Tokyo, March 27, 2006

Excellency,

I have the honour to inform Your Excellency that the Government of Japan has the intention to establish, together with the Governments of the ASEAN Member Countries, the Japan-ASEAN Integration Fund (hereinafter referred to as “JAIF”) in order: (i) to support the efforts of the ASEAN Member Countries to pursue the comprehensive integration of ASEAN towards the realization of an open, dynamic and resilient ASEAN Community as envisaged in the Declaration of ASEAN Concord II, by facilitating effective implementation of the Vientiane Action Programme; (iii) accordingly, to support the establishment of ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC), including narrowing development gaps among ASEAN Member Countries, as well as on new and emerging regional challenges; (iii) to promote cooperation between Japan and ASEAN; (iv) to support operations of the regional or sub-regional organizations; and (v) to perform other activities considered appropriate by the Government of Japan and ASEAN (including its Member Countries).

In light of the above, the Government of Japan will contribute the sum of seven billion five hundred million yen (¥7,500,000,000) to the JAIF in the Japanese fiscal year 2005. The amount is to be remitted into the JAIF account of the ASEAN Secretariat which is to be administered and utilized in accordance with the JAIF Guidelines and “the Rules of Procedures of the Committee to Manage the JAIF,” which are attached to this letter, and other decisions by ASEAN and Japan. The inaugural meeting of the Committee to Manage the JAIF is to be held within 90 days after the exchange of letters.

If the arrangements

His Excellency Datuk Marzuki Mohammad Noor
Ambassador of Malaysia to Japan
on behalf of Malaysia
as ASEAN's Country Coordinator for ASEAN-Japan Dialogue Relations
If the arrangements set out above are acceptable to ASEAN, I would like to suggest that the JAIF will be established on the date of the exchange of letters.

Please accept, Your Excellency, the assurances of my highest consideration.

Taro Aso
Minister for Foreign Affairs of Japan
Tokyo, March 27, 2006

Excellency,

I have the honour to acknowledge the receipt of Your Excellency’s Letter of March 27, 2006, concerning the establishment of the Japan-ASEAN Integration Fund (JAIF), and to inform Your Excellency that the ASEAN Member Countries are pleased to accept the intention of the Government of Japan.

In light of the above, I would also like to inform Your Excellency that ASEAN accepts the establishment of JAIF, which will be administered and utilized in accordance with the JAIF Guidelines, the Rules of Procedure of the Committee to Manage the JAIF and other decisions by ASEAN and Japan. The ASEAN Member Countries have therefore authorized the ASEAN Secretariat to receive the financial contribution from the Government of Japan to the special account for the establishment of the JAIF.

Please accept, Your Excellency, the assurances of my highest consideration.

Datuk Marzuki Mohammad Noor
Ambassador of Malaysia to Japan
on behalf of Malaysia
as ASEAN’s Country Coordinator for
ASEAN-Japan Dialogue Relations

His Excellency Mr. Taro Aso
Minister for Foreign Affairs of Japan
GUIDELINES FOR
THE JAPAN-ASEAN INTEGRATION FUND (JAIF)

1. Establishment of JAIF
   1.1 Considering the Joint Statement of the Ninth ASEAN-Japan Summit Meeting held in Kuala Lumpur on December 13, 2005, in which ASEAN welcomed the commitment made by Japan to provide fresh financial assistance in the amount of 7.5 billion yen (approximately 70 million US Dollars) to support ASEAN integration, the Japan-ASEAN Integration Fund (hereinafter referred to as "JAIF") is established, as a special account, to encourage the activities under the ADF.
   1.2 In order to manage and operate the JAIF, the JAIF Committee is hereby established.

2. Purposes
   The purposes of the JAIF are: (i) to support the efforts of the ASEAN Member Countries to pursue the comprehensive integration of ASEAN towards the realization of an open, dynamic and resilient ASEAN Community as envisaged in the Declaration of ASEAN Concord II, by facilitating effective implementation of the Vientiane Action Programme; (ii) accordingly, to support the establishment of ASEAN Security Community (ASC), ASEAN Economic Community (AEC), and ASEAN Socio-Cultural Community (ASCC), with particular emphasis on the narrowing development gaps among ASEAN Member Countries, as well as on the newly emerged regional challenges; (iii) to promote cooperation between Japan and ASEAN (as well as between Japan and the Member Countries of ASEAN); (iv) to support operations of the regional or sub-regional organizations; and (v) to perform other activities considered appropriate by the Government of Japan and ASEAN (including its Member Countries).

3. Financial Contribution
   3.1 The Government of Japan will contribute to the JAIF in US Dollars.
   3.2 The Secretary General of ASEAN will acknowledge the receipt of remittance of
the above Japanese contribution, and ensure the JAIF as a special account which will be held in trust at the ASEAN Secretariat.

4. JAIF Committee

4.1 The Committee will be composed of representatives from the ASEAN side, which will be one from each current and next ASEAN Country Coordinators for Japan, and one from the Japanese side, and the Secretary General of ASEAN or his representative. The incoming Country Coordinator for Japan, however, will attend the Committee meeting only in the final year of the dialogue cycle, for the purpose of smooth turnover between coordinating countries for Japan.

4.2 The Committee is in charge of the operation of the JAIF, the establishment of the guidelines for the Annual Programme, and the review of the implementation of the activities in the JAIF.

4.3 Each activity is approved by both ASEAN and Japanese sides at any JAIF Committee meeting, unless otherwise specified in separate guidelines.

4.4 An official of the ASEAN Secretariat is designated to act as the Secretary of the Committee.

4.5 The Rules of Procedure of the JAIF Committee is attached to this Document as Annex.

4.6 At any JAIF Committee meeting, the ASEAN and Japanese sides may, by consensus, make any amendments to the Guidelines of the JAIF or make any separate guidelines as they may find appropriate to facilitate the efficient performance of the task of the JAIF.

5. The Secretary General of ASEAN

5.1 The Secretary General of ASEAN or his representative will be responsible for the administration of the disbursement and implementation of projects, the accounting and auditing, and other necessary works relating to the finance from the JAIF.

5.2 Upon the recommendation of the JAIF Committee specified in paragraph 4, the Secretary General of ASEAN or his representative may request an appropriate organization or institution to implement the project and activity under the
JAIF and to act as the disbursing office for such project and activity.

5.3 The Secretary General of ASEAN or his representative will submit the JAIF Committee a draft annual report on the implementation of projects and other activities, including their financial statements, for the JAIF Committee's approval.

6. Requirements of Financial Statements
6.1 Unless otherwise decided by the JAIF Committee, “Additional Reporting Requirements for Projects Funded Under the Funds Held in Trust at the ASEAN Secretariat,” which is shown as the attachment, will only be applicable to the agencies in ASEAN Member Countries which are responsible for ASEAN-initiated activities, as Japan is not a member of ASEAN. However, a duly certified or audited financial statement of the Japan-initiated activity, including the unremitted or unexpended balance, as of the end of each fiscal year, of all Japan-initiated activities, will be submitted to the ASEAN Secretariat.

6.2 The ASEAN Secretariat will provide a semiyearly financial statement to update Japan and ASEAN Member Countries on the status of JAIF.

7. Implementation of Projects
7.1 The ASEAN Secretariat will secure the following matters:
(a) Any agency which is responsible for the implementation of a project or projects funded by JAIF (hereinafter referred as “Project Implementing Agency”) will be required to submit a semiyearly financial report to the ASEAN Secretariat for each project, when such project or projects will last for more than six months.
(b) The Project Implementing Agency is required to submit to the ASEAN Secretariat a project completion report with a full accounting of the fund disbursed from the JAIF, within 60 days after the end of the project.
(c) The Project Implementing Agency is required to refund the surplus within 90 days after the end of each project.

7.2 The ASEAN Secretariat will circulate these reports to Japan and all ASEAN Member Countries for the review.
8. **Others**

8.1 Any income and interest accruing to the JAIF will be credited to the account of the JAIF and be used for the purposes specified in paragraph 2.

8.2 The JAIF Committee will review the implementation of the JAIF projects and other activities under the JAIF on the regular basis.

8.3 **Property Ownership**

The ownership of any property, movable or immovable, acquired from any approved activities, is automatically vested in the Host Government unless otherwise stated in the approval project document.
ANNEX

RULES OF PROCEDURE OF
THE JAPAN-ASEAN INTEGRATION FUND (JAIF) COMMITTEE

RULE 1

COMPOSITION

The Committee will be composed of representatives from the ASEAN side, which will be one from each current and next ASEAN Country Coordinators for Japan, and one from the Japanese side, and the Secretary General of ASEAN or his representative. The incoming Country Coordinator for Japan, however, will attend the Committee meeting only in the final year of the dialogue cycle, for the purpose of smooth turnover between coordinating countries for Japan.

RULE 2

MEETING

1. The Committee, upon ASEAN Secretariat's recommendation, meets at least twice every year, normally held in January and June, unless otherwise requested by any member of the Committee.

2. The meetings of the Committee are not public.

RULE 3

CHAIRMANSHP

The Committee is presided over by the Secretary General of ASEAN or his representative.

RULE 4

FUNCTIONS

1. The Committee will approve, at its meeting held in or before June, the guiding principle of each annual programme of the next fiscal year, based on the project proposals submitted by ASEAN or Japanese sides. The guiding principle may be revised, as necessary.

2. Each project proposal will include all necessary details decided by the Committee, together with the estimated expense, and be submitted to the ASEAN Secretariat at least one month prior to the Committee meeting held in or before June.

3. The ASEAN Secretariat may consolidate project proposals submitted, taking
into account the budgetary restrictions.

4. Each activity is approved by both ASEAN and Japanese sides at any JAIF Committee meeting, prior to implementation, unless otherwise specified in separate guidelines.

5. In case of urgency, some activities financed under the JAIF can be approved by both ASEAN and Japanese sides through correspondence among the members of the JAIF Committee.

6. The Committee will review the projects implemented in the previous fiscal year. The Committee may approve at its meeting held in or before June the Annual Report on the implementation of projects submitted by the ASEAN Secretariat.

   The necessary inputs for the draft Annual Report on the implementation of projects, including duly audited or certified financial statements on Japan-initiated projects, will be submitted to the ASEAN Secretariat at least one month prior to the meeting for approval.

7. The Committee may make recommendation to the Secretary General of ASEAN in order to seek effective implementation of the projects decided.

RULE 5

AGENDA
1. The Secretary General of ASEAN or his representative, as the Chairman, in consultation with other members of the Committee, will draft a provisional agenda of each meeting.

2. The agenda is adopted by the Committee at the beginning of each meeting. Any items other than those drafted on the provisional agenda may be added if the members so agree.

RULE 6

SUMMARY RECORD

The summary record of each meeting will be compiled by the ASEAN Secretariat and be circulated to all members of the Committee.

RULE 7

DECISIONS

The Committee makes decisions by consensus.
Guidelines for the Projects of the Mekong River Commission

In accordance with 4.3 of the Guidelines for the Japan-ASEAN Integration Fund ("JAIF Guidelines") and Rule 4.4 of the Rules of Procedure of the Japan-ASEAN Integration Fund Committee, the Japanese side and the ASEAN side hereby decide on the arrangements for the projects of the Mekong River Commission as specified below.

1. 500,000 US dollars out of JAIF Account will be earmarked for the projects of the Mekong River Commission.
2. The projects will be formed and approved on a bilateral basis between Japan and the Mekong River Commission, without an approval at the JAIF Committee.
3. Other arrangements will follow the JAIF Guidelines.

Datuk Marzuki Mohammad Noor
Ambassador of Malaysia to Japan
on behalf of Malaysia
as ASEAN's Country Coordinator for
ASEAN-Japan Dialogue Relations

Taro Aso
Minister for Foreign Affairs
of Japan

Tokyo, March 27, 2006
Guidelines for Projects Related to Mines and Unexploded Ordnance

In accordance with 4.3 of the Guidelines for the Japan-ASEAN Integration Fund ("JAIF Guidelines") and Rule 4.4 of the Rules of Procedure of the Japan-ASEAN Integration Fund Committee, the Japanese side and the ASEAN side hereby decide on the special arrangements for the projects related to mines and unexploded ordnance as specified below.

1. Three million US dollars out of the JAIF Account will be initially earmarked for the projects related to mines and unexploded ordnance. The final disbursement for the projects related to mines and unexploded ordnance will not exceed seven million US dollars.

2. The projects will be formed and approved on a sub-regional basis among Cambodia, Lao PDR, Thailand, Viet Nam and Japan, without an approval at the JAIF Committee.

3. Support as a form of contribution to organizations related to mines and unexploded ordnance will be included in the projects.

4. Other arrangements will follow the JAIF Guidelines.

Datuk Marzuki Mohammad Noor
Ambassador of Malaysia to Japan
on behalf of Malaysia
as ASEAN's Country Coordinator for ASEAN-Japan Dialogue Relations

Taro Aso
Minister for Foreign Affairs of Japan

Tokyo, March 27, 2006