

**Mekong River Commission**

**INDEPENDENT ORGANISATIONAL, FINANCIAL  
AND INSTITUTIONAL  
REVIEW  
OF THE MEKONG RIVER COMMISSION SECRETARIAT  
AND THE NATIONAL MEKONG COMMITTEES**

**Final Report**

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## LIST OF ABBREVIATIONS

|       |   |
|-------|---|
| ADB   | Asian Development Bank                              |
| AIFP  | Agriculture, Irrigation and Forestry Programme      |
| ASEAN | Association of South East Asian Nations             |
| BDP   | Basin Development Plan                              |
| CEO   | Chief Executive Officer                             |
| CNMC  | Cambodia National Mekong Committee                  |
| CNMCS | Cambodia National Mekong Committee Secretariat      |
| DSA   | Daily Subsistence Allowance                         |
| EP    | Environment Programme                               |
| FAS   | Finance and Administration Section                  |
| FP    | Fisheries Programme                                 |
| GMS   | Greater Mekong Sub-Region                           |
| ICBP  | Integrated Capacity Building Programme              |
| ICCS  | International Cooperation and Communication Section |
| HRD   | Human Resources Development                         |
| HRM   | Human Resources Management                          |
| IUCN  | International Union for the Conservation of Nature  |
| IWRM  | Integrated Water Resources Management               |
| JC    | Joint Committee                                     |
| IKMP  | Information and Knowledge Management Programme      |
| LNMC  | Lao National Mekong Committee                       |
| LNMCs | Lao National Mekong Committee Secretariat           |
| M&E   | Monitoring and evaluation                           |
| MITSP | MRC Integrated Training Strategy Programme          |
| MRC   | Mekong River Commission                             |
| MRCS  | Mekong River Commission Secretariat                 |
| NGO   | Non-Government Organisation                         |
| NMC   | National Mekong Committee                           |
| NMCS  | National Mekong Committee Secretariat               |
| OEB   | Operating Expenses Budget                           |
| PAR   | Performance Appraisal Review                        |
| RT    | Review Team   |
| TA    | Technical Assistance                                |
| TNMC  | Thailand National Mekong Committee                  |
| TNMCS | Thailand National Mekong Committee Secretariat      |
| TOR   | Terms of Reference                                  |
| TSD   | Technical Support Division                          |
| UN    | United Nations                                      |
| USD   | United States Dollar                                |
| VNMC  | Vietnam National Mekong Committee                   |
| VNMCS | Vietnam National Mekong Committee Secretariat       |
| WUP   | Water Utilisation Programme                         |

## EXECUTIVE SUMMARY

The Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees was initiated by the MRC member countries and the MRC donors in order to help MRC meet the organisational and strategic challenges that the institution will be facing in the future.

The 1995 Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin embodies a very contemporary approach to trans-boundary water resource management cooperation. It establishes the framework and mechanisms for pursuing the modern concepts of integrated water resource management on a regional scale. MRC has made enormous progress over the relatively short time since its formation, with member country agreement to a rules framework for cooperation, and the development of a regionally recognised knowledge base.

The 2006-10 Strategic Plan confirms the role of MRC as a knowledge-based organisation to support regional cooperation, to promote development, and to sustain the health of the shared water and related resources. The Plan places a new emphasis on development promotion via the Basin Development Plan (BDP), within the context of the MRC rules and sustainability initiatives.

The challenge for the MRC is to focus the management and activities of the MRCS, and the National Mekong Committees and Secretariats, in such a way as to translate these initial achievements into more tangible implementation successes. The Review Team (RT) identified a number of opportunities in this regard. These include the clarification of some fundamental policies and issues, such as:

- The long-term role of MRCS in development appraisal and basin planning;
- The role of NMC/Ss in relation to national planning processes;
- Information exchange and disclosure policies;
- Professionalisation and riparianisation of MRCS staff;
- Long-term core functions of MRCS;
- Member countries' financial commitments to MRCS.

Now that MRC has established the basis for basin planning, there needs to be a further clarification of its role in the actual planning and monitoring of basin developments. MRC could be an important strategic partner with development agencies in this regard, or it could end in a marginal position with little influence on development processes. This issue needs to be resolved among the member countries themselves, as it is they who have to decide what role MRC should play. It should involve a dialogue with the MRC donors, who also have certain visions about the future of MRC.

In general, the RT found that the NMCs and NMCSs do not have a very high profile in the member countries. There is a need for increased high level political interest for the NMCs, which could be translated into greater financial support and a greater sense of ownership by the line-agencies in NMCs. Most NMCs have difficulty in attracting and keeping well qualified staff. The relationship between MRC activities and member country national planning and development programmes is not well established. This results in limited involvement of key line-agencies in the MRC activities, and hampers successful country implementation of MRC initiatives by national line agencies.

Working boundaries between the MRCS and other parts of the MRC, in particular the Joint Committee and the NMCSs need to be clarified. The current lack of clarity results in inefficiencies and delays as the MRCS attempts to reconcile the disparate views of a large number of individuals.

There is an overall policy of openness and transparency in MRC, with the intention of publishing all scientific information on the website so that it can be used by the international community. However, the implementation of the policy can conflict with political realities and some national interests. Editing of scientific information has taken place that can appear to be seen as attempts to avoid publishing some scenarios of negative impacts of particular development possibilities. MRC will have to steer the information policy very carefully in order to maintain international credibility as a source of reliable scientific knowledge.

The RT assessed the present organisational structure in relation to future challenges, and presents a proposal for an alternative structure, which, among other things, will help to improve cross-programme coordination within the MRCS, with all programme outputs integrated into the BDP process.

There appear to be few mechanisms in place to monitor the effectiveness of the MRC, in particular its success or otherwise in implementing the 1995 Agreement. While there is some reporting of outputs at the programme level, the effectiveness of these in achieving the objectives of the Agreement are not systematically evaluated. An M&E systems would include member country reporting against measurable performance indicators.

A capable, professional and riparian MRCS needs to be built and maintained. The RT proposes a revised recruitment process for the four country Directors, as well as for MRCS staff in general. Improvements that will help create a sustainable professional organisation include discontinuing the current practice of reviewing MRCS candidates by NMCSs, and a more flexible interpretation of employment tenure under Article 33 of the 1995 Agreement. While to date it may have been appropriate for member countries to view the MRCS as a training ground, the long term sustainability and credibility of the organisation will depend on its depth of corporate knowledge and experience, particularly in the unique technical and trans-boundary planning skills that form the cornerstone of its strategic advantage. The human resource management functions in MRCS and the NMCSs need to be strengthened considerably if the riparianisation and professionalisation of the organisation is to be successful.

The RT recommends a fast pace for riparianisation of MRCS positions. However, riparianisation of MRCS is dependent on the member countries being willing and able to provide highly qualified staff, and to increase their financial contributions to MRC in order to create a sustainable organisation. Part of the riparianisation process will include the creation of a unified salary structure.

Financial management procedures in MRCS were found to be adequate. The RT examined the expenditures for central management functions, the management and administration fee paid by donor projects, and the daily subsistence allowance and travel budgets. Some adjustments to all of these are recommended. Donor funding modalities are not harmonised, but all donors have agreed to work towards this in accordance with the Paris Declaration. There should be a progression of donor funding from project to programme - and finally to budget support.

MRC should work towards the organisational and financial sustainability of MRCS through riparianisation, organisational adjustments and increasing the financial ownership of the organisation by the member countries. It is recommended that the member countries should revise their schedule of contributions so that they cover the full core costs of MRCS by 2014. The RT makes a suggestion about the definition of the core costs, amounting to about USD 6.5 million per year, but more work needs to be done on this.

The organisation also should use its strategic advantage to build partnerships with regional initiatives such as the Greater Mekong Sub-Region process led by the ADB, and the World Bank/ADB Mekong Water Resources Assistance Programme, etc. to ensure recognition of the MRC cooperative framework in these initiatives, and to promote 'sustainable' developments and initiatives developed through the BDP process both with the traditional lending institutions and donors, and with NGOs and civil society. A more structured approach to partnerships should be pursued as a priority by both the MRC and the partners.

Finally, to achieve organisation sustainability and stability, in addition to building the capacity and professionalism of the MRCS, the RT believes that a decision on a permanent location for the Secretariat should be made.

## 1. Introduction

The MRC Donor Consultative Group meeting in December 2005 agreed on supporting an independent financial and institutional review of the Mekong River Commission Secretariat (MRCS) and the National Mekong Committees (NMCs) and their Secretariats (NMCSs). The review was designed to help MRC meet the organisational and strategic challenges that the organisation will be facing in the future. The review would include organisational capacity, staff structure, riparianisation, financial systems and sustainability. During the course 2006 it was decided that the review would be conducted by a team of four international specialists and one expert from each of the member countries. The Terms of Reference are found in Annex 1.

The members of the team were very serious in their independent approach to the issues that were to be covered by the Terms of Reference. No member of the team represented the interests of a MRC member or donor country, but looked at all issues only with the purpose of contributing to the better functioning of MRCS and the NMCs. The Review Team (RT) members are in complete agreement on the findings and recommendations found in this report.

The RT took as its starting point the *1995 MRC Agreement*, and recognised this as the basic framework into which all proposals should fit. Thus, the team is not proposing any changes to the Agreement, but in some places suggests some different approaches to its interpretation and implementation.

The review took place in the period 27 November to 14 December 2006. The RT consisted of: Nigel Hawkesworth, Team Leader, John Broderick, Hoang Thi Cu, John Fox, Vanessa O'Keefe, Sokhem Pech, Savengkith Phommahack, Vitoon Viriyasakultorn. The team visited all member countries and talked with members of the NMCs, NMCSs, donors, MRC partners and other stakeholders. It also had intensive discussions with the Chief Executive Officer (CEO) and members of staff of MRCS. The RT would like to thank all concerned for their cooperation and assistance, which greatly facilitated their work.

This draft report was submitted to the Joint Contact Group (consisting of one representative of each NMC, four donor representatives and the CEO of MRCS) for comments. The draft report already incorporated comments to the Debriefing Note from some members of the Joint Contact Group and from MRCS. The draft report was discussed at a meeting of the Joint Contact Group together with the Review Team Leader on 17<sup>th</sup> January 2007. This final report has taken account of a number of comments from the Joint Contact Group.

Chapter 8 of the report gives some proposals about the next steps forward, responsibility for decision-making and implementation, and the timing of the implementation of the recommendations - if they are agreed to by the responsible authorities.

## **2. Achievements**

When reviewing an organisation, there is always a tendency to focus on the areas where there is room for improvement. It should be noted, however, that the MRC has made enormous progress over the relatively short time since its formation.

Regional cooperation is extremely difficult in any context. The 1995 Agreement in itself is a strong statement of commitment by the member countries to pursue concrete mechanisms for regional cooperation on the management of the water and related resources of the Mekong. The increasing financial contributions by member states indicate a continuing commitment. The very fact that the rules and procedures required by the Agreement have been prepared, and almost all approved, is a significant success for the organisation.

Perhaps the greatest strength of the MRC is its knowledge base. It acts as a trusted regional hub for information collection and knowledge generation to inform management decisions at all levels. Its decision support tools and expertise, including the Decision Support Framework and the emerging Integrated Basin Flow Management, are unique to the region – and critical to its strategic roles. The data and information collected through the BDP process will continue to provide the basis for sustainable resource management in the future.

The movement from a project to a programme approach in 2000 demonstrates a maturing of the organisation. This is reflected in the new Strategic Plan, which is in itself an important achievement. The organisation now has strong programme documentation processes, and most programmes are performing well.

For many years the MRC Secretariat has acted as a training ground for staff from the member countries that have been posted to the Secretariat for shorter or longer periods. This process has been a success in building competencies in the National Mekong Committees Secretariats and the national line agencies that are responsible for the various aspects of river basin management in their own countries. The process now needs to be modified to ensure the sustainability of competencies in MRCS and the NMCSs.

The challenge now for MRC, member countries and donors, is to build on these initial successes, and move towards effective implementation.



### 3. Role of MRC

In order for the Review Team to assess the performance of MRCS it was necessary to have an understanding of the purpose of MRC. The RT has been made well aware that there has been an intense debate among the donors and MRC on this issue over the past year. The Strategic Plan has been accepted by the donors and the MRC Council. The Plan describes the MRC role as promoting sustainable development through knowledge management and capacity development, through providing a regional cooperation framework, and through environmental monitoring and protection.

The contentious issues concern the related aspects of:

- Regional cooperation through “rules and regulations”, and
- The role of the MRC in basin development.

Some NMC members expressed the view to the RT that they were against the idea of MRC/S administering rules on water utilization, even though the 1995 Agreement (Articles 5, 6 and 26) establishes such rules as one of the cornerstones of regional cooperation. This is not the view of all member countries. The role of the MRC/S in monitoring member country implementation of the rules needs clarification.

It is recognised by all parties that there is ample room for further development of the Basin to improve the economic and social outcomes for Basin communities and member countries. Article 2 of the Agreement envisages the Basin Development Plan as a vehicle for achieving this. The question that then arises is: What is the role of the MRCS in this development process? There seems now to be consensus that it is not the “implementing agency” for water resource developments. This is the remit of the countries themselves, in partnership with development banks. MRCS may, however, and perhaps together with NMCs and line agencies, be the implementing agency for softer interventions of a trans-boundary nature such as navigation aids, monitoring networks, guidelines, or other measures to improve the implementation of agreed governance frameworks. The role of the MRC and MRCS in water resource developments would then be:

- To identify new water resource developments. These may include developments already proposed unilaterally or bilaterally by member countries, proposed through the BDP process, or even proposed based on the combined knowledge of MRC members at all levels – Council, Joint Committee and Secretariat. MRC proposals would be those of a trans-boundary nature.
- To assess the ‘sustainability’ of these water resource developments, individually and cumulatively, in terms of the impacts on the flow regime, on the environment and natural resources, and on social and economic livelihoods. The consistency with the agreed ‘procedures’ would be part of this process.
- To resolve differences between the member countries in relation to these developments where these differences exist, and
- To promote investment in these agreed ‘sustainable’ developments.

One of the points of contention in relation to this seems to be in the area of sustainability assessment. Some donors and staff see the role of MRCS as being a neutral centre of knowledge

that will provide data, scenarios and assessments of development consequences in the Basin on a scientific basis. They argue that MRCS needs to provide objective and neutral analysis. The 1995 Agreement does not describe MRC or the MRCS as being neutral or autonomous, and such a concept does not seem to be acceptable to the member countries. The neutrality issue would not be contentious if there were no concerns about the selection of the knowledge to be generated and the free flow of the information produced. This question is discussed later in section 5.4.

### ***Recommendation***

- 1) *The MRC Council and Joint Committee should strengthen the mechanisms for on-going policy dialogue among the member countries and with the donors on:*
  - *the role of MRC in basin management and development within the scope of the 1995 Agreement*
  - *the role of MRCS in sustainability assessment of basin initiatives*

This recommendation is intended to ensure that the policy dialogue that was initiated in 2005/06 between the donors and MRC on the role of the organisation is continued in a reasonably structured manner. It is clear that the role of MRC, as outlined in the 1995 Agreement, will evolve and be modified in relation to the needs of the member countries, and that this is a continuing and long-term process. The policy dialogue mechanism should be managed by the JC with the assistance of MRCS. It would involve the Council, JC, the NMCs and the donors, and could be structured at both national and regional levels. Depending on the initial results, it could be continued on a regular or needs basis.

## 4. National Mekong Committees and Secretariats

The RT was asked to assess the National Mekong Committees (NMCs) in terms of their structures, capacities, relationships with other bodies, and their financial management. All these aspects are taken up in the following sections of this chapter.

### 4.1 Mandates

The NMCs and NMC Secretariats (NMCSs) are not mentioned in the 1995 Mekong Agreement, but they do appear in the Rules and Procedures. Rule 1 of the Rules and Procedures for the Joint Committee, and Rules 7, 8, and 10 of the Rules of Procedure of the MRCS, all mention the aspect of coordination with NMCs – and they are seen to be the main entry points for MRC cooperation with the member states. It seems clear, therefore, that the NMCs are intended to be national coordinators of MRC-related activities in their respective countries. Most MRCS staff members understand and appreciate this role of the NMCSs: as the link from MRCS to the NMCs and so to the national line agencies. However, this is not always how the staff of NMCSs see their roles and responsibilities. The interpretation of what “coordination” means seems to be the key issue.

It could be said that the origins of the NMCs goes back to 1957 – at the time of the creation of the Committee for the Coordination of Investigation of the Lower Mekong Basin. The NMCs are all national, inter-ministerial agencies, and all have a two-part structure:

- An inter-ministerial policy-making committee;
- A secretariat to service and support the NMC.

The NMC Secretariats provide secretarial and administrative support to the Joint Committee and Council members in their respective countries. So the NMCs do play an important role in influencing decisions taken by the country members in these two bodies.

However, it seems that the NMCs rarely meet to make policy decisions and to give strategic direction to the NMCSs. Perhaps this is one reason why, as found by the RT, the line ministries have only a limited involvement in the work of the NMCs.

The establishment and the legal standing of the four NMCS differ, as will be seen in the following brief summaries:

The **Cambodian National Mekong Committee** (CNMC) was established in 1957. However, it was out of operation during the “Democratic Kampuchea” (the Khmer Rouge regime) from 1975-1979. After the downfall of the regime, the CNMC was reinstated in 1980. Its present mandate is the Government Sub-Decree No. 10 of February 1999. CNMC is a national institution, accountable directly to the Council of Ministers, to assist and advise the Government in all matters relating to the formulation of water policy, strategy, management, preservation, investigation, planning, restoration and the development of the water and other related natural resources of the Mekong River Basin within the whole country, contributing to the sustainable development of national economy and infrastructure, for the benefits of the country and the people.

The current **Lao National Mekong Committee** (LNMC) was formed and mandated by the Decree No. 197/PM on the Establishment and Organization of the Lao National Mekong Committee, 15 November 1999. It is strategically located within the Office of the Prime Minister. It is described as a “non-permanent, part-time organization” whose role is to formulate policy, strategic plans, projects and programmes, related to water resources development in the Mekong Basin in order to protect the environment, ecological balance and to ensure community participation and development cooperation with other Mekong riparian countries, other countries and donors. Its aim is given as “to ensure fruitful implementation of development projects within the territory of the Lao PDR.”

The current **Thai National Mekong Committee** (TNMC) was established under a Cabinet Resolution on 2 December 1996 as the Thai Committee for Coordination and Investigation of the Lower Mekong Basin, chaired by the Director General of the Department of Energy Development and Promotion, and with members representing 18 other line ministries and agencies at that time. A further Cabinet Resolution in 2003 established the Thai National Mekong Committee and its Secretariat as being located within the Department of Water Resources, Ministry of National Resources and Environment. The TNMCS is a Section in the Bureau of International Cooperation under the Department of Water Resources. The role of TNMC is described in general terms in the Cabinet Resolution 2006.

The current **Vietnam National Mekong Committee** (VNMC) was established in September 1978 by the Decision 237-CP/ of the Government’s Prime Minister. After the signing of the Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin by four riparian states on 5 April 1995, the Prime Minister issued the Decision No. 860/TTg on 30 December 1995, stipulating the functions, duties, powers and organizational structure of VNMC. The VNMC Secretariat is situated within the Ministry of Agriculture and Rural development, where its minister is also the chairman of VNMC.

The fact that each member country has its own mandate for the NMC and NMCS, and these differ significantly from country to country, contributes to different understandings of their roles. However, one common function found in all NMCSs’ mandates is the coordination role – whatever the different interpretations of this term. But the Laos NMCS appears to be more directly involved in project implementation.

A related issue is the differentiation between the roles and responsibilities of NMC, as a larger national governing body, and the NMCS, as the national coordinator supporting the NMC. This is not always clear for many MRCS staff. Sometimes the NMCSs appear to go into the role of NMCs (and therefore JC and MRC) in policy and management matters. Clearly the NMCSs have a role in advising, and in providing comments on the formulation of programme documents, including the programme implementation plans. However there is some concern that even when these documents have been agreed to by the MRC or JC, some NMCSs insist on commenting on the work processes of MRCS, even though these are consistent with the agreed documents. This seriously and unnecessarily delays the implementation of many programmes.

The role of NMC/Ss in the recruitment of riparian staff to MRCS is discussed in section 5.8.3 of this report.

## **4.2 Organization and Staffing**

### **Cambodia**

CNMC comprises 10 members drawn from the Ministries of Water Resources and Meteorology (MWRM); Environment; Public Works and Transport; Agriculture, Forestry and Fisheries; Foreign Affairs and International Cooperation; Industry, Mines and Energy; Land Management, Urban Planning and Construction; Rural Development; Tourism; Planning. The CNMC is currently chaired by the Minister of MWRM, and assisted by three other Vice-Chairpersons at the level of Minister and Vice-Ministers, nominated by the Head of State

The CNMCS has 27 staff, of which 18 are permanent, six seconded from other line agencies, and three others on contract. The Government has approved 55 staff for CNMCS, with an additional 28 taken from line agencies. However, there are no candidates so far; due, it seems, to the lack of financial and other incentives.

CNMCS sees itself as playing a coordination/facilitation role – not implementation. The staff would like to see all coordination and communication on project activities go through them, rather than go direct to line agencies. They feel that the boundaries between NMCS and MRCS should be respected, as set out in the agreed project documents. They admit that they have difficulty engaging with line agencies and have very little interaction with civil society. They do not have a high profile, due it seems from lack of tangible results.

Capacity is seriously lacking in CNMCS. They find it hard to attract suitably qualified people to work with them – and, if they do, they cannot keep them. They feel that they need financial incentives in order to compete with, at least, the line agencies.

### **Laos PDR**

The LNMCS has a permanent Chairperson, nominated by the Prime Minister; one to three Vice-Chairpersons at the level of Vice-Minister, ten members at the level of Director General, nominated by the Prime Minister.

The LNMCS has a Director General, nominated by the Prime Minister, two Deputy Directors General, and four Divisions: Natural Resources and Water Utilization, Planning, Water Resources, Administration and Finance. There are four professional staff in the Natural Resources and Water Utilization Division, five staff in the Planning Division, nine staff in the Administration and Finance Division, seven staff in the Water Resources Division, and five staff in the Secretariat Office. Among the total staff of 33, 12 have Masters and 14 have Bachelors degrees. The LNMCS has grown significantly in the last two years – from only 16 staff in 2000.

LNMCS sees itself having the right to collaborate and coordinate with agencies concerned, within and outside the Lao PDR. It is a focal point for the coordination of implementation activities of the MRCS, and it provides routine assistance to the LNMCS. As indicated above, LNMCS is heavily involved in project implementation.

## **Thailand**

The TNMC is chaired by the Minister of Natural Resources and Environment. The Director-General of the Dept. of Water Resources is the Secretary to the TNMC and is also the Secretary-General of the TNMCS. The TNMCS is at the sixth level of the Ministry. The Director General has 11 Bureaus or the equivalent, 10 regional offices and 75 provincial offices under him; so the TNMCS section cannot take much of his time. The professional staff of the TNMCS consists of 27 persons, but only about 15 can be said to work full time on TNMC business. The others mainly do work for the Department of Water Resources.

Thailand has a relatively low dependency on Mekong water, and the major policies regarding water resources are determined by other ministries concerned with irrigation and hydropower. MRC is considered low priority in the national agenda of Thailand, and it seems that there is a feeling that there have been few benefits coming from MRC.

## **Vietnam**

VNMC has 28 members drawn from ministries and provinces in the Mekong Delta and the Central Highlands. Its Chairman is the Minister of Agriculture and Rural Development (MARD). Its three Vice-Chairmen are Deputy Ministers from the Ministry of Planning and Investment, MARD and the Ministry of Foreign Affairs. All policy decisions on the Mekong cooperation, including policies on the MRC, are made by the Prime Minister after considering recommendations from all three of the above-mentioned ministries. The Ministry of Environment and Natural Resources (MONRE) is Vietnam's 'water resource manager', and the secretariat of the National Water Resources Council. The extent of MONRE's involvement in Mekong Basin decision making was not clear to the RT.

Currently the VNMCS has 20 staff, mainly professionals. It has three divisions: the Planning and Programme Management Division, the Administration Division, and the Information and Data Division. It is a focal point for liaison between MRC and VNMC, and it also has a function as coordinator at the national level. It has set up many working groups with line ministries. All the top level officials have direct experience of working in MRCS.

### **4.3 Relationships and Capacity Issues**

In general, the RT found that the NMCs and NMCSs do not have a very high profile in the member countries. There appear to be a number of reasons for this. There is a need for increased high level political interest for the NMCs, which could be translated into greater financial support and a greater sense of ownership by the line-agencies in NMCs. Most NMCs have difficulty in attracting and keeping well qualified staff. Views were expressed that NMC members are very much occupied with their primary government portfolios, with little time for NMCs and MRC business. As a result NMC work is given a low priority, and is often neglected altogether. The lack of commitment is exemplified by the infrequency of the NMC (inter-ministerial committee) meetings.

It is also obvious that most NMCs have not adequately built their profile in their respective Governments. The broader strategic relevance and advantages of the MRC to member countries, and the relationship between MRC activities and member country development programmes is not well appreciated. This results in limited involvement of all key line-agencies in the MRC activities, and severely hampers successful country implementation of MRC initiatives by national line agencies.

As the focal point of MRC activities in their countries, the NMC/Ss should have direct access to the national planning processes and decision making forums with regards to integrated water resources management and basin planning. Is this actually being done? Does the BDP, for instance, have any influence on these processes? It was difficult for the RT to get a clear impression of this situation after what were only brief visits to the countries, but it appears that these links need to be strengthened. To do this there is a need for a more detailed analysis of how this can be achieved, which will vary from country to country.

NMCSs expressed the view that they would appreciate having more direct interaction with donors. At present, donors communicate almost exclusively with MRCS. NMCs and NMCSs meet with donors only twice a year, during Donor Consultative Group meetings – both formally and informally. The RT supports direct dialogue between donors and NMCSs with regards to transparency of information about donor policies and plans for MRC, and in possible bilateral support to NMCSs capacity building. These contacts need not be organised into formal mechanisms, but can occur on an ad hoc basis as long as MRCS is always kept informed.

For all the NMC Secretariats, most of their professional staff are university graduates, and many of them have post-graduate qualifications. A number of them, too, have gained experience of working at, or with, the MRCS. So, in terms of individual capacity building, the relationship with MRCS is an important one. A number of donors have supported capacity building programmes for MRCS and NMCS staff over the last ten years. But the need for capacity building within the NMCSs remains an urgent one. As indicated above, they find it difficult to attract qualified staff; they find it even harder to retain trained staff.

The NMCs should consider reviewing their seeming reliance on MRCS as a training ground; they should diversify their sources of capacity development. One initiative could be to work more in partnerships with other NMCs. (The CNMC and VNMC partnership is a good example of mutual help and trust building.) They could also approach donors with their own, situation-centred capacity building proposals.

Whatever the sources of support, given the programme coordinating roles of the NMCSs, the training needs can be related to the development and enhancement of programme planning and communication skills that are discussed below in section 5.8 that deals with capacity building in MRCS. These range over programme planning and coordination, information management, communication skills, advanced computer applications, participatory decision making and conflict resolution. In the NMCSs there is also a great need to focus on English proficiency, which is the working language of MRC, especially writing skills.

In order to attract suitable staff from line agencies and retain trained staff, the NMCSs will need to strengthen their human resource management functions, particularly with regard to focusing on job satisfaction issues, being more careful in the selection of staff for training, utilising more rigorous training evaluation methods, developing reasonable career development paths, and establishing fair and transparent processes for promotions and other rewards.

There is one particular issue regarding payment for services to NMCSs staff for work on MRCS activities. Some national coordinators of NMCSs receive financial subsidies from some MRCS programmes, but not all programmes do this. There are differences in the modalities of such support. A contract system for specific work to be done seems to be the most effective method.

### ***Recommendations***

- 2) *Common guidelines for the roles and responsibilities of NMCs and NMCSs should be further clarified and made specific. These guidelines should specify the respective roles of MRCS and NMCS with regard to programme implementation.*
- 3) *An analysis needs to be made of the NMC/NMCS access to national planning processes, and of how this access can be improved.*
- 4) *The capacity of NMCS staff needs to be developed, especially in English proficiency and programme coordination.*
- 5) *A uniform contract system for NMCS staff should be applied by MRCS.*



## **5. Mekong River Commission Secretariat**

### **5.1 Management Principles**

The Strategic Plan 2006-2010 lists six management principles that will guide the organisation. These are all excellent statements of intention. The RT comments on these are provided below in relation to the present management structures and practices:

1) *Programme Coordination*: Integration and coordination of programmes is a prerequisite of the Basin Development Plan. A Technical Coordination Adviser has been appointed to promote this.

2) *Sustainability, Ownership and Riparianisation*: These aspects involve a shift from donor-driven perspectives and funding to the taking on of full responsibility for MRC by the member countries. Clear strategies and specific plans are needed to move in this direction, and these are only now beginning to be worked on. These aspects are discussed later in this report.

3) *Building Capacity of MRCS Staff*: An integrated capacity building plan exists, but has not been financed and implemented. This aspect is also discussed later in the report.

4) *Stakeholder Participation*: The Strategic Plan describes the importance of public involvement, public opinion, the civil society and NGOs in ensuring the success of integrated water resources management of the Mekong River Basin. However, it is the impression of the RT that the present attitudes and practices in MRC regard the member governments as the primary, if not the only, stakeholders that should be involved with MRC. A clear commitment and strategy for involving the civil society is lacking.

5) *Transparency and Openness*: This aspect is described in the Strategic Plan in terms of communication and marketing approaches. The free flow of scientific and technical information is not mentioned. MRCS does have an active website, which is intended to spread such information, but there is sensitivity within the organisation about releasing critical analysis of possible impacts of development activities in the Basin. Other organisations which also work in the Basin do not regard transparency and openness to be characteristics of MRC.

6) *Integrating Gender Perspectives in MRC Actions*: MRCS has well developed strategies on gender issues and an on-going project to ensure integration.

### **5.2 MRCS Central Management**

The present management of MRCS has instituted some good structural changes that should improve management efficiency; for instance, the weekly Senior Staff Meetings that deal only with management issues; the holding of Programme Management Meetings that deal only with programme issues; and the creation of the Technical Coordination Adviser reporting to the CEO which should improve integration and coordination among programmes.

There is a strong central management function in MRCS located around the CEO's office. The Assistant CEO function (on a part-time basis performed by one of the Directors) is not sharing much of the management role. However, travel authorisations have recently been delegated to the Assistant CEO. The CEO still handles many administrative matters that could be delegated, such as staff salary advances, compensatory time off, etc. Programme management is very much in the

hands of the project and programme managers, but budget and financial dispositions are sometimes adjusted by central management. Major management decisions should be taken in the weekly Senior Staff Meeting attended by the CEO, the four Directors, and the heads of the ICCS and the Finance and Administration Section (FAS). However, there is a widespread perception in MRCS, confirmed by the CEO, that the Directors do not take much part in the decision making. There is also a perception that the CEO relies strongly on the head of ICCS in decision making, and that these two constitute an important decision making forum. Such a forum becomes significant when the formal forum, the Senior Staff Meeting, is not functioning as intended.

There is a high visibility of international staff in central management functions. The ICCS, for instance, has four expatriate staff at the moment, out of a total of 12 including support staff. A strong international presence appears inappropriate in the regional context of the organisation. It would be appropriate that the ICCS, as the public face of the organisation to the donors, was riparianised as a matter of priority. This would necessitate, in the short-term, continued donor funding of some of the positions – two are currently funded by France, and one by Sweden – as it would not be possible for the Operating Expenses Budget (OEB) to cover these in the short-term.

The present arrangement for the CEO's contract is for a three year period, with the possibility for renewal. The RT finds that a three year appointment for the CEO is too short to make an effective contribution to the organisation – in the case that a contract is not renewed. Changing the CEO in any organisation usually results in a period of disruption as the new person settles in and puts his/her mark on the organisation. A CEO needs to think and plan his/her work within a time span that can show some results. In this regard, a five-year perspective would be more appropriate than a three-year perspective.

The style of leadership within MRCS is a question that was raised a number of times during the work of the RT. There is a widespread perception in MRCS that the management style is not as participatory as it should be, and there is some concern among the staff about the consequences for themselves if they are too open with ideas and constructive criticism.

A final issue regarding central management concerns the decision making roles of the CEO in relation to the Joint Committee (JC). The 1995 Agreement defines one of the JC's roles as supervision of the CEO, but does not specify this any further. The lack of a clear definition of which issues the JC should be consulted about and make decision on can lead to issues being referred to the JC that could be settled by the CEO. There can be a creeping tendency of the JC to be involved in day-to-day management issues, and, as the JC meets only a few times a year, this can cause unnecessary delay.

### ***Recommendations***

- 6) *Riparianisation of most ICCS positions should be a high priority. Donors should continue their funding of the positions in the medium-term.*
- 7) *Delegation of many personnel and administrative matters should take place.*
- 8) *The first term of appointment of the CEO should be five years, subject to an annual assessment.*

The annual assessment of the CEO would be similar to the process of the annual staff appraisal system, but in this case would be carried out by the Joint Committee. After the first term of appointment of five years the JC could extend the contract by any period of less than five years.

- 9) *A more open and participatory style of management should be initiated in MRCS in order to effectively mobilise the potential of all staff members.*
- 10) *Within the context of the 1995 Agreement and the job description of the CEO, there should be greater clarity about the JC's role in management and organisational issues.*

### **5.3 Senior Management**

The four Directors, who are chosen by their own countries, are selected on the basis of technical competence and government experience, and all of them are well qualified in those respects. While on paper their role is only as directors of the Divisions, they are also in fact representing their countries' interests in MRC. While recognizing their technical competence, it is safe to say that very few of the present and past Directors have had international experience in management roles before coming to MRCS. International practices and customs of management are in many ways different from practices and customs of national governments in the region. For example, in decision making and feeling personally accountable for decisions; in willingness to dialogue both up and down the hierarchy of the organisational structure; in the use of format, style and logic of documents and reports. This difference in management culture partly explains why the Directors are not more active in the overall management of MRCS.

The Directors are to be supervised by the CEO but as *de facto* representatives of their countries, the CEO finds it difficult to supervise them in the same way that he can with other staff. There is a question of to whom they are really accountable.

The RT finds that there are two possible ways to increase the effectiveness of the Directors. Two options are presented below.

#### **Option 1**

If each country is to continue to provide one Director as a manager of a Division, it is time for these positions to be made more effective. This is linked to the issue of increasing riparianisation of MRCS – riparianisation can only succeed if the member countries are willing and able to supply the appropriate highly skilled staff to MRCS, so that international staff are not needed. This may be helped by altering the selection process and criteria for Directors, as well as for other riparian staff.

#### ***Recommendation – option 1***

- 11) *The selection process for the Directors should be by open nation-wide competition among government agencies. The selection criteria should include experience from previous work in the management of international organisations. The CEO should be involved in the selection process.*

The present procedure is that the NMCs select a candidate for their Director post. He/she is nominated to the CEO, who makes the appointment. The CEO has no say in the selection. The selection is “political” in that the NMCs select a person who they feel will best represent their interest in MRCS. The proposed procedure would consist of open advertising in the member country, with a view to attracting the best candidates from government, given that the posts are actually representative of the governments. The applications would go through the NMCs/NMCSs,

who would comment on the applicants if they feel it appropriate. All applications would be sent further to the CEO. A selection panel could be formed that includes: a member of the NMC from the concerned country, a member of the NMCS, the CEO, and the deputy head of the concerned Division. The panel would make the selection based on the redefined selection criteria.

## **Option 2**

In this option the Directors would not be heads of Divisions, but would take part in overall management of MRCS in a management board with the CEO. Their primary role would be to represent their countries' interests in the whole organisation. This would mean enhancing their role in relation to the NMCs. They would take on many of the consultative functions now handled by each NMC, so that the lines of communication and the time used would be reduced.

### ***Recommendation- option 2***

*12) The Directors should no longer work as heads of divisions, but would take part in the central management of MRCS with a much enhanced role as representatives of the NMCs.*

The selection criteria and process for the option would remain the same as it is today. Adoption of this option would mean that professional managers would be recruited as the heads of Divisions. The RT was informed that this option has been tried in the past, apparently without much success. Success would depend on a clear definition of the roles of the Directors in overall management of MRCS and in representing and acting on behalf of their respective NMC/NMCS. This definition will need to be worked on by the JC and the CEO. The RT has not had the opportunity to discuss this option in detail with the JC and the CEO and therefore does not feel it is appropriate to make detailed suggestions here.

## **5.4 Information Management**

A centralised control of information and communication going outside MRCS has been put in place. Any document from a lower level, such as a programme officer or a consultant, has to be checked and edited by a section manager, a Director, the Communications Officer, the FAS head if relevant, the ICCS head if there are sensitive issues, the Senior Environmental Specialist in the CEO's office for environmental matters, the Technical Coordination Adviser in some cases, and finally the CEO.

This long process is to ensure the quality of content and presentation, and to edit what are judged to be sensitive matters that might not be acceptable to member countries or might damage the standing of MRC in the eyes of other organisations or countries. A case in point has been the lack of publication of some BDP scenarios, which were considered to possibly go against the interests of some member countries.

The editing and control of scientific information is a contentious issue. The view of management is that MRCS is not an independent organisation and cannot publish information that might be sensitive to the member countries, and that this can be avoided if the member countries agree beforehand about what kinds of information and scenarios should be investigated. A number of professional staff in MRC argue that the information flow policy is being too restrictive, and that it goes against the overall policy of openness and transparency. A new Disclosure Policy, which the

RT has not seen, is being submitted to the Joint Committee. A peer review process is also under preparation.

There is a problem at the moment of perception. MRCS is starting to become known (among civil society organisations, scientific organisations), as an institution that will not release information that may illustrate negative environmental and social consequences of development projects. This is a threat to the credibility of the organisation. The present information policy has also created some friction with other partner organisations, such as IUCN, regarding the sharing and release of information.

The need for monitoring the use and impact of information produced by MRCS is discussed further in section 5.5.2 below.

### ***Recommendation***

*13) MRCS management should review its practices in the control of information with a view to maintaining credibility, and ensure a participatory approach in editing information that involves the report writers.*

## **5.5 Organisational Structure**

### **5.5.1 Background**

The structure of the organisation should reflect the goals and strategies set out in the Strategic Plan, and the stated focus of the organisation as a knowledge-based organisation, with an IWRM approach, to support regional cooperation, to promote development, and to sustain the health of the shared resources.

The Strategic Plan sets out a number of objectives and strategies to achieve the overall goal and implement the 1995 Agreement. These are summarised as follows:

- Tangible results focused on poverty reduction through sustainable development
- Better integration of MRC and national development plans
- IWRM approach to promote development and conservation
- More comprehensive implementation of the 1995 agreement
  - Basin development planning (A.2, A.24B, and Goal 1 of Strategic Plan)
  - Protection of the environment (A.3, A.7, and Goal 3 of Strategic Plan)
  - Water quantity (A.5, A.6., and Goal 2 of Strategic Plan)
  - Cooperation (Goal 2 of Strategic Plan):
    - Policy formulation (A.18A, A.24A)
    - Resolving differences (A.18C, A.24F, A.34, A.35)
    - Donor support (A.18B)
  - Knowledge base (Goal 4 of Strategic Plan):
    - Information sharing (A.24C)
    - Information management (A.30E)
    - Basin studies and assessments (A.24D, A.30D)

Capacity development – MRC, NMCs, line agencies, and others (A.24G, and Goal 4 of Strategic Plan)

- Avoidance of duplication and exploitation of the comparative advantage of the MRC
  - Scenario development
  - Joint/basin wide programmes, projects
  - Impact analysis (social, environmental, economic), cumulative impacts
- Fostering of strategic partnerships
- Monitoring and evaluation

These objectives and strategies are guided by the management principles discussed in section 5.1.

The RT analysed the structure of the organisation generally, and the staff numbers and their skills mix with a view to assessing the organisation’s ability to implement the Strategic Plan and the 1995 Agreement, as summarised above.

### **5.5.2 General Observations**

The current divisional structure of the MRCS reflects a number of prevailing forces, most notably the desire by each member country to have oversight of a Division. It also to some extent reflects various funding modalities imposed by donors. As such, in the development of the current Strategic Plan, the structure was not changed substantially. The result is that the structure does not reflect the pre-eminence of the BDP and programme relationships outlined in the Strategic Plan, particularly as an integrating mechanism that can facilitate development within the context of resource protection. Discussion with management and staff highlighted the challenges associated with fully integrating the WUP, EP, and sector programmes into the BDP, and vice versa.

As an information-based organisation, consolidating the information base and decision support tools of the MRCS is seen as a critical task. The IKMP is a positive step in this direction that could be further enhanced with even more support/involvement of programme areas in essential corporate information management and decision support tools.

The RT also views the current “corporate services” within the organisation as very weak. Areas identified in the Strategic Plan that appear not to be adequately provided for in the structure include: integration of human resources management functions; expertise in, and support for, participatory approaches; and dispute management strategies and competencies.

Other areas identified that are considered essential to organisational performance include:

- *Systematic programme monitoring and evaluation (M&E)*. The RT considers M&E as a long-term core function of the MRCS. The M&E system should enable assessment of not only the MRC's efficiency with respect to generation of clear outputs identified in the agreed programme documents, but most importantly, the 'effectiveness' of the programmes. That is, are the programmes achieving the intended outcomes? There has been concern expressed to the RT that, despite all the good technical work of the MRCS, integration of the outputs into the management and development decisions of the member countries remains poor. A good example of this is the lack of inclusion of the BDP-1 projects in national and sector development strategies. It is recommended that a clear M&E strategy, including a framework for country reporting against measurable performance indicators should be developed.
- *Legal services*. Professional corporate legal capacity is considered essential for contract arrangements with donors, MOUs with other strategic partners, and to provide advice within the organisation and to the JC regarding the MRCS operations in the context of national water and other laws.
- *Socio-economic assessment capability*. In the context of IWRM, the MRCS should further develop its socio-economic assessment capabilities. This will be critical for the BDP development and, coupled with the environmental assessment capabilities, may provide the basis for preferential funding of BDP projects by regional funding initiatives. Such specialist capacity could also be used on request by the countries.

The role of some MRC programmes should be better explored. Duplication of national efforts should be avoided. For example, issues such as water use efficiency, water supply and sanitation, and tourism development, are largely issues for the member countries and are well supported bilaterally. This is not to say that MRCS does not have a role. The focus, however, should be on trans-boundary sectoral issues, on promoting awareness of MRC procedures and decision support tools within the sectors and, in particular, in providing sectoral information, research and expertise into the basin development planning process.

Apart from the deficiencies discussed above, the number of staff and their academic qualifications, as specified in the information provided to the RT, appear to match the objectives and tasks of the programmes. The actual competencies of the staff were not assessed by the RT. There was some indication given through the interview process that the competencies of many of the riparian staff fell short of the requirements of the positions, and that significant capacity enhancement was required, particularly in the areas of resource management policy and IWRM approaches. This issue is further discussed in section 5.8. There was also concern that the relatively short term appointments of riparian staff worked against the objective of building a sustainable and competent MRCS workforce. This is particularly an issue in the areas where the MRCS is trying to develop unique capabilities, such as hydrologic, hydraulic and ecological response modelling, and trans-boundary impact assessment. This is further discussed in chapter 6.

### **5.5.3 Programme Coordination**

Different views have been expressed to the RT regarding programme coordination. It is clear, however, that current successes in the area are dependent on the 1-2 monthly Programme Management Meetings, and on informal staff and programme relationships, which appear to be good in some areas, and not so good in others. Better structural measures could be employed to achieve integration, including a greater organisation focus on cross-cutting policy formulation and discussion.

Better cross-cutting coordination mechanisms are recommended. The creation of the position of Technical Coordination Adviser is a good start in this respect. However, focal points are required to coordinate and facilitate cross-cutting policy dialogue, to encourage integration and alignment of the various activities of the programme areas, to promote a better understanding of the core IWRM issues across the organisation, and to avoid duplication.

### **5.5.4 Possible Changes to Organisational Structure**

The question is, then, whether structural change is required at the MRCS, or whether the stated objectives of the Strategic Plan can be achieved within the existing structure simply by including more formalised coordination mechanisms, and combining these with the additional capabilities discussed above. Views within the organisation are divided on this matter. A structural option for positioning the MRCS as an international river basin organisation, consistent with the 1995 Agreement and modern organisation management practices, is shown in Annex 2. The RT presents this model as a contribution to a discussion on possible structural change. Note that:

- There are only three Divisions. It is anticipated that, in accordance with recommendation 12, Option 1, the fourth Country Director would be a full time Assistant CEO, with some management oversight role in the office of the CEO. The Assistant CEO position and the Division Director positions could rotate among the member countries every three years or so in the interests of regional balance. The proposed structure can also accommodate Option 2 of recommendation 12, as shown by the Board of Management.
- The Environment Division has been integrated into the Planning Division. This reflects the critical role of environmental assessment in the basin development planning process.
- The Fisheries Programme has been coupled with the Environment Programme in a single Environment 'branch'. This reflects the similar objectives of the programmes in terms of protection of the water resources and their dependent environments and species, recognising the social and economic values associated with these.
- The sector-specific programmes have been included in the Basin Development Planning 'branch'. This reflects their important role in providing sectoral information, research and expertise into the basin development planning process, as discussed above.
- The knowledge management (IKMP), Flood Management and Mitigation, and Navigation Programmes have been combined under the TSD, reflecting their involvement in trans-boundary operational matters. If the Drought Management Programme were to be funded, this could also be included here.



- The Corporate Services Division includes the traditional FAS functions, with an increased emphasis on Human Resources. This reflects the organisational emphasis on an effective and capable workforce.
- A new 'branch' is shown within the Corporate Services Division that could provide services, not only within the MRCS, but to NMCSs if required. These services could build the core functions of dispute management, and enable the implementation of the management principles described in the Strategic Plan.

### **Recommendations**

- 14) *The MRC should consider adopting the proposed organisation structure*
- 15) *The following functions and capabilities should be incorporated into the MRCS organisational structure: human resources management, monitoring and evaluation, legal services, socio-economic assessment, and dispute management.*
- 16) *A monitoring and evaluation strategy, including a framework for country reporting against measurable performance indicators should be developed and implemented as a priority*
- 17) *Key cross-programme policy and coordination roles should be created / assigned within the programmes in the areas of planning and socio-economic analysis, flow/quantity management, environment, trans-boundary rules and procedures and information and decision support. Activities would be coordinated by the Technical Coordinator in the office of the CEO.*

## **5.6 Organisational Sustainability**

Historically, the MRCS made a distinction between 'core', 'sector' and 'support' programmes. The 2006-10 Strategic Plan wisely discontinued this distinction. The Operating Expenses Budget (OEB), however, remains based on this distinction. Except where there is possible duplication of national sector programmes, as discussed above, the RT believes that all the activities of the MRCS are essential to effective achievement of the MRC mandate, as specified in the 1995 Agreement.

The current funding modality presents a major obstacle to organisational and programme sustainability. The fundamental functions need to be maintained in the long term if the organisation is to be sustainable, and is to administer the 1995 Agreement. The organisation becomes very unstable as programmes fundamental to its mandate are progressively developed, funded, and are then potentially discontinued due to cessation of funding. This operating mode also makes it difficult for the MRCS to prioritise its activities, focusing its resources from time to time as the need arises. As it is, the priorities are to a large extent driven by donor preferences.

An initial assessment of these functions has been made and costed by the RT, assuming that all functions will be performed by riparian staff in the longer term. The estimated budget required to maintain these functions is about USD 6.5 million. For the assessment the current overall organisational structure was retained. All staff were assumed to be on salary 'step 3'. The number of staff in the divisions and programmes was reduced slightly. It was assumed that fewer staff would be required in the long term, if the capacity, and therefore output, of remaining staff were to

be increased and sustained. As recommended above, the role of the MRCS in some sector programmes would be more strategically focused, and less staff would be required. Key additional competencies in the human resources, legal, monitoring and evaluation and socio-economic fields were included.

A travel, training and workshop budget of USD 1.5 million was included. This represents a reduction of USD 0.5 million from current spending. Other costs incorporated include the 14% providence fund, allowances for professional staff (family education, rental assistance etc), and an additional 20% of salaries to cover all organisational overheads, capital and operating expenditure. See section 5.7.8 for further details.

The OEB is insufficient to fund these functions in the long-term. Donors should consider programme, or even budget, funding for this shortfall in the short-to-medium term, with a view to it being taken over by the OEB in the medium-to-long term. Obviously, additional assistance, particularly in the programme and organisational development phase, would continue to be provided through programme or project funding. This might involve significant inputs from experts, be they international or riparian.

As previously discussed, the relatively short term appointments of riparian staff works against the objective of building a sustainable and competent MRCS workforce, and allowing the organisation to deepen in its policy and technical understanding and mature into an effective international river basin organisation.

The analysis of what should constitute the essential functions of MRCS should be worked on further. The recommendation of the RT concerning funding responsibility for the core functions is found in section 5.7.8.

### ***Recommendation***

*18) An in-depth analysis of long term MRCS core functions should be undertaken, with a view to full OEB funding of these.*

## **5.7 Financial Management of MRCS and NMCSs**

### **5.7.1 MRCS Financial Procedures**

The financial procedures and the budget and accounts system at MRCS were reviewed. There is a computerised accounting system (the Solomon system) in use which dates from 2000. This system processes accounting data and produces basic financial information and reports. To facilitate flexibility, the spreadsheet programme Excel is used to produce various other reports based on users' requirements. Reports include Income and Expenditure Statements for the OEB and for Projects, and a variety of other reports for projects and donors (at end-October 2006 there were 74 active projects and 17 donors).

The post of Finance Officer is currently vacant but recruitment is in process. In the meantime there is an acting officer. There is a detailed Finance Manual in use and this is supplemented by some additional instructions. These will be incorporated into the manual when it is next revised, most likely when the new Finance Officer has had time to settle in.

Finance staff are trained and perform their tasks effectively. The existing number of staff allows internal control procedures to operate in a satisfactory manner. Most staff are classified as General Support Staff which means that related costs are at an acceptable level.

For expenses paid outside of Vientiane (e.g. in the NMCSs) an imprest system is in place whereby funds are made available in advance and subsequently accounted for by receipts and supporting documentation.

The MRCS activities in Phnom Penh have accounting staff who maintain separate accounting records. They report to Vientiane on a monthly basis and the details are processed to the Solomon system.

In terms of budgeting, there are two distinct aspects. One relates to the OEB and the other relates to projects. OEB budgets are approved in advance by the member countries, which strictly control all OEB activities as this is where their contributions go. All other costs are processed via projects that are financed by donors. This includes the Direct Donor Support activities under the Regular Budget and all activities in the Technical Cooperation Budget. Each project will have its own budget which will be controlled by the manager of the project together with the relevant donor. The budget and accounting reporting requirements for projects are usually driven by donor requirements. There is an emphasis on reports showing expenditure-to-date against budgeted amounts to show progress on expenditure by individual budget lines.

For the Solomon system, a realistic assessment of the existing situation is that MRCS is now operating it to the best of the system's capabilities and the achievements are what can reasonably be expected. The system is adequately supported under an existing service agreement. It is not feasible to further develop the system and the use of Excel to fulfil additional reporting requirements is justifiable. The Solomon system should continue to be used over the medium-term.

A strength with the existing budget and accounts system is that staff are now familiar with the procedures and routines, and appear to be competent. A weakness could be the Solomon system itself is not the ideal system for today's requirements as more functionality is required but it appears best to continue to use the system under the present circumstances.

### **5.7.2 NMCSs Financial Procedures**

The financial procedures and the budget and accounts systems at the NMCSs were reviewed from a broad perspective. Basically each NMCS is under direct government control and is subject to the rules and regulations of its own government. Accounting records are maintained according to these rules and regulations, in line with local practices.

NMCSs' budgets are largely covered by funds received from their own governments. Budgetary amounts made available to NMCSs by the relevant governments are mainly intended to cover operating expenses and are not significant, particularly if the costs for salaries are discounted. The amounts going through the four NMCSs reviewed are minimal, with the exception of one NMCS that is engaged in projects with bilateral donors. The accounting for these bilateral donor funds is considered to be a matter between the NMCS concerned and the relevant bilateral donors.

MRCS makes available to each NMCS, as a form of support for their activities, amounts of up to USD 15,000 per annum. Not all NMCSs make use of the amounts available to them. Other costs that MRCS covers for the NMCSs are the costs of Council and JC meetings. These are paid from the OEB.

### **5.7.3 Transparency and Accountability**

Transparency and accountability can be considered in the light of the type of activities, and of the requirements of member countries and of donors.

Activities either fall under the OEB or under projects. For all activities a variety of reports are available to account for how the relevant funds are being used. These include reports for donors. In addition, there are audited accounts available that cover the entire operations of MRCS, as well as a number of explanatory reports and publications that provide further financial information. It is encouraging that many of these are available on the MRCS website.

Member countries place great emphasis on controlling and managing the OEB, as this is where their contributions go, and they wish to maintain tight control over their use.

Donors are interested in the management of the OEB and in the control and management of project funds, both in regard to their own funds but also in how these funds are used for the benefit of overall programmes. They are interested in ensuring that the same cost does not end up being charged to more than one project. They are also interested in ensuring that all costs charged to their own projects are valid and properly authorised; i.e. that they have been incurred as allowed for in the related project document. They are also interested in ensuring that funds are not moved from their projects and used for other purposes without their express prior agreement and authorisation.

On transparency, there are two areas of confusion with regard to the OEB. The costs for the Communications Office and for some specialised technical services provided by the Technical Support Division are accumulated in shared cost-centres, with the costs being allocated to projects based on services used. The RT considers that these costs should be fully incorporated in the OEB because they appear to be the type of service that should be covered by the management and administration fee.

Theoretically the procedures in place ensure transparency and accountability. The OEB is monitored closely by member countries. Project managers monitor their own projects and are in a position to ensure that all expenditures charged to their projects are valid for the purposes of the project and have been duly authorised. They can also track the receipt and use of funds.

Some donors have indicated that they would like to see improvements in these procedures. In particular they would like assurances that funds are not being used for purposes other than those expressly allowed for in the project documents without their prior agreement and specific authorisation. They would also like to see reports issued by programmes; i.e. they would like to see all funding and expenditure on individual projects related to one programme reported in a combined report for that programme. Moreover they would like to see breakdowns of the annual movements on projects and programmes. Discussions are ongoing on these points between some donors and

MRCS. The RT supports any improvements in the clarity and transparency of financial management information.

Another relevant point on transparency and accountability is the Report of the Independent Auditors and whether the financial statements should be prepared under the Accruals Basis. Changing the basis of preparation of the financial statements would not necessarily, in itself, lead to increased transparency and accountability. In addition, the extra costs and efforts could well outweigh any possible benefits.

**Recommendation**

*19) The costs for the Communications Office and for some specialised technical services provided by the Technical Support Division should be included in the OEB; i.e. the costs should not be allocated to individual projects as per the current practice.*

**5.7.4 Core Activities, and the Management and Administration Fee**

MRCS strives to charge all donors an 11% Management and Administration Fee based on project funds expenditure; the rationale being that all projects make use of centralised services. These fees go to the OEB. In principle, donors should not object to paying for centralised services if the process is transparent.

In discussing the management and use of overheads from member and donor country funds for MRCS core activities, it is pertinent to set out the relationships between the management and administration fee and the OEB, and between the OEB and the regular budget, by looking at a breakdown of how the core management and administration activities of MRCS were actually funded in 2005

(USD ‘000s):

|  |              |
|--|--------------|
| Member country contributions                 | 1,078        |
| Management and Administration Fee            | 874          |
| Direct donor support to the OEB              | 50           |
| Interest and miscellaneous revenue           | 26           |
| Less: surplus generated for OEB              | (141)        |
| <b>Total OEB expenditures</b>                | <b>1,887</b> |
| Direct donor support for management salaries | 928          |
| <b>Total Regular Budget expenditures</b>     | <b>2,815</b> |

As can be seen, the OEB is funded by a combination of contributions from member countries and a management and administration fee charged on project expenditures. In an ideal world the OEB would equal the regular budget and would cover all management and administration costs of MRCS, as well as the costs for shared services for projects. At present, the OEB does not do this due to the reluctance of member countries to fund international salaries through the OEB. This means that many experts required for management functions have to be directly funded by donors outside the OEB but within the regular budget (hence the direct donor support of USD 928,000 above).

he funds are managed in a satisfactory manner as evidenced by previous comments. The OEB clearly shows how funds are being used and what funds are being contributed to the OEB. Member countries control and manage tightly the OEB, as this is where their contributions go, and donors monitor the direct donor support amounts through projects.

This leads to the rate for the management and administration fee. A first comment is that the fee is a mechanism to fill the unfunded gap in the OEB caused by member countries' contributions not being able to fund the total OEB, and it cannot be eliminated in the short-term. A second comment is that the fee has been set at 11%, but not all donors pay this percentage. It is acknowledged that MRCS cannot force donors to pay such fees. Some pay a lower rate while others claim that their internal rules do not allow them to pay such a fee. A third comment is whether the fee is reasonable in the light of similar fees elsewhere (e.g. the UN now charges 5-7% for such services) but this discussion should be left aside until a plan for the future financing of MRCS activities is developed. The present stage of development of MRCS means that it cannot be exactly compared to other international organisations at this point in time. In general donors would like to see a reduction in the fee rate to be matched with increases in member country contributions.

A strength in this area is that the OEB clearly shows how funds are being used and what funds are being contributed to the OEB. A weakness is that the % rates being paid by individual donors are not shown. Transparency on this point would be welcome, with the information being available to all donors.

### **Recommendation**

*20) Donors should all pay the 11% rate for the management and administration fee. The rate should be adjusted downwards over a period of time, as member countries accept increasing responsibility for funding the OEB in full.*

### **5.7.5 Funding Modalities and Procedures**

Funding for MRC activities is provided by donors and by member countries. In 2005 the total expenditure of MRC (USD '000s) was:

|   |               |
|---|---------------|
| Total OEB expenditures                          | 1,887         |
| Direct donor support for management salaries    | 928           |
| Total Regular Budget expenditures               | 2,815         |
| Total Technical Cooperation Budget expenditures | 10,215        |
| <b>Total Expenditure</b>                        | <b>13,030</b> |

The sources of funds for the above activities (USD '000s) were:

|                          |               |
|--------------------------|---------------|
| Donors                   | 12,067        |
| Member countries         | 1,078         |
| Less: Net OEB movement   | (115)         |
| <b>Total Expenditure</b> | <b>13,030</b> |

Thus, in 2005 over 90% of the funding for MRC activities was provided by donors.

Member countries pay annual contributions to the OEB. The arrangement between the countries is rigid and has no flexibility. A schedule of individual contributions for member countries was agreed at a Council meeting in 2000. This schedule clearly sets out the exact US dollar amounts payable by each member country for each year until, and including, the year 2014 (and beyond, as there is an implied understanding that the 2014 amounts will be sufficient to fund the costs of the core functions of MRCS).

Donors tend to provide funds to MRC by way of project funding. In general, programmes are put forward by MRCS for funding and donors are invited to fund all or part of a programme. To date donors have tended to fund certain activities of a programme under various specific projects. Project documents including budgets are drawn up and agreed. The use of funds for each project is accounted for by MRCS using project accounting. Separate bank accounts are maintained for each donor. As previously noted, at end-October 2006 there were 74 active projects and 17 donors.

BDP-1 was funded by a group of four donors under a joint-funding arrangement. The experience from this was positive, but when an extension was agreed only three of the four donors continued with funding and this caused some administrative problems for MRCS. BDP-2 will also follow a joint-funding arrangement, with the major commitment already being made by Danida.

All donors subscribe to the 2005 *Paris Declaration on Aid Effectiveness*, which covers ownership, alignment with national systems, harmonisation of donor procedures, and mutual accountability. It is acknowledged that this is a long-term commitment and that donors will continue to have detailed specific requirements for their projects, certainly in the short- to medium-term. However, steps should be considered towards harmonisation of funding modalities as discussed below.

### **5.7.6 Donor Funding Modalities**

To facilitate discussion it might be useful to try to differentiate three types of funding – project funding, basket funding, and budget support.

Project funding can be described as an arrangement whereby a specific activity is funded by a specific donor and various donor-specific reports are produced e.g. showing expenditure-to-date against budgeted amounts by individual budget lines.

Basket funding can be described as an arrangement whereby funds are targeted towards a particular programme which is accounted for separately. Practically, this means that donors would pay their individual contributions into one bank account to fund a large activity or programme and would accept a single report on the use of the overall funds; i.e. they would not expect to receive individual reports with details specifying expenditures for their individual contributions.

Budget support can be described as an arrangement whereby all programmes and activities are funded through funds paid into one bank account; i.e. there is no differentiation between funding of any of the programmes and activities. Normally, it would be assumed that there is a strong financial management system in place.

As previously noted, all donors subscribe to the Paris Declaration as a long term commitment. All parties agree that the long-term objective should be to provide funding on a budget support basis as this encourages ownership and facilitates flexibility in the use of funds. In the short- to medium-term, however, donors have specific requirements for their projects. In practice, this means that they have tended to provide funds to MRCS by way of project funding which means that funding is being provided for separate activities rather than for distinct programmes.

For MRCS, in broad terms the present system is one of project funding and the medium-term objective should be to move towards basket funding. If the right combination of donors could be found for BDP-2, then this could be used as a pilot project to generate credibility for such funding. It is considered that genuine budget support will only be possible in the long-term.

Practical steps that could be taken by MRCS to help achieve basket funding include:

- Continue to improve existing reporting formats;
- Discuss with donors on how harmonisation of donor reporting requirements on existing projects could be achieved;
- Advise donors against project specific funding;
- Encourage donors to provide funds on a basket basis for suitable programmes;
- Ensure that continuous dialogue is maintained with donors so that all their concerns are dealt with to their complete satisfaction.

In turn, donors will have to show a willingness to co-operate with other donors in facilitating the use of basket funding. Increased co-ordination among donors would certainly assist MRCS in obtaining basket funding for the relatively more important activities.

### **5.7.7 The DSA System**

The existing Daily Subsistence Allowance (DSA) rates are based on 100% of UN rates. These rates are considered very high in relation to actual subsistence costs, especially in the Mekong region. At present, one donor has insisted that the MRCS activities that it funds will only pay DSA at 75% of the UN rates.

There is much talk that the amount of travel being undertaken by MRCS management and staff is unnecessarily high. A detailed comparison of travel expenditure against budget lines for travel shows that the budget lines have not been exceeded, indicating that all travel expenditure has been duly authorised. This does not mean, of course, that all travel was necessary – merely that there were travel budget lines available. It seems that some donors have agreed to programme budgets that include very large travel allocations that may not have been necessary.

The unnecessary funds spent on travel, such as holding meetings and conferences in holiday resorts outside capital cities, could be saved and used on programme activities in the member countries. An organisation that is perceived in the international and national contexts to spend too much money on travel for its staff will not be appreciated as a serious partner in development. The MRCS programmes and the donors should be responsible for annually reviewing the travel budgets and revising them to ensure they are covering only the necessary costs.



The RT concludes that DSA rates should be reduced as they are clearly in excess of actual costs. It is suggested that new DSA rates should be introduced across all activities in MRCS at 75% of the UN rates. If required, specific DSA rates could be developed by MRCS, but these should not exceed 75% of the UN rates.

### ***Recommendations***

*21) DSA rates should be adjusted downwards to 75% of the UN rates, and these reduced rates should apply to all activities in MRCS.*

*22) In the future, donors should pay very careful attention to how travel and workshop expenditures are budgeted, and these budgets should be reviewed and revised annually by MRCS.*

### **5.7.8 Financial Sustainability of MRCS**

The existing OEB and Regular Budget do not appear to budget sufficient resources for MRCS' mandate and core business as an international river basin organisation. More professional staff are needed to fulfil this role and to deal with IWRM issues. This matter is taken up in the definition of the long-term core budget requirements of MRCS dealt with in section 5.6

#### *Financial contributions from member countries*

As indicated previously, member countries pay annual contributions to the OEB per a schedule agreed in 2000, which clearly sets out the exact US dollar amounts payable by each member country for each year until, and including, the year 2014 and, by implication, beyond.

Member countries look upon achieving financial sustainability as fully funding the OEB by 2014. In general, they believe that donors should continue to make contributions to the OEB through the Management and Administration Fee mechanism. They also expect donors to continue to fund programmes and projects. The donors, on the other hand, expect that the member countries should take on a greater proportion of the total budget, and not just the OEB. This is regarded as a measure that will significantly increase ownership.

To illustrate what can be described as an "expectations gap" between donors and member countries it is relevant to examine the breakdown of total funds provided by donors and member countries, and to compare these to the funds provided to the OEB.

The breakdown in total funds shows that over 90% of the funding for MRCS' activities was provided by donors in 2005. See table in section 5.7.5

The breakdown of the funding for OEB shows that 57% of the funding for OEB was provided by member countries in 2005 (USD 1,078, 000 out of a total of USD 1,887,000), but when the extra costs for management salaries and strategic planning provided by the donors is added (USD 928,000), then the funding provided by the member countries amounts to only 38%. See table in section 5.7.4.

Donors consider that the amounts contributed by member countries are inadequate. The proposed future financial contributions from member countries up to 2014 will not be sufficient to ensure MRCS' longer term sustainability in a situation where the donors expect significant efforts by the member countries to show commitment to increased ownership of MRCS by accepting greater financial responsibility for MRCS' total budget. This is taken up below.

### *Future funding scenario*

MRCS is quite optimistic about the prospects for future funding by donors. An amount of approximately USD 38 million has been recently reported as “total funds of active projects for the period 2006 to 2010”. This indicates that just under half of the Technical Cooperation Budget is funded for the same period. Donors have not yet indicated whether they are willing to increase funding beyond this amount.

Before making more definite decisions, donors wish to see member countries assuming greater responsibility for MRCS’ total budget. This is interpreted as member countries being willing to fund total long-term core budget requirements.

Initial assessments indicate that the total long-term core budget requirements of MRCS would be in the order of USD 6.5 million per annum. This assumes a fully riparianised staff (at approximately current total staffing levels, using current salary scales) and includes funding for overheads, for travel, training and workshops, and for occasional experts’ inputs. It does not include the costs of any external expert input that may be required from time to time. Note that travel, training and workshops costs have been estimated as USD 1.5 million which compares to current levels of expenditure in the region of USD 2 million per annum.

A breakdown of the budget requirements is set out below (USD ‘000s):

|  |     |              |
|--|-----|--------------|
| <b>Office of the CEO</b>                               |     | <b>229</b>   |
| <b>Natural Resources Development Planning Division</b> |     | <b>781</b>   |
| <b>Technical Support Division</b>                      |     | <b>1,368</b> |
| Director’s Office                                      | 103 |              |
| IKMP   | 635 |              |
| Flood Management and Mitigation                        | 630 |              |
| <b>Environment Division</b>                            |     | <b>516</b>   |
| <b>Operations Division</b>                             |     | <b>729</b>   |
| Director’s Office                                      | 59  |              |
| Fisheries Programme                                    | 257 |              |
| Agriculture, Irrigation and Forestry Programme         | 151 |              |
| Navigation Programme                                   | 174 |              |
| Hydropower Programme                                   | 88  |              |
| <b>Specialist Staff</b>                                |     | <b>432</b>   |
| <b>ICCS</b>  |     | <b>337</b>   |
| <b>Human Resources Development Section</b>             |     | <b>195</b>   |
| <b>FAS</b>   |     | <b>413</b>   |
| <b>Travel, Training and Workshops</b>                  |     | <b>1,500</b> |
| <b>TOTAL</b>   |     | <b>6,500</b> |

A suggestion as to how the USD 6.5 million could be achieved by 2014 is shown below (USD ‘000s):

| <b>Year</b> | <b>Member Countries’ Contributions</b> | <b>Donor Support incl. M&amp;A Fees</b> | <b>Total Amount</b> |
|-------------|--|---|---------------------|
| 2007        | 1,244                                  | 956                                     | 2,200               |
| 2008        | 1,500                                  | 950                                     | 2,450               |
| 2009        | 1,800                                  | 950                                     | 2,750               |
| 2010        | 2,190                                  | 950                                     | 3,140               |
| 2011        | 2,830                                  | 850                                     | 3,680               |
| 2012        | 3,670                                  | 750                                     | 4,420               |
| 2013        | 4,710                                  | 650                                     | 5,360               |
| 2014        | 5,950                                  | 550                                     | <b>6,500</b>        |

As a sign of their commitment to assure MRCS’ financial sustainability in the long-term, the member countries should accept full responsibility for funding the total core budget. This means that revised country contributions will have to be determined for each member country, and it would also be opportune to consider adjusting the formula for the national contributions in the light of recent economic growth.

The presently agreed contributions, as per the 2000 schedule, are presented below (USD ‘000s):

| <b>Year</b> | <b>Cambodia</b> | <b>Laos</b> | <b>Thailand</b> | <b>Vietnam</b> | <b>Total</b> |
|-------------|-----------------|-------------|-----------------|----------------|--------------|
| 2007        | 280.16          | 280.16      | 351.05          | 332.70         | 1,244.07     |
| 2008        | 297.35          | 297.35      | 383.52          | 361.34         | 1,339.56     |
| 2009        | 316.26          | 316.26      | 419.24          | 392.85         | 1,444.61     |
| 2010        | 337.06          | 337.06      | 458.52          | 427.52         | 1,560.16     |
| 2011        | 359.935         | 359.935     | 501.74          | 465.65         | 1,687.26     |
| 2012        | 385.10          | 385.10      | 549.28          | 507.60         | 1,827.08     |
| 2013        | 412.785         | 412.785     | 601.57          | 553.73         | 1,980.87     |
| 2014        | 443.24          | 443.24      | 659.08          | 604.49         | 2,150.05     |

Finally, it has been suggested, by at least one donor, that member countries should indicate their active support to programmes by committing financial resources up front, before seeking external assistance for such programmes.

### ***Recommendation***

23) *To assure MRCS’ financial sustainability and to show commitment to MRC, the member countries should fully fund the total long-term core budget requirements by 2014. This means that the schedule of contributions and the allocation formula agreed in 2000 needs to be comprehensively revised.*

## **5.8 Capacity and Staffing**

In relation to human resource management functions within MRCS, the RT recognises a number of significant achievements:

- A comprehensive set of manuals have been produced: on Personnel, Procurement, Administration, Programming, and Finance;
- A performance appraisal review system is operative, allowing for self-assessment, dialogue and a focus on training needs and staff development plans;
- A data-base is established for recording training plans and activities for all staff members;
- A training needs assessment was carried out in 2002/2003 and described in the MRC Integrated Training Strategy and Programme (MITSP);
- As part of the Integrated Capacity Building Programme, training for Junior Riparian Professionals is being conducted, related to core areas of Integrated Water Resource Management (IWRM);
- Guidelines on OEB-funded staff training activities have recently been developed;
- An Orientation Package has been developed for new staff at MRCS;
- A Gender Policy and a Gender Strategy are in place; guidelines and checklists have been produced for mainstreaming gender in programme design and implementation.

However, a number of issues should be highlighted across all the human resource management topics identified in the TOR of the Review Team.

### **5.8.1 Qualifications and Competencies**

Given the short time for the review it was not possible to carry out a direct and systematic competency analysis of staff working in MRCS (or of staff working in the NMCSs). However, the findings from interviews and consultations bear out the comprehensive competency analysis and training needs assessment conducted in 2002/2003 that led to the formulation of the MRC Integrated Training Strategy and Programme.

Across both the MRCS and NMCSs, the competency shortfalls are not, in the main, related to technical qualifications; they are related to the cross-cutting or “integrative” competences necessary for effectively carrying out the core programmes of water resources management, river basin planning and environmental management.

Though it seems that MRC has little difficulty in finding international experts to work on its various programmes, the main problem, across both MRCS and NMCSs, is in finding sufficiently qualified riparian staff. The staff available tend to be strongly “sector-oriented” and weak in their “integrative capacities”.

Therefore, the training needs are quite obvious and urgent, and should be addressed if MRC and NMCs are to meet their declared objectives. However, training activities within MRC are scattered, formulated independently by different programmes, and are not sufficiently coordinated. This leads

to overlaps between the various training activities and what the MITSP report called “workshop tiredness” – and an overall waste in training expenditure. This scattered and uncoordinated approach means that there is a tendency to focus on specific technical themes and less on the broader, cross-cutting competencies needed by professional staff in both the MRCS and NMCSs.

In addition to the necessary specific technical training provided within certain programmes, the RT finds that emphasis should be put on the kind of integrated training activities envisaged in the MITSP, focusing on the following key competencies:

- Knowledge of integrated water resources management;
- Skills of strategy formulation;
- Programme and project planning;
- Organisational development;
- Communication skills.

In addition, the RT would highlight a number of other “integrative” competencies that should be included in any of the training activities that deal with core programme planning and implementation issues:

- Decision making techniques – as a basic management competency;
- Cross-cultural communication – in as much as managing staff or managing programmes within MRC invariably means working in a multi-cultural scenario;
- Public consultation and community participation approaches – in as much as programme and project development should involve rigorous consultation processes and promote appropriate degrees of beneficiary participation;
- Dispute management – in recognition that many project initiatives could stimulate disagreements about resource allocations and concerns about impacts;
- Writing skills related to programme development and reporting.

The RT finds that the above array of skills is relevant for all categories of professional staff working at MRCS or in the NMCSs but, with the same classification used in the MITSP, the targeting of training could be as follows:

| Staff level                                  | Competency areas   |
|--|--|
| Executive level/programme managers           | Knowledge of integrated water resources management;<br>Skills of strategy formulation and programme planning;<br>Public consultation and community participation approaches;<br>Dispute management.<br>(As well as familiarity with the range of management support and decision making tools) |
| Programme staff/young riparian professionals | In-depth knowledge of integrated water resources management;<br>Programme and project planning;<br>Organisational development;<br>Decision making techniques;<br>Communication skills – including relevant writing skills.<br>(As well as up-grading technical knowledge and skills)           |
| All professional staff                       | Cross-cultural communication and networking skills   |

The RT commends the MITSP for the way in which it challenges the notion, common in various institutions, that training is mainly a matter for junior or support staff, and it concurs with the training modalities set out in the MITSP: a mix of short and longer modules, coaching/on-the-job training, and exposure tours.

### ***Recommendation***

24) *While trying to avoid overlaps in the existing training provision spread across the MRC programmes – and focusing as much as possible on cross-cutting competencies – renewed efforts should be made to secure funding for implementing the MRC Integrated Training Strategy and Programme; meanwhile, donors should be encouraged to approve a degree of consolidation of some scattered capacity building budgets in order to provide a more generic and harmonised training programme across MRCS and NMCSs.*

### **5.8.2 Human Resources Management Section**

In reviewing the tasks and the skills mix in the various sections of MRCS, the most striking issue relates to human resource management (HRM) functions. At present, these HRM functions are split between a Personnel Team of three under the Finance and Administration Section and a separate Human Resources Section of four people (a HR Officer, Gender Associate, Gender Project Assistant and a secretary). The post of Chief Human Resource Office, which has been vacant for a number of years, was approved by the JC meeting in December 2006.

Given the number of staffing issues likely to occur in such a complex organisation (with its mix of nationalities and variety of job classifications) – and given the capacity development role that MRC plays in the region – the RT finds it a matter of great concern that HRM functions are so unstrategically sited and, seemingly, under-emphasised.

### ***Recommendations***

25) *MRCS should establish a unified Human Resource Management Section, covering human resource development policies and procedures, personnel administration, employee services, and staff development programmes.*

### **5.8.3 Recruitment of Staff**

This section deals with the recruitment of riparian staff for MRCS, apart from the four Directors whose recruitment is analysed in section 5.3. The RT finds that there are a number of crucial issues related to the recruitment of staff for MRCS.

Recruitment is not done directly by MRC, but indirectly through NMCs. Most member countries restrict recruitment to government employees, and often only from the ministries within which the NMC is located. Requiring candidates to send their applications through NMCs delays the recruitment and appointment processes. More seriously, it does not ensure that MRCS gets the best possible staff. Some NMCSs review the applications and only send on to MRCS those that the NMC finds suitable. This can result in a very small pool of candidates, none of whom are well qualified. If there is going to be a successful professionalisation and riparianisation of MRCS, then it will be necessary to attract and secure the best qualified candidates, not just from government but

from the civil society as a whole. The process should be managed on a strictly competitive basis, and administered by MRCS itself. MRCS can ask for assistance from the NMCSs in the process, such as for references, if required.

However, given the important role played by the NMCSs in informing, interpreting and disseminating MRC's work – and in coordinating project development within the four countries – the NMCSs should have a strong role in the orientation of new staff.

The present process involves selection panels set up by MRCS that make the final choice of the candidates forwarded by the NMCSs. It seems that the desire to maintain a balance of national interests on the selection panels means that these panels are not sufficiently proficient or well briefed on selection criteria for the professional candidates whom they are assessing.

In the MRCS Staff Survey carried out in 2005, 72% of the respondents were critical of the present recruitment procedures – arguing that they do not secure the hiring of staff “possessing the highest level of integrity and competence”.

### ***Recommendation***

26) *In order to make recruitment as open and competitive as possible, MRCS's staff selection processes should be reviewed and any NMCS role in reviewing applications should be discontinued. Recruitment should be open to civil society as well as government.*

27) *The NMCSs should develop and implement orientation programmes for staff recruited from their countries, before they take up their posts at MRCS, in order to familiarise them with the policies, roles and responsibilities of the NMCs and their relationship with line agencies engaged in MRC promoted projects and programmes. These NMCS orientation activities should be seen as complementary to the orientation package developed by MRCS.*

### **5.8.4 The Country Quota System**

Article 33 in the 1995 Mekong Agreement states that riparian technical staff of MRCS “are to be recruited on a basis of technical competence, and the number of posts shall be assigned on an equal basis among the members”. MRCS recruitment of riparian staff has, in the main, been in line with this policy. Although, to a certain extent, the quota system might restrict MRCS from always securing the best person for a particular post, the RT recognises the advantages of upholding the policy. It means that every riparian country has an equal opportunity to contribute human resources in carrying out the work of MRCS. It eliminates a potential source of conflict. It makes sure that the more advanced countries do not dominate MRCS' staffing.

### **5.8.5 Staff Performance Review and Staff Development Plans**

The current appraisal mechanism, the performance appraisal review (PAR) is certainly acceptable in its policy and procedures. As described in the Personnel Manual, the PAR consists of four parts:

- **Employee assessment:** Each employee assesses his/her performance over the past 11-12 months.

- **Supervisor assessment:** The supervisor evaluates the staff performance in consideration of the staff's self-assessment and the supervisor's own view.
- **Discussion:** A meeting is held between the supervisor and staff with feedback from the supervisor to the staff members. The supervisor should inform the staff about their performance, in what areas they need improvement, future training requirements and new achievement expectations.
- **Recommendations:** The supervisor gives recommendation for contract extension or reward/promotion or probation for improvement. The Chief of FAS reviews the recommendations made by the supervisor in consideration of staff evaluation across the board and give further recommendations to the CEO for approval.

Each appraisal is documented in a Performance Appraisal Report

Such an appraisal process should provide, as stated in the manual, a clear understanding of the MRCS management of the outputs from staff members, how to regulate the required outputs, how to correct deficiencies, and improve the quality of these outputs. It provides the staff member with a regular and structured feedback on his/her performance. It should allow the MRCS management to determine the capacity, competency, and ability of staff members to function in an efficient and productive manner. It should enable the MRCS management to make appropriate plans for training. It should also enable the MRCS management to make appropriate rewards and promotion to outstanding staff, as well as consider the options for poorly performing staff (withholding rewards or non-extension of contracts).

However, there are significant concerns about the way in which the appraisal system is sometimes being applied. It seems that not all supervisors are respecting the self-assessment component, and there are reported cases where staff have been instructed to actually change their self-assessments. This is an important issue, because it affects the award of salary increments and promotions. Moreover, the current system is not sufficiently based on a functional and competency analysis of participating staff. If a more rigorous "competency model" approach were to be taken, one in which each staff member is involved in the identification and rating of their required competencies, then the appraisal system would be more precise, more positive, and more focused on training needs. Finally, there seems to be no adequate training for those operating the staff appraisal system.

### ***Recommendation***

28) *A review of the MRC appraisal system should be held, in order to clarify the intentions of the staff appraisal system, to base it more on individual competency analyses, to relate it more closely to staff selection criteria, to utilise it more precisely in establishing individual capacity building plans, and to develop an orientation programme on its implementation for all supervisors.*



### **5.8.6 Salary Reviews**

The salary scale for riparian professional staff has not been up-dated since 1999 – whereas the salary scales of international staff and support staff are regularly up-dated. For the latter two categories an automatic mechanism exists which allows the scales to be up-dated on a regular basis – and so protects them against inflation. The salary scale for international staff has been automatically linked to the salary scale of the UN – and this has been adjusted as a matter of course. Clearly, these are grounds for grievance on the part of riparian professional staff.

#### ***Recommendation***

29) *The salary review mechanism should be reviewed in order to achieve more equity in the treatment of different staff categories.*

### **5.8.7 Grievance Procedures**

The Staff Association argues that there is no formal grievance process with MRCS – noting that problems are addressed through ‘normal lines of authority’.

#### ***Recommendation***

30) *In as much as staff might feel that they are not getting fair hearings in cases of dispute – and to prevent relatively minor differences from becoming major problems – MRCS management should formulate formal grievance procedures.*

## **5.9 MRCS Location**

One of the few areas of consensus encountered by the RT was that changing the location of the Secretariat every five years between Vientiane and Phnom Penh was not good for organisational stability and sustainability. Such movement is costly, inefficient, and leads to the loss of key corporate knowledge and skills.

The RT does not have any firm views as to where MRCS should be located. This is an issue for the JC and MRC to determine. Factors that can be considered when discussing location might include the external perceptions of the relevance of MRCS, and the employment and education opportunities for non-national family members.

There may be an argument for sharing the activities of MRCS between the two locations. If this is to continue, consideration should be given to also locating the Navigation Programme in Phnom Penh, closer to the bulk of its activities, as well as the present Flood Programme. A possible Drought Programme could also be located together with the flood activities.

### ***Recommendations***

- 31) *The MRC Secretariat should not be re-located every five years, and a decision should be taken on a permanent location of MRCS.*
- 32) *If the MRCS remains in Vientiane, the regional Flood Centre, the Flood Management and Mitigation Programme, and the Navigation Programme should be permanently located in Phnom Penh.*

## 6. Riparianisation

From discussion with member countries and MRCS, it is clear to the RT that the issue of “riparianisation” of the MRCS is a function of three things: the availability of appropriate skills, qualification and experience from within the member countries; the level of trust that can be placed in MRCS to provide balanced and objective advice to the JC and member countries for the benefit of the basin as a whole; and the accountability and transparency of the organisation, particularly in its financial management.

The “road map” for riparianisation<sup>1</sup> recently prepared for consideration of the Joint Committee is an important document in this respect. It is seen as part of the process of increasing the regional ownership of MRC. Its objective is stated as “to increase the capabilities and responsibilities of the riparian staff within MRC which will reduce the need for foreign experts”.

The current situation, as set out in paper prepared by MRCS is that, of the 58 listed professional staff at MRCS, 16 of them are international. However, there are a number of other international staff working in various MRC programmes that do not appear on this list – because they are paid directly by donors such as GTZ and FINIDA. As noted above in section 5, the international staff feature prominently in central management.

The intermediary goals and time line of the riparianisation process are given in the “roadmap” as

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*2007 – 2009*

Higher quality of MRC riparian staff through:

- Increased recruitment pool;
- Increased career possibilities for riparian staff and reduced staff turnover;
- Increased training for all riparian staff;
- Recruitment of riparian Chief HRS.

*2007 – 2009*

Divisions:

- Division Directors assume more responsibilities

*2007 – 2009*

Riparian management of all programmes through a standardised management structure:

- Steering committee for each programme;
- Riparian programme coordinator for each programme;
- Assisted by a Chief Technical Adviser
- Additional international expertise will be hired only on a short-term basis.

*2007 – 2011*

Sections:

- Section chiefs will be assisted by a riparian assistant who will replace eventually the international chief.

*2011 – 2013*

A riparian CEO will be recruited at the end of the riparianisation process.

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<sup>1</sup> A response to a request made to the MRC S by the Chairman of the Joint Committee (5 September 2006) to prepare a riparianisation strategy and timeframe.

The Joint Committee indicated that priority should be given to the post of Chief Finance and Administration, as this post is funded by OEB. The proposed time line in the “roadmap” is:

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2008 – 2009

Riparian assistant chief FAS to be recruited:

- On the job training in all aspects of finance (accounting and financial management issues);
- Training on project and general management issues;
- Will increasingly take over responsibilities re budget control;
- On-the-job training of aspects related to administration;
- On-the-job training of aspects related to procurement;

2010 – 2011

Riparian assistant chief FAS becomes chief FAS and a riparian internal controller/auditor is recruited who reports directly to the CEO.

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So, the paper envisages a situation where all staff in MRC are riparian – and foreign experts, when needed, will be hired only on a short-term basis.

The RT finds that the pace of riparianisation indicated in the roadmap is unnecessarily slow. In particular, the RT argues that it should be possible now to find a suitably qualified riparian financial manager who could take on the role of Chief, Finance and Administration. Also, it could be appropriate to recruit a riparian CEO after one more three-year contract period for an international CEO.

The CEO role for the period 2007-2010 would be transitional, and there would be an emphasis on implementing reforms in MRC that are consistent with the recommendations of this review report. Such a role would require a clear mandate from the Council and Joint Committee, which would reflect an increased political commitment to MRC by the member countries.

The roadmap mentions that, although donors will in principle welcome increased ownership, they might well request assurances that their funds are “properly used and accounted for” – and they might seek assurances that riparian staff will be appropriately qualified and accounting procedures will be transparent. It also mentions that the proposed riparianisation strategy may be affected by Article 33 of the 1995 Agreement, wherein the term of riparian staff is limited to “no more than two three-year terms”.

The present situation in which a riparian staff member is recruited to a managerial position and is assisted by an international technical adviser is only appropriate if there is a genuine transfer of knowledge from the TA to the riparian and if there is pre-determined period during which this capacity building takes place. It is inappropriate for the TA to, in fact, do the managerial work while the riparian acts a figurehead.

It is likely that the required capacities do exist in the member countries – with the exception, perhaps, of some cutting-edge technical and policy capacities related to modelling and other decision support tools critical to implementation of the 1995 Agreement. However, the RT agrees that riparianisation is directly linked to the professionalisation of the MRCS workforce, and that there are two key things currently limiting this.

The first, as argued above in section 5.8.3, is the recruitment processes – in particular the role of the NMCs, and the limitation of candidates from government agencies by some member countries. There should also be a review of the member countries' stance on recruitment, whereby there is a preference for recruiting MRC staff from 'national officials'. Opening the recruitment process to civil society will assist in meeting the roadmap objective of 'increasing the recruitment pool'. Most importantly, the success of riparianisation will be dependent on the member countries being willing and able to ensure that appropriately qualified staff from their countries are available for recruitment to MRCS. In fact, this should be a pre-condition for successful riparianisation.

The second key impediment relates to the current interpretation of Article 33 of the 1995 Agreement. Strict adherence to the limited terms for riparian staff in Article 33 results in a loss of corporate knowledge and skills, and a need to be constantly re-inventing core capabilities. This is particularly a problem for the unique policy and technical skills of the organisation, and it creates a long term and unnecessary dependence on international support. It means that any training initiatives are necessarily truncated and have to be constantly repeated. It also works against the roadmap objective of 'increasing career opportunities for riparian staff and reducing staff turnover'.

A further concern of the RT relates to the discrepancies between pay scales of the international and riparian professional staff. The RT argues that MRCS does not need to follow a UN-type classification within its structure, which inevitably leads to discriminations and grievances. Note, however, that having a unified pay scale does not preclude the donors, or indeed the MRCS, from requiring/using more highly paid "experts" (be they international or riparian) from time to time, or even for extended periods for programme activities that require this. Full riparianisation will mean that all permanent posts are filled by citizens of the member countries, and when this is achieved there will be no need for permanent international staff. At that time there will only be one pay scale. MRC should now begin to work towards such a situation by investigating how such a unified salary scale would be constructed.

### ***Recommendations***

- 33) *The MRC should implement the key recommendations of the roadmap, but the pace of implementation should be quickened; in particular, a riparian Chief, FAS should be appointed by end of 2009; and a riparian CEO should be appointed by mid-2010.*
- 34) *A policy interpretation of Article 33 should be developed for consideration by the JC, with a view to maintaining unique organisation skills and to ensuring knowledge transfer; all member countries should allow staff to stay at MRCS for second term of three years when appropriate; and a more liberal policy should be applied for extensions beyond six years.*
- 35) *MRC should move towards the situation of full riparianisation by beginning to work on a unified salary structure that is appropriate for the region.*

## 7. Strategic Partnerships

The 2006-2010 Strategic Plan recognises the importance to MRC of forging effective links with other regional economic cooperation initiatives including ASEAN, the ADB's GMS Economic Cooperation Programme and the emerging World Bank/Asian Development Bank Mekong Water Resources Assistance Programme. The Strategic Plan stresses a need to minimise overlaps based on each partners' comparative advantages; maintain the MRC's status as an impartial international river basin organization; and build on principles of complementarities and resultant synergies. The Strategic Plan also commits to improving strategic partnerships between MRC and civil society and research institutes. Since 1996, China and Myanmar have been dialogue partners of the MRC. China mainly limits itself to observe the annual meeting of the JC held back-to-back with the annual dialogue meeting, and some technical workshops of common interests.

A Partnership Agreement between the Asian Development Bank (ADB) for GMS and the Mekong River Commission (MRC) currently exists. In 2004, MRC and ADB jointly commissioned a report that identified synergies, overlaps and gaps between the programmes and described a timetable for the follow-up measures. No action has been taken to progress the report recommendations.

While partnerships between MRC and the banks are operational at the programme level (notably, the World Bank support for the Water Utilisation Programme), there is a general perception that there is a lack of clarity in the relationships at the broader strategic level. This gives rise to concerns that MRC will be 'swallowed up' by these large initiatives, will be bypassed completely as the member countries turn to these initiatives for development funding, that at best the MRC will be used as an information source for these initiatives, and that the framework and decision support tools for sustainable development that the MRC has worked hard to develop over the years will be ignored. It is critical that these relationships are clarified, that water related developments proposed under these initiatives are consistent with the cooperative frameworks already agreed by the member countries, and that there is formal information exchange between the MRC and these initiatives. Comparative funding advantage for developments proposed under MRC programmes (in particular the BDP) should be sought, and the MRC role in resolution of trans-boundary differences should be recognised. For this to happen, the MRC processes, particularly the environmental and socio-economic assessment processes, must be of high enough calibre to satisfy the requirements of the lending institutions, and information exchange must be free. Conversely, there should be explicit recognition by the lending institutions of the cooperative 'rules' established by the MRC, and a commitment to work within this framework

MRC works with a number of other partners under formal MOU, Partnership Arrangement or joint project/programme. These include: ASEAN Secretariat, Asian Disaster Preparedness Center (ADPC), Asian Institute of Technology (AIT), Consultative Group on International Agriculture Research (CGIAR), Food and Agriculture Organisation (FAO) IUCN, Oxfam America, UN ESCAP, United Nations Development Programme (UNDP), United Nations Environment Programme (UNEP), UNESCO/IHE Institute for Water Education Cooperation, WorldFish Centre, World Meteorological Organisation (WMO), and World Wide Fund for Nature (WWF). The IUCN MOU focuses on three areas of partnership, including joint development and implementation of the GEF-funded Mekong Wetland Biodiversity Programme (MWBP), mutual support at the 2<sup>nd</sup> World Water Forum, and granting IUCN an observer status at the MRC governance meetings. MWBP was a concrete form of joint collaboration. It was executed by UNDP, and implemented by IUCN and

the Mekong River Commission (MRC), along with the four national governments and other key stakeholders. It was closed in December 2006. The mid-term review assessed that the relationships between Regional Programme/PMU and MRC/NMCs had been strained, and there was a lack of commitment to the project by the CEO of MRC. Access to MRC data was often difficult as data is constrained by formalized information sharing protocols, agreed amongst MRC riparian states.

The Strategic Plan refers to the success of the MRC as being dependent on its real and perceived transparency, and on its continuous engagement with its many stakeholders. The expansion of MRC partnerships to include regional and local non-government organisations can provide it with on-the-ground experiences and potential implementation partners, and assist it in gaining a broader understanding of different Basin community perspective. To date, apart from research partnerships (discussed below), the MRCS has had little engagement with non-government organisations. There are many actors in the Mekong Region wishing to constructively contribute to the achievement of the MRC goals. A proactive policy of open engagement by the MRC with a more diverse constituency would enable more informed deliberation and decision making. The MRC needs to clarify its constituency, and decide how much scope to give the MRCS to engage with a wider constituency.

External research and development activities have made significant contributions to the wealth of the Mekong knowledge. MRCS is involved in collaborative research activities through its affiliated research institutes or programmes, as a coordinator of research programmes, and through partnership arrangement with major research groups. There appear to be two main challenges associated with these research partnerships. The first of these relates to information dissemination. There has been some criticism that the MRCS has been reluctant to disclose research findings, particularly those relating to possible impacts associated with Basin development. This is related to the information disclosure issues discussed in section 5.4. The second related challenge is to link research outputs to policy formulation and decision-making within the MRCS and MRC. Currently, this relationship is very poor. The reasons appear to relate partly to the reluctance of the MRCS senior management to elevate the policy implications of the research, and partly to the lack of direct relevance of the research to MRC activities.

### ***Recommendations***

- 36) *MRC should initiate or update formal agreements with major regional development initiatives and organisations, clarifying the strategic relationships and the mechanisms for implementation, including key focal points.*
- 37) *MRC should consider formalising a stakeholder (NGO and civil society) consultative process as part of its annual meetings.*
- 38) *MRCS should better specify its collaborative partnerships with research organisations through formal MOUs or partnership agreements detailing agreed access, contact points and mechanisms, and the ownership and dissemination of project outcomes.*

## 8. Implementation Schedule

The RT was asked in its Terms of Reference (point 2.4) to “ ... make recommendations as to the prioritization of both the immediate and longer term follow-up action to the review findings and recommendations for review by the Joint Contact Group and the Joint Committee”. The RT has understood this task as making suggestions about the timing of the implementation of the recommendations in the report and the prioritization of the recommendations – *if they are accepted by the Joint Contact Group and the Joint Committee, and possibly by the MRC Council*. It is assumed that the Joint Contact Group will formulate a process for securing JC (and possibly MRC Council) approval of recommendations as appropriate.

The Review Team considers all recommendations to be high priority, but recognizes that they cannot all be implemented at the same time, and that there should be some sort of sequencing of the recommendations that are dependent on each other

The table below lists the recommendations by number in groups showing the sequencing of the decisions that need to be taken, together with the timing and an indication of who would be responsible for making the decisions. The dates suggested relate to decision making – implementation would then take place thereafter.

The RT suggests that MRCS designate a staff member as the Coordinator for organizing and following-up on the agreed changes that are to be made. The Secretariat will also need to work out the cost implications for implementing the decisions.

### IMMEDIATE

| Action  | Responsibility                   | Timing of decision |
|---|----------------------------------|--------------------|
| 1. Strengthening the mechanisms for continuous policy dialogue among the member countries and with the donors on the role of MRC in basin management, development and sustainability assessment | MRC Council/<br>Joint Committee/ | Next meeting of JC |
| 7. Delegating a range of personnel and administrative functions within MRCS   | CEO                              | Immediately        |
| 9. Adopting a more open and participatory style of management at MRCS   | CEO                              | Immediately        |
| 13. Reviewing practices of information management at MRCS   | CEO/senior management            | Next meeting of JC |
| 21. Adjusting DSA rates downwards to 75% of the UN rates  | Joint Committee /CEO             | Next meeting of JC |
| 24. Renewing efforts to secure funding for the implementation of the MRC Integrated Training Strategy and Programme   | CEO                              | Immediate          |
| 26. Reviewing staff selection processes, discontinuing NMCS role in reviewing applications, and opening recruitment to civil society  | Joint Committee/NMCs             | Next meeting of JC |



## SHORT TERM

| Action   | Responsibility                     | Timing of decision                                      |
|--|------------------------------------|---|
| 2. Specifying common guidelines for the roles and responsibilities of NMCs, NMCSs and MRCS, in relation to programme implementation  | Joint Committee, Council           | By end of 2007  |
| 4. Formulating a more intensive capacity building programme for NMCSs, focusing on English proficiency and programme coordination  | HR section<br>MRCS/NMCSs           | By end of 2007  |
| 5. Applying a uniform contract system by MRCS for NMCS staff   | JC, donors                         | By end of 2007  |
| 8. Making first term of appointment of CEO five years  | Joint Committee                    | By end of 2007  |
| 10. Clarifying the role of the JC in management issues   | Joint Committee/CEO                | By end of 2007  |
| 17. Creating/assigning key cross-programme policy and coordination roles in the areas of planning and socio-economic analysis, flow/quantity management, environment, trans-boundary rules and procedures, information and decision support                | CEO/Technical Coordination Adviser | By end of 2007  |
| 19. Including costs for the Communications Office and for part of IKMP in OEB  | CEO/FAS                            | By end of 2007  |
| 20. Establishing that all donors pay the same 11% management and administration fee as contribution to OEB   | Donors/ICCS                        | By end of 2007  |
| 22. Reviewing budgets for travel and workshop expenditures   | Donors/ICCS                        | At time of annual reviews, and new programme agreements |
| 25. Establishing a unified Human Resource Management Section, covering personnel administration, employee services and training  | Joint Committee                    | By end of 2007  |
| 29. Reviewing the salary review mechanism  | CEO/FAS                            | By end of 2007  |
| 33. Implementing key recommendations of the 'riparianisation roadmap'; appointing a riparian Chief FAS and a riparian CEO by agreed timeframes   | Joint Committee                    | By end of 2007  |
| 34. Developing a policy interpretation of Article 33 of the Mekong Agreement in order to allow staff to stay at MRCS for a second term of three years when appropriate, and applying a more liberal policy towards extensions of contract beyond six years | Joint Committee                    | By end of 2007  |

## MEDIUM TERM

| Action   | Responsibility             | Timing of decision |
|--|----------------------------|--------------------|
| 3. Analysing NMC/NMCS access to national planning processes, and of how to improve access  | NMC/Ss with help from MRCS | By mid 2008        |
| 6. Giving high priority to the riparianisation of ICCS positions in MRCS   | Joint Committee/CEO        | By mid 2008        |
| 15. Incorporating the following functions into the MRCS organisational structure: human resources management, monitoring and evaluation, legal services, socio-economic assessment, and dispute management | JC, CEO                    | By mid 2008        |
| 16. Developing a monitoring and evaluation strategy, including a framework for country reporting against measurable performance indicators   | JC, Council                | By mid 2008        |
| 18. Carrying out an in-depth analysis of long-term core functions, with a view to full OEB funding   | CEO/Joint Committee        | By mid 2008        |
| 27. Developing NMCS orientation packages for MRCS staff.   | NMCSs and HR section       | By mid 2008        |
| 28. Reviewing MRC staff appraisal system, basing it more on a competency analysis for individual staff, and developing an orientation programme for all supervisors  | CEO/HR Section             | By mid 2008        |
| 30. Formulating formal grievance procedures  | CEO/FAS                    | By mid 2008        |
| 36. Making or updating formal agreements with major regional development initiatives or organisations, clarifying strategic relationships and mechanisms for implementation                                | CEO, strategic partners    | By mid 2008        |
| 37. Formalising a stakeholder (NGO and civil society) consultative process as part of MRC annual meetings  | JC/Council                 | By mid 2008        |
| 38. Formalising collaborative partnerships with research organisations through MOUs or partnership agreements  | CEO                        | By mid 2008        |

**LONGER TERM**

| <b>Action</b>   | <b>Responsibility</b>   | <b>Timing of decision</b> |
|---|-------------------------|---------------------------|
| 11. If Option 1 for deployment of Directors at MRCS: Making the selection process for the Directors by open competition among all government agencies and applying selection criteria that includes experience in the management of international organisations | Joint Committee         | By end 2008               |
| 12. If Option 2 for the deployment of Directors at MRCS: Engaging the Directors, not as Heads of Divisions, but with stronger roles in central management and in acting as representatives of their NMCs  | Joint Committee         | By end 2008               |
| 14. Considering and making decision on adopting the proposed organisational structure   | Joint Committee         | By end 2008               |
| 23. Making decision on full funding of total long-term requirements by member countries by 2014, and revising schedule of contributions   | Council/Joint Committee | By end 2008               |
| 31. Making decision on a permanent location of MRCS   | Joint Committee         | By end 2008               |
| 32. Making decision on moving Navigation Programme to Phnom Penh  | Joint Committee         | By end 2008               |
| 35. Developing a unified salary structure for MRCS that is appropriate for the region   | CEO/Joint Committee     | By end 2008               |

**Annex 1**  
Terms of Reference

## **Mekong River Commission**

### **Independent Organisational, Financial, and Institutional Review of the MRCS and NMCs**

#### **Final Terms of Reference**

#### **Background**

At the MRC's DCG meeting in Chiang Rai on December 1, 2005 donors acknowledged the organisational and strategic challenges that MRC will be facing in the future. Donors offered to support an independent organisational, financial, and institutional review of the MRC Secretariat and the NMCs in order to make MRC better able to meet these challenges. The review would include the organisational capacity, staff structure (including the need for a larger contingent of permanent professional riparian staff), financial transparency, accountability and sustainability, including contributions from member states and donors. Denmark agreed to take the initiative in organising the review in consultation with the donor group and MRC.

At a donor meeting on 9 March 2006 the donors<sup>2</sup> in joint conclusions reconfirmed their *“support to an independent organizational, financial, and institutional review of the MRC Secretariat and NMCs. The review will be implemented by consultants recruited and funded by a group of donors with a primary focus on the organizational and financial performance of the MRC. With a view to the future of the MRC as an international river basin organization, the review will assess and make recommendations on the organizational structure necessary for efficient and sustainable operations and financial transparency, accountability and sustainability, including the contributions of member states and donors. Terms of reference will be submitted to MRC before they are finalized.*

*Donors see the independent review as an opportunity for MRC to receive technical advice regarding the future development of the Commission's institutional set-up and procedures in line with the recommendations set up above. It is expected that further assistance and advice will be required to assist MRC management to: i) implement the findings of the independent review and develop as a more sustainable and efficient organization; and ii) develop MRC core capabilities to provide leadership in strategic planning and management of Mekong basin water resources.”*

#### **Objectives of the review**

To provide advice and recommendations that can be used as a basis for an agreement with MRC on the organisational, institutional and financial management arrangements of the MRCS and NMCs that would ensure efficiency, transparency, sustainability, and accountability, including accommodating requirements on the use of donor funds.

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<sup>2</sup> Australia, Sweden, Germany, the Netherlands, French Development Agency, Denmark, Japan, AsDB, and the World Bank.

## **Output of the review**

A report prepared by independent consultants that includes an assessment and a recommendations part according to the scope of work outlined below.

## **Scope of work**

The review will assess and recommend on the following:

### *1. Financial management of the MRCS and the NMCs.*

- The financial procedures including budget and accounts systems.
- The transparency and accountability in management and decision making on financial procedures including budget and accounts systems.
- The management and use of overheads from member and donor country funds for MRCS core activities or other purposes (11% of donor funds to the MRC) as well as a comparison with overhead levels, including the levy of non-flat rate overhead income, in other international organisations and donor positions in this regard.
- The member and donor country funding modalities and procedures and MRCS' management of the same.
- The use and management of the DSA system and donor and member state views on the same.
- The management of member and donor country funds, including donor funding of separate programmes and activities vs. basket funding.

### *2. Financial sustainability of the secretariat.*

- The prioritisation of activities/programmes/staff and related costs at the MRCS and NMCs in view of MRC's mandate and core business as an international river basin organisation.
- The current and proposed future financial contribution from member countries in order to ensure longer term sustainability.
- Future member and donor country funding scenario and the likelihood of increased/decreased/stagnant member and donor country funding.

### *3. Organisational set-up and management of the MRCS and the NMCs.*

- The current organisational set-up and management of the MRCS and the NMCs, including their leadership, size (sections, programmes, staff), composition, functions and service orientation.
- Strategic partnerships with regional institutions, including how partnerships can be used to supplement the knowledge base, outreach and service orientation of the MRCS and NMCs.
- With a view to MRC's development as a river basin organisation, recommend on the size and composition of an efficient, qualified and service oriented MRCS.

### *4. Capacity and staffing structure of the MRCS and the NMCs.*

- The qualifications and overall competencies of international and riparian staff in the MRCS and the NMCs.
- The adequacy and number of staff and their skills mix in the individual sections, units and programmes of the MRCS and NMCs (how the number of staff and skills match the objectives and tasks of the individual sections, units and programmes).
- Criteria, principles and procedures for appointment and recruitment of all riparian and international staff (government staff and non-government experts) for the MRCS and NMCs, including criteria for skills assessment that complies with international standards of competence.
- The extent to which the MRC staff is directly involved in the preparation of MRC studies, reviews, strategic planning exercises etc.
- The pros and cons of country quota systems for appointment and recruitment of riparian staff.
- Procedures for riparian and international staff performance review, management and staff development at all levels.
- The ability of MRC to attract qualified riparian and international staff.

## 5. *Riparianisation of the MRCS.*

- The challenges related to further riparianisation of the MRCS, including benefits and risks.
- The availability of water and natural resources management skills and competencies - as well as other skills relevant for the MRCS and NMC - in the four member countries.
- The implications of different levels of skills and competencies in the four member countries for an equitable balance of riparian staff and capacities at the MRCS and NMCs.
- The mix between government appointed and independently recruited professional staff from the four countries.

## 6. *Longer term issues.*

- The prioritisation of both the immediate and longer term follow-up action to the review findings and the recommendations (e.g. organizational, capacity building, financial management initiatives).

### **Composition of the review team**

Four independent international and four independent riparian expert team members with expertise and experience in: i) management and administration of international river basin organisations; ii) financial management, iii) human resources development; and iv) the political and cultural dimensions of regional/international cooperation.

Experience from work with MRC and/or in the region is a requirement.

The international experts will be identified by donors, reviewed and agreed to by the Joint Contact Group, and subsequently recruited by the donors. The Team Leader will be identified from among the international experts. The riparian experts will be identified by Member States, reviewed and agreed to by the Joint Contact Group, and subsequently funded by donors.

### **Funding of the review**

The review will be funded by donors.

### **Organisation and Work Method**

The team of consultants will report to a Joint Contact Group consisting of four representatives of MRC member states, four donor representatives, and one representative from the MRC Secretariat. The team of consultants will meet with the Joint Contact Group as necessary, and discuss and receive comments on the draft report in line with the agreed TOR for the Joint Contact Group attached in annex 1.

During the country visits the review team will also meet and discuss directly with the MRCS, NMCs, the JC member from each country and other relevant government departments.



### **Tentative time schedule with milestones**

27 November 2006: Experts mobilized, field visits starts

6 December 2006: Review Team meets with the JCG in Vientiane to discuss mid-point review findings

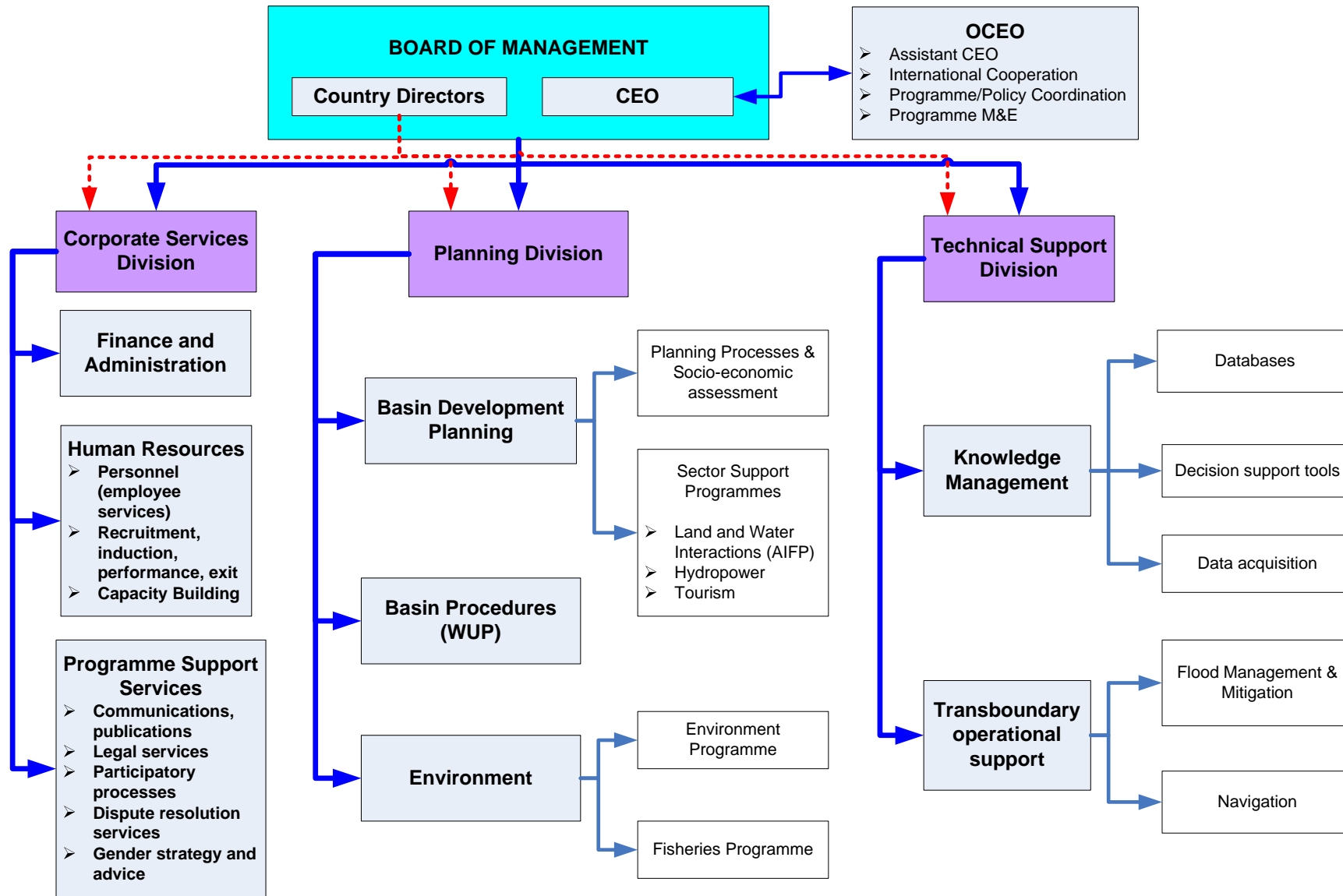
15 December 2006: First draft review findings sent to the JCG for comments

Mid January 2007: Revised draft review findings and recommendations submitted to the JCG and JC for comments.

31 January 2007: Final Report

**Annex 2**  
Proposal for Organisational Chart

# Proposal for Organisational Chart



**Annex 3**  
List of Persons Met

## **List of Persons Interviewed**

### **Cambodia National Mekong Committee/Secretariat**

|               |   |
|---------------|---|
| Sin Niny      | Vice Chairman of CNMC, JC member for Cambodia                                       |
| Hou Taing Eng | Secretary General, CNMC,  |
| Pich Dun      | Deputy Secretary General, CNMC,   |
| So Sophort    | Director, Programme Department, Acting Director of Administration and Finance Dept. |
| Watt Botkosal | Director, Planning Department,  |
| Ou Sophana    | Deputy Director, Administration and Finance   |
| Chheang Hong  | Chief of Office   |
| Houng Sunthan | National WUP Coordinator  |
| Hak Socheat   | National FMMP coordinator   |
| Sok Saing Im  | National Consultant, BDP, CNMC.   |

### **CNMC Member Line Ministries**

|             |   |
|-------------|---|
| Sun Soun    | Director, Ministry of Foreign Affairs and Int'l Cooperation   |
| Koum Sarom  | Director General, Ministry of Agriculture, Forestry & Fishery |
| Sam Nouv    | Deputy Director, Fishery Administration                       |
| Mao Hak     | Director, Min. Water Resources and Meteorology                |
| Ek Ratha    | Ministry of Tourism,  |
| You Ra      | Chief of Office, Min of Public Works and Transport            |
| Heak Pring  | Min. Rural Development  |
| Nong Sareth | Min. Industry, Mine and Energy                                |

### **Lao National Mekong Committee/Secretariat**

|                        |   |
|------------------------|---|
| Khamlouat Sidlakone    | Minister in the Prime Minister's Office, Chairman of LNMC, GMS Minister for Lao PDR |
| Chanthavong Saignasith | Director General; LNMCS   |
| Sourasay Phoumavong    | Deputy Director General   |
| Phetsamone Southalack  | Director of Planning and Cooperation Division                                       |
| Chanseng Phongpachit   | Deputy Director of Planning Division  |
| Khamphay Sosenghet     | Acting Director, Administration and Finance Division                                |
| Khamsoouk Keomixay     | Personnel Officer, Administration and Finance Division                              |

### **Lao PDR Line Ministries**

|                        |   |
|------------------------|---|
| Bounphet Phommachanh   | Deputy Director, Waterways Administration Division, Ministry of Communication,                    |
| Thanousay Ounthouang   | Deputy Director General Ministry of Agriculture and Forestry                                      |
| Somnuk Chanhaseth      | Director of Planning and Cooperation Division, Ministry of Agriculture and Forestry               |
| Houmphone Bulyaphol    | Director General, Department of Electricity, Ministry of Energy and Mines                         |
| Thongkhoun Sengphachan | Director of IGOs Division, Department of International Organisations, Ministry of Foreign Affairs |

### **Thailand National Mekong Committee/ Secretariat**

|                       |   |
|-----------------------|---|
| Siripong Hungspreug   | Director-General, Dept. of Water Resources,<br>Secretary General for TNMC Secretariat |
| Sam Kemprasit         | Chief Engineer, Dept. of Water Resources  |
| Anussorn Bunyaratapan | Director of Bureau of International Cooperation,<br>Dept. of Water Resources          |
| Chaiyuth Sukhsri      | Head of Dept., Water Resources Engineering,<br>Chulalongkorn University               |
| Mohar Singh Monga     | Senior Adviser to TNMCS   |
| Pakawan Chufamanee    | Director, Mekong Affairs Division, Dept. of Water Resources                           |
| Nirat Phuripinyo      | WUP Coordinator   |
| Satit Sueprasertsuk   | AIFP Coordinator  |
| Burachat Buasuwan     | FMMP Coordinator  |
| Suchart Sirijungsakul | Civil Engineer  |
| Kobkul Ngamboriruk    | Senior Policy and Plan Analyst  |
| Ruamporn Ngamboriruk  | Senior Policy and Plan Analyst  |
| Santi Sanglestsawai   | Civil Engineer  |
| Dr. Wijarn Simachaya  | Pollution Control Dept.   |

### **Viet Nam National Mekong Committee Secretariat**

|                     |                           |
|---------------------|---------------------------|
| Nguyen Hong Toan    | Secretary General,        |
| Nguyen Nhan Quang   | Deputy Secretary General, |
| Do Manh Hung        | Chief Unit,               |
| Tran Duc Cuong      | Chief Unit,               |
| Nguyen Thi Thu Linh | Programme officer.        |

### **Viet Nam Line Ministries**

|                        |  |
|------------------------|--|
| Hoang Viet Khang       | Deputy Director General, Department of International Economic Relations, Ministry of Planning and Investment:  |
| Nguyen Xuan Ang        | Counsellor, Department of International Organizations, Ministry of Foreign Affairs:  |
| Le Hung Nam            | Chief of Water Environment Planning Division, Ministry of Agriculture and Rural Development (MARD)   |
| Nguyen Van Toan        | Deputy Team Leader, Institute of Water Resources Planning, MARD  |
| Le Duc Nam             | Deputy Director General, Department of Water Resources, MARD   |
| Le Nguyen Tuong        | Chief of Science Education and International Cooperation Department, Institute of Hydro-Meteorology, Ministry of Natural Resources and Environment (MONRE) |
| Tran Mai Kien          | Programme Officer, MONRE   |
| Hoang Minh Tuyen       | Hydrologist, MONRE   |
| Nguyen Thi Thanh Huong | Meteorologist, MONRE   |
| Nguyen Chi Cong        | Head of Division of Water Resources Conservation, Department of Water Resources Management, Ministry of National Resources and Environment:                |

## **Donors**

|                     |   |
|---------------------|---|
| Ian Porter          | Country Director (Cambodia, Lao PDR, Malaysia, Myanmar, Thailand), World Bank, Bangkok    |
| Guy Alaerts         | Principal Water Resources Specialist, World Bank  |
| Toru Konishi        | WUP World Bank Task Team Leader   |
| Daniel Haas         | First Secretary, Development Cooperation (Cambodia, Laos, MRC) German Embassy, Phnom Penh |
| Peter Hansen        | Ambassador of Denmark, Hanoi  |
| Dorte Chortsen      | Counsellor, Danish Embassy, Hanoi   |
| Susanne Frederiksen | Counsellor, Danish Embassy, Hanoi   |
| Armand Evers        | First Secretary, Embassy of Netherlands, Hanoi  |
| Jean-Claude Pires   | Chargé de Mission, Agence Francaise de Developpement, Vientiane                           |
| Namoru Shinohara    | Minister-Counsellor, Embassy of Japan, Vientiane  |
| Nomi Tomohito       | First Secretary, Embassy of Japan, Vientiane  |
| Michael Hassett     | First Secretary, Embassy of Australia   |

## **Other Stakeholders**

|                    |  |
|--------------------|--|
| John Dore          | Coordinator, Asia Regional Water and Wetlands Program, IUCN, Bangkok                   |
| Kate Lazarus       | Senior Program Officer, IUCN, Vientiane  |
| Peter-John Meynell | Team Leader, Mekong Biodiversity Conservation and Sustainable Use Programme, UNDP/IUCN |
| Tue Kell Nielsen   | Former BDP Consultant, Phnom Penh  |
| Ann Lund           | UN Coordination Specialist, Phnom Penh   |
| Thanongdeth I.     | Asian Disaster Prevention Center, Phnom Penh   |
| Tes Sopharith      | Dept. of Hydrology and River Works, Phnom Penh   |
| Muanpong Juntopas  | Stockholm Environment Institute, Bangkok   |
| Le Hui Ti          | Environment and Sustainable Development Division, UNESCAP                              |

## **MRC Staff/Consultants**

|                       |   |
|-----------------------|---|
| Olivier Cogels        | Chief Executive Officer, MRCS                                     |
| Navuth Te             | Assistant CEO, Director, Technical Support Division               |
| Dao Trong Tu          | Director, Operation Division                                      |
| Boriboun Sanasisane   | Director, Planning Division                                       |
| Hans Guttman          | Acting Director, Environment Division                             |
| Christoph Mor         | Technical Coordination Advisor, Office of CEO                     |
| Micheal Walters       | Senior Environment Specialist, Office of CEO                      |
| Sasithorn Kanthiya    | Personal Assistant to CEO   |
| Wolfgang Schiefer     | Chief, International Cooperation and Communication Section (ICCS) |
| Silipong Sisawath     | Programme Officer, ICCS   |
| Manivanh Phanouvong   | Programme Officer, ICCS   |
| Berengere Prince      | Technical Adviser, ICCS   |
| Marie-Perrine Miossec | JPO, ICCS   |
| Virgina Addison       | Communication Officer, ICCS                                       |

|                         |  |
|-------------------------|--|
| Dirk Overweg            | Chief, Finance and Administration Section      |
| Thanh Holmes-Nguyen     | Financial Analyst –Acting Finance Officer      |
| Hanh Nguyen             | Previous Finance Officer                       |
| Latdara Sengmany        | Senior Finance Assistant                       |
| Mai Nguyen Thuy         | Personnel Officer, FAS                         |
| Inthaneth Norasingh     | HRD Officer                                    |
| Sengamphone Chithalath  | Gender Technical associate                     |
| Charlotte MacAlister,   | Aquatic Ecosystems Specialist, Env. Division   |
| Worawan Sukrakoek       | Activity Coordinator, Env.Division             |
| Kim Geheb,              | Research Coordinator, MRCS Challenge Programme |
| Christoph Feldkotter    | GTZ Watershed Programme                        |
| John Forsius            | Senior Modelling Advisor, TSD                  |
| Fongsamuth              | Programme Officer, Agriculture and Irrigation  |
| Juha Sarkkula           | WUP-FIN, Team Leader                           |
| Jorma Koponen           | WUP-FIN, Deputy Team Leader                    |
| Marko Keskinen          | WUP-FIN, Team member                           |
| Lieven Geerinck         | Chief Technical Advisor, Navigation Programme  |
| Tuan Vu                 | Team Leader, Basin Development Plan            |
| Nouanedeng Rajvong      | Development Planner, BDP                       |
| Mak Solieng             | Resources Planner, Basin Development Plan      |
| Choomjet Karnjanakesorn | Team Leader, WUP                               |
| John Metzger            | Management Advisor, WUP                        |
| Binh                    | Head of WG 1, WUP                              |
| Somsanith               | Head of WG 2, WUP                              |
| Koun Komar              | Head of WG 3, WUP                              |
| Venephet Keopaphanh     | Finance Assistant, WUP                         |
| Diem                    | IKMP Coordinator, TSD                          |
| Wisa                    | GIS specialist, TSD                            |
| Chris Barlow            | Programme Manager, Fisheries Programme         |
| Suchart Inthamjitr      | Programme Officer, Fisheries                   |
| Mai Phuong Pham         | Junior Programme Officer, Fisheries            |
| Seng Mohet              | Programme Officer, Fisheries                   |

### **MRC Regional Flood Management and Mitigation Center, Phnom Penh**

|                    |  |
|--------------------|--|
| Truong Hong Tien   | FMMP Programme Coordinator                   |
| Nicolas Bakker     | Chief Technical Advisor, FMMP                |
| Ung Sreng Kong     | Chief, Finance and Administration Unit, FMMP |
| Perapol Begkhuntod | Meteorologist, FMMP                          |



**Annex 4**  
List of Documents Consulted

### **List of Documents Consulted**

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