

INDEPENDENT REVIEW AADCP II

ASEAN Australia Development Cooperation Program II (AADCP II) Independent Review Report (IRR)

INDEPENDENT REVIEW REPORT

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(The views in this report reflect the findings of the independent evaluation team. They do not necessarily reflect the views of the various AADCP II stakeholders or DFAT.)

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Activity Summary

Aid Activity Name	AADCP II		
Commencement date	June 2009	Completion date	December 2021
Total Australian \$	\$57.0 million		
Total other			
Delivery organization	ASEAN Secretariat		
Implementing Partners	ASEAN Secretariat		
Country/Region	ASEAN		
Primary Sector	ECONOMIC INFRASTRUCTURE & SERVICES		

Acknowledgments

1. The mission held consultations with government agencies, development partners, and stakeholders from selected subprojects. Their support to the mission is much appreciated. A list of agencies and persons consulted is included in Appendix A.
2. The mission appreciates the support provided by the DFAT Mission and AADCP II officers in Jakarta, and the open and productive discussions with key stakeholders consulted during and following the visit.
3. The views in this report reflect the findings of the independent evaluation team. They do not necessarily reflect the views of the various stakeholders.

Author's Details

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ACRONYMS

AADCP II	ASEAN Australia Development Cooperation Program II
AANZFTA	ASEAN-Australia-New Zealand Free Trade Area
ACCC	Australian Competition and Consumer Commission
ACIAR	Australian Centre for International Agricultural Research
AEC	ASEAN Economic Community
AECSP	AANZFTA Economic Cooperation Support Program.
AFPWP	Australia Foreign Policy White Paper
AIP	(DFAT) Aid Investment Plan
AMS	ASEAN Member States
ASEAN	Association of Southeast Asian Nations
ASEC	ASEAN Secretariat
CLMV	Cambodia, Lao PDR, Myanmar, Viet Nam
DFAT	(Australian) Department of Foreign Affairs and Trade
DoA	(Australian) Department of Agriculture
EERD	(ASEC's) External Economic Relations Division
FTA	Free Trade Agreement
GESI	Gender and social inclusion
HOM	Head of Mission
IAI	Initiative for ASEAN Integration
JPRC	Joint Planning and Review Committee
LIB-SI	Lead Implementing Body for Sustainable Infrastructure
M&E	Monitoring and Evaluation
MPAC	Master Plan on ASEAN Connectivity
MSME	Micro, Small and Medium size Enterprises
NTM	Non-Tariff Measure
PCPMD	Program Cooperation & Project Management Division
PMT	Program Management Team
PPMSU	Program Planning and Monitoring Support Unit
RCEP	Regional Comprehensive Economic Partnership
SB	(ASEAN) Sectoral Bodies
SEOM	Senior Economic Officials Meeting
WG	(ASEAN) Working Groups
WoG	Whole of Government

Executive Summary

1. The purposes of this review are to: (i) enhance and better explain AADCP II performance and accountabilities; (ii) strengthen knowledge of the context in which AADCP II operates, and the opportunities and challenges presented within this context; and (iii) provide forward-looking recommendations for the re-design of a new phase of the program.
2. While it is important to remain cognizant of the ultimate outcomes of development programs, quantifying the development outcomes of institutional reform and development support is difficult. The nature of AADCP II support makes it especially difficult to directly link AADCP II support to improvements in targeted beneficiaries in ASEAN member states (AMS). This review only attempts to identify selected examples of plausible links to national level impacts.
3. The team found that AADCP II is:
 - a. **Relevant** to the implementation of both (i) the ASEAN Economic Community (AEC); and (ii) the Australian Foreign Policy White Paper (AFPWP). The ASEC led prioritization process (in consultation with Australia) has ensured the strong relevance to AEC implementation. The flexible design and close links with evolving AEC needs and ensured close relevance with AFPWP priorities which included a strong focus on regional economic cooperation. The recent increase in allocations to connectivity is viewed as highly relevant to both ASEAN and Australia.
 - b. **Effective.** Progress is being made towards the realization of (i) the original component objectives; and (ii) the revised key results area targeted with AADCP II support. AADCP II contributions to the proposed “end of program objective” of deepening strategic partnerships between ASEAN and Australia is particularly apparent, and there are also indications of progress towards the targeted end of program outcome of “ASEAN’s capacity to implement its economic integration policies and priorities, in line with the AEC Blueprint”. Given limited data on links to national level policy actions, it is not possible to confirm the program is contributing to the goals of ASEAN economic growth and poverty reduction and/or inclusive growth, but the original program design logic remains valid.
 - c. **Efficient.** ASEC execution of program implementation has been efficient in the use of Australian resources, with Australian overheads amounting to less than half that originally budgeted. While fragmentation and delays undermined the efficiency of some individual projects, most resources were directed to generally effective and efficient interventions. Project level efficiency has improved over time with a shift to more programmatic approaches as demonstrated, for example, in support provided for connectivity and IAI.
 - d. **Partnerships.** Overall, the AADCP II partnership approach demonstrates value for money. Working through ASEC systems has reinforced a strong AADCP II brand recognition within ASEAN. The committed partnership and trust between the two

- stakeholders allow them to collaborate on areas of mutual interest and address program risks and sensitive issues effectively.
- e. **Monitoring and evaluation (M&E).** The current program logic provides a good representation of AADCP II's model including the facility approach it takes. The existing M&E framework is pragmatic and should continue in its current form. The review team makes some minor suggestions to strengthen data collection and reporting of the more informal data and emergent outcomes of the program.
 - f. **Gender.** The program has found it challenging to meaningfully incorporate gender and social inclusion (GESI) aspects into its work owing to the demand-driven approach. Under ASEAN's structure, gender falls under the socio-cultural pillar, which is not the target of AADCP II support. AADCP II should continue to source on-demand gender advice and hold discussions with the AEC, Connectivity and IAI teams to progress work on GESI. Further, given Australia's and ASEAN's longstanding partnership, the ASEAN Mission should continue to advocate the importance of GESI to ASEAN particularly through its current portfolio of work with Australia and any future project proposals.
4. The team identified the following characteristics that allow AADCP II to add particular value to efforts to strengthen ASEC capacity to support regional economic integration:
 - a. The degree to which AADCP II is embedded into ASEC operations and planning processes.
 - b. The program is seen as an ASEAN-Australian partnership targeted at achieving shared priorities related to implementation of regional economic integration.
 - c. The extent to which ASEC is driving the planning, prioritisation and implementation of projects with DFAT support and engagement.
 - d. The high degree of program visibility within ASEC and ASEAN, and the benefits that this provides in terms of Australian-ASEAN engagement.
 - e. The extent to which the program has been able to promote cross-pillar collaboration within ASEC (e.g. under the connectivity program).
 5. Some stakeholders suggested that more systematic engagement could help improve the quality of proposal designs and outcomes and help ensure that Australian perspectives were reflected in policy and institutional studies. Possible initiatives to promote greater WOG engagement under existing and future support include:
 - a. Develop mechanisms for more systematic use of flexible funds to help fund and/or develop Australian led initiatives directly linked to established ASEAN priorities.
 - b. Develop sector specific strategies for Australian WOG engagement within the ASEAN region, building on the [Plan of Action to Implement the ASEAN-Australian Strategic Partnership \(2020-2024\)](#) to identify ASEAN priority needs that matched with Australian comparative strengths and identify what Australian development assistance program was most appropriate for addressing these priorities.

- c. Link core AADCP II support to targets specified in both the Australian and ASEAN strategic plans and undertake annual joint (ASEAN, DFAT, WOG partner) monitoring of progress towards targeted outcomes.
6. For the ongoing project, the team recommends that:
- i. **Sustain momentum**
 - DFAT should work with the PMT and ASEC to minimise disruption to the strong partnerships and momentum in the transition to follow-up support.
 - PMT to continue engaging with ASEC officials to assess needs to develop project proposals
 - ii. **Gender and social inclusion (GESI)**
 - DFAT to provide additional flexible/discretionary funding to recruit a short-term gender expert to identify champions and entry points for gender. Consideration could also be given to undertake an analysis of the gender impacts of selected AADCP II projects and to provide guidance on proposal development.
 - AADCP II and DFAT should continue to engage GESI expertise to identify ways to better integrate GESI into its current portfolio of work.
 - iii. **Communications.**
 - AADCP II and DFAT should reinforce communication efforts (internal and external) to meet the needs of different audiences to better show how AADCP II advances Australia's and ASEAN's shared interests.
 - iv. **M&E.**
 - PPMSU should explore lessons from MPAC and IAI experiences to design support to strengthen ASEC M&E systems. Prepare case studies of plausible causal links between AADCP II supported activities, strengthened ASEC capacity, and AEC blueprint implementation in order to clarify the potential value of efforts to strengthen the ASEC.
 - The AADCP II program team should continue to respond to the increased interest in M&E from ASEC. Lessons learned from directly supporting the M&E and IAI may provide useful lessons in this regard.
 - v. **Project design and implementation.**
 - The PMT and the AADCP II program team should work with ASEC to clarify roles and responsibilities of the team and ASEAN in proposal development and project implementation.
 - DFAT and PMT should continue to try to reduce the numbers of ad hoc projects to: (i) reduce the time spent by processing and overseeing requests for small ad hoc activities, and; (ii) facilitate reporting on project results and better communications of results.

7. The team provides the following recommendations for planning any follow-up support:

i. **Build on success.**

- **DFAT and the design team** should continue with, but look to improve on, the existing well-regarded partnership model. Try to sustain recent momentum.

ii. **Greater flexibility in responding to emerging needs**

- **DFAT** should review options for a flexible funding facility (possibly to support a portfolio of regional programs) to provide greater flexibility to support the development of higher quality proposals, to flesh out potential opportunities for more substantive support, and/or to address cross-cutting concerns.
- **Design team** should explore ways to promote programmatic approaches, while retaining flexibility to respond to ad hoc needs.
- **DFAT and the design team** should explore options for improved harmonisation and coherence between Australia's regional and bilateral programs in the region. The new design should complement other regional DFAT programs currently under design/re-design.
- **Design team (and ASEC)** should consider more flexibility in targeting regional development gaps (including support for the IAI).

iii. **Consider sector wide approaches to Australian support for ASEAN**

- **DFAT** should consider sector wide approach (in a limited number of priority sectors) to planning Australian support for ASEAN and identify the most appropriate interventions to realize targeted outcomes.

iv. **Gender and social inclusion (GESI)**

- **DFAT** should include a GESI expert in the design team. **DFAT, ASEC and the design team** could explore options to ensure more attention is given to more systematically incorporating GESI as a cross-cutting (and cross-pillar) issue.

v. **Monitoring and evaluation**

- **DFAT ASEC and the design team** should explore avenues for leveraging ASEC's increasing interest in M&E of outcomes and impacts and consider the value of providing additional M&E resources within the program.

vi. **Communications**

- **DFAT and the design team** should consider the need for a communication strategy and provision for communications services in any follow-up support.

vii. **Broader stakeholder engagement**

- **DFAT and the design team** should consider options to develop strategies for more direct engagement with business, worker and other civil society representative to better understand and address some of the practical bottlenecks and concerns regarding increased economic integration.

Introduction

Background

1. The ASEAN-Australia Development Cooperation Program Phase II (AADCP II) is an AUD57 million partnership between Australia and ASEAN, implemented by the ASEAN Secretariat (ASEC), supporting the ASEAN Economic Community (AEC). It builds on AADCP I (ended in 2008). AADCP II was signed June 2009 and will end (with an extension) in December 2021. The “overall objective is to support ASEAN to implement its economic integration policies and priorities, in line with the ASEAN Economic Community (AEC) blueprint”¹.
2. The Program design document defined the program’s goal as to promote (ASEAN) “economic growth and poverty reduction”, and its purpose as to “effectively contribute to the establishment of an ASEAN Economic Community (AEC)”². Program components are intended:
 - a. To strengthen ASEC’s institutional capacity to effectively implement its mandate” (i.e., to facilitate and support ASEAN integration and community building efforts) (Component 1: indicative allocation \$8 million).
 - b. To provide timely and high-quality economic research and policy advice on priority regional economic integration issues (Component 2a: \$10 million).
 - c. To support regional mechanisms/capacity for implementation of selected AEC Blueprint activities at the national level (Component 2b: \$17 million).
3. Following a 2014 Independent Review recommendation, the Program organised its reporting around the following four result areas:
 - a. A better knowledge and evidence base exist for regional policy making and regulation for AEC.
 - b. Appropriate norms and standards are established for AEC to progress.
 - c. Stakeholders are better aware of the concepts, benefits and opportunities involved in AEC.
 - d. ASEC better able to support AEC process.
4. The purposes of this review are to:
 - a. Enhance and better explain AADCP II performance and accountabilities,
 - b. Strengthen knowledge of the context in which AADCP II operates, and the opportunities and challenges presented within this context,
 - c. Provide forward-looking recommendations for the re-design of a new phase of the program, and;

¹ AADCP II Cooperation Agreement (2 June 2009); Article 8.

² AADCP II 2008. Program Design Document, p.23 (attached to the Cooperation Agreement)

- d. Provide more detailed case studies of the AADCP II partnership model and of the AADCP M&E Framework.

Review Methodology

5. The team conducted semi-structured consultations with key program stakeholders directly involved in program implementation. A list of persons consulted is attached as Appendix 2. A one-day reflective workshop with the AADCP II team helped to gather feedback on program implementation issues. The team prepared an aide memoire and circulated it to DFAT for feedback prior to drafting the main report.
6. The review team considered the following key evaluation questions:
 - a. How relevant is the approach and pipeline of AADCP II relative to ASEAN Economic Blueprint and the Australian Foreign Policy White Paper?
 - b. Has AADCP II been effective in achieving its stated outcomes?
 - c. Has AADCP II been efficient in its use of resources?
 - d. Does the AADCP II partnership approach demonstrate value for money? How?
 - e. Is the AADCP II partnership approach with ASEAN a sustainable mechanism?
 - f. Has AADCP II been able to address gender and socially inclusive issues within the ASEAN Secretariat / pipeline of work?
 - g. What lessons and recommendations are able to be drawn for (i) AADCP II's remaining timeframe and (ii) AADCP II's successor program?
7. A key methodological challenge was to try to provide credible evidence of differences in ASEC outcomes "with AADCP II support" compared with a "without-AADCP II support" scenario. The review aims to provide a qualitative assessment of the key question of what AADCP II added to ASEAN regional economic integration process from the outputs and outcomes produced using AADCP support.

Findings and Analysis

Relevance.

The AADCP II approach and pipeline is relevant to both the ASEAN Economic Blueprint and the Australian Foreign Policy White Paper.

Relevance to the ASEAN Economic Community (AEC) Blueprint

8. ASEAN defines the aspirations of the ASEAN Economic Community Blueprint as: "The AEC Blueprint will transform ASEAN into a single market and production base, a highly competitive economic region, a region of equitable economic development, and a region fully integrated into the global economy"³. Key stakeholders (including both

³ Article 1 of the AEC Blueprint. <https://asean.org/wp-content/uploads/archive/5187-10.pdf>

ASEC staff and ASEAN permanent missions in Jakarta (members of the Joint Planning and Review Committee (JPRC)) confirmed that both the design and implementation of AADCP II has been directly linked to implementation of key elements of the ASEAN AEC Blueprint. Discussants noted that the support was highly relevant both in terms of the targeted areas and the nature of the support which has helped both in building understanding of the issues, and in developing the capacity and evidence base to address the issues.

9. ASEAN permanent missions in Jakarta highlighted the particular relevance that they see in being directly engaged in decision making regarding the individual projects that AADCP II funds, and in the ongoing oversight of these projects. They emphasized that they see their direct involvement in the governance of AADCP II as a unique model of development cooperation that contributes to a program that is directly relevant to ASEAN needs and priorities for regional economic integration.
10. ASEC staff emphasized that AADCP II is recipient-driven and linked to ASEC economic integration related work priorities. Requests for support must come from ASEC, but proposals are increasingly developed in informal consultations with Australian (and other international) experts.⁴ ASEC staff remarked on the extent to which AADCP II has supported priority (and sometimes sensitive) ASEC activities supporting economic integration as identified in sector work plans. Similar views were expressed by AADCP II personnel and other outsiders working with the ASEC Secretariat.
11. In some areas (e.g. connectivity, including telecommunications, power, and reducing regional development gaps), ASEC and DFAT discussants report that AADCP II studies are contributing to ongoing planning, evaluations and, thus, the future direction of ASEAN economic cooperation, another important indicator of relevance. Strong relevance (and ownership) is reflected in the high-level feedback provided by ASEC, SEOMs, and ASEAN ministerial meetings on selected AADCP II supported outputs. It is also often reflected in generally strong ASEC commitment to successful and timely implementation of many, but not all, AADCP II projects⁵.
12. Some ASEC staff noted that -- provided current levels of ASEC ownership could be maintained -- relevance could be enhanced if AADCP II had a mechanism to help ASEC develop quality and timely proposals, and respond more quickly, to address emerging needs that could not be addressed under already approved projects.

Relevance to the Australian Foreign Policy White Paper (AFPWP)

13. The AFPWP (p.43) notes that ASEAN's success has helped support regional security and prosperity for 50 years. In 2016, Australia's trade with ASEAN countries was greater

⁴ E.g. the Australian Department of Agriculture and the International Energy Agency have been involved to varying degrees in advising on the development of proposals.

⁵ E.g., Three AADCP II initiatives (MPAC, IAI Work Plan III, and the Feasibility Study on Multilateral Power Trade) were highlighted as examples of areas of significant progress in the Chair's Statement following the 35th ASEAN Summit in November 2019. <https://asean.org/storage/2019/11/Chairs-Statement-of-the-35th-ASEAN-Summit-FINAL.pdf>

than with our second-largest bilateral trading partner, the United States⁶. The AFPWP further notes the need to engage with regional institutions, including to “support the development of the ASEAN Economic Community” via “*initiatives on services, investment, competition policy and intellectual property*”.⁷ It also states that “As competition for influence in Southeast Asia sharpens, the Government will ensure that *Australia remains a leading economic, development and strategic partner for ASEAN and its members*”⁸ ... [and] “*that we are a leading security, economic and development partner for Southeast Asia. We will also reinforce the regional forums that promote economic and security cooperation.... We want an open, outward-looking regional economy strongly connected to global markets... We will promote high quality Australian regulatory models*”.⁹ From the earlier discussion, it is apparent that support that is highly relevant to developing ASEC capacity to implement the AEC (and to promoting a regional, rules based regional economy connected to global markets) must also be relevant to the AFPWP. Thus, AADCP II is relevant to the AFPWP. AADCP II is also self-evidently relevant to implementing DFAT’s Plan of Action to Implement the ASEAN-Australian Strategic Partnership (2020-2024) which calls for continued support for “*ASEAN economic integration and implementation of the AEC Blueprint through the ASEAN-Australia Development Cooperation Program Phase II (AADCP II)*”.¹⁰

14. The DFAT-ASEAN Mission highlighted the strong AADCP II brand recognition, noting that ASEAN often saw Australian support as synonymous with AADCP II support.

Effectiveness

Mostly effective in achieving its originally targeted outcomes and key results areas

15. The team found AADCP II to be generally effective in contributing to its overall objective of helping build ASEAN’s capacity to implement its economic integration policies and priorities, in line with the ASEAN Economic Community (AEC) Blueprint¹¹. ASEC discussants were generally aware of the expected end result of AADCP II support for AEC implementation. Given the continuing validity of the program design assumptions (which are closely linked to the AEC design logic), strengthened capacity are still expected to contribute to the AADCP II goal of promoting ASEAN economic growth and poverty reduction¹². However, and not surprisingly, it is not possible to

⁶ GoA, Foreign Policy White Paper, 2017. (p. 2).

⁷ GoA, Foreign Policy White Paper, 2017. (p. 43).

⁸ GoA, Foreign Policy White Paper, 2017. (p. 38).

⁹ GoA, Foreign Policy White Paper, 2017. (p. 4).

¹⁰ [https://asean.mission.gov.au/files/AESN/Plan of Action to Implement the ASEAN-Australia Strategic Partnership.pdf](https://asean.mission.gov.au/files/AESN/Plan%20of%20Action%20to%20Implement%20the%20ASEAN-Australia%20Strategic%20Partnership.pdf) (see p.8.)

¹¹ AADCP II Cooperation Agreement. 2009, Art. 8.

¹² AADCP II Cooperation Agreement. 2009, pg 23.

verify this with available data, including in particular, the limited data on AADCP II links to, and the impact of AADCP II support on, national-level reform agendas.¹³

16. At an institutional level, senior stakeholders from Australia and ASEAN argued that improvements in capacity can be seen in ASEC and AMS recognition of the improved quality of ongoing outputs produced with AADCP II support (e.g. the ongoing work on connectivity, IAI, investment, and consumer protection). Examples are given in Footnote 5 and Appendix 4 of AADCP II supported studies that were being referred to during high-level regional policy dialogue and planning. And AADCP II supported ASEC level monitoring and evaluation (e.g. on connectivity and IAI) reports suggest that this work is impacting on planning and implementation of development activities in AMS. In other cases, case studies (e.g. of support to consumer protection) show a plausible link between AADCP II and reforms of consumer protection laws and legislation in certain AMS.
17. More recently proposals were made (but not formally approved) to adapt the AADCP II M&E system to focus more on two “end of program outcomes” to which AADCP II will contribute, namely (i) ASEAN decision-makers are more effectively able to support ASEAN integration, (ii) deepening the strategic partnership between Australia and ASEAN.¹⁴ AADCP II contributions to the proposed deepening strategic partnerships between ASEAN and Australia outcome is particularly apparent (see partnership discussion), and there are also indications of progress towards the original economic integration outcome as discussed below.

Progress Towards Originally Targeted Program Component Objectives

18. The project design aimed to strengthen ASEC capacity both via (i) direct capacity building support under Component 1, and (ii) building ASEC capacity to provide timely and high-quality economic research and policy advice and to support regional mechanisms and capacity for the implementation of selected AEC Blueprint activities at the national level (Components 2a and 2b).¹⁵
19. Some 55% of total program resources were allocated to Component 2b and another 20% were directed towards Component 2a. Only about \$2.5 million (or 8% of total resources) were allocated to Component 1, well below that envisaged at program design. The share allocated for economic research and policy is a little more than planned, and the share allocated to overheads is just over half that planned. The share of allocations between components varied greatly over time, with the share allocated to component 2b jumping sharply from FY 2012/13 onwards¹⁶.

¹³ Some DFAT staff argued that the goal had been set too high. One argument for retaining higher level goals is to ensure that program management remain focussed on the end results and not just on immediate outcomes. However, it is important that program managers are not held accountable for implausibly high-level results. If DFAT officials agreed that the original goals were set to high, the goals should be changed during the annual review process.

¹⁴ See Clear Horizon 2017, AADCP II: Review of Monitoring, Evaluation & Learning.

¹⁵ This dual approach to targeting capacity building was clearly described in the Program Design Framework (e.g. p.5.)

¹⁶ As of 31 October 2019, AADCP II support had contributed to the completion of 66 projects, another 17 are being implemented, and another 9 are in the pipeline for approval.

Table 1a: Planned and Actual Expenditure Shares to June 2019 by Component (% of total).

Component	Planned %	Actual %
1. ASEC Institutional Capacity	14.0%	7.7%
2a. Economic Research and Policy	17.5%	20.1%
2b. AEC Implementation	38.6%	55.3%
Overhead (PPMSU costs)	29.8%	16.9%
Total	100.0%	100.0%

Source: Derived from program monitoring data.

Table 1b: Actual Expenditure to Date (by component and year ('000 USD))

Year/Component	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	TOTAL
1. ASEC Institutional Capacity	30	-	1,203	375	168	149	375	108	29	118	2,555
2a. Economic Research and Policy	297	744	672	397	698	897	1,060	264	611	990	6,630
2b. AEC Implementation	-	16	435	1,960	2,427	3,108	3,892	2,186	1,633	2,597	18,255
Overhead (PPMSU costs)	392	658	634	608	469	548	585	483	555	649	5,581
Total	719	1,419	2,943	3,340	3,762	4,702	5,912	3,041	2,827	4,355	33,021
Financial year (July - June) Per cent of total expenditure											
Year/Component	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014	2014-2015	2015-2016	2016-2017	2017-2018	2018-2019	Total
1. ASEC Institutional Capacity	4.2%	0.0%	40.9%	11.2%	4.5%	3.2%	6.3%	3.5%	1.0%	2.7%	7.7%
2a. Economic Research and Policy	41.2%	52.4%	22.8%	11.9%	18.6%	19.1%	17.9%	8.7%	21.6%	22.7%	20.1%
2b. AEC Implementation	0.0%	1.2%	14.8%	58.7%	64.5%	66.1%	65.8%	71.9%	57.8%	59.6%	55.3%
Overhead (PPMSU costs)	54.6%	46.4%	21.5%	18.2%	12.5%	11.7%	9.9%	15.9%	19.6%	14.9%	16.9%
Total	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Derived from program monitoring data.

20. Key indicators of progress towards the originally defined interrelated program component objectives include:

- a. Strengthen ASEC's institutional capacity to facilitate and support ASEAN integration and community building efforts (Component 1). The level of support to this component, and potential impacts, was less than expected due to limited ASEC demand, and the availability of support from other development partners. Nevertheless, progress reports and discussions highlighted several important AADCP II contributions to building ASEC institutional capacity, including support for discrete projects aimed at strengthening ASEC (support for positions in Finance and Legal Services, and the placement of the Knowledge Management (KM) Adviser under the Corporate Director. AADCP II also provides direct support to help ASEC's Program Cooperation & Project Management Division (PCPMD) to clarify their mandate and operational tools. PCPMD play key role in coordinating implementation of AADCP II and other development projects.
- b. ASEC staff noted that AADCP II **Component 2** support also helped build capacity related to planning, implementation and monitoring and implementation of core ASEC responsibilities (especially the support for ASEAN connectivity and IAI). ASEC and ASEAN stakeholders stressed the contributions to ASEC capacity building as a core comparative strength of AADCP II support and emphasized the importance of

the partnership model (including use of ASEC systems at all stages of the project cycle) in building that capacity.

- c. Support movement towards the AEC through the provision of timely and high-quality economic research and policy advice (Component 2a). Key contributions highlighted in review reports and confirmed by discussants included the development of, and agreements on standards in the agriculture and tourism sector to facilitate trade and investment. Other studies such as the annual investment reports are also supporting progress towards AEC via improved information including analysis of key themes related to AEC (most recently the focus was on services in health care¹⁷).
 - d. Support regional mechanisms and capacity for the implementation of selected AEC Blueprint activities at the national level (Component 2b). The AADCP II view was that the focus of this component was regional, not national. Thus, the AADCP II took the view that regional products should reflect national level circumstances and contexts and should be realistic in what can be achieved at that level – but that their focus should be at the whole-of-ASEAN level actions that would facilitate national level reforms. Thus, components 2a and 2b are closely related with many projects contributing to both targeted outcomes.
21. While the AADCP II strategic focus was at the regional level, there are also some indicators of AADCP II national level contributions. Support to the IAI (including support for agriculture standards and post-harvest losses) was the AADCP II activity area most closely linked to national level activities¹⁸. IAI support has helped to better define AEC related priorities in CLMV and this has helped to mobilize resources for IAI and has helped other ASEAN countries to better understand priorities for reducing development gaps. Support for policy research and outreach activities under consumer protection projects contributed to some national level legislative and institutional reforms. And other support to build regional frameworks for connectivity (e.g. the ASEAN power grid and other infrastructure) are likely to facilitate increased and more effective national level investments in infrastructure.

Progress Towards the Four Results Areas

22. Following the recommendations of a 2014 independent review, AADCP II reporting has been organized around the following four result areas:
- a. ***A better knowledge and evidence base exist for regional policy making and regulation for AEC.*** The AADCP II has contributed to an impressive library of new and higher quality studies and reports that are influencing regional policy makers. The key indicators of the influence and quality of these documents are the substantive and favourable references to the studies in regional forums, and in other regional and national policy studies and debate, and feedback from those

¹⁷ <https://asean.org/asean-investment-report-2019-fdi-services-focus-health-care/>

¹⁸ A recent review of the IAI work plan provides evidence of national level impacts of IAI projects.

engaged in, or directly observing, the policy making processes¹⁹. AADCP II contribution to developing ASEC's knowledge and evidence base was widely seen as a key factor in building AADCP II strong reputation and "brand recognition" within ASEAN institutions. The fact that this reputation has developed despite some DFAT concerns that not all AADCP II supported projects were formally "AADCP II branded" suggests that the quality of the AADCP II supported projects matters more than the number of logos printed in terms of building name recognition.

- b. *Appropriate norms and standards are established for AEC to progress.*** The program has contributed to the formulation of standards and norms related to connectivity (including norms related to energy and the digital economy), agriculture and consumer protection. Some discussants noted that in some cases (e.g. agriculture standards) more sustained support was needed to move beyond just agreeing on ASEAN standards to support implementation of standards, including the implementation of higher quality standards needed to access higher value markets beyond the AEC.
- c. *Stakeholders are better aware of the concepts, benefits and opportunities involved in AEC.*** There are some areas (e.g. connectivity and investment) where there are compelling indications that AADCP II has contributed to an increased awareness of AEC amongst a broader group of stakeholders (both as a result of the quality and accessibility of study reports and the nature of consultative workshops that encouraged broad participation and media coverage). Support for activities related to consumer protection and investment studies also helped to raise awareness amongst a broader group of stakeholders on selected issues. On the other hand, key discussants from ASEC and ASEAN argued that more needs to be done to develop the evidence base, and raise awareness, of the potential benefits of AEC related reform initiatives to help build public support to implement regional and national level actions to implement and maximize the benefits from the AEC. And there was only limited direct engagement with the business sector that was envisaged in the program design framework²⁰. More attention should be given to these issues in the design of future proposals, and in the design of any follow-up support".
- d. *ASEC better able to support AEC process.*** Most key discussants highlighted the practical contributions AADCP II has made to building ASEC capacity to engage in a broad range of activities to support the AEC process. The ASEAN Permanent Mission representatives and ASEC staff highlighted AADCP II contributions in this results area. And, in addition to practical learning by doing, AADCP II financed

¹⁹ Ideally, it would be better to track the influence of these studies on specific changes to regional policy. Because the availability of such tracking data is limited, the team has looked for written references to documents in regional forum and interviews with key informants to assess influence.

²⁰ Proposals for AADCP II support to implement an ASEAN Business Sentiment Survey in 2020, and to strengthen business advocacy skills of business associations in CLMV, may help to identify potential areas to strengthen engagement with the business sector. Another proposal for substantive support for MSME development is in the pipeline for approval in 2020.

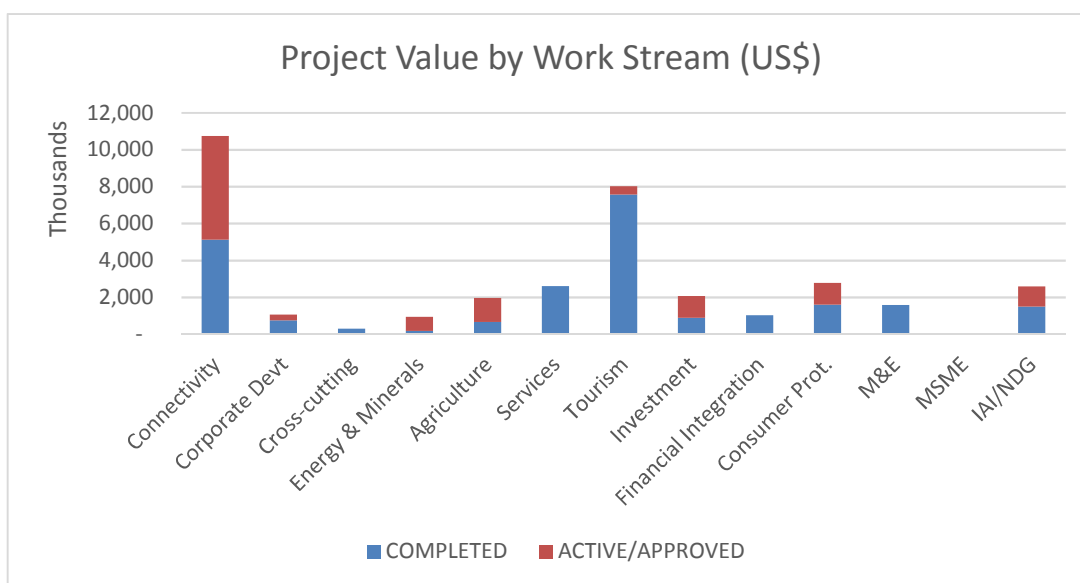
limited additional staff resources to help ASEC implement core tasks related to AADCP II and AEC implementation.

Table 2: Cumulative Program Spending by Results Areas (USD)

Cumulative Project Spending and Forecast (until 15 October 2019) by Key Result Areas				
Key Result Area	Total Project Value	(% of total value)	Completed	Active/Approved
1	20,541,418	57.5%	11,383,900	9,157,518
2	6,218,352	17.4%	4,796,074	1,422,278
3	6,662,169	18.6%	5,470,919	1,191,250
4	2,310,300	6.5%	2,160,300	150,000
Total	35,732,239	100.0%	23,811,193	11,921,046

Source: AADCP II Program monitoring reports (31 October 2019).

23. While individual projects are classified in project monitoring into only a single one of these results areas, most projects are contributing to multiple results areas. The bulk of resources have been classified as targeting: *“better knowledge and evidence base exist for regional policy making and regulation for AEC.”*



24. In terms of work streams, connectivity has absorbed the greatest share of AADCP II resources (30%), and its share is projected to increase further. Tourism has been the second largest recipient (but its share is declining). Other major work streams have included consumer protection, IAI, services and agriculture.

25. Support for connectivity has generated a key breakthrough in helping build ASEC capacity to develop and implement cross-pillar initiatives that address cross-cutting issues in a holistic manner. Progress in strengthening cross-cutting issues has also been achieved with support to IAI. AADCP II success in addressing (and building capacity to address) cross-cutting issues has been facilitated by more medium-term engagement at all stages of the project cycle from strategic planning to monitoring and evaluation, and in supporting implementation of key initiatives (e.g. under IAI). Success in this area

has helped transform ASEC thinking about the value of taking more holistic approaches to development thinking. The value of this support has been reflected in references to these studies in high level regional forums²¹. High level recognition of the value of taking more holistic approaches may provide more opportunities to make the case for addressing other cross-cutting concerns including gender, social inclusion and the environment. It also demonstrates the value of providing more sustained and substantive support for a receptive division. The close partnership with, and substantive support provided by, the World Bank in developing and implementing key connectivity studies has contributed to this success. The design team for any follow-up support should study the experiences and lessons learned from support to connectivity and IAI.

26. Some discussants emphasized the challenge in communicating cross-cutting issues to sector implementing agencies at the national level. For example, while the MPAC is well understood at senior national level planning agency level, there is still a long way to go in terms of building broader awareness in reflecting the agreed priorities in national development strategies and investment plans. A Lead Implementing Body for Sustainable Infrastructure (LIB-SI) representative argued that the level of awareness of MPAC in the Australian-Indonesia bilateral program was also limited. She suggested that consideration should be given to including connectivity (or economic integration) as a cross-cutting theme in all bilateral and regional economic development programs (in the same way gender is being included and is helping build national and regional awareness of the importance of gender issues in infrastructure development).
27. Several ASEC sectoral divisions and other development partners working at ASEC argued that the value added by cross-cutting initiatives such as the MPAC and IAI can be overstated. Some felt that these initiatives diverted attention from more important substantive sectoral initiatives. On the other hand, feedback from high - level forums on the quality of these initiatives has been positive and is reported to have been important in building regional commitments to work together on priority regional issues (e.g., the ASEAN Power Grid).
28. While it is important to be cognizant of the ultimate outcomes of development programs, quantifying the development outcomes of institutional reform and development support is difficult. AADCP II support -- which focusses on building regional level capacity, links and institutions, and Australian-ASEAN relationships -- makes it especially difficult to directly link AADCP II support to improvements in the ultimate beneficiaries of the ASEAN Economic Integration process in ASEAN member

²¹ The MPAC, IAI Work Plan III, and the Feasibility Study on Multilateral Power Trade were all highlighted as examples of areas of significant progress in the Chair's Statement following the 35th ASEAN Summit in November 2019. <https://asean.org/storage/2019/11/Chairs-Statement-of-the-35th-ASEAN-Summit-FINAL.pdf>

states (AMS). This review only attempts to identify selected examples of plausible links to national level impacts²².

Effectiveness- the value of whole of government support

29. **Whole of government (WOG)** approaches to delivering regional support were appreciated by some ASEC partners (notably for consumer protection, but also in agriculture) because of the practical nature of the support that can be provided by expert practitioners with direct experience working on relevant issues²³. The nature of the AADCP II support has made it difficult to systematically mobilize and coordinate whole of government support, because, in principle, priorities are determined by ASEAN through ASEC without the systematic engagement of Australian government agencies in the prioritization, planning and implementation proposal. However, Australian government agencies do engage with ASEC partners on areas of mutual interest. For example, there has been some engagement (e.g. by the Australian Department of Agriculture) to help review and contribute to the quality of funding proposals and study methodologies. Government agencies (such as competition and agriculture and food safety agencies) with clear mandates for regional cooperation tend to have better access to resources to facilitate sustained engagement.
30. Some ASEC and Australian officials suggested that more systematic engagement could be useful both to improve the quality of proposal designs and outcomes, and to help ensure that Australian perspectives were reflected in ongoing work and the recommendations resulting from policy and institutional studies. Possible initiatives suggested to promote greater WOG engagement are outlined below. DFAT and the program team might want to start taking action in these areas under the existing program. For example, AADCP II could begin developing and piloting mechanisms to use flexible funds to help develop proposals and/or to consider gender and social inclusion issues associated with the connectivity agenda.
- a. Develop mechanisms for more systematic use of flexible funds (in addition to funds approved by ASEC) to help fund Australian led initiatives directly linked to ASEAN priorities. These funds could be directly linked to just the follow-up support, and/or be used to help develop other high-quality proposal for ASEC-led initiatives that might be supported by other Australian funded programs.

²² ASEC representatives recognized that they need to be in a position to provide credible evidence of potential national level impacts of sensitive or major initiatives (e.g. the ASEAN Power Grid) to help “sell” the initiatives to national leaders and broader national stakeholders.

²³ For example, the contributions of the Australian Competition and Consumer Commission (ACCC) and Intellectual Property Australia (IP Australia) were highlighted as being directly relevant in the provision of AECSP support. The use of the WOG approaches was more systematic in the case of AECSP as these various agencies directly worked with their ASEAN counterpart in AANZFTA committee meetings, and because key agencies (ACCC and IP Australia) has clear mandates to engage with regional counterparts to facilitate harmonization.

- b. Develop sector specific strategies (and targeted strategic outcomes) for Australian WOG engagement within the ASEAN region²⁴. These strategies should describe all key Australian WOG regional and national initiatives aimed at achieving joint Australia-ASEAN results targets for these sectors. The aim would be to build on the [Plan of Action to Implement the ASEAN-Australian Strategic Partnership \(2020-2024\)](#) to identify ASEAN priority needs that matched with Australian comparative strengths and/or strategic interests in ASEAN and identify what Australian development assistance program (e.g. AADCP II, AECSP, ERIA or bilateral programs) was most appropriate for addressing these priorities²⁵. The plan of action already provides guidance on suggested tools in some areas.
 - c. Link core AADCP II support to targets specified in both the Australian and ASEAN strategic plans and undertake annual joint (ASEAN, DFAT, WOG partner) monitoring of progress towards targeted outcomes.²⁶ Australia could continue to help develop, and monitor implementation of, ASEAN sector strategies and plans.
31. An example of the potential value of a more strategic approach is in the area of consumer protection. ACCC is already cooperating closely with ASEAN to strengthen regional cooperation in competition policy under the under the AECSP supported CLIP initiative. Consumer protection issues might be better addressed under a CLIP like mechanism (rather than the AADCP mechanism) to allow ongoing engagement with an institution like ACCC to facilitate implementation, including the recruitment of appropriate experts and resource persons, and to facilitate peer to peer learning processes. This would require strong ACCC commitment, which might be facilitated by a medium-term strategy.
32. Australia’s ASEAN agriculture counsellor argued for such an approach because of the various Australian government agencies involved in providing agriculture support in ASEAN (including DFAT, DoA and ACIAR). The counsellor said that the department has lacked the staff resources to develop such a strategy but felt that a more coordinated approach would help Australia to better achieve its development and national interests in ASEAN agriculture development. Some priorities outcomes have already been identified in the abovementioned Plan of Action²⁷.
33. The sector wide approaches could be developed in consultation between sector working groups and Australian counterparts in a similar way to which AECSP priorities are identified. This should help ensure greater engagement by sector level technical experts in ASEAN countries and Australia and help promote greater links with national agencies that will need to implement actions. Annual engagements could include a

²⁴ The Australian WOG strategy for engagement in the agriculture sector in Viet Nam was mentioned as a possible model that could be adapted to develop region wide strategies.

²⁵ Part 2 of the [“Plan of Action to Implement the ASEAN-Australia Strategic Partnership \(2015-2019\)”](#) provides a starting point, but more detail to identify the instruments (programs and/or projects) needed to achieve the targets might be useful in guiding the design of future programs and improving coordination between programs.

²⁶ Some flexibility would need to be retained to respond to emerging new ASEAN priorities.

²⁷ A specific targeted action in the “Plan of Action.” is to “Explore support in implementing the ASEAN Mutual Recognition Arrangement for Inspection and Certification Systems on Food Hygiene for Prepared Foodstuff Products”

focus on monitoring and evaluation of agreed sector approaches to promote greater accountability for results.

Effectiveness: communicating evidence to build support for program objectives

34. Securing ASEAN support for regional economic integration related reforms (especially at national and sub-national levels) requires both (i) a strong evidence base of the case for reforms and; (ii) a broad-based awareness of the potential level and distribution of benefits flowing from regional economic integration. AADCP II supported activities aimed at both these needs but was more focused on the first need.
35. AADCP II support for communication and information dissemination has mostly been on a project by project basis. Most projects include workshops and report dissemination as part of the project design. Others (e.g. in agriculture, investment, and consumer protection) have included more targeted outreach programs. AADCP II also targets 1-2 sectors per year for communications products timed for the JPRC meeting and published on the AADCP II website. A stand-alone project supported the production of digital communications products on ASEAN connectivity, which helped raise the regional visibility of this issue. While AADCP II already has a relatively high visibility, the overall program efficiency and effectiveness might be enhanced by a more systematic outreach program that included a focus on disseminating findings and recommendations to a broader range of stakeholders. GIZ has also been funding complementary communications support related to ASEAN connectivity. ASEAN, however, has the final say on what gets disseminated, and how it gets disseminated.
36. The ASEAN Permanent Mission representatives also noted that they need to engage better with (and understand more about) AADCP II to help the representatives better exercise their oversight functions. Given that the Permanent Mission representatives (and most consumers of communications products) are not sectoral experts, communications products need to be tailored accordingly.
37. Consideration should be given to developing a communication strategy and including provision for communications support services in any follow-up support. This could also help ease concerns by some DFAT discussants about limited AADCP II branding in of some AADCP II studies and events. At the same time, it is important to recognize that successful implementation of sensitive regional and national reforms may more likely to be accepted of outsiders maintain a more modest profile.
38. Australian Productivity Commission experience shows that regular direct engagement with a broader base of stakeholders -- including labour and business associations and the media -- can also help in building support for economic reform processes²⁸.

Efficiency

The efficiency benefits of the partnership approach and ASEC program execution

²⁸ The Australian Productivity Commission provides a useful model of the benefits from broad-based consultations in building support for economic reform agendas,

39. The partnership approach contributes significantly to AADCP II efficiency at two levels. Firstly, Australian support is directly integrated into the ASEC planning and implementation system. Secondly, AADCP II support is directed at addressing ASEC identified priorities.
40. From an Australian perspective, AADCP II has been efficient in delivering a diverse range of activities with limited financial overhead costs. Whereas relatively high overhead costs had been a concern with AADCP I, AADCP II overhead costs have been less than 15% of total expenditure, or less than half that originally budgeted. The use of ASEC systems reduced the Australian financed costs of project delivery. However, the partnership model and the use of ASEC systems added to DFAT costs in terms of inputs of DFAT staff time to support implementation and monitoring. It also often added to the time taken to develop proposals supported by all parties (which can undermine efficiency). The partnership model has also bound the program to ASEC procurement and human resources regulations. Potential benefits in terms of visibility may have been lost in terms of recognition of DFAT contributions to individual activities, although the partnership model may have helped AADCP II visibility in regional policy fora.
41. Some ASEC observers argued that AADCP II diverted some scarce ASEC human resources from high priority ASEC policy issues. Others ASEC staff argued that while AADCP II is relatively ASEC resource intensive, the supported activities are directly linked to priority ASEC issues (and therefore reduce pressures on staff resources in other key areas). Moreover, AADCP II helped finance a limited number of experts to support ongoing ASEC work, and the support unit helped with implementation. This issue is explored in more detail in the partnership model case study.
42. AADCP II is recipient-driven in that specific requests for support must come from ASEC, not the development partner. Many within ASEC saw this as positive in terms of building ownership. While recognizing the benefits of strong ownership, there were some commentators -- from DFAT, ASEC/PCPMD and other development partners -- who asked if the demand led approach contributed to the lack of adequately sequenced strategic support in some areas {e.g. agriculture (including ASEAN fruit and vegetables GAP standards), and services}, reducing the opportunities for more focused support, capacity building and tangible outcomes in these areas. On the other hand, DFAT and key ASEC staff acknowledged that the AADCP II model has resulted in sustained strategic support in key areas such as connectivity and the Initiative for ASEAN Integration (IAI) that were generating substantive impacts in helping ASEC respond constructively to ASEAN leader's priorities, and to promote accountability and sustained pressure for implementation via support to M&E of these sub-programs.
43. AADCP II generally follows ASEC's procurement process with supplemental steps, including project-specific tender committees convened to assess proposals. AADCP II's tendering process was highlighted by ASEC staff as being fair and transparent providing ASEC access to (mostly) high-quality consultants.
44. Some ASEC staff noted that other development partner projects (e.g. ARISE and GIZ) were able to respond more quickly to emerging needs because they were able to

develop and approve projects using their own staff resources, while proposals for AADCP II funding need to be developed by ASEC staff. While the AADCP II process can be slower, given limited ASEC staff resources, this process helps build ownership and ASEC capacity. Strong ownership of the overall program and most projects enhances the prospects for sustainability of most initiatives. DFAT provision of flexible resources to help support ASEC staff to develop proposals might help expedite the development of high-quality proposals. However, it would be important to monitor and ensure that this did not undermine ASEC current ownership of the proposal development process, as this is a key positive characteristic of the current AADCP II model.

Project level efficiency

45. Efficiency at the project level has been mixed. The AADCP II partnership model requires the relevant ASEC division to own the design and implementation of project activities, although PPMSU project officers and/or external partners may provide support. When the relevant division has many competing commitments and/or lacks the requisite staff skills and resources, or is otherwise not fully engaged in implementation, the quality and relevance of outcomes suffers. Some discussants also noted some lack of clarity in the division of roles and responsibilities between ASEC Desk Officers and the PPMSU. Notwithstanding these challenges, two of the Desk Officers²⁹ consulted with on this review noted that AADCP II is accessible and the support they receive from PPMSU enables them to perform their roles.
46. The AADCP II approach of starting small, learning from experience, and building shared priorities and trust, before considering more substantive engagements appears to be working well. Where feasible, the more substantive engagements (especially in connectivity and IAI) have been particularly helpful in build substantive practical capacity within ASEC at all stages of the program cycle from problem identification, strategic planning, formulation and implementation of interventions, and monitoring and evaluation.

Efficiency: build links with national initiatives and other development partners

47. A key challenge to effective and efficient delivery at the sectoral level is the limited scope for ASEC sectoral divisions to work with national sectoral institutions to leverage regional cooperation to secure national level outcomes. Australia funds several other regional and national programs³⁰ that support activities aimed at contributing to ASEAN integration and community building objectives, and which might be leveraged to improve linkages to national level outcomes. For example, the AECSP support for ASEAN Australia New Zealand Free Trade Agreement (AANZFTA) implementation supports activities directly linked to ASEAN implementation including standards, harmonization of competition policy and intellectual property protection, and other business and trade regulations. And DFAT support for ERIA is directly linked to ASEAN

²⁹ Finance Officer and Contracts Officer

³⁰ Including bilateral development assistance programs in Cambodia, Indonesia, Laos, Myanmar, the Philippines and Viet Nam.

IAI initiatives in that it aims to build policy analysis and implementation capacity in the Cambodia, Laos and Myanmar (CLM).

48. DFAT could explore options (including the development of ASEAN level sector strategies) to link sectoral working group dialogue mechanisms {e.g. under AANZFTA and the Regional Comprehensive Economic Partnership (RCEP)} to identify and develop proposals and determine the most appropriate implementation mechanism for achieving Australia's ASEAN level sector objectives. In addition to promoting links to national level initiatives, this would help Australia develop a more strategic and coordinated approach to delivering and monitoring support to realize sectoral level outcomes that are in both ASEAN and Australia's interests.
49. For example, in the agriculture sector Australia directly engages in developing and building standards in agriculture via regional support provided under AADCP II and AECSP as well as under bilateral programs (including ACIAR support). The Australian Department of Agriculture (DoA) maintains a strong interest and remains engaged in these issues as part of its ongoing trade and development dialogue with AMS. The development of an Australian agriculture sector strategy for engagement in the ASEAN agriculture sector, together with clear targeted outcomes, could facilitate more coordinated and efficient support for ASEAN agriculture sector development.

Partnership

50. AADCP II's partnership approach works at two levels - the wider program level and specific projects. At the program-wide level, Australia's support (financial and human resources) is integrated into ASEC operations and implementation systems. At the project level, Australia's support directly addresses specific priorities and issues identified by ASEC at the sector, cross-cutting and corporate levels. AADCP II only supports projects initiated by ASEC: it doesn't have a 'formal' role in project implementation.
51. AADCP II's unique partnership modality is integral to how the program operates. The partnership approach cannot be considered in isolation and has therefore been discussed throughout the report, for instance, how the modality is supporting ongoing relevance of AADCP II's work to Australia and ASEAN where both ASEAN (demand-led approach serving the AEC) and Australia (through a DFAT-funded embedded Program Director and high-level diplomacy from DFAT-ASEAN mission advancing the AIP, AFPWP) are engaged in decision-making regarding sectors and individual projects that AADCP II fund.
52. DFAT's framework for Value for Money includes the 4Es- Effectiveness, Economy, Efficiency and Equity which are underpinned by eight principles³¹ (it should be noted that not all principles apply to every program). Further to the 4Es, DFAT's internal reporting through the Aid Quality Checks also provide a rubric for assessing program

³¹ <https://dfat.gov.au/aid/who-we-work-with/value-for-money-principles/Pages/value-for-money-principles.aspx>

effectiveness and efficiency. Based on these criteria, overall, the partnership approach on AADCP II demonstrates value for money. These are discussed in more detail below.

Effectiveness- Did AADCP II strengthen ASEAN-Australia relationship and promote partner priorities?

53. From a strategic perspective, the ASEAN-Australia relationship was noted to be strong by Australian counterparts, with AADCP II providing Australia high-level access to ASEAN and ASEC and opportunities for ongoing dialogue on areas of mutual interest. The DFAT-ASEAN Mission strongly acknowledged ASEAN's centrality for advancing development objectives in the region and underscored the importance of strengthening ASEC capacity through AADCP II. Moreover, several ASEC discussants identified AADCP II as one of their preferred dialogue partner programs³² owing to the program's demand-led and flexible nature. This strong commitment from both stakeholders is evident in their exclusive ongoing engagement in high-profile, sensitive areas such as connectivity and related infrastructure work.
54. As discussed earlier in the report, AADCP II's work has been highly relevant to both ASEAN and Australia, to the extent that the program was sometimes seen by ASEAN as synonymous with Australian support. Discussions with DFAT-Canberra indicated that while they had a high-level understanding of the program's influence, they weren't fully aware of how Australia could leverage AADCP II to promote its wider interests in the region. A more targeted and sharper focus on communication from the DFAT-ASEAN Mission in Jakarta would be valuable in highlighting both the formal and informal channels of AADCP II influence to colleagues back in Australia. Further, to promote a greater Australian whole-of-government approach, the DFAT Mission could use the strong AADCP II platform and partnership with ASEAN to promote Australia's other regional, bilateral and WoG agency initiatives relevant to ASEAN priorities.

Economy -Was the program cost-conscious?

55. As noted earlier in the report, the program has been cost conscious by using competitive selection processes when selecting partners and contractors. AADCP II generally follows ASEC's procurement processes with supplemental steps, such as the use of project-specific technical assessment panels (TAPs), to assess the quality and suitability of the technical project proposals prior to a financial review which was noted by Deloitte³³ to be good practice. Further, ASEC staff remarked that for the most part, ASEC had access to high-quality consultants through AADCP II and the program's tender process was fair and transparent which they used as a benchmark with other partners.
56. The program advocates and promotes for ASEC to use transparent and equitable basis of payment in AADCP II contracting, including drafting contract clauses as a risk mitigation strategy which aren't always agreed to by ASEC. AADCP II uses reimbursable

³² EU-ARISE was mentioned by several ASEC officers as another 'go-to' Dialogue Partner that provides flexible support to ASEC and ASEAN Sectoral Bodies.

³³ Deloitte undertook a Public Financial Review of AADCP II and AECSP in 2018

and milestone payment terms, for example, to avoid opaque payment structures, and ensure Australia is paying for work completed, rather than work planned and budgeted for which may not get delivered. Some ASEC proponents also noted the value of using transparent payment terms like milestone payments.

Efficiency – Did the modality and governance arrangements maximize efficiency?

57. Key aspects of AADCP II's governance arrangements include the Program Management Team (PMT) and the Joint Planning Review Committee (JPRC). Several discussants from ASEC highlighted the benefits of AADCP II's JPRC mechanism, as being efficient (when compared to ASEC's CPR process³⁴) in approving reviewing and approving project proposals, noting that lessons from JPRC were shared with other dialogue partners as a benchmark of good governance. Similarly, the DFAT-ASEAN mission reiterated their direct involvement in the governance of AADCP II as a unique model of development cooperation that contributed to a more seamless working relationship with ASEAN.
58. While this has largely been a largely efficient modality from the Australian government perspective, discussions with AADCP II staff highlighted some operational challenges in using ASEC systems which didn't always meet the program's unique needs, for instance with procurement and contracting arrangements.
59. Some ASEC staff also remarked that AADCP II imposed relatively higher costs on ASEC (compared to other Dialogue Partners) by diverting scarce ASEC human resources to developing AADCP II project proposals and implementing AADCP II projects³⁵. Dialogue Partners, such as European Union, Germany and Japan work with sectoral bodies/working groups to identify priorities and lead on proposal development, and then use sectoral institutions (including AMS institutions) to help implement activities. Most ASEC staff consulted during this review, expressed their ownership of AADCP II projects, noting that AADCP II funded activities directly supported advancing the AEC Blueprint. An interesting comment from one DP was that, from the outside, their proposal development process seemed more efficient but offered less ownership to ASEAN when compared to AADCP II's approach. AADCP II discussants offered a similar observation, noting ASEC to have greater ownership in the overall project delivery when ASEC Desk Officers took a more proactive role in developing project proposals.
60. It should be noted, that from an ASEAN perspective, support with proposal development is desirable and an area of need given their capacity constraints. However, it may be argued that small gains in efficiency may require forgoing ASEC ownership and sustainability, to some extent, which in the broader ASEAN-Australia partnership would not be desirable. As previously noted in the Efficiency section, this needs to be carefully considered and the use of targeted flexible resources to support

³⁴ The Committee of Permanent Representatives (CPR) is an ASEC mechanism used by some DPs for project proposal approval. It was noted by ASEC that the CPR process causes delays in proposal approval and implementation as a result.

³⁵ One ASEC staff noted that they sometimes reconsider using AADCP II support because they have to develop the proposals themselves and don't have the time to do so. This has led to them to engage other DPs.

ASEC Desk Officers with proposal development, monitored to ensure it is reinforcing Australia's support in a way that does not undermine ASEAN ownership.

Efficiency – were ASEAN and Australian staffing levels appropriate with clear roles and responsibilities?

61. Interviews with ASEC and ASEAN stakeholders stressed AADCP II's contributions to ASEC capacity building, for instance in corporate affairs and operations, as a core comparative advantage of the program, and emphasized the strength of this aspect of the partnership model. Furthermore, it was noted that there is demand for additional capacity building support for ASEC Desk Officers' with project management and ASEAN Sectoral Bodies (SB) and Desk Officers with project proposal development.
62. The record with partnership at the project level has been mixed. AADCP II's model requires ASEC Divisions to drive the design and implementation of projects which can sometimes delay implementation depending on ASEAN Desk Officers' ongoing commitments with SB/WG meetings and activities. AADCP II observers noted that roles and responsibilities of different levels of ASEC desk officers in relation to project management was sometimes unclear. Several AADCP II discussants also noted a lack of clarity in the division of roles and responsibilities between ASEC Desk Officers and the PPMSU, at project implementation, which could be a combination of the program's partnership approach, ASEC not differentiating AADCP II from other DPs, and other DPs taking a more hands-on approach to project development and implementation.
63. AADCP II's 'workstream programming approach' is helping to address some of these issues and aiming to build more awareness and commitment from Sectoral Bodies (SB) and Working Groups (WG). This is being done through AADCP II undertaking more deliberate programming with ASEC Divisions that are receptive and exploring ways to enhance engagement with SB and WG. The program continues to explore opportunities to attend more SB meetings which will help to develop stronger relationships, however, the extent to which this is possible may be constrained by AADCP II's structural dependence on ASEC. Discussions with other DPs reiterated the importance of working with SBs, with one DP remarking '*the real ASEAN happens in Sectoral Bodies.*' This aspect of the model should be considered for the next phase of the program and its value will depend on the main objective of the future program/partnership. For instance, if the objective is to continue to nurture the ASEAN-Australia relationship, gaining partnership dividends and promote sustainability, then this model will provide value. However, if the next phase of the program seeks to undertake more traditional development work, then using ASEC systems may be limiting in terms of driving the development agenda, outcomes and reporting.
64. **DFAT-funded Program Director and PPMSU-** An Australian official as Program Director, embedded within ASEC, is a unique feature of AADCP II and different to other Dialogue Partners. The Program Director provides Australia greater access to ASEC officials, enhancing visibility of the program within ASEAN while offering additional risk assurance to Australia. The position also gives ASEAN direct access to the Australian

government, and the DFAT-ASEAN Mission noted that ASEC staff felt comfortable approaching the Program Director with sensitive and high priority issues knowing that they were talking to the Australian government directly, and that the issues would be handled appropriately. Several ASEC discussants highlighted the valuable support PPMSU provided them, and that it was both the structure of the PPMSU and individuals on the team that worked well.

Equity- AADCP II and ASEAN work transparently to facilitate dialogue about investment?

65. The program model has certain inherent risks and challenges (program level: operational-procurement, contracting and project level- proposal development, implementation, monitoring, etc.), which are being discussed at multiple levels within ASEAN and Australia and actively managed. Discussions through the PMT, JPRC and when required, one-on-one discussions between the Australian Ambassador and Ambassadors from Member States help facilitate an open and honest dialogue about the program between partners. Senior officials from DFAT-ASEAN Mission noted that ASEC also felt comfortable approaching the AADCP II Program Director to discuss any high-level sensitive issues.

Is AADCP II's partnership approach sustainable?

66. Sustainability is a key consideration of the AADCP II partnership modality. Under the previous phase, AADCP, the program was managed by an external Managing Contractor, increasing operations costs by working through parallel systems to ASEC. Discussions presented earlier in this report show strong evidence of ownership and commitment of the overall program from ASEC. AADCP II's demand-driven nature and its focus on building ASEC capacity by funding targeted positions reinforces sustainability of program efforts. Most Desk Officers supported by AADCP II are funded under the proviso that these positions are regularized within ASEC systems in the long run. This approach has been taken on board by ASEC who see the value of AADCP II-supported staff but also recognize them as ASEC employees. AADCP II's approach of supporting ASEC Desk Officers to develop project proposals is another way of enhancing ASEC capability which ultimately reinforces sustainability.
67. AADCP II's 'workstream programming approach' is helping to reduce small one-off project requests and aiming to build more awareness and commitment from SB and WG. Thorough focused programming with the more receptive ASEC Divisions, AADCP II is exploring ways to enhance engagement with SBs and WGs and continues to explore opportunities to attend more SB meetings and develop stronger relationships.

Monitoring and Evaluation

68. Overall, the current program logic is a fair representation of the partnership modality / facility model that AADCP II uses. Based on DFAT's grouping of facilities, AADCP II can be classified as a Development Facility³⁶. The review team recommends some changes

³⁶ DFAT Guidance Note: Facility Investments 2018

to the current program logic to better align it to DFAT's latest guidance on facilities and program logics. Details are included in Annex 5: MEL Review and summarised below.

69. To better capture program stakeholders in addition to 'ASEAN Bodies', it is recommended that End of Program Outcome 1 (EOPO1): is rephrased as: *ASEAN decision makers are more effectively able to support economic integration*. Further, based on discussions with the AADCP II program team, it is suggested that the existing EOPO2 is amended to: *'Enhanced Political Engagement'* instead of 'Political Engagement' to highlight an end state as is required by DFAT standards for program logics. It is also recommended that Intermediate Outcome 1 under EOPO2 is revised to say - *Maintain & improve the Australia – ASEAN partnership via better strategic selection and design of projects & their reception at political / diplomatic level*- This will help reflect that both Project selection and quality are important measures of effectiveness, and not just outputs.
70. The current M&E Framework used by AADCP II is a pragmatic approach and fit-for-purpose given the program's partnership modality. For instance, to assess progress on AADCP II funded projects funded, the program relies heavily on data from ASEC and ASEAN sectoral bodies/working groups which it supplements with additional program-level monitoring reports. A lot of the data and evidence used for program reporting is 'informal' data about the program's influence, contribution, which are collected through ASEAN websites, high-level ASEAN meetings and speeches where the program's contribution is acknowledged. It should be noted that given this limitation, the strength of evidence³⁷ in most cases will be moderate, and in some instances, low. The program aims for a moderate strength of evidence by triangulating data from various sources, including deep-dive case studies on select, priority projects and independent reviews such as this one. This approach should continue.
71. Given this unique modality, it is important that the program continue to identify options to strengthen ASEC M&E systems that could in turn provide AADCP II better access to data (e.g. drawing lessons from MPAC and IAI experiences). The review team includes some suggestions for strengthening the M&E and reporting in Annex 5.

Gender

AADCP II has struggled to address gender and socially inclusive issues

72. The positioning of 'gender' under ASEAN's socio-cultural pillar has to some extent created challenges for AADCP II's work in gender mainstreaming or gender-targeted projects as the program's work primarily falls under the Economic pillar. Further, a general lack of interest and understanding among AEC desks and SBs on the economic benefits of GESI impedes AADCP II's ability to meaningfully engage ASEAN in this area. The program team and DFAT noted the importance of trying to identify champions within ASEC to advocate for gender equality within the sectors AADCP II works in. Previously, AADCP II engaged with DFAT's Regional Gender Adviser for guidance and

³⁷ This is based on the Strength of Evidence rubric in DFAT's internal AQC reports

support on specific gender-related issues, however that position has been vacant for some time.

73. It is therefore not surprising that project level results have been mixed. No formal overall GESI strategy was developed. Nevertheless, all proposals were required to include a section on GESI, efforts were made to ensure GESI issues in tender documents, and attempts were made to monitor the results of these outcomes. However, the quality of the gender analysis was mixed and often perfunctory, and AADCP II capacity to follow on implementation was limited owing to the modality. Most noted little substantive mainstreaming of gender issues in supported interventions. Again, limited awareness of the issues and potential benefits from more substantive consideration of gender issues appears to remain an important constraint.
74. However, several discussants argued that ongoing engagement with Australia (and other development partners) on gender issues is beginning to help build understanding of the importance of the issue and to develop awareness of practical measures that could be taken to achieve higher and/or more equitable benefits via a greater focus on gender issues. The LIB-SI representative articulated this point particularly clearly.
75. Where gender issues have been addressed, continuity and/or follow-up has been an issue. One example, the report “ASEAN Consumer Protection: Essential actions towards a single market”, included a Chapter 6 on concrete suggestions for addressing gender issues in consumer protection, but “The ASEAN High Level Principles for Consumer Protection (AHLPP)”, approved in 2017 to provide direction for a broad framework on consumer protection for ASEAN, does not include any principles related to gender. Given that women are often particularly impacted by consumer issues, this may have been a missed opportunity for ASEAN to provide more concrete guidance in an important gender issue. The establishment of effective gender focal points within ASEC divisions might help in ensuring greater continuity on gender issues.
76. Other development partners noted that they were also looking for solutions to more substantively engage on gender equality considerations in their ASEAN projects.

Conclusions and Recommendations

General Conclusions

77. AADCP II has succeeded in delivering substantive and relevant results directly linked to both ASEAN and Australian priorities in a cost-effective manner. Strong ownership of activities and progress in building ASEC capacity should ensure that core AADCP II results are sustainable.
78. The location of DFAT staff responsible for AADCP II implementation in Jakarta has facilitated the building of close relationships with both ASEC and ASEAN Permanent Missions in Jakarta. This has helped in addressing implementation bottlenecks.
79. After supporting mostly ad hoc initiatives, AADCP II is now providing more of the focused and strategic support needed for the substantive institutional changes (e.g.

concrete agreements on standards and connectivity strategies that are expected to contribute to sustained expanded regional trade and investment.

80. The following characteristics make AADCP unique relative to other development programs supporting ASEC.
 - a. The degree to which AADCP II is embedded into the ASEAN Secretariat (ASEC) systems.
 - b. The program is seen as an ASEAN-Australian partnership targeted at achieving shared priorities related to implementation of regional economic integration.
 - c. The extent to which ASEC is driving the planning, prioritisation and implementation of projects with the support of DFAT.
 - d. The high degree of program visibility within ASEC and ASEAN, and the benefits that this provides in terms of Australian-ASEAN engagement.
 - e. The extent to which the program has been able to promote cross-pillar collaboration within ASEC (e.g. under the connectivity program).
81. The main areas for improvement in designing follow-up support would be to: (i) explore options to support more rapid development of quality project proposals; (ii) strengthen the evidence base of expected level and distribution of impacts of economic integration initiatives; (iii) strengthen M&E and results reporting, and; (iv) better address cross-cutting issues such as gender and social inclusion.

Conclusions on Partnership modality

82. Overall, the AADCP II partnership approach demonstrates value for money. Working through ASEC systems has reinforced a strong AADCP II brand recognition within ASEAN. The Program has been effective in strengthening the partnership and trust between the two stakeholders which is allowing Australia to continue its high-level engagement with ASEAN on priority areas such as connectivity and infrastructure.
83. This mature partnership facilitates ASEAN and Australia to collaborate on areas of mutual interest and address program risks and approach sensitive issues appropriately.
84. Owing to the demand-led approach, AADCP II enjoys a very strong brand recognition within ASEAN. However, this may be reducing Australia's ability to raise its regional profile more widely. As a result of ASEAN's strong ownership of AADCP II, the program enjoys a strong brand recognition in ASEAN and is often seen as synonymous with Australian regional support which has, to some extent, diminished the opportunity for Australia to raise its regional profile. Discussions with the DFAT- ASEAN Mission indicated that ASEAN Ambassadors don't necessarily explore support elsewhere with Australia, as they currently receive wide-ranging support through AADCP II, and the program, at first glance, seems to have a comprehensive coverage under the Economic pillar. ASEAN Ambassadors in Jakarta also noted that they weren't fully aware of other Australian regional and bilateral support programs available to them. While this demonstrates value in the AADCP II approach, it also suggests a need for Australia to

be more proactive in their internal and external communication channels to ensure ASEAN stakeholders are aware of Australia's broader development programs.

85. The program model has certain inherent risks and challenges (program level: operational-procurement, contracting and project level- proposal development, implementation, monitoring, etc.), which are largely being addressed. Other challenges include AADCP II's ability to drive monitoring and evaluation of its activities and engage with ASEAN on GESI.
86. One of the limitations of this model is that the demand-led nature of AADCP II may not fully align with Australia's priorities which is being addressed through DFAT's and the AADCP II Project Director's active involvement in shaping the program by targeting project selection.

Recommendations

Ongoing implementation

i. Sustaining momentum

87. **DFAT and PMT.** A key challenge for the remaining program phase will be designing support that can be expected to generate substantive impact over a limited time frame of the remaining program duration. Projects could be designed in a phased manner with future support dependent on mobilizing additional support (from either a follow-up phase or from alternative sources).
88. **PMT** to continue exploring opportunities to engage with ASEC divisions to assess medium-term development needs (linked to ASEAN sector plans and results targets) and to develop concrete proposals to meet these needs that could be supported under a possible follow-up project and for possible approval with the overall program.

ii. Gender

89. **DFAT and PMT** to source GESI expertise, on an as needed basis, for example, to undertake sector-specific gender analysis and identify expected and/or potential gender opportunities in AADCP II's work. A GESI adviser could also help peer review funding proposals and activity designs. The Adviser could also assess the level of impact in at least two of the three main areas where AADCP II has provided support - and provide concrete recommendations on what more could be done to economically empower women and children in these areas -- particularly during the next phase of the program. Currently, AADCP II has access to GESI and M&E expertise from its ongoing engagement with Clear Horizon, which should continue. This combination of technical support coupled with additional targeted GESI expertise should enable the program to better target GESI work.

iii. Communications

90. **DFAT-ASEAN Mission** to consider ways to sharpen both internal and external communication about AADCP II's support, outcomes and modality. In addition to program level information, it will be particularly important to strengthen the

compilation of evidence and dissemination information on the expected level and distribution of costs and benefits of the regional economic integration process.

iv. **Monitoring and Evaluation**

91. **DFAT-ASEAN Mission and PMT** to continue to review options to strengthen ASEC M&E systems as part of efforts to strengthen the AADCP II M&E systems (e.g. learning from MPAC and IAI experiences). This provides an opportunity to strengthen capacity in a practical manner that has been valued by key ASEC officers engaged with IAI and MPAC. Continue exploring options to develop case studies of the links between AADCP II supported activities, strengthened ASEC capacity, references in ASEAN planning meetings and documents to AADCP II supported activities, and/or adoption of recommendations or capacity building linked to AADCP II support.

v. **Project design and implementation.**

92. **PMT and ASEC** to seek to clarify the division of roles and responsibilities between PPMSU and Desk Officers through the whole project initiation - implementation - monitoring - completion process
93. **PMT and ASEC** to continue efforts to reduce the number of ad hoc projects to reduce the time spent by processing and managing implementation of smaller, and/or less strategic activities.
94. **DFAT and PMT** to explore scope to use flexible funds to provide greater support to ASEC Desk Officers with proposal development.

Recommendations for follow-up support³⁸

i. **Build on successes.**

95. **DFAT.** Build on existing momentum. Potential benefits from continuing engagement include: (i) helping sustain strong regional development; (ii) reducing regional development gaps, and; (iii) strengthening economic and institutional relations and shared learning between ASEAN and Australia.
96. **DFAT and PMT.** Sustain existing momentum by starting early with the development of proposals for follow-up support. Consider planning for some overlap between AADCP II and proposed follow-up project (or the use of AADCP II resources) to develop a pipeline of new projects to sustain momentum as AACDP II supported projects are finalized. It might take a year to agree on and develop quality proposals that would be ready to fund soon after the start-up of the new support.

ii. **Seek opportunities to provide greater flexibility to respond to emerging needs.**

³⁸ The “Plan of Action to Implement the ASEAN-Australia Strategic Partnership (2015-2019)” states that Australia should continue to support the implementation of the AEC blueprint through the AADCP II and “its successor program in 2022 on the basis of equal benefit and opportunity for all parties”.

97. **DFAT and the design team** could consider including a flexible component to provide Australia with some flexibility to: (i) help ASEC develop higher quality proposals; (ii) to initiate support (linked to stated ASEAN objectives) that are aligned to Australia's strategic priorities, comparative strengths and regional interests; and/or (iii) to respond more flexibly to implementation gaps.
98. **DFAT.** From Australia's perspective, more flexible resources might provide opportunities to explore ways to strengthen links with other Australian funded initiatives (e.g. AECSP, the Southeast Asia Economic Governance and Infrastructure Facility) and expand to better address cross-cutting concerns (including gender), and broaden the scope of support to encompass other areas where Australia has comparative strengths that are directly linked to ASEAN economic integration (e.g., the ASEAN Connectivity agenda).
99. **DFAT.** Continue to encourage programmatic approaches. While some ad hoc activities are likely to be needed to develop and/or test new ideas and initiatives, the norm when working with ASEC in a sector (or on cross-cutting issues) should be to build capacity (which implies a need for sustained medium-term programmatic support).
100. **DFAT.** Continue efforts to achieve better complementarity and linkages between Australia's regional and bilateral programs in the region. Australia should continue to explore ways to better highlight and communicate to ASEAN and AMS its other regional/bilateral programs to facilitate a more coordinated and holistic package of support to ASEAN.³⁹ Several new DFAT regional (Southeast Asian) and sub-regional (e.g. Mekong) support programs are currently being scoped and designed, and may provide an opportunity to develop more effective coordination mechanisms. Likewise, a flexible component could help facilitate greater engagement between related programs. This could help AADCP II to better leverage the contributions of other Australian programs.
101. **DFAT and design team.** Consider more flexibility in designing IAI support. Suggestions made to the team included making more use of AADCP II to fund: (i) national projects to pilot innovations with the aim of mobilizing bilateral support; and (ii) non-IAI countries engagement with IAI projects to facilitate sharing of experiences. The pros and cons of these recommendations may become more apparent following the ongoing IAI review.
- iii. **Consider sector wide approach to planning Australian support for ASEAN.**
102. **DFAT** might want to consider developing sector strategies and/or annual work plans for engagement with ASEAN in priority sectors. The aim would be to build on the Plan of [Action to Implement the ASEAN-Australian Strategic Partnership \(2020-2024\)](#) to identify ASEAN priority needs that matched with Australian comparative strengths and/or strategic interests in ASEAN and identify what Australian development assistance program (e.g. AADCP II, AECSP, ERIA or bilateral programs) was most

³⁹ See also 2.2.10 of the Australia-ASEAN "Plan of Action"

appropriate for addressing these priorities.⁴⁰ The plan of action already provides guidance on suggested tools in some areas.

103. **DFAT.** A sector wide approach may also provide Australia greater leverage in policy dialogue on sensitive issues such as GESI where the levels of commitment to action may vary between Australia and AMS. And the services of a full-time regional GESI advisor focusing on integration issues might be more efficiently spread over a mix of regional initiatives, especially if this was complemented by targeted GESI resources in follow-up program to address program specific GESI opportunities.

iv. **Gender and social inclusion (GESI)**

104. **DFAT** should ensure that the design team includes GESI expertise to explore all feasible options, including the possible need for an ongoing GESI advisor, for more systematically addressing GESI issues in program activities. The most appropriate approach will depend on the scope of follow-up support and decisions about possible linkages with other regional program initiatives.
105. **DFAT, ASEC and the design team** could explore options to ensure more attention is given to more systematically incorporating GESI as a cross-cutting (and cross-pillar) issue. Success in addressing cross-cutting issues under the connectivity work stream may provide useful models. Requiring more systematic reporting on implementation of GESI initiatives in all projects might also help.

v. **Monitoring and Evaluation**

106. **DFAT ASEC and the design team.** Any follow up support should explore avenues for leveraging ASEC's increasing interest in M&E of outcomes and impacts and consider the value of providing additional M&E resources within the program.

vi. **Communications and information dissemination.**

107. **DFAT and the design team** should include a communication strategy in the new program design, and budget for providing communications services (either individual experts or from a communications service provider) in any follow-up support.

vii. **Broader stakeholder engagement**

108. **DFAT and the design team** should consider options to develop strategies for more direct engagement with business and worker representative to better understand and address some of the practical bottlenecks and concerns regarding increased economic integration, and with regional media to better engage with the broader public.

⁴⁰ Part 2 of the "Plan of Action to Implement the ASEAN-Australia Strategic Partnership (2015-2019)" provides a starting point, but more detail to identify the instruments (programs and/or projects) needed to achieve the targets might be useful in guiding the design of future programs and improving coordination between programs.

Appendix 1. Review Team Leader Terms of Reference

INDEPENDENT REVIEW OF THE ASEAN-AUSTRALIA DEVELOPMENT COOPERATION PROGRAM PHASE II (AADCP II)

A. Background

1. The ASEAN-Australia Development Cooperation Program Phase II (AADCP II) is the latest in a series of economic-focused programs of support by the Australian Government to ASEAN dating back to the 1970s. It builds on the approach of the first phase, which concluded in June 2008.
2. Australia's Cooperation Arrangement with the ASEAN Secretariat (ASEC) for AADCP II, valued at up to AUD57 million, was signed in June 2009 and will expire in December 2021 (noting that in April 2019, the program was extended within its existing financial envelope from December 2019 until December 2021).
3. The overall objective of AADCP II is to support ASEAN to implement its economic integration policies and priorities in line with the ASEAN Economic Community (AEC). The components of the program are intended to:
 1. strengthen ASEC's institutional capacity to facilitate and support ASEAN integration and community building efforts (Component 1)
 2. support movement towards the AEC through the provision of timely and high quality economic research and policy advice (Component 2a)
 3. support for regional mechanisms and capacity for the implementation of selected AEC Blueprint activities at the national level (Component 2b).
4. Following a recommendation in a 2014 Independent Review, the Program has organised its reporting around four key result areas:
 1. a better knowledge and evidence base exists for regional policy making and regulation for AEC;
 2. appropriate norms and standards are established for AEC to progress;
 3. stakeholders are better aware of the concepts, benefits and opportunities involved in AEC
 4. ASEC better able to support AEC process.
5. AADCP II supports a range of projects identified, prioritised and programmed on a rolling basis through an ad-referendum approval process by the Joint Planning and Review Committee (JPRC), consisting of the ambassador-level Committee of Permanent Representatives to ASEAN (CPR) and Australia's Ambassador to ASEAN. The JPRC meets annually to review and approve a Rolling Prioritisation Plan (RPP) and to review the progress of projects being implemented.
6. The sectors the program works in are determined through this process. They currently consist of Connectivity, "Narrowing the Development Gap" through the Initiative for ASEAN Integration (IAI - a cross-sectoral agenda focussed on Cambodia, Lao PDR,

Myanmar and Vietnam), agriculture, consumer protection, tourism, energy, investment and ASEC corporate strengthening.

7. The program has a strong emphasis on partnership between Australia and ASEAN. A number of basic principles underlie this approach:
 - a) Activities (“projects”) supported by the program are identified by ASEAN sectoral bodies and ASEC and are processed through an iterative and cooperative project proposal process;
 - b) The program, with some agreed modifications, adheres to ASEC management system, including financial management, human resources and contracting;
 - c) A Program Management Team (PMT), consisting of a Director from the AEC; the Assistant Director of ASEC Programme Cooperation & Project Management Division (PCPMD); and the Australian Government Program Director, oversee the programming, design, implementation, monitoring and review of AADCP II resources. The AADCP II Program Planning and Monitoring Support Unit (PPMSU) provides support to the PMT and assists ASEC in the day-to-day management of AADCP II projects.
 - d) Overall coordination and routine operations of the program are the responsibility of the Australian Government Program Director and PPMSU staff, who are contracted by ASEC.
8. Independent Reviews of AADCP II were conducted annually from 2010-2015. The 2015 review recommended that further annual reviews were not required, subject to certain reporting improvements.
9. In 2017, AADCP II conducted an independent rapid review of its monitoring and evaluation arrangements. The review endorsed the arrangements in place, while making a number of recommendations, including a new theory of change and consideration of a new outcome regarding the contribution of AADCP II to the broader ASEAN-Australia relationship.

B. Purpose and Audience

10. The primary purpose of this 2019 independent review is to enhance and better explain AADCP II performance and accountabilities, to strengthen knowledge of the context in which AADCP II operates, and the opportunities and challenges presented within this context, and to contribute to the design of the new program.
11. DFAT will be the primary users of the review findings and recommendations. DFAT will share the final review report with ASEAN and, subject to standard approvals, publish it on the DFAT website.
12. The review will assess and provide recommendations regarding AADCP II’s performance, including but not limited to the quality criteria of the Australian Aid Program, particularly effectiveness (including M&E), efficiency, and gender equality.
13. Key evaluation questions (KEQ) for the review are:
 - KEQ1: How relevant is the approach and pipeline of AADCPII relative to ASEAN Economic Blueprint and the Australian Foreign Policy White Paper?

- KEQ2: To what extent has AACDCPII been effective in achieving its stated outcomes?
- KEQ3: To what extent has AACDCPII been efficient in its use of resources?
- KEQ4: How has the AACDCPII partnership approach been able to demonstrate value for money?
- KEQ5: To what extent is the AACDCPII partnership approach with ASEAN a sustainable mechanism?
- KEQ6: To what extent has AACDCPII been able to address gender and socially inclusive issues within the ASEAN Secretariat / pipeline of work?
- KEQ7: What lessons and recommendations are able to be drawn for (i) AACDCPII's remaining timeframe and (ii) AACDCPII's successor program?

C. Review Process and Timeframes

17. The review will consist of a desk review, a case study on the program's partnership approach (to be conducted by the M&E adviser – separately engaged) and interviews with key stakeholders. A proposed list of stakeholders to be consulted is available in Annex B. This list should be finalised by the Review Adviser as part of the Review Plan.
18. The review is planned over August to November 2019 (subject to the consultant's availability).
19. The total review period of up to 30 working days for the Team Leader includes time for desk review, development of a review plan, in-country missions (to be approved by DFAT following discussion with the Review Adviser), presentation of Aide Memoire and preparation of review reports.

D. Reporting and Output Requirements

20. **Review Plan** of no more than seven pages will outline the scope and methodology of the review. It will include the methodology for assessing program outcomes; the process for information collection and analysis, including tools such as questionnaires and/or detailed questions to be asked during the consultations; identification of any challenges anticipated in achieving the review objectives; allocation of tasks; key timelines; consultation schedules identifying key stakeholders to be consulted and the purpose of consultations; and other activities to be undertaken (as necessary). The Review Plan will be submitted electronically to DFAT one week prior to the initial meeting with DFAT in Jakarta.
21. **Aide Memoire** of no more than 5 pages on key findings during the mission, to be prepared in dot-points based on DFAT's Aide Memoire template (See Annex B). The team will have approximately two days to work on the Aide Memoire, and the Review Adviser will present it to DFAT either in person or through a videoconference (e.g., Skype, Facetime) upon the Review Adviser's arrival to her or his country of residence.
22. **First Draft Report of the Independent Review** of no more than 25 pages, excluding annexes, should be submitted electronically to DFAT for comments within two weeks of the end of the in-country mission. The review report must meet DFAT's Monitoring and Evaluation Standards for Evaluation Reports, and should be a brief,

clear and cogent summary of the review outcomes, addressing at least the Review Scope and Key Questions set out a Part C above, providing a balanced analysis of relevant issues and recommendations for improvement.

23. **Final Report of the Independent Review** of no more than 25 pages excluding annexes, should be submitted electronically to DFAT within two weeks after receiving DFAT comments.

E. Team Composition and Role

24. The Independent Review will be led by a Team Leader who has the following qualifications:
- f. Strong understanding and experience on economic growth; private sector development, regulatory reform and regional cooperation is highly required.
 - g. Sound knowledge of DFAT and ASEAN policies.
 - h. Strong analytical and problem solving skill, experience in gathering and interpreting data and writing constructive reports.
 - i. High level stakeholder engagement and communication skills.
 - j. Experience in managing a program review or evaluation is desirable.
25. The Review Adviser may be accompanied by M&E and gender advisers (to be contracted separately) and a representative from DFAT (ASEAN Mission) and/or the PPMSU.
26. The Review Adviser is responsible for developing the overall review approach and methodology, delivering a quality review report and effectively utilising the expertise of the team members in meeting the ToR.
27. The M&E Adviser is responsible for refining the existing program's M&E and Learning Framework (MELF) including the Program Logic and conducting a case study on the program's partnership approach.
28. The Gender Adviser is responsible for providing assessment on how gender equality can be better incorporated into the program.

F. Attachments

- a. List of case studies under AADCP II's independent reviews and List of proposed consultations.
- b. DFAT's Aide Memoire outline.

G. List of Key Documents for Desk Review

- a. AADCP II Design and M&E documents
- b. AADCP II Memorandum of Understanding (MOU) and Cooperation Arrangement (CA)
- c. Relevant planning documents including the 2019 Rolling Prioritisation Plan
- d. 2018 Aid Quality Check (AQC) for AADCP II
- e. 2018 Independent Review of the AADCP II Monitoring and Evaluation Framework

- f. 2019 AADCP II Program Breakdown and Fact Sheets
- g. DFAT 2018 Public Financial Management Report on ASEAN Programs
- h. 2015 AADCP II Independent Review
- i. ASEAN Secretariat Financial Rules and Procedures
- j. ASEAN Secretariat Staff Regulations
- k. AADCP II Project Management Guide
- l. Relevant DFAT strategic documents for Australian Aid, including:
 - i. Strategy for Aid for Trade Investments (July 2015)
 - ii. Gender equality and women's empowerment strategy (February 2016)
 - iii. Development for All 2015-2020: Strategy for strengthening disability-inclusive development in Australia's aid program (May 2015)
 - iv. Strategy for Australia's Aid Investments in Private Sector Development (October 2015)
 - v. Strategy for Investments in Economic Infrastructure (July 2015)
 - vi. Effective Governance Strategy for Australia's Aid Investments (March 2015)
- m. DFAT's M&E Standards (see Standard 5 – Independent Evaluation Plan and Standard 6 – Independent Evaluation Report)
- n. ASEAN Mission Equality and Inclusion Strategy
- o. Key reports available from selected projects

Appendix 2: People/Agencies Consulted

Date	Time	Name
Friday 20 September	15:00 – 16:00	Department of Agriculture, Bangkok Post
	16:00 – 17:00	ASEAN Mission, Bangkok Post
Wednesday 25 September	9.00 -10.00	Briefing for M&E consultant
	10.15 – 11.15	Finance and Budget Division
	11.20 -12.30	Legal Services & Agreements Directorate
	12.45 – 14.00	EU ARISE PLUS
	14.00 -14.50	Contracts Officer
	15.00 – 16.00	Corporate Affairs
	16.30 – 17.30	ERIA
Thursday 26 September	9.00 – 10.00	IAI Division
	10.00 – 11.00	ASEAN Connectivity Division.
	11.00 – 12.00	Program Management Team (PMT).
	12.10 – 13.00	Finance Officer
	14.00 – 15.00	Myanmar Mission to ASEAN.
	15.30 – 16.30	GIZ ASEC Strengthening Project
	16.45 – 17.15	PCPMD
Friday 27 September	8.30– 9.30	Telecon with ASEAN Regional Section (ARS), DFAT Canberra
	9.30– 10.30	Roundtable Meeting with ASEAN Permanent Mission and DFAT

	11.00 – 12.00	Meeting with Australian Mission to ASEAN
	13.00 – 17.00	PPMSU
Monday 30 September	9.00 -10.00	HAPUA Secretariat – Indonesia
	11.15 – 12.00	Services & Investment Division
	13.30 – 14.30	Food, Agriculture & Forestry Division
	15.00 – 16.00	GIZ ASEAN Agri-Trade and ASEAN SME
	16.00 – 17.00	Japan-ASEAN Integration Fund Management Team (JMT)}.
Tuesday 1 October	09.00 -10.00	Energy & Minerals Division.
	14.00 – 15.00	Competition, Consumer Protection & IPR Division.
	14.00 – 15.00- cancelled	ASEAN-USAID Inclusive Growth in ASEAN through Innovation, Trade, and E-Commerce (ASEAN-USAID IGNITE)
	15.30 – 16.30	EU-ARISE PLUS
Wednesday 2 October	09.30-10.30	Indonesia rep for LIB-SI
	11.00-16.00	Attending the IAI Workshop as an observer
Thursday 3 October	07.30-08.30	Debrief with Australian Mission to ASEAN

Appendix 3: Review Timeline

Review Timeframes and Milestones

Task	Start	Finish
Desk Review & Appraisal and Team Meeting	2/9/19	10/09/19
Draft Review Plan	7/9/19	10/9/19
Discuss with DFAT Bangkok regional office	22/9/19	22/9/19
Indonesia consultations (including travel)	25/09/19	3/10/19
Follow-up phone meetings	3/10/19	8/10/19
Draft and Present Aide Memoire	3/10/19	8/10/19
DFAT Feedback on Aide Memoire	8/10/19	22/10/19
Finalize Aide Memoire	22/10/19	25/10/19
Online research and draft Review Report	22/10/19	22/11/19
Submit draft report	22/11/19	22/11/19
DFAT Feedback on Review Report	22/11/19	6/12/19
Finalize Review Report	7/12/19	14/12/19

Appendix 4: Case Study on the AADCP II Partnership Approach

1.1 Describe AADCP II's partnership approach

AADCP II is an 11-year \$57m partnership with ASEAN to support implementation of the AEC and deepen regional economic integration, with the aim of supporting inclusive economic growth in the region. The program is implemented as a 'grant' to the ASEC, and responsive to ASEAN demand. An Australian official serves as Program Director and has oversight of AADCP II through the Program Management Team (PMT) and through Australia's Head of Mission's (HOM) seat on the JPRC. AADCP II is co-located with the ASEAN Secretariat (ASEC).

The program funds a portfolio of projects across three components: 1) strengthening ASEC's institutional capacity to facilitate and support ASEAN regional economic integration, 2) supporting movement towards the AEC through provision of timely and high quality economic research and policy advice; 3) supporting regional mechanisms and the implementation of selected AEC Blueprint activities at the national level. AADCP II only implements projects initiated by ASEAN Sectoral Bodies/Working Groups through ASEC. Further, AADCP II uses ASEC's operational systems, including HR, finance, legal and procurement. AADCP II applies additional financial management risk mitigation measures to ASEC processes which include enhanced procurement processes, an annual external audit of program funds and funding of ASEC Technical Officer positions for Project Trust Funds and Legal/Contracts.

1.2 What was the purpose of the partnership? Were principles of the partnership or a shared vision (expected outcome, etc) articulated from the outset?

AADCP II is a long-term partnership between ASEAN and the Australian government that works at two key levels- the wider program level and on specific projects. At the program-wide level, Australia's support (financial and human resources) is integrated into ASEC operations and implementation systems. At the project level, Australia supports specific priorities identified by ASEC at the sector, cross-cutting and corporate levels. As AADCP II only funds projects initiated by ASEC, the program doesn't have a 'formal' role in project initiation and implementation. There are two key points of relationships within the partnership - high-level diplomatic relationship between Australia and ASEAN and working-level or implementation-level association between the AADCP II program and ASEC, and to a lesser extent between the program and ASEAN Sectoral Bodies/Working Groups (WGs/SBs).

AADCP II Cooperation Agreement. As outlined in the Cooperation Arrangement of June 2009 between ASEAN and the Australian Government, the Program's overall objective is to **support ASEAN implement its economic agenda in line with the ASEAN Economic Blueprint (AEC)**. As discussed in the Final AADCP II design document, a key consideration for AADCP II is to also ensure *Australia's national interests are directly served by supporting economic growth and more equitable development in the ASEAN region, and by engaging in partnerships with regional policy making and coordination bodies.*

It was evident from discussions with the DFAT-ASEAN Mission and ASEC that there is broad understanding and consensus on the high-level objectives of the partnership between

ASEAN and the Australian government- to support ASEAN implement its economic agenda in line with the ASEAN Economic Blueprint (AEC). However, discussions with the AADCP II program team highlighted that **principles of the partnership, or ‘ways of working’ at the project implementation level could have been better articulated in the cooperation agreement and program design**. For instance, PPMSU staff highlighted that the division of roles and responsibilities between ASEC Desk Officers and the PPMSU was unclear at times due to a combination of factors: the joint-partnership model adopted by the program, ASEC desk officers’ limited availability and capability to initiate and drive project implementation; ASEC not differentiating AADCP II from other Dialogue Partner (DP) programs; and other DPs using different models of delivery to AADCP II- DPs leading project initiation and implementation.

DFAT-Canberra. Discussions with DFAT-Canberra indicated that AADCP II is largely perceived as a demand-led, reactive program that limited opportunities for Australia to directly influence the development agenda (e.g. challenges with raising the profile of gender) by many in Canberra, including senior staff. While the criticism on gender was acknowledged by program staff (a limitation of the partnership model), the AADCP II Program Director and senior DFAT-ASEAN Mission officials reiterated Australia’s strong and active role in shaping AADCP II’s work through the PMT and the JPRC process in addition to high-level diplomacy from the DFAT Mission including Australia’s Ambassador to ASEAN. This perhaps suggests a gap in Canberra’s understanding of what levers and avenues are available to Australia through AADCP II for prosecuting Australia’s wider interests in the region. Given that DFAT-Canberra are not involved in the day-to-day oversight of the program, it is not surprising that they may not fully appreciate the intricacies of the modality.

1.3 What worked well in this partnership modality?

The partnership modality is working well on multiple fronts and benefitting both Australia and ASEAN. The modality on the whole offers value for money to Australia.

Strong Australia-ASEAN partnership leading to more relevant projects and ASEAN ownership. The partnership has been effective in **advancing both the AEC and the Australian Foreign Policy White Paper Objectives in the region**. Through interviews, key Australian and ASEAN stakeholders confirmed that this unique partnership modality has supported implementation of the AEC Blueprint priorities with ASEAN Sectoral Bodies initiating projects that align to their AEC Blueprint commitments. This ensures that projects funded by AADCP II are of **high significance and relevance to ASEAN which in turn strengthens ownership, contributing to sustainability**. ASEC officials further reiterated that having the AADCP II trust fund in ASEC builds their capacity which is further bolstered by the program’s funding of several Desk Officers (in finance, legal/contract), with the long-term aim of ASEC regularising these positions within ASEC systems.

Broader diplomatic relationship. AADCP II has proven to also be an asset of broader value to Australia, strengthening the broader diplomatic relationship between ASEAN and Australia. Through an embedded DFAT Program Director and ongoing high-level engagement by the ASEAN Mission in Jakarta, Australia has developed and nurtured a long and trusting partnership with ASEAN. The program has been recognised by ASEAN leaders and in various ASEAN and AMS fora, which is helping Australia facilitate broader dialogue with ASEAN on areas of strategic importance to Australia. This is helping DFAT **prosecute Australia’s security and economic priorities across** the region. Owing to this unique

partnership model, AADCP II has successfully positioned itself as a ‘partner-of-choice’ to ASEAN with a strong brand recognition and some ASEC officials perceiving AADCP II to be synonymous with Australian support.

Discussions with senior DFAT-ASEAN Mission officials highlighted the ‘trusted-partner’ status Australia holds with ASEAN which can be observed through ASEAN’s exclusive engagement with Australia on several high-profile, sensitive areas such as connectivity and infrastructure. Connectivity and infrastructure are areas of strategic interest for several other Dialogue Partners who are keen to engage with ASEAN in this area. Under the current arrangement, Australia has been asked to support all three sustainable infrastructure projects under MPAC 2020 (AADCP II supported the development of that strategy)- (i) sustainable urbanisation strategy (launched in 2018); (ii) the rolling pipeline of priority infrastructure projects; and (iii) the ongoing infrastructure productivity project. Moreover, Australia was the only dialogue partner invited to the launch of the Rolling Pipeline of Priority Infrastructure Projects in Bangkok, with the Australian Trade Minister in attendance with other ASEAN Ministers, signifying ASEAN’s strong relationship with Australia.

AADCP II Program Director. A unique feature of the AADCP II modality, different to other Dialogue Partners, is the DFAT-funded Program Director embedded within ASEC along with the program team (PPMSU). The embedding of the program within ASEC allows Australia high-level access and regular ‘face-time’ with senior ASEC officials which has proven to be valuable in building a trusted partnership. Similar opinions were offered by other Dialogue Partners, embedded within ASEC, who remarked that *‘programs not sitting in the Secretariat don’t enjoy the same level of access to ASEC as the rest of us.’* The AADCP II Program Director, an Australian official, also serves as a direct resource to ASEAN who are able to raise sensitive and high-priority issues with the Program Director knowing that they are communicating directly with the Australian government as opposed to through an externally contracted project director. This model has recently been replicated by the Chinese development partner who have secured approval from ASEAN to place a Chinese diplomat in ASEC⁴¹.

AADCP II as a benchmark. Several ASEC officials noted during discussions that they use AADCP II as a benchmark for support with other Dialogue Partners. ASEAN reiterated the flexible nature of AADCP II and that individual staff and the structure of PPMSU were working well with ASEC colleagues. Further, the program’s unique operational mechanisms were noted to be efficient. These include: (i) the JPRC process which is faster than ASEC’s CPR mechanism; transparent financial management procedures, including milestone payments and the use of supplemental procurement processes (note: some ASEC staff remarked that they didn’t fully understand the supplemental procurement processes and would benefit from clarity around that). It was also suggested, by a senior ASEC staff, that other Dialogue Partners have perceived the benefits of using the JPRC process and the trust fund model, like AADCP II, and some (Korea, Japan and China) have now put trust funds in ASEC which was welcomed by ASEAN. Further, China has established a program management team and ASEC is using the AADCP II PMT as a standard for that process.

Efficient Modality

⁴¹ ASEC senior officials noted that ASEAN may revisit the use of an Australian official as the AADCP II Program Director as opposed to an externally contracted Project Director.

Compared to a traditional Managing Contractor model, the program model of using ASEC operations reduces overhead costs significantly and enhances efficiency. It was noted in the latest DFAT-AQC 2018-19, that AADCP II has maximised outcomes from the available time and resources and that it delivers projects at a much lower administrative cost than expected- the program has spent \$5.91m on management/staffing through to June 2019. According to the AADCP II Cooperation Agreement, the total program costs of \$57 million is split into \$40 million for projects and \$17 million for management/staffing costs (less than 30% of total program funds). The Program's funding of ASEC desk staff who function as both AADCP II technical staff and ASEC corporate staff, allows the program to further leverage ASEAN resources at no additional overhead costs.

Risk Management. The program model has inherent risks, which are largely being managed appropriately (risks not currently mitigated are discussed in the section below). Risks are also managed at multiple levels, depending on the nature of the issue. For instance, risks are actively tracked and managed by the Program Director and PPMSU staff for ongoing day-to-day issues; the JPRC governance platform also provides opportunities for the Program Director and the Australian Ambassador to raise certain issues and policies with senior AMS officials; and moreover, given the strong ASEAN-Australia partnership and Australia's membership on the JPRC, provides a strong platform for the Australian Ambassador to discuss high-level sensitive issues, one-on-one, with other AMS Ambassadors as and when required.

1.4 What were some challenges and how were they addressed?

While the partnership modality used by AADCP II has offered both ASEAN and Australia benefits such as a strong ASEAN-Australia association leading to more relevant, effective and efficient programming, some challenges, inherent to the modality, were identified through discussions with ASEC senior officials, AADCP II program staff and DFAT. These are discussed below.

Program-level

- **ASEC systems.** Discussions with AADCP II staff have highlighted certain challenges with ASEC operations systems, including human resources, procurement, administration and contracting. It was noted that these systems '*can be rigid and inconsistent*' and not always able to support the program's unique needs, for instance with procurement and contracting.
- **With no legal and contractual arrangement in project implementation,** AADCP II has limited authority to manage contracts and projects. Under the current model, the program does not have any contractual and performance oversight of subcontractors to deliver projects funded by the program and is often put at a disadvantage if an issue arises between AADCP II and the sub-contractor. This can also limit the ability of the program to effectively quality assure program products.
- The current model **restricts AADCP II involvement to the AEC Economic pillar** and precludes the program from directly engaging with other areas of ASEAN, such as the Socio-Cultural pillar responsible for gender. While working through one pillar can help focus program efforts, it can also limit Australia's ability to engage with ASEAN more broadly to respond to emerging priorities. The current arrangement also limits

Australia from linking AADCP II's work with other areas where Australia has a proven track record (such as TVET) that also contributes to promoting economic and inclusive growth in ASEAN. This is an area that should be explored by the design team, (and/or by DFAT and ASEAN when developing the TOR for the design team).

- **ASEAN branding.** Discussions with DFAT-ASEAN Mission however, noted that while, Australia may not always have its logo on program products, Australia receives considerable direct and indirect credit and acknowledgement from ASEAN for supporting key initiatives and agreeing for ASEAN to launch products as theirs in international platforms.
- **Strong AADCP II Brand Recognition.** As a result of ASEAN's strong ownership of AADCP II, the program also enjoys a strong brand recognition in ASEAN and is often seen as synonymous with Australian support (perhaps due to the program being demand-led and also embedded within ASEC). This has, to some extent, diminished the opportunity for Australia to raise its regional profile. Discussions with the DFAT-ASEAN Mission indicated that ASEAN Ambassadors don't necessarily explore support elsewhere with Australia, as they currently receive wide-ranging support through AADCP II, and the program, at first glance, seems to have a comprehensive coverage under the Economic pillar. ASEAN Ambassadors also noted that they weren't fully aware of other Australian regional and bilateral support available to them. While this demonstrates success of the AADCP II approach, it also suggests a need for Australia to be more proactive in their internal and external communication channels to ensure ASEAN stakeholders are aware of Australia's broader support.

Project-level

- **The record with partnership at the project level has been mixed.** Effective partnership on AADCP II requires the relevant ASEC Division to drive the design and implementation of project activities and to quality assure outputs.
- Another challenge with AADCP II's modality is that ASEAN sectoral bodies and working groups rarely engage with AADCP II as the program does not have a formal position in the identification and selection of projects it funds. This is different to other Dialogue Partners who work closely with sectoral bodies to develop project proposals themselves, such as EU Arise Plus. Some ASEC discussants noted a preference for EU ARISE Plus over AADCP II, so they don't have to develop the project proposals themselves.
- **Lack of Clarity over roles and responsibilities-** Discussions with PPMSU highlighted that, at project initiation and implementation, there is lack of clarity in the division of roles and responsibilities between ASEC Desk Officers and AADCP II
 - Similarly, **ASEC Desk Officers** funded by the program have noted that while their position functioned well for the most part, there were some operational challenges. A key challenge being that they were unsure whether to regard themselves as ASEC employee or AADCP II project staff.
- **M&E-** AADCP II's demand-led partnership model operates as a 'responsive facility' and relies on ASEC systems to implement and monitor programs.. A key lesson from the program indicates that ad hoc projects, once they are completed, are difficult to track

for outcomes or impact. Ongoing or follow-up projects allow the program to track outputs and outcomes over a longer period which is necessary in order to realise outcomes. Discussions with AADCP II staff have also noted an increased interest in M&E with ASEC putting a stronger emphasis on outcome and impact in its improved AEC M&E framework. The program should explore opportunities to take advantage of this and identify entry points for greater M&E engagement with ASEAN.

- **Gender-** AADCP II was not designed with specific gender outcomes in mind, particularly as it takes an ASEAN-led approach. Given that the program's work primarily falls under the Economic Pillar while gender is positioned under the Socio-Cultural Pillar, AADCP II has found it challenging to advocate for and incorporate gender considerations into project proposals. Discussions with ASEAN Permanent Mission representatives also highlighted a lack of understanding of potential gender outcomes of projects funded by AADCP II and remarked that 'AADCP II should help ASEAN think through the gendered aspects of our work'. AADCP II program team and DFAT acknowledged the importance of trying to identify champions within ASEC to advocate for gender equality within the sectors AADCP II works in. Previously, AADCP II engaged with DFAT's Regional Gender Adviser for guidance and support on specific gender-related issues, however that position has been vacant for some time. AADCP II is now sourcing gender advice from Clear Horizon and this should continue on the current program.

1.5 What approaches do other dialogue partners use with ASEAN? What works well, what doesn't and why?

The case study also looked at program approaches used by other Dialogue Partners working with ASEAN and through ASEC, in particular the approaches used by the EU Arise Plus programme and the GIZ programs⁴². Dialogue Partners working with ASEC include Australia, the European Union, GIZ, USAID, Japan, China, Korea, Russia and India.

Partners such as Korea, Japan, China, India and Russia have trust funds with ASEC and closely follow ASEC processes and guidelines for appraising and approving projects. Their project proposals are approved individually as they are not multi-year programs with MoUs. Multi-year initiatives like AADCP II, EU-ARISE Plus program, and GIZ programs have long-term MoUs that outline the intention for the duration of the program- '*what they will fund; what they won't fund, and they follow their own or adapted procurement processes*'.

Senior ASEC officials noted that the EU and the US use the model employed under AADCP I where funds are held by the DPs and implementation is also managed by them. Benefits of this model was noted to be less time commitments for ASEAN and no operational requirements (procurement, HR, contracting). Some ASEC discussants noted that this model can sometimes lead to less commitment from ASEAN as they are not taking a 'hands-on'

⁴² Other dialogue partners were not as forthcoming with information and as a result, the review team's discussions with them were limited.

approach, while others remarked that it doesn't necessarily reduce ownership as EU, for example, works closely with the SBs/WGs to develop project proposals and work plans.

EU Arise Plus

ARISE Plus (2017 to 2022) is a five-year program designed to extend the EU's commitment to support the ASEAN region in trade facilitation. ARISE Plus builds on the efforts and success of its previous phase, ARISE. ARISE Plus includes four main components i) trade facilitation and transparency ii) standards and conformity assessment in particular healthcare and agro-based products iii) customs, transport and ACTS and iv) ASEAN economic integration monitoring and statistics. *The technical assistance extended by ARISE Plus and its built-in demand driven feature will further support greater economic integration in ASEAN through the implementation of the ASEAN Economic Community Blueprint (AECB) 2025 and strengthen the institutional capacity of the ASEAN Secretariat and its sectoral bodies. ARISE Plus for the next four years will continue to strengthen the bond between EU and ASEAN through trade related technical assistance provided to the region and will indirectly contribute to the desire and collective will of a sustained economic growth of the ASEAN charter⁴³.*

The program has a regional component guided by the AEC and several other bilateral programs sitting under it. ARISE Plus uses a managing contractor model - the regional program is implemented by a French contractor, Aets, while the bilateral programs are managed by other contractors. The regional program is co-located within ASEC and the program structure includes a Team Leader, and four long-term technical experts in charge of leading the four technical streams.

Key differences between the AADCP II model, and the approach taken by ARISE Plus are two-fold. At the program level, ARISE plus does not use ASEC operations systems and manages their own funds, administration, procurement and contracting. During discussions with ARISE Plus, they noted '*because we manage implementation and operations, we are able to react very quickly to ad hoc demands and change in situation in ASEAN*'.

At the project level, a key difference between ARISE Plus and AADCP II is the way project proposals are developed. ARISE Plus engages directly with ASEAN Sectoral Bodies/Working groups and leads the development of project proposals. ARISE Plus also have in-house technical experts who lead on project planning and proposal development and are able to program activities for over a long period. ARISE Plus program noted '*we agree with ASEAN the priority areas using our knowledge of sectoral working groups. We allow six months to consult on the plan and participate in sectoral working groups and present plans to them. We don't sit in the closed sessions, but otherwise participate in working group meetings. This is how we build their trust- influence their direction, shape their work plans. We are really well integrated into the fabric of ASEAN and the Secretariat.*'

When talking to ASEC staff about ARISE Plus, they remarked that ARISE Plus has long-term work plans and ASEAN have on-going projects identified with them, whereas AADCP II projects tend to be more one-off with some exceptions.

⁴³ <https://ariseplus.asean.org/>

GIZ programs

Germany funds various development programs with ASEAN through its implementing entity, GIZ. Discussions were held with two programs- the ASEC Strengthening Program and the GIZ ASEAN Agri-Trade and ASEAN SME Program. Both programs are co-located with ASEC in the Heritage building and manage their own operations including budget and project implementation.

The programs are demand-driven and receive requests from ASEC but use internal GIZ procurement systems for recruitment and contracting. While the ASEAN Agri-Trade and ASEAN SME Program does not use a trust fund model, it allocates project/activity-specific funds that are then available for ASEAN support. At the AMS-level, the program agrees on activities with member states and then allocates funding accordingly.

The GIZ ASEAN Agri-Trade and ASEAN SME Program has both a regional (working group/sectoral bodies) and national component and works with selected countries, which is different to the AADCP II model. The program produces products at the regional level and then supports implementation with Member States including Cambodia, Laos, Myanmar, Vietnam, Indonesia and the Philippines. The program further remarked that AMS highly appreciated the support with national-level implementation, noting '*AMS are relieved for this support.*'

Similar to EU Arise, the GIZ ASEAN Agri-Trade and ASEAN SME Program also leads on project proposal development. German-ASEAN consultations are held annually where both Germany and ASEC identify projects and topics of interest (ASEC receives requests from WGs or from the Member states, and some are follow-on/ongoing projects). Requests from ASEC that don't align with the German Ministry's priorities are not accepted. The program then conducts project appraisal missions and works closely with ASEC, ASEAN Divisions, WGs and AMS to further scope a project concept and then develops the proposal in-house using program staff and sometimes external short-term consultants. Discussants noted that ownership came from AMS, and it is important to ask AMS when developing projects proposals on what their requirements were. Project proposals are then shared with the German Ministry for approval before sending to ASEC (the proposal is then put in ASEC format). On the ASEAN side, proposals are approved through the CPR process.

1.6 What are the key lessons of the AADCP II partnership approach?

- The partnership approach, in particular the program's responsiveness to ASEAN priorities, has strengthened the broader ASEAN-Australia relationship and has helped Australia develop a high degree of trust and credibility with ASEAN.
- This mature partnership facilitates ASEAN and Australia to collaborate on areas of mutual interest and address program risks and approach policy issues appropriately. This link between trust and credibility was highlighted in a study by Susan Dawson, *Discussion Paper: Design, Monitoring and Evaluation of Facilities*, who remarked that the relationship between trust and credibility and the capacity to influence partners on policy matters was strong. The paper reiterated this to be more effective when partners created demand for engagement which represented good value for money,

particularly where Australia was part of a broader development setting, akin to the context in which AADCP II operates.

- The value of the AADCP II partnership-facility modality depends on the underlying reasons for the partnership. If being responsive to ASEAN is seen as more important to maintaining a strong ongoing ASEAN-Australia relationship through projects that help advance both ASEAN and Australia's priorities, then this modality will continue to offer good value for money. If, however, Australia want to be more engaged in setting the development agenda and drive GESI and lead on M&E of projects and activities it funds through AADCP II, then a more traditional program approach may be suitable. For instance, certain elements of a traditional managing contractor-led program could be explored where M&E responsibilities⁴⁴ lie with the program (feasibility of this mixed modality would need to be discussed with ASEAN to ensure ASEAN ownership is not compromised). The program would still need to closely engage through relevant ASEAN sectoral bodies/working groups, such as the DFAT-funded ASEAN-ACT program which works through the SOMTC⁴⁵.
- The success of the AADCP II partnership approach is highly relational and requires dedicated engagement and high-level diplomacy from the Program Director and the DFAT-ASEAN Mission. To continue to nurture and fuel the partnership, a strong emphasis on ongoing engagement between ASEAN decision makers and the Program Director and the DFAT-ASEAN Mission will be critical.
- Owing to the demand-led approach, AADCP II enjoys a very strong brand recognition within ASEAN. However, this has reduced Australia's ability to raise its regional profile with ASEAN and Member States more widely. The program and DFAT-ASEAN Mission need engage more proactively through their formal and informal communication channels, ensuring that messaging about the program is tailored to the needs of the different audiences-ASEAN, AMS, DFAT-Canberra.
- Working through ASEC systems can reduce efficiency and delay processes to some extent, but it also helps build ASEAN ownership and capacity, which not only contributes to the partnership, but also *enhances mutuality*⁴⁶ and ensures longer term sustainability. The Discussion Paper further highlights that the objective of partnerships is not often achieved if the facility is implemented by a Managing Contractor, but rather more successful in a government-to-government facility arrangement.
- Working only at the regional level can restrict AADCP II from understanding the impacts of its projects at the national level. Programs such as EU Arise and GIZ ASEAN Agri-Trade and ASEAN SME Program are bridging that gap by engaging with Member States and having longer-term work plans which can help strengthen monitoring and reporting of program progress.

⁴⁴ Direct data collection for instance

⁴⁵ Senior Officials Meeting on Transnational Crime

⁴⁶ Discussion Paper: Design, Monitoring and Evaluation of Facilities, 2009; Susan Dawson,

- There's a fine balance between leading on project proposals (EU, GIZ model) which can reduce ownership and sustainability to some extent, to letting ASEAN WGs develop their own proposals. AADCP II would benefit from supplementing their existing process by leading on select project proposals to ease the pressure from ASEAN.
- The operational and project-level challenges, including AADCP II not having any contractual arrangement with project implementers; lack of clarity over roles and responsibilities at project implementation are being actively managed by the program team (Program Director and PPMSU), but could potentially expose Australia to quality and/or reputational risks down the track. These challenges, inherent to the partnership modality, should be considered by the design team for the follow-on AADCP II program.
- While the broader ASEAN-Australia relationship remains robust, the program team (PPMSU) at times feel that the partnership between PPMSU and ASEAN is not a 'genuine partnership', likely because of AADCP II having limited engagement in contract management, project implementation and progress tracking.

Appendix 5: M&E review

AADCP II is an 11-year \$57m partnership between Australia and ASEAN to support ASEAN implement the ASEAN Economic Community (AEC) and deepen regional economic integration. The program also serves as a significant asset in the broader diplomatic relationship between ASEAN and Australia.

AADCP II uses ASEC's operational systems for implementing the program, including HR, finance, legal, and procurement. While the program employs internal M&E resources, it relies heavily on informal data / evidence related to AADCP II's program influence and contribution to outcomes.

Even though AADCP II is not officially referred to as a facility, the program fundamentally functions as a grants facility that is responsive to ASEAN demand. To that effect, AADCP II only implements projects initiated by ASEAN Sectoral Bodies/Working Groups through ASEC.

MEL Review- AADCP II engaged Clear Horizon in 2017 to undertake a review of its existing MELF and support with developing a Theory of Change (ToC). The review developed a draft ToC, a draft evidence matrix to support reporting (particularly for AQCs) and recommended certain refinements to its existing monitoring, evaluation and reporting tools to strengthen capturing the informal data and for reporting purposes. The outcome of that review was not formally adopted by DFAT as the proposed program logic was contested during the 2018 AQC moderation for lacking clarity around program logic.

This current review takes into consideration the previous MEL review in 2017, discussions with the AADCP II program staff, current DFAT guidance on program logics, facilities and AQCs. The sections are broken down by Program Logic and M&E. While overall, the program logic and MEL are found to be fit-for-purpose, some small changes are proposed for better alignment with DFAT's latest guidance on program logic and facilities. These are discussed below.

1.7 AADCP II Theory of Change (Program Logic)

Overall, the draft Theory of Change developed in 2017 provides a realistic representation of AADCP II. It should be noted that given the demand-driven, partnership/facility model that AADCP II uses, the program logic cannot articulate a straightforward 'causal link' between inputs-outputs-outcomes. The reasons for this are explained in the *DFAT Guidance Note: Facility Investments*, which highlight the following common elements of a facility:

- While facilities should have clear end-of-program outcomes defined, they do not specify at the outset the activities and the outputs required to achieve them, which are done during implementation

- Reform pathways and strategies to achieve outcomes are not defined upfront and are developed during implementation.
- There is usually a large pool of unallocated funds which is designed/programmed during implementation. Investments may be planned from year to year to respond to changing needs
- DFAT aid investments do not always include the word facility in their title.

The Guidance Note describes two different types of DFAT facilities- a development facility and an enabling facility. An enabling facility is primarily intended to provide administrative services to meet DFAT's corporate needs and is typically implemented by a Managing Contractor. Based on its program features, AADCP II can be classified as a development facility- *development facilities have clear high-level development outcomes, but do not specify at the outset how final program objectives will be met. Reform pathways are not defined and there is an ongoing 'design load' during its life. Facility managers work with DFAT to define the program's direction and in managing policy dialogue. These facilities were created in a highly fluid context, with high level outcomes and sectoral focus, but few details on how we would deliver on our objectives, at the outset. Over time, facilities become more sharply focused.*

Following review of the existing draft program logic, some changes are proposed to further align it with DFAT's latest guidance.

- k. Note DFAT's latest guidance refers to Theory of Change as Program Logic. Suggest using this terminology.

Goal & Objective

- » Suggest changing Super Goal to **Goal - To promote economic and inclusive growth in ASEAN-** to align with the latest DFAT guidance on program logics.

End of Program Outcomes

- » **End of Program Outcome 1 (EOPO1):** to capture program stakeholders in addition to 'ASEAN Bodies', it is recommended that EOPO1 could be rephrased as: *ASEAN **decision makers** are more effectively able to support economic integration*
- » **End of Program Outcome 2 (EOPO2):** It should be noted that because the existing draft program logic was not formally accepted by DFAT, the program will need to confirm with the DFAT-ASEAN Mission that EOPO2 adequately captures the broader partnership aspects of the program.

As EOPO1, EOPO2 should also describe an end state. Some suggestions below to be discussed with DFAT:

Based on the 3 primary End of Program Outcomes in the PAF- suggest rephrasing existing EOPO2 to: *'Enhanced Political Engagement'* instead of Political Engagement.

- Based on discussions between AADCP II and DFAT-ASEAN Mission, suggest reviewing the ‘intermediate outcome’ under EOPO2. Suggestions below:
 - Refine Intermediate Outcome 1 under EOPO2 to: *Maintain & improve the Australia – ASEAN partnership via better strategic selection and design of projects & their reception at political / diplomatic level*
 - This will help reflect that both Project selection and quality are important measures of effectiveness, and not just outputs.
- » It would also be useful to demonstrate in the program logic, the interplay between EOPO1 and EOPO2. For example, how are regional products, etc. developed under EOPO1 used to enhance Political Engagement/Partnership (EOPO2). This could then be tracked by synthesizing the evidence on: AADCP II funded program products launched at meetings; speeches highlighting the value of the products and Australia’s contribution; DFAT-ASEAN Mission’s use and reference to AADCP II products in their work, etc.

Work Streams

- » Note, the program logic refers to these as Work Streams while the PAF refers to them as Clusters. Once a final program logic is agreed to with DFAT-ASEAN Mission, suggest using the same terminology in both documents to avoid confusion, unless there is a distinction between Work Streams and Clusters (which is not clear).
- » Addition of new work streams: May be worth including Energy & Minerals; Cross-cutting under work streams

1.8 Monitoring, Evaluation and Learning Framework

This review concurs with the findings of the 2017 MEL review that overall, the structure of the MELF is good and fit-for-purpose. The suggestions for improving the M&E tools in the 2017 review are sound and should be adopted to improve tracking and reporting of results.

Given the partnership model that AADCP II uses, there are certain challenges (mainly access to evidence and the strength of evidence) with implementing a MELF under this program which were also highlighted in the 2017 review- *A key challenge is the reliance on informal data related to the program’s influence and contribution to outcomes. Exacerbating this is that the existing M&E tools don’t capture the informal data very well. Moreover, a lot of informal data is quite subjective. This by its very nature will be the case, and so improving the rigour where possible is one of the main aims of the MELF.*

Recommendations for the MELF

PAF- The PAF provides a thorough tool to track and measure progress of projects towards their intermediate outcomes and also helps aggregate results against work streams/clusters for longer term outcomes. This mainly supports reporting against the

EOPO 1 - program effectiveness which is a key AQC criteria for reporting. The PAF also touches on aspects of sustainability.

- » The PAF should be continued and used to collate evidence against EOPO 1. The small suggestion here is to change the term *PAF* to avoid any confusion, as DFAT uses the term PAF (Performance Assessment Framework) internally at the whole-of-aid portfolio level and not for specific programs/investments. AADCP II could consider using the term Performance Monitoring Framework (PMF).
- » **Evidence Matrix**- the draft Evidence Matrix developed as part of the 2017 review can be used to collate evidence and report against EOPO 2- Political Engagement, and if required the other AQC criteria (efficiency, gender, M&E) which would strengthen AADCP II reporting for DFAT purposes. The existing Key Questions in the Evidence Matrix and their weighting (where M&E resources should be invested, i.e. what information should be collected annually) needs to be reviewed by the program team, considering active work streams.
- » **Data Collection**
 - » Given the nature of AADCP II, strength of evidence⁴⁷ for data will likely be between low to moderate. The program should aim for moderate strength but there may be instances where this is not possible and should be noted. To support judgement on AADCP II's contribution to outcomes, the strength of evidence can be improved through triangulation of monitoring data where possible, and particularly for the more strategic projects (could be based on financial value, etc). It is unlikely that the program will be able to do this for all ongoing projects, but it would be worth exploring for the high-value or highly strategic projects. Currently, the program uses the following sources of evidence, which should be continued:
 - project completion reports from project implementers;
 - meeting minutes from ASEC bodies;
 - information on ASEAN websites;
 - mission reports;
 - internal emails;
 - observations
 - end of project review meetings/reports;
 - annual reflection workshops;
 - DFAT- ASEAN Mission observations, meetings, emails
 - Independent reviews

⁴⁷ This is based on the AQC strength of evidence rubric

- Case studies for the more strategic projects. A sample of activities can be selected for more in-depth case studies to examine implementation of the activity in context.
- Work programming - Another way to enhance understanding of the outcome or impact of AADCP II activities, is to continue to engage in the same work stream with ongoing or follow-up projects similar to the MPAC and IAI work which have longer term work plans and country-level engagement. This allows time for outcomes to materialize which can be difficult to ascertain when doing ad-hoc, or one-off projects in the shorter term.

EOPO 2

Once agreement has been reached between the program and the DFAT-ASEAN Mission on EOPO2, further data collection and analysis may be required to track progress against this outcome. The AADCP II Program Director is best placed to lead on this.

To assess progress against EOPO 2- Enhanced Political Engagement- Deepen the strategic partnership between Australia and ASEAN, some performance markers/indicators could be identified and then tracked against. This would be a simple way to track and could include for example:

- » Clarity of partnership's purpose- partnership personnel have a solid grasp of both the long-term objectives of the partnership *and* agreed immediate priorities for joint action.
- » High-level dialogue between ASEAN and Australian officials – documenting when and where this is taking place and AADCP II's contribution to this
- » Partner of choice- repeat work; projects in new work streams; Australian whole-of-government engagement through AADCP II- for e.g. Department of Agriculture

It would be good to not have too many indicators which would then make tracking and reporting more onerous.

Another approach may be to include a rubric to assess what good Political Engagement looks like for AADCP II. A rubric is a qualitative scale that includes:

- » Criteria: the aspects of quality or performance that are of interest, e.g. Clarity of Partnership's purpose
- » Standards: the levels of performance or quality for each criterion, e.g. poor/adequate/good.
- » Descriptors: descriptions or examples of what each standard looks like for each criterion in the rubric. E.g. *Good- Almost all partnership personnel have a solid grasp of both the long-term objectives of the partnership and agreed immediate priorities for joint action.*

This would require discussions between DFAT, ASEAN and AADCP II to agree on the rubric, and may be better done during design of the next phase of AADCP II.

Appendix 6: Project Data

Table: Project Status Overview by Stream

Stream	Completed	On-going	Concept	Proposal	Initiation*	Total
Corporate development	7	2	-	-	-	9
M&E	4	-	1	-	-	5
Consumer protection	6	1	-	-	-	7
Agriculture	3	3	-	-	-	6
Cross-cutting issues	2	-	-	-	-	2
IAI/NDG	4	2	1	1	1	9
Financial integration	3	-	-	-	-	3
Connectivity	7	4	1	1	-	13
Services	10	-	-	-	-	10
Tourism	10	1	-	-	-	11
Investment	9	1	-	1	-	11
Energy and Minerals	1	1	-	1	1	4
MSME, Private Sector Dev't	-	-	-	2	-	2
Total	66	15	3	6	2	92

* initiation include projects that are in procurement (tendering, contracting) stage (as of 31 October 2019).

