

# AANZFTA Economic Co-operation Support Programme: Design Document

November 2009



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## Acronyms

AADCP II	ASEAN Australia Development Co-operation Program Phase 2
AANZFTA	Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area
AECSP	AANZFTA Economic Co-operation Support Programme
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
CER	Australia-New Zealand Closer Economic Relations
CPR	Committee of Permanent Representatives
DFAT	Department of Foreign Affairs and Trade (Australia)
ECWP	Economic Co-operation Work Programme
EOL	Exchange of Letters
FTA	Free Trade Agreement
GDP	Gross Domestic Product
HS 2007	Harmonized Commodity Description and Coding System, 2007
M&E	Monitoring and Evaluation
MFAT	Ministry of Foreign Affairs and Trade (New Zealand)
ODA	Official Development Assistance
ROO	Rules of Origin
SEOM	Senior Economic Officials Meeting
TOR	Terms of Reference



## Map of ASEAN



### 10 Member Countries:

- > Brunei Darussalam
- > Cambodia
- > Indonesia
- > Lao PDR
- > Malaysia
- > Myanmar
- > Philippines
- > Singapore
- > Thailand
- > Vietnam

## ASEAN Statistics

Table 1 ASEAN Statistics

### Selected basic ASEAN indicators

as of 17 July 2009

Country	Total Land Area	Total Population <sup>1/</sup>	Population density <sup>1/</sup>	Annual population growth <sup>1/</sup>	Gross domestic product at current prices <sup>2/</sup>	Gross domestic product per capita at current prices		International merchandise trade <sup>4/</sup>			Foreign direct investments inflow <sup>5/</sup>	
	Km <sup>2</sup>	thousand	persons per km <sup>2</sup>	percent	US\$ million	US\$ <sup>2/</sup>	US\$ PPP <sup>3/</sup>	Exports US\$ million	Imports US\$ million	Total Trade US\$ million	US\$ million	US\$ million
	2008	2008	2008	2008	2008	2008	2008	2008	2008	2008	2007	2008
Brunei Darussalam	5,765	397	69	1.8	14,146.7	35,622.6	50,234.8	8,754.2	3,106.0	11,860.2	260.2	239.2
Cambodia	181,065	14,656	81	2.0	11,081.6	756.1	1,794.0	4,249.2	4,476.3	8,725.5	867.3	815.2
Indonesia	1,860,360	228,523	123	1.3	511,174.4	2,236.9	3,705.0	137,020.4	129,197.3	266,217.7	6,928.3	7,918.5
Lao PDR	236,800	5,763	24	2.8	5,289.0	917.8	2,237.3	827.7	1,803.2	2,630.9	323.5	227.8
Malaysia	330,252	27,863	84	2.3	222,673.6	7,991.7	13,192.1	194,495.9	144,298.8	338,794.7	8,401.2	8,053.0
Myanmar	676,577	58,510	86	1.7	27,182.0	464.6	1,082.9	6,620.6	3,794.9	10,415.4	257.7	714.8
The Philippines	300,000	90,457	302	2.1	166,772.8	1,843.7	3,421.1	49,025.4	56,645.6	105,671.0	2,916.0	1,520.0

Singapore	707	4,839	6,844	5.5	184,120.4	38,046.1	50,347.1	241,404.7	230,760.3	472,165.0	31,550.3	22,801.8
Thailand	513,120	66,482	130	0.7	273,666.1	4,116.4	7,889.7	174,966.7	177,567.5	352,534.2	11,238.1	9,834.5
Viet Nam	331,212	86,160	260	1.2	90,700.8	1,052.7	2,595.2	61,778.8	79,579.2	141,357.0	6,739.0	8,050.0
<b>ASEAN</b>	<b>4,435,827</b>	<b>583,651</b>	<b>132</b>	<b>1.5</b>	<b>1,506,807.4</b>	<b>2,581.7</b>	<b>5,007.1</b>	<b>879,142.6</b>	<b>831,229.1</b>	<b>1,710,371.7</b>	<b>69,481.6</b>	<b>60,174.7</b>

Sources ASEAN Finance and Macro-economic Surveillance Unit Database, ASEAN Merchandise Trade Statistics Database, ASEAN Foreign Direct Investment Statistics Database (compiled/computed from data submission).

Symbols used	Notes
- not available as of publication time	1/ Refers to/based on mid-year total population based on country projections
n.a. not applicable/not available/not compiled	2/ 2008 data on GDP at current market prices is preliminary. Brunei Darussalam's 2008 annual figure is based on estimate published in the Brunei Darussalam Key Indicators, 2008. 2008 annual figures for Cambodia, Lao PDR and Myanmar are taken from the IMF WEO Database October 2008. Viet Nam's 2008 annual figure is based on country estimate from the General Statistical Office's website as of January 2009.
Data in <i>italics</i> are the latest updated/revised figures	3/ Recomputed based on IMF WEO Database April 2009 estimates and the latest actual country data
	4/ 2008, preliminary data with Cambodia being estimated using trade growth as used in World Bank: World Bank Economic update for the East Asia and Pacific Region, April 2009
	5/ Unless otherwise indicated, figures include equity, reinvested earnings and inter-company loans. Singapore data for 2008 covers only equity and reinvested earnings

Table 2 ASEAN Statistics

**Selected key ASEAN macroeconomic indicators**

as of 17 July 2009

Country	Growth rate of gross domestic product <sup>1/</sup>	Inflation rate (year-on-year growth of CPI at end of period)	Exchange rate at end of period <sup>2/</sup>		Unemployment rate <sup>3/</sup>	International merchandise trade <sup>4/</sup>						Year-on-year change in foreign direct investments net inflow <sup>5/</sup>	
	at constant prices		national currency per US\$	Currency		Ratio of exports to GDP	Ratio of imports to GDP	Ratio of total trade to GDP	Growth of nominal value of exports	Growth of nominal value of imports	Growth of nominal value of total trade	US\$ million	percent
	percent	percent	2008	2008	2005/2008	2008	2008	2008	2008	2008	2008	2008	2008
Brunei Darussalam	0.4	2.6	1.39	Dollar (B\$)	3.7	61.9	22.0	83.8	14.4	48.1	21.6	(21.0)	(8.1)
Cambodia	6.0	7.5	4,121	Riel	0.8	38.3	40.4	78.7	8.8	21.8	15.1	(52.1)	(6.0)
Indonesia	6.1	11.1	10,950	Rupiah (Rp)	8.4	26.8	25.3	52.1	20.1	73.5	41.2	990.2	14.3
Lao PDR	8.4	8.5	8,531	Kip	1.3	15.6	34.1	49.7	116.7	153.6	140.7	(95.8)	(29.6)
Malaysia	4.6	4.4	3.55	Ringgit (RM)	3.6	87.3	64.8	152.1	10.4	(1.8)	4.9	(348.2)	(4.1)
Myanmar	4.5	x	-	Kyat	4.0	24.4	14.0	38.3	11.6	36.1	19.4	457.1	177.4
The Philippines	3.6	8.0	48.09	Peso (PhP)	7.4	29.4	34.0	63.4	(2.9)	2.0	(0.3)	(1,396.0)	(47.9)



Singapore	1.1	4.9	1.44	Dollar (S\$)	2.2	131.1	125.3	256.4	(19.3)	(12.3)	(16.1)	(8,748.5)	(27.7)
Thailand	2.6	0.4	33.36	Baht	3.2	63.9	64.9	128.8	13.9	26.9	20.1	(1,403.6)	(12.5)
Viet Nam	6.3	19.9	16,977	Dong	1.3	68.1	87.7	155.8	27.9	29.0	28.5	1311.0	19.5
<b>ASEAN</b>	<b>4.4</b>	n.a.	n.a.	n.a.	n.a.	<b>58.3</b>	<b>55.2</b>	<b>113.5</b>	<b>2.2</b>	<b>10.7</b>	<b>6.2</b>	<b>(9,306.9)</b>	<b>(13.4)</b>

Sources ASEAN Finance and Macro-economic Surveillance Unit Database, ASEAN Merchandise Trade statistics Database, ASEAN Foreign Direct Investment Statistics Database (compiled/computed from data submission, Publications and/or websites of ASEAN Member States' national statistics offices central banks and relevant government agencies, and from international sources)

Symbols used	Notes
- not available as of publication time	1/ 2008 data on GDP growth rate for Cambodia, Myanmar and Lao PDR 2008 are based on GDP estimates published in the IMF WEO Database April 2009. ASEAN figure is estimated using country growth rates and country share of world GDP valued in PPP\$ from the IMF WEO Database April 2008
n.a. not applicable/not available/not compiled	2/ The official foreign exchange rate in Myanmar in 2007 was Kyats 5.74/US\$. The exchange rate used in ASEAN statistical database is derived from the IMF WEO Database April 2009 which is Kyats 2,364=US\$1. Significant change for Lao PDR currency as the government the presidential decree on currency management that encourage people use and advertise prices of good in Lao Kip.
Data in <i>italics</i> are the latest updated/revised figures	3/ Figures for Brunei Darussalam, Indonesia, Malaysia, the Philippines, Singapore, Thailand and Viet Nam are for 2008, while those for Cambodia, Lao PDR and Myanmar are for 2005.
	4/ 2008, preliminary data with Cambodia being estimated using trade growth as used in World Bank: World Bank Economic update for the East Asia and Pacific Region, April 2009
	5/ Unless otherwise indicated, figures include equity, reinvested earnings and inter-company loans. Singapore data for 2008 covers only equity and reinvested earnings

# Executive Summary

## Origin of Programme

The establishment of an AANZFTA Economic Co-operation Support Programme (AECSP) was agreed between ASEAN Member States, Australia and New Zealand during the negotiations of the Free Trade Agreement. AANZFTA was signed by the Parties on 27 February 2009 and will enter into force on 1 January 2010. The anticipated benefits of AANZFTA are significant for ASEAN, Australian and New Zealand producers, exporters, consumers and investors through AANZFTA providing a platform for further trade and investment liberalisation.<sup>1</sup>

The AANZFTA Agreement includes a specific chapter (12) on economic co-operation which states, *inter alia*, that the Parties reaffirm the importance of ongoing economic co-operation initiatives between ASEAN, Australia and New Zealand, and agree to complement their existing economic partnership in areas where the Parties have mutual interests, taking into account the different levels of development of the Parties. *“Economic co-operation ....shall support implementation of this Agreement through economic co-operation activities which are trade or investment related as specified in the Work Programme”.*<sup>2</sup>

The Economic Co-operation Work Programme (ECWP) is set out in a specific document associated with the AANZFTA Agreement and signed by the Parties in February 2009. The document outlines the assistance that will be given to the Parties to implement AANZFTA in eight components linked to different aspects of the AANZFTA (competition policy was subsequently proposed for consideration by the FTA Joint Committee for inclusion as an agreed component).

*“The ECWP is to be implemented, through annual programmes, over five years from the date of the AANZFTA’s entry into force. The cost of implementing the ECWP (implementation funds) is estimated at up to AUD20-25 million. Two elements important for the implementation of the ECWP and effective implementation of the AANZFTA are support for the ASEAN Secretariat’s role in the implementation of AANZFTA and the management structure for the ECWP”.*<sup>3</sup>

The AECSP was developed in consultation with representatives from Australia, New Zealand, Brunei (as co-ordinator for ASEAN Member States for AANZFTA) and the ASEAN Secretariat. In August 2009 the Parties endorsed the idea of establishing an AANZFTA Support Unit in the ASEAN Secretariat covering functions outlined in the ECWP document.

## The AECSP

Taking these determinants into account, the five-year AECSP will:

- (a) create and fund an AANZFTA Support Unit within the current structure of the ASEAN Secretariat; and

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<sup>1</sup> Potential gains of US\$48.1 billion dollars were estimated in economic modelling by the Centre for International Economics in 2000. Refer to Section 2.13 and Appendix D of *The Angkor Agenda: Report of the High Level Task Force of the AFTA-CER Free Trade Area*.

<sup>2</sup> Annex 3, AANZFTA Chapter 12, *Economic Co-operation Article 1(3)*

<sup>3</sup> Annex 1, AANZFTA *Economic Co-operation Work Programme*, p3

- (b) provide funding for annual programmes of economic co-operation activities approved by the FTA Joint Committee.

## Other factors taken into account in the design of AECSP

The design also takes into account other important factors: ASEAN's economic and broader aspirations; programme support for the ASEAN Secretariat; and support provided to the Secretariat by AANZFTA and other partners e.g. the ASEAN-Australia Development Co-operation Programme (AADCP) and New Zealand's Trade and Development Programme.

The design addresses the need for: good programme leadership and management; good relationships between the Parties; clear and shared understanding of AECSP's goal, objectives and processes; flexibility; and focus.

## Guiding Principles

Drawing on these elements, seven guiding principles are proposed to inform the further preparation, implementation, monitoring and evaluation of AECSP:

- > Consistency with the AANZFTA Agreement and the ECWP document;
- > Partnership and active engagement of all parties based on open communication, mutual respect and trust;
- > Continuous improvements through learning lessons and introducing best practice;
- > Flexibility to respond to changing demand and priorities;
- > Maximum possible use of partner systems, processes, procedures and data bases;
- > Efficiency and effectiveness; and
- > Sustainability.

## AECSP Objectives

The design has a hierarchy of objectives. The higher level outcome, or vision, is:

*The full benefits of AANZFTA are realized*

The goal for AECSP, which is set in the ECWP document, is:

*To support the ASEAN Secretariat servicing the FTA Joint Committee and to assist Parties in the implementation of the AANZFTA*

The success of AECSP in achieving this goal over five years is seen as measurable in terms of:

1. *Enhanced government desire to engage in economic integration generally and AANZFTA implementation in particular;*
2. *Increased business awareness leading to increased utilization of AANZFTA opportunities and increased trade and investment flows;*
3. *Enhanced capacity of ASEAN Member State institutions to engage in trade liberalization and to implement the AANZFTA Agreement specifically;*

4. *Strengthened working relationships between the Parties through the establishment of, and deepened engagement in, functional sectoral networks; and*
5. *Increased confidence in AANZFTA Economic Co-operation (Support Unit and Work Programme activities) as the preferred model for ASEAN-based FTA implementation.*

## **AECSP Components**

The Programme has two Components:

- > Component 1 is the ASEAN Secretariat Support Unit; and
- > Component 2 is the Annual Programme of Economic Co-operation activities as envisaged in the ECWP document.

The two Components, their Objectives, Key Result Areas, Outputs and Activities are elaborated in section 3.5.

## **Governance and Management**

Consistent with the governance arrangements for AANZFTA, the design recognises that the FTA Joint Committee will be the prime governing body for AECSP. The Support Unit will be accountable through the ASEAN Secretariat to the FTA Joint Committee for its effective use of AECSP resources.

The ASEAN Secretariat will be responsible for managing the Support Unit. The Support Unit has prime responsibility for managing its work programme, including managing and implementing Economic Co-operation activities (or supporting the implementation of such activities where these are led by other parties) as approved by the FTA Joint Committee.

## **Resources and Funding Arrangements**

The Parties will provide financial and other contributions to AECSP over 5 years, 2010-2014. Australia and New Zealand have agreed to jointly contribute up to a total of approximately AUD22.8million<sup>4</sup> over five years, from 2010-2014. In the case of Australia this funding will be from the AusAID budget. New Zealand funding will be provided through the Ministry of Foreign Affairs and Trade (MFAT). The Treaty encourages all Parties in a position to do so to contribute.

In addition, Australia has indicated that it will allocate up to AUD1million over five years to support design, development and implementation of the AECSP quality assurance initiatives and requirements. Other Parties in a position to do so are also encouraged to contribute financially and/or in kind.

Funding streams will be established within the ASEAN Secretariat, one for the Support Unit and other streams for the ECWP activities that are approved by the FTA Joint Committee.

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<sup>4</sup> New Zealand contribution converted at exchange rate 1 NZD = 0.8251 AUD, as at 22.9.09

## Monitoring and Evaluation

The design proposes a simple, effective approach to monitoring and evaluating AESCP and its main components, focusing on higher level measures of success. This is detailed in section 5.

## Timing

The Parties have advised that they would like to see the Support Unit become operational before or at entry into force (EIF) of AANZFTA on 1 January 2010. The Parties have also expressed the desire for progress to be made on the first Annual Programme ahead of the first meeting of the FTA Joint Committee in 2010.

There is, therefore, considerable time pressure for the Support Unit to start either before, or at, EIF.

## Risks, Risk Management and Sustainability

The first early risk is whether the Support Unit will start on or before 1 January 2010. Other main risks facing AECSP, considered to be manageable, relate to maintaining a shared vision for the programme, the capacity of the Support Unit and its management by the ASEAN Secretariat, the quality and relevance of the economic co-operation projects, and engagement of AANZFTA key stakeholders including for monitoring and evaluation. Section 6 and Annex 13 provides detail on risks and their management strategies.

The desired sustainable outcome is the ASEAN Secretariat continuing to effectively monitor and support AANZFTA implementation after AECSP finishes in December 2014. There is a high probability of sustainability. The Parties are committed to AANZFTA such that their commitments are enshrined at treaty level, AECSP will provide the strengthening of the ASEAN Secretariat's capacity and capability for ongoing effective AANZFTA implementation, a proposed Year 3 review will assess the feasibility of permanent integration of the Support Unit within the ASEAN Secretariat for ongoing AANZFTA and broader FTA support, and the ECWP work programme will assist the confidence and capability of Member States in implementing AANZFTA.

# 1 Background and Design Methodology

## 1.1 Background

The Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) was signed on 27 February 2009. Annexed to this AANZFTA treaty, as a less than treaty level 'associated document', is the five-year Economic Co-operation Work Programme (ECWP).<sup>5</sup> The aim of the ECWP is to support ASEAN Member States to meet their AANZFTA commitments and obligations, particularly less developed Member States. AANZFTA and the ECWP form the foundation agreements and framework for this five-year AANZFTA Economic Co-operation Support Programme (AECSP). Support for AANZFTA negotiation and preparation for implementation was provided by the AusAID-funded FTA Facility,<sup>6</sup> and the New Zealand-funded facility.

An AANZFTA support concept paper<sup>7</sup> was endorsed by the 14th AEM-CER Consultations on 15 August 2009 in Bangkok<sup>8</sup>. The Joint Media Statement from the 14th AEM-CER Consultation in August 2009 states in part:

*"The Ministers welcomed the support 'capacity' for the implementation of the Agreement through the Economic Co-operation Work Programme (ECWP) under which co-operation initiatives will be undertaken to assist in the implementation of the various components of the [AANZFTA] Agreement....The Ministers, noting the important role of the ASEAN Secretariat in the implementation of the Agreement and the ECWP, welcomed the establishment of a support unit at the ASEAN Secretariat that will provide technical assistance and secretariat support to the AANZFTA Joint Committee and the Parties in implementing the Agreement....The Ministers also called on the early convening of the AANZFTA Joint Committee to attend to the immediate priorities in the built-in-agendas of the Agreement such as the development of the first annual implementation plan of the ECWP."*

AECSP is to commence at the AANZFTA entry-into-force (EIF) on 1 January 2010. Australia and New Zealand have agreed to jointly contribute to the programme, the total cost of which is estimated as AUD 20-25 million over five years from 2009-2010. The AANZFTA treaty provides for all Parties to contribute 'appropriately' recognising development gaps among the Parties, including through in-kind support by ASEAN<sup>9</sup>, currently un-costed.

Within the AANZFTA and ECWP framework, and consistent with the understandings reached between the Parties, AECSP is built on two elements:

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5 (i) See Annex 1 for AANZFTA Economic Co-operation Work Programme; (ii) Annex 2, ECWP Competition Policy, which was a late addition to the ECWP; (iii) Annex 3, AANZFTA Chapter 12, Economic Co-operation; and (iv) Annex 4, AANZFTA Chapter 16, Institutional Provisions

6 A Program component of the ASEAN-Australia Development Co-operation Program (2002-2009)

7 See Annex 5 for Concept Paper: Support for the ASEAN Secretariat's Role in the AANZFTA Implementation

8 AusAID's subsequent Concept Peer Review (24 August) completed AusAID's requirements prior to proceeding with the design process.

9 For example, accommodation, communication, direct support for costs of ECWP sub-committees, other ASEC support such as through other ASEC areas (e.g., personnel, finance, strategic planning and legal)



- i. A Support Unit within the ASEAN Secretariat to support its role in implementing AANZFTA and to support management of the annual work programmes for ECWP;
  - The Support Unit’s management structure and functions are prescribed in the ECWP and specific Support Unit terms of reference were developed by the ASEAN Secretariat in response to the Parties’ requests during the design consultations;<sup>10</sup> and
- ii. Administration of the funding processes for ECWP economic co-operation activities as required and as approved by the FTA Joint Committee.

The rationale for the Support Unit is that without it there is insufficient ASEAN Secretariat capacity (skills, people, budget) to monitor and support the AANZFTA implementation. The rationale for it being within the ASEAN Secretariat is to (i) promote ASEAN Member State confidence in the AANZFTA by ensuring an objective, neutral AANZFTA secretariat resource, improving cost effectiveness, and streamlining administration, and to (ii) better support the ASEAN Secretariat’s capacity for all ASEAN FTA implementation through its Support Unit and ECWP experience and lessons learned. The last point relates to ASEAN designating that this AANZFTA support (AECSP) is to be a pioneering model, enabling possible replication to its other FTA support of best practice approaches and lessons learned. The Parties further agreed that the Support Unit should commence on or before EIF of AANZFTA on 1 January 2010.

AANZFTA is the largest plurilateral trade agreement signed by Australia and New Zealand (the first for Australia and the second for New Zealand<sup>11</sup>). The importance of AANZFTA is reinforced by it also being the first time:

- i. ASEAN has agreed such a comprehensive FTA;
- ii. Australia has become party to a plurilateral FTA;
- iii. Australia has agreed to include economic co-operation in an FTA;
- iv. ASEAN has agreed to establish a ‘capacity’ *within* the ASEAN Secretariat (the Support Unit) to support the Secretariat’s role in implementing AANZFTA, support implementation of the annual ECWP work programmes, and develop a depth of expertise to help in implementing other future FTAs.

The Parties have already agreed on the broad scope of the ECWP, and the establishment and location of the Support Unit including its governance and management arrangements. This design document therefore does not further address justification (‘the why’). It addresses the context and further details of what will be implemented and how.

Unpublished research<sup>12</sup> indicates up to 60% of potential FTA benefits are not realised because of poor implementation, supporting the importance placed by Australia, New Zealand and ASEAN (the Parties) on AECSP to realise the benefits of AANZFTA.

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<sup>10</sup> See Annex 6 for Support Unit Terms of Reference

<sup>11</sup> The Trans-Pacific Strategic Economic Partnership (P4) is New Zealand’s first plurilateral free trade agreement and is with Brunei, Chile and Singapore.

<sup>12</sup> Cited by DFAT during consultations and planning

## 1.2 Design Methodology

The AECSP was developed in consultation with representatives from Australia, New Zealand, ASEAN and the ASEAN Secretariat. The AECSP firmly aligns with Australian, New Zealand and ASEAN priorities (the Parties), as agreed in the AANZFTA Treaty and ECWP document and subsequent high-level policy discussions.

It draws on a range of other relevant documents and Australian and New Zealand commitments including the Paris Declaration and Accra Agenda for Action,<sup>13</sup> addresses AusAID peer reviewer comments on the ECWP concept paper and on the draft design, and reflects the Parties' discussions during the design process. AECSP was further informed by the design team's<sup>14</sup> consultations with key stakeholders<sup>15</sup>, by analysis of relevant documents<sup>16</sup>, and by lessons and findings<sup>17</sup> from previous programme design and implementation experiences and analysis.

There were two design phases to meet the terms of reference:<sup>18</sup> June 2009 (in Canberra and Jakarta) and August/September 2009 (in Canberra). Brunei, as coordinator for ASEAN Members States for AANZFTA, participated in the phase 2 joint planning in Canberra. The ASEAN Secretariat and New Zealand participated in both phases. There was expert input on the monitoring and evaluation (M&E) aspects of AECSP.<sup>19</sup>

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<sup>13</sup> See Annex 7 for documents referenced which informed this draft AECSP design

<sup>14</sup> The Australian design team was Peter Callan (AusAID, Team Leader); Philip Sparkes (Trade Consultant, DFAT); Gillian Biscoe (Design Consultant) and Christine Ford (AusAID).

<sup>15</sup> See Annex 8 for people consulted by the Australian design team and joint planning dates

<sup>16</sup> See Annex 7, op cit

<sup>17</sup> See section 2.2 for Lessons Learned

<sup>18</sup> See Annex 9 for the Australian design team's terms of reference

<sup>19</sup> Dr. Susan Dawson, M&E consultant to AusAID's East Asia Regional Section

## 2 Situation Analysis

### 2.1 The Context

#### 2.1.1 ASEAN

The Association of Southeast Asian Nations (ASEAN) was established in 1967 to accelerate economic growth, social progress and cultural development through joint endeavours to promote a prosperous and peaceful community of Southeast Asian nations. ASEAN collectively is a significant economic entity with a combined GDP of US\$1,500 billion in 2008 - a little more than half the size of China's economy, and bigger than that of Australia and New Zealand combined (US\$1142 billion). Merchandise trade between ASEAN and Australia-New Zealand totalled US\$59 billion in 2008, with ASEAN exports to Australia and New Zealand accounting for US\$37 billion.<sup>20</sup>

The ASEAN Charter, ratified in November 2008, established the legal and institutional framework required to achieve an ASEAN Community by 2015. The Charter is supported by three community blueprints (socio-cultural, political-security and economic), which were approved in 2009 and which outline the characteristics of the ASEAN Community and steps to achieve it.

The complexities which ASEAN addresses are highlighted by the wide variations between the ten ASEAN countries.<sup>21</sup> The largest land mass is Indonesia (~1.9m square kilometres) and the smallest is Singapore (~700 square kilometres). The population density ranges from 69 people per square kilometre in Brunei to 6,844 in Singapore. Unemployment rates vary from 0.8% in Cambodia to 8.4% in Indonesia and GDP per capita ranges from US\$465 (Myanmar) to US\$38,046 (Singapore).

#### 2.1.2 ASEAN Secretariat

In 1976, ASEAN Foreign Ministers established the ASEAN Secretariat, primarily to service ASEAN meetings including working groups, committees and summits. The ASEAN Secretariat has approximately 200 staff who support some 100 ASEAN working groups and between 800-1000 meetings each year.

The ratification of the ASEAN Charter expanded the role of the ASEAN Secretariat to include monitoring progress by ASEAN Member States against the three ASEAN blueprints. The new role of the Secretariat is requiring substantial internal change in organisational processes, systems, policy development, programme management and monitoring skills. A recent restructure was undertaken in response to these requirements and included salary benchmarking.

There are four departments in the new structure of the ASEAN Secretariat, each led by a Deputy Secretary General. Within each department are two or three directorates and several

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<sup>20</sup> AANZFTA, paragraph 13 of the *Joint Media Statement of the 14th AEM-CER Consultations*, Bangkok, 15 August 2009

<sup>21</sup> See ASEAN statistics for 2008 at pages 6-9 of this document

divisions. The AECSP's Support Unit will be located within the External Economic Relations Division (EERD), Market Integration Directorate, ASEAN Economic Community Department. EERD is responsible for coordinating external economic relations including, *inter alia*, monitoring the implementation of all ASEAN's FTAs and supporting ASEAN FTA negotiations. The EERD, not the Support Unit, retains responsibility for supporting ASEAN participation in the AANZFTA built-in-agenda.<sup>22</sup>

New ASEAN governance systems have also been mandated including the establishment of a Committee of Permanent Representatives (CPR). A high level legal experts group, convened in 2009, will assist in outlining the role interface between the CPR and the ASEAN Secretariat and the authorities to be conferred upon the latter, the ASEAN Secretary General<sup>23</sup> and the ASEAN Member States themselves.

The Host Country Agreement governing the ASEAN Secretariat's status, immunities and privileges, is being negotiated with Indonesia. The Secretariat is facing physical and financial constraints, and increasing expectations from its Member States, Dialogue Partners,<sup>24</sup> and the international development and political community.

The Parties have acknowledged that there is insufficient capacity (staff, skills, budget) in the ASEAN Secretariat to effectively support AANZFTA implementation without the provision of support.

### 2.1.3 AANZFTA

The intent of AANZFTA is to liberalise and facilitate trade and investment between ASEAN, Australia and New Zealand through commitments on goods, services, investment, temporary movement of natural persons, electronic commerce, intellectual property, and economic co-operation.

The anticipated benefits of AANZFTA are significant for ASEAN, Australian and New Zealand producers, exporters, consumers and investors through AANZFTA providing a platform for further trade and investment liberalisation.<sup>25</sup>

A guiding principle for the AANZFTA negotiations was:

*“Recognising the different levels of development among the Member Countries of the two regions, provision should be made for technical assistance and capacity building programmes to enable all parties to participate fully and to obtain full benefit from the FTA.”*

To illustrate this, AANZFTA provides for the progressive reduction or elimination of tariffs facing Australian and New Zealand goods exported to ASEAN over a transition period, and the elimination of all Australian and New Zealand tariffs on imports from ASEAN. The tariff outcomes provide for longer transition periods, and lower tariff elimination outcomes, for

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22 See Annex 5 for *Concept Paper: Support for the ASEAN Secretariat's Role in the AANZFTA Implementation*, which has an Annex A attached which describes EERD more fully

23 The ASEAN Secretary General is currently Dr Surin Pitsuwan

24 ASEAN now has ten Dialogue Partners: Australia, Canada, China, the European Union, India, Japan, New Zealand, the Republic of Korea, Russia, the United States and the United Nations Development Program

25 Potential gains of US\$48.1 billion dollars were estimated in economic modelling by the Centre for International Economics in 2000. Refer to Section 2.13 and Appendix D of *The Angkor Agenda: Report of the High Level Task Force of the AFTA-CER Free Trade Area*.

Vietnam and the three Least Developed Countries (Myanmar, Cambodia and Laos) in recognition of their status as newer ASEAN Member States with less developed economies.

The AANZFTA includes a built-in-agenda agreed during the course of the AANZFTA negotiations outlining further work to be done. It relates to commitments and obligations in the AANZFTA and includes time lines and accountabilities.

Entry into force (EIF) will be on 1 January 2010 following the completion of national ratification processes provided for in the AANZFTA. This EIF date places considerable time-line pressure to commence AECSP.

#### 2.1.4 Economic Co-operation Work Programme (ECWP)<sup>26</sup>

The five-year ECWP draws on proposals submitted during the course of the AANZFTA negotiations to the then AANZFTA Working Group on Economic Co-operation and on high-level discussions. There are eight agreed ECWP components linked to different aspects of AANZFTA (to which competition policy was subsequently proposed for consideration by the FTA Joint Committee for inclusion as an agreed component):

- > Rules of Origin and Other Aspects of Implementation of Tariff Commitments
- > Sanitary and Phytosanitary Measures
- > Standards, Technical Regulations and Conformity Assessment Procedures
- > Services
- > Investment
- > Intellectual Property
- > Sectoral Integration
- > Customs

The ECWP outlines the assistance that will be given to the Parties to implement AANZFTA, provides a synopsis for each component that identifies objectives and relevance to the AANZFTA, gives a description of indicative activities that will be implemented and outlines arrangements for their implementation. The ECWP provides flexibility for emerging and changing priorities to be addressed through economic co-operation, as identified during the implementation of the AANZFTA.

In line with the AANZFTA guiding principles (see 2.1.3 above), ECWP addresses regional development gaps by prescribing the focus of each of the eight ECWP components. Typically while ECWP projects are expected to benefit all ASEAN members, those members with less developed capacity, and/or newer ASEAN members, are expected to benefit the most.

The ECWP is to be implemented through annual programmes over five years from EIF of the AANZFTA (1 January 2010), through AECSP. The ECWP document stipulates the governance and management arrangements for the ECWP and that the annual programmes must be approved by the FTA Joint Committee, made up of the Parties' nominated official representatives.<sup>27</sup> The ASEAN Secretariat (through the Support Unit) will coordinate the

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<sup>26</sup> See (i) Annex 1 for AANZFTA Economic Co-operation Work Programme; (ii) Annex 2, ECWP Competition Policy, which was a late addition to the ECWP; and (iii) Annex 3, AANZFTA Chapter 12, Economic Co-operation

<sup>27</sup> ECWP pp. 2 (Annex 1), and AANZFTA Chapter 16 AANZFTA Institutional Provisions (Annex 4)

submission of projects, for consideration by the FTA Joint Committee, to be included in annual work programmes.

To maximise the prospects of EIF on January 2010 a number of ECWP projects have already been undertaken.<sup>28</sup> These include timely tariff transposition to HS 2007<sup>29</sup> and developing procedures to ensure the smooth implementation of the ROO. The Parties have also commenced further elicitation of possible ECWP projects for 2010 and beyond, from their relevant authorities.<sup>30</sup>

The ASEAN Secretariat, through the Support Unit, will coordinate the submission of projects for consideration by the FTA Joint Committee to be included in annual work programmes. For the first annual program, Australia and New Zealand will coordinate their own country submissions and the ASEAN Secretariat will coordinate Member State submissions. The Secretariat is currently coordinating the development of a template for ECWP projects and activities.

#### 2.1.5 Other relevant ASEAN Secretariat support

A number of Dialogue Partners provide assistance to ASEAN, through the Secretariat, for regional economic integration development initiatives. Currently, the most significant initiatives include:

- > **Japan:** which has a US\$ 40 million trust fund for supporting ASEAN development initiatives (provided through Japan's Ministry of Foreign Affairs). Japan has also committed to contribute US\$100 million over ten years to support the Economic Research Institute for ASEAN and East Asia (ERIA).
- > **USAID:** which is providing support through the ASEAN Development Vision to Advance National Co-operation and Economic Integration (ADVANCE) (2007-2015). This is a \$150 million programme designed to strengthen the ASEAN Secretariat as an institution; provide assistance to selected ASEAN sub-regions and member nations; and facilitate greater economic integration and improved governance within the ASEAN region. Specific work is being done on trade facilitation (including customs and standards) and services.
- > **Australia:** which is contributing up to AUD57 million between 2008 and 2015 under the ASEAN Australia Development Co-operation Programme Phase II (AADCP II). The focus of AADCPII is support for the ASEAN Economic Blueprint, which aims to establish an ASEAN Economic Community (AEC) by 2015 through regional economic integration. AADCPII includes capacity building for the ASEAN Secretariat's role, economic policy development, AEC implementation support, and long-term technical assistance, management support staff and monitoring and evaluation support.
- > **New Zealand:** which has a multi-faceted programme of co-operation under the ASEAN-New Zealand Framework for co-operation 2006-2010 that complements the key themes of the pillars of a future ASEAN Community – economic development co-operation, security co-operation and people-to-people education and cultural links. New Zealand's International Aid and Development Agency also provides support to ASEAN through its trade and development programme focusing on trade development needs (especially

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<sup>28</sup> Funded through the Australian FTA Facility

<sup>29</sup> Harmonized Commodity Description and Coding System, agreed at the International Convention on the Harmonised Description and Coding System, Brussels, 1983

<sup>30</sup> DFAT will represent Australia



Cambodia, Laos, Myanmar and Vietnam) and the ASEAN Secretariat. Key areas of concentration have been developing capacity in phytosanitary, food safety and metrology. Priority is also attached to support for the Initiative for ASEAN Integration.

- > **European Union (EU):** which is supporting the ASEAN-EU Programme for Regional Integration Support (APRIS). APRIS Phase II (2006-2009, Euro 7.3m) has 5 main components, namely Standards and Conformance, Customs and Trade Facilitation, Investment, Capacity Building (including for the Agreements and Compliance Unit of the ASEAN Secretariat), and support for the EU/ASEAN trade dialogue process.
- > **Asian Development Bank:** which has developed a work programme with ASEAN entitled “Strengthening Capacity of the ASEAN Secretariat in Regional Economic Integration and Policy Dialogue”. This is focussed on providing regional training programs for ASEAN officials and capacity building for the newly created Bureau for Economic Integration and Finance in the ASEAN Secretariat. It includes support for conducting economic policy research.
- > **Inwent (Germany):** also supports economic integration, specifically in the areas of competition policy and law; regional guidelines; handbooks for business and governments; regional training workshops; regional policy dialogue for high level officials; materials to promote agreements covering trade in goods, services and investment; and business outreach conferences.

The AANZFTA ECWP recognises the importance of ensuring that work programme activities do not duplicate work already being done, and ensuring leverage and synergy where possible. To achieve this, and to reduce the burdens on ASEAN Member States and the ASEAN Secretariat, the Parties will continue active communication and coordination with ASEAN Dialogue Partners.

## 2.2 Lessons Learned

The AECSP design draws on lessons learned, both generic and AECSP-specific. Their importance lies in ensuring they are addressed to strengthen the design and mitigate risk. All lessons learned below have been addressed in developing this AECSP design, as indicated at each sub-point.

### 2.2.1 Generic

Generic lessons learned are drawn from the design team’s collective experience (including mid term reviews, independent completion reports, technical advisory groups, quality reviews, monitoring and evaluation, leadership and management roles, trade and development experience, and programme implementation experience), the Paris Declaration and Accra Accord, and AusAID’s Office of Development Effectiveness publications. In summary, the relevant generic lessons learned for programme success include:

- > Good programme leadership.
  - International recruitment of ASEAN nationals is proposed.
  - The Parties will jointly short list and interview candidates.

- > Good relationships between the Parties built on open communication and responsiveness leading to mutual trust and effective collaboration.
  - The Support Unit will develop a communication strategy between the Parties.
  - The FTA Joint Committee will play a critical role.
  - The Parties intend to continue their current close co-operation and collaboration.
- > Clear understanding between the Parties on a programme's goal, objectives and processes, and each Parties' role and responsibilities.
  - This has been achieved through joint planning and will continue through the FTA Joint Committee and the continued close collaboration of the Parties.
- > Funder flexibility - working effectively in partnership and within partner systems often requires adjustments on the part of funders.
  - This design outlines components, key result areas and objectives that align with the Parties' priorities and the institutional context of the ASEAN Secretariat.
  - Australia and New Zealand will work collaboratively with the other Parties and within the systems and processes of the ASEAN Secretariat.
  - To meet Australian government policy requirements AusAID will commission an independent AECSP completion report in 2015.
- > Maintaining focus so that the bigger picture is not lost in managing operational realities, potentially skewing the strategic direction of a programme.
  - The FTA Joint Committee will ensure a focus on strategic issues is maintained.
  - The proposed M&E system will support a focus on strategic issues through its higher level indicators of success (see sections 3 and 5).

### 2.2.2 AECSP-specific

AECSP-specific lessons learned are drawn from the experiences of AANZFTA (including the FTA Facility which supported the AANZFTA negotiation), the ASEAN Secretariat, AADCP II, other Dialogue Partners working with the ASEAN Secretariat (EU, Germany, USA), and the joint design consultations and planning. They include:

- > The Secretariat's restructuring process is settling down but not all leadership positions have been filled, and desired linkages and communication across the new directorates cannot yet be assumed.
  - AADCP II and other Dialogue Partner support is assisting with internal strengthening of the ASEAN Secretariat.
  - The Secretariat is emphasising cross-cutting communication and synergies in the new structure.
  - AECSP will develop a communication strategy between the Parties.
- > Staff selection may not meet funder policy requirements.
  - The Parties will jointly short list and interview candidates for all Support Unit positions.
- > Accommodation costs.
  - Accommodation for AECSP will be provided by the ASEAN Secretariat.

- Current host country negotiations could have a budget impact on the Secretariat which may in turn impact ASEAN's capacity for direct and in-kind support to AECSP – this will be monitored.
- > Non-Official Development Assistance (ODA) eligible countries.
  - AADCP II experience will be drawn upon<sup>31</sup> recognising that circumstances continue to evolve.
- > Number and quality of ECWP project proposals (soliciting proposals and providing technical support generates a high workload).
  - AECSP addresses this through previous and current work on ECWP, including the Parties currently soliciting ECWP project proposals with demand anticipated to be high;
  - ASEAN Secretariat currently coordinating the development of an ECWP project proposal template for FTA Joint Committee consideration;
  - Support Unit staff and a proposed list of technical experts to be called on to provide technical support including for rapid response; and
  - The proposed M&E system which will enable the ECWP annual programme to build on findings for continuous improvement.
- > Financial reports from the ASEAN Secretariat.
  - The Secretariat provides financial reports specific to each funder, indicating that Australian and New Zealand pooled funding for the Support Unit at least would be beneficial for comprehensive and transparent financial reporting; there will be separate funding streams for the Support Unit and the ECWP.
  - The Secretariat uses cash accounting rather than accrual accounting, which is required by Australia - AECSP will need to follow the AACDP II example of tracking financial commitments.
- > Engagement with other activities supporting the ASEAN Secretariat.
  - The other relevant existing support activities (e.g. AADCP II, the European Union, Germany, the United States of America) may have further ongoing lessons learned for AECSP and dialogue will be encouraged.
- > Tailoring AECSP to meet varying beneficiary contexts.
  - Not all ASEAN Member States have gender, disability or other cross-cutting disaggregated data, and there are differing national policies; the M&E system will address this during development, as possible.
- > Social impact and social protection is very important to ASEAN Member States.
  - It is proposed that where appropriate and relevant these could be addressed by relevant ECWP projects and/or through case studies and analysis of ECWP projects, an anticipated part of the M&E system.

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<sup>31</sup> For example, Letters of Exchange between the ASEAN Secretariat and AusAID

## 2.3 Design Options Considered and Proposed Strategy

### 2.3.1 Design Options Considered

The design framework is set by the AANZFTA and the ECWP and its eight components (and competition policy). The framework includes:

- i. the two elements agreed (the Support Unit and ECWP);
- ii. the Support Unit terms of reference,<sup>32</sup> the internal context of the ASEAN Secretariat, and overall AANZFTA governance and management arrangements;
- iii. ECWP-specific governance and management arrangements as prescribed in the ECWP;
- iv. ECWP components including their foci and indicative activities; and
- v. the designation of AECSP by the ASEAN Secretariat as being 'pioneering'.

Within the AANZFTA and ECWP framework, design parameters discussed included those at section 2.2. above and:

- i. the Parties financial and in-kind contributions and arrangements;
- ii. input and support from the Parties to the Support Unit;
- iii. the Support Unit staffing profile, skill mix and costs;
- iv. the developing and prioritising of ECWP proposal bids, and providing technical support;
- v. the M&E system including higher level areas against which to develop indicators and how to develop the M&E system;
- vi. development of the Year 1 AECSP annual plan and ECWP project development and decisions;
- vii. maintenance of good relationships between the Parties; and
- viii. the commencement date of AECSP.

### 2.3.2 Proposed Strategy

Reflecting the above, and the earlier discussions, the proposed strategy is:

- > AECSP firmly grounded within the AANZFTA/ECWP framework;
- > Enough people and appropriate skill mix for the Support Unit to meet its terms of reference, engaged directly by the ASEAN Secretariat;
- > A simple, relevant and efficient M&E system;
- > Processes to support quality ECWP activities;
- > Pooled Australian and New Zealand Support Unit funding;
- > Guiding principles to underpin AECSP;
- > Tight time lines to EIF addressed.

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<sup>32</sup> See section 4 for Support Unit TOR

## 3 Programme Description

### 3.1 Guiding principles

Guiding principles were developed to shape the design and to inform its implementation, monitoring and evaluation. The guiding principles are:

- > Consistency with the AANZFTA Agreement and ECWP document;
- > Partnership and active engagement of all parties based on open communication, mutual respect and trust;
- > Continuous improvements through learning lessons and introducing best practice;
- > Flexibility to respond to changing demand and priorities;
- > Maximum possible use of partner systems, processes, procedures and data bases;
- > Efficiency and effectiveness; and
- > Sustainability.

### 3.2 Higher level outcome

The importance of AECSP to the Parties has been noted. The uniqueness of AANZFTA and its ECWP has also been noted. The Parties have undertaken considerable efforts to achieve the AANZFTA. The Parties' early recognition of the need for, and agreement to, the ECWP reflects the Parties' recognition of the importance that the benefits of AANZFTA are realised. The higher level outcome reflects this:

*The full benefits of AANZFTA are realised.*

### 3.3 AECSP goal

The goal of AECSP was determined in the ECWP:

*To support the ASEAN Secretariat servicing the FTA Joint Committee and to assist Parties in the implementation of the AANZFTA.*

### 3.4 Higher level success areas

Draft higher level success areas were identified during the design consultation to guide AECSP M&E (see section 5), and answer the question 'what will be different after five years of AECSP?'.

Five higher level success areas, which will be finalised during the development of the M&E system in quarter 1 of AECSP are:

1. Enhanced government desire to engage in economic integration generally and AANZFTA implementation in particular (for example on the built-in-agenda).

2. Increased business awareness leading to increased utilisation of AANZFTA opportunities (and increased trade and investment flows).
3. Enhanced capacity of ASEAN Member State institutions to engage in trade liberalisation generally and to implement the AANZFTA.
4. Strengthened working relationships between the Parties through the establishment of, and deeper engagement in, functional sectoral networks (particularly the AANZFTA committees and sub-committees).
5. Increased confidence in AANZFTA Economic Co-operation (Support Unit and Work Programme activities) as the preferred model for ASEAN-based FTA implementation.

### 3.5 AECSP Components, Objectives, Key Result Areas, Outputs and Indicative Activities

The Programme has two Components:

- > Component 1 is the Support Unit in the ASEAN Secretariat; and
- > Component 2 consists of the Annual Programmes of Economic Co-operation activities as envisaged in the ECWP document.

The components and their objectives are based on AANZFTA, ECWP and joint AECSP planning. The key result areas, outputs and indicative activities below are provided by the ASEAN Secretariat in response to discussions by the Parties during phase 2 planning in Canberra in August 2009, and the Parties' request for further details on the Support Unit to be developed by the Secretariat. This outline is preliminary.

It is important that the activities and outputs be linked to the development of the higher level success areas through the M&E process and agreed by the FTA Joint Committee. The Support Unit Year 1 work plan will be developed in quarter 1 of AECSP for FTA Joint Committee approval. The format below reflects the spirit and intent of working within the systems and processes of the ASEAN Secretariat.

Component 1	ASEAN Secretariat Support Unit		
Objective	To support AANZFTA implementation		
Key Result Area	Output	Activities	Sub-Activities
Monitoring and Evaluation (M&E)	• M&E System	• Design M&E tools	<ul style="list-style-type: none"> <li>• Develop log-frame or a results based framework</li> <li>• Develop performance indicators including establishment of baseline and benchmarks as well as milestones</li> <li>• Develop database</li> </ul>
		• Design mechanism for report generation	• Develop communication strategy
	• M&E Reports	• Generate annual report for the leaders, biannual report for the Ministers/Senior Economic Officials, and progress report for the FTA Joint Committee; as well as	<ul style="list-style-type: none"> <li>• Assess implementation of Agreement, i.e. compliance vis-à-vis commitments/targets</li> <li>• Track implementation of work plan/programme</li> </ul>



Component 1	ASEAN Secretariat Support Unit		
Objective	To support AANZFTA implementation		
Key Result Area	Output	Activities	Sub-Activities
		other reportorial requirements	
Provision of Information	• Discussion Papers	• Prepare issue papers, as necessary	<ul style="list-style-type: none"> <li>• Undertake an in-depth analysis of the issue</li> <li>• Determine possible courses of action/ recommendations</li> </ul>
	<ul style="list-style-type: none"> <li>• Studies</li> <li>• Policy Papers</li> </ul>	<ul style="list-style-type: none"> <li>• Undertake or commission a research study, as appropriate</li> <li>• Draft policy recommendations based on the output of the research studies.</li> </ul>	<ul style="list-style-type: none"> <li>• Prepare project concept/proposal</li> <li>• Develop terms of reference of the study</li> <li>• Conduct research or hire consultants depending on the expertise required for the study</li> <li>• Review draft studies for factual verification and provide other relevant information/inputs to the consultants</li> <li>• Sift through the findings and recommendations of the research studies</li> </ul>
	• Information Paper	• Prepare briefing paper, as necessary	• Gather information including relevant data
Technical Assistance/ Capacity Building	• Annual Plan for the ECWP	• Prepare draft annual work plan	<ul style="list-style-type: none"> <li>• Identify projects/capacity building activities in consultation with the Parties</li> <li>• Formulate financial plan</li> </ul>
	• Planned capacity building activities conducted	<ul style="list-style-type: none"> <li>• Plan and coordinate implementation of the projects under the annual implementation plan for the ECWP</li> <li>• Implement capacity building activity or technical assistance</li> </ul>	<ul style="list-style-type: none"> <li>• Compile a list of experts based on different areas of the FTA implementation</li> <li>• Develop terms of reference for the projects and consultants</li> <li>• Organize team of experts and practitioners</li> <li>• Select and hire expertise outside the Unit, as necessary</li> <li>• Liaise with relevant international, regional and national institutions, as may be suitable for a project</li> <li>• Coordinate with the relevant AANZFTA working committees</li> </ul>
Rapid Response Mechanism	• Intervention initiatives undertaken in response to an FTA implementation issue/concern requiring immediate attention	• Organize and implement the identified intervention initiative	<ul style="list-style-type: none"> <li>• Conduct needs assessment and identify possible interventions</li> <li>• Develop the concept for the recommended intervention</li> <li>• Coordinate and organize team to implement the intervention</li> <li>• Select and hire expertise outside the Unit, as necessary</li> </ul>
Implementation Infrastructure Mechanism	• Enhanced information exchanges	<ul style="list-style-type: none"> <li>• Maintain and ensure that information at the depositary are accurate and updated</li> <li>• Review and recommend</li> </ul>	• Coordinate regular/periodic updating of focal/contact points and related information

Component 1	ASEAN Secretariat Support Unit		
Objective	To support AANZFTA implementation		
Key Result Area	Output	Activities	Sub-Activities
	<ul style="list-style-type: none"> <li>Strengthen collaboration to address issues, roadblocks in implementation</li> <li>Promotion of best practices, e.g. simplified certification procedures</li> </ul>	<ul style="list-style-type: none"> <li>options to improve the existing mechanism as necessary</li> <li>Engage with relevant entities to undertake collaborative efforts</li> </ul>	<ul style="list-style-type: none"> <li>Establish or link with existing networks</li> </ul>
Promotion/ Outreach	<ul style="list-style-type: none"> <li>Communication strategy</li> </ul>	<ul style="list-style-type: none"> <li>Develop communication plans</li> </ul>	<ul style="list-style-type: none"> <li>Identify target audience</li> <li>Define message</li> <li>Identify communication tools</li> </ul>
	<ul style="list-style-type: none"> <li>Promotional activities conducted, e.g. road shows</li> </ul>	<ul style="list-style-type: none"> <li>Organize AANZFTA briefing, fora including roundtable discussions with its stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>Coordinate with the stakeholder institutions including business councils and industry chambers</li> <li>Identify and select fora speakers/resource persons and facilitators</li> </ul>
	<ul style="list-style-type: none"> <li>Enhanced partnership with the business sector/industry associations</li> </ul>	<ul style="list-style-type: none"> <li>Conduct regular consultations with the business sector and industry associations on AANZFTA and its implementation</li> </ul>	<ul style="list-style-type: none"> <li>Liaise and consult with business sector/industry associations</li> <li>Prepare agenda for discussion</li> </ul>
	<ul style="list-style-type: none"> <li>Information materials on AANZFTA published</li> </ul>	<ul style="list-style-type: none"> <li>Prepare AANZFTA materials for different audiences</li> </ul>	<ul style="list-style-type: none"> <li>Identify information materials for circulation/dissemination</li> <li>Determine appropriate communication tools</li> <li>Develop and publish information materials (e.g. primer, handbook, guidebook, Q&amp;A)</li> </ul>

Component 2	ECWP		
Objective	To support ECWP Work Plans		
Key Result Area	Output	Activities	Sub-Activities
ECWP annual work plan	<ul style="list-style-type: none"> <li>ECWP annual plan implemented</li> </ul>	<ul style="list-style-type: none"> <li>Funding provided to FTA Joint Committee - approved ECWP projects through ECWP Funds</li> </ul>	<ul style="list-style-type: none"> <li>Liaison and communication initiated and maintained</li> </ul>
	<ul style="list-style-type: none"> <li>Technical support provided</li> </ul>	<ul style="list-style-type: none"> <li>ECWP technical support provided as agreed and required</li> </ul>	<ul style="list-style-type: none"> <li>ECWP panel of technical experts identified and utilised as appropriate</li> <li>SU provides technical support as appropriate</li> </ul>

## 4 Governance, Management and Financing Arrangements

### 4.1 Governance and Management

#### 4.1.1 Governance

The governance of AECSP must meet the needs of the Parties, the Support Unit programme manager and staff in the ASEAN Secretariat, and the Secretariat itself. The Support Unit is accountable (through the EERD) to the Parties for the use of resources made available for AECSP.

It is expected that the Parties will want assurance and evidence, on a regular basis, that AECSP resources are being used efficiently for the agreed purposes of the programme; that AECSP is achieving its goal and objectives; and that the programme manager and staff are applying appropriate strategies to achieve these goals and objectives as well as to manage the programme and broader risks.

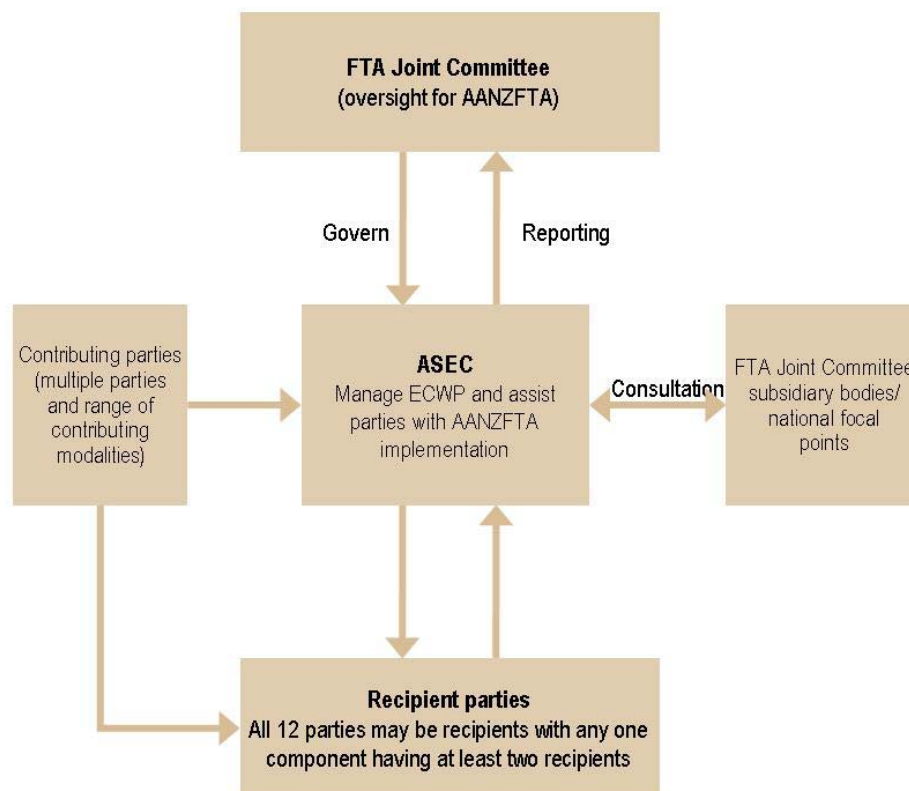
For their part, the Support Unit manager and staff will want governance arrangements which provide clear, consistent and timely advice and guidance from the Parties on major policy and programme management issues; and will want to manage and administer the programme without diversion or micro-management by the Parties or from within the ASEAN Secretariat.

Ideally, the governance arrangements for AECSP should be clear and simple and reflect and reinforce the AECSP principles (see 3.1 above), particularly the partnership principle (relationships defined by open communication, mutual respect and trust) and including efficiency and effectiveness.

The AANZFTA Treaty, which AECSP supports, creates a formal governance and management structure for oversight of AANZFTA in which the key governance body is the FTA Joint Committee.

The figure below, from the ECWP, illustrates the relationships between the management and implementation structure within the ASEAN Secretariat and the FTA Joint Committee, its subsidiary bodies, national focal points, and contributing and implementing Parties.

**Figure 1. ECWP-agreed governance and management arrangements**

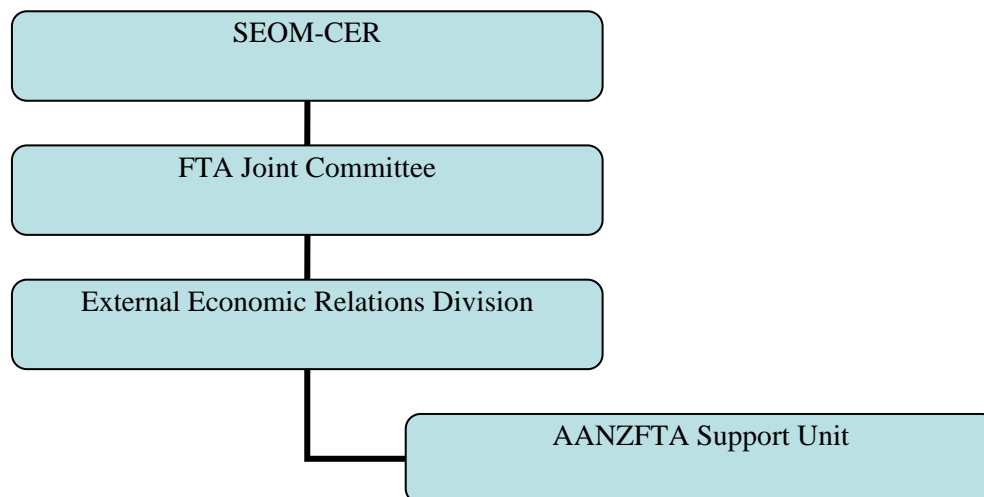


The oversight and decision-making responsibilities of the FTA Joint Committee go well beyond the AECSP, encompassing all of AANZFTA (e.g. the built-in-agenda). The FTA Joint Committee will regularly report on the progress of AANZFTA to the consultations of the ASEAN Economic Ministers, the Trade Minister of Australia and the Trade Minister of New Zealand through the meetings of their Senior Economic Officials (SEOM-CER).<sup>33</sup>

Within the ASEAN Secretariat, EERD is responsible for supporting the FTA Joint Committee, and is governed by FTA Joint Committee decisions in this regard. As part of EERD, the Support Unit is subject to overall governance through ASEAN and its senior Secretariat management, and the Secretariat management processes, procedures and systems including for staffing, budgeting, finances and procurement. This arrangement is represented diagrammatically below.

<sup>33</sup> See Annex 4, AANZFTA Chapter 16, Institutional Provisions

**Figure 2. Support Unit governance and reporting**



A range of other bodies exist beyond the governance framework proposed for AECSP. These bodies have responsibility for the broader relationships between Australia, New Zealand and ASEAN and include the annual post ASEAN Ministerial Meeting dialogues, ASEAN-Australia forum etc. These bodies will want to be briefed on progress in AANZFTA and AECSP, but are not themselves the prime bodies for their governance.

#### 4.1.2 Management

Overall, the Parties will support AECSP in accordance with the final, mutually agreed, AECSP design and with terms and conditions specified in Co-operation Arrangements covering financial and other contributions to AECSP.

The ASEAN Secretariat will be responsible for managing the AANZFTA Support Unit, and for keeping the Parties informed on the Support Unit's progress, performance and any related issues. For its part, the Support Unit will perform the functions specified in its terms of reference and will manage and implement AECSP activities including the annual programmes of economic co-operation activities approved by the FTA Joint Committee.

#### 4.1.3 Support Unit<sup>34</sup>

The Support Unit's broad terms of reference, agreed by the Parties in the ECWP, are to:

- > Provide information to the FTA Joint Committee to assist in decision-making and implementing decisions;
- > Assist Parties to track AANZFTA implementation progress against the AANZFTA objectives, and identify successes to build upon and problems to be addressed;
- > Support capacity development of national institutions of Parties to operationalise the AANZFTA and address regional implementation gaps;

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<sup>34</sup> See Annex 6 for Support Unit Terms of Reference

- > Assist in the development of regional mechanisms for effective collaboration and co-operation in the execution of provisions of the AANZFTA;
- > Support Parties in the promotion of the AANZFTA to key audiences including business and industry including through the development of communications strategies.

Additional terms of reference provided by the ASEAN Secretariat, in response to the Parties' request for further detail during design consultations are:

- > Service AANZFTA-related committee meetings including preparatory and follow-up work;
- > Prepare and manage budget and financial plans for AECSP;
- > Liaise with other ASEAN Secretariat divisions;
- > Recommend hiring of additional staff for the unit, as necessary;
- > Prepare periodic Support Unit accomplishment reports as required and a final AECSP report;
- > Recommend a plan of action for incorporation of the Support Unit functions within the ASEAN Secretariat from 2015;
- > Recommend strategies to replicate best practice in the ASEAN Secretariat for FTA management, implementation and monitoring;
- > Perform other tasks as may be required by the FTA Joint Committee.

The proposed Support Unit staffing profile is based on best-fit to achieve its terms of reference and AECSP goal, components and objectives. Staff classifications are based on the ASEAN Secretariat requirements including pay structures.<sup>35</sup> The Support Unit, and therefore AECSP, will be led by an assistant director (ADR). The ADR will be responsible for programme coordination and will report to the head of the EERD. - EERD has responsibility within the ASEAN Secretariat for FTAs.<sup>36</sup> Two other professional staff are proposed with trade expertise. The ADR and the two other professional staff will be ASEAN nationals recruited internationally. The engagement of two locally engaged support staff is also proposed. Their tasks will include maintenance of information and reporting systems, including the implementation database.

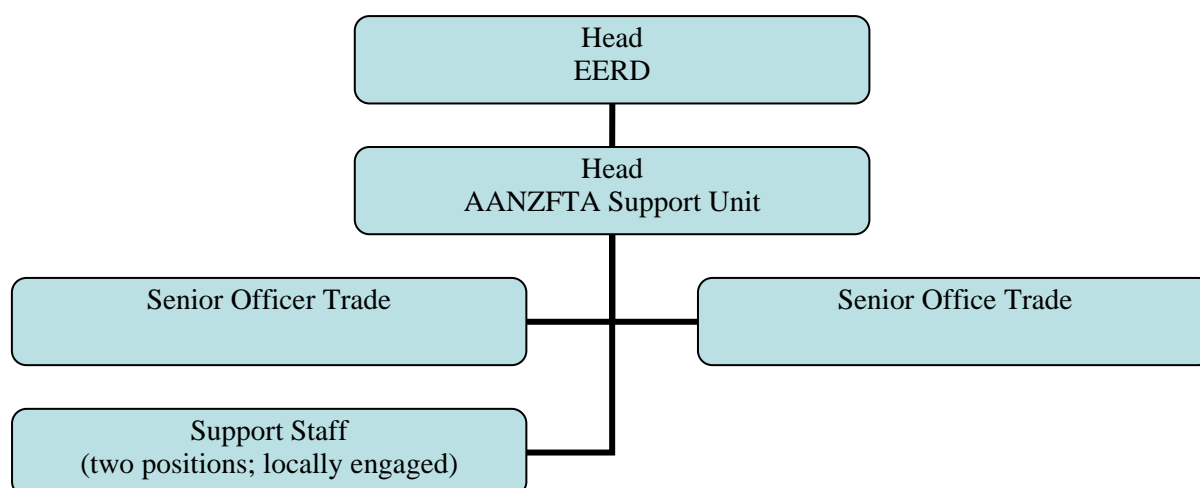
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<sup>35</sup> See Annex 10 for SU staff position descriptions/terms of reference prepared by EERD

<sup>36</sup> See Annex 5 and its Annex A attachment on EERD



**Figure 3. Support Unit structure and skill mix**



## 4.2 Resources

### 4.2.1 Contributions

The Parties will provide financial and other contributions to AECSP over 5 years, 2010-2014. The Australian and New Zealand governments have indicated their willingness to jointly contribute up to a total of approximately AUD22.8million<sup>37</sup> over the five years on a GDP proportionate basis respectively. Australia's contribution will come from the AusAID budget. New Zealand funding will be provided through its Ministry of Foreign Affairs and Trade.

In addition, Australia has indicated that it will allocate up to AUD1million over five years to support design, development and implementation of the AECSP quality assurance initiatives and requirements.<sup>38</sup> Other Parties in a position to do so are encouraged to contribute financially and/or in kind.

The ASEAN Secretariat has advised that it will provide space for the Support Unit (co-located with EERD), that it will cover Support Unit consumables and communication (e.g. paper and telephone calls), and that it will not seek reimbursement for the input of ASEAN Secretariat experts to the FTA committees or subsidiary bodies. A value for this support has not been quantified.

<sup>37</sup> New Zealand contribution converted at exchange rate 1 NZD = 0.8251 AUD, as at 22.9.09

<sup>38</sup> A quality assurance plan will be developed with ASEC at the time of the M&E evaluability assessment. This will incorporate a review of higher level success areas and quality assurance requirements. Refer to M&E Section 5.

#### 4.2.2 Distribution

An indicative ceiling of 20 per cent of total contributions to AESCP<sup>39</sup> has been applied to the budget for component 1, the Support Unit. This equates to approximately AUD3.9million.<sup>40</sup> The budget does not yet include an estimate for additional Support Unit work plan activities (such as publications), regular salary increases, or staff arrival and departure cost benefits. The Support Unit will prepare annual budgets for consideration and approval by the FTA Joint Committee. The budget will cover:

- > Salaries for the Support Unit staff;
- > Travel for the Support Unit staff to attend FTA Joint Committee meetings and working group meetings as required;
- > Travel for the Support Unit staff to consult with ASEAN Member States in relation to the programme, as required;
- > A rapid response fund to enlist the assistance of technical experts required for urgent or unforeseen issues in relation to AANZFTA implementation (within guidelines);
- > Hardware and software expenses, particularly for the establishment of the Support Unit infrastructure; and
- > Other Support Unit work plan activities required to fulfil the functions agreed to in the ECWP document (e.g. the development of information and reporting systems, including a database).<sup>41</sup>

Funding for the ECWP activities will cover expenses specified in the approved annual work programme proposals, which is likely to include:

- > Consultancy fees (where required);
- > Travel expenses (for those involved directly in the organisation and implementation of activities, however it is expected that any related expenditure for Support Unit staff would come from the Support Unit budget);
- > Support for the participation of ODA eligible countries;
- > Follow-up costs;
- > Direct administration, monitoring and evaluation costs for the proposal; and
- > Other costs required for the effective implementation of the proposal.

### 4.3 Contracting and Financing Arrangements

The Support Unit will be funded for 5 years, in line with the five year ECWP, through AANZFTA Economic Co-operation Support resources contributed as outlined above. It is proposed that contributions from the Parties will be allocated to two streams, one for the Support Unit and the other for ECWP activities.

The Australian Government will provide funding through bilateral funding arrangements with the ASEAN Secretariat. A Co-operation Arrangement will detail financial and reporting requirements. Funding provided under the arrangements will be for the exclusive use of the

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<sup>39</sup> Identified as at 22.9.09

<sup>40</sup> See Annex 1.1 for AECSP budget. The exchange rate used is 1USD = 1.1504 AUD, as at 22.9.09

<sup>41</sup> See the Support Unit TOR for likely activities at Annex 6.

Support Unit and ECWP activities. Funds will be administered in accordance with the ASEAN Secretariat's financial rules and procedures. Assistance will also be provided to the Support Unit by the Australian Government through AusAID, to ensure the reporting requirements of all Parties are met and streamlined wherever possible.

The New Zealand Government funding contribution for the Support Unit will be provided through the New Zealand Ministry of Foreign Affairs and Trade. The funding is to be administered in accordance with the ASEAN Secretariat's financial rules and procedures, with the provision of standard reports. New Zealand will separately fund ECWP activities and that funding if paid to the ASEAN Secretariat will also be administered in accordance with the ASEAN Secretariat's financial rules and procedures, with the provision of standard reports.

## 5 Monitoring and Evaluation

### 5.1 AANZFTA

The FTA Joint Committee is responsible for reviewing the implementation and operation of the AANZFTA Agreement.<sup>42</sup> The FTA Joint Committee is required to regularly report to the Parties' Economic/ Trade Ministers through the SEOM-CER.<sup>43</sup>

The Economic Co-operation chapter (Chapter 12) of the AANZFTA further stipulates that:

- > At the direction of the FTA Joint Committee, the Work Programme shall be reviewed to assess its overall effectiveness and recommendations may be made. The FTA Joint Committee may make modifications to the Work Programme taking into account the review and available resources. (Article 7).
- > The implementing Party or Parties shall regularly monitor and evaluate the relevant ECWP component work plans and provide periodic reports to each Party including a final component completion report. (Article 6).

The goal of the AECSP is to support the ASEAN Secretariat in servicing the FTA Joint Committee, and Parties, in the implementation of the AANZFTA. This includes supporting these reviews and reporting requirements as relevant and appropriate. The monitoring and evaluation system that will be developed under the AECSP (see section 5.2 below) will thus aim to fully support and incorporate the requirements stipulated in the Treaty.

### 5.2 AECSP<sup>44</sup>

#### 5.2.1 Reviews

A review by the Parties of AECSP is proposed in Year 3, with its findings providing input to decisions on the final two years of AECSP. To meet Australian government requirements, AusAID will commission an independent completion report at the end of AECSP.

During development of the AECSP M&E system in quarter 1 of AECSP, the Parties will collaboratively agree on timing and processes for any other joint monitoring and evaluation of AECSP.

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<sup>42</sup> Annex 4: AANZFTA Treaty Chapter 16 Institutional Provisions Article 1.2 (a)

<sup>43</sup> Ibid, Article 6.

<sup>44</sup> Dr Sue Dawson, M&E consultant to AusAID, provided the basis for the design team's proposed approach to M&E and facilitated the Parties in Canberra in Phase 2 in their development of the draft higher level success areas

### 5.2.2 M&E system

To fully support and incorporate the requirements stipulated in the Treaty the aim is an AECSP M&E system that is simple, relevant, and efficient – and contextually feasible. The M&E system will reflect the guiding principles of best practice and efficiency and effectiveness. It will assist in the consideration of gender and other cross cutting issues as appropriate.<sup>45</sup> The system will generate data and information that can motivate and guide strategic thinking of the Parties and the Support Unit where successes and lessons learned are elicited for continuous improvement in effective AANZFTA implementation.

The M&E system will have an overarching framework of higher-level success areas. Draft versions of these were developed during the design consultations and are presented below. Within this framework the two AECSP components will be monitored and evaluated. As part of this, the Support Unit will assist EERD to monitor and report to the FTA Joint Committee on AANZFTA implementation, the ECWP annual work plans and the Support Unit's progress against each year's FTA Joint Committee-agreed Support Unit annual plan. The M&E specialist will work with EERD and the Support Unit in the design of appropriate frameworks to ensure design rigour of all work plan activities.

It is anticipated that the project proposal template currently being developed by the Support Unit in consultation with the Parties will be consistent with, and linked to, the overall design M&E frameworks. This template could include things like context, problem to be addressed, rationale for the approach, clear statement of outcomes and activities to be carried out to achieve these, how the project will contribute to the overall goals of the ECWP, sustainability, target beneficiaries and needs, existing activities, lessons learnt from previous related activities, roles and responsibilities, risks management, how the activity will be reported and tracked (M&E), timeframes and financial requirements. Approval of the template content will be sought from the FTA Joint Committee.

The M&E system for AECSP will contribute to broader Secretariat-wide M&E systems over the coming years, including those developed with the support of AADCP II.

### 5.2.3 Higher-level success areas

The draft higher-level success areas presented in section 3 provide guidance for the AECSP M&E system. They aim to answer the question 'what will the stakeholders be doing differently in 5 years time if AECSP is successful in achieving its higher level outcome and goal?'. They are presented below for completeness and will be reassessed during the development of the AECSP M&E.

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<sup>45</sup> Gender considerations will need to be framed during the development of the M&E system within current ASEAN policies and practices. The focus will be at the institutional level linked to the AADCP II institutional capacity building process. Even so, at the ECWP activity level, the importance of gathering gender-disaggregated data is supported in the latest ASEAN report on gender: "Gender-disaggregated data enhances the understanding of the economic realities and contribute to inform public dialogue and policy development." (Forward to *Gender Dimensions of Globalisation and Regional Integration. Third report on the Advancement of Women in ASEAN*. Jakarta: ASEAN Secretariat, May 2007, pp iii-iv)

**Table 2. Draft AECSP M&E Framework**

AECSP Higher Level Outcome	<i>The full benefits of AANZFTA are realised.</i>				
AECSP Goal	<i>To support the ASEAN Secretariat servicing the FTA Joint Committee and to assist the Parties in the implementation of AANZFTA.</i>				
Draft Higher Level Success Areas	Enhanced government desire to engage in economic integration generally and AANZFTA implementation in particular (for example on the built-in agenda).	Increased business awareness leading to increased utilisation of AANZFTA opportunities (and increased trade and investment flows).	Enhanced capacity of member state institutions to engage in trade liberalisation generally and to implement the AANZFTA specifically.	Strengthened working relationships between the Parties through the establishment of, and deeper engagement in, functional sectoral networks (particularly the Working Groups and sub-committees).	Increased confidence in AANZFTA Economic Co-operation (Support Unit and Work Programme activities) as the preferred model for ASEAN-based FTA implementation

#### 5.2.4 Developing the M&E system

The collaborative development of the AECSP M&E system in the 1<sup>st</sup> quarter of AECSP will be supported by an internationally recruited M&E specialist directly engaged by AusAID in consultation with the ASEAN Secretariat. The M&E specialist will be contracted for periodic inputs over the five years of AECSP. The M&E specialist's input will be split between in-country work, desk analysis and electronic/telephone advice and support. *Inter alia*, the specialist will transfer M&E knowledge to the Support Unit and through it to EERD and other relevant ASEAN Secretariat divisions and directorates.<sup>46</sup>

Existing ASEAN Secretariat data and systems will be used wherever possible in line with the AECSP guiding principles.

Because AECSP is pioneering for AANZFTA and the ASEAN Secretariat, the Parties desire an emphasis on quality outcomes, outputs and processes and this will be supported by the M&E system.

<sup>46</sup> See Annex 12 for M&E specialist draft terms of reference. A quality assurance plan will be developed with ASEC at the time of the M&E evaluability assessment. This will incorporate a review of higher level success areas and quality assurance requirements.

## 6 Risk, Sustainability and Feasibility

### 6.1 Risk Management

The risks were collectively identified during Phase 2 of this design process, were further informed by AADCP II, and are presented in full at Annex 12.

The majority of risks are assessed as low to medium and manageable, given the commitment of the Parties to the AANZFTA, its associated ECWP, and this AECSP. High risks are (i) achieving a 1 January 2010 start for the Support Unit and (ii) developing the annual plan before the 2010 meeting of the FTA Joint Committee.

The main risks are:

- i. AECSP approval processes and ASEAN Secretariat recruitment procedures delaying the start of the Support Unit beyond the EIF of AANZFTA (high risk);
- ii. annual plans not finalised for FTA Joint Committee approval (high risk);
- iii. demands on the Support Unit being broader than its remit to support AANZFTA implementation (medium risk);
- iv. the need to secure highly competent Support Unit staff and that they be effectively managed (medium risk);
- v. over or under demand for ECWP projects and duplication and overlaps (lower risk for under-demand and medium risk for over-demand);
- vi. insufficient engagement of key stakeholders including the commercial sector for AANZFTA benefits to be fully realised (medium risk);
- vii. Support Unit work demands exceeding capacity (medium risk);
- viii. ASEAN funding to continue the Support Unit functions from 2015; and
- ix. AECSP M&E system either inadequately developed to meet the needs of the Parties and/or implementation challenges (medium risk).

The risk management strategies for each include:

- i. the ASEAN Secretariat ready to start recruitment immediately this AECSP design is approved by the Parties and EERD to commence monitoring AANZFTA implementation at EIF;
- ii. good EERD and Support Unit management, and clarity in letters of exchange, to ensure the Support Unit focuses on its remit to support AANZFTA;
- iii. international recruitment of ASEAN nationals and the Parties participating in selection panels to find and recruit highly competent staff including an Assistant Director (Support Unit) with good programme management skills;



- iv. a series of processes for the development, implementation and M&E of the annual ECWP work plans;
- v. a communication and promotion/outreach strategy to engage key stakeholders included in the design;
- vi. the Support Unit having the authority to engage short term staff and advisors to meet peak workloads;
- vii. engagement of the Parties and the commercial sector to continue to implement AANZFTA; and
- viii. an M&E expert contributed to this design; an M&E expert has been tentatively engaged from mid-December 2009 to commence an evaluability assessment<sup>47</sup> involving consultation and partnership with the Parties towards the development of an AECSP M&E system, with a progress report provided to the FTA Joint Committee in 2010; the M&E system will be an input to broader Secretariat work on M&E; additional funding allocated by Australia to ensure appropriate support.

## 6.2 Sustainability

The desired sustainability is the ASEAN Secretariat continuing to ***effectively monitor and support AANZFTA implementation*** after AECSP finishes in December 2014. For the greatest chance of sustainability, AECSP needs to achieve its goal and objectives.

To assist sustainability, the ASEAN Secretariat has signalled its intention to gradually expand EERD with the aim of establishing a Division which can effectively monitor and support implementation of ASEAN FTAs, including AANZFTA. Progress towards this goal by 2014 is strongly supported and will be assessed in the proposed Year 3 review. A plan of action will be developed following the Year 3 review for ASEAN funding of the Support Unit functions within the ASEAN Secretariat from 2015.

There is a high probability of sustainability given:

- > the commitment of the Parties to AANZFTA such that their commitments are enshrined at treaty level;
- > AECSP will provide the strengthening of the capacity and capability of the ASEAN Secretariat for ongoing effective AANZFTA implementation;
- > the Year 3 review will assess the feasibility of continuing the work of the Support Unit within the ASEAN Secretariat for AANZFTA and broader FTA support; and
- > the ECWP activities will assist the confidence and capability of Member States in implementing AANZFTA.

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<sup>47</sup> An evaluability assessment tests whether the objectives/goals/outcomes in the design document are able to be evaluated, and thus progress towards achievement is measurable. It involves testing and elaboration of the design logic, outcomes and indicators in consultation with key stakeholders.

The AANZFTA provides that any Party may withdraw by giving six months advance notice in writing to the other Parties and the AANZFTA would be terminated on Australia or New Zealand's withdrawal, or if the AANZFTA was in force for less than four ASEAN member countries. On present circumstances, there are no indications that either of these scenarios would eventuate. There will be a general review of the AANZFTA in 2016 and thereafter each five years, unless otherwise agreed by the Parties.

### 6.3 Feasibility

The AECSP is feasible given the:

- > Treaty-level AANZFTA and its agreed commitments and obligations;
- > associated ECWP, including governance and management arrangements, and technical assistance already commenced under the FTA Facility (HS 2007 tariff transposition workshop in May 2009, and the ROO workshop in November 2009);
- > Parties' overall commitment to AANZFTA success;
- > financial support provided through AECSP;
- > proposed AECSP monitoring and evaluation system adding value to continuous strengthening of AANZFTA implementation and economic co-operation;
- > risks are low to medium and manageable other than the higher risks of the Support Unit not starting at EIF on 1 January 2010 and the AECSP annual plan not ready for FTA Joint Committee decision in Q1 of 2010.

## 7 Conclusion

The Parties place great importance on the AANZFTA and its associated ECWP. The AECSP is seen as a pioneering endeavour by the ASEAN Secretariat, with longer-term benefits for continued effective AANZFTA implementation after 2014, and broader benefits to the role of the ASEAN Secretariat in support of other ASEAN FTAs.

There are current significant efforts to enable AECSP to commence at AANZFTA EIF on 1 January 2010: initial HS 2007 and ROO ECWP activities have been completed; Support Unit position descriptions have been prepared by the ASEAN Secretariat; Support Unit recruitment processes are commencing; AusAID internal peer review processes have approved the design (on 4 November 2009); the ECWP proposal template is being developed in consultation with the Parties; and possible ECWP projects are being elicited ahead of EIF.

EERD is responsible for supporting preparations for AANZFTA implementation and in addition to the efforts outlined above will start monitoring the AANZFTA at EIF if Support Unit recruitment is not completed.

# Annex 1 AANZFTA Economic Co-operation Work Programme

## Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) Economic Co-operation Work Programme

### Introduction

This document is the Economic Co-operation Work Programme (ECWP) for the AANZFTA. It draws on proposals submitted to the Working Group on Economic Co-operation (WGEC) and information and concepts provided by AANZFTA Parties (the Parties). It outlines the assistance that will be given to the Parties to implement AANZFTA in eight components linked to different aspects of the AANZFTA. It provides a synopsis for each component which identifies objectives and relevance to the AANZFTA, gives a broad description of activities that will be implemented and outlines arrangements for their implementation. The ECWP provides flexibility for emerging and changing priorities to be addressed through economic co-operation, as such priorities are identified during the implementation of the AANZFTA.

The ECWP is to be implemented, through annual programmes, over five years from the date of the AANZFTA's entry into force. The cost of implementing the ECWP (implementation funds) is estimated at up to AUD20-25 million.

Two elements important for the implementation of the ECWP and effective implementation of the AANZFTA are support for the ASEAN Secretariat's role in the implementation of AANZFTA and the management structure for the ECWP.

### Support for the ASEAN Secretariat's role in the implementation of the AANZFTA

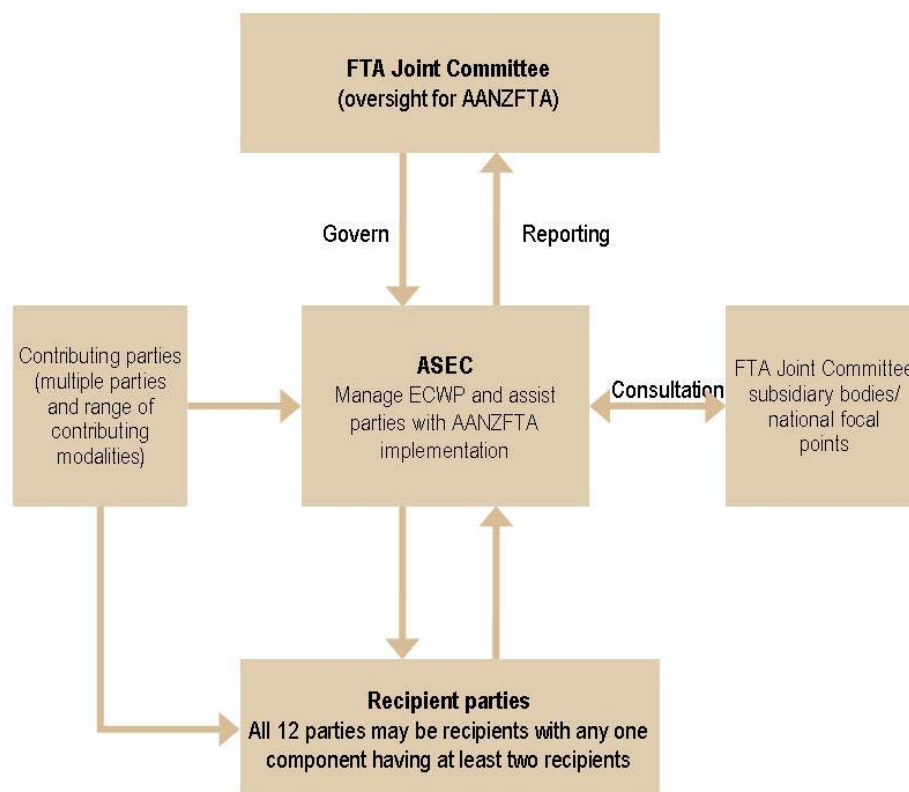
The goal is to support the ASEAN Secretariat servicing the FTA Joint Committee and to assist Parties in the implementation of the AANZFTA. A capacity will be established in the ASEAN Secretariat to assist the FTA Joint Committee and the Parties to implement the AANZFTA and it will undertake the following functions:

- > provide information to the FTA Joint Committee to assist in decision making and implementing decisions;
- > assist Parties to track AANZFTA implementation progress against the AANZFTA objectives, and identify successes to build upon and problems to be addressed;
- > support capacity development of national institutions of Parties to operationalise the AANZFTA and address regional implementation gaps;
- > assist development of regional mechanisms for effective collaboration and co-operation in the execution of the provisions of the AANZFTA; and
- > support Parties in the promotion of the AANZFTA to key audiences including business and industry including through the development of communications strategies.

## Management structure

Critical to the implementation and effectiveness of the ECWP is the development of a management and implementation structure. The figure below illustrates the relationship between the management and implementation structure within the ASEAN Secretariat and the FTA Joint Committee, its subsidiary bodies, national focal points, and contributing and implementing Parties. The capacity established in the ASEAN Secretariat will develop annual programmes that will be submitted to the FTA Joint Committee for approval.<sup>48</sup> Annual programmes will be based on the ECWP and developed in consultation with the Parties. This consultation will be through the ASEAN Secretariat and relevant subsidiary bodies of the FTA Joint Committee and/or national focal points as appropriate.

## Management structure



<sup>48</sup> Prior to the first meeting of the FTA Joint Committee, approval for the annual program may be obtained by the agreement of representatives of each Party.

## **Component 1 – Rules of Origin and other Aspects of Implementation of Tariff Commitments**

### **Objective**

To facilitate effective utilisation of the AANZFTA commitments through efficient and transparent administration of Rules of Origin (ROO) requirements and other aspects of implementation of tariff commitments.

### **Relevance to the AANZFTA**

Efficient and transparent implementation of ROO requirements is essential to any free trade agreement, since it must achieve an appropriate balance of facilitating trade and ensuring that benefits of tariff commitments are obtained. Implementation of ROO for AANZFTA may involve considerable challenges for ASEAN agencies responsible for embedding them in legislation and regulation, for certifying compliance and ensuring that eligible goods receive the benefit of tariff preferences. Ready availability to business of the substantive requirements of ROO and the associated administrative procedures will be necessary if full advantage is to be taken of AANZFTA commitments. Other elements of implementing tariff commitments – such as transposition from HS2002 to HS2007 – will also be central to implementation of AANZFTA.

### **Indicative Activities**

A comprehensive programme of support will be established to achieve the following:

- > educate the private sector to enable compliance with AANZFTA requirements to generate trade and co-operation;
- > develop procedures to ensure the smooth implementation of the ROO;
- > develop procedures to facilitate the use and authenticity of Certificates of Origin;
- > ensure the timely transposition of tariff schedules from HS2002 to HS2007.

### **Countries involved and implementation arrangements**

Experts from within Australia and New Zealand will be relied upon to conduct the requisite workshops, seminars and other training procedures as well as developing other capacity building activity required by the proposal. While all Parties will benefit from co-operation on ROO and on other aspects of implementing tariff commitments, it is expected that ASEAN Member States currently with less developed systems will gain major benefit.

## **Component 2 – Sanitary and Phytosanitary Measures**

### **Objective**

To support implementation of the AANZFTA chapter on Sanitary and Phytosanitary (SPS) Measures, by helping to: build the capacity of agencies responsible for implementation of SPS policies and procedures; build business awareness of the application of SPS measures consistent with the principles in the SPS chapter; and support strengthened co-operation between authorities responsible for dealing with the matters covered by that chapter.

### **Relevance to the AANZFTA**

This component supports implementation of the AANZFTA chapter on SPS Measures, which aims to: facilitate trade between Parties while protecting human, animal or plant health in the territory of each Party; provide greater transparency and understanding in the application of each Party's regulations and procedures relating to SPS measures; strengthen co-operation between the competent authorities of the Parties for matters covered by the SPS chapter; and enhance practical implementation of the principles and disciplines contained within the WTO SPS Agreement.

### **Indicative Activities**

The component will involve two broad streams of activities. One stream will be devoted to building capacity in ASEAN Parties with respect to various functions associated with efficient implementation of SPS measures to facilitate trade while pursuing science based bio-security objectives. This stream could cover co-operation with regard to WTO SPS Agreement obligations for notification (SPS National Notification Authority and National Enquiry Point), emergency response management for plant pests, SPS awareness training and pest diagnostic training and capacity building.

The other stream will be aimed at providing priority to Import Health Standard (IHS) Assessments for ASEAN agricultural exports into New Zealand. This will involve adding resources to Biosecurity NZ to create a priority line for processing IHS applications from ASEAN Parties to increase the annual volume of such assessments. There will also be a focus in this stream on improving the ability of ASEAN Parties to provide necessary information to expedite IHS risk assessments.

Both streams will require further design and interaction between relevant authorities in the Parties to determine the scope and timing of activities, some of which will build on existing or prospective regional and bilateral co-operation programmes.

### **Countries involved and implementation arrangements**

Australia will lead the first stream, and New Zealand the second. Given the policy related nature of much of this work, and the fact that most relevant expertise to deliver co-operation activities lies within government agencies responsible for SPS measures, activities will be conducted as government-to-government co-operation, led by the respective agencies providing the expertise. All ASEAN Parties will potentially benefit from this component, with stream one focusing on ASEAN Parties with less developed capacity.



## **Component 3 –Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP)**

### **Objective**

*This component will support joint efforts in the fields of standards, technical regulations and conformity assessment procedures, assist in promoting mutual understanding of each Party's STRACAP measures, and strengthen information exchange and co-operation among the Parties.*

### **Relevance to the AANZFTA**

This component supports the AANZFTA chapter on STRACAP which aims to facilitate trade in goods between the Parties by: ensuring that STRACAP measures do not create unnecessary obstacles to trade, promoting mutual understanding of each Party's STRACAP measures, strengthening information exchange and co-operation between the Parties and providing a framework to implement the supporting mechanisms to realise these objectives. These activities should build on the work of international and regional standards and conformity assessment bodies. The establishment of strong regional information exchange and co-operation will work to facilitate trade within the region.

### **Indicative Activities**

A programme of support will be established to help achieve the following:

- > enhance the transparent process of STRACAP through information exchanges between the Parties;
- > facilitate co-operation between the Parties in the areas of standards, technical regulations and conformity assessment procedures;
- > provide an analysis of the strengths and weaknesses of the regulatory and certification infrastructures of selected countries and identify areas for allocation of further resources.

This support programme will require further detailed design.

### **Countries involved and implementation arrangements**

Experts from Australia and New Zealand, and in some cases ASEAN Parties, will be relied upon to conduct the requisite workshops, seminars and other training procedures as well as developing other capacity building activity required. While all Parties will benefit from co-operation on STRACAP, it is expected that ASEAN Parties currently with less developed systems will gain major benefit.

## **Component 4 – Services**

### **Objective**

To facilitate increased cross-border flows of services among the Parties, by assisting them to adapt regulations affecting services trade and to build on the reductions in barriers to trade in services embodied in the AANZFTA.

### **Relevance to the AANZFTA**

One of the aims of the AANZFTA services chapter is to facilitate greater participation in the service sectors of the Parties. Commitments made by the Parties under the services chapter will reduce constraints on market access for service providers and investors. However, realising the potential created by the AANZFTA may involve streamlining or harmonising regulatory arrangements affecting service provision, or strengthening institutions that support a freer flow of services among the Parties.

### **Indicative Activities**

This component will assist in addressing these issues through two streams of co-operation. One stream will assist in the facilitation of movement of natural persons and increased education sector investment among the Parties by conducting pilot projects on national qualification frameworks and associated recognition tools. The other stream will provide support to strengthen agencies in Cambodia, Lao PDR and Myanmar responsible for handling trade in services issues. This will build on experience gathered in negotiating commitment schedules for the AANZFTA, and build understanding of trade in services concepts and assist agencies to document and assess effects of laws and regulations affecting trade in services.

### **Countries involved and implementation arrangements**

The Philippines and Australia will direct project activities regarding education qualifications with other ASEAN Parties that wish to participate. Co-operation under the second stream may be delivered by a mix of linkage activities involving government agencies from Australia, New Zealand and ASEAN Parties, and consultancy inputs.

## **Component 5 - Investment**

### **Objective**

To facilitate the flow of investment across the Parties, by deepening and broadening linkages and assisting Parties to address impediments to expanding investment in response to the opportunities created by the AANZFTA.

### **Relevance to the AANZFTA**

The Parties will benefit from implementation of the AANZFTA through investment. Inter-regional investment should expand in response to reductions in cross border barriers, and domestic and foreign investment should expand to take advantage of opportunities created by the AANZFTA. Implementing provisions on investment and commitments on commercial presence in the chapter on services will make important contributions to facilitating greater cross-border investment among the Parties. To fully realise the benefits of these commitments, efforts may need to be made to make potential investors aware of new opportunities arising, and identify and address impediments to investment that the AANZFTA does not address. This may involve co-operation aimed at facilitating inward investment and analysing the impact of the regulatory environment and developing strategies for further improving the investment climate.

### **Indicative Activities**

This component will provide a vehicle for the Parties to assess the overall climate for investment and identify areas of concern for consideration by the FTA Joint Committee and relevant domestic agencies. It will also apprise potential investors of opportunities arising from the AANZFTA and will initiate public-private policy dialogue by providing a forum for informing policy makers of issues of concern to investors, including aspects of the regulatory environment for investment. This will be initiated by combining ECWP-supported meetings with existing investment conferences and building on these by promoting a range of workshops on specific investment opportunities and issues, including AANZFTA commitments. Workshops and meetings may target ASEAN Priority Integration Sectors, and provide an opportunity for the ASEAN Lead Coordinating Countries to promote the work being done to create opportunities in the sectors they are responsible for. These interactions may be supported by the preparation of information or issues papers helping to focus attention on key issues, and by establishing website reference sources to support investors.

### **Countries involved and implementation arrangements**

Modes of assistance will include support to a working group of experts of the Parties to conduct research into the environment for investment within and between the Parties and to formulate recommendations for consideration by the FTA Joint Committee and relevant domestic agencies in participating Parties. It is noted that such support will particularly benefit newer ASEAN member states. It may also involve conference sessions, workshops, seminars and training events.

## **Component 6 - Intellectual Property**

### **Objective**

To provide comprehensive support for the development of sound and balanced Intellectual Property (IP) systems in the AANZFTA region.

### **Relevance to the AANZFTA**

The development of strong IP regimes throughout the ASEAN region is a sound underpinning for international trade to be promoted through the AANZFTA. If IP rights are consistently protected, investors and traders will have increased confidence to operate within the region. A comprehensive programme of support will be put into place to assist ASEAN Parties to:

- > Improve capacity to develop sound and balanced IP frameworks and systems;
- > Facilitate business use of IP systems through the region for the purpose of economic integration;
- > Improve capacity to enforce IP rights; and
- > Improve public and business awareness of the benefits of sound and balanced IP regimes.

### **Indicative Activities**

While this support programme will require further detailed design and cost analysis, it is envisaged as being delivered through four major projects, each addressing one of the above aims. This component assists in the development of capacity to develop systems for IP in the region including those for enforcement. It also assists in the development of systems helping businesses to participate including improvement in awareness of the benefits of IP systems. This component will recognise the different current capabilities and starting points for activities of the Parties, notably newer ASEAN member states.

### **Countries involved and implementation arrangements**

The form of assistance may include direct training for IP examiners and other government officials, IP judges, patent attorneys, academia and the business community. It may also include study visits, policy discussions and seminars. While all Parties will benefit from co-operation on IP, it is expected that ASEAN Parties currently with less developed IP systems will gain major benefit.

## **Component 7 – Sectoral Integration**

### **Objective**

To provide for technical assistance and training that helps the Parties to address residual impediments to integration by working on the problems faced by particular sectors.

### **Relevance to the AANZFTA**

A programme of activities will be put into place to work with specific sectors to identify and propose ways of dealing with constraints to realising the trade and investment benefits that should flow from implementation of the AANZFTA. Given the limited resources likely to be available to finance ECWP activities it would not be effective to use the programme to deliver direct assistance to firms to pursue trade and investment opportunities or to improve their competitiveness. However working with stakeholders in a sector to identify regulatory, institutional or informational constraints could provide invaluable information for policy makers.

### **Indicative Activities**

One initial sector has been identified for activities in this component. Activities will be constructed in the dairy industry that draw upon and support the AANZFTA. This will involve assessment of ASEAN regional concerns on liberalisation of trade in dairy products.

### **Countries involved and implementation arrangements**

This activity will be managed by New Zealand in conjunction with target countries to be confirmed.

## **Component 8 – Customs**

### **Objective**

To support Customs co-operation activities related to implementation of the AANZFTA.

### **Relevance to the AANZFTA**

This component supports the AANZFTA chapter on customs procedures which specifically aims to promote co-operation among Customs administrations in the Parties. This is relevant not only to the specific matters covered by the chapter, which also aims to ensure predictability, consistency and transparency in the application of Customs laws and regulations; promote efficient, economical Customs administration and expeditious clearance of goods; and simplify Customs procedures, it is also relevant to other chapters, for example on Rules of Origin.

### **Indicative Activities**

No specific activities are proposed under this component. Co-operation would need to build on the existing extensive arrangements for regional and international co-operation on Customs matters.

# Annex 2 ECWP Competition Policy

## ECWP Component x – Competition Policy Co-operation

### Component Goal

To support implementation of the AANZFTA Chapter on Competition Policy Co-operation, by helping to support the development of competition policies, laws and institutions in the Parties, and to encourage the exchange of related information.

### Component Objective

This component supports the chapter on Competition Policy Co-operation which provides for the Parties to render assistance, on request, to other Parties in relation to competition law and enforcement, and for co-operation designed to develop competition policies, laws and institutions that promote the competitive process and minimise distortions to competition, consistent with the principles of comprehensiveness, non-discrimination, transparency and accountability.

### Activities

Co-operation activities would be developed through consultation facilitated by Contact Points designated for the purpose of the Chapter, and may include some or all of the range of co-operation modalities identified in the Chapter. These modalities include, but are not limited to: exchange of experience and information related to competition policy and law, study visits, practical training, courses, workshops and seminars, review of draft legislation and in-country training to enable exchange of information. Co-operation under the Chapter would not, of course, be limited to activities supported by the ECWP: ECWP co-operation could possibly be targeted at ASEAN's Newer Member States, where more general exposure to the concepts and institutional dimensions of competition policy may be appropriate.

### Countries involved and implementation arrangements

Australia, New Zealand and some ASEAN Parties would, through the national agencies responsible for competition policy, deliver assistance identified under this component as government-to-government co-operation. All ASEAN Parties could participate in the co-operation activities supported by this component of the ECWP.

# Annex 3 AANZFTA Chapter 12, Economic Co-operation

## CHAPTER 12

## ECONOMIC CO-OPERATION

### Article 1

#### Scope and Objectives

1. The Parties reaffirm the importance of ongoing economic co-operation initiatives between ASEAN, Australia and New Zealand, and agree to complement their existing economic partnership in areas where the Parties have mutual interests, taking into account the different levels of development of the Parties.
2. The Parties acknowledge the provisions to encourage and facilitate economic co-operation included in various Chapters of this Agreement.
3. Economic co-operation under this Chapter shall support implementation of this Agreement through economic co-operation activities which are trade or investment related as specified in the Work Programme.

### Article 2

#### Definitions

For the purposes of this Chapter:

- a. **implementing Party** or **implementing Parties** means, for each component of the Work Programme, the Party or Parties primarily responsible for the implementation of that component; and
- b. **Work Programme** means the programme of economic co-operation activities, organised into components, mutually determined by the Parties prior to the entry into force of this Agreement.

### Article 3

#### Resources

1. Recognising the development gaps among the ASEAN Member States and among the Parties, the Parties shall contribute appropriately to the implementation of the Work Programme.



2. In determining the appropriate level of contribution to the Work Programme, the Parties shall take into account:
  - a. the different levels of development and capacity of Parties;
  - b. any in-kind contributions able to be made to Work Programme components by Parties; and
  - c. that the appropriate level of contribution enhances the relevance and sustainability of co-operation, strengthens partnerships between Parties and builds Parties' shared commitment to the effective implementation and oversight of Work Programme components.

## Article 4

### Economic Co-operation Work Programme

1. Each Work Programme component shall:
  - a. be trade or investment related and support this Agreement's implementation;
  - b. be specified in the Work Programme;
  - c. involve a minimum of two ASEAN Member States, Australia and/or New Zealand;
  - d. address the mutual priorities of the participating Parties; and
  - e. where possible, avoid duplicating existing economic co-operation activities.
2. The description of each Work Programme component shall specify the details necessary to provide clarity to the Parties regarding the scope and purpose of such component.

## Article 5

### Focal Points for Implementation

1. Each Party shall designate a focal point for all matters relating to the implementation of the Work Programme and shall keep all Parties updated on its focal point's details.
2. The focal points shall be responsible for overseeing and reporting on the implementation of the Work Programme in accordance with Article 6 (Implementation and Evaluation of Work Programme Components) and Article 7 (Review of Work Programme), and for responding to inquiries from any Party regarding the Work Programme.

## **Article 6**

### **Implementation and Evaluation of Work Programme**

#### **Components**

1. Prior to the commencement of each Work Programme component, the implementing Party or Parties, in consultation with relevant participating Parties, shall develop an implementation plan for that Work Programme component and provide that plan to each Party.
2. The implementing Party or Parties for a Work Programme component may use existing mechanisms for the implementation of that component.
3. Until the completion of a Work Programme component, the implementing Party or Parties shall regularly monitor and evaluate the relevant component and provide periodic reports to each Party including a final component completion report.

## **Article 7**

### **Review of Work Programme**

At the direction of the FTA Joint Committee, the Work Programme shall be reviewed to assess its overall effectiveness and recommendations may be made. The FTA Joint Committee may make modifications to the Work Programme taking into account the review and available resources.

## **Article 8**

### **Non-Application of Chapter 17 (Consultations and**

#### **Dispute Settlement)**

Chapter 17 (Consultations and Dispute Settlement) shall not apply to any matter arising under this Chapter.

# Annex 4 AANZFTA Chapter 16, Institutional Provisions

## CHAPTER 16

### INSTITUTIONAL PROVISIONS

#### Article 1

##### FTA Joint Committee

1. The Parties hereby establish a free trade agreement joint committee (the FTA Joint Committee) consisting of representatives of the Parties.
2. The functions of the FTA Joint Committee shall be to:
  - a. review the implementation and operation of this Agreement;
  - b. consider and recommend to the Parties any amendments to this Agreement;
  - c. supervise and co-ordinate the work of all subsidiary bodies established pursuant to this Agreement;
  - d. adopt, where appropriate, decisions and recommendations of subsidiary bodies established pursuant to this Agreement;
  - e. consider any other matter that may affect the operation of this Agreement or that is entrusted to the FTA Joint Committee by the Parties; and
  - f. carry out any other functions as the Parties may agree.
3. In the fulfillment of its functions, the FTA Joint Committee may establish additional subsidiary bodies, including ad hoc bodies, and assign them with tasks on specific matters, or delegate its responsibilities to any subsidiary body established pursuant to this Agreement including:
  - a. Goods Committee established pursuant to Article 11 (Committee on Trade in Goods) of Chapter 2 (Trade in Goods):
    - i. ROO Sub-Committee established pursuant to Article 18 (Sub-Committee on Rules of Origin) of Chapter 3 (Rules of Origin);
    - ii. SPS Sub-Committee established pursuant to Article 10 (Meetings Among the Parties on Sanitary and Phytosanitary Matters) of Chapter 5 (Sanitary and Phytosanitary Measures); and
    - iii. TRACAP Sub-Committee established pursuant to Article 13 (Sub-Committee on Standards, Technical Regulations and Conformity Assessment Procedures) of

Chapter 6 (Standards, Technical Regulations and Conformity Assessment Procedures);

- a. Services Committee established pursuant to Article 24 (Committee on Trade in Services) of Chapter 8 (Trade in Services);
  - b. Investment Committee established pursuant to Article 17 (Committee on Investment) of Chapter 11 (Investment); and
  - c. IP Committee established pursuant to Article 12 (Committee on Intellectual Property) of Chapter 13 (Intellectual Property).
4. The FTA Joint Committee shall establish its rules and procedures at its first meeting.
  5. Unless the Parties agree otherwise, the FTA Joint Committee shall convene its first meeting within one year after this Agreement enters into force. Its subsequent meetings shall be convened at such frequency as the Parties may mutually determine, and as necessary to discharge its functions under this Agreement. The FTA Joint Committee shall convene alternately in ASEAN Member States, Australia and New Zealand, unless the Parties agree otherwise. Special meetings of the FTA Joint Committee may be convened, as agreed by the Parties, within 30 days upon the request of a Party.
  6. The FTA Joint Committee shall regularly report to the consultations of the ASEAN Economic Ministers, the Trade Minister of Australia and the Trade Minister of New Zealand through the meetings of their Senior Economic Officials.

## Article 2

### Communications

Each Party shall designate a contact point to facilitate communications among the Parties on any matter relating to this Agreement. All official communications in this regard shall be in the English language.

# Annex 5 Concept Paper: Support for the ASEAN Secretariat's Role in the AANZFTA Implementation

## Concept Paper:

### Support for the ASEAN Secretariat's Role in the AANZFTA Implementation

#### Purpose of this concept paper

This concept paper outlines for consideration by SEOM, the establishment of a new 'capacity' within ASEAN Secretariat to service the FTA Joint Committee and assist Parties in the implementation of the Economic Co-operation Work Programme (ECWP) as part of the Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA) signed on 27 February 2009 in Thailand.

#### Background

At the signing of the Agreement, Trade Ministers also signed the "Implementing Arrangement" for the AANZFTA ECWP pursuant to Chapter 12 (Economic Co-operation) of the Agreement. The cost of implementing the ECWP (implementation funds) is estimated at up to AUD 20-25 million.

In the ECWP that was annexed to the Implementing Arrangement, provision was made for the establishment of a "capacity" within the ASEAN Secretariat:

*"...to support ASEC servicing the FTA Joint Committee and to assist Parties in the implementation of the AANZFTA..."*

The ECWP also states that:

*"critical to the implementation and effectiveness of the ECWP is the development of a management and implementation structure ... within ASEC..."*

At the 22nd SEOM-CER Consultations held on 6 February 2009 in Bangkok, Thailand the meeting agreed that:

*"Australia, New Zealand and the ASEAN Secretariat (ASEC) should develop some ideas on the management and implementation structure to support ASEC's role in the implementation of AANZFTA, for consideration at the next SEOM-CER Consultations in July 2009."*

It may be recalled that at the 14<sup>th</sup> Meeting of the ASEAN-Australia-New Zealand Trade Negotiations Committee (TNC) in Brisbane in April 2008, the meeting agreed that:

*"The establishment of the AANZFTA Management and Implementation Unit at the ASEAN Secretariat shall not be provided for in the Treaty. Further reflection will have to*

*be made on the actual architecture of the Unit, including the scope of the Unit's work and its operationalisation."*

### Existing capacity of the EERD

Under the newly reorganised structure of the ASEAN Secretariat, the External Economic Relations Directorate (EERD) sits under the Market Integration Directorate of the ASEAN Economic Community Department. EERD is responsible for coordinating external economic relations including, inter alia, monitoring the implementation of all ASEAN's FTAs and supporting ASEAN's FTA negotiations. (Refer to Annex A.)

The current capacity of the EERD consists of the Division Head (Assistant Director level), a Senior Officer funded by Australia under its FTA Facility (until early 2010), and a Technical Assistant.

ASEAN continues to negotiate and finalise FTAs. The increasing number of FTAs has significantly expanded the work programme of the EERD. The combined demands of servicing ASEAN's current and potential future FTAs go well beyond EERD's current capacity. In turn, this means that unless EERD's capacity is significantly enhanced it will not be able to service effectively the AANZFTA including the ECWP Implementing Arrangement.

### Proposed Capacity for AANZFTA

The ASEAN Secretariat, supported by Australia and New Zealand, considers that the best way for the ASEAN Secretariat to meet the needs of servicing AANZFTA effectively is to establish a Unit within the EERD. It is expected that this Unit would have staff dedicated to servicing AANZFTA. This would free up the limited resources of the EERD to focus on its other core responsibilities.

Embedding the Unit within the EERD under the supervision of the EERD Division Head would ensure an objective, neutral Secretariat resource, maximize cost effectiveness and streamline processes associated with the implementation of the AANZFTA.

While the primary function of the Unit is to service AANZFTA, it is envisaged that the Unit would also enhance capabilities and the capacity of the wider Secretariat on FTA management, implementation and monitoring. The Unit would share its knowledge and expertise and assist ASEAN national institutions responsible for implementing the AANZFTA Agreement.

### Functions of the Unit

The functions of the Unit agreed to by the Parties under the AANZFTA ECWP are as follows:

- > provide information to the FTA Joint Committee to assist in decision making and implementing decisions;
- > assist Parties to track AANZFTA implementation progress against the AANZFTA objectives, and identify successes to build upon and problems to be addressed;
- > support capacity development of national institutions of Parties to operationalise the AANZFTA and address regional implementation gaps;
- > assist development of regional mechanisms for effective collaboration and co-operation in the execution of the provisions of the AANZFTA; and

- > support Parties in the promotion of the AANZFTA to key audiences including business and industry including through the development of communications strategies.

These functions will be elaborated in a Terms of Reference for the Unit.

While standard the ASEAN Secretariat procedures will be used in operationalising the Unit, recruitment of personnel will be from ASEAN Member States through a competitive selection process by a panel comprising the ASEAN Secretariat and representatives from Australia and New Zealand.

### Next Steps

Following SEOM's endorsement, and with a view to ensuring that the Unit is in place by entry into force (at the latest 1 January 2010), the following steps will be undertaken:

- > detailed work on the design (4-6 weeks)
- > approval processes
- > funding arrangements
- > recruitment of personnel
- > develop the first year ECWP annual programme in consultation with the Parties

## **Annex A (of the ASEAN Secretariat Support Unit Concept Paper): ASEAN Secretariat's External Economic Relations Division**

### **Sphere of Activity**

- > Manage external economic relations with Dialogue Partners, and international economic organizations
- > Provide support for the negotiation and monitoring of FTAs, including supporting their implementation, through the implementation of projects and manage key economic programme supporting the AEC

### **Main Functions**

- > Serve as the focal point for dialogue relations with external parties, drawing on input from other Divisions, as necessary
- > Provide briefings and information papers, and draft statements and communiqués
- > Coordinate the development of projects funded by external parties, particularly as they arise from FTA implementation
- > Assist in the preparation of MOUs for programmes with Dialogue Partners
- > Monitor economic dialogue activities
- > Provide policy and technical advice and recommendations
- > Monitor and analyze overall developments in relation to ASEAN's external economic relations
- > Advise on the institutional frameworks and mechanisms for the FTA process
- > Assist in the preparation of MOUs for the various programmes between ASEAN and its Dialogue Partners (in close liaison with Legal Services and Agreements Division)
- > Monitor basic compliance with FTAs (i.e., primarily focused on national enactment of relevant legislation)
- > Develop, implement and evaluate programmes in support of FTA implementation: initiate projects; manage project approvals; manage project implementation (including coordinating with international organizations and donors where necessary)
- > Assist with project implementation by providing technical input into projects (for example as technical resource persons for workshops)
- > Where necessary, mobilize resources for project activities.



# Annex 6 Support Unit Terms of Reference

## Terms of Reference of the AANZFTA Implementing and Monitoring Unit at the ASEAN Secretariat

The 14<sup>th</sup> AEM-CER Consultations agreed on the establishment of the AANZFTA Implementing and Monitoring Unit at the ASEAN Secretariat based on the recommendation of the 23<sup>rd</sup> SEOM-CER Consultations. This Unit will be embedded at the External Economic Relations Division (EERD) under the supervision of the EERD Head.

### Functions

As outlined in the AANZFTA Economic Co-operation Work Plan (ECWP), the functions of the Unit are as follows:

- > provide information to the FTA Joint Committee to assist in decision making and implementing decisions;
- > assist Parties to track AANZFTA implementation progress against the AANZFTA objectives, and identify successes to build upon and problems to be addressed;
- > support capacity development of national institutions of Parties to operationalise the AANZFTA and address regional implementation gaps;
- > assist development of regional mechanisms for effective collaboration and co-operation in the execution of the provisions of the AANZFTA; and
- > support Parties in the promotion of the AANZFTA to key audiences including business and industry including through the development of communications strategies.

### Outputs and Activities

In carrying out these functions, the Unit will have to undertake the following activities for the identified key result areas:

Key Result Area	Output	Activities	Sub-Activities
Monitoring and Evaluation (M&E)	> M&E System	> Design M&E tools	> Develop log-frame or a results based framework > Develop performance indicators including establishment of baseline and benchmarks as well as milestones > Develop database
		> Design mechanism for report generation >	> Develop communication strategy
	> M&E Reports	> Generate annual report	> Assess implementation of

Key Result Area	Output	Activities	Sub-Activities
		for the leaders, biannual report for the Ministers/Senior Economic Officials, and progress report for the FTA Joint Committee; as well as other reportorial requirements	Agreement, i.e. compliance vis-à-vis commitments/targets > Track implementation of work plan/programme
Provision of Information	> Discussion Paper	> Prepare issue paper, as necessary	> Undertake an in-depth analysis of the issue > Determine possible courses of action/ recommendations
	> Studies > Policy Papers	> Undertake or commission a research study, as appropriate > Draft policy recommendations based on the output of the research studies. >	> Prepare project concept/proposal > Develop terms of reference of the study > Conduct research or hire consultants depending on the expertise required for the study > Review draft studies for factual verification and provide other relevant information/inputs to the consultants > Sift through the findings and recommendations of the research studies
	> Information Paper	> Prepare briefing paper, as necessary	> Gather information including relevant data
Technical Assistance/ Capacity Building	> Annual Plan for the ECWP	> Prepare draft annual work plan	> Identify projects/capacity building activities in consultation with the Parties > Formulate financial plan
	> Planned capacity building activities conducted	> Plan and coordinate implementation of the projects under the annual implementation plan for the ECWP > Implement capacity building activity or technical assistance	> Compile a list of experts based on different areas of the FTA implementation > Develop terms of reference for the projects and consultants > Organize team of experts and practitioners > Select and hire expertise outside the Unit, as necessary > Liaise with relevant international, regional and national institutions, as may be suitable for a project > Coordinate with the relevant AANZFTA working committees

Rapid Response Mechanism	<ul style="list-style-type: none"> <li>&gt; Intervention initiatives undertaken in response to an FTA implementation issue/concern requiring immediate attention</li> <li>&gt;</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Organize and implement the identified intervention initiative</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Conduct needs assessment and identify possible interventions</li> <li>&gt; Develop the concept for the recommended intervention</li> <li>&gt; Coordinate and organize team to implement the intervention</li> <li>&gt; Select and hire expertise outside the Unit, as necessary</li> </ul>
Implementation Infrastructure Mechanism	<ul style="list-style-type: none"> <li>&gt; Enhanced information exchanges</li> <li>&gt; Strengthen collaboration to address issues, roadblocks in implementation</li> <li>&gt; Promotion of best practices, e.g. simplified certification procedures</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Maintain and ensure that information at the depositary are accurate and updated</li> <li>&gt; Review and recommend options to improve the existing mechanism as necessary</li> <li>&gt; Engage with relevant entities to undertake collaborative efforts</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Coordinate regular/periodic updating of focal/contact points and related information</li> <li>&gt; Establish or link with existing networks</li> </ul>
Promotion/ Outreach	<ul style="list-style-type: none"> <li>&gt; Communication strategy</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Develop communication plans</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Identify target audience</li> <li>&gt; Define message</li> <li>&gt; Identify communication tools</li> </ul>
	<ul style="list-style-type: none"> <li>&gt; Promotional activities conducted, e.g. road shows</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Organize AANZFTA briefing, fora including roundtable discussions with its stakeholders</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Coordinate with the stakeholder institutions including business councils and industry chambers</li> <li>&gt; Identify and select fora speakers/resource persons and facilitators</li> </ul>
	<ul style="list-style-type: none"> <li>&gt; Enhanced partnership with the business sector/industry associations</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Conduct regular consultations with the business sector and industry associations on AANZFTA and its implementation</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Liaise and consult with business sector/industry associations</li> <li>&gt; Prepare agenda for discussion</li> </ul>
	<ul style="list-style-type: none"> <li>&gt; Information materials on AANZFTA published</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Prepare AANZFTA materials for different audiences</li> </ul>	<ul style="list-style-type: none"> <li>&gt; Identify information materials for circulation/dissemination</li> <li>&gt; Determine appropriate communication tools</li> </ul> <p>Develop and publish information materials (e.g. primer, handbook, guidebook, Q&amp;A)</p>

In addition, the Unit is expected to undertake the following required tasks and activities:

- i. service committee meetings including preparatory and follow up work;
- ii. prepare budget and financial plan for the Unit which will be incorporated in the annual financial implementation plan for the ECWP;
- iii. recommend hiring of additional staff for the unit, as necessary;
- iv. liaise with the other divisions of the ASEAN Secretariat;
- v. prepare periodic accomplishment report of the Unit, including the final programme report;
- vi. recommend plan of action for the incorporation of the unit within the regular ASEAN Secretariat structure prior to the end of the programme;
- vii. recommend strategy to replicate best practices in relation to FTA management, implementation and monitoring; and
- viii. perform other tasks as may be required by the FTA Implementation Committee.

### **Timeframe and Funding Support**

The Unit has to be set up in advance of the target entry into force of the Agreement establishing the AANZFTA, which is not later than January 2010. It will operate for 5 years and funded through ECWP resources contributed by the Parties.

### **Resource Requirements**

- > Office facilities including equipment and fixtures will be provided to the Unit under the ECWP budget for the operations of Unit.
- > Expenses for official travels of the officers of the unit, including field work shall be funded under the ECWP budget. Such expenses will include transportation, daily subsistence allowance and other necessary expenses. This will be based on the prevailing rate agreed upon by and between the ASEAN Secretariat and AusAID.

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## **New Zealand Government**

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# Annex 9 Australian Design Team Terms of Reference

## AGREEMENT ESTABLISHING THE ASEAN-AUSTRALIA-NEW ZEALAND FREE TRADE AREA (AANZFTA): ECONOMIC CO-OPERATION WORK PROGRAMME

### Terms of Reference for the Australian Design Support Team for the ECWP Management and Implementation Unit

#### Introduction

These Terms of Reference set out the staged process for the Australian contribution to the development of a management and implementation facility in the ASEAN Secretariat to assist the FTA Joint Committee and the Parties to implement the Agreement<sup>49</sup> Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA), as provided for in the Economic Co-operation Work Programme (ECWP) (see Annexes A and B for background). ASEAN, Australian and New Zealand Ministers have “agreed on the need to put in place at the earliest time possible an effective management and implementation support system for AANZFTA”

#### Scope for the Design Support Team

##### 1. Objectives

Using the agreed AANZFTA Treaty and ECWP document as the framework, the Design Support Team will develop a management structure and processes for an AANZFTA Economic Co-operation management and implementation unit within the ASEAN Secretariat including information for a proposed work plan for the first year of activities (see Annex A and B for details outlined in the ECWP). The design processes will be conducted in consultation with key stakeholders: the ASEAN Secretariat, DFAT, AusAID and New Zealand (MFAT and NZAID).

##### 2. Outputs

**Phase I:** Given current organisational change within the ASEAN Secretariat, in consultation with stakeholders, participate in the development of a **Concept Paper** broadly recommending a management structure and processes for an AANZFTA ECWP Management and Implementation Support Unit, to be located within the ASEAN Secretariat. The Concept Paper should provide the preferred option for the location, management structures, reporting lines, personnel and administrative arrangements of the AANZFTA ECWP Management and Implementation Support Unit. Details of the outputs required are provided at [Annex C](#).

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<sup>49</sup> Paragraph 8 of the Joint Media Statement on the Signing of AANZFTA, 27 February 2009, refers.



Details for the concept will be refined in Phase II and provided in the Draft Design Document. In addition, a **Mission Report** to AusAID will be prepared, detailing the outcomes from the mission to Jakarta, outlining issues, risks and lessons learned, and recommending next steps required.

**Phase II:** In consultation with stakeholders, prepare a **Draft Design Document**, informed by the Concept Paper, which outlines in detail a management structure and processes, and identifies resources required for an AANZFTA ECWP Management and Implementation Support Unit within the ASEAN Secretariat, including information for a proposed work plan for the first year of activities. Details of the outputs required are provided at [Annex D](#).

### 3. Duration and Phasing

The AANZFTA is expected to come into force by 1 January 2010. The ECWP management arrangements must be agreed between the Parties by then to ensure implementation can begin as soon as possible thereafter. The proposed phasing below accounts for preparation and mobilisation timeframes required in order to meet the deadline of entry into force.

The design phase of the process will commence in June 2009 and is expected to be completed by November 2009.

#### 3.1 *Phase I*

As agreed at the ASEAN-CER Senior Economic Officials Meeting (SEOM) on 6 February 2009, Australia, New Zealand and the ASEAN Secretariat were to develop ideas on the management and implementation structure for the ECWP to support the ASEAN Secretariat's role in the implementation of AANZFTA, for consideration at the next SEOM-CER Consultations (15-17 July 2009). In order to meet this deadline the Design Support Team should conclude consultations and finalise the **Concept Paper** by 10 July 2009.

The expected phasing of this work is as follows:

- a. ask briefings and review of relevant documentation (3 days in June 2009 in Canberra);
- b. Consultations with Australian Government Agencies (4 days in June 2009 in Canberra);
- c. Mission to ASEAN Secretariat Jakarta (5 days in June 2009);
- d. Preparation of the draft Concept Paper (3 days in June 2009 in Jakarta/Canberra);
- e. Preparation of a Mission Report to AusAID (3 days in June 2009 in Canberra)
- f. Circulation to stakeholders of the draft Concept Paper (5 days July 2009);
- g. Final Concept Paper (by 10 July 2009).

### **3.2 Phase II**

The expected phasing of the development of a detailed design of the AANZFTA ECWP Management and Implementation Support Unit within the ASEAN Secretariat is as follows:

- a. Desk briefing and review of relevant documentation (2 days in August 2009 in Canberra);
- b. Further consultations with Australian Government Agencies (3 days in August 2009 in Canberra);
- c. Mission to ASEAN Secretariat Jakarta (4 days in August 2009);
- d. Preparation of the draft design document (10 days in August-September 2009 in Canberra);
- e. Feedback on the revised draft design document and peer review meeting in Canberra (10 days September - October 2009);
- f. Preparation of final design document (3 days in October 2009);
- g. Proposed work plan information forwarded to DFAT for consideration and negotiation prior to FTA Joint Committee approval (October 2009), and
- h. Programme preparation for mobilisation (October-December 2009).

## **4. Personnel**

### **4.1 Team Composition**

The Australian Design Support Team will consist of the following members:

- a. A Team Leader;
- b. An Australian Government (AusAID) representative;
- c. A Technical Specialist (Trade); and
- d. A Design Specialist.

In addition, participation by one or more New Zealand and ASEAN Secretariat representative(s) is expected.

#### **4.2 Skills and Knowledge**

The collective skills/knowledge of the design support team must include a high level of:

- a. Effective interpersonal skills including cross cultural sensitivity;
- b. Analytical and report writing skills;
- c. Design skills;
- d. An understanding of performance measurement and monitoring and evaluation issues;
- e. Ability to work effectively as a team;
- f. Ability to meet deadlines;
- g. Awareness of Australian, New Zealand and broader donor support to the region;
- h. Strong understanding of the ASEAN region and in particular the challenges and strengths various countries face in the area of trade and investment; and
- i. Familiarity with the principles, guidelines and requirements of Australia, NZ and the ASEAN Secretariat's development and other co-operation programmes including an understanding of key cross cutting policy issues such as gender, HIV AIDs and the environment.

Detailed descriptions of individual team member roles are outlined at [Annex E](#).

## ANNEX A: Background

### Australia's engagement with ASEAN

Australia's relationship with ASEAN dates back to 1974 when Australia became ASEAN's first Dialogue Partner. Economic Co-operation is a key focus of Australian regional engagement with ASEAN countries and dates back to the early 1970s. Australia and ASEAN signed the ASEAN-Australia Comprehensive Partnership (AACP) to further strengthen their relationship in August 2007. Until the signing of AANZFTA on 27 February 2009, the AACP has provided the framework for co-operation between ASEAN and Australia and covers economic co-operation. A Plan of Action will implement the AACP over the period 2008–2015. This is complementary to the Free Trade Agreement.

Australia's current primary vehicle for regional assistance to ASEAN is the seven-year (2008–15) ASEAN Australia Development Co-operation Programme Phase II (AADCP II), managed by the Australian Agency for International Development (AusAID). This is a successor programme to the recently concluded first phase of the AADCP (2002–2008) and will support ASEAN to achieve its goal of attaining an ASEAN Economic Community by 2015. Other vehicles for co-operation include the ASEAN Free Trade Area (AFTA) – Closer Economic Relations (CER) Closer Economic Partnership (CEP) and the East Asia Summit initiatives.

The ECWP will be implemented over five years after entry into force of AANZFTA at an estimated cost of up to A\$20–25 million. Australia's contribution will be up to AUD 20 million and will be in addition to Australia's ongoing development co-operation assistance to ASEAN through AADCP II.

### Agreement Establishing the ASEAN-Australia-New Zealand Free Trade Area (AANZFTA)

The ASEAN Free Trade Area (AFTA) – Closer Economic Relations (CER) Closer Economic Partnership (CEP) was established in 2002. It focused on deepening the level of economic integration between Australia, New Zealand and ASEAN member states through trade facilitation and capacity building.

In 2004, leaders from the ten ASEAN member states, Australia and New Zealand agreed that it would be beneficial to both regions to upgrade their economic relations and to launch negotiations on the ASEAN-Australia-New Zealand FTA. The first round of negotiations was held in March 2005. It was agreed that the FTA would be comprehensive, covering trade in goods and services, and investment in a single undertaking. Negotiations on the AANZFTA were concluded at the ASEAN Economic Ministers – Closer Economic Relations meeting in August 2008, and it was signed on 27 February 2009. The FTA is expected<sup>50</sup> to enter into force in the second half of 2009 and, in any event, no later than 1 January 2010 upon the conclusion of domestic processes by Australia, New Zealand and at least four ASEAN member states.

Economic Co-operation was an integral part of the AANZFTA negotiations. It included a number of capacity building activities, including workshops and seminars conducted and

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<sup>50</sup> As at the time of writing of the Australian design team terms of reference.

supported by Australia and New Zealand. The workshops and seminars covered issues such as tariff and trade data analysis, rules of origin, intellectual property, scheduling of investment commitments and telecommunications regulatory disciplines. These workshops enhanced ASEAN members' capacity to participate in FTA negotiations and helped countries to narrow differences and develop shared understandings.

The overall outcomes under AANZFTA represent a World Trade Organization (WTO)-plus FTA that is the most comprehensive FTA concluded by ASEAN with any of its trading partners, and is the largest (in terms of trade coverage) concluded by Australia [and one of the largest concluded by New Zealand]. It is the first FTA that Australia and New Zealand have jointly negotiated with third countries, and the first in which Australia has included an Economic Co-operation chapter.

The Economic Co-operation chapter, together with a more detailed Economic Co-operation Work Programme (ECWP), attached as [Annex 1](#), establishes a framework for funding up to AUS\$20-25 million over five years for technical assistance and capacity building to support the implementation of the AANZFTA. The ECWP does not have Treaty-level status but forms part of the AANZFTA package. The Implementing Arrangement formally integrates the ECWP into the overall FTA package. The ECWP was determined by the Parties during the course of the AANZFTA negotiations, with priority accorded to activities that would enhance ASEAN's implementation capacity and boost economic integration between the Parties. The agreed ECWP outlines the assistance that will be provided to Parties to implement AANZFTA in eight areas of focus ('components') linked to different aspects of AANZFTA.

The broad activities are:

1. Rules of Origin and Other Aspects of Implementation of Tariff Commitments;
2. Sanitary and Phytosanitary Measures;
3. Standards, Technical Regulations and Conformity Assessment Procedures (STRACAP);
4. Services;
5. Investment;
6. Intellectual Property;
7. Sectoral Integration; and
8. Customs.

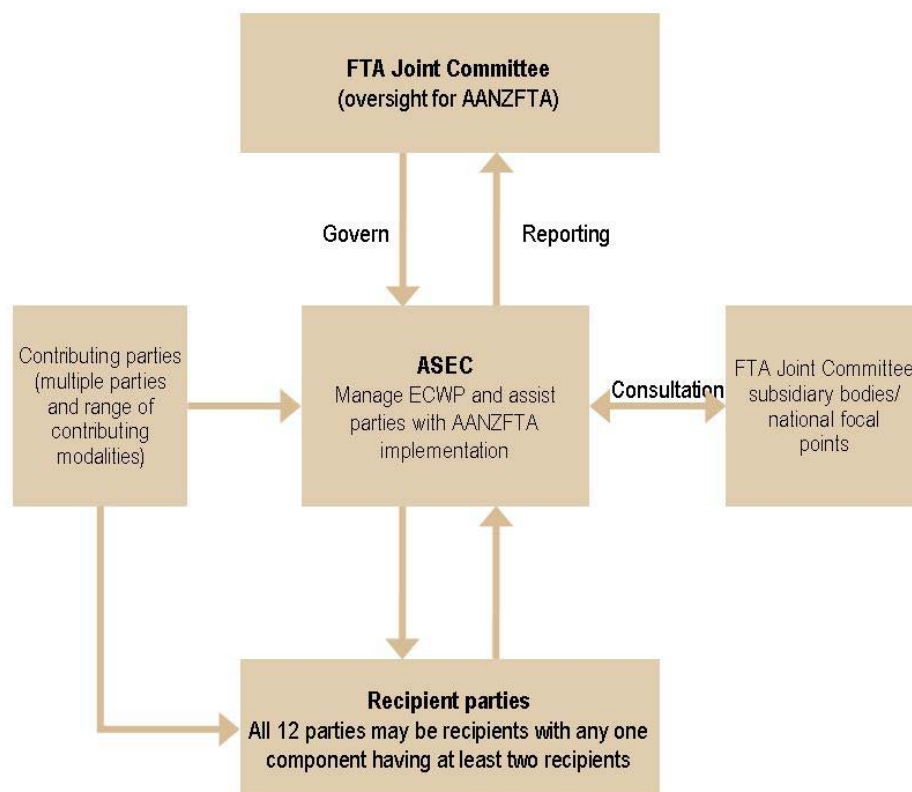
The ECWP's estimated cost has been based on proposed economic co-operation projects deemed high priority in the AANZFTA negotiations, as part of the initial planning phase. However, the ECWP provides flexibility for emerging and changing priorities of Parties to the FTA to be addressed through an annual planning process.

The ECWP also provides for a capacity to be established in the ASEAN Secretariat to service the FTA Joint Committee, and assist Parties implement the AANZFTA. The ECWP identifies the following functions to be performed by the management and implementation unit:

- a. provide information to the FTA Joint Committee to assist in decision making and implementing decisions (including annual economic co-operation programmes that will be submitted to the FTA Joint Committee for approval<sup>51</sup>);
- b. assist Parties to track AANZFTA implementation progress against AANZFTA objectives;
- c. support capacity development of national institutions to operationalise AANZFTA and address regional implementation gaps;
- d. assist development of regional mechanisms for effective collaboration and co-operation in the execution of AANZFTA provisions;
- e. support Parties in the promotion of AANZFTA to key audiences, including business and industry.

The ECWP recognises that “critical to the implementation and effectiveness of the ECWP is the development of a management and implementation structure.” The figure below (reproduced from page 7 of the ECWP) illustrates the management structure for AANZFTA:

**Figure 1: Management Structure (as outlined on Page 7 - ECWP)**



<sup>51</sup> Prior to the first meeting of the FTA Joint Committee, approval for the annual program may be obtained by the agreement of representatives of each Party.

## **ANNEX B: Economic Co-operation Work Programme (ECWP)**

Refer to DFAT website:

[http://www.dfat.gov.au/trade/fta/asean/aanzfta/implement\\_work\\_prog.html](http://www.dfat.gov.au/trade/fta/asean/aanzfta/implement_work_prog.html)

## **ANNEX C: Requirements for Concept Paper**

The Concept Paper should outline the results of consultations with the ASEAN Secretariat and New Zealand regarding the preferred option for a management and operations structure for the AANZFTA ECWP management and implementation unit within the ASEAN Secretariat. If tripartite agreement can be gained, the Paper should include:

- a. Location within the ASEAN Secretariat's organisational structure;
- b. Management structures;
- c. Reporting lines both within the ASEAN Secretariat and to the FTA Joint Committee;
- d. Key personnel required;
- e. Reporting requirements and processes;
- f. Proposed financial management and administrative arrangements;
- g. Proposed procurement arrangements; and
- h. Proposed interim arrangements required to support the establishment of the AANZFTA ECWP Unit.



## ANNEX D: Requirements for Draft Design Document

The Draft Design Document must contain:

1. A proposed management and operations structure for the AANZFTA ECWP management and implementation unit within the ASEAN Secretariat, including:
  - a. Terms of reference and job descriptions for key personnel required;
  - b. Reporting requirements and processes;
  - c. Proposed financial management and administrative arrangements;
  - d. Proposed procurement arrangements;
  - e. Draft terms of reference for a monitoring and evaluation specialist; and
  - f. Proposed interim arrangements required to support the establishment of the AANZFTA ECWP Unit.
2. Information to support a proposed annual work plan for activities under the AANZFTA ECWP components for the first year of operation, including:
  - a. A description of whatever tripartely negotiated process has been agreed to generate the 1<sup>st</sup> year's ECWP annual programme;
  - b. Proposals identified by Australia and/or the AANZFTA Working Groups as examples of ECWP projects which had strong and/or wide AANZFTA support, categorised in terms of readiness for implementation; and
  - c. Proposed elements of a methodology for developing ECWP annual programmes after 2010.

The design for the AANZFTA ECWP management and implementation unit within the ASEAN Secretariat must be based on the agreed AANZFTA ECWP and have the capacity to:

- a. Manage and oversee the implementation of activities under the annual workplans, including managing tendering and contracting;
- b. Monitor, evaluate and report on the progress of the implementation of activities under the AANZFTA Economic Co-operation Work Programme;
- c. Fit within the ASEAN Secretariat's evolving management structure and utilise the ASEAN Secretariat's recruiting processes with Australian and New Zealand representation on the selection committee;
- d. Manage, disburse and report on AANZFTA ECWP finances;
- e. Assist ASEAN to promote and effectively communicate the benefits of AANZFTA to the business sector and the public in general;
- f. Provide support or expertise to develop the capacity of relevant national institutions to enable them to effectively operationalise the AANZFTA at the national level;

- g. Develop regional mechanisms and programmes for effective collaboration and co-operation in the execution of the provisions of the AANZFTA among the Parties, and between the business sector and the governments of the Parties;
- h. Manage and implement the ECWP, including through the development of annual programmes, in consultation with the Parties, that are to be submitted to the FTA Joint Committee for approval (note that approval for the annual programme may be obtained by the agreement of representative of each Party prior to the first meeting of the FTA Joint Committee);
- i. Service the FTA Joint Committee and the various sub-committees, as required; and
- j. Develop, in consultation with key stakeholders, annual workplans for activities under the ECWP.

## **ANNEX E: Design Support Team – Individual Team Member Descriptions**

It is anticipated that the individual team members will possess the following skills as follows:

### **Team Leader**

The Team Leader will have knowledge of the ASEAN Secretariat's mandate and operations, AANZFTA, extensive development experience in and knowledge of the region, and knowledge of regional trade and economic challenges. Experience in managing the design of significant development programmes will be essential. Strong interpersonal skills will be critical. Specifically the Team Leader will:

- > Take responsibility for the overall management of the design activity;
- > Lead consultations with the ASEAN Secretariat, New Zealand Government and representatives from relevant Australian Government agencies;
- > With support from AusAID, oversee the development of the programme for both missions to Jakarta;
- > Lead consultations during both the Jakarta missions to the ASEAN Secretariat;
- > Contribute to development and finalisation of Concept Paper;
- > Lead development and finalisation of Team Mission Report;
- > Lead development and finalisation of the Design Document (including any required revisions); and
- > Lead presentations of the draft design document at an AusAID Peer Review Meeting in Canberra.

### **Australian Government (AusAID) representative**

The Australian Government (AusAID) representative will have a strong understanding of the AANZFTA ECWP, of the regional development context and the ASEAN Australia development co-operation relationship, including key regional programmes. The AusAID representative will be able to draw on lessons learned to inform the design of the ECWP management and implementation facility. The representative will also have experience in managing AusAID programme designs and knowledge of AusAID policies, systems and processes, including AusAID requirements in performance measurement and knowledge of monitoring and evaluation issues.

Specifically the AusAID representative will:

- > Oversee and coordinate the development and management of the design process and logistical arrangements
- > Liaise and consult with all key stakeholders on progress of the design process and content. Key stakeholders include:
  - Australian Government stakeholders, particularly the Department of Foreign Affairs and Trade (DFAT);
  - New Zealand Government representatives;
  - Australian Embassy (AusAID) representatives in Jakarta, Indonesia; and

- ASEAN Secretariat counterparts, in close consultation with Australian Embassy (AusAID) representatives; and
- Design Support Team Members.
- > Arrange and participate in consultations as part of the Jakarta mission, representing Australian Government perspectives and providing knowledge of AusAID-specific policies and processes;
- > Contribute to the development of the Concept Paper and assist with coordinating its submission to the ASEAN-CER SEOM on July 13-17 July 2009;
- > Contribute to the development of the draft programme design document, in particular providing advice relating to AusAID policies and design guidelines and coherence with other Australian development co-operation activities that involve ASEAN, namely activities under the AADCP Phase II;
- > Organise and participate in the Peer Review Meeting in Canberra; and
- > Work closely with key stakeholders to ensure the successful preparation for the effective mobilisation of the ECWP management and implementation facility.

### Technical Specialist (Trade)

The technical specialist will have a strong background in international trade, including a detailed understanding of Australia's trade priorities in ASEAN. Specific knowledge of implementation of free trade agreements, in particular AANZFTA and the AANZFTA ECWP is essential. The Technical Specialist will have participated or have detailed knowledge of the AANZFTA negotiation process and an understanding of the key priorities of AANZFTA stakeholders, including involvement in the development of the ECWP, and will be able to provide continuity as well as advice on technical aspects of the components of the ECWP. Ideally the technical specialist will have Australian Government experience and networks. The technical specialist will:

- > During the design process provide ongoing advice and background information on technical aspects of the AANZFTA ECWP;
- > Participate in consultations with New Zealand Government representatives and representatives from relevant Australian Government agencies;
- > Participate in two Jakarta missions to ASEAN Secretariat;
- > Contribute to development and finalisation of Concept Paper;
- > Contribute to development and finalisation of Team Mission Report; and
- > Contribute to development of the draft design document, focusing in particular on technical issues, leading in the development of information for the first annual work plan proposal; and
- > If required, contribute to the AusAID Peer Review process of reviewing the final programme design document.

## Design/Monitoring and Evaluation Specialist

The Design/Monitoring and Evaluation Specialist will have demonstrated experience in constructing programme logic for significant projects in the development sector and demonstrated practical experience in facilitation of small groups. An understanding of key principles of monitoring and evaluation, such as an advanced understanding of the logical framework or other approaches to design, the capacity to be able to correctly distinguish between immediate, intermediate, end-of-programme, and long term outcomes - and outputs, and knowledge of how to construct appropriate indicators and means of verification. Knowledge of international and AusAID policies and standards for the development of quality monitoring and evaluation systems, including contractor performance management will also be important.

Specifically the Design/Monitoring and Evaluation Specialist will:

- > Under the direction from the Team Leader and with input from other team members, support the Team Leader to prepare a draft programme design document that is acceptable to the AANZFTA parties and fulfils AusAID's design process requirements and guidelines. This will include:
  - Participate in consultations with New Zealand Government, Australian Government and ASEAN stakeholders;
  - Brief the Design Support Team on important design considerations including principles of programme logic, identification of outcomes and outputs at different levels of the hierarchy, construction of logical frameworks;
  - Assisting the Design Support Team to structure the ECWP programme design document succinctly and clearly;
  - Ensure that the programme description clearly articulates the end-of-programme outcomes so that implementation teams and new stakeholders can easily identify them. Outcomes should include expected outcomes in line with AusAID policy areas such as gender equality, partnerships, anti-corruption or other relevant policy areas; and
  - Discuss broad approaches to M&E with the Design Support Team in order to make provision for a suitable level of expertise and resources to enable implementation of a quality M&E system. A full Terms of Reference for a proposed M&E Specialist will be included in the design. This should include a clear description of the qualifications and experience required.

## Additional Support

Additional support and inputs will be provided to the Design Support Team by:

- > Representatives from the Asia Trade Taskforce, Australian Department of Foreign Affairs and Trade (DFAT), Canberra;
- > Director, East Asia Regional Section, Asia Regional Branch, AusAID Canberra;
- > First Secretary, Regional, AusAID Jakarta;
- > Representative/s from AusAID Design and Procurement Group, Canberra;
- > Asia Program Quality Adviser, Canberra;
- > Representatives from the New Zealand Government; and
- > Representatives from the ASEAN Secretariat.

## **ANNEX F: Suggested Reading/Documentation for Design Support Team Preparations**

- > The Agreement Establishing the Association of Southeast Asian Nations (ASEAN)–Australia–New Zealand Free Trade Area (AANZFTA), including the Economic Co-operation Work Programme Analysis and Description working document., available on DFAT’s website at: <http://www.dfat.gov.au/trade/fta/asean/aanzfta/>;
- > AANZFTA ECWP;
- > The Australian Guide to AANZFTA, available on DFAT’s website at: <http://www.dfat.gov.au/trade/fta/asean/aanzfta/>
- > Relevant documents relating to the development of the ECWP (to be provided by AusAID);
- > Relevant records of AANZFTA negotiating rounds;
- > The Programme Design Document for the ASEAN Australia Development Co-operation Program (AADCP) Phase II;
- > The AADCP Phase I Independent Completion Report;
- > ASEAN Australia Comprehensive Partnership (AACP); and
- > AACP Plan of Action.
- > Department of Parliamentary Services, Research Paper, ASEAN’s regional co-operation and multilateral relations: recent developments and Australia’s interests, Paper prepared for the Joint Standing Committee on Foreign Affairs, Defence and Trade – Inquiry into Australia’s relationship with ASEAN, 9 October 2008; and
- > AusAID Procurement Advisory Group Guideline documentation including AusAID Quality Requirements for Partner-Led Designs and Managing the Development of a Design.

# Annex 10 Support Unit Staff Terms of Reference

Note: These are still under development by the ASEAN Secretariat in consultation with the Parties

## TERMS OF REFERENCE

Position Title:	<u>Programme Coordinator (Assistant Director)</u>
Work Station:	AANZFTA Implementation and Monitoring Unit, External Economic Relations Division (EERD), Directorate for Market Integration (DMI), AEC Department
Appointment Period:	3 years including a 6-month probation period and a possibility renewal for another 2 years.
Reporting to:	EERD Head
Supervising:	Trade Officers, Technical Officer and Technical Assistant

## II. BROAD STATEMENT OF FUNCTION

The Programme Coordinator shall lead and supervise the provision of the necessary technical support in the implementation of the AANZFTA Agreement and the AANZFTA Economic Co-operation Work Programme (ECWP), under the guidance of the EERD Head.

## III. PRIMARY DUTIES AND RESPONSIBILITIES

1. Plan and direct the operation of the Unit in providing support to the implementation of the AANZFTA Agreement;
2. Coordinate the development of the Annual Economic Co-operation Work Programme;
3. Provide technical and capacity building support to the FTA Joint Committee and its subsidiary bodies on AANZFTA ECWP related matters;
4. Supervise the monitoring of the implementation of the AANZFTA commitments and the ECWP including the Annual Work Programme;
5. Prepare substantive papers on policy related topics;
6. Prepare background papers, briefs, reports and updates for the FTA Joint Committee and its related bodies;
7. Serve as resource person/provide advice and technical assistance, as appropriate, on implementation-related issues/problems;

8. Supervise in the development of the AANZFTA monitoring and evaluation system and development of the AANZFTA trade data depository;
9. Liaise with other stakeholders, institutions and other divisions of the ASEAN Secretariat;
10. Perform other duties and responsibilities as may be assigned by the EERD head.

### **III. QUALIFICATION REQUIREMENTS**

1. Must be an ASEAN National;
2. Master's or advance university degree in economics, law and/or or any other related social science discipline;
3. Must have an extensive knowledge on WTO, international trade and market access, with substantive experience in programme management and coordination;
4. At least eight years of work experience in regional trade agreements/economic integration; familiarity on economic trade policy research is an advantage;
5. Must have an excellent analytical, research, and presentation skills;
6. Must have excellent fluency in written and spoken English.
7. Computer proficiency. Working knowledge of computer software for data manipulation is an advantage.



## TERMS OF REFERENCE

Position Title:	<u>Trade Officer (Senior Officer)</u>
Work Station:	AANZFTA Implementation and Monitoring Unit, External Economic Relations Division (EERD), Directorate for Market Integration (DMI), AEC Department
Appointment Period:	3 years including a 6-month probation period and a possible renewal for another 2 years.
Reporting to:	EERD Head through the Programme Coordinator

### II. BROAD STATEMENT OF FUNCTION

The Trade Officer shall provide the necessary technical support in overseeing and coordinating the implementation of the AANZFTA Agreement and the AANZFTA Economic Co-operation Work Programme (ECWP).

### III. PRIMARY DUTIES AND RESPONSIBILITIES

1. Facilitate and co-ordinate the required support for the FTA Joint Committee and its subsidiary bodies;
2. Facilitate and service meetings of the FTA Joint Committee and its subsidiary bodies; and related senior officials/ministerial meetings;
3. Monitor the implementation of commitments;
4. Prepare substantive papers on policy related topics;
5. Prepare background papers, briefs, reports and updates for the FTA Joint Committee and its related bodies;
6. Provide advice and technical assistance, as appropriate, on implementation-related issues/problems;
7. Assist in the development of the AANZFTA monitoring and evaluation system;
8. Assist in the development of the AANZFTA trade data depository;
9. Act as a focal point on FTA-related matters within the Division; and
10. Liaise with other stakeholders, institutions and other divisions of the ASEAN Secretariat;
11. Perform other duties and responsibilities as may be assigned by the EERD head.

### III. QUALIFICATION REQUIREMENTS

1. Must be an ASEAN National;
2. Master's or advance university degree in economics, law and/or or any other related social science discipline;
3. Must have an extensive knowledge on WTO, international trade and market access;
4. At least eight years of work experience in regional trade agreements/economic integration; familiarity on economic trade policy research is an advantage;
5. Must have an excellent analytical, research, and presentation skills;
6. Must have excellent fluency in written and spoken English.
7. Computer proficiency. Working knowledge of computer software for data manipulation is an advantage.

## TERMS OF REFERENCE

Position Title:	<u>Technical Officer (based on generic ASEAN Secretariat TOR)</u>
Work Station:	AANZFTA Implementation and Monitoring Unit, External Economic Relations Division (EERD), Directorate for Market Integration (DMI), AEC Department
Appointment Period:	3 years including a 6-month probation period and a possibility renewal for another 2 years.
Reporting to:	EERD Head through the Programme Coordinator

### II. BROAD STATEMENT OF FUNCTION

The Technical Officer shall provide the necessary technical support in the implementation of the AANZFTA Agreement and the AANZFTA Economic Co-operation Work Programme (ECWP), under the guidance of the EERD Head

### III. PRIMARY DUTIES AND RESPONSIBILITIES (ASEAN Secretariat generic)

1. Coordinate a core activity in accordance with ASEAN Secretariat policy and procedures.
2. Implement and regularly review policies, guidelines and procedures relevant to the activity.
3. Assist in the development of the AANZFTA monitoring and evaluation system and development of the AANZFTA trade data depository
4. Exercise judgement about the selection and application of appropriate approaches to new tasks or projects.
5. Provide advice to ASEAN Secretariat staff, including senior staff, on policy and procedures within area of responsibility.
6. Provide guidance on, supervise and quality check implementation of all procedures and work practices within area of responsibility.
7. Provide management reports and other information to the department, division or section head as required.
8. Identify training and development needs of staff and conduct on the job training as necessary.

### III. QUALIFICATION REQUIREMENTS (ASEAN Secretariat generic)

1. Must be an ASEAN National;
2. Postgraduate degree in Economics, Management or an appropriate related field or discipline with a minimum five (5) years relevant work experience in a related technical expertise role.
3. Bachelor degree in Economics, Management or an appropriate related field or discipline with a minimum seven (7) years relevant work experience in a related technical expertise role.
4. Demonstrated knowledge and policy, research and technical skills in the relevant area.
5. Proven skills in problem solving in a complex organisational environment and in work planning.
6. Demonstrated ability to develop, implement, monitor and review policy and procedures.
7. Demonstrated ability to plan and organise tasks and work flows, with proven ability for accuracy under pressure and adherence to deadlines.
8. Sound supervisory experience, with the ability to motivate staff and communicate effectively at all levels of the organisation.
9. Demonstrated ability to identify staff training and development needs to mentor staff and conduct on the job training as required.
10. Sound oral skills, including experience in cross-cultural environment and international settings.
11. Demonstrated ability to develop and maintain sound working relationships with stakeholders.
12. Demonstrated commitment to collaborative work practices.
13. Competency in computer skills with adequate knowledge of Microsoft Office and Outlook where relevant to the position.
14. Excellent command of English, written and spoken.

# Annex 11 AECSP Indicative Budget

## 1 Salary and Benefits

Position Level	Basic Monthly Salary	Benefits Monthly Basis	Total Monthly Salary & Benefits	Total Annual Salary & Benefits	No. Staff	Total Salary & Benefits
<b>Total Salary and Benefits CY 2010</b>						<b>333,466.32</b>
Programme Coordinator (ADR level)	5,712.00	3,829.18	9,541.18	114,494.16	1	114,494.16
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Technical Officer	2,535.00	286.20	2,821.20	33,854.40	1	33,854.40
Technical Assistant	747.50	196.82	944.32	11,331.84	1	11,331.84
<b>Total Salary and Benefits CY 2011</b>						<b>333,466.32</b>
Programme Coordinator (ADR level)	5,712.00	3,829.18	9,541.18	114,494.16	1	114,494.16
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Technical Officer	2,535.00	286.20	2,821.20	33,854.40	1	33,854.40
Technical Assistant	747.50	196.82	944.32	11,331.84	1	11,331.84
<b>Total Salary and Benefits for CY 2012</b>						<b>333,466.32</b>
Programme Coordinator (ADR level)	5,712.00	3,829.18	9,541.18	114,494.16	1	114,494.16
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Trade Officer (Senior Officer level)	4,180.00	3,061.08	7,241.08	86,892.96	1	86,892.96
Technical Officer	2,535.00	286.20	2,821.20	33,854.40	1	33,854.40

Technical Assistant	747.50	196.82	944.32	11,331.84	1	11,331.84
<b>Total Salary and Benefits for CY 2013 (including 5% increase)</b>						<b>350,139.64</b>
Programme Coordinator (ADR level)	5,997.60	4,020.64	10,018.24	120,218.87	1	120,218.87
Trade Officer (Senior Officer level)	4,389.00	3,214.13	7,603.13	91,237.61	1	91,237.61
Trade Officer (Senior Officer level)	4,389.00	3,214.13	7,603.13	91,237.61	1	91,237.61
Technical Officer	2,661.75	300.51	2,962.26	35,547.12	1	35,547.12
Technical Assistant	784.88	206.66	991.54	11,898.43	1	11,898.43
<b>Total Salary and Benefits for CY 2013</b>						<b>350,139.64</b>
Programme Coordinator (ADR level)	5,997.60	4,020.64	10,018.24	120,218.87	1	120,218.87
Trade Officer (Senior Officer level)	4,389.00	3,214.13	7,603.13	91,237.61	1	91,237.61
Trade Officer (Senior Officer level)	4,389.00	3,214.13	7,603.13	91,237.61	1	91,237.61
Technical Officer	2,661.75	300.51	2,962.26	35,547.12	1	35,547.12
Technical Assistant	784.88	206.66	991.54	11,898.43	1	11,898.43
<b>Sub-total Salary and Benefits for 2010-2014 (USD)</b>						<b>1,700,678.23</b>

## 2 Travel Expense

	Travels	Air Fare	Per Diem	Fiscal Fees	Other Fees	Sub-total	Total (includes 10% escalation)
<b>Estimated Annual Travel Expense</b>							<b>126,533.00</b>
a) FTA Joint Committee/Subsidiary Committee Meetings		28,800.00	32,000.00	4,000.00	640.00	65,440.00	71,984.00

*Assumptions*

USD900 x 4 pax x 8 mtgs      USD250 x 4 pax x 4 days x 8 mtgs      USD250 x 2 pax x 8 mtgs      USD20 x 4 pax x 8 mtgs

b) Consultation Visits to AMS      24,300.00      20,250.00      4,500.00      540.00      49,590.00      54,549.00

*Assumptions*

USD900 x 3 pax x 9 visits      USD250 x 3 pax x 3 days x 9 visits      USD250 x 2 pax x 9 visits      USD20 x 3 pax x 9 visits

**Sub-total Travel Expense for 2010-2014 (USD)**      **632,665.00**

**3 Quick Response Fund**

(Note: This is a stand by fund available/accessible to the Support Unit to address immediate needs of parties in implementation)

**Estimated average annual expense**      **200,000.00**

**Sub-total Quick Response Fund for 2010-2014 (USD)**      **1,000,000.00**

**4 Hardware/Software Expense**

	Ave Unit Cost	Qty	Total
Computer Desktop	1,000.00	5	5,000.00
Computer Notebook	2,000.00	5	10,000.00
Printer	1,000.00	2	2,000.00
Scanner	500.00	1	500.00

Software/Programmes	15,000.00	15,000.00
Office Furniture	10,000.00	10,000.00
Sundries	3,000.00	3,000.00
<b>Sub-total Hardware/Software Expense for 2010-2014 (USD)</b>		<b>45,500.00</b>
<b>Total for 2010-2014 (Salary &amp; Benefit+ Travel+ Quick Response Fund+ Hardware/Software) US Dollars</b>		<b>3,378,843.23</b>



# Annex 12 Terms of Reference Monitoring & Evaluation Specialist

## DRAFT TERMS OF REFERENCE

### M&E SPECIALIST

#### AANZFTA Economic Co-operation Support Programme

##### 1. Introduction

The AANZFTA Economic Co-operation Support Programme (AECSP) is to provide effective AANZFTA management and implementation support such that the full benefits of AANZFTA are realised. Support will be through a support Unit integrated within the External Economic Relations Division, ASEAN Secretariat, and with specified governance and management arrangements. AECSP is a five-year Programme of up to AUD25m.

A Monitoring and Evaluation (M&E) Specialist is sought to develop the AECSP M&E system, based on consultation and collaboration with key stakeholders and an evaluability assessment, and to thereafter provide inputs of up to 30 days a year to AECSP.

The Contractor is expected to meet international standards of monitoring and evaluation, and current expectations emerging from AusAID's Office of Development Effectiveness. The Contractor is expected to be conversant with these standards or requirements.

##### 2. Scope of Services

2.1 The Contractor will, in consultation and collaboration with key stakeholders:

- > Assess the draft AECSP design document for its evaluability (logic, clarity of expression, medium and/or end-of-initiative outcomes and Quality at Implementation Reporting) and provide input for incorporation into the AECSP M&E system.
- > Develop a comprehensive monitoring and evaluation system and plan, which can be efficiently and effectively operationalised, within the first six months of AECSP.
- > Provide up to 30 days input per year split between in-country work, desk analysis and electronic/telephone advice and support to the Unit and provide lessons learned to assist the ASEAN Secretariat's M&E of other FTAs.

2.2 The AECSP Monitoring and Evaluation System and Implementation Plan will be based on an Evaluability Assessment of AECSP conducted with full stakeholder participation, and which at a minimum will include:

- a) Consultation with stakeholders to confirm a shared interpretation of the expected long-term and end of initiative outcomes;

- b) An examination of proposed/potential data sources (including partner systems) to ensure that data is of sufficient quality; is collected and analysed as expected; and will be available within the required reporting cycles;
  - d) An assessment of the capacity of the ASEAN Secretariat to conduct M&E activities with a view to developing strategies to ensure capacity and capability;
  - e) A review of the budget/resources available for M&E activities;
  - f) Identification of reporting requirements for key stakeholders including progress reporting and annual performance reporting against each component and AANZFTA requirements;
  - g) Identification of key evaluation questions of interest to stakeholders;
  - h) A review of ASEAN, Australian and New Zealand cross-cutting policy areas that the M&E system needs to address;
  - i) Identification of issues and/or constraints that will affect the design of the M&E system and implementation;
  - j) Incorporation of clearly stated outcomes at the whole-of-initiative and component levels with suitable outcome indicators (this may include additional intermediate outcomes not previously articulated in the design document).
- 2.3 Cross-cutting themes to be collaboratively addressed include sex disaggregated data where available and identification of approaches where ASEAN partner systems do not allow, or do not have sex disaggregated data, and where feasible, identify approaches to enable partners to report using sex disaggregated data. This data should be used to analyse and report on programme results. Issues to be addressed may include that EWCP evaluation studies include analysis of the situation for women (in relation to the particular ECWP component), that barriers to gender equality are identified and integrated into continuous improvement of AECSP and its M&E.
- 2.4 All indicators will be supported by a sound methodology, and means of verification should be fully described. Existing data sources will be used whenever possible. The means of verification will ideally include the primary data collection methodology. Secondary data sources are also to be used where appropriate. Any tools required for data collection are to be collaboratively developed, agreed and documented.
- 2.5 Special evaluation studies may be considered for ECWP projects and the proposed methodology described.
- 2.6 M&E of the AECSP quality of outputs or deliverables must be addressed. Key project output indicators should be routinely reported against, in a concise and efficient form.
- 2.7 The M&E system and implementation plan should include a strategy for the dissemination and utilisation of findings to key stakeholders, capacity building within the Support Unit and M&E knowledge transfer to the Support Unit and the ASEAN Secretariat.
- 2.8 A full implementation schedule will be developed, showing timing of all key M&E activities, allocation of M&E responsibilities (matched to individuals' capacities and resources).

- 2.9. A budget will be developed for the M&E system and implementation plan for approval by the AANZFTA Parties.

### 3. Qualifications

The Contractor will have a post graduate degree that includes a research dissertation component or evidence of training in advanced research or evaluation design, conduct and management, and evidence of research and evaluation activities.

### 4. Experience

#### Essential

- 4.1 Experience developing M&E systems for programmes in resource constrained settings to ensure contextual feasibility.
- 4.2 Demonstrated practical experience in research or evaluation design, conduct, and management. This experience should reflect expertise in developing a fully elaborated design of an M&E system which includes the design approach, articulation of M&E questions, development of sound methods and tools, conduct of data collection activities, analysis of data (or supervision of such), interpretation and dissemination of results and report preparation<sup>52</sup>.
- 4.3 Demonstrated ability to simplify and communicate complex concepts simply with a range of stakeholders in different cultural settings.
- 4.4 Demonstrated ability to develop and deliver M&E capacity building activities for implementation teams and their key stakeholders.
- 4.5 Demonstrated ability to facilitate learning from M&E findings with implementation teams and other relevant stakeholders.

#### Desirable

- 4.6 Demonstrated experience in the delivery of M&E for programmes in resource constrained environments.
- 4.7 Demonstrated on-going membership of a domestic or international evaluation society, or other demonstrated commitment to keeping up to date with the theoretical and practice developments in the field of evaluation.

### 5. Terms of Reference

- 5.1 Conduct an Evaluability Assessment in AECSF quarter 1.
- 5.2 Using a collaborative/participatory approach, design a monitoring and evaluation plan that meets the expectation of the Parties, and international standards of practice in M&E (such as the DAC Evaluation Quality Standards, or the FTA Joint Committee Standards) and is contextually feasible.

- 5.3 Identify where EERD and the AANZFTA Support Unit will require on-going M&E technical support, and where they will be expected to implement the M&E plan themselves.
- 5.4 Identify what capacity is required within the Support Unit to implement the M&E system, and develop a cost-effective capacity building plan to develop relevant skills, and to ensure that there is an enabling environment in place to implement and manage the M&E system.
- 5.5 Provide regular support to EERD and the Support Unit, focusing on the ongoing design of M&E activities; assuring the quality of the M&E system implementation; and providing technical support for the analysis and interpretation of data.
- 5.6 Provide guidance on the compilation of M&E reports for JC. Reports must reflect an analytical contribution where the implications of findings are explored, not simply reported.
- 5.7 Prepare, or support the SU prepare, relevant outcome and output data in advance of any review team missions.
- 5.8 Contribute to M&E effectiveness and sustainability by facilitating EERD, the Support Unit staff and other relevant stakeholders to interpret and respond to M&E findings over the life of AECSP.

# Annex 13 Risk Management Matrix

**The Risk Management Matrix contains an assessment of risk based on the following criteria:**

L = Likelihood of occurrence (1=Rare, 2=Unlikely, 3=Possible, 4=Likely, 5=Almost certain)

C = Consequence of occurring (1=Negligible, 2=Minor, 3=Moderate, 4=Major, 5=Severe)

R = Risk level - a combination of the above two assessments (E=Extreme, H=High, M=Medium, L=Low)

Further details relating to the likelihood and consequence scores, and resulting assessment of risk level, are provided in AusGUIDELines (refer [www.aisaid.gov.au/publications](http://www.aisaid.gov.au/publications) - Ausguide)

Risk	Potential Impact	L	C	R	Risk Mitigation	Responsibility	Timing
SU implementation delayed beyond quarter 1 of 2010	Slow the monitoring of AANZFTA implementation and development of the Year 1 ECWP work programme	4	3	H	All Parties continue to make every endeavour to expedite processes underpinning AECSP commencing and meet agreed deadlines	The Parties	Next two months critical
Demands on SU outside its terms of reference	SU unable to fully focus on agreed functions  AANZFTA implementation and ECWP support compromised	3	3	M	Clarity in Letters of Exchange and Funding Agreements  Open communication between the Parties  Effective monitoring and evaluation of SU performance  Good EERD and SU leadership  JC guidance and direction	The Parties  JC  EERD  SU	Continuous
SU workload exceeds SU capacity	Slippage across all AECSP areas and/or acute issues arising not managed  Staff burnout	3	3	M	Authority given for SU to hire short term staff/technical support to meet peak workloads  Where possible peak workloads predicted through annual planning process	SU	At start up, during annual planning and continuous

Risk	Potential Impact	L	C	R	Risk Mitigation	Responsibility	Timing
ASEAN Secretariat programme/project management and systems	Delays in SU and AECSP implementation and potential reduction in impact	3	3	M	<p>The ASEAN Secretariat's implementation of ISO 9001 accredited quality management systems</p> <p>The ASEAN Secretariat institutional strengthening</p> <p>Timely recruitment of SU staff</p>	ASEC	Continuous
Parties and the commercial sector engage insufficiently	<p>Decline in support for AANZFTA impacting implementation and relationships</p> <p>AANZFTA benefits not maximised</p>	2	4	M	<p>AANZFTA promotion and outreach strategy appropriate and effectively implemented</p> <p>JC meets regularly</p> <p>AANZFTA implementation is both monitored and supported through AECSP</p> <p>Communication, formal and informal, is maintained</p> <p>Climate of good faith, mutual respect and trust is nurtured by all Parties</p> <p>AECSP implementation effective and seen as credible and critically useful</p>	<p>The Parties</p> <p>JC</p> <p>SU</p>	Continuous
Slow uptake of M&E	<p>Compromising of:</p> <ul style="list-style-type: none"> <li>- Continuous improvement of AANZFTA implementation;</li> <li>- M&amp;E of AECSP progress;</li> <li>- The ASEAN Secretariat strengthening its AANZFTA and other FTA M&amp;E;</li> </ul>	3	3	M	<p>Senior ASEAN Secretariat officials confirm the importance of strengthening M&amp;E</p> <p>Development of M&amp;E system in AECSP quarter 1 includes full consultation with all key stakeholders</p> <p>A simple and effective M&amp;E system developed</p>	ASEC	Continuous

Risk	Potential Impact	L	C	R	Risk Mitigation	Responsibility	Timing
ECWP projects/annual work plan: - Over-demand - Under-demand - Duplication - Quality	Over-demand: - Acute prioritisation tensions; - Parties engagement in AANZFTA/ECWP wanes - Relationships compromised.	3	3	M	Over demand: - Clear direction from JC on scope, quality and firm adherence to AANZFT/ECWP framework; - ASEAN Secretariat support to ASEAN countries and good ECWP domestic processes; - Continuation of current informal and formal engagement by JC committees and sub-committees in ECWP.	The Parties  JC  SU	
	Under-demand: - Work load of SU increased in soliciting proposals; - AANZFTA implementation compromised; - Fewer lessons-learned to assist the ASEAN Secretariat strengthening its FTA management and monitoring; - Under utilisation of available funds.	2	2	L	Under-demand: - As above; and - SU actively elicits projects; - Technical support provided to assist project development; - Promotion and communication strategy.		
	Duplication/overlaps: - Inefficient use of resources; - Impact diminished.	3	3	M	Duplication/overlaps: - As above; and - SU collation of ECWP projects and duplication/overlaps/synergies assessed.		
	Quality: If poor quality - ECWP effectiveness reduced	3	3	M	Quality: As above including technical support during proposal development and implementation; Clear guidance on standards through JC.		

Risk	Potential Impact	L	C	R	Risk Mitigation	Responsibility	Timing
SU staff capacity and capability, management and continuity	AECSP effectiveness compromised	3	3	M	<p>ASEAN Secretariat leadership and support</p> <p>International recruitment of ASEAN nationals</p> <p>The Parties participating in selection panels</p> <p>JC guidance and direction</p> <p>Support</p> <p>Regular and open communication between the Parties at senior levels</p>	<p>ASEC</p> <p>The Parties</p> <p>JC</p> <p>EERD</p> <p>SU</p>	In next three months for recruitment and then continuous
AANZFTA implementation after 2015	AANZFTA commitments and obligations not fully met	2	4	M	<p>AECSP meeting Parties' expectations</p> <p>Mainstreaming of SU work into EERD</p> <p>Proposed Year 3 review</p> <p>ECWP annual work plans build capacity and confidence</p>	<p>ASEC</p> <p>The Parties</p>	Identified at proposed Year 3 review
AECSP M&E system either inadequately developed to meet the needs of the Parties and/or implementation challenges	<p>The Parties unable to meet their respective obligations</p> <p>Inability to test and assess effectiveness of AANZFTA implementation</p> <p>Inability to gather lessons learned for a continuous improvement and learning approach</p>	3	3	M	<p>An M&amp;E expert contributed to this design to lay the foundations</p> <p>An M&amp;E expert has been tentatively engaged from mid-December 2009 to commence an evaluability assessment involving consultation and partnership with the Parties towards the development of an AECSP M&amp;E system, with a progress report provided to the JC in 2010</p> <p>The M&amp;E system will be an input to broader Secretariat work on M&amp;E;</p> <p>Additional funding allocated by Australia to ensure appropriate support</p>	The Parties	From now