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1 Summary

This document outlines Australia's proposed strategy for its aid program to Asia regional organisations and programs from 2011–15. This updates the previous program strategy which expired in 2009. This strategy will be subject to further consultation and review and a final strategy will be released by June 2011.

1.1 Australia's strategic approach to aid to Asia regional organisations and programs 2011–15

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

The East Asia regional strategy focuses on achieving two strategic outcomes:

1. improved capacity of regional organisations to address agreed priority development challenges
2. a stronger and more effective partnership between Australia and regional organisations to tackle priority regional issues, concentrating on:
 - promoting and managing economic integration
 - prioritising trans-boundary issues, including communicable human and animal diseases, human trafficking, disaster prevention and responsiveness, as well as climate change.

2 Critical regional issues in East Asia

2.1 Introduction

The East Asian region is diverse: it encompasses some of the world's wealthiest countries and some of its poorest. It includes aid donor and recipient countries; large continental nations and small city states; liberal democracies; communist regimes, military junta and monarchies. Consequently the development challenges the region faces are also numerous and diverse. Most of these challenges—such as improving the business-enabling environment or delivering education—are best dealt with by nation states. Other challenges, including increasing international trade and managing trans-boundary threats, require international cooperation.

Since the 1960s, East Asia has grown faster, and cut poverty more, than any other region of the world. A major factor for this progress is that the region embraces globalisation. Economic integration accelerates growth and poverty reduction and Australia benefits too. With more than half of Australia's exports going to East Asia, Australia has a strong interest in ensuring that integration continues and that countries work together to maximise economic development in the region, reduce poverty and resolve common problems. Regional cooperation is also needed to make the most of integration, but also to manage its adverse impacts, including the spread of HIV, transnational crime and people trafficking.

Australia shares borders and approaches with East Asian countries and is directly affected by their ability to manage communicable diseases, natural disasters and environmental degradation. Australia's national interests are promoted by working with regional countries to manage trans-boundary threats. We therefore benefit from strengthening the capacity of regional organisations, encouraging cooperation and seeking to influence their policies and priorities. This maximises development, reduces poverty and solves problems.

A small number of key organisations bring together national leaders to shape regional cooperation. These include APEC, ASEAN and the EAS. Australia will work with and through these bodies to improve regional development outcomes in three ways, by: 1) strengthening their capacity to identify and respond to regional development priorities; 2) collaborating with them to deliver specific activities that target agreed regional needs—especially in the areas of economic integration, trans-boundary threats and disaster preparedness; and 3) undertaking policy discussions that focus on activities that will deliver the best results. As the regional architecture continues to evolve, Australia will adjust its programs to maximise their effectiveness.

Key regional development challenges

Key development challenges cannot be dealt with effectively by individual governments in the region acting on their own. They require collective action through regional networks and cooperation across borders. Helping countries manage these challenges is critical to the region's overall security, stability and prosperity. The Australian aid program supports engagement with the East Asian region because stability, peaceful cooperation and economic integration are prerequisites for ongoing regional development.

Economic integration

While East Asian nations have largely adopted outward-oriented policies, substantial barriers to trade, transit and traffic still exist within the region. These include difficulties in moving goods, high transport costs, widely divergent customs, immigration, quarantine and security procedures, and other non-tariff trade barriers. Working to reduce such impediments will help accelerate growth and reduce poverty. It will also help close the development gap between the region's poorest and richest countries.

Economic and social policy coordination

As countries become more interdependent they also become more vulnerable to global and regional shocks. This calls for more coordinated economic policy but also intensified efforts to address rapid downturns, including through broader social protection. In addition to increasing poverty, economic shocks can also increase social vulnerability. The global financial crisis, for example, has increased the risk of people trafficking and various forms of international labour exploitation that can best be addressed through regional cooperation.

Increased trans-boundary risks

As trade and people movement accelerate, so too do the spread of communicable diseases and transnational crime (ranging from the smuggling of people and goods to the proliferation of narcotics). Highly mobile populations increase the risk of pandemics and necessitate coordinated international action. The effects of environmental degradation has for a long time spilled across borders, but climate change increases the risks and the need for international action—primarily in global fora.

Natural disasters

There is a very high incidence of natural disasters, especially large-scale disasters, in East Asia. Some are local or national but others—such as large cyclones and tsunamis—affect several countries at the same time. Regional responses allow the pooling of assets and efforts and better insurance against impacts. Consequently, leaders give considerable priority to strengthening the region's ability to reduce the risk of disasters, mitigate their impacts and mount rapid, effective responses.

2.2 Regional partners

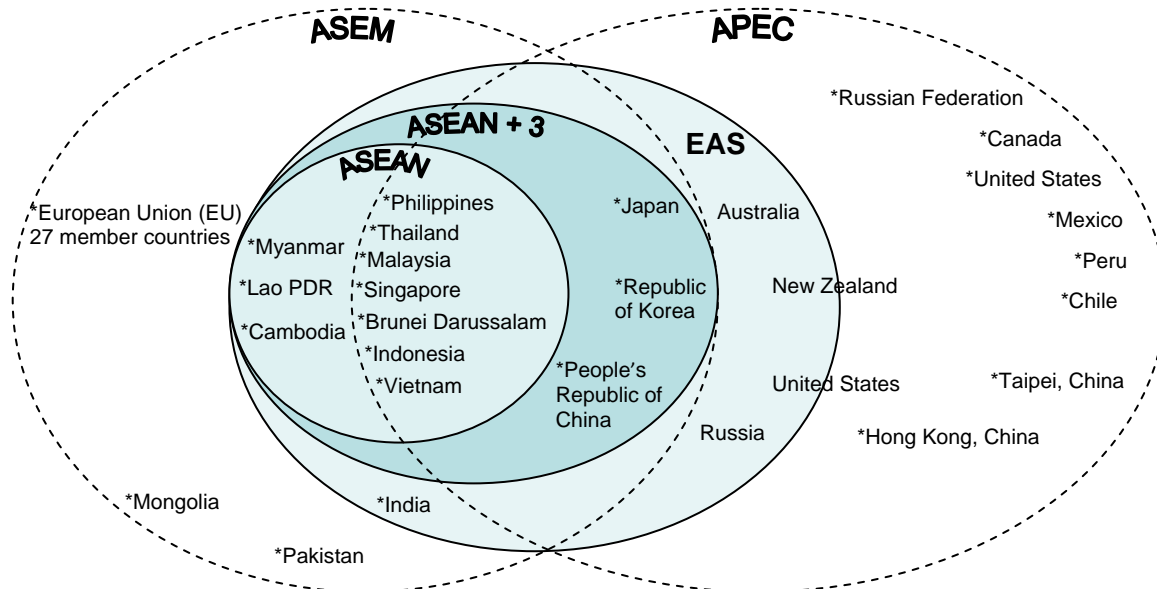
Regional governance in East Asia is evolving. Australia, through its aid program, will continue to play an important role in shaping the development agenda for the region and improving the effectiveness of key regional bodies. There is no one, well-established, regional platform for cooperation across all developing countries and development issues. Australia must therefore work with a number of different organisations, each of which has its own strengths and weaknesses as a development cooperation partner. ASEAN and APEC are our key partners because they are currently the most developed institutions in the region. Australia shares their commitment to economic growth, a liberalised trade reform agenda and the need to foster regional stability.

The East Asia Summit (EAS)¹ will become increasingly important, but it is yet to have an administrative structure to deliver programs. It is unlikely to take on an implementation role in the near future.

The complexity of the interrelationship between these organisations is indicated in Figure 1.

¹ The East Asia Summit is a forum held annually after ASEAN leaders' meetings.

Figure 1: Key regional partners



APEC = 21 countries

ASEAN = 10 countries

ASEAN +3 = ASEAN plus Japan, Republic of Korea, People's Republic of China

EAS = ASEAN + 3, plus Australia, New Zealand and India (United States and Russia from 2011)

ASEM = EU 27 countries plus ASEAN + 3, plus India, Pakistan and Mongolia

The Association of South East Asian Nations

ASEAN contains Australia's nearest Asian neighbours whose economic and development progress are vital to Australia's security and broader interests. Its enlargement in the 1990s brought in the poorer countries of Cambodia, Laos, Myanmar and Vietnam and saw the beginnings of genuine regional economic integration in South East Asia. While Australia is not a member of ASEAN, we were the organisation's first dialogue partner. This long relationship, which is partly based on Australia's substantial programs of development assistance, has enabled Australia to interact with and constructively influence ASEAN while the organisation strengthens its ability to deal with regional development issues that impinge directly on Australia.

ASEAN seeks to prioritise and accelerate practical actions to improve regional results through the ASEAN Charter and the economic, socio-cultural and political-security blueprints. These are ambitious programs to advance regional progress. ASEAN's economic blueprint aims to create an ASEAN economic community by 2015. Of all the blueprints it is most developed and the most critical to increasing growth and poverty reduction. Consequently, its success is the most important for Australia's national interests.

APEC

Australia is a founding member of APEC which aims to give momentum to international trade and investment liberalisation. It has a diverse membership that goes beyond East Asia and includes developed as well as developing countries. The rationale for aid involvement with APEC is that its diverse membership provides a powerful impetus to the growth of global trade and can promote the flow of benefits to developing economies. By agreeing to cut barriers to trade and investment and by putting

pressure on others to do likewise, such growth enlarges international markets for developing country products. As the story of East Asia demonstrates, international trade and economic growth provide the fastest route out of poverty.

East Asia Summit

EAS grew out of the need for more settled and inclusive regional grouping allowing all of the region's important players to be present simultaneously on an equal footing to discuss pressing issues. With the inclusion of the United States and Russia as members from 2011, EAS will continue to evolve. Its current five priority areas are finance, education, energy, disaster management and avian flu prevention. Other areas of interest to members of the summit include climate change, people smuggling and people trafficking. As articulated by leaders, ASEAN will remain central to EAS and the driving force as the summit evolves.

Organisational capacity

ASEAN and APEC each have a secretariat that Australia is working with and strengthening. Australia can help improve operational effectiveness by providing staff, sharing knowledge, facilitating donor coordination and supporting the implementation of key programs. EAS as a new body, currently relies on ASEAN for logistical and administrative support. This means that delivering assistance through EAS is more challenging, as is building an institutional partnership with member countries.

2.3 Opportunities for donor coordination, harmonisation and alignment

Working with and through regional organisations presents opportunities to coordinate international assistance. Australia's own experience demonstrates that stand-alone regional activities are less efficient and effective than those pursued through partnerships with effective regional organisations. Therefore our new approach is based on working with existing regional organisations on jointly agreed priorities. This not only allows us to support regional leadership and use existing organisational infrastructure, but also to work more closely with other international partners. For example, Australia has been working with fellow ASEAN donor partners—Japan, the European Union, the United States, and the ADB—to encourage the ASEAN Secretariat to undertake policy and technical-level donor coordination. Coordination between Australia and individual donors is also being more openly discussed with genuine efforts being made to align Australian cross-border and economic integration initiatives with the European Union, Deutsche Gesellschaft für Technische Zusammenarbeit (known as GTZ) and the United States. Australia will continue to look for opportunities to promote donor coordination, harmonisation and alignment.

3 Strategic priorities for the Australian aid program in the East Asia region

3.1 Recommendations for the strategic focus of Australia's aid program

Lessons learned in designing and delivering regional programs

Australia has learned that regional development objectives are best pursued by directly supporting regional organisations, rather than by supporting stand-alone projects tackling individual problems such as customs barriers in one country. Australian initiated and managed aid interventions may offer us more control and visibility, but they require a very large amount of management time and effort and frequently do not have sufficient ownership from regional policy makers. The results from such interventions therefore tend to be weak and unsustainable. Consequently we will work with and through existing regional structures. We will identify and progress shared goals that regional organisations have identified as development priorities. These include fostering economic integration and helping countries manage its impacts (such as people trafficking) and also in improving regional disaster management arrangements.

Regional programs can attract activities that do not fit neatly elsewhere. This may include activities involving several countries for the sake of efficiency; activities for which there is no current bilateral country program funding; and new initiatives that respond to unforeseen circumstances or new opportunities. While Australia needs ways to respond in such cases, Australia has to be selective in choosing development problems that can only be dealt with effectively through regional cooperation.

Strengthening development partnerships with regional organisations relies heavily on the work of other Australian government agencies. Australian experience has demonstrated that effective whole-of-government engagement requires a long-term strategic perspective with matching multi-year funding. Australian government agencies need to be realistic about what engagement they can sustain. For its part, the Australian Agency for International Development (AusAID) could help Australian government agencies through a redesign of its Public Sector Linkages Program, to support regionally-focused engagement strategies to meet and/or complement economic development objectives where agencies have a demonstrated record of achievement.

The strategic focus of Australia's Asia regional aid program

The Asia regional program will focus assistance on achieving two strategic outcomes:

1. improved capacity of ASEAN, APEC and EAS) to address agreed priority development challenges
2. a stronger and more effective partnership between Australia and Asia regional organisations to tackle priority regional issues by focusing on:
 - promoting and managing economic integration

- making trans-boundary issues a priority, including communicable human and animal diseases, human trafficking, disaster prevention and responsiveness and, potentially, climate change.

3.2 Proposed approaches and ways of working

Improving the capacity of regional organisations

ASEAN

The focus of Australian support to ASEAN will initially be on realising its economic integration objective and implementing the ASEAN – Australia New Zealand Free Trade Area. Growing regional trade and investment are critical to sustaining growth and poverty reduction. ASEAN's economic blueprint for an ASEAN Economic Community by 2015 is currently the most developed of its three key areas. There is momentum for implementation, but many practical difficulties in achieving specific goals. Major programs Australia has already launched with ASEAN, including the ASEAN Australia Development Cooperation Program Phase II, will help remove impediments to economic growth and create the conditions for open regionalism. Australia will continue to second an officer to work with the ASEAN Secretariat to align our cooperation with the blueprint and to implement priority activities.

APEC

With APEC, Australia will continue to build and support the capacity of the APEC Secretariat to facilitate cooperation, trade, investment, economic growth and integration, consistent with APEC's mandate. This will include seconding an officer to assist in project implementation monitoring and management. APEC's agenda has expanded to respond to disruptions to regional prosperity and stability, including from terrorism, pandemics and natural disasters. Australia will stay focused on APEC's core economic responsibilities.

EAS

Australia will continue to adapt its development relationship with EAS as it evolves as an organisation. Currently Australia is involved in EAS development initiatives on disaster preparedness, financial services capacity building and regional education initiatives. As it does not have a secretariat, we will need to work closely with ASEAN to deliver EAS initiatives as EAS contains all of ASEAN's developing member states, bar India and China and is keen to stay at the centre of regional dialogue and cooperation.

Strengthening regional partnerships

Australia's East Asian regional program focuses on the ongoing development of regional organisations. By delivering programs in partnership with regional organisations we will produce more sustainable outcomes and help promote long-term economic, social and development in East Asia. This approach will also give Australia the opportunity to consolidate its working relationships with key regional organisations, for better targeting of capacity building and use of resources.

This regional strategy will advance the priorities set by Australia in consultation with APEC, ASEAN and EAS. Australia will concentrate on consolidated, genuinely regional intervention, rather than on providing an umbrella over a range of administratively burdensome and ineffective multi-country activities, which can sometimes characterise regional aid programs.

Tackling regional priorities

Promoting Asia regional economic growth and continued openness

Australia will continue to focus its regional efforts on trade and regional integration and openness. Trade and economic integration drive economic growth which is central to improving the daily lives of citizens in developing countries. Australia has fundamental national interests in East Asia continuing along this path and becoming more open and integrated so it can participate in and benefit from regional growth.

While expanding markets deliver many benefits, developing countries can fail to capture all of the economic and development benefits of trade. Well-designed aid can help countries respond to market and government failures and be a catalyst for reform. It can also assist with the redistribution of the gains and benefits achieved overall, making growth more inclusive and sustainable. Trade and investment promoting policies can have different impacts on different social groups, including women and men. These different impacts need to be understood so people can be equipped to better share the benefits and to protect themselves against adverse impacts. Economic growth is best advanced when women participate in the workforce and in business activities, and efforts are needed to identify barriers to women's engagement in paid work and to mitigate barriers.

Addressing trans-boundary development challenges

Improving regional responses to trans-boundary development challenges was an objective of the previous Asia Regional Strategy 2005–09. An evaluation of the strategy indicated that the majority of its trans-boundary activities had contributed to building capacity and ownership at national and regional levels. For the period 20011–15 Australian engagement will continue to focus on prioritising and enhancing regional capacity to reduce threats and strengthen regional stability.

Engagement with ASEAN will be flexible to align with the priorities ASEAN has outlined in its socio-cultural and political-security pillars. Current trans-boundary challenges that will remain a priority include emerging infectious diseases, people trafficking and labour issues. Australia will examine the potential to also address environment and climate change issues.

Risks and constraints to success

The key risks to the successful implementation of this strategy that need to be managed, include:

- limited member country political and financial support for regional organisations
- lack of capacity within regional institutions to address priority development challenges and manage AusAID-funded regional activities
- overly ambitious objectives and timeframes
- lack of impact.

Limited member country support for regional organisations

This strategy relies on Australian efforts complementing member country efforts. Members must see value in the work of regional organisations and be prepared to support them financially and by ceding some authority to them. Australia must take care that our support matches the support provided by member countries. It is not meant to be a substitute for their own support. This goal will be advanced by taking a phased approach and by helping regional organisations build their own internal capacity so they can

produce results. Should member countries own efforts to reform and strengthen the ASEAN and APEC secretariats lose momentum our goal of enhancing capacity in these organisations will be much harder to achieve.

Lack of capacity within regional institutions

Capacity building must be internally led by reform champions and sustained over time. This is complex and difficult and requires long-term commitment and adaptability from partners. Australia will actively manage its engagements and be prepared to change course where approaches are not working. We will also continue to empower and resource decision makers, including by locating staff within organisations when agreed, as well as positioning ourselves to respond quickly and flexibly to changing circumstances.

Overly ambitious objectives and timeframes

Even with strong commitment, the organisational objectives the ASEAN Secretariat has set for itself—for example, to help member states realise the ASEAN Charter and the economic, socio-cultural and security blueprints by 2015—will be challenging. Australia must be realistic about the time and level of commitment required to achieve these goals through the aid program.

Our partnership approach with the ASEAN Secretariat relies on the Secretariat driving our assistance programs. This presents a risk of implementation delays while new ways of working with regional organisations are negotiated and established. This has been the case with our major program of support to the ASEAN Secretariat for the ASEAN Australia Development Cooperation Program II—there were long delays to project start up while appropriate financial management and activity development processes were put in place. Australia needs to be patient and flexible and re-examine some of its original assumptions regarding the capacity of our partners to absorb aid flows as forecast.

Lack of impact

The size and diversity of the East Asian region is such that Australia's regional assistance is unlikely to have a direct and discernable impact on poverty. It can, however, help to establish the conditions which improve poverty reduction by building the capacity and programs of regional organisations. To this end our programs must be targeted and complement the technical and financial resources provided by others. They must also work toward change over longer periods of time. This strengthens the case for working through existing regional institutions and on a limited number of agreed priorities.