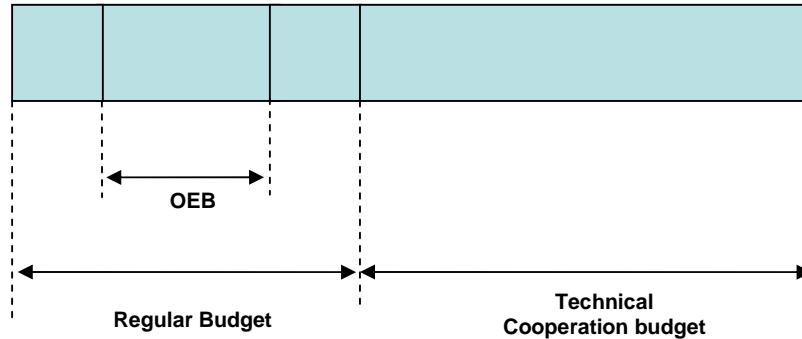


MRC CASH INCOME AND EXPENDITURES 2006

I. MRC Cash Income in 2006

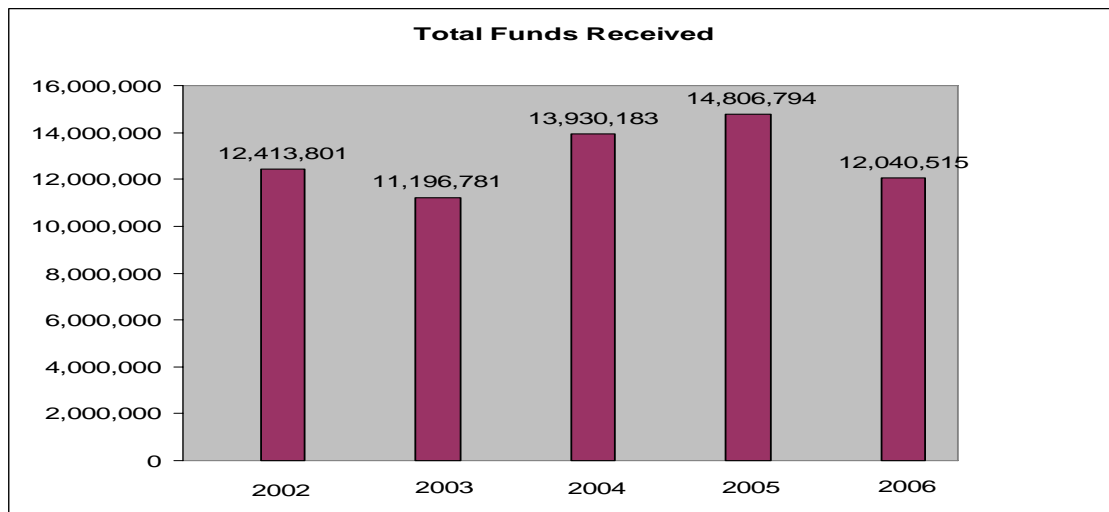
1. This note describes the details of the Income and Expenditures¹ for the year 2006 of the Regular Budget and the Technical Cooperation Budget. Details of the budget structure are explained in attachment 1 to this briefing note and set out in the figure below.



MRC Regular Budget and Technical Cooperation Budget

2. MRC is funded by the Member States and by the Development Partners' Community. The funds received contribute to the Technical Cooperation Budget and to the Regular Budget. The figures for 2006 presented in this briefing note are based on the audit reports of the 2006 accounts which have been shared with the Development Partners and which are available through MRC's website.

3. Development Partners contributed 90.2% of the cash income in 2006 and the Member States 9.6%². Cash income decreased with around 19% compared to 2005.



Cash income received by MRC since 2002³

4. Not included in these figures is the in kind support the MRC has received from its Member States and Development Partners for the Regular and Technical Cooperation budgets:

¹ MRC uses a modified cash accounting basis. Income is recognized when received rather than earned. Expenditures are recognized when paid rather than incurred.

² 0.2% is income from interest and miscellaneous activities such as the sale of publications.

³ Calculated as contributions from Development Partners/Member States plus income from interest and miscellaneous on OEB.

- In kind contribution to the programmes (staff, office space)
- Support from NMC's towards the Programmes and Secretariat (coordination role, recruitment, administrative and logistical support, ...)
- Headquarters building and furniture
- Tax exemption on income tax, various import and export duties
- Interest free loan to support relocation costs
- Staff seconded by Development Partners and activities carried out by associated projects

5. The Member States have committed themselves to increase their contribution to the Regular Budget up to US\$ 2,150,048 by the year 2014:

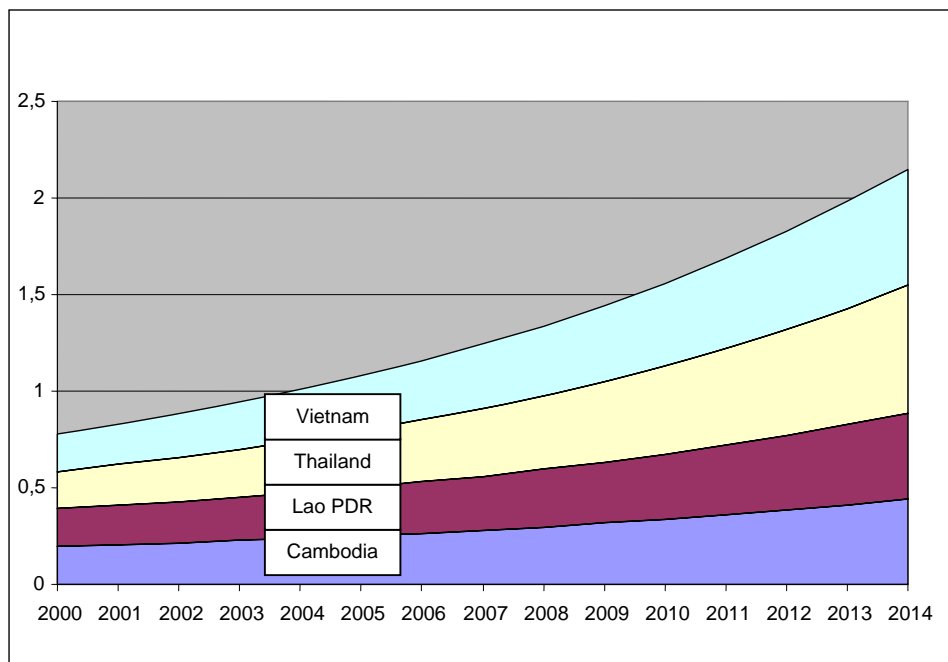
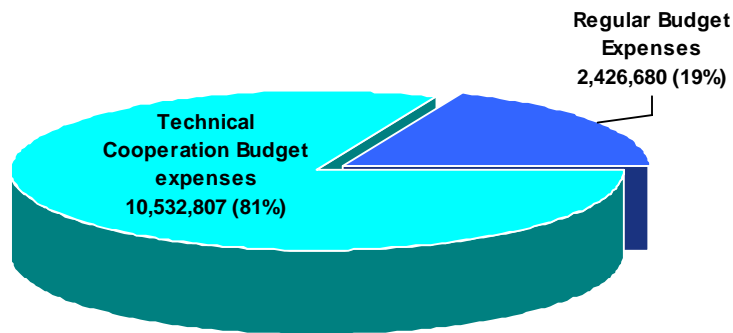


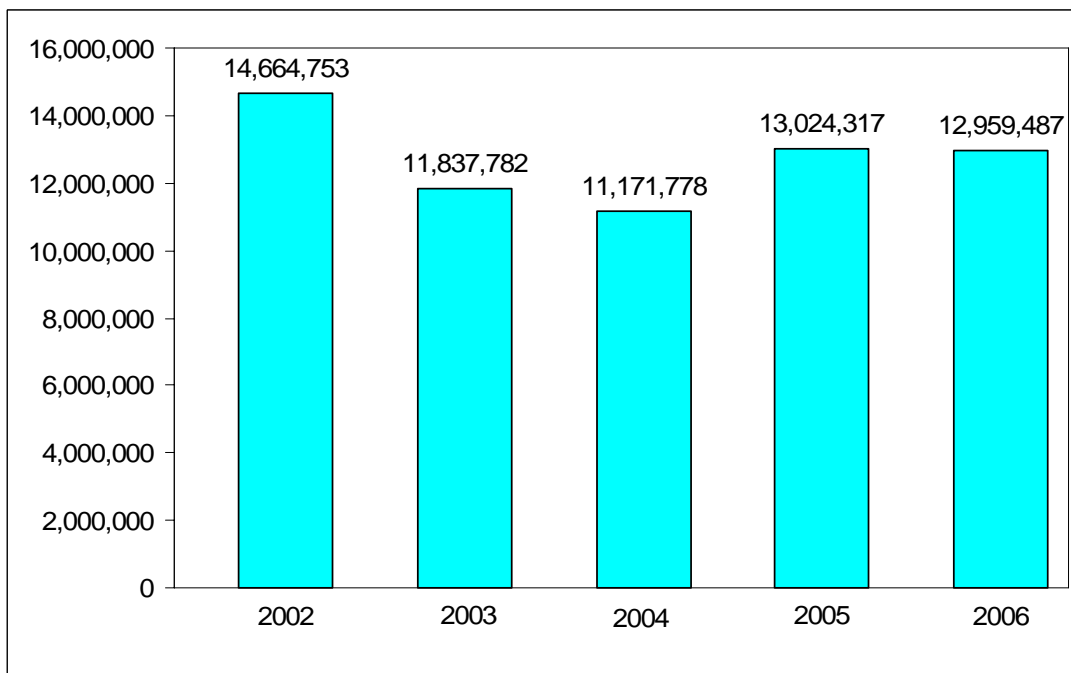
Figure 2: Contribution Member States

II. MRC Cash Expenditures in 2006

6. MRC cash expenditures amounted in 2006 to US\$ 12,959,487⁴ composed of US\$ 10,532,807 Technical Cooperation Budget expenditures (81%) and US\$ 2,426,680 Regular Budget expenditures (19%). This level of expenditures is similar to the level of 2005 but with a slightly higher portion of TCB expenses.



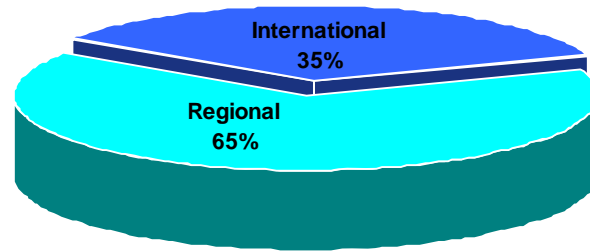
MRC Cash Expenditures



MRC Cash Expenditures since 2002

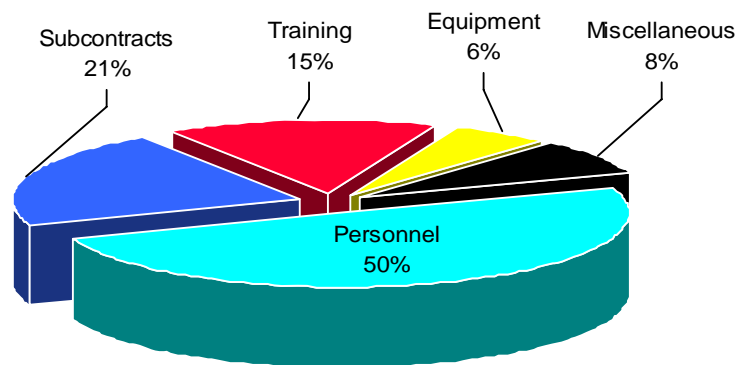
⁴ Including exchange gain/loss of US\$ 4,529

7. An estimated 65% of all expenditures was spent within the region and 35% of the expenditures took place outside the four Member States. Naturally, the benefits and results of these expenditures in terms of MRC work accrue in the Lower Mekong Basin.



Distribution of Cash Expenditures

8. The Technical Cooperation cash expenditures are 100% funded by Donors and are mainly used for Personnel, Subcontracting and Training activities:

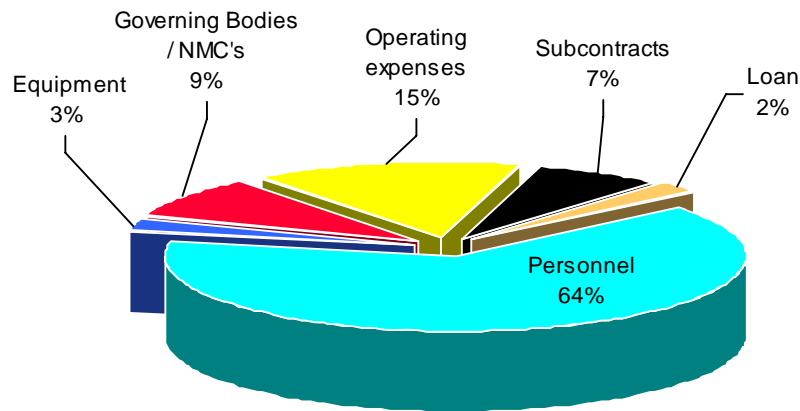


Technical Cooperation Budget: Cash Expenditures

9. The Regular Budget finances the services and core functions that the Secretariat provides to its Governing Bodies and to its Programmes. In 2006 the Secretariat provided:

- Support to regional and international cooperation with the governing bodies of MRC, the donors, dialogue partners, stakeholders and all other external parties
- Management and technical services
- A whole range of project tasks that are executed by the sections Finance and Administration and Human Resources Development:
 - o Most financial and accounting activities (processing of payments, accounting, internal control activities, cash management ...)
 - o Most of the procurement and contract activities
 - o A whole range of administrative and logistical services (visa, custom formalities, office space arrangement, inventory control, vehicle management, travel services, ...)
 - o IT services (PC and software support, intranet services, telecommunications services, ...)
 - o All personnel services (recruitment, selection, contracting, ...)

The Regular Budget is funded in cash by both the Member States (54%) and the Donors (46%). The funds are in majority used on Personnel costs:

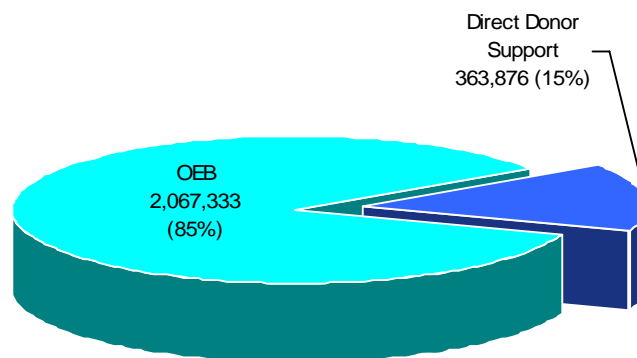


The Regular Budget: Cash Expenditures

10. In 2006 the Regular Budget was managed through the:

- Operating Expense Budget (OEB) supported by the Member States / Development Partners and funded in three ways:
 - Member States contribution to the OEB: US\$ 1,157,253
 - Revenues from Management and Administration Fee levied as percentage on the Technical Cooperation expenditures and spent through the OEB: US\$ 873,552 in 2006
 - Direct support to the OEB by Development Partners: US\$ 106,935 in 2006
- Total OEB expenses 2006 amounted to US\$ 2,067,333.

- Direct Support from the Development Partners for targeted expenses: US\$ 363,876 in 2006



Regular Budget Expenditures in 2006

11. The Direct Support from Development Partners for targeted expenses was used in 2006 mainly to support:

- Two international staff positions: Chief ICCS and Technical Coordination Advisor.
- The strategic planning process

III. Operating Expense Budget (OEB) in 2006

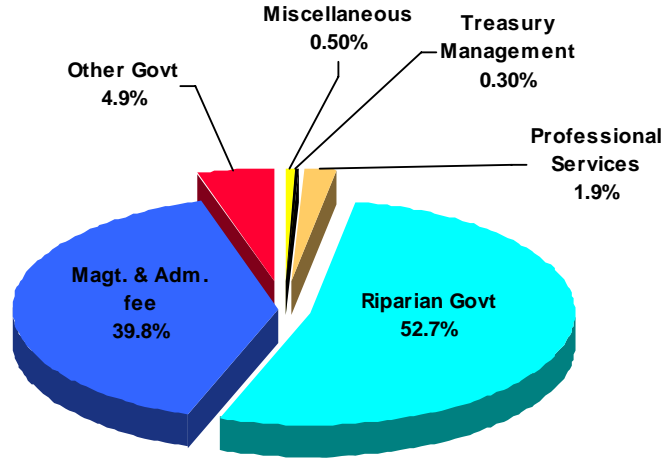
12. The remainder of the Regular Budget was funded through OEB. OEB Income in 2006 amounted to US\$ 2,196,672 and expenditures to US\$ 2,067,333 leading to an operating surplus of US\$ 133,868. The details are given in the table below:

	2006	2005	2006 vs 2005
Income			
Contributions			
Contributions – riparian governments	1,157,253	1,078,332	+ 7%
Contributions – other governments	106,935	50,000	+ 114%
	1,264,188	1,128,332	+ 12%
Revenue			
Professional revenue	41,402	0	
Interest	7,207	13,883	- 48%
MRC services (Management and Administration costs)	873,552	873,721	0%
Miscellaneous revenue	10,323	11,875	- 13%
	932,484	899,479	+ 4%
Total Income	2,196,672	2,027,811	+ 8%
Expenditure			
Salaries and fees	745,110	671,086	+ 11%
Common staff costs	412,726	402,500	+ 3%
Official travel	19,668	22,047	- 11%
Contractual services	157,942	81,484	+ 94%
General operating expenses	276,556	180,726	+ 53%
Supplies	27,879	27,571	+ 1%
Furniture and equipment	66,022	70,290	- 6%
MRC meeting expenses	168,548	146,489	+ 15%
Support to the Water Utilisation Programme	147,978	167,198	- 11%
Support to National Mekong Committees	44,901	54,614	- 18%
Total Expenditures	2,067,333	1,884,005	+ 10%
Foreign exchange (loss)/gain	-4,529	3,290	
Operating Surplus	133,868	140,516	- 5%

End of 2006 the cumulative surplus on the operating expense budget (Administrative Reserve Fund) amounted to US\$ 467,931.

a. Income OEB 2006

13. The different sources of Income to OEB are:

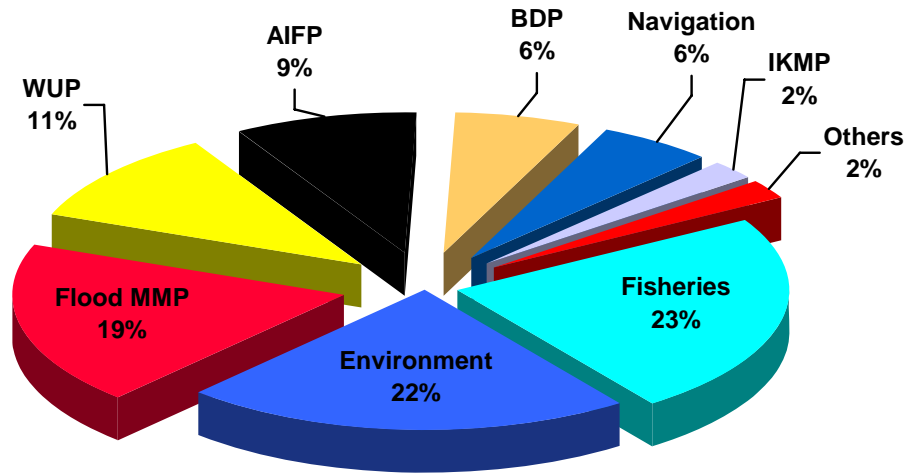


Income OEB 2006

14. The total income amounted to US\$ 2,196,672 with more than half of the income (52.7%) received from the Member States.

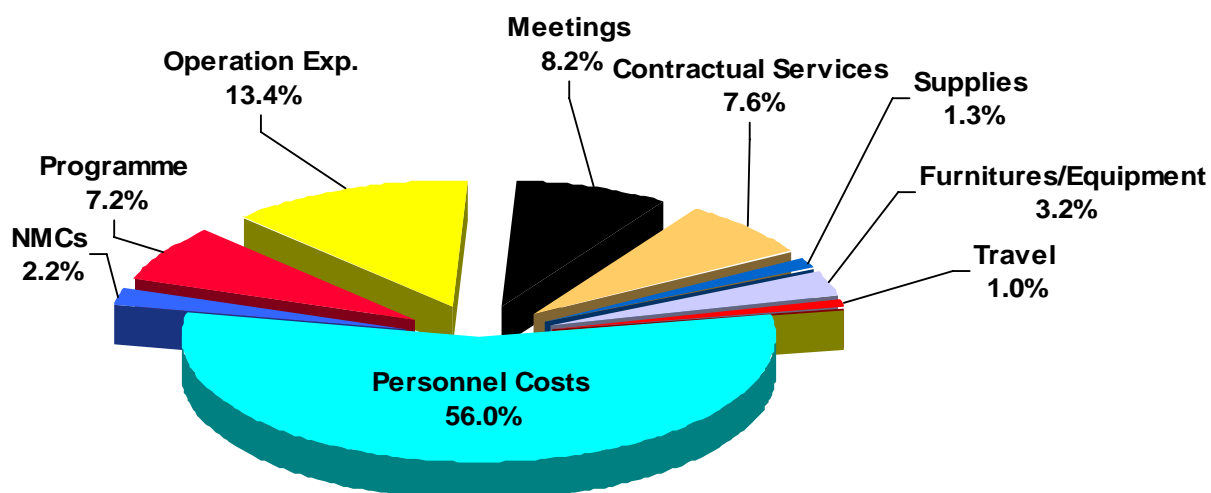
15. The Management and Administration fee levied on the programme expenses amounted to 39.8 % of the income. The direct support from the Development Partners to the OEB (Contribution other Governments) accounted for 4.9%.

16. The Programmes have contributed as follows:



Programmes' contribution to Management & Administration Fee

b. Expenditures OEB 2006



Expenditures OEB 2006

17. *Personnel costs.* The main expenses are related to personnel costs (“Salaries and fees” and “Common staff costs”), these account for 56% of the total expenditures. The personnel costs contain the salaries, allowances, recruitment costs, provident fund contributions, insurance costs, training costs and other related costs charged to the OEB. In addition, around 7% of the OEB was used to pay for 75% of the salaries of the Management and Administration team of the Water Utilization Programme.

The following staff members were charged to OEB in 2006:

2 International staff

CEO
Chief FAS

13 Riparian Professional Staff

4 Division Directors
1 Librarian (TSD)
4 Administrative Staff (Procurement, Personnel, MIS and Finance Officer)
1 Programme Officer OCEO
2 programme officers ICCS
1 HRD Programme Officer

42 General Support Staff

The majority of the General Support Staff contains mainly FAS and ICCS staff as well as division secretaries.

75 % of the costs related to 4 WUP Riparian professionals and 1 accountant.

18. *Official Travel.* This budget series is mostly used for official mission costs of the CEO and senior staff or other travel costs outside the scope of the programmes (official visits to other countries, fundraising activities etc).

19. *Contractual Services* The following services were incurred:
- Printing costs: for general documents related to MRC (work programme, name cards staff, administrative manuals etc.)
 - EDP system Development: mainly the costs for the maintenance contract for the Secretariat's financial software (Solomon)
 - External Audit costs: all audit costs for the MRC accounts excluding the audit costs for projects with specific audit requirements (Challenge programme, WUP)
 - Security guards: all costs related to the security of the compound
 - Miscellaneous contractual services: this encompasses costs like pest control of the building, maintenance services
 - Reimbursement of the relocation loan: a second instalment of US\$ 60,000 (10%) has been repaid in 2006.
20. *General Operating Expenses*. This category contains the following expenses:
- All utilities costs (water, electricity, towels,) (a)
 - Fuel and maintenance of all MRC vehicles (b)
 - Maintenance costs of the building (air conditioners, elevators, cleaning materials, lamps, necessary repairs in the building, painting) (a)
 - Telephone costs (b)
 - Courier costs (b)
 - Bank costs (b)
 - Non-personnel Insurance costs (a)
 - Internet costs (a)
 - Storage costs (carton boxes) (a)
 - Hospitality costs, new years gifts etc. (a)

(a): All costs are charged to OEB

(b): Direct costs are charged to the Programmes. The indirect costs and the direct costs of Programmes with no funding are charged to OEB.

The repair costs (around US 108,000) for the storm damage to the Secretariat's building were covered under General Operating Expenses.

21. *Supplies*. This item contains all supplies for the OCEO, Sections and Programmes without funding, subscription of newspapers and news magazines etc.

22. *Furniture and Equipment*. All purchases for the sections ICCS, FAS, OCEO (shelves, furniture, EDP equipment and software etc.)

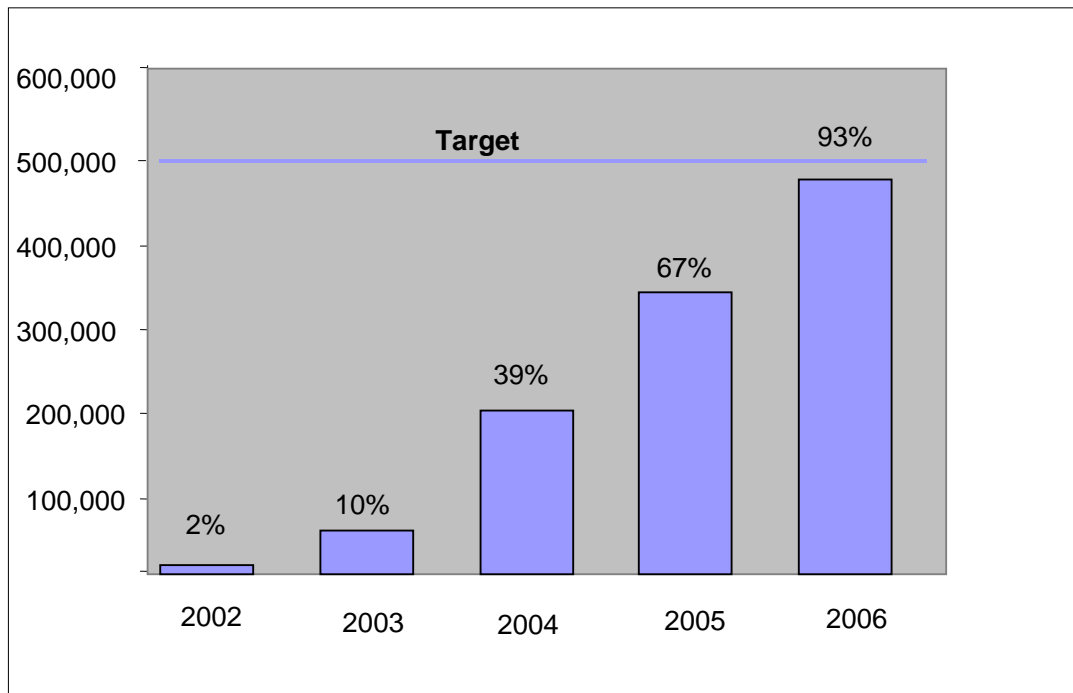
23. *MRC Meeting Expenses*. All costs related to the organization of the meetings of the MRC governing bodies (Joint Committee, Council), Dialogue meetings, Donor Meetings, MRCS-JC consultation meetings.

24. *Support to NMC's*. The Secretariat provides a yearly support towards the operational expenses of the National Mekong Committees (a budget of US\$ 15,000 per year per NMC)

IV. Administrative Reserve Fund

25. The accumulated surplus on OEB at the end of 2006 amounted to US\$ 467,931. This reserve is called Administrative Reserve Fund (ARF). The Secretariat targets at an ARF size of around US\$ 500,000 which provides the Secretariat with a safety margin of around three months of OEB expenditures.

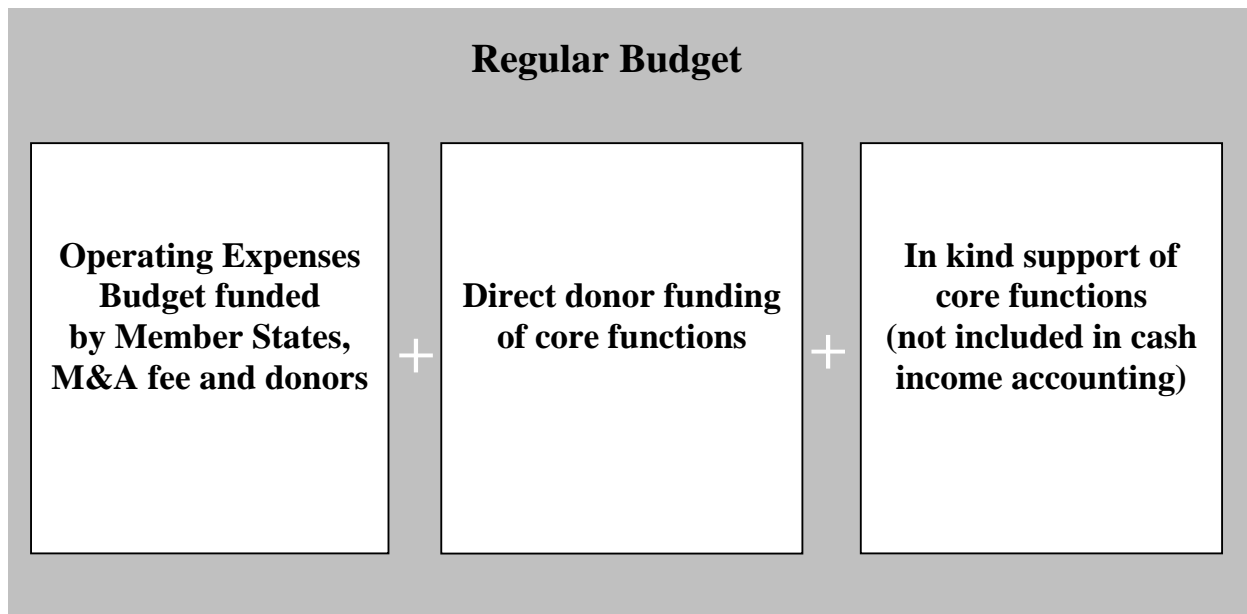
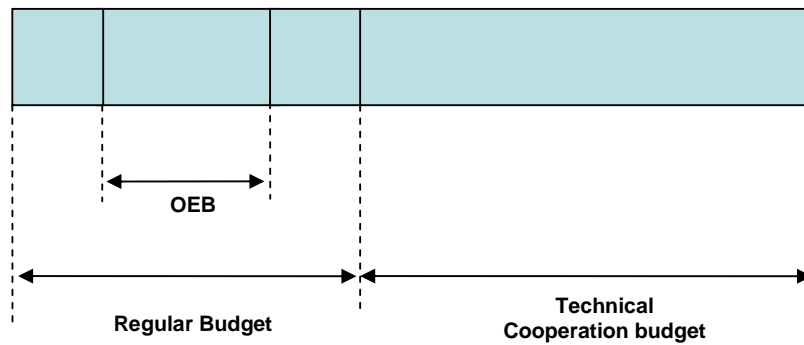
Year	Annual Surplus	Accumulated Surplus
2002	10,453	10,453
2003	41,398	51,851
2004	141,698	193,549
2005	140,514	334,063
2006	133,868	467,931



Administrative Reserve Fund

MRC REGULAR BUDGET AND TECHNICAL COOPERATION BUDGET

1. The *Regular Budget* finances the services and core functions that the Secretariat provides to its Governing bodies and its programmes. The Operating Expense Budget (OEB) is a part of the Regular Budget. The OEB does not include Regular Staff positions supported by donors (e.g. Chief of International Cooperation and Communication).
2. The *Technical Cooperation Budget* covers all programme activities in which MRC plays an execution or co-execution role.



CASH INCOME CONTRIBUTION

The following table contains the cash contributions from the Development Partners and Member States to MRC in 2006. It does not include the programme support which is not financially managed by MRC.

<i>Cash Contribution from</i>	2006	(%)
Denmark	2,246,528	18.7
The Netherlands	1,863,410	15.5
Sweden	1,582,620	13.2
Belgium	1,337,780	11.1
GEF/World Bank	1,335,847	11.1
Finland	497,303	4.1
Others	469,852	3.9
France	390,352	3.2
USAID	385,148	3.2
Japan	332,292	2.8
GTZ	219,005	1.8
Australia	205,593	1.7
Subtotal Development Partners	10,865,732	90.4
Member States	1,157,253	9.6
TOTAL	12,022,985	100
<i>OEB Other Income</i>		
Interest	7,207	
Miscellaneous	10,323	
TOTAL INCOME	12,040,415	