

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

Revised Draft Report

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The conclusions of this report are the responsibility of the consultants alone and the report is presented as a draft for comment and future revision.

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Executive summary

The main objective of this consultancy is to come up with practical recommendations to strengthen alignment and harmonisation for the Mekong River Commission (MRC) with a view to contributing to improved aid effectiveness. The study is based on a review of documentation, interviews with MRCS staff, and a process of information collection from development partners and National Mekong Committees.

The main finding was action in the following areas is regarded as of central importance for improving MRC's effectiveness and the effectiveness of the use of development assistance:

- Significant concerns about MRC's role and priorities must be addressed. Themes identified included a greater focus on coordination and a more clearly defined set of core functions with a better articulation at the national level, with a strong results-based focus.
- Member states must address development partner concerns about what is perceived as limited ownership of MRC and its agenda by national governments, heavy dependence on donor support to fund core functions, and about recruitment processes for riparian staff that are seen as militating against effective riparianisation and the strengthening of MRC's management capacity and a reduction in its dependence on international staff.
- Development partners and MRCS would need to address NMC concerns about weak harmonisation and a tendency for the needs of individual donors to be accommodated in a way that is not agreed in a sufficiently collective manner.

Under current circumstances (with heavy dependence on donor funding and international technical cooperation staffing as well as major unresolved issues about structure and role), the rationale for a strong impetus to alignment on MRC systems needs to be examined critically.

There are three main categories of development assistance provided to MRC in terms of the extent to which alignment on the use of MRC's systems is in principle possible. These categories are:

1. Aid that may in principle be managed through MRC systems (including basket funding arrangements) subject to the meeting of specific reporting, procurement and financial management requirements - in some cases requiring a process of auditing of MRC's arrangements by the development partner.
2. Aid that cannot in principle be managed through MRC systems (particularly that cannot be pooled because of a requirement to be able to trace specifically how money is spent) as a result of restrictions arising from donor policies, or for which it would be impractical or not cost effective to change established arrangements (particularly where the sums of money involved may not be very large or the arrangement is due to expire).
3. Technical Cooperation that is contracted and managed, as a result of donor policies, by a particular development partner agency, rather than through the provision of funds to MRC to recruit and manage TC through its own procedures.

These categories apply to the particular instruments used for support, rather than to all forms of support provided by, or potentially provided by, a particular development partner.

The terms of reference also require the identification of suggested target levels for alignment and harmonisation for appropriate categories of Development Partners. The proposed approach is however rather to develop frameworks for joint programme arrangements and

for overall MRC programme support, which should both form a core part of the next Strategic Plan.

The main recommendation of this report is that strengthening harmonisation and alignment should be addressed principally through action to ensure first that there is strengthened ownership of MRC's programme by MRC's members including through accelerated riparianisation, and second that MRC's structure and mode and operations needs to be based on a model that is sustainable with less reliance on international TC and a greater proportion of member state funding of agreed and clearly defined core functions.

In the short-term, the key areas for action are the following:

- Addressing the most pressing concerns about weak harmonisation (particularly the widespread concerns about lack of alignment and transparency for self-managed TC). Development partners also need to work more effectively together to rationalise their division of labour and to progressively strengthen integration of activities particularly at programme level.
- Developing a model for Joint Programme arrangements that can be applied across all programmes (with the expectation that all development partners will be expected to participate in them), including if feasible the piloting of these arrangements in selected programmes.
- Working with a group of willing development partners to develop a more detailed framework for Overall Programme Support, conceived as a flexible basket funding arrangement that can be used to support those elements of MRC's core functions that are not initially funded by member states contributions, and to ensure that key priorities that are not otherwise funded are met. The existence of such a funding arrangement should be an element in the next Strategic Plan, and its relationship to the BDP should be clarified.
- Revisiting the Aid Effectiveness Roadmap and integrating it into the process for development of the next Strategic Plan, while reconsidering the relevance and feasibility of the specific targets that have been identified.

It is not recommended that action to develop the proposed Mekong Declaration should take place in the short term since unless it involves specific and measurable commitments it is unlikely to add value to the process, and the framework for such commitments will need to be provided by the next Strategic Plan. Such a set of commitments might be developed in parallel with the Strategic Plan as part of revised governance and financing arrangements for MRC.

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Abbreviations

BDP	Basin Development Plan
CEO	Chief Executive Officer
GEF	Global Environment Facility
ICCS	International Cooperation and Communication Section
IDP	International Development Partners
JCG	Joint Contact Group
MAF	Management and Administration Fee
MRC	Mekong River Commission
MRCS	Mekong River Commission Secretariat
MTR	Mid Term Review
NBA	Niger Basin Authority
NBI	Nile Basin Initiative
NMC	National Mekong Committee
OEB	Operating Expenses Budget
OKACOM	Okavango River Basin Water Commission
OMVS	Organisation pour la mise en valeur du fleuve Sénégal
OPM	Oxford Policy Management
TC	Technical Cooperation
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 for the Mekong River Commission (MRC) with a view to contributing to improved aid effectiveness. 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 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.

The terms of reference specify that “the consultancy should 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 defined different target levels for alignment and harmonisation at the MRC to which appropriate categories of Development Partners could subscribe.”

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”

The consultancy is therefore intended to complement the activities (discussed in Section 2.2. below) which have focused on organisational reforms and the development of MRC’s strategy to identify the extent to which the policies and operational practices of the MRC’s International Development Partners (IDPs) provide either constraints or opportunities on moving towards greater harmonisation and alignment, and to develop proposals for achieving progress in this area that are feasible in the light of these constraints.

The structure of this report is as follows. Section 2 begins by discussing the concepts of harmonisation and alignment, and distinguishing two types of alignment. It then summarises salient features of the MRC context, reviews relevant experience in other multinational river basin organisations and then, the initiatives undertaken to date. Section 3 presents the information that has been obtained from a survey covering all of MRC’s major IDPs, as well the National Mekong Committees of the four Member Countries. Section 4 sets out the conclusions of the consultancy, and Section 5 presents recommendations. Annex A provides the terms of reference for the assignment and Annexes B and C the questionnaires used with, respectively, development partners and NMC members. Annex D provides more

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

detailed information on other river basin authorities whose aid management experience has been reviewed.

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2 Context and Issues for Harmonisation and Alignment in the MRC

2.1 Concepts of harmonisation and alignment

Approaches to aid effectiveness have generally distinguished two distinct concepts of “alignment” for international aid. The first (which is termed for the purposes of this report “alignment 1”) is the provision of aid in line with 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 the agreed priorities of the aid receiving organisation (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. The wider development rationale for the encouragement of alignment on national systems is generally related to contributing to capacity development which has the potential to improve not just the use of aid (which typically in the context of Asian governments provides only a relatively small proportion of the total funding of service provision), but the whole operation of the national system supported.

It is important to note that achieving 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 strong leadership from the aid-receiving organisation.

Harmonisation and alignment should not be seen as ends in themselves, but as part of a process of improving the effectiveness both of the use of aid, and of the organisation supported. 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 aid 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.

Experience to date within MRC as well as wider international experience suggests that translating the commitment embodied in the Paris Declaration into genuine improvements in alignment using national (or regional organisation) systems requires in practice some flexibility to accommodate specific development partner requirements. Strong leadership of the process is required in order to ensure that it remains focused on strategic priorities and that disproportionate effort is not directed into developing common financing arrangements that may be difficult to manage and costly and time-consuming to establish and yield relatively few benefits compared to the alternative of ensuring alignment on strategy and priorities even at the cost of tolerating some level of parallel arrangements provided these do not pose an excessive burden on the organisation. 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.

2.2 Harmonisation and alignment in the MRC context

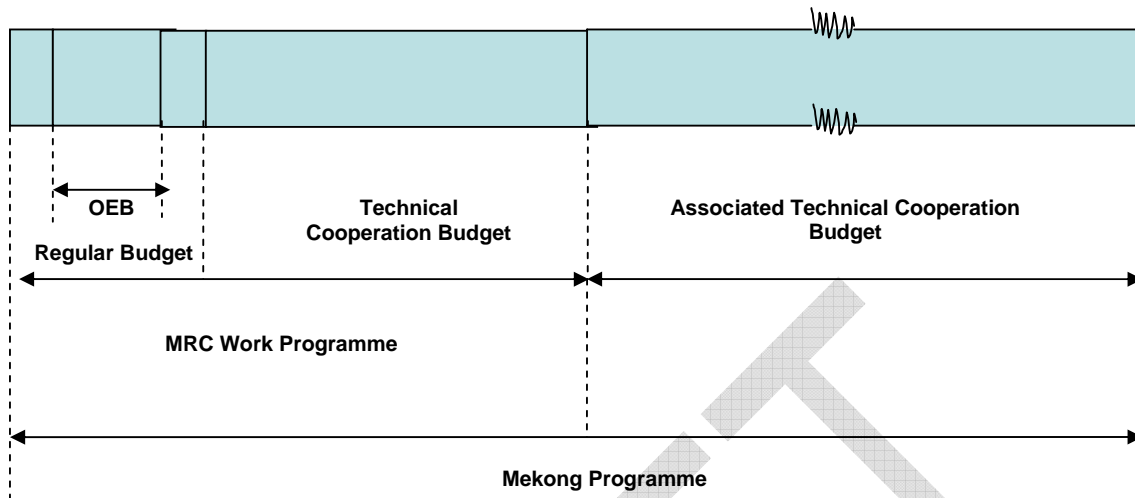
In the relation to the wider international initiative towards improving aid effectiveness that is embodied in the Paris Declaration, several distinctive features of the specific context of the MRC can be highlighted.

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 in addition to OEB, 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 the financial requirements for the core functions estimated in 2000 to be around US\$ 2,000,000 in 2014 would be covered by the contributions from the Member States. 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 budget 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>	<i>880,154</i>
OEB Expenses	1,929,976
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.

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

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

Problems caused by a lack of harmonisation and alignment in aid arrangements that have been identified by the MRC include the following:

- 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) though it would not be possible to measure the transactions costs involved here and in related areas without a detailed study.
- Similarly, 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.
- 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.

Most specifically, the Independent Organisational Financial and Institutional Review concluded that MRC funding arrangements are a major obstacle to organisational and programme sustainability, since many of development partners work on a bilateral basis and lack regional instruments and have operated through project funding that has tended to dictate MRC's priorities. As noted in the Mid Term Review of the Strategic Plan (p.xi) "the organisation becomes unstable as programmes fundamental to its mandate are progressively developed, possibly funded, and if so then potentially discontinued when funds cease. This operating mode makes it difficult for the MRCS to prioritise its activities, and makes strategic planning difficult with uncertain budgets making it almost impossible to set firm milestones."

2.3 Aid harmonisation and alignment in other river basin organisations

Annex D provides information on aid arrangements in four river basin organisations in Africa that are also significant recipients of development assistance. Two of these cases may be particularly relevant to the MRC as they have involved processes to establish a single financing mechanism. In both of these cases the World Bank has played a leading role which has facilitated harmonisation and a single programme instrument has been used which aims to encompass and provide a framework for all aid provided (in the case of the Nile Basin Trust Fund, using World Bank procedures on an interim basis). It does not appear that the process has involved identifying groups of donors for whom different arrangements have been made, although there has been some attempt to accommodate donors (notably GTZ) who have difficulty working through the common arrangements, provided this can be done without creating an excessive administrative burden. Although fully comparable information is not available it also appears that each of these organisations has a significantly lower dependence on external technical assistance staffing than does the MRC.

In the case of the Nile Basin Initiative (NBI), the bulk of aid is channelled through the Nile Basin Trust Fund (NBTF) which was established in 2003 and which is managed by the World Bank (although it is envisaged that by 2012 management of the NBTF will be transferred to a regional institution as the permanent institutional framework is established). Donors are able to specify particular areas of interest for the use of their fund but there is a fully harmonised reporting and management system. There are some cases (such as GTZ) where donors provide support to individual projects, or to the NBI Secretariat, but the NBI seeks to avoid establishing additional administrative procedures to meet differing donor requirements and the NBTF is the preferred funding route. These exceptional cases have however not been seen as imposing a significant additional administrative burden. It is however recognised that additional innovative financing mechanisms beyond the NBTF will be necessary to support the preparation and implementation of large scale investments. Another key point is that implementation responsibility for about 95% of NBTF-financed NBI projects are recipient-executed with helps to ensure ownership of NBI activities and contributes to building institutional capacity to implement regional projects.

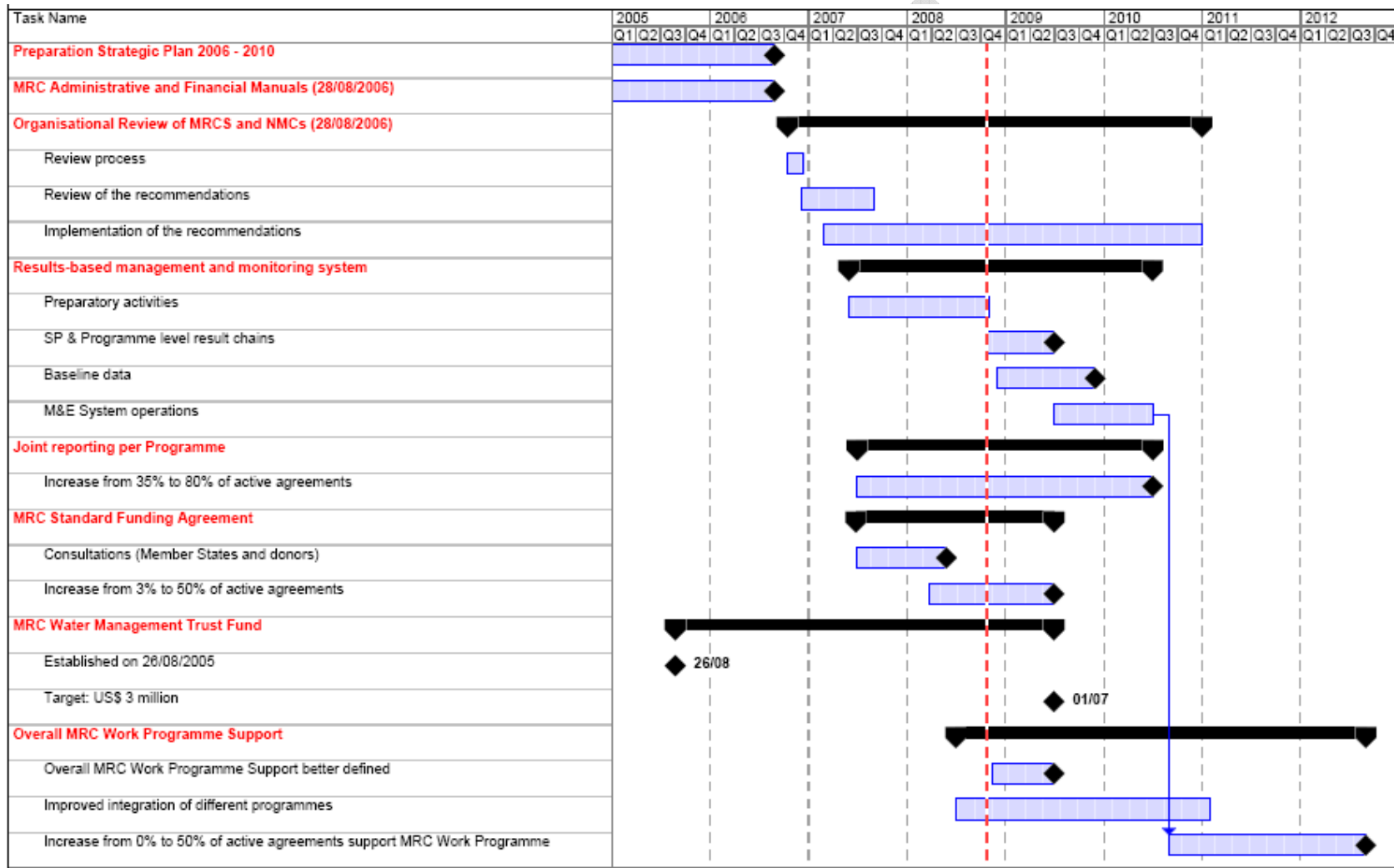
The Niger Basin Authority (NBA) is seeking to establish a single programme framework, the Sustainable Development Action Plan (SDAP) to be supported by an Investment Programme through which all projects will be managed. NBA's institutional development process is geared to this objective. This will build on the NBA Partners Cooperation Framework which was agreed at a conference in Paris in April 2004 which also set out agreed "Management and Governance Principles for the Sustainable Development of the River Niger Basin." The World Bank is the main donor (contributing 41.7% of funds pledged) and leads the Development Partners' Group. It was noted the process of preparation of the SDAP faced some constraints because of the need to meet the procedures of different donors. However, NBA does not consider at the moment that it faces significant problems of harmonisation and alignment of aid in part because of effective coordination between the development partners under the leadership of the World Bank.

2.4 Approaches to improving harmonisation and alignment in MRC

It has been recognised that increasing harmonisation and alignment requires development in MRC's strategy and systems. Relevant initiatives have included the following:

- 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.

Figure 2.2 Aid Effectiveness Roadmap



MRC also has a well-defined process of development partner engagement with MRC. The approach to improving harmonisation and alignment of funding mechanisms that has been set out by MRC³ 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. The Organisational Review suggested that the process for moving towards basket funding arrangements required improvements to reporting formats, a process of discussion on harmonising reporting arrangements for existing projects, encouraging the development of basket funding for specific programmes, and ensuring continuous dialogue with development partners. The MTR for the 2006-2010 Strategic Plan also emphasised the need for rapid implementation of the M&E system, and the establishment of more transparent processes for prioritisation.

The MRC has developed an Aid Effectiveness Roadmap that 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 (conceived of as a “strategic and flexible tool responding to priority demands of Member Countries”) by 2009. The Basin Development Plan Programme (in the first instance involving Australia, Denmark and Sweden) and the Integrated Capacity Building Programme (involving Australia, Finland and New Zealand) are also being used as test cases for developing joint programme support modalities.

The Mid Term Review of the 2006-2010 MRC Strategic Plan concluded that implementation of the Strategic Plan was broadly on track but that there were perceptions from stakeholders and development partners of a range of problems facing MRC. An initiative to refine the core functions of the MRC was seen as a “critical first step to help shape the Programmes toward a stronger alignment with the implementation of the 1995 Mekong Agreement.” The MTR also suggested that development partners and the MRC should “consider a Mekong Statement on Aid Effectiveness, Ownership, Harmonisation and Alignment based on the Paris Declaration and commitments made at the 2007 International Conference on the MRC in Hanoi, and that BDP2 should be used as a pilot project to assess the potential for IDP basket funding, with the BDP more generally becoming the “engine of the Mekong vehicle” and the central focus of the next Strategic Plan.

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

³ *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

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).⁴ This approach would imply that some functions (including Core River Basin Management functions) that are currently funded by donors through Programmes would in future need to be funded from the Regular Budget.

The recent assessment of the implementation of reforms agreed following the Independent Organisational, Financial and Institutional Review concluded that 19 of the 35 agreed recommendations were under implementation, while the other 16 still required further work on detailed proposals. Significant areas identified as having seen relatively progress related to the clarification of the role of NMCs in relation to MRCS and programme implementation (particularly in relation to recruitment and clearing of documents), decisions on the future organisational structure (which needs to be based on the agreed core functions), improving cross-programme coordination, riparianisation, and increased openness about scientific data and analysis produced by MRCS.

The current timetable and process for improving harmonisation and alignment in MRC is set out in the Aid Effectiveness Roadmap (figure 2.2 above). This contains four specific targets⁵:

- Increasing from 35% to 80% the proportion of active agreements that involve joint reporting (by Q3 2010).
- Increasing from 3% to 50% the proportion of active agreements based on the MRC Standard Funding Agreement (by Q3 2009).
- Securing funding of USD 3 million for the Water Management Trust Fund (by 1st July 2009).
- Increasing from 0% to 50% the proportion of active agreements that support the MRC Work Programme (by Q3 2012).

The completion of implementation of the organisational review recommendations (by end 2010) and the establishment of an effective results-based monitoring and evaluation system (to be operational during 2009) are also identified in the Roadmap as key requirements.

⁴ See *Note for Information: Discussion of Long-Term Funding Requirements from Member Countries by 2014*

⁵ These targets are formulated in terms of the number of agreements. However, the proportion of total aid provided seems a better measure of the overall level of alignment, given the large variation in the size of resources provided under different agreements.

2.5 Programme experience from MRC

Basin Development Plan (BDP)

The BDP Programme Phase 2 started in January 2007 and is due to continue until December 2010. Table 2.2 below provides a comparison of the different modalities of support that had been provided to the BDP Programme Phase 2.

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Table 2.2 Comparison of Development Partners' Support to BDP Phase 2 Programme

	Australia	Denmark	Japan	Sweden
Agreement characteristics				
MRC Standard Funding Agreement	√	No ⁶	No	√
Period	Jan 08 – Dec 09	Dec 06 – Dec 10	Jun 06 – May 08	Jan 07 – Dec 09
Number of Supported Programmes / Agreement	1	2	1	4
Amount in US\$ to BDP	450,000	7,700,000	n/a	1,000,000
Reference document				
Programme Document as main reference document	√	√	n/a	√
No specific requirement	√	<ul style="list-style-type: none"> • Regional stakeholder dialogue • External quality assurance mechanism 	√	<ul style="list-style-type: none"> • Annual workplan
Administration of Funds				
Agreement currency in USD	√	DKK	n/a	SEK
Management and Administrative Fees 11%	√	√	n/a	√
MRC administrative and financial procedures apply	√	The MRC administrative and financial procedures apply, except when otherwise specified in the agreement: <ul style="list-style-type: none"> • 75% DSA rate • Approval requested on <ul style="list-style-type: none"> - component budget modification - unspent balance or saving • Interest accrued returned each year • Funds transfer upon accounts and budget acceptance • Tax exemption 	√	The MRC administrative and financial procedures apply, except when otherwise specified in the agreement: <ul style="list-style-type: none"> • Approval requested on <ul style="list-style-type: none"> - component budget modification - unspent balance or saving • Interest accrued & unspent balance returned upon completion • Funds transfer upon progress and financial reports acceptance
Basket funding	Not specified	Encouraged	n/a	Not specified

⁶ This agreement was entered into before the Standard Funding Agreement was finalised.

	Australia	Denmark	Japan	Sweden
Reporting				
Joint reporting and joint schedule	√	√	Not specified	√
No specific report requirement	√	<ul style="list-style-type: none"> • Quarterly statements on cash balance and expenditures • Specific technical final report 	√	<ul style="list-style-type: none"> • Quarterly statements on cash balance and expenditures
Development partners missions				
Joint review mission	√	√	Not specified	√
No specific requirement	√	√	√	Annual meeting review
Other OECD-DAC criteria				
No parallel implementation structures	√	√	√	√
Aid is predictable (multi-annual support)	√	√	√	Yearly financial approval
Aid is untied	√	√	Tied	√

Source: Note on MRC Support Modalities – Case of BDP, MRC 2008

Financial support to the BDP 2 programme is being provided from Australia, Denmark and Sweden and TA from Japan. Table 2.2 highlights the extent to which there has been variation in the characteristics of the funding agreement, the administration of funds, and reporting and missions. Some specific issues that were identified by MRCS as constraints on aid effectiveness that emerge from consideration of the BDP include the following:

- Lack of a common financing period (synchronised with the duration of the Programme).
- Management of support to several programmes under the same financing agreement, which can provide inter-programme management flexibility but where termination or delay in one component in one programme can affect the flow of resources for other programmes as well as impacting on the ownership of the agreement by the programme coordinator.
- Variations from the MRC Standard Funding Agreement.
- None of the funding agreements provides a definition of the basket funding approach and the principle of basket funding had not agreed as part of the funding arrangements for BDP.

Reporting and the number and timing of donor missions have not been rationalised or reduced.

During 2008, Denmark, Australia and Sweden agreed to the principle of a joint funding agreement for the BDP Programme. Revision of the all three on-going funding agreements to be replaced with a joint funding agreement did not however prove feasible. Agreement was

however reached to establish a basket funding arrangement, through a Joint Letter of Support involving the consolidation of all income and expenditures to facilitate joint implementation of the BDP2 Programme, including acceptance of joint administrative and financial rules and joint financial and substantive reports although both Australia and Sweden encountered legal difficulties in undertaking the proposed changes to the agreements.

Climate Change and Adaptation Initiative (CCAI)

The CCAI is intended to support climate change impact assessment and adaptation planning and implementation within the Mekong River Basin and is intended to run in four phases ending 2025, with an initial intermediate phase running until the end of 2010, and a first five year phase from 2011-2015. The CCAI will involve the piloting and demonstration of adaptation planning and implementation throughout the region including climate change impact and vulnerability assessment. It is considered important that the CCAI retains overall integration and balance between its outputs and activities and that “all ingredients of the CCAI need to move forward together with donors supporting the entire package, rather than individual elements” (CCAI programme document, p.7). A particular feature of this initiative is that funds to implement the CCAI are in the main being redirected from other MRC programmes, which is seen as likely to cause some implementation difficulties.

Lessons and implications

The experience with the BDP2 programme support in particular suggests that there is some scope for moving towards programme based funding using more harmonised and aligned approaches. The mechanism for doing this involves, as with BDP2, the negotiated modification of ongoing agreements to move towards arrangements that are (ideally) more aligned with the MRC’s standard financing agreement or (at least) more harmonised in relation to reporting and monitoring. This approach may have the scope for moving towards the pooling of funds in a basket arrangement as has been envisaged for the BDP2 programme

However, there appear to be some significant transactions costs involved in doing this while linking funding tightly to the programme structure (as this approach requires) can cause some inflexibilities if there are changes to programmes or new initiatives within or across programmes. If donors are providing support to more than one programme, they either have to have a financing agreement that covers each programme individually, or the financing agreement must cover multiple programmes which potentially leads to problems across programmes if, for instance, problems occur with the performance of one programme within the funding agreement. It would also appear that a process of strengthening harmonisation and alignment through this approach would have to be approached on a programme by programme basis since the scope and possible timing of change would depend on the timing of financing agreements (since change may be easiest when key agreements are due for renewal) and the specific features of the donors involved in each programme. While this process should have scope for strengthening alignment in the sense of moving each set of programme arrangements closer to the model of the MRC’s standard agreement, it would still be likely to involve significant differences between individual programme arrangements.

The lesson from this experience and analysis is therefore that there are likely to be significant limitations on what can be achieved through pursuing harmonisation and alignment through programme level financing agreements, since more coordinated

arrangements at programme level may create inflexibilities at a wider level.⁷ This suggests that although some progress can be made at this level improved harmonisation and alignment fundamentally requires the establishment of a single financing arrangement that covers the whole programme of MRC, as has been done for the NBI and is envisaged for the NBA.

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⁷ The concerns noted below from the MRCS that donor proposals for establishing “lead donor” arrangements at the programme level would militate against effective harmonisation at the level of the organisation as a whole are a further illustration of this potential tension between strengthening aid management arrangements at the level of the individual programme and at the level of the MRC as a whole.

3 Findings from the Surveys of Development Partners and NMCs

3.1 Overview of the surveys

The Development Partners questionnaire (Annex B) was sent to 15 development partners (11 bilateral and 4 multilateral) as shown in Table 3.1 below. In addition, a separate questionnaire (Annex C) was sent to the four National Mekong Committees which formed the basis for interviews, although in the case of one of the NMCs (Thailand) it was stressed that interview responses should only be treated as presenting individual, rather than official government, views. These were followed up with interviews which took place in the region from January 5th-13th 2009.

Table 3.1 Summary of NMCs and Development Partners consulted

	Questionnaire Completed	Interview
National Mekong Committees		
Cambodia	√	√
Lao PDR		√
Thailand		√
Vietnam		√
Development Partners		
Asian Development Bank	√	
Australia	√	√
Belgium	√	
Denmark		√
European Commission	√	√
Finland	√	√
France		√
Germany	√	√
Japan	√	
Netherlands	√	√
New Zealand		
Sweden	√	√
UNDP		√
USA	√	√
World Bank		√

The questionnaire was completed by ten development partners. Two development partners (New Zealand and UNDP) indicated that they did not feel they were sufficiently closely involved with MRC to complete the questionnaire but provided respectively written comments and an interview on their perspectives. The other development partners who did not complete the questionnaire were interviewed (in one case by telephone). As a result, either

written responses have been received or interviews have been conducted with all of the fifteen development partners.

3.2 Assessment of constraints on aid effectiveness

Perspectives from development partners

The questionnaire asked development partners (question 3) what they saw as the main constraints on the effective use of aid by the MRC, and (question 4) to rate the extent to which lack of harmonisation and alignment is a constraint on the effective use of aid by the MRC.

The main constraints on the effective use of aid that were identified by the development partners can be grouped into three main categories:

- Lack of effective ownership of the MRC's programme by member states (ownership by key decision-making ministries and political authorities at national level, rather than by the NMCs). This was seen as reflected in over-dependence of MRC on donor funding and a tendency for MRC's programme structure and use of resources to be excessively driven by donor rather than member state needs and priorities. This was seen as contributing to variable degree of engagement with, and use of, MRC's outputs by member states. Concerns of this type were referred to by eleven of the fifteen development partners.
- Weaknesses in MRC's staffing and management capacity relating to the rate of riparianisation which although in line with the roadmap was regarded as too slow by some development partners, high staff turnover making it difficult for skills to be built up and retained, and a relative lack of appropriate management (as opposed to technical) skills within the MRCS. Concerns of this type were referred to by seven of the development partners and were attributed to MRC being perceived as a relatively unattractive employer and to a lack of transparency in recruitment processes, and the absence of effective secondment plans to link MRC more directly to national agencies.
- A lack of effective structures and capacity to manage resources in a programmatic manner, including the lack of an overall results framework or comprehensive reporting system, and procedures that were seen in some cases as relatively slow and bureaucratic. It was noted by some donors that they would be keen to provide more programmatic forms of support but that MRC lacked the management structures and capacity to manage resources other than in a projectised form. Concerns of this type were referred to by eight of the development partners.

Of those development partners providing ratings in response to question 4, four regarded lack of harmonisation and alignment as a severe constraint on, five as a mild constraint on, and one as not constraining, the effective use of aid by MRC. To some extent this difference reflected interpretation rather than analysis – since the underlying problem was identified as a lack of clear priorities with strong ownership from member states to form the basis for alignment, with harmonisation and alignment therefore being in some sense a second-order problem, while there was confidence that MRC could manage effectively specific activities for which aid was provided.

Some development partners indeed suggested that assessing harmonisation and alignment as constraints was not meaningful (or really relevant to the strategic issues facing MRC) in a

context where there were concerns about whether MRC's activities genuinely reflected member state priorities. The argument was also proposed by some development partners that separate donor funding of activities (compared to joint funding arrangements) may in some situations allow protection of certain functions and ensure 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.

There were specific concerns raised about: (i) the lack of consistency in the application of the 11% administration charge across development partners; (ii) the tendency to accommodate donor requirements (both in terms of the content of projects and specific administrative needs) so as to maximise funding, and (iii) the way in which some self managed donor technical cooperation programmes were seen as poorly aligned with programme priorities and as operating outside MRC management systems or effective control.

Perspectives from National Mekong Committees

National Mekong Committees considered that aid was in general provided in line with MRC priorities but that some programmes considered as priorities were either not fully funded, or had only some components funded. Particular programme areas identified as underfunded included hydropower, tourism, drought management, agriculture, fisheries, flood mitigation and the Basin Development Programme (BDP).⁸ In addition, concerns were raised that MRC did not have a sufficient focus on national level capacity development, and that the BDP needed to serve as an overarching framework for the MRC's activities rather than as one programme operating in parallel with others.

The effectiveness of the use of aid by MRC was also generally seen as satisfactory because implementation of programmes was generally in line with agreed work plans and MRC was seen as exercising effective monitoring and control. However, concerns were raised about the following issues:

- Delays in implementation as a result of insufficiently strong coordination between development partners and of staffing constraints at MRCS, or of staffing constraints particularly in relation to management capacity.
- Insufficient focus on the transmission of regional benefits to national and local level, through more effective planning of how to maximise national and local level benefits and translation of outputs into riparian languages.
- Lack of information on the level and use of resources by those development partners providing self-managed TA, and a particular concern that in some cases this was provided in a way that was not responsive to member needs, and that agreements about the provision of aid were made between MRCS and individual development partners without sufficient NMC involvement.⁹

⁸ However, the point was also made in an informal response that some countries had unrealistic expectations about the willingness of development partners to fund particular programmes (notably tourism) and that MRC consequently should not be used as a funding route for work in these areas.

⁹ It was also suggested that the concept of the "Associated Technical Cooperation Budget" was problematic in that such TC could not genuinely be regarded as aligned with MRC processes and priorities.

- It was also noted that there may be a problem of inappropriate incentives in that MRCS had a mandate to maximise funding which might override the need to ensure that resources were provided within the agreed framework and using MRC procedures.
- A need for effective stakeholder engagement that can raise costs and cause delays in implementation.

There was a general view that implementation of programmes should be at national (or sub-national) level, and that MRC's role should be a facilitating and coordinating one, and that there was a danger either of duplication or lack of coordination between regional and national programmes, or of MRC being used as a route for the delivery of projects that had only a limited regional component.

Strengthened harmonisation and alignment was seen as important by NMCs for improving aid effectiveness, with development partners needing to work within agreed MRC procedures, and effective processes of dialogue to ensure that this happened.

3.3 Basis for improving alignment

Development partners were asked to rate respectively the MRC's 2006-10 Strategic Plan, Programme Documents, and Annual Work Programmes as a basis for alignment. Results are summarised in Table 3.2 below.

Table 3.2 Ratings by Development Partners of Basis for Alignment

	2006-10 Strategic Plan	Programme documents	Annual Programme	Work
Completely satisfactory basis for alignment	1	0		0
Largely satisfactory basis for alignment	2	7		7
Not very satisfactory basis for alignment	6	3		3

Development partners did not consider the 2006-10 Strategic Plan provided either a very satisfactory strategic document or a strong basis for ownership. Those development partners who rated the Strategic Plan relatively strongly as a basis for alignment tended to have limited engagement with MRC - focused on a small number of projects or programmes. Reasons cited for the Strategic Plan being unsatisfactory were the following:

- It had not been prepared in a consultative way.
- It was not seen as a genuinely "strategic" document, in that it did not sufficiently clearly define the role of the MRC and the division of responsibilities between national and regional level.
- There were concerns about the breadth of member state ownership of the Strategic Plan.
- It lacked a results framework.
- It was now somewhat obsolete and isolated from operational activities, and bore little relationship to MRC's activities during 2005-7.

The programme documents and work plans were rated as more satisfactory, though there were concerns about the weakness of reporting in the absence of a results framework. Donors providing self-managed TC felt that their contributions were not fully recognised or integrated within programme documents.

Development partners were also asked to what extent MRC's systems and procedures provide a satisfactory basis for their agency to move towards more aligned modes of aid provision. One development partner provided a rating of "very strong", three a rating of "strong", and six a rating of "weak". Those rating MRC's systems relatively strongly cited the successful passing of formal review processes and generally sound financial management and procurement, and progress in implementing agreed organisational reforms. Some development partners who had attempted to provide more programmatic forms of support felt that MRC's systems were not currently well-suited to this.

Concerns were cited about lack of transparency, inconsistent application of the management overhead, and staff turnover, as well as the need to establish a system of results-based management and the absence of performance audit, as well as concerns about effectiveness of financial management. However, one development partner also argued that there was no rationale for alignment on MRC systems unless these systems were effectively riparianised and that the programme of organisational reforms based on the Independent Organisational Review was flawed in that it did not address key questions about MRC's role and hence was excessively focused on bureaucratic issues of second-order importance.

3.4 Scope for changing aid modalities

The questionnaire asked each development partner about the scope that they had for moving towards more aligned forms of support, and what forms of changes to the provision of support were considered as realistic goals for the short-term (within the current Strategic Planning period) and the longer-term.

Development partners essentially divided into two categories on the basis of their responses: in the first were a set of development partners who did not consider there was opportunity or need for significant changes to their aid modality (this group included Belgium, EC ECHO, Japan, USA). These also divided between those involved in the provision of project support of that was generally of relatively limited scope but that was also provided under arrangements that had little flexibility in implementation, and those providing self-managed technical cooperation. There was a widespread concern from both other development partners and NMCs that self-managed TC was in some cases not well-aligned with MRC's objectives and that MRC lacked effective control over, or information about, its use. One donor providing self-managed TC considered that this support was aligned to the MRC's strategy and programmes, but that it was not well-integrated into MRC because MRC's organisational, management and funding structure did not favour coordination between programmes, and because of staffing weaknesses within MRCS.

In the second category were the majority of development partners who considered it desirable and in principle possible to move towards more aligned support at the programme level, and who had made some efforts to do this or considered that they already provided programme support for at least part of their engagement (for instance with the Water Management Trust Fund, and the arrangements being developed for BDP 2). Development partners who had been engaged in trying to establish such arrangements noted that they had encountered difficulties so far, in some cases because of the need to satisfy individual

donor requirements, and in some cases because MRC's systems and procedures were seen as not well-suited to managing forms of support that were not essentially project-based. Examples of progress in common reporting were cited, for instance the single progress reporting systems for the Flood Management and Mitigation Program.

Most development partners did not consider there was substantial scope for short-term changes to aid modalities, though it was suggested by some that progress might be made by establishing a lead donor in each programme and in agreeing a more structured division of labour between development partners.¹⁰

In the longer term, progress towards alignment was seen as closely tied to the content and process of the next Strategic Plan. An initially feasible goal was seen as programme-based support (with common reporting and reviews through single programme agreements), with more general support for MRC's programme as a whole being a potential longer term objective. For some development partners there were formal processes of assessment of MRC systems that had to be completed to allow increased use of these systems but it was anticipated that MRC's systems would be rated sufficiently strong (at least once an improved monitoring and reporting system was in place).

The main requirements identified as necessary or desirable for further moves towards more programmatic support were:

- Establishment of the Results Based Monitoring system and more effective monitoring and evaluation systems.
- Progress in defining and agreeing MRC's role and core functions with strong ownership of these by member states (beyond the NMCs to encompass key national ministries including those responsible for finance and planning) and in restructuring MRC in line with the agreed core functions.
- Progress with riparianisation based on transparent and competitive recruitment or secondment processes, and strengthening of MRCS's management capacity.
- Increases in the member state share of financing of core functions.

Specific actions proposed included the following:

- Continuation of a step by step approach to build confidence with realistic goals and strong consultation.
- More consistent approaches to the payment of the management overhead and (more generally) addressing what was seen by some as over-accommodation of specific donor requirements.
- Removing overlaps in the roles of the NMC leaders and joint committee representation.
- Simplification of the decision-making process focusing on the Council as the higher decision-making body and reducing the number of other bodies and processes.¹¹
- Measures to strengthen and simplify management and reduce excess costs (for instance related to the sending of hard copy documents and payment of allowances).

¹⁰ The MRCS noted in response that such an approach might threaten effective inter-programme harmonisation.

¹¹ The MRCS noted that the decision-making process including the role of the Joint Committee (which was being questioned by some development partners) is embodied in the 1995 Agreement and would therefore only be achievable through an amendment of the MRC Agreement which was not seen as realistic by the MRCS.

- The need to ensure transparency in relation to donor managed TC.

Development partners were also requested to cite relevant experience of the provision of more aligned support. However, the issues involved in processes of alignment of aid at the national level are significantly different from those for support to an intergovernmental organisation such as MRC, and most donors did not consider there was much relevant comparative experience. Where comparisons with similar organisations were made, it was considered that MRC has a much heavier dependence on international staff, its structure is more donor-driven, and it has higher administration costs than comparable intergovernmental organisations. In cases where there is strong member ownership and funding of such an organisation's core functions (so that aid provides a relatively limited share of total funding), a project-based mode of support can be accommodated and indeed may be seen as more efficient.

Perspectives from National Mekong Committees

The strong message from the NMCs was the need for development partners to adopt a more harmonised approach – “development partners must work as a group, not individually.” Many cases were noted of the accommodation of individual development partner requirements. It was agreed by all the NMCs that there was scope for this accommodation (and that the situation was improving) but that at the moment this happened in an ad hoc way (based on discussions between the MRCS and individual development partners) rather than explicitly around the Strategic Plan and an agreed decision-making process, and that this meant that current arrangements lacked flexibility, transparency and in some cases responsiveness to member state concerns. Development partners needed to work more effectively together to negotiate workable arrangements (with problems to be identified and addressed through informal discussions at regional level rather than in decision-making forums themselves). There was particular concern about the provision of self-managed technical cooperation (specifically that provided by GTZ) which was regarded as lacking transparency in relation to the use of funds and as risking poor alignment with MRC priorities and systems, and the rationale for the concept of the “Associated TC budget” was questioned.

The next Strategic Plan was identified as playing a critical role in this process, as was the development of results based management and improved monitoring and evaluation. NMCs were seen as having an important monitoring role (including in relation to specific agreements with development partners).

One model presented for the future of MRC involved accelerated riparianisation, strengthening of core management capacity, a clearer definition of the core functions of the MRC, focusing on coordination and key river management functions, with implementation of programmes taking place predominantly at national level and within the overall framework provided by the BDP. In the long run, core functions should be funded by the member states though donors were recognised as having an important transitional role (in building confidence as well as financial support).

4 Conclusions

4.1 Requirements for improving harmonisation and alignment

The information gathering exercise from development partners and NMCs, as well as the review of MRC's initiatives to date, has shown that action in the following areas is regarded as of central importance for improving MRC's effectiveness and the effectiveness of the use of development assistance:

- Significant concerns about MRC's role and priorities must be addressed. Themes identified included a greater focus on coordination and a more clearly defined set of core functions with a better articulation at the national level, with a strong results-based focus.
- Member states must address development partner concerns about what is perceived as limited ownership of MRC and its agenda by national governments, heavy dependence on donor support to fund core functions, and about recruitment processes for riparian staff that are seen as militating against effective riparianisation and the strengthening of MRC's management capacity and a reduction in its dependence on international staff.
- Development partners and MRCS would need to address NMC concerns about weak harmonisation and a tendency for the needs of individual donors to be accommodated in a way that is not agreed in a sufficiently collective manner.

The process of preparation of the next Strategic Plan provides the main opportunity to address these areas of action and concern and the highest priority should be accorded to ensuring that the Strategic Plan process achieves this in a more satisfactory manner than was the case for the 2006-2010 Strategic Plan. In a situation where the large majority of MRC's development partners consider that lack of ownership of the MRC's programme by member states is the main constraint on the effective use of aid it is unlikely that significant improvements in alignment could be achieved without having satisfactorily addresses these concerns. Further, there is some danger that a focus on trying to proceed with visible alignment initiatives in these circumstances (based on a desire to show progress and to allow MRC's development partners to show they are participating in alignment processes) may divert attention and resources away from the more fundamental challenges facing MRC that must be addressed through the next Strategic Plan. It is important to ensure that initiatives are based on achieving specific improvements in MRC's relevance, effectiveness, efficiency and impact and overcoming problems that have been identified as constraining MRC's performance.

4.2 Grouping of development partners and aid instruments

The terms of reference for this consultancy requires an analysis and definition of MRC Development Partner interest, involvement and commitment to alignment and harmonisation, and the definition of different groups of development partners according to their approach towards the process. The terms of reference envisage a process whereby categories of donors are identified and specific processes for taking forward harmonisation and alignment are agreed for each group separately. Communication from the MRCS suggested that categorisation of donors:

“[C]ould be a powerful communication tool and if carefully constructed could work as an incentive for less aligned donors to further align. Such a tool could also be useful as

a communication tool with Member Countries to provide an illustration of the range of different donors the Secretariat has to deal with.”

The terms of reference for the study also identified the need to compare development partner and MRC programming, administrative and financial systems to identify similarities and differences and the identification of suggested target levels for alignment and harmonisation for appropriate categories of Development Partners. The terms of reference also envisaged trying to identify cases where particular donors had moved towards more aligned modes of aid provision in order to encourage these donors to do the same for MRC.

The underlying assumption in the terms of reference is therefore that constraints on donor flexibility impose significant limitations on the extent to which more fully harmonised and aligned approaches to aid management can be implemented, and that it is therefore necessary to develop tailored processes for different categories of donors that recognise and work within these constraints though in the hope that this can provide some kind of demonstration effect that will encourage additional progress.

However, the findings of the consultancy call into question these assumptions in several respects:

- First, the survey of development partners suggested that in principle scope for alignment on MRC systems existed for most donors and that progress in resolving key strategic issues was the main constraint so that constraints on donor flexibility are not the binding ones on progress.
- Second, international experience in implementing the Paris Declaration does not point to successful examples of progress in improving alignment that are based on explicit categorisations of donors and the establishment of differential targets for progress in alignment across groups of donors. Rather, since all development partners have made common commitments to achieving harmonisation and alignment through the Paris Declaration and the Accra Agenda for Action, there is a high level of legitimacy for establishing a single unified framework across all donors and successful examples. It is also hard to see in principle how the acceptance of differential rates of progress for different categories of donors would exert a stronger incentive for action by those donors who are least advanced in harmonisation and alignment compared to the acceptance of a common single framework of targets.
- Third, the examples of other river basin authorities discussed in Section 2.3 suggest that the general approach of establishing a single programme framework and financing mechanism is a feasible one, but that it is both necessary and possible to accommodate to some extent the requirements of particular donors within this overall approach in a way that does not pose an excessive burden. One mechanism was to allow some degree of earmarking of the use of funds within the NBTf. The main specific concerns about harmonisation and alignment raised through discussions conducted for this study (especially from the National Mekong Committees) related to the technical assistance provided by GTZ whose management and use was not felt to be strongly aligned with MRC needs. However, in the case of the NBI, some accommodation of GTZ's requirements had proven possible without this being seen as imposing an excessive administrative burden or as involving major concerns about the extent of alignment. This suggests that problems could be resolved through bilateral discussion with GTZ to ensure that key concerns are addressed and that this does not require (nor would it be helped by) the formal classification of GTZ into a particular donor category that would have special treatment.

Having said this, the analysis in Section 3 suggests that there are three main types of development assistance provided to MRC in terms of the extent to which alignment on the use of MRC's systems is in principle possible and it is useful to identify these, though the desirability of developing individually tailored targets and processes for aid within each category is not regarded as appropriate.

The types of development assistance identified are the following:

1. Aid that can be managed through MRC systems (including basket funding arrangements) subject to the meeting of specific reporting, procurement and financial management requirements - in some cases requiring a process of auditing of MRC's arrangements by the development partner.
2. Aid that cannot be managed through MRC systems (particularly that cannot be pooled because of a requirement to be able to trace specifically how money is spent) as a result of restrictions arising from donor policies, or for which it would be impractical or not cost effective to change established arrangements (particularly where the sums of money involved may not be very large or the arrangement is due to expire).
3. Technical Cooperation that is contracted and managed, as a result of donor policies, by a particular development partner agency, rather than through the provision of funds to MRC to recruit and manage TC through its own procedures.

It should be noted that these categories apply to the particular instruments used for support, rather than to all forms of support provided by, or potentially provided by, a particular development partner so that it is not appropriate to classify particular donors into the specific groups. For instance the European Commission considers that the support currently provided through the ECHO programme provides little scope for changes in aid modality, but other forms of support that may be considered are not so constrained. In addition, donors who are providing self-managed TC (such as Germany and Japan) are also providing or have access to other forms of support that is less constrained in terms of the use of MRC systems. One issue that was raised was whether the lack of regional instruments for some development partners (for instance the World Bank) posed constraints on how aid may be provided.

4.3 Modalities for programme support

The terms of reference also require further definition of the modalities for joint programme level support in terms acceptable by most development partners, and the further definition of Overall MRC Work Programme Support¹² to prepare its future implementation.

It is important to draw a distinction between the steps necessary for strengthening harmonisation and alignment at the level of individual programmes (as has happened for BDP Phase 2 Programme) which essentially involves the pragmatic renegotiation and adjustment of current financing arrangements within each programme area, and the process of seeking to establish a single programme financing framework (as has been done for the NBI and is being developed for the NBA) to encompass all donor support for the whole organisation. As noted in Section 2.5, increasing harmonisation and alignment at the level of

¹² This terminology is used in the terms of reference, but it would be desirable to distinguish more clearly between support to the MRC strategy (that may be provided flexibly across programmes) and particular programme modalities.

individual programmes may create some barriers to effective alignment at the level of the organisation as a whole, particularly if special donor requirements are accommodated in this process.

In the short term (the remainder of the current Strategic Planning period) initiatives should continue to develop models of harmonised and aligned programme support including the BDP Phase 2 pilot and strengthening of the operation of the Water Management Trust Fund. At the same time, there should be action (which can probably be taken on a bilateral basis) to address particular concerns that have been identified, for instance those relating to the management of TA provided by GTZ.

This short-term process could also involve a review and rationalisation of programme governance arrangements and the division of labour between development partners. Ideas suggested have included agreeing a lead donor for each programme who would be able to represent other development partners at some levels of decision making, and the focusing of donor support in areas and programmes in which particular development partners are agreed to have a comparative advantage. However, the MRCS has raised concerns that establishing lead donors at the level of individual programmes could complicate the process of harmonisation across the organisation as a whole. This issue may be seen as further calling into question the use of the programme structure as the basis for funding in the longer term.

A more effective long-term approach to achieving improved harmonisation and alignment will require the development of a single financing framework. This approach would be similar to the cases of the NBA and NBI discussed in Section 2.3 above where a single programme financing instrument is being or has been developed to cover all donor support to (or channelled through) the organisation (though donors have some capacity to earmark the use of funds).

Core elements of a model to support the development of a single financing framework would include a common agreed results framework and monitoring and reporting system. This may not obviate the need for some supplementary reporting at least on a transitional basis to meet specific donor requirements, but the core results and reporting system should be a common one to which all participating partners subscribe. The findings in Section 3 suggest however that the critical step for increasing alignment (as part of a process of establishing an overall programme support framework) will be ensuring that the process of preparation of the next Strategic Plan (which is not part of the Roadmap) credibly addresses the main concerns identified (though some of these also form part of the programme of recommendations of the Organisational Review). It should not be necessary to tailor these models specifically to the needs of individual (or categories of) development partners although it should be recognised that some flexibility will be required in implementation. The approach should be to define the basic requirements to which *all* development partners participating in support to programmes should be expected to subscribe.

5 Recommendations

The main recommendation of this report is that strengthening harmonisation and alignment should be addressed principally through action to ensure first that there is strengthened ownership of MRC's programme by MRC's members including through accelerated riparianisation, and second that MRC's structure and mode and operations are to be based on a model that is sustainable with less reliance on international TC and a greater proportion of member state funding of agreed and clearly defined core functions. The next Strategic Planning process will need to play a central role in addressing these concerns. Implementation of the Organisational Review recommendations (and establishment of the results-based M&E system) is necessary for this but will not be sufficient.

While there is scope for some short-term action to strengthen harmonisation and alignment within the current programme structure (and a need to address through bilateral discussion concerns about TA management), there appear to be fundamental problems with a model based on the development of common funding mechanisms for particular programmes. There problems are:

- The existing programme structure has to a significant extent been determined by financing considerations and lacks a deep rationale in terms of MRC's functions.
- The development of aligned arrangements at programme level appears (on the basis of the experience with BDP 2 Programme) to be a time-consuming process that may generate only limited savings in terms of transactions and administrative costs and, to the extent that specific donor requirements are accommodated within particular programme arrangements, will entail some tensions with an ideal of full alignment on MRC systems.
- Either specific funding agreements for each development partner will be required for each programme in which it participates (which will increase transactions costs) or there is a risk of inflexibility or a lack of clarity of responsibility where a funding agreement covers multiple programmes.

Since there appear to be only limited benefits to be obtained from pursuing alignment at the individual programme level, it is proposed that the focus should rather be on developing a single financing arrangement to support the 2011-2015 Strategic Plan. This would operate across the MRC programmes (however these are defined in the future) and would be based on the model of a basket funding arrangement that can be applied relatively flexibly to meet priorities agreed in the Strategic Plan and the annual work programmes that will follow from this. Each development partner would be expected to specify how it will bring its activities in line with this framework while there would be recognition of the need for some flexibility.

The key areas for action are therefore the following:

- Addressing the most pressing concerns about weak harmonisation (particularly the widespread concerns about lack of alignment and transparency for self-managed TC particularly in relation to GTZ). This should be done principally through bilateral discussion between MRCS and the development partners concerned. Development partners also need to work more effectively together to rationalise their division of labour and to progressively strengthen integration of activities particularly at programme level.
- Working with a group of willing development partners to develop a more detailed framework for Overall Programme Support, conceived as a flexible basket funding arrangement that can be used to support those elements of MRC's core functions that are not initially funded by member states contributions, and to ensure that key priorities

that are not otherwise funded are met. The existence of such a funding arrangement should be an element in the next Strategic Plan, and its relationship to the BDP should be clarified.

- Revisiting the Aid Effectiveness Roadmap and integrating it into the process for development of the next Strategic Plan, while reconsidering the relevance and feasibility of the specific targets that have been identified.
- It is not recommended that action to develop the proposed Mekong Declaration should take place in the short term since unless it involves specific and measurable commitments it is unlikely to add value to the process, and the framework for such commitments will need to be provided by the next Strategic Plan. Such a set of commitments might be developed in parallel with the Strategic Plan as part of revised governance and financing arrangements for MRC.

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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

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Mid-Term Review of the Mekong River Commission Strategic Plan 2006-2010, Final Report, January 2009

MRC Procedure Manuals

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

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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 2007

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

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Report by the CEO on Improved Coordination Among Programmes and New Programme Structure, Thirtieth Meeting of the MRC Joint Committee, 29-30 July 2009

DRAFT

List of People Consulted or Providing Information

MRCS

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

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

Don Brown, ITAD, Monitoring and Evaluation System Consultancy

Ali Dastgeer, ITAD, Monitoring and Evaluation System Consultancy

National Mekong Committees

Cambodia

Pich Dun, Secretary General, Cambodia NMC

Ou Sophanna, Deputy Director of Administration and Finance Department, Cambodia NMC

So Sophort, Cambodia NMC

Lao PDR

Phonpaseuth Phoulipanh, Acting Head of Planning and Cooperation Division, Water Resources and Environment Administration, Prime Minister's Office, Lao NMC

Virana Sonnasinh, Deputy Chief of Planning and Cooperation Division, Water Resources and Environment Administration, Prime Minister's Office, Lao NMC

Oudomsack Philavong, Acting Chief, Data & Information Division, Water Resources and Environment Administration, Prime Minister's Office, Lao NMC

Thailand

Ms. Pakawan Chufamane, Director of Mekong Affairs Branch, Department of Water Resources, Ministry of Natural Resources and Environment

Ms. Nuanlaor Wongpinitwarodom , Senior Policy and Plan Analyst, Mekong Affairs Branch,
Department of Water Resources, Ministry of Natural Resources and Environment

Associate Professor Chaoyuth Sukhsri, Thai NMC

Vietnam

Tran Duc Cuong, Deputy Secretary General, Vietnam NMC

Nguyen Thu Linh, Programme Officer, Vietnam NMC

International Development Partners

Asian Development Bank

Ian W Makin, Senior Water Resources Management Specialist, Southeast Asia Agriculture,
Environment and Natural Resources Division

Christopher Wensley, Principal Water Resources Engineer, Southeast Asia Agriculture,
Environment and Natural Resources Division

Urooj S Malik, Director, Southeast Asia Agriculture, Environment and Natural Resources
Division

Australia

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

Belgium

Charles Bois d'Enghien, Counsellor / Head Desk "Regional Cooperation, DG Development
Cooperation, Ministry of Foreign Affairs of Belgium, Brussels

Denmark

Dorte Chortsen, Counsellor (political/development), Embassy of Denmark, Hanoi

European Commission

David Verboom, Head of Regional Support Office for East and South East Asia, Directorate
–General for Humanitarian Aid – ECHO, European Commission, Bangkok

Samuel Cantrell, First Secretary, Delegation of the European Commission, Bangkok

Finland

Helena Ahola, First Secretary - Development Cooperation, Embassy of Finland, Bangkok

France

Martin Parent, Project Coordinator, Agence Francaise de Developpement, Paris

Germany

Daniel Haas, Counsellor - Development Cooperation, Embassy of the Federal Republic of
Germany, Phnom Penh

Kerstin Henke, Country Officer for Lao PDR, Cambodia, MRC, Federal Ministry for Economic
Cooperation and Development, Bonn

Petra Schill, MRC-GTZ Cooperation Programme Coordinator, Vientiane/Lao PDR

Japan

Mayuko Hori, Official, First Southeast Asia Division, Southeast and Southwest Asian Affairs Department, Asian and Oceanian Affairs Bureau, Ministry of Foreign Affairs of Japan

Netherlands

Martien Beek, First Secretary – Water Management, Embassy of the Kingdom of the Netherlands, Hanoi

Nguyen Phuoc Binh Thanh, Program Office – Water Management and General Affairs, Embassy of the Kingdom of the Netherlands, Hanoi

New Zealand

Brent Rapson, Development Program Manager, NZAID

Sweden

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

United States

John R. Pasch, Regional Water Policy Adviser, Regional Development Mission/Asia, US Agency for International Development, Bangkok

Sara R. Walter, Director, Program Development Office, Regional Development Mission/Asia, US Agency for International Development, Bangkok

Warren J. Harrity, Deputy Director, Program Development Office, Regional Development Mission/Asia, US Agency for International Development, Bangkok

A. Sezin Tokar, Hydrometeorological Hazard Advisor, USAID Office of US Foreign Disaster Assistance, Washington DC

UNDP

Linda Norgrove, UNDP-UNEP Environment Unit Chief, United Nations Development Programme/United Nations Environment Programme, Vientiane

World Bank

Toru Konishi, Mekong River Water Utilization Project Task Team Leader

Other River Basin Organisations

Organisation pour la mise en valeur du fleuve Sénégal (OMVS)

Mohamed Fawzi Bedredine, Regional Coordinator – GEF Project

Niger Basin Authority

Nialen Conde Bangoura, Director of Administration and Finance

Nile Basin Initiative

Dr Canisius Kabungo Kanangire, Head of Strategic Planning and Management, Nile Basin Initiative Secretariat

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.

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)

- 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:

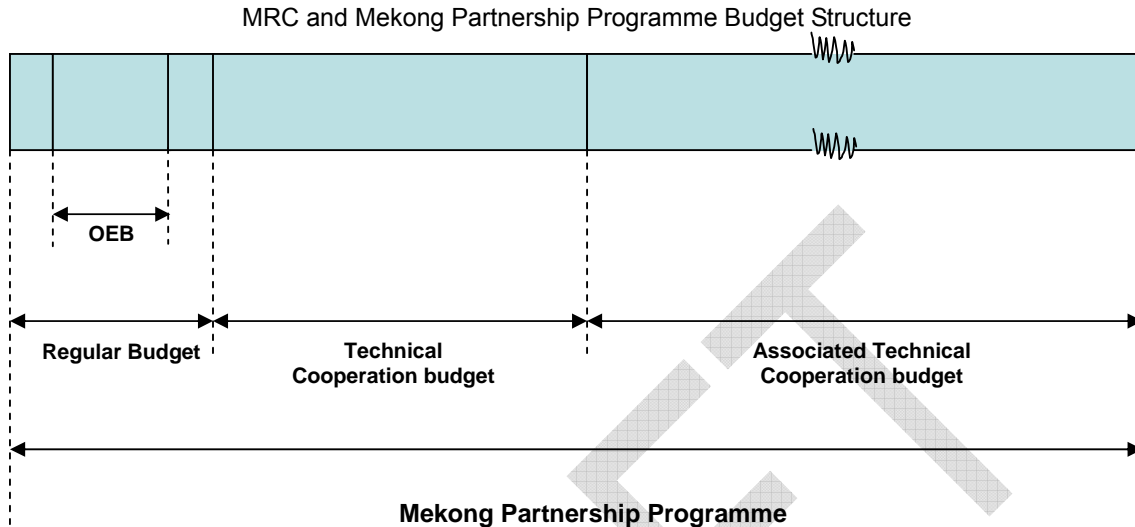
- 1995 Mekong Agreement
- MRC Strategic plan 2000-2005
- MRC Strategic Plan 2006-2010;
- Joint Statement of the International Conference on the Mekong River Commission, Hanoi, 23-24 April 2007
- Report of the Independent Organisational, Financial and Institutional Review of MRCS and the National Mekong 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.

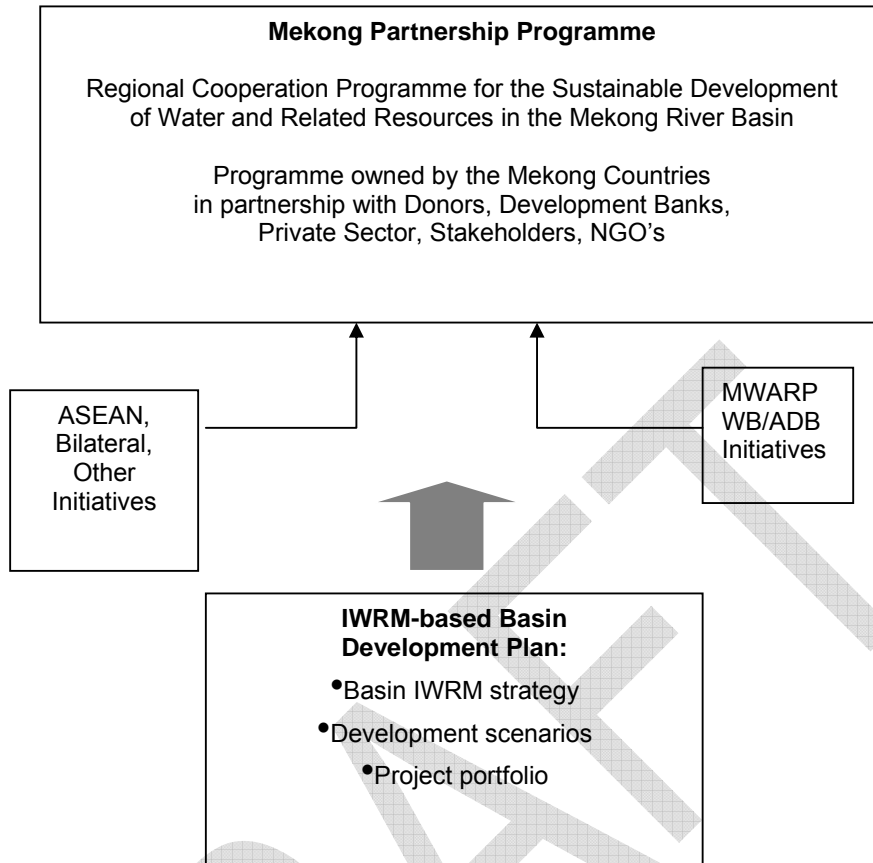
Attachment 1: Towards a possible Overall MRC Work Programme Support

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.

Annex B Questionnaire to Development Partners

Aid effectiveness at the MRC

Significant progress towards improving aid effectiveness 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.

How alignment could be further improved?

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:¹³

"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 (TCB) 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 to further aid alignment at the MRC

This questionnaire was developed within the framework of a wider work aiming at improving the effectiveness of aid provided to the MRC. A consultant from the Oxford Policy Management was recruited for this task with the support from the Swedish International Development Cooperation Agency (SIDA) and the Swedish Environmental Secretariat for Asia (SENSA).

The questionnaire is the first part of the process of collecting information on options and processes for moving towards the use of more aligned aid instruments

¹³ *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

The questionnaire response for each development partner will form the basis for possible follow up interviews and discussions with a view to clarifying options and processes for each development partner to move towards more aligned forms of support. The interviews will be scheduled to take place during the two weeks beginning January 5th 2009. 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. The outcomes of this process will be presented at the Informal Donor Meeting of June 2009.

Practical information

Questionnaire responses will be kept within the present process only (though the study 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). Your response should be sent directly to Mr. Stephen Jones at the Oxford Policy Management by e-mail at stephen.jones@opml.co.uk or by mail:

Mr. Stephen Jones,
Oxford Policy Management
6 St Aldates Courtyard
38 St Aldates
Oxford OX1 1BN
United Kingdom
Tel: +44-1865207 300
Fax: +44-1865 250 580

The questionnaire should be sent back before 19 December 2009.

Contact points and other agency staff are welcome to contact the consultant to discuss any problems or issues arising from the questionnaire.

Questionnaire

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?*
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

<i>Not a constraint</i>	
<i>Mild constraint</i>	

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

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

Unsatisfactory	
Not very satisfactory	

<i>Largely satisfactory</i>	
<i>Completely satisfactory</i>	

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

<i>Very weak basis</i>	
<i>Weak basis</i>	
<i>Strong basis</i>	
<i>Very strong basis</i>	

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 you 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?

Annex C Questionnaire to NMCs

Aid effectiveness at the MRC

Significant progress towards improving aid effectiveness has been made in the development of MRC's strategy and systems and in the establishment 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 establishing administrative systems. Evidence from the Organisational Review and audits indicate that MRC's administration and finance systems are robust.
- An initiative to establish a Results-Based Monitoring and Evaluation System.
- The development and use of a Standard Financing Agreement

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

How alignment could be further improved?

Alignment of aid takes two forms: alignment on objectives and strategies, and alignment on the use of the system's of the recipient organisation. MRC has called upon its partners to align aid to MRC's systems on the basis of its Strategic Plan:¹⁴

"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 (TCB) 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.

Questionnaires to further aid alignment at the MRC

Two questionnaires were developed within the framework of a wider work aiming at improving the effectiveness of aid provided to the MRC. A consultant from the Oxford Policy Management was recruited for this task with the support from the Swedish International Development Cooperation Agency (SIDA) and the Swedish Environmental Secretariat for Asia (SENSA). The TOR for this process were agreed to at the Joint Contact Group.

One questionnaire was prepared for Development Partners and one for National Mekong Committees and Line Agencies.

¹⁴ *Funding the MRC Programmes 2006-2010: Programme Outlines*, November 2008, p. 12

The questionnaires are the first part of the process of collecting information on options and processes for moving towards the use of more aligned aid instruments at the MRC.

Each questionnaire response will form the basis for follow up interviews and discussions with a view to clarifying options and to move towards more aligned forms of support. The interviews will be scheduled to take place during the two weeks beginning January 5th 2009. 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. The outcomes of this process will be presented at the Twenty-ninth Meeting of the Joint Committee scheduled for March 2009 and at the Informal Donor Meeting of June 2009.

Practical information

Questionnaire responses will be kept within the present process only (though the study report will contain a summary discussion for each country of the potential scope for moving to more aligned approaches and key requirements for this progress to be achieved). Your response should be sent directly to Mr. Stephen Jones at the Oxford Policy Management by e-mail at stephen.jones@opml.co.uk or by fax (+44-1865 250 580).

The questionnaire should be sent back before 19 December 2009.

Contact points and staff are welcome to contact the consultant to discuss any problems or issues arising from the questionnaire.

Questionnaire

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?*

What actions by (i) MRC: (ii) Member States: (iii) Development Partners.

5. *Could you provide examples of other aid alignment processes taking place in your country?*
6. *Do you wish to add other comment?*

Annex D Aid Management Experience in River Basin Organisations

D.1 Organisation pour la mise en valeur du fleuve Sénégal (OMVS)

The Organisation pour la mise en valeur du fleuve Sénégal (Organisation for the Enhancement of the Senegal River) (OMVS) was established in 1972 by the governments of Mali, Mauritania and Senegal and their development partners and is based in Dakar, Senegal. Guinea joined OMVS in 2006, with the result that all the Senegal River riparian countries are members of the organisation. Although OMVS was newly formed in 1972, the first studies for Senegal River management were completed as far back as 1861 by the colonial authorities. OMVS' mission is to contribute to the economic development of its member states through sound management of the resources of the Senegal River basin. It also aims to promote self-sufficiency in food, to improve the income of the local populations, and to preserve the natural ecosystems. Its mandate is to:

- Enforce the Convention on the status of the Senegal River, signed on 11th March 1972;
- Promote and coordinate research and project implementation taking place within the territories of the member states, in order to enhance the resources of the Senegal River basin; and
- Manage all technical and economic work allocated to OMVS by the member states

All of OMVS' work is based on five key international conventions:

- Convention related to the status of the Senegal River (1972) - declares that the Senegal river (and its tributaries) constitute an 'international river' and emphasises the importance of close cooperation between the riparian states in using the resources of the Senegal river;
- Convention for the creation of OMVS (1972) - outlines the mandate and structure of OMVS;
- Convention related to the legal status of transboundary works;
- Convention on financing modalities of transboundary works (1982); and
- Charter of Waters of the Senegal River (2002) - includes a definition of the framework and modalities for participation of water users in decision-making processes related to the management of resources in the Senegal River basin

The fact that OMVS bases all its work on international conventions, which govern the use of the Senegal River, is seen as an example of successful intergovernmental cooperation¹⁵.

Funding

A financing agreement ('Convention Relative aux Modalités de Financement des Ouvrages Communs' (Convention on financing modalities of transboundary works)) was signed by the governments of Mali, Mauritania and Senegal in Bamako, Mali, in 1982. This sets out OMVS' programme financing modalities, loan guarantee mechanisms and contribution commitments

¹⁵ Les Accords Internationaux sur le Fleuve Senegal (International Agreements about the Senegal River), Youssoupha Kamara, Conseiller Technique au Ministère de l'Hydraulique, page 3

of member countries. OMVS claims that this is the only international financing agreement of its kind and has enabled close cooperation between the member states.

The agreement states that the following financing mechanisms can be used to fund transboundary work in the Senegal River basin:

- Contributions from the member states;
- Loans contracted by the member states and passed onto OMVS; and
- Grants, donations, legacies and other donations in kind, including technical assistance

Three of the member countries have agreed to service the following proportions of the OMVS debt accrued as a result of loans taken:

- Mauritania: 22.6%
- Senegal: 42.1%
- Mali: 35.3%

Now that Guinea has become a member of OMVS, it is likely that these proportions will be revised to incorporate a contribution from Guinea. All four member states equally share all the running costs of OMVS.

The financing agreement also stipulates that:

“Where a project will affect more than one member state, the investment and implementation costs will be shared by the member states, on the basis of the anticipated profits which will be made from the project in question. The division of costs and charges can be periodically adjusted as a result of the effects of the project on the regional infrastructure. The member states guarantee the repayment of the full amount required for the project and any interest payments and other charges for loans taken on by OMVS in order to pay for the construction and implementation of the project. Any loans taken out by OMVS to implement transboundary projects must be approved by the Council of Ministers of the organisation. The contributions of the member states are treated as advances to OMVS and should be repaid as soon as OMVS is in a position to do so.”

In general, OMVS treats funds from development partners as loans (with a weighted average annual interest rate of 2% over 45 years) and donations are treated in the same way as other financing of infrastructure projects in developing countries. OMVS does not consider funds from development partners to be ‘aid’ rather development partners fund specific projects. It is estimated that OMVS at least US \$ 700 million of donor funds have been allocated to current projects and there are lots of further projects, and related funding, in the pipeline.

OMVS receives funding from the following bodies:

Bilateral donors:

- Canadian International Development Agency (CIDA)
- Agence Française de Développement (AFD)
- Fonds Français pour l'Environnement Mondial (FFEM)
- Kreditanstalt für Wiederaufbau (KfW)
- United States Agency for International Development (USAID)

- Embassy of the Netherlands (in Senegal)

Multilateral Donors:

- African Development Bank (AfDB)
- Islamic Development Bank (ISDB)
- World Bank
- International Development Association (IDA)
- European Investment Bank (EIB)
- European Commission

Ministries:

- French Ministry of Foreign Affairs
- Deutsche Gesellschaft für Zusammenarbeit (GTZ)
- Dutch Ministry of Foreign Affairs

OMVS intends to gradually become less dependent on donor funds through establishing an increasing number of public-private partnerships and therefore building up more private sector funding.

Staffing

The High Commission, which is responsible for managing and implementing the work of the OMVS, has a 'technical management' group with the following divisions: transport and infrastructure, agriculture, forestry and pastoral promotion and development, water resources and risk prevention, and research, programme planning and M&E. Out of a total staff of around 200 (of which 100 are in the high commission and 100 working on 2 specific dam project offices, SOGED and SOGEM) OMVS currently has two international technical experts (one French and one Dutch) but they consider them to be full-time staff rather than external consultants. OMVS sometimes uses external consultants, but only for specific, short-term studies.

Issues related to harmonisation and alignment

OMVS does not consider that it faces significant problems resulting from a lack of harmonisation and alignment in the funds it receives. This is because donors currently donate to specific projects and are therefore not required to work together. As a result, OMVS is not doing anything improve harmonisation and alignment for aid in the light of the Paris Declaration.

D.2 Niger Basin Authority (NBA)

The NBA was founded in 1964 as the Niger River Commission and then refounded in 1980 as the Niger Basin Authority. Its Executive Secretariat is based in Niamey, Niger and it has nine member countries: Benin, Burkina Faso, Cameroon, Ivory Coast, Guinea, Mali, Niger and Nigeria.

Funding

The NBA receives funding both from member states and from development partners. From 2005 to 2009, the NBA received about 134.3 billion CFA (approximately US \$285 million) in

aid from its development partners. A further 25.7 billion CFA (approximately US \$54.4 million) of external funding has been promised to the NBA for the remainder of 2009.

The funding from development partners is used to implement projects and programmes whilst the member states fund the budget of the Executive Secretariat, which is responsible for the implementation of the work of the NBA. The proportion of funding received from each member state has been agreed through a common agreement made between the member states and is dependent upon the relative size of the portion of the basin which falls within each country's borders, as follows:

Contribution of member states to the NBA Budget

Member state	Percentage payment
Benin	5 %
Burkina Faso	4%
Cameroon	7%
Ivory Coast	5%
Guinea	10%
Mali	20%
Niger	18%
Nigeria	30%
Chad	1%
Total	100%

The NBA's main technical and financial development partners are:

- The World Bank
- The European Union (EU)
- French Global Environment Facility (FFEM)
- African Development Bank (AfDB)
- African Water Facility (FAE)
- Canadian International Development Agency (CIDA)
- Deutsche Gesellschaft für Zusammenarbeit (GTZ)
- Kreditanstalt für Wiederaufbau (KfW)
- French Government
- West African Economic and Monetary Union (ECOWAS)
- West African Development Bank (BOAD).

In 2007, the NBA channeled all its work into one programme: the 'Sustainable Development Action Plan (SDAP)'. This plan has an attached investment programme (IP), which sets out the costs involved in implementing the SDAP until 2027 and outlines where funds have already been allocated to its work by donors, as well as highlighting funding gaps. The IP is divided into four five-year periods, with a total cost of US\$8,248 million¹⁶, of which 14.55% already had funding committed by February 2008. The first period (2008-2012) will cost US\$2,047 million and had 40% of its funding secured in February 2008, with pledges from the following donors:¹⁷

- World Bank
- Private Sector
- Canadian International Development Agency (CIDA)
- Agence Française de Développement (AFD)
- African Development Bank (AfDB)
- Arab Bank for Economic Development in Africa
- Islamic Development Bank
- West African Development Bank
- ECOWAS Investment and Development Bank
- European Commission
- Kuwait Fund for Arab and Economic Development
- OPEC Fund
- Saudi Fund for Development
- Abu Dhabi Fund
- Deutsche Gesellschaft für Zusammenarbeit (GTZ)
- Global Environment Facility (GEF)
- AFD/ FGEF
- Government of Niger
- Government of Mali

Of these donors, the World Bank contributes the largest proportion (41.7% of total funds pledged) and the private sector contributes 23.8%. The government of Mali contributes 1.3% and the Government of Niger 2%.

The World Bank is leader of the Development Partners' Group. The NBA claims that there has been good coordination among NBA partners since 2003.¹⁸ Studies related to the SDAP were co-financed *'despite the constraints imposed by the peculiarities of the procedures specific to each partner'*. Three partners (the World Bank and the governments of Canada and France) made a commitment to supporting the NBA's Shared Vision Process, and: *'The presence at the very beginning of a critical mass of financing made it possible to attract other donors such as the European Commission, and Germany, thus enabling the successful*

¹⁶ Investment Program of the Sustainable Development Action Plan of the Niger Basin – Synthesis (February 2008). Page 2

¹⁷ Donors' Round Table – Advocacy for the Sustainable Development of the River Niger Basin, page 64

¹⁸ Donors' Round Table – Advocacy for the Sustainable Development of the River Niger Basin, page 6

conduct of the process'. France and Canada co-financed the first phase and the second phase was co-financed by EC and Germany.

Staffing

The NBA has two full-time technical assistance staff members, out of a total of 45 professional staff members. Further information about staff or use of external technical assistance is not available.

Issues related to harmonisation and alignment

NBA does not consider that it experiences problems as a result of a lack of harmonisation and alignment in the aid that the body receives.

The website states that NBA itself has been ceded *'no sovereign power over resources or management'*, and therefore all regulation must be imposed by the individual member governments. This suggests that the NBA is in a weak position to promote or advocate for harmonisation and alignment of the aid they receive.

The NBA obviously recognises the importance of promoting alignment with systems and procedures (Alignment 2). The importance of ensuring that the institutional arrangements for the implementation of the investment programme are compatible with the implementation of ongoing projects and programmes is stressed, as well as the harmonisation of the operating modes of the initiatives taking place.¹⁹ The NBA also pledges to strengthen both internal and external (ie. other states, the NBA and its technical and financial partners) coordination through transforming and strengthening the National Focal Points and National Focal Structures.

In the medium term, the NBA also wishes to move from a focus by donors on projects and programmes towards seeing the implementation of the IP as the NBA's whole programme. They recognise that the set up of institutional arrangements related to the IP's implementation is key to facilitating this change of focus.

Improvements in harmonisation and alignment for aid in the light of the Paris Declaration

The move to managing and implementing all NBA's projects through one programme, the 'Sustainable Development Action Plan (SDAP)', supported by the investment programme (IP), will greatly improve the levels of harmonisation and alignment which the NBA can achieve.

The NBA member countries also developed their own Paris Declaration in April 2004, entitled 'Paris Declaration: Management and Governance Principles for the Sustainable Development of the River Niger Basin'. The declaration was signed at a meeting in Paris initiated by the President of Niger (Mamadou Tandja) and the President of France (Jacques Chirac) and attended by the heads of state of the member countries and some of the NBA's development partners. In the declaration, the member states commit to implementing the 'Shared Vision for the Sustainable Development of the Niger Basin', which was agreed at a summit held in Abuja in 2002. The signatories acknowledge that each state has a role to play in managing their shared water resources, in order to contribute to poverty reduction, food

¹⁹ Donors' Round Table – Advocacy for the Sustainable Development of the River Niger Basin, page 10

security and environmental protection. Among other things it dictates that the member states must:

“consult each other systematically on any work which will have a significant effect on the management of water within the basin and strengthen their regional institution, the NBA, so that it can fully play its coordination role.”²⁰

A Cooperation Framework (the NBA Partners Cooperation framework) was also signed by 22 technical and financial partners²¹ of NBA during the Paris conference. This framework affirms the partners’ commitment to strengthening coordination between their interventions and to actively participating in the Consultative Committee of the NBA Partners.²²

The NBA also adopted a ‘Water Charter’ in 2008 which aims to ensure shared and consensual management of the Niger River Basin.

D.3 Nile Basin Initiative (NBI)

The NBI was established in 1997 and its Secretariat is based in Entebbe, Uganda. It has nine member countries: Burundi, DRC, Egypt, Ethiopia, Kenya, Rwanda, Sudan, Tanzania and Uganda.

Funding

The NBI is supported by contributions from the NBI member countries and through the support of several multilateral and bilateral donors. The NBI’s development partners have so far contributed more than US\$130 Million of their original pledge of US\$150 Million. Out of this total program cost, member governments have contributed US\$14.4 million.²³

The member countries provide an annual contribution to support the core functions of the NBI Secretariat. This makes up less than 5% of the NBI’s total aid. NBI considers that the amount contributed by the member countries needs to increase as the NBI grows and needs more professional staff. The NBI is, therefore, currently broaching an increase in contributions with the member states. The member states also make contributions in kind to the NBI, for example by providing accommodation and vehicles for project work taking place within their borders.

The NBI’s initial development partners were the World Bank, UNDP and CIDA. It now works with the following organisations:

- Governments of Canada, the Netherlands, Denmark, Norway, Sweden, United Kingdom, Finland, Italy, France, United States of America, Germany

²⁰ NBA website: <http://www.abn.ne/index.php/eng/Partners/Paris-Declaration>

²¹ Signatories include: UNEP, EC, FAO, World Bank, AfDB and the governments of Canada, Japan, Switzerland, Germany and the Netherlands

²² NBA website: <http://www.abn.ne/index.php/eng/Partners/Cooperation-Framework>

²³ NBI website: http://www.nilebasin.org/index.php?option=com_content&task=view&id=46&Itemid=98

- World Bank
- European Union
- African Development Bank (AfDB)
- UN Food and Agriculture Organisation (FAO)
- United Nations Development Programme (UNDP)
- United Nations Office for Project Services (UNOPS)

In total, the NBI receives varying degrees of funding from approximately 20 countries and other bilateral organisations. Of these, the NBI's main funders are CIDA, Sida, Norad and the Netherlands. The World Bank's main contribution is the management of the NBTF (see below). The NBI does not currently attract any funding from the private sector.

The **International Consortium for Cooperation on the Nile (ICCON)** was established in 2001 in order to bring together the international donor community and NGOs in support of the NBI. The Consortium is led by the Nile Council of Ministers and is a forum for dialogue on the options and opportunities for management and development of the Nile Basin. The ICCON was launched by the Chairman of the Nile Council of Ministers and received statements of support from the United Nations Development Programme (UNDP), the Canadian International Development Agency (CIDA), the European Union (EU), the Global Environment Facility (GEF) and a coalition of interested NGOs.

The ICCON Consultative Group (ICCON-CG) was a group of donors within the framework of the ICCON, organised by the World Bank at the request of the Nile Council of Ministers. In the end, the ICCON-CG only met once as it was not deemed relevant once the NBTF (see below) had been established and was running successfully. The ICCON-CG was chaired by the World Bank Vice-President for Africa and Vice-President for the Middle East and North Africa and supported the NBI, particularly for the implementation of its Shared Vision Programme. The first phase of this investment programme was about US\$3 billion, supported in part by the group of donors in ICCON who expressed initial financial support of at least US\$140 million to finance the full programme. The Nile Basin Trust Fund (see below) was established by the World Bank for this purpose. The donors also committed to underwrite the investment programme.

The **Nile Basin Trust Fund (NBTF)** was established in 2003 at the request of the Nile Basin Council of Ministers. This is a multi-donor fund which is managed by the World Bank and is the NBI's preferred funding mechanism (although alternative funding mechanisms are also used). This was to allow funds to be transferred according to established disbursement and procurement procedures. The aim is that the management of the trust fund will, by 2012, be transferred from the World Bank to a Nile Basin institution as programme implementation progresses and a permanent institutional framework is established. The NBTF is a funding mechanism that helps administer and harmonise donor partner support pledged to the NBI. Donors that contribute to the NBI through the NBTF include: Canada, Denmark, the Netherlands, Norway, Sweden and the United Kingdom. The majority of funds supporting NBI programmes and projects are administered through the NBTF. Donors can specify their particular areas/ projects of interest when they make contributions to the fund.

Currently, at the basin level, the NBTF is used to support the preparation and/or implementation of the NBI programmes and to strengthen NBI institutional capacity. It is also used to facilitate the process of NBI dialogue and engagement. At the sub-basin level, NBTF funds support the preparation and implementation of investment projects, build capacity for regional coordination and preparation of joint projects, and provide advisory services and

support to sub-regional institutions. NBTF funds are transferred to the NBI, which has the primary responsibility for the implementation of project activities. Almost all (about 95%) of NBTF-financed NBI projects are recipient-executed. This helps ensure ownership of NBI activities and contributes to building institutional capacity to implement regional projects.

The operation of the NBTF is overseen by the NBTF Committee in order to ensure that the use of its resources meet the objectives of the NBI programmes. The committee is comprised of contributors to the trust fund, members of the NBI and the World Bank. If donors are unwilling or unable to provide their support through the NBTF, alternative arrangements can be made. Support to individual projects or to the NBI Secretariat, can be arranged through mutually agreed channels, for example, bilaterally to the NBI. However, the NBI tries to avoid making alternative administrative arrangements if at all possible as this means they are then required to meet different donor requirements.

The NBI recognises that innovative financing mechanisms, beyond the NBTF, for preparation and implementation of large-scale investments will be needed as preparation of subsidiary action programmes progresses.

The core costs of the Nile Council of Ministers, NBI Technical Advisory Committee, and NBI Secretariat are supported by the member countries through payment of annual dues. The member countries provide counterpart funds for all projects, and contribute additional funds to the NBI Secretariat. They also sponsor the Shared Vision Programme (SVP) project management units.

Staffing

The various sections of the NBI employ over 300 people. Dr. Kanangire was unable to provide an estimate of the proportion of technical assistance staff within this total as he was working away from his home office. According to the website, the NBI Secretariat is headed by an Executive Director, who is the principal executive officer, under whom are several senior members of staff, including the Chief Finance Officer, Senior Programme Officers/SVP Coordinator, Information Management Specialist, Programme Officer, Information Technology Officer, Bi-Lingual Secretary, Accountant and Administrative Officer. The NBI use external consultants for any large pieces of work, such as studies, evaluations, programme design etc.

Issues related to harmonisation and alignment

NBI does not consider that it faces significant problems resulting from a lack of harmonisation and alignment in the aid it receives. This is largely due to the NBTF (see above), which has proven to be a very effective mechanism for harmonising donor support to the NBI and ensuring a unified and coherent approach to managing funds. The NBTF is managed following the standard rules and regulations of the World Bank (all the donors have agreed to this, and that the World Bank should lead the whole process) and agreements are made with donors, through regular meetings, on the way the NBI should report back to them. When agreeing to contribute to the NBTF, each donor is required to sign a grant agreement with the NBI. Some donors prefer to direct their funds towards a specific initiative: where donors (for example GTZ) chose to provide funding through alternative mechanisms to the NBTF this does mean the NBI has to follow the donor's specific procedures but these are generally not too cumbersome and therefore the NBI does not see this as a large constraint.

Also, in February 1999, the member governments of the NBI adopted a shared vision:

'to achieve sustainable socio-economic development through the equitable utilisation of, and benefit from, the common Nile Basin water resources' (NBI 2001)²⁴

In order to achieve this vision, a strategic action programme was drawn up combining a shared vision programme and subsidiary action programmes. The shared vision programme includes the implementation of a basin-wide program of research, capacity building and technical assistance as well as the detailed preparation of cooperative, socially and environmentally sustainable sub-basin investments programs in the Eastern Nile and the Equatorial Lakes regions. Having this shared vision and related action programmes helps to enhance harmonisation and alignment of member states' and development partners' efforts.

The NBI is also developing the Nile River Basin Cooperative Framework Agreement (CFA), which aims to establish cooperative mechanisms for managing and developing water resources in the Nile Basin. All NBI member countries and development partners will be asked to sign the agreement, which will then enable the establishment of a permanent body which will replace the NBI, the Nile Basin Commission (NBC). The NBC is expected to be established by 2012, and will take on the management of the NBTf from the World Bank.

The NBI is also currently harmonising its own internal procedures and regulations to ensure consistency across the various NBI institutions. For example, the shared vision programme and the two investment programmes, the Eastern Nile Subsidiary Action Programme (ENSAP) and the Nile Equatorial Lakes Subsidiary Action Programme (NELSAP) have common rules and policies. The aim is that the NBI will report to donors through one, standard, report format.

D.4 Okavango River Basin Water Commission (OKACOM)

OKACOM was established in 1994 in Windhoek, Namibia with the signing of the "OKACOM Agreement" by Angola, Botswana and Namibia. It aims to manage the Okavango River Basin as a single entity. The agreement commits the member states to promote coordinated and environmentally sustainable regional water resources development, while addressing the legitimate social and economic needs of each of the riparian states.

The OKACOM Agreement establishes the Permanent Okavango River Basin Water Commission (OKACOM), also referred to as the "Commission", whose objective is "to act as technical advisor to the Contracting Parties (the Governments of the three states) on matters relating to the conservation, development and utilisation of the resources of common interest to the Contracting Parties (basin member states) and shall perform such other functions pertaining to the development and utilisation of such resources as the Contracting Parties may from time to time agree to assign to the Commission". The role of OKACOM is to anticipate and reduce those unintended, unacceptable and often unnecessary impacts that occur due to uncoordinated resources development. To do so it has developed a coherent approach to managing the river basin. That approach is based on equitable allocation, sustainable utilisation, sound environmental management and the sharing of benefits. The 1994 OKACOM Agreement gives it legal responsibility to:

- Determine the long term safe yield of the river basin
- Estimate reasonable demand from the consumers
- Prepare criteria for conservation, equitable allocation and sustainable utilisation of water

²⁴ The dynamics of river basin cooperation: The Nile and Okavango basins, Alan Nicol, page 182

- Conduct investigations related to water infrastructure
- Recommend pollution prevention measures
- Develop measures for the alleviation of short term difficulties, such as temporary droughts
- Address other matters determined by the Commission

In early 2007, OKACOM reviewed its organizational structure to bring it in line with the Revised SADC Protocol on Shared Watercourses, and gave the OBSC formal status and recognized it as a permanent and formal internal body of OKACOM with defined functions, roles, responsibilities as well as operational procedures. In 2004, the Commission recognized the need to establish a Secretariat which would implement the decisions of the Commission and started the process of putting this in place. In April 2007, the three contracting parties signed a new agreement of the "Organizational Structure for the Permanent Okavango River Basin Water Commission". This agreement establishes the Secretariat (OKASEC) as an internal organ of OKACOM, along with the Commission and the OBSC. The Secretariat is responsible for providing administrative, financial and general secretarial services to OKACOM. Headed by an internationally recruited Executive Secretary, OKASEC is also instrumental in information sharing and communication on behalf of OKACOM and ensures closer coordination of the work of OKACOM.

Funding

At its inception, OKACOM was funded by the Global Environmental Facility (GEF). The establishment of OKASEC was supported by various development aid agencies. The different agencies worked in complementary ways that helped to establish the secretariat while avoiding duplication. For example, the Swedish International Development Co-operation Agency (SIDA) supported the design and staffing for the first phase of the Permanent Secretariat and supported the development of the OKACOM website through the 'Every River Has its People Project' and the US Agency for International Development (USAID) provided Interim Secretariat Services for OKACOM and facilitated the start-up support for OKASEC.

The Global Environment Facility (UNDP-GEF) has a US\$ 5.4 million project which supports OKACOM. The Environmental Protection and Sustainable Management of the Okavango River Basin (GEF-EPSMO) aims to strengthen the mechanisms for joint implementation, develop a transboundary diagnostic analysis and formulate a Strategic Action Plan for the Okavango Basin. The purpose of EPSMO is three-fold:

- To overcome current barriers and constraints to co-ordination and joint management of the basin
- To complete a Transboundary Diagnostic Analysis (TDA) for joint management
- To facilitate the formulation of an implementable programme of joint management – Strategic Action Programme (SAP).

One of the barriers identified to the success of the project is sustainable financing. In order to overcome this barrier, EPSMO proposed holding donor workshops to secure funding for SAP implementation.

USAID/Southern Africa supports OKACOM's institutional development through the Okavango Integrated River Basin Management Project (IRBM), a four year, US\$7 million initiative. OKACOM and its technical advisory body, the Okavango Basin Steering Committee (OBSC), implement the project in collaboration with government ministries, active non-governmental organizations in the basin, communities, regional academic and research institutions, businesses and local governments that use and manage the resources in the Okavango River Basin. The Project has components addressing support to the institutional strengthening of OKACOM and the establishment of the Secretariat to OKACOM; management of biodiversity and anural resources; and, the participatory community governance in river basin resources.

Issues related to harmonisation and alignment

In 1995, OKACOM declared a commitment to the implementation of an environmental assessment and integrated management plan for the whole basin, and agreed that all transboundary water issues would be discussed through interministerial representation. However, there are still barriers to transboundary management, as shown by the lack of coordination between national policies and institutional arrangements.

DRAFT