



How the Mekong River Commission uses the Management and Administration Fee

A short guide for donors on services covered by the Management and Administration Fee

As with most international organisations, the Mekong River Commission charges a Management and Administration Fee on funds it receives from donors in order to contribute to the provision of administrative, financial and technical services to programmes and to support the MRC's cooperation mechanisms.

This small booklet is designed to explain, in simple terms, how this money is used. This initiative is part of our policy of total transparency in all of our financial operations.

We are constantly improving our financial systems, with the aim of operating the best international river basin organisation we can. We welcome any input and suggestions from our donors on all aspects of our organisation.

The MRC is an evolving entity and of course some of our member countries have developing economies. Members' contributions are increasing each year and our long term plans are for self sustainability, but until that time comes, we are grateful for the support of the donor community to our institution.



*Dr Olivier Cogels
Chief Executive Officer
Mekong River Commission Secretariat*

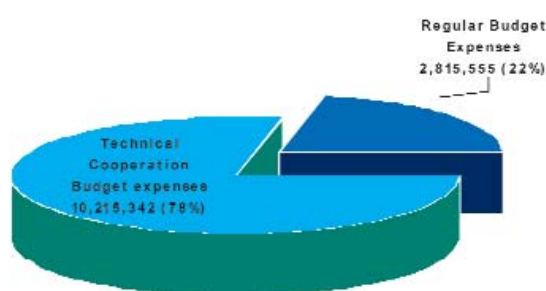
MRC's budget structure

The MRC Mekong Programme uses two separate budgets – The Regular Budget and the Technical Cooperation Budget.

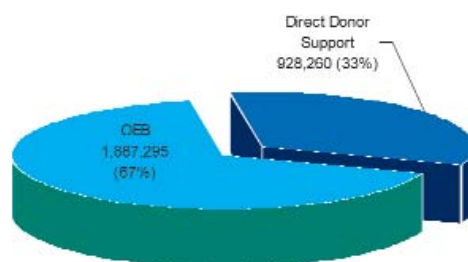
The Regular Budget finances the services and core functions that the Secretariat provides to its Governing Bodies (Council and Joint Committee) and to its programmes. It has yearly expenses of around US\$3 million of which roughly US\$2 million funds the Operating Expenses Budget (OEB). The Management and Administration Fee is integrated into the OEB.

The Technical Cooperation Budget funds all programme activities in which MRC plays an execution or co-execution role and has expenses of around US\$12 million per year. This budget does not include associated programme activities in which MRC has no executing responsibility.

Total cash income* received in 2005 from the donor community, the Member States and other sources (including interest) amounted to US\$ 14,858,753.



MRC cash expenditures in 2005



Regular Budget expenditures in 2005

* MRC uses a modified cash accounting basis. Income is recognised when received rather than earned. Expenditures are recognised when paid rather than incurred.

The Regular Budget

The Regular Budget incorporates the OEB as well as direct donor funding of core functions and in kind support. The Regular Budget is used mainly to cover international cooperation activities, programme management and administration costs, core technical services and support to the National Mekong Committees (NMCs).

Operating Expenses Budget

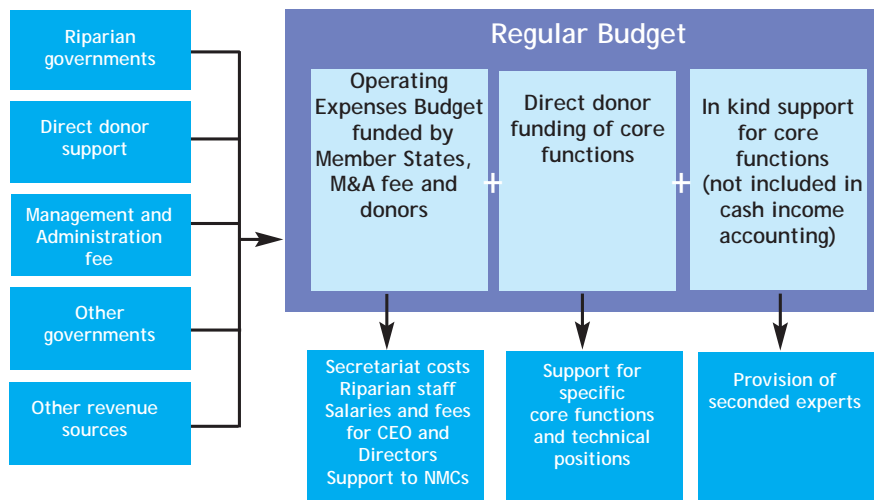
The OEB budget comprises the annual contributions from Member States*, funds from the Management and Administration Fee and a small amount of income from other sources and direct support to the OEB by donors.

Direct donor funding of core functions

These are funds which are used for specific core support roles including the Chief of the International Cooperation and Communications Section, the Environmental Advisor and the Technical Coordination Advisor.

In kind support

In kind support from donors for the Regular Budget includes staff seconded for core functions.



It should be noted that, in addition to their membership contributions, countries also provide in kind support including: Staff and office space; coordination, recruitment, administrative and logistical support from NMCs; provision of headquarters building and furniture; and tax exemption on income tax and various import and export duties.

*Membership contributions are increasing each year, see graph page 9.

What is the 11% Management and Administration Fee?

The Management and Administration Fee is a flat rate of 11% levied on actual project* expenditures in return for the services provided by the OEB. The fee is charged at the end of each month to a separate budget line of each project based on the actual project expenditures of the month.

The fee together with the the Member States' membership contributions and some direct donor support constitutes the OEB. Specific management and technical services covered by the the 11% Management and Administration Fee are thus equivalent to the specific services covered by the OEB.

The 11% rate was established as part of the reform of the MRC in consultation with the donor community at MRC's Donor Consultative Group Meetings of 10 October 1999 and 25 October 2000. The 11% rate is applied to projects making use of management and administration services provided through the OEB. Centralising essential services enhances coherent management of international cooperation, technical, financial and administrative functions and services in a cost effective way.

Operating Expenses Budget Income 2005 (in US\$)	
Member States	1,078,332
Revenues from Management and Administration Fee	873,721
Direct support to the OEB by Donors	50,000

Based on the three types of services provided by the OEB, the Management and Administration Fee of 11% is composed as follows:

1. International and regional cooperation services	4.4%	(40%)
2. Management and technical services	2.2%	(20%)
3. Financial and administrative services	4.4%	(40%)
Total	11%	(100%)

* Project is a term used for an agreement with a donor, which is supported by a project document and a project budget

What your 11% fee covers*

1. Regional and international cooperation services
2. Management and technical services
3. Financial and administrative services

1. Regional and International Cooperation Services

This role is the responsibility of the International Cooperation and Communication Section (ICCS). The ICCS was created by merging the Programme Coordination Section and the communications function and approved by the 23rd Meeting of the Joint Committee held on 4-5 April 2006. ICCS assists the CEO and the MRCS in providing:

- ✦ Overall co-ordination with regard to the governing bodies of MRC – the Council and the Joint Committee and all relevant meetings of these bodies
- ✦ Organisation and reporting on all MRC governance and donor meetings
- ✦ External relations services for donors and other international organisations
- ✦ Funding agreement negotiation and monitoring
- ✦ Advice on policy and strategy development matters
- ✦ NGO relations
- ✦ Drafting of policy related documents for public information

The National Mekong Committees (NMCs) play an essential role in fostering the regional cooperation between the Member States. They are the main counterparts for MRC activities in the countries and coordinate all contacts with the line agencies. The NMCs also provide technical and administrative support to the Joint Committee Members. The OEB provides each NMC with a budget of US\$15,000 to support these activities.

The Management and Administration Fee does not cover the salaries of Senior ICCS staff (which are covered by direct donor funding for core functions and secondments) and communications services such as media relations, writing, editing and publishing functions, promotions and website management.

* The 11% fee covers a range of services to programmes and countries provided by staff paid under the OEB. The full list of staff paid under the OEB in 2005 is on page 7.

2. Management and Technical Services

The OEB pays for overall management services provided by the MRC Secretariat's Chief Executive Officer and the Directors, as well as services provided by an increasing number of riparian professional staff, such as hydrological and environmental monitoring and database management. As the organisation becomes more mature it is anticipated that more core technical positions and functions will be covered by the OEB.

3. Financial and administrative services

The services provided in this role are undertaken by the Finance and Administration Section (FAS) and the Human Resources Development Section. These services are centralised as this leads to greater efficiency and cost effectiveness for all programmes.

- ✦ Financial and accounting activities (processing of payments, accounting, internal control activities, cash management, fund management, audit costs, maintenance of the financial system software etc.)
- ✦ Procurement and contract activities (tendering, negotiations, contracting, administrative follow-up of the contracts, market surveys etc.)
- ✦ Administrative and logistical services (visa, custom formalities, office space arrangement, inventory control, vehicle management, travel services, maintenance and improvement of the building, registry of all correspondence, messenger and driver services etc.)
- ✦ IT services (PC and software support, intranet services, telecommunications services, etc.)
- ✦ Human Resources services (recruitment, selection, contracting of staff and consultants, management and coordination of the human resources development programme etc.)

Other costs paid by the OEB

- ✦ Investment and maintenance costs (purchase of telephone, internet equipment, maintenance of air conditioners etc.) are charged to the Regular Budget.
- ✦ Audit costs of the annual accounts which include all projects and programmes.

Services not covered (or paid for) by the OEB, but supported by the programmes

These services are not supported by the OEB and thus not covered by the 11% Management and Administration Fee. The following direct costs are charged to the relevant programmes and not to the OEB:

- ✦ Direct telephone costs
- ✦ Direct mailing costs
- ✦ Direct car mileage costs
- ✦ Direct telecommunication costs
- ✦ Direct bank services
- ✦ Costs due to specific donor audit requirements, which are not included in the annual audit, are borne by the concerned projects and programmes.
- ✦ Monthly internet fees – these are charged to each programme based on their number of connections.

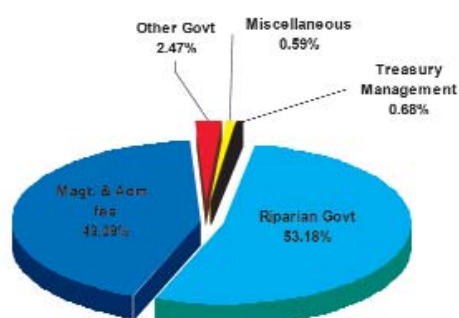
In order to promote cost effectiveness and harmonisation, MRCS has adopted a system of pooling a number of activities which otherwise would be implemented by each programme separately, such as information and communications management, database management, GIS etc. These cost sharing procedures*, based on internal service agreements, are regulated by a Programme Managers task force.

- ✦ Additional specialised technical services provided by the Technical Support Division and which are not part of the Regular Budget. These services are funded by pooled programme resources. In this way we reduce duplication of work and maximise economies of scale. While sharing of these services has been a usual practice in the past, they are now being provided on the basis of service agreements in order to increase transparency.
- ✦ Communications services. These have been funded on a cost-sharing basis by the programmes, and services are provided based on service agreements in order to increase transparency. The section has now been merged into ICCS and funding is being sought for its continued operation.

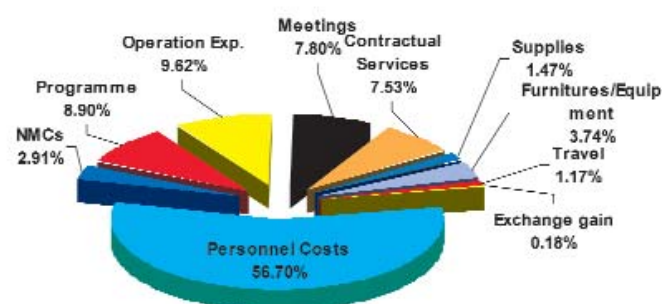
* When services are paid for by cost sharing they are not paid by the OEB and thus are not paid for by the Management and Administration Fee.

OEB income and expenditure for 2005

OEB Income in 2005 amounted to US\$ 2,027,811 and expenditures to US\$ 1,887,295 leading to an operating surplus of US\$ 140,516 which will be used to strengthen the Administrative Reserve Fund. Full income and expenditure details are given in the table on page 11.



Income OEB 2005



Expenditure OEB 2005

Staff paid under OEB in 2005

In 2005 the OEB paid for:

- ✘ The Chief Executive Officer of the MRC Secretariat
- ✘ Four Division Directors, from Cambodia, Lao PDR, Thailand and Viet Nam.
- ✘ One Riparian Senior Hydrologist
- ✘ Two Riparian Programme Officers
- ✘ 75% of the costs related to four Riparian Professionals working within the Water Utilisation Programme (25% being paid by the Global Environment Facility through the World Bank).
- ✘ Three Riparian Professional Officers: the Personnel Officer, the Procurement Officer and the Senior Librarian
- ✘ Around 40 Riparian administrative and support staff. The majority of these are employed in the Office of the CEO, FAS and ICCS. These staff also include maintenance staff, drivers, cleaners and gardeners.
- ✘ Six months equivalent of various riparian professionals

OEB income and expenditure for 2005

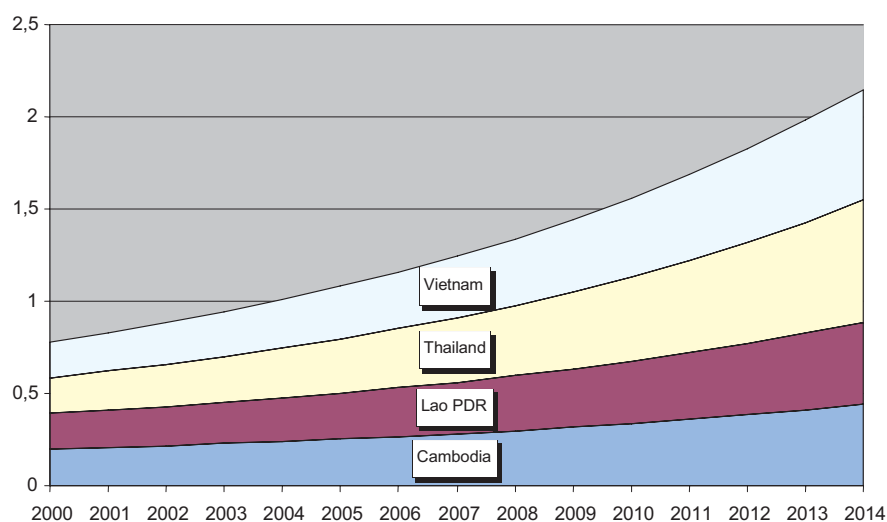
	2005	2004
Income		
Contributions		
Contributions – riparian governments	1,078,332	1,006,586
Contributions – other governments	50,000	145,659
Revenue		
Professional revenue	0	43,401
Interest	13,883	5,293
MRC services (Management and Administration costs)	873,721	683,015
Miscellaneous revenue	11,875	21,014
	899,479	752,723
Total Income	2,027,811	1,904,968
Expenditure		
Salaries and fees	671,086	702,053
Common staff costs	402,500	392,080
Official travel	22,047	3,420
Contractual services	81,484	60,826
General operating expenses	180,726	168,343
Supplies	27,571	31,431
Furniture and equipment	70,290	18,634
MRC meeting expenses	146,489	157,243
Support to the Water Utilisation Programme	167,198	168,997
Support to National Mekong Committees		
	54,614	52,487
Subtotal Expenditures	1,884,005	1,755,514
Foreign exchange (loss)/gain	3,290	7,756
Total Expenditures	1,887,295	1,763,270
Operating Surplus	140,516	141,698

Plans for the future

As the countries of the Mekong River become more economically developed they will be able to contribute more to the running of the Secretariat. The ultimate goal of the MRC is that it becomes an International River Basin Organisation that is owned and managed by the member countries themselves.

The Member States have committed themselves to increase their contribution to the regular budget up to US\$ 2,150,048 by the year 2014, almost 2.75 times more than in 2000. This will allow us to incorporate more core technical positions under the OEB.

Contributions from MRC Member States to the Regular Budget





Mekong River Commission

P.O.Box 6101, 184 Fa Ngoum Road, Unit 18, Ban Sithane Neua,
Sikhottabong District, Vientiane Lao PDR

Telephone: (856) 21 263 263 Facsimile: (856) 21 263 264
E-mail: mrcs@mrcmekong.org
Website: www.mrcmekong.org