



Australian Government
AusAID

Annual program performance report for the Mekong subregion 2007–08

NOVEMBER 2008

www.ausaid.gov.au

© Commonwealth of Australia 2009

This work is copyright. You may download, display, print and reproduce this material in unaltered form only (retaining this notice) for your personal, non-commercial use or use within your organisation. Apart from any use as permitted under the *Copyright Act 1968*, all other rights are reserved. Requests and inquiries concerning reproduction and rights should be addressed to Commonwealth Copyright Administration, Attorney General's Department, Robert Garran Offices, National Circuit, Barton ACT 2600 or posted at <http://www.ag.gov.au/cca>

ISBN 978 1 921285 41 7

Published by the Australian Agency for International Development (AusAID), Canberra, November 2008.

Annual Program Performance Reports are prepared in accordance with AusAID's Performance Assessment and Evaluation Policy. The reports are self-assessments and represent the views of program areas.

This document is online at www.ausaid.gov.au/publications

For further more information about the Australian Government's international development program, contact:

Communications Section

AusAID

GPO Box 887

Canberra ACT 2601

Phone (02) 6206 4000

Facsimile (02) 6206 4880

Internet www.ausaid.gov.au

Contents

ABBREVIATIONS	4
SUMMARY	5
REGIONAL PERFORMANCE	6
WHAT ARE THE RESULTS OF THE MEKONG SUBREGIONAL AID PROGRAM?	8
Objective A1: Increasing trade in targeted economic corridors	8
Objective A2: Increasing the availability of efficient and sustainable energy supply	10
Objective B1: Reduce non-physical barriers to achieve efficient and effective cross-border movement of goods, vehicles and people	11
Objective B2: Improve water resource management in the Mekong Basin	13
WHAT IS THE QUALITY OF AUSAID ACTIVITIES IN THE GREATER MEKONG SUBREGION?	15
Ratings of quality at entry	15
Expectations for the next 12 months	16





Abbreviations



AIDS	Acquired Immune Deficiency Syndrome
ASEAN	Association of Southeast Asian Nations
AusAID	Australian Agency for International Development
CBTA	Cross-Border Transport Agreement
CSIRO	Australia's Commonwealth Scientific and Industrial Research Organisation
GMS	Greater Mekong subregion
HIV	Human Immunodeficiency Virus
MRC	Mekong River Commission

Summary

The performance of the Mekong subregional program was assessed against the objectives and using the performance assessment framework of Australia's Greater Mekong subregion strategy for the period 2007–11. A summary of the program's performance appears in Table 1.

TABLE 1 RATINGS OF THE MEKONG SUBREGIONAL PROGRAM IN ACHIEVING THE OBJECTIVES OF THE GREATER MEKONG SUBREGION STRATEGY 2007–11

Objective	Rating
A1: Increase trade in targeted economic corridors	 (amber)
A2: Increase the availability of efficient and sustainable energy supply	 (green)
B1: Reduce non-physical barriers to achieve efficient and effective cross-border movement of goods, vehicles and people	 (green)
B2: Improve water resource management in the Mekong Basin	 (green)

Note:  denotes the objective is on track to be fully achieved within the timeframe.  denotes the objective will be partly achieved within the timeframe.

MAJOR RESULTS

The Mekong subregional program commenced in 2007–08. As such, 2007–08 was a year of program development, with 19 activities having designs prepared and appraisals completed before being mobilised. Australia engaged effectively with key partners to improve designs, particularly in areas such as monitoring and evaluation, HIV/AIDS prevention and mitigation, gender and environmental management. The majority of activities began to be implemented in the final months of the year after the signing of co-financing agreements and initial transfers of funds to partner organisations.

MAJOR CHALLENGES

Ensuring that AusAID engages effectively with co-financing partners at both the strategic and operational levels is important. Further effort is needed to align subregional activities with bilateral country strategies. Engagement with China on transboundary issues should be pursued.

Regional performance

Economically, the Greater Mekong subregion (GMS) has the potential to be one of the fastest growing subregions in the world. However, gross domestic product per capita is still only about \$1 a day in most of the region (ADB - 2008). Sustained economic growth in recent years has brought significant progress in terms of poverty reduction in the countries that share the Mekong River and comprise the Greater Mekong subregion—Cambodia, Laos, Vietnam, Burma, Thailand and the Guangxi and Yunnan provinces of China.

The subregion faces many development challenges. In absolute terms, large numbers of people still live in poverty, especially in rural areas. About three-quarters of the 310 million people in the subregion live in rural areas and depend on subsistence or semi-subsistence agriculture for their livelihoods. Poverty is also concentrated among ethnic minorities and socially disadvantaged groups.

Inadequate transport links to domestic, regional and international markets is a major factor restricting trade and investment growth within the less-developed Mekong countries. Significant transport infrastructure is required to connect poor and remote areas to established (or planned) subregional economic corridors and to increase access to wider markets. Transport infrastructure must be supported by appropriate funding for operations and maintenance. Cumbersome border-crossing procedures are a significant constraint to efficient transport and trade. In addition, opening economic corridors, particularly through transport infrastructure, can increase the transmission of diseases such as HIV/AIDS (through increased population mobility) and place women and children at greater risk from people traffickers.

The Asian Development Bank's Greater Mekong Subregion Transport Sector Strategy 2006–2015 identifies priority investment and technical assistance projects for the subregion. Through AusAID discussions with the Asian Development Bank and the World Bank, high-priority projects were identified for joint co-financing that addressed key sectoral issues by, for example, improving access to markets, facilitating cross-border transportation, increasing maintenance planning and funding capacity, and preventing and mitigating HIV/AIDS.

Developing more efficient power supplies and enabling access to clean, sustainable energy is critical to sustaining current economic growth levels in the subregion. Improving rural energy infrastructure and providing access to alternative sources of low-cost energy is vital to continued poverty reduction.

Equitable and efficient management of the water resources of the Mekong Basin is critical to achieving sustainable development in the subregion. Comprehensive planning for the basin, a strong institutional framework for integrated management of water

resources and detailed scientific knowledge of the basin's water resources are essential. Activities supported by the program were identified through the Mekong Water Resources Strategy 2007–11 and discussions with key partners, including the Mekong River Commission (MRC), the Asian Development Bank, the World Bank, CSIRO, the Murray–Darling Basin Commission and partner countries.

The subregion also suffers from serious gender inequalities. The attention given to the education of girls and the economic engagement of women is paying dividends but care is needed to maintain progress in the face of increasing economic inequalities. The construction and operation of roads can increase the risk of human trafficking and HIV/AIDS for women and children. Providing training and information for women on resettlement, compensation and grievance procedures associated with discrete infrastructure activities is important. There may be opportunities for women to participate in income-generating activities such as routine road maintenance.

What are the results of the Mekong subregional aid program?

The Mekong subregional program commenced in 2007–08. As such, 2007–08 was a year of program development, with 19 activities having designs prepared and appraisals completed before being mobilised. Australia's total official development assistance under the program in 2007–08 was an estimated \$36.7 million.

OBJECTIVE A1:

INCREASING TRADE IN TARGETED ECONOMIC CORRIDORS

RATING

■ The objective will be partly achieved within the timeframe.

This rating recognises that some elements of Australia's Greater Mekong subregion strategy, in particular infrastructure activities, are likely to be completed after the strategy finishes in 2011.¹ As implementation of several large transport infrastructure projects commenced only recently, reflecting slower than planned start-up due to delays in meeting loan effectiveness conditions, completion of these activities will extend into 2012–13.

While interim development impacts will be measured, the main development outcomes will not be achieved until the infrastructure construction has been completed and impact surveys completed (usually 12 months after completion of construction). For these reasons, the rating is considered appropriate.

ASSESSMENT OF PERFORMANCE AND RESULTS

The 2007–08 reporting year was a year of developing program initiatives for meeting this objective. AusAID worked with the World Bank and the Asian Development Bank to develop seven transport infrastructure activities (see Table 2). All projects are jointly

TABLE 2 CO-FINANCED TRANSPORT INFRASTRUCTURE ACTIVITIES DEVELOPED IN 2007–08

Activity	Partner	Country
Mekong Delta Transport Infrastructure Development Project	World Bank	Vietnam
Southern Coastal Corridor	Asian Development Bank	Vietnam
Southern Coastal Corridor	Asian Development Bank	Cambodia
Road Asset Maintenance	Asian Development Bank	Cambodia
GMS Northern Transport Improvement Project	Asian Development Bank	Laos
Road Maintenance Program	World Bank	Laos
HIV Prevention and Infrastructure Project: Mitigating Risk in the Greater Mekong Subregion	Asian Development Bank	Vietnam, Cambodia and Laos

¹ AusAID, *The Greater Mekong subregion: Australia's strategy to promote integration and cooperation 2007–2011*, Australian Agency for International Development, Canberra, September 2007.

co-financed by AusAID in partnership with either the World Bank or the Asian Development Bank. The majority of activities commenced implementation in the final months of 2007–08 after the co-financing agreements were signed and the initial funds were transferred to partner organisations.

In recognition of the program's development phase, performance milestones for 2007–08 were:

- > strong project designs in the areas of rural communities' access to feeder roads, gender, and monitoring and evaluation
- > a focus on HIV and infrastructure
- > completed project appraisals
- > signed funding agreements.

These milestones were achieved by, for example:

- > including a feeder roads component in the GMS Northern Transport Improvement Project for Laos
- > emphasising the benefits of effective monitoring and evaluation in all activities
- > developing the HIV Prevention and Infrastructure Project
- > strengthening the mitigation measures for social and environmental impacts in the terms of reference for implementation supervision consultancies
- > adding gender analysis requirements that were agreed with partners
- > completing five joint appraisals of projects
- > completing six assessments of projects' quality at entry
- > signing seven funding agreements.

In general, AusAID's proposals for design improvements were accepted by co-financing partners. By participating in joint appraisal missions and sharing project documentation, significant harmonisation was achieved. On occasions, the use of partner project documentation created difficulties as partner guidelines for this documentation were inconsistent with AusAID guidelines (for example, on how to document risk assessment and mitigation measures).

AusAID will participate in joint supervision missions with its partners to assess the projects' progress and results. The appropriateness of monitoring and evaluation frameworks and gender analysis will be an important focus of AusAID's participation in these missions.

ESTIMATED EXPENDITURE

Estimated expenditure was \$21.1 million or 58 per cent of the program's 2007–08 budget.

OBJECTIVE A2:

INCREASING THE AVAILABILITY OF EFFICIENT AND SUSTAINABLE ENERGY SUPPLY

RATING

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

ASSESSMENT OF PERFORMANCE AND RESULTS

The 2007–08 reporting year was a year of developing program initiatives for meeting this objective. AusAID worked with the World Bank's Asia Sustainable and Alternative Energy Program and country offices to develop four energy activities with a particular focus on rural energy needs (Table 3). All projects are jointly co-financed by AusAID and the World Bank. Three activities commenced implementation in the final months of 2007–08 after co-financing agreements were signed and initial funds were transferred to partner organisations.

TABLE 3 CO-FINANCED ENERGY ACTIVITIES DEVELOPED IN 2007–08

Activity	Partner	Country
Rural Energy Distribution	World Bank	Vietnam
Renewable Energy Development	World Bank	Vietnam
Rural Electrification Partnership	World Bank Asia Sustainable and Alternative Energy Program	Laos
Rural Energy Services	World Bank Asia Sustainable and Alternative Energy Program	Cambodia

In recognition of the program's development phase, performance milestones for 2007–08 were strong project designs in areas such as monitoring and evaluation and gender, completed project appraisals and signed funding agreements. These milestones were achieved by, for example:

- > emphasising the benefits of effective monitoring and evaluation in all activities
- > adding socioeconomic and gender analysis requirements to the Lao and Cambodia projects for rural energy services that were agreed with the World Bank
- > completing three joint appraisals
- > completing three assessments of projects' quality at entry
- > signing three funding agreements.

The World Bank was receptive to AusAID proposals for design improvements. By participating in joint appraisal missions and sharing project documentation, the co-financers achieved significant harmonisation.

AusAID will participate in joint supervision missions with the World Bank to assess the projects' progress and results. The appropriateness of monitoring and evaluation frameworks and gender analysis will be an important focus of AusAID's participation in these missions.

ESTIMATED EXPENDITURE

Estimated expenditure was \$8 million or 22 per cent of the program's 2007–08 budget.

OBJECTIVE B1:

REDUCE NON-PHYSICAL BARRIERS TO ACHIEVE EFFICIENT AND EFFECTIVE CROSS-BORDER MOVEMENT OF GOODS, VEHICLES AND PEOPLE

RATING



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

ASSESSMENT OF PERFORMANCE AND RESULTS

Improved cross-border movement of goods, vehicles and people is important for achieving economic integration, economic growth and international competitiveness within the Greater Mekong subregion.

Weaknesses in subregional border cooperation, compounded by the lack of infrastructure and institutional capacity as well as technical and English language skills, are significant challenges to achieving this objective.

Implementation of the Cross-Border Transport Agreement (CBTA) will be a major achievement in support of this strategic objective. Its implementation is a high priority of the countries in the Greater Mekong subregion as evidenced by its inclusion in the declaration from the Third GMS Summit held in Vientiane in March 2008.

Australia is co-financing the implementation of the agreement with the Asian Development Bank at pilot border crossings. Memorandums of understanding have been signed for this initial implementation at the following border crossings:

- > Lao Bao (Vietnam) – Dansavanh (Laos)
- > Mukdahan (Thailand) – Savannakhet (Laos)
- > Hekou (China) – Lao Cai (Vietnam).

It is intended that these pilot border crossings will showcase single-stop inspection or single-window inspection models that can be followed by other border-crossing points.

Successful implementation of the Cross-Border Transport Agreement requires actions at the regional, national and border-crossing levels.

At the regional level, key achievements in 2007–08 include:

- > finalising work plans for the four subcommittees (transport, customs, immigration and quarantine) of the CBTA Joint Committee
- > agreeing the 2007–10 Regional Action Plan at the 2007 2nd meeting of the CBTA Joint Committee

- > harmonising documents for the GMS Customs Transit System for goods, vehicles and containers after two negotiation meetings of all countries in the Greater Mekong subregion.

Arrangements are being made among Vietnam, Laos and Thailand for piloting the transit system along the East–West Corridor. Discussions were also held with the Association of Southeast Asian Nations and agreement reached to synchronise efforts of the Asian Development Bank and ASEAN in promoting transit systems in the subregion.

At the national level, national action plans for implementing the Cross-Border Transport Agreement have been prepared by Vietnam and China and a draft plan has been prepared by Laos.

At the border-crossing level, key achievements include:

- > commencing implementation of the agreement at the Mukdahan (Thailand) – Savannakhet (Laos) border crossing in September 2007 and at the Hekou (China) – Lao Cai (Vietnam) border crossing in October 2007
- > preparing operation manuals and conducting associated training for the Hekou – Lao Cai and the Mukdahan – Savannakhet border crossings
- > agreeing to commence step 2 of the single-stop inspection model at the Lao Bao – Dansavanh border crossing on 30 June 2008
- > reducing border crossing times at the Lao Bao – Dansavanh border from an average of 4 hours to 70–80 minutes for trucks, and from 2 hours to 30 minutes for cars.

The Asian Development Bank and AusAID conducted a joint mission in 2007 to identify priority assistance for future implementation of the Cross-Border Transport Agreement. The mission identified the need for a comprehensive implementation plan (including the GMS Customs Transit System and the establishment of an issuing and/or guaranteeing organisation, GMS road permit systems, information and communication equipment, harmonised customs declarations and policy advice, and a study of implementation issues) and a comprehensive capacity-building and training plan for officials at the regional, national and border-crossing levels. The formulation of these plans is a major objective for 2008–09. HIV/AIDS issues will be considered under a CBTA activity implemented under the HIV Prevention and Infrastructure Project for objective A1.

ESTIMATED EXPENDITURE

Estimated expenditure was \$0.6 million or 1.5 per cent of the program's 2007–08 budget.

OBJECTIVE B2:

IMPROVE WATER RESOURCE MANAGEMENT IN THE MEKONG BASIN

RATING



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

ASSESSMENT OF PERFORMANCE AND RESULTS

The 2007–08 reporting year was a year of developing program initiatives for meeting this objective. AusAID worked with the Mekong River Commission, the Murray–Darling Basin Commission, CSIRO, the World Bank and the Asian Development Bank to develop nine activities that support improved water resource management in the Mekong Basin (Table 4). Eight of these activities also contribute to achieving AusAID’s Climate Change Partnerships Initiative.

All projects are jointly co-financed by AusAID in partnership with the MRC, the World Bank or the Asian Development Bank. The majority of activities commenced implementation in the final months of 2007–08 after co-financing agreements were signed and initial funds were transferred to partner organisations.

TABLE 4 CO-FINANCED ACTIVITIES DEVELOPED IN 2007–08 FOR MANAGING WATER RESOURCES IN THE MEKONG BASIN

Activity	Partner
Integrated Capacity Building Program	Mekong River Commission
Strategic Liaison Program	Mekong River Commission – Murray–Darling Basin Commission
Basin Development Planning Phase 2	Mekong River Commission
Monitoring and Evaluation	Mekong River Commission
Navigation Program	Mekong River Commission
Lao PDR Water Resources and Environment Administration: Institutional Strengthening	Asian Development Bank
Mekong Integrated Water Resources Management Support Project	World Bank – Mekong River Commission
Climate Change Research	CSIRO – Mekong River Commission
Climate Change Research	Mekong River Commission

In recognition of the program’s development phase, performance milestones for 2007–08 were the signing of funding agreements for eight planned activities, needs analysis completed for MRC capacity building, implementation of the establishment phase of the monitoring and evaluation framework, early outputs of climate change research, and the inception report of Basin Development Planning Phase 2 accepted by member nations.

These milestones were achieved by the program although those related to the monitoring and evaluation framework, climate change research and the inception report of Basin Development Planning Phase 2 were only partly achieved. This was due to the late finalisation of funding agreements for developing the monitoring and evaluation framework and the late implementation of climate change research in 2007–08. The inception report of Basin Development Planning Phase 2 was completed but not approved by MRC member nations.

In general, AusAID proposals for design improvements were accepted by co-financing partners. This cooperation with partners was facilitated by the AusAID Water Unit established in the Australian Embassy in Vientiane. The unit enabled close and productive interaction with partners, in particular the MRC, which is also located in Vientiane.

While this objective is likely to be achieved within the strategy's timeframe of 2007–11, there will be a continuing need to further improve water resource management beyond 2011. The degree to which water resource management will have been improved during the strategy's timeframe may be adversely affected by external developments. Given this context, it is proposed to amend the wording of objective B2 to 'Improve the capacity for more effective water resource management in the Mekong Basin'. This amended wording also reflects the focus on capacity building that is present in the majority of activities supporting this objective.

ESTIMATED EXPENDITURE

Estimated expenditure was \$5 million or 14 per cent of the program's 2007–08 budget.

What is the quality of AusAID activities in the Greater Mekong subregion?

AusAID sought to improve the quality of activity designs through participation in joint appraisal missions and meetings. In particular, it focused on achieving improvements in the areas of monitoring and evaluation, gender analysis, HIV/AIDS prevention and mitigation, and environmental impact.

RATINGS OF QUALITY AT ENTRY

Activities supported by the Mekong subregional program received good quality assessments. Nine activities had quality-at-entry assessments completed. Activities scored highest against the criteria 'clear objectives' and 'analysis and lessons learned'. Lower ratings, although still acceptable, were assigned against the quality-at-entry criteria 'sustainability'. This reflected difficult operating environments in, for example, Cambodia and uncertainties about longer term financing of maintenance programs for infrastructure in Vietnam, Cambodia and Laos. Monitoring and evaluation were generally assessed as high quality, but a consistent need was identified for further baseline data and for stronger monitoring and evaluation frameworks. This reflected in part the different requirements for documentation of monitoring and evaluation frameworks in the design documentation of co-financing partners.

The quality of gender analysis varied among the activities assessed at the entry stage. Four activities co-financed by the Asian Development Bank had detailed gender strategies that were rated as high quality. Other projects, while often including varying levels of social and gender analysis, did not have specific gender strategies. As a result of the quality-at-entry assessments, these latter activities will have further socioeconomic and gender analysis completed.

Activities in support of improving the management of water resources in the Mekong Basin did not have formal quality-at-entry assessments completed because their individual financial commitments were under the threshold of \$3 million. However, professional appraisals were completed for all activities and their quality was assessed as acceptable. In some cases, the activities supported were for project preparation, and quality-at-entry assessments will be undertaken when draft project design documents have been prepared.

As 2007–08 was largely a year of program development, with implementation of most activities commencing late in the reporting period, quality-at-implementation reports have not yet been prepared. These reports will be prepared during the next reporting period, drawing largely from the findings of joint supervision missions and project reports. In the case of the objective to reduce non-physical barriers to cross-border movements of goods, vehicles and people, a quality-at-implementation report for the

Cross-Border Transport Agreement was not completed because this activity became part of a larger project for which a quality-at-entry report is being prepared.

EXPECTATIONS FOR THE NEXT 12 MONTHS

Specific expectations have been established for the next 12 months. A performance assessment framework has been developed against the strategy, and the program has a clear set of objectives, intended outcomes, indicators and annual milestones. In 2008–09, joint supervision missions with co-financing partners will be the major form of monitoring and review for performance assessment. Comprehensive terms of reference for supervision missions and appropriate participation will be important. Baseline data will be collected during the initial 12 months of project implementation. AusAID will ensure that the monitoring of baseline data collection and gender analysis are a focus of project supervision missions.

A breakdown of specific expectations for 2008–09 by strategic objective follows.

INCREASING TRADE IN TARGETED ECONOMIC CORRIDORS

The 2008–09 milestones include:

- > finalisation of design and signing of co-financing agreements for a sector-wide approach to Laos transport
- > evidence of a focus on increased project effectiveness—for example, better monitoring and evaluation and gender analysis—through joint supervision missions
- > awarding of contracts for consultancy supervision services, detailed design and initial civil works for the Mekong Delta Transport Infrastructure Development Project, the Southern Coastal Corridor, the GMS Northern Transport Improvement Project in Laos and road maintenance in Cambodia and Laos
- > established monitoring and evaluation frameworks and baseline data for targeted economic corridors
- > the extent to which the implementation of activities is on track.

INCREASING THE AVAILABILITY OF EFFICIENT AND SUSTAINABLE ENERGY SUPPLY

The 2008–09 milestones include:

- > finalisation of design and signing of co-financing agreements for the Vietnam renewable energy project
- > evidence of a focus on increasing project effectiveness through joint supervision missions
- > established monitoring and evaluation frameworks and baseline data
- > the extent to which the implementation of initiatives is on track.

REDUCE NON-PHYSICAL BARRIERS TO ACHIEVE EFFICIENT AND EFFECTIVE CROSS-BORDER MOVEMENT OF GOODS, VEHICLES AND PEOPLE

The 2008–09 milestones include:

- > formulation of a comprehensive CBTA implementation plan (including the GMS Customs Transit System and the establishment of an issuing and/or guaranteeing organisation, GMS road permit systems, information and communication equipment, harmonised customs declarations and policy advice, and a study on CBTA implementation issues)
- > formulation of a comprehensive capacity-building and training plan for officials at the regional, national and border-crossing levels.

IMPROVE WATER RESOURCE MANAGEMENT IN THE MEKONG BASIN

The 2008–09 milestones include:

- > finalisation of the design for the World Bank Mekong Integrated Water Resources Management Support Project
- > implementation of the Integrated Capacity Building Program under way
- > phased implementation of new MRC monitoring and evaluation system commences
- > a support program for the Laos Water Resources and Environment Agency
- > implementation of CSIRO and MRC climate change research activities
- > delivery of priority regional training courses on scenario-based planning, the assessment framework and tools for Basin Development Planning, and on the principles and approaches of integrated water resources management, and pilot training on ‘trade-off facilitation’ in basin planning.