



Australian Government  
Department of Foreign Affairs and Trade



# **Australia's Mekong Water Resources Program—**

Sector Investment Plan  
2014-2018



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# Executive summary

Australia has been supporting Mekong countries to manage their water resources since the 1990s. *Australia's Mekong Region Water Resources Program—Sector Investment Plan 2014–2018* is a new, five-year program that aims to strengthen water governance across the region. This is important because effective water resource management is critical to water, food, energy and environmental security. It is also central to sustainable economic development and local livelihoods.

The Department of Foreign Affairs and Trade's (DFAT) interventions will focus on five outcomes in the area of regional water governance:

1. **EFFECTIVELY-MANAGED:** Strengthen the institutional frameworks and capacity of regional, national and local actors to manage their water and related resources more effectively.
2. **ACCOUNTABLE:** Raise the accountability of government and the private sector to normalise better standards for water investments and more transparent decision making.
3. **INFORMED:** Improve the availability and influence of research to improve water resources management and water investment decision making.
4. **INCLUSIVE:** Support civil society and local community input into water decisions and management at all levels.
5. **POLICY DIALOGUE:** Support for policy dialogue that fosters trust and open discussion between Mekong governments and other actors on transboundary water issues.

Alongside Australia's partnerships with regional governments, the Mekong Region Water Resources Program works through four main implementing partners—the Mekong River Commission (MRC), Oxfam Australia, the International Finance Corporation (IFC), and the Consortium of International Agricultural Research's (CGIAR) Program on Water, Land and Ecosystems in the Greater Mekong (contracted through the International Water Management Institute).

Australia's Mekong Region Water Resources Program focuses on supporting four main actors that are important to Mekong water governance—governments and regional institutions; private sector; civil society; local researchers—and encourages their continued and constructive engagement on the region's large-scale water challenges.

This water resources program covers the Mekong River flowing through Burma, Cambodia, China, Laos, Thailand and Vietnam. It also supports work on some other major rivers of the region, including the Irrawaddy, Salween, Chao Phraya, Nam Ou and Red.



# Mekong Region



*The Mekong Region is taken to encompass the territory, people, ecosystems, economies and political systems of Burma, Cambodia, China's Yunnan Province, Laos, Thailand and Vietnam.*

SOURCE: Based on Map 4112, revision 2. January 2004. United Nations Cartographic Section, New York.



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# Introduction



***Australia's Mekong Region Water Resources Program—Sector Investment Plan 2014-2018 defines the purpose and outlines the scope of the Australian Government's support for water resources in the region over five years. It presents the framework and outlines the rationale for proposed activities and partnerships and guides Australia's policy engagement on water resources across the region.***

There are many Mekongs—the river, basin and region. Australia's Mekong Region Water Resources Program takes the region as the primary territorial frame, because of the intensity of the regional water resources interactions between the six Mekong countries—Burma, Cambodia, China, Laos, Thailand and Vietnam. The iconic Mekong River flows for 4800 km through all six countries, but it is only one of the region's major rivers. Other rivers include the Irrawaddy, Salween, Chao Phraya and Red.

The Mekong Region is changing rapidly, with complex and often competing drivers, including demographic shifts, human development needs, energy and food security concerns, increasing investment and trade, deterioration of the natural environment, climate change, and ever-changing geopolitics. Partly as a consequence of relative peace, increasing regionalism is being driven by quests for greater investment, employment, trade and economic growth.

These drivers affect the use of regional water resources, which are critical for meeting the region's food, water and energy demands. Key related issues are:

- ***Wild fisheries and food security***—It is estimated that about 40 million (66 per cent) of the Lower Mekong Basin population is involved in fishery activities at least seasonally or part time. The yield of wild fish and other aquatic animals in the Inland Basin is estimated to be about 2.3 million tonnes per year and the total value of the fishery between US\$3.9 and \$7 billion per year (the range is due to the variation in wholesale prices). The fishery's value could also be judged by its replacement cost, profitability and contribution to food security and nutrition.<sup>1</sup> The wild catch component of this bounty is threatened by human activity, overfishing, water pollution and the building of hydropower dams.
- ***Agriculture must produce more***—Increasing agricultural output requires more water or higher water use efficiency (for example, 'more crop per drop' from rainfall or irrigation). Southeast Asia's agriculture is changing from traditional subsistence to modern commercial farming, which makes water efficiency the key to future food security and requires governments to rethink agriculture so it provides sufficient food.<sup>2</sup> Traditional rain-fed rice systems can be transitioned in some places to irrigation systems that rely on external sourcing of water and may produce two or three crops per year. Many proposals have been put forth for massive irrigation projects fed by extractions from river systems. Expanding and intensifying plans are being resurrected.
- ***Climate uncertainty***—Projected impacts of climate change include declining overall water availability, increasing temperatures and occurrences of floods and droughts, reducing food production capacity, and rising sea level in Mekong Region deltas. Salinity intrusion, coastal erosion and storm-surge problems will be exacerbated by further climatic variation, land-use

1 Dugan P & Barlow C et al. [2010]. 'Fish Migration, dams and loss of ecosystem services in the Mekong Basin', *Ambio*, vol. 39, pp. 344–348. Synthesis paper produced by a MRC-convened Fisheries Experts' Working Group.

2 Johnston R et al. [2009]. *Scoping study on natural resources and climate change in Southeast Asia with a focus on agriculture*. Report prepared for the Swedish International Development Cooperation by the International Water Management Institute and the World Fish Centre.

change and reservoir developments. Rice production may decline sharply in some parts of the region<sup>3</sup> and sea-level rise could submerge 19 per cent to 38 per cent of Vietnam's Mekong Delta.<sup>4</sup>

- **Deltas in decline**—Dams are blocking sediment and greatly exacerbating river erosion and damage to deltas from sand mining and subsidence. Deltas in the Mekong Region are sinking at rates many times faster than global sea level is rising. The deltas of the Chao Phraya, Irrawaddy, Mekong and Pearl are considered imperilled.<sup>5</sup> If this trend continues, the mega-cities on these deltas (including Bangkok and Ho Chi Minh City) will be badly affected, causing humanitarian disasters due to displacement, inundation of agricultural land and economic loss.
- **Gender not sufficiently considered**—Water resource policies and decisions affect men and women differently.<sup>6</sup> Improved management of water for irrigation and domestic use can reduce labour inputs, particularly for women. Women can be disproportionately impacted by changes in fisheries; conversely they can gain significantly from improvements in irrigation efficiency. While pioneering women hold leadership roles at the top levels of water resource governance in the Mekong Region, there is still room for improvement through greater gender consideration in terms of governance, implementation and impact.
- **Hydropower trade-offs**—Burma, Cambodia and Laos have massive exploitable hydropower potential, which is central to their national economic development agendas. Thailand and Vietnam have exhausted almost all hydropower potential (technically and politically) and are now investing in their neighbours' agendas and activities. China has developed major options on the Lancang (Mekong) River and is now looking towards the Tibetan Plateau for smaller, economically viable dams and international rivers flowing to Burma, South Asia and Vietnam to funnel electricity to its rapidly urbanising and growing eastern provinces. China, Thailand and, to a lesser extent, Vietnam are looking at importing hydropower to support their economies. Undoubtedly dams will be a major income earner for exporting countries, provide reliable energy supply for some parts of the region and contribute to economic growth. The use of water through hydropower unavoidably transforms river ecosystems. Dams publicly justified by reference to development aspirations and poverty alleviation might simultaneously jeopardise food security and the livelihoods of the poorest.
- **Multiple actors and interests**—Water governance actors in the Mekong Region have different powers, approaches and degrees of influence. National and transboundary politics inherent in water governance play out in many Mekong Region arenas.<sup>7</sup> The visibility of interests of investors, officials and local users of water (such as fishers and farmers or distant city dwellers needing energy) depends on how these arenas and their boundaries are set.

**Appendix A** introduces main water governance actors involved in Mekong water governance and **Appendix B** provides a snapshot of some important issues being handled by the lead implementing partners involved.

3 Rerkasem B (2011). 'Climate change and GMS agriculture', in Rayanakorn K (ed), *Climate Change Challenges in the Mekong Region*. Public Policy Studies Institute: Chiang Mai University Press.

4 Thuan NTH (2011). 'Adaptation to climate change in rice production in Vietnam Mekong River Delta', in Rayanakorn K (ed), *Climate Change Challenges in the Mekong Region*. Public Policy Studies Institute: Chiang Mai University Press.

5 Syvitski JPM et al. (2009). 'Sinking deltas due to human activities', *Nature Geoscience*, vol. 2, pp. 681–686.

6 See, for example, Cleaver F & Hamada K (2010). 'Good water governance and gender equity: a troubled relationship', *Gender and Development*, vol. 18, pp. 27–41; Zwartveen M (2008). 'Men, masculinities and water powers in irrigation', *Water Alternatives*, vol. 1, pp 111–130; Gender, Governance and Water Resources Management (2006). Dieren: Gender and Water Alliance.

7 There is extensive political economy analysis of Mekong water resources management to which DFAT and its partners have made substantial contributions. Collected works in English include: Lebel et al. (eds)(2007). *Democratising Water Governance*; Varis et al. (eds)(2008). *Mekong at the Crossroads*; Molle et al. (eds)(2009). *Contested Waterscapes in the Mekong Region: Hydropower, Livelihoods and Governance*; Lazarus et al. (eds)(2011). *Water Rights and Social Justice in the Mekong Region*; Ojendal et al. (eds)(2012). 'Politics and Development in a Transboundary Watershed: The Case of the Lower Mekong Basin'; Daniel et al. (eds)(2013). *Governing the Mekong: Engaging in the Politics of Knowledge*.









# **Australia's engagement from 2007 to 2013**

**Since 2007, DFAT has worked with Mekong country governments, research organisations, multilateral development banks and the Mekong River Commission to implement Australia's water resources program in the region. Before 2007, the Australian Government provided targeted technical assistance to regional organisations.**

The goal of the *Australian Mekong Water Resources Program 2009–2012* was to promote regional cooperation to achieve sustainable development through the better use and management of water resources. The program contributed to this goal through these three objectives:

1. strengthening **institutions** to support more integrated water resources management in the region
2. increasing production and availability of more reliable **knowledge** about water resources, from different perspectives and disciplines
3. promoting informed and deliberative **negotiations** and **decision-making processes**.

A total of \$41.7 million was expended under this program, addressing a diverse range of issues, including:

- **food security:** ensuring enough food for vulnerable and marginalised people, in part by avoiding or mitigating threats to the abundant productivity of Mekong ecosystems
- **environmental change:** adapting to climate and environmental change being driven by a range of forces
- **capacity building:** building institutional, technical and social capacity to put into practice the theory of integrated water resources management
- **hydropower assessment:** comprehensively assessing options, including alternatives
- **transboundary engagement:** constructively engaging on water-related issues between the six Mekong countries.













# **Rationale for continued support**

## The rationale for continuing Australian support for improving water resources management in the Mekong Region is straightforward and strong:

- **Regional priorities:** Water and its linkages to energy and food production are increasingly evident on economic diplomacy agendas of regional forums. This includes Asian Development Bank (ADB)-facilitated Greater Mekong Subregion cooperation forums, Association of Southeast Asian Nations (ASEAN) forums (not yet with China), and various bilateral and regional forums such as Japan's Mekong Initiative, South Korea's Mekong Initiative and the United States' Lower Mekong Initiative.
- **Poverty, economic development, security and stability:** Water resources lie at the heart of poverty alleviation, economic development and geopolitical security and stability for the 260 million people living in the Mekong Region. At the most basic level, water resources are needed for human survival and are vital for maintaining thriving ecosystems, and producing food and energy.
- **Management of the Mekong Region's energy needs:** With the region's rapid population and economic growth, there is growing demand for energy, food and water. In response, countries of the Mekong Basin are increasingly considering hydropower as a solution. At present, only 10 per cent of the estimated hydro-electrical potential in the Lower Mekong Basin is developed. How Mekong countries pursue hydropower development is perhaps one of their most challenging strategic decisions. The construction of dams, and subsequent alteration of the water regime, poses immediate and long-term threats to food security unless food and water needs are first taken into account. Moreover, challenges stretch beyond the hydropower debate since other interventions and investments are increasingly claiming considerable portions of available water and land resources.
- **Australian experience and expertise:** Australia has significant experience and expertise in water management gained from managing its own complex system. Over time, Australian experts, including those in DFAT, have built strong relationships with regional stakeholders. This enables Australia to engage in substantial, constructive policy dialogue and share practical expertise, such as with hydrological modelling and creative land and water management initiatives that enable civil society organisations to participate in water governance.
- **Protecting and strengthening bilateral aid investments to Mekong countries:** Australia has significant bilateral aid investments in the Mekong Region, totalling an estimated \$345 million in 2013–14. Effective management of important shared regional resources, such as the Mekong River and the region's other rivers, is integral to regional security and inclusive economic development. It also supports the focus of many of Australia's bilateral aid programs in the region, including those involving rural development and infrastructure.
- **Engagement with emerging donors, for greater impact on development cooperation:** Australia's engagement has enabled innovative, trilateral partnerships to be built with Cambodia and China, countries that also have extensive experience in water resources management. New partnerships are possible with other countries such as Thailand and the Republic of Korea.









# **New framework**



## **The goal of *Australia's Mekong Region Water Resources Program—Sector Investment Plan 2014–2018* is:**

**Water resources management in the Mekong Region supports economic development that is sustainable, equitable and improves livelihoods. This will contribute to water, food, energy and environmental security in the region.**

## **The program will achieve this goal by meeting this objective:**

**Mekong Region water resources governance is fairer and more effective.<sup>8</sup>**

DFAT interventions will focus on five outcomes, which require regional water governance to be:

1. **EFFECTIVELY-MANAGED:** Strengthen the institutional frameworks and capacity of regional, national and local actors to manage their water and related resources more effectively.
2. **ACCOUNTABLE:** Raise the accountability of government and the private sector to normalise better standards for water investments and more transparent decision making.
3. **INFORMED:** Improve the availability and influence of research to improve water resources management and water investment decision making.
4. **INCLUSIVE:** Support civil society and local community input into water decisions and management at all levels.
5. **POLICY DIALOGUE:** Through a crosscutting focus, support policy dialogue that fosters trust and open discussion between Mekong governments and other actors on transboundary water issues.

These outcomes are based on the premise that improving regional water resources management requires engagement with, and commitment from, a range of actors, including the MRC, Mekong governments at national and provincial levels, civil society organisations, private sector companies and financiers. Australia will work with these actors to improve regional water resources governance, directly or through implementing partners.

This new water resources program complements aid investment plans DFAT has in place in Burma, Cambodia, Laos and Vietnam. It builds on the Australia-China Environment Development Partnership and provides a programmatic foothold for continued engagement under the memorandum of understanding for development cooperation between Australia and China, signed in Beijing in April 2013. It supports the Cambodia-Australia-China Irrigation Dialogue, a trilateral co-operation project proceeding under the memorandum of understanding. DFAT recognises the vital role Thailand continues to play in regional water governance and Thailand will continue to be included in regional activities.

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<sup>8</sup> Fairer means more, just or appropriate in the circumstances. Fairness encompasses notions of equitableness, fair dealing, honesty and impartiality. Effective means producing a desired or intended result.

Figure 1: Program framework

Goal	Water resources management in the Mekong Region supports economic development that is sustainable, equitable and improves livelihoods. This will contribute to water, food, energy and environmental security in the region.			
Objective	Mekong Region water resources governance is fairer and more effective.			
Crosscutting outcome				
Policy Dialogue Support that fosters trust and open discussion between Mekong governments and other actors on transboundary water issues.				
Outcomes  Regional water governance is ...	Effectively-managed  Strengthen the institutional frameworks and capacity of regional, national and local actors to manage resources more effectively.	Accountable  Raise the accountability of government and the private sector to normalise better standards for water investments and more transparent decision making.	Informed  Improve the availability and influence of research to improve water resources management and water investment decision making.	Inclusive  Support civil society and local community input into water decisions and management at all levels.
Interventions	Core funding support to a more decentralised and effective Mekong River Commission.  Support for national-level reforms that will lift the capacity of countries to limit transboundary impacts.  Targeted trilateral cooperation activities.	International Finance Corporation to encourage better environmental and social standards for governments, financial institutions and companies invested in water development.	The Water, Land and Ecosystems Program in the Greater Mekong will support local and regional partners to research water governance and manage a regional water fellowships program.  Implement the Australian river modelling software, eWater Source, in Mekong countries. Platform to support regional information-sharing and water planning.	Oxfam Australia to support local communities to engage in water planning, strengthen community-based management of water resources and work with national governments and the Mekong River Commission to improve regional consultation processes.

## Outcome 1: EFFECTIVELY-MANAGED water resources

**Strengthen the institutional frameworks and capacity of regional, national and local actors to manage their resources more effectively.**

### *Regional—supporting the Mekong River Commission to become a first-class river basin organisation*

The MRC remains the sole intergovernmental body focused on regional cooperation for the development of the water and water-related resources of the Mekong Basin, as shared by six countries. Given the scale of planned investment and its importance to food production, power generation and local livelihoods, supporting the MRC is vital for economic development and for regional stability.

The MRC is undergoing reform under which many of its core functions are moving to national bureaucracies. These reforms are designed to free the MRC to focus on policy dialogue, implementation of procedures and supporting guidelines for shared water resources<sup>9</sup>, and basin development planning and impact assessment<sup>10</sup> from a regional perspective.

Given this more focused role, Australia will:

- provide the MRC with core funding to discharge its core river basin management functions
- target improving the MRC's exchange with civil society organisations, research institutions and private sector developers
- target implementation of the procedures governing regional shared water use
- support MRC efforts to link its work and policy engagement to Greater Mekong Subregion initiatives and relevant parts of the ASEAN agenda.

### *National—supporting national and local organisations ability to strengthen water resources management*

DFAT will continue to improve efforts to assist national and local organisations to strengthen the management of water resources. Interventions will seek to plug critical resource gaps and help develop improved institutional arrangements, such as with river basin organisations in Laos. Australia partners with the Royal Government of Cambodia and the ADB to implement a suite of Cambodian water resources reforms. Australian funding supports reforms of institutions and policies, capacity building to improve Cambodian water governance, rehabilitation of small to medium-scale irrigation systems, and delivery of irrigation services within the Tonle Sap Basin (a sub-basin of the Mekong Basin).

9 Since the 1990s, the MRC has negotiated basin-wide water resources management procedures and guidelines intended to ensure informed and transparent choices about reasonable and equitable use of shared Mekong Basin waters. These include Procedures for Notification, Prior Consultation and Agreement (PNPCA), approved in 2003; and guidelines for implementation of the PNPCA, approved in 2005. In addition to PNPCA, four other sets of procedures have been agreed for: data and information exchange and sharing; water use monitoring; water quality; and maintenance of flows on the mainstream.

10 Four key MRC references for basin development planning and impact assessment are: MRC Strategic Environmental Assessment of Hydropower on the Mekong Mainstream (ICEM 2010); Assessment of Basin-wide Development Scenarios (MRC 2011); Prior Consultation Project Review Report for Proposed Xayaburi Dam Project (MRC 2011); The Council Study: Terms of Reference and Inception Report for the Study on the Sustainable Management and Development of the Mekong River, including impacts of mainstream hydropower projects (MRC 2014).



## Case study: The Mekong River Commission's procedures—framing regional cooperation on water

Australia's support to the MRC includes implementing the MRC's five procedures governing shared water use in the Mekong Basin. These procedures aim to normalise mechanisms for sharing water data across borders, provide an opportunity for consultation on new dam projects on the Mekong River and enable the monitoring of water flows and water quality across borders. An agreed regional approach to managing this transboundary river is critical for sustainable development, for a coordinated approach to flooding and natural disasters, and for managing the transboundary impacts of development.

Australia partners with the Government of Laos, ADB and World Bank in separate activities to support Lao water resources policy and basin management (with the Ministry of Natural Resources and Environment and National University of Laos) and hydropower governance reforms and capacity building (with the Ministry of Energy and Mines, national university and polytechnic institutes). Ongoing support is planned with all of these partners.

In Vietnam, DFAT is co-funding a 30-month study, which started in September 2013, with the Government of Vietnam on the impacts of Mekong development on the Mekong Delta.<sup>11</sup> Working with key partners in the region, DFAT is exploring targeted support to the Government of Myanmar to strengthen its water resources institutions.

Aside from national assistance, Australia will continue to explore targeted trilateral cooperation activities, drawing on areas of mutual expertise and interest from China and Thailand. The focus in 2013–14 was the effective implementation of the Cambodia-Australia-China Irrigation Dialogue.<sup>12</sup> Structured discussion with bilateral posts took place in 2014 in relation to DFAT's new memorandum of understanding with China on international cooperation. Opportunities for further trilateral cooperation are being explored.

11 DHI Group (2014). Mekong Delta Study: Inception report for study of the impact of mainstream hydropower on the Mekong River prepared for the Government of Vietnam.

12 The Cambodia-Australia-China Irrigation Dialogue aims to: promote exchange of knowledge and experience about irrigated agriculture and its contribution to food security and economic growth; scrutinise the development philosophy and practice being used to rationalise irrigation investment in each country, and assess the impacts on poverty of current irrigation investment practice in Cambodia; explore the feasibility of further collaboration to assist Cambodia's irrigation sector to provide greater benefits to the rural poor and the development of the country; and create increased understanding of Australian and Chinese development cooperation systems, grounded in Australia's shared experiences with Cambodia.

## Case study: Irrigation reforms in Cambodia

With more than 80 per cent of Cambodia's population located in rural areas, agriculture—particularly irrigated agriculture—is critical to the lives of millions of people, to help reduce poverty and support economic development. Cambodia, along with many development partners, has invested heavily in developing and rehabilitating irrigation schemes, but investments have often failed to achieve expected results because of shortcomings in the systems needed to adequately maintain and protect the investment.

In 2008, a survey conducted by the Cambodian Centre for Study and Development in Agriculture revealed that of the more than 2500 irrigation schemes in the government's inventory, only 148 were fully functional and only four had a fully functional Farmer Water User Community. The Ministry of Water Resources and Meteorology Department for Irrigated Agriculture has started implementing a comprehensive system for budgeting and managing the operation and management of irrigation schemes. The Ministry is doing so with support from the survey's consultation team and with funding from the Australian Government, ADB, Nordic Development Fund, and Royal Government of Cambodia's (Water Resources Management Sector Development Program and Capacity Development Technical Assistance). As a result of this successful reform, the Ministry of Economy and Finance has agreed, as a starting point, to allocate approximately US\$8 million in 2015 for an operation and maintenance program in 93 irrigation schemes across Cambodia. This is a significant achievement given that it is the first time such a large amount of funds had been allocated for operation and maintenance. As the effectiveness of the operation and maintenance program becomes apparent, it is likely that additional funds will be provided to maintain more irrigation schemes in coming years.

## Outcome 2: ACCOUNTABLE water governance

**Raise the accountability of government and the private sector to normalise better standards for water investments and more transparent decision making.**

Under this outcome, DFAT is partnering with the IFC, Mekong governments and private sector to increase accountability and transparency in regional water governance, focusing on these areas:

- Improve and ensure implementation of policy and regulatory frameworks for the hydropower sector to promote implementation of good practice environmental and social standards in Laos.
- Strengthen the capacity of government and other river basin stakeholders in practical ways to raise environmental and social standards and to enable them to anticipate, evaluate and manage cumulative impacts of hydropower investments in selected basins.
- Adopt best practice environmental and social standards by Asian banks investing in hydropower development in the Mekong Region, to influence the way they assess their hydropower investments.

While Lower Mekong mainstream hydropower projects generate electricity and income, they also have potentially negative impacts on the environment. Regional tensions can develop between countries sharing the territory and waters of the Mekong River Basin. To address some of these regional tensions, DFAT-IFC partnership is focusing on Laos, before reaching further into Burma and Cambodia, where rapidly expanding hydropower sectors are critical to river health, ecosystems, livelihoods and the region's energy security. Activities with the Government of Laos include developing and implementing a new water law, implementing a new policy for sustainable hydropower and working closely with the Ministry of Natural Resources and Environment to strengthen environmental and social obligation clauses under concession agreements for new hydropower projects.

Activities with hydropower developers include the establishment of the Hydropower Developers' Working Group under the Lao Business Forum within the Lao National Chamber of Commerce. This group will help reach hydropower companies operating in Laos by creating a community of practice to support knowledge exchange among developers on international environmental and social practices. Selected specialists will be invited to provide training to the working group (for example: the International Hydropower Association on the Sustainability Protocol; the MRC on its hydropower design guidelines; and the IFC on its sustainability framework). The working group will also engage with the wider business community to enable more transparency and accountability of the sector. Similar group establishment will be explored in Burma and Cambodia.

## Case study: Improving Lao officials' negotiation skills—a win-win for government and hydropower developers

The Department of Energy Business within the Ministry of Energy and Mines in Laos is responsible for reviewing and evaluating hydropower project proposals. Soukvisan Khinsamone and Souksavart Sosouphanh work for the department.

Khinsamone is responsible for reviewing financial models for hydropower projects that define benefit sharing between the Laos Government and developers. Khinsamone and Sosouphanh negotiate project incentives and evaluate proposed project costs, which makes or breaks arrangements between government and developer. 'From our perspective, we want the Laos Government and people to benefit as much as possible from all proposed hydropower projects,' said Khinsamone.

Sosouphanh is involved in the government's preparation for negotiations with developers on hydropower concession agreements. 'It is crucial that we understand that every project proposal and developer is different,' said Sosouphanh. 'When we start negotiating, we need to be prepared with solid background information on developers as they come from many countries and have different approaches to negotiating deals.'

Strong negotiating skills are critical for the Laos Government and central to the ability of Khinsamone and Sosouphanh to succeed in their work. Better-prepared government negotiators also enable hydropower developers to discuss issues in-depth, which supports better project implementation.

*Continued next page*



At a recent five-day training course hosted by the IFC and funded by the Australian aid program, the team from the Department of Energy Business learned new approaches to negotiating. The course walked participants through the type of scenarios they encounter in their daily work and trained them on specific approaches to improve their negotiating power. 'I gained excellent preparatory skills,' said Souphanh. 'When we walk into a meeting room we want to know who we're dealing with and what their positions are. This is possible if you're well prepared.'

Khinsamone's work also involves negotiating project incentives, which can have a great impact on royalties the Laos Government earns from a project, or the cash the community receives. 'The course was very valuable. We learned how to identify those who may share our views, and how to present our case so it is most appealing to them,' said Khinsamone.

The training course is one of a series of activities helping the Department of Energy Business and the Department of Environmental and Social Impact Assessment upgrade staff negotiation skills. Khinsamone and Sosouphanh agreed that future sessions would be valuable to further prepare them to negotiate with hydropower developers.

## Outcome 3: INFORMED water governance

### **Improve the availability and influence of research to improve water resources management and water investment decision making**

An active water governance research community operates in the Mekong, fostering a new generation of transboundary and transnational scholars who are increasingly connected to public policy-making. DFAT-funded research for development activities under the previous water resources program pioneered innovative approaches to informing and improving policy-makers' decision making. DFAT will continue to support research across the region through the following two interventions.

#### ***River governance***

DFAT is supporting the Water, Land and Ecosystems Program in the Greater Mekong. This program builds on CGIAR's previous Challenge Program on Water and Food, which created a 76-member partnership that explored options for maximising the benefits of water infrastructure investments and minimising negative impacts.

The Water, Land and Ecosystems program will fund local and regional partners to undertake water governance research, professionally develop regional water governance practitioners, and convene multi-stakeholder discussions on key regional water resources topics. Its program management team is responsible for engaging with governments to communicate research results, thereby influencing policy and ensuring broader accessibility.

The Water, Land and Ecosystem program is focusing on these areas:

- building knowledge about regional rivers, their ecosystems, their value and governance
- developing evidence-based approaches for governing rivers and monitoring their health
- forging partnerships to strengthen learning and the exchange of information within and across governments, as well also with the academic sector, civil society and the private sector.

Each year, research findings are presented at an annual forum centred on sharing lessons and exploring options for wider implementation of research findings across Mekong countries. This builds on the experience of the annual Mekong Forum on Water, Food and Energy initially funded under the earlier Challenge Program on Water and Food. The annual forum is the only one of its type in the Mekong Region that focuses on a major area of policy and development concern.

## Case study: Mekong Delta Study

Vietnam's portion of the Mekong Delta is more than 40 000 km.<sup>2</sup> It is home to nearly 20 million people and produces about 27 per cent of Vietnam's gross domestic product, 90 per cent of its rice exports and 60 per cent of its seafood exports. The Mekong Delta's future is threatened by rises in sea level, declines in water quality, and upstream infrastructure development, such as hydropower dams and irrigation schemes. In 2013, Vietnam initiated a comprehensive 30-month study, with complementary Australian Government support, on the impacts of Mekong River mainstream hydropower on the Mekong Delta and floodplains of Cambodia and Vietnam. The study is due for completion by the end of 2015. Multi-scale modelling is being used in the study to explore the impact of development scenarios on natural, social and economic systems. Extensive negotiations with Cambodia and Laos have ensured that both countries are engaged as partners in study oversight, active in the technical working group and share data.

### *Applying Australian modelling technology in Mekong countries*

River modelling is critical to underpinning decision making for water resources management, predicting and preparing for floods and droughts, and conducting impact assessments of infrastructure projects. However, the MRC and Mekong countries use modelling systems that cannot easily be integrated across countries and systems. This affects the ability to effectively share information and plan for transboundary impacts of floods and droughts, seasonal fluctuations, water resources development and cross-sectoral issues such as climate change.



DFAT will assist the Australian Government's eWater<sup>13</sup> to make Source modelling technology available to the MRC and Mekong countries. Source provides a platform to integrate models, reducing barriers to information-sharing and better national and regional water planning. It is a good example of an Australian technology that can make an immediate contribution to the Mekong Region modelling community and the decision makers they inform. Source is now used in many river basins outside of Australia, including in several South Asian countries.

## Case study: Mekong Fellowships Program: supporting the next generation of Mekong researchers

Through the previous CGIAR Challenge Program on Water and Food, the Australian aid program funded the Mekong Fellowships Program, providing young Mekong researchers and government officials with small amounts of research funding and mentoring support to enable them to critically analyse the water issues facing their countries and the region. The fellowship program aimed to develop the skills of young Mekong researchers and government officials and enable them to participate in wider discussions about water governance through their participation in regional public policy events.

Fellows researched important topics, such as public participation in domestic water governance in Northeast Thailand, agricultural wastewater management in the Red River Delta, water scarcity in the Srepok River Basin, Vietnam, and urban wastewater management in Rangoon, Burma. Other fellows researched policy issues, such as aspects of water governance in migrant-based water livelihoods in the Tonle Sap, Cambodia, and health aspects of water scarcity in Irrawaddy Basin communities, Burma.

## Outcome 4: INCLUSIVE water governance

### Support civil society and local community input into water decisions and management at all levels.

DFAT will partner with Oxfam Australia to build on Oxfam's longstanding experience in the Mekong Region, expertise in working with regional civil society actors and government, technical expertise in water governance, established linkages with key regional actors, and experience in policy dialogue. Oxfam Australia's work will focus on these areas:

- increasing civil society participation and engagement in water resource governance with a focus on women
- strengthening community-based management of water resources
- strengthening the MRC's and national governments' approaches to consultative planning and decision making.

13 [www.ewater.com.au](http://www.ewater.com.au)

### ***Increasing civil society participation and engagement in water resource governance with a focus on women***

Oxfam will provide funding and training to targeted civil society groups working on water resources management, as well as link local initiatives with local researchers and research. Capacity development will focus on good practice approaches to standards and safeguards relating to water resource management issues.

The program will link with Oxfam's pilot on women's political leadership, in which women are mentored to become decision makers. The program will ensure that emerging women leaders are well informed about water governance and engage with women's networks and champion women's inclusion in water planning and decision making. Oxfam Australia will also work with hydropower developers and other stakeholders in testing gender-sensitive assessment tools to improve gender-equality outcomes in hydropower development.

### ***Strengthening community-based management of water resources***

DFAT will work with local communities to strengthen community-based management in target locations. This will build upon the work of DFAT's bilateral programs and the work of the Australian Centre for International Agricultural Research (ACIAR) work in the region, which supports community-based disaster risk management and climate change adaptation.

### ***Strengthening the MRC's and national governments' approaches to consultative planning and decision making***

Oxfam will work to widen MRC and national agency approaches to consultation. Oxfam will also facilitate and support the engagement of poor and marginalised men and women in policy dialogue processes and project consultations. Oxfam's will focus on areas such as understanding:

- legal rights
- how to access governance mechanisms
- how to develop policy engagement strategies
- safeguards and impact assessment processes.

The Oxfam partnership will also contribute to improving accountability of governments and the private sector by, for example, promoting strong community and gender-equality measures and building them into lending policy and practice.

## Case study: Women's voice for change

Oxfam's Inclusion Project supports a local Cambodian partner—Northeastern Rural Development—to broadcast a radio program called Women Talk on Air. The program aims to build the capacity of and empower women, especially those living in remote areas, to speak their minds to community leaders and decision makers in government.

Dary Thouch, a 24-year-old indigenous Kouy woman leader, has been supported through this program. Northeastern Rural Development provided Dary with training and mentoring on public speaking, which helped build her confidence to speak on air. Dary has been invited several times to speak on key problems faced by women in her community, including maternal health, community saving, illegal fishing, and concerns of hydropower dam construction and the impact on their lives. Initially, she felt nervous in raising critical issues. Gradually, she gained the self-confidence needed to raise issues that have a substantial impact on her family and community.

Dary has been living in Koh Dambong Village, Sambor District, for the last 17 years. The richness of natural resources—especially from the Mekong River—has been the main source of livelihood for her family and community. Dary grows rice, vegetables and raises pigs and chickens. Her husband fishes on the Mekong River.

Dary has grave concerns over the potential impact of a hydropower dam proposed for her district. If the dam is built, the water in the river will be blocked to generate electricity and her community will be flooded forcing the population to relocate. Dary believes relocation will have a negative impact because the new sites being considered might not have access to water and the other resources needed for the basic needs of families.

As well as sharing her views on radio, Dary has joined a public dialogue platform group through which she has asked sub-national government to address the fisheries problems faced by her community. With funding from the Australian Government, the Inclusion Project is helping Oxfam and its partners support young female leaders like Dary to share their perspectives with decision makers and have their voices heard.



## Outcome 5: Crosscutting focus: POLICY DIALOGUE

Policy dialogue helps ensure that development interventions achieve the scale of outcomes the Australian Government seeks from its development assistance investments. Each of Australia's Mekong Region Water Resources Program's key implementation partners have policy dialogue expertise that is augmented by DFAT's internal team and national and regional connections.

The Mekong Region's water resources agenda is evolving rapidly. Additional effort is needed to establish strong policy foundations, build regional consensus on development directions, nurture institution building and identify areas for further collaboration. DFAT, with its partners, has the opportunity to facilitate, contribute to and inform regional water resources policy negotiation and implementation.

DFAT will actively engage in policy dialogue to support the efforts of implementing partners to reach the outcomes set out in Figure 1. One way is to support structured dialogue between civil society, the private sector, academia and governments on priority areas, such as:

- Encouraging greater disclosure of information by governments, developers and the MRC to inform stakeholders engaging in consultation processes.
- Encouraging engagement between private sector, governments and civil society organisations on hydropower governance, regional water, food and energy security.
- Working with government to advance regulatory improvements in the irrigation, hydropower, mining and river basin management sectors.
- Advocating for consideration and evaluation of technical, economic, social and environmental assessments by all actors involved in the multi-actor tapestry which is governance.
- Mainstreaming gender consideration and action in all relevant activities, particularly institutional strengthening and capacity building.

DFAT and partner Australian government agencies, including ACIAR and the Commonwealth Scientific and Industrial Research Organisation (CSIRO), will elevate key regional water resources issues into bilateral and regional engagements between implementing partners and Mekong governments. Policy dialogue in Mekong water resources governance is not a new focus area for DFAT. DFAT is already implementing a suite of activities and participating in long-established networks with key stakeholders in the region and Australia. DFAT will build and strengthen these arrangements based on the lessons learned from previous programs. This includes working closely with partners to develop priority areas for intra and inter-country dialogue as well as engaging directly with national governments, MRC, regional research forums and civil society forums, such as the annual Mekong Forum on Water, Food and Energy (funded by this program). DFAT plays a prominent role in coordinating the work of the large cohort of MRC development partners and co-chairing the main Lao dialogue process on water resources with the Laos Government. DFAT also participates in regional discussions on energy, led by the United States, as part of the Lower Mekong Initiative, and ASEAN and the ADB-led Greater Mekong Subregion discussions on the links between food, water and energy. Given the interlinked and challenging regional priority of food, energy and water, these activities will continue to be a priority over the life of this program.

## Case study: Mekong Forum on Water, Food and Energy: supporting regional water resources development dialogue

For the most part, dialogue around water resources development in the Mekong Region has been difficult due to the political nature of the issue and range of perspectives and interests involved. Groups are able to present and defend their positions in most meetings and forums held in the region. With support from DFAT, the previous Challenge Program on Water and Food initiated the Mekong Forum on Water, Food and Energy as a more inclusive forum through which to present and examine evidence-based research and bring together developers, non-government organisations, academics, government planners, financiers and other stakeholders.

The Mekong Forum on Water, Food and Energy provides an opportunity for men and women, older and younger, from various disciplines and six very different countries to regularly meet to learn about and exchange what they know on contemporary regional water governance issues. It brings together upstream and downstream actors (developers, researchers and governments) to have informal interaction and test respective positions, dialogues and perspectives. This includes delegations of Chinese developers who have participated since 2011. This process complements the formal framework provided by the MRC and other government partners.

A key outcome has been to build the confidence and professionalism of national partners to present their research to high-level participants and discuss the results of their work. The Forum requires sessions to be interactive and encourages discussion and debate. This is a change from the normal regional practice of a presenter speaking and an audience only able to make statements or ask questions in response.

The Forum also brings together emerging champions from different sectors and disciplines who discuss issues informally. Forum dates are publicised but discussions not recorded. These are valuable sessions—few forums exist through which researchers, non-government organisations, government officials and developers can gather to discuss matters freely. The regional forum will continue under the DFAT grant for the Water, Land and Ecosystems' Greater Mekong Research Program and be expanded to include more national and provincial events.

### ***More information***

The Australian Mekong Water Unit is based in Vientiane, Laos. For more information, contact:  
**MekongWater.Program@dfat.gov.au**

# Appendix A:

## Mekong water governance actors

<b>Governments of Mekong Region countries</b>	Responsible for central policy formulation, regulatory bodies, revenue collectors and state or military-owned developers. Their stated policy goals on sustainable water resources management have natural tensions with the economic planning goals of central ministries and profit motives of state-owned enterprises. These governments work on cooperation and compromise through bilateral relationships, including under the auspices of regional organisations such as the MRC, ASEAN, the ADB-facilitated Greater Mekong Subregion programs, projects and working groups, various machinations of the multi-faceted Mekong Region cooperation initiatives and other actors.
<b>Non-Mekong governments</b>	Responsible for influencing the waterscapes of the Mekong Region through participation in regional and bilateral relationships involving geopolitics, positioning, donating, investing, lending and trading (particularly India, Japan, Korea, Malaysia, Singapore and the United States). Bilateral donors, particularly Australia, Finland, France, Japan and Sweden, focus on strengthening governance, capacity building and technical assistance.
<b>Civil society</b>	Operate with varying strength and experience in each country. Some of these national and grassroots civil society organisations have created networks to counteract resistance against state development projects and act on a regional scale. International non-government organisations engage prominently and collaborate with local partners. Due to their origins, individual non-state actors can be issue or location-centric, but as a collective they cover all water governance and related concerns.
<b>Media</b>	Active and important communications tools, such as print media, radio and television, whether managed by community, government or commercial providers. Internet-based discussion groups and information networks are becoming increasingly important.
<b>Developers and business operators</b>	Active in water governance. This group includes small-to-medium enterprises, state-owned enterprises, international and local consultants and transnational corporations. These range from local water-pumping businesses to nation-wide irrigation and drainage management conglomerates to transnational titans (such as SinoHydro and ItalianThai).
<b>Financiers</b>	Operate as the chief source for financing major infrastructure in the Mekong Region. This role has moved from multilateral development banks to private and policy banks from Asia (such as Export-Import Banks of China and Korea, and Thai commercial banks).
<b>Policy institutions and research bodies</b>	Influence, to varying degrees, decision making in Mekong Region countries. Universities and purpose-built research networks are extensively engaged in national and transboundary water governance. The latter include Tai Baan, implemented in various forms in all Lower Mekong countries, which supports communities to systematically document and articulate the relationship between resources and livelihoods.



# Appendix B: Implementing partners

## EFFECTIVELY-MANAGED WATER GOVERNANCE

### Lead implementing partners under the Sector Investment Plan

DFAT has long-standing relationships with the **MRC**, the **Murray Darling Basin Authority (MDBA)** and many other **water resources professionals**. These relationships will continue through a twinning arrangement that re-commenced in 2013. The MRC is the intergovernmental organisation mandated to engage in water resources development in the Lower Mekong part of the region, which is the Mekong Basin in Cambodia, Laos, Thailand and Vietnam. The MDBA is now a 'supra-state authority'. It is different from the MRC which is a 'commission shared by member states' with responsibility for managing the Murray-Darling Basin's water resources. The MDBA works closely with state and territory governments, local councils, catchment management authorities and natural resource management boards to manage the Basin in Australia's best interests. The MRC and MDBA continue to benefit from exchange about challenging issues such as basin planning, environmental flow regimes, cascade management, use of appropriate technology, and facilitation of negotiations.

**World Bank** is one of DFAT's key Mekong partners, through the East Asia Infrastructure for Growth Trust Fund to which Australia is the sole donor. The Trust Fund funds water-related projects, such as regional hydro-meteorological forecasting and early warning for Cambodia, Laos and Vietnam. The World Bank is also managing technical assistance to Laos, funded by DFAT's Mekong Water Resources Program. DFAT and the World Bank are also partners in contributing to the Lao National Integrated Water Resources Management (IWRM) Support Program and the MRC's Mekong IWRM Project. DFAT will continue partnering with the World Bank in national reform processes.

**Asian Development Bank** is one of DFAT's key Mekong partners, through the ADB Water Partnership Facility to which Australia is a major donor, currently pledging \$25 million. The ADB also manages capacity development technical assistance to Cambodia and Laos, funded by DFAT's Mekong Water Resources Program. DFAT aims to continue working with the ADB in national reform processes, using the leverage provided by the bank's loans and grants.

**International Centre for Environmental Management (ICEM)** is one of DFAT's key Mekong partners. It is an independent public interest centre that helps governments, private sector and communities define and implement policies for ecologically sustainable development. The ICEM works through partnerships with governments, civil society organisations and technical institutes. It acts as a catalyst and facilitator in promoting collaboration around shared goals and projects. DFAT will continue to partner with the ICEM, particularly in supporting the Government of Vietnam in its management of a major study examining the effects of upstream development on the Mekong Delta.

## ACCOUNTABLE water governance

### Lead implementing partner under the Sector Investment Plan

**IFC** is well connected throughout the Mekong Region with governments, companies, financiers and civil society organisations, and a high-quality partner for DFAT in contributing to increased accountability of governments and the private sector. IFC Advisory Services offers advice, problem solving and training to governments, companies and financiers. They have formed a regional team that DFAT judges to be of high-quality, capable of contributing to the raising of environmental and social standards—and accountability in general—in the hydropower industry.

**INFORMED water governance****Lead implementing partners under the Sector Investment Plan**

DFAT will commence a **new partnership** through the **International Water Management Institute** to shape the CGIAR-led consortium researching water, land and ecosystems across the Mekong Region. This will build on the current and successful water governance program that focuses on creating and contesting the knowledge needed and used to inform policy. The new Water, Land and Ecosystems Greater Mekong Program will build on the foundation of discussions, fellowships and research partnerships previously administered by the Challenge Program on Water and Food. The new team for the new program operates from Vientiane.

**eWater** is an Australian, publically owned, not-for-profit partnership committed to ecologically sustainable water management. Its main role is to support the implementation and use of Source as the new hydrological modelling platform in Australia, and increasingly across Asia. The Australian Government contracts eWater to provide 'adoption' services in support of the Council of Australian Government's National Hydrological Modelling Strategy. A Source modelling community is growing rapidly to further develop the platform and share knowledge and resources for innovation and best practice in water management. DFAT is partnering with eWater in South Asia and the Mekong Region to share Source with its development partners.

**Ongoing partners from the previous program**

Since 2009, DFAT has partnered with the **CSIRO** in the Mekong Region as part of the CSIRO–DFAT Research for Development Alliance. CSIRO was resourced until the end of 2014 to lead the Exploring Mekong Region Futures partnership. This is a partnership between Mekong country research institutes and CSIRO investigated the impacts of infrastructure investments on energy, food and water security across the Mekong Region and influence policy.

Since 2009, DFAT has maintained close connection with **ACIAR**'s Mekong portfolio managers. This will continue so DFAT and ACIAR water resources-related activities in the Mekong Region are well coordinated.

**INCLUSIVE water governance****Lead implementing partner under the Sector Investment Plan**

**Oxfam Australia** has a long involvement in water governance issues in Mekong countries and in 2013 launched a new Mekong Water and Resources Program. Oxfam Australia is the lead, working closely with Oxfam Netherlands and Oxfam America. DFAT is partnering with both Oxfam organisations to support civil society and more inclusive regional water governance.



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