



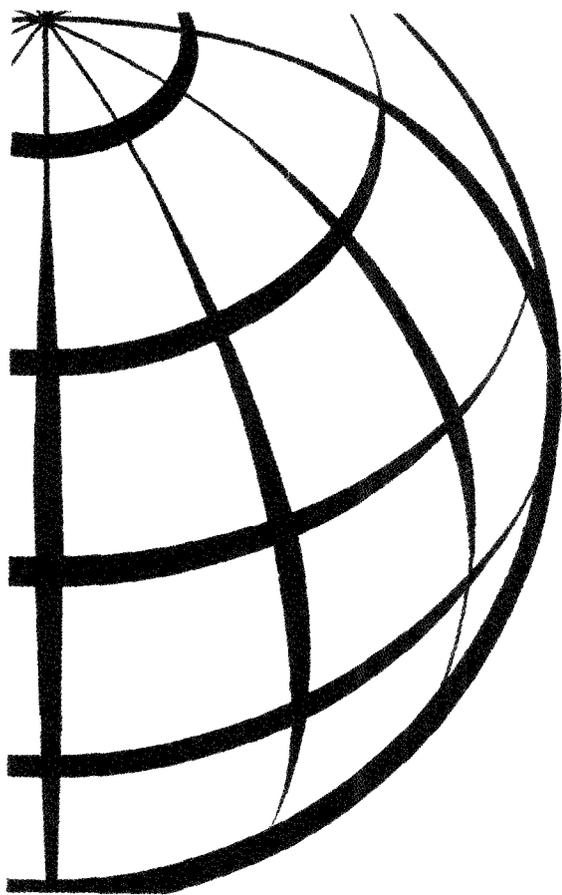
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Fostering Riparian Cooperation in International River Basins

*The World Bank at Its Best in
Development Diplomacy*



*Syed Kirmani
Guy Le Moigne*

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*The World Bank at Its Best in
Development Diplomacy*

*Syed Kirmani
Guy Le Moigne*

*The World Bank
Washington, D.C.*

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FOREWORD

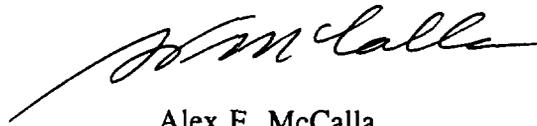
Efficient use, effective conservation, and comprehensive management of the water resources of river basins are essential to meet the rapidly growing demands for water of acceptable quality for domestic consumption, food production, environment protection and other uses. These objectives are difficult to achieve in international river basins because they require cooperation among riparian countries which is rather rare. The Bank's policy on international inland waters emphasizes cooperation and goodwill between riparian countries for efficient development and utilization of international waters and attaches utmost importance to riparians entering into appropriate arrangements for such purposes. The Bank also offers to help them establish such cooperative arrangements if requested.

However, many countries are unable to utilize their shared water resources due to riparian conflicts. They complain that the Bank is not playing a proactive role to foster creative options for riparian cooperation and that its assistance is focused on national river basin projects or on international basin projects which do not involve riparian conflicts. The Bank's approach to riparian conflicts has indeed been cautious because of the complex and sensitive issues involved. Long-term open-ended commitments of staff and budgetary resources are required without any assurance of success.

This paper describes the Bank's successful interventions in three international river basins--the Indus, the Mekong, and the Aral Sea--to foster riparian dialogue, cooperation and agreements. It discusses the Bank's role and the strategies which contributed to its success. The paper points out that the adverse impacts of riparian conflicts on economic development will sooner or later become too unbearable to sustain security and peace. These adverse impacts will be particularly severe in the poor countries of Asia, the Middle East, and Africa, where major international rivers are shared. The Bank's goals of economic development, poverty alleviation, and sustainable environment cannot be achieved effectively without Bank assistance to foster riparian cooperation for developing and utilizing their shared water resources. The paper concludes that the Bank can succeed in achieving these objectives if it follows the strategies which contributed to its success in the Indus, Mekong, and Aral Sea basins.

With the publication of its policy on Water Resources Management in 1993, the Bank has declared its commitment to assist developing countries in managing and utilizing their water resources in an economically and environmentally sustainable manner. The need for such assistance to countries sharing international waters is most compelling because economic development is inexorably linked to resolution of riparian conflicts. The paper presents a strong case for a more proactive Bank role to

address these concerns. The Bank's success in the three basins mentioned above and the proven effectiveness of the strategies it followed provide the assurance that it can also succeed in other international river basins. The paper has a wider audience. It should be of particular interest to developing countries sharing international waters, the United Nations Agencies dealing with water resources, the International Water Resources Association, the International Commission for Irrigation and Drainage, the International Law Association, and the international financing agencies, donor countries and professional organizations. We have decided to publish this paper, hoping that it will stimulate constructive initiatives for enhancing international cooperation to assist riparian countries in resolving the conflicts which are seriously constraining their economic development.

A handwritten signature in black ink, appearing to read 'Alex F. McCalla', written in a cursive style.

Alex F. McCalla

Director

Agriculture and Natural Resources Department

ABSTRACT

Many developing countries sharing water resources of international river basins are facing serious problems in meeting their rapidly growing demands for domestic, irrigation, industrial, power, and other uses due to riparian conflicts. They complain that the Bank is not playing a proactive role in promoting cooperative arrangements and fostering resolution of riparian conflicts for efficient utilization of their shared water resources for economic development.

This report describes the Bank's successful interventions in three international river basins--the Indus, the Mekong and the Aral Sea--to foster riparian cooperation and agreements. It discusses the key features of the Bank's role and the following strategies: intervening solely to promote development and peace; timing interventions when issues were serious, when riparians were not able to address them on their own, and when they needed and wanted Bank assistance; initiating dialogue with riparian countries at the highest levels to inspire confidence; playing a proactive role in exploring pragmatic solutions acceptable to all parties rather than pursuing ideal solutions which were not workable; using quiet diplomacy in negotiating sensitive issues; making the required long-term staff and budgetary commitment despite uncertainty of final outcome; mobilizing donor countries' support; and analyzing risks and taking appropriate measures to minimize them.

The paper concludes that the Bank can succeed in other international river basins also if it follows the same strategies which ensured its success in the Indus, the Mekong, and the Aral Sea basins. It emphasizes the compelling need for addressing the concerns of developing countries sharing water resources of international river basins and recommends a proactive Bank role.

INTRODUCTION

1. Water is an essential ingredient for human survival and a critical component for economic development. However, nature has not distributed water resources equitably. There is too much water where so much is not required and too little where it is needed most. In arid and semi-arid countries, growing population, pressing development needs, and increasing environmental awareness are rapidly accelerating water demands. At the same time, scarcity and maldistribution of water are causing conflicts and impeding efficient development and management of available resources. Conflicts in river basins within countries are resolved ultimately through domestic political processes and legal systems. Conflicts between riparians of international river basins, however, are difficult to address because international water laws are not enforceable. These conflicts can be resolved only through riparian cooperation.

2. For many developing countries, international rivers are the main source of water, but riparian cooperation in these river basins is rare. Smaller and weaker countries are suffering most because they have neither the political clout nor the economic strength to achieve their goals. Some riparians have tended to utilize as much water as possible to establish prior water rights while others who started late feel deprived of their fair share. Historical factors, physical differences, political realities, and socio-economic variations are all part of the setting in which issues of efficiencies, distribution, equity and rights have to be considered in addressing riparian conflicts. Over 246 separate river basins comprising about 40 percent of world's population and 50 percent of the planet's land are shared by two or more countries. The adverse impacts of conflicts on economic development of riparian countries will sooner or later become too unbearable to sustain security and peace. The adverse effects of water conflicts will be particularly severe in the poor countries of Asia, the Middle East, and Africa, where major international rivers are shared. Their goals of economic development, poverty alleviation and sustainable environment cannot be effectively achieved without developing and utilizing their shared water resources.

3. The World Bank has played, and is continuing to play, a major role in assisting countries to develop and manage their water resources. However, the Bank's assistance was focused largely on national river basin projects or on international basin projects which did not involve riparian conflicts. Its approach to international water conflicts has been cautious and its involvement has been rare and limited. The Bank recognizes that in addition to its financial and technical assistance tools, it needs diplomacy skills to address the complexities of international water conflicts and foster riparian cooperation to resolve them. It is also concerned that in situations where water issues are sensitive and riparians are too suspicious to trust each other and are also unsure of the usefulness of the Bank's role, Bank involvement could be counterproductive. The Bank, therefore, has emphasized that cooperation and goodwill between riparian countries is essential for efficient development and utilization of international waters and has attached utmost importance to riparians entering into appropriate arrangements for such purposes.

4. The Bank's cautious approach and its emphasis on riparian cooperation are justified. However, most riparians in conflict need assistance of a neutral third party to stimulate cooperation to bring the parties into dialogue; to help share information and understand the benefits of cooperation and the costs of conflict. They need the third party to help inspire a sense of national and international community sharing common interests, to confront trade-offs and make the required compromises to resolve conflicting issues. They also need the third party to assist in their search for efficiency and equity in approaching coordinated and comprehensive planning, to help overcome fears, to take ownership of options, and to make the decisions which affect their future. These building blocks of cooperation and mutual trust could be more effectively developed with the assistance of a neutral third party than through the riparians' own efforts. The prospects of riparian cooperation and agreement will be greatly enhanced if the third party has also the ability to mobilize the financial resources required to implement the agreed solution.

5. There are continuing calls, therefore, from developing countries, international institutions, and donor countries for the Bank to play an increased role in fostering riparian cooperation and facilitating agreements. The need to address existing and potential international water conflicts through "assisted negotiations" to promote sustainable development and peace has been emphasized repeatedly at seminars and conferences on international waters. At the international workshop organized by the World Bank in June 1991 in Washington to review its policies on comprehensive water resources management, delegates from developing countries were most vocal in complaining that the Bank's policy on international inland waters has not proved effective in assisting riparian countries to resolve their differences and promote development. They requested Bank assistance for promoting riparian cooperative efforts and fostering settlement of riparian disputes. There was strong consensus that the Bank should play a proactive role to achieve these goals. The example of the Indus Basin was often cited to prove that Bank-assisted negotiations would help resolve difficult international water conflicts.

PURPOSE OF THE PAPER

6. This paper describes the Bank's active involvement in three international river basins—the Indus, the Mekong, and the Aral Sea—to facilitate dialogue and agreements. It discusses key features of the Bank's role and analyzes the factors which contributed to its success. The paper's main focus is on the Bank's role in development and diplomacy rather than on the riparians and the nature of their disputes. However, the historical events are described to provide adequate background to appreciate the Bank's role. The main purpose of the paper is to examine whether and how the successful experiences of Bank involvement in the above basins could be applied to assist riparians of other international river basins.

THE INDUS BASIN

7. The Indus, with its five tributary rivers--Jhelum, Chenab, Ravi, Beas, and Sutlej--comprises one of the great river systems of the world. Irrigation in the Indus Basin was practiced since prehistoric times and developed into the most extensive system of the world. Disputes over sharing of water between Punjab and Sind provinces, the two major users of irrigation water, were not uncommon. However, the Government of India, the then Central Government, acted as a neutral third party to facilitate resolution through negotiations and, if the negotiations failed, appointed an independent commission to arbitrate. The first major dispute between the two provinces was settled through arbitration by the Anderson Commission in 1935; the second through arbitration by the Rau Commission in 1942; and the third through negotiations between the provinces in 1945. The Indus Basin, therefore, had a sound system to address water disputes and establish and protect the rights of all canal systems of the Basin.

8. When the Indian subcontinent was partitioned in 1947 between India and Pakistan, the international border cut right across the Indus system. Pakistan became the downstream riparian and the headwaters of two of its main irrigation canals were left on the Indian side of the border. While written agreements were drawn on other partition issues, this procedure was not followed for water issues with the understanding that the rights of canals established before partition would be protected. However, in 1948, India cut off the supplies to the canals in Pakistan mentioned above and restored them only after claiming propriety rights over waters flowing through its territories. Further negotiations failed to resolve the dispute. Pakistan suggested arbitration but India did not agree. The sharing of water thereafter became an international issue and a cause of serious conflict between the two countries.

9. In 1951, Mr. David Lilienthal, former Chairman of the Tennessee Valley Authority, visited the subcontinent. In an article he described the Indus dispute as a dangerous powder-keg which could explode anytime, disrupting international peace. He suggested that the two countries jointly prepare a comprehensive plan, with the assistance of the World Bank, to develop the water resources of the Basin as a single hydrological unit and that the Bank finance the planned works.

10. Inspired by this idea, Mr. Eugene R. Black, President of the Bank, visited the subcontinent and proposed to the Prime Minister of India and the President of Pakistan that the Bank would be willing to provide its good offices to follow up on the Lilienthal suggestions. The two countries accepted his proposal in March 1952 and sent their technical teams to Washington to jointly prepare a comprehensive plan with the assistance of a Bank team headed by General Raymond A. Wheeler, Engineering Advisor and former Chief of the US Corps of Engineers.

11. Despite two years of studies and negotiations, the Indian and Pakistani teams failed to develop an agreed plan. The Bank noted the wide gaps between the positions

of the two countries on almost all issues, even on the basic pre-partition data. It recognized that political sovereignty and joint development and use of water resources of a river basin as a single unit are not always compatible. It became apparent that no progress could be made towards a settlement until there was agreement on the main issue, namely, how should the use of the waters be divided between the two countries. Therefore, in February 1954, the Bank proposed a solution based on division of the rivers for consideration of the two countries. The Bank's Proposal envisaged allocation of the three Eastern Rivers (Ravi, Beas, and Sutlej) to India and the three Western Rivers (Indus, Jhelum and Chenab) to Pakistan. It provided for a transition period during which Pakistan would construct a system of link canals to transfer water from the Western Rivers to replace its irrigation uses on the Eastern Rivers. Further, the Proposal required India to pay the cost of constructing the replacement link canals.

12. India accepted the Bank's Proposal. Pakistan questioned the main premise of the Proposal: that there was enough surplus water in the Western Rivers to replace its irrigation uses on the Eastern Rivers. Pakistan contended that a system of link canals would not be adequate to meet all uses without including storage reservoirs in the replacement works. The Bank agreed to examine Pakistan's contention.

13. The Indian and Pakistani teams met again in Washington to examine the issues in dispute. The Bank's team was led by William Iliff, Vice President, assisted by General Wheeler, senior professional staff and consultants. In addition to the studies by the two country teams, the Bank carried out its own independent studies to examine the issues in dispute and prepare an adequate system of works to replace Pakistan's uses on the Eastern Rivers. These studies confirmed that there was not enough surplus in the Western Rivers, particularly in the critical crop periods, to replace Pakistan's uses and that storage reservoirs were necessary to meet the shortages. The Bank, therefore, issued an Aide-Memoire in 1957 modifying its original Proposal and included storage dams in the system of replacement works. Pakistan accepted the modified proposal. India disputed the need for storage dams and insisted that its liability should be limited to the original Bank proposal.

14. The Bank recognized that it was virtually impossible to resolve the dispute without additional sources for financing the huge cost of the replacement works. In the interest of development and peace, it explored the support of donor countries, who responded favorably. By May 1959, the main issues affecting settlement had crystallized, and President Eugene Black and Vice President William Iliff visited New Delhi and Karachi to hold talks with the Prime Minister of India and the President of Pakistan. In the course of this visit, agreement was reached on the general principles on which a water treaty should be based, including the replacement works to be constructed and the financial contribution to be made by India.

15. The drafting of the treaty began in August 1959 and entailed further negotiations with the assistance of the Bank. Finally, the Indus Waters Treaty was signed in September 1960 between India and Pakistan. Simultaneously, an Indus Basin

Development Fund was established to finance the replacement works with contributions from Australia, Canada, Germany, Italy, New Zealand, United Kingdom, and the United States, and with a Bank loan and India's share of the cost. The Treaty specified a 10-year transition period for completing the replacement works, after which India was entitled to withdraw all supplies from the Eastern Rivers. Pakistan was able to complete the works on time and meet its obligations under the Treaty.

The World Bank's Role in the Indus Basin

16. The Indus Waters Treaty was a remarkable example of successful resolution of conflict between two sovereign riparian countries. The key factors that contributed to success were:

- a third party offered its good offices to help resolve the dispute;
- the third party (The World Bank) was not merely a neutral international institution, but it was an institution for development, the one to whom the countries looked forward for development assistance;
- when a solution based on well-known principles of using and developing water resources of a river basin as a single hydrological unit proved infeasible, the third party proposed a unique solution based on the division of rivers; and,
- finally, when this solution proved too costly for India to finance, the third party mobilized the needed resources for its implementation.

17. The Bank's role in the Indus dispute was proactive, neutral, pragmatic, and fair. It reflected a concern for development and peace and a strong commitment to find a solution acceptable to both parties. For 10 years, the Bank's President, Vice President, and senior staff pursued this goal patiently and persistently. The Bank was pragmatic enough to give up its ideal of unified development of the basin and propose a workable solution based on division of rivers, tragic though the necessity was, as in any amputation. Its fairness was evident from the fact that it did not hesitate to modify its original proposal when subsequent studies indicated the need for including storage dams in the replacement works to meet Pakistan's uses on the Eastern Rivers.

18. The story of the Indus Treaty was the story of the Bank's commitment to development, its "investment in peace", and its success in "development diplomacy". Although India and Pakistan have fought three wars since the Treaty was signed 36 years ago and their relations have remained strained throughout this period, they continue to implement the Treaty faithfully and pursue their goals of development without interference or conflict. This is a true indication of the success of the Bank's proactive role and development diplomacy.

THE MEKONG BASIN

19. The Mekong river is 4,200 km long (world's twelfth longest) and carries an average annual flow of 475,000 million m³ (world's tenth largest). Rising in Tibet and flowing for about 2,000 km through high mountain ranges and valleys, it enters the lower Mekong Basin (the subject of this paper) at the border of the Lao PDR. The river then forms the border of the Lao PDR and Thailand and flows through Cambodia and Vietnam before discharging into the South China Sea. The lower Mekong Basin covers 609,000 km² (about 77 percent of the Mekong's total catchment) and includes almost all of the Lao PDR and Cambodia and large parts of Thailand and Vietnam. In 1985, of the total population of the four countries, 46 million (about one third) lived in the lower Mekong Basin. Of these, 7 percent lived in the Lao PDR, 14 percent in Cambodia, 42 percent in Thailand and 37 percent in Vietnam. The Mekong's potential for hydropower, irrigation, flood control, navigation and fisheries development is immense. It is the only large river in the world besides the Amazon which remains virtually unexploited.

20. Since the early 1950s, the United Nations' Economic Commission for Asia and the Far East (ECAFE) at Bangkok was fascinated by the great potential of the Mekong and initiated the concept of using the Mekong's potential for economic development of the basin countries. These countries, with the exception of Thailand, were among the poorest in the world and suffered for decades, and were still suffering, from the ravages of continuing wars. The idea of using the Mekong's vast resources to bring prosperity and peace to the region greatly appealed to the international community. A formal basis for international cooperation was established in 1957, when the Mekong Committee, comprising ministerial level representatives from the four countries, was established. The Committee did not include China and North Vietnam, the two communist riparian countries. South Vietnam represented Vietnam.

21. The Mekong Committee was supported by a Secretariat headed by an Executive Agent who was appointed by the United Nations (UN) in consultation with the four riparian countries. An Advisory Board of international experts was also established to support the Executive Agent. The Committee's declaration of principles cited "coordinated development of the basin's resources on the basis of reasonable and equitable sharing between the riparian states" as its main objective. The main function of the Committee was to "promote, coordinate, supervise and control the planning and investigating of water resources development projects in the lower Mekong Basin".

22. The administrative cost of the Committee and Secretariat was financed by the United Nations Development Program (UNDP). The cost of planning, investigations and studies was financed by such donor countries as Australia, Canada, France, Germany, Japan, the Netherlands, New Zealand, the United Kingdom and the United States. The Asian Development Bank (ADB) also supported the effort but the World Bank was not an active participant. The strong interest and support of the international

community for the Mekong effort was motivated by many factors. The challenge of developing the vast resources of a great river was irresistible. The extreme poverty of the people and their continued suffering by the ravages of wars generated great sympathy. Many donors emphasized that the cost of developing the Mekong would be a tiny fraction of the huge expenditure on the continuing war that was destroying the region's economy and its people. The belief that the Mekong could bring peace in the region was shared by most donors. Moreover, the Mekong provided opportunities to every donor country to support one or more aspects of its development according to the size of its financing. For example, the United States financed the feasibility of the Pa Mong dam, Japan studied the Sambor dam, the Netherlands examined the drainage problems in the Vietnam delta, flood control studies were taken up by France and the potential of tributary rivers was investigated by others. The effort on investigations and planning was immense. The Mekong Secretariat coordinated the activities and formulated the overall plan.

23. After more than a decade of intensive studies, the Mekong Secretariat prepared an Indicative Plan for development of the lower Mekong Basin. In April 1969, when the Indicative Plan was in the final stages of preparation, UN Secretary General U Thant visited the World Bank and requested President Robert McNamara to review the Indicative Plan and lead the effort to mobilize donor support for its implementation. President McNamara agreed. The Bank established a Mekong Division in its Special Projects Department, made Vice President Mohammad Shoaib responsible to direct the Bank's Mekong effort, and posted a representative in Bangkok to liaise with the Mekong Secretariat.

24. The report on the Indicative Plan was finalized in 1970. The report estimated the hydropower potential of the lower basin at 37,000 MW, of which 51 percent was in the Lao PDR, 33 percent in Cambodia and the balance in the other two countries. The Indicative Plan proposed a cascade of seven major dams on the main river with a total storage capacity of 136 billion m³ and installed power of 23,300 MW. PaMong (4800 MW), Stung Treng (7200 MW) and Sambor (3400 MW) were the largest. In addition, many dam sites were identified on the tributary rivers. Of these, Nam Theun 1 and Nam Theun 2 in the Lao PDR were most attractive for power generation. The Plan also covered other multipurpose aspects such as irrigation, flood control, navigation and fisheries, but its power aspects were dominant.

25. The Bank reviewed the Indicative Plan and held several meetings with the Mekong Committee and its Secretariat and Advisory Board. It also met, jointly and individually, with representatives of participating donor countries and international agencies. The Bank's Vice President discussed the Plan with the governments of the four riparian countries to explore their interest and expectations.

26. The Bank's analysis of the feasibility and appropriateness of the Plan in the light of the economic and political situations of the basin countries, their demands for power, and their implementation and absorptive capacities indicated that the Plan was

ambitious, unrealistic, and inconsistent with the needs and priorities of the countries. Pa Mong and Sambor projects, which were studied in greater details, required considerable more work before they could be considered. Other projects were at best at the pre-feasibility or reconnaissance stages. The demand for power in the basin countries was too small compared with the potential of the proposed projects. Thailand, the main customer for power, was unwilling to rely on sources outside its country. Even in the case of the small 30MW Nam Ngum hydropower project in the Lao PDR, which was financed by the international community and administered by the Bank, Thailand was unwilling to rely on Nam Ngum's contribution to its system capacity and agreed only to purchase energy at a price based on savings in fuel costs.

27. The Bank also noted that the governments of the basin countries had little involvement in shaping the Plan. Thailand was skeptical; South Vietnam was too deeply involved in war to seriously consider development of the Mekong; and the Lao PDR and Cambodia appeared too eager to accept any project in their countries. The Mekong could bring the countries together at some stage, but more than a decade of effort on the Indicative Plan had not stimulated cooperation between the countries. The Mekong Committee members appeared too overwhelmed by the galaxy of foreign experts to play a major role in project selection and decision making.

28. The Bank discreetly discussed its findings with the basin countries and donors and was encouraged to note that they shared its concerns. However, they were reluctant to comment openly and asked the Bank to report its findings frankly.

29. The Bank was concerned that its findings might be viewed as negative and disruptive. However, after considerable internal discussion and debate, it concluded that it had an obligation to assist the basin countries, the Mekong Committee and the participating donors in focusing their efforts on an action plan which was consistent with the political and economic realities of the basin countries and the needs of their people. Accordingly, it presented a paper commending the Mekong Committee for preparing the Indicative Plan which helped to increase the awareness of the basin countries and the international community of the great potential of Mekong for economic development of the region. The paper recognized the usefulness of the Plan as a guide for riparian cooperation to harness the Mekong's potential in future. It agreed that at this stage, the Plan was only indicative as suggested by its title. But the paper stressed the importance of addressing the urgent needs of the countries and their people and made a series of recommendations. Its principal recommendations were:

- (a) Prepare and implement small-scale agricultural projects in areas where the people could use their benefits.

- (b) Prepare and implement pilot irrigation projects, particularly in the Lao PDR and Cambodia, and test their viability before undertaking large projects.

(c) Explore small hydropower projects on tributary rivers, like the Nam Ngum project in the Lao PDR, for meeting local power demand and possible export of power to neighbouring countries.

30. The Bank's recommendations were endorsed by the Mekong Committee and donor countries. A fund for financing a pilot projects program was established and the Asian Development Bank (ADB) and the World Bank agreed to act as executive agencies of the Mekong Committee to implement the program. Subsequently, the donor countries financed installation of additional power units at the Nam Ngum project in the Lao PDR for local use and export of power to Thailand.

The World Bank's Role in the Mekong

31. The Bank's role in the Mekong was different from its usual role in other basins. There were no riparian disputes over sharing of the Mekong's water or power resources. The river was virtually unexploited and its resources were too vast to cause disputes. Riparian cooperation for sharing its resources, therefore, was not an issue. The Bank's concern was that the Indicative Plan was not only unrealistic but could create unnecessary disputes over sharing its theoretical benefits. The Bank, therefore, tried to address two objectives--to direct the focus and efforts of the Mekong Committee to a plan of action which was consistent with the needs of the people, and to prevent unnecessary disputes over sharing the hypothetical benefits of the Indicative Plan. Its task was difficult and sensitive. Several hundred million dollars had been spent in preparing the Plan. The United Nations and major donor countries were involved in its preparation. The expectations were high that the Bank would help move the Plan forward. There was the risk that the Bank's findings could be viewed as negative and disruptive. Given these circumstances, the Bank did not limit itself merely to commenting on the Plan. It played a proactive role in proposing an alternative action plan and seeking its acceptance.

32. The Mekong represents another example of the Bank's success in development diplomacy. Subsequent events justified the Bank's role. The interest of the United States, a major contributor to the Mekong effort, faded after the Vietnam war. The invasion of Cambodia by Vietnam engulfed the region in continuing wars. Donor countries and international agencies diverted their assistance to normal operations in the basin countries. The Mekong Committee and Secretariat focused increasingly on tributary rivers. However, due to the political instability and military situation in Cambodia, the Committee could not meet for three years (1975-77). In 1978, the Lao PDR, Thailand and Vietnam set up an Interim Mekong Committee to revise the Indicative Plan in the light of the changing economic, social and political conditions in the region. The Interim Committee prepared a revised Indicative Plan and presented it in a report entitled "Perspectives for Mekong Development". The report recognized that the Revised Plan was still indicative and should be modified to reflect the changing circumstances of the basin countries.

33. Thailand's rapidly growing needs for power led to its increasing interest in utilizing the enormous potential of the Mekong. The four basin countries, including Cambodia, met in Kuala Lumpur in December 1992 to consider a legal and institutional framework for cooperation to develop the Mekong's resources. A working group set up in 1993 with the assistance of the UNDP prepared the framework for cooperation and the four basin countries--the Lao PDR, Cambodia, Thailand and Vietnam--signed an agreement on April 6, 1995 to cooperate in developing the land, water and related resources of the lower Mekong Basins.

34. Although the Mekong Committee was established in 1957, it took almost 40 years for the economic, social and political conditions in the region to reach a stage when the basin countries needed the Mekong and were poised to utilize its resources. The main thrust of the Bank's intervention in 1970 was that the above conditions should exist for developing the Mekong. It succeeded in persuading the Mekong Committee, the United Nations and the donor countries to postpone action on the huge projects of the Indicative Plan until the basin countries needed them. Now Thailand is an emerging developed country. Vietnam is achieving growth rates of 9 to 10 percent and the debate is whether they ought to be 12 percent or more. The Lao PDR and Cambodia have made remarkable progress within a short time after they began their transition process. The basin countries are now recognizing increasingly that their economic progress is inexorably linked to the development of the Mekong.

35. The Mekong is still a sleeping giant. The basin countries need the Mekong more than ever. The four lower riparian countries on the Mekong (Cambodia, the Lao PDR, Thailand, and Vietnam) signed in April 1995 "The Agreement on the Cooperation for Sustainable Development of the Mekong River Basin" and established the Mekong River Commission (MRC). China and Myanmar are also riparians, and they have been extended invitations to join the Agreement. The Agreement came about at the initiative of the four signatories, and has therefore a greater likelihood of success than the earlier 1957 agreement which was perceived as mainly donor-driven. The Bank has no significant involvement in the Mekong development program at present, but it may consider a request from the riparian countries for assistance.

THE ARAL SEA BASIN

36. The Aral Sea Basin extends over 690,000 km², including all or part of the five republics of Kazakhstan, Kyrgyzstan, Tadjikistan, Turkmenistan, and Uzbekistan. The basin is formed by two of the largest rivers of Central Asia--the Amu Dar'ya and the Syr Dar'ya. The Amu Dar'ya sources are mostly located in Tadjikistan, with a few watercourses originating in northeastern Afghanistan. The Syr Dar'ya originates mainly in Kyrgyzstan. The Aral Sea Basin has three distinct ecological zones: the mountains, the deserts, and the Aral Sea with its deltas. The Tian Shan and Pamir mountains in the south and southwest are characterized by high altitudes (peaks over 7,000 m) and by high moisture coefficients, with average annual precipitation ranging

from 800 to 1,600 mm. The mountains host large forest reserves and some national parks. In the foothills and valleys, soil and temperature conditions are favorable for agriculture. The lowland deserts of Karakum and Kyzylkum cover most of the basin area, and are characterized by low precipitation (under 100 mm/year) and high evaporation rates. The present population of the basin is about 40 million people with growth rates averaging 2.54 percent. Uzbekistan, with 21 million, has the largest population, while Kazakhstan is second with a population of 11 million, of which 2.5 million live in the basin area.

37. The Aral Sea was the fourth largest inland water lake in the world covering 68,000 sq.km. Today it is a saline lake of less than half its 1960 surface area due to nearly total diversion of Amu and Syr river flows for irrigation. The desiccation of the Sea, the destruction of the ecosystems, the blowing of salt from the exposed sea bed and the pollution of surface and groundwater due to inefficient irrigation, inadequate drainage, and excessive use of chemicals for growing cotton and rice crops, have caused serious environmental problems. The United Nations Environment Program (UNEP) has stated that, in terms of its ecological, economic and social consequences, the Aral Sea is one of the most staggering disasters of the twentieth century.

38. Numerous reports on the problem and what to do about it were written by experts during the past decade, but a viable plan for addressing the crisis has remained elusive. At the urging of the governments of the region, the Bank launched a series of missions during 1992 to gain a better understanding of the extent of the problem, and the status of actions being undertaken to ameliorate the situation. From this work, it was clear that the Bank's programs and strategies for these five states were inexorably linked to the development of the Aral Sea Basin.

39. The Bank prepared a report on its findings. The report departed from past proposals of a regional approach to address the problems of the entire Basin and suggested a two-front approach--Bank support for a regional program that required regional cooperation, and assistance to national programs to mitigate the Aral crisis through individual country operations. Further, the report concluded that past proposals for diverting water from sources outside the Basin and also requiring the Republics to substantially reduce their water allocations were unrealistic. The report's main proposals were:

- stabilizing the Aral Sea so that it can be sustained by future river and drainage inflows;
- rehabilitating the disaster zone close to the Sea which has been seriously affected by desiccation of the Sea;
- strategic planning and comprehensive management of the water resources of the Amu and Syr rivers; and

- building the institutions for planning and implementing the above programs.

40. The report presented a framework of activities to implement the above proposals in three phases. The first phase consisted of an emergency assistance program for improving the environment of the disaster zone, strengthening the regional institutions and preparing projects for the second and third phases. The basic strategy of the Bank's proposals was to strengthen regional cooperation, use the Basin's resources to promote sustainable development, protect the quality of international waters, and help restore the Basin's biodiversity and environment. The proposed framework of activities was designed to support this strategy.

41. The Bank's proposals were accepted by the five Republics. An international seminar sponsored jointly by the UNDP, UNEP and the Bank was held in Washington in April 1993 to review the Bank's report and proposals. The seminar was attended by high level representatives of the five Republics, international agencies and donor countries. The Bank proposals were accepted by the donor countries and it was agreed that the Bank, the UNDP and the UNEP should jointly prepare a list of specific projects for financing. Following these decisions, a joint Bank-UNDP-UNEP Mission visited the region in May 1993 and prepared, in collaboration with the Republics, a program for donor financing. The Republics established the regional organizations-- the Interstate Council, the International Fund for Aral Sea, and the Executive Committee for implementing the proposed program.

42. In May 1994, the Bank, UNDP and UNEP jointly sponsored a donors' meeting at Paris to seek financial support for the proposal program. Representatives of the donor countries, Republics and international and national NGOs participated in the meeting. The donor countries and international agencies endorsed the program and made commitments for its financing. It was also agreed that the Bank, UNDP and UNEP should jointly administer the program. The Bank set up a special Aral Sea Unit for this purpose. The Bank, the UNDP, the UNEP, and the Republics have been working closely as partners to address the Aral Sea crisis. According to the most recent progress report issued by the Bank, building the capacity of regional institutions, the cornerstone of the program, was proceeding satisfactorily and the phase 1 activities, which included preparation of projects for phase 2, would be completed by August 1996.

The World Bank's Role in the Aral Sea Crisis

43. The above description of events does not bring out the difficult and sensitive issues faced by the Bank and the role it played to address them. The Republics became independent from the former Soviet Union (FSU) only in December 1991. They became members of the Bank in early 1992 and asked the Bank for assistance to address the Aral Sea Crisis. The Bank debated the risks of involvement in a crisis which was called the most staggering disaster of the twentieth century by UNEP

experts. It had no illusions that it would succeed where FSU scientists and international experts could not despite more than a decade of studies. However, in response to the Republics' request and the urging of donor countries, the Bank sent a reconnaissance mission to the region in September 1992.

44. The countries were new to the Bank Mission. They followed FSU's communist systems and practices. Their reports and publications were in Russian. The dialogue with them was difficult because good interpreters were hard to find. These problems were serious enough, but the technical and political issues concerning the crisis were even more daunting. All previous studies emphasized the need to save the Sea. Three main proposals were under consideration: diverting the Arctic rivers, pumping water from the Caspian Sea, and reducing the irrigated rice and cotton areas to fill the Sea. The Republics were wedded to the first two solutions. They had formed a ministerial level Commission to "Save the Aral Sea". But the international experts emphasized the third option. The Mission's review indicated that the above solutions were unrealistic. It would cost several billion dollars to bring water from outside the basin and this could also be politically untenable and environmentally unacceptable to the countries outside the basin. As for the third solution, millions of people were living in the irrigated areas. While there was scope for reducing wasteful use of water, the savings would not be enough to change the desiccated Sea. The Mission concluded that the Sea could not be saved. It recognized that this conclusion was highly sensitive.

45. During discussions with various agencies of the Republics, the Mission noted that a potential international water dispute was brewing. Uzbekistan complained that water allocations to Turkmenistan were too high compared to its population. Tadjikistan and Kyrgyz Republics were concerned with the restrictions imposed by the FSU on winter releases from their storages dams to save water for summer irrigation in the lower basin. They wanted the restrictions on winter releases to be removed because they needed more power production to meet their winter demands. The Republics also differed on drainage and water regulation issues. The Mission's review indicated that FSU's water allocations to the Republics were inequitable. They were designed to meet FSU's objective of becoming the largest producer of cotton without considering issues of equity and the people's needs. The Republics were aware of these inequities. They signed an agreement in February 1992, a few months after independence, confirming their existing allocations as their water rights. It was a wise decision, but the growing riparian dissatisfaction with the allocations was ominous. However, the Mission concluded that the Bank should consider the agreed water allocations as sacrosanct and changes in allocations, if any, should be a matter for negotiation and agreement between the countries.

46. The vanishing Sea was not the only problem. The disaster conditions it created in a vast zone extending hundreds of kilometers upstream of the Sea were more formidable. Millions of people living in this zone were suffering from lack of potable water, adverse health conditions, high soil salinity, sand and salt storms, and destruction of their environment. The Mission concluded that local development

activities alone would not be adequate to rehabilitate the disaster zone. The Republics' joint efforts, cooperation, and strong commitment for strategic planning and comprehensive management of the basin's water resources, both quality and quantity, were essential to address the crisis. The Republics lacked a regional organization for this purpose. The Amu and Syr river commissions (BVOs) established by the FSU had limited functions. After the breakup of the FSU, the BVOs lost their authority and were suffering from lack of adequate budget to carry out their limited functions effectively. The Republics established a ministerial-level Coordinating Committee to guide the BVOs, but the latter appeared unsatisfied with its working and effectiveness. The Mission concluded that a strong regional organization to plan and implement regional programs and also coordinate the related national programs was necessary to solve the basins' daunting problems.

47. At its final meeting, which was attended by all Republics except Turkmenistan, the Mission presented its findings concerning the future of the Sea, rehabilitation of the disaster zone, comprehensive management of the basin's water resources and the establishment of effective regional institutions. It stressed the need for regional cooperation and strong commitment and concerted efforts of the Republics and suggested a program framework for addressing the "Aral Sea crisis". Further, it indicated the Bank's willingness to work with the Republics in mobilizing donor support to pursue the program, if the Republics wanted the Bank to do so.

48. Although the Republics were broadly aware of the Mission's evolving views, they appeared rather surprised by its forthright analysis of issues and recommendations of a defined program framework. They recessed for a few hours to prepare their response. When the meeting resumed, they made three main points. First, they remarked that while previous international missions and experts visited the basin, gathered information, and wrote articles and papers in foreign journals, the Bank was the first to prepare a concrete program and indicate its willingness to work with the Republics to pursue it. Second, they reserved their position on the Bank's views on the future of the Aral Sea and hoped that it would not close the options of bringing water from sources outside the basin to save the Sea. Third, they indicated their willingness to cooperate and work with the Bank to follow up on the proposed program framework.

49. The above events indicate how the Bank played a proactive role in shifting the Republics' focus from unrealistic goals to regional cooperation for addressing the Aral Sea crisis. The follow-up actions on the program framework leading to the International Seminar in April 1993, the donors conference in May 1994 and the launching of the program described earlier also demonstrate the Bank's proactive role and development diplomacy.

50. The Bank's proactive role involved risks. The program was long-term and its results would be slow to come. Its success depended on the Republics' continued cooperation and their willingness to make the required sacrifices. The continued

support of international agencies and donors, not just for financing, but more importantly, for exerting international pressure to ensure the Republics' cooperation on regional issues was necessary. A realistic appreciation by international environmentalists and NGOs of what the Bank and others could achieve in the difficult and complex Aral Sea situation was crucial. These requirements were essential for success, but it was difficult to predict whether they would be met. The Bank was aware of these risks and planned to minimize them by strengthening the newly established regional institutions; by a continuing dialogue with the Republics, the international agencies, the donors and the NGOs; by the Bank's technical and financial assistance to both the regional and national programs; and by making the efforts and long-term commitment which the Aral Sea challenge required.

THE WORLD BANK'S STRATEGIES FOR SUCCESS

51. The Bank's roles in the Indus, Mekong and Aral Sea basins were different. In the Indus, the Bank helped to resolve a bitter riparian dispute. In the Mekong there was no riparian dispute. An Indicative Plan prepared by the Mekong Committee was ready and the Bank was asked to lead the effort for its implementation. In the Aral Sea Basin also there was no dispute. There was consensus on the need to fill the Sea and the Bank was asked to help in developing the proposals. Despite these differences, there were common themes in the Bank's approach and conduct of its role. The following discussion of these themes identifies the key strategies followed by the Bank to ensure its success.

52. The Bank's primary objective for its interventions in the three basins was development. The Indus dispute was constraining development. The Mekong Committee's Indicative Plan was not consistent with the development needs of the region. The environmental catastrophe in the Aral Sea Basin was destroying development. The Bank's interventions to address the development constraints of these basins received universal support, inspired hope and stimulated cooperation of all parties.

53. The Bank acted as an objective and neutral third party. It was concerned neutrality, not disinterested neutrality. The Bank was as concerned to find a solution as the other parties. This concern motivated its proactive role. In the Indus, the Bank's proactive role was manifested by its unique solution based on division of the rivers when the conventional wisdom of unified development of the basin's water resources proved politically infeasible. In the Mekong, it proposed a minuscule pilot projects program as an alternative to the huge Indicative Plan comprising a cascade of multipurpose dams because the latter were neither needed at that time nor financially and politically feasible. In the Aral Sea, it came out with the stunning conclusion that the Sea could not be saved and proposed a program for regional cooperation for addressing the crisis. In all these cases, the Bank did not act as a passive neutral third party. It played a proactive role in search of development alternatives acceptable to the parties.

54. The Bank's success was not merely due to the merits of its proposals. It was also due to its quiet diplomacy in pursuing their acceptance. In the Indus, the Bank's President and Vice President personally conducted the dialogue with the highest authorities of the riparian countries. In the Mekong, the Bank specially designated its Vice President for this purpose. In the Aral Sea Basin, the Bank's Director and Vice President conducted critical negotiations with the Heads of the Republics. Such high level interventions were necessary to inspire confidence and discuss sensitive issues freely. Of course, Bank staff did the technical work, but their access to the highest government authorities was limited. Moreover, governments are reluctant to reveal their cards to Bank staff because they are not sure whether staff proposals and promises will be honored by their management in Washington.

55. The Bank also followed a quiet diplomacy in its dialogue with major donor countries. It consulted them frequently and kept them fully informed of its activities and the status of negotiations with the countries. It was a sound strategy. Mobilizing their support for its proposals and exploring the availability of grant financing was essential for success. The Bank could provide development loans, not grants. International river basin programs require grant financing, at least for the initial program phases, to focus riparian efforts on developing agreed solutions and avoid disputes over cost sharing. The Indus, Mekong and Aral Sea programs were financed mostly from donor countries' grants.

56. It is difficult to estimate in advance the time and costs involved in resolving riparian conflicts and developing solutions acceptable to all parties. Bank interventions in international river basins require long-term staff and budgetary commitments. Moreover, the success of Bank interventions cannot be predicted. The Bank is aware of these issues and recognizes that it has to bear the full costs of its interventions until the solutions acceptable to riparian countries are developed. Financial support or other forms of involvement by donor countries during this phase of Bank intervention should be avoided as they could prejudice the Bank's position as a neutral third party. Long-term open-ended staff and budgetary commitments with no assurance of success are difficult to justify. However, the Bank should consider its interventions as investments in peace and development with incalculable high returns. Its interventions in the Indus, Mekong and Aral Sea basins confirm this experience.

57. The Bank should strictly maintain its independent and neutral role in its interventions in international river basins and should avoid any form of donor countries involvement which could prejudice its role. However, donor countries' interest in the success of Bank interventions is a valuable asset. It encourages the Bank to play a proactive role in finding solutions acceptable to riparian countries and provides reasonable assurance of the donor countries' financial support for implementing agreed solutions. Donor countries' interest may reflect their support for development, peace, regional cooperation, historic relations with the basin countries or other factors. It may be spontaneous or may result from the Bank's quiet diplomacy. But it is valuable

in all cases. This is demonstrated by the interest of the United Kingdom and the United States in the success of the Bank's efforts in the Indus Basin; the interest of the United Nations, the United States and France in Bank involvement in the Mekong and the interest of the United States and the European Community in Bank assistance to address the Aral Sea crisis. Recent examples of such cases include the keen interest of the United States in the Bank's assistance to basin countries of the Jordan River and Canada's request for Bank involvement in the Nile Basin to help implement the Nile River Basin Action Plan prepared by the basin countries.

58. The timing of the Bank's intervention is important. The prospects of success increase when an international river basins' issues are serious; when the riparian countries are not able to address them on their own; when the lack of a solution is hurting them; and when they need and want Bank assistance. The Bank should not get involved in international river basins if these conditions do not exist and if it is not invited to assist. However, if the above conditions do exist and development is at stake, the Bank should not wait for an invitation; it should motivate the parties to invite and seek its assistance. In the Indus Basin, the Bank's President took the initiative to offer the Bank's good offices. India and Pakistan agreed to avail them. In the Mekong, the UN Secretary General invited the Bank, not the basin countries. However, the Bank accepted the invitation and ensured that the riparian countries wanted its intervention. In the Aral Sea Basin, the Republics invited both the UN and the Bank simultaneously for assistance. The Bank sent its mission immediately and sought cooperation of the UNDP and UNEP on the mission's proposals.

59. The Bank's intervention in international river basins is not without risks. Its failure would adversely affect its image as a leading development institution and inhibit its willingness to address international river basin issues in the future. More importantly, it may lose the trust of those riparians who perceive its role as partial and subjective. In such cases, the Bank's ability to assist national development projects may be impaired. The Bank should examine the potential risks of its interventions and make sure that its involvement will not be counterproductive. In the Indus, Mekong and Aral Sea basins, the potential risks were discussed and debated by the Bank's Management and Board and the decisions to intervene were taken after arriving at the conclusion that the risks were manageable and the rewards of success far outweighed the potential risks.

60. The Bank can succeed in its interventions in other international river basins if it follows the same strategies which ensured its success in the Indus, the Mekong, and the Aral Sea basins. With the publication of its policy in Water Resources Management in 1993, the Bank has declared its commitment to assist developing countries in managing and utilizing their water resources in an economically and environmentally sustainable manner. The need for such assistance to developing countries sharing international waters is most compelling because their economic development is inexorably linked to resolution of riparian conflicts.

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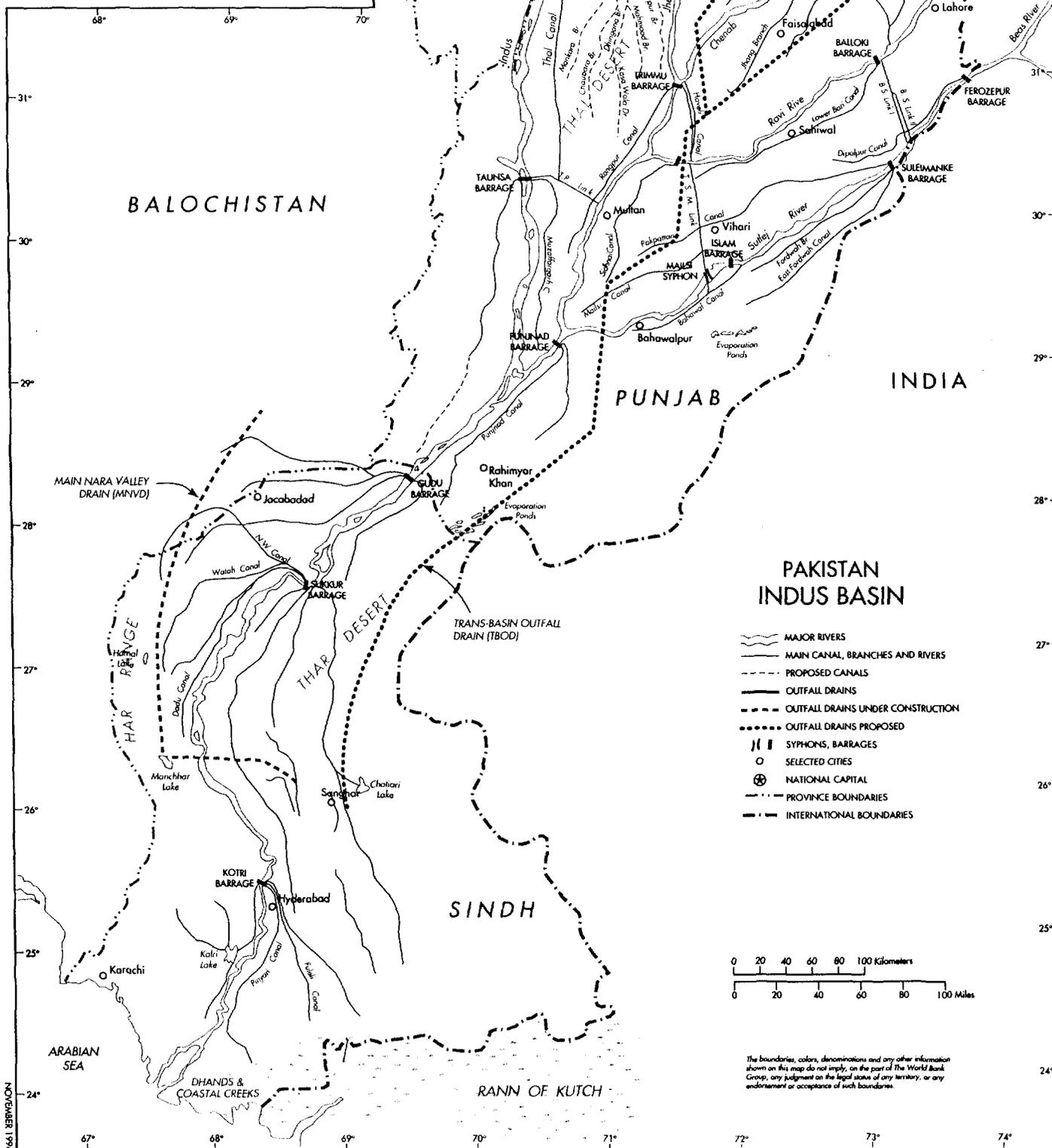
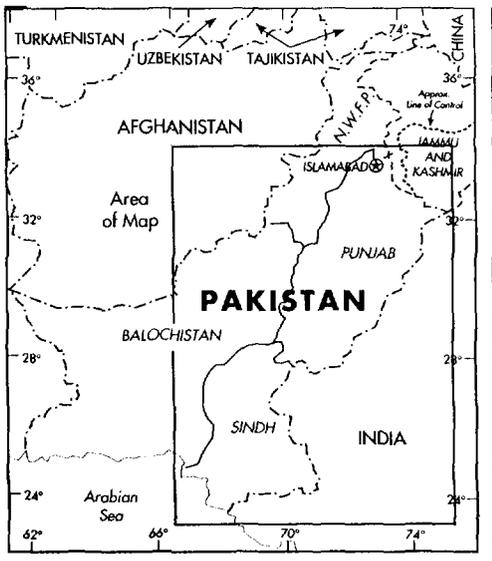
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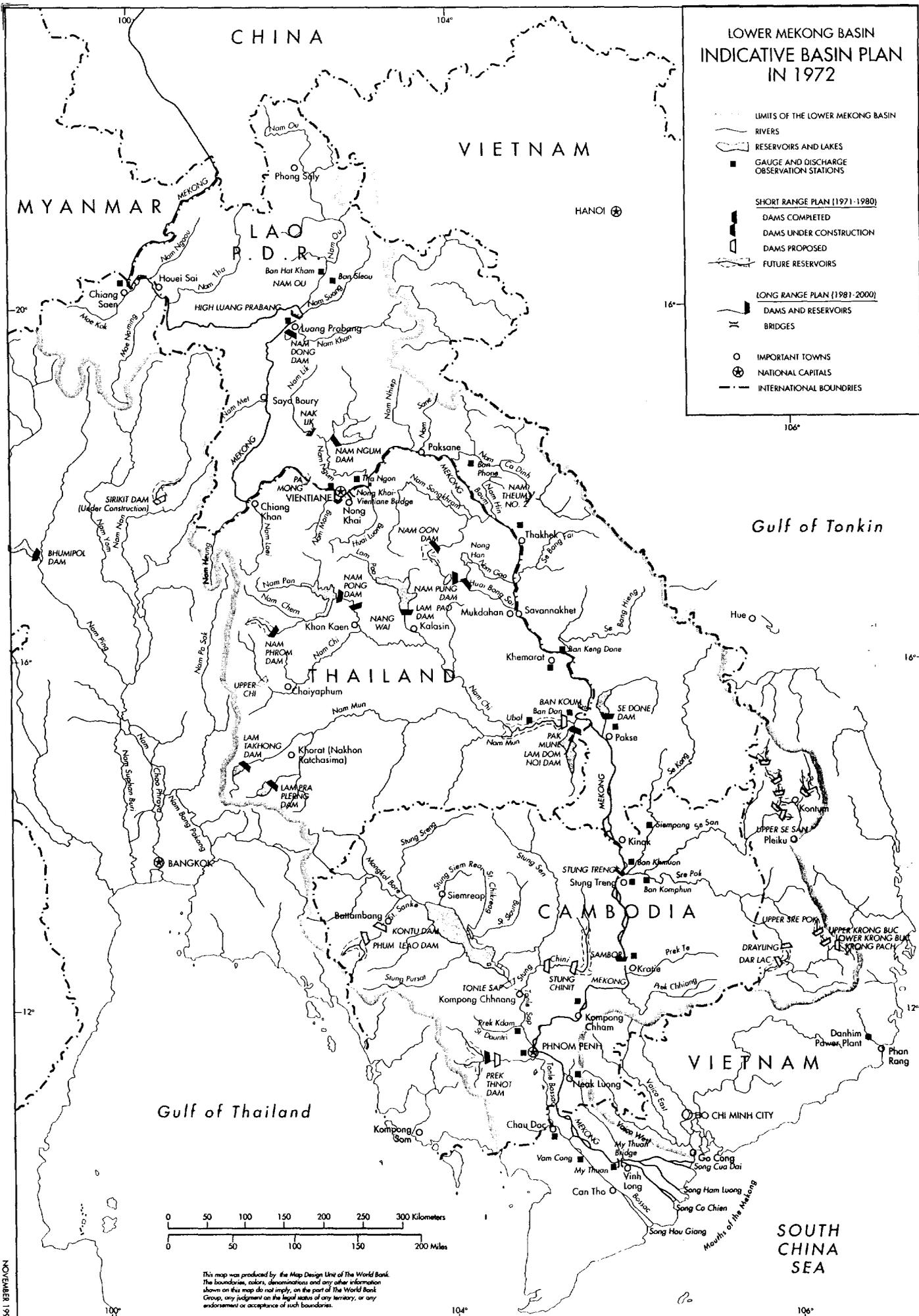
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