THE INITIATIVE FOR ASEAN INTEGRATION:
MID-TERM REVIEW OF THE WORK PLAN

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1. THE MANDATE

1.1 This report is in pursuance of the ASEAN leaders’ directive for the conduct of a mid-term review of the Work Plan of the Initiative for ASEAN Integration (IAI). The Work Plan covers the period from July 2002 to June 2008.

1.2 The leaders’ directive is most explicitly embodied in the Vientiane Action Programme (VAP), which they adopted on 29 November 2004 in Vientiane, Lao People’s Democratic Republic. In the VAP, the leaders reaffirmed “the need to narrow the development gap” in ASEAN, recalling the first official recognition of this need in the Ha Noi Declaration on Narrowing Development Gap for Closer ASEAN Integration of 2001 and its reiteration in the Declaration of ASEAN Concord II (Bali Concord II) of 2003. They defined their directive’s goal as reducing “the large disparities” between the older six ASEAN members and the newer four – and within some of the ASEAN-6 – in terms of human development indicators, including per capita gross domestic product. In the pursuit of this goal, the leaders called for the “broadening and deepening (of) the scope of the IAI CLMV (Cambodia, Lao PDR, Myanmar and Viet Nam) Work Plan” and the development of “innovative modalities for resource mobilization.” They affirmed the IAI as “ASEAN’s main instrument for narrowing the development gap.”

1.3 More specifically, the leaders declared:

The programme for narrowing the development gap will include specific regional cooperation activities aimed at assisting less developed Member Countries in removing tariff, non-tariff and physical barriers to the free flow of goods and services in the product and factor market. The programme will also include activities that supplement national efforts directly aimed at poverty reduction and the promotion of equitable and inclusive development.

1.4 Annex 4 of the VAP, which lists “Programme Areas and Measures” under “NARROWING THE DEVELOPMENT GAP,” includes as one of the measures “Completion and approval by the Leaders of the mid-term review of the IAI CLMV Work Plan.”
1.5 On 4-5 July 2005, a “Seminar on Narrowing the Development Gap: Strategizing the Challenges” was convened in Yangon. Emphasizing the importance of the mid-term review mandated by the leaders, the seminar recommended that the review deal with:

- the development of “specific programmes/activities, projects, strategies and further directions, . . . including innovative funding modalities”;
- “activities that supplement national efforts directly aimed at poverty reduction and the promotion of equitable and inclusive development”;
- scaling down, breaking down or dropping the 11 unfunded projects and meeting donors’ needs;
- additional potential funding sources; and
- widening the scope of the IAI Work Plan, including new areas.

1.6 The chairman of the seminar, U Aung Bwa, ASEAN Director-General at the Ministry of Foreign Affairs of Myanmar, said in his opening statement:

We are of the view that a mid-term review is of great importance. Mid-term review will provide an opportunity for us to offer inputs in terms of meeting our priority development needs for the remaining 3 years of the Work Plan.

1.7 In compliance with the leaders’ directive and taking into account the insights, opinions and recommendations arising from the seminar, the ASEAN Secretariat commissioned a study to review the IAI Work Plan and “strategize” the implementation of the VAP in this regard. The study was to undertake a “comprehensive review of the status of the IAI Work Plan,” identify the “main issues and challenges that need to be addressed,” and recommend measures “to improve the current mechanisms to ensure the completion of all of the IAI Work Plan projects within the given time frame.” The study would also provide “insights” and develop “programmes, activities, projects and strategies” to achieve the purposes of the VAP with respect to narrowing the development gap. A draft of the report, particularly its findings and recommendations, would be considered in a workshop to be convened for the purpose.

1.8 According to its terms of reference, the study would cover:
• current projects in the IAI Work Plan – the progress and pace of their implementation;
• widening the scope of the Work Plan;
• mobilization of resources;
• ownership issues;
• the impact and benefits of the IAI projects;
• the VAP measures pertaining to the development gap; and
• the capacity of the IAI Unit of the ASEAN Secretariat.

1.9 Specifically, the review would:

• “provide insights into how the current mechanism can be strengthened in order to expedite the . . . implementation of the IAI projects”;
• provide insights to the CLMV countries into how the measures prescribed in the VAP to narrow the development gap “can be translated into programmes, activities and strategies”; and
• assist the CLMV countries in converting the objective of narrowing the development gap into “policy instruments in their respective national plans including the establishment of support mechanisms/institutions to facilitate (the) speedy implementation of the IAI projects.”

1.10 This study was conducted in accordance with the mandate outlined above.
2. EXECUTIVE SUMMARY

2.1 Having recalled the mandate for it, principally in the Vientiane Action Programme, this study describes the context and background of the Initiative for ASEAN Integration and its Work Plan, assesses the projects in the Work Plan individually and generally, proposes certain changes in approach, suggests a number of projects and project areas for the next stage of the IAI, and recommends modifications in the initiative’s mechanisms and processes and in the mobilization of resources.

2.2 The entry of the four new members into ASEAN has raised concerns over the possible emergence of a “two-tier ASEAN.” This “development gap” is manifested not only in the difference between the average per capita income of the six older ASEAN members and that of the newer four, but also in terms of human resources, institutional capacity, the “digital divide,” the state of the infrastructure, and the level of competitiveness. These are what the IAI and its Work Plan have sought to address.

2.3 Most of the projects in the Work Plan, organized into transport and energy, information and communications technology, human resource development, and regional economic integration, have been judged to be extremely useful. However, some shortcomings have also been noted in the coherence of training programs, the duration of training courses, the level of English proficiency among some instructors and trainees, the suitability of some participants, reporting practices, inter-agency coordination, coordination with other Mekong Basin programs, and follow-through and implementation. In addition to dealing with these shortcomings, the differences among the needs of Cambodia, Laos, Myanmar and Viet Nam – the CLMV countries – the use of local consultants, and the site of training projects have to be taken into account. Certain gaps are evident in the Work Plan, including those that have arisen from recent developments. The Work Plan, for example, does not address the investment climate, impediments to trade
and investments between the ASEAN-6 and the CLMV countries, services, tourism, civil aviation, the 11 priority sectors of the ASEAN Economic Community, environmental protection, the quality of urban life, and the question of regional identity. Neither does it take into account the needs of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, the Indonesia-Malaysia-Thailand Growth Triangle, and other pockets of poverty in the ASEAN-6. The assistance programs of the ASEAN-6 for the CLMV countries are not sufficiently highlighted.

2.4 In the light of these and other observations, some changes in approach are in order. The criteria for the selection of a project have to be adjusted, including the precise needs of the CLMV countries in terms of external assistance, the project’s role in national development, its effectiveness in building CLMV capacity for participation in ASEAN programs, its longer-term impact, and provisions for implementation and follow-through. Projects may be reclassified into regional economic integration, tourism, ICT, energy, the investment climate, HRD, poverty reduction and the quality of life, and general projects. A number of projects are indicated in this study that might address new developments and/or gaps in the present Work Plan.

2.5 In order to highlight the importance of intra-ASEAN cooperation programs, assistance to the CLMV countries from the ASEAN-6 on the one hand and support from others on the other hand should be treated differently in terms of procedure, reporting and presentation. The ASEAN-6 countries should continue to follow their respective procedures and submit annual reports on their assistance programs for the CLMV countries, which, for their part, should report annually on the assistance that they have received from all sources. The IAI Unit in the ASEAN Secretariat should consolidate these reports together with its own account of IAI support from sources outside ASEAN. The progress of the IAI should be vigorously promoted in the international community and the public at large.

2.6 Externally supported IAI projects should be appraised in accordance with normal
procedures, that is, with the involvement of ASEAN Secretariat desk officers, as well as the Bureau of External Relations and Coordination, and the intervention of the Project Appraisal Committee, an arm of the ASEAN Standing Committee.

2.7 Coordination should be greatly strengthened – within the CLMV countries, among those countries, among their representatives in ASEAN sectoral bodies, between the CLMV countries and the ASEAN-6, among the ASEAN-6, within the ASEAN Secretariat, with ASEAN representatives in actual and potential sources of support, including multilateral bodies, and with other programs concerned with the development of the Mekong Basin. The co-shepherds system should operate on a regular basis and deal with substantive as well as procedural matters.

2.8 CLMV ownership of projects is critical to the IAI. This means involvement of the CLMV countries at every stage – from the conception and formulation of projects to implementation and monitoring to evaluation and reporting. It also means CLMV contributions to the projects in cash or in kind.

2.9 Current sources of funding for the IAI should not only continue but increase their support – the ASEAN-6, six of the Dialogue Partners, a couple of other countries, and a few international organizations. Support should be sought from the other four Dialogue Partners, from other countries and organizations, and from private foundations. Corporations could be tapped either for outright donations or for such schemes as build-operate-transfer. ASEAN’s diplomatic missions and representatives to international bodies should be enlisted in the mobilization of resources. The new ASEAN Development Fund could be used for certain purposes, while the ASEAN Foundation ought to return to its original concept.

2.10 Certain immediate decisions have to be made:

**ASEAN Standing Committee** recommendations on proposed changes in approach:
1) Criteria for and other factors in project selection;
2) Reclassification of projects;
3) Two basic categories – ASEAN-6 and external sources of support;
4) Procedures for the appraisal of project proposals;
5) Manifestations of CLMV ownership;
6) Coordination issues and reporting procedures;
7) New modalities for the mobilization of resources.

**CLMV countries:**

1) Selection of new projects;
2) Order of priorities.

**ASEAN Secretariat:**

1) Coordination among BERC, IAI Unit and desk officers;
2) Streamlining of appraisal of IAI projects.
3. BACKGROUND

3.1 The Association of Southeast Asian Nations came into being on 8 August 1967 with five founding nations – Indonesia, Malaysia, the Philippines, Singapore and Thailand. The ASEAN founders had sought to bring in Burma and Cambodia into the new association, but those countries, for reasons of their own, opted to stay out. Except for Singapore, which had a different economic structure as an entrepôt driven by free trade, ASEAN’s founding members were at fairly similar levels of economic development. The evolution of their economies and their economic policies proceeded in a similar sequence, albeit over somewhat different timeframes.

3.2 At the time of ASEAN’s founding, the four countries adhered to policies of import-substitution and trade protectionism and sought to promote industrialization through state direction and intervention. Indeed, ASEAN’s early ventures into regional economic cooperation saw the member-states allocating large industrial projects among themselves, each project’s products to be assured of the regional market and protected from regional, as well as all foreign, competition. They also entered into the Preferential Trading Arrangements scheme, in which they accorded tariff preferences (margins of preference) to one another’s exports on the basis of negotiated product lists. Neither scheme worked fully as intended.

3.3 In 1975, Viet Nam succeeded in reuniting itself, and new regimes took power in Cambodia and Laos, while Burma, now Myanmar, persisted in its self-imposed isolation. ASEAN extended its hand to the Indochinese states, from which it had been divided by the politics of the time. Before the healing of Southeast Asia’s division could be completed, however, events of the late 1970s and of the 1980s kept Southeast Asia divided.

3.4 Meanwhile, Indonesia, Malaysia, the Philippines and Thailand, each in its own time, shifted their international economic policies from those supporting import-substitution, protectionism and government-managed industrialization to ones that were export-oriented, relatively open and welcoming to foreign investments. This
shift coincided with Japan’s drive to relocate many of its manufacturing industries to Southeast Asia, partly on account of the appreciation of the yen. Similar moves were made by some industries in Europe and the United States. These developments led to the ASEAN countries’ remarkable surge in economic growth, which gave the region its reputation for economic dynamism. At the same time, Viet Nam embarked on its doi moi reforms, giving market forces greater play in the economy and opening the country to foreign investments. Starting in 1988, Myanmar undertook reforms in a similar direction.

3.5 These reforms, as well as the settlement of the Cambodian problem in 1991 and the installation of a new government in Phnom Penh in 1993, opened the way for renewed efforts to bring Cambodia, Laos, Myanmar and Viet Nam – now called the CLMV countries for short – into ASEAN and thus to complete Southeast Asian membership in the association. Viet Nam entered ASEAN in 1995, Laos and Myanmar in 1997, and Cambodia in 1999.

3.6 Almost immediately, concerns about a “two-tier” ASEAN were raised. Singapore was, by many – not all – measures, a developed country. Brunei Darussalam, which had joined ASEAN in 1984, had enormous wealth, derived largely from crude oil. The other four ASEAN countries had recorded high growth rates and, as noted above, had a reputation for economic dynamism, at least until the setbacks dealt them by the financial crisis of 1997-1998. On the other hand, the three Indochinese countries had been ravaged by war and, in the case of Cambodia, by genocidal atrocities inflicted on massive numbers of people, including many of the intellectuals and the skilled. Viet Nam and Laos were emerging from economic regimes of central planning, Cambodia from more than three years of anti-economic depredations. Myanmar had been hobbled by decades of “socialism” and civil conflict and, recently, by sanctions, formal and informal, imposed by some developed countries.

3.7 Thus, the development gap entered ASEAN’s vocabulary, the gap between the older, more advanced members and those that were newer and less developed,
between members that had long embraced the free market and those that were just emerging from centrally planned to market economies. The gap is vividly manifested in the difference between the ASEAN-6 and the ASEAN-4 in their average gross domestic products and average per capita GDPs, a difference that persists to this day, as manifested in the following table.

<table>
<thead>
<tr>
<th>Country</th>
<th>GDP</th>
<th>Population</th>
<th>GDP per capita</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei Darussalam</td>
<td>4,715,085,078</td>
<td>363,450</td>
<td>12,973</td>
</tr>
<tr>
<td>Cambodia</td>
<td>4,214,899,907</td>
<td>13,798,000</td>
<td>305</td>
</tr>
<tr>
<td>Indonesia</td>
<td>208,625,321,605</td>
<td>213,494,000</td>
<td>977</td>
</tr>
<tr>
<td>Lao PDR</td>
<td>2,043,163,868</td>
<td>5,618,000</td>
<td>364</td>
</tr>
<tr>
<td>Malaysia</td>
<td>103,736,842,105</td>
<td>25,050,000</td>
<td>4,141</td>
</tr>
<tr>
<td>Myanmar</td>
<td>9,605,000,000</td>
<td>53,514,512</td>
<td>179</td>
</tr>
<tr>
<td>Philippines</td>
<td>79,270,199,255</td>
<td>81,081,000</td>
<td>978</td>
</tr>
<tr>
<td>Singapore</td>
<td>91,355,476,919</td>
<td>4,185,000</td>
<td>21,829</td>
</tr>
<tr>
<td>Thailand</td>
<td>143,303,334,373</td>
<td>63,950,000</td>
<td>2,241</td>
</tr>
<tr>
<td>Viet Nam</td>
<td>39,021,400,599</td>
<td>81,185,000</td>
<td>481</td>
</tr>
<tr>
<td>ASEAN</td>
<td>685,890,723,710</td>
<td>542,238,962</td>
<td>1,265</td>
</tr>
</tbody>
</table>

Source: ASEAN Secretariat Finance and Macroeconomic Surveillance Unit Database

3.8 This measure is, of course, a bit of an oversimplification. Not only does it fail to reflect the purchasing ability of the incomes of people in the ASEAN countries; it compares the average GDP and average per capita GDP of the ASEAN-6 with those of the ASEAN-4. The average per capita GDP of the six older members is more than five times the average of the four newer ones. However, the differences among the ASEAN-6 are even greater. Singapore’s per capita GDP is more than 20 times that of Indonesia or the Philippines, Brunei Darussalam’s almost 13 times, and Malaysia’s more than four times. On the other hand, Indonesia’s or the Philippines’ per capita GDP is only twice that of Viet Nam, a difference less than that between Thailand’s GDP per capita and Indonesia’s or the Philippines’.
Moreover, the 1997-1998 financial crisis exposed the vulnerabilities of most of the ASEAN-6 and demonstrated the relative immunity of the ASEAN-4 to the volatility of financial markets.

3.9 Nevertheless, the gap does exist, even if in less stark terms than comparisons between GDPs and per capita GDPs. The Vientiane Action Programme of November 2004 pointed out:

The development gap is often manifested by disparity in per capita GDP (income). It can also be manifested by disparities in other dimensions of human development, such as life expectancy and the literacy rate. The gap can also be measured by disparity in poverty incidence.

3.10 In economic terms, the gap shows up in the different levels of human resources and institutional capacity. It is quite evident in the “digital divide.” There are differences in the quality of infrastructure between the ASEAN-6 and the ASEAN-4, although the division here may not be so sharp. Because of their long separation from the global economy, there are among the ASEAN-4 greater industrial weaknesses and a relative lack of competitiveness in many sectors, although Viet Nam seems to be fast catching up with the slower members of the ASEAN-6.

3.11 Annex 4 of the Vientiane Action Programme, on narrowing the development gap, directed:

Conduct a deeper analysis of the development gap in its various dimensions and manifestations and set realistic targets for the medium- and long-term.

3.12 Whatever the analysis reveals, many indicators have resulted from and contributed to the perception of the development gap between the older and the newer ASEAN members. ASEAN’s recognition of it has been manifested in the delays afforded the ASEAN-4, under the ASEAN Free Trade Area, for achieving the target of 0-5 percent for tariffs on intra-ASEAN trade, although each ASEAN member has had ten years from its participation in AFTA within which to reach that target. Similarly, the ASEAN-4 have later deadlines for abolishing tariffs on intra-ASEAN trade altogether. The ASEAN-4 have been given more flexible timeframes for
fulfilling their commitments under the ASEAN Investment Area agreement. They are given longer deadlines in the free-trade areas being negotiated with China and India and possibly with others as well. There is also the ASEAN Integration System of Preferences, in which each of the six older ASEAN members extends tariff preferences, on a non-reciprocal basis, to its imports of products on a list negotiated with each of the four newer ones.

3.13 Narrowing the development gap has thus been an increasingly persistent theme in ASEAN cooperation and in ASEAN’s relations with other countries and groups of countries. At their summit meeting in November 2000 in Singapore, the ASEAN leaders adopted a special program for narrowing the development gap, calling it, on Singapore Prime Minister Goh Chok Tong’s proposal, the Initiative for ASEAN Integration.

3.14 The word “integration” was chosen deliberately. One of the concerns of the newer members was that they would be left out of any benefits from the measures that ASEAN was adopting to hasten the integration of the regional economy. The IAI was supposed to assist the newer members participate in and benefit from ASEAN schemes for regional economic integration. It gave an added dimension to the concept of ASEAN integration, which now denotes not only the integration of the regional market but also the integration of the newer members into the ASEAN economic mainstream. Significantly, the summit chairman’s statement stressed that the IAI was meant “essentially” to be a “framework” for “the more developed ASEAN members” to “help those member countries that most need it.”

3.15 Following through on the leaders’ decision, the foreign ministers adopted at their annual meeting in July 2001 the Ha Noi Declaration on Narrowing the Development Gap for Closer ASEAN Integration. The declaration expressed the ASEAN members’ resolve to “promote, through concerted efforts, effective cooperation and mutual assistance to narrow the development gap among ASEAN Member Countries and between ASEAN and the rest of the world,” with infrastructure, human resource development, information and communications
technology, and regional economic integration as the priority areas. These areas were regarded as constituting the principal manifestations and sources of the development gap.

3.16 The declaration spelled out some specifics for each of the areas. In infrastructure, the focus was on transport and energy, specifically the Singapore-Kunming Rail Link, the ASEAN Highway Network, the ASEAN Power Grid, and the Trans-ASEAN Gas Pipeline Network. For the development of human resources, the declaration singled out the establishment and strengthening of training institutes and programs, the promotion and improvement of the use of English, benchmarks and timetables for “the development of skills and attitudes of our people required by the knowledge-based economy and the information age,” and the training needs of government officials. In ICT, the ministers called for “the urgent implementation of the e-ASEAN Framework Agreement and the Asian IT Belt initiative . . . the expeditious liberalization and facilitation of trade and investment in the ICT sector,” and the adoption of “concrete measures” to facilitate e-commerce, stressing the importance of the assessment of the CLMV countries’ ICT needs. The ministers also declared their support for “the measures being undertaken to integrate CLMV into ASEAN as a regional economy, including the ASEAN Free Trade Area, the ASEAN Investment Area and liberalization of trade in services.” They decided to “establish an IAI Unit in the ASEAN Secretariat to enhance its capability in coordinating and supporting ASEAN’s efforts in realizing the objectives of this Declaration.”

3.17 Meanwhile, the CLMV countries, with the approval of the ASEAN Standing Committee, had organized themselves into the IAI Task Force. The Task Force is made up of the ASEAN Directors-General of the CLMV foreign ministries and the ASEAN Secretary-General. It normally convenes just before meetings of the ASEAN Standing Committee. It decides on or recommends policy for the IAI and reviews the progress of its projects. However, in terms of projects, the Task Force deals mainly with the inclusion or exclusion of projects, with problems in their implementation, and with aggregate data on their progress and the state of their
funding, rather than with their effectiveness and sustainability.

3.18 Pursuant to the foreign ministers’ 2001 decision, a small IAI Unit was set up in the ASEAN Secretariat. It manages the operation of the entire program in all its myriad details. It also handles other ASEAN programs related to the development of the Mekong Basin. However, the unit is handicapped by the uneven supply of information that it receives about individual projects as well as by the small size of its staff.

3.19 In the latter part of 2003, ASEAN set up the co-shepherds system, involving all members, for reviewing the progress of the projects. Under the system, the CLMV coordinator for each of the four sectors is teamed up with one or two of the ASEAN-6 countries. Thus, Myanmar is a co-shepherd with Malaysia for ICT projects, Viet Nam with the Philippines for regional economic integration projects, Cambodia with Thailand for transport and with Indonesia for energy, and Laos with Brunei Darussalam and Singapore for human resource development.

3.20 On 20-22 November 2001, a workshop, convened in Phnom Penh with Japan’s financial support, drew up a six-year (2002-2008) Work Plan for the IAI. Sectoral experts and foreign ministry officials from all ASEAN members and the Secretariat took part in the workshop. Representatives of several Japanese agencies, the Mekong River Commission, the UN Development Programme, and the World Bank were also present. The workshop divided itself into four groups, one each for infrastructure, human resource development, ICT and regional economic integration. Drawn up by each of the four groups and approved in plenary, the Work Plan that the workshop produced indicated program areas, objectives, outputs and target years. Most of the outputs were determined by what the CLMV countries believed they needed to participate in ASEAN’s integration measures. Some were proposed by a number of the older members on the basis of what their agencies, institutions and personnel could deliver. The Work Plan concentrated on “soft” infrastructure – training programs, institution building, studies, plans and policy measures. The “hard” infrastructure was left to the private sector, bilateral
arrangements between individual CLMV countries and individual creditors, and international financial institutions.

3.21 In the transport sector, the Work Plan singled out the CLMV portions of the ASEAN Highway Network and the Singapore-Kunming Rail Link, the sub-regional implementation of the ASEAN Framework Agreement on the Facilitation of Goods in Transit, and air and river transportation. The outputs expected were studies, strategies, plans and programs, and training in railway management, inland waterways and ferry transport services. Similarly, for the energy sector, the Work Plan called for plans to establish power inter-connections between CLMV countries and training programs in the management of power utilities, oil and gas production, refinery and petrochemical plant operation and economics, coal mining, and coal briquetting.

3.22 While programs to develop human resources and otherwise build capacity ran through the entire Work Plan, the section devoted specifically to human resource development dealt with three broad areas – building capacity in the public sector, labor and employment concerns, and higher education. The public-sector area covered planning and management, needs assessment, research and development, and training for these functions. Training of trainers was emphasized. Strengthening proficiency in the English language and training for young diplomats received special attention. The portion dealing with labor and employment concerns was guided by the priorities drawn up by the ASEAN labor ministers, including adjustments to regional economic integration, training of workers in new skills, vocational training, skills recognition systems and other measures to promote labor mobility, HRD planning and labor market monitoring, social security and protection, industrial relations, and overseas employment. Improvements in the management of higher education were included.

3.23 The so-called digital divide was considered to be a leading manifestation and a cause of the development gap between the older and the newer members of ASEAN. Thus, developing the CLMV countries’ capabilities for information and
communications technology was made a major component of the Work Plan, which was guided in this area by the e-ASEAN Framework Agreement and the recommendations of previous studies. Policy measures dominated the recommended outputs, including a telecommunications policy framework, an independent ICT regulatory body, national ICT development master plans, a high-level ICT body, e-government strategies, and national strategic plans for increased Internet accessibility and human resource development for ICT. The Work Plan called for legislated regulations to deter cybercrime and the adoption of policies on e-commerce. Programs for human resource development in specific ICT areas were suggested.

3.24 The segment on regional economic integration aimed at strengthening the capacity of the CLMV countries to participate in AFTA, collect and manage trade statistics, and undertake negotiations and carry out their obligations on trade in services. It proposed programs to improve customs operations in the CLMV countries, including their ability to comply with ASEAN agreements on customs, and to help those countries to participate in the harmonization of product standards in ASEAN. The Work Plan envisioned assistance to the CLMV countries in the liberalization of their investment regimes and in the promotion of investments.

3.25 A second workshop, again with Japanese support, took place in Vientiane on 24-26 April 2002 to translate the Work Plan’s indicative outputs in the four areas into specific projects. The ASEAN Secretariat had circulated 38 project proposals drawn up by its consultants and by some of the ASEAN-6. In addition to the ASEAN member-states, the ASEAN Secretariat and its consultants, and the Japanese Government, the Japan Overseas Development Cooperation agency, the Mekong Institute and the UN Development Programme were recorded as participating in the workshop.

3.26 The workshop’s sub-group on transport endorsed three projects worked out by consultants:

- A feasibility study for the Singapore-Kunming Rail Link’s missing
links in and spur lines to the CLMV countries;
- Project preparation studies for upgrading secondary roads in CLMV countries to connect to the ASEAN Highway Network; and
- A study for the improvement of inland waterways.

3.21 In addition, the transport sub-group endorsed two projects proposed by Indonesia, one for training in inland waterways and ferry transport and the other for a railways training program, and one proposed by Thailand for training in multimodal transport operation.

3.22 The energy sub-group organized its proposed projects into:
- Institutional strengthening in the policy, regulatory, commercial and financial areas;
- Capacity building in the power, oil and gas, and coal sectors;
- Studies on power, oil and gas, coal, energy efficiency and conservation, and interconnections;
- Mobilization of private investment in transmission links, hydropower development and inter-connections; and
- Pilot projects and technology transfer in the use of new and renewable sources of energy.

3.23 The working group on human resource development indicated its support for capacity building for the civil service and the ASEAN University Network’s proposal on higher education management. In the area of labor and employment, the working group proposed projects on:
- The ASEAN Labor Ministers’ technical assistance program;
- Training of workers in ICT;
- Network of skills training institutions and vocational training methodologies;
- Labor mobility;
- HRD planning and labor market monitoring;
- Overseas employment administration;
- Strengthening social security and social protection;
- Tripartite seminar on AFTA’s impact on labor and human resources;
and

- Industrial relations.

3.24 The working group on information and communications technology submitted proposals for projects on:

- National ICT master plans;
- Telecommunications frameworks;
- ICT HRD development;
- ICT legislation; and
- e-Government.

3.25 The working group on regional economic integration “endorsed in principle” the project proposals pertaining to investments, customs, standards and trade in goods and services. It agreed that such projects would be carried out by the ASEAN bodies concerned with these areas under the oversight of the Senior Economic Officials.

3.26 The array of projects was not meant to be hard and fast, but subject to adjustment, additions and reconsideration at any time. The ability of each project to attract the necessary resources would be a prime consideration. With the addition of more projects and other adjustments, the ASEAN foreign ministers endorsed the Work Plan at their annual meeting in July 2002. It had 48 projects at that stage. Most of these and subsequent projects are for training, institution building, strategic plans, feasibility and other studies, and policy measures. These are areas that are considered to account for much of the development gap and to be appropriate to a program like the IAI.

3.27 With Cambodia’s Minister of Foreign Affairs and International Cooperation, His Excellency Mr. Hor Namhong, opening the session, ASEAN presented the projects to the IAI Development Cooperation Forum that the ASEAN Secretariat organized in Jakarta on 15-16 August 2002. The forum was attended by all ten ASEAN members, the ASEAN Foundation, ASEAN Dialogue Partners, other governments, and foundations. The idea was to elicit interest in individual IAI projects on the
part of the potential funders, who were given opportunities to undertake individual consultations with Secretariat and member-country officials project by project.

3.28 The response was disheartening at first, but that was probably because most of those who attended the forum did not have the authority to commit their governments or institutions to specific amounts for specific purposes. Eventually, with continued efforts by the ASEAN Secretariat, the ASEAN member-states and some of the potential donors themselves, the bulk of the projects in the Work Plan other than some of the biggest ones did attract the necessary support from various sources, including the ASEAN-6.

3.29 The IAI program has revitalized the development-cooperation element of ASEAN’s Dialogue relations. Whereas development cooperation had been the core of those relations at their inception and for many years afterwards, it diminished in importance, as ASEAN’s first six members rose in their levels of development. The entry of the four newer members, perceived as less advanced than the other six, and the initiation of the IAI program have made the IAI projects the focus and center of development cooperation between ASEAN and its partners. This is true not only of the organized Dialogues but also of ASEAN’s relationships with United Nations agencies, international financial institutions, foundations, and other donor entities. At the same time, the program stirred the ASEAN-6 to develop projects to assist the ASEAN-4 and to give sharper focus to some of their existing assistance efforts.

3.30 After some more modifications, the 2002 ASEAN Summit approved the IAI Work Plan, with the number of projects now grown to 51. Recognizing the IAI as one of the programs guiding “the future of ASEAN cooperation,” the Declaration of ASEAN Concord, which the ASEAN leaders issued in Bali in 2003, stressed:

The ASEAN Economic Community shall ensure that deepening and broadening integration of ASEAN shall be accompanied by technical and development cooperation in order to address the development divide and accelerate the economic integration of Cambodia, Lao PDR, Myanmar and Viet Nam through IAI and RIA (Roadmap for the Integration of ASEAN) so that the benefits of ASEAN integration are shared and enable all ASEAN
Member Countries to move forward in a unified manner.

3.31 The Vientiane Action Programme of 2004 indicated several areas in which new projects could be undertaken.

3.32 By 2 October 2005, the number of projects officially included in the Work Plan had grown to 102, of which 57 had been completed, 19 were being implemented, and nine were at the planning stage. In the case of four projects, only some components had received funding. Another two were being adjusted to donors’ preferences. Eleven had not secured funding at all.

3.33 On the basis of an analysis of the background, nature and results of the projects and interviews with officers of the ASEAN Secretariat and concerned officials of the CLMV countries, this review has come to the conclusion that many of the projects have benefited the CLMV countries in terms of the objectives of the IAI. However, some appear to have been chosen haphazardly. Others have not been followed through or their benefits spread as widely as expected. On still others, little information has been made available. The review has noted some deficiencies in the process of selecting projects, in their implementation, and in maximizing their benefits. Accordingly, it recommends certain improvements in the approach to project selection, implementation, and participation, and in the mobilization of resources for the projects. Pursuant to its terms of reference, the review also suggests additional areas and individual projects for the future and improvements in the institutional mechanisms and processes for decision making, management, oversight and participation. A detailed assessment follows in the next chapter and recommendations are offered in subsequent chapters.

3.34 The review also takes account of two issues related to “narrowing the development gap” in ASEAN, issues that have been given emphasis in the ASEAN leaders’ conception of and mandate for the IAI itself.

3.35 One is the role and participation of the “growth areas.” In 1994, Brunei Darussalam, Indonesia, Malaysia and the Philippines formally established the East ASEAN Growth Area, now made up of eastern Indonesia, East Malaysia and
Labuan, and Mindanao and Palawan in the southern Philippines, as well as Brunei Darussalam. These areas, remote from their capitals and centers of industry and commerce, were behind the rest of the three countries, a condition representing a “development gap” within those countries. At the 2001 ASEAN Summit, during the discussion on “bridging the development gap,” the Presidents of Indonesia and the Philippines invited the other leaders’ attention to the development gaps in their countries as also deserving ASEAN’s concern in terms of ASEAN integration. The ASEAN leaders agreed that this concern could be taken into account in the context of BIMP-EAGA. Some other officials later raised the matter of the Indonesia-Malaysia-Thailand Growth Triangle. The IMT-GT, which antedates BIMP-EAGA, is made up of North Sumatra and Aceh in Indonesia, Kedah, Penang, Perak and Perlis in Malaysia, and Narathiwat, Pattani, Satun, Songkhla and Yala in Thailand. It seeks to address the “development gaps” in the three countries.

3.36 The other issue has to do with the assistance extended by the ASEAN-6 to the CLMV countries, bilaterally or otherwise. This assistance serves the basic purposes of the IAI, yet only a few projects and activities are listed officially in the IAI Work Plan. Most of the others are not. The IAI Work Plan thus presents a somewhat distorted picture of the relative importance of the support provided by the ASEAN-6 on the one hand and sources external to ASEAN on the other.

3.37 These two issues are considered in appropriate places in the review.
4. THE WORK PLAN

4.1 Excerpts from the ASEAN Secretariat’s Status update of the IAI Work Plan, as of 20 September 2005, are attached as Appendix A. Pursuant to the mid-term review’s mandate, as recounted in Chapter 1, this chapter runs through those projects. It reflects the observations, assessments and suggestions of the ASEAN member-states, principally the four newer ones, as well as the consultant’s own. The discussion in this chapter groups the projects in functional and operational terms – transport, energy, information and communications technology, human resource development for the public sector, labor and employment, higher education, capacity-building for regional economic integration, customs, standards, and investments and industry. The chapter ends with a generalized summary of the observations, laced with some analysis.

Transport

4.2 As of 2 October 2005, six transport projects have been completed. They had to do with training either in railways, by Indonesia and by India, or in inland waterways, by Indonesia and by Malaysia. The two Indonesian training projects, one on railways and the other on inland waterways and ferry operations, had Japanese support. The CLMV countries generally consider these projects as useful. As officials in one of those countries note, not only did the participants acquire knowledge and skills, they also improved their proficiency in English and developed networks of valuable contacts within their fields. Some, however, consider the courses to be too short and suggest that they be lengthened to about two months each. Other officials have complained that some training courses did not meet their needs, stressing the importance of a needs assessment in the consideration of a training course. The co-shepherds’ workshop on transport in June 2005 heard observations about the inadequate English proficiency of both trainers and participants in the Indonesia-Japan training program, which constituted a significant barrier to communication, while indicating that some participants were
not suitable to the training courses.

4.3 The training program conducted by Railways of India is particularly appreciated. Additional, on-the-job railways training in India has been proposed as a future project or series of projects. In addition to the railways training conducted in Indonesia, one CLMV country believes that it would be useful to have the benefit of training, in specific areas, in such places as Malaysia and Thailand.

4.4 Underway is a feasibility study funded by the Republic of Korea on the missing links and spur lines of the Singapore-Kunming Rail Link. A study for the 263-kilometer missing link between Thailand and Myanmar – 110 kilometers within Myanmar and 153 kilometers inside Thailand – is expected to be completed by 2006. Other work is being done on gaps and spur lines in the SKRL. However, only Korea’s feasibility study is listed in the IAI Work Plan. Some of the other projects are being carried out under the ASEAN Mekong Basin Development Cooperation or other schemes, including bilateral ones.

4.5 While the training in inland waterways management has been useful, some of the CLMV countries would like to have training in more specific skills and more advanced subjects in place of the general courses that have been given. Some CLMV countries have urged the continuation of Malaysia’s inland waterways training program. Training should also include very specific new subjects, among which might be training in the management of ports along inland waterways, barge operations and civil works on river banks. China is considering funding an IAI study on the improvement of inland waterways in the CLMV area, which should provide a regional policy framework. As much time has elapsed since China endorsed the proposal in December 2002, some CLMV countries have proposed sounding out other possible funders. Viet Nam is proposing that its Inland Waterways College in Ho Chi Minh City be upgraded to a sub-regional inland waterways training center as a possible IAI project. Once upgraded, the center could be sustained by the training and other programs that it would undertake, with support both from the Vietnamese government and from external sources.
4.6 Going on is a training program on multimodal transport, conducted by Thailand and supported by Japan. The CLMV countries consider training in multimodal transport to be extremely valuable, as this way of integrating transportation is relatively new to them, and urge that it be continued. A regional workshop took place in Bangkok in May-June 2005, followed by a national workshop in Laos in July. Cambodia, Myanmar and Viet Nam are organizing their own national workshops.

4.7 A project involving a study on upgrading secondary roads for linkage with the ASEAN Highway Network has not received funding. More than one of the CLMV countries have asserted that what is needed is not another study but funds for the upgrading of the secondary roads. The Asian Development Bank is undertaking a “GMS Transport Sector Study” aimed at the development of a comprehensive transport network in the Greater Mekong Sub-region, which includes all the CLMV countries. The upgrading of secondary roads should form part of that study as well as of the national development plan of each country. If this is the case, a separate IAI project on it may not be necessary. Moreover, Korea has funded “preparation studies” for the ASEAN Highway Network. One of the CLMV countries has suggested that, in terms of roads, the IAI focus on segments that cross national boundaries.

4.8 Among the areas suggested for training in future transport projects are the negotiation of international transport agreements, multimodal transport, logistics and supply-chain management, the application of information technology to the management and operation of transportation, and container transport. Some training programs in subjects specifically related to road transport have been proposed, including the making of feasibility studies, design, urban transport planning, traffic management, and transport engineering. With respect to the training that has taken place, reporting by the trainees has been highly uneven, not much sharing of knowledge has been done, and the training has had little relation to the trainees’ career advancement.
4.9 The current IAI Work Plan has no projects pertaining to air transport. It has been pointed out that, hitherto, ASEAN cooperation in air transport has been limited to operational matters. A project has been suggested for the improvement of the regulatory framework of the air transport industry in the CLMV area. Much more importantly, external advice would be needed for the formulation of an updated national air services policy for each CLMV country, supported by detailed studies, from the point of view not only of the national airlines but, above all, of the national economy as a whole.

Energy

4.10 Five energy projects have been completed, all providing training and other forms of capacity building. These involved “Small-Scale Product Processing Unit Utilizing Environmentally Friendly Energy and Local Resources” (Indonesia and Japan), coal briquetting for households and small industries (Indonesia and Japan), separate projects on power transmission in Cambodia and the power industry in general in the Greater Mekong Sub-region (Thailand and the EC-ASEAN Energy Facility administered by the ASEAN Center for Energy), and “power pooling” for the GMS (EAEF). Underway are projects on “rural decentralized energy options” (EAEF) and institutional strengthening and capacity building in the oil and gas sector (Indonesia and Japan).

4.11 For political reasons, the four projects fully or partially financed by the EAEF excluded the participation of Myanmar. The power-pooling project consisted of a workshop and a study tour of the three Nordic members of the EU for the purpose of observing an example of an integrated sub-regional power market. Electric utility personnel from Cambodia, Laos, Viet Nam and Thailand took part. The rural electrification project focused on the application of information technology and related elements of providing power to the rural areas of Cambodia, Laos and Viet Nam. The projects to build capacity in the power industries of Cambodia, Laos, Viet Nam and Thailand and in power transmission between Cambodia and Thailand were carried out, but with no apparent provision for further training or
follow-through. Moreover, the projects do not seem to have been thoroughly evaluated in terms of effectiveness and impact. Two of the CLMV countries have even stated that some of the workshops were irrelevant. For example, the project to build capacity in the oil and gas sector was of no use to the CLMV countries that had no such industry. According to one of the CLMV countries, more relevant would have been training in the testing of fuel quality, fuel transport safety, power trading, and negotiations on transboundary power tariffs. It has been suggested that electric-power projects focus on building capacity for CLMV participation in the ASEAN Power Grid, including high-voltage inter-connection and power system planning.

Information and Communications Technology

4.12 Two kinds of projects are in the IAI Work Plan for information and communications technology – one has to do with training and the other with the formulation of plans and policies for governments that still lack them.

4.13 The Republic of Korea has funded or is funding the development of Myanmar’s national ICT master plan, Viet Nam’s ICT legislation, and Laos’ e-government system. Viet Nam has completed its own master plan, with support from the United Nations Development Programme. The project components intended to develop those of Cambodia and Laos under the IAI, at an estimated cost of US$2,490,912, have not received funding, although Cambodia is going ahead on its own, also with UNDP funding, and Laos has completed a draft of its ICT policy. Viet Nam’s ICT legislation has been drafted and is awaiting approval by the National Assembly. The project components for the formulation of similar laws for Cambodia, Laos and Myanmar under the IAI, expected to cost a total of US$1,976,742, still have no funding. However, Cambodia and Laos are working on e-commerce legislation. Viet Nam’s e-government master plan is now on the Prime Minister’s desk, even as Laos’ e-government center has been set up and is being equipped, while the components of the IAI Work Plan project on e-government for Cambodia and Myanmar are still without the US$2,850,285
required. Viet Nam has done its national action plan for human resource development in ICT on its own, but there is no funding, estimated to require a total of US$2,803,251, for similar plans for Cambodia, Laos and Myanmar under the IAI. While Viet Nam and, with Japan’s support, Laos have put together their telecommunications frameworks, the project to develop those of Cambodia and Myanmar is still awaiting funding, calculated to cost a total of US$4,685,396.

4.14 The reason why these projects – for national ICT master plans, ICT legislation and e-government – were broken down into separate components was that, as packages for all four CLMV countries, they required more funding than a single donor was willing to provide. Thus, Korea chose to fund only the ICT master plan for Myanmar, ICT legislation for Viet Nam, and e-government for Laos. The result is that Cambodia, Laos and Myanmar continue to lack some of the policy foundations necessary for ICT development, and renewed efforts to seek funding for their formulation have to be mounted. It has been suggested that the remaining components of the project be thoroughly reviewed with a view to reducing their cost. In the meantime, it has been agreed that any training carried out in any one area would be open to participation by personnel from all four countries. The CLMV countries have also decided to learn from one another, with each opening its national training courses to the others.

4.15 The ICT training programs in the IAI Work Plan have been undertaken by individual ASEAN member-states. Brunei Darussalam sponsored a course on IT for non-IT managers. Malaysia did seven projects of varying lengths. Thailand conducted training in e-commerce and, with the support of Japan’s Solidarity Fund in the ASEAN Foundation, courses on instructional design and multimedia system development. An interesting project was one in which Viet Nam, with Japanese support, shared its knowledge and expertise in digital telecommunications network operation and maintenance with the other new ASEAN members. This was the only project in the Work Plan in which one of the CLMV countries extended help to the others, something that should be encouraged. One of the CLMV countries has suggested training not only in technical matters but also in such subjects as
legislation, regulation, and tariff structures. Another urged that, in view of the rapidity of developments in ICT, the CLMV countries be trained to make their own periodic e-readiness assessments. The co-shepherds workshop on ICT recommended numerous additional subjects for training. One complaint is that some training projects in the IAI were too short for the acquisition of sufficient expertise.

4.16 On the basis of what they know, the officers in charge of ICT in the ASEAN Secretariat, too, have generally found the training courses useful, effective and relevant. However, they have received no information on how the participants have shared the knowledge and skills learned with others in their countries or on what the CLMV countries are doing to ensure that the impact of the training is sustained. Indeed, in some cases, the participants have not reported on their training to their respective authorities. The training courses undertaken seem to have little relation to one another. Future courses need to be conceived within a common framework, which would require close coordination among the ASEAN-6 countries and other sources of support.

Human Resource Development

4.17 Human resource development, in the form mainly of training, runs through the entire IAI Work Plan – transport, energy, ICT and trade-related projects, as well as the component called HRD. The HRD component encompasses projects pertaining to the public sector, labor and employment, and higher education.

HRD for the Public Sector

4.18 The public-sector portion of the HRD component of the IAI Work Plan is largely a potpourri of short-term training courses. Most of the projects have been proposed and carried out by individual older ASEAN members. Malaysia has conducted courses on building construction and maintenance for supervisors and on international politics and economics for diplomats. Courses on environmental protection and irrigation system management, undertaken by Malaysia with the support of the Japanese International Cooperation Agency, involved practical
observations of Malaysia’s facilities, as well as lectures. They were generally well received by the participants.

4.19 Three Malaysia-proposed management courses for senior officials await funding decisions by Japan and the Hanns Seidel Foundation. Thailand has conducted courses and seminars for the civil services of the CLMV countries on recruitment, training and promotion techniques, training management, personnel management, and governance, while Singapore has done English-language courses, one series together with India and another by itself. As against those conducted by Singapore, which has a training center in each of the CLMV capitals, the training courses undertaken by the Malaysians and the Thai took place in their own countries. CLMV officials have expressed their preference for the training programs, in appropriate cases, to be held in their countries, so that more of their people can benefit from the programs. However, they also appreciate the opportunity in some cases to observe at first hand the facilities and practices in the country sharing knowledge and experience. Study tours to observe public administration in the ASEAN-6 countries would be useful, some have said. A judgment, thus, has to be made in each case as to the best venue for holding a training program, whether in the CLMV countries, in another country, or a combination of both.

4.20 Japan’s Solidarity Fund in the ASEAN Foundation has supported a year-long course on human resource development and institutional capacity building. A program on “ASEAN-specific management” for non-foreign ministry personnel has been put together for each of the CLMV countries with the support of Japan and Brunei Darussalam.

4.21 The Japanese-supported program of attaching officials from the CLMV foreign ministries to the ASEAN Secretariat for terms of six months, now extended to one year, was folded into the IAI Work Plan, although the attachment program’s beginning antedated the IAI. The CLMV countries deeply appreciate this program, which they consider to be very useful in bolstering the capacity of the ASEAN
departments of the foreign ministries. Other government agencies have suggested that similar programs of attachment to the ASEAN Secretariat be carried out in other sectors and not just for CLMV diplomats. In fact, one of the CLMV countries has managed to attach a trade ministry official to the Secretariat, also with Japanese support.

4.22 While the CLMV countries consider the individual training courses to be useful in themselves, including for networking purposes, their great variety underscores the lack of coherence in the HRD program for the public sector, a circumstance that tends to dissipate the resources required by the IAI Work Plan. Some CLMV officials deem management training to be of value but note that some courses are too short to be sufficiently effective. They propose more long-term training, especially of trainers. Other training subjects proposed are the use of information technology, governance, policy development and analysis, and project development and management. In the light of the CLMV countries’ conviction that they should be writing their own project proposals and not just accept others’ proposals, the importance of training in the formulation of such proposals has been repeatedly emphasized. It has also been stressed that the training should be based not on theories and generalities but on actual cases and examples.

4.23 A big project on capacity building in the civil service, with a price tag of US$1,737,100, has not found any takers among potential donors, most likely because of its high cost. Some in the CLMV countries propose breaking up the project into more manageable modules, while others suggest dropping it altogether.

Labor and Employment

4.24 Projects related to labor and employment cover a broad range of sectors and modalities. Even before the formal issuance of the Ha Noi Declaration on Narrowing the Development Gap for Closer ASEAN Integration in July 2001, the ASEAN Secretariat put together a technical assistance program, beginning with an assessment of needs, to enable the CLMV countries, in terms of their human resources, to integrate themselves into ASEAN. The ASEAN Labor Ministers
adopted the program in their May 2001 meeting.

4.25 The two projects proposed and conducted by Singapore – training workers in ICT and curriculum development for technical vocational education and training – are further examples of projects carried out in the CLMV countries themselves. All components of both projects were done in the Singapore training centers in the CLMV capitals. The specific modules of the ICT training project were tailored to the needs of each of those countries. In Cambodia and Viet Nam, training was conducted in multimedia design and development, while in Myanmar and Laos the training was on basic Microsoft Office applications, with the course in Laos designed specifically to prepare officials for the 2004 ASEAN Summit in Vientiane. The project on technical education and training involved the training of trainers in curriculum planning and design and in instructional skills.

4.26 On the other hand, a Philippine project for training in technical and vocational education, supported by the ASEAN Foundation, dealt with competency assessment and certification, curriculum development, and skills development planning, policy standards and systems development, which complemented the Singapore project. One part of the training was done in Ho Chi Minh City and the other in Manila, both involving the participation of all CLMV countries, which have generally found the project useful.

4.27 A proposal on self-employment in the informal sector has not received any funding. According to some CLMV officials, it is important and should be pursued, while others have proposed that it be dropped.

4.28 A project for “Strengthening the Basis of Human Resource Development in CLMV” was initiated and supported, in the amount of US$196,000, by Japan’s Ministry of Health, Labor and Welfare and endorsed by the IAI Task Force. An interesting feature of the project is that component activities were conducted in collaboration with Indonesia, Malaysia, the Philippines and Thailand and in the JICA centers in those countries. National seminars, with different themes, are planned in the CLMV countries.
4.29 Another project supported by the Ministry of Health, Labor and Welfare of Japan but put together by ASEAN Secretariat consultants is one on industrial relations. Estimated to cost a total of US$831,427 for the first three-year (2002-2005) phase, the project is meant to produce an ASEAN program on industrial relations, with Japanese assistance supporting the meetings, seminars and workshops to work out the program. Although, strictly speaking, this project does not belong to the IAI because it is for the benefit of ASEAN as a whole, it was brought into the Work Plan, presumably in the light of the fact that the CLMV countries were to receive special assistance from Japan for their participation in it. In any case, the CLMV countries have generally found the project useful.

4.30 Also ASEAN-wide is the Australia-supported project on skills recognition systems. Its listing in the IAI Work Plan is said to be justified by special provisions for CLMV participation, including additional sessions for CLMV in the project workshops. One of the CLMV countries has observed that this project has had little impact, no follow-up having been done on it. Another has had high praise for it, pointing out that it envisions the drawing up of skills standards and the setting up of competence qualifications systems for 10-20 targeted occupations in each country. It should also lead to an agreement among Cambodia, Laos, Myanmar, Viet Nam and Thailand to harmonize those standards and systems, and eventually to their linkage with those of the other five ASEAN members.

4.31 Although listed in the IAI Work Plan, two projects in the ASEAN Labor Ministers’ program do not seem to belong there. One, which aims at strengthening social security and social protection, is supported by the European Union (and, therefore, excludes Myanmar). The other, a series of “triptite” seminars and workshops to assess the impact of the ASEAN Free Trade Area on labor, is financed by the UNDP and the International Labor Organization (and thus also leaves out Myanmar). A study has emerged from these seminars and workshops. Both projects involve the participation of all ASEAN countries rather than the CLMV only. In a similar situation is the proposed project on HRD planning and labor-
market monitoring, which, however, has failed to obtain funding.

4.32 The Philippines has proposed a project in which it can share its experience in overseas employment administration with the newer members of ASEAN, all of which have nationals in varying numbers working overseas. The ASEAN Secretariat is in discussion with the International Organization for Migration on possible funding sources for the project. The IOM itself has supported study trips of Cambodian and Vietnamese labor officials to the Philippines to enable them to learn more about overseas employment administration practices. Thailand has conducted a similar project for Laos, a project not listed in the IAI Work Plan.

4.33 The HRD needs of the CLMV countries were assessed in 2002 as part of a joint review by the ASEAN Secretariat and the International Labor Organization. The report should be revisited, reviewed and updated; projects could be developed to meet those needs that are still relevant.

Higher Education

4.34 Proposed by the ASEAN University Network, a project for assessing the needs of the CLMV countries in the management of higher education has been financed by Brunei Darussalam and Japan’s Solidarity Fund in the ASEAN Foundation. The Ministry of Education of one of the CLMV countries has found the project to be of little value, saying that projects to give training in college management and to develop a system of quality assurance for education would have been more useful. Other CLMV countries have suggested that the enterprise be enlarged in two ways. One is by expanding its scope beyond the ASEAN University Network, which has very few member-universities. The other is by including subjects like quality assurance, faculty development, teaching methodology, curriculum development, and the use of technology. These are expected to be raised during the needs assessment, which is still going on.

Regional Economic Integration: Capacity-Building

4.35 With Australian support, a study has been completed recommending options for managing revenue losses and other adjustment costs resulting from the CLMV
countries’ participation in the ASEAN Free Trade Area. A review team of the co-shepherds workshop on regional economic integration assessed the study, particularly its policy recommendations. While some of the recommendations were acceptable, the review team had serious disagreements with others, a number of which were deemed to be unworkable. Some officials have suggested that a meeting be convened between the authors of the study and the CLMV authorities who are responsible for carrying out the policy recommendations, so that questions can be asked and answered and issues clarified. In the future, it might be useful, as a matter of practice, to have such discussions form part of any project that results in a study of this nature.

4.36 A sprawling, multi-module project was intended to strengthen the CLMV’s capacity to manage and increase their trade in goods, particularly within ASEAN. One module was a course for CLMV officials, conducted in Singapore, on the rationale and the elements of regional economic integration. Another was a series of workshops designed to acquaint the CLMV business sectors with the opportunities and possible costs of regional economic integration. Still another was a study on the impediments to and constraints on exports and investments in Cambodia, Laos and Viet Nam and workshops with the business communities to discuss the findings and recommendations of the study. Another was a public information program on regional economic integration. Yet another was training in trade negotiations. Part of the project was the organization of mechanisms to collect trade statistics and the compilation of a trade database, together with training courses on the collection of trade data. Finally, the project included the production of business registries for distribution by CD-ROM and posting on Web sites. Putting these highly varied components together in one project could provide a certain conceptual coherence to the entire enterprise. On the other hand, treating each component separately might have made it more flexible and more focused, especially since a different group of persons participated in each component. The project was largely supported by Denmark and, for the activities in and for Cambodia, by Korea, with Brunei Darussalam and Singapore providing assistance
for Myanmar’s participation.

4.37 One of the CLMV countries has suggested that training of trade and other officials be focused on immediate needs, citing as examples negotiations in the WTO, on ASEAN economic integration, and on free trade areas with partners outside ASEAN, services liberalization, rules of origin, obligations and commitments under international and regional trading arrangements, the impact of such arrangements on domestic industries, and the integration of the 11 priority sectors designated in the ASEAN Economic Community.

4.38 India has proposed setting up an entrepreneurship development institute in each of the CLMV countries. The one in Laos has already been established, serving as a demonstration center, with the others still being organized. The CLMV countries agree that entrepreneurship is vital for development, and the effectiveness of this project could be enduring, but the issue of how to share the costs still needs to be resolved.

4.39 Under one project, Malaysia conducted four courses, each lasting from ten to 14 days, which were designed mainly to improve the CLMV customs officials’ grasp of the ASEAN Free Trade Area, the Common Effective Preferential Tariff scheme, and the rules of origin governing their application. With the participants appreciative of what they learned, the project is a good example of a sharply focused undertaking that helps to improve the CLMV countries’ capacity to carry out their commitments under important ASEAN agreements in an area critical to the implementation of those agreements, in this case customs. However, some in those countries have pointed out that CEPT/AFTA implementation involves more than customs, and officials from other agencies should gain familiarity with it, like those of the trade and finance ministries and those dealing with sanitary and phytosanitary measures and technical barriers to trade.

**Customs**

4.40 Malaysia sponsored study tours for senior CLMV customs officials. Some teachers in national customs schools went on these study tours. New Zealand supported a
project to train customs officers in the implementation of the WTO customs valuation agreement, which ASEAN had decided to adopt, and the system of post-clearance audit in customs, which ASEAN had also agreed on. Apparently, however, only the training on valuation has been carried out. The ASEAN Secretariat and Japan are negotiating the contents and funding of a project to strengthen the efficiency and effectiveness of the customs clearance processes in the CLMV countries. However, the co-shepherds workshop on regional economic integration recommended that the component that provides for training for the “single-window” system, which was meant to expedite customs procedures, be removed on the ground that this would be “still premature for CLMV.”

4.41 Despite the critical importance of customs to the implementation of the ASEAN Free Trade Area and related undertakings, four projects have not been carried out. One is on strengthening the customs valuation and post-clearance audit systems, although, as noted above, New Zealand has supported a project on the same subject. Another is on customs reform and modernization. The co-shepherds workshop on regional economic integration recommended that both projects be scaled down. With respect to the project on the customs valuation and post-clearance audit systems, the workshop called for the removal of the objectives pertaining to drafting or amending customs legislation and to a review of the organizational structure of the customs administrations in the light of the adoption of the two systems. The workshop also recommended the deletion of the translation into local languages of the ASEAN Harmonized Tariff Nomenclatures and the production of AHTN information packages for traders as proposed outputs of the project. As for the project on customs reform and modernization, the co-shepherds workshops suggested the removal of the objectives to reorganize the structure and functions of the customs administrations, carry out a code of conduct for customs officers, and apply international quality standards to customs administration. With all these deletions, what would be left of these two projects are the training and other capacity-building components. In this case, training assistance called for in the customs projects ought to be reviewed and consolidated
so as to avoid duplication. Where appropriate, training programs should provide for the participation of the private sector.

4.42 The two other projects, one on transparency, appeal mechanism and access to information on customs procedures and requirements, and the other on automation, are both considered as highly important but have not yet received any funding commitments. The customs review team insisted that both projects remain unchanged and that the search for funding be stepped up on current terms. Another suggestion, however, has been to break down the project on automation into separate components by function and by country. The World Bank is said to be interested in financing the automation project in Cambodia, while the Bank, the International Monetary Fund and Japan are supporting the project on transparency, appeal mechanism and access to information and the one on customs reform and modernization, also in Cambodia, largely because of their interest in shoring up that country’s financial situation.

4.43 Some of the CLMV countries have suggested that additional customs-related training be undertaken to deal with risk management, the determination of a traded product’s origin under various rules of origin, and the protection of intellectual property rights. At least one of them has pressed for assistance in setting up the “single window” system, although, as noted above, the co-shepherds workshop on regional economic integration recommended the removal of such assistance from one of the projects. Another of the CLMV countries has proposed assistance for technical training in the enforcement of laws and agreements against terrorism, human trafficking, and the smuggling of explosives and drugs and in the establishment of a system of information exchange and joint border control and investigation for this purpose.

Standards

4.44 Standards are another crucial element of regional economic integration. With Australian support and with some New Zealand participation being envisioned, national master plans on standards, conformity assessment, and accreditation
systems for the CLMV countries are being developed. This project is much appreciated, but assistance is required for implementation, the improvement of the technical infrastructure, the acquisition of equipment, and the promotion of public awareness of standards. UNIDO, with Norwegian funding, is assisting Cambodia, Laos and Viet Nam to build capacity in the area of standards and, in another project, to establish support infrastructure for national standards and conformity assessment systems. At least one of the CLMV countries has expressed the need for long-term experts for these and related purposes. New Zealand is funding a project to assess the needs of the CLMV countries in legal metrology. In an interesting case, although not in the IAI Work Plan, Viet Nam has provided Laos with a metrology center – a building and testing equipment – another example of one of the CLMV countries helping another. Malaysia has run workshops on standardization and quality and training programs on quality improvement for small and medium enterprises in the CLMV countries, projects that should be continued.

4.45 Additional projects have been suggested in the important area of standards, including projects for the improvement of technical infrastructure, on-the-job training in laboratories, product certification, the implementation of ISO directives, technical training for regulatory bodies, and accreditation and certification. It has also been suggested that the harmonization of standards and technical regulations be worked on in the 11 priority sectors designated as such for the ASEAN Economic Community, presumably with assistance to the CLMV countries. Another project could involve technical assistance in setting up national standards bodies and building their capacity in countries where such bodies do not yet exist.

**Investments and Industry**

4.46 As recommended by the investment review team of the co-shepherds workshop on regional economic integration, the proposed project on investments is supposed to be reorganized and its components rearranged according to this order of priorities: training and human resource development, bridging the information gap and
investment outreach, institutional development, and policy development. This seems to be the opposite of the relative importance of these components, since investors normally place the highest importance on the soundness of investment policies and the effectiveness of investments-related institutions in their investment decisions. A thorough review of this project proposal appears to be in order. The project could be broken down into separate components so that each is not held up by the lack of financing for all.

4.47 Some CLMV officials have proposed that the IAI also cover the development of certain industrial sectors, such as rural industries, food processing, textiles and footwear, along with training in trade negotiations, market evaluation, business management, and safety in the work place. Training in environmental assessment might also be included.

Observations and Conclusions

4.48 The CLMV countries have found most of the IAI Work Plan projects to be useful. Others appear to be worthwhile but have not been carried out because of the lack of financing. Several projects are directly relevant to ASEAN’s purposes, while others, although mostly useful in themselves, lack coherence. For example, the relevance of training in multimodal transport and in customs to ASEAN schemes is immediately apparent. The programs related respectively to them are mutually reinforcing. The ICT “policy” projects, by and large, were put together in an organized, inter-related way. However, other projects, particularly those pertaining to the civil service and energy, are not as closely coherent.

4.49 Part of the problem is that, in several cases, projects were proposed without regard to a unifying concept or reference to any criteria. In the HRD sector, for example, the officials who drew up the projects came from widely divergent disciplines and worked independently of one another. Another problem is that, in a number of cases, the CLMV countries were not adequately consulted on their precise needs or on the design of projects meant to address those needs. It has been pointed out that it is not workable in all cases to treat the CLMV countries as an undifferentiated
group, since specific situations, levels of development, and economic and human-resource requirements vary widely among them. This is all the more reason why the CLMV countries have to be thoroughly consulted on their own views of their own needs. Indeed, some CLMV officials assert that, wherever possible, the CLMV countries, together or individually, should draw up their own project proposals. Local consultants, they say, should be involved in formulating project proposals and in drawing up studies, so that they could contribute their knowledge of local conditions and learn from foreign consultants in the process. In any case, foreign consultants and instructors should be familiar with the situations in the CLMV countries. The officials also propose that training, whenever possible, take place in the CLMV countries, rather than elsewhere, so that more of their people can take part in and benefit from the training. However, they also place value on observation tours, where these would be helpful, and on on-the-job training, which, in many cases, has to be carried out in the most appropriate country.

4.50 With respect to specific projects, CLMV officials have complained that some training courses are too general and academic and prefer more specific and more practical courses. Some courses are too long, others too short. One complaint is about the quality of the content and delivery of lectures, including the instructors’ proficiency in English, and about the absorptive capacity of some participants and their own shortcomings in English. Instructors, it is suggested, should be carefully selected not only for their knowledge of the subject but also for their ability to impart that knowledge. Similarly, the suitability of participants in training programs ought to be more effectively ascertained. In any case, such participants should be more stringently selected.

4.51 Despite the general satisfaction with the administrative arrangements for the workshops and training courses, there have been complaints not only about the substance and manner of the lectures but also about such things as the insufficiency of computers and the quality of the food. In the conduct of the courses, it has been suggested that group activities and, where appropriate, site visits supplement the lectures. Some participants have proposed that handouts be in CD form, which
should be distributed well in advance of the lectures. More serious have been complaints, in the case of one project, about receiving smaller per diems than the amounts stipulated in the project descriptions and, in the case of another project, about alleged overspending by foreign consultants, especially on what is considered to be unnecessary travel.

4.52 Reporting on projects by executing agencies has been very patchy, with some filing substantive completion reports promptly and others not at all. Some reports focus exclusively on administrative and financial matters. The result is that, in some cases, the CLMV government agencies concerned, much less the ASEAN-6, are not informed of the status and progress or impact and effectiveness of the projects. Neither are the relevant desk officers of the ASEAN Secretariat or even the IAI Unit.

4.53 National inter-agency coordination in the CLMV countries is highly uneven. In many instances, coordination among agencies and organizations is lacking at the national level, coordination in determining the countries’ needs, participating in the conception and design of projects, carrying them out, monitoring their implementation, following them through, and evaluating their effectiveness and impact. National consensus is also often inadequate on the place of a project in national development plans and on the relationship of an IAI project with similar undertakings under other auspices, such as the ADB’s GMS program.

4.54 The extent of follow-through, including actual training done by those who have gone through training-the-trainers courses, has been similarly uneven. Often, follow-through on certain projects that call for it is not undertaken because of a lack of funding. It has, therefore, been suggested that projects provide for funding for any required follow-through activities, for equipment necessary for implementation, for public information if necessary, and for such tools as databases that would help in the subsequent achievement of the projects’ objectives. For the long term, however, there is no alternative to the CLMV countries spending for maintenance activities themselves.
4.55 Many international institutions have programs of development for the CLMV countries, including the Asian Development Bank and its Greater Mekong Sub-region program, the World Bank, the Mekong River Commission, the United Nations Development Programme, and the UN Economic and Social Commission for Asia and the Pacific. There are also programs like the ASEAN Mekong Basin Development Cooperation, which includes China, and the Ayeyarwaddy-Chao Phraya-Mekong Cooperation Strategy spearheaded by Thailand. Inevitably, there are overlaps among them and with the IAI. Not all of these overlaps can be avoided. However, future duplications can be reduced with more intensive and purposeful consultations with these international agencies and closer coordination at the national level.

4.56 For political reasons, projects funded by the EU or by its individual members invariably exclude Myanmar participation from such funding. In a number of cases, some of the ASEAN-6 finance Myanmar’s participation. Myanmar is simply excluded from other projects. In such cases, ways ought to be found to enable that ASEAN member-country to share the benefits of the IAI activities. In all cases, the principle of non-discrimination has to be upheld in ASEAN’s relations with other countries and institutions.

4.57 This review has uncovered some gaps of substance in the scope of coverage of the IAI Work Plan. One pertains to investments. While one project in the Work Plan seeks to strengthen the CLMV countries’ capacity to promote investments in terms of policies, institutions, human resource development, information and outreach, the more fundamental and broader area of the investment climate is not taken into account. The investment climate would encompass such considerations as the rule of law, the enforceability of contracts, dispute settlement, international trade law, competition policy, the availability of skilled manpower, the level of entrepreneurship, and so on. While, strictly speaking, such factors are national, rather than regional, concerns, they also lie at the heart of the purposes of regional economic integration and narrowing the development gap. Also missing is a rigorous identification of the impediments to and constraints on trade and
investments between the ASEAN-6 and the CLMV countries. The capacity to assess opportunities and niches for CLMV products in the major export markets is not addressed. Neither is the important area of services liberalization. Another sector important to the CLMV countries but not dealt with in the IAI Work Plan is tourism. Related to tourism and also not addressed in any concrete way in the Work Plan is air-services policy as against regulation and operations.

4.58 New areas that have developed since the inception of the Work Plan are the designation of the 11 priority sectors for accelerated ASEAN integration and the negotiations on free-trade areas and economic cooperation between ASEAN and some of its Dialogue Partners, as well as the conclusion of the ASEAN Tourism Agreement. An analysis of the impact of the integration of the 11 priority sectors on the CLMV countries and of the opportunities that it offers them would be helpful. The IAI could provide for assistance, in the form of policy studies and training, to the CLMV countries in taking part in the negotiations with the Dialogue Partners. Similar assistance could be extended to them in carrying out their commitments under the tourism agreement.

4.59 The Work Plan gives insufficient attention to the social aspects of development, which have a significant impact on national economic growth as well as on the quality of people’s lives. Some of these have to do with the protection of the natural environment and the quality of urban life. Poverty reduction is one of the IAI’s stated objectives. The Work Plan should at least provide for a review of existing programs on poverty reduction as well as on environmental protection and the improvement of urban life. One of the purposes of ASEAN itself, laid down in the Bangkok Declaration of 1967, is the promotion of Southeast Asian studies. This would help in fostering a regional identity, which, in turn, is indispensable for the mutual confidence required by regional economic integration and regional cooperation in dealing with transnational threats. The CLMV countries ought to be assisted in the production of textbooks and the development of school courses on ASEAN and Southeast Asia.
In general terms, the leaders of Indonesia and the Philippines have asked that, in the IAI, the development of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, consisting of Brunei Darussalam, eastern Indonesia, East Malaysia and Labuan, and the southern Philippines, be taken into account together with the needs of the CLMV countries. Similarly, some form of participation in the IAI of the Indonesia-Malaysia-Thailand Growth Triangle, involving northern Sumatra, northwest peninsular Malaysia, and southern Thailand, has been suggested.

Some projects in which individual older ASEAN members extend assistance to the CLMV countries are included in the IAI Work Plan, while many others are not. This gives a rather distorted picture of the relative prominence of the roles of the ASEAN-6 in the IAI and those of sources of support outside ASEAN, whereas the IAI is envisioned to be an instrument primarily for ASEAN-6 assistance to the CLMV countries.

In the light of these observations, the following chapter will recommend certain changes in approach to the IAI with a view to making it more effective in promoting CLMV development, more responsive to CLMV needs, and more internally coherent. The chapter after that will indicate some specific projects that could be placed either in the IAI Work Plan or in the assistance programs of the ASEAN-6 for the CLMV countries. This will be done in the light of the assessment made in this chapter of the projects currently in the Work Plan and the gaps in it. Subsequent chapters will propose changes aimed at strengthening the institutions and mechanisms for implementing the IAI and at working out more effective ways of mobilizing resources for the IAI’s purposes.
5. PROPOSALS: APPROACH

5.1 The mandate of this study is to review the IAI Work Plan, assess the progress of its over 100 projects at the plan’s mid-point, and recommend measures for improving the effectiveness of the IAI in pursuing its objectives. Because the Work Plan and its projects are merely means to achieve the objectives of the IAI, namely, narrowing the development gap between the older and the newer members of ASEAN, integrating the latter into the ASEAN mainstream, and reducing poverty in ASEAN, it would be useful first to recall the principles and purposes animating the IAI.

5.2 The very name of the Initiative of ASEAN Integration, agreed on by ASEAN’s leaders in the context of narrowing the development gap, indicates its basic purpose, which is the integration of the newer members into ASEAN. Integration in this sense means, first, the more rapid development of the newer members (for closing the gap obviously would not entail slowing down the progress of the older ones). Secondly, integration means bringing the newer members fully into the ASEAN process of regional economic integration, by their own efforts and with the help of others.

5.3 Integration, in both senses, that is, more rapid development and being plugged into the regional economy, is accomplished in several areas, all of which are essential:

- National policy;
- National institutions and processes;
- Human resources; and
- Physical infrastructure.

5.4 It is clear from this that the work of integration is primarily and largely that of the CLMV countries themselves. However, in many instances, they need external assistance to support their efforts. For example, in the area of information and communications technology, outside consultancy services may be needed for
drafting national ICT programs and legislation and for organizing ICT regulatory bodies and setting up an e-government system. External support may be needed for training personnel in a wide range of ICT areas. The IAI program is not meant to fund communications or other physical infrastructure directly, but outside assistance may be required in drawing up feasibility studies for such infrastructure, studies that are needed in seeking financing from international financial institutions or from private investors.

5.5 Because the work of integration has to be done primarily and largely by the CLMV countries themselves, projects to assist them should be tailored to their specific needs and circumstances, which they should define. One-size-fits-all projects may not do in all cases. The IAI, therefore, should not always shy away from carrying out projects specifically for one or two countries alone, as indeed it has done in some instances, if it is only those countries that need or desire the project. To the extent possible, however, all of the CLMV countries should be involved in an IAI project. Training CLMV personnel together could yield benefits in terms of financial savings, networking, mutual learning, and so on. Specifically, they can – indeed, must – be trained together to build the CLMV countries’ capacity to carry out their ASEAN commitments and obligations under ASEAN agreements and programs, such as in multimodal transport, customs and standards, so that they can do so in a harmonized and consistent way. On the other hand, a certain training program could be useful and applicable to all CLMV countries, but it might be desirable to conduct it separately in each of them, so that as many persons as possible could participate in it.

5.6 Some IAI projects could be extended or otherwise made available to residents of the Brunei Darussalam-Indonesia-Malaysia-Philippines East ASEAN Growth Area, or BIMP-EAGA, which seeks to promote synergies among the economies of Brunei-Darussalam, eastern Indonesia, East Malaysia and southern Philippines. Since the IAI was launched, the Presidents of Indonesia and the Philippines especially have urged that the IAI concept be applied also to BIMP-EAGA in view of the development gap between that area and the rest of the ASEAN-6. The same
might be done for the Indonesia-Malaysia-Thailand Growth Triangle, or IMT-GT.

Infinite Needs, Limited Resources

5.7 In all this, a certain fundamental reality has to be kept in mind. This is the fact that the needs of the CLMV countries and other pockets of poverty in ASEAN – indeed, of any country – are infinite, while resources are finite. As noted earlier, narrowing the development gap between the older and the newer members of ASEAN means raising the living standards of the newer members. Narrowing the gap within countries means speeding up the development of the less developed areas and improving the lives of the people living there. As explicitly declared by ASEAN’s leaders and ministers, it also means reducing poverty within each country. These twin basic objectives require an almost unlimited array of measures to fulfill, while resources, by definition, are limited.

5.8 In the face of this reality, certain criteria have to be adopted in the selection of projects for bilateral or multilateral assistance under the IAI, criteria that would give the program a sharper focus and greater coherence than the current four sectors have given it, criteria that should be rigorously applied. At the same time, because a narrower focus and greater coherence would not necessarily reduce the resources required, more stringent controls have to be imposed on the project-selection process, on the quality and effectiveness of each project’s implementation, and on the expenditure of available funds, even as sources and methods of financing are expanded. Because the needs are infinite and the resources limited, it has to be ensured that the impact of each project is as broad and as enduring as possible.

Some Criteria and Conditions

5.9 These considerations and the observations and analysis in the previous chapter would suggest the following criteria and conditions:

5.9.1 External assistance, whether in funds or in expertise or both, must be essential for the project. This criterion is already in use, being based on common sense, but it could be more stringently applied.

5.9.2 A project has to respond to the needs of the CLMV countries, as
determined by the CLMV countries themselves. This criterion may seem fairly obvious, but as often happens in the world of official development assistance, some IAI projects may be driven by the donors’ wishes and interests rather than by the beneficiaries’ needs and requirements. This necessitates the participation of the CLMV countries in the selection of projects and in their implementation, monitoring and evaluation. It also raises the question of “ownership,” which will be dealt with later in this and subsequent chapters.

5.9.3 As indicated above, the development of a country depends primarily on the policies adopted and applied, the measures taken, and the efforts exerted by that country itself. If necessary and helpful, external assistance could be extended to enable the country to pursue its own development. IAI projects ought to be regarded and selected in this light, that is, as supportive of national development efforts. In most cases, a project’s place in a national program should be clear.

5.9.4 In many instances, external assistance, some or much of it in the form of IAI projects, is necessary to strengthen the capacity of the CLMV countries to participate in and benefit from established ASEAN programs. Paradoxically, this may require broadening the scope of the IAI and expanding the number of sectors covered by it while giving the IAI enterprise greater coherence and sharper focus. In this regard, as the Vientiane Action Programme directs, “special consideration for the participation of CLMV” ought to be “built into the design of all ASEAN cooperation programmes, projects and activities.”

5.9.5 To ensure projects’ lasting impact, emphasis should be given to long-term endeavors and to setting in place enduring institutions and processes. Current examples of permanent institutions in the CLMV countries are Singapore’s training centers in the four capitals, India’s planned entrepreneurship development institutes in the CLMV countries, and Viet Nam’s proposed inland waterways training center in Ho Chi Minh City for the use of the CLMV countries and Thailand. There has even been a suggestion for a permanent structure to house an ASEAN training center in each of the CLMV capitals.

5.9.6 In the case of training programs, training trainers ought to be favored and steps taken to ensure that the trainers do train.

5.9.7 Wherever applicable, provision for follow-through, implementation and, if called for, dissemination around the country should be included in the project’s design in order to ensure both its sustainability and the broadest possible distribution of its benefits. An example pertains to the project on managing revenue losses from CLMV participation in AFTA. That project does not provide for
follow-up discussions, particularly on the recommended measures, between the consultants and the CLMV officials concerned. Without those discussions, the study runs the risk of being ignored. Another example is in the area of product standards, in which a project to draw up national master plans on standards does not include provisions for assisting the CLMV countries to implement the plans with, say, the necessary equipment and “technical infrastructure.” Implementation of the recommendations of a study or plan may require certain equipment, such as for laboratories or for testing. In this case, the apparent aversion of some donors to using their funds for the purchase of equipment will have to be overcome.

5.9.8 The CLMV countries concerned must have the absorptive capacity for the proposed project.

5.10 In sum, the following criteria are recommended in the selection of projects, along with others that may be agreed upon:

- Necessity of external assistance;
- Express need of the CLMV countries;
- Importance of a project’s role in national development plans;
- Effectiveness of the project in enabling CLMV participation in ASEAN programs;
- Long-term continuity and sustainability;
- Prospects of the dissemination of knowledge and skills learned from training projects;
- Inclusion of provisions for follow-through and implementation; and
- Absorptive capacity of the CLMV countries.

Some Factors for Consideration

5.11 In addition to these suggested criteria, certain factors need to be taken into account in the consideration of project proposals:

5.11.1 Whether it would be better to undertake a project in each of the CLMV countries separately, which would allow larger participation in the project and arouse public interest in it within that country, or in a place where on-site observation or on-the-job training would be most useful, or a combination of both;

5.11.2 Whether projects which require sustained effort over an extended period of time and the participation of substantial numbers of a recipient country’s personnel, such as projects to formulate master plans or to draft legislation, should provide for the stationing of
outside experts in the country concerned during the required period;

5.11.3 Whether, in appropriate cases, local consultants are involved;

5.11.4 In training programs, the suitability of the contents to the level of knowledge and experience of the participants;

5.11.5 Whether such participants are to be similar or varied in background;

5.11.6 Participation of policy makers in workshops and seminars involving ASEAN or national policy;

5.11.7 The differences among the requirements of policy makers, managers and technical personnel;

5.11.8 The qualifications and competence of the instructors, including their proficiency in English;

5.11.9 The qualifications and suitability of participants in training programs, including their proficiency in English; and

5.11.10 Whether an IAI project would also benefit residents of BIMP-EAGA, the IMT-GT and other parts of the ASEAN-6 that need the project.

5.12 If these criteria and considerations are valid, important gaps are evident in the IAI Work Plan as currently constituted. They pertain to the CLMV countries’ capacity to:

- attract investments;
- increase exports, particularly to the ASEAN-6;
- carry out specific ASEAN agreements;
- benefit from the integration of the 11 priority sectors;
- deal with financial issues like the development of financial markets, the liberalization of financial services, and bond markets;
- take part in free-trade and other economic negotiations with Dialogue Partners; and
- reduce poverty.

5.13 The Bali Concord II and the Vientiane Action Programme would be the principal sources of guidance in this regard.

5.14 Essential to the growth of the less advanced countries and regions in ASEAN, to narrowing the development gap, and to the reduction of poverty is the generation of investments in CLMV – and in BIMP-EAGA and IMT-GT. Vital to this, in turn,
are considerations related to governance, the rule of law, the use of information and communications technology, a sufficiency of the needed skills, and entrepreneurship, as well as the economy’s integration with the regional economy.

5.15 Trade is also critical to the CLMV countries’ development. Indeed, whether on a global or regional scale, export opportunities are an even more important factor in development than foreign aid. This is the reason why, in the context of the IAI, the ASEAN Secretariat proposed in 2001 a system, later to be called the ASEAN Integration System of Preferences, or AISP, under which the ASEAN-6 would extend duty-free treatment to exports of the CLMV countries, with a few exceptions. However, upon the insistence of some of the ASEAN-6 countries, the scheme has been watered down to apply only to lists of products selectively offered or approved by five of the ASEAN-6 countries (Singapore being an essentially duty-free market) for inclusion in the scheme. Below is the ASEAN Secretariat’s tally of the number of CLMV export items granted duty-free or preferential treatment by the five older members of ASEAN. A project should be undertaken to analyze the nature, status and impact of the AISP.

**Status of ASEAN Integration System of Preferences**

<table>
<thead>
<tr>
<th>Effectivity and tariff level</th>
<th>Cambodia</th>
<th>Lao PDR</th>
<th>Myanmar</th>
<th>Vietnam</th>
</tr>
</thead>
<tbody>
<tr>
<td>Brunei (from 1 January 2002) – 0%</td>
<td>8</td>
<td>14</td>
<td>79</td>
<td>1</td>
</tr>
<tr>
<td>Indonesia (from 1 Jan. 2002) – 0-5%</td>
<td>25</td>
<td>0 request</td>
<td>228</td>
<td>50</td>
</tr>
<tr>
<td>Malaysia (from 1 January 2002) – 0%</td>
<td>89</td>
<td>12</td>
<td>282</td>
<td>170</td>
</tr>
<tr>
<td>Philippines – 0%</td>
<td>2</td>
<td>2</td>
<td>69</td>
<td>12</td>
</tr>
<tr>
<td>Thailand (from 1 January 2004)</td>
<td>309</td>
<td>187</td>
<td>460</td>
<td>34</td>
</tr>
</tbody>
</table>

5.16 The ASEAN-6 should, at the same time, ensure that they do nothing to weaken the
export competitiveness of the CLMV countries; indeed, they ought to assist them in strengthening CLMV competitiveness. An analytical study ought to be undertaken of how the ASEAN-6 can help toward this end.

5.17 The CLMV countries need to be able to carry out and benefit from specific and important ASEAN programs that have already been agreed upon, such as the ones on services, tourism, mutual recognition arrangements, the ASEAN Power Grid, and the protection and conservation of the regional environment, in addition to ICT, standards, customs, and certain areas of transport and energy, which the Work Plan already encompasses.

5.18 With ASEAN committed to the accelerated integration of the 11 priority sectors, the CLMV countries have to be helped in analyzing its impact on their economies and industries. At the same time, they have to receive training in dealing with financial issues like financial market development, financial services liberalization and bond markets. CLMV capacity has to be strengthened to take part in the current negotiations on economic agreements with certain Dialogue Partners, identify CLMV interests in those negotiations, and figure out the interests and motives of the Dialogue Partners.

5.19 Tourism is vital for the economies of the CLMV countries. It is labor-intensive, its impact is dispersed in many parts of the country, and it earns foreign exchange quickly. It is, therefore, important for them to have systems in place, policies adopted and people trained in such areas as air services, liberalization of trade in tourism services, and the employment of foreign technical and other skilled workers in the tourism sector.

5.20 According to ASEAN’s leaders, a basic objective of the IAI is the reduction of poverty within the CLMV countries. External assistance may be needed in reviewing existing poverty-reduction programs and, possibly, drawing up the necessary national policies and measures to achieve the programs’ objectives. At the same time, the poverty-reduction goal should be considered as also covering, in selected cases, BIMP-EAGA, the IMT-GT and other pockets of poverty in the
5.21 The CLMV countries may need help in developing courses and in writing, translating (if necessary), publishing and distributing textbooks on Southeast Asian and ASEAN studies as part of ASEAN’s effort to promote a regional identity and awareness.

A Reclassification of Projects

5.22 In this light, it is suggested that, in place of the original classification of the IAI Work Plan projects into infrastructure, information and communications technology, human resource development, and regional economic integration, IAI projects be re-focused and organized in accordance with the following classifications and sub-classifications:

1) Regional economic integration:
   
   o The state of the 11 priority sectors, and their respective road maps, in CLMV, seven in goods and four in services;
   
   o The identification and removal of non-tariff measures, including compliance with WTO agreements;

   o Services suitable for liberalization in CLMV;

   o Views of CLMV traders about barriers to trade in the ASEAN-6;

   o Views of ASEAN-6 traders and investors about barriers to trade and investment in CLMV;

   o How the ASEAN-6 can help strengthen the CLMV countries’ export competitiveness;

   o The status and impact of the AISP and awareness of it among traders and investors;

   o Reforms in and capacity building for customs administration and operations;

   o Establishment of systems and capacity-building programs for standards and conformity assessment;

   o Technical assistance and training for CLMV participation in mutual recognition arrangements for both goods and services;

   o Transport issues, projects and capacity building;

   o Feasibility studies for transport infrastructure projects and training
in their operation and maintenance;
- Dealing with financial issues;
- The capacity of each of the CLMV countries to participate in the free-trade negotiations with China, India, CER, Korea and Japan;
- Capacity for market evaluation in general;
- Learning about the markets of the U. S., the EU, Japan, China, Korea, and Australia and New Zealand.

2) Tourism

- Air services liberalization;
- Tourism services liberalization;
- Training for tourism services;
- Employment of foreign technical and skilled workers in the tourism sector.

3) Information and communications technology:

- Strategies, policies and institutions;
- Technical skills and mastery of systems.

4) Energy

- Capacity building;
- Feasibility studies for infrastructure projects;
- Training in their operation and maintenance.

5) The investment climate:

- Rule of law;
- Government reform;
- The enforcement of contracts;
- Competition policy;
- Dispute settlement;
- Availability of modern skills;
Entrepreneurship.

6) Human resource development:
   - Civil service development;
   - Labor and employment;
   - Social security and social protection,
   - Higher education.

7) Poverty reduction and quality of life:
   - Policies and measures for the reduction of poverty;
   - Quality of life – natural environment, urban living.

8) General:
   - Analysis of the development gap;
   - Southeast Asian and ASEAN studies.
   - Indicators of CLMV progress toward IAI goals;
   - Promoting the IAI.

5.23 This simultaneous sharpening and broadening of the focus of IAI projects would enable them to cover the elements in the Vientiane Action Programme for which assistance to the CLMV countries would be required. ASEAN-wide projects are being carried out in a number of these areas. If necessary, technical and/or financial support for full CLMV participation should be made part of those projects. The re-classification of IAI projects suggested and the types of projects indicated above are meant to guide both the projects supported by extra-ASEAN sources and those undertaken by the ASEAN-6 – in the selection of the projects, their direction and emphasis, their implementation, and their evaluation.

Review of IAI and Term of the Work Plan

5.24 The IAI should be reviewed every three years. It should be open-ended in duration, without an end-date. After all, the work of narrowing the development gap will
take a long time. The Work Plan should be flexible, allowing for the addition, elimination or modification of projects as the need arises and in accordance with procedures prescribed in Chapter 7.

The Role of the ASEAN-6

5.25 The role of the ASEAN-6 in the IAI is of extreme importance. It must be recalled that the chairman’s statement of the 2000 ASEAN Summit in Singapore, which launched the IAI, stressed that the new initiative “provides a framework for regional cooperation through which the more developed ASEAN members could help those member countries that most need it.” What this said was that the IAI was intended primarily as a device through which the older ASEAN members were to assist the newer ones. However, when the IAI Work Plan was being drawn up and the IAI Development Cooperation Forum was convened, cooperative projects between individual older and the newer members of ASEAN seemed to take a backseat to those intended for financing by sources external to ASEAN. Intra-ASEAN projects were proposed almost as an after-thought.

5.26 As the IAI Work Plan evolved, some projects proposed, conducted and financed, wholly or partially, by the ASEAN-6 were listed in it, while many others were not. As noted in Chapter 4, this gives a distorted picture of the relative importance of the part undertaken by the ASEAN-6 in the IAI and the role played by outside sources of support. Such a distorted picture misleads not only the general public, but also the external sources of funding, the CLMV countries, and even the ASEAN-6 themselves. At the same time, Viet Nam has begun to extend some assistance to the other three newer ASEAN members.

Two Basic Categories

5.27 To arrive at a more balanced picture, IAI projects should be divided into two basic categories. One would be the IAI Work Plan (revised), which would encompass the projects supported by Dialogue Partners, other countries outside ASEAN, international organizations and financial institutions, foundations, and private corporations. The other would be made up of projects undertaken by ASEAN
members, in their respective international cooperation programs, to assist one or more of the CLMV countries to achieve more rapid economic development and reduce poverty. Both of these two categories would be considered as supporting the objectives of the IAI. They should be regarded as equal components of the IAI and given equal prominence in official and public presentations of the initiative.

5.28 Highlighting the part played by ASEAN’s older members is important. Not only is the prominent role of the ASEAN-6 mandated by the original concept of the IAI; it would also serve several useful purposes. One is to strengthen ASEAN solidarity and promote a sense of regional identity in Southeast Asia. Another is to raise awareness in the newer member-countries of the assistance that their fellow-members are extending to them or are capable of sharing with them; this awareness would affirm the usefulness of ASEAN membership for the CLMV countries. To the Dialogue Partners and the rest of the international community, it would project an image of ASEAN in solidarity and increasingly self-reliant instead of an ASEAN habitually depending on outside funding.

5.29 The division suggested here would have several virtues. It would allow the IAI Unit of the ASEAN Secretariat to concentrate on externally supported projects of assistance and seek funding for them from extra-ASEAN sources. Such projects would be treated with the same rigor as other, ASEAN-wide projects in terms of selection, compliance with criteria, monitoring, administrative and financial controls, and evaluation. Like other externally assisted projects, the projects proposed for the IAI Work Plan would have to go through the Project Appraisal Committee of the ASEAN Secretariat, which is the project-appraisal arm of the ASEAN Standing Committee. However, the IAI Work Plan projects would continue to be subjected to the scrutiny of the IAI Task Force and the co-shepherds mechanism from selection to implementation to evaluation. Since the interposition of the PAC would add another layer to the appraisal and selection process, effort must be exerted to expedite the procedure. On the other hand, assistance extended by the ASEAN-6 countries to the CLMV countries would be part of each ASEAN-6 country’s technical assistance program and would be handled in accordance with
the procedures of that program.

Comprehensive Reports

5.30 Each of the CLMV countries would render a yearly report to the ASEAN Ministerial Meeting and the ASEAN Summit on the assistance that it received from both the ASEAN-6 and outside sources, concentrating on the utility, impact and effectiveness of the projects undertaken in the past year. Similarly, each of the ASEAN-6 countries would report, also yearly, to the AMM and the Summit, on the IAI-related projects that it conducted during the year just past; left to each of those countries would be the decision on what to include in and what to exclude from its reports. On the basis of the CLMV and ASEAN-6 reports and of its own evaluation, the IAI Unit would produce a consolidated report, giving equal prominence to the roles of the ASEAN-6 and the extra-ASEAN sources of support. It should also emphasize any assistance extended by one of the CLMV countries to the others.

5.31 The IAI needs to be better known in the international community, by the media and by the public, as well as in ASEAN itself. For this purpose, the ASEAN Secretariat ought to produce a reader-friendly publication, updated annually, and use other tools of communication to project both what ASEAN is doing for itself in terms of narrowing the development gap and poverty reduction and how the international community is engaged in this endeavor.

Strengthening Institutional Mechanisms

5.32 In order to help ensure that the IAI projects, especially those that are included in the Work Plan, serve the purposes, conform to the criteria and take account of the considerations suggested above – or others that may be agreed upon – the institutional mechanisms dealing with the IAI have to be strengthened and their mandates expanded. At the same time, the institutions will have to be empowered and, if necessary, others may be established to make sure not only that projects are selected well but also that selected projects are implemented properly and effectively and that the resources committed are expended in an efficient and
appropriate manner. This issue will be discussed in Chapter 7, on institutions and mechanisms.

Transparency and Coordination

5.33 Greater transparency in the conduct of projects in the IAI Work Plan, including financial disbursements, should be promoted and adhered to. Information should be made available to all concerned, above all to the IAI Unit, in the interest of closer coordination as well as transparency. The CLMV countries should, as suggested above, report annually on how they have benefited from IAI projects, how the benefits have been used, how they have been shared with others in the country, what problems and shortcomings have been encountered, and how the projects’ impact, if any, is being sustained. The expanded role of the IAI Unit entailed by the tightening of IAI processes requires its strengthening. In the case of projects funded from outside ASEAN, such tightening and closer monitoring further justifies the involvement of the PAC in assessing projects in the IAI Work Plan.

5.34 While the IAI Task Force should drive coordination of IAI projects in ways beyond what it is currently doing, other means of such coordination should be pursued. This will be discussed in the chapter on institutions and mechanisms. Within each of the CLMV countries, much greater coordination is necessary among national government agencies – and, where appropriate, non-governmental organizations and the business sectors – that may be involved in a project. At present, such coordination is uneven among and within the CLMV countries. IAI focal points have to be active in coordinating, reviewing and pushing the implementation of IAI projects in their respective countries and, if necessary, be further empowered for this purpose. It would help if IAI programs were included and taken into account in the national development plans of the countries concerned.

5.35 As observed in the previous chapter, there are, inevitably, overlaps between the IAI and certain international institutions and programs also devoted to the development of the CLMV area, including the Asian Development Bank and its Greater Mekong
Sub-region program, the World Bank, the UNDP, UN ESCAP, the Mekong River Commission, AMBDC and ACMECS. While overlaps are unavoidable and hardly unique to Southeast Asia, arrangements should be worked out, at as high a level as possible, so that these other institutions and programs and those of the IAI can operate in coordinated and mutually reinforcing ways rather than at cross-purposes.

A Sense of Ownership

5.36 While the implementation of IAI projects is heavily dependent on ASEAN and external support, it is essential that the CLMV countries have a sense of ownership – and are seen as having ownership – of those projects. Such a sense of ownership would help ensure that the CLMV countries are deeply involved in the selection, conception, design, development, implementation and evaluation of each project. If they were so involved, the recipient countries, for one thing, would more closely examine the utility to them of a proposed project. Greater care would be exercised in the choice of participants in training programs. A sense of ownership would promote the tendency to derive the maximum benefit from each project – in its conception and implementation and in the follow-through on it. At the same time, a perceived sense of ownership would encourage support from outside.

5.37 CLMV ownership would be cultivated if the CLMV countries participated in the development of each project at every stage. Ideally, it should be the CLMV countries, collectively or individually, which should draw up their own project proposals. If foreign consultants are needed for a project, local ones could be engaged to work with – and learn from – them. Local consultants could be valuable in terms of their knowledge of local conditions and would, at the same time, benefit from close association with foreign experts. Not least, contributions to the project by the concerned CLMV countries, even in token amounts, would manifest and foster a sense of their ownership of it.

Proposed Modifications in Approach

5.38 To sum up, the experience with the IAI Work Plan projects in the first three years of the initiative suggests certain modifications to the approach taken to their
selection, development, implementation and evaluation:

1) IAI projects should be tailor-made to the needs and requirements of each of the CLMV countries, with flexibility on the question of whether a project is to be carried out for each of them individually or for all of them together or both.

2) IAI projects should, in some cases, be open to participation by residents of BIMP-EAGA, IMT-GT and other less developed areas in the ASEAN-6.

3) Whether they are bilateral or collective, whether sponsored by the ASEAN-6 or funded from outside ASEAN, IAI projects have to be selected in accordance with criteria that are more rigorous and more stringently applied than hitherto.

4) Among these criteria is the broad and lasting impact of the project.

5) Preference should be given to long-term endeavors and enduring institutions and processes.

6) Provisions for follow-through activities, implementation and dissemination should be made part of each project that calls for them, which might include the purchase of equipment if implementation requires it.

7) In the consideration of a proposed project, the absorptive capacity of the CLMV countries should be taken into account.

8) To make resource mobilization less difficult, projects should be as small as possible in terms of funding requirements even as they are conceived as inter-related in one conceptual framework.

9) Great care should be taken in the selection of participants, as well as of instructors, in training programs and workshops.

10) Whenever possible, a project should be conducted in the recipient countries or areas unless additional value is to be derived from collective participation, on-site observation or on-the-job training elsewhere.

11) A primary focus of the IAI should be on building the capacity of the CLMV countries to carry out their commitments and obligations under ASEAN agreements.

12) Another would be on developing the institutions and processes for improving the investment climate, without which neither of the IAI’s objectives – rapid economic growth and substantial poverty reduction – can be achieved.

13) The AISP should be reviewed with a view to restoring it to its original concept.
14) The ASEAN-6 should help to strengthen the export competitiveness of the CLMV countries.

15) Tourism is vital to the economies of the CLMV countries, which should be assisted in developing this sector.

16) In the light of all this, IAI projects should be reclassified into regional economic integration measures, tourism, ICT, energy, the investment climate, human resource development, poverty reduction and quality of life, and projects that cut across sectors.

17) In ASEAN-wide projects, special assistance, whether in the form of studies or training, should, if necessary, be extended to the CLMV countries to enable them to participate fully in and benefit from those projects.

18) In the spirit of its original concept, the IAI should encompass all assistance extended by the ASEAN-6 to the CLMV countries.

19) Accordingly, for purposes of reporting and presentation, as well as conception and substance, the IAI should be divided into two categories – the assistance programs of the ASEAN-6, which would be comprehensive, and the IAI Work Plan, as revised, which would cover extra-ASEAN support for assistance to the CLMV countries.

20) The Project Appraisal Committee should examine IAI Work Plan projects much as it does other ASEAN projects.

21) Each CLMV country should file annual reports on its experience with the IAI projects, on how their impact is being broadened and sustained, and on problems and shortcomings encountered.

22) In the same way, each of the ASEAN-6 should file annual reports on its entire assistance program for the CLMV countries;

23) Public-friendly promotional materials on the entire IAI program should be produced and annually updated, including the support that ASEAN countries extend to one another.

24) The utmost transparency in the conduct of projects, particularly in the disbursement of funds, should be observed.

25) Coordination has to be undertaken with organizations and other mechanisms whose purposes overlap with those of the IAI.

26) The closest coordination has to be carried out among the agencies and other entities involved within the recipient countries in the processing, execution, monitoring and evaluation of IAI projects.

27) Sources of financing should be expanded and creatively tapped in accordance with the suggestions in Chapter 8.

28) The CLMV countries should assume ownership of all IAI projects by being involved in their development, as well as in their
implementation from start to finish, and by putting in their own contributions to the projects.

29) The IAI should be of indefinite duration but subject to review every three years.

5.39 Some of these suggested changes have been elaborated on earlier in this chapter. In the next chapter, possible projects for the next three years, according to the categories outlined above, are suggested by way of examples in the light of the proposed criteria. Subsequent chapters make specific recommendations on institutional mechanisms and processes and on sources of funding.
6. PROPOSALS: PROJECTS

6.1 This chapter will discuss some types of projects that may be considered in the light of the observations made in the previous chapter, the criteria and other factors proposed in it, and developments in ASEAN since the inception of the IAI Work Plan. Such developments include the adoption of the Declaration of ASEAN Concord II and the Vientiane Action Programme and the onset of negotiations on free-trade areas and other, comprehensive economic agreements with Dialogue Partners. Many of the project types proposed for consideration emerged from consultations with ASEAN member-states, particularly the CLMV countries, and the ASEAN Secretariat. This chapter arranges them according to the new classification proposed in the previous chapter. Rather than being definitive proposals, these are merely examples to illustrate the types of projects that member-states, particularly the CLMV countries, either have proposed or may wish to consider for the next phase of the IAI Work Plan. Some projects in these areas may, in fact, have already been carried out within or outside the IAI but need to be updated and re-focused.

Regional Economic Integration

6.2 According to the decision that the ASEAN leaders made at their summit meeting in Bali in October 2003 and fleshed out in Vientiane in November 2004, the next stage of regional economic integration is accelerating the process of integration in 11 priority sectors – seven in goods and four in services. The strengths and vulnerabilities of the CLMV countries in each of these sectors obviously differ, in some cases rather widely. A study to analyze each goods sector in each CLMV country should be undertaken to see how regional liberalization of the sector would benefit – and how it might threaten – the country. The study could guide the CLMV countries in forming their positions in the integration process in the priority sectors. In the interest of poverty reduction, a special effort, in the form of a separate project or projects, could be exerted to work out means of developing rural
industries for the appropriate priority sectors in the CLMV countries and in BIMP-EAGA and IMT-GT.

6.3 Similarly, a study should be done on the four services sectors in each CLMV country in the context of overall policies on trade in services. The study might identify which services should be liberalized, and how they are to be liberalized and when, in both the global and the regional contexts and on the basis of the national interest as a whole.

6.4 Regional economic integration is supposed to open up the regional market to the exports of the CLMV countries. However, CLMV exporters have encountered obstacles to their trade with or through the ASEAN-6 countries, in the form of transport costs and non-tariff barriers, as well as restrictive customs practices and widely varied or inadequate product standards. A project should be undertaken to conduct a research survey of CLMV exporters for the purpose of identifying such obstacles. A study should be done to analyze the ASEAN Integration System of Preferences with a view to making it more effective, as well as stepped-up efforts to make traders and investors aware of the AISP. The same or another project could propose ways for the ASEAN-6 to help strengthen the export competitiveness of the CLMV countries. The results of the studies could then be the subject of discussions between the governments concerned or for unilateral action by either of them.

6.5 On the other hand, despite agreements to lower or eliminate tariffs on intra-ASEAN trade, the application of such agreements by the CLMV countries is spotty at best. Part of the problem is the lack of information and/or training on the part primarily of customs, but also of other agencies involved in the importation of goods. To a certain extent, this could be dealt with through attachment programs and other methods designed to improve the familiarity of customs and other agencies with the Common Effective Preferential Tariff scheme and other integration measures and strengthen their capacity to implement them. The business communities, too, should be helped in familiarizing themselves with the CEPT/AFTA and other
ASEAN trading schemes.

6.6 As Cambodia settles into the WTO and Viet Nam and Laos anticipate their entries into it, as the ASEAN Free Trade Area progresses, and as ASEAN negotiates free-trade agreements with some Dialogue Partners, a confusing mess of different rules of origin has confronted ASEAN government agencies, traders and industries at the policy and operational levels. The CLMV governments and business communities would need assistance in sorting out the rules of origin and navigating them.

6.7 ASEAN is negotiating free-trade agreements, in different forms, with China, India, Korea, Japan, and Australia and New Zealand. Some CLMV governments may need policy advice in forming their positions on certain issues involved in the negotiations in accordance with their specific needs and interests, including their projected impact on individual industries, on state revenues and on the economy as a whole. A study is currently being undertaken on the investment components of those negotiations. Special provisions in the study might address the specific requirements of the CLMV countries. Needless to say, assistance in this regard is of great urgency. Part of the assistance to the CLMV countries might be to enable them to discern the interests and motives of the Dialogue Partners with which ASEAN is negotiating economic agreements.

6.8 Some CLMV countries have conveyed their need for assistance in assessing markets for their products. The United States, the European Union, Japan, Korea, Australia, and China may be asked to finance studies of their respective markets for actual or potential exports of each of the CLMV countries. Training in market assessment in general might be necessary.

6.9 As suggested by the co-shepherds workshop on regional economic integration, a workshop should be conducted on the issues raised and the recommendations made in the completed study on managing the revenue losses and adjustment costs arising from CLMV participation in AFTA.

6.10 Customs is critical to the facilitation of trade and investments. The first three-year phase of the IAI Work Plan has seen very useful training in customs administration
and operations. This should be continued, although training programs in customs are currently scattered in separate projects. ASEAN customs authorities should update their collective capacity-building program, with special provisions for the CLMV countries and a view to tightening its coherence. Provision should also be made for the CLMV private sector to participate in appropriate training programs.

6.11 Suggestions have been made for training in the application of rules of origin and in risk assessment. Training is also desired in the enforcement of laws and agreements on the use of trade for terrorism, human trafficking, and the smuggling of drugs and explosives. A project could be adopted to assist the CLMV countries in setting up their “single-window” systems earlier than 2012, the distant target year envisioned for them, as against 2008 for the ASEAN-6. Although the co-shepherds workshop on regional economic integration, in effect, recommended their abandonment, proposals to draft or amend customs laws and reorganize customs administrations ought to be revisited.

6.12 The co-shepherds workshop insisted that two customs-related projects, so far unfunded, remain as they are and funding for them be pursued on current terms. These are the project on transparency, appeals mechanisms and access to information, and the one on customs automation. To be realistic, however, it may be necessary for each of these projects to be broken down by country, so that the project can proceed in the country for which funding is secured without having to wait for funding for the entire package.

6.13 Similarly, standards and conformity assessment are crucial to increasing CLMV exports to the ASEAN market. Even as, with Australian and New Zealand support, national master plans in this area are being developed for the CLMV countries, a project is necessary for their implementation, including the improvement of technical infrastructure, equipment and countrywide dissemination. Once the CLMV countries’ needs in legal metrology are identified, a project or projects should be put together to address those needs. The workshops on standardization and quality and training programs on quality improvement for small and medium
enterprises in the CLMV countries should be continued. As indicated in Chapter 4, additional projects related to standards should be undertaken, including capacity-building projects for the improvement of technical infrastructure, on-the-job training in laboratories, product certification, the implementation of ISO directives, technical training for regulatory bodies, and accreditation and certification. Technical assistance in the organization of national standards bodies should be considered for countries that still have none.

6.14 The ASEAN Coordinating Committee on Standards and Quality, in consultation with the IAI Task Force, should map out the CLMV capacity-building program for standards and conformity assessment in the next three years, taking into account the need for technical infrastructure and equipment. This should be done in the light of the latest standards-related decisions of the ASEAN Economic Ministers. Assistance should be extended to the CLMV countries in the harmonization of standards and technical regulations primarily in the 11 priority sectors.

6.15 Transport is the lifeline of commerce. Through the IAI Work Plan, CLMV personnel have undergone what they consider to be useful training in railway operations, inland waterways management, and multimodal transport. The CLMV countries have found the training in multimodal transport, which is highly relevant to the proposed ASEAN agreement on the subject, to be extremely valuable. It should be continued and intensified. ASEAN should ensure that the national workshops on multimodal transport are adequately supported. Some of the CLMV countries have proposed that the training be expanded to encompass the related subjects of logistics and supply-chain management as well, a proposal that is worth looking into.

6.16 To sharpen the focus of the training series on railways, its relation to the Singapore-Kunming Rail Link should be maintained and tightened. Cambodia may need assistance in connecting its railway to Thailand’s and Viet Nam’s railway systems, and Myanmar in linking its line to Thailand. The proposed project to study the upgrading of secondary roads for connection to the ASEAN Highway Network,
which has received no financing, might be dropped in favor of separate feasibility studies for each country for the purpose of seeking funding from international financial institutions or the private sector for the upgrading of the roads. Focus might be on road segments that cross national boundaries. Training programs for the application of information and communications technology to transportation, container shipment, urban transport planning, traffic management, and transport engineering have been proposed. These should be pursued. The Vietnamese proposal for the conversion of its Inland Waterways College to a regional center should be encouraged and a formal proposal carefully assessed. A critical subject for capacity building for inland waterways would be traffic safety in such waterways.

6.17 One of the CLMV countries has proposed a project to build capacity to improve “the regulatory framework of the air transport industry.” Such capacity building, on the basis of detailed studies, should be broadened so as to encompass civil aviation policy in its totality instead of focusing solely on the regulatory function.

6.18 Finance is an indispensable component of regional economic integration. To be able to take part in ASEAN developments in this area, some CLMV officials have suggested training in such matters as financial market development, financial services liberalization, and bond markets.

**Tourism**

6.19 If effectively and carefully handled, tourism can be a potent way of creating jobs and reducing poverty. In 2002, the ASEAN leaders signed an agreement on tourism embodying several elements, but none of the implementing accords has been concluded. However, several studies have been conducted proposing improvements in tourism in individual CLMV countries and in the Greater Mekong Sub-region. Some CLMV countries may need assistance in formulating, again on the basis of detailed studies, tourism-related policy measures for issues like air transport services, the liberalization of tourism services, and the use of foreign experts and skilled workers in the tourism sector. Projects could be initiated in
these areas, or studies done in the past could be updated.

**Information and Communications Technology**

6.20 As observed in Chapter 4, ICT projects in the IAI Work Plan are of two kinds – the formulation of plans and policies and training courses. Some projects for the formulation of plans and policies have been completed or are being carried out, most of them with the support of Korea, Japan or UNDP. However, several projects still need to be funded or otherwise undertaken. These are national ICT master plans for Cambodia and Laos, ICT legislation for Cambodia, Laos and Myanmar, e-government master plans for Cambodia and Myanmar, telecommunications frameworks for Cambodia and Myanmar, and national action plans for human resource development in ICT for Cambodia, Laos and Myanmar. These should be vigorously pursued, as they are critical to the policy foundations for the development and use of ICT in the CLMV countries. To make it less difficult to raise funding for them, they should be reformulated as discrete projects for each country. This is how the Koreans have approached the components that they financed and how the co-shepherds workshop on ICT recommended the remaining components be pursued.

6.21 Unlike the projects assisting the CLMV countries in the formulation of plans and policies, the ICT training programs carried out in the first phase of the IAI Work Plan have been scattered and rather disorganized, with no common theme or focus. Reporting and other means of sharing information have been uneven at best. For the next phase, the ICT focal points of the CLMV countries should, together, draw up a coherent program in which collective or individual training projects in ICT will fit in a well-organized package. Suggestions have been made for training in legislation, regulation and tariff structures and in periodic e-readiness assessments. The ICT co-shepherds workshop has proposed a number of other training projects.

**Energy**

6.22 In a sector like energy, the needs of the CLMV countries – indeed, of virtually all countries – are limitless. Projects in this sector have to result from a more selective
and focused approach. In the IAI context, the focus should be on building the CLMV countries’ capacity to participate in and benefit from ASEAN energy schemes. Foremost among these is the ASEAN Power Grid. The Senior Officials Meeting on Energy might be requested to prescribe a coherent set of projects to enable the CLMV countries to participate fully in the Power Grid and in other ASEAN energy programs. In this regard, the study of the power-pooling experience in the Nordic countries is a useful example. So is the project on power transmission between Cambodia and Thailand. More general proposals have been made for training in high-voltage inter-connection and the planning of power systems. For BIMP-EAGA, an EAEF-financed study on the development of a trans-Borneo power grid and energy trading across it would be relevant. Training has been suggested in the diverse areas of testing of fuel quality, fuel transport safety, power trading, and negotiations on transboundary power tariffs. The development of a program for energy conservation, with a training component, would also be most useful.

6.23 In terms of poverty reduction and overall economic and social development, the project on rural electrification and “decentralized energy options” has been useful. However, because it was funded by the European Union, Myanmar was excluded from it. The ASEAN-6 and/or other Dialogue Partners should be requested to support a similar project for Myanmar.

The Investment Climate

6.24 The IAI Work Plan does not have this category of projects. Indeed, it makes no mention of the investment climate at all. None of the documents mandating the IAI and laying the foundations for it refers explicitly to the investment factor. Yet, the twin objectives of the IAI – narrowing the development gap and reducing poverty in ASEAN – cannot be achieved without investments – foreign or domestic, state or private – and investments will not be made unless investors perceive the investment climate to be favorable. This review thus proposes for the IAI a new category on the investment climate and offers some project concepts for reflection.
6.25 One of the vital considerations in long-term investment decisions is the rule of law in economic transactions. The prevalence of the rule of law raises the level of predictability of government policies and decisions and the reliability of their enforcement, reduces the element of uncertainty in business transactions, and inspires confidence in the fairness of business competition. An important part of the rule of law has to do with the enforcement of contracts. Another is the promotion of fair competition through competition policy and other means. It would also include credible dispute-settlement mechanisms. In most developing countries, these would require a measure of government reform. All this suggests projects to foster the understanding and building the capacity of legislators, judges and other judicial officers, officials in business-related ministries and agencies, law-enforcement officers, and so on. Some of the ASEAN-6 have experience in this endeavor, and international financial institutions have manifested an interest in funding projects related to it. The proposed project on investments in the current IAI Work Plan ought to be redesigned in this light, as indicated in Chapter 4.

6.26 Another prerequisite of investors is the availability of human skills necessary for their projects. A study of the human resource requirements of the sectors to which each of the CLMV countries seeks to draw investments, including some or all of the 11 priority sectors, would be in order, followed by a project to lay the foundation for developing the necessary human resources, including reforms in the primary, secondary and vocational systems of education and short-term vocational training.

6.27 Some investors need ancillary industries to support their enterprises, for which domestic entrepreneurs would be required. A series of projects to cultivate entrepreneurship in each CLMV country would be useful for this purpose, taking into account the entrepreneurship development institutes that India is proposing to set up.

6.28 In terms of intra-ASEAN investments, investors from other ASEAN countries, as well as from outside the region, have run into difficulties in operating in the CLMV
countries. On the basis of the experience of actual or intending ASEAN investors, an up-to-date study should be conducted to identify these problems in detail so that policy-makers can address them, taking into account previous studies made on the subject.

**Human Resource Development**

6.29 The CLMV countries have expressed keen interest in the development of proficiency in the English language. This is of central importance, since English is ASEAN’s working language, and communication within ASEAN is seriously hampered by a less than adequate proficiency in the language on the part of those involved in ASEAN activities. However, to maintain their relevance to the IAI and in view of resource limitations, participation in English-language projects that fall under the IAI should be restricted to persons who are directly engaged in ASEAN activities and focused on language relevant to their fields of specialization. IAI English programs should not duplicate what is already being done by the many public and private language institutes in the CLMV countries by being indiscriminate in their admission of participants.

6.30 CLMV officials have found the system of attaching CLMV officials to the ASEAN Secretariat to be an effective way of familiarizing them with ASEAN institutions and processes. However, except in a case involving a trade official, the current attachment program has so far been limited to officers of the foreign ministries. Suggestions have been made for the expansion of the program to include officials from other ministries and agencies involved in ASEAN affairs. Another subject for training and technical assistance is the ability to formulate project proposals. The results of the 2002 HRD needs assessment exercise should be re-visited, and its report reviewed and updated in the light of the programs and projects proposed here. Project proposals to address the needs that are still relevant should then be formulated.

6.31 The CLMV countries appreciate the value of IAI projects involving vocational education and training. These should continue to be pursued and be broadened to
encompass other aspects of the subject. The development of skills for information and communications technology should be a continuing process, with the ASEAN-6 and Viet Nam sharing their experiences and skills, if necessary with support from other sources. Projects should be developed to enable the CLMV countries to make use of the results of the project on “Strengthening the Basis of Human Resource Development in CLMV” and of the ASEAN program on industrial relations. The CLMV countries should be helped to take part in the skills recognition system set up through an IAI project. Advisory services should be extended to Cambodia, Laos, Myanmar and Viet Nam for the purpose of developing their capacity to administer overseas employment programs. In addition, a project to promote safety in the work place in the CLMV countries should be undertaken within the framework of OSHNET.

6.32 Although a proposal on the development of the informal sector in the CLMV countries has not received funding, some CLMV officials believe that it should be pursued. In this case, a long-term expert might be engaged to work in each of the CLMV countries that need the project to draw up a program for the development of the informal sector in that country, including policy measures and, if necessary, training components. In the process, reference might be made to the ASEAN regional plan of action on informal sector development that the ASEAN Ministers of Labor have endorsed.

6.33 A specific study in each of the CLMV countries could be conducted to assess the mechanisms, formal and informal, for social security and social protection and point the way toward strengthening and, if necessary, modifying those mechanisms for the future.

6.34 As indicated in Chapter 4, among the training projects proposed for higher education are those pertaining to quality assurance, faculty development, teaching methodology, curriculum development, and the use of technology. The education ministries of the CLMV and other ASEAN countries should get together and draw up a program for training in the management of higher education in place of the
needs-assessment enterprise proposed by the ASEAN University Network.

Poverty Reduction and Quality of Life

6.35 One of the two main objectives of the IAI is the reduction of poverty. Many international institutions and non-governmental organizations are engaged in poverty-reduction programs in the CLMV countries. The IAI might play a role in the form of a workshop in which those countries could together review the numerous programs, compare notes, exchange ideas, learn from one another, and adopt best practices.

6.36 For purposes of both sustainable growth and poverty alleviation, assistance ought to be extended to the CLMV countries for the protection of the natural environment and the raising of the quality of urban living. ASEAN has well-developed agreements, programs and plans of action for protecting the environment. In consultation with the ASEAN Senior Officials on the Environment, a review should be undertaken of the many studies already done in these areas, their current status and the state of their implementation. Projects could then be undertaken to help the CLMV countries fill the gaps that are discovered. Focus might be on air quality, the availability of clean water, and the propensity of certain communities to flooding. Beyond these, since a substantial percentage of Southeast Asia’s population live in large cities, improvements in urban living could be promoted by the necessary technical assistance, including in its coverage adequate housing, intra- and inter-city transportation, traffic management, and waste disposal.

Projects of General Coverage

6.37 The Vientiane Action Programme has called for an “analysis of the development gap in its various dimensions and manifestations” and the setting of “realistic targets for the medium and long term.” This should be the subject of an IAI project.

6.38 One of ASEAN’s purposes specified in the Bangkok Declaration of 8 August 1967 is the promotion of Southeast Asian studies. Assistance ought to be extended to the CLMV countries in the writing, translation (if necessary), production and
distribution of textbooks on Southeast Asia and ASEAN for different educational levels and in the development of the corresponding courses.

6.39 What the IAI has lacked in a fundamental way have been tools for evaluating its efficacy in terms of achieving its objectives of narrowing the development gap in ASEAN, that is, accelerating the progress of the CLMV countries and reducing poverty in them. There should, therefore, be a project to develop a set of indicators by which to measure the advances that the CLMV countries have made toward the IAI’s goals.

6.40 Finally, as recommended in Chapter 5, the IAI needs to be better known to the ASEAN public, including its officials, the Dialogue Partners, and the international community at large. The ASEAN Secretariat, therefore, ought to use all tools of mass communication, including an annual reader-friendly publication, to project both what ASEAN is doing for itself in terms of narrowing the development gap and poverty reduction and how the international community is engaged in this endeavor. This is also vital for raising the necessary resources for IAI projects, whether from within ASEAN or from outside. The ASEAN Cultural Fund may be used for this purpose. However, the work of making the IAI, as well as ASEAN, better known should not be left to the ASEAN Secretariat; member-states must all do their part.

List of Possible Projects for IAI’s Next Phase

6.41 By way of summary, following is a list of possible projects discussed in this chapter for the next phase of the IAI:

I. Regional economic integration

1) A study to analyze the state, in each of the CLMV countries, of each of the seven priority sectors for the integration of trade in goods under the ASEAN Economic Community – wood-based products, automotives, rubber-based products, textiles and apparel, agro-based products, fisheries, and electronics – and how that sector would benefit from or be threatened by more rapid regional integration within ASEAN, proposing measures to reap the benefits and mitigate the costs;
2) A study to analyze the state of services in each of the CLMV countries to determine how to liberalize each services sector and when in the global and regional contexts, including the four priority sectors for the integration of trade in services under the ASEAN Economic Community – e-ASEAN, health care, air travel and tourism;

3) A study to determine how the rural areas of each of the CLMV countries and the people of BIMP-EAGA and the IMT-GT could benefit from the integration of the 11 priority sectors;

4) A survey of CLMV exporters seeking to identify obstacles to their trade with or through the ASEAN-6 countries;

5) A review of the status and impact of the ASEAN Integration System of Preferences with a view to its possible restoration to the initial concept;

6) A study of ways in which the ASEAN-6 can help strengthen the export competitiveness of the CLMV countries;

7) Attachment programs and other methods of improving the familiarity of the customs and other agencies of the CLMV countries with the Common Effective Preferential Tariff scheme and other integration measures and strengthening their capacity to implement them;

8) Familiarization of the private sector in the CLMV countries with CEPT and other integration measures;

9) Training for the CLMV countries in the application of the rules of origin of trade agreements concluded or being negotiated by ASEAN;

10) Policy advice to CLMV governments in the negotiations on free-trade agreements with China, India, Korea, Japan, and Australia and New Zealand in accordance with their respective needs and interests;

11) Urgent assistance to the CLMV governments in ensuring that their specific requirements are taken into account in the study on the investment elements of FTAs being negotiated between ASEAN and the above-mentioned Dialogue Partners;

12) Training in the assessment of overseas markets;

13) Studies of the major markets for actual or potential CLMV export products;

14) A research study to identify the obstacles encountered by ASEAN-6 traders in exporting to the CLMV countries;

15) A workshop on the issues raised and the recommendations made in
the completed study on managing the revenue losses and adjustment costs arising from CLMV participation in AFTA;

16) Continuation of the IAI training and institution-building programs in customs administration and operations;

17) Additional such programs on the basis of a coherent capacity-building program adopted by the ASEAN customs authorities, including training in the application of rules of origin, risk assessment, and the enforcement of agreements on terrorism, human trafficking and smuggling;

18) Assistance to the CLMV countries in setting up their “single-window” systems in customs as early as possible;

19) Technical assistance to the CLMV countries that need it in the drafting or amendment of customs-related legislation;

20) Pursuit of the customs-related project on transparency, appeal mechanisms and access to information, broken down by country;

21) Pursuit of the project on customs automation, broken down by country;

22) A project for the implementation of the CLMV national master plans on standards and conformity assessment, including the improvement of technical infrastructure and equipment;

23) An assessment of needs in the adoption of legal metrology and a project or projects to address those needs;

24) Continuation of the workshops on standardization and quality and the training programs on quality improvement for small and medium enterprises in the CLMV countries;

25) Capacity-building projects for the improvement of technical infrastructure, on-the-job training in laboratories, product certification, implementation of ISO directives, technical training for regulatory bodies, and accreditation and certification within the framework of a capacity-building program adopted by ACCSQ for the CLMV countries and in the light of the latest standards-related decisions of the ASEAN Economic Ministers;

26) Technical assistance in the establishment of national standards bodies in the CLMV countries where this has not yet been done;

27) Technical assistance to the CLMV countries in the harmonization of standards and technical regulations primarily in the 11 priority sectors of the ASEAN Economic Community;

28) Continuation, intensification and expansion of training in multimodal transport and support for the national workshops on the matter;
29) Training in multimodal transport, logistics and supply-chain management;
30) Technical assistance to and training for Cambodia, Laos and Myanmar in establishing and operating their segments of the Singapore-Kunming Rail Link;
31) In place of a general study, a feasibility study on the upgrading of secondary roads in each of the CLMV countries for connection to the ASEAN Highway Network;
32) A project on the application of information and communications technology to transportation;
33) Training projects for container transport, urban transport planning, traffic management, and transport engineering;
34) A capacity-building project on traffic safety in inland waterways;
35) Consideration of the Vietnamese proposal for the conversion of the Inland Waterways College in Ho Chi Minh City into a regional training center for inland waterways;
36) Detailed studies of the civil aviation policies of each of the CLMV countries;
37) Training in dealing with financial issues.

II. Tourism

1) Technical assistance to CLMV countries in formulating tourism-related policy measures for issues like air transport services, the liberalization of tourism services, and the use of foreign experts and skilled workers in the tourism sector;
2) Joint training in tourism services.

III. Information and communications technology:

1) Formulation of national ICT master plans for Cambodia and Laos;
2) Drafting of ICT legislation for Cambodia, Laos and Myanmar;
3) Formulation of e-government master plans for Cambodia and Myanmar;
4) Setting up of telecommunications frameworks for Cambodia and Myanmar;
5) Formulation of national action plans for human resource development in ICT for Cambodia, Laos and Myanmar;
6) Training projects on the basis of a coherent program drawn up by the IAI Task Force and the ICT focal points in the CLMV
countries.

IV. Energy:

1) Projects to build CLMV capacity to participate in ASEAN energy schemes, primarily the ASEAN Power Grid;
2) Training in high-voltage inter-connection and in power-systems planning;
3) Training in fuel quality testing, fuel transport safety, power trading and negotiations on transboundary power tariffs;
4) Developing a program of fuel conservation, with a training component;
5) Other training projects within a program put together by the ASEAN Senior Officials Meeting on Energy;
6) A project to assist Myanmar on rural electrification and decentralized energy options, EAEF-supported assistance in these areas having been extended to Cambodia, Laos and Viet Nam.

V. The investment climate:

1) Projects to strengthen the rule of law in the CLMV countries through capacity building, including in their coverage the enforcement of contracts, competition policy, dispute settlement, and government policy reform;
2) A research study to identify the difficulties encountered by investors in their operations in each of the CLMV countries;
3) A study of the human resource requirements of the sectors to which each of the CLMV countries seeks to draw investments;
4) A project to develop the human resources necessary for attracting investments, including reforms in the educational system and short-term vocational training;
5) A series of projects to cultivate entrepreneurship in each CLMV country, taking into account the entrepreneurship development institutes that India is putting up.

VI. Human resource development:

1) Projects to raise English-language proficiency in the CLMV countries, but, in the light of limited resources, restricted to persons engaged directly in ASEAN activities and focused on language relevant to their fields of specialization;
2) Attachment to the ASEAN Secretariat of CLMV officials not only from the foreign ministries but also from other ministries and
agencies involved in ASEAN affairs;

3) Training in the formulation of project proposals;

4) Review and updating of the 2002 HRD needs assessment exercise with a view to drawing up project proposals to meet the CLMV countries’ current priority HRD needs;

5) Assistance from the ASEAN-6 in developing CLMV skills for information and communications technology;

6) Projects to enable the CLMV countries to make use of the results of the project on “Strengthening the Basis of Human Resource Development in CLMV” and of the ASEAN program on industrial relations;

7) Technical assistance to and training for the CLMV countries to enable them to take part in the skills recognition system set up through an IAI project;

8) Advisory services to the CLMV countries for the purpose of developing their capacity to administer overseas employment programs;

9) A project to promote safety in the work place in the CLMV countries;

10) Advisory assistance to each of the CLMV countries in drawing up a program for the development of the informal sector in that country, including policy measures and, if necessary, training components, on the basis of the ASEAN regional plan of action on informal sector development that the ASEAN Ministers of Labor have endorsed;

11) A study in each of the CLMV countries to assess the formal and informal mechanisms for social security and social protection and point the way toward strengthening and, if necessary, modifying those mechanisms;

12) A program drawn up by the education ministries for training in the management of higher education.

VII. Poverty reduction and quality of life:

1) A workshop in which the CLMV countries could together review the numerous internationally funded poverty-reduction programs, compare notes, exchange ideas, learn from one another, and adopt best practices;

2) A review of the many studies already done on environmental protection and conservation and the improvement of urban life, their current status and the state of their implementation, focusing, in terms of the natural environment, on air quality, marine pollution, the availability of clean water, and the propensity to
flooding, and, in terms of urban living, on adequate housing, intra-and inter-city transportation, traffic management, and waste disposal;

3) Projects to help the CLMV countries fill any gaps discovered in Nos. 1 and 2.

VIII. Projects of general coverage:

1) Analytical study of the development gap;

2) Assistance to the CLMV countries in the writing, translation if necessary, production and distribution of textbooks on Southeast Asia and ASEAN for different educational levels and in developing courses on these subjects;

3) Development of a set of indicators for measuring the progress of the CLMV countries toward the goals of the IAI;

4) Continuing public information program for the IAI executed by the ASEAN Secretariat, the Committee on Culture and Information, and the individual member-states.
7. PROPOSALS: INSTITUTIONS, MECHANISMS, PROCESSES

7.1 Chapter 4 assessed the projects in the current IAI Work Plan, made some observations and recommendations related to most of the projects, and suggested possible additional ones. Some of those suggestions arose from the observations and recommendations, and others were in response to developments since the inception of the Work Plan.

7.2 Chapter 5 recommended changes in approach not only to the Work Plan and its projects but to the IAI itself. Criteria and other considerations were specified for the selection of projects, some of them different in substance or emphasis from those guiding the projects currently in the Work Plan. One of the most important changes would be the proposed division of IAI projects into two categories – those for funding from outside ASEAN, which would fall within a revised IAI Work Plan, and those for sponsorship by one or more of the ASEAN-6, which would be part of the IAI but outside the Work Plan. This would present a more balanced and comprehensive – and, therefore, more accurate – picture of the IAI than is currently conveyed.

7.3 Chapter 6 proposed projects for consideration on the basis of the observations and suggestions made by the member-states in interviews and in various IAI forums, new developments since the inception of the IAI, including CLMV requirements that have come to light since then, and the need for follow-through on past projects.

7.4 In the light of the experience with the current Work Plan projects, the need for sharper focus and greater coherence, and the recommendations, largely made in Chapter 6, for additional areas for assistance to the CLMV countries, a revised and somewhat more complex classification of projects is suggested. This would consist of:

- regional economic integration, including:
  - the 11 priority sectors for integration,
o non-tariff barriers to intra-ASEAN trade,
o the ASEAN Integration System of Preferences,
o obstacles to intra-ASEAN investment,
o customs,
o standards,
o transport,
o liberalization of services,
o negotiations on free-trade and other comprehensive economic agreements,
o market assessment, and
o finance;

• tourism;

• information and communications technology, covering:
  o strategies, policies and institutions and
  o capacity building;

• energy;

• the investment climate;

• human resource development, including:
  o civil service,
  o labor and employment,
  o social security and social protection,
  o higher education;

• poverty reduction and the quality of life; and

• general programs:
  o the mandated analysis of the development gap,
  o Southeast Asian studies,
  o development of a set of indicators to measure the CLMV countries’ progress toward the IAI’s goals,
  o publicity for the IAI.

7.5 The participation of residents of BIMP-EAGA and IMT-GT was recommended for
appropriate projects. Chapter 5 also touched on the issues of reporting, administrative controls, national, CLMV and ASEAN-wide coordination, and CLMV ownership. The recommended changes in approach and the need for tighter controls and closer coordination necessarily call for modifications in the institutions, mechanisms and procedures involved in carrying out the IAI, in their functions, and in the relationships among them.

7.6 The first step in this process of modification is a gathering of the ASEAN Standing Committee, preceded by preparatory meetings if found to be necessary and useful, for the purpose of adopting what one might call a strategic framework for the next phase of the IAI. The components of such a strategic framework, and therefore the points for decision by the ASC, would be:

1) The criteria for project selection;
2) Other factors for consideration in selecting projects;
3) The designation of areas of IAI cooperation and the classification of projects within them;
4) The delineation of responsibilities and modalities between the ASEAN-6 on the one hand and the Dialogue Partners and others outside ASEAN on the other; and
5) The extent and manifestations of ownership of projects on the part of the CLMV countries.

7.7 On each of the five points, all of which are the subjects of recommendations in this review, the decision would be on whether:

- To adopt the recommendations in Chapters 5 and, as appropriate, Chapter 6;
- To continue the practice as it has been thus far; or
- To follow some other way.

7.8 The assumption underlying the rest of this chapter is that the recommendations in this study will be adopted. On the basis of this assumption, certain procedures will be proposed, in the course of which modifications in institutions, mechanisms, relationships and processes will be recommended.
Project Proposals and Selection

7.9 After the decisions called for above have been made, the CLMV countries should produce lists of areas, with possible projects indicated in some order of priority, in which the CLMV countries feel that they need help. Such lists might include those projects in the current Work Plan that have yet to commence, as they are or as revised. The ASEAN-6 countries should be given first crack at providing the necessary assistance; support would then be sought from others for the remaining projects or project areas.

7.10 The procedures for the processing of project proposals and the selection of projects to carry out would be different for those undertaken by the ASEAN-6 and for those supported by donors outside ASEAN. With respect to the ASEAN-6, each project proposal would presumably accord with the philosophies, strategies, capacities, parameters and procedures of the country’s own international cooperation program. In every case, close consultations with the CLMV countries would have to be carried out, taking both the express needs and conditions of the CLMV and the capacity and other circumstances of the ASEAN-6 country into account. The ASEAN-6 country undertaking a project would, of course, be free to enlist the support of a Dialogue Partner or another source or sources for that project.

7.11 With respect to IAI projects funded by donors outside ASEAN, they should be treated, as a matter of general policy, like other, ASEAN-wide projects, except that consultations would have to be undertaken specifically with the CLMV countries, particularly in the setting of the IAI Task Force. Project proposals could emanate from an individual CLMV country, the IAI Task Force or an ASEAN-wide body, but all would be processed in the normal ASEAN manner. This means that the proposals would be reviewed and, if necessary, recast by the appropriate desk officers of the ASEAN Secretariat, in consultation with the ASEAN bodies concerned and the CLMV countries. The Project Appraisal Committee of the Secretariat, which is the project appraisal arm of the ASC, would then evaluate them. As stressed in Chapter 5, it is imperative for the PAC process to be as
expeditious as possible. The PAC would do any of three things – reject the project proposal, return it to the ASEAN Secretariat unit concerned for modification by the proponent and the appropriate ASEAN body, or endorse it for ASC approval. In the case of an IAI project, a PAC-endorsed proposal would have to be cleared by the IAI Task Force – in a meeting, by e-mail or by some other means of communication – before it goes to the ASC. The proposal would be shepherded through the process by the IAI Unit instead of the Programme Coordination Unit of the Bureau for External Relations and Coordination as in the case of ASEAN-wide project proposals. BERC would negotiate funding for the project with potential donors.

7.12 In this way, projects for external support would be subjected to the usual rigorous screening, their consistency with the agreed criteria more effectively ensured. Harmony and coordination would be fostered with other programs of assistance to the CLMV countries. Duplications with those programs and with projects undertaken by the ASEAN-6 would be reduced. In any case, it would help in achieving the close coordination recommended here if the more substantial projects were included in the national development plans or other national frameworks of the CLMV countries.

Implementation, Monitoring and Evaluation

7.13 Once selected for inclusion in the externally supported IAI Work Plan, and funding is obtained, a project would go through the usual process of implementation, with close monitoring and controls and rigorous evaluation. Monitoring and evaluation should be concerned not only with the administrative procedures and financial disbursements, but also with the substance of the project’s implementation, its effectiveness in advancing the objectives of the IAI, the extent of the follow-through, and the impact of the project on the economy and society of its beneficiaries.

7.14 At the ASEAN Secretariat, both the IAI Unit and the desk officers concerned, we well as the PAC, would be heavily involved throughout the process, with the unit
reporting to the IAI Task Force and the desk officers reporting, respectively, to the ASEAN bodies concerned. The donor entities would take part in the process at appropriate stages in accordance with normal procedures.

Coordination

7.15 The importance of close coordination, at all stages, at each level and on various points, cannot be overemphasized. Of utmost importance is coordination at the national level in each CLMV country. Basically, such coordination should involve the ministry of foreign affairs, the national planning body, and the line agency or agencies concerned. Some countries may find it useful or necessary to involve the office of the head of government, since many IAI projects and the IAI process transcend bureaucratic divisions. They may wish to set up national IAI committees. Consultations might be conducted with persons who participated in previous projects. The private sector and non-governmental organizations, as appropriate, ought to be consulted on matters concerning them. Similarly, within the ASEAN Secretariat, close coordination is essential among the BERC leadership, the IAI Unit and the sectoral desk officers.

7.16 The locus of the coordination among the CLMV countries would remain the IAI Task Force. The Task Force, however, should concern itself more deeply with the substantive effectiveness and impact of each project rather than mainly with the overall progress of the IAI and other matters of process and procedure. It should go beyond approving projects, assessing their progress in the aggregate, and reviewing the overall state of financial commitments. With the help of the Secretariat’s IAI Unit and sectoral units, the Task Force should actively and rigorously analyze each project from start to finish against the agreed criteria and its responsiveness to the needs of the CLMV countries. Problems encountered, as well as goals achieved, should receive attention. For this, thorough consultation at the national level must be conducted before every IAI Task Force meeting.

7.17 Additionally, and just as importantly, coordination on each IAI project should be strengthened among the CLMV ministries or agencies concerned with the project.
Aside from using electronic means of communication for such coordination, the CLMV participants in meetings of ASEAN bodies – SEOM, STOM, SOME, customs, ACCSQ, TELSM, SOMTC, ASOEN, ASCOE, and so on – could gather among themselves on the sidelines of those meetings in order to review the progress of continuing or proposed IAI projects in their respective fields, problems encountered, issues raised, and so on. In ASEAN as a whole, the co-shepherds system, involving both foreign-ministry and sectoral focal points, is a useful forum for coordination and review on a broad scale at a fairly high level; it should be kept but reorganized in the light of the changes recommended here. The co-shepherds forums should be convened regularly, perhaps annually, to assess the progress and impact of the projects in their respective areas, make recommendations on additional projects, and map out the future direction of the IAI in those areas.

7.18 The ASEAN-6 should coordinate their assistance programs with one another in order to avoid duplication and promote mutual reinforcement among them. It would help coordination immensely if the ASEAN-6 could exchange notes and inform and consult one another regularly on their future assistance programs.

7.19 As pointed out in previous chapters, it is important for ASEAN to coordinate closely with the ADB’s GMS program, the UN ESCAP, the MRC, and other programs seeking to assist the CLMV countries. The ASEAN countries should enlist the help of their representatives on the boards of international financial institutions and other international bodies in pushing for the funding of IAI projects by those agencies.

**Reporting**

7.20 Close coordination would be almost impossible without prompt, comprehensive and incisive reporting on each project. This would mean, first of all, the expeditious submission of the completion report, that is, within two weeks of completion of each project. That report should include not only a description of the activities undertaken and the normal administrative and financial accounting but also an evaluation of the project’s conduct and impact by the executing agency and,
if appropriate, the participant-beneficiaries. Responsibility for the filing of the completion report on time rests primarily with the executing agency, but also with the IAI Unit, the Secretariat desk officer involved, and the foreign ministries and sectoral focal points of the CLMV countries. The enforcement of this requirement might be helped if a substantial part of the executing agency’s payment were to be withheld until the submission of a satisfactory completion report.

7.21 As recommended in Chapter 5, each CLMV country would file an annual report on its participation in the IAI, including an updated evaluation of the program over the past year, the benefits received from all projects, the issues and problems encountered, and recommendations for the future. As also previously recommended, each of the ASEAN-6 would draw up a similar report on the conduct of the projects in its own assistance program for the CLMV – and for BIMP-EAGA and IMT-GT. The IAI Unit would do the reporting on the IAI Work Plan, that is, on the set of projects funded from outside ASEAN. The co-shepherds forums would review the contents of the reports pertaining to their respective areas. Following the review, the IAI Unit would consolidate all the reports, with its own evaluation, into one report. The IAI Task Force and then the ASEAN Standing Committee would review the consolidated report for submission to the ASEAN Summit through the ASEAN Ministerial Meeting. To the extent possible, all reports should adhere to common formats and content outlines prescribed by the ASEAN Secretariat. Copies of these reports would be furnished the ASEAN sectoral bodies involved in the IAI.

7.22 Before the consolidated and cleared IAI report is formally brought to the ASEAN Summit, it has to be endorsed by the foreign ministers. Ideally, this should be done at the regular ASEAN Ministerial Meeting. However, this usually takes place in the middle of the year, too early for elevation to the ASEAN Summit, which normally convenes toward the end of the year. One possibility is for the foreign ministers to endorse the report at its informal meeting in New York in September. Another possibility is for the ministers to convey their endorsement through the
ASC meeting in October.

7.23 The reporting sequence might be something like this:

1) Individual reports by the CLMV and the ASEAN-6 countries and the IAI Unit’s report on the IAI Work Plan;
2) Review of the reports by the co-shepherds workshops;
3) Consolidation of all the reports by the IAI Unit;
4) Review by the IAI Task Force;
5) Review by the ASEAN Standing Committee;
6) Endorsement by the foreign ministers;
7) Approval by the Summit.

7.24 In collaboration with the Public Information Unit of the ASEAN Secretariat, the IAI Unit would contract out a program, if necessary as an IAI project in itself, to publicize the progress of the IAI in terms of all its objectives, giving more or less equal emphasis to the roles of the ASEAN-6, the rest of the international community, and the CLMV countries themselves.

Structures

7.25 The changes in approach and in the composition of projects recommended here entail alterations not only in the processes of the IAI but also in its organizational structure and in the functions, and even the nature, of the structure’s components.

7.26 In the ASEAN Secretariat, these changes in approach and functions and the presumed increase in the number of projects would require the strengthening of the IAI Unit and improving its effectiveness in one way or another. In this regard, it has to be kept in mind that the IAI Unit takes charge not only of the IAI Work Plan but also of other Mekong Basin programs like the ASEAN Mekong Basin Development Cooperation and its flagship project, the Singapore-Kunming Rail Link, the AEM-METI Economic and Industrial Cooperation Committee, and matters related to the Asian Development Bank’s Greater Mekong Sub-region program and the Mekong River Commission. Just as importantly, as stressed above, there has to be much closer coordination among the IAI Unit, BERC and the
desk officers than has been observed. Ideally, the IAI Unit should be placed within BERC, since its functions are generally analogous to those of BERC, rather than directly under one of the Deputy Secretaries-General, as it is today. In any case, the closest coordination within the ASEAN Secretariat is absolutely vital, with the sectoral desk officers, in collaboration with the IAI Unit, heavily and substantively involved in the appraisal, selection, implementation, monitoring and evaluation of IAI Work Plan projects.

7.27 Similarly, there has to be close coordination within the CLMV countries with respect to the IAI and its projects with a view to reducing duplication and fostering mutual reinforcement between projects. As called for above, such coordination would be carried out among the ministries of foreign affairs, the national planning bodies, and the line agencies involved. The formation of formal and working IAI national committees, meeting and consulting regularly, would help. So would, wherever possible, the inclusion of IAI projects in national development and similar plans.

7.28 Coordination, too, is imperative among the CLMV countries. This ought to be done, as now, in the IAI Task Force, whose functions, however, should expand to encompass assessments of projects’ effectiveness and impact. In addition, as suggested above, CLMV delegations should make it a habit to meet on the fringes of meetings of ASEAN sectoral bodies involved in IAI projects, such as those dealing with trade and investments, customs, standards and conformity assessment, transport, tourism, telecommunications, energy, social development, labor, education, the environment, and rural development and poverty eradication.

7.29 The co-shepherds system has proven itself to be an effective tool for coordination and review. It should be kept but reorganized in accordance with the new project classifications recommended here. Pursuant to the new classifications, there should be co-shepherds for:

- Regional economic integration, including trade and investments, customs, standards, and transport;
Tourism;
- Information and communications technology;
- Energy;
- Human resource development;
- Investment climate; and
- Poverty reduction and quality of life.

7.31 The number of co-shepherds workshops would be three more than at present. The breakdown proposed here is somewhat arbitrary and rather lopsided, but it could be modified after being tried. The meetings of the co-shepherds, held annually, would review the reports and assess the effectiveness and impact of the projects from a broad policy viewpoint. Their findings and recommendations would go to the IAI Task Force and the ASC. The projects of general coverage would be reviewed and assessed directly by the IAI Task Force and the ASC.

7.32 There are two ASEAN bodies that both undertake IAI projects and at the same time are sources of funding for such projects. One is the ASEAN Center for Energy, which manages ASEAN energy projects and handles the EC-ASEAN Energy Facility, its main source of funds. The other is the ASEAN Foundation, which also sponsors projects and administers Japan’s Solidarity Fund. While the availability of these funds is most welcome, as they help achieve the purposes of the IAI, special efforts should be exerted to ensure that, in the case of IAI-related projects, criteria are honored, duplications are avoided, coordination is carried out, and reports filed and distributed on time. Coordination between the ASEAN Secretariat on the one hand and the ACE and the ASEAN Foundation on the other should be tightened.

Summary of Recommendations

7.33 The recommendations above are meant to improve the effectiveness of institutions, mechanisms and processes in the handling of IAI projects and in achieving IAI objectives. They are summarized below:

1) That the ASC approve the mid-term review’s recommendations on:
   a) criteria for project selection,
b) other factors for consideration in the selection of projects,

c) the re-classification of projects,

d) the delineation of responsibilities and modalities between the ASEAN-6 and other sources of support, and

e) issues of ownership;

2) That the IAI Task Force adopt a list of project areas, taking into account those suggested here, for the next three-year phase of the IAI;

3) That each of the ASEAN-6 sponsor IAI projects in accordance with its own approaches and procedures;

4) That project proposals for funding by extra-ASEAN sources be subjected to the usual project-appraisal process of the ASEAN Secretariat;

5) That coordination be tightened among national entities concerned in each CLMV country;

6) That a national IAI committee be formed in each CLMV country and that, wherever possible, IAI projects be included in national development and similar plans;

7) That CLMV delegations to meetings of ASEAN bodies involved in IAI projects meet among themselves on the fringes of those meetings;

8) That the CLMV countries’ IAI focal points enlist the help of their and other ASEAN representatives on the boards of international financial institutions and other international bodies on behalf of IAI projects;

9) That coordination be strengthened among the CLMV countries – in the IAI Task Force and among the sectoral focal points;

10) That the executing agency file its completion report as soon as a project is completed;

11) That each of the CLMV countries file annual reports on the IAI projects in which it participated;

12) That each of the ASEAN-6 countries file annual reports on the IAI projects that it conducted;

13) That the IAI Unit consolidate the reports, after the co-shepherds workshops have reviewed them, giving more or less equal emphasis to the roles of the CLMV countries, the ASEAN-6 and the rest of the international community;

14) That the consolidated reports be submitted to the ASEAN Summit after clearance by the IAI Task Force and the ASC and upon endorsement by the ASEAN foreign ministers;
15) That the ASEAN Secretariat initiate and contract out a public-information program on the IAI;

16) That the IAI Unit be substantially strengthened;

17) That the co-shepherds system be kept but reorganized in accordance with the new project classifications;

18) That the findings and recommendations of the co-shepherds workshops go to the IAI Task Force and the ASC as contributions to the IAI report;

19) That close consultations and coordination be fostered between the IAI process and the ASEAN Center for Energy and the ASEAN Foundation.
8. PROPOSALS: FINANCING

8.1 Part of the mandate of this mid-term review is to take a look at the question of “resource mobilization.” Concern has been expressed in several forums and documents over the fact that a number of important projects have received no funding or only partial funding. Attention has, therefore, been directed at the need for more effective ways of raising the resources to support IAI projects.

8.2 To be sure, the IAI has revitalized the development-cooperation dimension of ASEAN’s Dialogue relationships since the time when some Dialogue Partners were raising questions about the propriety of financial support for a region that was recording high rates of economic growth. At the same time, the IAI has given new vigor and focus to the programs of the ASEAN-6 for assistance to the CLMV countries, many of which antedate the latter’s membership in ASEAN. Nevertheless, the resources required for narrowing the development gap and reducing poverty are substantial. Resolute and creative ways, therefore, have to be found in order to fill the yawning gap between the requirements of IAI projects and the available resources.

8.3 As noted above, even before the CLMV countries entered ASEAN, the ASEAN-6 had been conducting assistance programs for them, mainly in terms of technical support and training. With the initiation of the IAI and its Work Plan, some projects were proffered by the ASEAN-6 for inclusion in the Work Plan, but many others, for one reason or another, were not listed in it. A few of the ASEAN-6 projects have been carried out in collaboration with Dialogue Partners or international organizations.

8.4 As for support for the IAI from outside ASEAN, not all of the Dialogue Partners have undertaken to fund projects in the IAI Work Plan. Japan has done so through the Japan-ASEAN General Exchange Fund, JICA, the Ministry of Health, Labor and Welfare, and the Japan-ASEAN Solidarity Fund in the ASEAN Foundation. Korea has been funding infrastructure feasibility studies and relatively large ICT
projects. Australia has supported projects having to do with the impact of AFTA, standards, conformity assessment and accreditation, and skills recognition systems, while New Zealand has focused on customs and legal metrology projects. India intends to set up entrepreneurial development institutes and has supported a couple of training projects. Assistance by the European Union has been largely channeled through the EC-ASEAN Energy Facility managed by the ASEAN Center for Energy. Among the non-Dialogue Partners, Denmark and, through UNIDO, Norway have funded a few projects. So have the UNDP and the ILO.

8.5 In addressing the need to narrow the development gap in ASEAN, the Vientiane Action Programme lays emphasis, in several places, on the mobilization of resources. The VAP cites “three broad sources of funding for the implementation of the VAP” – “direct contributions from all or some Member Countries, . . . ASEAN pooled resources, and external funding.” This would apply specifically to the IAI.

The ASEAN-6

8.6 As recalled in Chapter 5, the IAI is to serve primarily as a framework for the ASEAN-6 countries to assist the CLMV and thus to help narrow the development gap. Even before the entry of the CLMV countries into ASEAN, the older ASEAN members each had their own international cooperation program. All the components, and not only a selected few, of those programs that benefit the newer members should now be placed in the context of the IAI. In the meantime, the ASEAN-6 should, in consultation with the CLMV countries, consider increasing the number of projects that they support and conduct for the benefit of those countries.

8.7 Not only would these serve the ASEAN leaders’ mandate, not only would the projects sponsored by the ASEAN-6 acquire greater coherence and a higher degree of organization; they would also strengthen ASEAN solidarity and present an image of ASEAN as doing something for itself and of ASEAN countries as helping one another.
8.8 In order to ensure the effectiveness of the ASEAN-6’s assistance to the CLMV countries, the possibility of duplication and overlaps has to be minimized. If possible, the projects sponsored by different ASEAN-6 countries should complement and reinforce one another and be consistent in the purposes that they serve. This underscores the importance of coordination within the CLMV countries, coordination among them, in the IAI Task Force and other forums, and coordination among the ASEAN-6, in the ASC and other venues. It would help greatly, especially for planning purposes, if the national budgets of the ASEAN-6 could regularly allocate definite amounts for IAI purposes.

Pooled ASEAN Resources

8.9 Unlike the European Union, ASEAN has no program for the massive transfer of resources to its poorer members. Nevertheless, the transformation of the ASEAN Fund into the ASEAN Development Fund in July 2005 could, on a much smaller scale, serve a similar purpose. Although the current level of the fund will not be raised until the end of 2007 (by US$1 million – US$100,000 from each ASEAN member-state), the purposes for which it can be used have been expanded. According to its terms of reference, the ADF may be used to provide counterpart funds to “leverage” support for ASEAN projects, whether from ASEAN members or from external sources. The ADF may also supply “seed funding” for “large-scale projects requiring major financial support.” Presumably, this refers to feasibility studies and similar undertakings. Finally, the ADF may extend “full funding support to small and short-term projects of a confidential or strategic nature.” In this regard, the proposed analytical study of the development gap comes to mind. Thus, the ADF would be a source of both direct funding for IAI projects and leverage for obtaining resources from others. The ADF is open to voluntary contributions not only from the member-states but also, according to the terms of reference, “from other public and private sources.” The proposed ASEAN Charter, which would give ASEAN a juridical personality and legal standing, should make it easier to draw private donations to ASEAN.
8.10 As originally intended, the ASEAN Foundation was to have been a repository for pooled ASEAN resources. It was meant to raise funds largely from private donors, with persons of stature on its board of advisers helping in that function. As it has turned out, however, the foundation is totally dependent on ASEAN government funding, a US$20 million contribution from Japan in the form of the Japan-ASEAN Solidarity Fund, and smaller donations by the Chinese and Korean governments. Instead of prominent private personalities capable of donating or raising funds, government officials constitute the board of advisers. Largely with the Japanese money, the foundation has been both conducting and funding projects, mainly to develop human resources and promote educational and cultural exchanges. It has financed a number of IAI projects. If it somehow reverted to its original concept, thereby expanding its base of support, the foundation could become a major source of IAI funding.

Dialogue Partners and Other Countries

8.11 As noted above, Japan, Korea, Australia, New Zealand, India, the European Union, Denmark and Norway (through UNIDO) have given support, in various magnitudes, to projects in the IAI Work Plan. Not only should they be encouraged to do more; other countries should be urged to follow suit. China, the United States, Canada and Russia, among the Dialogue Partners, should be called upon to do their bit. The European Union ought to be supporting projects other than those financed by the EC-ASEAN Energy Facility, which, in any case, is reportedly drying up. A special effort should be mounted to seek the support of individual EU members like Germany, France, Spain, Italy, The Netherlands, Austria, the United Kingdom, Belgium, Sweden, Finland, Poland and the Czech Republic. Denmark has already shown the way. Non-EU countries of Europe, like Switzerland, should be encouraged to follow Norway’s example.

8.12 All of this can be done only if the ASEAN Secretariat does not continue to bear, almost by itself, the responsibility of seeking outside support for IAI projects. The ASEAN member-states – the ASEAN-6 and the CLMV countries – should, together
and individually, shoulder part of this responsibility. They could do so in the Dialogues, in international forums, and in bilateral interactions. It should be done at various levels, involving the senior officials, the ministers, and even the leaders of ASEAN, as well as the Secretary-General, for maximum political effect.

**International Organizations**

8.13 The Asian Development Bank has a program for the development of the Greater Mekong Sub-region, which includes both financing for physical infrastructure and technical assistance. More intensive consultations with the ADB ought to be undertaken to avoid duplications between IAI and GMS and to identify areas of collaboration. The same might be done with UN ESCAP, which has had long-standing programs for the Mekong Basin. Aside from infrastructure financing, the World Bank has in recent years shown interest in activities aimed at improving governance, reducing poverty and protecting the natural environment. It may be willing to support IAI projects in these areas. UNDP, ILO and, with Norwegian support, UNIDO have given assistance for IAI projects. In addition to these international bodies, the technical programs of UNCTAD, WTO, the UN Environment Programme, and some UN specialized agencies could be tapped for the IAI.

8.14 Again, the ASEAN Secretariat should not take it upon itself alone to seek resources from international organizations. It might enlist the help of ASEAN representatives on the boards of these organizations, as well as the organizations’ staffs, in seeking funding or technical assistance from them. ASEAN delegations might be similarly asked to help lobby for IAI support in other forums, such as the meetings of the international financial institutions and those of the governing bodies of the UN programs and agencies.

**Expanding the Base**

8.15 Beyond national governments and inter-governmental organizations, the base of support for IAI projects could be expanded to include, for example, private foundations, particularly those in the United States and Japan, even as the ASEAN
Secretariat and member-states maintain their cooperation with Germany’s political foundations. As with governmental entities, good project proposals are essential to elicit funding from private sources.

8.16 Public-private partnership schemes, such as those that the ADB has promoted and undertaken over the years, ought to be explored. This might be in the form of loans or build-operate-transfer arrangements involving IAI feasibility studies as the bases of proposals for funding by financial institutions or private investors. In the case of projects from which the private sector stands to benefit, private funding might be sought.

8.17 The U. S.-ASEAN Business Council has, for several years, been conducting trade-related technical assistance programs for ASEAN. It might be persuaded to sponsor such programs specifically for the CLMV countries.

CLMV

8.18 As stressed in Chapter 5, it is extremely important, for several reasons, for the CLMV countries to have ownership of the IAI and its projects. This has implications for funding. As previously pointed out, CLMV contributions, in money or in kind, would help the financial viability of a project as well as strengthen CLMV ownership of it. They would encourage support from outside sources. Such contributions, together with funding for follow-through, implementation and maintenance, should, if necessary, be provided for in the national budgets of the CLMV countries.

Other Considerations

8.19 ASEAN would be in a stronger position to elicit outside support for the IAI if it could show that it is doing something for itself and that its members are helping one another. This is why the active roles of the ASEAN-6 and the CLMV countries themselves are so vital if only for this reason alone. This is also why public information about the IAI is most important.

8.20 It might be less difficult to obtain funding if IAI projects were presented as parts of
a coherent vision and program. To the extent possible, IAI projects should be shown to be parts of a larger framework, such as a training program in IT-related skills and a package of training projects in higher education management. To heighten the quality of coherence, ASEAN’s development cooperation with Dialogue Partners and others ought to be more sharply focused on the IAI Work Plan. Wherever possible and appropriate, there should be an IAI component in every ASEAN-wide project. Tripartite arrangements involving a CLMV country, one of the ASEAN-6 and a Dialogue Partner would be attractive to sources of support. A big sprawling project might be better broken up into smaller components, by country or function, while retaining the common conceptual framework.

Summary of Recommendations

8.21 In sum, this chapter has recommended some measures for improving the mobilization of resources for projects in the IAI Work Plan. These measures follow:

1) The ASEAN-6 should place in the IAI all projects in their international cooperation programs that benefit the CLMV countries.

2) The ASEAN-6 should consider increasing their assistance to the CLMV countries.

3) ASEAN-6 projects should avoid overlaps and duplication and, instead, reinforce one another.

4) For this purpose, the assistance programs of the ASEAN-6 should be coordinated within and among the CLMV countries and among the ASEAN-6 themselves.

5) The ASEAN-6 countries should allocate definite amounts in their budgets for assistance to the CLMV countries.

6) The ASEAN Development Fund could be an important source of funding for certain types of IAI projects or a tool for “leverage” in obtaining funds from other sources.

7) Ways should be sought to return the ASEAN Foundation to its original concept and intent.

8) ASEAN should, through political and other means at various levels, encourage current donors to do more and other Dialogue Partners to
give support to the IAI.

9) Similarly, ASEAN should use its representatives on the boards of international financial institutions and UN and other international agencies to tap those sources of funding or technical assistance on behalf of the IAI.

10) The base of funding support for the IAI might be expanded to include private foundations.

11) Public-private partnership schemes, like build-operate-transfer, could be used for projects that would benefit private investors.

12) The U. S.-ASEAN Business Council should be urged to conduct technical assistance programs specifically for the CLMV countries.

13) The CLMV should contribute to IAI projects and earmark amounts in their national budgets for follow-through, implementation and maintenance.

14) A program of public information should be mounted on the IAI in order to attract more funding.

15) ASEAN’s development cooperation with other countries and organizations should focus on the IAI.

16) Each ASEAN-wide project, whenever appropriate, ought to provide for an IAI component.

17) Tripartite arrangements among a CLMV country, one of the ASEAN-6 and an external source of support could be attractive to donors.

18) It would be less difficult to raise funding if large projects were to be broken down into smaller components.
Appendix A

Progress of IAI Work Plan: Status Update (excerpts)
(as at 20 September 2005)

I. Progress of Implementation of Projects

1. There are currently 102 projects in the IAI Work Plan at various stages of implementation. Funding has been secured for 85 projects (83.3%), of which 57 projects have been completed, 18 projects are being implemented, and 10 projects are in the planning stage as shown in Table 1. In addition, 4 projects have secured partial funding (donors have selected certain components of the project; other donors will have to be found to fund the remaining components) and are in the planning stage. Another 2 projects (2.0%) are being matched to meet donors’ preferences and budget. 11 projects remain unfunded.

Table 1: Status of the 102 IAI Projects

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of projects</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td>Projects that have secured full funding</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Complete</td>
<td>57</td>
<td>55.9%</td>
</tr>
<tr>
<td>Under Implementation</td>
<td>19</td>
<td>18.6%</td>
</tr>
<tr>
<td>Funding Secured-Planning Underway</td>
<td>9</td>
<td>8.8%</td>
</tr>
<tr>
<td>Project that have secured partial funding*</td>
<td>4</td>
<td>3.9%</td>
</tr>
<tr>
<td>(Planning Underway &amp; Under Implementation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matching Process Underway</td>
<td>2</td>
<td>2.0%</td>
</tr>
<tr>
<td>No Funding Support yet</td>
<td>11</td>
<td>10.8%</td>
</tr>
<tr>
<td>TOTAL</td>
<td>102</td>
<td>100.0%</td>
</tr>
</tbody>
</table>

* Donors have selected certain components of the project; other donors will have to be found to fund the remaining components

Chart 1: Status of IAI Work Plan Projects
Table 2: Progress of IAI Work Plan projects since the last IAI Task Force Meeting in May 2005

<table>
<thead>
<tr>
<th></th>
<th></th>
<th></th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td>Completed</td>
<td>52</td>
<td>57</td>
<td>5</td>
</tr>
<tr>
<td>Under implementation</td>
<td>19</td>
<td>19</td>
<td>0</td>
</tr>
<tr>
<td>Funding Secured-Planning underway</td>
<td>12</td>
<td>9</td>
<td>-3</td>
</tr>
<tr>
<td>Partially Funded-Planning &amp;</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Implementation underway</td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Matching process underway</td>
<td>5</td>
<td>2</td>
<td>-3</td>
</tr>
<tr>
<td>Unfunded projects</td>
<td>11</td>
<td>11</td>
<td>0</td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td><strong>103</strong></td>
<td><strong>102</strong></td>
<td><strong>-1</strong></td>
</tr>
</tbody>
</table>

2. Table 3 highlights the status of the IAI projects according to the four components. There are 17 Infrastructure projects (10 Transport and 7 Energy projects), 38 HRD projects, 16 ICT projects and 24 projects in the Regional Economic Integration (REI) area. In addition, there are 7 projects under the category “Others”, including the Co-shepherd Workshops and macro projects.

Table 3: Progress of Implementation of IAI Work Plan

<table>
<thead>
<tr>
<th>Area</th>
<th>Components</th>
<th>Completed</th>
<th>Under Implementation</th>
<th>Funding Secured-Planning Underway</th>
<th>Partially Funded-Planning &amp; Implementation Underway</th>
<th>Matching Process Underway</th>
<th>Unfunded Projects</th>
<th>Total</th>
</tr>
</thead>
<tbody>
<tr>
<td>I. Infrastructure</td>
<td>A. Transport</td>
<td>6</td>
<td>2</td>
<td>1</td>
<td>1</td>
<td>1</td>
<td>10</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B. Energy</td>
<td>5</td>
<td>2</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td>II. Human Resources Development</td>
<td>A. Public Sector Capacity Building</td>
<td>16</td>
<td>2</td>
<td>6</td>
<td>1</td>
<td></td>
<td>25</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B. Labour and Employment</td>
<td>5</td>
<td>4</td>
<td>1</td>
<td>2</td>
<td></td>
<td>12</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C. Higher Education</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>III. ICT</td>
<td></td>
<td>9</td>
<td>1</td>
<td>1</td>
<td>3</td>
<td>2</td>
<td>16</td>
<td></td>
</tr>
<tr>
<td>IV. Regional Economic Integration</td>
<td>A. Trade in Goods &amp; Services</td>
<td>3</td>
<td>2</td>
<td>1</td>
<td></td>
<td></td>
<td>6</td>
<td></td>
</tr>
<tr>
<td></td>
<td>B. Customs</td>
<td>2</td>
<td></td>
<td>1</td>
<td>1</td>
<td>4</td>
<td>8</td>
<td></td>
</tr>
<tr>
<td></td>
<td>C. Standards</td>
<td>5</td>
<td>4</td>
<td></td>
<td></td>
<td></td>
<td>9</td>
<td></td>
</tr>
<tr>
<td></td>
<td>D. Investments</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td>1</td>
<td>1</td>
<td></td>
</tr>
<tr>
<td>V. Others</td>
<td></td>
<td>6</td>
<td>1</td>
<td></td>
<td></td>
<td></td>
<td>7</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td></td>
<td><strong>57</strong></td>
<td><strong>19</strong></td>
<td><strong>9</strong></td>
<td><strong>4</strong></td>
<td><strong>2</strong></td>
<td><strong>11</strong></td>
<td><strong>102</strong></td>
</tr>
</tbody>
</table>
II. Progress of Funding Mobilization

3. Of the USD44.03 million required to fund the 102 projects in the Work Plan, about USD20.9 million has been secured representing 48% of the total. The funds secured are mainly for the smaller projects such as training courses and seminars. The balance of the funding required is USD23 million or 52%. Table 4 provides a summary of the funding status of the IAI Work Plan Projects.

<table>
<thead>
<tr>
<th>Status</th>
<th>USD</th>
<th>Percentage</th>
</tr>
</thead>
<tbody>
<tr>
<td>Funding Secured</td>
<td>21,017,346</td>
<td>48%</td>
</tr>
<tr>
<td>- Projects that have secured funding</td>
<td>20,439,248</td>
<td></td>
</tr>
<tr>
<td>- Out of USD 1.5 million pledged by Brunei Darussalam, only USD 1,294,066 has been allocated to projects. Balance of funding = USD 205,934</td>
<td>205,934</td>
<td></td>
</tr>
<tr>
<td>- Out of USD 5.0 million pledged by ROK, only USD 4,627,836 has been allocated to projects. Balance of funding = USD 372,164</td>
<td>372,164</td>
<td></td>
</tr>
<tr>
<td>Funding Required</td>
<td>22,834,605</td>
<td>52%</td>
</tr>
<tr>
<td>- Projects which are still being matched</td>
<td>610,005</td>
<td></td>
</tr>
<tr>
<td>- Projects with no funding support yet</td>
<td>7,418,014</td>
<td></td>
</tr>
<tr>
<td>- Projects with some unfunded components</td>
<td>14,806,586</td>
<td></td>
</tr>
<tr>
<td>Total Cost</td>
<td>43,851,951</td>
<td>100%</td>
</tr>
</tbody>
</table>

4. The details of the projects based on status and funding are shown in Annex 1.

Chart 2: Funding Status of IAI Work Plan Projects
### Funding Status of IAI Work Plan Projects

#### Summary Status of the 102 IAI Work Plan Projects
(as at 20 September 2005)

<table>
<thead>
<tr>
<th>Status</th>
<th>Number of projects</th>
<th>%</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Projects that have secured full funding</strong></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Completed</td>
<td>57</td>
<td></td>
</tr>
<tr>
<td>Under Implementation</td>
<td>19</td>
<td></td>
</tr>
<tr>
<td>Funding Secured-Planning Underway</td>
<td>9</td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>85</td>
<td>83.3</td>
</tr>
<tr>
<td><strong>Project that have secured partial funding</strong></td>
<td>4</td>
<td>3.9</td>
</tr>
<tr>
<td>(Planning Underway &amp; Under Implementation)</td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Total</strong></td>
<td>102</td>
<td>100.0</td>
</tr>
</tbody>
</table>

*Donors have selected certain components of the project; other donors will have to be found to fund the remaining components.*
## The 85 IAI Work Plan Projects that have full or partial funding

<table>
<thead>
<tr>
<th>No.</th>
<th>Component</th>
<th>Projects</th>
<th>Funding (USD)</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Others</td>
<td>Project by Singapore – 1st Co-shepherd Workshop on IAI HRD Projects, 22-23 August 2005, Singapore (13 participants)</td>
<td></td>
<td>Singapore</td>
</tr>
<tr>
<td>2</td>
<td>REI-Standards</td>
<td>Project by Malaysia - The Workshop on Standardization &amp; Quality For CLMV Countries (13-18 June 2005, 12 participants)</td>
<td>26,581</td>
<td>Malaysia</td>
</tr>
<tr>
<td>3</td>
<td>REI-Standards</td>
<td>Project by Malaysia - Training Programme on Quality Improvement Framework for SME Development for CLMV Countries (8-21 May 2005, 16 participants)</td>
<td>55,284</td>
<td>Malaysia</td>
</tr>
<tr>
<td>4</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>Project by Malaysia - Attachment Programme on CEPT Products and Procedures for CLMV Countries (16-28 May 2005, 20 participants)</td>
<td>41,737</td>
<td>Malaysia</td>
</tr>
<tr>
<td>5</td>
<td>REI-Customs</td>
<td>Project by New Zealand - NZAID Customs Valuation Project - WTO Valuation Agreement and Post Clearance Unit</td>
<td>117,000</td>
<td>New Zealand</td>
</tr>
<tr>
<td>6</td>
<td>Others</td>
<td>Project by the Hanns Seidel Foundation - Seminar on “Narrowing the Development Gap: Strategizing the Challenges”, 4-5 July 2005, Yangon</td>
<td>10,000</td>
<td>Hanns Seidel Foundation</td>
</tr>
<tr>
<td>7</td>
<td>Others</td>
<td>Project by Thailand - Co-shepherd Workshop on Transport of the IAI Work Plan 15-16 June 2005, Krabi, Thailand (8 participants)</td>
<td>11,000</td>
<td>Thailand</td>
</tr>
<tr>
<td>8</td>
<td>Others</td>
<td>Project by Philippines - 1st Co-shepherd Workshop on IAI REI Projects (22-23 Feb 2004, 15 participants)</td>
<td>28,100</td>
<td>Philippines</td>
</tr>
<tr>
<td>12</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/010 - Tripartite Seminar on Implementation of AFTA and its Impact on Labour/Human Resources</td>
<td>46,000</td>
<td>UNDP, ILO</td>
</tr>
<tr>
<td>13</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/006 - ASEAN Programme on Industrial Relations.</td>
<td>831,427</td>
<td>Ministry of Health, Labour and Welfare (MHLW), Japan</td>
</tr>
<tr>
<td>14</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Course on International Politics and Economics for CLMV Diplomats and Administrators (5-19 May 2005, 20 participants)</td>
<td>70,677</td>
<td>Malaysia</td>
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<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
<td>Funding (USD)</td>
<td>Donors</td>
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<tr>
<td>15.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - International Course on Building Construction and Maintenance for CLMV Supervisors (2nd quarter 2005, 30 participants)</td>
<td>123,842</td>
<td>Malaysia</td>
</tr>
<tr>
<td>16.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Brunei - Executive Development Programme for Senior Officers (January-May 2005)</td>
<td>62,423</td>
<td>Brunei</td>
</tr>
<tr>
<td>18.</td>
<td>Infrastructure-Transport</td>
<td>Project by Malaysia - Inland Waterways Training Programme (Repeat Course) (May 2005, 12 participants)</td>
<td>40,566</td>
<td>Maritime Academy of Malaysia</td>
</tr>
<tr>
<td>19.</td>
<td>Infrastructure-Transport</td>
<td>Project by Indonesia - TRN/02/009 - Railways Training for CLMV Countries. (Consists of 5 training courses, 16 participants for each component. Component 1 and 2: 3-24 May 2004, Component 3 and 4: 7-28 March 2005, Component 5 will be held on 4-22 April 2005)</td>
<td>471,912</td>
<td>Indonesia &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
<td>Funding (USD)</td>
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</tr>
<tr>
<td>26.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Collaborative Project with JICA: Environment Protection for CLMV Countries (29 Nov-10 Dec 2004, 16 participants)</td>
<td>86,466</td>
<td>Malaysia &amp; Japan International Cooperation Agency (JICA)</td>
</tr>
<tr>
<td>27.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Collaborative Project with JICA: Irrigation System Management Training Programme for CLMV Countries (27 Nov-15 Dec 2004, 16 participants)</td>
<td>171,300</td>
<td>Malaysia &amp; Japan International Cooperation Agency (JICA)</td>
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<tr>
<td>28.</td>
<td>Infrastructure-Transport</td>
<td>Project by Malaysia - Inland Waterways Training Programme (24 Oct-13 Nov 2004, 12 participants)</td>
<td>40,566</td>
<td>Maritime Academy of Malaysia</td>
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<tr>
<td>29.</td>
<td>ICT</td>
<td>Project by Malaysia ETF/EAS/03/005/IAI - Managing your Network and Mastering Technology to Create Digital Environment for CLMV countries (advanced level) (2-17 Aug 2004, 20 participants)</td>
<td>75,083</td>
<td>Malaysia</td>
</tr>
<tr>
<td>30.</td>
<td>ICT</td>
<td>Project by Malaysia ETF/EAS/03/004/IAI - Advanced Computing &amp; Mobile and Satellite Communications System for CLMV countries (intermediate level) (2-17 Aug 2004, 20 participants)</td>
<td>75,083</td>
<td>Malaysia</td>
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<tr>
<td>31.</td>
<td>ICT</td>
<td>Project by Malaysia ETF/EAS/03/003/IAI - Computing and Evolution of Networking for CLMV countries (basic level) (2-17 Aug 2004, 20 participants)</td>
<td>75,083</td>
<td>Malaysia</td>
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<tr>
<td>35.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - International Course on Building Construction and Maintenance for CLMV Supervisors (30 May-10 July 2004, 30 participants)</td>
<td>123,842</td>
<td>Malaysia</td>
</tr>
<tr>
<td>36.</td>
<td>REI-Standards</td>
<td>Project by Malaysia - TRA/STA/03/006/IAI - The Workshop on Standardization &amp; Quality For CLMV Countries (21-26 June 2004, 15 participants)</td>
<td>26,581</td>
<td>Malaysia</td>
</tr>
<tr>
<td>37.</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>Project by Malaysia - TRA/REL/03/004/IAI - Attachment Programme on CEPT Products and Procedures for CLMV Countries (17-29 May 2004, 25 participants)</td>
<td>41,737</td>
<td>Malaysia</td>
</tr>
<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
<td>Funding (USD)</td>
<td>Donors</td>
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<tr>
<td>38</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - ASC/ASC/03/016/IAI - Course on International Politics and Economics for CLMV Diplomats and Administrators (16-29 May 2004, 19 participants)</td>
<td>70,677</td>
<td>Malaysia</td>
</tr>
<tr>
<td>39</td>
<td>Infrastructure-Energy</td>
<td>Project by Indonesia - ENE/02/006 - Training Program on Coal Briquetting Technology and the Use of Briquettes for Households and Small Industries for CLMV Countries (13-16 April 2004, 12 participants)</td>
<td>33,821</td>
<td>Indonesia &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>40</td>
<td>Others</td>
<td>Project by Malaysia - 1st Co-shepherd Meeting on IAI ICT Projects (16-20 Feb 2004, 8 participants) and Study Visit by Senior ICT Officials from CLMV to Malaysia</td>
<td>9,196</td>
<td>Malaysia</td>
</tr>
<tr>
<td>42</td>
<td>Infrastructure-Transport</td>
<td>Project by India - TRN/03/002 - Railway Training Programme for CLMV Countries in India, (Three components were conducted, 16 participants for each component. Component 1 &amp; 2: 5 Sep-4 Nov 2003, Component 3: 3 Oct-2 Dec 2003)</td>
<td>230,795</td>
<td>India</td>
</tr>
<tr>
<td>43</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>AADCP-REPSF (Regional Economic Policy Support Facility) Research Project 02/002 - Options for Managing Revenue Losses and Other Adjustment Costs of CLMV Participation in AFTA. (Completed Dec 2003)</td>
<td>59,500</td>
<td>ASEAN-Australia Development Cooperation Programme (AADCP)</td>
</tr>
<tr>
<td>44</td>
<td>ICT</td>
<td>Project by Thailand - ETF/EAS/04/004/IAI Joint IAI Project on e-ASEAN: ASEAN e-Commerce Programme (17-21 Nov 2003)</td>
<td>24,553</td>
<td>Thailand</td>
</tr>
<tr>
<td>45</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Thailand - SCD/STR/03/011/IAI - Recruitment Training and Promotion Techniques (22 Oct - 4 Nov 2003, 16 participants)</td>
<td>22,300</td>
<td>Thailand</td>
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<tr>
<td>46</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Thailand - SCD/STR/03/010/IAI - Governance and Changing Role of Government (13-21 Oct 2003, 16 participants)</td>
<td>17,227</td>
<td>Thailand</td>
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<tr>
<td>47</td>
<td>REI-Standards</td>
<td>Project by Malaysia - TRA/STA/03/006/IAI - Workshop on Standardization &amp; Quality For CLMV Countries (6-11 Oct 2003, 12 participants)</td>
<td>27,289</td>
<td>Malaysia</td>
</tr>
<tr>
<td>48</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Thailand - SCD/STR/03/008/IAI - Training Management (22 Sept - 3 Oct 2003, 16 participants)</td>
<td>21,316</td>
<td>Thailand</td>
</tr>
<tr>
<td>49</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Thailand - SCD/STR/03/009/IAI - Personnel Management (18 - 28 August 2003, 16 participants)</td>
<td>19,296</td>
<td>Thailand</td>
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<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
<td>Funding (USD)</td>
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</tr>
<tr>
<td>50.</td>
<td>Infrastructure-Transport</td>
<td>Project by Malaysia - TRN/03/001 – Inland Waterways Management Training Programme (for Trainers) for CLMV Countries, (3-26 August 2003, 12 participants)</td>
<td>40,626</td>
<td>Maritime Academy of Malaysia</td>
</tr>
<tr>
<td>51.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Attachment Programme for Junior Diplomats of CLMV at ASEAN Secretariat - First Project (Aug '01-Aug '03, for 16 participants)</td>
<td>342,109</td>
<td>Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<tr>
<td>52.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Thailand - SCD/STR/03/014/IAI - IAI Joint Project: Seminar for Executive Policy Makers (20-26 July 2003, 21 participants)</td>
<td>17,329</td>
<td>Thailand</td>
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<tr>
<td>53.</td>
<td>Others</td>
<td>Project by Japan - Formulation of IAI Programmes and Projects to implement the IAI Work Plan for Narrowing the Development GAP : CLMV (Workshops were held on 24-26 April 2002)</td>
<td>397,168</td>
<td>Japan</td>
</tr>
<tr>
<td>54.</td>
<td>HRD-Labour &amp; Employment</td>
<td>Project by Philippines - Capacity Building Training Programmes on Technical Vocational Education and Training for CLMV Countries (Activity 1 was held in Ho Chi Minh City, 2-20 Aug 2004 with 15 participants from CLMV: 4 from Cambodia, 4 from Laos, 4 from Myanmar, and 3 from Viet Nam. Activity 2 was held in Manila on 18-29 October 2004 for 16 participants).</td>
<td>98,887</td>
<td>Philippines &amp; ASEAN Foundation (Japan-ASEAN Solidarity Fund)</td>
</tr>
<tr>
<td>55.</td>
<td>ICT</td>
<td>Project by Brunei - Managing IT for non-IT Managers (27 July – 4 August 2004, 16 participants)</td>
<td>39,000</td>
<td>Brunei</td>
</tr>
<tr>
<td>56.</td>
<td>REI-Standards</td>
<td>Project by Malaysia - Training Programme on Quality Improvement Framework for SME Development for CLMV Countries (27 Sep-9 Oct 2004, 16 participants)</td>
<td>54,556</td>
<td>Malaysia</td>
</tr>
<tr>
<td>57.</td>
<td>REI-Customs</td>
<td>Project by Malaysia - TRA/CUS/03/003/IAI - Attachment Programme for Senior Level CLMV Customs Officers Study Tour (30 Nov-11 Dec 2004, 20 Participants)</td>
<td>41,737</td>
<td>Malaysia</td>
</tr>
</tbody>
</table>

**Under Implementation (19)**

<table>
<thead>
<tr>
<th>No.</th>
<th>Component</th>
<th>Projects</th>
<th>Funding (USD)</th>
<th>Donors</th>
</tr>
</thead>
<tbody>
<tr>
<td>59.</td>
<td>Infrastructure-Transport</td>
<td>TRN/02/005 - Feasibility Study for the Missing Links and Spur Lines of the Singapore-Kunming Rail Link Project in CLMV Countries</td>
<td>1,200,000</td>
<td>Korea International Cooperation Agency (KOICA)</td>
</tr>
<tr>
<td>60.</td>
<td>Infrastructure-Transport</td>
<td>Project by Thailand - TRN/02/007 - An Educational Programme to assist CLMV in implementing the ASEAN Framework Agreement on Multimodal Transport</td>
<td>102,437</td>
<td>Thailand &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
<td>Funding (USD)</td>
<td>Donors</td>
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<tr>
<td>-----</td>
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<td>--------------------------------------------------------------------------</td>
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<td>--------------------------------------------------------------------------------------------</td>
</tr>
<tr>
<td>62</td>
<td>Infrastructure-Energy</td>
<td>Project by Indonesia - ENE/02/005 - Institutional Strengthening and Capacity Building in the Energy Sector (Oil &amp; Gas) in CLMV Countries. <em>(Consists of 4 courses. Course no. 1 has been completed 12 April-9 July 2004, 12 participants)</em></td>
<td>715,448</td>
<td>Indonesia &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>63</td>
<td>HRD-Public Sector Capacity Building</td>
<td>AIT Project - Interventions and Initiatives for Satisfying Short- and Medium-Term Human Resources Development and Institutional Capacity Building Needs in CLMV</td>
<td>104,522</td>
<td>ASEAN Foundation (Japan-ASEAN Solidarity Fund)</td>
</tr>
<tr>
<td>64</td>
<td>HRD-Public Sector Capacity Building</td>
<td>SCD/02/023 - Capacity Building Programme for the Public Sector of Cambodia - Non MFA (Emphasis on ASEAN-specific Management)</td>
<td>1,160,875</td>
<td>Brunei</td>
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<tr>
<td>65</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/005 - Enhancing Skills Recognition Systems in ASEAN.</td>
<td>456,450</td>
<td>ASEAN-Australia Development Cooperation Programme (AADCP)</td>
</tr>
<tr>
<td>66</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/008 - ASEAN Labour Ministers’ Technical Assistance Programme on Human Resource Development for CLMV</td>
<td></td>
<td>ASEAN, ILO (Joint Mission)</td>
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<tr>
<td>67</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/009 – Strengthening Social Security/Social Protection and Including the Excluded</td>
<td>146,949</td>
<td>ASEAN-EU Project for Regional Integration Support (APRIS)</td>
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<tr>
<td>69</td>
<td>HRD-Higher Education</td>
<td>AUN/02/002 - Higher Education Management in CLMV Countries</td>
<td>79,552</td>
<td>Brunei &amp; ASEAN Foundation (Japan-ASEAN Solidarity Fund)</td>
</tr>
<tr>
<td>70</td>
<td>ICT</td>
<td>Project by Malaysia - 2 year scholarship for postgraduate research studies in ICT at Multimedia University of Malaysia (2 scholarships per CLMV)</td>
<td>62,737</td>
<td>Malaysia</td>
</tr>
<tr>
<td>71</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>TRA/02/001 - Capacity Building in the Trade in Goods and Trade in Services for CLMV Countries</td>
<td>1,535,127</td>
<td>Brunei, Singapore, Korea &amp; Denmark</td>
</tr>
<tr>
<td>72</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>Project by India - ASC/ASC/04/002/RIP - Setting up of Entrepreneurship Development Centres (EDCs) in CLMV Countries.</td>
<td>1,391,411</td>
<td>India</td>
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<tr>
<td>73</td>
<td>REI-Standards</td>
<td>IND/02/001 - Development of National Master Plan on Standards, Conformity Assessment and Accreditation System for CLMV Countries</td>
<td>511,340</td>
<td>ASEAN-Australia Development Cooperation Programme (AADCP)</td>
</tr>
<tr>
<td>No.</td>
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<tr>
<td>74.</td>
<td>REI- Standards</td>
<td>IN/02/002 - Standards - Capacity Building Program for CLMV Countries</td>
<td>908,502</td>
<td>UNIDO (Funded by Norway)</td>
</tr>
<tr>
<td>75.</td>
<td>REI- Standards</td>
<td>IN/02/003 - Establishment of Support Infrastructure for National Standards Conformity Assessment System</td>
<td>620,000</td>
<td>UNIDO (Funded by Norway)</td>
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<tr>
<td>76.</td>
<td>REI- Standards</td>
<td>Project by New Zealand - TRA/STA/03/007/IAI - Legal Metrology Needs Assessments in CLMV</td>
<td>295,650</td>
<td>New Zealand</td>
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</table>

**Funding Secured-Planning Underway (9)**

<table>
<thead>
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<th>No.</th>
<th>Component</th>
<th>Projects</th>
<th>Funding (USD)</th>
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</thead>
<tbody>
<tr>
<td>77.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>SCD/02/024- Capacity Building Programme for the Public Sector of Laos - Non MFA (Emphasis on ASEAN-specific Management)</td>
<td>322,386</td>
<td>Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<tr>
<td>78.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>SCD/02/025- Capacity Building Programme for the Public Sector of Myanmar - Non MFA (Emphasis on ASEAN-specific Management)</td>
<td>322,386</td>
<td>Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>79.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>SCD/02/026- Capacity Building Programme for the Public Sector of Vietnam - Non MFA (Emphasis on ASEAN-specific Management)</td>
<td>322,386</td>
<td>Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<td>80.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Executive Management Programme for Senior CLMV Officials (16 participants)</td>
<td>49,416</td>
<td>Malaysia &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>81.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Strategic Management Programme for Senior CLMV Civil Officers (12 participants)</td>
<td>42,297</td>
<td>Malaysia &amp; Japan-ASEAN General Exchange Fund (JAGEF)</td>
</tr>
<tr>
<td>82.</td>
<td>HRD-Public Sector Capacity Building</td>
<td>Project by Malaysia - Effective Management Skills Programme for Senior CLMV Officials (20 participants)</td>
<td>43,890</td>
<td>- Malaysia</td>
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<tr>
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<td></td>
<td></td>
<td></td>
<td>- Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<td></td>
<td>- Hanns Seidel Foundation</td>
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<tr>
<td>83.</td>
<td>REI-Trade in Goods &amp; Services</td>
<td>The ASEAN-UNDP Partnership Facility-Support to the Initiative for ASEAN Integration</td>
<td>225,000</td>
<td>UNDP</td>
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<tr>
<td>84.</td>
<td>ICT</td>
<td>Project by Thailand ETF/02/006 - ICT Training in Developing Countries</td>
<td>114,784</td>
<td>Thailand &amp; ASEAN Foundation (Japan-ASEAN Solidarity Fund)</td>
</tr>
<tr>
<td>85.</td>
<td>REI-Customs</td>
<td>Project by Malaysia - Senior Level Customs Officer Study Tour to Malaysia - Customized for CLMV Customs Administrators (19 Sep - 1 Oct 2005, 20 Participants)</td>
<td>41,737</td>
<td>Malaysia</td>
</tr>
<tr>
<td>No.</td>
<td>Component</td>
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<tr>
<td>86.</td>
<td>HRD-Labour &amp; Employment</td>
<td>SCD/02/007 - Programme on Overseas Employment Administration for CLMV</td>
<td></td>
<td>Philippines in collaboration with the International Organisation on Migration (IOM)</td>
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<tr>
<td>87.</td>
<td>ICT</td>
<td>ETF/02/002 - National ICT Master Plans</td>
<td>950,095</td>
<td>Korea International Cooperation Agency (Myanmar only)</td>
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<tr>
<td>88.</td>
<td>ICT</td>
<td>ETF/02/003 - ICT Legislation</td>
<td>658,914</td>
<td>Korea International Cooperation Agency (Vietnam only)</td>
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<tr>
<td>89.</td>
<td>ICT</td>
<td>ETF/02/005 - e-Government</td>
<td>950,095</td>
<td>Korea International Cooperation Agency (Laos only)</td>
</tr>
</tbody>
</table>

**Project that have secured partial funding (4)**
### The IAI Work Plan Projects that have not secured funding

<table>
<thead>
<tr>
<th>No.</th>
<th>Component</th>
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<th>Expected Funding (USD)</th>
<th>Donors</th>
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<tbody>
<tr>
<td></td>
<td></td>
<td><strong>Category A: Projects that are being matched to meet donors’ preferences (2)</strong></td>
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<tr>
<td>90.</td>
<td>Infrastructure-Transport</td>
<td>TRN/02/002 - Development Study for the Inland Waterway Improvement Project in CLMV</td>
<td>312,840</td>
<td>China</td>
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<tr>
<td>91.</td>
<td>REI-Customs</td>
<td>TRA/02/004 - Improve Customs Clearance and Increase the Level of Efficiency and Effectiveness</td>
<td>297,165</td>
<td>Japan-ASEAN General Exchange Fund (JAGEF)</td>
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<td><strong>Total Category A</strong></td>
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<td>610,005</td>
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<td></td>
<td><strong>Category B: IAI Work Plan Projects that have not secured funding support (11)</strong></td>
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<td></td>
</tr>
<tr>
<td>92.</td>
<td>Infrastructure - Transport</td>
<td>TRN/02/003 – Project Preparation Studies for the Integrated Strategic Regional Development Plans for the Upgrading of Secondary Roads connecting to the ASEAN Highway Network in CLMV Countries</td>
<td>510,000</td>
<td></td>
</tr>
<tr>
<td>93.</td>
<td>HRD - Public Sector Capacity Building</td>
<td>SCD/02/002 - Capacity Building in the Civil Service</td>
<td>1,737,100</td>
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<tr>
<td>94.</td>
<td>HRD – Labour &amp; Employment</td>
<td>SCD/02/003 - Human Resource Development - Planning and Labour Market Monitoring</td>
<td>173,000</td>
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<tr>
<td>95.</td>
<td>HRD - Labour &amp; Employment</td>
<td>SCD/02/017 - Promotion of Productive Self-Employment Informal Sector</td>
<td>225,020</td>
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<tr>
<td>96.</td>
<td>ICT</td>
<td>ETF/02/001 - Telecommunications Framework</td>
<td>4,685,396</td>
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<td>97.</td>
<td>ICT</td>
<td>ETF/02/004 - National Action Plan for ICT HRD</td>
<td>2,803,251</td>
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<tr>
<td>98.</td>
<td>REI –Customs</td>
<td>TRA/02/002 – Strengthen Customs valuation and Post Clearance Audit Systems</td>
<td>615,700</td>
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<td>99.</td>
<td>REI–Customs</td>
<td>TRA/02/003 – Facilitate the Process of Customs Reform and Modernization (CRM) in CLMV</td>
<td>477,880</td>
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<td>100.</td>
<td>REI–Customs</td>
<td>TRA/02/005 – Improve Transparency, Appeal Mechanism as well as Accessibility to Information on Customs Procedures Requirements for CLMV</td>
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<td>101.</td>
<td>REI–Customs</td>
<td>TRA/02/006 – Strengthen Customs Capacity in Automation</td>
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<tr>
<td>No.</td>
<td>Component</td>
<td>Projects</td>
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<td>Donors</td>
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<td>----------------</td>
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<td>------------------------</td>
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<tr>
<td>102</td>
<td>REI-Investment</td>
<td><strong>INV/02/001</strong> – Initiative for ASEAN Integration: Investment Programme</td>
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<tr>
<td></td>
<td></td>
<td><em>This project covers four components:</em></td>
<td></td>
<td></td>
</tr>
<tr>
<td></td>
<td></td>
<td>1. Capacity Building – Policy Development</td>
<td></td>
<td></td>
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<tr>
<td></td>
<td></td>
<td>2. Capacity Building – Institutional Development</td>
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<td></td>
<td></td>
<td>3. Capacity Building – Training and HRD</td>
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<td></td>
<td></td>
<td>4. Capacity Building – Bridging Information Gap and Investment Outreach Programme</td>
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<td></td>
<td></td>
<td>1,191,763</td>
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</table>

**Total Category B** 14,906,661

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**Category C: IAI Work Plan Projects with some unfunded components (3)**

<table>
<thead>
<tr>
<th>ICT</th>
<th>ETF/02/002 - National ICT Master Plans</th>
<th>Funding required for Cambodia and Laos</th>
<th>2,490,912</th>
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<tbody>
<tr>
<td>ICT</td>
<td>ETF/02/003 – ICT Legislation</td>
<td>Funding required for Cambodia, Laos, and Myanmar</td>
<td>1,976,742</td>
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<tr>
<td>ICT</td>
<td>ETF/02/005 - e-Government</td>
<td>Funding required for Cambodia, Myanmar and Vietnam</td>
<td>2,850,285</td>
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</table>

**Total Category C** 7,317,939

*Note: These 3 projects have been listed under the partially funded category. Hence no numbers are given as it will amount to double counting.*
Appendix B

IAI Work Plan Project

Excerpts from the Terms of Reference

Introduction

1. With globalisation and technological advancement, ASEAN finds itself facing numerous opportunities and challenges including the need to better integrate its less developed members into the regional and global economy. ASEAN leaders adopted a Roadmap for Integration of ASEAN (RIA) in order to put the objective of regional integration at the centre of ASEAN’s cooperation and provide a framework for more coherent implementation of the regional integration programme. A stable, prosperous and highly competitive ASEAN Economic Region is envisioned, in which there is a free flow of goods, services and investments, a freer flow of capital, and equitable economic development and reduced poverty and socio-economic disparities.

2. In November 2000, the ASEAN Leaders agreed to launch an ‘Initiative for ASEAN Integration’ (IAI) programme, which gives direction to and sharpens the focus of collective efforts in ASEAN to narrow the development gap between ASEAN’s older and newer members. To realise the objective, the ASEAN Leaders, at their Summit Meeting in Phnom Penh in November 2002 endorsed a Work Plan (with 48 projects) that will ensure dynamic and sustained growth in Cambodia, Lao PDR, Myanmar and Vietnam (CLMV).

3. This six-year IAI Work Plan (July 2002 – June 2008) has been developed to assist the CLMV countries to catch up with the rest of ASEAN by ensuring that the economic wheels of their economies move at an accelerated pace. Furthermore, this Work Plan, if implemented successfully, will instil confidence in these countries to face the economic challenges ahead such as globalisation and trade liberalisation. The programmes, activities and projects under the Work Plan are directed at strengthening the CLMV countries’ capacity, capability and resolve in meeting the challenges ahead such as reducing poverty, preparing them to face global competition and also assisting them to gain some competitive edge in world markets.
Four Priority Areas

4. The IAI Work Plan for CLMV focuses on the priority areas of Infrastructure Development (Transport and Energy), Human Resource Development (Public Sector Capacity Building, Labour & Employment, and Higher Education), Information and Communications Technology, and Promoting Regional Economic Integration (Trade in Goods and Services, Customs, Standards and Investments) in the CLMV countries.

5. The Work Plan is a dynamic document which would continue to reflect ASEAN’s commitment, priority and responses to changing circumstances in order to move closer towards an ASEAN Economic Community (AEC) by 2020.

6. A mid term review will be carried out to allow necessary redirections of the programme objectives and revisions of the programme outputs. There is also a need to strengthen the CLMV’s national policy and institutional frameworks in order to ensure the objectives of narrowing the development gap are attained and that they derive maximum benefits from the implementation of the Work Plan and other ASEAN plans of action.


7. One of the focus areas of the Vientiane Action Programme (VAP) is to narrow the development gap by reducing the large disparities in terms of per capita GDP as well as other human development dimensions. The development gap exists between the ASEAN-6 and the CLMV countries, and within the ASEAN-6 countries, where some isolated pockets of underdevelopment persist. The IAI Work Plan is one of the key instruments aimed at bridging the development gap.

Objectives

8. The objectives of the mid term review are three-fold:

a. Provide insights into how the current mechanism can be strengthened in order to expedite the speedy implementation of the IAI projects. (The review will provide an opportunity for the CLMV countries to provide valuable inputs in terms of meeting their priority development needs and how they can take full ownership of the projects).

b. CLMV countries will also get insights into how the ‘narrowing of the development gap’ focus in the VAP can be translated into programmes, activities and strategies.

c. Assist the CLMV countries translate the "Narrow the Development Gap"
focus into policy instruments in their respective national plans including the establishment of support mechanisms/institutions to facilitate speedy implementation of the IAI projects.

**Outputs**

9. There will be 4 outputs as follows:

a. A comprehensive review of the status of the IAI Work Plan and identification of main issues and challenges that need to be addressed.

b. Recommendations to improve the current mechanisms to ensure the completion of all of the IAI Work Plan projects within the given time frame.

c. Providing insights and developing programmes, activities, projects and strategies to further narrow the development as envisaged in the VAP.

d. Convening a Workshop to deliberate on the findings and recommendations of the Draft Report.

**Inputs**

10. A suitable consultant will be appointed to prepare the report and recommendations.

**Activities**

11. The activities are divided into 4 categories:

I. IAI Work Plan

a. *Review of current projects in the Work Plan*

   o Assess the progress of the implementation of the IAI Work Plan projects in terms of an overall macro perspective and focusing on each of the four areas (Infrastructure, Human Resource Development, Information and Communications Technology, and Regional Economic Integration)

   o Provide recommendations to expedite the implementation of the project including evaluating each of the unfunded projects.

b. *Widening the scope of the Work Plan*

   Assess the merits and demerits of widening and deepening the types of projects in the Work Plan (beyond the four areas)
c. **Mobilisation of Resources**

Assess the funding support for the IAI projects. Analyse the challenges of mobilising more funding for the projects. How can the situation be improved?

d. **Ownership Issues**

Evaluate the ownership issues of the IAI projects and how the ownership can be further strengthened. Assess the current Co-Shepherd modality and provide future directions.

e. **Impact / Benefit**

Assess the impact and benefit of the implementation of the IAI projects in each of the four areas. How can the qualitative aspect of the projects be assessed? Provide feedback from the CLMV's perspective.

II. **VAP**

Looking at the focus of the VAP in narrowing the development gap, particularly the specific regional cooperation activities aimed at assisting less developed ASEAN Member Countries in removing tariff, non-tariff and physical barriers to the free flow of goods and services, develop specific programmes/activities, projects, strategies and further directions to help achieve the goal of narrowing the developing gap including developing innovative funding modalities for resource mobilisation.

Assist the CLMV countries develop national policy and institutional frameworks that will facilitate the speedy implementation of the VAP objectives and IAI projects.

III. **Capacity and Capability of the IAI Unit**

Assess the capacity and capability of IAI Unit to coordinate the design, formulation, implementation and monitoring of the IAI Work Plan and relevant aspects of the VAP. What are the strengths and weaknesses of the Unit? Suggest further directions.

IV. **Organising a Workshop to deliberate on the Draft Report**

The Workshop will provide a platform for the CLMV countries to have in-depth discussion on the findings and recommendations of the study. The Workshop will be held in Myanmar. ASEAN-6 representatives will also be invited.
### APPENDIX C

**SCHEDULE OF CONSULTATIONS**
**FOR THE MID-TERM REVIEW**
**OF THE IAI WORK PLAN**

<table>
<thead>
<tr>
<th>Date</th>
<th>Location</th>
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</thead>
<tbody>
<tr>
<td>1-2 August 2005</td>
<td>ASEAN Secretariat</td>
</tr>
<tr>
<td>19-20 September 2005</td>
<td>Viet Nam</td>
</tr>
<tr>
<td>18-19 October 2005</td>
<td>Myanmar</td>
</tr>
<tr>
<td>27-28 October 2005</td>
<td>Cambodia</td>
</tr>
<tr>
<td>3-4 November 2005</td>
<td>Lao PDR</td>
</tr>
<tr>
<td>9-11 November 2005</td>
<td>Workshop in Yangon</td>
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