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# Evaluation of ASEAN Regional Program

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**PART ONE**

**EXECUTIVE SUMMARY,  
PROJECT IDENTIFICATION SHEET, AND  
MAJOR CONCLUSIONS AND RECOMMENDATIONS**

## EXECUTIVE SUMMARY

### PROBLEM AND OVERVIEW

The Association of South East Asian Nations (ASEAN) is a regional organization formed in 1967 by the governments of Indonesia, Malaysia, the Philippines, Singapore, and Thailand. Brunei joined ASEAN in January 1984, and its role in the organization has still not been defined. Brunei is not considered a part of ASEAN for the purpose of this evaluation. ASEAN was created to promote regional cooperation. The member countries are of substantial importance to the United States. As a result of their stabilizing influence in Southeast Asia, their trade with the West, their growing investment opportunities, and their humanitarian treatment of refugees, the viability and economic growth of ASEAN countries are in the U.S. interest.

Three of the five countries have on-going AID bilateral programs. Supplementing these with regional development efforts can offer a cost-effective means to deal with some of the development problems of the individual member countries. The types of programs that can be undertaken at the regional level include human resource development and technology transfer.

### U.S. ASSISTANCE

The U.S. government began its assistance program to ASEAN in FY 1979, following the advent of the ASEAN-U.S. dialogue initiated in 1977. The purpose of this assistance is to respond to ASEAN requests for specific development projects that promote regional cooperation to improve the institutional capability and regional character of institutions located in the ASEAN region. Emphasis is on maximizing the transfer of technology, promoting private enterprise, and developing alternative sources of energy.

AID's initial assistance to ASEAN consisted of a \$105,000 grant to finance the preparation and design of several project proposals. Since then, there has been a rapid build-up of AID-financed ASEAN regional projects. Two projects were launched in FY 1979; the Asian Institute of Technology (AIT) Scholarships Program and the Institute of Southeast Asian Studies Economic Research Program. The former was to provide 250 scholarships for graduate degree training at AIT. The latter was to sponsor fellowships to conduct research on economic problems of the region.

Three more projects began in early FY 1981. Two of these, the Agriculture Development and Planning Center and the Plant Quarantine Project, were to establish new institutions for training and research. The third provided technical and financial assistance for technology transfer in energy.

Two projects were started in FY 1982. The first was another scholarship program, this one oriented toward tropical medicine and public health. The second project was another energy project with three components: a coal utilization seminar, research in energy conservation for buildings, and research in alternative energy technology for water pumping. In FY 1983, a watershed project was started that will develop a center for research and technology exchange. The most recent project, the Small and Medium Business Improvement Project, was started in February 1984, to provide assistance for technical and management training and to undertake research to identify key problems and develop new strategies to assist small- and medium-scale businesses in the region.

Actual obligations through 1983 have amounted to just over \$17 million. Project commitments are now planned to reach \$5 million annually in FY 1985.

#### PURPOSE AND METHODOLOGY OF EVALUATION

Since the inception of the program, there has been no overall assessment of program administration and achievements. Accordingly, after four years of implementation, the Asia Bureau called for a review.

A two-person evaluation team visited the ASEAN countries over one-month in January-February 1984. The team interviewed key U.S. government and ASEAN member government officials in each country and visited project sites. The evaluation was to concentrate on issues of program management and development impact.

#### FINDINGS

The team found that the program operates well, despite the difficulty of planning and implementing projects through the ASEAN committees and expert groups that only meet two times per year. The program appears to be successfully promoting regional cooperation. The projects generally appear to be effective in achieving the planned objectives. The main focus to date has been on human resource development. Those finishing training remain in the region, and most use their skills for important development purposes. The new centers established by the project provide quality services that are appreciated by the member countries, but the viability of the centers has yet to be tested.

## PROJECT DESIGN AND POLICY IMPLICATIONS

The AID resources available for program management appear to be too thin. Many critical tasks are assigned to one person who, due to illness or leave, may create a vacuum during important program implementation periods.

## RECOMMENDATIONS

The program should be continued at planned levels. No increase should be made until ASEAN develops better management systems. AID should provide back-up support for the currently assigned program management positions. Projects should be reviewed in Washington using regular development assistance criteria and funding. A basket project should not be used for future project activities.

## PROJECT IDENTIFICATION SHEET

Countries: The Association of South East Asian Nations region - Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

Project Title: ASEAN Regional Program

Project Number: 498-0258  
498-0272  
498-0277

Project Dates: First project - April, 26, 1979  
Funds budgeted through 1989 - no termination date.

Project Funding: All grant funds - total authorized for existing projects: \$25,480,000. Counterpart funding varies by project.

Mode of Implementation: Grant to host government or host institution, depending on project.

Project Design: Program has general guidelines - design depends on individual project.

Responsible Mission Officials:

- ASEAN Liaison Officer - Donald N. Melville
- Project Officer - varies with each project

Previous Evaluation and Reviews:

None for program but one individual project was evaluated (AIT scholarships). Evaluations are scheduled for other projects.

## MAJOR CONCLUSIONS AND RECOMMENDATIONS

### EFFECTIVENESS OF AID's ASEAN PROGRAM MANAGEMENT

#### Design and Approval Process in AID and ASEAN

##### Conclusions

The project design and approval process is complicated due to procedures used in both AID and ASEAN. The result has been that some projects have required considerable time and effort from all parties to start up. ASEAN does not have an operational secretariat to conduct business, so most of the work is done by committees at semi-annual meetings. This results in frequent delays in decision making. AID's project design support has been thinly managed by AID/Washington, which is too far from field operations to provide adequate personnel resources and timely decisions effectively.

AID has not provided the ASEAN secretariats and committees with adequate communication and guidance on financial limitations and development objectives for project formulation.

##### Recommendations

- A basket project should be considered as a substitute for project development and support funds to provide resources to the ASEAN liaison officer (ALO) for project development. This would take pressure off of ASIA/DP for ASEAN project development support and give the ALO more flexibility and a capability for more timely response to ASEAN initiatives. Where feasible, support from the USAID missions in the region should be increased to reduce dependence on Washington for project development officers and technical specialists for project design work. This will require travel support for the USAID personnel and careful scheduling so that there is minimal interference with USAID bilateral responsibilities.
- The proposed ASEAN projects should be more related to USAID projects, so that the missions will have more interest in supporting them.

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- A basket project (that is, ASEAN Regional Program Support) should not be used for project funding but only for project development support. The team believes that ASEAN projects should undergo review in Washington in accordance with the process already established. This will enable Washington staff to be more familiar with the program and will keep projects in line with development assistance (DA) criteria.
  - The ALO and USAID staff should provide informal assistance to the ASEAN committees so the projects ASEAN proposes are in line with AID objectives and criteria. When an ASEAN committee or expert group meets to formulate a project, an AID representative should be on call at the meeting site to provide this assistance.
  - AID should provide project criteria to ASEAN that will set parameters on the types of projects that will be acceptable, in terms of both substance and development strategy. The functional criteria should be those used for DA projects (such as food and agriculture, health and population, energy, and technology transfer). The strategy criteria should describe the means to be used (such as institution building, human resource development, or private sector involvement). For both functional and strategy criteria, parameters should be as clear as possible. For example, institution-building projects should be formulated with a termination point, after which the institution should be self-supporting or have other donor support. Training should be within the region for a specified percentage of the trainees.
  - Regional projects should provide benefits that cannot be obtained in a bilateral program. For example, when one country has a technical superiority, a regional project may facilitate sharing of the technology among the other ASEAN members. For training, there is an economic benefit from sharing institutional capabilities among the countries, rather than each country trying to develop its own high quality capability in every field. A regional project would promote this type of educational system.

### Project Implementation System in AID and ASEAN

#### Conclusions

ASEAN management of project implementation has generally been good. The project managers have been of high quality and have performed well. The steering committees for the on-going projects have generally provided oversight and decision-making functions in an efficient manner.

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AID management of project implementation suffers from too few people making decisions from too far away. The management role is concentrated in Washington, with one field person responsible for all of the projects. Nonetheless, the projects have had relatively few problems, especially as a result of the exceptional effort made by the ALO to cover the projects and good support from the few personnel resources available.

### Recommendations

- The projects should be structured to work as independently as possible from the ASEAN bureaucracy. Each project should include technical assistance for project monitoring to reduce the effort required by the ALO to track implementation.
- Responsibility for operational decisions, during project implementation should be delegated to the ALO. Important policy decisions should remain in Washington. To the extent possible, the ALO should draw on technical assistance from the USAID missions without direct involvement of Washington. The missions should be encouraged by ASIA/AA to support the regional program. At meetings of the ASEAN region mission directors, the ALO should report on the status of existing and planned ASEAN projects. Representatives of the embassies in Malaysia, Singapore, and Brunei should also attend. Travel support should come from the basket project.
- For monitoring of project activities in countries without a USAID mission, travel support should be provided for USAID personnel, embassy personnel, and contractors as required. This support, when project specific, should come from project funds, and when non-project specific, from the basket project.

### Program Financial Levels and Funding Sources

#### Conclusions

Despite strong interest in ASEAN for an expanded program level and regional development needs that could absorb it, AID/Washington and the USAID directors did not express support for expansion. Their support appeared to be behind the traditional bilateral programs, and they perceived the regional program to be a potential drain on their bilateral resources. The management needs for an expanded program are beyond the capability of currently allocated personnel resources. The ASEAN system remains too disjointed to allow for an expanded, yet cost-effective AID ASEAN program.

Loan funding of the ASEAN program does not appear to be feasible at present as the ASEAN countries would be unwilling to accept joint liability, especially for non-commercial activities. If grant funds were not used for ASEAN, they would not automatically go to a bilateral program that has more demonstrable development needs.

The ASEAN program has political value, but it is implemented with a development orientation and DA criteria are used. If the program were funded with Economic Support Fund (ESF) dollars, it would still be for projects with a development intent. However, according to an April 1983 General Accounting Office report, "Political and Economic Factors Influencing Economic Support Fund Programs," the ESF funding would eliminate the mandate to use DA criteria and the development impact could be reduced. The program provides economies of scale and a sharing of resources for development that bilateral programs cannot offer. The value of having this program for the three countries with bilateral programs is strong enough to offset the amount of program resources that necessarily go to the two countries that do not qualify for bilateral assistance.

### Recommendations

- Until the ASEAN system is improved and a permanent secretariat is available to work effectively with AID program management, the AID program should be maintained at the current \$5 million per year level.
- The program should continue to use DA criteria for project selection and DA grant funds until a means of using loan funds on a regional, joint-liability basis can be found.

### REGIONAL COOPERATION

### Conclusions

Many, but not all, of the AID ASEAN projects contribute significantly to promotion of regional cooperation. They provide for a sharing of technical information through seminars and information networks. Training programs allow participants from different member countries to know one another and form informal networks for future cooperation. This cooperation was apparent to the evaluation team.

The benefits of many of the projects appear to be shared among the member countries. Thailand has hosted the most projects and has received the most benefit, while the other two AID-assisted countries, Indonesia and the Philippines, have benefited more than Singapore and Malaysia.

AID is helping but not leading the move toward more regional cooperation through ASEAN. Other donors began earlier and play a significant role. Much of the spontaneous cooperation is occurring in the private sector, but this is not attributable to AID.

### Recommendations

- AID ASEAN projects should focus on promoting regional cooperation through development of information networks, seminars, regional centers, and other joint activities.

## ACHIEVEMENT OF PROGRAM OBJECTIVES

### Institution-Building Impact

#### Conclusions

The AID ASEAN program's institution-building activities are similar to those of the former Regional Economic Development Office (RED) program. Both helped to create new institutions for regional cooperation. However, the ASEAN program has a smaller budget, works through a counterpart organization, and plays less of a leadership role.

Many of the RED-supported institutions continue to operate with donor support. The ASEAN program supports two of them, the Asian Institute of Technology (AIT) and the Tropical Medicine and Public Health Project.

AID ASEAN institution-building support shows considerable success under current project operations. The potential for continued, viable operations lies with the ability to secure a broad donor base. The ASEAN countries do not appear ready to support regional institutions financially, with exception of the host country.

A critical element in the strength of the AID-supported institutions is leadership. Both the Plant Quarantine Project (PLANTI) and the Agriculture Development and Planning Center have capable leaders. The PLANTI director is the dominant force in his center. The projects may not fare as well without this exceptional talent.

The ASEAN members want their own regional institutions and networks identified with the ASEAN title rather than those of the Southeast Asia Ministers of Education Organization and others based on a more broadly defined Southeast Asia.

### Recommendations

- Future regional projects oriented toward institutional development should be linked to existing national institutions.
- The ability to exist without AID support should be a more explicit part of the project plan. Project support should be phased out over a predetermined schedule and be stated in the project documentation.

AID should work closely with other donors to help develop a broader donor base for important regional institutions.

All AID ASEAN institution-building projects should have counterpart funding related to each country's participation. This should also include travel costs for participant training.

### Technology Transfer Impact

#### Conclusions

The training activities in the program have, in general, provided a high quality of education at a lower cost than can be obtained in the United States. The subjects have been appropriate to AID development priorities (ASEAN has not proposed any), and the people trained have almost all stayed in the region to apply their new skills for development. Tracer studies show that these people hold positions that generally will allow them to use their skills effectively.

Technology exchange through information sharing has not yet become an important part of the program but will become so when the second energy project finishes and the Small and Medium Business Improvement (SMBI) and watershed projects start up.

### Recommendations

- The participant training components of the program should be viewed as stages in the evolutionary development of ASEAN support. The initial scholarship projects were a combination of institutional support and human resource development. However, this general support for participant training should evolve to support for the institutions by using them for specific bilateral and regional project requirements.

## Private Sector Development

### Conclusions

In the SMBI project, direct development impact on the private sector appears likely from the TECHNINET training program. The Asian Institute of Management has the potential to set up a service to provide direct benefits to targeted businesses. The Institute of Southeast Asian Studies research program can provide indirect benefit if the research results can be communicated well to policy makers. The two energy projects can provide technology transfer of the private sector, but this is not an important component of the project. The AIT scholarships program will have a development impact as many of the graduates are expected to move into the private sector after they finish their government service obligation. The other projects do not have a private sector orientation, and the impact is indirect at best.

The Center for Technology Exchange has not yet been planned in enough detail for an adequate assessment to be made. The general response from interviews was that the center can provide some real and needed benefits, but doubt was expressed about the means that have been suggested to achieve this.

### Recommendations

- To the extent that private sector development impact is a priority objective to the ASEAN program, it should be built into projects in general and not just be dealt with in isolated, specific private sector projects.

## DEVELOPMENT IMPACT AND BENEFIT INCIDENCE

### Conclusions

The development impact of the ASEAN program, in terms of AID's priority beneficiaries, is largely indirect due to the nature of regional assistance. The benefit of regional projects is to provide assistance in ways that are not cost-effective for each country individually to develop and maintain on national level. The regional activities are mainly to develop the institutions, human resources, and technology that, in turn, can be applied directly to the target beneficiaries.

**PART TWO**  
**PROGRAM CONTEXT**

## HISTORY OF AID SUPPORT FOR REGIONAL INSTITUTIONS

### The Asian Institute of Technology

The Asian Institute of Technology (AIT) was started with support from the U.S. Agency for International Development in 1959. While other donors also helped AIT in its early years with scholarship support and faculty secondment, AID provided comprehensive assistance, including coverage of construction and operating costs. AIT, which was set up as an independent institution in Thailand, has grown into a major regional center for graduate study and research in a wide range of technical subjects. At present, 82 donors support AIT. Among them are Thailand, providing over \$1 million in support in 1983, and even Indonesia and the Philippines, with small but meaningful contributions of \$34,000 and \$24,000 respectively.

### The International Rice Research Institute

AID also played a key role in the founding and early support of the International Rice Research Institute (IRRI) in the Philippines. Unlike AIT, IRRI was established in association with, and located at, an existing national university, the University of the Philippines at Los Banos. IRRI has received support from many donors over the years. Both AIT and IRRI serve more than just the Southeast Asian region. AIT has students from 23 countries, and the results of IRRI's research are applicable worldwide.

### The Regional Economic Development Office

In 1967, the Regional Economic Development Office (RED) was established in Bangkok. It was staffed by AID but operated independently of USAID/Thailand. The director served concurrently as the embassy's counselor for regional affairs. RED was responsible for projects that assisted more than one country, focusing on the development of regional institutions of

the 10 target countries: Indonesia, Kampuchea, Korea, Laos, Malaysia, Philippines, Singapore, Taiwan, Thailand, and Vietnam. Most of the institutions were oriented toward Southeast Asia and did not include Korea and Taiwan. Among the institutions were:

- Mekong Project. AID was one of the many donors for this, one of the world's largest development projects. The project tried to maintain an apolitical environment among the four riparian countries but could accomplish little as a result of military activities and inter-governmental hostility. The Mekong Secretariat still operates in Bangkok.
- The Southeast Asia Ministers of Education Organization (SEAMEO), which was founded in 1965. Starting in 1967, the RED program helped SEAMEO develop a number of regional institutions by providing funding for capital costs and operational support. Some of these institutions were attached to existing universities or public agencies (the IRRI model), while others were set up as independent centers (AIT model). Many of these institutions had their main headquarters in one country but branches in other countries to create a network. The SEAMEO institutions were:
  - Regional English Language Center (RELC) in Singapore;
  - Southeast Asia Regional Center for Graduate Study and Research in Agriculture (SEARCA) at Los Banos in the Philippines;
  - Regional Center for Education in Science and Mathematics (RECSAM) in Malaysia;
  - Tropical Medicine and Public Health Project (TROPMED) Central Coordinating Board located in Thailand;
  - Regional Center for Educational Innovation and Technology (INNOTECH), first located in Vietnam but later moved to the Philippines; and
  - Regional Center of Tropical Biology (BIOTROP) in Indonesia.

The SEAMEO institutions have received support from other donors and have been dependent on this support since RED ceased operations in 1976. However, this support has dwindled to the point where many of these institutions are now struggling to survive. BIOTROP has lost all of its foreign donor support and

now barely exists with Government of Indonesia funding. Representatives of the Indonesian government told the team that since SEAMEO no longer comprises the eight original member countries but only the five Association of South East Asian Nations (ASEAN) countries, a move is under way to make SEAMEO and its institutions a part of ASEAN. This would create more support for the institutions both within the region and from foreign donors.

Some of the other institutions supported by RED were:

- Southeast Asian Agency for Regional Transportation and Communications Development (SEATAC), in Malaysia;
- Southeast Asia Fisheries Development Committee (SEAFDEC), in Thailand, Singapore, and Malaysia;
- Inter-Governmental Coordinating Committee (IGCC) in Malaysia, for regional cooperation in family and population planning;

The evaluation team did not research the current status of these organizations.

### RED and ASEAN

The institution-building objectives and strategy of RED were similar to those of the ASEAN program. Two of the ASEAN program institutions -- AIT and TROPMED -- were supported by RED. A third, the Center for Watershed Development, is located at Los Banos, close to IRRI and SEARCA. This center, the Agriculture Development and Planning Center (ADPC) in Thailand, and the Plant Quarantine Project and its center (PLANTI) in Malaysia are the new creations of the ASEAN program. All three are located at universities.

There are some major differences between the RED and the AID ASEAN programs, however. ASEAN, although first created for economic cooperation, has taken on a political function and has

developed a strong organizational spirit among the member countries. This creates a loosely structured counterpart organization for AID that can better promote institution building. It also defines the AID program more and changes AID from a leader to a respondent. The RED program, which avoided working with ASEAN, had a more powerful leadership role in institution building. RED had a larger budget, a big staff, and managed its own program. Within the AID bureaucracy, it had a status equal, if not greater, to that of the USAID missions. Currently, the ASEAN program is managed from Washington and has a status below that of the USAID programs.

### Host Government Support

Although the RED program provided leadership in institutional development, it worked closely with participating governments and looked for the closest fit with their technical and development interests. Each SEAMEO institution was located in a country in which there was strong interest in that particular field. The result was good host-country support and interest in continuity. Centers that were attached to universities could be absorbed by them. Yet the governments in the region display a continuing need for outside assistance. Self-sufficiency for regional institutions is not likely to occur in the near future.

### Donor Support

Donors can provide two types of support. One is to use the institution's services for training and research. By funding scholarships and research, donors allow the institution to earn revenue in return for its services. The other type of support is for operations. This can come from a cash grant, secondment of faculty, supply of equipment, and other forms of technical assistance. AIT receives support in all of these forms. The broader the donor base, the more stable and secure the institutions will become.

## Political Stability

The earlier Southeast Asian organizations were composed of eight countries, and membership was based mainly on geographic location and not political interest. This helped to reduce the effect of political stress on the institutions. However, the growth of ASEAN as a political entity in search of cooperative activities to call their own affects the earlier organizations. ASEAN appears stable, but political stress could have a direct effect on the viability of the organizations. Since ASEAN is not taking joint liability for them, their long-term survival will depend more on eventual host-government support and the donor base.

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DEVELOPMENTAL AND POLITICAL PURPOSES OF THE  
AID-SUPPORTED ASEAN PROGRAM

AID Perceptions

Within AID, there is a diversity of views about the purposes of the ASEAN program. Most AID personnel see it as mainly political. Some feel that it is forced on AID and should be kept as small as possible. They view the projects as different from other AID projects and accept them only to the extent that they can be kept unobtrusive, in regard not only to Washington review and backstopping but also to bilateral program involvement. The bilateral programs are generally viewed as much more important than the regional program.

Some senior AID officials, in a number of different offices, value the small ASEAN program for the benefits that can be derived from regional activities. The team found no AID officials who favored its expansion. All were conscious of the number of personnel slots for the program and saw this as a more important limitation than the amount of money the program used.

USAID mission directors generally see the regional program as beneficial for development and express support for it. They are not interested, however, in seeing the program expanded or in providing additional support from their missions. The evaluation team perceived some wariness on the part of the mission directors that the regional program could become more competitive for scarce AID resources and control of in-country activities. Part of this attitude may stem from the earlier experience of the RED program, which had a status equal to the bilateral programs.

State Department Perceptions

Although senior officials in the East Asia Bureau of the State Department cite the program as highly political, they stress its importance for development. The evaluation team was told that the program would not have strong State support if the developmental benefits were not included. Officials see this small program as having a strong political impact because of its development success and the appreciation it receives for the interest the United States shows for ASEAN by funding a program of this type.

The State Department sees the program as a means to strengthen regional cohesion. The ASEAN region is of major importance to the United States for the following reasons:

- It occupies a strategic geographic position, straddling major sea lanes;
- ASEAN has a stabilizing influence in Southeast Asia;
- The member countries have moderate forms of government, which embody many democratic forms and principles and promote private enterprise and encourage foreign investment;
- ASEAN is a major trade partner with the industrialized countries of the West, particularly the United States, the European Community, and Japan. It is major supplier of raw materials (about \$77 billion in 1981) and a major importer of commodities and technology (about \$74 billion in 1981);
- Exports to the United States reached an estimated \$14 billion (about 20 percent of total) and imports \$12 billion (about 12 percent of total);
- U.S. direct investments in ASEAN now total about \$5 billion and are growing at an average of 10 percent per year. The United States is the largest foreign investor in Singapore and the Philippines and second to Japan in Indonesia and Thailand; and
- Its cooperation is essential in matters pertaining to the Indochina refugee program.

Based on this political and economic climate, the political objectives of the ASEAN program are focused on the maintenance of moderate governments that allow:

- Substantial economic freedom;
- More equitable distribution of social and economic benefits;
- Maintenance of healthy trade relationships;
- Maintenance of a cohesive viable regional entity capable of exerting a stabilizing influence in Southeast Asia; and
- Maintenance of free access to major sea lanes and base rights.

#### Development Objectives

The objectives of the AID ASEAN program are based on AID's overall development objectives. No country development strategy statement (or similar instrument) has been developed for the program, and no detailed strategy has been mapped out. The general objectives are to improve regional institutional capabilities, accelerate technology transfer, and maximize the role of private enterprise in the development of the region.

## DESCRIPTION OF ASEAN AND ASEAN PROJECTS

### Creation of ASEAN

ASEAN was officially founded in August 1967. It was created to strengthen regional cohesion and self-reliance through economic, social, and cultural cooperation. Its members are Indonesia, Malaysia, the Philippines, Singapore, and Thailand.

For the first nine years of its existence, ASEAN was generally inactive as a result of differing economic interests and fragile political ties. In 1976, the first summit conference was convened in Indonesia and resulted in the signing of the Declaration of ASEAN Concord. This declaration, which is aimed at promoting cooperative activities in industry, trade, and other fields, is the major constitutional base for ASEAN cooperation.

### Political Utility

In 1978, ASEAN's political utility was illustrated by the member countries' joint stand condemning the Vietnamese invasion of Kampuchea. An important factor in the strength of ASEAN has been the harmony in foreign affairs among its members. However, this harmony is being tested in early 1984 by Indonesian expression of support for Vietnam and by renewed Philippine interest in territorial claims over Sabah.

### Meetings of Foreign Ministers

The principal decision-making body for ASEAN is the annual June meeting of the five foreign ministers. They also meet on other occasions as needed. In June 1979 Secretary of State Vance met with the ASEAN foreign ministers in Indonesia. The secretary of state has met each subsequent year with the foreign ministers except in 1982, when a deputy secretary made the trip.

The foreign ministers' meetings are supplemented by periodic senior official meetings and meetings of the ASEAN Standing Committee, which are convened as needed and chaired by the foreign minister of the host country who meets with the four ambassadors to the host nation.

### Meetings of Economic Ministers

The ASEAN economic ministers usually meet twice a year. Their decisions on economic matters are referred to the foreign ministers for final approval. Five of the eight functional committees report to the economic ministers.

### ASEAN Secretariat

The ASEAN Secretariat is located in Jakarta. The member governments have been reluctant to delegate any significant responsibility or authority to it. Almost all of the business of ASEAN is accomplished either in the meetings described above or in meetings of the eight functional committees. In mid-1982, a task force was organized to study the future role of ASEAN and recommend organizational changes. The report, which recommends a wide range of changes to improve ASEAN management, has circulated among the member governments. The general response appears to be negative toward any substantial increase in Secretariat activity.

### Functional Committees

The functional committees meet twice a year. Although there is no permanent secretariat for the committees, the chairman of each committee serves as a contact point and his government agency acts as a secretariat. The level of activity of the government agency to provide this service depends on the interest of the chairman. The organizational structure of ASEAN and the

names of the eight committees can be found on Figure 1. Of the eight committees, those that have active projects in the AID program are COFAP, COIME, COST, and COSD.

The functional committees are further broken down into expert groups, which also meet twice a year. The expert groups assist in project formulation. Once a project is approved by a committee, however, a steering committee is responsible for its implementation.

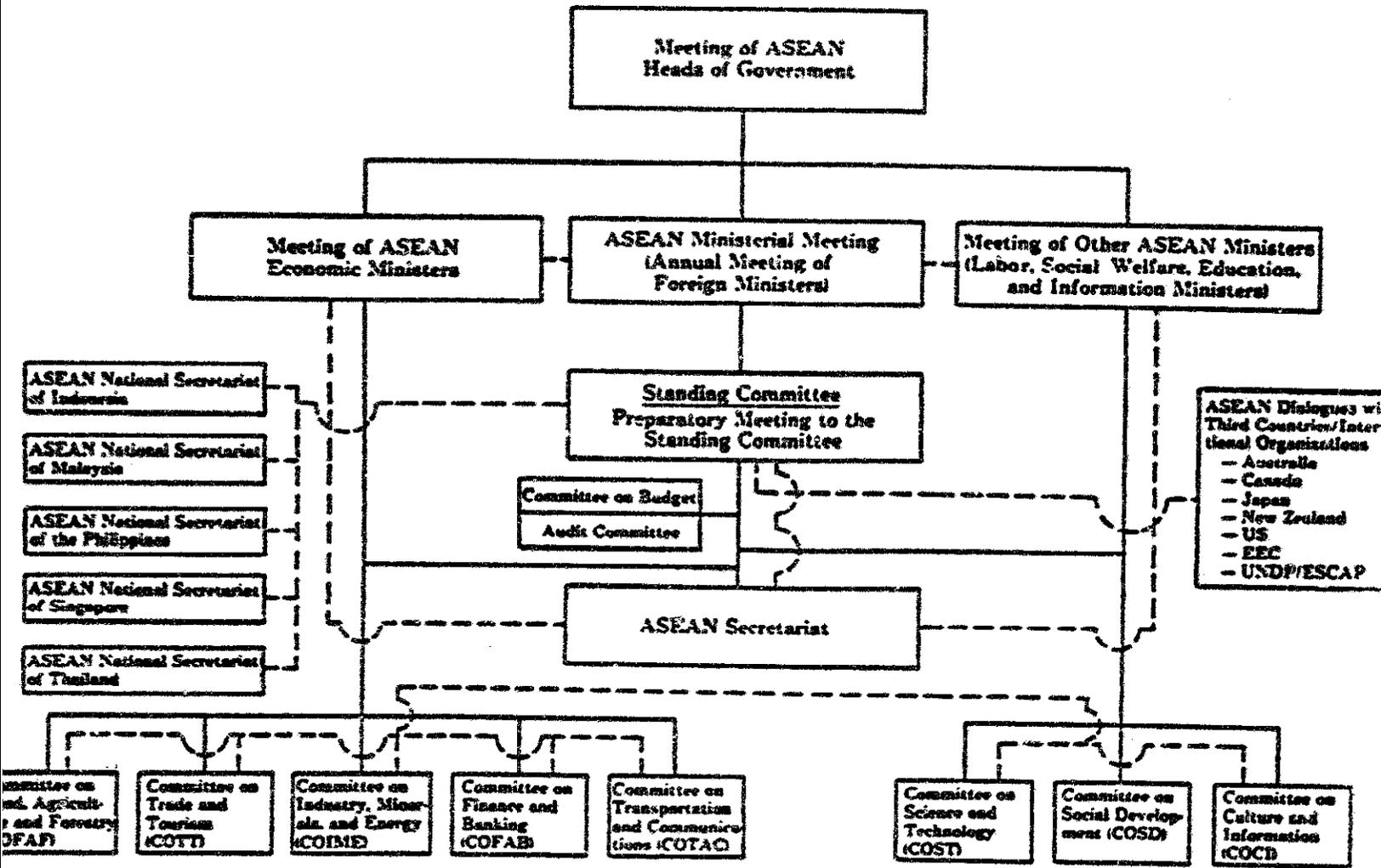
### National Secretariats

The role of each member government is organized by a national secretariat headed by a director general of ambassadorial rank. The national secretariat is located in the Ministry of Foreign Affairs. Each national secretariat is assigned responsibility for one or more donor countries or organizations. The formal relationship between ASEAN and the donor is through the national secretariat and is organized by periodic meetings called dialogues. There are seven ASEAN dialogue relationships -- Australia, Canada, Japan, New Zealand, United States, European Community, and UNDP/ESCAP.

The dialogue partner of the United States is the Philippines. The evaluation team heard mention of a possibility that dialogue partners would eventually rotate. The team was told that a personnel problem in the national secretariat in Manila has had an adverse effect on the U.S. bilateral program but that the situation appears to be much improved.

FIGURE 1

Organizational Structure of ASEAN



Legend:  
 — : Line of Responsibility  
 - - - : Information / Coordination Line

ASEAN-U.S. Dialogue

The ASEAN-U.S. dialogue began in September 1977 in Manila. The dialogues have rotated between Manila and Washington. The second dialogue was held in August 1978, the third in September 1980, the fourth in March 1982, and the fifth in December 1983. The State Department intends for the dialogues to be held on an annual basis.

The ASEAN-U.S. dialogue covers a wide range subjects of mutual concern, including trade matters and investment policies. During the dialogue, a working group meets to discuss development cooperation. At the Fifth Dialogue, the status of ongoing projects was discussed and ASEAN requested assistance for additional projects. These were:

- ASEAN Crops Post-Harvest Program;
- ASEAN Fish Quarantine Project;
- Trust Fund for Science and Technology;
- ASEAN Science and Technology Week;
- Five proposals on mental health;
- Training of Sports Coaches and of Sports Promotion and Recreation Officers;
- Training in Consultancy Service by Elderly Professionals;
- Familiarization of Senior Broadcasting Personnel and Journalists
- Urban Redevelopment and Conservation of Historic Sites and Buildings;
- Cooperation in Shipping; and
- ASEAN-U.S. Cooperation in Finance, Banking, and Insurance.

Depending on the proposal, the United States responded in one of three ways. It said that the proposal would be favorably considered, would be referred to a government agency for assessment on how the United States can cooperate in a useful way, or would be referred to the private sector.

### U.S. Development Assistance Program

#### Year One

The U.S. development assistance program began in 1979 with a \$105,000, eight-month project to help ASEAN design agriculture projects.

Two full-scale projects were started in 1979. The ASEAN/AIT Scholarships & Research Project (498-0258.04), with implementation scheduled from July 1979 to July 1986 and a life-of-project grant of \$3,125,000. This project is to provide graduate degree training for 250 people in specified fields of engineering at AIT.

The second project started in 1979 was the ASEAN/ISEAS Economic Research Fellowships Program (498-0258.10), with implementation scheduled from July 1979 to July 1983 and a life-of-project grant of \$850,000. This project was to undertake economic research on regional matters related to development. The project was implemented by the Institute of Southeast Asian Studies (ISEAS) in Singapore.

#### Year Two

Three projects were started in 1980. The first was the ASEAN Agriculture Development and Planning Center (498-0258.11), with implementation scheduled from August 1980 to May 1985 and a life-of-project grant of \$3 million. This project is to strengthen the

agricultural development planning capability of the ASEAN member countries. The project is being implemented through the Government of Thailand.

The second project was the ASEAN Energy Activities Project (498-0258) with implementation scheduled from September 1980 to December 1982 (extended to June 1984) and a life-of-project grant of \$500,000. This project is to develop the professional capabilities of ASEAN energy specialists and improve technical information exchange both within and outside the region. The project is implemented through AIT in Thailand.

The third project was the ASEAN Plant Quarantine Project (498-0258.12), with implementation scheduled from September 1980 to September 1985 and a life-of-project grant of \$5.4 million. The purpose of this project is to establish an ASEAN Plant Quarantine Institute and Training Center, thus providing expertise and facilities to prevent the introduction and spread of plant pests in the region and leading to increased food and cash-crop yields. The project is being implemented in Malaysia.

### Year Three

One project was started in August 1981 and scheduled to terminate in August 1986. This project, ASEAN Health Scholarships (498-0258.07), initially had a life-of-project grant of \$3 million, but this amount was reduced to \$1 million. The project is to improve the quality of the rural poor's health and nutrition by providing training opportunities for health personnel in ASEAN countries. The project headquarters is in Thailand, but implementation is in all the ASEAN countries with the exception of Singapore.

#### Year Four

In 1982, one project was started. This project, ASEAN Energy Cooperation in Development (498-0272), is scheduled from March 1982 to March 1985 with a life-of-project grant of \$1 million. The project is to support ASEAN programs to substitute coal in the power sector, increase the efficiency of energy use in buildings, and develop and apply alternative energy systems for water pumping. Indonesia is the host country, but implementation is also in Malaysia and Singapore.

#### Year Five

In 1983, one project was started. The ASEAN Watershed Program (498-0258.13) is scheduled from July 1983 to July 1988 with a life-of-project grant of \$2.5 million. The project is to start a watershed management research network among ASEAN countries and to coordinate research in participating agencies and institutions to relate to the common theme: watershed management research for productive uplands, with emphasis on soil erosion reduction and improved water quality, quantity, and distribution. The host country is the Philippines.

#### Year Six

The most recent project, ASEAN Small & Medium Business Improvement (498-0277), started in February 1984 and will terminate in FY 1989. The life-of-project grant is \$6 million. The project is to enable ASEAN small and medium businesses serve better their national and international markets by:

- Better training of owners and managers; and
- Directly addressing their problems through research and technology transfer.

The project is implemented by two institutions in Singapore and one in the Philippines.

A project called ASEAN Regional Program Support is to be used as a basket project. It will provide an assistance delivery mode that allows AID the flexibility to undertake a comprehensive program consisting of a variety of activities directed at specific objectives in pursuit of the ASEAN regional strategy of enhancing policy dialogue between the United States and ASEAN. This project is intended to support project development activities and finance the continuation of existing projects as well as the new project. For this purpose, a grant of \$1,250,000 has been allocated for FY 1984, \$1,855,000 for FY 1985, and \$4 million for each subsequent year. Some of this money has already been earmarked for supporting extensions of existing projects.

NATURE AND IMPACT OF ASEAN ASSISTANCE PROGRAMS  
BEING CARRIED OUT BY OTHER MAJOR DONORS

Major Areas of Donor Interest

The Australian program has focused on food handling and other food and agriculture projects, although energy, population, and joint technical research are also important components. Australia also has a trade and investment component in its ASEAN assistance program.

The Canadian program stresses agriculture, fisheries, forestry, and energy. Within this program, human resource development is a major theme. Participant training is done mostly in Canada.

Concerning the United Nations Development Programme (UNDP), the older ASEAN projects are mainly in the areas of transport and communications, pharmaceuticals, trade, and tourism. Among the newer projects are an information exchange system on technology transfer and assistance for agricultural project planning, monitoring, and evaluation. UNDP provides some institutional support but insists that it be time bound.

The European Community's ASEAN program is oriented toward food production and supplies, rural development, education, and training. Among the major projects are one in scientific and technical cooperation and another on post-harvest technology.

The main emphasis of the New Zealand program is on agriculture, with livestock and forestry in the forefront.

For Japan, the major focus is industrial development, with the remainder of its program oriented toward human resource development and cultural activities.

### Level of Assistance

The Japanese program is by far the largest among the ASEAN donors, with the bulk of the program in loan support for large industrial projects. The loan totals \$1 billion. Grants include support for youth scholarships (\$10 million) and a cultural fund (\$23 million). ASEAN officials have requested a grant of \$100 million for human resource development. The Japanese have expressed interest, but the level of funding has not yet been decided.

The next largest program is that of the Australians. This program was started in 1974 with a commitment of \$5 million; in 1977 it was increased to \$15 million. At present, the annual expenditure level is about \$12 million and total expenditures through 1983 amount to about \$40 million. The Australian minister for foreign affairs recently announced a new commitment to ASEAN of \$30 million to facilitate extensions to ongoing projects and to fund other new initiatives. The Australians have tended to continue their support for their institutional development projects rather than setting strict termination dates for them.

The U.S. program is the third largest, while the fourth in size is the New Zealand program with about \$23 million spent to date. The evaluation team was not able to learn much more about the European Community's program because the program managers were not available for meetings. The UNDP program has a \$7.5 million commitment to ASEAN for 1982-1986.

### Program Management

The management structure and style of each donor program differ. For Japan, its dialogue partner is Indonesia and the Japanese deputy chief of mission at Japan's embassy in Jakarta manages the program in the field. He is assisted by two embassy

officers who handle most of the management tasks. They do not travel much but depend on their embassy personnel and ASEAN officials in other countries to provide management support.

The Australians use a similar system. They have a liaison officer assigned to Kuala Lumpur (Malaysia is their dialogue partner) who manages the program and travels extensively to monitor activities and maintain communications with the committees and expert groups. In 1983, he spent 36 weeks traveling in the region. Most ASEAN officials contend that the management of the Australian program is flexible compared with that of the U.S. program. The Australians leave a relatively large portion of project decisions to ASEAN officials. The Australian projects are contracted to ASEAN by use of a memorandum of understanding signed by each country. Amendments are made by an exchange of letters.

The New Zealand program is managed by an embassy officer in Singapore. The evaluation team did not have an opportunity to talk with this person or any other New Zealand officials.

The European Community program is managed by its representatives in Bangkok.

The UNDP program is managed by a deputy resident representative in Bangkok, who devotes about one-half of his time to the program and is assisted by junior staff members. Management tasks in each country are performed by the resident representative or his staff. All of the resident representatives from the region were present at the February 1984 UNDP-ASEAN Dialogue. The program manager said that he was interested in setting up a monthly review meeting in Bangkok with the director general of Thailand's ASEAN national secretariat. He foresees considerable junior staff involvement in these meetings.

The Canadian program is managed by an embassy officer in Manila. The ASEAN program has one planner and one implementation person who work out of Ottawa. Canada has major bilateral programs in Thailand and Indonesia, but the ASEAN program is not made to fit these. The program is viewed basically as political rather than developmental.

### Effectiveness of Other Donor Programs

The evaluation team was not able to obtain reliable information on these programs regarding effectiveness of development impact. Some of the projects appeared impressive, whereas no project was identified as ineffective. The Canadian program manager thought that her program was not effectively managed because of inadequate management resources. Although the Japanese program is the largest and industrial projects appear to be well received, the Japanese are generally seen as more interested in projects that help Japan, and their approach to development assistance is not greatly appreciated.

### Summary

The evaluation team learned little about the other donor programs that can be applied to the AID program. While the other donors have fewer management controls, not enough reliable information could be obtained to judge whether projects were effective using this type of system. The AID program is the third largest in size. The \$1 billion Japanese loan makes that program by far the largest. The UNDP and Australian programs cover a broad range of development activities, with some of their projects in areas different from those of the U.S. program. The majority of donor projects are concentrated in agriculture, forestry, energy, and technology transfer. Many of the projects are oriented toward institutional support and human resource development.

**PART THREE**  
**ISSUES ANALYSIS**

## EFFECTIVENESS OF AID'S ASEAN PROGRAM MANAGEMENT

### THE DESIGN AND APPROVAL PROCESS IN AID AND ASEAN

#### Findings

##### ASEAN Proposals Compared with AID Objectives and Needs

The intended process in AID for project identification has been to respond to priority requests from ASEAN for assistance. In practice, the ASEAN requests are not assigned priorities, do not necessarily match AID development objectives, and have generally been many times more costly than AID budget levels would permit.

ASEAN proposes general project ideas at the annual U.S.-ASEAN dialogue. This is the official forum in which to make proposals. Until the last dialogue, ASEAN had proposed expensive projects -- for example, \$52 million, \$57 million, and \$100 million. The watershed project was originally proposed at \_\_\_ million and the SMBI project at \$100 million. AID responded with far lower figures. ASEAN has apparently realized that AID is unwilling to fund costly projects. At the last dialogue in December 1983, the ASEAN proposals were financially more acceptable to AID.

According to officials in a number of ASEAN national secretariats, proposals made at the dialogues with donor countries and multilateral organizations are selected for specific donors according to perceptions of interest and capability. The officials contend that the proposals are made to one donor at a time and not presented to another donor until the first has rejected them. This appears to be a loose system, however, as similar proposals have been circulated. The ASEAN officials were amenable to cooperating informally in project identification before a proposal is presented at a dialogue.

### AID Initiation of Project Ideas

In the early years of the program, the ASEAN liaison officer (ALO) and the director of ASIA/ISPA in Washington worked quickly to get some projects under way. Because ASEAN was not then requesting projects that AID could quickly or easily approve and implement, AID identified and initiated the early projects.

The ALO and short-term consultants worked with the appropriate committees and host governments to design the projects. Two projects that were started in 1979, at AIT and at ISEAS, were initiated by AID. Since then, there has been a mixture of projects initiated by AID and by ASEAN. For those project ideas initiated by ASEAN, the original proposal was generally of a much larger scope and scale than AID was ready to handle. AID used the proposal to identify within the broader framework a more defined piece of the overall plan. The ALO estimates that AID initiates about 65 percent of the project ideas, while ASEAN initiates about 35 percent.

### ALO Interaction with ASEAN Secretariats and Committees

The ALO has developed a working relationship with all of the ASEAN secretariats and the functional committees more relevant to AID. This has facilitated informal dialogues on potential project ideas. The ALO will suggest that some of ASEAN's project ideas not be pursued with AID because they would not fit AID objectives or technical capabilities. While he has given advice to ASEAN officials on AID priorities and criteria, these have not been well worked out for the ASEAN program (in contrast to bilateral programs), and the ASEAN secretariats and committees have not had adequate guidance to develop proposals that are appropriate for AID. The result has been the committees' expenditure of considerable time and effort in preparing

proposals that AID rejects. The United States has found itself in an uncomfortable position of refusing requests in a formal dialogue and causing delays in project formulation.

### ASEAN Project Formulation Process

The ASEAN functional committees formulate project proposals to submit to donors at dialogue meetings. A member government will propose a project to a committee. For COST, the evaluation team was told that when a project is first proposed to the committee it is simply noted. At the next committee meeting six months later, the proposal is given to an expert group for assessment. It is at the third meeting that COST will review it. Each committee schedules two meetings per year. COFAF devotes one meeting to new projects and the next meeting to projects already proposed. Since the committees meet so infrequently, projects can take a long time to get started. There is no permanent secretariat for the committees beyond a skeleton staff at the secretariat in Jakarta. Most of the committee work is done at the semi-annual meetings.

The committees assign the technical work to expert groups that meet for three to four days twice a year. After the committees approve the recommendations of the expert groups, the technical proposal is sent to the ASEAN economic ministers for approval and finally to the Standing Committee (representatives of the foreign ministers) for its approval. Approval at all levels is by consensus. There are exceptions to this system, however. Recently, an expert group prepared a proposal and, before the committee could meet, it was submitted to a donor in a formal dialogue with the agreement of the directors general.

### Ways to Speed Approvals

Since ASEAN administration is by committee and committees meet infrequently, the project formulation process is long. It can also be cumbersome if changes have to be made after a meeting

has ended. According to ASEAN national secretariat officials in four of the five countries the evaluation team visited (no meeting in Malaysia), the committees can make changes without formal meetings. They can communicate by telephone, telex, and letter. This informal process can help speed project approval if a donor so requests. Although the expert groups and committees meet privately, consultants and donor liaison officers are welcome to be available at these meetings for advice. In cases where this has occurred (with AID and other donors), the resulting project proposal reflected the donor's requirements.

The ASEAN Secretariat in Jakarta has requested guidance on AID design format to facilitate ASEAN project formulation. The evaluation team requested USAID/Indonesia to provide it with a copy of AID guidelines for preparation of project identification documents and project papers.

#### AID Project Design Process

The AID project design process for ASEAN has caused many project delays. Part of the problem is that much of the ASEAN program is managed from Washington. The ALO provides guidance to Washington on project design needs, but communication between Washington and the field is often inadequate to provide full understanding at both ends. The result is that some design teams have come from Washington not fully prepared or with inadequate skills to do the job required. Some of the delays stem from the infrequent meetings of the ASEAN committees. Others, however, are caused by the difficulty in managing the program from afar and the paucity of staff in Washington available to work on ASEAN program activities.

#### Problems Designing the Watershed Project

The ASEAN watershed project design process started in 1979 with an ASEAN workshop funded by AID. The first design team visited the region a year later. The reason given for the delay

was that the PLANTI project design was being completed. The design consultants produced a concept paper but not a full project design. The concept paper was sent to ASEAN in February 1981. In May, COFAF approved the program and designated the Philippines as the focal point. In December, an AID team visited the Philippines to assess technological capabilities. In January and February 1982, a project identification document was developed by ASEAN with USAID/Philippines assistance and was approved by AID/Washington in March. In August, a project design team prepared a project paper. In November, the AID Project Review Committee rejected it. In March 1983, the final design team revised the project paper, and it was approved by AID in June. The project was finally signed in mid-1983.

#### Delays in Planning the Marine Sciences Project

Another project taking a long time to get started is the Marine Sciences Project. This project was proposed by ASEAN in the 1982 dialogue. The proposal was for work in tides and tidal phenomena. AID could not make a contribution in this area. The National Oceanic and Atmospheric Administration was requested to study the proposal and development needs in the ASEAN area and to develop project ideas that could be implemented within the ASEAN program. Three different projects were identified, and were submitted to COST in mid-1983. The COST expert group met in January 1984 and decided to request all three projects, with the understanding that AID could then decide to fund one or more of them. Since it is difficult for ASEAN to establish priorities, the projects have equal status. The next step is for the expert group to report its decision to COST (which does not have anything more to decide because the overall project had already been approved by the committee and the technical details are left to the expert group). COST will then inform the United States through the dialogue partner.

Problems in Start Up of the Second Energy Project

Another project that was delayed in getting started was the second energy project (Asia Regional Energy Cooperation in Development), although the design approval process was quick. In January 1981, Asia Bureau representatives visited all five countries to develop a concept for the project. The preliminary report was submitted to ASEAN in February. COST approved the report's proposal in March, and the ASEAN Standing Committee approved the COST decision in June. The project paper was completed in August.

The problem arose when the grant agreement was ready to be signed. This was the first AID ASEAN project that was to be signed by a host government but implemented using both AID and counterpart funds in three separate countries. Indonesia is the host government and was given the AID grant agreement to sign. The contract was one used for bilateral programs and made Indonesia fully liable for counterpart funds and implementation, although project activities were also planned for Singapore and Malaysia. Indonesia would not sign the agreement until the wording was changed to reduce its liability. It took approximately four months for AID to resolve this contracting problem and another three months for Indonesia to report the agreement to COST and receive approval.

Involvement of State Department

The review process in Washington is influenced by the strong involvement of the State Department as a result of its political interest in the program and its joint role with AID in the ASEAN dialogue. State occasionally identifies ASEAN projects it wants AID to implement because of perceived political or economic considerations, but these projects do not necessarily fit within AID's priorities or mode of operations. These include some small

seminars and other activities such as a planned Science and Technology Week in Singapore. For the larger projects, the involvement of State in the review process has not been a major problem for AID.

### AID Project Review Process

Several of the most senior AID officials in Washington expressed a desire to see ASEAN projects reviewed fully in Washington so that they meet AID criteria and that AID/Washington staff are exposed to them. The review process requires an APAC review and AA/ASIA approval for both the project identification document and project paper for ASEAN projects involving obligations of \$500,000 or more in the initial or any subsequent year, or \$1 million or more over the life of the project. (This was the same as bilateral projects until recently, when fully delegated Asia Bureau missions were given authority to approve project papers up to \$20 million.) The project paper can be modified to include a detailed project proposal prepared by ASEAN, but the ASEAN capability to do this has not yet been developed. Projects under the above funding levels can be approved through an expedited review track whereby the review is based on an action memorandum prepared by the originating office and submitted to AA/ASIA for approval.

### AID/Washington Project Design Responsibility

Two offices in AID/Washington have taken on project design responsibilities: ASIA/TR and ASIA/PD. The former has taken a strong interest in energy projects, and the chief of ASIA/TR/EFE has indicated that the effort expended in designing them was cost-effective. ASIA/PD has had responsibility for the design of a number of the projects. The person responsible for most of this work said that his involvement was due more to personal interest and that he hoped to be available, but this could not be assured for future design efforts.

## AID Criteria for Project Design and Approval

General criteria are used for project design and approval, and appear to be based on overall AID guidelines and the perceptions of the individuals involved in the process rather than a systematically developed and publicized list. The ABS for the Asia Regional Program (of which ASEAN is a part) for FY 1985 does not identify AID's ASEAN program objectives as guidelines for future projects. Instead, the objectives reflect the projects that are already being implemented. The evaluation team did not find, however, that this lack of criteria resulted in projects that were at odds with AID's general guidelines or beyond AID (or PASA) capability to implement. The major problem in not setting criteria is that ASEAN has not known what to expect from AID regarding ASEAN's proposals. In addition, AID reviews are hampered by the dependence on individual perceptions of policy, resulting in conflicts between offices and confusion about the merit of various project strategies and objectives.

### Conclusions

The project design and approval process is complicated because of procedures used in both AID and ASEAN. The result has been that some projects have required considerable time and effort from all parties to get started. ASEAN does not have an operational secretariat to conduct business, so most of the work is done by committees at semi-annual meetings. This results in frequent delays in decision making. AID's project design support has been thinly managed by AID/Washington, which is too far from field operations to be effective in providing adequate personnel resources and timely decisions.

AID has not provided the ASEAN secretariats and committees with adequate communication and guidance on financial limitations and development objectives for project formulation.

Recommendations

A basket project should be considered as a substitute for project development and support funds to provide resources to the ALO for project development. This would take pressure off of ASIA/DP for ASEAN project development support and give the ALO more flexibility and a capability for more timely response to ASEAN initiatives. Where feasible, support from the USAID missions in the region should be increased to reduce dependence upon Washington for project development officers and technical specialists for project design work. This will require travel support for the USAID personnel and careful scheduling so that there is minimal interference with USAID bilateral responsibilities.

The proposed ASEAN projects should be more related to USAID projects so that the missions will have more interest in supporting them.

A basket project (that is, ASEAN Regional Program Support) should not be used for project funding but only for project development support. The team believes that ASEAN projects should undergo review in Washington in accordance with the process already established. This will enable Washington staff to be more familiar with the program and will keep projects in line with development assistance criteria.

The ALO and USAID staff should provide informal assistance to the ASEAN committees so the projects ASEAN proposes are in line with AID objectives and criteria. When an ASEAN committee or expert group meets to formulate a project, an AID representative should be on call at the meeting site to provide assistance.

AID should provide project criteria to ASEAN to set parameters on the types of projects that will be acceptable, in terms of both substance and development strategy. The functional

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criteria should be those used for development assistance projects (such as food and agriculture, health and population, energy, and technology transfer).

The strategy criteria should describe the means to be used (institutional building, human resource development, or private sector involvement, for example). For both functional and strategy criteria, the parameters should be clear. For example, institution-building projects should be formulated with a termination point, after which the institution should be self-supporting or receive other donor support. Training should be within the region for a specified percentage of the trainees.

Regional projects should provide benefits that cannot be obtained in a bilateral program. For example, when one country has a technical superiority, a regional project may facilitate sharing of the technology among other ASEAN members. For training, there is a benefit from sharing institutional capabilities among the countries rather than each country trying to develop its own high quality capability in every field. A regional project would promote this type of educational system.

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## THE PROJECT IMPLEMENTATION SYSTEM IN AID AND ASEAN

### Findings

#### ASEAN Project Management

Project implementation has proved to be less complicated than project design and approval in the AID-ASEAN relationship. Within ASEAN, once a project has been approved for implementation (approval requires not a detailed project design or budget proposal but a general description of strategy), it is assigned to a steering committee within the functional committee responsible for the project. The steering committee can meet as needed to deal with major project decisions. Also, members of the steering committee can be contacted by telephone, telex, or letter if important decisions have to be made quickly. For regular operational matters, the host government will have decision-making responsibility. The evaluation team did not find any serious implementation problems that were a result of this administrative system.

#### ASEAN Communication Channels

Some minor problems have arisen when the project manager must communicate with a participant in another ASEAN country. The official channel would be to notify the ASEAN national secretariat. It will notify the national secretariat involved which in turn notifies the appropriate government agency; the agency then notifies the participant's institution (if it is not the agency itself). Eventually the participant is notified. AIT found that this system took so long that the participant occasionally received notice too late to make adequate preparations to participate. AIT has now adopted a system whereby it notifies the participant's institution (or participant) at the same time as the ASEAN national secretariat.

## System for Selecting Training and Research Participants

Both AIT and ISEAS have had a problem obtaining the best possible candidates to participate in their programs. The problem stems from the role of the ASEAN national secretariats (that is, the ministries of foreign affairs) in candidate selection. The criteria these ministries use are different from those that AIT and ISEAS would like to see used. This problem is more related to political considerations, however, than to strictly bureaucratic procedures.

### AID Program Management

AID's project administration has been more problematic. Much of the problem stems from the Washington location of the program's management. This is compounded because the field representative -- the ALO -- covers all five countries out of Manila, yet draws on technical resources from Washington. The evaluation team found a number of implementation problems that resulted from inadequate communication between the field and Washington. It appears that the distance between Washington and the field representative as well as between him and the project locations hamper efficient implementation. The result is poor information in Washington about action that is needed and an inadequate, improper, or late response.

This problem is made even more difficult by the number of U.S. agencies outside of AID that have been involved in project implementation or have been potential project implementers. This has further extended the communications channels and added more bureaucracy to already complicated procedures.

For several years, the ASEAN program had both a liaison officer and a program officer. The position of program officer had not been planned, but resulted from an unusual personnel assignment situation. The position was abolished at the end of FY 83, leaving one person responsible for the program. The

secretary (a host country national) to the ALO was subsequently promoted to be the ALO's program assistant. She is responsible for office operations when the ALO travels.

This limit on personnel to manage the program led to the ALO's proposal that a contractual project liaison officer assist him with the management and monitoring of new major projects. This arrangement has been built into the two newest projects. The ALO also proposed that an IDI and a foreign national contract employee assist him with overall program management. The IDI position was not approved, but the foreign national contract employee is the former secretary.

In addition, the ALO proposed that an ASEAN Regional Support Project be planned to support a wide variety of activities within the parameters and funding authorization of a single project. This was to save AID/Washington and ALO staff time for the design and approval process and provide capacity for flexible and prompt response to ASEAN needs. Funding for extensions of existing projects could come from this project, and progressively, all new ASEAN regional activities would be subsumed under it.

Before April 1983, the ALO had submitted narrative reports on project implementation semi-annually. Since then, he has used the regular project implementation reporting system, which calls for more frequent and systematic reporting. May 1983 marked the first submission of an ABS exclusively for the ASEAN Regional Program. However, the operational expense component is excluded since it is part of the ABS of USAID/Philippines.

## Embassies' Role in Program Management

In the two countries in which there is no USAID mission, the ASEAN projects receive assistance from U.S. embassy officials. These embassies are familiar with project activities, with the respective ASEAN national secretariats, and with host government agencies involved in the ASEAN programs.

Although the embassies are interested in supporting the projects, their capability to provide full support is inadequate. The embassies do not have the technical resources necessary to do this. The technical support has been provided by regional AID officers in Manila and by Washington. This lack of an in-country USAID support capability has been a problem for only one project, the second energy project. The water pumping component of this project is to be implemented in Malaysia. It has not yet begun operations due to difficulties in obtaining U.S. contractor services. Problems have also developed because no technical person was nearby to work with the Government of Malaysia on the details of the operational plan.

The USAID missions in the three AID-assisted countries are not officially part of the regular U.S.-ASEAN administrative process, although they assist on an as-needed basis when time and resources permit. The embassies in these countries have played an important role in the ASEAN development cooperation program. Officers from these embassies are familiar with their respective projects and with host-government officials involved in the ASEAN program.

## AID Implementation Problems

Some of the implementation problems the evaluation team has found are:

- Continuing delays in identifying a contractor and getting a contract signed for the water pumping project in Malaysia;

- The wrong signals from USDA for a training program for PLANTI in containerization that had to be delayed after participants had made plans to leave; and
- Confusion in the field about responsibility for management of the second energy project.

### Unclear Management Responsibility for Energy Project

The lines of responsibility for management of the second energy project, as outlined in the project paper, are unclear. In one part of the project paper, the ALO is to act as coordinator, communicating between COST and AID/Washington, while the USAID/Indonesia energy adviser is to monitor the three sub-projects (in Indonesia, Singapore, and Malaysia). However, in another section of the project paper, the ALO is responsible for coordination with USAID/Indonesia and the Indonesian implementing agency, and is to manage the project activities in the other two countries (leaving Indonesia to the energy adviser in Jakarta). One way that this has been resolved is that the energy adviser in Jakarta was not given a travel budget, whereas the ALO has the funds to visit all project sites.

### Role of the ASEAN Liaison Officer

While responsibility for project management resides in AID/Washington, the ALO is responsible for field management. His office is in Manila, since the Philippines is the U.S. dialogue partner. The ALO is responsible not only for the on-going projects in the five countries but also for identifying and planning new projects. These tasks require frequent communication with each of the ASEAN national secretariats, ASEAN functional committees, expert groups, USAID missions, and U.S. embassies. He must maintain contact by visits as well as by telephone and mail.

## Project Resources for Coordination and Management

Some of the on-going projects have built-in resources for assisting the ALO to oversee implementation. The second energy project was a poor example of this. The PLANTI project had a technical adviser who was also to act as project monitor. However, he did not perform this job satisfactorily. The SMBI project gives the job of project management to the ALO but has a budget item for coordination. However, the scope of work for initial project coordination has the contractor prepare the plan for the new Center of Technology Exchange and, as time allows, undertake five specific coordination tasks. This does not ensure adequate coordination because this function is put in a subordinate position. The ASEAN watershed project has a major budget item for a U.S. project liaison specialist.

## AID/Washington Management Resources

As technical backstop for the project, ASIA/TR has assumed a major role in managing the energy project. According to the energy officer, this is because of his strong interest in the project and a long history of involvement in the energy activities of the region. As a result, his involvement in project management is efficient and effective. Because much of this stems from the capability of one person, the success of this management lies in his continuing availability. When he is absent from his office, little can be done or it may not be done correctly.

Project management for the ASEAN program in Washington is generally assigned to ASIA/PD, with technical services to be provided by ASIA/TR and other offices depending on the nature of the project. Project and program management from Washington, with some minor delegation of authority to the ALO, are hampered by the small number of persons in Washington who are familiar with the program and therefore capable of making timely and

effective decisions. The evaluation team found one person in ASIA/PD and one in ASIA/TR to be familiar with a number of the ASEAN projects. If these two persons were absent from Washington when responses were required, delays could occur. Some other people had knowledge of one or two projects. On numerous occasions, the ALO has received cables from Washington indicating a serious lack of knowledge or understanding about the project in question.

The contact point in AID/Washington for ASEAN is ASIA/ISPA. The ASEAN desk officer has changed frequently over the life of the program. A new desk officer took charge, in January 1984, but was replaced by another in February. Previous officers were responsible for both the Asia Regional Program and the South Pacific Regional Program. The officer who was in charge in January also was the assistant country officer for Indonesia. The officer who replaced him is the country officer for Thailand. Therefore, only a small portion of his time is devoted to ASEAN.

#### Positive Features of Program Management

Although problems have affected projects, they have not been of major consequence to the overall program nor do they threaten to jeopardize it. The program functions well, despite these inherent weaknesses. Much of this success results from:

- An energetic and aggressive liaison officer;
- Capable and interested ASEAN project managers;
- Selection of projects that require minimal management support from AID;
- Continuing interest in ASIA/TR to provide technical support; and
- Strong support from AID regional officers in Manila.

Conclusions

ASEAN management of project implementation has generally been good. The project managers have been of high quality and have performed well. The steering committees for the on-going projects have generally provided oversight and decision-making functions in an efficient manner.

AID management of project implementation suffers from too few people making decisions from too far away. The management role is centered in Washington, with one field person responsible for all of the projects. Nonetheless, the projects have had relatively few problems, especially because of the exceptional effort made by the ALO to cover the projects and good support from the few personnel resources available.

Recommendations

The project should be structured to work as independently as possible from the ASEAN bureaucracy. Each project should include technical assistance for project monitoring to reduce the effort required by the ALO to track implementation.

Responsibility for operational decisions during implementation should be delegated to the ALO. Important policy decisions should remain in Washington. To the extent possible, the ALO should draw on technical assistance from the USAID missions without direct involvement of Washington. The missions should be encouraged by Washington (ASIA/AA) to support the regional program. At meetings of the ASEAN region mission directors, the ALO should report on the status of existing and planned ASEAN projects. Representatives of the embassies in Malaysia, Singapore, and Brunei should also attend. Travel support should come from the basket project.

For monitoring of project activities in countries without a USAID mission, travel support should be provided for USAID personnel, embassy personnel, and contractors as required. This support, when project specific, should come from project funds; when non project specific, from the basket project.

## PROGRAM FINANCIAL LEVELS AND FUNDING SOURCES

### Findings

Concerning the ASEAN dialogue partners, the United States is the third-largest donor, after Japan and Australia. The U.S. program had grown to \$6 million in 1982 but was reduced to below \$5 million in 1983 and 1984. In assessing the need for changes in the level of funding, the evaluation team examined the following points:

- Ability to use funds already allocated;
- Future program plans in Washington and in the field;
- Perception and interest of ASEAN officials;
- Regional development needs; and
- ASEAN capability to absorb increased funding effectively.

### Ability to Use Funds Already Allocated

The ASEAN program began in 1978 with proposals from ASEAN for many types of projects. Some were designed and implemented quickly, whereas others experienced long delays. The delays were not a major financial problem. AID was not prepared to implement all the ASEAN proposals at once. The ASEAN program budget allocations were conservative, and projects had to be pared down to available funding levels. For example, the Health Scholarships Project was originally planned for more than \$2 million but had to be cut down to \$1 million. There was no problem using the money that was there.

The major constraints appear to be the structure of ASEAN program management and the effort it takes for AID to design and implement projects within this structure. The system is demanding, and AID has been hard pressed to handle it with existing personnel resources.

### Future Program Plans

The East Asia Bureau of the State Department would like to see the program expanded, in terms of both overall budget and range of activities. AID/Washington has shown limited interest in the program, and its officials seem content to see the program remain at current levels. The ALO is enthusiastic about the prospects for the ASEAN development program and would like to see the budget expanded. The USAID mission directors generally support the program in its current size and do not urge its expansion. The ambassadors and economic and political officers are positive about the program, but their interest in program expansion is unclear.

### Perception and Interest of ASEAN officials

The ASEAN officials all want to see the program expanded. However, they have reservations if the expansion depletes the bilateral programs. The officials are familiar with the ASEAN policy that regional projects are not to be at the size of bilateral programs. However, they are unfamiliar with the budget process in AID and the degree to which regional projects affect the budget levels for bilateral programs. It was not clear to the evaluation team how fungible these budgets are.

### Regional Development Needs

Priority development needs of the member countries differ, but human resource development appeared to be a common theme in meetings with the ASEAN secretariats. Another theme was technology transfer. Both of these, depending on the type of training and technology, benefit from regional facilities. Assistance is desired in such fields as agriculture, fisheries, post-harvest technology, high technology, energy, and small- and medium-scale industries.

### Capability to Absorb Increased Funding

There is resistance in AID to increasing the number of personnel allocated to this program. While most of the AID ASEAN projects appear to be well managed and the ASEAN committees are willing to be flexible, the ASEAN administrative system is disjointed and requires a strong effort from AID to maintain communication and keep track of planned and on-going projects. The program is manageable only as a result of an energetic and capable ALO. An expanded program would require additional personnel support.

### Development Assistance Funds versus Economic Support Funds

Since AID ASEAN program support began, all of the assistance has been in the form of development assistance (DA) grants. The choice of grants over loans was made because ASEAN project agreements must be signed by a host government on behalf of ASEAN since ASEAN is not a juridical entity. Since no formal agreement exists among ASEAN countries to share in the liability for these projects, the signatory country is fully liable. The host government can make a commitment for its own counterpart support, but it cannot commit the others. If loan assistance were used, it would be to benefit more than the host country and would logically be repaid by all participating countries. Yet a loan agreement could not be signed jointly.

One major problem with separate country agreements is that each one would be listed separately by AID and reported separately to Congress. This would be a complicated and time-consuming approach and had not been discussed with ASEAN members. This level of cooperation and joint responsibility appears to be more than ASEAN can accept at this time.

The Japanese \$1 billion loan for large industrial projects uses a system of joint equity and liability for each project. The host government holds 60 percent of the equity, while the other countries combined hold 40 percent. However, these are direct income-generating projects that have been carefully assessed for viability. The U.S. development projects have a long-term, indirect return on investment that is more difficult to assess.

Some argue that grant funds are scarce and their use should be decided strictly on the potential for development impact. If in fact the ASEAN program has more of a political than a developmental rationale, and if the development needs of ASEAN are less important than those of a grant-short country such as Bangladesh, then the funds should be used where the development need is greater. The ASEAN program, if undertaken for mainly political reasons, should be supported by DA funds. The merit of this program should be judged against other political programs and not developmental ones. The funding source for these political projects should therefore be the Economic Support Fund (ESF).

This argument is logical but assumes that appropriations are fungible and ESF support can be clearly differentiated from development. It was the opinion of the Asia Bureau's general counsel that if dollars appropriated to ASEAN were not used for ASEAN, they would not necessarily be available for a country or region with a greater development need.

ESF provides economic aid to promote economic or political stability in areas in which the United States has special security interests. The evaluation team found little support for using ESF in the ASEAN program, although ASEAN is of political importance to the United States and the program is strongly supported by the State Department. The reason is that ESF is used for purposes related more to security than to promotion of regional cohesion. Former Assistant Secretary for East Asia,

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John Holdridge, who is currently the U.S. ambassador to Indonesia, thought that ESF to be inappropriate to use in the ASEAN program. While he and other State Department officials viewed ASEAN support as politically important, they also saw it as important in terms of development.

Approximately one-third of ESF dollars are for projects. A recent General Accounting Office study of ESF that found 13 countries had received ESF and DA assistance and that for four of these countries the ESF assistance was for projects. The major difference between DA and ESF projects is that only DA need be in the following functional areas:

- Agriculture and rural development;
- Population and health;
- Education and human resource development; and
- Energy and other development problems.

The ASEAN program follows the functional criteria for DA assistance. No interest was expressed in State in seeing this change. However, there is some interest in seeing more flexibility for a few small seminars or other activities.

Another area of concern is the qualification of the ASEAN countries for DA assistance, which generally shuts off when a country's per capita income exceeds about \$1,200. There are some exceptions such as Jamaica (\$1,260) and Costa Rica (\$1,820). Among the ASEAN countries, Malaysia and Singapore have per capita income levels of \$1,857 and \$5,743 respectively. The other three countries are all recipients of DA bilateral assistance. The regional program could not exclude Malaysia and Singapore. If, as concluded in other sections of this report, the ASEAN program provides benefit through economies of scale and sharing of resources, the impact per dollar is considerable. It was also found that the three bilaterally assisted countries are receiving more benefits per country than the other two.

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## Conclusions

Despite strong interest in ASEAN for an expanded program level and regional development needs that could absorb it, AID/Washington and the USAID directors did not express support for expansion. Their support appeared to be behind the traditional bilateral programs, and they perceived the regional program to be a potential drain on their bilateral resources. The management needs for an expanded program are beyond the capability of currently allocated personnel resources. The ASEAN system remains too disjointed to allow for an expanded, yet cost-effective AID ASEAN program.

Loan funding of the ASEAN program does not appear to be feasible at present as the ASEAN countries would be unwilling to accept joint liability, especially for non-commercial activities. If grant funds were not used for ASEAN, they would not automatically go to a bilateral program that has more demonstrable development needs.

The ASEAN program has political value, but it is implemented with a development orientation and DA criteria are used. If the program were funded with ESF dollars, it would still be for projects with a development intent. However, according to a April 1983 General Accounting Office report, "Political and Economic Factors Influencing Economic Support Fund Programs," the ESF funding would eliminate the mandate to use DA criteria and the development impact could be reduced. The program provides economies of scale and a sharing of resources for development that bilateral programs cannot offer. The value of having this program for the three countries with bilateral programs is strong enough to offset the amount of program resources that necessarily go to the two countries that do not qualify for bilateral assistance.

## Recommendations

Until the ASEAN system is improved and a permanent secretariat is available to work effectively with AID program management, the AID program should be maintained at the current \$5 million per year level.

The program should continue to use DA criteria for project selection and DA grant funds until a means of using loan funds on a regional, joint-liability basis can be found.

## REGIONAL COOPERATION

### Findings

#### Leadership in ASEAN Regional Cooperation

The United States became involved relatively late in the ASEAN development cooperation program. Australia was the first donor, with a \$15 million contribution in 1974. New Zealand was another early donor. The United States therefore is not a leader in promoting development in ASEAN as a region. When Australia started its program in 1974, the United States had a hands-off policy toward ASEAN regional development, although it was a leader in regional development for Southeast Asia as a whole. The institutions AID established in its RED program demonstrated that regional projects can provide a cost-effective means of development support. Many of the donors that now support ASEAN use these institutions as resources for their regional projects.

The AID ASEAN program is intended to foster regional cooperation, and projects are expected to address this intent. The degree to which they achieve this objective varies by project.

#### AIT Scholarship Program

The AIT scholarship program was the first major ASEAN project. It supports regional cooperation because trainees from different countries interact closely with one another. The resulting relationships create bonds that will facilitate communication and cooperation among these people over many years. Many ASEAN officials appreciate this benefit. The three AID-assisted countries have benefited the most, as Singapore has had less interest in the program and Malaysia has had difficulty providing qualified candidates. Thailand, the host government,

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has had the largest number of people trained, but it is limited to 50 degree trainees. The other countries will be given an opportunity to fill their quota. The intention is that each of the five countries share equally in the scholarship program. This project does not include counterpart funding.

### ASEAN Health Scholarships Project

The ASEAN Health Scholarships Project provides an excellent example of how the ASEAN countries can work together to maximize development benefits efficiently. This project uses complementary resources in four of the five countries to provide training in tropical medicine and public health. The four countries each have a medical university that is part of the TROPMED program. Mahidol University in Bangkok is the headquarters for TROPMED and is one of the participating universities. The universities have developed special strength in different fields of expertise. The program uses these special capabilities to provide a high quality of training across many fields. The TROPMED project sends trainees to the university that meets their specific needs. To promote regional cooperation, the project intentionally sends a large number of the trainees to study outside their own countries. Sixty-four percent of the trainees are in this category.

The one ASEAN country that does not have a participating medical university is Singapore. The number of trainees from each of the three AID-assisted countries ranges from 25 to 29, while there are only 17 for Malaysia and 9 for Singapore.

### The Agricultural Development and Planning Center

ADPC emphasizes regional cooperation. Its research projects are oriented toward development problems in all of the ASEAN countries. Its agricultural planning model is region-wide. It provides technical assistance to COFAF for regional planning, and its services are available to each member government. Participa-

tion from Singapore and Malaysia (for training, research, and model development) has been considerably less than the three AID-assisted countries. Singapore is not as active because it is not an agricultural producer, although it benefits from regional supply and demand information. Malaysia has its own agricultural modeling technology and benefits little from the ADPC model. UNDP is planning a project (\$481,000) that will use ADPC for project planning assistance in Thailand and Indonesia. Thailand, the host government, has been a major beneficiary of the project. It has made a major contribution in counterpart funding and is likely to be called on to provide much of the operational support in the future.

#### Plant Quarantine Project

PLANTI has provided training and technical assistance to all five ASEAN countries, although Singapore and Malaysia have participated less than the three AID-assisted countries. Malaysia is the host country and has contributed double its committed counterpart funds. Yet its number of participants has been low. Plant quarantine work requires good communication and cooperation among governments. The trainees have had an opportunity to get to know their counterparts in the other ASEAN countries and as a result will be able to communicate more easily with them.

#### First Energy Project

The first energy project, located at AIT, includes support for AIT's Renewable Energy Resource Information Center (RERIC), which provides information services to the region. The evaluation team was not able to determine the degree to which this service is used by the ASEAN countries. The service is not exclusive to ASEAN. Although the Indonesian representative to COST contended that it was not a valuable service, Singapore had a positive response. Because the information does not have to be communicated through official channels, the benefits might not be visible to ASEAN officials. This activity does not appear to

foster ASEAN cooperation, although it does promote regional communication. The project's energy adviser has provided consulting services to Thailand, the Philippines, and Indonesia as part of the project. There is no counterpart funding for this project, but clients of the consultant must pay a fee for his services. The project also included an ASEAN Energy Technology Seminar, which concentrated on non-conventional energy. Six participants from each ASEAN country were invited to attend. The evaluation team was unable to determine whether this activity generated regional cooperation.

### Second Energy Project

The second energy project has so far had only a marginal effect on regional cooperation. This project has components in three of the countries and includes seminars with participants from all five countries. The coal seminar in Indonesia provided an opportunity for regional interaction, but the ASEAN director general in Indonesia and the Indonesian representative to COST both expressed disappointment in the seminar. They felt that the subject matter was not relevant to their needs; it was too future oriented rather than applicable today. There might be some regional cooperation from friendships that developed during the seminar. The Government of Indonesia provided the counterpart funding for this project component.

Another component of the project is for research on energy conservation in buildings. Singapore is the host country and has provided counterpart funding. So far, the work has all been performed in Singapore with little sharing of information. A conference for all ASEAN member countries is to be held later in 1984 to disseminate the results of the research. The Philippines has already indicated that a follow-up project is wanted there.

The project's third component is research in solar water pumping. This project has had trouble getting started. The host country, Malaysia, will provide counterpart funding. ASEAN

officials have mixed views about the benefits of this research. Some argue that the research was not needed and that the project was duplicating energy activities occurring at national levels and at AIT. The project was originally intended to test different energy technologies on existing wells. However, misunderstandings with the Government of Malaysia have resulted in using project resources to dig new wells. The result is that the project may not be cost-effective. Seminars are to be used to promote regional cooperation in disseminating the research results.

### Watershed Project

The ASEAN watershed project intends to set up a regional Center for Cooperation in Watershed Management. This project's focus is on strong regional cooperation. The research is to be carried out in all member countries (with the probable exception of Singapore), and an information network is to be established. Each country will provide counterpart funding for research activities in that country. The focal point for the project is the Philippines, which will provide counterpart support for the Los Banos center. The project is likely to benefit the Philippines most because it will be located there. It is difficult to judge at this early date how much of the experience in watershed management can be transferred to other countries.

### Small and Medium Business Improvement Project

The SMBI project will support the existing regional cooperation already developed by TECHNUNET for its training program. TECHNUNET has established a network of participating national agencies in each country. Some of the countries have more than one official participating agency, and TECHNUNET also works with other non-official groups. ISEAS research will be undertaken in each country separately and the results shared in regional seminars. AIM has existing relationships with universities in

each of the ASEAN countries, but this network is not operational or strong enough for the purposes of the project. To the extent that AIM can establish better working relationships with local institutions for training at the small- and medium-scale level, progress in regional cooperation will be made. ISEAS and TECHNUNET are located in Singapore but operate equally in all of the ASEAN countries. The Philippines will benefit most from this project because AIM is oriented to work in the Philippines. There is no counterpart funding in this project.

Center for Technology Exchange

The Center for Technology Exchange has the potential to promote regional cooperation to the extent that it brings together people from the ASEAN countries for training and joint ventures.

Relationship with Bilateral Programs

The ASEAN program may be able to provide support to the bilateral programs but the evaluation team found little interaction between the two. Without this interaction, the potential for this support remains limited. The missions have provided some support for ASEAN projects, but little effort has been made to examine the bilateral programs to learn where regional support could be used or activities may overlap. The ALO attended the last Asia Bureau mission directors' meeting, but the ASEAN program was not discussed.

The three mission directors expressed support for the ASEAN program but did not propose it be expanded beyond its current size. All three were willing to provide personnel support for the program on a moderate, as-needed basis. They apparently appreciate the benefits of regional cooperation because they have established cooperative activities of their own. For example, they have planned a seminar on watershed management for USAID staff, to take place in the Philippines. This is being done

outside of the ASEAN watershed project. The ability of the missions to undertake cooperative activities is hampered by a lack travel funds.

### Spontaneous ASEAN Development Cooperation

There may be some spontaneous ASEAN regional development cooperation activities whose impetus can be attributed to the AID ASEAN program. However, the cause and effect relationships are tenuous. For example, ASEAN functional committees have requested U.S. assistance to finance cooperative efforts in fields in which AID does not normally operate. The United States has responded positively to some of these requests by using financial resources other than those of the ASEAN program. For example, the Drug Enforcement Administration supports an ASEAN activity to develop better national legislation for narcotics matters. Its financing of this comes from the State Department's International Narcotics Matters office. This activity stems from an ASEAN request. Regional activities have also been planned with the Food and Drug Administration and with the National Geological Service, but the origin of the requests is unclear.

### Cooperation in Private and Public Industrial Sectors

One area in which there is a significant level of spontaneous regional development cooperation is in the private and public industrial sector. This occurred before the SMBI project was conceived and is oriented toward big business. This activity was initiated by the ASEAN committee, COIME, and the ASEAN Chambers of Commerce and Industry (ACCI). Two cooperation programs were established. One is the ASEAN Industrial Complementation (AIC) scheme, which promotes joint efforts in developing complementary industries. The current focus is the auto industry.

A joint venture project is planned between manufacturers in Indonesia and Malaysia to exchange technology and manufacturing

support for production of commercial and private vehicles. Indonesia has the technology and current manufacturing capability for commercial vehicles, whereas Malaysia has the technology and capability for private vehicles. A regional objective is to produce an ASEAN automobile for which each country would produce a share of the components. One problem was that each country had already developed relationships with different foreign manufacturers and the brands were not compatible. A decision has apparently been reached that Mitsubishi will be the universal ASEAN brand for this project.

### ASEAN Industrial Joint Venture Schemes

The second ASEAN-supported cooperation program is called the ASEAN Industrial Joint Venture (AIJV) scheme. The details were worked out over a three-year period, and agreement was reached in late 1983. Proposals will be presented for the first time at the next COIME meeting. The scheme provides special tax and trade benefits for approved AIJVs. These are different from the AIC projects because the investment can be in one project in one country rather than in complementary projects in more than one country. They must be majority owned by ASEAN nationals and more than one ASEAN country must participate.

Neither these projects nor the AICs need be exclusively private sector, as public corporations can also participate. Foreign investors are encouraged to participate. One AIJV is planned by companies in the Philippines (Republic Dynamics Co.), Thailand (Siam Cement), and a Malaysian automobile manufacturer to produce automobile parts. A German parts manufacturer is a partner in the project. The regional director for General Electric told the evaluation team that his company is interested in setting up an AIJV and would even be willing to sell to local investors part of a profitable manufacturing division in Singapore to make it feasible.

### The Japanese Industrial Program

Another program for regional industrial development cooperation (the ASEAN Industrial Package scheme) is financed in part by Japan. The Japanese contribution is a \$1 billion loan. Thirty percent of the project cost comes from the ASEAN countries. Of this, 60 percent is from the host government and 40 percent from the other countries. One large industrial project has been selected for each country, although the Thai soda ash project is now being reformulated. Of these projects, a fertilizer plant has already been completed in Indonesia and one will be completed in Malaysia in early 1985. According to a supply and demand study that was carried during the planning stage, these two plants are not supposed to be competitive. The Philippines will have a copper production facility for which construction is scheduled to begin soon. Singapore will have a facility to produce a vaccine for hepatitis B.

### ASEAN Finance Corporation

A program initiated and funded by ASEAN is the ASEAN Finance Corporation (AFC). It is to provide financing for any private or public sector project in which more than one ASEAN country participates. AFC was capitalized with \$50 million, which came from mandated contributions of all foreign exchange commercial banks in each country. It is a small sum for the market it addresses, but the program is at least a start.

### ASEAN Investment and Trading Corporation

Another program is the ASEAN Investment and Trading Corporation. This was formed to develop a regional company that would invest in manufacturing operations and undertake trading operations but would not compete with national trading activities. An effort is currently under way to solicit capital from large companies in each of the member countries. The evaluation team heard mixed comments about the potential for this program.

## ASEAN Chambers of Commerce and Industry

Part of the impetus for regional cooperation within the private sector for industrial development comes from ACCI. The private sector has long had cooperative relationships for banking and trade. ACCI creates a more public forum for resolving problems and establishing new programs. Under ACCI and the American Chambers of Commerce, the ASEAN-U.S. Business Council was formed to promote development of business interests between ASEAN and the United States.

### Conclusions

Many, but not all, of the AID ASEAN projects contribute significantly to promotion of regional cooperation. They provide for a sharing of technical information through seminars and information networks. Training programs allow participants from different member countries and informal networks to get to know one another and form informal networks for future cooperation. This cooperation was apparent to the evaluation team.

The benefits of many of the projects appear to be shared among the member countries. Thailand has hosted the most projects and has received the most benefit, while the other two AID-assisted countries, Indonesia and the Philippines, benefited more than Singapore and Malaysia.

AID is helping but not leading the move toward more regional cooperation through ASEAN. Other donors began earlier and play a significant role. Much of the spontaneous cooperation is occurring in the private sector, but this is not attributable to AID.

Recommendations

AID ASEAN projects should be focused on promoting regional cooperation through development of information networks, seminars, regional centers, and other joint activities.

## ACHIEVEMENT OF PROGRAM OBJECTIVES

## INSTITUTION-BUILDING IMPACT

FindingsInstitution Building as Part of ASEAN Program

One major development objective of the ASEAN program is institution building. The regional program is concentrated to the extent possible on improving the institutional capability and regional character of existing institutions located in the ASEAN region. Three of the projects are oriented toward development of new regional institutions. Five other projects provide support for existing regional institutions through scholarships and research grants.

AID support for regional institution building in Southeast Asia has a 25-year history. Many of the major regional institutions were started with AID support. The ASEAN program represents a new wave of assistance for regional institutions, with support for both the new centers and the older ones.

Regional Ownership and Support of Institutions

ASEAN owns no regional institutions. This is because it is not a juridical entity and cannot take joint liability for an institution. ASEAN member countries can individually contribute to a regional institution. The evaluation team did not find any regional institutions that receive significant administrative and infrastructural support from the ASEAN countries (besides the host country).

### Counterpart Funding

Counterpart funding was an important part of the RED program and is also important in the ASEAN program. For the three projects in which AID is creating new institutions, the host governments have not only taken liability for the project but, as required by AID, have also provided their own local funds for an agreed percentage of the project budget. Contract language specifies that they do so on behalf of ASEAN; this fits the ASEAN spirit of the project but is not legally binding. As a result, national institutions have been created that provide a service to the region. For the watershed project, an ASEAN information network will be set up that will be supported both by AID and by counterpart contributions from each country for activities that take place in that country. Because of the major role of the Philippines in this project, most of the counterpart funds will come from this country.

In principal, the host government signs the project agreement for ASEAN. It is not clear, however, whether the other governments view the new institution as truly regional or as one that has a national home but an agreed obligation to serve the region. Since the host government is the only government has contributed considerable resources to the institution, it remains to be seen how the other governments will react, or how the host government will react, when the AID project support ends.

### Future Regional Support for ASEAN Institutions

Government officials in the ASEAN countries provided varied answers when asked whether they would provide financial support to the institutions in other ASEAN countries. Some officials said they would consider providing this support, while others said they could not but would work within ASEAN to develop other donor support. PLANTI appeared to have marginally stronger support than ADPC.

One of the strongest indications of interest in future financial support from within the region came from both the director general of the ASEAN National Secretariat for Indonesia and the Indonesian representative to COST (which does not have an AID institution-building project). They said that Indonesia does not support projects that create new regional institutions such as AIT and SEAMEO, even if they serve just the ASEAN countries. The Indonesian government wants to see institution-building projects that use existing national institutions in each country to develop a regional network. Indonesia would not agree to support PLANTI or ADPC independent of a national institution. It would not provide financial support to the new center after the project ends because the national institution would be expected to absorb it as part of its regular operation. The location of PLANTI, ADPC, and the Watershed Management Center at universities (PLANTI and ADPC are not now linked to the universities; the watershed project uses university buildings and teaching staff) is a means to facilitate this transition.

Appreciation for Services of Regional Institutions

PLANTI and ADPC provide a service that the ASEAN national secretariats in four of the five countries appreciate. In Malaysia, senior secretariat personnel were out of town when the evaluation team was there. However, the team did meet with the ministry operating PLANTI and learned that it supports this project to the extent that it contributed about double the amount of local costs that was originally expected.

Institutional Services for All Five Countries

Although participation levels have varied by country, all have participated in the institutions. PLANTI has trained personnel from each country, and these individuals have returned

to relevant positions in their governments. PLANTI has also provided expert assistance to these governments and has developed a legislative model that is being widely adopted.

ADPC has also trained people who have returned to relevant positions in their governments. It has also undertaken studies that are reportedly of utility to the ASEAN member governments. ADPC provides expert assistance to COFAF. It has developed an agricultural planning model that may be of use to some of the member governments.

### Impressions of Development Impact

The evaluation team had limited briefings at PLANTI and ADPC and was generally impressed by the development impact they report they have had. The team also interviewed key individuals in each member government and in USAID missions on their perception of the impact of these institutions. Although each institution had apparent weaknesses, the team was impressed with their development impact in the region as a whole.

### The Question of Viability

The objective of three of the projects has been to create new regional institutions that are intended by AID to become viable (PLANTI, ADPC, and the Los Banos center). The other institutions supported by ASEAN projects have already achieved an appreciable level of viability, although they remain dependent on donors. They are viable in the sense that have achieved stability in their operations. In these projects, the major question is the value of the project-supported service to the region in terms of development impact.

The viability of the three new institutions has not yet been tested. The team did not find evidence to show that these institutions can become self-supporting. Some assistance will be required for many more years. The viability question revolves

around the sources of support that would be available once AID support has ended. Institutional viability, from the AID perspective, could be achieved if support is provided by the members of ASEAN jointly, the host government, other donors, or a combination of these. Ideally, the support would come from all of the ASEAN members, but this does not appear likely to occur in the near future.

### The Limited Time Frame of AID Support

The institutions' host governments are not fully aware that the AID support has a limited time frame. They know that each project has a termination date but consider extensions to be likely. The host governments have already started to develop new support for the institutions but do not see their situations as requiring a serious effort to raise funds. The evaluation team found insufficient attention in the project documents to the need to develop future sources of income.

For the ADPC, Annex 1 of the grant agreement with Thailand states: "ASEAN will undertake to seek other funding sources for continuation of Centre operations following the termination of U.S. Government funding in Year 5."

For PLANTI, the grant agreement included a covenant that the Government of Malaysia will assume or make other arrangements for the payment of recurrent costs for the institute after project ends. The project paper annex states that there was a mutual understanding between the Malaysian government and AID that the government through ASEAN, or ASEAN directly, will provide for recurrent costs to continue center operation following the end of project funding. The annex also states: "If AID finds it possible to enter a Phase II project aimed at further strengthening of national services, continuation of training at the Center will be an integral part of the program."

ADPC has developed other donor support but still depends heavily on AID and does not expect AID to cut off funds entirely. PLANTI has not developed other funding sources but is reportedly working on it.

The ALC foresees a need for some additional support for these institutions after the projects end. He argues that the projects are limited to five years as a result of AID's life-of-project policies. However, this does not mean that five years is the appropriate period for these institutions to become fully self-sustaining. He sees support necessary for closer to 10 years. Since the evaluation team did not evaluate projects in depth, it is not in a position to assess the potential need of these institutions. However, these institutions will not make the effort to become independent of AID if they are not strongly encouraged to do so.

#### Effect of the Philippines' Economic Crisis

The institutions' ability to obtain financing from ASEAN is currently hampered by the severe economic crisis in the Philippines. At present, the Philippine representatives on the ASEAN committees and expert groups cannot get government approval for travel to their respective meetings. While the Philippines government appeared to be the most supportive of future ASEAN financial support to these institutions, it is currently the least capable of ASEAN participation.

#### Support from Other Donors

There is a likelihood that other donors will support these institutions. UNDP is considering allocating \$481,000 to ADPC for project planning, monitoring, and evaluation -- mostly for Jakarta and Bangkok. To the extent that the institutions can help donors achieve their development objectives, support would be forthcoming. There does not appear to be any bias of donors against using an institution set up by another donor. There is a

strong history of multi-donor support for ASEAN regional institutions. It is not clear, however, how much potential the two operating, AID-supported institutions (and the new Los Banos center) have to develop adequate support from donors to maintain their current level of operations.

### High Overhead Costs

One advantage is that the physical infrastructure of these institutions is largely completed, and they do not have mortgage to maintain. This will mean lower operating expenses. However, both PLANTI and ADPC have hired a large number of personnel in relation to the size of their training and research operations. The number will probably have to be reduced in the future if the host governments take over and other international donors are not found.

### Institution Building in the Five Other Projects

The five AID projects that support existing institutions are not hampered by questions of viability. The projects help the institutions improve their services to the region. The level of support of the AID projects in relation to the size of the operations of these institutions varies.

### Asian Institute of Technology

The largest training project in the ASEAN program is AIT scholarships. This project is not oriented toward institution building although AIT's institutional capability is enhanced by availability of scholarship money to support some faculty positions. But the institution is not dependent on continuing AID support.

AIT has also received AID ASEAN support through the ASEAN Energy Activities Project. This project supports RERIC at AIT and provides for an energy specialist who teaches at AIT. The project also provides technical consulting services to the ASEAN governments. RERIC will be continuing on its own, while the energy specialist may or may not be continued by AID. The Indonesian representative to COST said that RERIC has not done much for Indonesia and part of the problem is that AIT serves many more countries than just those of ASEAN.

#### TROPMED and ASEAN Health Scholarships

The ASEAN Health Scholarships Project has an institutional framework that parallels TROPMED. The ASEAN project is independent of TROPMED but more in a legal sense than a practical one. The medical centers and courses are those of TROPMED. ASEAN uses Mahidol University in Bangkok as the lead center, as does TROPMED. The governing body for the ASEAN project essentially serves the same role as the TROPMED Central Coordinating Board. The dean of the Faculty of Medicine, Mahidol University, acts as coordinator of both TROPMED and the ASEAN project.

This project, like the AIT scholarship project, does not require counterpart funds. The justification for this was described in a March 1981 cable from the ALO to AID/Washington:

ASEAN has established a recipient non-contributory principle for ASEAN projects which relates to its own juridical status and legal inability to levy financial assessments on members. Individual members have made recipient contributions (e.g. Plant Quarantine). However, participant training involving various ASEAN members has been 100 percent donor coverage of students training and support costs.

Any attempt to arrange and secure line item commitments for international travel from the four member countries participating in this project at this time would be extremely difficult and probably counter productive in terms of program objectives.

## ISEAS

The ISEAS economic research fellowships sponsored by AID have represented only a small proportion of ISEAS research activities. The project has enhanced the research operation, but no institutional dependency on continuing support was developed. The objective of the project was on the research results rather than on institution building.

One component of the SMBI project will be a \$200,000 grant to ISEAS for research relating to small and medium-scale businesses. Again, the orientation is toward research results rather than institution building.

## TECHNONET

Another component of the SMBI project consists of a \$1.2 million grant to TECHNONET. This institution was started by the International Development Research Corporation of Canada and its support still covers most of the administrative costs. AID support will be for training programs and will result in a large increase in TECHNONET operations. The orientation of the project is more related toward training people than creating an institutional capacity for training. AID institution building for TECHNONET is more related to the size of the operation rather than its quality or nature. TECHNONET is already active in all five ASEAN countries through participating government agencies. The training courses and seminars will be held in each country rather than at a central headquarters.

## Asian Institute of Management

A third component of the SMBI project is to develop a management training capacity at AIM for small- and medium-scale businesses. In this component, institution building is as important as the training itself. AIM was developed with the

assistance of Harvard University to become the elite business management school of Southeast Asia. It has an excellent reputation in training people to work in large corporations. The first phase of the AID project will be to develop a training program for small- and medium-scale business. This will include a study to identify problems of businesses of this size and find ways to extend the educational services to people at this level. The lessons to be learned and the curriculum developed will be available to other institutions in the region.

Institution building for AIM will also be to create a more regional outreach for its programs. AIM training is to be regional, but the institute has not developed a significant program outside of the Philippines. Most students come to AIM for training. However, for small- and medium-scale businesses, trainees will require training close to home and in their local language. AIM does not now have this capability. The institute will try to create a viable operation that will not be dependent on AID support after the project ends.

#### The Identification of Development Priorities

There is no clear answer concerning whether the institutions are addressing priority development problems of the region. For political reasons, ASEAN has been unable to set development priorities. This is mainly due to the diversity of the member countries and the different priorities within each country. According to the ASEAN director general, there is a saying within ASEAN that everything is a priority. From the perspective of the institutional activities, support has been mixed, depending on the priority given to the activity by each member country. There is no evidence that the development problems addressed by each institute are not of significant importance to at least a majority of the members.

The institutions appear to address priority development problems in the host countries. Within ASEAN, projects are not assigned to countries on an arbitrary basis. The host government is generally the initiator of the project or wants to be the focal point for the project because of a special interest.

### Conclusions

The AID ASEAN program's institution-building activities are similar to those of the RED program. Both helped to create new institutions for regional cooperation. However, the ASEAN program has a much smaller budget, works through a counterpart organization, and plays less of a leadership role.

Many of the RED-supported institutions continue to operate with donor support. The ASEAN program supports two of them, AID and TROPMED.

AID ASEAN institution-building support shows considerable success under current project operations. The potential for continued, viable operations lies with the institutions' ability to secure a broad donor base. The ASEAN countries do not appear ready to support regional institutions financially, with exception of the host country.

A critical element in the strength of the AID-supported institutions is leadership. Both PLANTI and ADPC have capable leaders. The PLANTI director is the dominant force in his center. The projects may not fare as well without this exceptional talent.

The ASEAN members want their own regional institutions and networks identified with the ASEAN title, rather than those of SEAMEO and others based on a more broadly defined Southeast Asia.

## Recommendations

Future regional projects oriented toward institutional development should be linked to existing national institutions.

The ability to exist without AID support should be a more explicit part of the project plan. Project support should be phased out over a predetermined schedule and be stated in the project documentation.

AID should work closely with other donors to help develop a broader donor base for important regional institutions.

All AID ASEAN institution-building projects should have counterpart funding related to each country's participation. This should also include travel costs for participant training.

## TECHNOLOGY TRANSFER IMPACT

Findings

Technology transfer is accomplished through such means as training, information exchange, joint ventures, and licensing. The first two are important elements in a number of the ASEAN projects. The last two are expected as an outcome of the planned Center for Technology Exchange in the SMBI project. The interest of the ASEAN countries in the different types of technology exchange differs by country. Indonesia and Thailand place a high premium on long-term training. Malaysia and Singapore show significantly less interest in AID-assisted long-term training and more interest in short-term training.

Training

The most commonly expressed development need according to ASEAN officials is in human resource development. Long- and short-term training are an important component of all AID regional projects. Two of the projects, AIT scholarships and Health Scholarships, are devoted entirely to training.

AIT Scholarships

This project provides 250 scholarships over five years for Master's degree level long-term training. The scholarships are divided equally among the five countries. Areas of study include: (number of current trainees for each are in parenthesis)

- Agriculture and food process engineering (9);
- Computer applications (5);
- Energy technology (5);
- Geotechnical and transportation engineering (6);
- Environmental engineering (3);
- Water resources engineering (6); and
- Structural engineering and construction (3).

For long-term trainees, agricultural and food engineering and water resources engineering have together accounted for approximately one-half of the total. The fields covered in the training are those that fit AID's development priorities.

This project was evaluated in May 1982. The evaluation team concluded that:

This project has been successful in providing the kinds of training required by participating countries, enhancing the effective utilization of trained personnel within the region, promoting research applicable to the region, and encouraging the support of a regional institution capable of providing these objectives on a continuing basis. The team found the regional mode of delivery employed by AID to assist this ASEAN program to be distinctly cost effective in terms of grant objectives and AID management objectives.

When this evaluation took place, 33 trainees had graduated and all of them had been retained in the region.

This successful performance of the AIT project has continued. A recent tracer study found that almost all of the graduates are gainfully employed in the region.

The distribution of benefits in this project has not been equal. Thailand has benefited most, with 53 long-term training slots filled. The Philippines has used 36 slots and Indonesia 34 (not including dropouts). Singapore has had six long-term trainees in the project and Malaysia only four. AID has had difficulty obtaining candidates from Malaysia who qualify for training. Singapore does not have much interest in long-term training, although it uses the project for short-term training.

As a result of escalated training costs, the budget allocation for the project was insufficient to cover the full target of 250 scholarships. The evaluation team recommended that an additional \$1 million be allocated to the project to cover the

extra cost. The ASEAN Project Steering Committee has requested that this additional budget allocation be used in a manner that allows each country to fill its quota. Singapore may be able to do so by maximizing its use of short-term training. If it cannot fill its quota in a reasonable time, the money could be used by the other countries.

### ASEAN Health Scholarships

This project operates differently from the AIT project. The training, which is oriented toward tropical medicine and public health, is carried out at a participating university in four of the five countries. Each university has developed a special capability in selected fields as a part of the regional TROPMED program under SEAMEO. The intention is to send trainees to the university that best meets their training needs. The project maximizes travel to obtain more mixing of trainees. Most of the training is for Master's degrees, although a number of diploma or certificate courses are offered. The trainees are mostly practicing professionals, including doctors. Since the project is similar to the TROPMED program, the results can already be seen. Almost all of the trainees remain in the region and apply their new skills for significant development impact.

### Agricultural Development and Planning Center

ADPC provides a variety of short-term and Master's degree level training in Bangkok. The training is in agricultural economics and planning. Many of ADPC's graduates remain in the region and apply their skills in a variety of technical and policy positions. Many of the trainees are still so new to their jobs that their impact is still slight.

To date, 39 people have already completed their Master's degrees. The total number enrolled for all types of training in the project is 104. The short-term training was originally planned for 10 weeks but was shortened to 2 weeks so more people could attend.

The long-term training program is cost-effective because it offers a high quality education that would not otherwise be available in the region and would be more expensive elsewhere. In Thailand, Kasetsart University, where ADPC is located, has expressed interest in using the Master's degree training program for its own students. USAID/Thailand also uses the program for its participant training needs in this field.

#### Plant Quarantine Project

PLANTI provides a service to the region that was formerly only available only in Europe and the United States. Universities in the region could provide an education in isolated fields related to plant quarantine but do not provide a comprehensive education for plant quarantine work. The plant quarantine services of the five governments were weak, and few people had the right skills to apply. To date, PLANTI has had 32 long-term trainees and 111 short-term trainees. It also provides training in the United States, both short and long term. Recently, a study group was to make a short trip to the United States to learn about containerization. However, U.S. Department of Agriculture, the executing agency, was not ready in time and the trip was postponed.

#### Small and Medium Business Improvement Project

Training is a major component of SMBI. Management training is to be undertaken by AIM. This institute has not had experience in training mid-career people working in small- and

medium-scale businesses. AIM staff will spend the first year of the project studying this sector and developing their curriculum and strategy.

TECHNONET has had extensive experience training people at this level and is expected to move quickly into an operational mode.

### Information Sharing

Technology exchange through the sharing of information is the strategy in the two energy projects. It is also an important feature of the watershed project and the SMBI project.

The first energy project provided support for RERIC. The center produces newsletters and reports on new developments in renewable energy technology. These are disseminated worldwide on a subscription basis. The evaluation team could not determine their effect in the region.

In the second energy project, each of the three components uses a workshop and seminar approach to information sharing. The coal seminar in Indonesia was the first of these. Indonesian officials contend that the seminar was oriented too much toward the future and did not provide the practical information for current planning they had hoped to receive. The research in energy conservation in buildings component is about complete, and the seminar will be held in June 1984. The water pumping project has not yet started, but this will also use a seminar to disseminate the research results.

The SMBI project has a yet unplanned component called the Center for Technology Exchange. It will have headquarters in New York, with representatives in each country to act as coordinating and communications channels for local companies interested in obtaining information about U.S. technology. The information will be provided by a wide variety of means, including published

literature, seminars, person-to-person discussions using representatives of U.S. companies, and trips to the United States to visit plant sites.

The watershed project, which is just getting started, will include seminars and development of a network for information sharing.

### Conclusions

The training activities in the program have, in general, provided a high quality of education at a lower cost than can be obtained in the United States. The subjects have been appropriate to AID development priorities (ASEAN has not proposed any), and the people trained have almost all stayed in the region to apply their new skills for development. Tracer studies show that these people hold positions that generally will allow them to use their skills effectively.

Technology exchange through information sharing has not yet become an important part of the program but will become so when the second energy project finishes and the SMBI and watershed projects start up.

### Recommendations

The participant training components of the program should be viewed as stages in the evolutionary development of ASEAN support. The initial scholarship projects were a combination of institutional support and human resource development. However, this general support for participant training should evolve to support for the institutions by using them for specific bilateral and regional project requirements.

## PRIVATE SECTOR DEVELOPMENT IMPACT

FindingsAIT Scholarships

In the AIT scholarships project, the orientation is toward technical training that is applicable to the private sector. However, the degree trainees are obligated by their governments to return to government service for a specified number of years following their training. AIT has traced the careers of a large number of its graduates and found that many of them enter the private sector after completing their government work obligation. Most of these people stay in the region, resulting in a gain for the ASEAN private sector.

Energy Projects

The two energy projects can have an impact on the private sector to the extent that the dissemination of information for technology transfer includes the private sector. These projects do not emphasize the private sector. Private companies can and do subscribe to the RERIC service. The energy adviser has been available for consultation with private companies, although the large majority of his clients have been public agencies.

Small and Medium Business Improvement ProjectTECHNONET

The SMBI project is strictly devoted to private sector interests. The project activities have not yet begun, but the potential for private sector impact is clear. One project component, the TECHNONET training program, is likely to have a direct and important impact on small and medium business. The confidence in this program is due to TECHNONET's excellent record in implementing similar training programs financed by Canada.

These programs use training facilities and instructors in each of the ASEAN countries, so that the training can be extended to the small and medium-scale businesses and take place in the local language.

### Asian Institute of Management

The AIM component of the project is intended to provide management training to small- and medium-scale businesses. AIM will have to make some major changes in the way it attracts participants and provides instruction if it is to serve this target population effectively. AIM has developed an excellent reputation in providing graduate work in business management, mainly for entry into large corporations. Mid-career training courses are oriented toward the needs of mid- and senior-level executives. The institute has recently reoriented its program to place more emphasis on entrepreneurship.

AIM has four major tasks ahead before it can effectively provide the desired service to the region. First, it must learn what are the priority management training needs for small and medium businesses. Second, it must develop a curriculum to serve those needs. The first year of the project will be devoted to special studies to accomplish these first two tasks. Third, it must find means to reach out to these businesses because it is unlikely that the potential trainees will be able to go to Manila for extended periods of time. Fourth, it must find a way to attract trainees into the program. The target population may not be aware of the benefits of this training and may also consider AIM to be only for big business. The last task will be to extend these services out to the other countries. AIM has developed relationships with some of the universities in the region, but the current network is not adequate for the services needed. The AIM director told the evaluation team that Malaysia will be the first country to be approached for this program and the second will be Thailand.

## ISEAS

The ISEAS component of the project will be to undertake studies in each of the countries to identify the constraints on the development of small- and medium-scale businesses. The studies will be undertaken at the postgraduate level by researchers located in each country. These studies will have a development impact to the extent that they go beyond what is already known, and provide recommendations that are implemented or communicated to policy makers for implementation. The evaluation team was impressed by the ISEAS director's interest in private sector development and his understanding of the need for communicating effectively to policy makers the findings of the studies. The program includes seminars with policy makers to discuss these matters.

## Center for Technology Exchange

One component of the project is still in the planning stage. This is the Center for Technology Exchange. It had been proposed as a separate project. However, it is now planned as a part of SMBI as it fits into the project and some limited funds were available for it. The project was initiated by the private sector and is supported by the ASEAN-U.S. Business Council. The council had decided to pursue the project on its own using contributions from U.S. companies but found that partnership with AID will provide mutual benefits.

The council has set up the center in New York City as a non-profit corporation. The executive director participated in planning the full SMBI project and recently managed an ASEAN training program conducted by the Fund for Multinational Management Education (FMME), with a grant from the Overseas Private Investment Corporation. The intention is to have an administrative and resource person in each country act as an information channel for host country companies interested in U.S.

technology, a facilitator for visits of host country businessmen to the United States and American businessmen to ASEAN countries, and a manager of center activities oriented toward local training. The training program will depend on the needs of each individual country, the level of support from U.S. companies, and the potential to have trainees or sponsors pay a fee. It is possible that the program could become self-supporting.

The financial plan is to draw upon contributions from U.S. companies and have the SMBI project match these funds. The budget for the first year is \$1 million. Private contributions at present total about \$200,000.

The evaluation team met with a number of ASEAN and U.S. business leaders during the five-country tour. Their comments on the plans and potential for the center were mixed. The ASEAN businessmen were enthusiastic and saw a need for this type of technology exchange. Many of the U.S. businessmen expressed concern about the management plans for the center's activities. Some had been told that the center would use wives of U.S. businessmen who are unable to find other employment. The businessmen thought that it would be difficult to find a housewife who has the necessary management skills. They were told that this strategy would be less costly than paying someone the full cost of housing and travel. Another suggested approach was to use independent consultants or consultancy groups on a retainer basis. The consultants would have to be free of ties to specific industries in order to represent the full range of U.S. interests without conflict. The Asia Pacific Council of the American Chambers of Commerce is planning a workshop in March to give feedback to the center's Steering Committee on how the center can be developed to meet the individual needs of each country.

## Conclusions

In the SMBI project, direct development impact on the private sector appears likely from the TECHNUNET training program. AIM has the potential to set up a service to provide direct benefits to targeted businesses. The ISEAS research program can provide indirect benefit if the research results can be communicated well to policy makers. The two energy projects can provide technology transfer to the private sector, but this is not an important component of the project. The AIT scholarships program will have a development impact, as many of the graduates are expected to move into the private sector after they finish their government service obligation. The other projects do not have a private sector orientation, and the impact is indirect at best.

The Center for Technology Exchange has not yet been planned in enough detail for an adequate assessment to be made. The general response from interviews was that the center can provide some real and needed benefits, but doubt was expressed about the means that have been suggested to achieve this.

## Recommendations

To the extent that private sector development impact is a priority objective to the ASEAN program, it should be built into projects in general and not just be dealt with in isolated, specific private sector projects.

## DEVELOPMENT IMPACT AND BENEFITS INCIDENCE

FindingsMeasurement of Impact

The AID ASEAN program is small compared with the total the United States spends in its bilateral program in the region and is miniscule compared with the overall expenditure level for development in the region. The program has been operating for about five years and has cost only \$17.3 million (through 1983). Its impact may be measurable in some engineering projects and health activities, and possibly in plant quarantine, but given the dispersion of trainees within the region and the limited time since their training, it is not possible to measure the overall project impact on the economies of the member countries.

Potential for Program Funding by Host Countries

In general, host countries would probably not fund project institutions on their own. The host countries generally use donor funding for training outside their borders. They might use their scarce resources for this but they have not.

Potential for Program Funding by Other Donors

Other donors might be interested in funding these activities if AID were financing them. However, donors did not compete for these projects. Each of the donors has its own program that fully utilizes its current ASEAN budget.

### Potential for Program Funding by USAID

The USAID missions could undertake some of the activities in this program. For example, they could send people to train in the same institutes the ASEAN program uses. They may already be doing this, but the evaluation team did not have the opportunity to examine the missions' programs in detail.

### Rationale for Regional over Bilateral Activities

The AIT and TROPMED projects have less of a regional rationale than do the institution-building and technology transfer projects. For these areas, the regional program is the vehicle for AID rather than USAID programs. For institution building, the benefit derives from economy of scale. For technology transfer, the advantage is in sharing information rather than having each country undertake the same research. For technology transfer from the United States, the program can offer economies of scale.

### Human Resource Development

The major focus of the program is in human resource development. Many ASEAN officials contend that this area is of highest priority to them in improving their capacity to implement their development programs.

### AIT Scholarships

The AIT scholarships project trains graduate students in fields of study that are related to important development functions. While the direct beneficiaries are the students themselves, it is expected that they will use their skills in ways that will benefit the target population. These skills are considered important to development. Similar training can be obtained in countries outside the region. Having the regional capacity to train these people is less costly than sending them

to the United States or Europe. Moreover, they are more likely to stay in the region when they finish their training (this fact is well-documented by AIT tracer studies). For this evaluation, AIT did a special study on where the project's graduates now work and how effectively they use their skills. Many of the graduates reported that their skills are being applied for development purposes.

### Health Scholarships

The Health Scholarships Project provides diploma and Master's degree training in tropical medicine and public health. Again, the direct beneficiaries of those who make up the project are the students, but the indirect beneficiaries are the target population.

### ADPC Project

The ADPC project trains people in agricultural economics and planning. These skills are needed for application in development programs and projects throughout the region (with the exception of Singapore). ADPC has maintained contact with many of the graduates, most of whom are now working in appropriate positions. It is still too soon after their training for them to have already advanced to important decision-making positions. The agricultural models developed by the center and the studies that have been done are to assist the development process in the member countries.

### ISEAS Fellowships

The ISEAS fellowship program was to undertake economic studies that would benefit policy makers. Seminars were held for policy makers to learn of the research results. The evaluation team was not able to determine the extent to which the studies aided development decisions.

## Conclusions

The development impact of the ASEAN program, in terms of AID's priority beneficiaries, is largely indirect due to the nature of regional assistance. The benefit of regional projects is to provide assistance in ways that are not cost-effective for each country individually to develop and maintain on a national level. The regional activities are mainly to develop the institutions, human resources, and technology that, in turn, can be applied directly to the target beneficiaries.

## Recommendations

The ASEAN program should not be expected to have a direct impact on AID's target population. Some projects may accomplish this, but most will not help the ASEAN member countries to improve their capability to implement field-level development projects. The linkages between the program activities and the eventual desired impact should be as clear as possible.