



The Asia Foundation

ASEAN as the Architect for Regional Development Cooperation

Summary

The Association of Southeast Asian Nations (ASEAN) has played a central role in maintaining peace and security in the region for the past 50 years. It has been the primary channel for governments in Southeast Asia to jointly address common challenges and manage disputes among member countries. ASEAN has also become a channel for the region's small and medium-sized countries to improve their negotiating position with major world powers.

ASEAN Centrality and regional development cooperation

Today, ASEAN is at an important crossroads. The widely accepted concept of ASEAN Centrality asserts that ASEAN should be the predominant regional platform for addressing shared challenges and engaging with external powers. However, increasing geopolitical competition is putting new pressure on ASEAN Centrality, and development cooperation is becoming a major facet. Recent developments in Southeast Asia demonstrate that ASEAN's efforts to shape regional cooperation are being tested. These new dynamics have also led to increasing priority and profile for ASEAN within the foreign policies of major external powers. On the whole, there is growing commitment within the international community to strengthen ASEAN's role in regional architecture.

The most striking new trend is that regional development cooperation is becoming a mechanism for geopolitical competition. Major powers recognize that development assistance can be used to strengthen relations with recipient countries. Furthermore, their regional initiatives aim to integrate the economies of Southeast Asia with those of the donor country, and also introduce technology from that donor country. The most prominent regional example is China's Belt and Road Initiative (BRI), though other countries and multi-lateral agencies are creating or expanding similar initiatives too, including Japan, India, the Republic of Korea, Australia, the United States, and the Asian Development Bank (ADB). The Mekong River subregion, in particular, has been the focus of several such competing initiatives.

These regional development initiatives are both major opportunities and risks for ASEAN countries. ASEAN member state governments have largely embraced this assistance, citing the scarcity of development finance within the region, and the economic benefits of further integration and infrastructure development. However, concerns are rising about the accompanying risks, including the need to strike a balance among the major powers that provide financing, avoid overdependence, and keep sovereign debt down to a manageable level. Furthermore, the environmental and social standards of these initiatives vary, and thus there is a risk that some regional development initiatives could have serious negative impacts if they are not carefully managed and monitored.

This report argues that ASEAN Centrality should apply to development cooperation. While the concept typically applies to political and security issues, there is now a compelling case to also encompass development cooperation. Development projects driven by geopolitics tend to create pressures on recipient countries to accept projects. With the growth of regional development initiatives that are increasingly linked to geopolitics, ASEAN member states should see the value in collectively monitoring and

engaging with the lead external actors to uphold ASEAN Centrality and improve alignment with ASEAN Community-building objectives.

The case for ASEAN leadership on development cooperation

ASEAN member states should consider a more robust role for ASEAN on regional development cooperation. This includes shaping regional development initiatives collectively, jointly managing the associated risks to individual states, and improving alignment with ASEAN priorities. As ASEAN member states face new pressures from geopolitical competition, economic competitiveness, disruptive technologies, and humanitarian crises, a collective approach will become increasingly important. With the growing complexity of financing options in the region, ASEAN should consider playing a more robust role in order to align financial resources with ASEAN goals, and also reduce the burden and risk on individual governments. Dialogue Partners providing assistance to Southeast Asia are generally committed to ASEAN, and while there may be differing perspectives on ASEAN's ideal role in development cooperation, most would welcome a more robust ASEAN-led response.

By extending ASEAN regional architecture to development cooperation, ASEAN member states will have much more scope to shape the future of development in Southeast Asia. Externally shaped and driven approaches to development cooperation will become less common, and ASEAN actors will be in a better position to set standards and reduce risks. There would be less pressure on individual ASEAN member states (AMS) from competing regional initiatives, and more positive benefits from improved coordination and reduced duplication. ASEAN member states will ultimately benefit from having added leverage if ASEAN plays a role in monitoring, coordinating, and engaging with Dialogue Partners and other development actors. In some cases, ASEAN might usefully slow processes to allow for more systematic and careful implementation, or shed light on practices that are not in the collective interest of ASEAN member states.

Given their impressive experience, assets, and capacities, AMS governments should play a more prominent role in shaping development cooperation in the region. Southeast Asia has a unique context for development cooperation, with its history as a development success story, and extensive economic integration with advanced economies. ASEAN countries as a collective are now both aid providers as well as recipients. Governments in ASEAN have well-informed views on how development cooperation should be conceptualized, monitored, and implemented based on local context and principles. Also, as ASEAN countries become more prosperous, many of the solutions and much of the financing for development will be found within the region. All of these factors make the ASEAN region fundamentally different from other regions of the developing world.

An ASEAN-centric framework for development cooperation would help align regional development initiatives with ASEAN principles and goals, while at the same time, reducing risk. This approach could effectively complement existing development cooperation frameworks such as those of the UN's Sustainable Development Goals (SDGs), OECD's Development Assistance Committee or (OECD-DAC), and other regional or national frameworks. This approach would differ from the official development assistance (ODA) norms and approaches of OECD countries as it would focus more on regional integration, South-South cooperation, address middle-income country challenges, and possibly regional security threats. Furthermore, ASEAN has its own distinct set of regional development challenges and opportunities that require new thinking and approaches.

This report identifies several opportunities for ASEAN to play a more catalytic role in regional development cooperation. ASEAN has played a catalytic role on many critical political, economic, and security challenges. Although ASEAN has a relatively limited track-record in development cooperation, there are several potential roles:

- *Platform for dialogue* – Facilitate joint action on development challenges across the region by bringing the full range of actors together.
- *Information and monitoring clearinghouse* – Compile data on development outcomes and cooperation that would be widely accepted by ASEAN and donor governments.
- *Inform and support ASEAN governments' policy and directions* – Help AMS governments to address shared challenges by supporting their efforts at the national level.
- *Create mechanisms to shape external policy and action* – Shape the policies and programs of external partners and other development actors to better align with ASEAN principles.

Wider engagement with development actors

If ASEAN is to increase its leadership role on development issues, then it must be at the center of multi-stakeholder dialogue and coordination. At present, a large proportion of regional development programs have little or no engagement with ASEAN. The proportion of regional development programs implemented through ASEAN seems to be relatively stable, while the projects that do not work through ASEAN are growing rapidly.

An important step toward greater ASEAN leadership in development cooperation will be more engagement with the wider world of development actors, and not just individual donor countries. This includes NGOs, INGOs, private contractors, corporations, multi-lateral institutions, and private foundations, which are funding or implementing development projects in Southeast Asia. ASEAN engagement beyond donor governments would help to strengthen and reinforce ASEAN community-building by shaping the actions of actors at multiple levels. Furthermore, ASEAN would become the legitimate point of coordination and oversight for regional activities that currently have no clear authorizing framework. While bilateral and national-level development programs have clear expectations and frameworks for coordination and policy alignment, regional development initiatives tend to operate independently. In addition, ASEAN could benefit from the innovation, technical capacity, regional networks, and grassroots reach of non-government development actors. This would help contribute to its goal of being a more people-oriented ASEAN Community.

One key finding of the study is that ASEAN could enhance its leadership in development cooperation by focusing more on the strategic level as opposed to the project level. This would entail engaging with external partners to shape their broader development priorities and programs, including those that are not implemented through ASEAN. While Dialogue Partners are keen to strengthen ties with ASEAN, their ability to provide direct funding or work through ASEAN to address development challenges is rather limited for various reasons. If ASEAN focused more on facilitating dialogue on key development challenges, and engaged with external partners collectively on broader approaches, then ASEAN would be in a stronger position to shape wider development cooperation in Southeast Asia. This is particularly pertinent in the Mekong River subregion where several competing development frameworks are being implemented.

Furthermore, an ongoing cross-cutting platform within ASEAN is clearly needed for discussing development challenges and coordinating major regional initiatives. One possibility could be holding an annual development conference that brings together all of its major external partners. Another approach could be

assigning this mandate to a new ASEAN center, which could conduct regular dialogues for interested external parties and officials from ASEAN sectoral bodies.

Understanding the constraints

However, it is also important to be realistic, given the current constraints on ASEAN's role in development. Some of these constraints are structural, and unlikely to change. For example, most development assistance is provided through bilateral channels, which limits ASEAN's role to regional initiatives and functions that do not overlap with bilateral assistance. There are also practical limits on how much ASEAN can engage with the broad spectrum of actors. Beyond engaging with the principal actors (i.e., ASEAN member states and Dialogue Partners), the ASEAN Secretariat has little capacity to spare. Although frequently approached by development actors, with so many priorities, Secretariat staff simply do not have enough time to meet them all. With fewer than 300 staff, the ASEAN Secretariat is remarkably lean and often overstretched.

There are also political constraints on ASEAN's convening ability. For example, as a consensus-based network, ASEAN has limits on its ability to work on more controversial issues, or programs that seek to increase member governments' accountability. Instead, ASEAN Secretariat officials' first priority is the direction set by ASEAN's member governments, and various sectoral bodies to which they are accountable. Government and NGO leaders often approach ASEAN with a specific development or political agenda such as encouraging member states to adopt a common position on development or human rights, but this usually fails as ASEAN's consensus-based approach requires all of its member governments to agree. Adoption of a new ASEAN position or revising one is generally led by member state governments.

While foreign governments' commitment to ASEAN is growing, some complexities affect their engagement with ASEAN. The resources provided by donors for ASEAN are largely earmarked for development cooperation, which usually requires a development outcome, monitoring, and sharing accountability for results. However, foreign governments' political motivation to support ASEAN largely focuses on strengthening regional architecture and improving relations with ASEAN. Donors are compelled by their political leaders and citizenry to pursue certain agendas which do not necessarily align with ASEAN. Furthermore, the engagement between these external partners and ASEAN on development issues tends to occur at a very high-level (ASEAN+1, ministerial, or joint coordination committee meetings) or in meetings about specific projects.

Many development challenges tend to require cross-sectoral approaches, which present significant challenges for ASEAN. ASEAN's current structure generally leads to activities that work through a specific sectoral body or ASEAN Community pillar, which makes cross-sectoral engagement relatively difficult. However, ASEAN has created a few platforms for working effectively across sectors, most notably on human trafficking issues. This experience has demonstrated some promising models for working across sectoral bodies and pillars, despite the challenges and resource-intensive processes.

There are no easy solutions for cross-sectoral approaches in ASEAN. The perceived fragmentation within ASEAN is a reflection of its national governments, whose sector-specific ministries often operate in siloes. ASEAN is the platform that its 10-member governments use to speak to each other on a routine basis, and facilitating this engagement is the primary function of the ASEAN Secretariat and sectoral bodies. The isolated siloes of ASEAN's sectoral bodies are, in many ways, necessary to make policy dialogue across its member governments possible. The challenge with this structure, however, is that it can lead to incomplete or overly narrow approaches when dealing with complex development challenges.

ASEAN is primarily a government-to-government platform, though it has ambitions to be more people and community-centric. In this regard, deeper engagement with non-government actors is crucial for ASEAN's future. From the perspective of many non-state development actors, though, ASEAN seems to be a complex and largely impenetrable network. As a result, whether intended or not, most regional programs managed by non-state actors largely bypass ASEAN, and do not necessarily align with ASEAN's agreed objectives.

It is important to understand that ASEAN initiatives can only proceed when there are no objections from member states, and this requirement for consensus makes engaging with non-state actors difficult. ASEAN governments have very different attitudes toward civil society, ranging from open engagement to arms-length suspicion. The scale and complexity of engaging with non-state actors is also daunting, given that there are hundreds of private sector and civil society organizations working on regional development in Southeast Asia.

Successful models demonstrate ASEAN's potential

There are several successful models, however, that illustrate the potential for ASEAN leadership on development cooperation. For example, several ASEAN sectoral bodies have processes that facilitate productive engagement with non-state groups, such as the Senior Officials Meeting on Rural Development and Poverty Eradication (SOMRDPE) and the Senior Officials Meeting on Social Welfare and Development (SOMSWD). The ASEAN Coordinating Centre for Humanitarian Assistance on Disaster Management (AHA Centre) has also become an effective platform for ASEAN engagement with international disaster relief organizations, and shaped their engagement in the region.

ASEAN has already demonstrated that it can shape wider development cooperation by changing its orientation toward facilitation and exerting influence. The Master Plan on ASEAN Connectivity (MPAC), as well as the Initiative for ASEAN Integration (IAI) illustrate how ASEAN can play a role in brokering or facilitating development initiatives that goes well beyond transactional engagement. Similarly, ASEAN's collective efforts to address human trafficking through the ASEAN Convention against Trafficking in Persons, Especially Women and Children (ACTIP), and the Bohol Trafficking in Persons (TIP) Work Plan (2017–2020) are successful examples of cross-sectoral approaches that address multi-faceted issues.

ASEAN centers are another important example of ASEAN's potential as a catalyst for development. When these centers have a mandate to spearhead policy and analysis on particular issues, they can usefully set a broad vision and principles for ASEAN sectoral bodies to endorse. For example, the AHA Centre has been recognized as a success due, in part, to its relatively clear-cut mandate and its ability to raise funding both from within ASEAN and donor partners. The AHA Centre and other ASEAN centers in general are often in a better position to engage with a broad range of external partners, and can more easily hire technical experts. However, several ASEAN centers have been challenged by their lack of consistent funding, which has led many of them to close or become inactive after a few years.

Development actors need to adapt too

Development actors also need to learn how to work with ASEAN more effectively. The most successful cases involve organizations or donors that understand and respect ASEAN's mandate, culture, and processes. These organizations do not seek exceptions or short-cuts, and do not pressure ASEAN to work in ways that are contrary to its core principles of consensus and non-interference. In addition, successful engagement usually depends on the organization (or government) supporting ASEAN-led initiatives, as opposed to seeking ASEAN "buy-in" or endorsement for the organization's initiatives. Dialogue Partners

and other external governments should engage openly with ASEAN about their development assistance priorities and spending on regional initiatives, including initiatives that do not directly involve ASEAN bodies.

The most successful partnerships between ASEAN entities and non-state actors usually involve a non-state actor that understands how ASEAN works, and has taken the time initially to build relations with national governments. For example, the Asian Partnerships for the Development of Human Resources in Rural Areas (AsiaDHRRA), a Philippine-based NGO with a network of representatives in 11 Asian countries, has played an instrumental role in building bridges with SOMRDPE, and has even been asked to help prepare relevant ASEAN plans, including the latest ASEAN Framework Action Plan on Rural Development and Poverty Eradication.

Enhancing ASEAN for future development opportunities and challenges

While ASEAN can play a more catalytic role, shaping externally driven development initiatives will require changes or additions to current ASEAN structures. For example, ASEAN could focus more on influencing how development assistance funds are spent by others. ASEAN's core function vis-à-vis development assistance should be to influence and shape all regional development programs, not just the ones that ASEAN controls, and thereby enhance ASEAN Centrality and alignment with ASEAN Community-building goals. Furthermore, recognizing that development is cross-cutting by nature, new mechanisms are required that allow for cross-pillar engagement.

In the future, development cooperation in Southeast Asia is likely to be increasingly regional in scope and approach. ASEAN should increase its capacity and improve its organizational structures in order to be in a position to make the most of regional assistance. A new public financing paradigm could be considered that promotes regional development assistance transparency, provides resources for ASEAN Community Blueprints, and commits to sustainable funding for achieving the SDGs. The current system of reporting on development assistance blurs the lines between regional and bilateral spending. Many regional initiatives are presented as bilateral, and implemented through bilateral channels, in part because governments in the region prefer to manage resources directly from donors. However, this under-represents the growing scale of regional initiatives.

The Royal Thai Government's proposed ASEAN Centre for Sustainable Development Studies and Dialogue (ACSDSD) has the potential to strengthen ASEAN's leadership in shaping regional development cooperation. The ACSDSD structure would work best if it is based on a network of national SDG focal points, established with a clear mandate and legal framework, following successful models such as the AHA Centre. The agreed arrangements should acknowledge the center's regional presence, and clarify its relationship with key national agencies involved in development policy. The proposed center could serve a broad range of functions in areas where there are gaps in current ASEAN structures, including support for implementation and monitoring of ASEAN's SDG commitments, shaping regional standards for development cooperation, facilitating engagement between ASEAN and development actors, and tracking development finance and debt.

Finally, ASEAN should expand initiatives to help the region prepare for the impact that digital technologies will have on development. Building on the momentum created during Singapore's Chairmanship in 2018, ASEAN should establish a new platform for strategic-level dialogue and cooperation with the private sector. Key issues to address are the mobility of high-skilled workers among ASEAN countries, reducing the risks from growing inter-connection, and preparing for anticipated technology-driven disruption. Many of the

reforms necessary for digital economy success have been constrained because they are managed within narrow traditional policy areas. The lack of high-skilled technology workers in most markets is largely a product of narrowly focused labor mobility policies, and delays in mutual recognition agreements (MRAs) and ASEAN qualification reference frameworks (AQRFs) that would allow skilled professionals from one ASEAN country to work in another. ASEAN could also support member governments in identifying and eliminating a range of other national-level constraints.

Despite the challenges, ASEAN could conceivably develop a greater leadership role on development in the coming years. This study identifies many examples in which ASEAN is already shaping development cooperation. Building on the lessons of successful models, ASEAN and its external partners should encourage new platforms for ASEAN-led coordination and dialogue that prioritize ASEAN Centrality, alignment with ASEAN agendas, and effective value-added engagement with the wider development community.