



Australian Government

Department of Foreign Affairs and Trade

# Aid Program Performance Report 2013-14

Mekong Water Resources Program

Peer Reviewed on 15 August 2014

## Key Messages

The report summarises the progress in 2013-14 of the Australian Mekong Water Resources Program, and provides an assessment of the achievement of outcomes under the Delivery Strategy 2014-2018.

During 2013-14 the program expended 100 per cent of its allocation of A\$7.2 million.

A new Delivery Strategy 2014-18 was approved in May 2014 and many of the new investments outlined in the Strategy commenced in early 2014. While it is too early for a substantial review of progress of these new activities, existing activities have been mapped to the new framework and are reviewed as part of this report.

The primary purpose of the program is to strengthen governance of the region's waterways – important for sustainable economic growth and regional stability. The program does this by focussing on:

- support to water and hydropower regulatory reform in Mekong countries;
- lifting the social and environmental standards of those institutions planning, authorising, building and operating water infrastructure;
- support for civil society engagement in water planning and decision-making; and
- working to build the Mekong River Commission into a world class river basin organisation.

The program remains highly relevant to the development needs of the Mekong Region given the importance of the region's water resources to local livelihoods and the scale of current and planned investments, particularly in hydropower and irrigation.

The program remains is also well-aligned to the priorities of the Australian aid program that include water management and governance. Moreover the program can and does connect directly with Australia's own experienced water industry, assisting it learn from and contribute to improved water resources development beyond our borders.

## Context

There are many Mekongs – river, basin and region – but this Delivery Strategy uses the Mekong Region as the primary territorial frame, because of the intensity of the regional water resources interactions between the six Mekong countries – China, Burma, Laos, Thailand, Cambodia and Vietnam. The iconic Mekong River flows for 4,800 km through all six countries, but it is only one of the major rivers of the region. Others include the Irrawaddy, Salween, Chao Phraya and Red rivers.

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 changing geopolitics. Partly as a consequence of relative peace, there is increasing regionalism driven by quests for greater investment, employment, trade, economic growth and influence. These drivers affect the use of regional water resources, which are critical for meeting food, water and energy demands of the region.

Some of the key issues that countries face in this region include changing agricultural dynamics, wild fisheries and food security, climate uncertainty, decline in Mekong region deltas, gender equity, hydropower trade-offs, and managing multiple actors and their interests. A number of related developments have taken place throughout the Mekong region and are outlined below.

During the reporting period, **Burma** has prioritised the establishment of a national water management system, with most efforts focussed on ensuring the sustainable development of the Ayeyarwady River. The Burma reforms have included the rapid establishment in 2013 of a National Water Resources Committee that is now serving as an apex water body, preparing a Burma National Water Framework Directive and a National Water Law. An Ayeyarwaddy River Basin Organisation will also be created in the near future. Australian partners are supporting these promising new processes.

**Laos** has formally announced its intention to build a second Mekong mainstream dam, Don Sahong hydropower project. This triggered the MRC regional consultation process for new water projects, the Procedures for Notification, Prior Consultation and Agreement (PNPCA). The Lao notification and subsequent decision to submit the dam to the more extensive prior consultation process under PNPCA has focussed civil society, Mekong governments and the international community's attention on the adequacy and effectiveness of regional cooperation on Mekong development. It has also fuelled the existing debate about different Mekong development directions. In the reporting period, the commencement of two studies, one initiated by the MRC (known as the MRC Council Study) and other initiated by the Government of Vietnam (known as the Mekong Delta Study) to analyse both the impacts of intensifying Mekong development and options for future development are likely to provide a stronger and updated evidence-base for decision-making but also become significant political documents about regional development choices in the next reporting period.

**Thailand's** water resources management debate continues to centre on the national response to the Great Flood of 2011. All major proposed infrastructure is now framed as being for flood protection. Contract negotiations have been suspended since early 2014, with the National Council for Peace and Order (NCPO) now considering the establishment of a new water ministry.

Australia has a longstanding engagement in **Cambodia** with whole-of-system irrigation and agriculture development since the 1980s, most recently with the Cambodia Agricultural Value Chain Program (CAVAC) with Ministry of Water Resources and Meteorology, and the Ministry of Agriculture Fisheries Forests, plus additional technical assistance support – through the Mekong Water Resources Program – to Cambodia's Ministry of Water Resources and Meteorology, and research-for-development support to universities, and NGOs.

**Vietnam's** water resources focus during the period continues to be on guarding the productivity of the Mekong Delta – home to nearly 20 million people, responsible for 27% of national Gross Domestic Product, 90% of the national rice exports and 60% of the national seafood exports. In addition to maintaining its opposition to 'upstream' dam building, Vietnam has also cancelled 424 of 1239 previously approved small and medium hydropower projects, and in August 2014 it ratified the UN Watercourses Convention. Vietnam was the 35th country to ratify, thus bringing the convention into force.

**China's** interest in strengthening engagement on Mekong water management issues (beyond foreign direct investment or loans for ports, irrigation and hydropower) was highlighted at the MRC Mekong Leaders' Summit in April 2014 in Ho Chi Minh City. China indicated that technical assistance for hydropower and data-sharing would be part of China's Economic Silk Road Initiative. In June 2014, China also signalled its intention to scale up its technical assistance to irrigation at a Cambodia-Australia-China trilateral meeting.

**Australia** has been playing an important role in regional water resources management both by sustained funding to the MRC but also through a comprehensive program that includes other targeted regional and national supports to Mekong Region water issues. Other important donors include Sweden, the EU, Germany, Japan, Finland, Denmark and the United States of America. Australia currently chairs the MRC donor coordination mechanism, as well as co-chairing the Government-led water consultation process for donors and NGOs in Lao PDR. Through the MRC coordination mechanism, there is a general commitment to limit future MRC funding given the current MRC reform process to streamline future activities around a few key functions.

Among others, the USA Friends of the Lower Mekong Initiative (LMI) also offers avenues for strengthened coordination with a few key water donors (Japan, European Union and the USA) given the strong focus on the Mekong River as the LMI centrepiece.

## Program Goal, Objective and Outcome Areas

During this APPR reporting period, the Delivery Strategy and design for the new Mekong Water Resources Management Program was approved (May 2014). The goal of the DFAT Mekong Water Resources Program (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 and energy security in the region.** This program enhances political and economic stability by strengthening regional cooperation, regional governance, and promoting a cooperative, negotiated, and consensus based approach to regional challenges in water resource management. The program will contribute to this goal, if it achieves the following objective: **Mekong Region water resources governance is fairer and more effective**<sup>i</sup>. DFAT interventions focus on five outcome areas:

- **EFFECTIVELY-MANAGED** water governance: Strengthening the institutional frameworks and capacity of regional, national and local actors to manage resources more effectively.
- **ACCOUNTABLE** water governance: Raising the accountability of government and the private sector to normalise better standards for water investments and more transparent decision-making.
- **INFORMED** water governance: Improving the availability and influence of research to improve water resources management and water investment decision-making.
- **INCLUSIVE** water governance: Supporting civil society and local community input into water decisions and management at all levels.
- **POLICY DIALOGUE**: Through a cross-cutting emphasis on policy dialogue, DFAT will continue to support efforts that foster trust and open discussion between Mekong governments and other actors on trans boundary water issues.

Through a series of connected interventions, the DFAT Mekong Water Resources Program is:

- Supporting regulatory reform and behavioural change (for example new policy and practices more conducive to sustainable hydropower in Laos and new approaches to planning, financing, constructing, operating and maintaining irrigation infrastructure in Cambodia)
- Supporting local communities to manage their own water resources and input into sub-national (eg. provincial) national and regional (eg. international/trans boundary) planning processes
- Working with governments, financiers and developers to lift the social and environmental standards being applied to water infrastructure design and operation
- Playing a key role in Mekong water diplomacy through support and lead donor participation in the Mekong River Commission.

The program also supports DFAT's stronger focus on water management and governance under DFAT's new Aid Policy as well as agriculture and fisheries.

## Expenditure

Table 1 presents the Mekong Water Resources Program 2013-14 expenditure information. During 2013-14, the program expended 100% of its allocated A\$7.2 million.

**Table 1 Expenditure FY 2013-14**

Objective	A\$ million	%	Descriptor
Objective 1 - EFFECTIVELY-MANAGED water governance: Strengthening the institutional frameworks and capacity of regional, national and local actors to manage resources more effectively.	1,000,000	18%	INJ724 ADB
	300,000		INL385 MRC
Objective 2 - ACCOUNTABLE water governance: Raising the accountability of government and the private sector to normalise better standards for water investments and more transparent decision-making.	3,622,000	50%	INL215 IFC
Objective 3 - INFORMED water governance: Improving the availability and influence of research to improve water resources management and water investment decision-making.	123,780	11%	INK580 GOV
	628,248		INL003 eWater
Objective 4 - INCLUSIVE water governance: Supporting civil society and local community input into water decisions and management at all levels.	1,500,000	21%	INL191 Oxfam
Objective 5 - POLICY DIALOGUE: Through a cross-cutting emphasis on policy dialogue, DFAT will continue to support efforts that foster trust and open discussion between Mekong governments and other actors on trans boundary water issues.	24,905	<1%	IN651 Mekong Water Unit
<b>Total</b>	<b>7,198,933</b>	<b>100%</b>	

Source: AidWorks report for MW1 - Mekong Water Program, generated 4 August 2014

## Progress towards objectives

Progress is satisfactory for all activities within the program. Progress towards the objectives of the past 12 months is hard to quantify as the new activities under each of the objectives only commenced in early-mid 2014. However, early reporting of progress has been positive with new projects all meeting their inception targets under the new program's Performance Assessment Framework and establishing productive relationships with the Mekong Water Unit in Vientiane. On 14 August 2014, lead organisations attended the first full meeting of DFAT Mekong Water Resources partners to discuss proposed program results, find synergies between activities, and commence discussions on a harmonised monitoring and evaluation system.









The program has relied on program evaluation, MRC reviews and mission aid memoirs to draft this report.

While it is too soon for substantive progress reporting against new activities, existing activities have been mapped to the new program's objectives. The existing activities relate to objective 1 (effectively managed water governance), objective 3 (well-informed water governance) and objective 5 (policy dialogue). Overall progress against the six existing activities is strong, with marked improvements in performance for the Mekong River Commission Mekong Integrated Water Resources Program, which received low QAI scores, predominantly due to staff shortages and political impasse over how to implement the MRC's rules for shared water use constraining its operating space.


The strong progress of existing activities and newness of the current activities reflects the green ratings against the objectives in Table 2.





**Table 2 Rating of the program's progress towards Australia's aid objectives**

Objective	Previous Rating	Current Rating
Objective 1 - EFFECTIVELY-MANAGED water governance: Strengthening the institutional frameworks and capacity of regional, national and local actors to manage resources more effectively.		
Objective 2 - ACCOUNTABLE water governance: Raising the accountability of government and the private sector to normalise better standards for water investments and more transparent decision-making.	N/A	
Objective 3 - INFORMED water governance: Improving the availability and influence of research to improve water resources management and water investment decision-making.	N/A	
Objective 4 - INCLUSIVE water governance: Supporting civil society and local community input into water decisions and management at all levels.		
Objective 5 - POLICY DIALOGUE: Through a cross-cutting emphasis on policy dialogue, DFAT will continue to support efforts that foster trust and open discussion between Mekong governments and other actors on trans boundary water issues.		

Note:

 Green. Progress is as expected for this point in time and it is likely that the objective will be achieved. Standard program management practices are sufficient.

 Amber. Progress is somewhat less than expected for this point in time and restorative action will be necessary if the objective is to be achieved. Close performance monitoring is recommended.

 Red. Progress is significantly less than expected for this point in time and the objective is not likely to be met given available resources and priorities. Recasting the objective may be required.

Reporting period: 2013-14

## Objective 1 - EFFECTIVELY-MANAGED water governance

Existing activities, no longer hindered by inception and procurement delays, are beginning to show strong progress. For example, the Mekong River Commission is now effectively managing the formal consultation process for the proposed Don Sahong Hydropower Project in southern Laos, building on the lessons of the Xayaburi process since 2010.<sup>ii</sup> The new process includes a stronger focus on national and regional consultations and a panel of experts to provide an independent review of the dam designs. Australian water modelling technology, eWater Source, is being selectively applied in the Mekong River Commission and Mekong countries, and is already demonstrating its utility to Mekong country planning. Cambodia is implementing regulatory reforms on river basin management, water allocation and water quality and Laos has improved its hydropower and mining teaching curriculum and is adopting new standardised concession agreements for hydropower and mining.<sup>iii</sup> Further, a new central mining database in Laos has been applied to record and manage data related to mining companies.<sup>iv</sup> This has led to the cancellation of several mining licences in areas of overlapping concessions.

While current efforts to strengthen water institutions have shown progress, some challenges linger. Effective implementation of new reforms remains a challenge and is the focus of the next APPR period.<sup>v</sup> Mekong Water Unit will continue to work closely with implementing partners (ADB, IFC and World Bank) to ensure effective implementation.

The MRC's ability to prosecute its mandate as the sole intergovernmental body focussed on regional cooperation for the development of water and water-related resources of the Mekong Basin (shared by six countries) also remains a concern.<sup>vi</sup> Given the scale of planned investment and its importance to food production, power generation and local livelihoods, supporting the MRC is vital not only for economic development considerations but also for regional stability. The MRC is currently undergoing a period of reform where many of its more resource intensive core functions will move to national bureaucracies, providing opportunity for the MRC to focus on policy dialogue, implementation of procedures for shared water resources<sup>vii</sup>, basin development planning and trans boundary impact assessment.<sup>viiiix</sup>

In recent months, the MRC has taken significant strides to implement the aforementioned reform measures, including a core funding mechanism to discharge their core river basin management functions.<sup>x</sup> This approach is in line with Australia's conditions for future MRC funding as set out in our new Mekong Water Resources Program Delivery Strategy 2014-2018.

### Objective 3 - INFORMED water governance

Australia's support to the Consultative Group on International Agricultural Research Challenge Program on Water and Food (CPWF) has substantially contributed to changing the nature of conversations about hydropower and other water resources developments in the Mekong Basin by investigating problems, possible solutions and engaging influential and interested actors in multi-stakeholder and many other deliberative events in local, national and regional spaces. The implementing partner has worked constructively with a variety of government, non-government, research institutions and civil society actors across the Mekong Basin.<sup>xi</sup> DFAT's investment in CPWF Mekong has resulted in: 14 projects funded, implemented, monitored and evaluated; fostering an active water governance community, including a new generation of Trans boundary researchers, increasingly connected to public policy making; and a solid body of research and partnership base that has attracted widespread attention.

An example of progress has been CPWF partners working with Lao, Vietnamese and Chinese hydropower developers and operators (Theun Hinboun Power Company, Yali Falls Hydropower, Lancang Hydro) deepening their approaches to livelihoods restoration with resettled communities; Vietnam's Yali Falls Hydropower Company) innovatively exploring fisheries, fast growing cereals and testing a new industry sustainability protocol. Another promising example has seen CPWF-funded Cambodian partners entering into the conflict-ridden Pursat catchment, where irrigators have been fighting over water, commencing a promising multi-stakeholder platform involving Farmer Water User Groups, several Cambodian ministries, provincial and district officials, and NGOs to revisit their current problems and options for peaceful development.

Due to the success of this activity, DFAT has retained R4D in our Delivery Strategy for 2014-18 and recommitted to the same management team and approach, contracting with the CGIAR Water Land and Ecosystems (WLE) Program, through the International Water Management Institute (IWMI) to implement WLE Greater Mekong. The new program kicking off in second half of 2014 has an expanded territorial scope bringing in the Irrawaddy, Salween, Mekong and Red Basins – the most significant international/trans boundary rivers in the region.

An alternative modality for DFAT to contribute to more informed regional water governance is to partner directly with governments. For example, DFAT is partnering with the Government of Vietnam's Ministry of Natural Resources and Environment to undertake a high-profile, comprehensive 30 month study on the

impacts of Mekong river mainstream hydropower on the Mekong Delta and floodplains of Vietnam and Cambodia. Mekong Water Unit facilitated the drafting of an MOU between the Governments of Vietnam and Australia, and we are actively involved in the financing, governance and technical back-stopping of this important effort. Progress to mid-2014 is on-track.

## Objective 5 - POLICY DIALOGUE

The program continues to invest heavily in policy dialogue. This includes working closely with our partners to develop priority areas for intra and inter-country dialogue as well as engaging directly with national governments, Mekong River Commission processes and regional research and civil society forums, such as the annual Mekong Water Food and Energy Forum, funded by the program. For example, the program leads the MRC development partner group (comprising 18 donors) as well as co-chairing the main Lao dialogue process on water resources with the Laos Government. The Mekong Water Unit also participates in US-led regional discussions on energy as part of the Lower Mekong Initiative within ASEAN, and ADB-led Greater Mekong Subregion discussions on regional power trading and associated investment, and other ADB dialogue with governments focusing on the links between water, food, and energy. Given the interlinked and challenging regional priority of water, food, and energy, these roles will likely continue to be a priority (and even intensify) over the life of the Strategy.

Our strong policy engagement has led to improvements in the approach to the current Don Sahong Prior Consultation process (a stronger focus on consultation), improvements in the draft Lao water law (linking trans boundary impacts to national impacts for new water investments) and a more consultative and realistic approach to a major MRC study on the sustainable development of the Mekong River (called the MRC Council Study). Such positive results from our policy dialogue rests primarily on the expertise and engagement of Mekong Water Unit team, in particular Senior Specialist Water Resources.

To ensure our engagement on Mekong water resources issues is current and responding to regional priorities, the Vientiane-based Water Unit focusses on regular engagement with Mekong partners (Mekong governments, research institutions, civil society and NGOs, as well as other development partners). This ensures that we can adjust our engagement to changing priorities but also respond fully through our programs.

## Gender

DFAT is committed to the principles of gender mainstreaming in water resource management and will ensure that progress will continue beyond the current phase of the program. Some progress has been made on gender issues, including the piloting of a protocol by the Lao Women's Union for assessing the impacts of new hydropower projects on women and girls across the life cycle of hydropower projects.<sup>xii</sup> DFAT has also funded the development and implementation of an MRC gender policy, which sets out targets for employment of women in the MRC and the development and implementation of a sexual harassment protocol.<sup>xiii</sup> The Mekong Water Unit acknowledges that existing projects could have had strengthened gender components. The new program has a much stronger focus on gender and includes support for developing Mekong leaders on water issues. To ensure a strengthened gender focus, DFAT has introduced gender targets for sub-grant activities in its new research for development and civil society programs as well as the identification of a stand-alone gender component in DFAT's new civil society program with Oxfam Australia. The next reporting period will report on the program's progress on these more substantive gender activities, including through a gender benchmarks currently under development.



## Private sector development

Given the preoccupation with Mekong development [including agriculture (including fisheries), irrigation and intensifying hydropower development], the whole program is focussed on supporting sustainable private sector development of the Mekong Region. Increased transparency, accountability and capability in the governance of Mekong Region's natural resources will not only improve the quality of investments but assist in supporting the water, energy and mining sectors to deliver sustainable growth, particularly in areas such as professional services (including technology and engineering), finance, banking, water infrastructure and mining investment, and at the same time minimising the risk of adversely impacting upon the vulnerable.

Private sector development is an explicit focus of Australia's new program with the IFC, which focusses on lifting the environmental and social standards of hydropower developers and financial institutions operating in the Mekong region. This program engages directly with hydropower companies and banks on the International Hydropower Association on the Sustainability Protocol, the MRC on their hydropower design guidelines, IFC's Sustainability Framework, the World Bank and others.

## Mutual obligations

In the large part, the MRC and Mekong countries have met their obligations with a few exceptions. The MRC is implementing, albeit slower than expected, the procedures for shared water use funded by Australia, which includes the Procedures for Notification, Prior Consultation and Agreement. Despite delay, in this reporting period, the MRC's major Council Study, is finally underway. DFAT has some concerns about delays in future due to understaffing and Mekong country differences in approach but will monitor closely. The Government of Vietnam's Mekong Delta Study is moving forward effectively and on track to be completed on time and in budget. The Government of Laos is considering major regulatory reforms to hydropower and mining sectors. While the Government of Laos has not approved the water strategy funded by the ADB and DFAT, this is because it will be rolled into a broader Natural Resources and Environment Strategy, reflecting a new approach by the Minister of Natural Resources and Environment. Previous delays in the Government of Cambodia's implementation of DFAT-funded operation and maintenance rules for irrigation have now been partly rectified with, for example, a national and sub-national process for selecting irrigation infrastructure for maintenance well underway.

## Program Quality and Management

### Overview

A new Performance Assessment Framework has been developed for the new program and includes milestones for existing programs.

All evaluation recommendations and management responses from the previous report have been acted on, except for a planned joint Australia-Finland review of MRC effectiveness. The Danish aid agency undertook a similar comprehensive review in the reporting period, which included substantive collaboration with Australia and joint development partner dialogue with the MRC. DFAT assessed that a separate review would have been duplicative and overly burdensome for the MRC.

The new pipeline of investments attempts to consolidate our support around five key activities in line with the program's new five objectives.

Several evaluations were undertaken during the reporting period, including mid-term review completion reports for the MRC Climate Change Adaption Initiative, review missions of the ADB-managed Lao Integrated Water Resources Management Program, mid-term reviews of MRC programs and its strategy plan and the aforementioned Danish Review of MRC effectiveness. Forward evaluation pipeline is at Annex C.

## Analysis of Quality at Implementation Reports

QAI ratings remain sound. While low performing 2012 activities improved, others slipped in performance slightly, largely due to staffing changes and changes in policy direction by Mekong governments. Since the activities were assessed through the 2013 QAI process, progress has improved as new staff have become more confident in their roles and major pieces of work delivered, such as the commencement of the Don Sahong Prior Consultation process and Laos' successful delivery of the Lao River Basin Forum. Australia's support to the Lao Ministry of Natural Resources and Environment with the ADB is struggling to make progress against all its objectives (as evidence in QAI ratings). ADB and DFAT will propose a refocused approach in October 2014 (as part of review mission) that prioritises areas that have strong government support and are likely to deliver results (basin management piloting and support for the water engineering department at the National University of Laos).

There are currently no Investments Requiring Improvement.

## Performance of key delivery partners

Our existing partners' performance has been mixed. CPWF Mekong (now part of WLE Greater Mekong) has been a strong performer. The MRC continues to struggle to meet project milestones and the MRC Secretariat could be stronger in facilitating agreement on MRC priorities with its member countries. A mid-term review of MRC programs and MRC strategic planning as well as an independent review by the Danish Ministry of Foreign Affairs on MRC's effectiveness provided useful recommendations for MRC reform (central funding mechanism, streamlined reporting, refocussing on core river basin functions). . Australia's engagement with the MRC remains strong, chairing the MRC donor group and being actively involved in dialogue on MRC's priorities issues, such as the Council Study and Prior Consultation.

It is too early to judge the effectiveness of our new partners [Oxfam Australia, IFC, eWater and Water, Land and Ecosystems (WLE) through the International Water Management Institute (IWMI)<sup>xiv</sup>], only joining the program mid this year.

Some other Australian government agencies are operating in the Mekong water space. Funded by the DFAT water resources program, the Murray Darling Basin Authority and the MRC have a Memorandum of Understanding. To take forward MDBA/MRC collaboration on stakeholder participation models and basin planning, a senior MRC delegation has visited MDBA offices in Canberra for high-level discussion and exchange in September 2014.

Since 2009 the Mekong Water Unit has worked closely with CSIRO in the implementation of the Exploring Mekong Region Futures initiative that has aimed to improve the sustainability of the Mekong Region by investigating the complex relationships between the production, distribution, and use of energy, food and water of the region. This activity, funded by the CSIRO-former AusAID Research for Development Alliance, has been completed and independently evaluated in 2014.

ACIAR has an active research-focused Mekong portfolio that is complementary to the Mekong Water Resources Program. The Mekong Water Unit liaises regularly with ACIAR program managers and regional partners, which include International Water Management Institute, researching groundwater in Laos, the University of Sydney working with dam resettlement communities in Laos, and a range of partners focusing on the future of rice-based systems across the region.

## Risks

**Table 3 Management of key risks to achieving objectives**

<b>Key risks</b>	<b>What actions were taken to manage the risks over the past year?</b>	<b>What further actions will be taken to manage the risks in the coming year?</b>
New activities experience significant delays in implementation.	Set up realistic program scopes and milestones.	Strong engagement with programs, including through six-monthly Steering Committee processes.
Small Mekong Water Unit is understaffed and unable to prosecute agenda.	Selection of highly experienced partners capable of delivering their programs.	Ad hoc contracting of experts to undertake evaluations.
MRC unable to fulfil its commitments and obligations.	New Delivery Strategy has made any new funding for the MRC conditional on successful implementation of organisational reform and core funding mechanism.	Strong engagement with the MRC on major reforms and priorities. Stand firm on Delivery Strategy approach to future funding.
Program does not receive strategic traction from Canberra.	Increased engagement with relevant areas, such as governance and water policy.	Increase amount of reporting (2 cables per month) and quarterly newsletter updating Canberra and posts on priorities and upcoming events.
Manila-based ADB management does not produce effective program results	Push for in-country ADB program focal points.	Only support ADB programs with in-country program focal points.
Gender not sufficiently addressed in the program.	Include gender as a stronger focus in new program design.	Specific gender reporting by partners, standalone gender benchmark and gender a priority in each subcomponent design.

## Management Responses

The main priority for the program will be to ensure effective implementation of the new program alongside the conclusion of activities under the previous strategy. This will require strong engagement between the Mekong Water Unit and our partners, which will be challenging given the additional responsibilities of the Mekong Water Unit staff. To manage workload, the Mekong Water Unit will develop a yearly plan that identifies DFAT specialist inputs for peak times and missions. The Mekong Water Unit is currently liaising with Australia-Mekong NGO Engagement Platform (AMNEP) to identify some long-term resourcing to support the program's policy dialogue activities.

Another management response will be Australia's policy engagement on significant MRC priorities over the next reporting period, including the MRC Council Study, Don Sahong Prior Consultation and organisational reform. MRC performance will affect Australia's decision to provide additional funding.

The development of a strong M&E system that is capable of showcasing the results of our program will be a major focus and the Mekong Water Unit will work closely with performance and quality specialists in its development. The Performance Assessment Framework (PAF) will be the main feature of Australia's harmonised M&E system with partners. DFAT is currently working with partners to align the PAF with each partner's own headline targets/indicators using hub performance and quality resources.

Gender has been insufficiently addressed under the previous water program. To elevate the position of gender in our new program, DFAT will require all programs to have clear gender targets and will develop a standalone gender benchmark. Finally, through a strengthened partners' approach, the Mekong Water Unit will work to continue to strengthen communication across posts and desks on the Mekong Water program's work.

## Annex A

### Progress in addressing 2012-13 management responses

Management consequences identified in 2012-13 APPR	Rating	Progress made in 2013-14
> Key priority is finalising the Delivery Strategy (for the period 2013-17) and commencing design of the program of work.	Achieved	Delivery Strategy approved May 2014 and program fully contracted by June 2014.
> Mekong Water Unit continues to work closely with AusAID and DFAT colleagues at posts in Bangkok, Beijing, Hanoi, Phnom Penh and Vientiane; and considers extending cooperation to Yangon Post.	Achieved	Mekong Water Unit undertook briefings with all posts in August 2014 about new program. Will undertake round of new briefings in August/October 2014.
> A more effective approach to partnerships	Achieved	New Delivery Strategy mandates an annual partners' meeting (first will be held 14 August 2014) and the DFAT Mekong Water Unit facilitating communication across different components of the program.
> Strengthen our communication on the scope and activities of the water program.	Achieved	Post consultations on draft delivery strategy conducted in August 2014. New round of consultations planned for August/October 2014.
> Under the next strategy, the program will strengthen links with regional donors, including China and Korea.	Partly achieved	New strategy identifies mechanisms to engage with non-DAC donors through the policy dialogue objective but could be strengthened in implementation.
> Ensure that our new program links into to broader international and regional develop agendas that are priorities for AusAID.	Achieved	New program aligns well with focus on private sector development, gender and water under the new aid policy.

Note:

- Achieved. Significant progress has been made in addressing the issue
- Partly achieved. Some progress has been made in addressing the issue, but the issue has not been resolved
- Not achieved. Progress in addressing the issue has been significantly below expectations

## Annex B Quality at Implementation ratings

Investment name	Approved budget and duration	QAI year	Relevance	Effectiveness	Efficiency	Monitoring and Evaluation	Sustainability	Gender equality
Improving Mekong Water Resources (Mekong IWRM Project)	7 million Jun 2009 – Dec 2014	2013	6	3	3	3	3	4
		2012	5	4	4	4	4	4
MRC Mekong Climate Change Adaptation Initiative	3 million Oct 2009 – Jun 2013	2013	4	4	3	4	4	4
		2012	5	4	5	5	5	5
Improving Mekong Water Resources (MRC ICBP)	6 million Jul 2009 – Dec 2014	2013	6	4	4	4	3	4
		2012	6	3	3	3	3	4
Lao Hydropower and Mining TA Project	3 million Jun 2010 – Jun 2014	2013	5	4	4	4	4	3
		2012	5	3	3	4	4	4
Lao IWRM Support Program	3.2 million Feb 2011 – Mar 2015	2013	3	3	3	3	3	2
		2012	5	4	4	4	4	3
Cambodia IWRM Support Program	5 million Feb 2011 – Jun 2014	2013	6	4	4	5	4	4
		2012	6	3	4	5	4	4
Mekong Basin CPWF Phase 2	5.5 million Apr 2011 – Dec 2013	2013	6	5	5	5	4	5
		2012	6	5	5	5	4	5

Definitions of rating scale: Satisfactory (4, 5 and 6), Less than satisfactory (1, 2 and 3)

■ = 6 = Very high quality

■ = 5 = Good quality

■ = 4 = Adequate quality, needs some work

■ = 3 = Less than adequate quality; needs significant work

■ = 2 = Poor quality; needs major work to improve

■ = 1 = Very poor quality; needs major overhaul



## Annex C

### Evaluation and Review Pipeline Planning

List of evaluations completed in the reporting period

Name of Investment	Aidworks number	Name of evaluation	Date finalised	Date Evaluation report Uploaded into Aidworks	Date Management response uploaded into Aidworks	Published on website
Improving Mekong Water Resources (Mekong IWRM Project)	INI651	Mid-Term Review	1 April 2014	24 July 2014	NA	NA
MRC Mekong Climate Change Adaptation Initiative	INJ946	Independent MRC and Program Review	1 April 2014	24 July 2014	NA	NA
Improving Mekong Water Resources (MRC ICBP)	INI651	Review mission	February 2014	NA	NA	NA
Lao Integrated Water Resources Management	INI723	Review Mission	February 2014	NA	NA	NA
Cambodia Integrated Water Resources Management	INJ724	Mid-Term Review	August 2013	24 July 2014	NA	NA

List of evaluations planned in the next 12 months

<b>Name of Investment</b>	<b>Aidworks number</b>	<b>Type of evaluation</b>	<b>Purpose of evaluation</b>	<b>Expected completion date</b>
Improving Mekong Water Resources (Mekong IWRM Project)	INI651	Completion report	To follow up the Joint Platform meeting and implementation of PNPCA on planned hydropower power	June 2015
Improving Mekong Water Resources (MRC ICBP)	INI651	Completion report		June 2015
Cambodia Integrated Water Resources Management	INJ724	Review Mission	To assess progress and discuss work plan of the program	30 October 2014
Lao Integrated Water Resources Management	INI723	Review Mission	To assess progress and discuss work plan of the program	30 October 2014
Mekong Civil Society Engagement in Water Governance	INL191	NA		
Environmental and Social Standards of Hydropower Development	INL215	NA		
Research for Development on Water Governance	INL412	NA		

## Annex D

### Performance Benchmarks 2014 -15

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Objective 1 - EFFECTIVELY-MANAGED water governance: Strengthening the institutional frameworks and capacity of regional, national and local actors to manage resources more effectively.	Number of Australian-funded laws/regulations/amendments/codes/projects enacted (Laos: Policy for Sustainable Hydropower, standard concession agreements for hydropower projects, including social and environmental standards). Effective completion by MRCS of the Don Sahong Prior Consultation process (by February 2015, which includes common understanding on mitigation measures.	Reflects the reality of what our funding is supported and the importance of tracking the implementation of policy reforms. The effective completion of the MRC Don Sahong Prior Consultation process is a regional water priority and is related to the overall legitimacy of MRC and Mekong water diplomacy.
Objective 2 - ACCOUNTABLE water governance: Raising the accountability of government and the private sector to normalise better standards for water investments and more transparent decision-making.	Increase in the number of investments that adhere to good practice environmental and social standards increases.	A solid quantitative measure that is already being tracked by our partner, the International Finance Corporation.
Objective 3 - INCLUSIVE water governance: Supporting civil society and local community input into water decisions and management at all levels.	VN Mekong Delta Study and MRC Council Study both involve public participation processes in inception report (June 2015).	These two studies are the most significant political knowledge products to be developed on Mekong water issues and are of strong interest to Mekong civil society, research, private sector and government communities. Strong consultation will be important to both improve the documents before senior government consideration but also to generate buy in from the broader Mekong community.
Objective 4 - INFORMED water governance: Improving the availability and influence of research to improve water resources management and water investment decision-making.	Evidence of new Mekong policies and projects informed by Australian-funded research (Mekong country development plans informed by MRC Council Study, VN Mekong Delta Study). Basin Development informed by river basin profiles.	The purpose of DFAT funding Mekong research is so that it can inform policy and project decision-making. This benchmark specifically tracks these issues.

Aid objective	2014-15 benchmark	Rationale for selecting this performance benchmark
Objective 5 - POLICY DIALOGUE: Through a cross-cutting emphasis on policy dialogue, DFAT will continue to support efforts that foster trust and open discussion between Mekong governments and other actors on trans boundary water issues.	<p>DFAT convene annual development cooperation dialogue with senior representatives of all partners.</p> <p>Actively engage in policy dialogue to support</p> <p>DFAT engages in forums convened by others to – working in tandem with our partners – progress, informed regional cooperation towards sustainable water resources development.</p>	<p>To build a coherent program, DFAT wants to improve efforts to bring elements of our program together.</p> <p>Effective dialogue may be convened by DFAT, our partners, or other actors. Our decision on whether DFAT engages will be based, in part on politics, but more on our assessment on whether our participation will contribute to our program goal. To illustrate, DFAT will engage in the second half of 2014 in the following structured processes:</p> <ul style="list-style-type: none"> <li>▪ Dialogue on the future of the Mekong River cooperation – convened by US Stimson Centre (Thailand August 2014);</li> <li>▪ MRC Council Study Workshops (quarterly)</li> <li>▪ Government of Vietnam's Mekong Delta Study tripartite meetings and technical workshops (quarterly)</li> <li>▪ International River Symposium on Large Basins (Australia September 2014);</li> <li>▪ MRC Development Partners' Dialogue with MRC Member Countries (Mekong, October 2014);</li> <li>▪ Dialogue on Infrastructure Solutions in the Water-Energy-Food Nexus – convened by International Water Association and IUCN (China November 2014);</li> <li>▪ 5<sup>th</sup> Greater Mekong Subregion (GMS) Leaders' Summit (Thailand December 2014)</li> </ul>

## Endnotes

- <sup>i</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.
- <sup>ii</sup> DFAT Lessons learned document from Xayaburi, <http://www.internationalrivers.org/resources/8300>
- <sup>iii</sup> Cambodia Capacity-Development Technical Assistance progress report July 2014.
- <sup>iv</sup> HMTA completion report September 2014.
- <sup>v</sup> HMTA completion report September 2014; Laos IWRM progress report September 2014; Cambodia Capacity-Development Technical Assistance progress report July 2014.
- <sup>vi</sup> MRC Mid-Term Review of its Strategic Plan 2014; DANIDA Review of MRC effectiveness 2014.
- <sup>vii</sup> Since the 1990s MRC has negotiated basin-wide water resources management procedures and guidelines intended to ensure informed and transparent choices about reasonable and equitable utilisation of shared Mekong Basin waters. They include the Procedures for Notification, Prior Consultation and Agreement (PNPCA), approved 2003; and a guideline for implementation of the PNPCA, approved 2005. In addition to PNPCA, there are four other Procedures agreed for: data and information exchange and sharing, water use monitoring, water quality, and, maintenance of flows on the mainstream.
- <sup>viii</sup> MRC Mid-Term Review of its Strategic Plan 2014; MRC reform roadmap 2014.
- <sup>ix</sup> Key MRC references for planning and impact assessment are: ICEM (2010) MRC Strategic Environmental Assessment of Hydropower on the Mekong Mainstream; MRC (2011) Assessment of Basin-wide Development Scenarios; MRC (2011) Prior Consultation Project Review Report for Proposed Xayaburi Dam Project; MRC (2014) The Council Study: Terms of Reference and Inception Report for Study on the Sustainable Management and Development of the Mekong River, including Impacts of Mainstream Hydropower Projects.
- <sup>x</sup> Ibid.
- <sup>xi</sup> CPWF completion report 2014.
- <sup>xii</sup> CPWF completion report 2014.
- <sup>xiii</sup> ICBP annual report 2014.
- <sup>xiv</sup> Water Land and Ecosystems is a consortium of research organisations, consisting mainly of CGIAR centres. DFAT's contractual relationship for its new research for development program is with the International Water Management Institute, which is a lead organisation as part of the consortium.