ASEAN Australia Development Cooperation Program (AADCP)

Phase II 2008-2015

Australian support to implementing the ASEAN Economic Community Blueprint

Annual Review Report - 2012

January 6th 2013

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ABBREVIATIONS & ACRONYMS

AADCP II	ASEAN Australia Development Cooperation Program - Phase II
AAECP	ASEAN-Australia Economic Cooperation Program
AANZFTA	ASEAN-Australia-New Zealand Free Trade Agreement
ACIA	ASEAN Comprehensive Investment Area
ACPMS	ASEAN Community Progress Monitoring System
ADB	Asian Development Bank
AEC	ASEAN Economic Community
AECSP	AANZFTA Economic Cooperation Support Program
AIMO	ASEAN Integration and Monitoring Office
AIMR	ASEAN Integration Monitoring Report
AMS	ASEAN Member States
APEC	Asia-Pacific Economic Cooperation
APPR	Annual Program Performance Report [AusAID reporting mechanism]
ARTIP	Asia Regional Trafficking in Persons Project
ASEAN	Association of South East Asian Nations
ASEC	ASEAN Secretariat
ASSR	ASEAN Secretariat Staff Rules
ATPRS	ASEAN Tourism Professional Registration System
AusAID	Australian Agency for International Development
CDSS	Corporate Development Scoping Study
CLM	Cambodia-Laos-Myanmar
CLMV	Cambodia-Laos-Myanmar-Vietnam
CPR	Committee of Permanent Representative to ASEAN
DSG	Deputy Secretary General
EAS	East Asia Summit
LTO	Long Term Outcomes
ERIA	Economic Research Institute for ASEAN and East Asia
GAHP	Good Animal Husbandry Practices
GAP	Good Agricultural Practices
GAqP	Good Aquaculture Practices
HR	Human Resources
IAI	Initiative for ASEAN Integration
IPR	Independent Progress Report
IPSAS	International Public Sector Accounting Standards
JCC	Joint Cooperation Committee
JPRC	Joint Planning and Review Committee (of AADCP II)
M&E	Monitoring and Evaluation
MOU	Memorandum of Understanding
MPAC	Master Plan for ASEAN Connectivity
MPV	Market Price Validation
MRV	Measurement, Reporting & Verification
MRA	Mutual Recognition Agreement
NDG	Narrowing the Development Gap
PAF	Performance Assessment Framework
PMT	Program Management Team
PPMSU	Program Planning and Monitoring Support Unit
QAI	Quality at Implementation [AusAID reporting mechanism]
REDD+	Reduce Emissions from Deforestation and forest Degradation
RPP	Rolling Prioritisation Plan (of AADCP II)
STRI	Service Trade Restrictiveness Index
TIP	Trafficking in Persons
TOR	Terms of Reference
WB	World Bank
WITS	World Integrated Trade Solution

1. EXECUTIVE SUMMARY

The AADCP II program has emerged from a challenging and prolonged start-up phase. The program has finally gained the momentum required to sustain it within a difficult and complex operating environment. The management response to the challenges faced has been both intelligent and effective; the introduction of a strategic approach to project identification and funding has meant that work undertaken has the best possible chance of producing lasting outcomes.

The essence of this approach has been to develop a set of clear, rigorous program systems and procedures that, taken together, provide effective quality assurance. The "work-streaming" approach was a critically important innovation introduced in 2011: it identifies projects within ASEAN priority economic sectors, where groups or "clusters" of projects build towards higher order outcomes; outcomes that are required as stepping stones to economic integration. This year AADCP II has built upon the systems for Careful planning and design to ensure that there is clarity at the outset of each piece of work, reducing the ambiguity that has, in the past, occasionally led to scope creep and indeterminate outcomes. Clear guidelines and tools are provided for projects needing to change their scope midway through implementation, and rigorous reporting and analysis ensures that the AADCP II team can obtain the best possible information on results. These systems developed through 2012, have reduced the uncertainty around funding of projects and have made the lead-in times from project conceptualisation through to implementation more predictable.

AADCP II also seeks to assist ASEC in its own efforts to further professionalise and strengthen itself as an institution. The program funds five specialist ASEC positions related to human resources, legal advice and contracting, financial management and trust funds, and macro-economic analysis. The individuals in these positions have made concrete and positive contributions to a number of reforms and improvements to ASEC operating systems and ASEC projects.

The partnership mode of delivery, in which AusAID and ASEC jointly manage and make strategic decisions about the program, has, led to a transparent and collegiate operating environment. This, along with the fact that the program is fully aligned with major ASEAN and Australia policies, has led to a high degree of relevance. Any assessment of program quality cannot take place in a theoretical vacuum, it must be made in relation to the complexity and difficulty of the operating environment. With this in mind, AADCP II has to be considered to be an effective and efficient program. ASEC staff in several sectors [tourism, agriculture, consumer protection, AEC Monitoring and Evaluation] are now identifying higher order outcomes, with a clear idea of the project building blocks required to proceed towards their achievement. This is being done with an efficient use of available human and financial resources.

December 2012 saw the finalisation of the AADCP II Performance Assessment Framework [PAF]. This will allow the program to track its progress towards higher outcomes over the coming years. The PAF is an evolving document and, as project clusters develop and evolve, it is conceivable that further new outcomes will be identified and entered into the framework. Therefore the framework provides a conceptual tool for ASEC staff to see at a glance where their day-to-day work is leading and can lead. At the level of monitoring and evaluating actual projects funded AADCP II has developed an M&E system designed to regularly collect and analyse data. The PAF is thus structured to serve two functions: monitoring progress of existing activities, and attempting to measure the outcome – the difference the particular project is making to ASEAN's efforts to achieve the AEC. The PAF forms the foundation upon which program planning is based.

Sustainability, the likelihood of gains made over the life of a program existing after the program's completion, is an important development consideration for donors and recipients alike. In a multi-year program like AADCP II, that has lengthy decision-making processes and project lead times, sustainability in the early years is difficult to assess. However, the factors that are likely to promote or inhibit sustainability are generally well known and the program management has been able to influence some of these factors. For example, there is strong ownership over the program by ASEC; the program and projects are funded at appropriate levels; technical inputs have been strategic and appropriate; the program is engaging the right people; and the program has been subject to regular review, a key in identifying and addressing difficulties before they become fully blown problems. The known risks to both sustainability and achievement of higher objectives are being well managed by the AADCP II partners.

Compared to last December, the program now has an impressive portfolio of projects either currently implementing or at the contracting stage, most of these were at a purely conceptual stage last year. Whilst concrete results at the level of higher outcomes are still some distance off, as these take several years to eventuate, there have been some success stories to report. The most mature cluster in the program is that of Tourism; this should not be surprising because the work undertaken under AADCP II has built on earlier work in Tourism, funded under AADCP I. The industry has moved several steps closer to having agreed standards in key areas, with qualified personnel able to train for those standards and assess them in the future. A key element in any major effort at integration across a large region is being able to report back to members states exactly where they are in that process. The work that AADCP II is doing with ASEC and in particular AIMO, is making a considerable contribution to ASEC's capacity to accurately track the progress towards the establishment of the AEC. And, as mentioned above, the provision of funding to ASEC staff positions in key areas have both bolstered ASEC capacity directly, and contributed to organisational development processes and institutional improvement.

AADCP II has been a learning program that has adjusted its management and implementation systems in appropriate ways, with the full participation and agreement of both implementing partners. This review finds that there are no immediate concerns that need to be addressed, but rather the continuation of steady management. One note of caution is important; although the program has definitely gained momentum and is poised to mature into a fully-fledged, positive program of assistance, this momentum is still vulnerable. If anything were to happen that would stall this momentum, it could be slow to regain this initiative. Staffing transition, when and if they need to occur, must be managed carefully with appropriate recruitment, selection and orientation. Funding flows need to be ensured to allow the current planning cycle to develop positively, especially given the long lead time required for planning. With these thoughts in mind this review makes three recommendations.

- That AADCP II funding to ASEC staff positions be reviewed in the coming twelve month period, to ascertain whether they are to be continued or not. This should be done well before contracts fall due for renewal or completion.
- That Annual Reviews be continued as part of the information generation process leading into AADCP II's major planning and reporting cycle, and that the retiring M&E Adviser be replaced. The replacement should have a depth of knowledge about the ASEAN context, as well as appropriate M&E skills.
- That the AADCP II and AECSP programs continue to seek ways in which the resources of the two programs might be shared thereby increasing efficiency and flexibility for both programs.

2. PROGRAM OVERVIEW

2.1 Background to the Review

This is the third annual review undertaken of the AADCP II program. The first annual review was conducted in 2010 and focused on the question of whether or not the foundations of the program (including relationships and processes) had been effectively established. The second annual review, conducted in 2011, captured the evolution of the program since its inception, as well as program performance, specifically in relation to partnership management and arrangements. Both reviews were used to inform the Joint Planning and Review Committee (JPRC) meeting, AusAID's Annual Program Performance Report (APPR) and Quality at Implementation (QAI) process and to improve program implementation.

In addition to the two annual reviews, an Independent Progress Report (IPR) was conducted in April 2012.   The IPR assessed program performance against the key criterion of relevance, effectiveness, efficiency, sustainability, M&E and cross cutting issues. A key IPR recommendation was to operationalize Monitoring, Evaluation and Learning arrangements at outcome level. Another key recommendation was to extend the program duration from June 2015, to no later than December 2019.

2.2 Focus of the 2012 Annual Review

The first two annual reviews undertaken adhered to particular themes agreed by the program partners. The Annual Review, in 2012 has moved to the more traditional role of assessing progress over the past twelve months; to do this it employed two main approaches: it used the AusAID Quality at Implementation (QAI) categories to make an assessment of current program quality; it will also finalised and used the AADCP II Performance Assessment Framework to report on key results for the year.

The objectives of the 2012 AADCP II Annual Review are to:

- Assess performance of AADCP II against the QAI criteria of relevance, effectiveness, efficiency, monitoring and evaluation, sustainability, gender equality, cross cutting issues, risk assessments, current issues and key results.

- Finalise the draft Performance Assessment Framework (PAF), including a PAF matrix describing AADCP II projects' intended intermediate and long-term outcomes.

- Assess progress of AADCP II projects in contributing towards intended outcomes in institutional strengthening and establishment of an ASEAN Economic Community (AEC), in accordance to the PAF matrix.

- Refine existing project clusters and identify additional cluster(s) according to the cluster approach described in the PAF.

2.3 Program Objectives

The objectives of the original program design were stated as:
- Strengthen ASEAN Secretariat's [ASEC] institutional capacity to facilitate and support ASEAN regional economic integration;
- Support movement towards the AEC through provision of timely and high quality economic research and policy advice;
- Provide support for regional mechanisms and capacity for the implementation of selected AEC Blueprint activities at the national level.

At the time of design it was not possible to be more specific about outcomes because the exact nature of the support was unknown. The design called for the program to follow ASEAN priorities for economic integration; it was expected that these would become clearer during the initial stages of the program. The program has now matured and a more strategic approach to project funding has been adopted by management. It is now possible to identify some specific outcomes from the program. These will increase in number over time as the work develops and the approach is embraced by more ASEC desk staff. Some outcomes that may now be added are:

Tourism Sector:
- By the end of 2014, a regional mechanism and/or infrastructure is in place to facilitate and oversee the implementation of the Mutual Recognition Agreement (MRA) on Tourism Professionals and support the work of the ASEAN Tourism Professional Monitoring Committee.
- By end of 2018, each ASEAN Member State (AMS) will have appropriate numbers of trainers and assessors, equipped with standardised sets of tools to train and certify ASEAN-qualified tourism professionals.

Consumer Protection:
- By the end of 2015 a National consumer education and public awareness strategy implemented in all AMSs.
- By the end of 2017 a National complaint and redress mechanism available in all AMSs.
- By end-2017, extended training programs, within relevant government agencies, have been institutionalised and are undertaken regularly as a key element addressing consumer protection.

Agricultural Sector:
- By January of 2016, each AMS has a benchmark recognition system based on ASEAN GAP, ASEAN GAqP, and ASEAN GAHP.

Institutional Strengthening:
- An increase in available knowledge on, and awareness about, key elements of economic integration, across different sectors of AMS societies.
- A set of appropriate tools for assessing progress in:
  - AEC integration;
  - ASEAN Community Progress; and
  - ASEAN Connectivity.
- Improvements to key areas of corporate management within ASEC:
  - Financial administration within ASEC is regularised on an accrual accounting basis, with regular auditing and report. All accounting procedures and bookkeeping will align with IPSAS standards and systems;
  - All contracts for procurement of goods and services are based on a specially designed and regularised contract format;
  - Staff Performance Appraisal systems are regularised and used as the basis of a strategic approach to work place planning and ASEC staff development.

2.4 Management Approach of AADCP II

2.4.1   The Context: The management context in which the AADCP II operates is a challenging one. Joint management is by AusAID and ASEC, with governance oversight by the Joint Planning and Review Committee (JPRC) consisting of senior AusAID officers and representatives of the Committee of Permanent Representatives to ASEAN (CPR). Program staff are not directly involved in implementation, but operate somewhat like the managers of a facility. Autonomous ASEAN Member State (AMS) sectoral bodies and working groups either implement or oversee contractors who undertake implementation,

often with ASEC desk officers playing the role of project proponent. Data collection is through a reporting system, with ASEC desk officers acting as the intermediary between AADCP II management and those responsible for implementation. These arrangements require lengthy communication and decision-making processes.

2.4.2   Management Approach: Joint management has proved to be successful, especially after appropriate processes and systems were developed to deal with the unusual and complex context described above. As a management partner ASEC/ASEAN brings the in-depth understanding of the context and how it operates, and analysis of the key policy priorities regarding the AEC. AusAID, through the auspices of the Director and the Program Planning and Monitoring Support Unit (PPMSU), brings an understanding of the systems, procedures, and management requirements that need to be in place in order to progress projects through implementation to the point of achieving the desired outcomes.

Over the past year, the program has been able to further develop management systems that demonstrably reduce, as far as possible, the uncertainties surrounding project implementation. It has done this through establishing front-end and back-end quality assurance processes which ensure that only quality, strategically-focused proposals proceed to funding, and when required, projects are able to adjust in an orderly fashion through an effective scope management system. Likewise, project completion calls for both reporting of results as well as analysis of those results, by both proponent and implementer. The effect has been that ASEC proponents are more sure about AADCP II requirements and are getting clearer, unambiguous responses from the program, removing, as far as possible, uncertainty and effectively managing risks to project success. This is complemented by an ongoing effort by management to cultivate close and cordial working relationships with partners, ensuring fast, responsive, and, when required, informal communications.   ASEC staff consider that having an AusAID employee as the Program Director is very positive, as it increases direct access, openness and transparency, without the intermediary of a contractor.

3. PROGRAM QUALITY

3.1 Program Relevance

The program is the epitome of relevance. AADCP II operates under the objectives of "Australia's aid strategy for East Asia Regional organisations and programs, 2011-2015" which states:

> "The overall objective of this strategy is to assist key regional organisations—the Asia-Pacific Economic Cooperation (APEC), the Association of South East Asian Nations (ASEAN) and the East Asia Summit (EAS)—to address agreed regional development priorities and to complement bilateral programs in the region."

The AADCP II complies with the policies and objectives of both AusAID and ASEAN. The Partnership Approach is definitely the most relevant in this complex environment where ASEAN must take the lead; an environment which is constantly changing and evolving. Whilst the intention of the partnering approach has remained unchanged since inception, the practicalities and processes by which it is undertaken have evolved over the past three years into what is now a mature, pragmatic modality for the delivery of development assistance.

We can expect the demands on AEC to intensify significantly as ASEAN moves towards the Community deadline of December 2015. With AusAID's development of the Comprehensive Aid Policy Framework [CAPF] released in May 2012, and its requirements for more rigorous

reporting through the Annual Review of Aid Effectiveness, AADCP II's development of its PAF will also mean that it should be well aligned with Australian priorities. The November 2012 ASEAN Summit saw renewed commitment to the establishment of the AEC. AADCP II is now well positioned to support ASEC: the establishment of sound systems, and a full pipeline of priority activities. Whilst the shape of the program is still evolving to some extent, it is seen by ASEAN stakeholders as a clear example of Australia's willingness to cooperate in a collaborative and appropriate manner, strongly supporting ASEAN priorities. As such, AADCP II appears to be held in high regard by its stakeholders, with a high degree of transparency and trust; as such it is considered to be very relevant.

3.2 Program Effectiveness

With the strategic "work-streaming" approach now firmly established, the outputs being produced by recent projects are more likely to lead to expected AEC outcomes. "Work Streaming" is where groups or "clusters" of projects within a particular sector are identified and funded, and when their overall outputs are taken together, they represent a cohesive body of work aimed at achieving higher order outcomes in that sector. In a program with so many stakeholders, spread across ten countries as well as regional stakeholders, the way that projects are identified and undertaken requires careful consideration, and will be inevitably time-consuming. Whilst initial reactions of ASEC staff were to see this approach as potentially more work for an indeterminate result, there is evidence of a growing understanding of the need for these types of concentrated efforts that are cumulative in nature, building towards higher order outcomes. A good example of this would be the program's long-term engagement with the Tourism sector in terms of planning and priority setting. This engagement, along with appropriate training and the development of key tool boxes, has assisted the sector to develop a strategy which now guides their work towards regional integration.

One key obstacle to achieving objectives, and something about which the program can do very little, is the time required to consult across many stakeholders and arrive at agreement about projects and their objectives. The program has established systems and procedures that have reduced this as far as is possible; however, the nature of the program will mean that production of outputs and achievement of outcomes will always be much slower than in a less complex bilateral program.

The program has very little direct contact with AMS Sectoral Body working groups; it is these groups that oversee the project work at National level. The degree of capacity, dynamism and enthusiasm of these groups varies considerably. The program has attempted to reduce the variability this creates through establishing clear and rigorous project guidelines and procedures.

Efforts at institutional strengthening remain challenging and, although these are not necessarily producing the exact outcomes expected, they are producing positive outcomes for ASEC. For example, in finance, AADCP II funded staff have been directly involved in ASEC's switch this year from cash accounting to accrual accounting. AADCP II also funded the introduction of an accounting manual based on International Public Sector Accounting Standards [IPSAS], this will become operational over 2013. AADCP II funded staff in Human Resources, Legal and Economic Analysis areas have all made significant contributions to streamlining and professionalising ASEC business in each of these areas over the course of this year. Projects funded under the ASEAN Integration and Monitoring Office [AIMO] are also showing positive results in building ASEC capacity to track the region's overall efforts towards integration.

In terms of support to ASEC institutional strengthening, AADCP II has applied a well established principle of organisational development, that of supporting the priorities or "felt needs" of the recipients of assistance. ASEC staff are best placed in the current situation, to understand what initiatives or reforms are likely and possible. It is these efforts that are being supported by the program.

AADCP II is achieving at the expected rate, given the complex and challenging nature of large regional programs. Given the IPR recommendations to consider extending the program beyond the original closure date, it is expected that AADCP II, with the extension recommended by the IPR, will achieve its overall objectives.

3.3 Program Efficiency

In the early stages of the AADCP II program it was perceived as being rather inefficient. This was, to a significant degree, due to unrealistic early expectations about the amount of time that projects, in particular, would take to get established and begin to produce results.

The program has worked hard at establishing appropriate systems, especially a range of quality assurance systems that make project establishment times much more even and predictable. Project monitoring has been considerably strengthened and there has been a lot of effort spent on establishing standardised project procedures and templates, leading to projects at inception that are clear about methods and objectives.

The result is that program planning is now established on a realistic basis with predictable timeframes. This has also increased the program's capacity to effectively budget and forecast program spending. The AADCP II team management arrangements have settled into a clear set of agreed roles and responsibilities that are understood by all stakeholders, and ably supported by ASEC members of the Program Management Team [PMT]. The areas of strategic and operational planning, financial control, procurement, human resource management and program communication all operate smoothly. The PMT is functioning well and, with the increased effectiveness and efficiency produced by the project management systems, is now focused on more strategic aspects of management.

Program governance is under the auspices of the Joint Planning and Review Committee [JPRC], which includes senior AusAID personnel and members of the Committee of Permanent Representative to ASEAN [CPR]. Early on in its existence the JPRC appeared to be rather heavily involved in decision-making that was probably more appropriately the domain of program management, which is the role of the PMT. Over the past twelve months the JPRC has become more focused on higher order strategic oversight of the program, leading to less instances of delays due to requests for information on individual projects. This shift in focus to a higher order of involvement is welcome as it reduces the transaction costs to the AADCP II team. Hopefully it will also assist the JPRC to become an effective intermediary between the program and AMS sectoral bodies and working groups.

3.4 Program Monitoring & Evaluation

The AADCP II program presents a unique set of M&E challenges. It operates on multi-levels; at the regional level, sub-regional and at the national level of individual member states. Most project implementers [contractors, consultants, etc.] respond directly to project proponents. These proponents may be either ASEC desk officers or autonomous Sectoral Body working groups, with ASEC desk officers providing the intermediary function for the AADCP II team and those implementing and overseeing projects. This means that, in most instances, the AADCP II team is not able to directly collect monitoring data.

The way the program has met this challenge is to establish rigorous front and back end quality control measures. Front end control measures rely on stringent project design, appraisal and selection processes, reducing ambiguity around project objectives and methods as far as possible. This provides the maximum upfront project clarity achievable. The team then undertakes regular meetings with ASEC desk officers, who also provide regular written reports to program management. A demanding end of project reporting and analysis document is completed by project proponents in conjunction with implementers. The process of socialising the project M&E system has been underway now for the past year. The coming year will see this consolidated; if any changes are required it is envisaged that these will be minor tweaks to what is proving to be an effective system.

In December 2012 a Performance Assessment Framework was also finalised, designed to collect annual data on the achievement, or progress towards achievement, of both intermediate outcomes as well as higher level long-term outcomes.   The process of socialising the Performance Assessment Framework began in July 2012 with the shaping of the main data collection tool [the PAF Matrix], involving many ASEC desk officers in discussions about outcomes for their areas of work. Most ASEC staff involved with AADCP II funding are now familiar with the concept of their projects building towards measurable outcomes at a higher level. The degree to which they are comfortable with the process varies. AADCP II staff will continue to work over the coming year to build confidence in a results-oriented approach to program monitoring.

Feedback from ASEC staff suggest that the amount of monitoring activity for AADCP II is about right and is manageable, with many commenting that the requirements from some other Dialogue Partners are much more burdensome. Besides these program specific M&E arrangements, the program is supporting ASEC in its efforts to improve the monitoring of compliance across the region with agreed AEC measures, as well as capturing the impacts of this compliance. [see Summary Table of Results, page 20]

These M&E systems developed have been a creative response to quite specific technical M&E challenges; collection of primary data is in most instances not possible. The response to this challenge has been to craft a system that relies on clear upfront guidance, supported by a reporting regime and technical support by PPMSU staff. The priority work left for the M&E systems is consolidation, ensuring that these systems become firmly established and operate smoothly.

3.5 Program Sustainability

It is now clear that the sustainability of benefits from some of the earlier AADCP II projects may be in doubt because of their lack of strategic focus. Indeed, the benefits themselves from some of these projects are somewhat unclear. The IPR undertaken in April 2012 found that AusAID had underestimated the complexity of the challenges faced with establishing such a complex program; this is reflected in some of these earlier funding decisions.

The review also confirmed that making any assessment of sustainability of outcomes was premature as most of the outcomes have not yet been defined and, of those that had been defined, most were still far from completion. Since the review, the process of finalising the Performance Assessment Framework, especially the discussions with ASEC staff about the likely outcomes of their work, has brought greater clarity to this aspect of the program.

The program has control over some of the crucial factors that will affect long-term sustainability but definitely not all. Decision-makers who have an impact on sustainability include: the ASEC senior management; the CPR; and a variety of sectoral bodies and working groups within member states. But it is important to recognise that the program has

limited influence over any of these. The program does have a degree of influence over what it funds and has confirmed some key existing principles in this respect. AEC projects, where there is a fair degree of alignment between regional and national interests, are more likely to be sustained over the long-term. A similar principle applies to projects related to institutional strengthening. AADCP II has consciously supported initiatives that are instigated, designed and undertaken by ASEC staff themselves, and are therefore more likely to lead to sustained change.

Other factors that affect sustainability are being well managed. For example: there is a high level of ownership over the program by partners; the program and projects are funded at appropriate levels; technical inputs have been strategic and appropriate; the program is engaging the right people; and the program has been subject to regular review, a key in identifying and addressing difficulties before they become fully blown problems.

It is unrealistic to predict at these early stages whether ultimate benefits will last beyond the life of the program. However, some of the variables that will dictate whether they do or not are well known; it is possible to comment on how well the program is dealing with those risks to sustainability. At this stage the AADCP II team are very aware of the sustainability risks and have taken a number of measures to reduce risk as far as possible. The strategic focused nature of the project work is one example; work-streaming means that both ASEC staff and the Sectoral Bodies they are working with must have at least a nascent strategy for lasting change.

The program has also funded a number of staff positions and institutional strengthening projects for ASEC, whose outcomes will place the organisation on a more professional and sustainable basis. The program will continue to seek out and fund institutional strengthening efforts it can support, which are instigated by middle and senior level ASEC managers. These are the sorts of initiatives that have internal support as well as the dynamism and energy that comes with having an internal "champion of change".

In such a complex program the number of variables affecting sustainability are very high; the AADCP II staff are well aware of this and, where they can develop strategies for lessening risks to sustainability, they are doing so.

3.6 Gender Equality

There are two issues that pose dilemmas when attempting to program for gender equality in AADCP II. The first is reasonably straightforward. Although it is in theory true that there is no human activity that does not have a gendered aspect to it, it can be very difficult in highly technical, regional projects, to know how to efficiently factor in gender equality. For example, in a project that is looking to identify and gain agreement on standards for the export/import of specific agricultural products, it is particularly challenging to design in a gender equality aspect to such a project. There would definitely be a strong gender aspect if the project was looking at access to export licenses and the training required to gain them, but this project simply focuses on setting the quality standards of the produce.

The second issue is more difficult, and in many ways beyond the capacity of a single program to address. AADCP II works in a partnership mode; planning and implementation is shaped by ASEAN priorities. ASEC takes its lead and its instructions [and priorities] from ASEAN Members States and so if those states are not at all interested in something like gender equality, then it is difficult for ASEC to promote the issue as a priority. ASEAN is itself struggling with the issue of Women's Rights; many agreements around human rights and the rights of women in particular have been signed but most are non-binding and not legally enforceable. Progress on women's equality in the region has been painfully slow,

with most efforts looking at the extreme issues of violence against women and the trafficking of women and children. Important as these efforts are, they do not address the mainstream gender issues around equality in access, participation and opportunity, etc. The legislative and political demand for gender equality is not yet strong in ASEAN, and any program professing to work specifically to ASEAN priorities will face difficulties in attempting to raise these issues, risking the credibility it has gained by hitherto supporting ASEAN priorities. It is beyond the ability of any single regional program to tackle such a thorny issue; there is an initial need for these issues to be dealt with in high-level dialogues, both at the bilateral and regional levels. The April 2012 IPR commented that ASEAN and AusAID have clearly not reached a meeting of minds on the issue of gender, or the pursuit of gender equality in the program.

Having said that the program has continued to look for feasible and credible ways to introduce gender programming into the efforts it supports. Gender considerations are always included in AADCP II project proposals and in the quality checklists and other quality assurance tools used. In projects that lend themselves to doing so, that is projects that have a number of individuals participating [as opposed to projects focused on technical research and the generation of specific technical tools] gender-disaggregated data is being collected. For example, in the projects for the tourism sector there is a strong argument that, given the high number of female workers in the tourism industry, considerations of gender must be included, especially in the design of standards and training toolboxes, and in the subsequent training itself. A reasonable level of gender equality has been achieved in these efforts, at least at the level of participation by men and women.

Also, in the institutional strengthening work supported by AADCP II there is a strong effort to address gender equality issues in the professionalising of ASEC systems, procedures, working rights and benefits, etc. Given this challenging environment to gender issues, the program is making a concerted effort of addressing gender equality when and where possible. The ADCP II team will continue to raise gender issues when appropriate opportunities present themselves.

3.7 Cross-Cutting Issues and Commitments

Given the high-level, economic nature the program there are few instances where cross-cutting issues related to social inclusion, child protection, environment, disability or displacement and resettlement, are relevant. In the designs of projects where these may in fact be an issue [e.g. standards and training related to some aspects of tourism], these issues are taken into account. It is also a program where the program managers [AusAID and ASEC jointly] are not directly involved in implementation. This is undertaken largely by AMS Sectoral Body working groups, usually directing contracted consultants.

The program fully complies with the range of AusAID policy commitments relating to the Paris Declaration/Accra Agenda, the MDGs, and other policies related to anti-corruption and anti-terrorism. Several of the institutional strengthening initiatives have focused on building stronger financial and legal arrangements between ASEC and its donors, as well as ASEC and its contractors. Fiduciary management remains sound with strong processes in place, well developed Trust systems, independent reviews of those Trusts and sharing of audit reports.

AADCP II does attempt to create a level of synergy with the AANZFTA Economic Cooperation Support Program [AECSP], AusAID's other main economic initiative conducted in partnership with ASEAN. AADCP II and AECSP currently share knowledge and training opportunities. In the future it may be prudent for the two programs to consider sharing some human resources, creating a more flexible staffing environment.

3.8 Risk Management

There has long been a danger with regional programs working through ASEAN of disillusionment and despondency. If not checked in time this can lead to the 'tragedy of low expectations', where complaints about difficulties become a self-fulfilling prophecy. But this phenomenon is generally a product of not fully understanding the context, and this is perhaps the greatest risk of all. If staff, whether ASEC or AADCP II, make programming decisions that are uninformed by a deep understanding of the ASEAN context and the challenges it faces, they will potentially make the wrong decisions. It is a context full of uncertainty and subject to constant change; this is not an aberration, it's simply the way it is.

AADCP II staff noticed that one problem that tended to come about as a result of the fluid operating environment, was the tendency towards 'scope creep' in funded projects. In project designs where objectives may be initially a little fuzzy and where sectoral bodies are a little unclear on what they want to achieve, there was a tendency for some projects to shift their focus over time in an attempt to find direction and purpose. This is counterproductive in terms of taking a focused strategic approach and has been effectively addressed by the AADCP II team with a number of new scope management measures and tools to prevent this happening in future projects.

AADCP II suffered from perceptions of having early problems and a slow start. Whilst there was some substance to these perceptions, they were exacerbated by unrealistic expectations about how quickly a regional program of this complexity could be established. Over the past twelve months, AADCP II has reached a crucial take-off point of momentum. It currently has an impressive portfolio of projects either initiated or at the contracting stage. Many of these are within identified clusters that are likely to contribute to higher outcomes; outcomes that are identified in the new Performance Assessment Framework. From this point the program should be in a position to consolidate and mature into a fully-fledged program of change. However, it is important over the coming twelve months that all efforts are made to maintain this impetus, as regaining lost momentum would take time.

Regional programs with their need for long planning and decision-making timelines are particularly vulnerable to unpredictable changes.   Whilst AADCP II cannot control unpredictability from external sources in the operating context, it can work to avoid unpredictability from its own side; maintaining steadiness and, where possible, predictability are key to effectively countering context-based risk. To this end the AADCP II team will continue to apply [and improve where necessary] the systems, procedures and tools they have developed to produce quality project proposals that are focused and strategic. Careful planning has meant that the program no longer suffers from issues related to unspent budgets. As AADCP II staff reach the end of their contracts AusAID Jakarta and the AADCP II team must ensure that, if replacements are required, this process is smooth and that people with the right sets of skills and an appropriate depth of understanding of the ASEAN context are recruited and selected.

4. PROGRAM RESULTS

4.1 Key Messages/ Success Stories

Although the achievement of high order outcomes is still some way off, it is possible to identify several areas where this program has had some successes and is making a difference. This section gives only a brief outline of three such areas, for further details please see 4.3.3 Table Summary of Results starting on page 19.

Towards a level playing field on Tourism.   One problem facing integration in the tourism industry across the ASEAN region, and therefore the free movement of professional working in tourism, has been the difference in standards and approaches to different aspects of the industry. In order to reach a point that is approaching a level playing field for the tourism industry, there needs to be agreement about the standards in organisations and companies providing tourist facilities. Then once those standards are agreed a training program needs to be established to in order to assist organisations and individuals to be able to deliver goods and services to those standards. There also needs to be a mechanism and a pool of trained individuals who can assess compliance with those standards, leading eventually to certification. Much of the work undertaken in both AADCP I and AADCP II has been leading towards these ends and considerable progress has been made.

Better information on AEC integration. One of the issues facing ASEC in the efforts to establish the AEC has been knowing exactly where it is in the process. Weak systems for monitoring and assessing progress needed to be strengthened. A number of activities aimed at achieving this have been initiated in 2012. There is a need to raise both knowledge and awareness of the efforts required for economic integration across the public and private sectors of the AMS. AADCP II is funding a series of three annual Symposiums, each with a different specific topic related to integration. There is also a more technical need to develop a powerful and credible monitoring system to provide AMS with timely, accurate information about how the region is doing on integration.   AADCP II is funding and supporting the dissemination of the ASEAN Community Progress Monitoring System (ACPMS), as well as this system AADCP II support to AIMO is assisting, with World Bank involvement, in the production of the Regional Service Integration Report. 2012 also saw the approval of funding to the Master Plan for ASEAN Connectivity (MPAC) Monitoring and Evaluation Support Project. These are just a few of the contributions of AADCP II to this important task.

Building a stronger ASEC. An ongoing difficulty for ASEC is a shortage of funding to fully fill all the identified staff positions required to operate the Secretariat at optimum levels. AADCP II has undertaken a strategy whereby it identified some key ASEC positions that were required to be able to service its program needs, but if filled would also be able to make contributions to ASEC overall work.   Strategic decisions in choice of positions and quality of candidate selected has made significant differences to the capacity of ASEC in some key areas. Their work has also facilitated key aspects of the AADCP II, especially during the establishment stages of the project. Key contributions have been made in the areas of financial management, trust accounts, contracting, legal advice, macro-economic analysis and, by way of two newly appointed staff members further reform and improvements to ASEC human resources management and staff development.

4.2 Lessons & Good Practice

The nature of lessons in development work is that, over time, they are often learned again and again, each new set of staff and each new context requiring old lessons to be learned in new ways. The difference between programs is that ineffective ones keep having to learn the same lesson over and over, whereas effective programs learn the lesson once and take steps to adjust the program in accordance with the new understanding. The AADCP II program has been, by that definition, a learning program. Many lessons emerged early on but, for the sake of brevity, this section mentions a key lesson from the past year and four principles that guide AADCP II Good Practice.

Lesson: A lack of clarity in project designs, even if in the name of flexibility, is likely to lead to differing expectations by different stakeholders, and the need to alter project approaches

and outcomes, after implementation has begun; in other words "scope creep" takes place. In some cases, the objective may have been clear but there was ambiguity around how to achieve the objective; in other cases, it may have been very clear what the actual tasks were to be undertaken, but the objective in doing this was not so clear.

Response: The program responded in two ways. It strengthened the processes and tools used for project identification, appraisal and selection, to ensure that, before there was agreement to fund any project, there was clarity about what the project was attempting to do, how it was going to do it and why it was doing it. Secondly, in the interests of pragmatism and flexibility, it was recognised that some projects may need to make changes due to critical changes in the project context. So the program devised a set of guidelines and tools whereby project proponents could apply to shift the scope of the project if the rationale for doing so was sound and accepted.

Good Practice: In terms of protecting the sustainability of outcomes, the program applied well established principles regarding what it would fund. Whilst these principles are well known they are often forgotten or ignored due to a range of other imperatives driving funding decisions. These principles applied rigorously in the work of AADCP II through 2012 are:

- When funding projects with AMS to establish the AEC, there is a much better chance of sustainable success in efforts where the national interests of members states and the regional interests of agreements are reasonably aligned.
- When funding institutional strengthening initiatives with ASEC there is a much better chance of sustainable success if the initiative is instigated and championed by a middle or senior level ASEC staff member.
- When not directly involved in the implementation of projects, rigorous "front-end" and "back-end" quality assurance systems need to be maintained.
- The maintenance of sound relationships with AMS stakeholders and ASEC colleagues is a priority.

4.3 Summary Results

4.3.1 Primary Results

Tourism: Continuing its commitment since 2004, AADCP is supporting implementation of the Mutual Recognition Arrangement (MRA) for Tourism Professionals. The MRA will allow certified ASEAN tourism professionals to move throughout the region. Through AADCP II, a set of standardized toolboxes for the purpose of tourism training and assessment have been developed for the Housekeeping and priority tourism labour division. Training for Master Trainers and Master Assessors from ASEAN Member States, on the use of the toolboxes is currently being conducted in Bali, Indonesia. AMS response to the training in general has been very positive. Indonesia, Myanmar, and Philippines have all sent additional participants through their own funding. By the end of the training (mid December 2012), 27 Master Trainers and 30 Master Assessors will have the skills and toolsets to conduct multiplier trainings in their respective countries, with the aim of producing sufficient numbers of qualified trainers and assessors in AMS. These trainers and assessors will facilitate the use of ASEAN standards as the minimum benchmark for training institutions and professional certifications in AMS.

AADCP II is currently supporting development of toolboxes for the Front Office, Food and Beverage, and Food Production division which will be completed in the last quarter of 2013, followed by training of the Master Trainers and Master Assessors in 2014. AADCP II has also helped to prepare the institutional set-up for the MRA by supporting a feasibility study for establishing a Regional Secretariat, and providing groundwork for national efforts by supporting a gap analysis study on the implementation of the MRA. Other projects to be proposed in 2013 include: the development of toolboxes for Travel

Agency and Tour Operation divisions; the development of the ASEAN Tourism Professional Registration System (ATPRS); capacity building for government, education institution and private sectors; and awareness-raising efforts through a symposium for MRA on Tourism Professionals.

ASEC Institutional Strengthening: In 2012, ASEC has initiated reforms in the corporate area that correspond to the recommendations from the AADCP II-supported Corporate Development Scoping Study (CDSS). In the Human Resources area, an Assistant Director had been assigned to lead the effort to enhance HR practice in ASEAN, which includes the HR policy (ASSR) review that had been conducted, and the planned salary review and assessment of staff development needs. The HR division has been restructured to accommodate these initiatives. AADCP II is providing funding for two new positions designed to implement activities in the area of staff development, and will provide other support as required. This initial work will focus on work force planning and staff development, built around a revitalized staff performance appraisal system.

ASEC is also driving reform in the financial management area. Efforts to implement the International Public Sector Accounting Standards (IPSAS) in ASEC are currently underway through AADCP II support. AADCP II provides funding for one position in the Finance and Budget Divisions to support the reform, and one position in the Legal Services and Agreements Division. These two positions have been considered crucial in supporting the Divisions' day-to-day business operation.

ASEC has also exhibited commitment to strengthening the ASEC project management framework, based on the AADCP II supported project. A task force was established to oversee implementation of recommendations. The task force had tackled the stage one recommendations of the report, and endorsed implementation of nine of the ten recommendations. The task force had agreed on the revision of several project templates/proforma and mechanisms to improve project appraisal and approval processes. It will continue to deliberate and decide on implementation of other actions included in the recommendations.

AEC Monitoring & Evaluation: A number of activities aimed to strengthen ASEC capacity in monitoring and promoting ASEAN progress towards the AEC have been initiated in 2012. These activities address various aspects of the capacity strengthening effort, from increasing the knowledge-base to improving tools and mechanisms.

An AEC symposium was held on 19 September 2012. The symposium, themed "ASEAN Economic Community by 2015: Private Sector Perspectives" brought together over 200 participants from public and private sectors, ASEAN Dialogue Partners, donors and development agencies, academia, civil society organizations and media, with the aim of increasing awareness and participation of the private sector in specific ASEAN initiatives. The symposium was the first of a series of three, to be held annually, supported by AADCP II. This year's topics includes: the ASEAN Open Skies; ASEAN Single Window; ASEAN Comprehensive Investment Area (ACIA); and Finance Integration. Next year's topic will be determined to ensure that the event captures the latest trends and issues of ASEAN.

A series of activities was initiated in 2012 to support monitoring of the ASEAN integration. Following the conduct of consultative meetings, the results of the updating of the ASEAN Community Progress Monitoring System (ACPMS) will be published and disseminated in early 2013, towards the adoption of the ACPMS as the overall ASEAN community monitoring framework by the end of 2013. 1000 copies of the ASEAN Brief, and 500 copies of the ACPMS full report will be made available before July 2013. Through collaboration between AIMO and the World Bank, a draft ASEAN Integration Monitoring

Report (AIMR) was ready for review by December 2012 and will be published in the first quarter of the following year. In 2013, they will be releasing the ASEAN-WB Services Regional Integration Report. A World Integrated Trade Solutions (WITS) training will be conducted to allow ASEC staff and representatives from AMS access to major international trade, tariffs and non-tariff data compilations and familiarise them with its various functions including the one on trade simulation which helps estimate the effects of tariff reductions.

The Services Trade Restrictiveness Index (STRI) Survey which which has been initiated in 2012 will be concluded and the data disseminated in 2013. AADCP II will continue to support these activities, and provide funding support to the head of AIMO and a Senior Economist who has provided assistance to the development of the Integration Reports as well as other AEC initiatives.

4.3.2 Other Results

Investment: 3000 pamphlets about the ACIA have been printed and disseminated through various investment-related events. A draft ACIA guidebook is currently being reviewed for publication by early 2013. This will be presented during the ASEAN Promotion Forum on ACIA and the ASEAN Seminar for Investment Promotion Agencies. The ASEAN Investment Report 2011-2012 is under preparation with technical assistance from UNCTAD. An Investment trends and prospects report is also currently available and has been disseminated through the AADCP II website. These publications are aimed to increase 'policy-makers' awareness of the ASEAN agreement, as well as the latest trends, issues and opportunities for investment in ASEAN. In 2013, a website portal for ASEAN investment, containing practical information for potential investors as well as ASEAN investment boards/agencies, will be launched by ASEC to attract investment into ASEAN.

Narrowing the Development Gap (NDG): A book titled *Narrowing the Development Gap in ASEAN* has been developed to serve as a source of timely and clear analysis on key strategic NDG issues with practical policy recommendations. The book is currently being prepared for publication. Once published, 5,000 copies will be distributed to ASEAN policy makers and advisors, and 1,000 copies will be sold publicly by Routledge. Four draft policy briefs linked to the book are also now available for review; 300 copies of each will be printed and disseminated. One specific policy brief supports the Master Plan for ASEAN Connectivity (MPAC) implementation by addressing ASEAN Connectivity as a way to narrow the development gap. A mid-term review of the IAI Work Plan II was just approved by JPRC – to ensure that the IAI Work Plan stays relevant to the needs of the Cambodia-Laos-Myanmar-Vietnam (CLMV) countries, to ensure that strategic actions are prioritised to answer those needs.

Agriculture: A draft Good Agricultural Practices (GAP) needs assessment report will be completed in December, as the first step towards crafting an operational plan for each AMS [particularly in the CLM countries] in 2013, to develop, implement and enhance their national strategies for GAP implementation. At the same time, draft guidelines for Measurement, Reporting and Verification (MRV) system development & establishment of Reference Emission Level (REL) for REDD+ was also available in December, and will be finalised early 2013. The guidelines will be proposed for adoption and endorsement as the regional reference for REDD+ programs in AMS by the last quarter of 2013. Adoption by AMS is voluntary.

Regulatory reform: A symposium was held on 23 July in Manila, Philippines as part of a larger initiative to develop the ASEAN regulatory reform program. The symposium

brought together speakers and experts from Australia, Philippines, Thailand, World Bank and the Organisation for Economic Cooperation and Development (OECD) to explore best practices and lessons learned in regulatory reform as input for a possible ASEAN reform program.   There were around 100 participants from the relevant public sector (e.g., foreign affairs, trade and commerce, economic planning, public works, transport, finance, aeronautics, ports authority, customs and foreign economic relation and private sector (Logistics companies, academic institutions, chambers of commerce and consulting firms in ASEAN). The framework and work plan for ASEAN Regulatory Reform will be developed next.

4.3.3 Table Summary of Results

KEY RESULTS	EXPECTED OUTCOMES	ACCOMPLISHED OUTPUTS 2012	EXPECTED OUTPUTS 2013

Mobility of Tourism Professionals	When implemented, the MRA of Tourism Professionals will allow tourism professionals to reach a standardised level of competency, and be certified to work anywhere across the region.
	
	AADCP outcomes:
	By end of 2014, a regional mechanism and/or infrastructure is in place to facilitate and oversee the implementation of the MRA on Tourism Professionals and support the work of the ASEAN Tourism Professional Monitoring Committee.
	
	By end of 2018, each AMS have appropriate numbers of trainers and assessors, equipped with standardised sets of tools to train and certify ASEAN-qualified tourism professionals.
	
	Note: The number of trainers and assessors seen as 'appropriate' will vary from country to country according to a range of variables [prevalence of tourism, government priorities, resources available, etc]
		• Toolboxes for the Housekeeping and priority tourism labour completed
		• 27 Master Trainers and 30 Master Assessors have been trained on the use of the toolboxes. The Master Trainers and Master Assessors are expected to provide multiplier trainings to establish a pool of trainers and assessors in the AMS
			• Toolboxes for the Front Office, Food and Beverage, and Food Production division
			• Feasibility study for establishing a Regional Secretariat completed
			• Gap analysis study on the implementation of the MRA completed.
			• Proposed new activities:
			  ○ Development of toolboxes for Travel Agency and Tour Operation divisions
			  ○ Development of the ASEAN Tourism Professional Registration System (ATPRS)
			  ○ Capacity building for government, education institution and private sectors
			  ○ Awareness-raising effort through a symposium for MRA on Tourism Professionals.

KEY RESULTS	EXPECTED OUTCOMES	ACCOMPLISHED OUTPUTS 2012	EXPECTED OUTPUTS 2013
AEC Monitoring and Evaluation	An increase in available knowledge on, and awareness about, key elements of economic integration, across different sectors of AMS societies. A set of appropriate tools for assessing progress in: • AEC integration; • ASEAN Community Progress; and • ASEAN Connectivity.	• First symposium held on 19 September 2012 , themed "ASEAN Economic Community by 2015: Private Sector Perspectives", attended by around 200 participants • Draft ASEAN Integration Monitoring Report currently being reviewed • Funding support provided to AIMO Director and 1 Senior Economist	• 2nd AEC Symposium to be conducted in Q3 of 2013 • ASEAN-WB Services Regional Integration Report published • Services Trade Restrictiveness Index (STRI) Survey data disseminated • WITS training conducted • 1000 copies of ASEAN Brief on ASEAN Community Progress Monitoring System (ACPMS) disseminated • 500 copies of ASEAN Community Progress Monitoring System (ACPMS) report disseminated
ASEC Institutional Strengthening	Increased effectiveness of ASEC planning and implementation of organisational development and learning related to Organisational Strategic Planning, Human Resource Management & Development, Financial Management, Legal Services and Project Management.	• Study on Strengthening Project Management Framework in ASEC completed • IPSAS system currently being developed • Funding support provided to 2 staff in Human Resources division, 1 staff in Finance & Budget division, 1 staff in Legal Service and Agreement division	• IPSAS system implemented • Further support provided to Corporate Affairs Directorate as required

OTHER RESULTS	ACCOMPLISHED OUTPUTS 2012	EXPECTED OUTPUTS 2013
Investment	• Investment trends and prospects report • 3000 pamphlets of ACIA printed and disseminated . • Draft ACIA guidebook (currently being reviewed) • Draft ASEAN Investment Report 2011-2012 (currently being reviewed)	• ASEAN investment web portal launched • ASEAN Investment Report published • ACIA guidebook published • ACIA Forum • Outsourcing opportunities completed
Narrowing the Development Gap	• Draft Narrowing the Development Gap in ASEAN" book (currently being reviewed) • Draft policy papers (4 papers under review)	• 6.000 copies of "Narrowing the Development Gap in ASEAN" book disseminated (1,000 copies to be commercially sold)

		• Policy papers finalised & disseminated • Mid Term Review of the IAI Work Plan II completed
Agriculture & Natural Resources Management	• Draft ASEAN GAP needs assessment report • Draft guidelines for MRV system development & REL estabslishment for REDD+	• ASEAN GAP needs assessment report finalised • ASEAN Operational Guidelines developed • Guidelines for MPV system development & REL estabslishment for REDD+ finalized and endorsed
Regulatory Reform	Summary of Proceedings & Recommendations on the Regulatory Reform Symposium held on 23 July 2012 in Manila, Philippines.	Development of a scoping paper, diagnostic toolkit & general paper on Regulatory Reform in ASEAN Development of regulatory reform frameworks & multi-year programs in chosen sectors/areas.

5. CONCLUSIONS & RECOMMENDATIONS

AADCP II is a well managed program that has emerged from a prolonged start-up phase in which it initially struggled to find a clear path forwards. It now has a clear strategy, based solidly on ASEAN priorities, and is gathering the momentum required to move forward as a mature program of development assistance. It is very well aligned to both ASEAN and AusAID policies and objectives and the partnership approach it has taken is highly relevant. It has well established systems and procedures in place, sound relationships between the joint co-managers [ASEC and AusAID], and a range of quality assurance tools that ensure funded activities have the best opportunity to make significant contributions to ASEAN outcomes.

It will be important that the momentum that has been gained, through considerable hard work by all stakeholders, is not stalled or lost. Changes within the AADCP II team in the future will need to be handled carefully and care must be taken to find candidates with the right skills, knowledge and sensibilities for working in such a complex environment. The program also needs assurance of a steady provision of funding over the coming years to allow it to continue to plan effectively into the future. The length of time taken in complex regional programs to set up projects means that they tend to be less flexible from a planning point of view, making them vulnerable to unforeseen funding increases or decreases.

The program is managing both risks and challenges well at present and there are few recommendations to be made. The three that are made relate to personnel in the program.

Recommendation 1: It was always known that the ASEC staff positions funded by AADCP II were not going to be funded for the full life of the program. Although not written into the program design as such, there has always been a tacit understanding that, if these positions proved useful to ASEC, it would find ways to fund the positions from its own resources. Whether that is the case or not, the coming year would be a good time for the program to review these positions and make decisions about whether it will continue funding them or not, well before each contract expires.

Recommendation 2: The contract with the current M&E Adviser terminates following the completion of the 2012 Annual Review. After a number of discussions it is recommended that the program continue to undertake annual reviews and that it engages an external person to assist in this undertaking. The rationale for this is as follows:

- It forms a key aspect of the Performance Assessment methodology;
- It is useful to have an outside perspective when reviewing the program;
- The annual review provides useful input to both the development of the RPP and reporting at the March JPRC;
- ASEC staff are willing to be reasonably frank and provide fresh feedback and insight provided the right person is chosen for the position;
- An external adviser is seen as being more independent;
- An external adviser can provide skills that don't necessarily exist on the team.

The annual reviews do not have to be extensive or costly exercises. In looking for a suitable consultant to undertake these tasks, besides having sound M&E skills, the most important attribute is finding somebody with a depth of understanding of the ASEAN context, and sensitivity to the program context. It may well be that such a person is already engaged on other regional programs or AusAID bilateral programs with Indonesia. The adviser could also provide back-up to AADCP II staff by providing an M&E help-desk function.

Recommendation 3: It is recommended that the AADCP II and AECSP programs continue to seek ways in which the resources of the two programs might be shared, thereby increasing efficiency and flexibility for both programs.

Annex 1: 2012 Annual Review Terms of Reference

Background

1. Two annual reviews of AADCP II were undertaken at this stage. The first annual review was conducted in 2010 and focused on the question of whether or not the foundations of the program (including relationships and processes) have been effectively established. The second annual review which was conducted in 2011 captured the evolution of the program since its inception and program performance, specifically in relation to partnership management and arrangements. Both reviews were undertaken by the same consultant and the findings was used to inform the JPRC (Joint Planning and Review Committee) meeting, AusAID's Annual Program Performance Report (APPR) and Quality at Implementation (QAI) process and to improve program implementation.

2. In addition to the two annual reviews, the Independent Progress Report (IPR) equivalent to a mid-term review for AADCP II was conducted in April 2012. The IPR assessed program performance addressing key criterion namely relevance, effectiveness, efficiency, sustainability, M&E and cross cutting issues. A key IPR recommendation was to operationalize Monitoring, Evaluation and Learning arrangements at outcome level. Another key recommendation is to extend the program duration to no later than December 2019 (to allow time for the program to spend the full $66.7 million).

3. Thirty five activities have been completed or are ongoing in the areas of corporate development, services, investment, agriculture, monitoring and evaluation, logistics, narrowing the development gap and consumer protection. Whilst output level monitoring evaluation was developed some time ago, the program is now finalising an outcome-focused Performance Assessment Framework – to be in place by December 2012.

Objective

4. The objectives of the 2012 AADCP II Annual Review are to:

   a) Assess performance of AADCP II against the QAI criteria of relevance, effectiveness, efficiency, monitoring and evaluation, sustainability, gender equality, cross cutting issues, risk assessments, current issues and key results.

   b) Finalise the draft Performance Assessment Framework (PAF), including a PAF matrix describing AADCP II projects' intended intermediate and long-term outcomes.

   c) Assess progress of AADCP II projects in contributing towards intended outcomes in institutional strengthening and establishment of AEC, in accordance to the PAF matrix.

   d) Refine existing project clusters and identify additional cluster(s) according to the cluster approach described in PAF.

5. The review will not examine partnership approach used in this program. The partnership approach is not one of the expected outcomes but is an aid delivery modality. It is considered more useful to assess the partnership approach in the mid- term or end of program review rather than annually. The IPR conducted this year already reviewed the partnership delivery modality used by the program.

Outputs

6. The expected outputs from the review are:
    1) Aide Memoire (optional)

    2) Annual report that provides a more elaborated explanation of the QAI

    3) 2012-13 "QAI update" following on from the August 2012 QAI.

    4) Performance Assessment Framework (PAF) finalised, specifically the PAF matrix finalised and populated with information on progress towards outcomes.

    5) 4-5 page summary of outcome achievements intended for circulation amongst JPRC, that consists of:
        a. Key results, describing key accomplishments and progress towards outcomes in the PAF's project cluster area/sector.
        b. Other results, describing key accomplishments of individual projects
        c. Success stories
        d. Lessons learned and Best Practices

Timing and Duration

7. The review will take place from 2ndweek of November to 1stweek of January 2013. It will require up to 18 days. The following phases are required:

Task	Indicative Timing	Location	Input	Output
Review Plan	14-16November	Australia	Up to 2 days	Review methodology and plan submitted to AusAID by 16 Nov 2012
Preparation and Desk Review	21 – 23 November	Australia	Up to 3 days	Draft outline for the review
Annual review meetings	25 -2 December	Jakarta	Up to 8 days (including travel and depending on availability of ASEAN and ASEC officials)	Discussions with relevant stakeholders including personnel from ASEAN, ASEC and AusAID, collect relevant data, prepare and present the Aide Memoire presentation TO AADCP II and AusAID
Draft report preparation	4 December - 11 December	Australia	Up to 3 days	Draft Report by 11 December including completed Performance Assessment Matrix
AusAID feedback	12 – 14 December	Jakarta		Comments provided by 14 December
Finalisation of annual report plus completed PAF	17 December - 7 January 2013	Australia	Up to 2 days	Final annual report to AusAID by 7 January 2013