



AGREEMENT FOR THE ESTABLISHMENT OF AN ASEAN DEVELOPMENT FUND

The Governments of Brunei Darussalam, the Kingdom of Cambodia, the Republic of Indonesia, the Lao People's Democratic Republic, Malaysia, the Union of Myanmar, the Republic of the Philippines, the Republic of Singapore, the Kingdom of Thailand, and the Socialist Republic of Viet Nam;

COMMITTING to realise the ASEAN Vision 2020 and build an ASEAN Community as articulated in the Declaration of ASEAN Concord II;

DESIRING to implement expeditiously the Vientiane Action Programme (VAP) and related ASEAN action plans towards the realisation of an ASEAN Community that is open, dynamic and resilient;

RECOGNISING the necessity of providing financial resources to support the implementation of the VAP and its successor Plans;

DO HEREBY AGREE as follows:

Article I

Establishment of the ASEAN Development Fund

1. The ASEAN Development Fund (ADF) shall be established and implemented in accordance with the annexed Terms of Reference, which forms an integral part of this Agreement.
2. The initial contribution of each ASEAN Member Country to the ADF shall be one million US dollars

(US\$1,000,000). This initial contribution shall comprise the existing contributions of each ASEAN Member Country to the ASEAN Fund. These existing contributions of each ASEAN Member Country to the ASEAN Fund shall be transferred to the ADF upon the entry into force of this Agreement.

3. All other monies of the ASEAN Fund representing its accumulated unprogrammed earnings and its records shall also be transferred to the ADF.

Article II Entry into Force and Termination

1. This Agreement shall enter into force on the date of signature of all the ASEAN Member Countries and shall remain in force until it is terminated by the decision of the ASEAN Foreign Ministers.
2. The entry into force of this Agreement shall automatically constitute the termination of the Agreement for the Establishment of a Fund for ASEAN, signed by the ASEAN Foreign Ministers on 23 July 1994 in Bangkok, and the transfer of all monies and records of the ASEAN Fund to the ASEAN Development Fund.

Article III Final Provision

This Agreement shall be deposited with the Secretary-General of ASEAN who shall promptly furnish a certified copy thereof to each ASEAN Member Country.

IN WITNESS **WHEREOF**, the undersigned, being duly authorised by their respective Governments, have signed this Agreement.

DONE at Vientiane, Lao PDR, this Twenty-Sixth Day of July
in the Year Two Thousand and Five, in a single original copy
in the English language.

TERMS OF REFERENCE OF THE ASEAN DEVELOPMENT FUND (ADF)

Objectives

1. The ASEAN Development Fund (ADF) shall serve as ASEAN's common pool of financial resources to support the implementation of the Vientiane Action Programme (VAP), the Roadmap for ASEAN Community (2009-2015), the Master Plan on ASEAN Connectivity (2010), the Bali Concord III, and their successor documents.

Guiding Principles

2. The ADF shall be established and managed according to the following guiding principles:
 - i. The basic element of the ADF shall be equal contributions by ASEAN Member States. The initial contribution of each ASEAN Member State to the ADF shall be one million US dollars (US\$1,000,000). This initial contribution shall comprise the existing contributions of each ASEAN Member State to the ASEAN Fund.¹
 - ii. ASEAN Member States, at any time, are encouraged to make additional voluntary contribution(s) in any amount in addition to their initial contributions;
 - iii. The ADF shall be open to contributions from other public and private sources. However, the ADF shall not accept contributions where restrictions or conditions are sought to be imposed with regard to the use of such contributions;
 - iv. Contributions by the ASEAN Member States to the ADF shall be distinct and separate from their contributions to the operating budget of the ASEAN Secretariat, and to other ASEAN funds of a sectoral nature; and
 - v. The annual fund available for approved projects is determined based on the availability of the fund, subject to the decision of the Committee of Permanent Representatives (CPR) upon recommendation of the ASEAN Secretariat, subject to periodic review.

¹ Pursuant to the Entry Into Force (EIF) of the Agreement for the Establishment of an ASEAN Development Fund on 26 July 2005, the previous contributions of each ASEAN Member State to the ASEAN Fund have therefore been transferred to the ADF

Arrangements for Managing and Utilising the ADF

Custody and Management of the Fund

3. The ADF shall be held in trust at the ASEAN Secretariat, subject to the same rules and conditions that are applied to other existing trust funds in regard to investment, disbursement, accounting and auditing procedures.
4. The ADF shall be maintained in two accounts, an Endowment Fund account, where the fund is invested through an Investment Manager aiming for preservation of capital and optimizing income, and an Operational Account, where fund is available for approved projects. Investment of the Endowment Fund is guided by the investment guidelines recommended by the Fund Advisory Group;
5. The annual income from the investment of the Endowment Fund shall be distributed 80% for projects, and 20% for capital development. Accordingly, 80% of the income from the investment shall be transferred to the Operational Account.

Programming and Appraisal of Proposed Projects

6. The use of the ADF shall be programmed on a regular basis every two years to realise each of the three pillars of the ASEAN Community and to narrow the development gap among ASEAN Member States. Selection of regional cooperation measures to be included in the ADF programme shall take explicit account of the need for: (a) priority measures in realising each of the three pillars of the Community; (b) striking a parallel and balanced development and implementation of the three pillars of the Community; and (c) narrowing the development gap among ASEAN Member States so that they could move forward in a unified manner.
7. The two-yearly ADF Indicative Work Programme shall be approved by the CPR as basis for preparation of specific project proposals for ADF funding support.
8. Projects seeking ADF support shall be appraised based on criteria including regionality, appropriateness and relevance in the context of the VAP, the Roadmap for ASEAN Community (2009-2015), the Master Plan on ASEAN Connectivity (2010), the Bali Concord III, and their successor documents, quality of design, cost-effectiveness, and sustainability. Appraisal of projects shall be made by the ASEAN Secretariat Project Appraisal Committee (PAC) based on those criteria. The standard format for ASEAN project proposals shall be used.

Eligible Utilisation of the ADF

9. Unless otherwise agreed by the CPR, the ADF shall be used for any of the following purposes:
 - i. To leverage funding of regional cooperation programmes and projects from

Dialogue Partners and other external parties. When used for counterpart funding, the amount shall not exceed 20% of the total funding raised regardless of whether the co-funding source is an ASEAN Member State or an external party;

- ii. To provide seed funding for initial activities of large-scale projects, requiring major financial support from a Dialogue Partner or other external party; and
 - iii. To provide full funding support to small and short-term projects of a confidential or strategic nature.
10. The ADF shall support projects and activities with clearly defined set of objectives and targets within a set timeframe for implementation.
11. The items of expenditure in a project budget shall be classified into three (3) general categories as follows:
- i. Administrative costs: rent, utilities, office space, salaries of locally engaged personnel, insurance and taxes;
 - ii. Operational costs: project overhead costs, recruitment costs, compensation of professional staff engaged in the project, its related expenditure (e.g. travel, accommodation, per diem) equipment and supplies; and
 - iii. Capital costs: land and building, and equipment costing more than US\$10,000.
12. Only the operational costs of the project shall be eligible for support under the ADF.
13. The capital and administrative costs shall be borne by the Host Government of the project.
14. Travelling, accommodation and other expenses of delegations attending regular meetings of duly established ASEAN bodies are not eligible expenditures under the ADF.

Funding Approval

15. Approval for use of the fund for a project shall be obtained from the CPR taking into account the recommendations of the PAC of the ASEAN Secretariat submitted through the Secretary-General of ASEAN, in consideration of the nature of activities eligible for support under the ADF.

Ownership of Property

16. The ownership of property acquired, including intellectual property generated, as a result of the implementation of projects/programmes financed by the ADF shall be

vested in the name of ASEAN. The use and/or disposition of such property shall be in accordance with rules and procedures to be determined by the CPR.

Reporting

17. All project implementing agencies receiving ADF support for projects of duration longer than six months are required to submit six-monthly financial reports to the ASEAN Secretariat, for consolidation into a regular six-monthly financial statement for review by the CPR.
18. At the end of a project, a project completion report including a full accounting of all funds received from the ADF shall be submitted by the project implementing agency within 60 days of project completion. Any excess funds unutilised by the project shall be returned by the project implementing agency to the ASEAN Secretariat within 90 days of project completion.
19. The ASEAN Secretariat shall provide a six-monthly financial statement to the CPR to update ASEAN Member States on the status of the ADF.

Amendments

20. ASEAN Member States or the ASEAN Secretariat may propose amendments at any time to the Terms of Reference and submit them for consideration and approval by the CPR.

Utilisation of Remaining Funds

21. At the end of the period of the implementation of the VAP, the Roadmap for ASEAN Community (2009-2015), the Master Plan on ASEAN Connectivity (2010), the Bali Concord III and their successor documents, any funds remaining in the ADF shall be carried over for the implementation of the successor ASEAN action programmes or for any other related purposes approved by the CPR.

Final Provisions

22. These Terms of Reference are further amended and approved by the ASEAN Member States as represented by the CPR on 22 October 2013² and shall replace the Terms of Reference referred to in Article I of the Agreement on the Establishment of the ASEAN Development Fund signed on 26 July 2005.

² The first amendment was approved by the ASEAN Member States as represented by the CPR on 5 November 2012.

23. Paragraphs 15-18 of the 2005 Terms of Reference of the ADF adopted on 26 July 2005 shall continue to apply to ownership of property, which is the subject of projects completed prior to the adoption of these Terms of Reference.