responsible consumption and production)</p> <p>Other significant SDGs and where appropriate, targets:</p> <ul style="list-style-type: none"> ▪ SDG 5 (Gender equality) ▪ SDG 8 (Decent work and economic growth) ▪ SDG 9 (Industry Innovation and Infrastructure) ▪ SDG 7 (Affordable and clean energy) ▪ SDG 13 (Climate action) ▪ SDG 14 (Life below water): Conserve and sustainably use the oceans, seas and marine resources for sustainable development ▪ SDG 15 (Life on land): Protect, restore and promote sustainable use of terrestrial ecosystems, sustainably manage forests, combat desertification, and halt and reverse land degradation and halt biodiversity loss 			
8 a) DAC code(s)	<ul style="list-style-type: none"> ▪ DAC 250 Business & Other Services (25030 Business development services) –20% ▪ DAC 410 General environmental protection (41010 Environmental policy and administrative management) – 26% ▪ DAC 140 Water supply and sanitation (14050 Waste management/disposal) – 39% ▪ DAC 151 Government and Civil Society, General (15170 Women’s rights organisations and movements, and government institutions) - 5% ▪ DAC 231 Energy Policy (23183 - Energy conservation and demand-side efficiency) - 5% 			
8 b) Main Delivery Channel	<p>40000 Other multilateral institution</p> <p>13000 Third Country Government/EU Members States (Delegated cooperation, Twinning)</p> <p>60000 Private Sector Institution</p>			
9. Targets	<p><input type="checkbox"/> Migration</p> <p><input checked="" type="checkbox"/> Climate</p> <p><input checked="" type="checkbox"/> Social inclusion and Human Development</p> <p><input checked="" type="checkbox"/> Gender</p> <p><input checked="" type="checkbox"/> Biodiversity</p> <p><input checked="" type="checkbox"/> Education</p> <p><input type="checkbox"/> Human Rights, Democracy and Governance</p>			
10. Markers ¹ (from DAC form)	General policy objective @	Not targeted	Significant objective	Principal objective
	Participation development/good governance	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Aid to environment @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Gender equality and women’s and girl’s empowerment	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Trade development	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Reproductive, maternal, new-born and child health	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>

¹ For guidance, see <https://www.oecd.org/development/financing-sustainable-development/development-finance-standards/> (go to “Data collection and resources for reporters”, select Addendum 2, annexes 18 (policy) and 19 (Rio) of the reporting directive). If an action is marked in the DAC form as contributing to one of the general policy objectives or to RIO principles as a principal objective or a significant objective, then this should be reflected in the logframe matrix (in the results chain and/or indicators).

	Disaster Risk Reduction @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Inclusion of persons with Disabilities @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Nutrition @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	RIO Convention markers	Not targeted	Significant objective	Principal objective
	Biological diversity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Combat desertification @	<input checked="" type="checkbox"/>	<input type="checkbox"/>	<input type="checkbox"/>
	Climate change mitigation @	<input type="checkbox"/>	<input type="checkbox"/>	<input checked="" type="checkbox"/>
	Climate change adaptation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
11. Internal markers² and Tags³:	Policy objectives	Not targeted	Significant objective	Principal objective
	Digitalisation @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity digital governance digital entrepreneurship digital skills/literacy digital services	YES <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	
	Connectivity @	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	digital connectivity energy transport health education and research	YES <input type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/>	NO <input checked="" type="checkbox"/> <input type="checkbox"/> <input checked="" type="checkbox"/> <input checked="" type="checkbox"/> <input type="checkbox"/>	
	Migration @ (methodology for tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/> ⁴	<input type="checkbox"/>
	Reduction of Inequalities @ (methodology for marker and tagging under development)	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	Covid-19	<input type="checkbox"/>	<input checked="" type="checkbox"/>	<input type="checkbox"/>
	BUDGET INFORMATION			

² The internal markers have been created to report on the implementation of the Commission's own policy priorities in areas where no DAC reporting tool is available. For the sake of consistency and comparability, the methodology is equivalent to the DAC markers, with three possible positions (main target, significant target, not targeted).

³ Methodology for additional tagging providing granularity on internal markers is under development. When a marker is Significant or Principal Objective, please also choose the the relevant yes/no tag.

⁴ Migration per-se is not targeted by the Action but mainstreamed in relation to land-use planning and climate change displacement. Please refer to page 11 section on : Conflict sensitivity, peace and resilience. This is consistent with Opsys encoding.

12. Amounts concerned⁵	<p>Budget line(s) (article, item): 14.020131</p> <p>Total estimated cost: EUR 60 million</p> <p>Total amount of EU budget contribution EUR 60 million</p> <p>The action is part of a Team Europe Initiative Green Economy (TEI).</p> <p>Total estimated TEI budget: EUR 400 million</p> <p>Total amount of Blending and Guarantees contribution from EU Member States : EUR 30 million</p> <p>Total amount of EIB and EDFIs contribution: EUR 310 million.</p>
MANAGEMENT AND IMPLEMENTATION	
13. Type of financing⁶	<p>Direct management through:</p> <ul style="list-style-type: none"> ▪ Twinning grants ▪ Procurement <p>Indirect management with the entities to be selected in accordance with the criteria set out in section 4.4.1.1</p>

1.2 Summary of the Action

The purpose of the Green Economy Programme is to support the Philippines' transition towards a green economy, including circular economy, reducing waste and plastic, as well as to increase energy efficiency and renewable energy deployment to support climate change mitigation. The transition to circular economy will have other added benefits such as the reduction of use of energy and greenhouse gas emissions, improvement of biodiversity and natural capital, a decrease in pollution levels, as well as climate change adaptation among others.

The action tackles three main levels:

- (i) establishing a **Policy Dialogue Platform at central government level** to mobilise EU expertise to facilitate policy formulation, improve city to city collaboration through supporting the development of a National Circular Economy Strategy and Roadmap, extend dialogue to promote renewable energy/energy efficiency and to apply the dialogue's outcomes (linked to Specific Objective 1 of the action);
- (ii) working with **Local government units (LGUs)** where the EU expertise will support to define and implement circular economy, climate change and energy policies with a human rights and gender - responsive perspective, outreach and support of local business and civil society, and support less advanced LGUs (linked to Specific Objective 2 of the action);
- (iii) enhancing **engagement of the private and financial sectors** into the circular waste economy creating better conditions for private sector investment by supporting business driven waste reduction strategies and circular solutions in the production process (linked to Specific Objective 3 of the action).

Another component across levels will work with **national, local government and private sector stakeholders**, to increase energy efficiency and renewable energy deployment to support climate change mitigation (linked to

⁵ This section should be in line with the indicative budget in section 4.5 (e.g. the amount of the third-party contribution as co-financing of grants should not be specified)

⁶ Art. 27 NDICI

Specific Objective 4 of the action). Circularity is a prerequisite for climate neutrality, with the Circular Economy Action Plan⁷ requiring the EU to set up synergies between achieving circularity and climate neutrality. This responds to the call and need to favour resource efficiency, the use of renewable energy and energy efficiency to reduce overall energy consumption, and tackle the Philippine NDC key sectors on waste and energy, to address the effects of climate change.

The action will also require green and digital skills and competences set to be developed as well and provided through education and training, including Technical and Vocational Education and Training (TVET).

The action is framed under priority one ‘Green Resilient Economy and Green Jobs’ of the Multi-Annual Indicative Programme 2021-2027⁸, focusing on the MIP objectives regarding circular economy and plastic waste, digital transformation and enhanced connectivity and climate change mitigation and adaptation. Overall, the action will contribute to deliver the Indo Pacific Strategy⁹ and the Global Gateway Strategy¹⁰ while also contributing to the implementation of the Gender Action Plan III¹¹ by promoting a fair and gender-sensitive green transition and contribute to the implementation of the 2030 Agenda for Sustainable Development¹² and the European Green Deal¹³.

This action is the building block of the Team Europe Initiative on Green Economy for the Philippines and will be complementary to the ASEAN Green Team Europe Initiative and create synergies with the regional TEI supporting Sustainable Consumption and Production (SCP) being developed at Pan-Asia level. Access to the European Fund for Sustainable Development (EFSD+) guarantees and blending are envisaged to unlock and leverage public and private investment.

The integration of the needs, rights and challenges faced by people living in vulnerable situations, including women, children and youth, indigenous peoples, persons with disabilities, internally displaced persons, people living in poverty, especially extremely poor and in long term poverty, and persons living in conflict affected areas will be mainstreamed across the Action. A human rights-based approach will be applied to ensure non-discrimination, inclusive participation, transparency and accountability and in order to leave no one behind in the definition of instruments for the beneficiary communities. Targeted support will be delivered through local CSOs, including women’s organisations, and community groups. Disaster Risk Management and preparedness will be integrated in the Action, in particular when working with the LGUs under Level 2, given the high-level vulnerability of the Philippines to natural disasters.

2 RATIONALE

2.1 Context

The Philippines has a population of 106 million inhabitants¹⁴, and it is estimated to grow to 142 million by 2045¹⁵. The Philippines is one of the ten members of the Association of Southeast Asian Nations (ASEAN), the fifth

⁷ European Commission, Circular Economy Action Plan For a cleaner and more competitive Europe, COM (2020) 98 final, 11.3.2020

⁸ C(2021)8998

⁹ Joint Communication: The EU strategy for cooperation in the Indo-Pacific, JOIN (2021) 24 final, 16.09.2021.

¹⁰ Joint Communication: The Global Gateway, JOIN (2021) 30 final, 1.12.2021.

¹¹ Joint Communication: Gender Action Plan III 2021-2025, An ambitious agenda for gender equality and women’s empowerment in EU external action, SWD (2020) 284 final, 25.11.2020.

¹² United Nations, Transforming our World: The 2030 Agenda for Sustainable Development, 2015.

¹³ Communication and roadmap on the European Green Deal, COM (2019) 640 final, 11.12.2019.

¹⁴ INTPA : https://international-partnerships.ec.europa.eu/countries/philippines_en

¹⁵ Philippine Statistic Authority : <https://psa.gov.ph/content/142-million-philippine-population-2045>

largest economy in the region in terms of GDP and the EU's 7th largest trading partner in ASEAN¹⁶. The COVID-19 pandemic put in jeopardy the socio-economic advances, with poverty increasing to 23.7 % in 2021¹⁷, affecting many micro, small and medium enterprises, which make up 95% of the economy, and caused a rise in unemployment.

The EU-Philippines relations are anchored in the Partnership and Cooperation Agreement and reflect the shared common interests in a rules-based international order, trade and investment, regional and global security, as well as stability and economic development. The Multi-Annual Indicative Programme 2021-2027 places the EU in a strong position to externalise the European Green Deal and the digital transition in the Philippines, enhancing sustainable connectivity, contributing to creating green jobs for both women and men, and opening new business opportunities for EU companies. The current role of the Philippines as the coordinator for EU-ASEAN relations can further strengthen the EU-ASEAN relations facilitating closer work in delivering the European Green Deal. The Philippines is among the most exposed countries to climate change, which disproportionately affects vulnerable people and communities, who depend on the ecosystem for their livelihoods particularly Filipino women, with fewer means to cope with the negative consequences¹⁸.

The Government of the Philippines has taken considerable steps towards a suitable policy framework on green policies, incorporating a gender-sensitive perspective in all climate change actions¹⁹, such as the Philippine Action Plan for Sustainable Consumption and Production (2020-2040), the Philippine Biodiversity Strategy and Action Plan (2015-2028), the National Solid Waste Management Strategy and a National Plan of Action on Marine Litter, and the Green Jobs Act of 2016 (R.A. 10771). The action will support key Philippine initiatives including the upcoming single-use plastics phase-out, the Extended Producer Responsibility regulation, the Supreme Court Mandanas ruling (devolving more budget to LGUs), the Zero Waste to Nature Roadmap and core areas of the National Climate Change Action Plan (2011-2028) listing waste, energy and industry as key sectors for mitigation and the Philippines Energy Plan (2020-2040) to reach a target of 50% Renewable Energy share by 2040.

The Green Economy Programme will support building back better following a more inclusive and green approach, to attain the UN Sustainable Development Goals and contribute to addressing climate change. The action will create decent and green jobs under the circular economy business and value chains, and overall reduce plastic pollution. It will align with the Government expressed intention to support the new resolution on a legally-binding global agreement to address plastic pollution put forward by the United Nations Environment Assembly (UNEA 5.2). Improving the energy efficiency and renewable energy, and addressing climate change are linked to attaining the overall circular economy transition. The action will support key Philippine policies, such as the Zero Waste to Nature Roadmap and core areas of the National Climate Change Action Plan (2011-2028) listing waste, energy and industry as key sectors for mitigation and the Philippines Energy Plan (2020-2040) to reach a target of 50% Renewable Energy share by 2040. The Philippine Government signalled the importance to address these key matters. In doing so, it will build on the achievements of the previous sustainable energy programme under the previous MIP (Access to Sustainable Energy Programme - ASEP).

Overall, the action is aligned with the Philippines' policy priorities defined in the Philippine Development Plan 2017–2022, the Government of the Philippines' Long-Term Vision for the Philippines 2040 and the aforementioned Philippine green policy initiatives.

It is in line with the EU Gender Action Plan III country level implementation plan for the Philippines (2021-2025) translating into targeted action in the area of engagement on 'addressing the challenges and harnessing the opportunities offered by the green transition and the digital transformation' and follow a gender approach. The action will also include measures to support the implementation of the Filipino Magna Carta of Women of 2010 and the Philippine Commission on Women's Gender Equality and women's empowerment plan 2019-2025. As per the priority actions identified in the EU roadmap for engagement with civil society in the Philippines (2021-2024), the intervention will organise a structured dialogue with CSOs and specific funds will be allocated in

¹⁶ https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/philippines_en

¹⁷ Philippines Statistic Authority, First Semester 2021 poverty incidence, 2021-522, 17.12.2021.

¹⁸ https://www.adaptationcommunity.net/wp-content/uploads/2022/04/GIZ_Gender-Compendium-PHL.pdf

¹⁹ As stated in the Philippine Climate Change Act of 2009.

support of CSO initiatives. In parallel, it will provide opportunities for EU businesses, experts, researchers and municipalities to partner with other ASEAN countries spearheading green transformation in the region.

The action will build and expand on the results of the ongoing FPI regional project ‘Reducing Plastic Waste and Marine Litter in East and South-East Asia – supporting a transition to a circular economy in the region’²⁰ EU-funded with a EUR 1 million contribution from DE/BMZ. Other relevant regional programmes include SIDA’s ‘SEA Circular’ project managed by UNEP, the DE/BMZ-funded ASEAN project ‘Reduce, Reuse, Recycle to Protect the Marine Environment and Coral Reefs’ and the UNDP ‘Accelerating NDC through Circular Economy in Cities’ project and pipeline future collaborations on circular economy projects that will foster recycling in Cebu City and other 11 localities in the Philippines. There are also opportunities for the proposed intervention to build on the EIB’s current plans to expand its Clean Ocean Initiative (COI) to Asia, being implemented by the EIB in partnership with AFD, KfW, EBRD, the Italian National Promotional Institution and Financial Institution for Development Cooperation (Cassa Depositi e Prestiti - CDP), and ICO, the Spanish Promotional Bank. There will be coordination of the action with the ASEAN Team Europe Initiative EU-ASEAN Green Deal and dialogue with the E-READI facility and the EU-ASEAN Dialogue on Environment and Climate Change platform.

2.2 Problem Analysis

The Philippines is struggling under the consequences of a linear economic model which produces large amounts of waste. The country generates about 2.7 million tons of plastic waste each year, and an estimated 20% ends up in the ocean. Below is a brief overview of some underlying challenges the country faces:

There are unclear mandates, roles and limited budget: Many actors and decision makers are not familiar with the economic value that circular economy can create. Additionally, the roles of all actors in the economic transition remain unclear with limited power and budgets.

Responsibilities of actors not well implemented: the private and public sectors’ responsibilities have been implemented in an inefficient manner. When waste becomes municipal solid waste, it becomes responsibility of Local Government Units. However, waste has not yet been prioritised in LGU public budgets and/or spending targets to have an environmental system of collection, sorting, and treatment of plastic and waste, or to stimulate markets to innovate on materials with waste/plastic. For producers, an Extended Producer Responsibility is under preparation in the Philippines. There is a foreign ownership rule of 40/60 which hampers technology and knowledge transfer in an area that needs innovation. National governance also creates difficulties for formal businesses to get waste feedstocks.

Market failure: there is an insufficient accounting for externalities, with the cost of plastic waste to the environment and society being more than 10 times higher than its market price paid by primary plastic producers. Sustainable market creation and innovation is still in early stages. There is a general lack of awareness about circular business opportunities and innovations, impeding the transition towards a circular economy. Although environmental education has been integrated into all subject areas, there is a lack of integrated policies and programmes that address green economy employment, green entrepreneurship, and social welfare.

Environmental & Climate Change dimension & Energy: the environment and natural capital suffer the negative consequences of not having a proper waste management, poorly managed dumpsites, and pollution with harmful chemicals (Persistent Organic Pollutants). The presence of marine litter and microplastics on oceans and marine food chains and waste ending in the ocean, or land, contribute to the degradation of natural ecosystems. Given the country is prone to disasters, the Philippines has a high level of political and institutional awareness on disaster risk management, but technical expertise is limited. After disasters, significant waste is generated. In terms of climate change, plastic production releases greenhouse gas emissions contributing to global warming. In regard to energy, the circular economy is linked to renewable energy development and will become more important as renewable energy equipment (PV panels, inverters, and battery storage systems, electric vehicles etc.) reach end-of-life. To prevent pollution from heavy metals and toxins contained in the equipment, end-of-life renewable energy equipment requires appropriate collection, recycling, and disposal systems. However, there is a lack of

²⁰ Partnership Instrument AAP 2018 Annex 1 (2018/041-560)

integrated energy policy and regulations on the management of electric waste in several Philippine Government agencies coupled with an underinvestment in renewable energy itself.

Lack of Data: there is a lack of transparency and limited availability of data, including at local level on pollution, repair, reuse, remanufacturing and recycling, and on energy efficiency. This situation affects the investment and ability to sign future multilateral agreements on plastic pollution in the country. The lack of data disaggregated by sex and age in the waste management sector makes stakeholders and institutions work in silos and prevents having a coordinated approach on the circular economy. In this context, mapping and analysing data on waste/material streams, technologies, and skills at city/municipality cluster level can support the private sector and supply chain innovation, by using digital data.

Identification of **main stakeholders and corresponding institutional and/or organisational issues** (mandates, potential roles, and capacities) to be covered by the action:

Stakeholders will be involved depending on intervention levels and key areas to address.

First level of intervention: Key central government departments leading relevant waste management, environment, climate policies and action plans will be targeted to strengthen implementation rules and regulations of existing legislation. These will include the Department of Environment and Natural Resources, the Department of Science and Technology, the Department of Interior and Local Government, the Department of Trade and Industry, the Climate Change Commission, the National Economic Development Authority and the Department of Finance.

Second level of intervention: Local Government Units working on climate change, the Philippines Department of Energy and Finance among others, will contribute to developing sustainable financing strategies to become drivers of circular economy transition and innovation. In addition, University research/innovation centres, business incubators, CSOs including women's organisation and indigenous people's organisations, EU Member States, some selected Government Departments, will be involved in supporting innovation and new business opportunities in circular economy. Communities, in particular women, in the informal economy aiming to improve current precarious conditions and decency of jobs will be both stakeholders and beneficiaries.

Third level of intervention: Key stakeholders will include national and international Financial institutions, MSMEs including start-ups both in the Philippines and in the EU; Business Associations and Chambers of Commerce as well as the Philippines Public-Private Partnership Centre; government departments, including the Department of Finance, the Board of Investment and the Philippine Economic Zone Authority; European business associations and potential investors in circular economy.

Across levels of intervention: key central government departments in charge of leading the energy transition agenda, in particular the Department of Energy and the Energy Regulatory Commission, as well as private sector stakeholders will be targeted to increase energy efficiency and renewable energy deployment.

3 DESCRIPTION OF THE ACTION

3.1 Objectives and Expected Outputs

The Overall Objective (Impact) of this action is to support the Philippines in an inclusive and green recovery by unlocking the potential, the delivery and operationalisation of the circular economy aiming in particular at the reduction of plastic waste, increased energy efficiency and renewable energy deployment and promoting and implementing climate change mitigation measures.

The Specific(s) Objective(s) (Outcomes) of this action are:

1. SO1: Improved circular waste economy and climate change policies and reduced GHG emissions.

2. SO2: Enhanced practices of circular waste economy by the Local Government Units in collaboration with the private sector and the civil society sector, with focus on youth and gender equality.
3. SO3: Enhanced engagement of the private and financial sectors into circular, waste-reduction economy.
4. SO4: Increased energy efficiency and renewable energy deployment.

The Outputs to be delivered by this action contributing to the corresponding Specific Objectives (Outcomes) are:

- 1.1 Improved capacity of the stakeholders at central government level for policy dialogue and policy-making.
- 1.2 Improved capacity of stakeholders for EU-Philippines dialogue and waste management and GHG mitigation projects.
- 2.1 Improved capacity of the Local Government Units for implementing sustainable financing and innovation strategies and projects in collaboration with the private sector and Civil Society organisations representing women and specific groups.
- 2.2 Enhanced capacities of interested Local Government to address their identified challenges in the Circular Plastic Economy transition.
- 3.1 Improved capacity of private sector actors for circular plastics economic and circular economy-related business activities.
- 3.2 Improved capacity of financing organisations and start-ups for microcredits for financing circular plastic businesses.
- 4.1 Enhanced capacities and policy environment to promote energy efficiency and renewable energy.
- 4.2 New private energy sector investments with significant climate change mitigation benefits identified.

3.2 Indicative Activities

The planned indicative activities are as follows:

Activities related to Output 1.1: Strengthen policy formulation and implementation by supporting the development of a National Circular Economy Strategy and Roadmap, the NDCs and Climate Change policy making, and ensuring the application of the human rights based approach and gender mainstreaming.

Activities related to Output 1.2: Establish inclusive interdisciplinary multi-stakeholder dialogues via the EU-Philippines Policy Dialogue Platform to facilitate peer-to-peer experience exchange between the EU and Philippines on successful forefront circular economy initiatives that can boost national competitiveness and sustainable growth, and foster technical innovations and economic diversification in cities/regions and in the private sector. The dialogue will also receive targeted support for innovative research/demonstration projects to reduce plastic waste.

Activities related to Output 2.1: Support local government units to implement integrated sustainable financing and innovation strategies, in collaboration with the private sector and CSOs. Provide technical assistance to support LGUs to implement integrated sustainable financing and innovation strategies (e.g., City of Baguio, City of Davao, City of Pasig, cluster in Batanes, Palawan etc.). This includes planning and budgeting with a circular economy angle in waste management, business innovation and green public procurement. Ensure the collection of gender and youth sensitive data and mapping on the process, role, impact of the formal and informal waste sector, waste streams, technologies, and skills available at city and municipality level. Empowering LGUs in facilitating a just transition to a circular economy will support capturing the informal workers in the waste sector, junkshops, repair shops, women and youth, etc. Disaster Risk Management and Recovery will feature high in the work with LGUs in Outputs 2.1 and 2.2.

Activities related to Output 2.2: Respond to interested local government units to help address their identified challenges in the Circular Plastic Economy transition. This includes a flexible, needs-based support for lower level LGUs through tailor-made peer-to-peer support and/or technical assistance (e.g., advice, events, studies including gender analysis, dissemination of good practice, etc.). Ensure inclusivity and accuracy of the activities by having

a regular dialogue with the civil society sector, including groups representing consumers, producers, waste collectors, women or youth.

Activities related to Output 3.1: Strengthen private sector actors in cities/municipalities to facilitate investment, business contacts and analytics to innovate on materials, products, business models and improve collection and recycling of plastics waste. Provision of small-scale grants and technical advice to actors of the start-up and microbusiness ecosystem, with a particular attention to businesses run by women and youth. Support cooperation with the Local Government Resource Centres (LGRCs)²¹ that will be implemented under the Mandanas ruling, provision of youth and gender sensitive training in the user-friendly mapping, documenting, updating and analysis of flows and information on secondary/waste material, on available technologies for repair, remanufacturing, collection, skills for circularity, and financing options (microcredits, start-up support, Angel investors, banking, etc.) to create green jobs.

Activities related to Output 3.2: Support circular economy-oriented financing solutions and facilitation of incentives systems to enable both domestic and foreign investment in the form of private and public-private partnerships and joint ventures. This includes (a) the earmarking of microfinance (through Microfinance Institutions, funds addressing the informal sector that helps reduce waste and transition towards a circular economy; (b) possibly the design, establishment, and operationalisation of a Circular Plastics Economy Impact Fund ; (c) support the development of a functioning Public Private Partnership pipeline (in collaboration with the Philippine Public Private Partnership Center and specific LGUs) in dialogue with the private sector (domestic and foreign investors, technology providers, operators); (d) support to possible project owners and issuers in structuring, preparing and accompanying the issuance of ‘green bonds (e) upstream support to blending and guarantees for climate change mitigation investments in key sectors of the NDCs.

Activities related to Output 4.1: Support introduction and revision of policies, strategies and regulatory environment to promote renewable energy and its integration into the national grid and increase energy efficiency; Capacity Development measures for Department of Energy and other key sector stakeholders to develop targeted solutions to support the clean energy agenda.

Activities related to Output 4.2: Carry out preparatory work to have blending and guarantees for climate change mitigation investments in the energy sector.

3.3 Mainstreaming

Environmental Protection & Climate Change

Outcomes of the SEA screening - Not applicable

Outcomes of the EIA (Environmental Impact Assessment) screening

A pre-feasibility study was carried out, containing detailed analysis of potential environmental impact of introducing a circular economy model in the Philippines. The EIA (Environment Impact Assessment) screening classified the action as Category B (not requiring an EIA, but for which environment aspects will be addressed during design).

Outcome of the CRA (Climate Risk Assessment) screening

The above pre-feasibility study referred to positive impact on climate change mitigation by promoting a circular economy/reduction of plastics model in the Philippines. The Climate Risk Assessment (CRA) screening concluded that this action is at no or low risk (no need for further assessment).

Gender equality and empowerment of women and girls

²¹ A knowledge management initiative between the Department of Interior and Local Government (DILG), the Department of Science and Technology (DOST) and the University of the Philippines (UP).

As per the OECD Gender DAC codes identified in section 1.1, this action is labelled as G1. This implies that the action considers Gender equality as a significant objective (marker 1): specific objective/outcome 2 is targeting gender equality. The intervention will be gender mainstreamed throughout its implementation and evaluation processes, taking into consideration specific needs of women and men. Sex-disaggregated data and gender-sensitive indicators will be used. Following the Gender country profile 2021, the intervention will partner with relevant stakeholders from the Government and the civil society sector, including community-driven organisations, to advance a gender-responsive, just, and inclusive shift to a circular economy. The action will contribute to the implementation of the GAP III Country Level Implementation Plan (CLIP) Philippines 2021-2025 on access to jobs of the green economy, green and digital skills, representation of women and youth in green SMEs and gender mainstreaming of the targeted action.

Human Rights

A ‘no one is left behind’ approach will be adopted in the definition of instruments for the beneficiary communities and targeted support will be delivered through local CSOs and community groups. The action will also apply at all stages a human rights-based approach and its 5 working principles: applying all human rights for all, meaningful and inclusive participation, non-discrimination, accountability and transparency. The awareness raising on environmental issues through working with CSOs should lead to increased/strengthened Human Rights of specific groups, like environmental defenders.

Disability

As per OECD Disability DAC codes identified in section 1.1, this action is labelled as D0. This implies that working with and for people with disability will be mainstreamed and prioritised especially in activities with LGU, CSO and private sector. The inclusion of persons with disabilities as active participants and stakeholders will be considered whenever possible.

Democracy

Promotion of democratic principles and efficient, transparent and accountable public administration will be important elements of this Action. This will include: CSO activities related to access to information, advocacy and partnerships with LGUs, support to LGU’s on efficient public administration, including Public Finance Management (with emphasis on green budgeting and anti-corruption); support to promotion of sustainable Public Private Partnerships

Conflict sensitivity, peace and resilience

Conflict sensitive elements of this Action will include for example: to support more efficient land-planning linked to waste-management, taking into account the needs of marginal communities to address the effects of climate induced displacements, by dealing with the negative effects of post-disaster waste issues; to support the creation of jobs and employment, enhancing economic opportunities for youth; to mainstream gender equality throughout the action – enhancing the role of women in decision making at national and local level.

Disaster Risk A transition towards an increasingly circular economy will strengthen disaster risk reduction at various levels, reducing impacts of marine litter and microplastic on food chains, waste after disasters, and hazardous substances in water. Disaster risk reduction tools and methods²² will be available. Other activities include advocacy with local government institutions on disaster risk management, programmes on community-based disaster risk management, foster synergies in the policy coordination processes between waste management, climate change adaptation, and disaster risk reduction preventing silo processes in governance structures (Department of Environment and Natural Resources, Climate Change Commission, National Disaster Risk Reduction Council, Office of Civil Defense).

Other considerations if relevant

This Action will respond to a number of SDGs as listed in section 1.1 Action Summary Table. It will contribute to SDG 12 (Responsible Consumption and Production), 8 (Decent Work), 9 (Industry Innovation and Infrastructure), SDG 5 (Gender Equality) and 7 (Affordable and Clean Energy) with associated co-benefits linked to SDG 13 (Climate Action), 14 (Life Below Water) and 15 (Life on Land). The Action will fully integrate the needs, rights and challenges faced by people living in vulnerable situations with CSO-supported outreach activities conducted

²² Copernicus and Geographic Information System (GIS)-based socio-economic data integration.

with strategically selected LGUs of the Philippines and working at several cities/municipalities across the Philippines. This will include women and youth, indigenous people, persons with disabilities, internally displaced persons, people living in poverty, especially in extreme poverty and in long-term poverty, and persons living in conflict affected areas. A focus on designing a just transition will incorporate a “no one is left behind approach” that will be adopted in the definition of instruments for the respective beneficiary communities.

3.4 Risks and Lessons Learnt

Category	Risks	Likelihood (High/ Medium/ Low)	Impact (High/ Medium/ Low)	Mitigating measures
1 External environment	Change of political priorities by the new Government - executive and legislative branches (national, provincial, and local including cities).	Medium	High	At local level, maintain policy dialogue with interested LGUs and key government departments, enable awareness creation about the economic potential of Circular Economy (CE) and energy transition interventions. Collaborate with League of Cities of the Philippines to ensure continued interest from the network of LGUs.
	Some of the technology might not be feasible for application in the Philippines (feedstock, climate).	Medium	Medium	Select technology that has been tested in comparable locations and/or can be easily adapted to the local conditions.
	Market risks (Economic conditions, Fiscal, Industry cycle risks, Foreign Exchange Market (FOREX) risks): Economic downturn for the Philippines, and / or insolvency of the state finance that affects negatively PPP capacity to invest in the CE and create right conditions for funding Project finance in that segment.	Low	Medium	Public Finance Management and monitoring of Philippines sovereign debt and macro-economic indicators.
	Credit risks / solvency risks (leverage, solvency risk): On green bonds, credit risk that the issuer (either the Government of the Philippines or	Medium	High	Strengthening of the security package of the green bond note. Due diligence on the issuers, underlying counterparties (for instance independent power producers and their off take and Power Purchase Agreement (PPA)); propose strong

	cities/municipalities) or private borrower may face difficulties in reimbursing the principal of the green note debt. Weakness of the off-take agreement on volume contracts in e.g., solid waste management/reduction or circular businesses.			guarantees schemes from the EIB, EFSD+ and or government sovereign guarantees on the green and/or sustainability bonds.
	Climate change is amplifying the impact of the plastic waste crisis, further worsening environmental conditions, increasing the risk to flooding, coastal degradation, pollution-borne diseases.	High	Medium	The transition to a circular plastic economy minimizes the risk of flooding and therefore contributes to the mitigation of consequences of natural disasters, which will occur more frequently with more intense precipitation patterns and higher sea levels.
2. Planning, processes and systems	Lack or slow uptake of expanding Research & Innovation facilities (including for prototyping).	Medium	High	<p>Ensure early involvement from the Department of Science and Technology (DOST) and the University of the Philippines UPSCALE Innovation Lab throughout the different stages of launching the Circular Cities Concept interventions</p> <p>Facilitate linkage with the DOST Science for Change Programme (S4CP) and CRADLE Project, (providing academic and /or R&D partnerships for companies bringing at least 20% of counterpart funding) to tap into available R&D facilities.</p> <p>The proposed pioneer cities – Cebu City and Mandaue (both on Cebu Island), Metro Manila and Baguio (both on Luzon), have access to several facilities.</p>
3. People and the organisation	LGUs not interested (lack of ownership) to collaborate in the intervention areas, and lack sufficient capacity to absorb and institutionalise support.	Medium	Medium	Some LGUs in the country are already initiating green policies, priorities and investments. Through the Mandanas ruling, local government will have larger budgets and more project investments responsibilities. It will be core to the intervention area 1 to advise on public planning and budgeting that takes these new funds into account and advises on how to close budgetary funding gaps for a circular plastic economy transition.

	Change in senior management or erratic staff turnover in targeted Government Agencies and LGUs preventing effective uptake of capacity building efforts	High	High	Collaborate with League of Cities of the Philippines to ensure continued engagement from the network of LGUs. Agree with LGUs on their long-term commitment and the allocation of a counterpart team with technical and resource staff in charge of coordination of support and dissemination of knowledge and information to other LGU departments.
4. Legality and regulatory aspects	Foreign ownership regulations hamper the uptake of technology and knowledge transfer from possible international business partners.	Medium	Medium	Ensure the early involvement of the Board of Investment and Philippine Economic Zone Authority (in charge for the Special Economic Zones), both addressing investment incentives for domestic and foreign companies in the Philippines. Foreign ownership rules have been eased for geothermal and waste to energy technology to 100%, which can be further expanded to other sectors. Foreign companies located in export-oriented Special Economic Zones (SEZs) can own 100%.
5. Market risk aspects	Lack of response or passive action from industry to genuinely address plastic waste problems in the value chain.	Medium	Medium	An important industry sector (fast moving consumer goods, in collaboration with waste repurposing businesses of several kind) jointly with the government has agreed on a Zero Waste to Nature roadmap which builds the basic understanding of an agreed way forward, especially with the support of the Fast-moving consumer goods (FCMG) industry (plastics packaging for food beverages) which accounts for 70% of the amounts ending up in the environment.
6. Communication and information/ Gender equality/ inclusiveness	Unorganised informal waste sector (where women participation is high) fails to effectively participate in dialogue with public and private sector actors.	Medium	High	Wherever available include the representatives of women groups, for example at Metro Manila Barangay level (Women's Balikatan Movement in Manila formed the waste pickers and itinerant buyers' co-operatives called the Linis Ganda programme ²³ . Today, there are co-operatives in each of the 17 cities and towns that comprise Metro Manila).

²³ <https://globalrec.org/law-report/philippines/>

7. Inclusiveness/ participation	Needs of women, youth and people living in vulnerable situations not considered.	Medium	High	CSOs representing people living in vulnerable situations, including women and youth, will be consulted in activities related to outputs 1 and 2. Gender analysis will be conducted to support activities and ensure gender-responsiveness. Sex-disaggregated data collection and analysis will be supported.
8. Coordination	Too many donor funded energy projects with overlapping activities.	Medium	Medium	Close coordination with several important programmes (CASE funded by GIZ, SEA Energy Transition Partnership programme in the Philippines, USAID Energy Secure Philippines, etc) at early stages in project formulation, to find complementarities/synergies, avoid creation of unnecessary parallel structures, and increase impact.

Lessons Learnt:

This is the first circular green economy project by the European Union in the Philippines but builds on previous work on sustainable development and sustainable consumption and production (e.g., EU SWITCH Asia Programme)²⁴, waste and litter reduction (Reducing Plastic Leakage into the Ocean, 2018-2021)²⁵, the EU-Philippines Access to Sustainable Energy Programme (ASEP)²⁶, as well as at ASEAN-level (E-READI²⁷, Reducing Plastic Waste and Marine Litter in East and South East Asia²⁸). Stakeholders that act upon the risk mitigation have been added in the respective risk mitigation measure. Further, lessons from partners in the country include support to CSOs, decentralisation, financial policy reform and disaster-risk reduction.

3.5 The Intervention Logic

The Action intends to move towards a green economy in the Philippines to tackle the inefficient plastic economy and dysfunctional waste management system through providing access to knowledge and experience gained in Europe and increase energy efficiency and renewable energy deployment to support climate change mitigation.

The Specific Objectives of the Action will be delivered through a **three-level** approach:

1) Policy formulation/implementation and dialogue platform (first level)

The Policy Dialogue Forum will **mobilise the EU expertise on circular economy from EU stakeholders and Member States** (national and local governments, business, universities/research institutes, civil society). The dialogue will be with the central government and key departments of the ministries (interior, science, environment, and development) and with cities involved in the action. The capacities of stakeholders at central government level for policy making and dialogue will be improved.

The objective of the platform is to facilitate **policy formulation, improve city to city collaboration through supporting the development of a National Circular Economy Strategy and Roadmap and to apply the dialogue's outcome in concrete projects and peer-to-peer cooperation.**

²⁴ Decision C(2021)9580

²⁵ <https://www.giz.de/en/worldwide/89696.html>

²⁶ Decision 2014 / 035-111

²⁷ Decision ACA/2014/037-572

²⁸ Partnership Instrument AAP 2018 Annex 1 Decision 2018/041-560

It will be crucial to integrate these inputs throughout the other three levels of the action (local governments, private sector and civil society, renewable energy) and the dialogue will have a coordination function with the other levels to ensure synergies and the full transformative effect of the three-level approach. The TEI aims to further reinforce this dialogue to maximise impact.

2) Local Governments implementing policy change on circular economy (second level)

This level will involve two components:

First component: To improve capacities of selected local governments units (approximately 5 to 8, cities in Metropolitan Manila, Cebu, Baguio, Davao), to **define and implement policies on circular economy and climate change, outreach and support of local business and civil society**. This element will also **facilitate knowledge and capacity transfer between LGUs**. The plan is to work with several progressive local authorities that can be drivers of the circular economy transition, building on promising existing initiatives in Manila region. Indicative activities would involve defining infrastructure and finance needs, providing small scale grants to CSOs, and involve the informal waste sector. Other activities would entail to providing capacity building and short/long-term technical assistance, facilitate dialogue between cities and innovators, and imparting new skills for green jobs, with a focus on women and youth (linked to third level).

Second component: To provide support to less advanced LGUs which want to enhance their innovation drive and invest in a circular model/reduction/management of plastic waste. This component will be **demand driven**, where LGUs will request the support. Indicative activities would include peer to peer support, advice, small scale grants of CSO. For both components, mainstreaming of disaster risk management will be crucial considering the vulnerability of the Philippines when it comes to natural disasters.

3) Private sector to promote investments, innovation and enhance skills (third level)

To **create better conditions for private sector investment** by supporting business driven waste reduction strategies and circular solutions in the production process. This level will focus on supply change innovation, public private partnerships and business incubators, skills development, and preparation work for guarantees/blending and possibly local green bonds for further investment.

4) National, local government and private sector stakeholders for enhanced policy environment and identifying new private energy sector investments to support climate change mitigation (across levels)

This will focus on strengthening the renewable energy and energy efficiency policy enabling environment in alignment with NDC commitments, particularly on the key NDC sector for the Philippines on waste and energy. It will include preparation work through scoping/feasibility studies to prepare guarantees and/or blending for energy projects that will contribute to the Philippine target on clean energy.

Given the different levels on which the programme will operate, it will be very important to build an **effective strategic communication plan implemented in a Team Europe approach** to ensure that the EU is seen as the lead supporter for transformative change in Green Circular Economy at all levels.

3.6 Logical Framework Matrix

This indicative logframe constitutes the basis for the monitoring, reporting and evaluation of the intervention. On the basis of this logframe matrix, a more detailed logframe (or several) may be developed at contracting stage. In case baselines and targets are not available for the action, they should be informed for each indicator at signature of the contract(s) linked to this AD, or in the first progress report at the latest. New columns may be added to set intermediary targets (milestones) for the Output and Outcome indicators whenever it is relevant.

- At inception, the first progress report should include the complete logframe (e.g. including baselines/targets).
- Progress reports should provide an updated logframe with current values for each indicator.
- The final report should enclose the logframe with baseline and final values for each indicator.

The indicative logical framework matrix may evolve during the lifetime of the action depending on the different implementation modalities of this action.

The activities, the expected Outputs and related indicators, targets and baselines included in the logframe matrix may be updated during the implementation of the action, no amendment being required to the Financing Decision.

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Logical Framework Matrix

PROJECT MODALITY (3 levels of results / indicators / Source of Data / Assumptions - no activities)

Results	Results chain (@): Main expected results (maximum 10)	Indicators (@): (at least one indicator per expected result)	Baselines (values and years)	Targets (values and years)	Sources of data	Assumptions
Impact	To support the Philippines in an inclusive and green recovery by unlocking the potential, the delivery and operationalisation of the circular economy aiming in particular at the reduction of plastic waste, improve energy efficiency and renewable energy deployment and by promoting and implementing climate change mitigation measures	1 Ratio (in%) decoupling growth from material consumption and emissions (a) Tonnes of waste created/ 2017 constant PPP GDP unit) (b) Energy intensity (MJ) / 2017 constant GDP unit) (OPSYS core indicator)	1 (a) 0.006% (2022) (b) 3.14 TOE/ MPHP (2022)	1 (a) 0.004% (2027) (b) 2.76 TOE/ MPHP (2027) (c) 0.003% (2030)	1 World Bank database; NDCs, DOE/ PH Energy Plan 2020-40, etc.	<i>Not applicable</i>

		(c) Amount of GHG emissions (tonnes of CO2 emissions) / per unit of value (OPSYS core indicator) (d) Material footprint / 2017 constant PPP GDP (** GEF 1.5, OPSYS core indicator) 2 Rate of employment (in total, and %) disaggregated by target sectors? 'green'/'digital' and 'sex' and 'age' ²⁹ . (OPSYS core indicator)	(c) 0.005% (2020) (d) TBD% (2022) 2 TBD% (2020)	(d) TBD% (2027) 2 TBD% (2027)	2 DTI, DOLE, publications	
Outcome 1	1. Improved circular waste economy and climate change policies and reduced GHG emissions	1.1 Tonnes of repurposed plastic material for reintegration into the productive chain (t), with EU support. 1.2 Greenhouse gas emissions avoided (tonnes CO ₂ eq) with the implementation of circular plastics economy initiatives supported by the EU. (GERF 2.7, OPSYS core indicator) [MIP-IOV-3.1.2]	1.1 Zero (0) (2022) 1.2 Zero (0) (2022)	1.1 Twenty-five thousand tons (25,000) (2027) 1.2 TBD tonnes CO ₂ eq ⁹ (2027)	1.1 Progress report 1.2 Progress report	Continuation of pro- 'green' / 'sustainability' growth policies (SCP National Action Plan, National Plan of Action-Marine Litter; National Road map for Zero Waste to Nature). Capacity of both the National Government Agencies as well as the Local Government

²⁹ The level of 'green' may be determined by the number of Circular Economy jobs created and sustained by the Action; the digital element may be determined by improved digital skills in areas of circular economy application, broken down by gender and supported by micro-credential certifications delivered upon completion of IT-based learning programmes

		1.3 Number of cooperation agreements between EU and PH stakeholders leading to design strategies of more sustainable and environmentally friendly plastic-based products	1.3 Zero (0) (2022)	1.3 Eight cooperation agreements/contracts (8) (2027)	1.3 Progress report	Units to address the plastics waste crisis.
Outcome 2	2. Enhanced practices of circular waste economy by the Local Government Units in collaboration with the private sector and the civil society sector, with focus on youth and gender equality.	<p>2.1 Number of LGUs that with EU support, have introduced source separate collection systems for plastic waste for recycling [MIP-IOV-1.3]</p> <p>2.2 Number of LGUs in which nationally defined 'green procurement criteria have been applied with EU support</p> <p>2.3 Number of cities/municipalities that feed their NDC reporting with improved gender and youth sensitive data on co-benefits (waste, industry, trade/energy)</p> <p>2.4 Reduction in volume of waste generated in beneficiary LGUs as a result of EU support</p>	<p>2.1 Zero (0) (2022)</p> <p>2.2 Zero (0) (2022)</p> <p>2.3 Zero (0) (2022)</p> <p>2.4 Zero (0) (2022)</p>	<p>2.1 Twenty LGUs/LGU clusters (20) (2027)</p> <p>2.2 Ten LGUs/ LGU clusters (10) (2027)</p> <p>2.3 Fifteen cities/ municipalities and clusters (15) (2027)</p> <p>2.4 TBD tonnes (2027)</p>	<p>2.1 Progress report</p> <p>2.2 Government procurement statistics</p> <p>2.3 NDC report</p> <p>2.4 Progress report, Government statistics</p>	<p>LGUs make resources (e.g., budget, time, dedicated staff / team, office space, land, etc.) available.</p> <p>LGUs continuously learn from each-other and are supported by the government to introduce waste-circular economy and statistical systems.</p> <p>Universities, (pre-)incubators, accelerators, are interested in cradling innovations and waste reduction solutions</p>

Outcome 3	3. Enhanced engagement of the private and financial sectors into circular, waste-reduction economy	<p>3.1 Number of Micro, Small and Medium Enterprises applying sustainable production practices through circular supply chain management with EU support (OPSYS core indicator, ** GERF 2.6) (NDICI indicator) [MIP-IOV-1.2]</p> <p>3.2 Number of jobs supported/ sustained by the EU in businesses with circular economy activities, disaggregated by sex and age and location, and disaggregated by ‘green’ and ‘digital’. (** GERF 2.1 3) [MIP IOV-1.1]</p> <p>3.3 Number of ‘green’ businesses and ‘innovation’ start-ups registered with EU support, disaggregated by sex and age; aiming to establish a quota in the % of women and youth-led circular business ventures</p>	<p>3.1 Zero (0) (2022)</p> <p>3.2 Zero (0) (2022)</p> <p>3.3 Zero (0) (2022)</p>	<p>3.1 Six thousand two hundred and ten MSMEs (6,210) (2027)</p> <p>3.2 One hundred and twenty jobs (120) (2027)</p> <p>3.3 Three hundred twenty-four newly registered MSMEs (344) (2027)</p>	<p>3.1 Progress report</p> <p>3.2 Progress report</p> <p>3.3 BOI data, PEZA data (tailored for the intervention)</p>	<p>Interest by domestic and foreign technology providers to invest in the Philippines circular plastics economy.</p> <p>Investments are realised based on sound environmental and social impact studies.</p>
Outcome 4	4. Increased energy efficiency and renewable energy deployment	4.1 Greenhouse gas emissions avoided (tonnes CO ₂ eq) with EU support	4.1 Zero (0) (2022)	4.1 TBD tons CO ₂ eq ⁹ (2026)	4.1 Progress report	Continued interest of the Government to implement the Clean Energy Scenario

Output 1 related to Outcome 1	1.1 Improved capacity of the stakeholders at central government level for policy dialogue and policy-making.	1.1.1 Number of model circular approach pilot projects implemented with the support of the Action	1.1.1 Zero (0) (2022)	1.1.1 Four projects (4) (2027)	1.1.1 Progress report	Technology and knowledge providers are capable to participate in demonstration projects. The platforms and the dialogue are further supported by the government for policies and monitoring Demo project's results are widely disseminated.
		1.1.2 Number of workers in informal sector jobs (e.g., waste pickers, junkshops, repair shops) supported to formalise their employment; disaggregated by 'green' and 'digital' jobs, by sex and age;	1.1.2 Zero (0) (2022)	1.1.2 Two thousand two hundred seventy-four jobs (2,274) (2027)	1.1.2 Progress report	
		1.1.3 Share of projects contributing to the determined co-benefits supported by the Action ³⁰	1.1.3 Zero (0%) (2022)	1.1.3 100% (2027)	1.1.3 Progress report, study reports	
Output 2 related to Outcome 1	1.2: Improved capacity of stakeholders for EU-Philippines dialogue and waste management and GHG mitigation projects.	1.2.1 Number of EU-PHL dialogue mechanisms established on circular plastics economy, energy transition with the support of the Action	1.2.1 Zero (0) (2022)	1.2.1 Two dialogue mechanisms (2) (2027)	1.2.1 Progress reporting, MoM	Continued interest in a bilateral dialogue (EU-Philippines) and in circularity strategies/policies. Continued investments into the implementation of the policies and strategies by the government and private sector
		1.2.2 Number of draft circular economy-supportive strategies and policies designed collaboratively on MEPS products, PPP/foreign ownership incentives	1.2.2 Zero (0) (2022)	1.2.2 Five strategies/policies (5) (2027)	1.2.2 Strategy/policy	

³⁰ i.e. GHG emission reductions, resource/energy savings, improved biodiversity and natural capital, decreased pollution of land/water, climate change adaptation, disaster risk reduction, public health improvements, job creation)

		schemes with the support of the Action.				
Output 1 related to Outcome 2	2.1: Improved capacity of the Local Government Units for implementing sustainable financing and innovation strategies and projects in collaboration with the private sector and Civil Society organisations representing women and specific groups.	<p>2.1.1 Number of Local Government Units (LGUs) with draft financing and innovation strategies and budgets, with EU support</p> <p>2.1.2 Number of innovation projects with LGU involvement, with EU support</p> <p>2.1.3. Number of women and youth benefiting from incentives used to encourage women and youth's entry into the green economy and the circular economy, disaggregated by sex (for youth) and location/LGU</p>	<p>2.1.1 Zero (0) (2022)</p> <p>2.1.2 Zero (0) (2022)</p> <p>2.1.3 Zero (0) (2022)</p>	<p>2.1.1 Twenty LGUs/clusters (20) (2027)</p> <p>2.1.2 Twenty LGUs/clusters (20) (2027)</p> <p>2.1.3 Three thousand (3000) (2027)</p>	<p>2.1.1 Financing and innovation strategies/budgets</p> <p>2.1.2 Progress report</p>	<p>Willingness by the local government units to address waste and environment issues and business development in an integrated way.</p> <p>Willingness of the LGUs to take on debt/ debt sustainability and capability to service the debt in a mid-to long run</p> <p>Interest of domestic and foreign (EU) investors in the Philippines</p>
Output 2 related to Outcome 2	2.2: Enhanced capacities of interested Local Government to address their identified challenges in the Circular Plastic Economy transition.	<p>2.2.1 Number of LGUs received tailor-made peer-to-peer support and/or technical assistance ³¹</p> <p>2.2.2 Estimated value (in EUR/PHP) of reduced impact of disasters on waste/waste-to-energy infrastructure at local level reduced vs. long-</p>	<p>2.2.1 Zero (0) (2022)</p> <p>2.2.2 Zero (0) (2022)</p>	<p>2.2.1 Forty LGUs (40) (2027)</p> <p>2.2.2 Twenty-five percent (25%) reduction in annual damage (2027)</p>	<p>2.2.1 Request; response; Progress report</p> <p>2.2.2 Department of Public Works and Highways reports</p>	<p>LGUs show interest in collaboration</p> <p>LGUs provide adequate level of damage assessment information/data</p> <p>LGUs further use the support for DRR</p>

³¹ (e.g., advice, events, procurement of (parts of) infrastructural improvements, studies, dissemination of good practice, rights based approach, gender and youth sensitivity and mainstreaming, etc.).

		<p>term average through Copernicus-based risk analysis and improved locational planning</p> <p>2.2.3. Status of the draft DRR plan / strategy for the selected LGUs</p>	2.2.2. None with the support of the Action	2.2.3. Compiled and agreed with X communities		<p>planning and knowledge for CPE to implement the relevant strategies and manage the project.</p> <p>The trained specialists of LGUs are retained.</p>
Output 1 related to Outcome 3	3.1: Improved capacity of private sector actors for circular plastics economic and circular economy-related business activities.	<p>3.1.1 Number of pre-incubators, incubators, accelerators supporting start-ups and micro-businesses for circular plastics economy with the direct support of the Action.</p> <p>3.1.2 Number of people who have benefitted from skills development interventions supported by the EU; disaggregated by 'green' and 'digital' skills, as well as disaggregated by sex and age and location (OPSYS core indicator, ** GERF 2.14)</p> <p>3.1.3 Number of women and youth participating in circular plastics grant projects</p>	<p>3.1.1 Zero (0) (2022)</p> <p>3.1.2 Zero (0) (2022)</p> <p>3.1.3 20-25%²⁰ (2020)</p>	<p>3.1.1 Thirty innovation ecosystem players (30) (2027)</p> <p>3.1.2 Eight thousand people ²² (8,000) (2027)</p> <p>3.1.3 40% (2027)</p>	<p>3.1.1 Progress report</p> <p>3.1.2 Progress report</p> <p>3.1.3 Progress report</p>	<p>Interest by sufficient incubators / accelerators to incorporate the CPE concept</p> <p>Innovation ecosystem of business. Incubators, Innovation hubs and Universities providing the deal Flow. ?</p> <p>The incubators are capable of sustaining the projects initiated with the support of the Action</p> <p>The women and youth continue in the initiatives</p>

<p>Output 2 related to Outcome 3</p>	<p>3.2: Improved capacity of financing organisations and start-ups for microcredits for financing circular plastic businesses</p>	<p>3.2.1 Number of microfinance and hybrid organisations trained and supported for providing microcredit to both informal borrowers and micro-enterprises, with EU support.</p> <p>3.2.2 Number of incubator graduates (start-ups) engaged in the circular plastics economy who are trained on how to get microcredits, disaggregated by sex and age and location</p> <p>3.2.3 Number of PPPs and/or Joint ventures facilitated with EU support.</p> <p>3.2.4 Number of Green/sustainability bonds facilitated, disaggregated by participation with the private sector, with EU support</p>	<p>3.2.1 Zero (0) (2022)</p> <p>3.2.2 Baseline 2%²⁴ (2021)</p> <p>3.2.3 0 (2022)</p> <p>3.2.4 0 (2022)</p>	<p>3.2.1 Ten microfinance / hybrid organisations (10) (2027)</p> <p>3.2.2 15% (2027)</p> <p>3.2.3 Ten PPPs/JVs (10) (2027)</p> <p>3.2.4 Three bonds (3) (2027)</p>	<p>3.2.1 Progress report</p> <p>3.2.2 Progress report</p> <p>3.2.3 Progress report</p> <p>3.2.4 Progress report</p>	<p>Sufficient applicants in the CPE space are available to be funded with the Impact Fund.</p> <p>PPP legal and regulatory framework adapted to applicable sectors (e.g., waste reduction, waste management, material/product innovation, logistics projects and allowing foreign participation</p> <p>Sovereign, sub-sovereign and/or corporate stakeholders are interested to raise debt with a bond and use Green and Sustainability-linked Bonds.</p> <p>The regulatory framework is conducive for micro funding in the circular economy sector, particularly, allows more flexible risk management</p>
<p>Output 1 related to Outcome 4</p>	<p>4.1 Enhanced capacities and policy environment to promote energy efficiency and renewable energy</p>	<p>4.1.1 Number of EU-supported new/revised clean energy polices/regulations</p>	<p>4.1.1 0 (2022)</p>	<p>4.1.1 Two policies/regulations (2) (2026)</p>	<p>4.1.1 Progress report</p>	<p>Continued government interest to advance energy transition</p>

Output 2 related to Outcome 4	4.2 New private energy sector investments with significant climate change mitigation benefits identified	4.2.1 Number of new investments contributing significantly to climate change mitigation in the energy sector identified	4.2.1 0 (2022)	4.2.1 Two investments (2) (2025)	4.2.1 Progress reports	Sufficient incentives to enable domestic and foreign investments to support clean energy agenda
		4.2.2 Renewable energy generation capacity installed (MW) with EU support	4.2.2 0 (2022)	4.2.2 TBD but estimated at least 50 MW attained under investments/guarantees	4.2.2 Progress reports from EU-supported project developers/ investors/ DFIs	

4 IMPLEMENTATION ARRANGEMENTS

4.1 Financing Agreement

In order to implement this action, it is envisaged to conclude a Financing Agreement with the Philippines

4.2 Indicative Implementation Period

The indicative operational implementation period of this action, during which the activities described in section 3 will be carried out and the corresponding contracts and agreements implemented, is 60 months from the date of entry into force of the financing agreement.

Extensions of the implementation period may be agreed by the Commission's responsible authorising officer by amending this Financing Decision and the relevant contracts and agreements

4.3 Implementation Modalities

The Commission will ensure that the EU appropriate rules and procedures for providing financing to third parties are respected, including review procedures, where appropriate, and compliance of the action with EU restrictive measures³².

4.3.1 Direct Management (Grants)

- (a) **Purpose of the grant(s):** The twinning grants will contribute to achieving SO1 and SO2, and respectively output 1.1 and 2.2 as identified in section 3.
- (b) **Type of applicants targeted:** EU Member State administrations or their mandated bodies.

4.3.2 Direct Management (Procurement)

The procurement will contribute to SO4, namely outputs 4.1 and 4.2 as identified in section 3. The global budgetary envelope reserved for procurement is indicated in section 4.5. Some elements might be done in synergies with entities implementing activities under SO 1 and SO 3.

4.3.3 Indirect management with a pillar assessed entity

A part of this action will be implemented in indirect management with pillar assessed entities, to be selected by the Commission's services via the following criteria:

Applicable to SO1 and SO2:

- demonstrates how the circular plastics economy can function in the Philippines;
- has experience in similar interventions in the Philippines;
- is specialised in strengthening incubation services and technopreneurs, innovation of waste reduction and management strategies;
- has expertise in the integration of environmental and economic policies and incentives.

The implementation by this entity entails focus on SO1 and respectively outputs 1.1, 1.2, 2.1 and 2.2 as identified in section 3, and will contribute to achieving all four SOs (and outputs respectively), by enabling coordination, complementarity, knowledge exchange and dissemination.

³² www.sanctionsmap.eu. Please note that the sanctions map is an IT tool for identifying the sanctions regimes. The source of the sanctions stems from legal acts published in the Official Journal (OJ). In case of discrepancy between the published legal acts and the updates on the website it is the OJ version that prevails.

Applicable to SO2:

- demonstrates how the circular plastics economy can function in the Philippines;
- has experience and presence in similar interventions in the Philippines;
- is specialised in strengthening local level government planning and budgeting;
- has experience in supporting municipal services, including the innovation of waste reduction and management strategies, as well as business development and local economic development, sharing of European case examples.

The implementation by this entity entails focus on SO2, namely outputs 2.1 and 2.2, as identified in section 3.1.

Applicable to SO3:

- has prior experience in the Philippines and ASEAN member states;
- is specialised with providing funds for the capitalisation of microfinance dedicated to circular economy focused initiatives;
- has experience in supporting capitalize infrastructure facilities, at LGU level, that could lend the working capital needed to effectively collect the waste

The implementation by these two entities entails focus on SO3, namely outputs 3.1 and 3.2, as identified in section 3.1.

4.4 Scope of geographical eligibility for procurement and grants

The geographical eligibility in terms of place of establishment for participating in procurement and grant award procedures and in terms of origin of supplies purchased as established in the basic act and set out in the relevant contractual documents shall apply. The Commission's authorising officer responsible may extend the geographical eligibility on the basis of urgency or of unavailability of services in the markets of the countries or territories concerned, or in other duly substantiated cases where application of the eligibility rules would make the realisation of this action impossible or exceedingly difficult (Article 28(10) NDICI-Global Europe Regulation).

4.4.1 *Changes from indirect to direct management mode (and vice versa) due to exceptional circumstances (one alternative second option)*

If, due to circumstances outside of the Commission's control, it is not possible to implement the part of this action in indirect management specified in section 4.3.3 with one or more pillar-assessed entities to be selected in accordance with the criteria set out in section 4.3.3, the alternative implementation modality will be direct management:

Direct Management (Grants)

- (a) **Purpose of the grant(s):** The grants will contribute to SO2, namely outputs 2.1, and to SO3, namely output 3.1 as specified in Section 3.
- (b) **Type of applicants targeted:** Possible applicants for funding are legal entities, natural persons or groupings without legal personality.

Direct Management (Procurement)

The procurement will contribute to SO1 and SO2, namely outputs 1.1, 1.2 and 2.2, and to SO3, namely output 3.2, as specified in Section 3.

Indirect management with a pillar assessed entity

Likewise, should direct management modality of relevant parts of SO1 and SO2 specified in 4.3.1, and SO4 specified in 4.3.2 not be implemented due to circumstances outside of the Commission's control, the alternative implementation modality will be indirect management with pillar assessed entities, which will be selected by the Commission's services using the following criteria:

Applicable to SO1 and SO2:

- demonstrate how the circular plastics economy functions in the Philippines;
- is specialised in strengthening incubation services and technopreneurs, innovation of waste reduction and management strategies;
- has expertise in the integration of environmental and economic policies and green incentives;
- is specialised in strengthening local level government planning and budgeting;
- has experience in supporting municipal services, including the innovation of waste reduction and management strategies, as well as business development and local economic development, sharing of European expertise;

The implementation by this entity entails focus on SO1 and SO2 and respectively outputs 1.1, 1.2, 2.1 and 2.2 as identified in Section 3, and will contribute to achieving all four SOs (and outputs respectively), by enabling coordination, complementarity, knowledge exchange and dissemination.

Applicable to SO4:

- has prior experience in the Philippines and/or ASEAN member states;
- has implemented actions in capacity building and policy related to promoting energy efficiency, renewable energy, and climate change mitigation;
- has previous experience in mapping private energy sector investments with climate change benefits;

The implementation by this entity entails focus on SO4, namely on output 4.1, as identified in Section 3.

Applicable to SO4:

- has prior experience in the Philippines and/or ASEAN member states;
- has implemented actions in capacity building and policy related to promoting energy efficiency, renewable energy, and climate change mitigation;
- has previous experience in mapping private energy sector investments with climate change benefits;

The implementation by this entity entails focus on SO4, namely on output 4.2, as identified in Section 3.

4.5 Indicative Budget

Indicative Budget components³³	EU contribution (amount in EUR)
Implementation modalities – cf. section 4.3	
<i>Direct Management</i>	
Grants (SO1, SO2)	3 550 000
Procurement (SO4, SO1, SO3)	3 000 000
<i>Indirect Management</i>	
Indirect management with a pillar assessed entity (SO1, SO2)	12 000 000

³³ N.B: The final text on audit/verification depends on the outcome of ongoing discussions on pooling of funding in (one or a limited number of) Decision(s) and the subsequent financial management, i.e. for the conclusion of audit contracts and payments.

Indirect management with a pillar assessed entity (SO2)	23 000 000
Indirect management with a pillar assessed entity (SO3)	15 000 000
Evaluation – cf. section 5.2	300 000
Audit – cf. section 5.2	150 000
Contingencies ³⁴	3 000 000
Totals	60 000 000

4.6 Organisational Set-up and Responsibilities

The Department of Environment and Natural Resources is envisaged as the ideal key Agency responsible for the overall implementation of the Action subject to Government approval.

Action Steering Committee: Indicative composition: European Union Delegation (EUD), Department of Environment and Natural Resources (DENR), Department of Energy (DOE), Department of Science and Technology (DOST), Climate Change Commission (CCC), Department of Trade and Industry (DTI) (Board of Investment (BOI), Technical Education and Skills Development Authority (TESDA), Department of Finance (DOF), Department of Interior and Local Government (DILG),–League of Cities, selected city/municipality representatives, CSOs, including groups representing women and youth.

The main tasks of the steering committee are to act as strategic oversight committee of progress, provide strategic input into the development of the intervention, provide a dialogue platform which allows the alignment and coordination as well as evaluation strategy. The committee ensures that all decisions are in accordance with Philippines law and requirements, as well as the European Green Deal. Other representatives of ongoing foreign funded projects, representatives of government agencies, civil society and private sector invited by the Committee Chair with observer status (for example organisations such as, Philippine Alliance for Recycling and Materials Sustainability, Ecowaste coalition). The EU Delegation will have a full membership shall be set up to oversee and validate the direction and policy of the project. The Project Steering Committee (PSC) shall meet at least twice a year.

Technical Team (Working Group): Composition: Representatives from the individual Contribution Agreements, and whenever appropriate organisations such as European Chamber of Commerce of The Philippines (ECCP), EU MS bilateral chambers, Philippine Chamber of Commerce and Industry (PCCI), Philippine Alliance for Recycling and Materials Sustainability (PARMS) (to ensure that a wide group of relevant companies and sectors are included) and CSOs, like the Ecowaste coalition (to ensure that the voice of vulnerable and marginalised groups are represented), and other stakeholders subject to invitation.

The main tasks of the working group include the implementation advice and ensure regular (monthly) coordination, synergizing and complementing and avoiding of redundancy.

As part of its prerogative of budget implementation and to safeguard the financial interests of the Union, the Commission may participate in the above governance structures set up for governing the implementation of the action

5 PERFORMANCE MEASUREMENT

5.1 Monitoring and Reporting

The day-to-day technical and financial monitoring of the implementation of this action will be a continuous process, and part of the implementing partner's responsibilities. To this aim, the implementing partner shall establish a permanent internal, technical and financial monitoring system for the action and elaborate regular

³⁴ Consider that for contracts where no financing agreement is concluded, contingencies must be covered by individual and legal commitments by 31 December of N+1.

progress reports (not less than annual) and final reports. Every report shall provide an accurate account of implementation of the action, difficulties encountered, changes introduced, as well as the degree of achievement of its results (Outputs and direct Outcomes) as measured by corresponding indicators, using as reference the logframe matrix (for project modality).

The Commission may undertake additional project monitoring visits both through its own staff and through independent consultants recruited directly by the Commission for independent monitoring reviews (or recruited by the responsible agent contracted by the Commission for implementing such reviews).

Roles and responsibilities for data collection, analysis and monitoring:

Each contracted agency will be in charge of regular (quarterly) monitoring and yearly progress reporting on the progress of the respective indicators of the logframe and the budget execution. These arrangements will be prescribed in their respective contracts. The baseline data (where necessary) will be collected in the first six months.

The contracting partners will need to make sure that the implementing partners (e.g., city/municipality level working groups, or universities, or incubation centres, etc.) use the same indicators and measurements/tools, so that findings and progress can be aggregated when required. These tools and measurement methods should be aligned with the monitoring and reporting requirements of the Philippines' national and sub-national stakeholders, where applicable (e.g., on co-benefits). Indicators shall be disaggregated at least by sex. All monitoring and reporting shall assess how the action is taking into account the human rights based approach and gender equality.

When the specific terms of reference for each intervention are determined, active and meaningful participation of stakeholders should be defined, including the representation of women and disadvantaged youth if and where applicable.

5.2 Evaluation

Having regard to the importance of the action, a mid-term and final evaluation will be carried out for this action or its components via implementing partners and via independent consultants contracted by the Commission. The mid-term evaluation will be carried out for problem solving and learning purposes, in particular with respect to assess the impact of the intervention approach in tangible terms and gauge options for improvements, realignment of activities and/or corrective measures. The final evaluation will be carried out for accountability and learning purposes at various levels (including for policy revision), taking into account in particular the effectiveness of pilot solutions being tested, level of effectiveness of the action within the larger impact of the TEI and to gauge options for extended support to the sector in eventual follow-up actions by EU and EU MS. The Commission shall inform the implementing partner at least 3 months in advance of the dates envisaged for the evaluation missions. The implementing partner shall collaborate efficiently and effectively with the evaluation experts, and inter alia provide them with all necessary information and documentation, as well as access to the project premises and activities.

The evaluation reports shall be shared with the partner country and other key stakeholders following the best practice of evaluation dissemination³⁵. The implementing partner and the Commission shall analyse the conclusions and recommendations of the evaluations. Evaluation services may be contracted under a framework contract.

5.3 Audit and Verifications

Without prejudice to the obligations applicable to contracts concluded for the implementation of this action, the Commission may, on the basis of a risk assessment, contract independent audit or verification assignments for one or several contracts or agreements.

³⁵ See best practice of evaluation dissemination.

6 STRATEGIC COMMUNICATION AND PUBLIC DIPLOMACY

The 2021-2027 programming cycle will adopt a new approach to pooling, programming and deploying strategic communication and public diplomacy resources.

It will remain a contractual obligation for all entities implementing EU-funded external actions to inform the relevant audiences of the Union's support for their work by displaying the EU emblem and a short funding statement as appropriate on all communication materials related to the actions concerned. This obligation will continue to apply equally, regardless of whether the actions concerned are implemented by the Commission, partner countries, service providers, grant beneficiaries or entrusted or delegated entities such as UN agencies, international financial institutions and agencies of EU member states.

However, action documents for specific sector programmes are in principle no longer required to include a provision for communication and visibility actions promoting the programmes concerned. These resources will instead be consolidated in Cooperation Facilities established by support measure action documents, allowing Delegations to plan and execute multiannual strategic communication and public diplomacy actions with sufficient critical mass to be effective on a national scale.