



Mekong Water Resources Program development cooperation report 2009

September 2010

This report summarises the Mekong Water Resources Program's progress in 2009 towards its objectives. Reports on the program's performance in previous years are available on the Australian Agency for International Development's (AusAID's) website.

Context

In the Mekong Region many water resource projects have been completed, are underway or are being planned by governments, private consortiums and multilateral organisations. While some of these projects are celebrated, others disrupt or destroy existing river ecosystems and livelihoods and lead to disputes and protests. The transboundary nature of Mekong waters is such that, to be fair, decision making needs to be based on a regional evaluation of benefits and costs, rather than only on national interests.

The rise of water, hydropower and climate change adaptation to the top of the regional political agenda was evidenced by the First Mekong River Leaders' Summit in Thailand in April 2010, convened by the Mekong River Commission (MRC), which brought together the Prime Ministers of the four Lower Mekong countries and very senior representatives from China and Burma. However, there remains an urgent need for ongoing deliberations to be better informed so participants can more constructively influence negotiations with, and the policies of, public, private sector and civil society actors in the complex political economy of water. This key challenge is being addressed by the Australian Mekong Water Resources Program.

Goal and objectives

Australia's goal with the Mekong Water Resources Program is to promote regional cooperation and achieve sustainable development through the better use and management of the Mekong Region's water resources. This goal is supported by three inter-related strategic objectives:

- > strengthening **institutions**
- > improving availability of reliable **knowledge**
- > making more informed **decisions**.

Priority issues

To achieve the program's goal and strategic objectives, activities supported by Australia are addressing one or more of these six priority issues:

- > **capacity building**—technical and social capacity building to enable integrated water resource management (IWRM)
- > **environmental change**—adapting to climate and other environmental change
- > **food security**—ensuring there is enough food for vulnerable and marginalised people
- > **hydropower assessment**—comprehensively assessing options, including alternatives
- > **transboundary engagement**—engaging more constructively on water-related issues between all six countries of the Mekong Region
- > **corporate social responsibility**—encouraging private sector leadership and accountability.

Table 1 includes the estimated expenditure under the Mekong Water Resources Program in 2009–10, by objective.




Table 1: Estimated expenditure under the Mekong Water Resources Program in 2009–10

Objectives	\$ million	% of program
Institutional strengthening	3.10	40.42
Improving availability of reliable knowledge	2.47	32.20
Informed decision making	2.10	27.38
Total	7.67	100




Progress towards objectives

Table 2 summarises the progress in 2009 towards the objectives of the strategy.

Table 2: Ratings of the program's progress in 2009 towards objectives

Impact and objectives	Rating in 2009
Development impact sought:: Regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong Region	
1: Strengthening the institutional framework to improve IWRM in the Mekong Region	
2: Improving availability of reliable knowledge about water resources use and further water development in the Mekong Region, especially in the Mekong River Basin	
3: Supporting water resources development decision-making processes with more informed deliberation that constructively influences negotiations and policy of public, private sector and civil society actors in the Mekong Region	

Note:

-  The objective will be fully achieved within the timeframe of the strategy.
-  The objective will be partly achieved within the timeframe of the strategy.
-  The objective is unlikely to be achieved within the timeframe of the strategy.



Institutional strengthening

Objective 1: Strengthening institutional framework to improve IWRM in the Mekong Region

In response to acknowledged capacity constraints, the **MRC**¹ has developed a comprehensive response: the **Integrated Capacity Building Program (ICBP)**. The ICBP will be at the centre of some of the MRC's greatest challenges in the coming years, including the development of staff in the MRC Secretariat, national secretariats and line agencies.

The ICBP is also responsible for: achieving better gender outcomes across the MRC program; formulating the next MRC Strategic Plan 2011–16; and, developing and implementing a results-based management system. Through institutional strengthening, the ICBP will help improve the MRC effectiveness. The ICBP is in the early stages of start-up. However, progress to date has been good.

The next phase of the cooperation between the MRC and the **Murray-Darling Basin Authority** did not progress in 2009, due in part to the authority's full focus on Basin Development Plan work in Australia, and the fact that the ICBP, the new vehicle for the cooperation, was just being established. The Adelaide-based International Centre of Excellence in Water Resources Management has been delegated by the Murray-Darling Basin Authority's Chief Executive to work with the MRC to progress this cooperation.

Laos IWRM support has two streams—one to the Ministry of Energy and Mines and one to the Water Resources Environment Administration (WREA). Support to the Ministry of Energy and Mines will improve **hydropower sector governance** and in so doing contribute to a more strategic, transparent and sustainable hydropower industry in Laos.

Existing Laos IWRM support to WREA, contracted through and supervised by the Asian Development Bank (ADB) is making good progress on national policy and strategy work. It is expected that this work will be completed in November 2010. Additional work to assist WREA prepare for what is now a **multi-donor IWRM support program** experienced some delays in 2009, but is also now back on track.

The AusAID Mekong Water Unit is also considering a partnership with the ADB to contribute to the **Cambodian Water Resources Management Sector Development Program**. The water unit developed this program with the Ministry of Water Resources and Meteorology (MOWRAM) and the Ministry of Economy and Finance. Given the potentially massive inflows of low-condition funds to Cambodia from new donors for irrigation and hydropower development, AusAID considers a strategic partnership with the ADB to be an important opportunity.

AusAID also built links with the **banking industry** active in Mekong Region water resources development, including ANZ which Australia brought to the MRC Summit. The Mekong Water Unit is also building working relationships with **hydropower developers** such as Ital-Thai, Sinohydro and Huaneng and other actors in the Chinese hydropower

¹ The MRC was formed on 5 April 1995 by an agreement between the governments of Cambodia, Lao People's Democratic Republic, Thailand and Vietnam. The four countries agreed on the joint management of their shared water resources and the development of the economic potential of the Mekong River. In 1996, China and Burma became dialogue partners of the MRC. The MRC has programs on water use, basin-wide planning, integrated water resources management, fisheries management, navigation, irrigated agriculture, watershed management, environment monitoring, flood management and exploring hydropower options. For more information: <www.mrcmekong.org>.



industry in recognition of their influential roles in the institutional framework. AusAID already has strong links with the research community and civil society networks.

Improved availability of reliable knowledge

Objective 2: Improving availability of reliable knowledge about water resources use and further development in the Mekong Region, especially in the Mekong River Basin

The MRC **Climate Change Adaptation Initiative** (CCAI) is well underway and helping Mekong countries cooperate in their learning about and planning for adaptation. AusAID worked closely with the MRC to develop and fund the CCAI, and now other donors are eager to come on board (Denmark, Finland and Sweden).

The Mekong Water Unit committed—when forward planning in 2009—to have the design of new initiatives underway with non-state actors. AusAID is now working with the **Challenge Program on Water and Food**² (CPWF) to design an activity to broaden and deepen the demand for better water resource governance by supporting credible research for development, and providing neutral platforms to encourage transparency in decision making by governments and other actors in the hydropower sector.

The CPWF is already implementing a small activity with AusAID support, exploring the utility of the Hydropower Sustainability Assessment Protocol developed by the international, multi-stakeholder Hydropower Sustainability Assessment Forum.

The Mekong Water Unit has also taken on the co-management, with AusAID Cambodia, of the **Cambodia Development Resource Institute** water governance research and policy capacity building activity. Progress was slow in 2009, but mid-term corrections are now in place and the activity will be completed in 2010–11.

The private sector has great potential to make more reliable knowledge available. Therefore a 2009 milestone was to see due diligence of significant water resources projects shared publicly by their private developers, demonstrating progressive use of internal governance protocols. This was not achieved. Sinohydro, Huaneng, Nam Theun Power Company and Theun Hinboun Power Company, the most prominent developers in southern China and Laos, are all experimenting with different governance protocols, and are yet to share the results of their internal auditing.

The ongoing impact of the earlier-funded Australian work with the MRC **Appropriate Hydrological Network Improvement Project** was also evident in 2009. Although the Lower Mekong hydro-meteorological system still pales in comparison to the one operating in Yunnan³, project stations have enabled the MRC to engage in substantial debates between China and Lower Mekong countries, culminating in the new agreements for data sharing announced at the MRC Leaders' Summit.

² CPWF is a time-bound, independently-governed program of high-impact research, created by the Consultative Group on International Agricultural Research. It targets the group's goals in relation to complex issues of global and/or regional significance, and requires partnerships among a wide range of institutions to deliver its products. CPWF Mekong is now embarking on its second phase. For more information: <<http://www.cgiar.org/impact/challenge/index.html>> and <<http://www.waterandfood.org/>>.

³ The Appropriate Hydrological Network Improvement Project funded 18 hydromet stations on the Mekong mainstream. The Huaneng Lancang Hydro company receives data from around 200 stations in Yunnan and Tibet.



Decision-making support

Objective 3: Supporting water resources development decision-making processes with more informed deliberation that constructively influences negotiations and policy of public, private sector and civil society actors in the Mekong Region

Australian funding of \$7 million over four years for the regional component of the Mekong IWRM Project is locked in following the passing of an MRC Council Resolution in December 2009 confirming MRC member country commitment to the project. The regional component builds on the MRC's previous work to develop basin-wide water resources management tools and water use rules. These rules are key to ensuring that fully-informed and transparent choices can be made about reasonable and equitable use of the waters in the basin. The MRC now has high-quality staff on board, and is well placed to push ahead in 2010.

A strong effort in 2009 resulted in an established network of partnerships to enable the **AusAID – Commonwealth Scientific and Industrial Research Organisation (CSIRO) Research for Development Alliance** to approve the Exploring Mekong Region Futures activity. Regional workshops in Kunming, Vientiane and Phnom Penh have ironed out the methodology and teams have been fielded, or soon will be, in Vietnam's Mekong Delta, Cambodia's Tonle Sap, northeast Thailand, Laos and possibly Yunnan.

The final milestone for the decision-making objective in 2009 was to demonstrate awareness of the potential of **transnational codes of conduct** for the Mekong Region. This has been achieved through the commissioning of the CPWF, which will assist governments, hydropower developers and civil society groups to explore the utility of the Hydropower Sustainability Assessment Protocol in 5 of the 6 Mekong countries. Australia also brought the ANZ Bank and the Equator Principles to the high-profile MRC Leaders' Summit.

Findings from 2008 and response in 2009

The previous management consequences identified in the 2008 Annual Program Performance Report included the following:

> **Active management**

Experiences with national government agencies, the MRC, ADB and World Bank in 2008 showed that AusAID could not delegate too much responsibility for an activity to any partner. The Agency therefore committed to playing an active oversight role wherever it invests to ensure timely implementation, heightened accountability, and appropriate partner focus on crosscutting issues of particular interest

Response in 2009: The Mekong Water Unit took a proactive role in designs, partner quality processes and overseeing implementation. The MRC, ADB and World Bank received extensive support from the unit to assist in lifting their performance.

> **Mekong River Commission**

The decision was taken to focus AusAID's MRC-related management effort on supporting the implementation of three activities—ICBP, Mekong Integrated Water Resources Management Project and CCAI—and to phase out support of the Navigation Program, Chief Technical Coordinator position, and stand-alone monitoring and evaluation strengthening.



Response in 2009: AusAID has concentrated on ICBP, the Mekong Integrated Water Resources Management Project and CCAI. However, support to monitoring and evaluation work has necessarily been extended for longer than anticipated. This is because it remains necessary for AusAID to keep abreast of progress in several additional parts of the MRC operation, due to their importance to the institution as a whole, or their relevance to the debate on Mekong basin development.

> **Engagement with China**

The Mekong Water Unit committed to discussions with AusAID Beijing to scope the possibility of extending any activity of the Australia China Environment Development Partnership to foster constructive, water-related, transboundary engagement between China and Lower Mekong countries.

Response in 2009: Although discussions have not yet been held, AusAID has been engaging with the Chinese Government and non-state and private sector actors—mostly through the entry point of China’s impact on Laos. Officials from the Embassy of China in Vientiane have joined the AusAID-funded exploration of a new hydropower governance protocol, as have Chinese hydro developers operating in Laos. Chinese non-state actors are also working with CPWF on hydropower governance.

> **AusAID – CSIRO Research for Development Alliance**

Through this alliance, the program has an opportunity to diversify and work constructively with Mekong decision makers in an activity called Exploring Mekong Region Futures. This activity uses scenario building as a point of entry to policy discussions at local, national and regional levels.

Response in 2009: A network of partnerships was established to enable the AusAID – CSIRO Research for Development Alliance to explore Mekong Region water, food and energy futures. Partners from Cambodia, China, Laos, Thailand and Vietnam are engaged.

Findings from 2009 and response in 2010

Reflections on 2009 performance, plus some emerging opportunities, dictate the priority management consequences and response areas for 2010 to be:

> **Availability of knowledge**

Improving the foundation of scientific knowledge on which to make decisions is one aspect of objective 2; the others are making available such knowledge and improving transparency of how, why and by whom decisions are made. This availability of knowledge represents possibly greater challenges in the context of the political economy of water resources in the Mekong. The focus for 2010 will include knowledge availability and knowledge transparency, in addition to filling knowledge gaps.

> **Final program building quality at entry processes**

2010 will see the completion of the transition from program design to program implementation. Three remaining activities must pass AusAID quality processes: CPWF; Laos IWRM (WREA); and, Cambodia IWRM (Ministry of Water Resources and Meteorology). Thereafter management will focus on supporting successful implementation.



> **Mekong IWRM Project and the MRC Procedures for Notification, Prior Consultation and Agreement**

Formal notification by a MRC member country of a Mekong mainstream dam project is expected in 2010. The Procedures for Notification, Prior Consultation and Agreement will then be activated for the first time.

Activation of the Procedures is an opportunity for the MRC to show what it has to offer and to demonstrate how its secretariat will carry out its mandate. There will be a rapidly scaled up demand for the tools and products of the Basin Development Planning Program and the Strategic Environment Assessment of the lower Mekong mainstream dams. Australia will support the MRC's programs and processes that inform and facilitate hydropower decision making, and encourage MRC member countries to actively participate in the Procedures for Notification, Prior Consultation and Agreement process.

> **Australian partnerships**

AusAID will actively support a modest renewal of the Mekong and Murray-Darling cooperation as part of the MRC ICBP.

Opportunities to engage with the new Australian National University – United Nations Educational, Scientific and Cultural Organization Water Initiative will be considered.

AusAID will follow up discussions with the Government of Thailand which is seeking to develop bilateral cooperation in several areas, including drought management and water resources planning.

> **Performance assessment of the program**

Fixed objectives will be set for the end of the current program (2012), with milestones set for the end of each year up until that time. Achievement against these milestones and final objectives will be monitored and evaluated in future annual program progress reports.