

ASEAN-US
Technical Assistance & Training Facility



Fourth Semi-Annual Report for the ASEAN-US Technical Assistance and Training Facility (October 2006-April 2007)



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(October 2006 – April 2007)

Introduction

The ASEAN-US Technical Assistance and Training Facility (“the Facility”) provides technical assistance and training designed to strengthen the ASEAN Secretariat and ASEAN as an organization through implementation of Vientiane Action Programme (VAP) directives. The VAP contains goals and strategies to realize ASEAN Security, Economic and Socio-Cultural Communities and to narrow the development gap between the ASEAN six Member Countries and the four newer Member Countries. Each Facility activity stream and related performance indicators are directly linked to one or more VAP directive.

The Facility reviewed the VAP directives, and, in consultation with the Secretariat, prioritized actions into seven activity streams: Sector Integration (textiles, information and communications technology (ICT), healthcare, logistics), Investment, Customs and Trade Facilitation (ASEAN Harmonized Tariff Nomenclature, ASEAN Single Window, Rules of Origin, Standards and Conformity Assessment, and Non-tariff Measures), Trade in Services, Trade Negotiations, Trade-related Coordination and Dialog, and Strengthened Secretariat Resources. In the implementation of the Fifth Semi-Annual Work Plan the Facility created two new activity streams: Natural Resource Management and Public Health. Projects in these activity streams and some projects in the original economic activity streams reflect not only ASEAN objectives but shared ASEAN-US objectives under the ASEAN-US Enhanced Partnership (EP) and the ASEAN-US Trade and Investment Arrangement (TIFA).

Objectives of the Facility remain as described above: strengthening the ASEAN Secretariat and ASEAN through implementation of VAP measures. The Facility’s activities had been expanded in anticipation of a new, five-year US Government program, the ASEAN Development Vision to Advance National Cooperation and Economic Integration (ADVANCE). The Joint Vision Statement and the Plan of Action to implement the EP is firmly grounded in the VAP, encompassing the full range of its policy objectives and measures. Likewise, the TIFA work program, which is more narrowly focused on economic issues, is also drawn from the VAP. As the VAP serves as the basis for activities of the Facility as well as those in the EP and TIFA, the Facility has

sought to accommodate shared ASEAN-US shared interests in its activities, all of which conform to its overriding objectives.

As noted in the May 2007 Report on Ongoing Activities, the Facility funds are fully programmed. Activities previously launched but were not actively taken up and cannot be pursued under the current Facility. Many of those activities would be recommended to be taken up under ADVANCE.

FACILITY RESULTS TO DATE

During its first two and a half years the Facility launched 125 activities and completed 72. The Facility has completed activities in the eight out of nine activity streams. Over 1,200 ASEAN Member Country, private sector representatives and Secretariat staff have benefited from Facility training. Among the principal accomplishments with ASEAN during the reporting period are:

- Finalized guiding principles and priority actions for the integration of the ASEAN logistics sector based on discussions at a workshop and supported by a rapid assessment of ASEAN logistics and transport systems and data on audits of two freight corridors;
- Conducted a comprehensive assessment of the performance of ASEAN investment instruments in attracting foreign direct investment with recommendations for strengthened agreements, including harmonization of national investment policies reflecting “best practices”;
- Organized the first High Level Workshop on implementation of the ASEAN Single Window and launched an assessment of Member Country preparedness in implementing their national single windows;
- Implemented training for the Secretariat Trade Facilitation Cluster on inter-governmental coordination and dialogue with private industry with US Government agencies and private sector in Washington, D.C.;
- Sponsored the development of a Comprehensive Trade Facilitation Plan;
- Presented a draft assessment of the ASEAN Roadmap for the Integration of the Healthcare sector;
- Launched new activity streams on Natural Resource Management and Public Health (infectious diseases) and added corresponding long-term specialists to the Facility team;
- Finalized a Communications and Public Affairs Plan and began implementation with support at the Summit, draft fact sheets, public speaking training, development of outreach activities including possible production of a video for the Youth Caravan, creation of a logo for the 30th anniversary of the ASEAN-US dialogue, and updating the asean-us-partnership.org website;

- Trained telecommunications experts on scheduling of commitments under the ASEAN Framework Agreement on Services;
- Designed a unique seminar to introduce statisticians and trade negotiators to the database and analytical tools of the International Trade Center (ITC);
- Staffed and organized three workshops on the implementation of the updated and revised ASEAN Harmonized Tariff Nomenclature;
- Upgraded the Project Monitoring System and expanded it to cover projects under the Integration for ASEAN Initiative; upgraded ASEAN Regional Forum Net (AFRnet) software and conducted an assessment of the ASEAN Secretariat Application Portal;
- Installed upgrades to the ASEAN information technology infrastructure;
- Participated in senior ASEAN and US Government meetings to present an overview of the Facility and how it is positioned to support implementation of the objectives of the VAP, the ASEAN-US Enhanced Partnership, and the ASEAN-US Trade and Investment Framework Arrangement;
- Trained electrical equipment regulators on fire safety evaluation, standards and conformance;
- Sponsored training of pharmaceutical regulators at a weeklong training on issues of pertinence to their implementation of a common pharmaceutical registration system; and
- Supported the “first” public sector consultation session between the ASEAN Secretariat staff and private sector representatives.

This Semi-Annual report covers activities completed during October 2006 through April 2007, those recommended to be pursued under ADVANCE and those that have been withdrawn due to unforeseen constraints. Ongoing and planned activities that are envisaged to be completed by the current Facility are included in the May 2007 “Ongoing Activities Report,” while those completed prior to October 2006 are described in the Semi-Annual Report - Companion Document to the Fifth Semi Annual Work Plan (October 2006). See the attached activity matrix for a full listing of completed, on-going, deferred and withdrawn activities.

SECTOR INTEGRATION ACTIVITY STREAM

Related VAP Directive

VAP section 2.1 states that the “acceleration of economic integration towards a single market and production base will begin with eleven sectors, selected on the basis of comparative advantage in natural resource endowments, labor skills and cost competitiveness, and value-added contribution to ASEAN’s economy.

These sectors are expected to “demonstrate that integration enhances competitiveness and thereby ASEAN’s attractiveness as an investment destination.” In January 2006 logistics was added as the twelfth priority sector.

Activities

The ASEAN Secretariat and Member Countries issued updated roadmaps for the regional integration of the initial eleven priority sectors at the Cebu Summit in January 2006. Ministers also agreed on an amended framework agreement that (a) accelerates the elimination of tariffs, non-tariff barriers to trade, and restrictions on services (cross border provision and consumption); (b) calls for easing restrictions on investment, harmonizing standards and technical regulations, and developing mutual recognition arrangements for conformity assessment; (c) encourages the adoption of an alternative rule of origin that might be easier to meet thereby conferring ASEAN origin to goods in intra-ASEAN trade; (d) reaffirms adoption of a single window to ease import clearance; and (e) requires measures to facilitate cross-border movement of skilled labor, including through the adoption of mutual recognition agreements and an ASEAN Travel Card. The Facility has projects in many of these cross-cutting measures and has conducted assessments of the textile and healthcare roadmaps, provided “guiding principles” for the logistics roadmap, and is assisting in facilitating and tracking implementation of the roadmap on Information Communications Technology (ICT or “e-ASEAN”).

Textiles

Follow up on textiles integration work would be designed to assist in the implementation of the Textiles Roadmap. A project under AusAid has identified non-tariff barriers to textile trade which could also provide ideas for the follow up activity. Follow up activity envisaged in the Fourth Semiannual Work Plan to assist in implementation of the roadmap will be recommended to be taken up under ADVANCE.

ICT Sector Integration

Facility ICT consultant Steve Mageria conducted a workshop on scheduling commitments in telecommunications services in February. For more information, refer to the Trade in Services Activity Stream.

The ICT consultant continuing work on ICT assessment, described in more detail in the May 2007 Ongoing Activities Report. As noted in that report, a by-product of the assessment could be recommendations for activities with respect to cyber security that could be pursued under ADVANCE. The initial idea of a workshop was not taken up as the ASEAN Cyber security Emergency Response Team is already engaged in incident drills.

Healthcare

The Center for Strategic International Studies (CSIS) in Jakarta presented an assessment of measures taken to implement the ASEAN Roadmap for Integration of the Healthcare Sector in Indonesia and Thailand. The

assessment covers four industries: pharmaceuticals, traditional medicines, cosmetics and medical devices. Primary findings include, in broad terms, that an integrated ASEAN market in healthcare (i.e. harmonized standards, registration and evaluation, post-marketing surveillance mechanism) would benefit consumers and economic growth. Domestic firms that successfully adjust to the Roadmap requirements, would have access to a greater ASEAN market, move up the technology curve and be more competitive with imports. Consumers would benefit from wider choices and from potentially lower prices through increased competition. A rigorous assessment of implementation of the roadmap is not possible as the roadmap lacks a framework of measurable indicators, rendering any assessment merely qualitative. The assessment did note there are obstacles that require urgent attention if the Roadmap is to be completed as scheduled by 2010.

Preliminary findings were presented in October to ASEAN officials, a draft report was submitted in March and should be revised by end May, taking into account ASEAN Secretariat comments.

General Observation and Recommendations

CSIS noted that a characteristic of ASEAN healthcare industries is the presence of a large number of small and medium enterprises (SMEs). In Indonesia only 20 percent of the 204 pharmaceutical companies, most of which are SMEs, are expected to meet Good Manufacturing Practice (GMP) in 2008, the year when ASEAN GMP is to be implemented. Meanwhile, an estimated 70 – 80 percent of Indonesia's cosmetic producers are SMEs. In Thailand only 9 out of 947 producers of traditional medicines are GMP certified. The presence of such a large number of SMEs in the healthcare sector poses a difficult problem to relevant authorities in ASEAN Member Countries as they seek to strengthen and harmonize standards. CSIS rejects the idea of two standards, one for SMEs and one for large producers, and recommends that SMEs opt for toll manufacturing, i.e., to allow large companies to manufacture their products while they retain the rights over product formulas of the products. Viable SMEs should receive marketing and other assistance to expand beyond their local market base and adjust to the new, more competitive environment.

The study recommends that ASEAN aim to adopt international standards that are widely acceptable while taking care to ensure that higher standards do not constitute de facto barriers to entry, thereby reducing consumer choice.

CSIS also recommends that ASEAN explain the benefits of the Roadmap to industry, media and the public in order to facilitate compliance and generate support for the implementation. Many of the firms interviewed for the assessment were unaware of the ASEAN Healthcare Roadmap. Building Member Country capacity and promoting cooperation among ASEAN regulatory authorities would build trust among the region's competent authorities and generate peer pressure for implementation, according to the CSIS study.

Logistics

Nathan consultants Peter Cook and Dr. Ruth Bamonyong presented their preliminary report in September and received feedback from ASEAN Member Country experts at a workshop in November. Based upon these discussions and final analysis of the data gathered during the corridor audits, they delivered their final report to the ASEAN Secretariat in March. As the report was developed in close consultation with the Secretariat, including participation in the logistics consultative meeting, the project provided “real time” input for the formulation of the ASEAN logistics roadmap.

Key recommendations of the report were the following:

Area 1: Encourage the Integration of the ASEAN National Logistics Systems

- Establish a high-level consultation process among ASEAN countries with access to logistics performance indicators to identify ASEAN logistics system deficiencies
- Introduce user-friendly policies that reduce transport logistics costs and increase reliability
- Implement an ASEAN logistics database system that tracks costs, transit times and reliability for ASEAN importers and exporters
- Improve ASEAN logistics gateways accessibility and connectivity
- Support policies for improved electronic communication linkages between ASEAN logistics gateways and national customs centers as well as between national customs centers themselves
- Facilitate the development of an integrated system for linking customs and other EDI information systems to improve communications between shippers, importers, exporters and government agencies
- Improve freight track and trace capability
- Establish implementation protocols for effective cross-border logistics with support from information technology. Pilot test RFID for cross-border traffic.
- Develop ASEAN wide standard for “Secured Logistics Chains” that is in line with recently adopted international standards
- Identify and adopt best practices for the provision of logistics services
- Promote investment regulations related to the provision of logistic facilities and services
- Encourage public-private partnerships for investment in logistics infrastructure and facilities.

Area 2: Encourage the Progressive Liberalization of Logistics Services

- Agree upon priorities for the liberalization of the logistics sector

- Monitor the progress of logistics services liberalization in member countries and report on this progress to other ASEAN members

Area 3: Increase Trade, Logistics and Investment Facilitation

- Simplify the information and processes required by related authorities to an absolute minimum. Reduce logistics related formalities, procedures and documents.
- Normalize formalities, procedures and documents.
- Harmonize trade, logistics and investment procedures
- Support ongoing customs reform and harmonize customs procedures
- Support member countries toward signing a TIR type agreement to facilitate transit freight movement
- Promote 24-hour-a-day port, customs and freight terminal operations (especially with the use of internet connections).

Area 4: Build ASEAN Logistics Capacity

- Identify gaps in human resources related to logistics knowledge and support programs to fill the gaps
- Create training-of-trainers activities for the logistics sector
- Support the establishment of ASEAN logistics centers of excellence through the ASEAN University Network
- Provide special support programs for Small and Medium Logistics Service Enterprises in ASEAN countries to make them more competitive in a liberalized environment

Area 5: Promote ASEAN Logistics Service Providers

- Establish an Internet-based system to promote the use of ASEAN logistics service providers and facilitate communications between them
- Set up an ASEAN logistics service provider database hosted by the ASEAN Secretariat to facilitate networking
- Encourage businesses in ASEAN to outsource logistics activities to ASEAN service providers
- Support the establishment of a common standard trading provisions for logistics service providers operating in ASEAN

Area 6: Promote Multimodal Transport Capacity

- Implement all protocols related to the ASEAN Agreement on the Facilitation of Goods In Transit

- Implement The Framework Agreement for ASEAN Multimodal Transport
- Sign the ASEAN Framework Agreement for Inter-State Traffic
- Promote inter-island multimodal shipping and container handling capacity in smaller ports through integrated logistics policy initiatives
- Promote inland waterway multimodal shipping and container handling capacity in river ports through integrated logistics policy initiatives
- Promote the development of inland clearance depots and intermodal road-rail transfer facilities through integrated logistics policy initiatives.

Logistics integration follow up as envisaged in the Fourth Semi Annual Workplan needs to be postponed as the Logistics Roadmap will not be signed until August 2007. Any such follow up program would be recommended to be pursued under ADVANCE.

Progress in Achieving Performance Indicators

The performance indicator for this activity stream is progress toward integrating ASEAN priority sectors, and is measured by improvement in the integration roadmaps and reports on the subject from stakeholders.

More specifically, measures of progress toward priority sector integration include the identification of impediments to implementation, increased awareness of their significance, and concrete action programs to reduce them. The textile and logistics assessments have fulfilled the first two specific measures of progress by presenting specific actions necessary to overcome impediments to regional integration and disseminating that information to private sector and government officials. The healthcare assessment too has achieved step one by identifying specific impediments.

Input from Facility assessments – which have involved interviews with stakeholders including industry representatives, member country officials and Secretariat staff -- has been used to improve ASEAN Roadmaps. At the December 2006 ASEAN Summit in Cebu, ASEAN Economic Ministers launched Phase II of the priority sectors for integration initiative by signing amendments to ASEAN’s priority sector agreements. The amendments were accompanied by revised roadmaps that were “fine tuned” and include schedules for more effective implementation. The revised textile and apparel roadmap incorporated recommendations from the December 2005 Facility assessment, while other revised roadmaps incorporated ideas from cross-cutting themes on which the Facility has worked, e.g. rules of origin, standards, ASEAN Single Window, services, mutual recognition arrangements and investment. One ASEAN official has said that “the Facility’s assistance adds fuel to priority integration sectors, the engine to fast track ASEAN economic integration.”

INVESTMENT ACTIVITY STREAM

Related VAP Directive

Section 2.2 of the VAP requires ASEAN Member Countries to liberalize, facilitate, and promote investment in the ASEAN Investment Area (AIA), consistent with implementation of the ASEAN Framework Agreement on Investment. Technical assistance and training provided by the Facility under the Investment Activity Stream is designed to achieve these VAP objectives.

Determinates of Foreign Direct Investment and ASEAN Policy Options

In January, Nathan Associates consultant Robert Cassidy revised his report on determinates of foreign direct investment (FDI) and policy options for ASEAN by incorporating new data from the 2007 World Bank's "Doing Business" survey.

In the 2007 World Bank survey, ASEAN Member Countries Singapore, Thailand, and Malaysia remained in the top quartile of overall rankings and performed well on individual indicators across time. It is these "top performers" that have attracted the bulk of FDI, set the norm for regional best practices, and provided the best lessons on successful policy reform. Other ASEAN Member Countries fall predominantly in the third and fourth quartiles. Although below-average performers may not be able to adopt best practices immediately, Cassidy suggests that peer review under the ASEAN Investment Framework Agreement could encourage countries to do better, particularly given the clear indications that policy improvements can result in higher investment.

The report indicates that FDI flows to the ASEAN region in the past decade demonstrated a reversal from the long-term growth of FDI during the 1980s and early- to mid-1990s. The Asian financial crisis and the U.S. economic recession taxed the region, which has experienced a slow recovery since 2002. Understanding the determinants of the changes in FDI flow is essential for policy makers, in Cassidy's opinion, and will enable ASEAN Member Countries to implement reforms and best practices to encourage FDI along with the continuing implementation of AIA and the ASEAN Free Trade Agreement. Cassidy's main conclusions follow:

- Economic integration among ASEAN Member Countries will create a large market, which is one of the major determinants of FDI flows. Although each economy must move at its own speed, the earlier the integration, the greater the benefits in terms of FDI to the entire ASEAN region.
- Although FDI flows to China have been growing for a longer period and at faster pace, they have had a net positive impact on FDI flows to ASEAN. In short, the investment-creating effect has outweighed the investment-diversion effect.
- In the absence of positive policy changes, the ASEAN share of FDI flows to Asia will continue to decline, which indicates that ASEAN will fall further behind the rest of Asia in attracting FDI flows

- The World Bank's "Doing Business" surveys demonstrate that countries that improve the regulatory environment affecting businesses in 10 categories can expand economic growth and investment, including FDI.
- Policies that can most significantly influence FDI flows are the openness of an economy, degree of investment protection, and the level of business taxes.
- China's performance in the "Doing Business" survey is not particularly good, which indicates that, of the determinants of FDI flows, market size and the openness of its market are probably the most significant. In this regard, the greater the integration of the ASEAN economies, the more likely its market size will compete with that of China.

The "Doing Business" survey recommends reforms and best practices to improve the regulatory environment facing businesses. In this regard, Cassidy suggests that the ASEAN Secretariat and Member Countries may want to consider preparing:

- A survey of foreign investors to identify the regulatory barriers that most significantly influence their investment decisions and those that they would like to see changed.
- A study of whether or not each ASEAN Member Country's investment climate has implemented recommended reforms and best practices of the "Doing Business" survey.
- Measurements to assess progress in the integration process that ASEAN Ministers have initiated.

Toward an ASEAN Investment Area: The Road Traveled the Road Ahead

A comprehensive investment agreement could help ASEAN achieve many of the goals envisaged in the ASEAN Economic Community (AEC). Such an agreement can directly affect the movement of services, capital and skilled-labor and indirectly, affect the composition of trade flows. Therefore, the ASEAN Investment Area (AIA) and investment-related initiatives should be primary pillars upon which the AEC will be built. Moreover, given the outward-oriented development strategy of the ASEAN Member Countries, the attraction of FDI is an important goal of ASEAN economic cooperation. While past programs aimed at stimulating FDI inflows were limited in scope, the (AIA) goes much further than any previous attempts at liberalization. These are among the observations contained in an assessment of ASEAN investment instruments conducted by Professor Michael Plummer of the East West Center and the Johns Hopkins School for International and Strategic Studies (SAIS-Bologna).

In January, Professor Plummer presented his preliminary findings to ASEAN Secretariat staff and to members of the ASEAN Coordinating Committee on Investment (CCI). The CCI decided to use the study as a basis for recommendations to ministers and requested that two ASEAN experts contribute to Professor Plummer's study. The Facility retained the ASEAN experts quickly, allowing them to provide input for the report to in time for presentation to the CCI meeting on March 30th. The CCI will prepare a Strength, Weakness,

Opportunities and Threats (SWOT) analysis based upon the study and make recommendations for consideration by the ASEAN Investment Council in August.

Professor Plummer's assessment entitled "Completing the AIA: Road Traveled, Road Ahead" examined the AIA from a macroeconomic perspective and concluded that it has not resulted in increased FDI from outside or among ASEAN Member Countries. However, he observes that, on the whole, ASEAN investment agreements are liberal and open, but may need more time to take effect as it does set the stage for a single ASEAN Investment Area. The effectiveness of the agreements, however, could be improved by more transparency in national regimes, fewer excluded industries in the Sensitive Lists, and the coverage of services beyond those "incidental" to an investment.

He also examines the detailed provisions of ASEAN investment agreements (the Framework Agreement, the ASEAN Agreement on Promotion and Protection of Investments (Protection Agreement) and Bilateral Investment Treaties (BITs) and ASEAN Member Countries' investment regimes. He points out that the wording of these agreements is not always consistent. He calls for transparency and an effort to limit confusion created by this "spaghetti bowl" of agreements among individual ASEAN Member Countries by creating a comprehensive ASEAN investment agreement.

Dr. Plummer notes that the diversity of investment policy measures among ASEAN Member Countries is high, making harmonization difficult. However, he argues that harmonization is possible and necessary for achievement of the ASEAN Investment Area and the AEC. In his view, harmonization should lead to adoption of best-practices -- already employed by some ASEAN Member Countries -- and open approaches to regionalism. He lists possible areas for harmonization, argues the rationale for including services in an investment agreement, and points out how many ASEAN Member Country investment regimes already permit the free flow of skilled labor in connection with specific investment activities.

Key recommendations of Dr. Plummer's study to facilitate economic integration in ASEAN in the context of the AIA follow.

- ASEAN must take advantage of current regional developments and the process underway to establish the AEC and position itself for this more competitive environment. An enhanced AIA-Plus agreement could help strengthen the attractiveness of the ASEAN region for high-quality FDI. Work on an AIA-Plus agreement should take into account many issues. We recommend the following top priorities:
- **Strengthen the AIA.** The AIA agreement should introduce collective measures to be taken by all ASEAN Member Countries and encourage individual measures by Member Countries to lower transaction costs and strengthen market factors, thereby facilitating investment and promoting regional production networks.

- ***Widen coverage of AIA.*** The AIA agreement should cover a wider scope of industries. Without compromising the ASEAN Framework Agreement on Services (AFAS), mode 3 of services (commercial presence) should be transferred from the AFAS to the AIA.
- ***Create a comprehensive agreement.*** Combine the AIA, the 1987 Agreement for the Promotion and Protections of Investments, and appropriate provisions of bilateral investment treaties into a comprehensive “AIA-Plus” agreement.
- ***Harmonize certain policies.*** Consider harmonizing national provisions regarding equity ownership, land tenure, nondiscriminatory taxation, movement of skilled labor, and financial flows at the ASEAN regional level to ensure national treatment.
- ***Facilitate investment.*** Take measures to promote public-private partnerships and to disseminate information on ASEAN’s investment environment, opportunities, and products, such as outreach programs and easy access to information such as through the internet or “one stop” investment shops.
- ***Engage the private sector in policymaking.*** The private sector in ASEAN and beyond should be engaged regularly to provide input, ideas, and information on investment and enterprise issues.
- ***Rationalize timeframes.*** Timeframes for actions in the current AIA are too numerous and should be consolidated.
- ***Remove investment impediments.*** Important programs, such as identification and removal of investment impediments, should be carried out with a clear timeline and specific procedures for their implementation.
- ***Shorten the sensitive list.*** Member Countries should reduce the number of industries and sectors covered in the sensitive list and review those covered with a view to phasing them out.
- ***Make the AIA-Plus an important part of the ASEAN integration strategy.*** AIA-Plus should not be a standalone instrument targeting FDI but an integral part of the ASEAN Economic Community as its provisions would cover investment as well as services, capital flows, and skilled labor associated with investment.
- ***Establish a mechanism for monitoring progress.*** A mechanism that can measure the progress of an AIA-Plus arrangement in realizing the AEC in 2015 and beyond deserves close attention.
- ***Expand the mandate of the ASEAN Secretariat so it can play a stronger leadership role.*** The ASEAN Secretariat should not only support but also give vision to the “AIA-Plus” agreement by deepening its technical and analytical capabilities and working closely with think tanks.

Progress in Achieving Performance Indicators

Performance indicators for this activity stream include increased liberalization, facilitation through improvement in the investment climate, and regional promotion of investment. The Facility is measuring the degree of progress on these indicators through improvements recorded in the World Bank's "Doing Business" database, increased FDI inflows, and through reports and surveys of relevant Secretariat staff and our expert(s) on implementation of the AIA. The "Doing Business" study cited above provides a baseline to measure progress and was well-regarded by the Secretariat staff. The AIA assessment studies has provided additional benchmarks to assess progress.

With respect to the second measure, FDI inflows into ASEAN totaled \$38 billion in 2005, a 48 percent increase over the previous year. Though the numbers are not yet final, estimated FDI inflows for 2006 are \$53 billion.

CUSTOMS AND TRADE FACILITATION ACTIVITY STREAM

The Customs and Trade Facilitation Activity Stream covers border measures that can impede the flow of goods and services within ASEAN and limit ASEAN's ability to develop a unified market. This activity stream has been widened beyond customs to cover border information requirements of government agencies (the Single Window), rules of origin, non-tariff measures, and standards and conformity assessment. Activities in these sub streams are cross-cutting and support work areas identified in the Sector Integration Activity Stream.

Trade Facilitation: Comprehensive Work Program

In December 2006 a Facility supported UNESCAP consultant, Noordin Azhari, completed a draft Comprehensive Trade Facilitation Work Program 2007-2015. The Program consolidates many of ASEAN initiatives underway with new ones to maximize ASEAN's ability to achieve trade facilitation objectives. Moreover, the Program prioritizes projects and has identified those activities that are relatively easy to implement and provide "quick wins" to generate more momentum for implementation of the rest of the Work Program.

The consultant completed his mission by presenting the Work Program to the relevant ASEAN stakeholders at the technical level. After consulting with ASEAN Economic Ministers on the draft at the January 2007 Summit, the Secretariat continues to refine the draft with a view to presenting a final version to the Ministers at their next meeting in May.

ASEAN Harmonized Tariff Nomenclature (AHTN) Sub-stream

Related VAP Directive

Section 2.3.5.1 of the VAP specifies that customs integration will be carried out in seven core areas of customs administration: customs tariff classification; customs valuation; origin determinations; customs automation; customs clearance; temporary admission and customs transit. Technical assistance and training that the Facility provides under the ASEAN Harmonized Tariff Nomenclature (AHTN) Sub-stream is designed to improve the integration and harmonization of customs tariff classification in ASEAN.

Activities

At the end of 2006 ASEAN Director General's of Customs approved the new, updated AHTN. The Facility's nomenclature expert team composed of representatives from Indonesia, Vietnam, the Philippines, the Secretariat and the United States, began workshops on implementation of the updated AHTN 2007/1. Three workshops were completed, the first held in January-February in Manila, the second in February-March in Bangkok, and the third in April in Hanoi. Trainers acquainted participants with the legal background of the AHTN and the review process, the international Harmonized System and its amendments, as well as the amendments to the AHTN for 2007. The work was carried out through lectures, PowerPoint illustrations and practical case studies presented by the expert team. The last workshops will be in Brunei in May.

During the workshops, Nathan consultant Holm Kappler discussed possible measures to further the goal of greater classification expertise in the ASEAN member administrations. He suggested sector-based AHTN workshops focusing on the high technology, chemical or textile chapters. This would provide much more focused and detailed classification programs for experts in those chapters as well as soliciting technical private sector expertise. Kappler points out that the World Customs Organization is adopting such a focused approach in its classification training.

Another area for possible collaboration would be a conference for policy level officials to explain the issues facing the next AHTN review and the need for flexibility with regard to possible tariff rate changes. Such a conference could explain the many uses of the HS/AHTN, the need for simplification, the review process, the desirability of one ASEAN nomenclature (possibly at the 10-digit level), and the need for the establishment of a classification committee. Such a conference would be important for laying the groundwork for the next review which should begin in early 2009.

The Facility had hoped to support the development of an electronic index for the new AHTN that would be website-ready so it can be accessed via the internet. The Facility will work with the Secretariat to prepare the necessary background and solicit the requisite bids for this project so it could be taken up quickly under ADVANCE. The design of the web program will be conducted by APRIS after the electronic index has been completed.

Progress in Achieving Performance Indicators

This activity stream's performance indicators are increased integration and harmonization of ASEAN customs structures. To measure progress in achieving these indicators, the ASEAN-US Facility is tracking the number of AHTN chapters harmonized and the degree to which ASEAN agreement has been reached to update and simplify the AHTN. The Technical Review Committee completed the review of all 97 chapters for the 2007/1 AHTN in July 2006, a major milestone in this project. The revised text was approved by the Director Generals of Customs. Implementation on the national level is underway. The current status is as follows:

- Indonesia - full implementation as of 1 January 2007
- Laos - implementation expected as of 1 October 2007 (to coincide with their fiscal year - translation work is now being undertaken)
- Malaysia - expected implementation by 1 July 2007
- Philippines - expected implementation by July 2007
- Singapore - implementation later this year
- Vietnam - implementation later this year, early 2008
- Thailand - full implementation as of 1 January 2007
- Brunei - implementation early 2008.

Single Window Sub-stream

Related VAP Directive

VAP Section 2.3.5.1 calls for the integration of customs structures in ASEAN, including the development of the ASEAN Single Window (ASW). The ASW is to "modernize customs procedures and practices and improve customs control and compliance in cooperation with line ministries and businesses through the implementation of defined programs of the 2005-2010 ASEAN Strategic Plan of Customs Development."

Activities

From October 2 to 4, 2006, eighty representatives from ASEAN customs administrations, private sector technology and software companies, and the United States Government gathered in Hanoi for the first practical workshop on implementing the ASW. A single window is defined as a facility that allows parties involved in trade and transport to submit standardized information and documents with a single entry point to fulfill all import, export and transit-related regulatory requirements. A single window replaces "spaghetti architecture" with "service oriented architecture." In plan terms that means moving from a system where importers submit multiple documents containing the same or similar information to multiple parties, e.g., to government agencies (customs and other regulatory agencies), brokers, port authorities, freight forwarders, tax

authorities and banks to a system where importers fill out one form that is instantly shared with all parties involved in the import transaction.

The workshop emphasized the challenge for Customs authorities to become “service oriented”, helping facilitate trade rather than fulfilling their traditional role as primarily an enforcement agency. Nonetheless, speakers noted that a single window would help strengthen compliance and container security because information collected in the single window could be shared among agencies and verified for consistency and accuracy. Several speakers noted that slow clearance of imports can significantly increase costs, creating a competitive disadvantage compared to regimes, such as Singapore’s, which can clear goods in 30 minutes. Deputy U.S. Trade Representative Jeri Jensen rephrased the issue to drive home the message: not having a single window could be considered a non-tariff barrier (NTB) to trade. “Service oriented architecture” emphasizes government coordination with all stakeholders, public and private, in designing single windows.

Central to creating a National Single Window (NSW) is the harmonization of a data set that would fulfill the information needs of line agencies that have regulations enforced at the border. Voluntary agency participation in designing such a form is a challenge as the benefits may not be transparent compared with the short-term costs. Moreover, legal issues also have to be addressed, including the legal authority to collect and share the necessary information as well as the acceptance of electronic forms and signatures as true and valid for the import transaction. According to Nathan consultant Pierre Li, some countries have instituted legislation that makes participation by certain agencies obligatory, as was done in Mauritius. All workshop speakers emphasized the need for a strong lead agency as well as firm political commitment to successfully install a single window. Nathan consultant Karen Henderson described the US Government approach of engaging “participating agencies” and the private sector in planning committees to be part of the early stage of the design process.

While a single window need not rely on technology for implementation, for countries with a high volume of imports, e-documents and electronic processing are vital for efficient, rapid clearance of imports, speakers noted. Private firms explained how software and new technology could allow information provided in different formats or using different software could be shared and converted into each other’s formats.

Creating an ASW from NSWs will be a challenge. U.S. Customs and Border Patrol expert Bill Nolle explained that the United Nations Economic Commission for Europe (UNECE) and the World Customs Organization have standardized documents and nomenclature that can ensure that not only government agencies can share information among themselves domestically in a consistent format, but that such information also could be shared with foreign governments. In essence, if the NSWs are interoperable, by virtually joining together they will create the ASW.

Progress in Achieving Performance Indicators

This activity stream’s performance indicator is increased harmonization of customs structures. To measure in achieving the indicator the Facility will track Member Countries’ plans and progress toward implementing

national single windows (i.e., the recognition of practical steps necessary to implement a Single Window and measures taken to implement the Single Window). A pilot program between Thailand and the Philippines on information sharing under a single window regime has had a measure of success. Indonesia launched a pilot single window in Batam in January, linked to 20 state agencies and has planned another pilot in Jakarta's Tanjung Priok port. Ensuring compatibility of national regimes will be a key indicator to access progress in linking national single windows together to form an ASEAN Single Window. Moreover, the ASEAN Single Window Implementation Steering Committee adopted its Work Program following its first meeting in March. The work program established and gave mandates to two working groups and set definitive timelines for milestones. A national level survey of member country preparedness to implement national single windows was launched in April and will provide further measurements of progress (see May 2007 Report on Ongoing Activities).

Rules of Origin Sub-stream

Related VAP Directive

VAP section 2.3.5.2 calls for continuously strengthening the Common Effective Preferential Tariff (CEPT) Scheme for Rules of Origin (ROO) by making it "more transparent, predictable, and standardized, taking into account the best practices of other Regional Trading Arrangements (RTAs), including World Trade Organization rules of origin, and adopting substantial transformation as alternative criteria for conferring origin status."

Activity

In March experts from the Center for Strategic International Studies/Jakarta presented the results of two studies on rules of origin that were coauthored by CSIS/Jakarta and Nathan Consultant Gene Rosengarden. One study discusses on the implications for ASEAN trade and integration of using a different rule of origin, such as possibly switching from a value added to substantial transformation rule of origin as cited in VAP 2.3.5.2. The other study is more strategic: to examine the implications of multiple rules of origin resulting from ASEAN and ASEAN member country free trade agreements, the so-called "noodle bowl" effect. This study presents options to avoid the administration of such rules from impeding ASEAN trade.

The discussion did not detract from the preliminary observations reported in the previous Report to Accompany the Fifth Semi Annual Work Plan, but did highlight the need to look at rules of origin on a specific product basis as generalizations may be misleading. The study on possible changes to the ASEAN rule of origin noted that using the change in tariff classification (CTC) rule as a primary basis for the origin rules would be preferable from an economic and administrative perspective. The CTC approach offers benefits for customs administrations as they could easily administer such a rule. CTC is not simple in all cases, but the approach could be advantageous for smaller firms since the cost of compliance would be lower as the value-

added rule requires extensive book keeping. Lower compliance costs by using the CTC could also increase the use of ASEAN preferential tariff rates. The amended framework agreement to implement the revised priority sector roadmaps permits the use of a CTC rule as an alternative to the current valued added rule.

A second study examined the implications of multiple rules of origin resulting from ASEAN and ASEAN member country free trade agreements, the so-called “noodle bowl” effect. This study presents options to avoid the administration of such rules from impeding ASEAN trade, including:

- Providing for self-verification of origin;
- Reorganizing the origin rules to make them easier to understand;
- Simplifying the Certificate of Origin;
- Providing for expeditious release of priority ASEAN shipments;
- Establishing programs for creating better understanding of ASEAN requirements for border officials and traders;
- Encouraging a strategic approach to tariff policy; and
- Undertaking programs for effective and efficient enforcement.

Simplifying the administration of the rules and customs procedures is based on the notion that a more “business-friendly” border environment contributes to a favorable climate for trade and investment, particularly in manufacturing. ASEAN Secretariat officials were skeptical of whether the importer, who gains the benefit the lower, preferential tariff by satisfying ASEAN rules of origin, could be held responsible for information for the basis of the certificate of origin as such information was supplied by the exporter. However, a private contract between the importer and exporter could remedy this problem, making the exporter liable for any increased duties should the certificate of origin be deemed invalid

The follow up activity for rules of origin that was to be determined could have included additional work on administrative measures explained above, or a series of three workshops, one of which would have been on administrative matters. These ideas for follow up took shape too late in the funding cycle and could be pursued under ADVANCE.

Progress in Achieving Performance Indicators

This activity stream’s performance indicators are transparent, predictable rules of origin that promote trade and regional integration. The ASEAN-US Facility will measure progress in achieving these indicators by tracking movements in that direction at the policy level as well as in implementation. Results of the training sessions on trade negotiations suggest an increased awareness of the importance of transparent, predictable rules of origin and a keen interest in achieving them. A milestone in progress was marked by the amended framework agreement to implement the revised priority sector roadmaps that was signed in December 2006.

The amendment permits the use of a CTC rule as an alternative to the current valued added rule, allowing traders to choose the most favorable rule of origin.

Non-Tariff Measures Sub-stream

Related VAP Directive

VAP Section 2.3.2 calls for (a) full transparency of non-tariff measures (NTMs) through an ASEAN database; (b) clear criteria to identify NTMs that are barriers to trade and for their elimination; (c) a clear and definitive work program for the removal of these barriers; and (d) adoption and compliance with WTO Agreements on Technical Barriers to Trade (TBT), Sanitary and Phyto-Sanitary and Import Licensing Procedures, along with implementation guidelines deemed appropriate for ASEAN.

Activities

The Fourth Semiannual Work Plan provided for a project officer to assist in implementing the ASEAN work plan on Non-Tariff Measures (NTM). The NTM work plan, approved by the ASEAN Free Trade Area Council on 21 August 2006, calls for the elimination of NTM three tranches, the first as of January 2008 for ASEAN 6 and 2013 for CLMV. The last tranche would be in January 2010 for ASEAN 6 and 2015 for CLMV. The Secretariat is to assist in maintaining and updating a NTM inventory, classify them in terms of their restrictiveness to trade and justification, and assist in public consultations on these measures. The Facility had approval to provide support to implement the ASEAN NTM project but there was no presentation of a candidate to take up this responsibility. Thus, the activity has been withdrawn at this time.

The Facility pursued work on NTMs by informing the ASEAN Secretariat to the work being undertaken to gather and classify NTM data by the International Trade Center (ITC) and the World Bank. In March the ITC suggested that Thailand could serve as a pilot for this project being undertaken by the ITC, UNCTAD, World Bank in collaboration with the WTO. The ITC could assist other ASEAN Member Countries in classifying and updating NTM information as separately funded projects.

Progress in Achieving Performance Indicators

This activity stream's performance indicators include identification of and progress to remove NTBs. To measure progress toward achieving these indicators, the Facility will track implementation of the work plan to inventory NTMs, identify those that are trade barriers, and progress toward eliminating such non-tariff barriers to trade. The ASEAN NTM project has been slower to begin than anticipated so progress has been limited to date.

Standards and Conformity Assessment Sub stream

Electronic and Electrical Equipment (EEE): At the request of the Joint Sector Committee on Electrical and Electronic Products, the Facility organized a workshop on standards, conformity assessment and forensic investigations of fires caused by electrical equipment. The three-day workshop covered establishment of safety standards and testing, post-market surveillance, regulatory issues as well as procedure to determine the causes of electrical fires. The workshop took place April 17 in Hanoi and brought together regulators, standards experts and laboratory technicians from Member Countries and will be implemented by the U.S. National Electrical Manufacturers Association and Underwriters Laboratory. The workshop prepared the Joint Sector Committee on EEE for their meetings during the rest of the on how to implement the EEE Regime. There are challenges ahead: agreeing on hazard risks for specific products, the standards to which products should be harmonized (most likely international standards -- IEC), and mutual acceptance of the results of each others' conformity assessment tests. Some expressed interest in the US National Fire Prevention Association's Guidelines on Investigating Fires and Explosions as a way of ensuring all ASEAN countries follow the same protocols in investigating a fire.

Pharmaceuticals: ASEAN pharmaceutical regulators have committed to ensuring implementation of a common registration format through the ASEAN Common Technical Dossier (ACTD). Such a step would ease trade in the region without compromising drug quality, safety and efficacy. The Facility supported regulators efforts by sponsoring ASEAN senior officials to participate in a Forum for International Drug Regulatory Authorities organized by the Centre for Drug Evaluation and Research of the US Food and Drug Administration. The forum was held April 16-20 in Rockville, Maryland. The participants included members of the ACCSQ Pharmaceutical Product Working Group (ACCSQ PPWG) and ACTD Implementation Working Group. These officials had requested the Facility to conduct specialized workshops to facilitate implementation of the ACTD, such as product stability and bio-equivalency. The FDA, expressing difficulty in making experts available for such workshops, noted that the Forum will cover similar issues. ASEAN representatives met with the US FDA in a separate meeting following the Forum, which allowed a more in-depth, targeted exchange of views on ASEAN assistance needs. The US FDA recommended that ASEAN take advantage of FDA expertise for training through the International Conference on Harmonization's Global Cooperation Group and offered to determine appropriate FDA alumni trainers in response to specific ASEAN training requests. Both sides agreed to follow up. The ASEAN experts also participated in an interagency session at USTR, focusing on progress under the TIFA workplan and raising potential new activities such as combating counterfeit medicines and data protection. Finally, the group had a fruitful exchange with representatives of U.S. industry.

Traditional Medicines: The Secretariat reprioritized its technical assistance needs in traditional medicines. Rather than publishing a compendium of ASEAN regulations, the ASEAN Consultative Committee on Standards and Quality (ACCSQ) Working Group on Traditional Medicines and Food Supplements has requested a workshop that would help guide them in developing a common technical format for product placement. The ACCSQ has already completed such a format in pharmaceuticals, the ASEAN Common Technical Dossier (ACTD). As traditional medicines and food supplements are not regulated, developing such

a format would be much different than for pharmaceuticals. The workshop would cover such topics as quality, safety, efficiency, risk assessment, and good manufacturing product guidelines. The Facility is designing the training and seeking appropriate experts to conduct the workshop, which may take place in Phase II of the Facility under ADVANCE.

Cosmetics: The Facility agreed to collaborate with other donors on measures to assist with the implementation of the ASEAN Cosmetics Regime. The Facility was to assist in assessments of Member Country preparedness to implement the regime, supplementing similar assessments by the World Bank in Cambodia, Vietnam, Laos and Myanmar, and capacity building programs by the European Union assistance program. The Facility discussed collaboration with the EU APRIS program, but, in the end, assessments proceeded without the need for US assistance.

Good Manufacturing Practices: The Facility had planned to provide assistance in developing a mutual recognition arrangement for good manufacturing practices for pharmaceuticals. However, the ACCSQ PPWG has proceeded with this work. If agreement is signed as anticipated by the end of the year, assistance could be useful for implementation of the agreement. Such assistance could emerge from the initial ASEAN-US FDA consultations held in April (see above). Any follow up would take place under ADVANCE.

Progress in Achieving Performance Indicators

This activity stream's performance indicators include identification of and progress toward harmonization of standards. To measure progress toward achieving these indicators, the Facility will track establishment of and accomplishment of standardization targets in the Facility sub-stream sectors. Moving toward agreement on Good Manufacturing Practices and good momentum on implementing the ACTD suggest that progress continues in these areas, although the real indicator of progress will be implementation which is still a few years away.

TRADE IN SERVICES ACTIVITY STREAM

Related VAP Directive

Section 2.4.1 of the VAP directs ASEAN Member Countries to accelerate regional integration towards creating a single market in services through progressive liberalization earlier than 2020, now advanced to 2015 by the ASEAN Summit of January 2007. According to the VAP Annex, Member Countries are committed to achieve the free flow of trade in services by 2010. Technical assistance and training that the Facility provides under the Trade in Services Activity Stream is designed to build ASEAN capacity to liberalize trade in services through

raising awareness of the benefits of liberalization and methods for doing so that can be applied regionally in AFAS and internationally in the General Agreement on Trade in Services (GATS).

Activities

ICT Scheduling: On February 5, 2006, Magiera conducted a one-day workshop on scheduling of commitments for the telecommunications sector under the ASEAN Framework Agreement on Services (AFAS) and the GATS. About two-thirds of the 21 participants were from a sector ministry or telecommunications regulatory agency. The workshop featured two ASEAN speakers who discussed issues specific to their countries, the WTO reference paper in Indonesia and VoIP in the Philippines. Telecommunications involves difficult classification and regulatory issues that do not arise in other sectors. This makes it difficult for foreign ministry and trade officials to understand and negotiate commitments for this sector. Among the outcomes of the workshop were ideas for possible follow up, such as writing short papers on services scheduling terms for telecom officials and on major issues facing telecom authorities in scheduling commitments, developing updated product classifications, and exploring the idea of a converged licensing system that could be just as beneficial to investment and network rollout as market access and national treatment under AFAS.

Advanced Training on Services Statistics: The advanced workshop on international trade in services statistics is postponed and recommended to be taken up under ADVANCE. This workshop would involve sending statistical experts from Vietnam, the lead country for the ASEAN Working Group on International Trade in Services Statistics, to the United States for a week of intensive training at the US Bureau of Economic Analysis (BEA). BEA has offered to host the workshop in collaboration with other USG statistical agencies.

Organization Meeting for Engineer MRA: The Facility offered to support the first organizational meeting of ASEAN engineers to implement their Mutual Recognition Agreement on Engineering Services. This offer was made in response to a direct request from the engineers at the September 2006 workshop on mutual recognition agreements. The engineers' response was delayed until after the current funding cycle. Therefore, this activity would be deferred and recommended to be pursued under ADVANCE.

Technical Assistance for Statistical Compliers Workshop: EUROSTAT had planned to conduct a workshop for trade in services statistical "compliers" in early 2007. The workshop was designed to strengthen the ASEAN Secretariat and assist national statistical agencies in implementing national plans to improve data and data collection. Pursuant to the ASEAN Secretariat's request, the Facility proposed providing a resource person to assist in this workshop. The workshop, however, did not take place as scheduled and the Facility's offer of assistance has been withdrawn.

Progress in Achieving Performance Indicators

The performance indicators for this activity stream are increased awareness of the benefits to ASEAN of liberalizing trade in services and measures taken to open trade in services. The ASEAN-US Facility will

measure progress in achieving these indicators by tracking: (1) the number of ASEAN Member Country government and private sector representatives and Secretariat staff members trained as regards the importance of liberalizing trade in services; (2) perceived increase in support in ASEAN for liberalizing ASEAN trade in services through surveys of relevant Secretariat staff; and (3) increased scheduling commitments made to liberalize services and agreements on mutual recognition agreements.

By the first measure progress has been noticeable, given the extraordinarily high number of participants, nearly 350. ASEAN Secretariat staff will be surveyed at the end of the project to determine progress achieved in the second measure. The third measure was greatly advanced in December 2006 when ASEAN Economic Ministers signed the fifth package of commitments under the ASEAN Framework Agreement for Services (AFAS). The fifth package of commitments further liberalized services by opening up the market in 70 sectors and sub sectors, advancing ASEAN's goal to achieve free flow of services to 2015. Also in December, ASEAN Economic Ministers signed a mutual recognition agreement (MRA) on nursing services, making it easier for a nurse in any ASEAN Member Country to practice in any other member country. The MRA on nurses is ASEAN's second such services MRA.

TRADE NEGOTIATIONS ACTIVITY STREAM

Related VAP Directive

VAP provisions for sector integration (2.1), trade in goods (2.3) and trade in services (2.4) aim to eliminate barriers to trade within ASEAN in a manner consistent with Member Country obligations under the World Trade Organization. In addition, pursuant to Section 2.12 of the VAP, ASEAN is to strengthen linkages and promote "the coherence of agreements with major trading partners such as China, Japan, Korea, the US, Australia, New Zealand and the EU and emerging economies such as India." These efforts could lead to establishment of "Free Trade Areas (FTA's) and Closer Economic Partnerships." The technical assistance and training that the Facility provides under the Trade Negotiations Activity Stream is designed to produce more, well-prepared ASEAN trade negotiators. Such negotiators will achieve better internal ASEAN agreements to support integration of the priority sectors and complementary agreements with external partners in a manner consistent with Member Country WTO obligations.

Activities

Trade Negotiations Courses: The Facility agreed to explore the possibility of supporting three workshops for trade negotiators and the ASEAN Secretariat on rules of origin. One of the courses would have covered administrative issues (see Rules of Origin Activity Sub-stream). The other two courses would have covered basic rules of origin concepts and more advance issues such as the use of rules of origin in FTA's and regional agreements and potential economic consequences. These workshops would help negotiators understand the concepts they are encountering in their negotiations with dialogue partners as well as learn the practical

administrations associated with implementing rules of origin, including the complexity of administering several different rules for the same products. The requests for these workshops arrived late in the funding cycle and will be recommended to be pursued as a matter of priority under ADVANCE.

Advanced Trade Negotiations: The Facility had offered to conduct a special workshop for Lao and Vietnam on scheduling of services commitments. Lao PDR officials had promised priority action on services commitments at the November meeting of the WTO Working Party on Lao Accession. Such a workshop would provide timely advice to Lao officials for their WTO accession activities and draw up the recent experiences of Vietnam's WTO accession. However, the ASEAN Secretariat reported that there was no interest in taking up the offer at this time.

Lao WTO Accession: In line with the Fifth Semi Annual Workplan, the Facility offered to assist the Lao PDR in preparations for its November WTO Working Party on Accession. After an encouraging meeting with Lao PDR trade officials in mid-October, the Facility prepared terms of reference for a short-term trade specialist to be mobilized immediately to provide technical assistance for the end November meeting of the Working Party. In the event, Lao officials declined the offer, noting that they had other offers of assistance and wanted to review its position after the Working Party meeting. The Facility also held consultations with the Integrated Framework lead for Lao (Australia), the EU and the World Bank to explore possible collaboration on accession activities. If interest in the activity resume, it could be taken up by ADVANCE.

Workshop with the International Trade Center (ITC): Though not an activity under this activity stream as it was considered informal/ad-hoc support, the Facility helped design and implement a four-day workshop conducted by ITC that, for the first time, brought together statisticians and trade negotiators from Member Countries. The ITC explained its database and analytical tools, noting that these are only as good as the data provided. The ASEAN Secretariat and Member Country experts reviewed challenges in gathering high quality trade data in a timely fashion. The ITC also conducted an intensive exercise on developing negotiating positions both on an individual Member Country and regional basis. The workshop resulted in a Secretariat paper to ASEAN Senior Economic Officials (SEOM) recommending that the ASEAN Secretariat be designated as the central repository and focal point for dissemination of ASEAN regional trade data. Such a role would classify the Secretariat as a "data provider" to the ITC, making it eligible for free access to the ITC database. At its January meeting SEOM approved the recommendations and continued Secretariat collaboration with the ITC.

Progress in Achieving Performance Indicators

This activity stream's performance indicator is better trained ASEAN trade negotiators. The ASEAN-US Facility uses two basic measures to track progress in achieving this indicator: (1) the number of negotiators trained as reported in project activity reports; and (2) whether negotiating skills of ASEAN trade negotiators have improved in the aggregate. Measured by the first indicator, performance has been good, with an additional 49 trained negotiators, bringing the total to 239. On the second measure, changing staff render such a measure difficult, although judging by the number of active negotiations within ASEAN and between

ASEAN and its dialogue partners, negotiating skills should be improving. The Facility will work with the Secretariat to more precisely assess the results of previous training activities.

TRADE-RELATED COORDINATION & DIALOG ACTIVITY STREAM

Related VAP Directive

The broad scope of the VAP's provisions and implementation work programs places a premium on intra-ASEAN coordination and consultation with the private sectors. VAP 5.2 calls for the involvement of private sector stakeholders in addressing approaches and mechanisms for project design and implementation.

This activity stream is designed to support ASEAN efforts to respond to the VAP directives to strengthen intra-ASEAN coordination and consultation and explore ways of better involving the private sector. Experience suggests that consultation with the private sector on policies at an early stage can help ensure better policy decisions and more effective implementation. Strengthening the consultative mechanism between the ASEAN Secretariat, Member Country officials and the private sector could lead to (1) improved coordinated implementation of complementary, effective roadmaps for integration of the priority sectors; and (2) foster complementary and effective trade agreements that support that implementation. Because both of these VAP objectives involve trade, the activity stream focuses specifically on trade-related consultations.

This activity stream treats coordination and dialogue (a) within ASEAN Secretariat and between ASEAN officials and (b) between ASEAN officials the private sector representatives as separate, but on converging tracks. The Resident Trade Specialist has worked with Secretariat staff and private sector representatives to assess the current formal and informal consultation mechanisms in ASEAN and models that might inform efforts to improve the current mechanisms.

Activities

Washington Training: The Facility sponsored four representatives from the ASEAN Secretariat's Trade Facilitation Cluster for a study tour to expose them to US Government inter-agency and private-public sector trade policy coordination. The meetings, held in Washington, D.C. from February 12-15, began at the US Trade Representative's Office for an overview of U.S. Government trade policy coordination and the private sector trade policy advisory system. This session set the framework for subsequent meetings with Customs and Border Patrol, the Department of Commerce, US Food and Drug Administration (FDA), and the Animal Plant Health Inspection Service (APHIS). In each of these meetings participants learned how the private sector shapes policy in trade negotiations as well as in US legislation. Meetings with FDA, APHIS, US standards development organizations and the US-ASEAN Business Council stressed the importance for US firms operating globally of using internationally recognized standards and procedures to reduce costs and red tape. The ASEAN-US Business Council was pleased to learn more about the "ASEAN Talks Business" event scheduled for April (see below).

Lessons learned from the intensive four-day visit include the technical and political value of close coordination with businesses as ASEAN develops its own initiatives to create a single market. Consulting business experts on such technical issues as standards and customs, while ensuring that such consultations are in confidence, are practical techniques that could be translated to an ASEAN context. While the training was designed to improve ASEAN coordination and public outreach, practical examples raised in the meetings involved issues in the ASEAN-US economic dialogue (the Enhanced Partnership and TIFA), helping to advance the work on these important areas.

ASEAN Business Dialogue: The Facility pursued the idea of a forum with business leaders that share ASEAN's interest in regional integration, in line with the Fourth Semi Annual Workplan. In December the Facility drafted an illustrative agenda and shared it with ASEAN Secretariat officials and the US-ASEAN Business Council. The idea took hold, with the ASEAN Secretariat assuming ownership of the initiative now known as "ASEAN Talks Business," scheduled to be held April 17th. The Facility will support the activity, including the keynote speaker, Professor Aggarwal, who is to draw upon his earlier study (see the Report to Accompany the Fifth Semi Annual Workplan) to assess current ASEAN efforts at engaging the private sector and make a presentation on the importance of the business community for ASEAN to achieve its integration goals.

ASEAN Fact Sheets: As part of the outreach to the private sector, the Facility encouraged the production of fact sheets on important ASEAN initiatives. The Facility discussed the format and provided some illustrative drafts which included the name of the responsible ASEAN Secretariat officer who could be contacted by the private sector for additional information. The Secretariat took up the issue itself, tasking officers to draft such worksheets which have been posted under the Press section on the ASEAN Secretariat website. To further support these efforts, a workshop on drafting facts sheets will be conducted at the end of May to continue work on securing effective private sector input in ASEAN activities (see Public Relations Activity Sub-stream).

On-line Training: On line training for private sector input has not been pursued in lieu of the other activities under this Activity Stream that appear to be more immediate to the Secretariat's needs.

Progress in Achieving Performance Indicators

The performance indicators for this activity stream include improved public-private sector consultation and internal coordination in the ASEAN trade-related policy-making process. The Facility is measuring progress toward achieving these indicators by tracking increased attention to ways to improve coordination among the various ASEAN entities and officials and need for private sector input in regional policy making. Over the reporting period there has been increased attention to receiving input from the private sector as illustrated by the Secretariat's - including the Secretary General - keen interest in the ASEAN Talks Business forum. Moreover, the Secretariat will hold another public-private sector consultation in Singapore to consult with businesses about services sectors (see Services Forum in the Ongoing Activities Report, for which the Facility will provide informal support). Finally during a donor coordination meeting held in February, the Secretariat

requested Facility support to convene a coordinating conference to include ASEAN Member Country government agencies beyond the economic agencies as well as representatives from private industry to review the draft Blueprint to achieve the AEC by 2015. These are just three examples directly related to Facility work that demonstrate a heightened interest in coordination and public-private sector consultation.

NATURAL RESOURCE MANAGEMENT ACTIVITY STREAM

Related VAP Directives

The ASEAN Socio-Cultural Community (ASCC) promotes environmentally sustainable economic growth. In building a community of caring societies, the VAP (3.1) recognizes that national initiatives will be the principle means to achieve such an objective and presents a complementary role for regional interventions. The VAP calls for measures to: (a) promote sustainability of water resources; (b) develop ASEAN civil society cooperation for environmental protection and sustainable development, and (c) ensure a region of disaster-resilient nations.

More specifically, this activity stream supports activities in three areas: water resources, civil society and disaster management. The Natural Resources Management Activity Stream supports the freshwater resources directives contained in VAP 3.3.9 that call for environmentally sustainable management of water resources across the ASEAN region as elaborated in the ASEAN Strategic Plan of Action on Water Resources Management (published in 2005). The VAP call for addressing approaches and mechanisms to closely involve ASEAN stakeholders (VAP 5.2), as further reinforced by the 2005 meeting of the ASEAN Senior Officials on the Environment (ASOEN) call for an ASEAN – Civil Society Organizations Forum. This activity stream broadly supports the ASEAN Regional Programme on Disaster Management 2004-2010. VAP 3.1.9.1 calls for the full implementation of that program, emphasizing the establishment of a regional mechanism for disaster relief and an information sharing network, institutionalization of capacity building programs, and the promotion of public awareness of disaster management programs. Implementation of the Programme has been elaborated in the ASEAN Agreement on Disaster Management and Emergency Response (AADMER), including establishment of an ASEAN Co-ordinating Centre for Humanitarian Assistance on disaster management (AHA Centre,) which was signed by the ASEAN Ministers on 26 July 2005 (published in 2006).

Activities

The Facility's new long-term environmental specialist, Dr. Joseph Weinstock, took up his position in mid-November following in-briefings at USAID Regional Development Mission/Asia. Work in all three areas is ongoing and progress has been achieved towards deliverables. As this report covers completed work, please refer to the Ongoing Activities report for more details on the civil society and water resources activities.

Disaster Management: In early December Dr. Weinstock participated in the ASEAN-Hyogo Framework for Action Workshop, funded by the United Nations High Commission on Refugees and implemented by the ASEAN Committee on Disaster Management (ACDM). The workshop focused on regional capacity building in disaster management and preparedness and included ASEAN Member Country presentations on disaster

preparedness and response issues in each country. The key objective of the workshop was to discuss ACDM training needs for 2007-2008. A list of ten priority training activities was established and tentative dates for each activity scheduled over the two year period. One lead country was designated for each training activity, with other AMCs as support and confirmed or potential funding sources for each training activity were identified. Most important of the ten priority activities was the ASEAN Regional Disaster Emergency Response Simulation Exercise for 2007 (ARDEX 07) to be hosted by Singapore in late October, the third in a series of ARDEX trainings.

Dr. Weinstock also participated in the first two meetings to discuss the issues and details of establishment of the AHA Centre (held in Jakarta in December and Vientiane in March). Dr. Weinstock worked with the ASEAN Secretariat to prepare a first draft of The Standard Operating Procedure for Regional Standby Arrangements and Coordination of Joint Disaster Relief and Emergency Response Operations (SASOP) as well as the operational design to be used by the AHA Centre. Subsequent discussions of the draft SASOP will be held with the ACDM SASOP sub-committee later in the year.

In March Dr. Weinstock participated in the ACDM annual meeting in Vientiane during which ACDM donor relations were discussed, as was the 2007-2008 disaster training activities and schedule including ARDEX 07, establishment of the AHA Centre, and other issues related to the ACDM work program. In February Mr. Robert Barton the Office of Foreign Disaster Assistance (OFDA) in the USAID-RDM visited the ASEAN Secretariat to learn about ASEAN disaster management activities and discuss possible OFDA support for the ACDM. After the March annual meeting, the Environmental Advisor provided the ACDM meeting summary and relevant documents to OFDA in the USAID-RDM for information. At the 30 April meeting with USAID-RDM offices, Mr. Barton requested that Dr. Weinstock act as OFDA liaison to ASEAN and include in his work plan coordination of future OFDA-ASEAN activities.

ASEAN Civil Society Relations: ASEAN is committed to establishing cooperative relations with ASEAN civil society to share information, receive input on ASEAN policy directives and activities, and to work cooperatively for environmental protection and sustainable development. The 2005 meeting of the ASEAN Senior Officials on the Environment (ASOEN) called for an ASEAN - Civil Society Organizations (CSO) Forum on environmental protection and sustainable development to be held in 2006. Since this date has passed, the Secretariat requested assistance from the Facility to organize and hold an ASEAN - CSO Forum in 2007. The Forum will provide an opportunity for ASEAN CSOs from the ten AMCs to meet and discuss key environmental issues and develop a strategy for working with ASEAN bodies. Approximately three representatives of key civil society organizations from each ASEAN Member Country are to be invited to discuss development of a strategy for cooperative ASEAN - CSO working relations and a means of communication between the two entities. The Facility, in collaboration with Global Environment Centre (GEC) of Malaysia and the Hans Seidel Foundation of Germany, will hold a three day Forum from May 2 to 4 in Kuala Lumpur. The Facility's environmental specialist helped to organize the Forum, including assisting in preparing the Forum concept and agenda.

Progress in Achieving Performance Indicators

The performance indicators for this activity stream are: (a) improved ASEAN-civil society relations; (b) progress toward achieving environmentally sustainable water management; and (c) progress toward advancing the ASEAN Regional Program on Disaster Management as outlined in the AADMER. Progress can be tracked by (a) successfully convening the ASEAN - CSO Forum in May and subsequent support to ASEAN CSO's in development of a practical strategy and mechanism for working with ASEAN bodies on issues of environmental protection and sustainable development; (b) furthering the ASEAN Strategic Plan on Water Resource Management through assisting lead member countries in development of full project proposals for funding and implementation; and (c) milestones reached in implementing AADMER, including establishment of the AHA Centre. As a new Facility program, progress toward achieving these performance indicators will be reported in the next semi-annual report where positive results are anticipated.

PUBLIC HEALTH ACTIVITY STREAM

Related VAP Directive

This activity responds to VAP 3.1.7 to prevent the spread and reduce harm of infectious diseases, and more specifically to put into place regional systems, networks and procedures for communicable diseases, surveillance, early warning and response (VAP 3.1.7.9). It also seeks to enhance food safety (VAP 3.1.8)

Activities

Avian Influenza Advisor: Facility Public Health Specialist Susy Soenarjo began her assignment on January 15th. Ms. Soenarjo attended in-briefings with the Secretariat Human Development and Disaster Management and Environment units and the USAID Regional Development Mission/Asia in Bangkok. She participated in several workshops, including one on the Baseline Monitoring and Evaluation of Emerging Infectious Disease (EID) Program (February) and one on Highly Pathogenic Avian Influenza (HPAI) Control and Eradication (March). The EID Program is an ASEAN +3 initiative funded by Australian AID which aims to build capacity and strengthen ASEAN Member Country health sectors, including pandemic preparedness and response. The workshop helped define the EID Program's focus areas, information needs and flows, performance indicators and activities to be implemented during the inception phase. The Facility expert's involvement was important to fulfill her coordination responsibilities. The second workshop brought together representatives of the HPAI Task Force and representatives of Member Country Ministries of Health to develop a regional model outbreak response system for HPAI. The system was developed in line with the Regional Framework for the Control and Eradication of HPAI in ASEAN.

In light of the AusAID EID Program, the terms of reference for Facility AI activities were reviewed by the ASEAN Secretariat and Molly Brady of USAID. The situation analysis (or mapping exercise), currently underway and scheduled to be finalized by the end of April will inform any changes in the terms of reference. Ms. Soenarjo developed a detailed workplan that was approved by the Secretariat (see Report on Ongoing

Activities May 2007 for details). She reviewed and provided input to the draft USAID Guide for Monitoring and Evaluating Avian Influenza Programs in the Southeast Asia Region. Drawing on USAID guidance, she assisted the ASEAN Secretariat in calculating country Personal Protective Equipment (PPEs) and Tamiflu stockpiles for providing targeted assistance to Member Countries.

Sanitary and Phytosanitary Measures: To follow up the TIFA work program, the U.S. Animal Plant Health Inspection Service (APHIS), at the suggestion of the US Trade Representative, offered to convert a bilateral workshop to be held in Vietnam to one for all ASEAN Member Countries with interests in exporting fruits and vegetables to the United States. Several -- including Vietnam, Malaysia, Thailand and the Philippines -- have submitted requests for access to the US market.

During the meeting with the ASEAN Secretariat Trade Facilitation Cluster in the United States (see above), APHIS explained that while Framework Equivalence Agreement can only be signed by individual countries, ASEAN could facilitate the process by organizing this regional workshop to discuss pest risk assessments and explain requirements of Framework Equivalence Workplans. Ideally, individual member country animal and plant regulatory agencies could sign bilateral Framework Equivalency Work Plans with APHIS at the workshop, the first step in the process to achieve an Equivalence Agreement. In preparing its work, APHIS could draw on the ASEAN Harmonized Regulation on Irradiation of Fruits and Vegetables. These points were conveyed by the Facility to the ASEAN Secretariat Agricultural Unit which agreed to notify Member Countries about the workshop.

The ASEAN-US Facility has offered to work with APHIS and the ASEAN Secretariat to facilitate such a workshop. Additionally, the Facility has offered to jointly finance capacity building activities with the ASEAN-US Business Council to help experts from interested ASEAN Member Countries implement the measures necessary to comply with the ASEAN Harmonized Regulation which could help them fulfill some of the requirements in the Framework Equivalency Workplan.

Progress in Achieving Performance Indicators

Performance indicators for this activity stream are increased pandemic preparedness and procedures to help ensure food safety. Measures to track progress would include agreement on principles of effective response to possible pandemic emerging disease; agreement on a regional framework for emergency response to a possible pandemic; and the number of ASEAN Member Countries that have signed work plans leading to agreements with APHIS for access to the US market for fresh fruits. Progress toward achieving these performance indicators will be reported in the next semi-annual report as the activity stream was only launched during this period.

STRENGTHENED SECRETARIAT RESOURCES ACTIVITY STREAM

Related VAP Directive

The ASEAN Secretariat's Basic Mandate, Functions and Composition (Secretariat's Mandate), states that the Secretariat's mandate is "to initiate, advise, coordinate, and implement ASEAN activities" and "to function as coordinating Secretariat to help facilitate effective decision-making within and amongst ASEAN bodies." In other words, the Secretariat is tasked to provide technical input and to facilitate effective decision-making in ASEAN to implement the VAP. The focus of the Strengthened Secretariat Resources Activity Stream is on expanding the capacity of Secretariat staff to play those roles covering virtually all VAP directives.

ASEAN Secretariat resources are severely strained. The Secretariat is staffed by 50 professionals who are openly recruited throughout ASEAN and by 80 who are recruited locally. Those professionals serve a multitude of coordinating committees and working groups, staffing nearly 800 ASEAN meetings a year. Technical assistance and training that the Facility provides is designed to help build skills and capacity in the ASEAN Secretariat so that it can better and more efficiently fulfill its duties to support implementation of the VAP.

Activities

Resource Support Activity Sub stream

ASEAN Summit Support: The Facility supported three experts to assist with the implementation of the ASEAN Summit in Cebu, the Philippines.

IT Activity Sub stream

Project Monitoring System (PMS): In response to the ASEAN Secretariat's desire to update and enhance its PMS the Facility upgraded the PMS which passed the user acceptance test in January. The new PMS will allow the Secretariat and donors to track project progress from proposal to completion, providing secure remote access and easy-to-generate aggregated reports, helping ASEAN and donors to better coordinate activities aimed at implementing the VAP.

Internal Secretariat IT Infrastructure. Following the completion of the IT infrastructure network and security assessments in September 2006, the ASEAN Secretariat identified priority IT upgrades that would result in increased network speed and security for end users. The three top priorities are installation of new Cisco network switches, fiber optic cables, and a new email gateway/spam filter called IronPort C10. The IronPort C10 email gateway/spam filter was installed in December, just as the Secretariat's license was about to expire on its outdated email gateway. In February, the vendor responsible for installation and configuration of the

ASEAN Secretariat's new cable and switch infrastructure submitted a security and installation plan and held preliminary meetings with the IT Unit. After approving the installation and security plan, the Secretariat provided clearance for procurement of goods. Installation was completed in April, and several Secretariat staff has reported a marked increased in network speed.

IAI Enhancements to the Project Monitoring System: The Facility team completed enhancements to the PMS that will allow the Integration for ASEAN Initiative (IAI) Unit to track its training programs and participants trained. These enhancements will allow specialized queries such as numbers of trainees that share certain characteristics, numbers of programs held on certain topics, and whether trainings have helped participants advance in their public service careers. The Secretary General and Principal Director Roy Anish Kumar received a presentation of the beta IAI database on February 15. The test run proved successful. The Secretary General requested specific adjustments. The Facility is retaining a data entry specialist in order to adequately populate the new database with the full portfolio of IAI training programs.

ARFnet Upgrades: The local programmer, Solusi Infotama, completed the user interface design for the ARFnet upgrades and began programming. Completion occurred in April after adjustments following a user acceptance text.

ASEAN Application Portal (ASAP): A Facility vendor completed a gap analysis of user needs against the existing ASAP system, a document management and collaboration tool that has fallen out of use, in part due to user-unfriendliness. The assessment concluded that the primary problems are slow speed, which may result from poor infrastructure in the Secretariat, as well as inadequate topic classification. The Secretariat is considering posting more public documents on the new ASEAN Secretariat website in the coming months and linking ASAP to the website allowing the user to access both public and restricted documents. This strategy may spur increased use. If ASAP develops a champion and increased use rising from linkage to the ASEAN Secretariat website or improved infrastructure, there may be future user requests for changes. The Facility may reconsider reprogramming at that time, or this activity could be taken up by the new ADVANCE Phase II Facility.

Public Relations Activity Sub stream

Public Relations. In November, the public relations team, Nathan consultants Tim O'Leary and Lisa Alley, finalized the draft ASEAN Secretariat Communications and Public Relations Plan following meetings with ASEAN stakeholders as well as representatives of the private sector and US Government agencies in Washington, D. C. The Plan aims to strengthen the ASEAN Secretariat Public Affairs Office (PAO) in its ability to raise awareness about ASEAN programs and initiatives. Moreover, it identifies specific messages on a specific activity under each pillar of the VAP and strategies for distributing such messages. In late November the Secretary General endorsed the approach, with the focus on:

- Security and Community Pillar: raising awareness of ASEAN's role of promoting peace and security in the region, particularly targeting youth through mechanisms such as a Youth Caravan;

- Economic Pillar: raising awareness that ASEAN is a growing, dynamic market and an ideal single destination for businesses to thrive, focusing on various mechanisms to advertise and increase understanding of the ASEAN Single Window; and
- Socio-cultural Pillar: raising awareness of ASEAN as a forum for creating partnerships to fight HIV/AIDS through film, press releases and the Youth Caravan.

Following completion of the plan, the ASEAN PAO and Nathan public relations team quickly transitioned to its implementation. The team began working with Secretariat desk officers and Public Affairs office in drafting fact sheets for distribution to the media on expected outcomes of the 12th Annual ASEAN Summit in Cebu and in working with the press on the sidelines of the ASEAN Summit in Cebu in December. In the event, the Summit was postponed. See Fact Sheets under Coordination and Dialogue above.

In 2007 work continued on implementation of the Plan. A public relations firm was retained to provide training in public speaking and presentations. The first training took place March 20-21 on public speaking in anticipation of Secretariat presentations for the "ASEAN Talks Business" forum (see above). Several firms were interviewed for ideas of short videos to explain ASEAN in conjunction with the ASEAN Youth Caravan planned to begin in May 2007.

Other public relations work included development of a logo with a local firm for the 30th anniversary of the ASEAN-US dialogue, producing related give-away materials, updating the ASEAN-US-Partnership.org website, developing "success stories," and working with the US Department of State on outreach to US Embassies to explain ASEAN activities.

Transnational Crime Sub stream

Counterterrorism/illicit Drugs: The Secretariat has decided to draft a Counterterrorism plan on its own rather than engage an outside expert. The Facility has offered to support with an appropriate ASO, following the normal ASO procedures for recruitment. However, the ASEAN Secretariat has decided not to take up the offer. Assistance on counterterrorism training was deferred pending development of a concrete workplan to implement the ASEAN Convention on Counterterrorism agreed at the January Cebu Summit. Discussions of possible projects included a web-based information exchange mechanism. Any such projects could be taken up under ADVANCE.

The Secretariat requested assistance on a study of the use of illicit drugs, particularly synthetic drugs. The study, which would substituted for the unspecified counterterrorism activity in the Fifth Semi Annual Workplan, would be used as a basis for recommendations to Ministers at their November meeting for deliberation on achieving a drug-free ASEAN by 2015. The Facility has been working with the US State Department to secure clearance of the study while the ASEAN Secretariat requested the UN Office of Drugs and Crime (UNODC) to develop a terms of reference and undertake the study in collaboration with an ASEAN expert familiar with the ASEAN policy setting.

Trafficking in Persons: The Facility had expressed a willingness to support the follow on to a pilot project to generate statistics on the trafficking of persons. The US State Department sought clarifications of the project design and did not have the amount of funds available as anticipated to implement the entire project on the time schedule as initially envisaged.

Financial Market Sub stream

Anti-money Laundering: The UNODC, in collaboration with the World Bank, identified Vietnam, Cambodia and Laos as countries in need of capacity building to combat trade-based money laundering. The Facility developed a draft proposal for workshops on trade-based money laundering to be conducted in each of the capital cities with customs agencies and representatives of the financial intelligence units. The workshops would cover trade-based money laundering techniques, cash smuggling techniques, the development of monitoring systems or indicators to flag suspicious trade transactions, follow up investigations and interviews, reporting systems, collaboration between enforcement agencies responsible for other anti-money laundering activities, and collaboration between national authorities sharing a common border. The proposal has been endorsed by the US State Department and USG interagency committee and submitted to the Secretariat for consideration by the Senior Meeting of Officials on Transnational Crime. As new recommendations on trade-based money laundering may emerge from the Financial Action Task Force (FATF) in the fall, it would seem better to convene the workshop after the FATF meeting. Thus, this project will be deferred to ADVANCE.

Financial Market Liberalization: The Facility engaged a leading financial economist at the Singapore National University to develop an outline for a study on ASEAN financial services liberalization in the context of achieving the ASEAN Economic Community. The expert made a presentation to the Working Group on Financial Market Liberalization at its January meeting. Although the impression in the Working Group was generally positive, the Group decided to postpone the study pending further guidance from Minister's on the objectives for financial services in the AEC. In light of the lack of interest from all Member Countries, this project will not be recommended to be taken up in ADVANCE.

Progress in Achieving Performance Indicators

The performance indicator for this activity stream is increased Secretariat capacity to support implementation of the VAP. The ASEAN-US Facility is measuring progress toward achieving this indicator by tracking the number of Secretariat staff members who receive training designed to increase their capacity to support VAP implementation, through improvements in IT infrastructure, and through semi-annual surveys of senior Secretariat staff.

- 1 The completed management training, the ASO, and IT improvements have increased the Secretariat's capacity to support VAP implementation. To date, over 200 ASEAN Secretariat staff have received training, attended study tours or briefings relevant to their VAP work.

- 2 The diagnostic on the ASEAN Secretariat's IT systems is an important step toward possible effective improvement in the operation of the Secretariat's systems. The spam filter has effectively decreased spam and increased bandwidth used for more important things, thereby impacting productivity. One Secretariat staff member commented that now, he receives "no spam" as result of the spam filter.
- 3 A strategic communications plan is helping to generate support for ASEAN work and momentum to take its work forward in creating an ASEAN Community. The public speaking training has helped ASEAN to more effectively relay their messages.

Appendix A.
ASEAN-US Technical Assistance and Training Facility
Performance Monitoring Framework

RDM/A Strategic Framework A. Improved Regional Governance and Economic Reform/1								
PC 4. Increase participation in global trade and investment								
ASEAN-US Technical Assistance & Training Facility Activity Streams								
Trade Negotiations	Trade-related Coordination and Dialogue	Customs & Trade Facilitation	Investment	Trade in Services	Priority Sector Integration	Strengthened Secretariat Resources	Natural Resource Management	Public Health
ASEAN Vientiane Action Program Directives								
2.12. Economic Relations with Dialogue Partners... efforts will be made to strengthen external economic relations .with major Dialogue Partners...through the establishment of FTAs and Closer Economic Partnerships...promoting the coherence of agreements with major trading partners.	5. 2.Institutional Arrangements...The ASEAN Secretariat will facilitate the consultation process among ASEAN bodies and seek the most efficient modality in setting up the appropriate institutional arrangement at the Program /project level. Approaches and mechanisms to closely involve other ASEAN stakeholders, including the private sector and Civil society must also be addressed.	2.3.5.1 Customs: Integrate customs structures in ASEAN. 2.3.5.2 Rules of Origin: Transparent, predictable, standardize 2.3.2 NTMs: Transparency and removal of NTBs. 2.3.5.3 Standards: accelerate implementation of framework agreement on MRAs... establish specific standards for harmonization of standards... based on existing international criteria.	2.2.ASEAN Investment Area implementation of the AIA will be intensified...liberalization... improve the investment environment...adopt a Strategic promotion program..	2.4.1. Trade in Services...Accelerate regional integration towards creating a single market in services through Progressive liberalization...	2.1. Eleven Priority Integration Sectors...textiles and apparel, ICT, healthcare...a roadmap will serve as the basis for economic integration of each of the priority Sectors.	5.Implementation Mechanisms...Strengthen existing institutions	VAP 5.2 Institutional Arrangements approaches and mechanisms to involve ASEAN civil society. VAP 3.3.9 Freshwater resource: Manage water resources efficiently through integrated water resources management as outlined in ASEAN Strategic Plan of Action on Water Resources Management. VAP 3.1.9.1 Disaster Management: Implement the ASEAN Regional Program on Disaster Management as outlined in the ASEAN Agreement on Disaster Management and Emergency Response.	VAP 3.1.7.1 Preventing the spread and reducing the harm of... infectious diseases. VAP 3.1.7.8 Put into place regional systems, networks and procedures for communicable diseases... surveillance, early warning... VAP 3.1.8 Enhance food safety.
Performance Indicators								
Better prepared ASEAN Member Country trade negotiators.	Improved public-private sector consultation and internal coordination in ASEAN trade-related Policy making process.	Increased harmonization of customs structures; Transparent, predictable rules of origin; Identification and progress to remove NTBs; progress towards harmonization of standards.	Increased effort toward Liberalization and investment facilitation and promotion through improved environment. and regional investment promotion.	Increased awareness of the benefits to ASEAN of liberalizing trade in services.	Progress toward integrating the ASEAN textile and apparel products, ICT and healthcare sectors.	Increased Secretariat capacity to support implementation of the VAP.	Improved ASEAN - civil society organizations (CSO) working relations; Progress toward sustainable management of water resources; Progress in implementing AADMER.	Increased pandemic preparedness on a regional level and improved national programs. Food safety standards set in accordance with best practices.
Measures of Progress Toward Achievement of Performance Indicators								
1. Number of negotiators trained. 2. Number of negotiations.	1. Increased attention to improving intra-ASEAN coordination.	1. Number of AHTN Chapters where progress achieved toward harmonization. 2. Adoption of work plans and progress toward implementing ASEAN Single Window. 3. Movement toward effective, predictable rules of origin.	1. Progress toward implementation of the ASEAN Investment Agreement. 2. Increase in FDI inflows.	1. Number of ASEAN Member Country government and private sector representatives and Secretariat staff trained.2. Number of scheduled commitments and MRAs.	1. Integration road map improved in Phased II and finalized.	1. Number of Secretariat staff who receive training designed to increase their capacity to support VAP implementation. 2 Number of improvements in IT systems and programs.	1. ASEAN – CSO Forum convened and ASEAN - CSO cooperation strategy and mechanisms determined. 2. Strategic Plan furthered through development of selected Project Concepts into full implementable projects. 3. Milestones achieved toward implementing	1. Agreement on principles of effective preparedness and response to a potential pandemic emerging disease; 2. Agreement on a regional framework for emergency response to a possible pandemic; 3. Number of AMCs signing APHIS agreements for

		4. Implementation of work plan to identify NTMs as trade barriers and progress toward eliminating NTMs. 5. Standardization targets established and/or met.					AADMER.	access to US market for fresh fruits and vegetables.
2. Report in surveys of Secretariat staff responsible for trade in goods, services and investment negotiations on the degree of improvement of ASEAN Member Country negotiation skills.	1. Increased attention to improving private sector input.	2. Report in surveys of Secretariat staff and our experts whether progress has been made toward achieving the performance indicator.	2. Report in surveys of Secretariat staff and our experts whether progress has been made toward achieving the performance indicator.	2. Report in surveys of Secretariat staff whether or not support in ASEAN for liberalizing trade in Services have increased.	2. Report in surveys of Secretariat staff, private sector representatives and our experts as to whether progress has been made toward implementing the Integration roadmap.	2. Report in surveys of senior Secretariat staff whether or not progress has been made toward achieving the performance Indicator.	4. Report in surveys of senior Secretariat staff on whether or not progress has been made toward achieving the performance indicators.	4. Report in surveys of senior Secretariat staff on whether or not progress has been made toward achieving the performance indicators.

Attachment B. Status Matrix
ASEAN-U.S. Technical Assistance by Activity Stream—Status Report as of April 30, 2007

Activity Stream	Workplan		TOR		Consultant Anticipated	Activity		ASEC Staff
	Approved	Drafted	ASEAN Approved	USAID Approved		Underway	Complete	
Sector Integration Activity Stream								
Textile Sector Integration								
1	ASEAN Textiles Sector -- Post MFA (Assessment 4)	x	x	x	x	Minor, Werner	x	Azhari
2	ASEAN Textiles Sector -- Post MFA (Training 20)	x	x	x	x	Werner	x	Rillo
3	ASEAN Textiles Sector (Other Activity 4)	x	x	x	x	Minor	x	Azhari
4	Textile Sector Integration Assessment Follow-up (Other Activity 8)	x	Deferred			TBD		Cheen
ICT Sector Integration								
5	Towards an Integrated ASEAN ICT Sector (Policy Study 10)	x	x	x	x	Magiera	x	Vitasa, Cheen
6	ASEAN ICT Activity TBD (Other Activity 7)	x	x	x	x	Magiera	x	Vitasa
7	ASEAN ICT -- Cybersecurity Activity TBD (Training Activity 27)	x	Deferred			TBD		Vitasa
Healthcare Sector Integration								
8	Healthcare Roadmap Assessment (Assessment 8)	x	x	x	x	Alje	x	Cheen
9	Healthcare Roadmap Assessment Workshop (Other Activity 9)	x	x	x	x	Alje		Cheen
Logistics Sector Integration								
10	Logistics Integration: Elements of a Roadmap Concept Paper (Policy Study 13)	x	x	x	x	Cook, Banomyong	x	Vitasa, Cheen
11	Logistics Integration: Elements of a Roadmap Workshop (Other Activity 17)	x	x	x	x	Cook, Banomyong	x	Vitasa, Cheen
12	Logistics Integration Follow Up TDB (Other Activity 18)	x	Deferred			TBD		Vitasa, Cheen
Investment Activity Stream (I)								
13	Investment in Services (Policy Study 2)	x	x	x	x	Magiera	x	Krishnan
14	Supply Chain NTBs (Policy Study 4)	x	x	x	x	USTBC	x	Azhari
15	Supply Chain NTBs (Assessment 1)	x	x	x	x	Lojewski	x	Azhari
16	Investment in Services II (Policy Study 7)	x	x	x	x	Magiera	x	Phuong
17	Determinates of FDI/Doing Business Assessment (Assessment 5)	x	x	x	x	Cassidy, Maxfield	x	Cordenillo
18	Determinates of FDI/Doing Business Assessment (Training Activity 12)	x	x	x	x	Cassidy, Maxfield	x	Cordenillo
19	Best Practices for Investment Promotion Agencies Workshop (Training 24)	x	x	x	x	Lloyd, Creedon	x	Krishnan
20	Skills Development for Investment Promotion (Training Activity 28)	x	Withdrawn			TBD		Cordenillo
21	Investment Promotion Conference (Other Activity 10)	x				TBD		Cordenillo
22	Toward and ASEAN Investment Area: Road Traveled] (Policy Study 8) * moved from Services Activity Stream	x	x	x	x	EWC	x	Cordenillo
23	Toward and ASEAN Investment Area: Road Ahead (Policy Study 14)	x	x	x	x	EWC Yusuf/Wee/Plummer	x	Cordenillo
24	Toward and ASEAN Investment Area (Training Activity 44)	x	x	x	x	Plummer	x	Cordenillo
Customs and Trade Facilitation Activity Stream								
25	Customs (Assessment 3)	x	x	x	x	Torrence	x	Azhari
26	Comprehensive Trade Facilitation Plan (Other Activity 22)	x	x	x	x	Noordin	x	Azhari
AHTN Substream								
27	ASEAN Harmonized Tariff Nomenclature (Policy Study 6)	x	x	x	x	Kappler	x	Le
28	AHTN Part 1 (Training 5)	x	x	x	x	Kappler	x	Le
29	AHTN Part 2 (Training 13)	x	x	x	x	Kappler	x	Le
30	AHTN Part 3 (Training 14)	x	x	x	x	Kappler	x	Le
31	AHTN Part 4 (Training 22)	x	x	x	x	Kappler	x	Le
32	AHTN Part 5 (Training 25)	x	x	x	x	Kappler	x	Le
33	AHTN Part 6 (Training Activity 29)	x	x	x	x	Kappler	x	Quang
34	AHTN Part 7 (Training Activity 30)	x	x	x	x	Kappler	x	Quang
35	AHTN Implementation Seminar (Training Activity 32)	x	x	x	x	Kappler	x	Quang
36	AHTN Implementation Seminar (Training Activity 33)	x	x	x	x	Kappler	x	Quang
37	AHTN Implementation Seminar (Training Activity 34)	x	x	x	x	Kappler	x	Quang
38	AHTN Implementation Seminar (Training Activity 35)	x	x	x	x	Kappler	x	Quang
Single Window Substream								
39	Toward a Single Window TBD (Training 26)	x	x	x	x	Nolle	x	Le
40	Single Window Follow-up TBD (Other Activity 11)	x	x	x	x	Dagang Net	x	Le
Rules of Origin Substream								
41	Rules of Origin Definitions (Policy Study 3)	x	x	x	x	Rosengarden, CSIS-Jakarta	x	Robeniol
42	ASEAN Rules of Origin Strategic Study (Policy Study 11)	x	x	x	x	Rosengarden, CSIS-Jakarta	x	Robeniol
43	ASEAN Rules of Origin Workshop on Strategic Study (Other Activity 13)	x	x	x	x	Rosengarden	x	Robeniol
44	Rules of Origin Follow Up Activity TBD (Other Activity 36) (Workshop on Administrative Issues)	x	Deferred			TBD		Robeniol
Nontariff Measures Substream								
45	NTM Technical Implementation Adviser (Other Activity 12)	x	x	x	x	na	Withdrawn	Phuong/Kenny
46	Assistance to Member Countries to update NTM Inventories (Other Activity 12)	x	na-informal support					Phuong

	Activity Stream	Workplan		TOR		Consultant Anticipated	Activity		ASEC Staff
		Approved	Drafted	ASEAN Approved	USAID Approved		Underway	Complete	
Standards and Conformity Assessment Sub-stream									
47	Work Plan to Implement Harmonized Cosmetic Regulatory Scheme (Assessment 9)	x		Withdrawn		ASEAN Experts TBD			Giang
48	CDER Training for Drug Regulatory Authorities (Training)	x	x	x	x	CDER/FDA		x	Giang
49	Pharmaceuticals: Development of an MRA on Good Manufacturing Practices (Other Activity 23)	x		Deferred		Nemeroff			Giang
50	Regulations on Traditional Medicines and Health Supplements: Publication Assistance (Other Activity 24)	x	x	Deferred		TBD			Giang
51	Harmonized Electrical and Electronic Equipment Regulatory Regime (EEE) (Assessment 11)	x	x	x	x	Underwriters Laboratories/NEMA		x	Giang
Trade in Services Activity Stream (S)									
52	Trade in Services Seminar (Training 2)	x	x	x	x	Self, Waite		x	Vinh
53	Trade in Services "Scheduling Seminar" (Training 15)	x	x	x	x	Self		x	Reyes, Cheen
54	Trade in Services MRA Workshop (Training Activity 36)	x	x	x	x	Self, Stoler		x	Reyes, Cheen
55	Trade in Services Seminar: Scheduling ICT Telecommunications Commitments (Training Activity 37)	x	x	x	x	Magiera		x	Reyes, Cheen
56	Trade in Services Statistical Workshop (Training Activity 39)	x	x	x	x	Abaroa		x	Sutanto
57	Advanced Statistics in International Services Workshop (Training Activity 38)	x		Deferred		Abaroa			Sutano
58	Support of ASEAN Services Forum TBD (Other Activity 37)	x		na - informal support		na	x		Phuong
59	MRAs: Support for Inaugural Meeting of Coordinating Bodies (Other Activity 38)	x		Deferred		na			Phuong
60	Technical Assistance for Statistical Compilers Workshop (Other Activity 26)	x		Withdrawn		BEA			Sutano
61	Services and System of National Accounts (Training Activity 45)	x				IMF			Sutano
Trade Negotiations Activity Stream									
62	Implications of FTAs (Policy Study 5)	x	x	x	x	EWC		x	Azhari
63	Trade Negotiations Training Course (Training 1)	x	x	x	x	Fisher, James		x	Noordin
64	Trade Negotiations Training Course in Vietnam (Training 8)	x	x	x	x	Fisher, Graef, Lojewski		x	Azhari
65	Trade Negotiations Training Course in Cambodia (Training 9)	x	x	x	x	Fisher, Graef, Lojewski		x	Azhari
66	Online Trade Negotiations Training Course (Training 10)	x	x	x	x	Crowe		x	Robeniol
67	Implications of FTAs Methodology Workshop (Training 16)	x	x	x	x	EWC		x	Cordenillo
68	The AEC Defined: Trends and Options (Policy Study 12)	x	x	x	x	Aggarwal		x	Robeniol
69	Trade Negotiations Course Lao July 2006 (Training Activity 40)	x	x	x	x	Graef, Self, Wallar		x	Satyani
70	Trade Negotiations Course (Training Activity 41) (ROO Basics)	x		Deferred		Graef, Fisher			Robeniol
71	Trade Negotiations Advanced Course (Training Activity 42) (ROO Advanced)	x		Deferred		Graef, Fisher			Robeniol
72	Trade Negotiations Advanced Course (Training Activity 43) (Services Policy CLV)	x		Deferred		Graef, Fisher			Hiong
73	AEC Defined: Trends and Options Workshop (Other Activity 14)	x	x	x	x	Aggarwal		x	Robeniol
74	WTO Accession Work Plan: Lao PDR (Other Activity 27)	x	x	Deferred		Self			Robeniol
Trade-related Coordination and Dialog Activity Stream									
75	Intra-ASEAN Coordination and Dialog (Assessment 6)	x	x	x	x	Hillmann, Hathaway, Wallar		x	Phoung
76	Toward More Effective Intra-ASEAN Coordination and Dialog Workshop (Study Tour)	x	x	x	x	Hillmann, Hathaway, Wallar		x	Phoung
77	Toward More Effective Intra-ASEAN Coordination and Dialog Workshop: Study Tour Report (Policy Study 1)	x	x	x	x	Hillmann		x	Phoung
78	Private Sector Consultation in ASEAN: Aggarwal Presentation (Assessment 2)	x	x	x	x	Aggarwal		x	Cordenillo
79	Toward More Effective Private Sector Input in ASEAN Workshop (Training 18)	x	x	x	x	Aggarwal		x	Cordenillo
80	To Improve Private Sector Input in ASEAN: Take Away/Fact Sheets (Policy Study 9)	x	x	x	x	ASEAN Secretariat/PR Team		x	Wong
81	Effective Private Sector Input: Building Tools (Training 21) (Fact Sheet Writing)	x	x	x	x	Alley, O'Leary, Burson Marsteller	x		Wong
82	Effective Private Sector Input: Private Sector Roundtable (Other Activity 5) ASEAN Talks Business	x	x	x	x	Wallar/ Maxfield		x	Cordenillo
83	More Effective Private Sector Input in ASEAN Online Course (Training 19)	x	x	x		TBD	Withdrawn		Robeniol
84	Effective Private Sector Input (Training 23) (AEC Stakeholders)	x				Wallar/ Maxfield			Cheen

	Activity Stream	Workplan		TOR		Consultant Anticipated	Activity		ASEC
		Approved	Drafted	ASEAN Approved	USAID Approved		Underway	Complete	Staff
Natural Resource Management Activity Stream									
85	Water Resource Management Activities TBD (Other Activity 28) (Scoping Studies: Data and Classification)	x	x	x	x	Weinstock/Cadmus	x		Raman
86	Water Resource Management: Risks and Impacts	x	x	x	x	Weinstock/Cadmus	x		Raman
87	Work with NGOs – Developing a Forum on Environment Issues (Other Activity 29)	x	x	x	x	Weinstock/Cadmus	x		Raman
88	Disaster Management Technical Assistance (Other Activity 30)	x	x	x	x	Weinstock/Cadmus	x		Kamal
Public Health Activity Stream									
89	Infectious Disease-Pandemic Preparedness Technical Assistance: Mapping Exercise (Other Activity 31)	x	x	x	x	Soemarjo/Constella Futures		x	Thuzar
90	Infectious Disease-Pandemic Preparedness Mapping Workshop (Training Activity 49)		x			Soemarjo/Constella Futures			
91	Infectious Disease-Pandemic Preparedness Training: Regional Framework Workshop (Training Activity 50)					Soemarjo/Constella Futures			
92	Food Safety: Sanitary and Phytosanitary Measures TBD (Other Activity 32)	x	Pending			APHIS			Somsak
Strengthened Secretariat Resources Activity Stream									
Resource Support Activity Sub-stream									
93	Secretariat Summit Support to Laos (Other Activity 1)	x	x	x	x	NA		x	Sunoto
94	Self Study Course on Proposal Writing (Other Activity)	x	x	x	x	Crowe	x		Sunoto
95	ASEAN Summit Support (Other Activity 33)	x	x	x	x	Villacorte		x	Sunato
96	Human Resources Management Training (Training 11)	x	x	x	x	AMA		x	Sunoto
97	ASEAN Secretariat Associate Officer Programme (Other Activity 2)	x	x	x	x	NA		x	Sunoto
98	Expanded Associate Officer Program (Other Activity 39)	x	x	x	x	NA	x		Gultom
99	Development of VAP Implementation Indicator (Other Activity 15)	x	x	x	x	Ordoubadi	x		Sutanto
100	VAP Implementation Indicator: Additional Expert	x	x	x	x	Ward	x		Sutanto
101	Skills Training (English) Course (Training)		x	x	x	English First		x	Tan
IT Activity Sub-stream									
102	Trade-related Resources on the Web (Training)	x	x	x	x	Maxfield		x	Azhari
103	Searchable Donor Database (Training)	x	x	x	x	STTI, Maxfield		x	Diana Bagus
104	IAI Upgrades: Expansion to the pMS (Other Activity 35)	x	x	x	x	STTI	x		Krishna
105	ARF Unit -- UN Peacekeeping and Diplomacy (Training)	x	x	x	x	Ngoc		x	Abad
106	ARF Unit - ARFnet Web Design (Training)	x	x	x	x	UN		x	Abad
107	Internal Secretariat IT Infrastructure Diagnostic (Assessment 7)	x	x	x	x	RTM, Progressive Networks		x	Ee Khoon
108	Internal Secretariat IT Infrastructure Activity TBD (Other Activity)	x	x	x	x	ETC, Pronet		x	Prihanto
109	Computer to Support ARFnet Dialogue (Other Activity)	x	x	x	x	ACICO		x	Abad
110	ASEAN Secretariat Application Portal Assessment (Assessment)	x	x	x	x	Solusi Infotama		x	Rony Farid
111	ASEAN Secretariat Application Portal: Enhancement Follow-Up (Other Activity)	x	x	x	x	TBD		Deferred	Rony Farid
Public Relations Sub-stream									
112	History of U.S.-ASEAN Relations	x	x	x	x	O'Leary/Maxfield	x		Wong
113	Public Relations Assistance/Strategy	x	x	x	x	Li, Alley		x	Wong
114	Public Relations Assistance/Strategy: Implementation (Other Activity)	x	x	x	x	Alley, O'Leary Burson Marsteller Hello Motion/Alley	x		Wong
115	Youth Video & Caravan (Other Activity)		x	x	x	Alley/BM	x		Suchela
116	PR Training Program (presentations/media communications) (Training)		x	x	x	Alley/BM	x		Wong
117	Web Server Assessment		x	x	x	RTI	x		
118	30th Anniversary Logo & Giveaways (Other Activity)		x	x	x	Alley	x		Wong
Transnational Crime Sub-stream									
119	Counterterrorism Consultancy (Other Activity)	x	x	x	x	Lim		x	Roy
120	Trafficking in Persons Data Collection Technical Assistance (Other Activity)	x	Insufficient Funding			OIM			Sunoto
121	Counterterrorism Plan (Policy Study)	x	Withdrawn			TBD			Roy
122	Counterterrorism Training (Training Activity 46)	x	Deferred			TBD			Roy
123	Counterterrorism Follow-up TBD (Other Activity) (Study on Illicit Drugs)	x	x			UNODC			Roy
Financial Market Sub-stream									
124	Anti-money Laundering/Counterterrorist Financing Workshop (Training)	x	x	Deferred		TBD			Hafidz
125	Financial Market Risk Management (Training)	x	Withdrawn			TBD			Yuen
Total		118	101	96	95		22	72	125