

# 1998 TERMS OF UNDERSTANDING ON THE ESTABLISHMENT OF THE ASEAN SURVEILLANCE PROCESS

*Adopted in Washington DC, USA on 4 October 1998*

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We, the ASEAN Finance Ministers, agree on the following objectives, principles and elements of the Terms of Understanding for the establishment of the ASEAN Surveillance Process:

## OBJECTIVES

1. The objective of the ASEAN Surveillance Process is to strengthen cooperation by:
  - i. exchanging information and discussing economic and financial development of Member States in the region;
  - ii. providing an early warning system and a peer review process to enhance macroeconomic stability and the financial system in the region
  - iii. highlighting possible policy options and encouraging early unilateral or collective actions to prevent a crisis; and
  - iv. monitoring and discussing global economic and financial developments which could have implications on the region and propose possible regional and national level actions.

## PRINCIPLES

2. The operations of the ASEAN Surveillance Process shall be guided by the following principles:
  - i. that all Member States shall participate in the ASEAN Surveillance Process;
  - ii. that the ASEAN Surveillance Process shall be informal, simple and based on peer review process;
  - iii. that the ASEAN Surveillance Process shall complement the global surveillance exercise undertaken by the International Monetary Fund; and
  - iv. that ASEAN shall be the main driving force in the operation of the ASEAN Surveillance Process.

## **SCOPE OF THE SURVEILLANCE PROCESS**

3. The scope of the surveillance activities shall include the following areas:
  - i. monitor and analyse macroeconomic situation and developments within the region; and
  - ii. monitor any other specific areas, including structural and sectoral issues, as approved by the ASEAN Select Committee.
4. To enhance surveillance work, relevant private sector and international organisations within and outside ASEAN may be consulted.

## **PARTICIPATION**

5. All ASEAN Member States shall support the ASEAN Surveillance Process. In this connection, all Member States are to provide to the ASEAN Surveillance Coordinating Unit a set of baseline data as provided to the IMF during the Article IV consultation mission.
6. On selected surveillance issues, which may not be relevant to some Member Countries, the 9 minus-x-principle could be applied.

## **INSTITUTIONAL STRUCTURES**

7. The institutional bodies of the ASEAN Surveillance Process shall consist of the following:
  - i. ASEAN Finance Ministers Meeting (AFMM); and
  - ii. ASEAN Select Committee, comprising the members of the ASEAN Senior Finance Officials Meeting (ASFOM) and the ASEAN Central Bank Forum, shall form the core of the Surveillance Process.
8. The ASEAN Surveillance Process shall be supported by the ASEAN Surveillance Coordinating Unit (ASCU) based at the ASEAN Secretariat in Jakarta and the ASEAN Surveillance Technical Support Unit (ASTSU) based at the ADB in Manila as referred to in paragraphs 14 and 15 of this document.
9. The ASEAN Central Bank Forum shall contribute its findings and analysis on monetary issues to the surveillance process through the ASEAN Select Committee.
10. The ASEAN Select Committee shall report directly to the ASEAN Finance Ministers Meeting.

## **ROLE OF THE ASEAN SURVEILLANCE COORDINATING UNIT**

11. The Coordinating Unit shall prepare, coordinate, review and consolidate inputs and information from Member States and from international as well as regional financial organisations for presentation to the ASEAN Select Committee and the ASEAN Finance Ministers Meeting.
12. The Coordinating Unit shall conduct studies on specific issues with the view of making policy recommendations or courses of actions for the consideration of the ASEAN Select Committee and the ASEAN Finance Ministers Meeting.
13. The Coordinating Unit shall perform the administrative functions for the ASEAN Select Committee and the ASEAN Finance Ministers Meeting. These shall include the following:
  - i. prepare the agenda and relevant documents after due consultation with the Chairman;
  - ii. collect available finance-related information and papers and synthesise them for discussion by the ASEAN Select Committee and the ASEAN Finance Ministers Meeting;
  - iii. provide secretariat services including preparing minutes or summary notes of discussions;
  - iv. draft any press statements that the ASEAN Finance Ministers Meeting may wish to issue; and
  - v. follow-up on the decision of the ASEAN Select Committee and the ASEAN Finance Ministers Meeting.

## **ROLE OF THE ASEAN SURVEILLANCE TECHNICAL SUPPORT UNIT**

14. During the initial period of two years, the ASEAN Surveillance Technical Support Unit in Manila shall provide technical support to the surveillance process as well as training and capacity building assistance to the ASEAN Secretariat, finance ministries, central banks, and other relevant departments of the ASEAN Member Countries.
15. The ASEAN Surveillance Technical Support Unit shall consist of officials from ASEAN Member countries on voluntary basis for a period of six to twelve months. [They shall be complemented with counterpart staff of the ADB. Either a senior member of the ASEAN Secretariat or a senior official of ASEAN Member Countries designated by the ASEAN Select Committee shall serve as the head of the Technical Support Unit in Manila on a part-time basis].

## **TECHNICAL COOPERATION**

16. The Asian Development Bank shall extend technical assistance and capacity building to the ASEAN Surveillance Process.
17. In addition to the Asian Development Bank's technical assistance, the ASEAN Surveillance Coordinating Unit shall seek technical assistance and cooperation from regional and international organisations in the field of monetary and financial matters to enhance the surveillance exercise and the capacity of ASEAN for producing quality surveillance work. These organisations shall include the International Monetary Fund, World Bank, Bank of International Settlements, UNCTAD, UNDP, SEACEN and other similar institutions.

## **CONFIDENTIALITY**

18. All data, reports, proceedings and information generated from the ASEAN Surveillance Process shall be treated with strictest confidentiality
19. Disclosure of selected information and release of certain reports generated by the surveillance process, which would be of interest to the general public and the market, could be disseminated if approved by the ASEAN Finance Ministers, However, this shall not preclude the right of any individual Member Country from disclosing its own national data and information.

## **FREQUENCY OF ASEAN SURVEILLANCE MEETINGS**

20. The ASEAN Finance Ministers shall meet at least twice a year to discuss, review and consider all ASEAN surveillance matters that would be presented by the Chairman of the ASEAN Select Committee Meeting.
21. The ASEAN Select Committee shall meet at least twice a year or as and when necessary.
22. The Chairmanship of the ASEAN Select Committee Meeting shall follow the Chairmanship of the ASEAN Finance Ministers Meeting.