

**AID EFFECTIVENESS FOR THE MEKONG RIVER
COMMISSION: IMPROVING HARMONISATION AND
ALIGNMENT**

Inception Report (Final)

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Oxford
Policy
Management

November 2008

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Abbreviations

BDP	Basin Development Plan
ICCS	International Cooperation and Communication Section
JCG	Joint Contact Group
MRC	Mekong River Commission
MRCS	Mekong River Commission Secretariat
NMC	National Mekong Committee
OEB	Operating Expenses Budget
OPM	Oxford Policy Management
USD	US Dollars

1 Introduction

The main objective of this consultancy is to come up with practical recommendations to implement theme 2 and 3 of the Paris Declaration on alignment and harmonisation. This will contribute to improved aid effectiveness to the MRC. It is noted that:

“While the Roadmap for MRC Donor Harmonisation and Coordination and the organisational review process tend to focus on changes that need to occur at the MRC, it was acknowledged that alignment and harmonisation also require Development Partners’ engagement.¹”

This “Development Partners perspective” is the focus of this consultancy, in a context where MRC has developed finance and administration systems that are robust and progress is underway to develop other key systems such as for Results-based Monitoring and Evaluation.

The specific objectives of the consultancy are defined in the Terms of Reference as:

(i) To analyze and define MRC Development Partners interest, involvement and commitment to alignment and harmonisation at the MRC and define different groupings of Development Partners according to their approach toward the process. The consultancy will provide recommendations on how to relate to the different categories of Development Partners and on how to keep all groups involved in the process.

(ii) To further define modalities for joint programme level support in terms acceptable by most Development Partners.

(iii) To further define the Overall MRC Work Programme Support and prepare for its future implementation, with the understanding that, for several Development Partners, relevant changes at MRC would be a pre-requisite.

This Inception Report is based on a review of documentation and an initial visit to the MRCS in Vientiane from November 11-15th 2008. The purpose of the Inception Report is to provide an agreed work plan and process for carrying out the consultancy and to provide information to stakeholders about this and the issues that the consultancy will examine. Section 2 of this report provides an initial summary of the key issues for improving harmonisation and alignment for aid to the MRC, and a preliminary review of options for more aligned aid instruments. Section 3 sets out the proposed work plan. Section 4 provides information the issues and form of questionnaire that will be set to Development Partners as the first part of the process of collecting information on options and processes for moving towards the use of more aligned aid instruments. Section 5 sets out a proposed questionnaire to go to National Mekong Committees. Section 6 provides a proposed outline for the main report. The full terms of reference for the consultancy are set out in Annex A.

¹ Matter for Consideration: Development Partner Harmonisation, Agenda L.2, Fifteenth Meeting of MRC Council and Thirteenth DCG Meeting, 7-8th November 2008.

2 Key Issues for Harmonisation and Alignment in the MRC

2.1 Concepts of harmonisation and alignment in the context of the MRC

Approaches to aid effectiveness have generally distinguished two distinct concepts of “alignment” for international aid. The first (“alignment 1”) is alignment of aid on the strategy and objectives of the aid-receiving organisation. The second (“alignment 2”) refers to the use of the systems of the aid-receiving organisation for aid management, and the avoidance of parallel systems specific to the requirements of donors.

Improving alignment 1 involves ensuring a better matching of resources to priorities (improving the relevance and effectiveness of aid). Improving alignment 2 fundamentally has the objective of reducing transactions costs (improving the efficiency with which aid is used) through the elimination of parallel systems. However, alignment 2 may also contribute to the strengthening of an organisation’s systems (for instance by reducing the diversion of skilled staff time towards interaction with donors rather than fulfilling the core functions of the organisation) and hence improve the overall effectiveness of the organisation receiving aid.

It is important to note that successful alignment in both of these senses should be sufficient to bring about “harmonisation” in the sense of effective coordination between the actions of aid donors. International experience tends to suggest that successful alignment depends on a strong lead and commitment from the aid-receiving country or organisation. Donor-led efforts at achieving harmonisation can be seen as a second-best to this model.

For this reason, it is proposed that the focus of efforts for the MRC should be on moving towards the use of “more aligned” modes of aid provision in the sense both of ensuring that aid helps to further MRC’s agreed objectives and priorities, and that aid is managed in as simple and unified a way as possible through MRC’s systems.

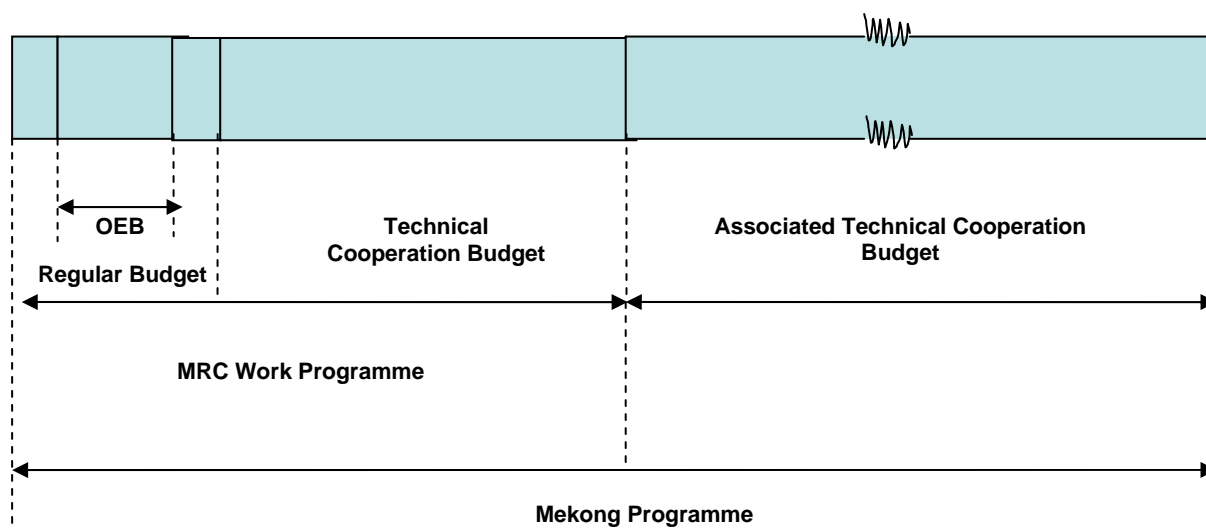
Harmonisation and alignment should not be seen as ends in themselves, but as part of a process of improving organisational effectiveness. In designing and implementing a strategy for harmonisation and alignment, it is important for there to be a clear and shared understanding of the specific problems that this strategy is supposed to solve, both in terms of their nature and their severity. This consideration applies particularly to strategies focused on alignment 2. It is clearly necessary for aid effectiveness that alignment 1 is achieved (that aid is focused on agreed priorities). However, the process of strengthening and unifying systems for aid management can be a complicated and time-consuming one and may in itself lead to a diversion of resources away from the core functions of an organisation. “Premature alignment” on systems that are not in fact sufficiently robust can lead to delays and difficulties in disbursement. The scope for achieving alignment 2 can also be constrained by the policies and practices of particular donors that may be beyond the influence of the aid-receiving organisation. In general, therefore, a strategy to achieve alignment 2 needs to be based on a clear analysis and understanding of the types and scale of benefit that can be achieved, to be balanced against the costs of implementing the alignment strategy.

In the context of the wider international debate on aid effectiveness, several features of the specific context of the MRC can be highlighted. First, the MRC is an intergovernmental organisation and so conclusions about approaches to the management of aid that are derived from national government experience cannot be directly transferred, while there may

be a relevant body of experience in aid management by similar intergovernmental organisations that could be reviewed. Second, MRC is extremely highly dependent on aid with its programmes largely aid-funded and with a distinctive pattern of support and financing as shown in Figure 2.1. The Operating Expenses Budget (OEB) is funded by the Member States, Revenues from the Management and Administration Fee, and Direct Donor Support. The Regular Budget also includes direct donor funding of core functions and in-kind support. The Technical Cooperation Budget covers the MRC’s programmes, while the MRC’s activities can be seen as part of the wider Mekong Partnership Programme which as stated in Attachment 1 to the Terms of Reference (Annex A below) “can serve as an umbrella under which Member States and Development Partners will be able to continue their investments in the water sector with a common strategy and ... more coordinated manner.”

There is a standing agreement that the Member Countries’ contributions would continue to increase by 10% every year until 2014 with the aim to ensure that OEB is fully funded by Member States by 2014. The MRC is also considering a prioritizing of river basin management functions in the longer term.

Figure 2.1 MRC and Mekong Programme Budget Structure



Source: Note For Information: Funding Needs Prioritization, Twenty-eighth Meeting of the MRC Joint Committee, August 2008.

Table 2.1 shows the breakdown of MRC expenses in 2007 (excluding non-cash support).

Table 2.1 MRC Budget Expenses Structure 2007 (USD)

Regular Budget Expenses	2,810,130	
<i>Direct Donor funding of core functions</i>		880,154
Operating Expenses Budget	2,248,591	
<i>Member States</i>		1,244,067
<i>Revenues from MAF</i>		1,004,524
<i>Direct Donor Support to OEB</i>		0
Technical Cooperation Budget Expenses	11,415,273	

The current types of donor support received by the MRC can be classified as follows:²

- Funding of well-defined actions which fall within MRC programme components
- Financial contribution to a specific MRC programme as a whole
- Financial contribution to the MRC Water Management Trust Fund
- Financial contribution to specific staff positions
- Secondment of staff
- Provision of synergetic services through MRC cooperation projects with partners
- Funding of the Operational Expenses Budget.

Member states contribute through in-kind inputs in programmes and through Member State contributions.

The initial review of information and discussions suggests the following possible problems associated with current modes of aid provision:

- There is a need for separate (financial and non-financial) reporting within Programmes to meet the differing requirements of donors (and of the MRC itself) which creates an additional call on staff time and other resources. This burden appears to fall more on the Programmes and on ICCS in its review role than on MRC's finance and administration function (with the exception of the use of GEF funding which required an additional dedicated finance staff member).
- MRC also has to deal with differing procurement requirements which can be burdensome in some cases.
- Funding arrangements can be inflexible making it difficult to respond to changing priorities.
- Until an effective Results-Based Monitoring and Evaluation System is established, the options for more joint programme or MRC-wide programme support will be constrained.
- Donor funding arrangements may tend to reinforce problems associated with MRC's Programme-based structure. This structure is argued by some to contribute to duplication and gaps in coverage of functions and may militate against effective cross-Programme cooperation.
- Joint Financing arrangements may have advantages in terms of simplifying reporting and allowing more flexibility for the use of funds within Programmes. However, other forms of inflexibility may also be introduced compared to the alternative of multiple donor projects if unanimity among donors is required to make changes.
- Separate donor funding of activities (compared to joint funding arrangements) is also seen by some as potentially allowing protection of certain functions and ensuring quality control since it is easier for donors to act as champions in areas in which they have direct funding interests compared to a situation where discussions and engagement occur only at the level of the MRC's work programme as a whole.

² *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

2.2 Progress to date

Significant progress has been made in development of MRC's strategy and systems and in the setting out of the MRC Aid Effectiveness Roadmap. This includes:

- The articulation of a Strategic Plan (2006-2010) and of Annual Work Programmes (that provide a basis for alignment on strategies and priorities).
- The preparation of Administrative and Financial Manuals setting out key systems and evidence from the Organisational Review and audits that MRC's administration and finance systems are robust.
- An initiative to establish a Results-Based Monitoring and Evaluation System.
- The development of a Standard Financing Agreement

MRC also has a well-structured process of development partner engagement with MRC.

The Organisational Review developed recommendations to improve organisational effectiveness that are in the process of being implemented.

The Roadmap sets out a timetable (Figure 2.2) for implementation of key actions, as well as targets in terms of increasing the proportion of joint progress reporting for Programmes to 80% by 2010, and the proportion of aid agreements using the Standard Format to be 50% by 2009, as well as a target of securing USD 3 million for the Water Management Trust Fund by 2009 (conceived of as a "strategic and flexible tool responding to priority demands of Member Countries").

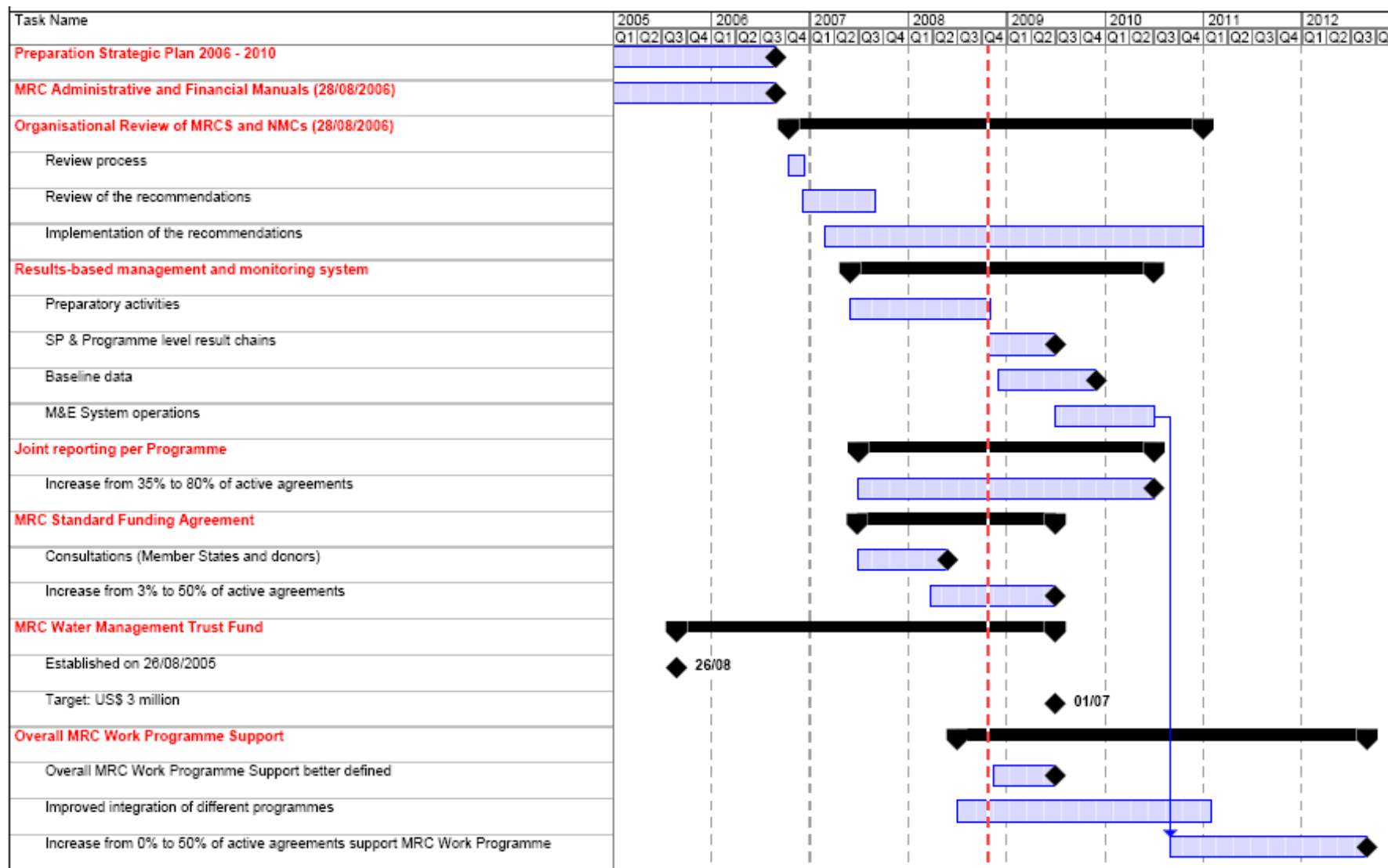
The Basin Development Plan Programme is being used as a test case for developing joint programme support modalities (in the first instance involving Australia, Denmark and Sweden).

Development Partners have recently (at the November 2008 Joint Council and Donors Consultative Group Meeting) highlighted what they see as key priorities for MRC to address, namely: (i) Progress on implementing organisational and institutional reforms; (ii) Lessons from the mid-term review of the current Strategic Plan; and (iii) the permanent location of the MRC Secretariat.

In the longer term, the expectation is that MRC will need to become less dependent on donor support and consequently that Member Country contributions will need to increase. Work has been undertaken on defining the Long-term Core Functions of MRC with a view to establishing a financing model for the next two funding cycles (2011-15, 2016-2020) where there are more sustainable and less donor-dependent financing arrangements for the core functions (funded from the Regular Budget which would be funded from Member State contributions and income from the Management and Administration Fee).³ This approach would imply that some functions (including Core River Basin Management functions) that are currently funded by donors through Programmes would in the future need to be funded from the Regular Budget.

³ See *Note for Information: Discussion of Long-Term Funding Requirements from Member Countries by 2014*

Figure 2.2 Aid Effectiveness Roadmap



2.3 Approaches for increasing alignment

The approach to improving harmonisation and alignment of funding mechanisms that has been set out by MRC⁴ is as follows:

“Donors would be encouraged to support Programmes either entirely or by investing into projects that have been identified as strategically important to the Programme. This programme support approach would have the additional advantage of being more flexible in responding to priority needs and in organizing activities in a more efficient way. The MRC is aiming to also obtain financial contributions in support of the overall MRC programme portfolio.”

There are two specific advantages to MRC from the use of these modalities. The first is to provide increased flexibility to ensure that resources can be allocated to agreed priorities within respectively the overall MRC Work Programme and specific Programmes. The second is to reduce MRC’s transactions costs through establishing common reporting and management arrangements based on MRC’s standard procedures.

In addition to the options set out above (and since moving towards support of the Work Programme as a whole may be a long-term objective), an intermediate option may also be considered which would involve support to the Technical Cooperation Budget (i.e. potential flexibility to address emerging priorities across Programmes). A further issue relates to defining ways in which alignment could be improved for development partners providing in-kind technical assistance (including potentially establishing principles relating to ensuring that assistance is provided with terms of reference in line with agreed priorities and with clear reporting responsibilities).

The approach may involve the use of Joint Financing Agreements (based on the Standard Financing Agreement), but other approaches will be explored based on a review of relevant international experience.

The main purpose of this consultancy is therefore to assess the scope for MRC’s Development Partners to move towards greater use of these aid modalities. This will involve both a review of what it may in principle be possible for different Development Partners to do (taking account of their overall policies and practices, and possible relevant precedents) and what the specific requirements and options would be for this to occur in the MRC context. To this end, the main focus of the consultancy is on the collection of information from Development Partners both through the proposed survey (see Section 4), and then through follow up discussions with Development Partner contacts for MRC and where necessary with Development Partner Headquarters.

⁴ *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

3 Work Plan for the Consultancy

Table 3.1 Work Plan and Indicative Time Allocation

Phase	Timing	Outputs	Activities	Indicative Time Allocation
1. Inception	6 th – 17 th November 2008	Inception Report	A. Review of Documentation B. Discussions with MRCS staff C. Preparation of Inception Report including Questionnaire for Development Partners	6 days
2. Survey of Development Partners	November – end December 2008	Information Note based on Completed Survey	A. Circulation of Questionnaire to Development Partners B. Responses to Queries C. Collation and Review of Responses D. Identification of other relevant international experience	5 days
3. Visits to Development Partners and National Mekong Committees	January 2009	Information Note based on Visits	A. Visits to NMCs and donor contact points in region and second visit to MRC (5 th -16 th January) B. Visits to selected development partner HQs (schedule to be determined based on Survey Findings) (second half of January)	15 days
4. Preparation of Draft Report and Recommendations	February - March 2009	Brief on Main Findings Draft Report Revised Draft Report	A. Brief on Main Findings to be prepared for Joint Contact Group (10 th February) B. Draft Report submitted by end February C. Revised Draft taking account of comments received prepared for submission to Joint Committee (meeting in late March)	10 days
5. Finalisation and Presentation of Report	April-June 2009	Final Draft Report Presentation of Findings Final Report	A. Final Draft to take account of comments from Joint Committee B. Presentation by Consultant at Informal Donor Meeting (June) C. Finalisation of Report	9 days

Table 3.1 sets out the proposed work plan for the consultancy. It is proposed that the consultancy should have five phases:

1. Inception (November 2008)
2. Survey of Development Partners (November – December 2008)

It is envisaged that Development Partners will be asked to complete the Questionnaire within one month of its circulation (i.e. by 19th December)

3. Visits to Development Partners and National Mekong Committees (January 2009)
4. Preparation of Draft Report and Recommendations (February - March 2009)
5. Finalisation and Presentation of Report (April - June 2009)

The main reports to be produced will be:

- Inception Report (to be finalised by November 2008)
- Draft Report (end February 2009)
- Revised Draft Report (so as to be tabled for the Joint Committee meeting in late March 2009)
- Final Draft Report (for presentation at the Informal Donor Meeting in June 2009)
- Final Report.

In addition Information Notes will be prepared based on the Survey of Donors and the Visits to NMCs and donors. A Brief on the Main Findings of the Consultancy will be prepared for the Joint Contact Group meeting on 10th February.

4 Questionnaire for Development Partners

This section presents the main elements of the questionnaire which it is proposed should be sent to all currently active development partners. The questionnaire will be addressed to the MRC Contact Point for each Development Partner, though it is anticipated that information will also be required from other staff of the Development Partner agency particularly in relation to clarifying options and precedents for moving towards more aligned forms of assistance.

The questionnaire will be accompanied by an explanation (in line with the approach set out in Section 2) of what are regarded as more aligned aid modalities. The proposed text for this section is as follows:

Alignment of aid takes two forms: alignment on objectives and strategies, and alignment on the use of the system's of the aid receiving organisation. MRC has set out a preference for aid to be more aligned on the use of MRC's systems.⁵

"Donors would be encouraged to support Programmes either entirely or by investing into projects that have been identified as strategically important to the Programme. This programme support approach would have the additional advantage of being more flexible in responding to priority needs and in organizing activities in a more efficient way. The MRC is aiming to also obtain financial contributions in support of the overall MRC programme portfolio."

An intermediate mode between support to the overall portfolio and support to Programmes would be support to the Technical Cooperation Budget as a whole. The TCB covers programmes and projects where funds are managed directly by the MRC.

Other changes that would increase alignment include: common reporting arrangements between donors, the use of Joint Financing Agreements, and common principles for the provision of technical assistance (where this is provided in kind).

Questionnaire responses will be kept within the present process only, however the report will contain a summary discussion for each donor of the potential scope for moving to more aligned approaches and key requirements for this progress to be achieved.

The Questionnaire will be finalised following discussion and comments on the Inception Report.

1. *Who has been involved in providing information to complete this questionnaire? Please provide the name and designations.*
2. *What are the existing financing arrangements under which your agency is providing support to the MRC? When do these end, and what are the current plans for support to MRC after that point?*
3. *What does your agency see as the main constraints on the effective use of aid by the MRC?*

⁵ *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

4. To what extent and in what ways is lack of harmonisation and/or alignment a constraint on the effective use of aid by the MRC?

Please tick your preferred answer and provide an explanation for your answer where appropriate

Not a constraint	
Mild constraint	
Severe constraint	
Very severe constraint	

Reasons for response:

5. To what extent does the MRC Strategic Plan 2006-2010 and the subsequent Mid-Term Review of the MRC Strategic Plan provide a satisfactory basis for aligning your aid to MRC's Strategic objectives? Do you regard your aid as well aligned to the Strategic Plan?

Please tick your preferred answer and provide an explanation for your answer where appropriate

Unsatisfactory	
Not very satisfactory	
Largely satisfactory	
Completely satisfactory	

Reasons for response:

6. To what extent do (a) Programme Documents and (b) Annual Work Programmes provide a satisfactory basis for aligning your aid to MRC Programme objectives and for reporting on the use of your aid? Do you regard your aid as well aligned to Programme objectives?

Programme Documents

Please tick your preferred answer and provide an explanation for your answer where appropriate

Unsatisfactory	
Not very satisfactory	
Largely satisfactory	
Completely satisfactory	

Annual Work Programme

**Aid Effectiveness For The Mekong River Commission
Inception Report**

Please tick your preferred answer and provide an explanation for your answer where appropriate

Unsatisfactory	
Not very satisfactory	
Largely satisfactory	
Completely satisfactory	

7. To what extent do MRC's systems and procedures (financial management, procurement, progress reporting) provide a satisfactory basis for your agency to move towards more aligned modes of aid provision? What are the constraints on your agency using MRC systems (for procurement, financial management, financial and non-financial reporting)?

Please tick your preferred answer and provide an explanation for your answer where appropriate

Very weak basis	
Weak basis	
Strong basis	
Very strong basis	

Reason for response

8. What is the scope for your agency to move towards more aligned forms of aid provision and over what time scale might this happen? In order to achieve this, what action would need to be taken by (a) your agency (b) other development partners and (c) the MRC? Are there any formal requirements your agency needs to meet in order to enter into programme funding?

9. What would your agency see as realistic and desirable changes to the way in which aid is provided to and managed by MRC (a) in the short-term (within the period of the 2006-2010 Strategic Plan) and (b) in the longer-term (within the period of the 2011-2015 Strategic Plan)?

10. What is your agency's experience in providing more aligned aid (particularly to other regional or intergovernmental organisations)? Is there experience that could inform the approach to achieving more aligned aid for MRC? If so, please provide information on relevant examples and possible contact details.

11. Do you wish to add other comment?

It is proposed that responses to the questionnaire will be requested to be returned to the consultant within a month of questionnaires being sent. Contact points and other agency staff will be invited to contact the consultant to discuss any problems or issues arising from the questionnaire. The questionnaire response for each development partner will form the

basis for a follow up interview (scheduled to take place during the two weeks beginning January 5th 2009) and discussion with a view to clarifying options and processes for each development partner to move towards more aligned forms of support. This process will be completed to allow initial findings from the consultancy to be presented at the Joint Contact Group meeting scheduled on 10 February 2009.

5 Questionnaire for NMCs and Line Agencies

It is proposed to hold discussions with NMCs and Line Agencies in each of the member countries during visits in January 2009. Ahead of this, a short questionnaire and briefing note will be sent to elicit views from member states on donor harmonisation and alignment at MRC. This will be sent out at approximately the same time as the Development Partner Questionnaire, with the intention that the questionnaire should be returned within a month and should serve as the basis for subsequent in-country discussions.

The proposed questions are the following:

1. *Does your government consider that aid is provided to MRC in line with the MRC's priorities? Are there particular areas of the MRC's activities that you consider are especially underfunded?*

2. *Does your government have any concerns about the effectiveness of the use of aid by the MRC? If so, what does your government see as the main constraints on the effective use of aid by the MRC?*

3. *Does your government regard improvements in the harmonisation and alignment of aid to MRC (particularly to simplify aid management and make more use of MRC systems) as a priority for improving MRC's effectiveness?*

4. *What specific changes in the way in which aid is provided to MRC does your government think would be desirable to improve the MRC's effectiveness, both in the short term (within the 2006-10 Strategic Plan) and in the longer term (i.e. in the 2011-2015 Strategic Plan)? What actions by (i) MRC, (ii) Member States and (iii) Development Partners would be necessary to bring these changes about?*

5. *Could you provide examples of other aid alignment processes taking place in country?*

6 Proposed Report Outline

It is proposed that the main report (which will be produced in draft by the end of February 2009) should be relatively concise and structured around a proposed Approach and Action Plan to strengthen harmonisation and alignment for the MRC. More detailed supporting information including the findings from the survey of development partners will be presented in Annexes to the main report.

The structure envisaged for the main report is therefore as follows:

1. Introduction

This section will summarise the objectives of the consultancy, describe how the assignment was undertaken and note any factors that need to be taken into account in interpreting the findings.

2. Analysis of Context and Options for Strengthening Alignment

This section will review progress in harmonisation and alignment in aid to the MRC and examine the options and requirements for development partners to move towards more aligned modes of aid provision (in terms of modalities for joint programme support and overall MRC work programme support) based on the findings of the survey of development partners and follow up discussions with development partners and NMCs. This section will identify the possible scope for moving to more aligned modes of aid provision by different development partners or groups of development partners.

3. Proposed Approach and Targets for Strengthening Alignment

This section will review the targets set out in the Roadmap for Aid Effectiveness and propose any revisions to the content or timetable.

4. Actions Required by MRC

This section will set out the actions that MRC needs to undertake to improve alignment and a proposed timetable for their implementation.

5. Actions Required by Development Partners

This section will set out the actions that different development partners or groups of partner need to undertake to improve alignment and a proposed timetable for their implementation.

6. Concluding Comments

This concluding section will highlight any other points of significance that have emerged during the consultancy.

Additional information will be presented in annexes. This will include a summary of the main findings from the Development Partner Survey and visits, and may include information on other relevant models of improving alignment and harmonisation for support to comparable international organisations.

List of Documentation

MRC Strategies, Policies, Work Plans and Reports

1995 Mekong Agreement and Procedural Rules

Strategic Plan 2006-2010: Meeting the Needs, Keeping the Balance.

MRC Work Programme 2007.

MRC Work Programme 2008.

Annual Report 2007.

Funding the MRC Programmes 2006-2010: Programme Outlines, November 2008.

How the Mekong River Commission uses the Management and Administration Fee.

MRC Procedure Manuals

MRC Programming Manual – Final Updated Working Document, MRCS, 14th June 2002.

Procurement Manual.

Administration Manual.

Finance Manual.

Other MRC Documents 2007

Report from the International Conference on the Mekong River Commission (MRC), Mekong River Commission/Ministry of Foreign Affairs of Denmark, November.

Report: Informal Donor Meeting, Vientiane, 27-28th June.

Report on Enhanced Cooperation between the Mekong River Commission and International Financial Institutions for Sustainable Development in the Mekong River Basin, Mekong River Commission Secretariat, April.

Summary Record of the First Meeting of the Mekong River Commission Joint Contact Group, MRC, 2nd November.

Working Document: Draft MRC Standard Funding Agreement – Introduction on Rationale for Harmonising Donor Practices for Effective Aid Delivery, MRC Informal Donor Meeting, 27-28th June.

Independent Organisational, Financial and Institutional Review of the Mekong River Commission Secretariat and the National Mekong Committees: Final Report, MRC, January.

Donor Harmonisation and Coordination – Increased Aid Effectiveness to the MRC and New Funding Vehicles such as the MRC Mekong Water Management Trust Fund, Presentation to Session 2 MRC Informal Donor Meeting, 27-28th June.

Other MRC Documents 2008

Development Partners Group Statement, Joint Council and Donors Consultative Group Meeting, Mekong River Commission, 7th November.

Regional Meeting on Stakeholder Engagement Draft Agenda, November.

Attachment to Agenda D.3 – MRC Work Programme 2009 for The Fifteenth Meeting of the MRC Council, Mekong River Commission, Vientiane, 14th October.

Funding the MRC Programmes 2006-2010: Programme Outlines, Mekong River Commission, Vientiane, November.

Note for Information: Carrying out an in-depth Analysis of the Long-term Core Management Functions of MRCS, Fifth Meeting of the Task Force on the MRC Secretariat Organisational Structure, MRC, 6th October.

Note for Information: Funding Needs Prioritization, Twenty-Eighth Meeting of the MRC Joint Committee, MRC, 27-28th August.

Statement by the Chairperson of the MRC Council for 2008/9, Fifteenth Meeting of the MRC Council and Thirteenth DCG Meeting, MRC, 7-8th November.

Summary Record of the Second Meeting of the Mekong River Commission Joint Contact Group, MRC, 29th February.

Summary Record of the Third Meeting of the Mekong River Commission Joint Contact Group, MRC, 1-2nd June.

Proposal - MRC Results-Based Monitoring and Evaluation System: System Development and Implementation, MRC, draft, 18th March.

L.2 Development Partners Harmonisation, Presentation to the Fifteenth Meeting of the MRC Council, Session 2: Joint Meeting with the MRC Donor Consultative Group.

Development Partners' Paper for the Mid-Term Review of the MRC Strategic Plan 2006-2010

Note on MRC Programme Support Modalities – Case of BDP, Third Meeting of the MRC Joint Contact Group, 1-2nd June.

Note for Information: Discussion of Long-Term Funding Requirements From Member Countries by 2014, Agenda F.2, Fifth Meeting of the Task Force on the MRC Secretariat Organisational Structure, MRC, 6th October.

Note for Information: Donor Harmonisation, Second Meeting of the Mekong River Commission Joint Contact Group, 29th February.

List of People Met

Jeremy Bird, Chief Executive Officer, MRCS

Christoph Mor, Technical Coordination Advisor, MRC

Wolfgang Schiefer, Chief, International Cooperation & Communication Section, Mekong River Commission Secretariat

Bérengère Prince, Technical Adviser, International Cooperation and Communication Section, MRC

Ali Dastgeer, ITAD, Team Leader, Monitoring and Evaluation System Consultancy

Simon Buckley, First Secretary (Development Cooperation), Manager - AusAID Mekong Regional Water and Infrastructure Unit, Australian Embassy, Vientiane

Dr Truong Hong Tien, Flood Management and Mitigation Programme Coordinator

Dr Hanne Bach, Chief Technical Advisor, Environment Programme

Ms Pham Thi Thanh Hang, Officer in Charge Planning Division/Basin Development Plan Coordinator

Erland Jensen, Chief Technical Advisor, Information and Knowledge Management Programme

Christer Holtsberg, Minister, Director of Swedish Environmental Secretariat for Asia (SENSA), Bangkok (telephone conference)

Annex A Terms of reference

Terms of Reference

Consultancy on aid effectiveness to the MRC

Post Title:	Consultant
Project:	Aid effectiveness to the MRC supported by Swedish Environmental Secretariat for Asia (SENSA)
Type of Appointment:	Short term consultancy
Duration:	45 days work starting in November 2008 over a maximum period of 1 year.
Duty Station:	The consultant's base location should be in the consultant's home country. A number of travels to the MRC Secretariat, Vientiane, Lao PDR and in MRC Development Partner regional offices and headquarters will be required. The consultant may be required to present an outline of the findings at relevant MRC governance and donor meetings.

A. Background:

1. The Paris Declaration on Aid Effectiveness

The Paris Declaration on Aid Effectiveness was concluded in 2005 at a high level forum with all major donors. The Statement focuses on five themes:

- (1) **Ownership** – Partner countries exercise effective leadership over their development policies, and strategies and co-ordinate development actions
- (2) **Alignment** – Donors base their overall support on partner countries' national development strategies, institutions and procedures
- (3) **Harmonisation** – Donors' actions are more harmonised, transparent and collectively effective

(4) **Managing for Results** – Managing resources and improving decision-making for results

(5) **Mutual Accountability** – Donors and partners are accountable for development results

It is worth noting that all MRC Development Partners and all MRC Member Countries have supported the Paris Declaration.

2. MRC

The Mekong River Commission (MRC) is an international river basin organisation built on a foundation of nearly 50 years of knowledge and experience in the region. On the 5th of April 1995, Cambodia, the Lao PDR, Thailand and Viet Nam, signed the "Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin". The 1995 Mekong Agreement is an intergovernmental treaty and the MRC is an inter-governmental body created to serve the Mekong countries in realising their desires for economic prosperity, environmental soundness and social equity.

The MRC has entered in its new strategic planning cycle with the adoption of the MRC Strategic Plan 2006-2010. As part of the Implementation Strategy, the MRC is aiming at budget aid for MRC activities and at an improved monitoring and evaluation system.

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The Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees was initiated by the MRC member countries and the MRC Development Partners in order to help MRC meet its organisational and strategic challenges. Released in January 2007, the Report reviewed, amongst other topics, donor funding modalities. The Report noted that donors *“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”*. The Report recommended harmonisation of funding modalities. According to the Report *“the medium-term objective should be to move towards basket funding”* and it defined basket funding *“as an arrangement whereby funds are targeted towards a particular programme which is accounted for separately.”*

On 23-24 April 2007 an International Conference on the Mekong River Commission was held in Hanoi to strengthen the MRC to play a stronger role in the sustainable development of water and related resources in the Mekong Basin, in collaboration with national, regional and international partners. The Joint Statement of the International Conference on the Mekong River Commission stated that *“in line with the Paris Declaration on Aid Effectiveness, the donor community will take concrete steps to harmonise and coordinate their support to the MRC with a view to moving to programme funding and budget support, thereby ensuring a more efficient operation of the MRC on the basis of a results-based management and monitoring system.”*

In order to coordinate and focus its work on donor harmonisation in 2007 the MRC has introduced the Roadmap for MRC Donor Harmonisation and Coordination.

3. First insights on MRC Donor Alignment and Harmonisation

The Roadmap for MRC Donor Harmonisation and Coordination is a practical phasing towards enhanced aid effectiveness within the concrete MRC context. It follows the principles of the Paris Declaration, while suggesting concrete and feasible steps forward at the MRC.

The Roadmap was first presented at the Informal Donor Meeting held on 28 June 2007 in Vientiane, Lao PDR. The Roadmap has been regularly updated to take into account comments and MRC recent developments.

The Roadmap identifies key steps for Donor Harmonisation and Coordination:

(i) Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees, (ii) MRC Results-Based Monitoring & Evaluation, (iii) Joint reporting per Programme, (iv) MRC Standard Funding Agreement, (v) MRC Water Management Trust Fund and (vi) Overall MRC Work Programme Support.

The implementation of the recommendations of the **Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees** will result in improving the MRC Secretariat's effectiveness. Implementation commenced in 2007 and is focussing on some review elements such as the permanent location or the organisational structure of the MRCS.

The **MRC Results-Based Monitoring & Evaluation (M&E)** is important to monitor and measure progress and poverty reduction impact of MRC's work. The System is being progressively built up and it is expected to be fully operational in 2009. The M&E Framework is planned at both MRC level and Programme level.

The **Joint Reporting** is referred to as a Programme level report provided to every donor supporting the same Programme. It is a concrete step toward reducing transaction costs and increasing aid effectiveness as the number of reports to be produced by each Programme will be reduced.

The **MRC Standard Funding Agreement** was introduced on the occasion of the 2007 Informal Donor Meeting. It is a modular text that can accommodate some of the donor requirements. Importantly, it promotes MRC administrative and financial management systems, joint reporting and synchronisation of programme level progress reports with the MRC financial audit. Resulting in harmonised programme management modalities, it is expected that the Standard Funding Agreement will contribute to decreased transaction costs and to improved aid effectiveness.

The Standard Funding Agreement has already been taken up by some MRC Development Partners. New Funding Agreements signed with Australia, Finland and Sweden since 2007 were based on the MRC Standard Funding Agreement.

The **MRC Water Management Trust Fund** is a non-earmarked financial tool that gives more prominence to MRC's decision making process. The Objective of the Trust Fund is indeed to provide strategic and flexible support to MRC programme development and a facility for the MRC to develop and implement its programme responding to short-term demand of member countries. The MRC Water Management Trust Fund can only support three activity tracks: (i) Strategic Policy Development; (ii) Transboundary Mediation Facility; and (iii) Responsive Programme Development. The Trust Fund has received more than US\$ 1 million transfer support from Denmark, Finland and France.

4. Towards a possible Overall MRC Work Programme Support

The MRC does not yet enjoy overall MRC Work Programme Support. This is the ultimate goal of the Donor Harmonisation and Coordination process. It is expected that the overall MRC Work Programme Support will be based on the annual MRC Work Programme annually approved by the MRC Council. A possible overall approach is provided in Annex 1.

B. Main objectives

The main objective of the consultancy is to come up with practical recommendations to implement theme 2 and 3 of the Paris Declaration on alignment and harmonisation. This will contribute to improved aid effectiveness to the MRC.

The specific objectives are

(i) to analyze and define MRC Development Partners interest, involvement and commitment to alignment and harmonisation at the MRC and define different categories of Development Partners according to their approach toward the process. The consultancy will provide recommendations on how to deal with the different categories of Development Partners and on how to keep all groups involved in the process.

(ii) to further define modalities for joint programme level support in terms acceptable by most Development Partners.

(iii) to further define the Overall MRC Work Programme Support and prepare for its future implementation, with the understanding that, for several Development Partners, relevant changes at MRC would be a pre-requisite.

C. Approach

As recommended by the Joint Contact Group at its meeting held on 29 February 2008, a step by step approach starting with the most achievable steps should be adopted for alignment and harmonisation at the MRC. To this end, the MRCS is drafting principles for programme support as to be applied to BDP.

The consultancy will look into the commonality of issues which Development Partners' need to see happen before they can move forward on Overall MRC Work Programme Support. The approach would thus be to define different target levels for alignment and harmonisation at the MRC to which appropriate categories of Development Partners could subscribe.

To achieve the above-mentioned specific objectives, the consultant will conduct document review and will visit Development Partners. He/she will also share findings at relevant MRC meetings. Three work areas have been identified as follows:

- 1- Progresses on alignment and harmonisation at MRC
- 2- Development Partners approach towards alignment and harmonisation
- 3- Promotion of practical recommendations

Those work areas do not necessarily need to be followed chronologically. It is indeed expected that the draft recommendations will be further improved based on MRC and Development Partners comments.

D. Tasks description

Towards objectives depicted in section B, the consultant will be responsible for analysing the following aspects. Estimated numbers of days, indicated between brackets, are only indicative.

1- Progresses on alignment and harmonisation at MRC

a. Review the Report of the Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees and reports of subsequent relevant Meetings i.e. Special Joint Committee Meeting, Joint Contact Group, Task Force on the MRCS Organisational Structure and Sub-Committee on the Permanent Location of the MRCS. (1d)

b. Take stock on progresses made on the Result Based Monitoring & Evaluation system. (1d)

c. Review the existing Roadmap for MRC Donor Harmonisation and Coordination and level of implementation for each of the Roadmap step and analyse margins of manoeuvre. Recommend further improvement options to increase Programme level Joint Reporting and to enhance the use of the MRC Standard Funding Agreement. The possibility of a Joint

Financing Arrangement between the MRC and several MRC Development Partners might be explored, based on the MRC Standard Funding Agreement. (2d)

2- Development Partners approaches towards alignment and harmonisation at MRC

d. Analyze strategic convergences between MRC and MRC Development Partners. To this end, Donor Profiles and Strategies, MRC mandate, MRC Strategic Plans, Donor Consultative Group and Informal Donor Meeting Reports and annual MRC Work Programmes will be reviewed. (2d)

e. Compare MRC and Development Partners programming, administrative and financial systems to identify similarities and differences. To this end, relevant MRC Manuals (Programme Management, Administration, Finance, Personnel, and Procurement) and all active MRC Funding Agreements will be reviewed. (3d)

f. Establish categories of Development Partners according to their process and strategy similarities. Suggest practical approaches to manage alignment and harmonisation at the MRC with the different categories of Development Partners. (2d)

g. Prepare and take part to visits to NMCs and selected MRC Development Partner focal points in regional offices and/or headquarters. Main outcomes for each consultation will be summarised in the mission report. (15d)

h. Analyze the role of MRC in sustainable development and investment as defined in the MRC Strategic Plan 2006-2010. Review current cooperation between the MRC and IFI and prospects for an enhanced cooperation within the context of the Mekong Partnership Programme. To this end the report on Enhanced Cooperation between the MRC and IFI for Sustainable Development of the Mekong Basin and the outcome of the 15th Meeting of the Council and 13th Meeting of the DCG can be reviewed. (3d)

i. Prepare approaches to integrate water resources management and development projects implemented by Member Countries with support from Development Partners in relation to the BDP process and BDP project portfolio. (2d)

3- Promotion of practical recommendations

j. Review programme and budget support modalities in other international and regional organisations comparable with the MRC. Recommend a practical approach to improve programme support at the MRC. and to implement Overall MRC Work Programme Support at both MRC level and at Mekong Partnership Programme level. (2d)

k. Prepare and clear a Report including (i) alignment and harmonisation at the MRC with suggested possible improvements, in particular for programme support modalities, including programme-level Joint Reporting and the Standard Funding Agreement; (ii) Commonality of issues which Development Partners' need to see happen and modalities and approaches for the Overall MRC Work Programme Support, (iii) Suggested target levels for alignment and harmonisation at the MRC for appropriate categories of Developments Partners; (iv) Recommendations to manage alignment and harmonisation at MRC with the different categories of Development Partners and if necessary (v) any other area of significance to aid effectiveness identified by the consultant. Prepare a Power Point presentation summarising the Report. (3d)

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- l. Based on consultations with Development Partners, the identified categories of Development Partners may be adjusted and the report and recommendations, as outlined in tasks f and k, will be reviewed and adjusted. (3d)
- m. Report to Member Countries and to Development Partners on the occasion of relevant meetings. (3d)
- n. Finalise the consultancy report and recommendations. (3d)

E. Indicative timeline and Deliverables:

With a consultancy starting on 11 November 2008, the following deliverable and deadline are set:

- The consultant's first visit will be devoted to documentation review, a consultancy detailed work plan of the consultancy and a draft outline of the Report covering the areas referred to in the task k. The first visit will take place from 11 to 14 November. The workplan should be finalised and the draft outline of the Report should be prepared within this period.
- The MRCS will schedule meetings at Development Partners' headquarters and regional offices based on input provided by the consultant.
- Mission to Development Partners will take place in January-February 2009. The ICCS Technical Adviser will join the mission to selected counterparts.
- Mission reports as referred to in task g and a draft Report as referred to in task k should be circulated on mid February 2009 and MRCS cleared version ready in March 2009
- A final Report on the basis of the comments made on the draft Report and the outcomes of the relevant meetings: Date to be determined based on consultation schedule and relevant MRC meetings.

Milestones for payments and Deliverables of this consultancy are described here below:

- The first milestone relates to two deliverables:
 - o Detailed workplan for the consultancy
 - o Report outline
- The second milestone relates to
 - o Summary records of meetings (mission notes)
 - o Draft report
- The third milestone relates to
 - o Final Report

F. Working principles/ Reporting line:

The consultant reports to the CEO of the Mekong River Commission Secretariat. The Consultant will work closely with the International Cooperation and Communication Section. Other parties including Joint Contact Group Members will be invited to review and comment the draft and final reports.

The study will be implemented in close cooperation with SENSA.

The general part of the report will then be used for further discussions with the development Partners.

G. Selected background documents:

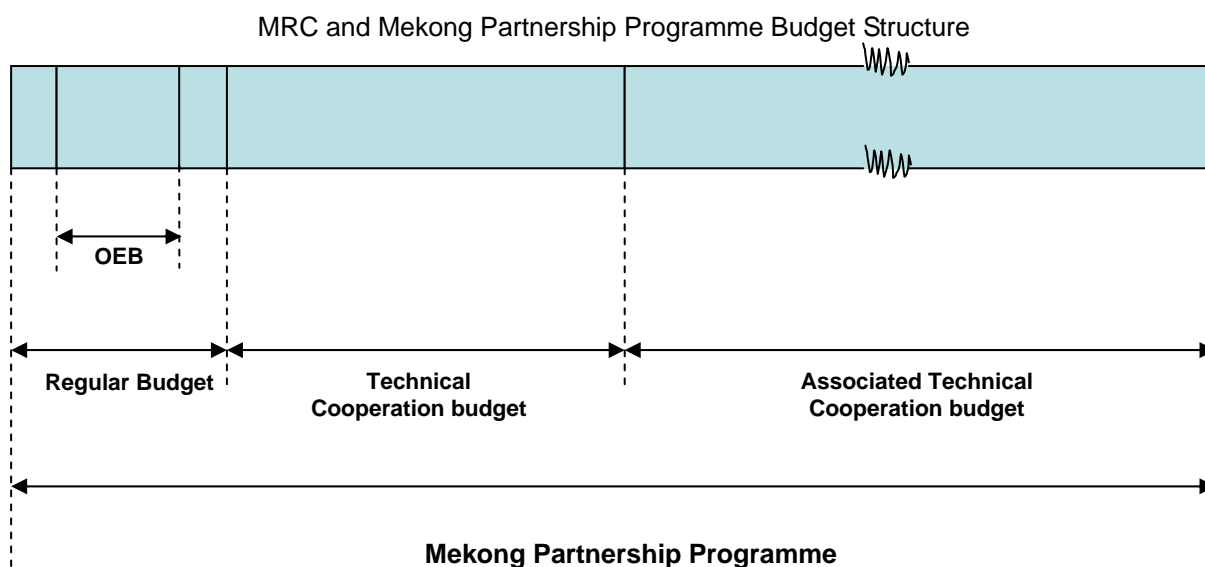
- 1995 Mekong Agreement
- MRC Strategic plan 2000-2005
- MRC Strategic Plan 2006-2010;
- Joint Statement of the International Conference on the Mekong River Commission, Hanoi, 23-24 April 2007
- Report of the Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong Committees
- MRC Modular Standard Funding Agreement
- MRC Manuals on Procurement, Administration and Finance
- MRC Results-Based Monitoring and Evaluation System Development Preparatory Mission
- MRC Work Programme 2008; MRC Work Programme 2007
- Donor Profiles
- Report of the Informal Donor Meeting, 27-28 June 2007, Vientiane, Lao PDR
- Reports of the First and Second Meetings of the MRC Joint Contact Group
- Note for Information on Donor Harmonisation prepared for the Second Meeting of the MRC Joint Contact Group.
- Report on Enhanced Cooperation between the MRC and IFI for Sustainable Development of the Mekong Basin

H. Requirements:

- Higher university degree in international relations, social sciences, or water resources development studies,
- 15 years experience in international cooperation in a development context with experience in governance policy development,
- Practical knowledge of funding and implementation processes in multi-donor ODA environments,
- Working knowledge with a wide range of bilateral and multilateral donor agencies,
- Knowledge of the OECD Donor Harmonization “Paris Declaration” process and related processes,
- Practical experience on alignment and donor harmonization, and preferably in South East Asia,
- Knowledge of Integrated Water Resources Management and Development would be an asset,
- Excellent communication and writing skills in English.

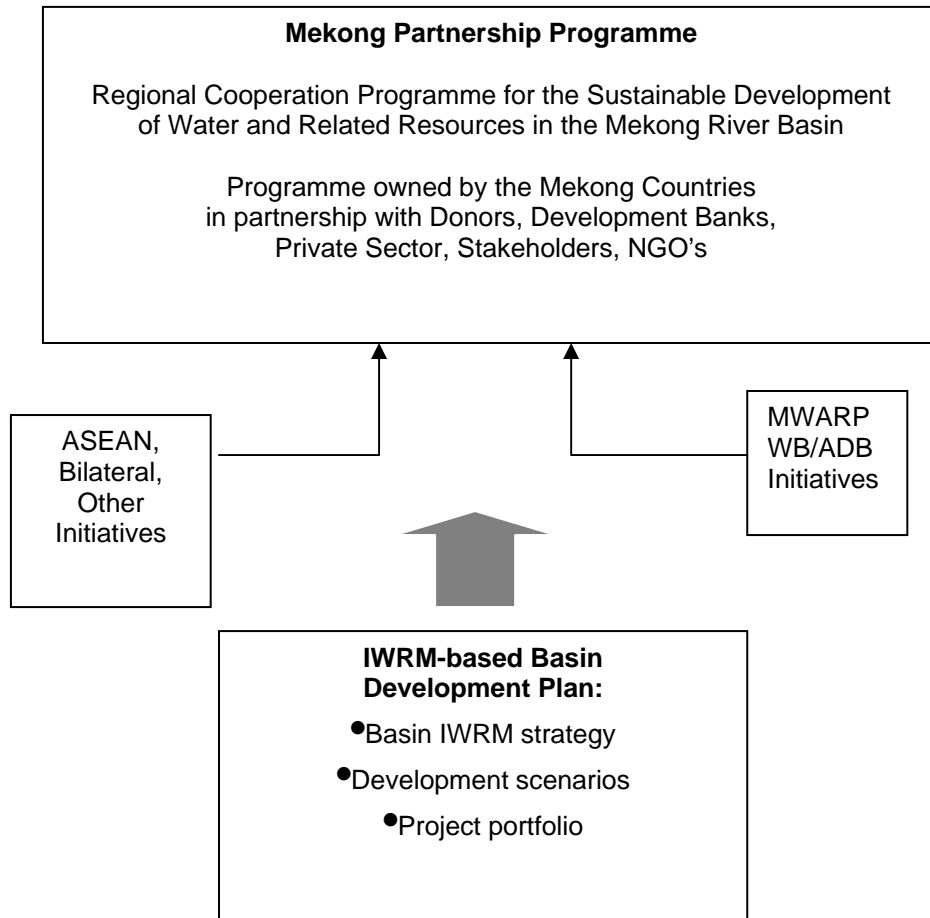
Attachment 1: Towards a possible Overall MRC Work Programme Support

As for now, the Work Programme is limited to the Technical Cooperation Budget.



The Regular Budget finances the services and core functions that the Secretariat provides to its Governing bodies and its Programmes. A large part of the Regular Budget is covered by the OEB. The Technical Cooperation Budget covers all Programme activities in which MRC plays an execution or co-execution role. The Associated Technical Cooperation Budget refers to technical assistance provided to the MRC or its Member Countries under which funding is not managed by the MRC.

The Hanoi Conference of April 2007 with high-level participation of Member States and the Development Partners confirmed the usefulness to coordinate water resources related developments in the region through a Mekong Partnership Programme. This programme can serve as umbrella under which Member States and Development Partners will be able to continue their investments in the water sector with a common strategy and – for the benefit of all parties involved – more coordinated manner. The MRC Basin Development Plan Phase 2 will be key to further this concept and help launching this important programme on behalf of the MRC.



While today the Work Programme is limited to the Technical Cooperation Budget and its related MRC Programme, in future the MRC will seek to coordinate and facilitate a joint development and investment programme in the water sector in the Mekong region. Ultimately, the Overall MRC Work Programme Support should support the Mekong Partnership Programme itself.