



Australian Government
AusAID

Annual Program Performance Report: Mekong Water Resources Program 2008

June 2009

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Contents

Contents	3
Abbreviations	4
Executive summary	5
Overview	5
Ratings	5
Major results	5
Major challenges	6
Summary of management consequences	6
Regional context	7
What are the results of our aid program?	8
Objective:	8
Aid effectiveness	9
Assessment of MRC's procurement systems	9
What is the quality of our aid activities?	10
Relevance	10
Effectiveness	10
Efficiency	11
Monitoring and evaluation	11
Sustainability	11
Gender	11
What are the management consequences of this assessment?	12
Annex 1: Activities	13
Annex 2: Adjustments to Goal and Strategy objectives	14

Abbreviations

ADB	Asian Development Bank
CCAI	Climate Change Adaptation Initiative, led by MRC
CSIRO	Commonwealth Scientific and Industrial Research Organisation
DS	Delivery Strategy for AusAID Mekong Water Resources Program
GoL	Government of Laos
ICBP	Integrated Capacity Building Program of MRC
IWRM	Integrated Water Resources Management
MEM	Ministry of Energy and Mines (Laos)
MIWRMP	Mekong Integrated Water Resources Management Project
MoWRAM	Ministry of Water Resources and Meteorology (Cambodia)
MRC	Mekong River Commission
NIWRMSP	National IWRM Support Program (Laos)
RGC	Royal Government of Cambodia
WREA	Water Resources and Environment Administration (Laos)

Executive summary

Overview

This APPR assesses the performance of the AusAID Mekong Water Resources Program for the 2008 calendar year. 2008 was characterised by activity development and strategic adjustment culminating in an updated Delivery Strategy. A multi-year development assistance package is aiming to contribute to the improvement of institutions, knowledge and decision making in the governance of the region's water resources. In addition to work with national governments, international financial institutions and the Mekong River Commission (MRC), AusAID is establishing new partnerships with non-state actors' from science, advocacy, civil society and the private sector.

Ratings

Objective	Rating	Review against previous rating
Promote regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong Region	Green	n/a

Major results

A peer review found that the AusAID Mekong Water Resources Program is performing satisfactorily and that recent adjustments to the focus and implementation of the program have it 'on-track' to achieve the sought after results. Substantial progress includes:

Designs well underway for three major program activities with MRC – Integrated Capacity Building Program (ICBP), Mekong Climate Change Adaptation Initiative (CCAI), and the Mekong Integrated Water Resources Management Project (MIWRMP).

Design completed and accepted by Government of Laos for National Integrated Water Resources Management Support Program (NIWRMSP), with similar work started in Cambodia.¹

Partnership strengthened between Mekong governments, AusAID and the Commonwealth Scientific and Industrial Research Organisation (CSIRO) for climate change adaptation knowledge-building and exchange. Plus new work started with regional partners exploring the nexus of water, food and energy choices under the CSIRO AusAID Research for Development Alliance.

Support to the MRC Navigation Program has contributed to new cooperative arrangements between Lower Mekong countries and China, plus a strengthening of navigation ties between Cambodia and Vietnam.

Support to the MRC Basin Development Planning Program has contributed to more open, public dialogues between Mekong governments and civil society about development choices.

¹ Supporting IWRM as an approach does not mean AusAID does so uncritically. There is an emerging body of experience around the world regarding IWRM implementation. We are familiar with the various critiques and watchful on its implementation in the Mekong Region.

Major challenges

The political economy of water is complex, involving many actors. Engagement strategies by an actor such as AusAID must ensure they are cognisant of both wider and more specific contexts.

Development interventions need to be carefully considered, targeted and timely. The locus of decision making is often quite some distance from where development partners focus their efforts.

Design of activities, whilst difficult, is still easier than implementation.

Competition within and between Mekong countries over water resources entitlements, use and further development is intensifying.

The consequences of some decisions is largely irreversible, yet appreciation of the Precautionary Principle is rare.

Dominant political cultures and power imbalances between different countries, sectors, agencies and disciplines limits the space for comprehensive options assessment.

Summary of management consequences

In recent months the Mekong Water Unit has re-examined its approach, and proposed adjustments that have resulted in an approved Delivery Strategy 2009-12 for the AusAID Mekong Water Resources Program.

Experiences with national government agencies, MRC, ADB and World Bank show that it is not sufficient for AusAID to delegate too much responsibility for an activity to any other partner. Active management of AusAID development cooperation investments is essential.

There will be increasing emphasis on partnerships that recognise the important, multiple roles of non-state actors.

AusAID will continue to provide substantial support the MRC. We will focus our MRC-related management effort on supporting the implementation of the three (3) activities that we are planning to support.

AusAID will continue efforts to support the Government of Laos, via a National Integrated Water Resources Management Support Program (NIWRMSP) within the Water Resources Environment Administration (WREA) and continue to explore possible support to the Ministry of Energy and Mines (MEM), ensuring that the issues we have identified in our DS are addressed in the design.

AusAID will proceed with exploring Cambodia Integrated Water Resources Management Support Project, with Vientiane and Phnom Penh posts working in close cooperation.

The Mekong Water Unit will also re-open discussions with AusAID Beijing to see if there is scope for extending any activity of the Australia China Environment Development Program (ACEDP) to foster constructive, water-related, transboundary engagement between China and Lower Mekong countries.

The CSIRO AusAID Alliance mechanism will be explored as an opportunity for AusAID to diversify its approach and constructively work with Mekong decision-makers.

A decision that the Program will financially support non-state actors has been taken. The modality of support is yet to be decided.

Regional context

The hottest water resources development issues across the Mekong Region are hydropower expansion, proposed water diversions, associated infrastructure and consequent benefits, costs, risks and responsibilities.

A recent survey of the region found that there are 82 hydropower projects, many along the Mekong River and its tributaries, and that there is potential for another 179 hydropower projects. If the planned dams and diversions are built, the waterscapes of the region would be transformed. Substantial economic benefit could be derived from the hydropower projects, but such projects need to be scrutinised, as there are many drivers of infrastructure development. Knowledge-driven decision tools, when applied, are often disconnected from politically-driven decision making.

Construction and operation of Mekong mainstream dams is particularly controversial (see Figure 1), but other Mekong tributaries, and the other river basins of the region should not be forgotten.

Figure 1 Mekong River mainstream dams – existing, under construction and planned



(Map from *Watershed 12:3*, November 2008 published by Towards Ecological Recovery and Regional Alliance)

What are the results of our aid program?

Objective:

Promote regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong Region

■ The objective is on track to be fully achieved within the timeframe.

The activities contributing to this objective in 2008 are summarised in Annex 1.

In 2008 we supported the preparation of designs for six activities to improve water resource management in the region. Progress against performance milestones drawn from the performance assessment framework are shown below.

Performance milestone	Achieved?	Comment
Design, appraisal and funding of three new MRC activities: > Integrated Capacity Building Program (ICBP) > Mekong Integrated Water Resources Management Project (MIWRMP) > Climate Change Adaptation Initiative (CCAI)	Likely to be achieved	MRC activity designs (ICBP, MIWRMP) underwent quality processes in April and May 2009. The CCAI design will undergo quality assessment in July 2009. Full implementation of all three activities is scheduled to start early in the 2009–10 financial year.
Gender considerations identified and implemented through ICBP	Achieved	Gender elements incorporated in ICBP design. Quality of the design has led to a doubling of New Zealand's financial support to the MRC.
Phased implementation of new MRC M&E system begins	Achieved	Co-funded AusAID/GTZ project is under way. AusAID in-kind technical assistance was provided during the inception phase. The emerging M&E system informed the design and quality of the M&E approach for the three MRC activity designs listed above.
Strengthened Laos Water Resources and Environment Administration (WREA) and Ministry of Energy and Mines (MEM), via the National IWRM Support Program (NIWRMSP) to WREA and related technical assistance to MEM.	Partially achieved	Initial progress on designing a five-year program to build the human and institutional capacity for WREA. Work on national IWRM policy update and strategy on track. Commencement of design work to assist MEM is going according to schedule in full cooperation with the GoL and World Bank, with 'appraisal-preparation' set for second half of 2009.
Design and implementation of next phase of cooperation between MRC and the Murray–Darling Basin Commission, now the Murray–Darling Basin Authority (MDBA).	Partially achieved	The next phase of this twinning arrangement will be undertaken as part of the ICBP. This is a positive outcome, as it will elevate the MRC/MDBA cooperation from being a discrete project to being embedded within MRC's capacity-building efforts.

In addition to activity design, the Program has been significantly reviewed, culminating in March 2009 with the approval of a new Delivery Strategy (DS) that will drive stakeholder engagement, further program development and implementation, and performance assessment for the period 2009–12. The DS consolidates all our water resources activities under one framework.

A key outcome of the DS is some adjustment to the goal and strategic objectives that direct the AusAID Mekong Water Resources Program (see Annex 2).

Aid effectiveness

Our regular interactions with MRC staff and officials are complemented by biannual MRC donor meetings. In addition, AusAID has continued to play a proactive role in the MRC Joint Contact Group that meets quarterly to discuss key issues associated with MRC reform, renewal and performance.

The annual Mekong dialogues now held with World Bank and Asian Development Bank (ADB) on Mekong issues enhance regular, operational interaction with international financial institution (IFI) representatives.

Interaction with non-state actors is being developed through AusAID participation in various networks.

Interaction with the private sector, which is active and drives much of the water resources development in the Mekong, is also being expanded.

Coordination with other donors, such as Germany, Finland, the United States and New Zealand, has now increased.

Assessment of MRC's procurement systems

Given the intention to provide grant financing to the MRC to implement three new programs, AusAID undertook an assessment of the MRC's procurement system. The assessment found that the MRC's systems for procuring goods and services are fundamentally sound, and are overseen by staff with high levels of probity. Some weaknesses and gaps were identified that could be addressed through AusAID program support to the MRC.

What is the quality of our aid activities?

Activities supported by Australia in 2008 fell below the financial threshold for quality at implementation (QAI) reporting (that is, committed funding for individual activities was in each case <\$3 million). Support was focused on activity design or small financial value (but crucial) institutional strengthening. However, omnibus QAI reports were prepared for assistance to the MRC and to the IFIs. Table 1 outlines the agreed ratings for these two QAIs; the following text explores common issues across the six QAI criteria.

Table 1 QAI ratings for MRC and IFI assistance in 2008

Name	Type	Relevance	Effectiveness	Efficiency	M&E	Sustainability	Gender equality
Mekong River Commission assistance	QAI	5	5	4	4	5	5
Assistance to governments via international financial institutions	QAI	5	4	3	4	4	3
QAI rating scale							
6	Very high quality; needs ongoing management and monitoring only			3	Less than adequate quality; needs work to improve in core areas		
5	Good quality; needs minor work to improve in some areas			2	Poor quality; needs major work to improve		
4	Adequate quality; needs some work to improve			1	Very poor quality; needs major overhaul		

Relevance

Activities with MRC, ADB and World Bank rated highly for their relevance to the policies and strategies of national governments of the region, in particular Laos and Cambodia.

Effectiveness

All three draft MRC designs were delivered to AusAID within the agreed time. Senior management oversight of design processes for consistency and quality has increased. However, while the secretariat's processes for national and regional consultations appear sound, internal communication between programs needs to improve.

The performance of the development banks was mixed. Our work with the ADB in designing and implementing the Laos NIWRMSP stalled in the second half of 2008, but regathered speed in early 2009.

In contrast, the partnership with the World Bank working with the Laos Ministry of Energy and Mines (MEM) progressed steadily. Formulation missions have taken place frequently over the reporting period; are well staffed with technical experts; have logical and coherent schedules and activities; and achieve the necessary outcomes.

Efficiency

At this early stage, the Australian-funded MRC activities are more advanced than the activities with ADB and World Bank, as evidenced by the QAE process for three draft MRC activity designs. That said, progress in finalising the MRC designs was variable due to differences in the quality of teams applied to the design tasks. For 2 of the 3 MRC design processes, design team recruitment was slow.

Monitoring and evaluation

M&E was a significant focus for AusAID during the reporting period. In cooperation with Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), AusAID assisted the MRC to develop its organisational M&E framework. AusAID's Asia Division Quality Adviser has provided technical assistance during periodic in-country visits. However, progress has been constrained by an organisational culture that has focused on outputs rather than outcomes.

M&E is considered less relevant to the ADB and World Bank designs at this earlier stage of activity design. However, these partners understand and share AusAID's interest in developing robust M&E frameworks and these will be carefully assessed during AusAID Quality At Entry (QAE) processes.

Sustainability

While activity-specific sustainability will be considered part of QAE processes, MRC's use of systems and processes has increased its capacity to undertake quality design.

The activities with the development bank partners are focused on supporting national water-related agencies in Laos and Cambodia. A recurring issue is public agency under-funding.

Gender

AusAID has emphasised to partners at every stage of the design process the importance of gender equality as a core principle for Australia's development cooperation. An achievement in the reporting period was the mainstreaming of gender into the MRC ICBP. This component picks up the work of the MRC's Gender Mainstreaming Project and brings it for the first time under the umbrella of an MRC program. Within ICBP, it has the potential to influence the wider MRC program.

Performance of our bank partners on gender issues during activity design remains a concern, being barely considered by ADB or World Bank design processes until prompted.

What are the management consequences of this assessment?

Implementation of the Delivery Strategy: 2009 will focus on continuing with program implementation, guided by the directions in the new DS. We recognise that partner, activity and hence program risk remains, but we are identifying and acting to minimise – where possible – these risks.

Active management: Experiences with national government agencies, MRC, ADB and World Bank show that it is not sufficient for AusAID to delegate too much responsibility for an activity to any other partner. We will continue to play an active oversight role wherever we invest to ensure timely implementation, heightened accountability, and appropriate partner focus on cross cutting issues of particular interest to AusAID (such as gender and donor harmonisation).

Non-state actors: Moving forward there will be increasing emphasis on partnerships that recognise the important, multiple roles of non-state actors. These actors can contribute to the provision of a more accountable and effective institutional framework. They can also increase the extent to which interdisciplinary, evidence-based scientific and situated knowledge is being generated and put into the public space. The modality of the support is yet to be decided. Options include: direct contracting, creation of a purpose-built AusAID funding facility, contribution to an existing facility (e.g. Challenge Program on Water and Food – Mekong Component). The relative merits of each option will be examined in the first quarter of 2009-10.

Mekong River Commission (MRC): In 2009 we will focus our MRC-related management effort on supporting the implementation of three (3) activities. We will not continue our support to the MRC Navigation Program; Chief Technical Coordinator position; and stand-alone M&E strengthening as we are choosing to reduce the number of activities with MRC.

National IWRM and hydropower sector support to Laos: In 2009 we will continue efforts to support the Government of Laos, via the National Integrated Water Resources Management Support Program (NIWRMSP). We will revise our relationship with the ADB with the support to the Water Resources Environment Administration (WREA); AusAID will take a more proactive activity start-up, implementation and oversight role, seeking to avoid further delays. We will continue our role as an active team member in the World Bank led shaping of support to the Ministry of Energy and Mines (MEM), ensuring that the issues we have identified in our DS are addressed in the design.

National IWRM support to Cambodia: In 2009 we will continue to scope out options for support to the development of the Cambodian water resources sector.

Engagement with China: Discussions with AusAID Beijing will be held to see if there is scope for extending any activity of the Australia China Environment Development Program (ACEDP) to foster constructive, water-related, transboundary engagement between China and Lower Mekong countries.

CSIRO AusAID Alliance: The CSIRO AusAID Research for Development Alliance presents an opportunity for the Water Program to diversify its approach and constructively work with Mekong decision-makers using scenario-building as a point of entry at local, national and regional levels. Assuming the activity is successfully developed in 2009, implementation will require support and oversight from the Mekong Water Unit and the AusAID Sustainable Development Group.

Annex 1: Activities

Partner	Activity	Estimated expenditure (2008–09)	Purpose/status
MRC	Mekong Climate Change Adaptation Initiative (CCAI)	\$1.1 m	Design and early implementation
MRC	Integrated Capacity Building Program (ICBP)	\$850 000	Design, plus priority training activities, including implementation negotiations with Murray–Darling Basin Authority
MRC	Mekong IWRM Project	\$550 000	Design and implementation negotiations with World Bank
MRC	Navigation Program	\$1.0 m	Implementation of selected activities from the larger MRC Navigation Program, including outreach by MRC with Chinese waterway authorities
MRC	Senior Technical Coordinator Support	\$280 000	Institutional support/strengthening, including more substantive coordination between MRC programs and increased quality assurance of MRC products.
MRC	Monitoring and Evaluation Strengthening	\$330 000	Institutional support/strengthening to improve performance monitoring and evaluation, and increase accountability and efficiency of management.
Government of Laos, ADB, World Bank	Laos National IWRM Support Program	\$500 000	Design and commence implementation of a 10-component support program to the Water Resources Environment Administration (WREA) in partnership with ADB, World Bank, Finland and Germany.
Royal Government of Cambodia	Cambodia National IWRM Support Project	\$80 000	Design and preliminary negotiation with the Ministry of Water Resources and Meteorology (MoWRAM), ADB, Japan International Cooperation Agency and Agence Francaise de Developpement to ensure complementary and coordinated support efforts.
	Activity expenditure	\$ 5.4 m	

Annex 2: Adjustments to Goal and Strategy objectives

	Australian Mekong Water Resources Strategy, September 2007	Mekong Water Resources Program Delivery Strategy, March 2009	Rationale for adjustment
Goal			
	To promote sub-regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong River and its tributaries.	To promote regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong Region.	The focus remains on the Mekong River and its tributaries; however, it is impossible to separate the Mekong River Basin development from the wider political context of the region. Hence the inclusion of 'Region' to replace 'River.'
Strategy objectives			
Institutions	Strengthening the Mekong River Commission and the National Mekong Committees to improve Integrated Water Resources Management (IWRM) in the Mekong Basin.	Strengthened institutional framework to improve IWRM in the Mekong Region.	IWRM is a broad concept and can provide pathways to more efficient use and management of water and related resources, and so the focus on it does not change. The institutional frameworks for IWRM in the Region remain weak. A slight expansion in scope allows the program to focus on other 'water-related' institutions (e.g. Laos Ministry of Energy and Mines) who play a dominant role in hydropower planning and decision-making.
Knowledge	Improving availability of reliable scientific data on the water resources of the Mekong Basin, with a focus on improving the MRC's knowledge base and technical capacity.	Improving availability of reliable knowledge about water resources use and further development.	There is insufficient reliable high-quality data to underpin consideration and decision making associated with water resource management in the region. The outcome is decision making that is insufficiently informed by social, ecological, other biophysical, economic and political understandings. Improving this situation is possible and worthwhile. The slight rewording recognises that knowledge is more than scientific data, and capacity is more than just a 'technical' matter.
Decision making	Supporting basin development planning for the sustainable, equitable and efficient use and management of the water resources of the Mekong Basin.	Informed deliberations, so as to constructively influence negotiations and policy of public, private sector and civil society actors.	Improved and relevant basin development planning is needed. The emphasis of this strategy objective is to support informed decision making, beyond just the MRC's basin planning process, recognising that decisions of most significance are being taken in national and provincial capitals and company board rooms, not within MRC processes. The text changes explicitly recognise the importance of deliberation and negotiations in planning, and the importance of many different participants.