



MEKONG BRIEF

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**An Update on Australian Development Assistance
in the Mekong Region**

- **The 2006 AusAID White Paper *Australian Aid: Promoting Growth and Stability* outlines the direction for the Australian aid program over the next ten years**
- **Under the White Paper \$40-50 million a year is to be spent on the Mekong Region**
- **AusAID will work in close association with the Asian Development Bank and its Greater Mekong Subregion Program**
- **Support for the Mekong will have a strong emphasis on infrastructure, in areas of energy, telecommunications and transport**
- **As part of the environment strategy of the White Paper Australia will support programs in water resource management.**
- **In the Mekong Region, Australian support for water resource management will be carried out primarily through the Mekong River Commission**

In the year 2000 the Australian Mekong Resource Centre hosted a conference titled 'Accounting for Development: Australia and the Asian Development Bank in the Mekong Region'. This conference examined the links between Australian aid, development outcomes and impacts on communities and people of the Mekong region. It also explored Australia's relationship with other international lenders, most specifically the Asian Development Bank (ADB), and how Australian aid money channelled through multilateral institutions such as the ADB could be used in open, transparent and responsible ways to ensure positive and sustainable development outcomes.

In 2006, six years later, with many programs and projects discussed at the conference now well established and development agendas and programs being implemented at an accelerating rate, many of the issues discussed at that conference remain relevant. The April 2006 release of the White Paper on the Australian Government's Overseas Aid Program *Australian Aid: Promoting Growth and Stability* marks a good time to re-visit some of the issues relating to Australian aid in the Mekong. The Mekong region features significantly in the new policy framework.

This Mekong Brief discusses some key directions in Australia's development financing in the Mekong with specific focus on:

- the White Paper
- Australia's current and prospective role working in collaboration with the Asian Development Bank on the Greater Mekong Subregion Program
- Australia's role in water resource management in the Mekong, particularly through the Mekong River Commission.

2006 White Paper on Australian Government Overseas Aid Program

The White Paper on Australian Government Overseas Aid program outlines the direction in which Australian aid money will be allocated over the next ten years and follows on from the 2005 announcement that Australia would double its aid spending to \$4billion annually by the end of 2010.

The strategic framework of the White Paper defines the overall objective of the program as being "to assist developing countries to reduce poverty and achieve sustainable development, in line with Australia's national interest". This essentially retains the old objective of the program, with a slight reemphasis on poverty and sustainability before Australian national interest. The Paper outlines four main themes for the aid program:

- promoting economic growth
- fostering effective states

- investing in people
- promoting regional stability and cooperation

The program is also committed to untying aid money and ensuring all operations have a strong gender focus. In addition to the main themes that will guide the direction of the aid money the program outlines a range of measures intended to ensure effectiveness of the aid money. These include strengthening performance orientation, combating corruption, enhancing engagement with the Asia-Pacific region and working in partnership with regional governments and other donors. Measures to strengthen performance orientation include, amongst others, the establishment of an Office of Development Effectiveness which will carry out an Annual Review of Development Effectiveness and increased support for development research. AusAID will also aim to work more closely with other multilateral donors such as the ADB and the World Bank, providing \$800million support to these organisations over the next 5 years.

While traditional aid recipients such as Indonesia and Philippines as well as Pacific Island countries remain a core focus of the aid program for the next 10 years, there is also a significant part of the program to be directed at the Mekong Region.

The White Paper and the Mekong Region

Under the White Paper \$40-50 million a year is to be spent in the Mekong Region through working in closer association with the Asian Development Bank and the Greater Mekong Subregion program. The contribution towards the GMS will have a strong emphasis on infrastructure, primarily in the areas of energy, telecommunications and transport.

Working in closer partnership with the ADB on the GMS complements the goal of "strengthen[ing] partnerships with the World Bank and ADB in areas of mutual interest, given their significant regional financial weight and importance in policy dialogue". It also falls in with the 'Infrastructure for Growth Initiative' under which up to \$800 million support will be provided to development banks over 5 years.

ADB and the Greater Mekong Subregion

Since 1992 the countries of the Greater Mekong Subregion (GMS) – Vietnam, Cambodia, Laos, Myanmar, Thailand and Yunnan and (more recently) Guangxi provinces of China – have been party to a program of regional integration and economic cooperation. This program is largely promoted and coordinated by the Asian Development Bank which has provided US\$1.4 billion in loans and US\$109 million in technical assistance since 1992.

China has taken a significant role in the GMS, financing some programs and contributing US\$20million to a special fund under the ADB for human resource development and poverty alleviation.

The current Regional Cooperation Strategy and Program (RCSP), 2007-2009 sets out measures for achieving greater integration in the region in the form of four 'strategic pillars'. These are:

- *Strengthening connectivity and facilitating cross-border movement and tourism:* through a series of projects associated with GMS 'economic corridors'. Projects include road, highway and bridge construction, telecommunication networks and tourism promotion. More than 150 investment projects in transport alone have been identified to complete the GMS transport network.
- *Integrating national markets to promote economic efficiency and private sector development:* to be carried out through the promotion of trade and investment in the region and private-public partnerships. Also includes plans in the energy sector to establish a regional power market & power trading mechanisms.
- *Addressing health and other social, economic, and capacity building issues associated with subregional linkages:* with a focus on communicable diseases control, human trafficking prevention and various capacity development programs
- *Managing the environment and shared natural resources to help ensure their sustainable development and conservation:* to be carried out through the GMS Core Environment Program and the establishment of Biodiversity Conservation Corridors

These measures have not been without their critics however, with many civil society and people's organisations questioning the program adopted by the ADB. Key areas of concern include the negative impacts of infrastructure development on communities and environments in the Mekong and the continued assumption that the achievement of economic growth through regional integration will lead to poverty reduction and sustainable development. There are also many concerns relating to the transparency, accountability and social and environmental record of the Asian Development Bank.

Australian involvement in Mekong water resource management

Water management is one of the three focus areas outlined in the environmental strategy of the White Paper and has been recognised as an area in which Australia has significant experience and expertise.

The White Paper identifies the Mekong region as an area of particular relevance with regards to water management and following the release of the Paper a Mekong Water Resource Strategy (MWRS), outlining the key objectives and measures for implementation of the assistance in the water sector, has been drafted.

The overarching goal of the MWRS is "to promote sub-regional cooperation to reduce poverty and achieve sustainable development through equitable and efficient use and management of the water resources of the Mekong River and its tributaries", and the strategy identifies three objectives for achieving this goal. These are:

1. *Strengthening the institutional framework for integrated water resource management in the Mekong Basin, with a focus on the MRC and National Mekong Committees;*
2. *Improving the scientific knowledge of the water resources of the Mekong Basin, with a focus on improving the MRC's knowledge base and analytical capacity;*
3. *Supporting comprehensive basin planning for the sustainable, equitable and efficient use and management of the water resources of the Mekong Basin.*

These objectives are in line with Australian government aims to support regional integration and, as with work on the GMS program, will be pursued through partnerships with other donors such as the Asian Development Bank and World Bank. A central element of the new strategy will be to establish a Water Resource Unit with a Water Resource Advisor to be based in Vientiane, Laos, to enable AusAID to work more closely with MRC and other bilateral and multilateral donors. The strategy outlines agriculture, fisheries, clean energy and the environment (hydropower and its impacts), river transport and floods and drought as key areas of concern for water management in the region.

Australia and the Mekong River Commission

The focus of the MWRS on the MRC follows on from 10 years of Australian government support for the organisation. The MRC is an intergovernmental organisation established in 1995 with members from the four lower Mekong countries (Vietnam, Cambodia, Laos and Thailand) and two upper countries (China and Burma) as observers. MRC is responsible for coordinating sustainable management and development of the river basin between the four lower countries and this work has till now primarily been carried out through a range of programs and activities, as well as the provision of scientific and technical information, for sustainable management of the basin's resources.

The recent MRC Strategic Plan for 2006- 2010 gives priority to promoting and coordinating investments for development of water resources in the basin. This has given rise to some concern that the MRC is moving away from its role as provider of information and a forum for cooperation and planning. While donors, including AusAID, have accepted this Strategic Plan and have decided to support the new Basin Development Plan, they have emphasised the importance of the MRC continuing its role as a knowledge-based organisation for basin management and are currently conducting an organisational review to provide advice on how to strengthen the institutional structures and functions of the MRC.

Key questions on new directions

- The White Paper makes the assumption that growth is equated with reduced poverty and sustainable development – *what regulations and controls in the AusAID program ensure that the benefits of growth are equitably shared and negative impacts are not borne by the most disadvantaged?*
- The White Paper seeks to form closer partnerships with multilateral development banks such as the ADB but fails to discuss what role AusAID will take in terms of pushing the Banks to be more accountable and ensure poverty reduction is at the core of the organisation’s work – *how will AusAID be engaging with the banks to ensure this happens?*
- The White Paper gives uncritical support of the GMS program, particularly for transport and infrastructure, without providing a clear indication of how this support will contribute to poverty reduction and without mentioning the wide range of issues of concern regarding the Greater Mekong Subregion Program – *how is AusAID addressing these issues?*
- The Office of Development Effectiveness is a positive move towards assessing AusAID program effectiveness in achieving poverty reduction and sustainable development – *how will such assessments be made and what criteria will be used? Will the Office have the mandate to examine development outcomes and effectiveness in relation to the money distributed through multilateral institutions such as the ADB?*
- AusAID will continue to support the MRC and the new Basin Development Plan – *how will AusAID ensure that the MRC will be strengthened to carry out its basin*

management and information providing functions so that it can advocate in the interests of the river and its people?

For further information:

- AusAID White paper: <http://www.ausaid.gov.au/>
- Asian Development Bank GMS program: <http://www.adb.org/GMS/>
- NGO Forum on ADB GMS Program critique ‘*Mekong In Danger: ADB's Involvement in the Greater Mekong Subregion*’: <http://www.forum-adb.org/pub/guidebooks/guide.html>
- Mekong River Commission: <http://www.mrcmekong.org/>
- AMRC-DANIDA study on MRC ‘*National Interests and Transboundary Water Governance in the Mekong*’: http://www.mekong.es.usyd.edu.au/projects/mekong_water_governance.htm
- Accounting for Development: Australia and the Asian Development Bank in the Mekong Region, Conference hosted by AMRC: <http://www.mekong.es.usyd.edu.au/events/past/Conference2000/index.htm>

AMRC’s Mekong Brief Series

This Brief is the fourth in a series of information sheets to be produced by the Australian Mekong Resource Centre (AMRC), University of Sydney, for students, teachers and others with an interest in the Mekong Region.

The AMRC was established in 1997 to promote research, discussion and debate on development and environmental issues in the Mekong Region. The AMRC is a focal point for information, dialogue and activities in support of an equitable and sustainable development path for the Mekong Region.

If you wish to comment on this publication or to join a mailing list for future Mekong Briefs please contact:

Australian Mekong Resource Centre
C/- School of Geosciences (F09)
University of Sydney
NSW 2006 Australia
Tel: +61-2-9351-7796
Fax: +61-2-9351-8627
mekong@mail.usyd.edu.au
<http://www.mekong.es.usyd.edu.au/>

This brief was prepared by Lindsay Soutar