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MTR DOCUMENT
REGIONAL STRATEGY FOR ASIA 2007-2013
MULTI-ANNUAL PROGRAMME FOR ASIA (MIP) 2011-2013

ADOPTED BY COMMISSION DECISION C(2010) 7863
OF 17 NOVEMBER 2010

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1 SUMMARY

In line with the Development Cooperation Instrument (DCI), the Commission's development strategy for the region aims at eradicating poverty by supporting broad-based sustainable economic growth, promoting an environment and conditions conducive to trade and integration within the region, enhancing governance, increasing political and social stability, and contributing to achievement of the 2015 Millennium Development Goals (MDGs). Tackling poverty, climate change, weapons proliferation, drugs and other global issues will, however, also depend critically on forging effective alliances within the region.

While there have certainly been important developments at national and regional level, it has been confirmed that the thrust and focal areas of the regional strategy, which complements the 18 individual country strategies in the region, are still valid and relevant, thus allowing the design and adaptation of specific activities in the Multi-Annual Indicative Programme (MIP) for the period 2011-2013. In line with the Regional Strategy for Asia covering the period 2007-2013, which was adopted by the Commission in July 2007, the proposed second MIP focuses on three areas of intervention for which indicative allocations of up to €321 million are envisaged:

(1) Support for Regional Integration (€63 million or some 20% of total allocation)

The sub-regional cooperation programmes will cover co-operation with the Asia-Europe Meeting (ASEM), with South-East Asia (support given to the Association of South-East Asian Nations – ASEAN), and with South Asia.

(2) Policy and Know-How based Cooperation (€168 million or 52% of total allocation)

Environment, Energy and Climate Change: Cooperation in this key area will focus on three main activities: (1) Continued support for a regional intervention to promote green growth in Asia by financing projects that encourage sustainable consumption and production, (2) Cooperation on Forest Law Enforcement, Governance and Trade (FLEGT), addressing illegal logging and enhanced forest governance, and (3) the establishment of an Asia Investment Facility to facilitate investments relevant to climate change.

Higher Education will be promoted through partnerships between European and Asian higher education institutions and mobility schemes for students and academics.

Cross-border Cooperation in Human and Animal Health: The Commission will support a cross-sectoral approach to improve the capacity at national and regional level to prevent, detect and respond to sanitary risks, following the "One Health" approach.

(3) Support to Uprooted People in Asia (€90 million or some 28% of total allocation)

Assistance will be given to refugees, internally displaced persons, returnees, former soldiers and other combatants. The objective is to reintegrate or integrate uprooted people into the prevailing socio-economic fabric and to provide support to local communities and resettlement areas. The support will link relief, rehabilitation and development, aiming at filling the gap between emergency relief for refugees and longer-term development, in particular in protracted situations. Current as well as emerging crises will be supported.

2 THE MID-TERM REVIEW

EU-Asia relations are expanding, and the EU is seeking an increasingly close relationship with Asia, going beyond traditional cooperation, to encompass economic integration and political cooperation. To meet the development challenges that lie ahead and to extend EU-Asia relations, the Commission adopted in 2007 the Regional Strategy and 18 individual country strategies and programmes covering our development cooperation with Asia. For the period 2007-2013 an amount of €5.2 billion has been earmarked under DCI.

Given Asia's extreme diversity in population, languages, religions, political systems, traditions and culture, it must be emphasised that the 18 MTR documents covering the individual countries provide a detailed analysis at the country level, and thus shape on that basis the specific country response strategies. As the Regional Strategy and proposed activities are complementary to the 18 CSPs, the individual analysis at the country level and the resulting programmes have to be kept in mind when assessing the Regional Strategy (cf Annex VIII for national MIP summaries of countries covered).

2.1 Political, Economic, Social and Environmental Developments

Home to more than half of humanity, the Asian region covered by the Regional Strategy is characterised by a tremendous diversity in terms of political, economic, security and social systems. Though Asia has gone some way towards meeting the MDGs, poverty is still a major problem, as the region is home to two thirds of the world's poor. On the other hand, Asia has surpassed NAFTA by becoming Europe's main trading partner, accounting for a third of Europe's total trade flows. European FDI in Asia amounts to a third of European investments abroad.

With regard to the impact of the economic crisis, Asia has coped better than in 1997/98. The largest Asian economies have weathered the crisis well. Given high trade/GDP ratios, however, most middle-income countries (MICs) have been severely affected by the contraction in global demand, as external trade declined in 2009 by some 25% throughout the region. To counteract the slowdown, all Asian MICs have adopted fiscal and monetary stimulus measures. Still, growth has slowed in all countries (deceleration to 6.3% in 2008, from 9.5% in 2007), and low-income countries have little space for fiscal stimuli. The impact on employment and real wages varies, but hurts all. Given that average growth for developing Asia is projected to decline to 3.4% in 2009, recent aimed at achieving the MDGs risked being undermined.

However, according to IMF forecasts, economic activity in Asia will experience a relatively fast recovery in 2010, with growth picking up to an average of 6% to 6.5%. In some countries, substantial stimulus packages contributed to stabilise the situation (e.g. China's economic stimulus package worth more than €400 billion launched in the beginning of 2009). In other countries the absolute number of poor has increased, notably in countries like Cambodia. However, for Asia overall the poverty rate has declined slightly. In countries where poverty has increased, and the achievement of MDGs is at risk, such as Bangladesh, the Commission reacts adequately in the framework of the country-specific MIPs by emphasising the poverty focus of the supported strategies (cf Annex III for the major MDG indicators of all countries covered).

As commodity prices continued to rise, inflation is becoming an issue in 2010, warranting the tightening measures that have been taken by India, Vietnam, Malaysia, but also in China and Singapore to some extent.

Due to declined exports and reduced remittances, the region's current account surplus is projected to fall to about 4.8% of GDP in the next two years. Developing Asia's financial sectors have so far largely weathered the crisis. Bank credit continues to flow to the productive sector, though access to credit has tightened for riskier investments. By contrast, equity prices have bounced back, and capital inflow has picked up rapidly, especially in countries where potential for expansion of domestic demand is large. One risk with regard to the economic development in the region was that slowing growth and rising unemployment could give rise to social instability, which in turn would further dampen investment and growth. However, the financial and economic crisis per se did not lead to significant political and social instability in the region.

As Asian countries have shown different degrees of resilience to the crisis, the MTR of the strategy papers has resulted in a range of adapted EU responses. In the countries most affected (e.g. Malaysia, Thailand), limited EU support focuses on trade and investment promotion, scientific and technical cooperation, as well as on the promotion of good governance. The relatively poor countries which receive the bulk of EU support in Asia (such as Afghanistan, Pakistan, India, Nepal, Bangladesh, Laos, the Philippines, and Myanmar), are less integrated into the world economy and were hence less affected by the crisis. EU support in these countries is by and large directly targeted at poverty eradication and social sectors. Given the negative effects of the economic crisis on low-income countries, the World Bank and the Asian Development Bank have increased their commitment to affected countries substantially. On the Commission side, our budget may be smaller but the focus on health and education in many countries through our country strategies means that we will continue to play an important role in fostering poverty eradication policies. The crisis has also underlined the need to pursue further regional integration as a means to boost growth and reduce poverty.

ASEAN has stepped up its integration efforts over the last few years. With the entering into force of ASEAN's Charter at the end of 2008 and the adoption of the blueprints for the three communities (economic, political/security, socio-cultural), ASEAN has detailed plans for integration, which should form the basis for enhanced EU-ASEAN cooperation. Aid for trade will also be addressed in the ASEAN framework, though most of the specific aid-for-trade activities will be carried out at the country level. In addition, further financial integration is taking place, with the multi-lateralisation of the Chiang Mai Initiative in March 2010; this will support financial stability in Asia.

Asia's diverse environment is under growing pressure as a result of population growth, economic development and climate change. Asia thus faces enormous environmental challenges. It is acknowledged that economic growth has led to widespread degradation of the environment in Asia. Furthermore, Asia now emits some 30% of worldwide greenhouse gases, which on the basis of current trends would reach over 40% by 2030. In a region that contributes considerably to global greenhouse gas emissions and is, at the same time, highly vulnerable to the effects of climate change, work and dialogues on climate change mitigation as well as adaptation are necessary, and are thus, of course, included in our national and regional programmes.

Asia continues to be a major source of skilled labour. However, much of the migration flows to the EU take place in an irregular manner. Migration is thus an issue which is systematically included in the regular policy dialogues with partner countries and in the framework of PCA negotiations. The fragile situation of uprooted people poses problems in a number of Asian countries. With more than 2.8 million refugees, the Afghan crisis affects Afghanistan, Pakistan, and Iran, while the Burmese crisis affects Burma/Myanmar, Thailand and Bangladesh.

Ongoing conflicts in several countries contribute to human rights abuses. Human rights in general remain an issue of concern and region-wide human rights challenges include the death penalty, torture and a culture of impunity and discrimination.

2.2 New EC/EU Policy Objectives and Commitments

New EU policy objectives will be mainstreamed in the regional and national MIPs through systematic inclusion in ongoing political and sectoral dialogues with Asian partners, as well as through concrete actions addressing the specific issues at both national and regional level.

Climate change is a key priority for the EU, which has taken a lead in this area. The March 2010 Environment Council Conclusions recognised the positive outcome of the Copenhagen Conference, and stressed the fact that the need to forge a global legally-binding post-2012 agreement under the UN Framework Convention on Climate Change is becoming more urgent. The Council emphasised the need to strengthen bilateral and regional alliances with a view to building bridges between parties which reinvigorate and feed into the UNFCCC. The Copenhagen Accord recognised that a low-emission development strategy is indispensable to sustainable development, and the EU looks forward to exploring with developing countries how appropriate support can contribute to their efforts to undertake ambitious nationally appropriate mitigation actions.

The EU is also determined to make rapid progress on REDD+, *Reducing Emissions from Deforestation and Degradation* mechanisms, readiness, and accelerate the development, deployment and diffusion of environmental safe and sustainable low-carbon technologies. At this regard, the EU reaffirmed its commitment taken under the Copenhagen Accord to contribute €2.4 billion over the period 2010-12. The second regional MIP puts emphasis on climate change-related actions, such as the continued support to promote sustainable consumption and production, as well as the establishment of a regional investment facility to foster green investments. Further support to Forest Law Enforcement, Governance and Trade remains also a priority. Progress of Voluntary Partnership Agreements, and increased efforts by the EU to help Asian countries to overcome problems related to the illegal wood trade have pushed FLEGT high up on the agenda. Most Asian countries are increasingly sensitive about the economic interests at stake, sustainable use of their natural resources and their image abroad, and are thus serious about investing in this process.

Negotiations on Free Trade Agreements (FTA) with India were launched in June 2007. Some progress has been made but negotiations are not yet concluded. With regard to ASEAN, the objective of a regional FTA remains for the long-term, but the EU is now negotiating on a bilateral basis with those ASEAN countries willing and able to negotiate. Negotiations with Singapore were launched in March 2010, and other ASEAN countries such as Vietnam have expressed an interest.

FTAs would increase market access for both goods and services, and also promote a better business climate. Technical assistance for ASEAN members to cope with their obligations as WTO members and partners to an increasing number of FTAs, as well as trade-related technical assistance to India and ASEAN will continue to be provided. Sustainability impact assessments, which feed into FTA negotiations, identify possible social impacts of trade liberalisation, including labour, social and environmental standards. By informing negotiators of possible effects, research can assist policy makers and negotiators to integrate sustainability aspects more effectively.

The EU also continues to foster a comprehensive approach to the management of migration flows, aiming at striking a balance between security and the basic rights of individuals, and to develop partnerships notably in the context of the ongoing PCA negotiations and dialogues with our Asian partners. In some countries, specific activities are also included in the country programmes (e.g. in the Philippines).

Efforts to confront poverty, climate change, the financial crisis, weapons proliferation, drugs and other global issues will depend critically on forging effective alliances within the region. For this reason, support will be provided to foster dialogue in the ASEM framework with individual countries and ASEAN. The policy agendas and sectoral dialogues with individual countries, ASEM, ASEAN and SAARC cover all themes and strategic EU priorities. With China alone we currently have 56 sectoral dialogues, involving virtually all Directorates-General of the European Commission.

In line with the European Consensus on Development, the Regional Strategy and Programmes aim at contributing to the overarching objective of poverty reduction, while fostering development based on Europe's democratic values: respect for human rights, democracy, fundamental freedoms and the rule of law, good governance, gender equality, solidarity, social justice and effective multilateral action, particularly through the UN. The Commission is thus working closely with specialised UN organisations. Actions in the environment field are closely coordinated with UNEP, and our aid to uprooted people is coordinated with UNHCR. The FAO is a member of the FLEGT Steering Committee, while the WHO, FAO and OIE are implementing partners in cross-border health activities. Our cooperation with the World Bank is also extensive, and the Commission is a large contributor to World Bank Trust Funds in Asia, currently co-financing 16 activities to the tune of €450 million at both the national and at the regional level.

Given that Asian developing countries are responsible for their own development based on national strategies, EU aid will be aligned with national strategies and procedures in the CSPs, where possible. The scope for using country systems to implement regional actions is obviously limited. However, where possible, preference will be given to implementation modalities which foster ownership. To this end, it is envisaged to conduct a four-pillar assessment of the ASEAN Secretariat with a view to possibly concluding a contribution agreement for the implementation of EU-ASEAN cooperation, if the Secretariat's institutional set-up and capacity allow doing so. In any case, the possibility of establishing a MOU between the Commission and the ASEAN Secretariat, outlining objectives, actions and indicative budget foreseen should be considered as a means to foster ownership and visibility. However, it must also be noted that the ASEAN Secretariat faces certain capacity as well as decision-making constraints which will thus be addressed in the forthcoming MIP.

The EU and its Member States are committed to making European aid to Asia more effective, particularly through better coordination in situ, and ensuring it complements other development support and work in the beneficiary countries and regions. To this end, regular consultations and coordination meetings with stakeholders are taking place in situ during implementation. As detailed in Annex IV, consultations have taken place with a wide range of stakeholders as part of the MTR exercise for the regional programme. Close and more focused consultations with beneficiaries, civil society and donors will continue during the identification, formulation and preparation of specific actions, as a means to ensure participative project planning, close donor coordination and thus a high degree of aid effectiveness.

2.3 Results, Performance and Lessons Learnt

Regional cooperation in Asia focuses on three priority areas (amounts in brackets indicate initially envisaged commitments for the 2007-2010 period):

- 1) Support to Regional Integration, with our key partners (€78 million):
Asia-Europe Meeting (ASEM), Association of South-East Asia Nations (ASEAN), and South Asian Association for Regional Cooperation (SAARC).
- 2) Policy and Know-How based Cooperation in (€210 million):
 - (i) Environment, Energy and Climate Change, through Sustainable Consumption and Production (Switch Asia) and the Forest Law Enforcement, Governance and Trade (FLEGT) Programme;
 - (ii) Higher Education;
 - (iii) Cross-Border Cooperation in Human and Animal Health.
- 3) Support to Uprooted People (€112 million).

The sum of €400 million has been made available for the MIP 2007-2010, resulting in average annual commitments of €100 million. The preparation and implementation of EC assistance during the first three years covered by the Strategy has been quite successful.

Some €315 million out of the €400 million MIP have been committed by the end of 2009, and preparations for committing the remaining €85 million in 2010 are well advanced. By and large implementation of the MIP is on track and valuable programmes have been initiated, with commitments and payments on schedule.

The ASEM process is healthy and expanding as evidenced by the widening number of sectors involved and the growing number of members. ASEM is a continual dialogue between Asian and European governments. During the periods between Summits and Foreign Ministers' Meetings, inter-governmental ministerial, senior official and expert meetings maintain the momentum. ASEM is informal and multi-sectoral, and thus able to address global issues and challenges. ASEM also brings together educators and researchers. One key achievement of ASEM is co-funded by the Commission: the Trans-Eurasia Information Network (TEIN), the first large-scale research and education internet-based network connecting regional researchers in Asia with their counterparts in Europe. Over 60 million users now have access to improved internet network performance providing global research collaboration between Asia and Europe.

In addition, ASEM brings together non-governmental stakeholders. Civil society groups, parliamentarians and the business community meet at the Asia-Europe People's Forum, Asia-Europe Parliamentary Partnership and Asia-Europe Business Forum held every two years alongside ASEM Summits. The Singapore-based Asia-Europe Foundation (ASEF) is funded by all ASEM partners (with about 25% coming from the Commission) and promotes understanding and collaboration between the peoples of Asia and the EU through cultural, intellectual and people-to-people exchanges. The Foundation's outreach to civil society and the wider public complements the ASEM dialogues, and the Info-Board internet site provides transparency on the ASEM process.

During the past two years, ASEAN has implemented the programme of institutional reform which was planned at the time of the adoption of the Regional Strategy, and boosting integration efforts considerably. The ASEAN Charter was signed in November 2007, and entered into force in December 2008. Implementation followed swiftly. The ASEAN Committee of Permanent Representatives is already set-up in Jakarta. The Inter-Governmental Commission on Human Rights was launched at the ASEAN Summit in October 2009, and ASEAN Member States have agreed to increase the resources to the Secretariat by 50%. While the Economic Community Blueprint was adopted in November 2007, the Political-Security and the Socio-Cultural Community Blueprints were adopted in March 2009. The three blueprints stem from the Vientiane Action Programme referred to in the Regional Strategy and fully supported by the Commission. They form the plan for creating the ASEAN Community including a Single Market by 2015. ASEAN's performance in strengthening regional integration has been quite impressive, and has been successfully supported by technical assistance and dialogue under the current MIP. Still, it has become evident that one of the weakest points of ASEAN is the lack of implementation of regional agreements at national level – i.e. enforcement at ASEAN Member State level, as well as capacity constraints in the Secretariat. The MIP 2011-2013 should therefore address these aspects by measuring implementation at national level and supporting ASEAN National Secretariats, and providing targeted capacity building.

In contrast, South Asia is characterised by a low level of regional integration, and our direct cooperation with SAARC is seriously hampered. Although some €2.6 million were committed in 2007 for EU-SAARC Economic Cooperation, and tremendous efforts were made by the Commission to safeguard the project, the funds are now lost because SAARC Member States did not empower the SAARC Secretariat to sign the Financing Agreement. Alternatively, the €5.2 million EU-South Asia Civil Aviation Programme, Phase II has been formulated with direct involvement of the civil aviation authorities of each SAARC Member States, but without any provisions for contractual involvement of the SAARC Secretariat. It is therefore clear that our direct cooperation with SAARC will have to be more modest.

The preparation and implementation of actions in the areas of Policy and Know-How based Cooperation and our Aid to Uprooted People are progressing relatively well, and should continue along established lines.

As regards actions covering the area of Environment, Energy and Climate Change, it has been realised that in a region that contributes considerably to greenhouse gas emissions and is, at the same time, highly vulnerable to the effects of climate change, additional work on climate change mitigation is necessary. Building on the achievements and lessons learned during the first MIP, our contribution to promoting sustainable consumption and production as well as to FLEGT should thus be extended to consolidate progress, and cover a wider range of countries. In addition, an investment facility for Asia focussing on climate change should be

established. Such an instrument should mobilise and complement resources of our main financial partners, and enable joint European operations in line with the Paris Declaration principles, aiming at more coherence and better coordination between the donors' and financing institutions' operations. The facility should be launched soon as a contribution to the EU response to problems emerging from the economic crisis and climate change.

Between 2007 and 2009 a total of 21 monitoring missions and evaluations of previously initiated actions took place. These missions covered mainly individual projects under the Asia-wide initiatives Asia Pro Eco II, promoting sustainable production and consumption, Asia Invest, promoting business cooperation and Asia Link, promoting cooperation in higher education. While most projects monitored were rated 'satisfactory', problems were identified in some cases. Those were tackled during the remainder of the projects. The lessons learned and recommendations made were taken into account during the design of the successor projects.

Furthermore, the Commission's €70 million contribution to the Avian and Human Influenza Facility was evaluated in 2009, and the programme was found to be highly relevant, efficient and effective. On the other hand it was also highlighted that implementation was behind schedule, and that some of the supported actions lacked sustainability. However, overall it was concluded that the EC contribution made a significant positive impact with regard to veterinary and medical capacity. The issue of sustainability will be addressed in forthcoming support.

Recommendations resulting from the monitoring reports and evaluation have been and are being taken into account to streamline ongoing implementation as well as during the identification and preparation of successor activities.

The mid-term evaluation of the Switch Asia Sustainable Consumption and Production Programme was completed at the end of 2009, and covered all ongoing projects. Though it is still in its early days, the evaluation has shown that the first results are very encouraging and that all sub-projects are on track. The actions under Switch Asia are highly relevant. However the evaluation team also recommended that the distinction between consumption and production in the call-for-proposals should be abolished. The Commission concurs with that recommendation and future calls-for-proposals and activities will not explicitly make that distinction anymore.

Finally it must be borne in mind that evaluations of the launched interventions launched under the first MIP are scheduled for 2010, 2011 and 2012, as the first actions under the current MIP became operational only in 2008. As such the results and recommendations of evaluations can be duly taken into account during the identification and formulation phase, when preparing in detail the outlined programmes and actions.

2.4 Improvements and Conclusions

The forthcoming MIP concentrates on three priority areas in which a regional approach clearly adds value and is complementary to the programmes at national level. While our CSPs address in particular poverty eradication through assistance in the health and education sectors, the regional programme addresses areas and problems which can be better tackled at regional level.

The Commission has a clear comparative advantage with regard to supporting regional integration. Support will thus be provided for regional policy development, drawing on European experience and know-how through sectoral policy dialogue and capacity building. Direct donor coordination takes place in the ASEM, ASEF and ASEAN framework. In order to ensure the efficient use of available resources, the ASEAN support actions should be specified and designed after extensive in situ coordination with donors and other stakeholders. To this end the Commission is encouraging the ASEAN Secretariat to launch a structured donor co-ordination process under its lead, and progress is being made.

The EU is also committed to helping Asia protect its environment and to securing a sustainable future for the region's growing economies. Environmental problems are rarely contained within national borders, which is why the developed approaches deal with them at regional level. Our support through Switch Asia, FLEGT and the forthcoming investment facility should thus be provided on a regional level. Responding to the tightened access to external finance and the need for climate change mitigation, an investment facility should be established. Grants should trigger additional financing by European and other financial institutions for key infrastructure investments in environment and energy.

Support for higher education complements our support for basic education that is driven by MDG 2 seeking to achieve universal primary education. Funding for basic education represents more than 15% of DCI allocations for bilateral development cooperation in Asia between 2007 and 2013. In this context it must be stressed that total DCI allocations in Asia for education and health amount to some 30%, thus surpassing the Commission's 20% commitment with regard to allocations for basic health and education.

Through region-wide calls for proposals as in our environment and higher education initiatives, we are furthermore realising economies of scale and can support projects which otherwise could not be implemented at national level due to the lack of a critical mass. With regard to the envisaged cross-border cooperation in human and animal health, as well as our support to uprooted people, a regional approach is necessary given that several countries are involved and affected, and thus the provision of cross-border assistance is required.

The Commission attaches high priority to donor coordination. The MIP 2011-2013 will thus continue to emphasise the coordination and harmonisation with Member States and other donors, preparing the ground for more complementarity and division of labour through the adoption of multi-donor arrangements. During implementation close donor coordination takes place in situ.

Interventions in the FLEGT framework which are inter alia co-financed by Finland, Germany, and the UK provide good examples for operational donor coordination at regional level. It is understood that the Netherlands will also contribute substantially in the future. To ensure close coordination, representatives of DFID, FAO and GTZ are represented in the Steering Committee of the ongoing programme implemented by the European Forestry Institute, and other future co-financers will, of course, also be invited.

Discussions with the European Investment Bank, the Asian Development Bank, the World Bank, and other donors to dovetail interventions will also continue. To this end, the possibility of increased operational cooperation with financial institutions will be further explored. In doing so, the Commission is strongly committed to aid effectiveness. Our cooperation with the World Bank is thus extensive, and we are a large contributor to World Bank Trust Funds in Asia. As the Trust Funds and Co-financing Framework Agreement between the

Commission and the World Bank was renewed in March 2009 for another three years, our cooperation can continue on a solid base. With regard to our cooperation with European and other international financial institutions, the establishment of an investment facility will be the backbone for a structured operational cooperation.

We are also jointly implementing and co-financing a number of regional initiatives with international organisations, such as the European Forestry Institute, UNEP, FAO, WHO and OIE, thus ensuring close-knit operational cooperation. While NGOs will play an important role in the implementation of our support to uprooted people, UNHCR will remain a crucial partner, given their expertise and mandate for protecting refugees and displaced persons, as well as their important role in advocacy.

The promotion of human rights and democracy, gender equality, good governance, the rights of the child and indigenous peoples' rights, environmental sustainability and HIV/AIDS are major cross-cutting issues. They are being addressed in our dialogues at both national and regional level, and streamlined throughout the programme, where appropriate. In particular with regard to actions to support uprooted people and cross-border cooperation in human and animal health, specific assessments will be carried out.

Recognising that EU policies other than development cooperation can have a substantial impact on our partner countries, relevant policies are systematically included in dialogues with our partners in the region to ensure policy coherence for development. These dialogues and the implementation of the strategy and corresponding programmes seek to ensure coherence in 12 policy areas: trade, environment, climate change, security, agriculture, fisheries, social dimension of globalisation, employment and decent work, migration, research and innovation, information society, transport and energy, as outlined in Annex VI. The Commission promotes the inclusion of these areas in dialogues with Asian partners at regional and national level, and ensures coherence of new European policy initiatives and legislation by consulting all the Commission Services concerned, as well as through independent impact assessments.

The analysis and consultations in the MTR framework lead to the following **conclusions**: While there have certainly been important developments, the thrust and focal areas of the Regional Strategy are still valid and relevant. Our regional cooperation over the period 2011-2013 is thus being streamlined on the basis of the existing Strategy with a view to consolidating worthwhile actions initiated under the first regional MIP.

Building on the considerable achievements and developments in ASEM and ASEAN, our support to ASEM and ASEAN will be further strengthened. Support to **ASEM** should thus be continued and strengthened along the established lines. With the entering into force of **ASEAN's** Charter at the end of 2008, an important milestone has been reached in further enhancing EU-ASEAN cooperation. With the adoption of the blueprints for the three communities, ASEAN has detailed plans for integration, which will be supported. To foster ownership and visibility, the possibility of establishing a MOU with the ASEAN Secretariat, outlining objectives, actions and indicative budget foreseen under the second Regional MIP should be considered.

In contrast, our direct support to **SAARC** has to be scaled down on the grounds given. However, we still aim at supporting integration of South-Asian partners, and include in the forthcoming MIP provisions, whereby initiatives and/or cross-border cooperation of two or more South-Asian partners may also be supported.

With regard to **environment, energy and climate change**, three actions are proposed: building on the achievements and lessons learned during the first MIP, our contribution to promoting sustainable consumption and production (Switch Asia), and to the Forest Law Enforcement and Governance Programme (FLEGT), should be extended to consolidate progress and cover a wider range of countries. To support climate change mitigation and adaptation more efficiently, an investment facility for Asia focussing on climate change should be established. Such an instrument will mobilise and complement the resources of our main financial partners.

Higher education remains a strategic sector for sustainable development and poverty reduction in Asia, and our support is in highly sought-after by Asian partner countries. Our assistance via the new Erasmus Mundus Programme should thus continue.

As the recent A/H1N1 pandemic shows, **cross-border health cooperation** also remains relevant. Beyond Avian Influenza, the focus for the coming years should include all major risks and high-impact infectious diseases at the interface between animals, humans and ecosystems, in line with the One Health approach.

Finally, our **support to uprooted people** remains vital. Continued assistance is needed in Afghanistan, Sri Lanka, Burma/Myanmar, Thailand, Bangladesh, the Philippines, Indonesia, Nepal and Pakistan. Given current and increasing needs, allocations in line with previous commitments are essential.

Based on the above, taking needs and absorption capacity into account, commitments amounting to €321 million are proposed for the MIP 2011-2013. In 2007 an increase to €375 million for the second MIP was envisaged. However, given the urgent needs in Afghanistan and Pakistan, which called for an increase in allocations for these two countries, indicative annual commitments under the second regional MIP will amount to €107 million exceeding previous annual commitment levels by 7%.

3 THE ASIA REGIONAL MULTI-ANNUAL INDICATIVE PROGRAMME 2011-2013

In line with the Development Cooperation Instrument (DCI), the European Commission's development strategy for the region aims at eradicating poverty, by supporting broad-based sustainable economic growth, promoting an environment and conditions conducive to trade and integration within the region, enhancing governance, increasing political and social stability, and contributing to achievement of the MDGs. Major indicators for the successful implementation of this MIP thus include the MDGs and the progress the region makes towards achieving them. In this context it must be borne in mind that the regional MIP supplements the 18 country CSPs/MIPs. They provide the bulk of DCI assistance and aim at reducing poverty through actions at national level.

Furthering strategic dialogues with key Asian partners is a central priority, as well as facilitating Partnership and Cooperation Agreement (PCA) and FTA negotiations across the region. Global challenges including climate change as well as human rights and governance issues will be systematically addressed in our dialogues with Asian partners.

The Regional Strategy for Asia 2007-2013 and the first MIP covering the period 2007-2010 were adopted by the European Commission on 24 July 2007. In line with the Strategy, the second MIP covering the period from 2011 to 2013 focuses on the three key areas of intervention: (1) Support for Regional Integration, (2) Policy and Know-How based Cooperation, and (3) Support to Uprooted People. The main objectives and envisaged activities are described below. Expected results, assumptions, indicators, coordination with Member States, other donors and development partners, and cross-cutting issues will be set out fully during identification and elaborated in the Annual Action Programmes.

3.1 Support for Regional Integration

Regional integration will be supported through cooperation in the framework of the Asia-Europe Meeting (ASEM), with the Association of South-East Asian Nations (ASEAN) and South Asia.

The support we give to the **Asia-Europe Meeting (ASEM)** aims at strengthening: (1) the ASEM dialogue through the Dialogue Facility; (2) the work of the Asia-Europe Foundation (ASEF), and (3) the continuation of the Trans-Eurasia Information Networks (TEIN) to facilitate inter- and intra-regional collaboration in research and education.

ASEM Dialogue Facility:

The main objective is to continue contributing to closer cooperation among the countries in the Asian region and enhance the global partnership for its development, thus contributing to the achievement of MDG No 8. The specific purpose of the facility is to enhance result-oriented political dialogue and cooperation in the ASEM framework. This will be achieved in line with the ASEM principle of issue-based leadership, focussing on areas in which the Commission could contribute to the global partnership for development. Dialogues in the following priority areas will thus be supported: (1) economic and financial matters (2) employment and social policy; (3) environment, energy and climate change; (4) development and (5) cultural diversity and intercultural dialogue. Further to this, cross-cutting issues, other specific issues will be promoted, such as education, disaster risk reduction, corporate and social responsibility, decent work conditions and social protection in line with ILO conventions, Small and Medium Enterprises (SMEs), and Intellectual Property

Rights (IPR). The facility is an evolving instrument which may also assist dialogue in other areas, such as research, transport and migration. The support will contribute to the achievement of MDG 8.

Asia-Europe Foundation (ASEF):

The objectives of ASEF, which was established in 1997 as part of the ASEM framework are to: (1) to further promote exchanges between civil societies in Asia and Europe; (2) foster links between governments and civil society groups in Asia including regional and local authorities; (3) contribute to policy dialogue and academic debates on themes of inter-regional importance; and (4) complement and support the official ASEM dialogue and events.

We will support ASEF thus in the following core areas: (1) dialogue between cultures and civilisations, including policy dialogue on culture as well as dialogue between cultural networks and organisations; (2) youth, education and academic co-operation; (3) good governance, democracy and human rights; (4) environment and sustainable development; (5) multilateralism, regionalisation and globalisation. ASEF will intensify partnerships with key cultural, intellectual, youth and media organisations in ASEM countries to facilitate dissemination of information and sharing of resources, and to enhance public awareness of ASEM. The support will thus directly contribute to the achievement of MDG 8.

ASEM Trans-Eurasia Information Network (TEIN4):

TEIN4 aims at extending and enhancing the communication research and education networks established by TEIN3 to facilitate inter-regional and intra-regional collaboration in research and education. TEIN4 will provide an environment for research networking in Asia, particularly in Least Developed Countries, thus reducing the digital divide in Asia. TEIN4 will build on the achievements of TEIN3 by focusing on: (1) network deployment and operation, and thereby continuing to acquire additional capacity and other network services needed to consolidate, enhance and extend the connections established by TEIN3, and to attract financial contributions; (2) application promotion and support, by stimulating innovative applications with development impact (such as telemedicine, e-learning, environmental forecasting), and facilitating the establishment of research partnerships in coordination with the EU framework programmes for research and development; and (3) sustainability.

TEIN will continue to build a strong sense of ownership among its Asian partners, with the aim of establishing a self-sustaining regional network. TEIN applications will focus on MDG-relevant areas including environment, health, good governance and disaster risk reduction. Indicators include increased connectivity and lasting cooperation in research, number of developed and promoted ICT applications, and eventually progress towards achievement of MDGs in the region.

Support to the Association of South-East Asian Nations (ASEAN):

The overall objective of our support to ASEAN is to contribute to regional integration following the adoption of the ASEAN Charter and the Roadmap for an ASEAN Community 2009-2015. Support will be provided for assisting the ASEAN organs to fulfil their mandates under the Charter and for the implementation of the ASEAN Community Blueprints, by drawing on European experience and know-how through sectoral policy dialogue and

capacity building. As described in Annex 7, various programme activities will be designed to cover a number of selected sectors under the three Blueprints.

Measuring progress towards ASEAN Community goals, including statistical cooperation and FTA negotiating capacity, are cross-sectoral actions. Sector-related actions will also tackle regional disaster risk reduction. The expected results include capacity building, harmonisation of legal frameworks, and enhancement of coordination, awareness and transparency. Activities may include technical assistance to support the Secretariat, as well as at national level, including training, seminars, studies, conferences, exchanges, study tours, specialist group meetings and peer contacts. Indicators include increased ASEAN integration, measured in terms of achieving the targets under the three Blueprints (such as intraregional movement of people, goods and capital, as well as in adopted regional legislation) and ASEAN's continued progress towards achieving the MDGs.

South Asia Activities:

It is proposed to concentrate assistance to SAARC member countries, including Afghanistan as a new member, on regional capacity-building. Activities will thus facilitate interaction of institutional networks in South Asia and foster regional integration in selected areas, namely environment and natural resources management as well as disaster risk reduction. Though our direct support to SAARC will have to be scaled down, we still aim at supporting integration of South-Asian partners, and allow thus adequate flexibility. To this end, we intend to support initiatives and/or cross-border cooperation of two or more South-Asian partners as follows:

(1) given the regions vulnerability to natural disasters – often exacerbated by climate change – capacity building in this area should be provided at the regional level, including research, training, system development and exchange of information for effective disaster risk reduction and management. An important stakeholder to be involved in the preparation of this action will be the SAARC Regional Centre for Disaster Management in New Delhi.

(2) It is recognised that local land use systems and climate change have an increasing influence on the stability of fragile mountain ecosystems of the Hindu Kush-Himalayas and the livelihoods of mountain people as well as substantial downstream effects, including negative impacts on coastal areas as well as on the availability of fresh water resources for the whole region. This has considerable consequences on the livelihoods of mountain and coastal peoples. Regional trans-boundary programmes are thus required to get to grips with these changes, adapt to them, and make the most of new opportunities, while addressing upstream-downstream issues. The objective is to enable and facilitate the equitable and sustainable well-being of the people by supporting the conservation of ecosystems and livelihood development through active regional cooperation. Measures will contribute to the achievement of MDG 1, 3, 4 and 7.

3.2 Policy and Know-How based Cooperation

3.2.1 Environment, Energy and Climate Change

The main activities under this important pillar are: (1) Sustainable Consumption and Production in Asia, (2) Forest Law Enforcement, Governance and Trade (FLEGT), and (3) the Asia Investment Facility (AIF). Measures will contribute to the achievement of MDG 7, but also to other MDGs, in particular MDG 1.

Sustainable Consumption and Production in Asia (Switch Asia):

This action, an extension of the Switch Asia programme, aims at promoting ‘green growth’ by supporting projects that encourage more sustainable consumption and production in Asian industries. The Programme will also strengthen the environmental cooperation between Europe and Asia, notably by mobilizing the private sector in supporting environmental policy development. It addresses the requirement to define actions to deal with major environmental challenges in Asia, in particular the region's increasing consumption of natural resources, including energy, leading to rising greenhouse gas emissions, and environmental degradation due to unsustainable production and consumption patterns and processes, including biodiversity loss and deforestation, waste, mismanagement and misuse of hazardous substances, and air and water pollution.

Though activities will cover both production and consumption, the main target groups of the programme will be manufacturing industries, especially SMEs, across Asia with a view to improving the quality and extending the lifecycle of products. Government agencies and bodies as well as retailer chains will also be targeted due to their role in public procurement. Finally, consumer organisations will be targeted to promote sustainable consumption and demand for environmentally-friendly goods and services. The programme includes incentives to promote participation of Least Developed Countries (LDCs), and will support networking activities at regional level. The policy support component, will review national legislative frameworks and strengthen national and regional SCP including the development of National Action Plans, where possible. Indicators include adopted SCP legislation, compliance with international environmental agreements, number of SME applying SCP principles, reduced resource utilisation and waste in production and consumption, reduced emissions, and progress towards MDG 1, 7 and 8.

Forest Law Enforcement, Governance and Trade (FLEGT):

This Programme continues to aim at supporting the implementation of the global EU FLEGT Action Plan, as well as commitments of Asian countries, to tackle illegal and unsustainable logging. The objective is to contribute to the sustainable management of natural resources and poverty reduction by improving forest governance in Asia. The main results include the improved capacity of national FLEGT institutions, and more extensive sharing of experience, including timber tracking and prosecution, forest and concession management. Furthermore, regional customs cooperation will be strengthened to prevent illegal timber trade. Following on from the Programme's first phase, activities will support training, placements and sharing of experience of participating forestry institutions. The capacity of key customs, trade and forest officials will be strengthened through, inter alia, training in international timber classification labelling norms and FLEGT licensing schemes. FLEGT will provide a basis for regional partnerships and dialogue, thereby complementing bilateral initiatives. Main indicators include, number of established Voluntary Partnership Agreements, reduced deforestation rates, increased ratio of certified timber trade, and increased revenues from sustainable forestry, as well as progress towards MDG 1 and 7.

Asia Investment Facility (AIF):

This Facility will focus on climate change-relevant and ‘green investments’. It aims at mobilising and complementing resources of our main financial partners – European Investment Bank (EIB), Kreditanstalt für Wiederaufbau (KfW), Agence Française de Développement (AfD), and if possible the Asian Development Bank (ADB) – and will thus

facilitate investments in the areas of energy, environment and climate change, as well as SME financing. AIF's main purpose is to promote additional investments and key infrastructure in energy and environment.

The Facility will operate by providing grants to support loans to partner countries from EIB, and from other European, multilateral and national development financial institutions. By financing technical assistance and providing complementary grants, the Facility will encourage the beneficiary governments and public institutions to make essential investments in the energy and environment sectors which would otherwise be postponed due to lack of resources. Complimentarily and additionality will be pre-conditions for any AIF intervention. Moreover, the AIF will not support any operation which could be financed by the market alone. Priority will be given to investments in LDCs and other low-income countries. Main indicators include relevant environmental indicators, such as reduced emissions, and social impact indicators, MDG 1, 7 and 8, and will be specifically established for each supported intervention.

3.2.2 Higher Education:

Continued support will be given to facilitate partnerships between European and Asian higher education institutions including scholarships for mobility at all academic levels. The overall objective is to contribute to Asia's economic, scientific and social development, thus helping to alleviate poverty in the region. The specific objectives are to: (1) make it easier for Asian countries' and their students', scholars' and universities' to participate in a higher education scheme of a world standard of excellence; (2) deliver on calls in the context of EU-Asia relations to promote educational and intercultural exchanges; (3) assist universities and higher education institutes in Asia to raise their academic standards while coping with increased demand and enrolment; and (4) to establish sustainable partnerships and networks between European and Asian universities, supporting the development of Asian countries, thus contributing to poverty alleviation.

Activities include mobility schemes for students and for academics; networking and transfer of best practice between EU and Asian universities. Support activities may include workshops, higher education fairs, stakeholders meetings, surveys, and providing information on supporting transfer and transparency of qualifications and competences. Partner countries will benefit from the European experience in higher education cooperation, mobility and reform. This programme complements interventions at national level to develop the education sector. Indicators include number of students, scholars and academic staff who participated in fields relevant to the region's needs, improved academic standards in Asian universities, increased access of students from disadvantaged groups to higher education, sustainable partnerships between Asian and EU higher education institutions. Measures will contribute to the achievement of MDG 1, 3, 4 and 7.

3.2.3 Cross-Border Cooperation in Human and Animal Health:

The Commission continues to be a driving force behind the global response to the influenza crises, including the new pandemic. The scope of intervention has been extended to prevent and respond to other highly pathogenic and emerging diseases. The focus for the coming years will be on all major risks and high-impact infectious diseases at the interface between animals, humans and ecosystems. These efforts for preparedness and response efforts will be the Commission's contribution to the 'One Health' approach, which has been endorsed internationally as a key component of coordinated action in the health field.

The programme will improve human and animal health and livelihoods in Asia through: improving the capacity of the region of the sub-regions and of individual countries (i) to prevent, detect and respond to sanitary risks originating at the interface between animals, humans and ecosystems; and (ii) to optimize their resources through innovative or improved cross-sectoral and regional co-operation (veterinary and public health sectors, ecosystems and wildlife). Indicators will not only include classical health indicators but also the number of new cross-sectorally coordinated events and actions, and enhanced capacity to prevent and respond to health risks and hazards. Measures will contribute to the achievement of MDG 6, as well as 1, 4, 5 and 8.

3.3 Support to Uprooted People in Asia

Some 28% of available funds are earmarked to address the vulnerable situation of uprooted people in protracted crisis and post-crisis situations. Assistance will be provided to refugees, internally displaced persons, returnees, former soldiers and other combatants, to return to and settle in their country of origin or in a third country. Continued assistance is needed in Afghanistan, Sri Lanka, Burma/Myanmar, Thailand, Bangladesh, the Philippines, Indonesia, Pakistan and Nepal. Given that many cases involve several countries a regional approach is necessary. With 2.8 million refugees, the Afghan crisis affects Afghanistan, Pakistan, and Iran, while the Burmese crisis affects Burma/Myanmar, Thailand and Bangladesh.

The objectives of this programme are to (1) ensure the link between relief, rehabilitation and development in crises involving uprooted people; (2) to facilitate sustainable solutions, (3) promote peace-building and reconciliation; (4) protect uprooted people; and (5) address the needs of demobilised former combatants and child soldiers. Support will be provided to reintegrate or integrate uprooted people, including support to local communities and resettlement areas. As the support aims at linking relief, rehabilitation and development, activities are closely coordinated with the EC Humanitarian Office (ECHO), with operations carried out in country programmes, and with other donors.

Interventions will cover the Afghan Crisis, the Burmese Crisis, Indonesia, Nepal and India, the Philippines, Sri Lanka and Pakistan. However, as new crises might emerge, all countries covered under the Regional Strategy are potentially eligible, and interventions will be designed to meet the particular needs and challenges. While non-governmental organisations will play a major role in implementation, UNHCR will remain a crucial partner, given their expertise and mandate for the protection of refugees and displaced persons and its role in advocacy.

Activities include the provision of basic social services and infrastructure, as well as housing, capacity building and training to improve livelihoods, promotion of human rights and the legal status of uprooted people, as well as peace-building and reconsolidation measures. Indicators include secured livelihoods of beneficiaries, the number of integrated people, percentage of target population with income-generating opportunities, number of rehabilitated social service facilities, as well as successful reconciliation efforts. The support actively contributes to the achievement of MDG 1, and, depending on the concrete actions, to MDGs 2, 3, 4, 5 and 6.

3.4 Principles for Identification, Monitoring and Evaluation

During the identification phase, when fully preparing the outlined programmes and actions, the principles of sound Project Cycle Management will be applied meticulously, and included in the Annual Action Programmes. To this end, logical frameworks for all programmes and interventions will be developed, detailing further (1) the objective to which the specific intervention contributes; (2) its purpose, outcome and expected benefits to the target groups; (3) the direct and tangible results, that are being delivered; and (4) the activities that need to be carried out to deliver the planned results, linked to a detailed budget, of course.

To measure the interventions' achievements in qualitative and quantitative terms, indicators and sources of verification, as well as the individual implementation mechanisms, will be detailed in the Annual Action Programmes. Special budgetary provisions for evaluations and audits will be made, to properly monitor and audit the implementation of all programmes. This will include also independent needs assessments and monitoring in the humanitarian context. As evaluations of the launched interventions under the first MIP are scheduled for end of 2010, 2011 and 2012, the results and recommendations can be duly taken into account during the identification phase, when preparing in detail the outlined programmes and actions. Finally, it must be emphasised that during identification and preparation of the specific interventions, extensive consultations with relevant donors and development partners will take place to dovetail and coordinate our support properly, thereby ensuring aid effectiveness.

3.5 Indicative Budget

The Regional Strategy covers the period from 2007 to 2013. The sum of €400 million was allocated for the period 2007 to 2010, equivalent to average allocations of €100 million p.a. for the first programming period.

The amount envisaged for the Asian Regional Programme for 2011-2013 is of €321 million, resulting in an average allocation of €107 million p.a., equivalent to a 7%-increase compared to the first programming period. These resources supplement the activities financed under the programmes for individual Asian countries and thematic budget lines.

The partition of the allocation for the Regional Asia MIP 2011-2013 in the amount of €321 million is divided-up as follows (indicative breakdown by priority area):

in Million Euro	2011-13	Average Annual Allocation	%
1. Support for Regional Integration	63	21	20%
2. Policy and Know-How based Cooperation	168	56	52%
3. Support to Uprooted People	90	30	28%
TOTAL	321	107	100%

While the aim will be to implement the indicative allocations shown, flexibility with regard to annual allocations and between priorities will be essential. To this end, allocations may be adapted by +/- 20%. This provision will allow for the allocation of additional funds to certain countries in the region, thus enabling the Commission to act in response to extraordinary and unforeseen events, including natural disasters, security and political developments.