

Independent POE Evaluation of BDP 2 Updated Review Table (POE2) Vientiane, June 3- 11, 2010

The Review Table below takes specific areas identified in the POE Terms of References and provides initial reflections. The Review Table was first produced during the POE1 Review Mission and has been updated during POE2. Key findings will be incorporated into the final report which will be prepared in October for POE3. Several areas identified during POE1 are also elaborated in the POE1 Mission Report which is attached to this document.

Key documents under review by POE2 include:

- Draft Final Report on Scenario Assessment (May 2010) – made available to POE on 6 June 2010; and
- Incomplete draft IWRM Strategy (October 2009).

Scenario Assessment Report	Specific Evaluation Criteria of key aspects		
Aspects	Soundness and completeness of the approach to evaluate impacts of water and related resources development in LMB	Basic assumptions and criteria underlying the chosen approach (trade-offs and development objectives from national policies and sector plans)	Appropriateness of the methodology selected to develop the defined approach, quality of tools, and completeness and clarity of the results
Scoping, approach, methodology and process for the formulation and assessment	<ul style="list-style-type: none"> ▪ The current approach and information is inadequate for defining the tradeoffs. ▪ Key social impacts should include resettlement issues, loss of land, access to livelihood sources, livelihoods and food security/nutrition, health and other indirect impacts such as migration, human trafficking, etc. ▪ There were numerous comments from countries and programs on approach in the areas of boundary condition; baseline years (hydrology) etc.; sediment and nutrients; socio- 	<ul style="list-style-type: none"> ▪ There is a narrow focus on equitable development - based on “aggregate benefits by country”. ▪ Cross country and within country distribution issues not addressed. ▪ Equitable use and substantial harms are not addressed. ▪ Sediment and nutrient issues are not adequately addressed. ▪ Barrier impact on fish migration is not explicitly flagged. ▪ Scenario 7 (2030-20y-Flood – 	<ul style="list-style-type: none"> ▪ The existing tools seem to be capable of analyzing changes in flows, but the problem lies in blind spots such as sedimentation and other areas outside mainstream which are not being considered fully in the assessments. ▪ Absence of proper consideration of social and economic vulnerability issues from the impacts of hydropower development projects is a major issue. ▪ Hence methodologies used do not answer questions related to vital issues such as livelihood, lack of access to key livelihood resources, and subsequent social issues.

<p>livelihoods; uncertainty about upstream (China) flows, among others.</p> <ul style="list-style-type: none"> ▪ Summary tables from RTWG presentations did not explicitly indicate how these issues were addressed. ▪ Continued overemphasis on hydraulic focus with limited balancing with elaboration of a livelihood focus (see PoE1 Mission Note pg5) ▪ Data quality may be adequate for the modeling assumptions chosen; but, given MRC data and information limits in key non-hydrological parameters that have bearing on hydrology (i.e. farming practice changes, urban growth etc), the modeling and hence data cannot be said to be adequate. ▪ Given importance of groundwater management, there is limited analysis of the linkage between surface and groundwater and the interactions in different water management scenarios. Will the upstream flow dynamics modify the GW dynamics? What are the plans to use GW? Will the change in GW dynamics influence the base flow of the river? 	<p>Mekong Delta Flood Management Scenario) should be included in the “Definite Future scenarios” because what happens upstream in the “definite future scenarios” will affect the flooding regime of the Delta.</p> <ul style="list-style-type: none"> ▪ Social vulnerability should be defined with care; potentially through the review of guidelines on social safeguards. It may be better to measure by ethnicity, income levels (sources and types), and opportunity to access to alternative livelihoods. ▪ Since poverty is prevailing in the LMRB, it is important to assess impact on poverty of vulnerable communities. ▪ Assessing social impacts in key hotspots using GIS overlaying techniques is oversimplified. 	<p>(see PoE1 mission report pg. 6)</p> <ul style="list-style-type: none"> ▪ In the long term scenario, climate change ensures meteorological and thus hydrological uncertainties that have serious implications for both design and planning of hydraulic structures and their costs. This has not been adequately factored in. ▪ Agrochemical pollution N, P, pesticides were not adequately discussed. Neither was acidic pollution in rivers from acid sulphate soils. ▪ Social analysis is restricted to fisheries households (HH). The definition of HH needs to be re-assessed. The local community social and economic vulnerability should be the center of these analyses and decision making processes. ▪ The social analysis should therefore cover other important impacts such as resettlement, land acquisition, and livelihood restoration, ethnic people. (See PoE1 mission report pg6)
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<p>Input data, procedures, quality assurance and the use of models/tools and the knowledge base</p>	<ul style="list-style-type: none"> ▪ Hydrology: Hydraulic focus downplayed data on informal livelihoods, and sediment nutrients, and fisheries barrier impacts, energy futures and their financial volatility, and poverty data, etc. ▪ Social information is inadequate for these assessments. 	<ul style="list-style-type: none"> ▪ It is not clear how the data on ‘employment’ in fisheries was arrived at given the fact that many farmers also engage in fisheries. 	<ul style="list-style-type: none"> ▪ The social consequences due to the shift in the local community from subsistence farming and fishery into employed wage labour are huge and not captured in analysis.
<p>Results of the assessment</p>	<ul style="list-style-type: none"> ▪ Hydrology: The assessment may be considered as relevant and responsive with respect to the questions related to the potential impacts of hydropower development and irrigation development. However, it falls short with respect to the questions related to the opportunity and risks for the local population and poverty reduction efforts, conservation of critical local and global natural resources. ▪ Quality of the economic and social analysis must be improved. ▪ Social: Social assessment is inadequate, difficult to understand, and could lead to different interpretation due to its complex nature. Given many uncertainties associated, it may be better to improve upon the assessment of potential impacts for the Definite Future (DF) scenario by conducting more detailed surveys in “hot spot” areas so there is solid background for discussion and mitigation measures that could be considered. Other scenarios that should be considered are the 20 year scenario without dams and 20 year scenario with mainstream dams. ▪ Social: Despite the weaknesses mentioned above, the number of potential affected population in each countries would range from 800,000 people for DF [L296K, TxK, C62K; V442K]; 1.5 million for FFS without mainstream dams [L698K, TxK, C274K, V451K]; and 2.5 million for FFS with mainstream dams [L906K, TxK; C1,212K; V1,724K]. However, these figures are sensitive and need detailed analysis since it will affect the total project costs and feasibility of the projects (if internalized) ▪ Economic: The economic analysis was for 6 sub-scenarios for both definite future (DF) and 20 year scenarios (FFS) challenged by limited information (see PoE1 mission report pg 6). The net benefit analysis is misleading in so far as it overvalues hydropower with externalization of the cost to affected communities and undervalues many other ecosystem goods and services to be affected (See PoE1 mission report). ▪ The results suggesting an unbalance between cost and benefits seems to be overconfident of the “high benefits from hydropower and reservoir fisheries”. Lao and Vietnam potentially get most of the benefits both in terms of net present value and employment while Cambodia would experience a major loss (why is there a 20% ERR?). There is a need for clarification: How were the benefits derived? There are other losses that have not yet been captured in the numbers. The BDP economics will be scrutinized widely, and the underlying assumptions, inclusions and exclusions need to be more clearly explained. The POE also needs this unpacking before it can better assess the economic contribution. ▪ The apparent over confidence of “high benefits” comes from relatively high expected yield in the Mekong Delta of Vietnam and relatively low labor costs, which is expected to increase drastically in the next 20 years. Furthermore, 		

the “gestation time” of the infrastructure development has not been factored in. Off-shore of the Mekong Delta there is likely to be a major cost – with some of the scenarios – that is not quantified at all, likely loss of off-shore fisheries.

- It is important to identify the required mitigation and compensation measures, including estimated costs and assess capacity of the implementing agencies/countries to supervise the implementation of the potential impacts. The costs, commitment and capacity of the country to implement the key measures are an issue to be addressed by national decision makers for which the BDP2 economic analysis must take into consideration and be more relevant.
- Since beneficial and negative impacts of the scenarios differs among the countries, it might be necessary to devise a “benefit sharing mechanism” such as Payments for Environmental (or Ecosystem) Services (PES).
- The environmental analysis serves the purpose in understanding the scope and extent of environmental impacts in critical areas. However, it is important to collect more reliable data and analyze robustly the definite scenario. This should be used to identify mitigation measures and put in place an action plan.
- Agriculture assessment: The agricultural assessment overlooks new threats to the “sustainability of agriculture” that accompanies high input/high cropping intensity: pests and diseases, in particular plant hoppers and associated viral diseases, which have occurred over the last 5 years. Because of these threats, there has been directives to limit the third crop of rice. The assessment should provide a clearer vision for the future “supply, demand and price outlook” of major commodities (e.g. rice), labor availability, labor costs. Large areas of the Basin are planted or expected to be planted with coffee, rubber, and other plantation crops and there is inadequate discussion about this area in the assessment.

Specific Evaluation Criteria of key aspects

Quality of involvement, and likelihood of BDP being accepted by the MRC Member Countries and other stakeholders for implementation.	The ways in which the BDP product has informed or been informed by other processes, such as the SEA.	If BDP2 product will inform the consultative aspects of the PNPCA and if PNPCA will likely be implemented more systematically
<ul style="list-style-type: none"> • <u>The process of engagement is very intensive – 56 different meetings, but quality-wise there is room for improvement.</u> • Current process is strongly led by NMC secretariats. Limited involvement and ownership by planning agencies and other key sectors (energy, water, and related resources); In some cases limited capacity to engage. • Likelihood of BPD2 outputs being accepted by the LMB countries and other stakeholders for implementation needs to be seriously addressed. Need more specificity in defining the target user groups of the BDP e.g. ‘MRC member countries’ 	<ul style="list-style-type: none"> ▪ Observed only minor interface between BDP2 and SEA - some of SEA wetland valuations were quoted in the BDP 2 wetland assessment report, but not in other. ▪ Fishery assessments of BDP2 and SEA are contradicting each other in some aspects. ▪ Not clear how the mitigation measures being developed by SEA would be fed 	<ul style="list-style-type: none"> ▪ BDP processes are expected to provide a platform for reconciling national perspectives and ensuring compliance with the agreement and other procedures. However, only an early incomplete draft strategy is available and it is not clear as to when the draft will be finalized and whether time permits to address the key components it intends to focus

<p>is not specific enough. Only then can MRCS develop an “impact pathway” to ensure the information generated reaches the target users/audience to achieve the targeted outcome.</p> <ul style="list-style-type: none"> • An imbalance between top-down (e.g. input from BDP2 and consultants into the BDP process) and bottom-up (limited contribution from sub-area and national analysis and assessment); Sub-areas should have played more active contribution to the basin-wide process. • Quality of facilitation and presentation of reports are not sufficient as reports were too long and complicated and not available in riparian languages (at least an executive summary highlighting key conclusion). No external facilitation provided to ensure a neutral space for discussion. Materials available only 1-2 days in advance not allowing country representatives to truly digest and understand information provided. • Discussion space within the RTWG is very restrictive for informal and inter-personal interaction among and between countries. ▪ Main sub-area outputs are less visible in some countries. ▪ Sub-area scenario assessment and strategy are not developed yet. Would have been better to have developed them in order to feed into regional assessment and strategy. 	<p>into the BDP Strategy.</p> <ul style="list-style-type: none"> ▪ Limited integration among MRC programs due to silo structure within MRCS – resulting in varying interpretation of results and conflicting information generated by MRCS programs and external consultants. 	<p>on.</p> <ul style="list-style-type: none"> ▪ There is no clear guidance on a practical framework for promoting more systematic application of the PNPCA yet. ▪ Countries at the recent RTWG appeared not confident that the MRCS/BDP will have enough capacity and mandate to handle, facilitate and provide enough support for the PNPCA process as numerous questions were raised.
<ul style="list-style-type: none"> ▪ Most BDP2 draft outputs are on the website, but are in English and highly technical, not enabling non-specialists and non-English speakers to grasp. Most documents are complex and long with a series of separate appendices. ▪ Lack of executive summary and of a more integrated synthesis of various sector and cross-cutting themes for the assessment results. ▪ Should propose measures and policy and technical options as well as assessment of capacity needs (technical, financial, etc.) of the countries to implement them. 	<ul style="list-style-type: none"> ▪ 	<ul style="list-style-type: none"> •

**INDEPENDENT PANEL OF EXPERTS (POE)
MISSION 1 NOTE**

**Panel of Experts (POE) for
Mekong River Commission Basin Development Plan Phase 2
1st Review Mission, May 5 – 14, 2010**

MAY 18, 2010

ACKNOWLEDGEMENTS

The regional Panel of Experts (POE) members would like to express our appreciation to many individuals in the Mekong River Commission Secretariat (MRCS), especially the BDP2 Team and its consultants for providing assistance and support to the POE during the POE 1 Mission.

We would like to thank the Mekong Program on Water Environment and Resilience (M-POWER) and the Challenge Program on Water and Food (CPWF) for their financial and technical support.

1.0 Introduction

The regional POE team convened from May 5 to 14, 2010 to conduct an initial assessment of the key BDP outputs, in particular the data, methods and tools used (see schedule in Annex 1).

The POE 1 Team consists of Sokhem Pech (Hatfield Manager/M-POWER Co-Chair); Dr. Manida Unkulvasapaul (Independent Consultant, retired World Bank Senior Environmental Specialist); Dipak Gyawali (Independent Consultant, former Nepal Water Resources Minister, M-POWER Advisor); and Kate Lazarus (Coordinator, M-POWER and CPWF-Mekong Multi-stakeholder Platforms).

This report consists of initial impressions of the POE 1 team and directly feeds into POE 2 whereby the regional team will be combined with the international team in June 2010 for the first time.

2.0 Key objectives and organization of POE 1

2.1 OVERALL POE OBJECTIVES AND SCOPE

The key objective of the POE is to provide an independent expert review of BDP2 outputs and ensure that the BDP process and outputs are of the highest quality, relevance and responsiveness to the prevailing conditions of the region. Accordingly, the POE will:

- Contribute to the relevance and quality of the aforementioned main BDP2 outputs (which come in the form of reports, models, databases, process, etc), while understanding the purpose, schedule, resources, and the wider context of the BDP2.
- Provide clear and practical recommendations, based on demonstrable experience and solid rationale, aiming to ensure that the BDP process and its outputs are of the highest quality and reliability.

2.2 SCOPE FOR POE 1

The scope of POE 1 was to carryout a review of the background documents and to provide an initial assessment resulting in first impressions on the content, context, quality and relevance of the BDP outputs. Furthermore, this note aims to support the second review in June 2010.

3.0 Discussion of Initial Impressions

3.1 Preliminary reality check

The POE 1 found that all key BDP2 outputs are either in an early draft “incomplete” form or are a “work in progress”. It is understood that the BDP2 team and consultants are in the process of completing the majority of expected outputs by the end of 2010.

Table 1 Scope of POE 1 and Preliminary Reality Check of Available Outputs

BDP2 Expected Outputs	Scope for POE 1 Initial assessment	Initial Impressions
Basin-wide water resources development scenarios	<p>1st (incomplete) draft for scoping, approach, methodology and process for the formulation and assessment.</p> <p>Input data, procedures, quality assurance and the use of models/tools and the knowledge base.</p> <p>Results of the hydrological assessment and interim results of the economic, environmental and social assessment.</p> <p>Ongoing consultation and participation processes.</p>	<p>Only a series of technical notes and working papers, and an initial scenario assessment synthesis report from February 2010 were available for review.</p> <p>The later version of the Synthesis Report was completed on May 7, 2010, and is currently under review by the BDP team. The draft will be submitted to national consultations during May.</p> <p>Initial environmental, economic, and social assessments (see version February 2010) were reviewed with an understanding that more work is on-going.</p> <p>It is expected that the draft report will be made available before POE 2.</p>
The IWRM-based Basin Development Strategy	<p>1st (incomplete) draft of the Strategy and the supporting analyzing information.</p> <p>Process to prepare and adopt the Strategy.</p>	<p>An incomplete draft of the IWRM strategy from October 2009 was available to the POE 1.</p> <p>The BDP2 team and consultants are revising the draft strategy based on comments from the MRCS CEO, MRC member countries, and relevant stakeholders.</p> <p>Section 6 on Transboundary Economic, Social and Environmental Assessment, and Section 7 requires the most substantial work. This needs to build upon the results of the development scenario assessment that is being developed and presented to the countries.</p> <p>BDP2 expects the revised strategy by end of May 2010 and should be made available to the POE in advance of POE 2.</p>
The Project Portfolio	<p>Brief review of information on the short and long list of projects developed as part of BDP1.</p> <p>Guidelines for the development of the Project Master Database for BDP2;</p> <p>Concept and preliminary</p>	<p>There is no clear indication from the BDP2 team on the time-line for completing the project portfolio.</p> <p>Need a clear objective of the Project Portfolio development. If it is for the development of a portfolio database, it may be satisfactory, but see comment below. If it is for development of a Project Portfolio for implementation and/or financing, its scope and design should be discussed closely with the countries, donors, financing agencies, and private sector.</p> <p>The BDP2 has to decide key issues, such as</p> <ul style="list-style-type: none"> ▪ Provision of clear and complete strategic guidance in the Basin Development Strategy for the preparation of the

	design of the Project Portfolio	Project Portfolio that would contribute to sustainable development of the LMB in line with the 1995 Mekong Agreement; and <ul style="list-style-type: none"> ▪ Fine tuning the concept of “development space” to determine what types of projects are to be included, and how to classify them.
IWRM-based BDP	N.A.	N.A.
Stakeholder participation	Stakeholder participation and communication plan of BDP2 (SPCP). BDP Stakeholder analysis and reports. Implementation of SPCP to date.	The SPCP and BDP Stakeholder Analysis and reports have been used as instruments for promoting participatory planning process. The assessment on the implementation of these instruments in delivering key BDP2 outputs will reveal the quality and impact of SPCP to date and scope for adjustments, if any.
	Scope for adjustments	

3.2 Initial general impressions

At the 1st MRC Summit in April 2010, the LMB governments confirmed their expectations for the achievements of the MRC through joint efforts in implementation of the Mekong Agreement that include strengthening dialogue on regional water resources development; facilitating a Basin-wide, consultative planning process, and achieving other sectoral and cross-cutting aspirations.

The POE 1 concurs with the MRCS CEO and BDP2 team assessment that with this high expectation comes a responsibility to deliver the products and tools that will be accepted as relevant, credible, and sustainable, by all relevant national agencies and other key stakeholders in the member countries. The MRC is expected to deliver BDP2 products that follow clearly the results of a credible assessment of needs and options, risks and benefits at transboundary, national, and local levels. These products are expected to respond to the context of the Mekong Basin and provide clear and implementable direction to national planning authorities. The POE 1 took note that the BDP2 and MRC have overcome a lot of challenges and made some substantial progress towards achieving critical milestones of the BDP2.

The POE 1 was impressed by the stakeholder involvement process combining both bottom-up (consultation with key NMCSs, selected Line Agencies, and other stakeholders) and top-down (large groups of external consultants and BDP2 team developed concept notes, working papers, and draft and finalized reports for feeding into the consultation process). It remains an open question about how to strike the right balance, given institutional, organizational and other challenges, the MRC and its member-countries as a whole face.

The likelihood of BDP2 outputs being accepted by the LMB countries and other stakeholders for implementation seems to be an issue. The POE 1 was informed that the BDP2 was drafting a 'Concept Note for Discussion' (April 2010 version) to address the needs for ensuring acceptance and implementation of the BDP2 products after their adoption by the MRC Council in late 2010.

The assessment and suggested actions are discussed in the relevant sections below.

3.3 Basin-wide water resources development scenarios

A series of technical notes and working papers, and an initial scenario assessment synthesis report from February 2010 were made available to the POE 1. It is expected that the draft Synthesis Report would be made available to the POE 2 in early June 2010 in order for the POE to properly review the outputs and provide high-quality input.

3.3.1 Scoping, Approach, Methodology and Process for the Formulation and Assessment of Scenarios

Nine scenarios¹ were scoped for basin-wide water resources development. Year 2000 was selected as the baseline condition. POE 1 was informed that additional hydrological and climate data up to 2009 has been made available allowing the MRCS modeling team to run the model to verify changes against the baseline.

The BDP2 indicated that the year 2000 baseline condition could represent the natural condition of the Mekong mainstream, even though there have been numerous developments on the Mekong mainstream in China (e.g. the Manwan Dam) and a series of hydropower and irrigation developments on all key sub-catchments of the Mekong River Basin. The POE 1 was not convinced that using the year 2000 as a baseline was the right starting point.

A question that arose was related to the boundary conditions. Is the BDP2 team focusing strictly on the LMB hydrological boundary exclusive of the areas below the river mouths and Mekong areas in Myanmar and China?

On many occasions, the BDP2 reports drew their mandates for selecting certain scenarios from the decision of the RTWG mechanism. According to some other groups, such as civil society organizations, academia, as well as departments and specialists associated with MRC there is a desire and hope for a more robust and comprehensive scenario assessment.

The four sectors considered were: water supply, hydropower, irrigation and flood management. Missing seems to be fisheries, an important sector in terms of both nutrition and the large informal and formal economy associated with endemic poverty in many parts of the LMB. "These considerations of thinking outside the water box should be applied to the BDP2, more so because discussions by the POE 1 with MRC experts as well as those outside indicate precisely such a broader view in order for the BDP2's eventual effective acceptability and usefulness.

¹ There is an issue over consistency: different programs in MRC use different sets of scenarios making comparison across sectors problematic.

3.3.2 Input Data, Procedures, Quality Assurance and Use of Models/Tools and the Knowledge Base

The MRC and its BDP² as well as its other programs have built up an impressive, indeed awe-inspiring, collection of data on the basin that will, and should, continue to improve. Interaction between IKMP and BDP seems to be very close due to its nature in analysing climatic and social information. However, connection (sharing of information and data between BDP and other programs (fisheries, EP, hydropower, navigation, watershed, etc.) is less visible.

The hydraulic focus of MRC mentioned earlier seems to have allowed data conducive to a hydro technical construction enterprise to gain primacy while downplaying or filtering out data of a non-hydro technical nature, i.e. informal livelihoods, and sediment nutrients, and fisheries barrier impacts, for example, or energy futures and their financial volatility. Livelihood related data seems to have been filtered out in the hydraulic focus, key social data (e.g. poverty data) was reported by countries using different definitions.

Even though MRC as an inter-governmental river basin organization should not try to micro-manage implementation that is logically the purview of national governments and their local authorities, this view, when used as a data filtering device brings forth difficulties: what if such a view has failed to see the full (and quite often adverse) local implications of the plans it has pursued? How – and through what reflexive institutional mechanisms of knowledge and information flow – are the concerns of the local irrigation, fisheries or river bank gardening to be balanced with those planning?

An example of a hydraulic focus that has not given adequate weight to the concerns of other disciplines is the acceptance as an unqualified given of the availability of dry season water from upstream dams.

There seems to be no real information on the actual rule curves of reservoirs, especially in the Chinese portion. The rule curves used are educated guesses. The assumption that an energy maximization principle will be followed seems questionable. At least until 2025, there will be no Chinese reservoir to perform a re-regulating function² during the hydraulic surge-creating peak operation of plants.

The financial analysis necessary to make the scenarios robust does not seem to do so (see e.g. report #40, pg 21: Synthesis of Initial Findings). Notwithstanding their economic attractiveness, it can be expected that somewhere in the order of 20% of the installed capacity (some 69% of the incremental storage) in the Foreseeable Future Scenarios may be difficult to finance.

² Apparently the Chinese notified the MRC that the last dam before the border with Lao is expected to have this function during one of their dialogue meetings. The Mingsong dam will play a re-regulating function but does not come online before 2025.

3.3.3 Results of Hydrological Assessment and Interim Results of Economic, Environmental and Social Assessment

The following comments on the results of the scenarios are based on the information provided in the Technical Papers dated February 2010, number 1, 2, 4, 5, and 6.

Quality. In spite of the challenges with data availability, the BDP2 and IKMP are confident in data quality and model results. The quality of hydrological impacts was considered acceptable, given the circumstances, but the long term scenarios may not be that relevant given many uncertainties. The existing tools may be capable of analyzing a comprehensive picture of the changes in flows which is the main basis for the assessment of the potential impacts on environment and social if good quality data and skill and the right aptitude for interpreting the results are available. The quality of the economic and social analysis will require further in-depth review. It is also necessary to identify mitigation and compensation measure as well as assessment of capacity (technical, financial, etc.) of the countries, to implement them.

Relevance/responsiveness. The assessment may be considered as relevant and responsive with respect to the questions related to the potential impacts of hydropower development and irrigation development. However, it falls short with respect to the questions related to the local community and livelihoods which are directly related to poverty reduction as well as conservation of natural resources which is critical both locally and globally. Development of hydropower to its maximum benefit can also contribute to poverty reduction only if there is an effective mechanism for risk and revenue management, and for benefit distribution.

Social assessment

The social analysis is focused mainly on impacts of the fisheries households (HH). The definition of HH may need to be re-assessed. The local people, especially their social and economic vulnerability should be the center of these analysis and decision making process. The social analysis should therefore cover other important impacts such as resettlement, land acquisition, and livelihood restoration, and ethnic peoples. Impacts on ethnic people and ways to ensure that they understand the situation is also an important factor. The social analysis should focus more on some likely scenarios to understand the extent of social impacts and what should be done and at what cost?

Economic analysis

The economic analysis was made for 6 scenarios: definite future (DF) and 20 year scenarios (FFS) and limited information is available at this stage. The preliminary results however suggested an imbalance between cost and benefits with very high benefits from hydropower and reservoir fisheries. Lao and Vietnam potentially get most of the benefits both in terms of net present value and employment while Cambodia would experience a major loss. POE 2 will look hard at all the assumptions that lead to the derived rates of return.

Environment assessment

The analysis focused on impacts on wetlands and biodiversity for the 2015 and 2020 scenarios. For normal project, it is necessary to assess the impacts during construction

as well. Although specific impacts would be localized and could be mitigated through effective implementation of an environmental management plan, this issue of sand and gravel extraction on sedimentation load and geomorphology of the river may be significant. It is also important to identify the required mitigation and compensation measures during construction and operation phases, including estimated costs and assess capacity of the implementing agencies/countries to supervise the implementation of the potential impacts. The costs, commitment and capacity of the country to implement the key measures are an issue to be addressed by for the national decision makers. The POE will revisit this assessment at the coming POE2 when the updated reports will be made available.

3.3.4 Ongoing Consultation and Participation Processes

The development of the stakeholder engagement plans has been impressive. Although it is not yet clear how stakeholders have been actually engaged in the BDP strategy and scenario development. It is our assessment that at this stage that more could have been done to allow broader target groups to actively participate e.g. more representatives from the local communities, especially potentially affected people.

The POE saw the need for ensuring more collaborative data/information/knowledge flow from and to other MRC programs, such as the Environment Program, and Initiative for Sustainable Hydropower, among others, to ensure information is properly incorporated and interpreted. This is due to an observation that there is a level of uneasiness among some MRCS Programs due to concern over the interpretation of the results and limited scope of the present BDP2 products.

POE is concerned about whether the BDP2 has informed or been informed by the important SEA activities and results. The Environment Program has also been conducting social and economic vulnerability assessment along selected vulnerable corridors. They have been implemented almost in parallel with their defined geographic scope and constituencies, for the last few years. The SEA will present their preliminary findings covering many key topics and issues related to the Mekong Basin (along Mekong Mainstream) at a regional meeting on May 19 and 20. BDP2 has to finalize its Strategy and Scenario Assessment Reports almost at the same time to meet the JC and Council, and other consultation schedules. Presumably these MRC products will be harmonised?

3.4 IWRM-BASED BASIN DEVELOPMENT STRATEGY

It is not possible to assess with any certainty the IWRM Based Development Strategy given that the POE was only provided with an incomplete draft from October 2009. However, some general impressions are provided below.

3.4.1 GENERAL IMPRESSIONS

The Strategy's emphasis on water in defining "development space" as presently coined and defined is found to be one of the key restricting factors of the current Strategy in

facilitating broader basin development and needs, as local communities rely heavily on the rich natural resources of the LMB, and can be potentially affected by the current and future developments.

The Strategy is to *focus on how development can proceed in a way that meets proper IWRM guidelines and concepts?*” This assumption is valid when the IWRM capacities of the countries, mechanisms for generating national and regional needs and development options are firmly in place and the results of the scenario assessment is credible and properly interpreted. The key question is whether it is possible to meet proper IWRM guidelines and concepts at the regional level, when IWRM is not adequately internalized at the national and local levels.

3.4.1.1 Defining ‘Development Space’ and Strategic Guidance for the Use and Management of that Space

Earlier versions of BDP2 documents (June 2009) highlighted that the IWRM-based Basin Development Strategy was expected “to draw together each country’s perspective on what developments should be taken up and provide a concise statement of the overall planned basin-wide developments and complementary actions agreed between all member States”. In reviewing the emerging Strategy, the country’s perspective and overall development and action agreed between all member states are not visible.

The first paragraph about “development space” tries to assure the readers that “the development space is not just a ‘volume of water’ that can be ‘safely’ used or consumed by future development. Such a definition would be a narrow interpretation of the ‘sustainable space’ for new development”. However, POE 1 has the impression that the manner in which the development scenarios were formulated and assessed as primarily about the average volume of water available for meeting existing use (prior use), and other beneficial uses may be problematic. The question is if the average value can provide sound basis for managing the extreme conditions – flood and hydrological drought? Secondly, the status of the existing use in the “development space” may be problematic with the 1995 Mekong Agreement, in which existing use is only one of many criteria for helping parties arrive at “equitable and reasonable utilization” decisions.

The POE 1 suggests this might be over optimistic. The BDP2 Team informed the POE 1 that the Team is drafting a protocol to set up a mechanism among all Mekong countries for proper coordination in flow release and diversion based on the UN conventions and other transboundary river agreements that China normally vetoes or at least, does not support.

3.4.1.2 IWRM Guidelines and Processes

There is no clear guidance on how to achieve balanced development, realistic benefits and risk management, and a practical framework for promoting more systematic application of the PNPCA in the IWRM-based Basin Development Strategy yet. Some relevant sections are still incomplete.

The “Manual of IWRM Practices at the Basin Scale’ covering more than 50 identified IWRM issues” are yet to be developed. Only few of those Guidelines are in various stages of development. While recognizing the usefulness of IWRM Guidelines, the POE 1 expressed concern over the sheer number of the guidelines. What are incentives for encouraging more systematic and widespread adherence to this Manual by both government agencies and developers? Incentive mechanism (financial, technical and reputational risk and incentives) must be in place and enforced to encourage compliance.

The most relevant Sections - 6 on Transboundary Economic, Social and Environmental Assessment, and 7 on Basin Development Framework require the most substantial work. They will have to build upon the results of the development scenarios assessments under developed and the series of national consultation conducted in May 2010.

Some development context, assessment and potential for compensation of trade need to be carefully crafted to avoid misunderstanding and misinterpretation. For example, section 4 “Transboundary Issues for Assessment” suggested “successful mitigation of the barrier effects of mainstream dams with fish passes is doubtful, so other strategic measures would need to be implemented to compensate for the loss of yield from capture fisheries”. MRCS specialists question such “potential” and practicality for compensation or replacement in a transboundary context. They also pointed out that the barrier effects of the dams are also relevant to the sediment flow which is critical for both in-land floodplain and coastal zone fishery and farm productivity.

3.5 PROJECT PORTFOLIO

The progress of this output is slow given the need to build consensus on the IWRM-based Basin Development Strategy first, in particular its strategic guidance for the design of the BDP’s Project Portfolio.

3.5.1 Brief Review of Information on the Short and Long List of Projects Developed as Part of BDP1

The assessment report, design concept and guidance notes were prepared by an external consultant (June, 2009) to assist BDP2 in finalizing the conceptual framework and guideline for the Project Portfolio and the Project Master Database that, *inter alia*, will underpin the Project Portfolio.

The proposed candidate projects included in the project portfolio are mainly those related to the so-called MRC sectors, such as water supply, irrigation, hydropower, tourism, flood, fisheries, navigation and river works. Interestingly enough, the criteria for selection and exclusion is based on “MRC Sectors”. This may be explained by the need to adhere to the 1995 Mekong Agreement and water focus of the MRC. Do projects such as ‘tourism’ need to be included?

BDP2 might opt for checking and uploading the BDP1 lists into the new database. The question remains how this exercise will help overcome the shopping/wish list nature of the BDP1 short and long-list into a more meaningful Project Portfolio of basin-wide

significant projects that contribute directly to raising the development potential of the basin and/or safeguarding the environment.

3.5.2 Concept and Preliminary Design of the Project Portfolio

It is not clear as to the long term purpose of the **Project Portfolio, given the countries decision to move toward self-financing**. The Portfolio is expected to include planned, proposed or potential/perceived projects to be implemented on either a national or transboundary basis (infrastructure, non-structural and others).

It is encouraging to notice that the proposed design by BDP tends to diversify the source of information on projects for inclusion in the **Project Master Database**. However, Figure 2 of the BDP2 Guidance Note on the Master Database (June, 2009), seems to suggest that “sub-area, national and MRC program assessments and plans” are the only source of information. The consistency and process for updating Project Master Database and Portfolio may need to be addressed.

Two modalities on the relationship between MRC and national and sub-areas were proposed by BDP2. One seems to provide more opportunities for interacting with the Line Agencies and various River Basin Organizations/Committees, and potentially with less bottleneck/gate-keeping from the NMC Secretariats.

4.0 Recommendations and next steps

4.1 Recommendations

It is intended that more specific findings and recommendations will be formulated during the 2nd Mission in June, 2010 as the above is only initial impressions that need to be further developed and verified.

4.2 Next steps

The TOR requires two key reports, namely i) first report describing the findings of the “reality check” during the second review meeting (early June 2010); and, ii) second report describes the findings of the “confidence check” during the last review meeting (October/November 2010).

The preparation and organization of the upcoming mission is critical to the success of the POE and its effective contribution to BDP2 and MRC. The following is the proposed schedules and high level agenda items.

May 31	International POE members arrive
1-4 June	International POE members meeting with some regional colleagues to discuss roles and review the POE 1 note. International POE members review materials
5 June	The rest of the POE members arrive

6 June	Full meeting of POE to elect co-chairs and confirm assignment and roles
7-8 June	POE members attend parts of the BDP2 Regional Technical Working Group Meeting and meet with selected line agencies on the side
9-10 June	Review mission, meeting with MRCS staff, BDP advisory board, and BDP2 product review;
11 June	Debriefing with MRCS CEO and BDP and agreement on next Review Mission.

Annex 1: POE 1 Schedule

Wednesday 5 May 2010	
09.00 -	POE 1 Meeting with BDP2 Team
Thursday 6 May 2010	
0900-1200	Partial POE 1 Team in Vientiane to read materials
1330-1530	Meeting with Peter Millington, BDP2 Strategy Consultant
Friday 7 May 2010	
	Meeting with Thanapon Piman, BDP2 Modeller
Monday 10 May 2010	
0900-1400	POE 1 Team Review of BDP2 Documents and Internal Discussion
1400-1545	Meeting with Erland Jensen, IKMP CTA, MRC
1600-1715	Meeting with Jeremy Bird, CEO, MRC
Tuesday 11 May 2010	
0900-1700	POE 1 Team Review of BDP 2 Documents and Internal Discussion
Wednesday 12 May 2010	
0830-1030	POE 1 Team Discuss Initial Impressions
1100-1230	Briefing with BDP2 on Initial Impressions
1400-1700	POE 1 Write up of Initial Impressions
Thursday 13 May 2010	
0900-1700	POE 1 Write up of Initial Impressions and Discussion
1930-	POE 1 Dinner and discussion with relevant MRC experts.
Friday 14 May 2010	
0900-1530	POE 1 Consolidation of findings and write-up
1600-1715	POE 1 Debriefing with Jeremy Bird, CEO, MRC
19-20 May 2010	
All day	SEA Workshop