



Mekong River Commission

Strategic Plan 2006 - 2010

***MRC
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Visions and mission

VISION for the Mekong River Basin

An economically prosperous, socially just and environmentally sound Mekong River Basin

VISION for the Mekong River Commission

A world class, financially secure, International River Basin Organisation serving the Mekong countries to achieve the basin Vision

MISSION of the Mekong River Commission

To promote and coordinate sustainable management and development of water and related resources for the countries' mutual benefit and the people's well-being.

Executive Summary

Introduction

With the 1995 Mekong Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin, the Mekong River Commission (MRC) was created as an inter-governmental body to serve the Mekong countries in realising their desires for economic prosperity, environmental soundness and social equity. Subsequently, the MRC has adopted a Strategic Planning approach to implement the 1995 Mekong Agreement. The formulation and implementation of cyclical strategic plans is now fully engrained as part of the organisation's identity. Following a review of the second Strategic Plan, three broad issues were identified as central to the development of the Strategic Plan 2006-2010:

- *Tangible results focused on poverty reduction through sustainable development*
- *Creating ownership and value-added with a broadened interpretation to include better integration of MRC and national development plans*
- *Adopting an integrated water resource management approach which is necessary for the MRC to jointly promote development and conservation to ensure sustainable cooperation for the utilization of the Mekong's common resources.*

Mekong development context

The most pressing priority for all the Member States is to achieve higher levels of economic and social development. The proper use and development of water and related resources will be a key driver in this regard. This will require a strong partnership of the basin's stakeholders which can effectively link development and natural resource conservation. The Member States' goals for sustainable economic growth and development are inextricably linked with poverty alleviation and environmental protection.

Due to potential basin-wide and transboundary impacts, as well as potential impacts on the lives of the basin's people, the MRC has roles in irrigation and agricultural water management, hydropower, navigation, floods, droughts, water supply and sanitation, fisheries, and environmental management. However, the scope and depth of actual involvement by the MRC in these areas varies greatly due to the scale of typical projects and ongoing activities of other organisations.

Legal mandate of the MRC

The 1995 Mekong Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin outlines the legal mandate for the MRC. The 1995 Mekong Agreement is an intergovernmental treaty, which relies on the cooperation and compliance of the signatory countries for implementation. The first three articles of the Agreement define the scope of the core mandate for the MRC.

Member States' expectations of the MRC

At the Twelfth Meeting of the MRC Council in November 2005, the MRC Council Chairman for 2004/2005 outlined his current views on the direction of the MRC. That statement contained two points of particular importance. The first was the Chairman's expressed agreement in seeing the MRC move toward a more comprehensive implementation of the 1995 Mekong Agreement. The second important point was the Chairman's recognition that the work of the MRC is complementary and avoids

duplication with other development partners. This view was further supported by statements from the four MRC Member States Delegations.

MRC's complementary role in the basin development process

The MRC will need to strike a delicate balance between regulation and investment and between engineering and environment. The guiding principle of the MRC Strategic Plan 2006-2010 is that the MRC roles are within the MRC's mandate, complement the comparative advantages of others, avoid duplication of efforts and reflect the expressed interest of the Member States.

Focusing the role of MRC as a Knowledge-based International River Basin Organization

The role of the MRC in serving the joint interests of its Member States is to promote sustainable development in the Mekong River Basin. The primary value-added of MRC as an international river basin organisation is to focus on the joint and basin-wide issues, including scenario developments, identification of important joint and basin-wide projects and programmes, and the analysis of implications (economic, social and environmental) of ongoing and proposed developments in the basin. In this role, the MRC will work to find long-term solutions to common problems in the region.

The mission of the MRC will be achieved through an Integrated Water Resources Management (IWRM) approach within the framework of the 1995 Agreement which combines the value-added capabilities of the MRC, namely, knowledge management and capacity development, a framework for regional cooperation, and environmental monitoring and protection. These capabilities, developed over the last ten years, support the promotion of sustainable development in the Mekong River Basin.

With its unique legal mandate, knowledge base and expertise in the areas of water and related resources management together with its effective regional cooperation framework in these areas, MRC is particularly well placed to provide guidance and support to sustainable development. In particular, the MRC will focus its efforts on:

- Basin wide projects and programmes, initially including the four riparian states of the LMB, later hopefully also the two upper riparian countries China and Myanmar;
- Transboundary projects, or suites of complementary projects, between two or three riparian states;
- National projects, or land and water policies, with significant or cumulative basin wide implications.

Given this emphasis, the MRC must avoid dispersing its efforts over a large number of small projects that have no significant impacts.

Through the BDP, MRC, does have an important role in registering all developments in the basin. This will enable: i) a comprehensive development and analyses of scenarios; and ii) the analysis of implications of projects, including the cumulative effects of national developments. MRC also plays a role in the screening of suites of smaller projects in a broader basin context, hence assisting in identifying and prioritising projects to be further developed by national agencies and their donors.

The role of the MRC in promoting sustainable development will remain limited to the functions for which it has value-added and capacity as compared to other key development partners in the region. However, there are clear roles for the MRC which can enhance project quality with an emphasis on joint and basin-wide projects.

IWRM Strategic Directions of the MRC

The MRC has adopted an IWRM approach to guide its work. Improved integration is needed to ensure that all critical links are strong, both within and outside the MRC, and that the necessary skills exist to effectively identify and promote sustainable development opportunities. Successful implementation will involve continued trust building and cooperation among the Member States and donors.

Moving toward an integrated approach for developing and managing water and related resources will require changes impacting institutions, policies, technology, infrastructure, and financial mechanisms. Moreover, the very nature of an integrated approach will call upon the active and coordinated participation of almost all of the countries' resource management agencies.

The Strategic Goals for MRC 2006-2010

Based on the review of the last Strategic Plan and numerous consultations, an overarching Strategic Goal and four specific Strategic Goals were formulated. The overall Five Year goal of the MRC is:

“More Effective Use of the Mekong’s Water and Related Resources to Alleviate Poverty While Protecting the Environment”

This Strategic Plan sets forth the following four goals, which extend previous efforts of the MRC over the coming five years in an appropriate and meaningful manner. They imply both strong commitment on the part of member states, donors and stakeholders and the mobilization of sufficient funds in support of the MRC's work programme and activities.

The four goals correspond to the four roles of MRC with regard to water and related resources. They are:

- Goal 1:** To promote and support coordinated, sustainable, and pro-poor investment and development;
- Goal 2:** To enhance effective regional cooperation;
- Goal 3:** To strengthen basin-wide environmental monitoring and impact assessment;
- Goal 4:** To strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies, NMCs, Line Agencies, and other stakeholders.

Integrated Programme Approach

The integrated programme structure of the MRC will comprise the following: Flood Management and Mitigation; Drought Management; Irrigation, Agriculture and Forestry; Navigation; Hydropower; Fisheries; and Tourism. This cohesive set of programmes will be cross-cut by four programmes in Environment Management, Information and Knowledge Management, Integrated Capacity Building and Water Utilization. A previous distinction of programmes into core, sector and support programmes will be discontinued. All programmes are considered to be equally important.

Within this structure, the basin planning function through the Basin Development Plan (BDP) will take on a pivotal role in a highly integrated and coordinated manner. This function will use acquired knowledge from the MRC Programmes to build an overall perspective of what the development needs and knowledge gaps are and which eventually will set the agenda of the MRC Programmes. The BDP will further ensure that project programming is done in harmony with the IWRM Strategic Directions.

Programmes implemented by the MRC will provide support to a regional cooperation programme for sustainable development of water and related resources in the Mekong River Basin, the Mekong Programme, jointly implemented by the Mekong Countries in cooperation with donors and development banks.

Complementarities with Regional Initiatives

It will be crucial that the MRC forges effective links with other regional economic cooperation initiatives including ASEAN, the ADB's GMS Economic Cooperation Programme and the emerging World Bank Mekong Water Resources Assistance Programme (MWRAP). Efforts will be made to minimize overlap based on a mutual assessment of each partners' comparative advantages. Links would be built on the principles of cooperation and coordination, while the MRC would need to maintain its independent status as an impartial International River Basin Organisation.

Funding MRC activities

The goals of the MRC Strategic Plan 2006 - 2010 specify a continuation of MRC's important role in all areas of river basin management. The approach of the Strategic Plan 2006 - 2010 orients MRC funding towards two main roles under the MRC Mekong Programme.

1. Support for sustainable development of water and related resources in the Mekong River Basin. This support is managed under the MRC Technical Cooperation Budget.
2. Support to strengthening the MRC as an International River Basin Organization. This support is managed under the MRC Regular Budget.

In this context, there are three distinct budgets that make up the overall MRC Mekong Programme budget:

- The *Regular Budget* will cover all costs of MRC Secretariat 'essential services. The Regular Budget provides for the functions that the MRC as a River Basin organization should offer; such as a monitoring function for the 1995 Agreement and the administration and senior management support for MRC's programmes.
- The *Technical Cooperation Budget* will cover all programme activities in which MRC plays an execution or co-execution role. The Technical Cooperation Budget houses the MRC-executed technical assistance through projects required to address the development problems in the Mekong Basin. The Technical Cooperation Budget is designed to expand and contract according to the volume of activities implemented by the MRC under its established programmes for the sustainable development of water and related resources in the Mekong River Basin.
- The *Associated Technical Cooperation Budget* will cover all programme activities generated by MRC's Basin Development Plan but in which MRC has no executing responsibility.

Organizational Strategy

The present general organizational structure of the Secretariat will be continued. There will be four Divisions reporting to the CEO, each headed and managed by a senior riparian officer (one from each country). These four Directors together, with the CEO, form the 'Executive' or senior management team of the MRCS.

1 Introduction

1.1 General

It has long been recognized that development of the Mekong River's water and related resources is an essential element of broad-based regional socio-economic growth. However, development of the Mekong's water and related resources lags far behind its potential. Despite impressive economic growth over the last decade within the countries, much of the Mekong Basin still remains among the world's poorest areas, where many parts of the basin have poverty rates ranging up to 40 percent of the population. Wise, environmentally sound and carefully targeted investments in the water sector hold the potential to have significant pro-poor impacts; having a direct role in raising the level of food security and real incomes of the rural poor. Well-coordinated investments are still needed not only for infrastructures but also for the development of human and institutional capacity. The pro-poor impacts from developing water resources are not automatic, however, and must be part of broader regional and national pro-poor socio-economic growth and development agendas.

Because of the strong interdependency of different users and countries within the river basin, the role of the Mekong River Commission (MRC) as a promotor and coordinator of sustainable development of the Mekong's water and related resources is extremely important. The MRC has been created as an inter-governmental body to serve the Mekong countries in realising their desires for economic prosperity, environmental soundness and social equity. It is in the interest of the Member States that the organisation maintains its fundamental functions and its ability to make impartial basin-wide judgements and recommendations concerning development programmes and projects.

The purpose of Strategic Planning is to implement the 1995 Mekong Agreement. The formulation and implementation of cyclical strategic plans is now fully engrained as part of the organisation's identity and a guarantor for sustained interest of the Member States and all stakeholders. It constitutes a succession of the previous plans building upon the accomplishments since the 1995 Mekong Agreement was signed.

This Strategic Plan gives significant attention to improved organizational strategies in order to make the MRC a more mature, effective and efficient knowledge-based River Basin Organization, based on assessed needs, future challenges and with adequate reference to the organisation's weakness and strengths.

1.2 History of cooperation and development

The history of the cooperation and development planning of the Mekong riparian states dates back to 1957. Under the auspices of the United Nations, the Committee for the Coordination of Investigations of the Lower Mekong Basin or Mekong Committee (MC) was established. The MC was comprised of the four lower Mekong Basin riparian countries: Cambodia, Laos, South Vietnam and Thailand. At this time, the MC was given a coordinating role of the management of resources in the Basin. It also served as a mechanism for channelling development assistance.

Between 1975 and 1995, the Mekong Committee was able to survive serious geo-political challenges in the region, although development progress was quite limited. With the onset of peace and stability, the four countries were again able to move positively toward cooperative and sustainable development of the Basin. The commitment to cooperative development was formalized with the signing of the 'Agreement on The Cooperation for The Sustainable Development of The Mekong River Basin' on April 5, 1995. With this agreement, the Mekong River Commission (MRC) was established. The MRC Member States agreed to cooperate in all fields of

sustainable development, utilisation, management and conservation of the water and related resources of the Mekong River Basin, such as navigation, flood mitigation, fisheries, agriculture, hydropower and environmental protection. Since the signing of the Agreement, the MRC, with China and Myanmar as active dialogue partners, has been able to successfully pursue the sustainable development of the basin.

1.3 The second Strategic Plan 2001 - 2005

Prior to 2000, the MRC Secretariat's direction was organized around sector programmes and projects, which resulted in tangible on-the-ground works, although with a somewhat fragmented work programme. With the second Strategic Plan 2001-2005, there was a shift of focus toward a basin-wide and more holistic programme approach based on thematic areas. The Strategic Plan identified important strategic characteristics for the MRC Programmes. Besides a basin-wide perspective, these included high priority and support to knowledge generation; MRC's main entry point for interventions moved from the project to the policy and strategic level. It also recommended the MRC to focus on its role as an International River Basin Organisation. The significant strategic change from project to programmes was supported by the donor community reflecting their changed perspective on the development of the basin.

In order to follow the MRC Strategic Plan 2001-2005, each National Mekong Committee also set up its own Strategic Plan 2001-2005. Together with the numerous achievements in the core, sector and support programmes, the MRC has developed a solid basis for the identification of appropriate development projects and programmes for the Member States to promote for funding and implementation. The further formulation of a joint Development Plan and its implementation through a Mekong Programme for Regional Cooperation for Sustainable Development of Water and Related Resources Development in the Mekong River Basin will be a major accomplishment for the next five year strategic phase of the MRC.

In reviewing the 2nd Strategic Plan, a series of meetings and consultations with MRC stakeholders was held, in which the progress of its implementation was reviewed.¹ Key issues and challenges centred on concerns that not all countries had the required capacities to implement the 1995 Mekong Agreement including funding, integration, capacity building, and monitoring and evaluation.

Following the review of the 2nd Strategic Plan, three broad issues can be noted that are considered important by the Member States for the development of the 2006-2010 Strategic Plan:

- a. More tangible results focusing on poverty reduction through sustainable development: This translates into more sustainable and productive fisheries, more efficient and productive water use in irrigated agriculture, sustainable watershed management, appropriate exploitation of the hydropower potential, free and increased navigation, improved protection against floods, healthy river systems in terms of vital functions and water quality. The MRC will need to identify its role in the overall basin development process and make links with on-going regional initiatives and thereby exploit its comparative advantage as an inter-governmental River Basin Organization owned by the Mekong countries themselves.
- b. Creating ownership and value-added: The concepts of ownership and value-added are interdependent and will require a more coordinated approach than has been used in the past. Ownership has typically referred to the financial contributions the

¹ Details are contained in a separate document titled "Evaluation Report of the 2nd Strategic Plan 2001-2005"

four Member States make to the MRC, while value-added refers to what the MRC can add to the existing national planning processes. The perception of ownership and value-added must be broadened to include national cooperation with the MRC and national utilization of the tools of the MRC for enhancing national planning processes. Three important areas the MRC will need to address are integration, benefits (real value-added) and accountability mechanisms, and communication. Ownership can be enhanced by providing more roles for riparian staff to manage MRCS and by using the local expertise and local knowledge in the planning process. Enhanced country ownership can also be reflected in having the MRC Strategic Plan and Basin Development Plan linked to national development plans.

- c. Adopting an integrated water resource management approach: Integrated water resource management (IWRM) is a concept which is widely accepted by water professionals in the Mekong Basin. A meaningful integration within the context of the Mekong Basin requires a good understanding of the diversity of functions of the natural resource systems and the effects that planned interventions in one part of the basin might have in another part. These functions of the natural resource are inseparably connected to the economic, social and environmental values that the societies in different parts of the basin normally enjoy. Such values, when taken into consideration, permit a first assessment of trade-offs between benefits and costs associated with a particular development intervention. It will be necessary for the MRC to jointly promote development and conservation to ensure sustainable cooperation for the utilization of these common resources.

2 Mekong Development Context

2.1 Setting the scene

Tens of millions of people in the Mekong Basin rely on the water of the river system to help provide food security and livelihoods. An increasing population places great stress on the current capacity of the river system to meet these basic needs of the people. The pursuit of socio-economic development opportunities can increase the size of benefits available and, when done with pro-poor considerations, can increase the equity in access to these potential benefits. Developing in a sustainable way the economic potential of the Mekong system – for domestic use, for fisheries, for hydropower, for navigation, for irrigation and drought management – can play a key role in poverty alleviation and livelihood improvement. Given the high reliance people have on the river's natural system, such development must be undertaken with equal consideration to conserve the environment. Moreover, planning based on regional cooperation will yield better results than uncoordinated and fragmented planning. The challenge is to ensure that all the partners in development and conservation work together in close cooperation and harmony, in respect of existing strengths and mandates, in order to accelerate the achievement of the common vision of an economically prosperous, socially just and environmentally sound Mekong River Basin.

2.2 Socio-economic situation

2.2.1 Social and demographic features

In 2002, the total population living in the Lower Mekong Basin was estimated at 56.6 million, most living in rural areas. Many of these people are farmers who supplement what they grow with the fish they catch and the food and other materials they gather from forests and wetlands. The majority of Cambodia's and Lao PDR's land area and population lie within the basin. Moreover, nearly 40 percent of the people in Cambodia and Lao PDR living in the basin have incomes below the poverty line. Comparatively, the Thai portion in the basin holds only about 40 percent of the national population, while; in Viet Nam, 20 percent of the country's population lives in the Mekong Delta or the Central Highlands. However, poverty rates are also high in the parts of Thailand and Viet Nam that lie within the basin.

Projections suggest that by 2010 the basin's population will reach 63.6 million, which is equivalent to an overall annual growth rate of 1.54% (see *Table 1*). Cambodia and Lao PDR have relatively high projected annual population growth rates of 2.5 percent and 2.86 percent, respectively. Although the populations of Thailand and Viet Nam will grow more slowly, each country has a large pool of young people who will start their own families. These conditions along with increased longevity mean that overall population growth will remain significant. Larger populations increase pressure on per capita resources, especially land and water.

Table 1: Projected population growth of the Lower Mekong Basin

Portion within Mekong Basin	2002 Population (million)	Annual Growth Rate (%)	2010 Projected Population (million)	Source
Cambodia	13.8	2.5	16.8	www.unescap.org
Lao PDR	5.1	2.86	6.4	www.unfpa.org
NE Thailand	21.1	0.87	22.6	www.nso.go.th
Vietnam delta	16.6	0.9	17.8	www.geohive.com
Total	56.6	(Average) 1.54	63.6	

2.2.2 Priorities for future development of water and related resources

The most pressing priority for all the Member States is to achieve higher levels of economic and social development. The proper use and development of water and related resources will be a key driver in this regard. This drive must be balanced by protection of the water resource to ensure sustainable enhancement of livelihoods; environmental sustainability; and equitable distribution of “shared benefits” from development. This will provide the base for social sustainability and mutual trust amongst the nations of the basin. In real terms, this will require a strong partnership of the basin’s stakeholders which can effectively link development and natural resource conservation. The main risk of not linking these is a lack of the mutual impact required for the optimal balance inherent in sustainable development.

The key issue for water resource development and utilization in which the MRC has a clear role is in providing a predictable and transparent basin-wide resource management framework. Sustainable development cannot be achieved unless a basin-wide policy and strategy framework exists that reflects the aspirations of the countries and also respects the ability of the basin’s natural resources to absorb increasing development. The MRC can create and provide this framework of sustainability against which countries and donors can evaluate development options.

2.3 Development needs

Since its inception in 1995, the countries of the MRC have undergone dramatic socio-economic change (see Table 2). Economic growth in Thailand has surpassed the other four countries witnessed by its high GDP. Although there was prolonged contraction due to the 1997 Asian financial crisis, Thailand seems to have finally surpassed economic levels achieved prior to the crisis. Vietnam has been growing rapidly over the last decade illustrated by a tripling up its GDP. Although Vietnam’s per capita GDP lags behind Thailand, it has experienced the most dramatic drop in poverty falling from over 50% in 1993 to 29% in 2003. Cambodia and Laos have significantly lower economic development and have made less progress in growing their economies and in reducing poverty. This has created fundamental shifts in the countries and the appeal that membership in the MRC holds for them. In this context, human resources capacity building and awareness building, as well as institutional arrangements should be considered. In addition, developing eco-tourism would constitute an avenue for increasing the economic development in the Mekong Basin.

Table 2: Socio-economic trends during the life of the Mekong River Commission

	GDP (USD billions)		Per Capita GDP (USD)		Poverty rate (national line)	
	1995	2004	1995	2004	1993	2003
China	700.2	1,649.4	578.1	1,268.7	6.7 ^b	3 ^c
Myanmar	5.5	9.1	122.6	167.1	35 ^d	25 ^e
Lao PDR	1.8	2.4	382.1	415.7	45 ^a	33.0
Thailand	168.0	163.5	2,825.7	2,521.2	13.1 ^{a,f}	<2
Cambodia	3.4	4.4	321.1	314.1	39 ^a	36.0
Vietnam	20.7	43.9	288.0	534.8	50.9 ^a	29.0

Sources: IMF, World Economic Outlook Database, April 2005 and World Bank Country at a Glance Reports except as otherwise noted.

a: Source World Bank World Development Indicators 2003

b: ADB ESDB Dataset, 1996 data

c: 2003 data, The State Council Leading Group Office of Poverty Alleviation and Reduction

d: ADB ESDB Dataset, 1980-1990 average

e: 2000 est., CIA World Fact Book

f: 1992 data

All four countries have greatly increased integration with the global and regional economies demonstrated by increased international trade. There is a wide-spread recognition in the Mekong Region that continued strengthening of regional linkages are of mutual benefit based on the complementary relationship of resources, markets and opportunities. While global experience clearly demonstrates that not all economic growth leads to optimal outcomes, such as poverty alleviation and environmental conservation, there is equally strong evidence that economic growth is a necessary condition to achieve these outcomes. A purposively managed development agenda that holistically plans for development investment, social equity, and environmental conservation is the most likely course to meet the development aspirations of the Member States. The MRC is well-placed to be an essential partner supporting and promoting increased sustainable development of the Mekong Basin water and related resources.

2.3.1 Irrigation and agricultural water management

Nearly 75 percent of the region's population is employed in agriculture, fisheries and forestry. In macroeconomic terms, agricultural production is a significant contributor to and driver of economic growth in the riparian countries. Water is, of course, an essential input into the production process. While there is significant development of irrigation in the basin, much potential for new development continues to exist, mainly: expanding productive irrigation in areas that need it and improving efficiency of water use where irrigation exists.

Significant crop production occurs in the major sub-basins including the Tonle Sap Lake in Cambodia, the Xe Bangfai River in Lao PDR, and the Mun River in Thailand, and is important for local economies. Expansion of irrigation includes conducting land studies to identify the promising areas for irrigation expansion. The MRC can analyze the potential for inter- and intra-basin transfers of water to areas with potential for high agricultural productivity. In partnership with other organizations, such efforts will include social and equity concerns as well as likely require community awareness raising regarding the basin-wide processes.

2.3.2 Hydropower

The Lower Mekong River Basin has an estimated potential for hydropower development of about 30,000 MW. However, only a small part of this potential has currently been developed (2000 MW or 7%). It is estimated that the hydropower potential of the Lancang basin amounts to 23,000 MW, of which thirteen percent (3,000 MW) are currently developed. Altogether, the Mekong Basin has an overall hydropower potential of 53,000 MW with an estimated development level of 9.4%.

Well planned hydropower facilities can play several important roles in the development of the basin. First, provision of a reliable and sufficient power source is an essential ingredient into building a favourable investment climate that can serve as a platform for rapid socio-economic growth. Second, a reliable power supply system can bring significant benefits to rural households when connected. Third, hydropower plants with their scale economies provide a source of revenue for governments from which they can fund poverty alleviation activities if desired.

Much work has already been done to assess potential hydropower development in the Mekong Basin, both on the mainstream and in the tributaries. The MRC has a definite role in the hydropower sector to ensure developments are coordinated and meet the

necessary social and environmental safeguards. MRC activities in this sector include the assessment of proposed projects through the use of its modelling capabilities.

2.3.3 Navigation

River transportation provides an efficient means for the people of the basin to access different areas of the basin, to move goods from production around, and to link with regional and global markets. The last ten years have seen a tremendous rise in trade in the region. A key aspect of successful trade development is having low transaction costs. In developing countries, poor transportation capabilities are often cited as a prohibitive barrier to increased trade. Improved transportation capabilities brought about through river navigation improvements can also serve to connect isolated areas and improve livelihood opportunities. In general, waterway navigation can serve as one critical element in improving the lives of the basin's people and alleviating poverty through employment and trade opportunities.

Priority actions for the MRC include assisting in the development and implementation of ports, river works and regional waterways. An important activity is the regional harmonization of schemes (border regulation, navigation aids, navigation rules, pollution control, certification, monitoring, and statistics). Finally, there is room for MRC involvement in morphological management, including bank protection and dredging using available expertise in the region, including China. Improved waterway navigation should be conducted in cooperation with regional initiatives to improve road and rail transportation.

2.3.4 Floods and droughts

In 2000, more than 800 people lost their lives due to excessive flood, and the economic damage caused by the flood was assessed at more than US\$ 400 million. In 2001, more than 300 people lost their lives, and the economic damage from the flood was assessed at more than US\$ 100 million. In 2002, large floods have again caused loss of life and property in all the four riparian countries. Flash floods have devastated large areas in the MRC Member States. In each of these years, between one and eight million people were affected by floods, either by a need of evacuation, or by loss of crops and livestock, or by being prevented from going to work or to school.

The impact of droughts is also widespread throughout the basin. In 2004 alone, 19,000 villages in Thailand faced a "chronic shortage of water." Droughts can negatively impact agricultural production, the availability of water for domestic uses, the quality of water, and the ecology. Drought management is an emerging issue for the MRC. Potential areas for action include modelling and policy design for improved water management options to mitigate drought impacts, including improved water storage and intra- and inter-basin transfers.

Improved flood management and mitigation remain indispensable and will in the future be more in demand than ever. The complex flood problems of the Lower Mekong Basin not only require an integrated floodplain management (holistic) approach but also significant attention to transboundary and regional issues. The large floods of the Mekong are regional in character, and MRC is in a unique position to contribute effectively to improved flood management at the regional level. New opportunities are available for improved management and mitigation. MRC is already pursuing such opportunities, with its recently implemented real-time water level monitoring, and the MRC flood forecasts published daily on the Internet. The flood forecasting programme will cover the entire basin both upstream and downstream. More intensive data

collection needs to be made to serve the purposes and have direct impacts on local people.

2.3.5 Water supply and sanitation

Less than 40 percent of the population in Cambodia and Lao PDR has access to safe water, and less than 30 percent in rural areas. In urban areas, the presence of piped water supplies increases the availability of safe water. In Cambodia, however, during the dry season, the number of households with access to safe water declines in both urban and rural areas, compared with the rainy season. In Thailand and Viet Nam, access to safe water supplies is generally more widespread both in urban and rural areas. In the Mekong Delta, however, fewer than half the households have access to safe water. Thailand has recently embarked an ambitious programme to provide safe drinking water for all villagers in the country by year 2008. The Millennium Development Goals target a reduction by half in the proportion of people without access to safe water by 2015.

2.3.6 Fisheries

The Mekong River has one of the most abundant fisheries in the world. About 40 million people are engaged in the Mekong's Fishery at least part time. It has been estimated that the value of the Mekong's annual fish harvest is worth about US\$ 2 billion at point of first sale. There is no doubt that the Mekong Fishery is important to both the livelihoods of the basin's people and the broader economic growth. However, increasing population pressure and economic development are increasingly threatening the sustainability of the Mekong Fishery. It is thus very important that the MRC take a role in using its knowledge of the Mekong Fishery to protect this vital resource for the people and continued economic growth.

Several priority areas for MRC involvement include the management and protection of the capture fisheries, particularly co-management of fisheries involving local communities. There will also be an increasing need for development of reservoir fisheries and aquaculture; in particular, small-scale aquaculture for rural households and aquaculture of indigenous Mekong species. Finally, in conjunction with appropriate partners, action to realize greater value-added through improved marketing and processing.

2.4 Environmental management needs

The following sections offer brief descriptions of the different environmental aspects that relate to the role of the MRC. In general, the MRC has a role in monitoring and helping the countries in protecting the environment and to maintain the ecological balance. The comparative advantage of the MRC is in regional environmental monitoring, assessing and studying environmental trends and conditions and modelling environmental impacts from development. MRC also has a role of strengthening the environmental management capacity of the Member States. To fully accomplish its role, the MRC will need to further strengthen its links to national environmental management agencies, preferably through the NMCs. The MRC can work to harmonize its environmental work with existing environmental management within and among countries.

2.4.1 Water quality

The overall water quality of the lower Mekong River generally is of a good standard. The composition of the river waters shows no significant deviation from the expected natural conditions. However, at local level water quality may be impacted, e.g. turbidity, salinity or eutrophication.

Other changes which can be expected to directly impact on the river are development of hydropower, increased demand for irrigation, increased generation of waste water and increased pressure on fish stocks and wetland areas. Pollution of water is an important concern particularly in the vicinity of large urban centres and potentially from mining activities.

2.4.2 Land and water resources

An Integrated Water Resources Management (IWRM) approach to water resource development is founded upon the knowledge that water is but one element of a healthy environment, and preservation of the environment requires a holistic approach to management. Watershed management allows planning and development to “specialize” on the unique characteristics of sub-catchments. This allows for greater and more effective public participation and more realistic options.

Increased salinity of water and land resources is a serious problem of the Mekong River and its delta area, floodplains and tributaries. Saline water from the sea extends tens of kilometres into delta areas of Vietnam, reaching a maximum during the dry season when water levels in the river are low. A further reduction in flow resulting from upstream activity is likely to affect salinity levels of land and water resource and consequently impact on the productivity of land. Increased storage capacity through hydropower projects, however, bears the potential to mitigate this effect. Increased levels of nutrients in the delta area cause concerns as agricultural production systems intensify using high amounts of fertilizers to produce more rice for a growing population.

2.4.3 Tonle Sap Lake

The Tonle Sap Lake in Cambodia is the largest freshwater water body in SE Asia. Its flow reversal system makes it a unique at the global scale. Its submerged area changes seasonally from 2 500 km² during the dry season to a maximum of up to 14,500 km² during the wet season. Concerns about accelerated sediment filling of the Tonle Sap Lake due to increased erosion rates remained unproven.

Up to four-fifths of the Cambodian population is directly reliant upon this seasonal flooding and the benefits it creates. As stored water flows out of the Lake back to the mainstream are substantial benefits in terms of irrigation water availability as well as the enhancement of the low flow regime to minimise saltwater intrusion. Given the critical importance of the resources of the Tonle Sap Lake and the impact from the management of the wider basin, including livelihoods, addressing the issues of the Tonle Sap Lake will remain a high priority in future MRC work.

2.4.4 Biodiversity²

The biodiversity of the Mekong River Basin is of global significance, surpassed only by the Amazon and Congo systems. The diverse ecosystems of the Mekong Basin are also exceptional in their productivity, and the benefits its people derives from this. The maintenance of high biodiversity represents not only the biological integrity of the ecosystems but also the range of natural resources and products available to both urban and rural populations.

Eighty percent of the population of the basin may derive at least some part of their livelihood directly from wild resources. Impacts of land use and hydrological changes which may threaten biodiversity through habitat degradation, fragmentation and loss, also have severe impacts on the human populations, the rural poor in particular. Conservation of biodiversity means both the maintenance of the productivity natural systems and security of access to those resources, including the genetic resources, by current and future generations of the basin. Sustainable development is reliant on conservation of biodiversity to support diversity in economic activities.

2.4.5 Wetlands

The biodiversity and productivity of the Mekong Basin is in large part represented by its wetlands. Wetlands in the LMB include lakes, rivers, rice fields, marsh, swamps, flooded forest and estuaries to name but a few. The wetland area of the LMB is itself highly seasonally variable with large areas of Thailand, Cambodia and the Vietnamese Delta flooded annually. Wetlands are home to common species of plants and animals which we utilize daily, such as rice, vegetables, fruits, fish, bamboo and timber, and to rare and globally threatened species including Irrawaddy Dolphin, Siamese Crocodile, Giant Catfish, Giant Ibis and Sarus Crane, etc.

These natural and human wetland systems are both highly diverse and productive and support many of the basin's people, both directly and indirectly. Products harvested in the basin are also exported, providing a highly significant and diverse income for local populations, and contributing to industry and economy within the wider region (e.g. fishery exports from Cambodia to Thailand).

In addition to the 'products' derived, the services provided by the wetlands of the basin are often overlooked and under-valued. What is rarely acknowledged is wetlands contribution to flood mitigation and the savings made in otherwise necessary maintenance to road transport, buildings and other infrastructure. Water treatment and sewerage disposal are other vital services provided by wetlands and under considerable pressure particularly in urban areas. In towns and villages wetlands traditionally provide flood control and water treatment, and whilst development demands an increase in this capacity it usually results in a loss of wetland area. Urban wetlands also provide a vital source of protein and income from the collection of wetland products for the urban poor. Other undervalued services include nutrient and sediment retention, groundwater recharge and carbon sequestration (often greater than forest systems).

² 'Biological diversity' means the variability among living organisms from all sources, including terrestrial, marine and other aquatic ecosystems and the ecological complexes of which they are part; this includes diversity within species, between species and of ecosystems. Article 2 of the Convention on Biological Diversity

3 The role of the MRC

3.1 The mandate and expectations for the role of the MRC

3.1.1 Addressing critical development challenges in the Mekong River Basin

MRC has to address critical development challenges in the Mekong River Basin. Therefore, any discussion of the role of the MRC must first address the context of the general development process in the Mekong River Basin. In the broadest terms and consistent with the 1995 Mekong Agreement, sustainable socio-economic growth and development are the ultimate goals of the Member States for the basin. These goals are inextricably linked with poverty alleviation and environmental protection.

There is a critical need to achieve an integrated and coordinated development process to realize sustainable development and prevent or mitigate negative impacts to any one sector or stakeholder. These broad considerations imply that water resources management must consider economic, social, and environmental needs and become a part of national development strategies; a goal which is widely promoted.³ Likewise, water and related resources development in the Mekong Basin needs to adopt an improved and balanced approach to overcome the weaknesses of development approaches pursued in the past. Such an improved approach includes elements of decentralization, participation, small-scale, people-centred, and non-state biased.⁴

To become a more effective player in the basin's overall development process, the MRC adopted an IWRM approach at the Twelfth Council Meeting in December 2005 which is aimed at achieving such a balanced approach to development, while incorporating contemporary development principles. However, it has also been recognized that there is a gap in water resources development between the ideal and the reality, or the hydropolicies and hydro politics.⁵ Those who aim at promoting these new development ideals must find a way to influence the more traditional approach to development and investment. The MRC must define its roles in a manner that will allow it to most effectively meet the objectives of its mandate with full consideration of the realities of the development process.

MRC's challenge over the next 10 years is to build on what has been achieved and to provide strong leadership and guidance to decision makers on options and strategies for sustainable development in the basin, focusing on trans-boundary and large-scale development options.

3.1.2 Legal mandate of the MRC

The 1995 Mekong Agreement on the Cooperation for the Sustainable Development of the Mekong River Basin outlines very clearly the legal mandate for the MRC. According to the Agreement, the Mekong River Commission is the institutional framework of this regional cooperation for sustainable development of the basin. The 1995 Mekong Agreement is an intergovernmental treaty, which relies on the cooperation and compliance of the signatory countries for implementation. The importance of regional cooperation for the successful implementation of the 1995

³ Lincklaen-Arriens et. Al., (1996) *Towards Effective Water Policy in Asian and Pacific Region – Overview of Issues and Recommendations I*, ADB, Manila.

⁴ Öjendal, Joakim (2000) *Sharing the Good – Modes of Managing Water Resources in the Lower Mekong Basin*, Göteborg University, Göteborg

⁵ Ibid.

Mekong Agreement should not be underestimated. This is achieved through a regional cooperation programme for the sustainable development of water and related resources in the Mekong River Basin, called the Mekong Programme under the guidance of a regional cooperative governance structure.

The first three articles of the Agreement define the scope of the core mandate for the MRC.

Article 1 of the 1995 Mekong Agreement defines the areas of cooperation:

The Member States agree to “cooperate in all fields of sustainable development, utilisation, management and conservation of the water and related resources of the Mekong River Basin including, but not limited to irrigation, hydro-power, navigation, flood control, fisheries, timber floating, recreation and tourism, in a manner to optimise the multiple use and mutual benefits of all riparians and to minimise the harmful effects that might result from natural occurrences and man-made activities.”

Article 2 relates to projects, programmes and planning:

The Member States agree to “promote, support, cooperate and coordinate in the development of the full potential of sustainable benefits to all riparian States and the prevention of wasteful use of Mekong River Basin waters, with emphasis and preference on joint and/or basin-wide development projects and basin programmes through the formulation of a basin development plan, which would be used to identify, categorise and prioritise the projects and programmes to seek assistance for and to implement at the basin level.”

Article 3 relates to the protection of the environment and the ecological balance:

The Member States agreed to “protect the environment, natural resources, aquatic life and conditions, and ecological balance of the Mekong River Basin from pollution or other harmful effects resulting from any development plans and uses of water and related resources in the Basin.”

The 1995 Mekong Agreement also establishes the governing structure of the MRC, consisting of the Council and the Joint Committee, and the MRC Secretariat as the technical and administrative arm of the MRC. The Secretariat carries out decisions and tasks assigned by the Council and the Joint Committee, including to “formulate the annual work programme, and prepare all the plans, project and programme documents, studies and assessments as may be required” and “assist the Joint Committee in the implementation and management of projects and programmes as requested” (Article 30).

It is important to understand that this mandate presents the scope of rather than the target for areas of action. As outlined in the previous section, there are many actors and many sectors involved in the overall development process in the Mekong Basin. In order to make efficient use of the available resources and avoid duplication of efforts, not all areas should have the same priority.

3.1.3 Member Countries’ expectations for the MRC

Since the MRC is a River Basin Organization created to meet the needs of its four Member States, it is useful to review the most current expression of the Member States’ expectations of the MRC.

At the Twelfth Meeting of the MRC Council, 30 November – 1 December 2005, the MRC Council Chairman for 2004/2005 outlined his current views on the direction of

the MRC. That statement contained two points of particular importance. The first was the Chairman's expressed agreement in seeing the MRC move toward a more comprehensive implementation of the 1995 Mekong Agreement. The second important point was the Chairman's recognition that work of the MRC is complementary and avoids duplication with other development partners. This view was further supported by statements from the four MRC Member States Delegations. This was further identified as a priority by Member States in the SWOT analysis undertaken for the MRC Strategic Plan for 2006 – 2010.

In the most direct terms, the Member States want to see the benefits of the work that MRC can deliver for the sustainable development and management of the Basin's water resources. The Member States have expressed a strong desire that output should be tangible and have a real effect on the lives of the people within the basin. Linking the work of the MRC with tangible benefits will require a well-coordinated effort on the part of all the basin's development partners.

3.1.4 MRC's complementary place in the basin development process

The MRC must be involved within the development process in order to ensure sustainability; environmental and social monitoring go hand-in-hand with sustainable development. However, studies and research work, no matter how well done, will have no impact if they are not used in development planning. Sustainable investments and development will require closer interaction of the MRC with development partners, in particular the Member States, development banks, and other regional initiatives.

The MRC will need to strike a delicate balance between regulation and investment and between engineering and environment.

The guiding principle of the MRC Strategic Plan 2006-2010 is that the MRC roles are within the MRC's mandate, complement the comparative advantages of others, avoid duplication of efforts and reflect the expressed interest of the Member States. The focus of the MRC's role will be on basin-wide and transboundary programmes and projects.

3.2 Focusing the role of MRC as a knowledge-based International River Basin Organisation

3.2.1 Promoter of sustainable and coordinated development

As stated in the 1995 Mekong Agreement, the role of the MRC in serving the joint interests of its Member States is to promote and support cooperation and coordination in all fields of sustainable development, utilization, management and conservation of water and related resources of the Mekong River Basin including but not limited to irrigation, hydropower, navigation, flood mitigation, fisheries and tourism. The primary value-added of MRC as an international river basin organisation is to focus on joint and basin-wide issues, including the analysis of long-term development scenarios, the identification of important joint and basin-wide projects and programmes, and the analysis of economic, social and environmental implications of major ongoing and proposed developments and investments. Under this role, the MRC will mainly focus on long-term solutions to common problems in the basin such as floods and droughts as well as on integrated solutions for sustainable development of the economic potential of the river for the direct benefit of the people, especially the poor.

Article 2 of the 1995 Mekong Agreement states that the objective of MRC is to "promote, support and coordinate in the development of the full potential of sustainable benefits to all riparian States and the prevention of wasteful use of

Mekong River Basin waters, with emphasis and preference on joint and/or basin-wide development projects and basin programmes through the formulation of a basin development plan that would be used to identify, categorize and prioritise the projects and programmes to seek assistance for and to implement at the basin level.” This will be achieved through an IWRM approach within the framework of the 1995 Agreement which combines the value-added capabilities of the MRC, namely, knowledge management and capacity development, a framework for regional cooperation, and environmental monitoring and protection. These capabilities, developed over the last ten years, support the promotion of sustainable development in the Mekong River Basin, as illustrated in Figure 1:

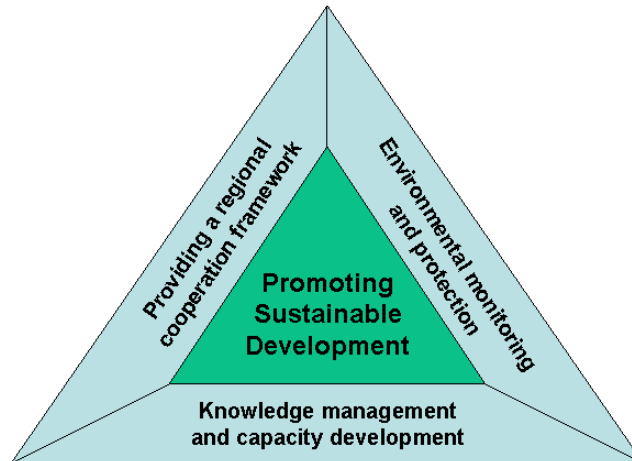


Figure 1: MRC triangle framework for the promotion of sustainable development in the Mekong River Basin

Over the last ten years, the MRC has developed an array of water resource management assets including technical skills, data and knowledge, a regional perspective for problem analysis, a structured forum for regional negotiations, and a network of NMCs and line agencies related to basin development planning. It is now time to put these assets to work for the benefit of the region. Through the 1995 Mekong Agreement, the MRC has been given a mandate to take a leadership role in transboundary and basin wide water resources development and management.

The Member States have clearly expressed their eagerness to see the effective link of MRC’s work with tangible on-the-ground output that benefits the lives of the Basin’s people. Equally clearly, the donor community has expressed its desire that the MRC maintain its impartiality, avoid duplication of efforts and continue to build on its existing comparative advantages in basin knowledge and environmental and social monitoring and protection. These are complementary perspectives supporting the direction of the MRC work.

With rapid economic growth in the region, national developments projects are taking place. MRC needs to engage actively and visibly in large national projects with significant basin-wide implications. Early MRC engagement in such projects will demonstrate leadership in the basin and help national governments, development banks, and private sector investors by ‘clearing’ such major projects in an overall basin context. The value-added of MRC in this role is its knowledge base of the status

of development in the basin and the BDP and WUP tools (models, SEA, SIA, etc.). Together with its potential for participation of stakeholders, MRC can provide a high quality and trustworthy assessment of project impacts and hence, also assist in minimizing negative impacts by proper project design.

As a promoter of sustainable development based on regional cooperation in the water related sectors, the MRC will make pro-active efforts to better coordinate with development partners and countries. The MRC will continue to focus on its core roles of providing a regional cooperation framework, knowledge management and capacity development and environmental management. Development support and promotion will be carried out in close coordination with development agencies.

The MRC also has a strong coordination role regarding the sustainable development process in the basin. The MRC working through the respective NMCs provides a forum and mechanism for countries' line agencies to coordinate their investment and development plans. The MRC will promote, support and coordinate development plans within specific sectors as well as across all sectors. Strong coordination capabilities are necessary for effective implementation of IWRM principles in basin development.

According to its Strategic Plan 2006-2010, the MRC will promote sustainable development in the basin through use of its existing comparative advantages, such as its knowledge base of environmental, hydrological and social conditions in the basin; developed and approved guidelines and principles for water sharing and monitoring; and capacity in modelling basin impacts and processes. The Planning Division, using an integrated planning approach, will help to broadly identify, screen and formulate suites of potential projects for the countries and donors to prepare and implement. In this manner, the MRC will link its role as an RBO with the overall development process to ensure that development in the basin achieves an optimal balance between economics, environment and society. The MRC will seek active co-operation with the planning processes in the riparian countries at national level and at sub-area level. To support this, a strong linkage with established and up-coming River Basin Organisations in the countries must be ensured.

3.2.2 MRC value-added in the sustainable development process

With its knowledge base, and efficient regional cooperation framework, MRC is best placed to ensure that development and investment in the water related sectors in the basin are well-coordinated, based on an integrated approach (IWRM), well planned and designed, oriented to poverty alleviation, socially just, environmentally sound, and providing mutual benefits to the Member States through a peaceful cooperation and dialogue process.

Knowledge Management and Capacity Development

During the first ten years of MRC work, a strong knowledge base and capacity has been built with the support of the international donor community. The Member States expect that this capacity would not only be maintained and strengthened, but that MRC would use this function to support cooperation and decisions on sustainable development in the basin.

Although actions of the last ten years have been concentrated on building knowledge and capacity, it must be clearly understood that the MRC achievements of the last ten years are concrete outputs that serve the interests of the Member States. It is highly important that the region possess the ability to make development decisions based upon a sound understanding of the basin built through rigorous scientific analysis.

Building on its accumulated knowledge of the water and related resource systems, the MRC will continue to further strengthen its role as a knowledge centre. Central to this role is highly qualified staff, both riparian and international, in the various programmes devoting their energy towards servicing the needs of the Member States. An important aspect of this role will be developing mechanisms to ensure that accumulated knowledge and expertise is maintained over the long-term.

Providing a Regional Cooperation Framework

According to this cooperative framework, MRC is the official institutional framework for cooperation “in all fields of sustainable development, utilisation, management and conservation of the water and related resources of the Basin (Article 1).” Under the 1995 Mekong Agreement, the countries established a clear management framework, of which the key elements are:

- a) A basin-wide planning process (the BDP) by which the member states can identify and promote projects and programmes to fulfil the aims of the Agreement.
- b) A policy framework of agreed goals and objectives for development. This includes work on harmonization and the setting of standards in various water sectors, such as flood monitoring and navigation.
- c) An institutional framework to act as a focal point for cooperation, and to provide technical guidance and mediation; to establish procedures and guidelines that facilitate interaction between the member states, provide a mutually agreed basis for utilizing the waters of the Mekong in a reasonable and equitable manner; to ensure that sustainable limits are not exceeded and to provide information to guide future development.

Due to the fundamental role that Mekong Basin’s water and related resources play in socio-economic development, management of the river must be linked to regional political and economic initiatives. A major value-added of the MRC is in the coordination and promotion of partnership with development banks, development agencies, UN institutions, private sector, academic institutions and NGOs. The MRC must forge effective links with these regional initiatives, especially the GMS Initiative, ASEAN, World Bank’s Mekong Water Resources Assistance Programme (MWRAP) and ACMECS. For example, ASEAN can provide the political will and sense of ownership necessary for reaching compromises on the trade-offs of development, while GMS and MWRAP can provide the link to the tangible development outputs. With the regional initiatives, it will be important that roles are clearly defined so that overlap is avoided in accordance with each organization’s mandate. MRC also has an important role at the bi- and trilateral level in addressing sub-basin transboundary issues.

At all levels of operation, from local to basin-wide, it is important for MRC’s work quality and credibility to be open and transparent and continuously work with stakeholders: the local population, local and national government agencies, civil society and NGO’s, academia and the private sector. This can be achieved through a number of means, such as multi-stakeholder consultations as well as through partnering with civil society or NGOs on particular works.

Environmental Management

MRC’s role in environmental monitoring and protection will continue to ensure that the Mekong Basin’s water and related resource systems remain ecologically balanced and protected from pollution and other harmful effects resulting from any development plans and uses of the water and related resources.

Fundamental to this role is the appreciation of the Mekong Basin's hydro-geographical, ecological and socio-economic diversity, its natural resource system functions supplying to the society with valuable goods and services. These goods and services are interdependently linked to the river system, and its ability to alleviate poverty. The MRC has a tremendous comparative advantage in accumulated knowledge regarding the hydrology and environment of the Mekong River Basin.

MRC's work towards protecting the environment and ecological balance therefore needs to be based on environmental knowledge and information generated through an environmental monitoring and assessment system and increased understanding of the ecosystem, including the interface between people and aquatic ecosystems.

3.2.3 The role of MRC in projects

With its unique legal mandate, knowledge base and expertise in the areas of water and related resources management together with its effective regional cooperation framework in these areas, MRC is particularly well placed to provide guidance and support to sustainable investments and development. In particular, the MRC will focus its efforts on:

- Joint projects and programmes, initially including the four riparian states of the LMB, later hopefully also including the two upper riparian countries China and Myanmar;
- Transboundary projects, or suites of complementary projects, between two or three riparian states;
- National projects or suites of projects, or land and water policies, with significant or cumulative basin wide implications.

Given this emphasis, the MRC must avoid dispersing its efforts over a large number of small projects that have no significant or cumulative impacts. MRC will thus engage its resources in project preparation of national projects only if they have trans-boundary impacts or are of a pilot nature. A different approach would dilute MRC capacity to add-value and address joint development and basin wide issues.

However, through the BDP, MRC, does have an important role in registering all developments in the basin. This will enable: i) a comprehensive development and analyses of scenarios; and ii) the analysis of implications of projects, including the cumulative effects of national developments. MRC also plays a role in the screening of suites of smaller projects in a broader basin context, hence assisting in identifying and prioritising projects to be further developed by national agencies and their donors.

In defining the MRC's role in promoting sustainable development, a clear distinction is made between infrastructure development projects and non-structural development projects. Infrastructure projects involve permanent constructions which have a direct impact on the state of the resource. Non-structural development projects focus on capacity building, social development, strategic planning, information and knowledge management. The role of the MRC in promoting sustainable development will remain limited to the functions for which it has value-added and capacity as compared to other key development partners in the region. However, there are clear roles for the MRC which can enhance project quality with an emphasis on joint and basin-wide projects.

The MRC roles in the project cycle are outlined below:

Long-term basin development planning and strategizing – The MRC will conduct problem analysis on water related issues, including assessments of the cross-cutting issues. The MRC will work through the NMCs to share knowledge with line agencies

in assessing and formulating strategies and development plans. This will aid country line agencies to mainstream important dimensions of development, such as poverty alleviation and environmental protection. The MRC can also, through analyses of implemented projects, compile lesson learned and review on-going and planned initiatives. These activities will promote the knowledge centre role of the MRC to ensure more optimal outcomes from development planning.

The major source for project ideas will be country NMC, line agencies, regional development initiatives and private sector investors. MRC Programmes will also identify projects alone or working jointly with NMCs, other Programmes and through the Planning Division in response to results of problem analyses.

The MRC can develop a wide range of scenarios, extending the analysis from analysing the initial hydrological implications to addressing the full economic, social and environmental impact. Regarding economic assessment the MRC will further strengthen and adapt the tools already developed under the BDP phase 1 and the WUP to produce better and more readily applicable information. The basin-wide scenario work can be taken up pro-actively by the Secretariat at its own initiative upon approval by the JC, or at the request of the JC/Council to address specific issues such as an overall navigation plan for the basin, a LMB power grid or the like. In developing the scenarios and their impacts it is important that MRC follows good IWRM practises of facilitating stakeholder consultations including civil society and NGOs in the basin. The analyses of basin-wide development scenarios will help to illustrate the sensitivity of the basin in relation to water resources development. This will be very valuable to assist joint decision-making.

The MRC can have a role in identifying and compiling sustainable investment opportunities. The MRC can use its knowledge-based planning processes to screen investment opportunities with a basin-wide perspective. These investment opportunities will be coordinated under a framework of long-term basin planning.

Identification – During the identification stage of the project cycle, the MRC can conduct impact assessments, especially environmental, hydrological, social, and economic impacts, for investments and projects proposed by the countries to support decisions on developments in the basin. The MRC will use its planning tools to assess the trade-offs for various development options and investment opportunities based on the economic, social, environmental, and foreign policy interests of the Member States to facilitate “wise” development initiatives incorporating environmental and social safeguarding and monitoring. In this manner, MRC can screen and formulate suites of projects which hold win-win outcomes based on the interests of the Member States. Finally, the MRC can develop preliminary project descriptions including potential resource and cost implications. In some cases, the MRC can develop TOR for pre-feasibility studies.

Environmental decision support through transboundary and regional EIA/SEA systems are central to enable development trade-off assessments. The MRC can also provide technical assistance service, both pre- and post-project implementation to assess project impacts, including social and environmental.

Regarding infrastructure projects, the main value-added of the MRC is in bringing the various projects and investment opportunities together under a comprehensive assessment and evaluation framework to assist Member States in formulating mutually acceptable development plans, that fully account for economic, technical, social and environmental concerns.

For non-structural development projects, MRC will continue to implement its technical cooperation programmes as approved by the MRC Council and use its knowledge

base and expertise to support line agencies in preparation, promotion and implementation of development projects.

In general, the MRC can screen, through the BDP process, individual projects or suites of projects to mitigate negative impacts and boost optimal outcomes. There will then be an appropriate handing-over of the project preparation and implementation activities that best suits the comparative advantages of different development partners. However, the MRC will fund or implement infrastructure projects only upon request of a donor or recipient.

Project preparation and feasibility studies – investment projects are prepared by line agencies in cooperation with donors and development banks. MRC may be requested to support the preparation process with knowledge and expertise. During the project preparation phase, the MRC may support line agencies, through the NMCs, by providing technical assistance, focusing on the areas of environmental, social, and hydrological impact assessments.

Appraisal – The MRC has only a very limited role, which would be carried out only on special request.

Implementation – For infrastructure projects, the MRC has no role during the implementation phase of projects. For non-structural development projects, the MRC may act as the implementer or co-implementer.

Evaluation – During the evaluation phase, the MRC can conduct post-project impact monitoring. The MRC will also work to build a knowledge base of lessons learned to help guide identification and formulation of future projects.

4 Goals and objectives

4.1 UN Millennium development goals

At the heart of the four countries' moves to develop the Mekong River Basin is a desire to more effectively develop the Basin's natural resources to improve the lives of the people. While causes of poverty are varied, it is widely recognized that access to water is one of the most effective ways to alleviate poverty. Poverty alleviation can be realized through use of water as an input to achieve food security and generate income, for domestic water supply and sanitation, and as an essential element of a healthy environment. On a larger-scale, water resource developments can provide state governments with a source of revenue and foreign exchange which can, with proper planning and effective monitoring, be channelled into investments for poverty alleviation and environmental protection.

The MRC Member States' long existing desire for economic growth, poverty alleviation, and environmental protection was given a further boost with the Millennium Declaration. The Millennium Development Goals (MDGs) set real targets for development to be achieved by 2015. Goals that are particularly relevant to the MRC's mission are the ones which call for governments to:

- Eradicate extreme poverty and hunger; and
- Ensure environmental sustainability;

Continuing high poverty rates and increasing challenges to the sustainable management of the Mekong Basin's natural resources are a major justification for continued donor support – with its legal mandate to promote cooperative sustainable development of the Mekong Basin's water and related resources, the MRC is a highly valuable development partner for the donors. Future MRC work will consider water resources development activities which enhance achievement of the MDGs, as appropriate.

4.2 IWRM strategic directions⁶

Moving toward an integrated approach for developing and managing water and related resources will require changes impacting institutions, policies, technology, infrastructure, and financial mechanisms. Moreover, the very nature of an integrated approach will call upon the active and coordinated participation of almost all of the countries' resource management agencies.

IWRM Strategic Directions (purposes) respond to the main challenges and opportunities identified at the basin level, and are defined in order to inform actors on principles and key priority areas for integrated water resources management in the Lower Mekong River basin. A holistic IWRM approach includes China and Myanmar, with developed Strategic Direction being applied as appropriate and relevant.

⁶ The "Strategic Directions for Integrated Water Resources Management in the Lower Mekong Basin" was adopted at the 12th MRC Council Meeting held on 30 November – 1 December, 2005.

Strategic directions for IWRM at the basin scale⁷

- *Economic development and poverty alleviation:* To promote economic growth through use and development of joint water resources in a manner that significantly alleviates poverty
- *Integration through basin planning:* To implement a participatory, multi-sectoral basin planning process which integrates economic, social and environmental concerns across the LMB
- *Social development and equity:* To ensure equity in the allocation of water resources and services across different economic and social groups; to reduce conflict and promote socially sustainable development.
- *Regional cooperation:* To integrate and coordinate water resource development and management between countries to optimize benefits from the joint resource and to minimize the risk of water-related conflicts
- *Governance:* To further and implement open, transparent and accountable institutions and regulatory frameworks that will promote IWRM at all levels.
- *Environmental protection:* To protect the environment, natural resources, aquatic life and conditions and the ecological balance of the MRB from harmful effects of development
- *Dealing with climate variability:* To prevent, mitigate or minimise People's suffering and economic loss due to climate variability
- *Information based management:* To ensure that water resource management decisions are based on best available information

A key challenge is to build a focus on the desired outcomes without losing sight of the practical and tangible actions involved in getting there. This Strategic Plan proposes practical ways in which decisions can be taken within an integrated framework (i.e. identifying management tools and mechanisms, models, thresholds, and overall performance indicators) that can help to ensure that national priorities are being adequately considered when their impacts are being assessed at the basin level.⁸

The MRC will further develop close partnerships with its members and become more responsive to the needs within the basin. Personal interaction with the focal points in National Mekong Committees and line agencies will be strengthened and their close involvement in the work encouraged. The programme's strong technically- and environmentally-oriented knowledge generation function will be strengthened and complemented by increased economically- and socially-oriented planning functions. Finally, it is recognized that full implementation of an IWRM approach will involve an extensive period of time.

⁷ From "Strategic Directions for Integrated Water Resources Management in the Lower Mekong Basin" – final draft.

⁸ It shall be noted that not all major components of IWRM will be (and can be) implemented at a regional scale, since this issue concerns with the national legislation and sovereignty, and therefore need to be handled internally by each NMC.

4.3 Goals

The overall Five Year goal of the MRC is:

More Effective Use of the Mekong's Water and Related Resources to Alleviate Poverty While Protecting the Environment

During the 2006 - 2010 period, the MRC will contribute to alleviation of poverty in the Basin through more effective use of the Mekong River's water and related resources with an aim to protect the environment and prevent conflict. The potential areas for cooperative development include irrigation, hydropower, navigation, flood management and mitigation and drought preparedness, fisheries, domestic water supply, and tourism. However, this range of areas for cooperation neither specifies a limit nor a target for MRC activity. All efforts to increase development will be undertaken in balance with an aim to protect the environment. Development planning will be conducted in a manner to optimize the multiple-use and mutual benefit of all riparians while keeping potential harmful effects to a minimum.

This Strategic Plan sets forth the following four goals, which extend previous efforts of the MRC over the coming five years in an appropriate and meaningful manner without being overly ambitious. It implies both strong commitment on the part of member states, donors and stakeholders and the mobilization of sufficient funds in support of the MRC's work programme and activities.

The goals correspond to the four roles of MRC with regard to water and related resources:

- Goal 1:** To promote and support coordinated, sustainable, and pro-poor investment and development
- Goal 2:** To enhance effective regional cooperation;
- Goal 3:** To strengthen basin-wide environmental monitoring and impact assessment;
- Goal 4:** To strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies, NMCs, Line Agencies, and other stakeholders.

4.4 Objectives

In the following, each specific goal is further supported by a set of objectives, which form the basis for MRC programmes.

Goal 1

To promote and support coordinated, sustainable, and pro-poor investment and development.

This goal will be implemented using the MRC Strategic Directions on Integrated Water Resources Management as a guideline for sustainable development of the Lower Mekong Basin's water and related resources. IWRM concepts and principles will therefore be fully applied in a planning process which is participatory and pro-poor for providing the development opportunities. Identified sustainable development options, which the countries can pursue, will benefit the people of the basin by contributing to

alleviating poverty and increasing food security through enhanced and sustainable income generation.

The planning process will be information system (IS) based and use the MRC Decision Support Framework which will include a water balance assessment for the basin.

The Outcome of this goal will be a significant increase of sustainable development based on basin-wide planning guided by the IWRM Strategic Directions, for poverty alleviation and more effective water use.

Objectives

- 1.1 To establish a system for analysing water demand, water supply and water use in the basin to support the basin development planning process;
- 1.2 To establish processes and mechanisms enabling the balancing of trade-offs between economic and political net benefits of different sectors, areas, and regions; and benefits from environmental and social protection;
- 1.3 To produce a regularly updated rolling plan applying the planning process for identification, categorization and prioritization of projects and programmes;
- 1.4 To screen, formulate and promote wise development options at the transboundary and basin levels for preparation and implementation by other appropriate development agencies. This objective is supported by sector-specific sub-objectives as follows:⁹
 - 1.4.1 To support sustainable land and water development through more effective and integrated utilization of agricultural, irrigation, drought, and watershed management systems;
 - 1.4.2 To assist in the development of the basin's hydropower potential to ensure safeguarding of the environment and social interests while meeting the Basin's increasing need for energy;
 - 1.4.3 To achieve more active and efficient river transportation through increased freedom of navigation to increase social development, international trade and tourism opportunities;
 - 1.4.4 To build regional flood and drought management capacity for prevention, minimization or mitigation of people's suffering and economic losses due to floods and drought;
 - 1.4.5 To maintain productive Mekong fisheries and enhance aquaculture of indigenous species for increased food security and economic output;
 - 1.4.6 To develop the tourism potential of the Mekong benefiting local economies
 - 1.4.7 To assess domestic water supply and sanitation options to ensure adequate protection and improvement of peoples' lives and the environment

⁹ Explicit reference is made to the existing and approved MRC strategies including hydropower, navigation, public participation and human resource development.

Goal 2

To enhance effective regional cooperation.

This goal will entail the development of dispute resolution and compromise mechanisms such as co-management, public involvement and institution building. In an organizational perspective the MRC will establish links with existing and emerging sub-basin organizations.

The Outcome of this goal will be increased use of the MRC by its Member Countries as the key mechanism for joint planning, cooperation, and resolution of transboundary water-related issues. A basin-wide dialogue will result in an increased number of activities with the upper riparians.

Objectives

- 2.1 To increase MRC's function as a transparent and effective cooperation mechanism among Member States and develop and demonstrate enhanced linkages, compatibility and complementarities of partnerships with other regional organisations and initiatives such as GMS, the World Bank's MWRAP, ACMECS, ASEAN, etc., including sub-basin organizations;
- 2.2 To complete, adopt and make applicable mechanisms, procedures and guidelines as required under the 1995 Mekong Agreement;
- 2.3 To identify potential transboundary issues for negotiation, mediation and conflict prevention; and develop mediation and conflict management capacity;
- 2.4 To promote and improve dialogue and collaboration with China and Myanmar.

Goal 3

To strengthen basin-wide environmental monitoring and impact assessment.

The environment includes physical, biological and social features of the Mekong River basin, considering the economic and social condition of the people of the Mekong River Basin and the effects of their dependence and impacts on the biological resources such as fish and forests and physical resources such as soil and water. Within its work towards this goal the MRC will also develop, maintain and make accessible a basin-wide environmental and socio-economic knowledge base as part of the MRC IS-based knowledge system.

The Outcome of this goal will be operational basin-wide environmental monitoring and impact assessment systems.

Objectives

- 3.1 To improve monitoring of the environmental condition of the Mekong River basin, focusing on water quantity and quality, ecological health and social impact;
- 3.2 To regularly report on the environmental condition of the Mekong River basin and disseminate this information widely;

- 3.3 To raise awareness of MRC, NMCs, and Line Agencies on transboundary and basin-wide environmental issues and to increase the capacity to address them;
- 3.4 To ensure that development initiatives are planned and implemented with a view to minimize negative environmental impacts;
- 3.5 To ensure that social, economic and environmental concerns are incorporated into basin-wide water resources development strategies.

Goal 4

To strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies, NMCs, Line Agencies, and other stakeholders.

The knowledge base under this goal encompasses the MRC Decision Support Framework as a central basin planning tool. Capacities will be strengthened through a programme approach under the MRC Integrated Training Programme. There are considerable resource development and capacity building needs for this goal to be realized and scheduling and costing will need to be well-integrated into Programme approaches.

The Outcome of this goal will be that MRC bodies, NMCs and Line Agencies are able to manage water resources applying the IWRM principles using MRC's basin-wide GIS and knowledge management system.

Objectives

- 4.1 To improve management systems to allow MRC to operate as a highly effective, transparent and innovative International River Basin Organisation;
- 4.2 To establish a technical coordination capacity for preparing and coordinating the implementation of MRC's Work Programme applying IWRM principles;
- 4.3 To enhance and maintain a common GIS-based knowledge system to support all MRC activities;
- 4.4 To maintain partnerships with leading organizations, universities and civil society stakeholders for programme-focussed collaboration of common interest;
- 4.5 To strengthen the human resources capacities of the MRC, NMCs and the Line Agencies;
- 4.6 To develop and update as new knowledge becomes available regional assessment tools (EIA, SEA, DSF, TB-EIA etc.) for all development projects to be implemented in the lower Mekong River basin.

4.5 Strategic outputs

In support of the objectives identified in this Strategic Plan, a list of strategic outputs is given in Annex 2. The main purpose of this list is to provide direction to the MRC programmes on the nature and the products to be delivered within the strategic phase 2006-2010. The range of outputs is manifold and includes physical maps, reports, as well as mechanical and electrical systems, which will be implemented in the field.

Non-physical outputs such as training modules and toolkits, assessment tools, policy guidelines, and impact assessment study reports are included.

It is important to note that with each output a range of associated processes and mechanisms is implied, which must be well established and understood by the main partners involved in the work. It is equally important to note that the list of deliverables makes provisions for all MRC programmes to support the BDP planning process and the subsequent implementation of priority projects and programmes. Such services are regarded as crucial to achieve rapid progress in the sustainable development process in the Mekong River basin.

5 Operational approach

The cooperation for the sustainable development such as defined by the 1995 Mekong Agreement is achieved through the Mekong Programme, a regional cooperation programme jointly implemented by the Mekong Countries with support of the MRC. This regional cooperation programme for sustainable development of water and related resources in the Mekong River Basin includes projects and programmes implemented directly by member states in cooperation with donors and development banks as well as a number of supporting programmes implemented by MRC. This section will describe the operational approach within the framework of the MRC and its programmes which will enable MRC activities to support the Mekong Programme and to put strategic goals and objectives into practice.

5.1 Integrated programme approach

5.1.1 Overview

Programme integration will be driven by the principles of integrated water resource management (IWRM) and administered through a fully integrated programmatic structure of the MRC. The integration of the existing MRC programmes at a higher strategic level is a compelling condition for the success of the programmes to make a clearly defined and verifiable contribution to the overall goals. It is equally important to make programmes accountable at that level. The principal purpose of the programmes must be to achieve the output from each project and deliver measurable incremental benefits and synergies (impacts) through their combined efforts. Measurable impacts must be realised within the timescales of the programme as well as afterwards.

The next phase of the MRC evolution will see more harmonized programme cycle management. Each programme will have an open time horizon that is periodically reviewed in five-year strategic terms. Each programme will be comprised of a suite of strategically designed and executed components or projects working towards a common programme goal, objectives and outputs. Hence, the term “programme” will be used in an internationally accepted project cycle management sense. Accordingly, a programme is defined as a set of projects put together under the umbrella framework of common overall objectives and goals. Similarly, a project is defined as a series of activities aimed at bringing about clearly specified objectives within a defined time-period and with a defined budget.

5.1.2 Programme structure

MRC's programmes will be structured in a way that both their complementarities and their importance as a whole are being emphasised. This will be achieved through a structure in which resource development functions are linked with cross-cutting functions. Within this structure, the basin planning function through the Basin Development Plan (BDP) will take on a pivotal role in a highly integrated and coordinated manner. This function will use acquired knowledge from the MRC Programmes to build an overall perspective of what the development needs and “pertinent knowledge gaps” are and which eventually will set the agenda of the MRC Programmes.

The integrated programme structure of the MRC will comprise the following: Flood Management and Mitigation; Drought Management; Irrigation, Agriculture and Forestry; Navigation; Hydropower; Fisheries; and Tourism. This cohesive set of programmes will be cross-cut by four programmes in Environment Management,

Information and Knowledge Management, Integrated Capacity Building and Water Utilization (see Figure 2). A previous distinction of programmes into core, sector and support programmes will be discontinued. All programmes are considered to be equally important.

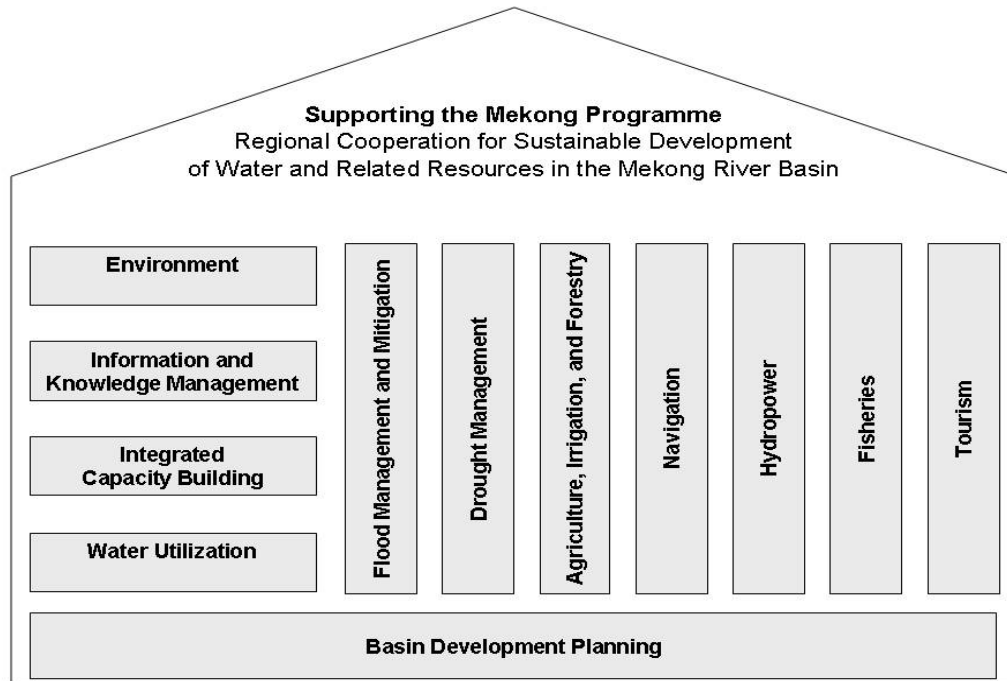


Figure 2: MRC programme structure¹⁰

5.1.3 BDP planning process

More than in the past, programming of MRC activities will be linked to the BDP planning process. This basin-wide participatory planning process is based on internationally recognized IWRM principles and provides for substantial public participation and involvement of basin and sub-basin stakeholders. Furthermore, strong links with the BDP work on basin-wide scenarios will be developed with an increase involvement of countries and stakeholders in the scenario formulations.

Regarding the project cycle, the BDP will ensure that programming is done in harmony with the IWRM Strategic Directions. Depending on their nature, either joint, basin-wide, or transboundary projects, these categories will help establish informal guidelines for how implementation of a project should proceed. Those of relevance to the MRC will be implemented directly by MRC within its work programme. Other projects will be implemented by line agencies and partner organizations including bilaterally funded projects with only technical assistance and coordination from the MRC in the areas of environmental, social and hydrological impact assessments. The level and nature of support will depend on the value-added that MRC is able to offer. Some of the projects will also be “hosted” by the MRC Secretariat, and implemented in close partnership with MRC. In order to maintain credibility for providing analysis of

¹⁰ Details of MRC Programmes are developed through national and regional consultations with NMCs, line agencies and other stakeholders and approved by the Council.

project impacts and safeguards, the MRC will normally not take on preparation tasks for individual projects, leaving these tasks to others.

5.1.4 BDP projects

Projects that are identified and prioritized through the BDP process will support and ultimately form the Mekong Programme. With close involvement of the funding agencies, NMCs, line agencies, and the MRC Secretariat, the Mekong Programme will be executed and implemented by the Member States.¹¹ MRC will implement basin-wide supporting activities focusing on planning, capacity development, environmental impact assessment and monitoring, knowledge management and coordination.

Depending on nature and type of the project and donor preferences, each party's responsibilities and obligations for execution/implementation would be specified in the funding and service agreements. Two principle cases can be distinguished:

Case A: The MRC Secretariat acts as the executing/implementing agency of projects of basin-wide significance and upon request of the funding agency. Funds are channelled through the MRCS and disbursed to line agencies according to a clearly specified project implementation and work plan. Both funding agencies and the line agencies of the MRC Member States may wish to sign a Memorandum of Understanding with witness by NMC on specific arrangements related to project implementation. The role of the NMC is to ensure close in-country coordination and collaboration between MRCS and the line agencies.

Case B: Funding and service agreements are made directly between the funding agency and the line agencies as the implementing agencies. The MRC Secretariat's involvement in project implementation is restricted to coordination and the provision of some support and advisory services. The role of the NMC's is to ensure close in-country coordination and collaboration between MRCS and the line agencies.

5.2 Complementarities and strategic partnerships with other regional initiatives

It will be crucial that the MRC forges effective links with other regional economic cooperation initiatives including ASEAN, the ADB's GMS Economic Cooperation Programme and the emerging World Bank MWRAP. Efforts will be made to minimize overlap based on a mutual assessment of each partners' comparative advantages. Links would be built on the principles of cooperation and coordination, while the MRC would need to maintain its independent status as an impartial International River Basin Organisation. Strategic partnerships can help to clarify appropriate roles and complementarities of these initiatives resulting in synergies for a coherent development process, accelerated economic growth and poverty alleviation. The

¹¹ Project execution may be defined as the mobilization of resources (financial and human), monitoring and supervision of project implementation, coordination, reporting on the progress of the project. Usually it is the MRCS who undertakes these responsibilities, in cooperation with NMCs. The agency responsible for execution is known as the "Executing Agency" of the project.

Project implementation may be defined as the production of project outputs and related information in order to achieve project objectives. The agency responsible for implementation is known as the "Implementing Agency." Depending on the type of project, the implementing agency will usually be either a national line agency (for infrastructure projects), supported by a consulting company, contractor, etc., or the MRCS in cooperation with the NMCs (for non-infrastructure projects).

following chapters describe the principal regional initiatives and indicate their complementarities to the MRC.

GMS / ADB

The GMS Economic Cooperation Programme, initiated in 1992 with the assistance of the Asian Development Bank, aims to facilitate sustainable economic growth and to improve the standard of living of the people in the sub-region. The programme focuses on development opportunities, trade and investment, cross-border disputes, and resource and policy needs in the region. There are nine key sectors for GMS activities: agriculture, energy, environment, human resource development, investment, telecommunications, tourism, trade, and transport.

The GMS Flood Control and Water Resources Management Programme and the Strategic Environment Framework are particularly relevant to the MRC. Cooperation under the Flood Control Programme is already quite advanced and can point the way toward further cooperation in other areas. Transport sector programmes and their requirements for multi-modal linkages including river transport should be coordinated between the MRC and the GMS. Another area with complementarities for further enhancement is with the land use policy component and the MRC's Watershed Management programme component. The Strategic Environment Framework Programme could also offer room for enhanced cooperation. Objectives for this programme include support to GMS countries in order to build effective institutions for improved governance of natural resources and the need to strengthen the sub-regional environmental information and monitoring systems. Active involvement of MRC in GMS can increase cooperation with China and Myanmar.

Over the next five years, the MRC should work with the ADB-GMS in identifying areas and modalities for increased cooperation. An increased profile of the MRC in GMS will raise the general significance of the MRC within the GMS. Specifically, it would be mutually beneficial for the MRC to engage with the GMS core Environment Programme and the Environment Operations Centre which will soon be established in Bangkok. The MRC should become more involved in the GMS Working Group on Environment (including the Hydropower Subcommittee). There are great areas of complementary skills and mandates between the GMS and MRC, which with greater coordination and cooperation can significantly enhance the effectiveness of both organizations. More active involvement of MRC in GMS will likely aid the MRC in realizing increased engagement and cooperation with China and Myanmar, particularly to allow IWRM of the whole basin.

World Bank and the Emerging Mekong Water Resources Assistance Programme (MWRAP)

In 2004, the World Bank initiated an effort to redefine the Bank's approach to the Mekong Region. The output of this effort will be the Mekong Water Resources Assistance Programme (MWRAP). MWRAP will provide basis, guidance and a framework for future World Bank investments in the Mekong River basin. Given the World Bank's technical and financial resources, there will be significant potential to enhance cooperation with the World Bank. The two main areas for cooperation under the MWRAP from the perspective of the MRC are (i) more effective use of its existing dialogue forums for regional cooperative development by key partners and ii) more effective implementation of the MRC's role as a key development partner (utilizing the MRC's comparative strengths, especially in basin-wide planning, the emerging "legislative" framework, existing hydrological models, and as a knowledge centre).

From the perspective of the World Bank, cooperation might be realized on two levels: (i) though continued support of the MRC and its need to further build internal capacity,

and (ii) by making the MRC a more active partner in development activities carried out in the basin. These two perspectives are quite complementary and provide ample opportunities for specific coordinated activities. An obvious area for cooperation would be through the WUP and BDP programmes. These two programmes are well-developed and could lend immediate value-added by leading the way in the mainstreaming environmental and social safeguards into river basin development planning and investment implementation. A specific area for MWRAP and MRC cooperation could be in the analysis and modelling of trade-offs from different water resources development scenarios. Currently, the Member States lack sufficient ability to rigorously assess the different distributions of risks and benefits from development of (or lack of development of) water resources. The MRC could play a significant role in helping the Member States manage these trade-offs; the Member States could then more confidently and effectively use these tools for their decision-making processes.

ASEAN

In 1995, the ASEAN Heads of State and Government reaffirmed that fundamental goals of ASEAN shall be "cooperative peace and shared prosperity." Cambodia, Laos, Myanmar, Thailand and Vietnam are members of ASEAN. China, being a core member of ASEAN Mekong Basin Development Cooperation Framework, is on equal status with all ASEAN Member States.¹² ASEAN operates on an informal, consensus-building basis. Primary programmes for cooperation include:

- ASEAN+3, which includes China, Japan, and Korea,
- The ASEAN Mekong Basin Development Cooperation Framework,
- The Cambodia-Laos-Vietnam Development Triangle,
- The Initiative for ASEAN Integration, and,

The MRC's role and accomplishments in promoting regional cooperation is a key area that ASEAN could take interest in. The MRC should explore ways to raise its profile within the context of ASEAN, most likely through increased participation and communication with relevant ASEAN environment and development initiatives. Likewise, ASEAN could be encouraged to adopt occasional Ministerial resolutions recognizing the progress made by the MRC. In addition to a stronger link with broader economic development and cooperation initiatives, this type of regional recognition could build the trust and political will to reach acceptable solutions to difficult and complex issues.

The Ayeyawady-Chao Phraya-Mekong Economic Cooperation Strategy (ACMECS)

The objectives of this new initiative are to bridge the economic gap among the four countries, and to promote prosperity in the sub-region in a sustainable manner. Leaders of Cambodia, Lao PDR, Myanmar and Thailand met for the first time on 12 November 2003 in Bagan, the Union of Myanmar. At the Summit, the four Leaders adopted the "Bagan Declaration," affirming their commitment to cooperate in five priority areas of cooperation, and endorsed the "Economic Cooperation Strategy Plan of Action," under which 46 common projects and 224 bilateral projects were listed for implementation over the next ten years. Viet Nam joined the group on 10 May 2004.

Forum for Comprehensive Development of Indochina

The Forum for the Comprehensive Development of Indochina was conceived as a platform for frank dialogue on issues affecting the balanced development of Indochina in 1993 by Japan. Objectives for the forum include:

¹² For ASEAN in general, China was accorded full Dialogue Partner status in July 1996

- Development of whole of Indochina from the regional perspective;
- International cooperation through voluntary coordination of assistances based on information exchange among participating nations and organizations; and
- Promotion of market economies in the three countries.

Thailand's Neighbouring Countries Economic Development Cooperation Fund

Established in 1995, The Neighbouring Countries Economic Development Cooperation Fund (NECF) has become another resource driving development in the Mekong region. The main aim of the NECF is to further the Thai Government Policy in regards to building regional economic and social development cooperation. The NECF makes available concessional loans for socio-economic infrastructure development projects. NECF's is mandated to work only with neighbouring country government agencies, state enterprises and state-owned financial institutions. The NECF has the responsibility to propose and analyze the suitability of the projects, draft contracts for each project, negotiate, and carry out all procedures to achieve the signing ceremony.

Ministerial Declaration on Managing Water Resources in Southeast Asia (Chiang Mai Declaration)

The ministers and policy makers¹³ who participated in the Ministerial Meeting on 21 November 2003 committed themselves to strengthening and enhancing regional cooperation on water resources management. Among the guidelines they adopted are

- Implement IWRM using the river basin approach;
- Encourage legal frameworks/guidelines for water allocation;
- Enhance efficiency, equity and productivity of water uses.

5.3 Funding MRC activities

5.3.1 Funding approach

The goals of the MRC Strategic Plan 2006 - 2010 specify a continuation of MRC's important role in all areas of river basin management. They also call for a greater focus on the MRC Programme through the role of promoting and coordinating planning and development at basin scale. The former funding strategy was mainly geared towards the knowledge generation, dissemination and basin planning role. The approach of the Strategic Plan 2006 - 2010 orients MRC funding towards two main roles within the MRC framework.

1. Support for sustainable development of water and related resources in the Mekong River Basin. This support is managed under the MRC Technical Cooperation Budget.
2. Support to strengthening the MRC as an International River Basin Organization. This support is managed under the MRC Regular Budget.

In this context, there are three distinct budgets that make up the overall MRC Mekong Programme budget:

¹³ Ministers responsible for water resources from Brunei Darussalam, Cambodia, Indonesia, Lao PDR, Malaysia, Myanmar, Philippines, Singapore, Thailand and Viet Nam gathered in Chiang Mai, Thailand on 21st November 2003 for the 1st Ministerial Meeting on Managing Water Resources.

- The *Regular Budget* will cover all costs of MRC Secretariat 'essential' services. The Regular Budget provides for the functions that the MRC as a River Basin organization should offer; such as a monitoring function for the 1995 Mekong Agreement and the administration and senior management support for MRC's Programmes. This does not include the costs of programme coordinators and technical advisors, which are covered by the Technical Cooperation Budget. The regular budget covers mainly Personnel costs. In 2004, the Regular Budget is funded in cash by both the Member States (40%) and the Donors (60%) mainly to cover the programme management and administration cost. The Operating Expense Budget (OEB) is a part of the Regular Budget. It does not include Regular Staff positions supported by donors.
- The *Technical Cooperation Budget* to cover all programme activities in which MRC plays an execution or co-execution role (e.g. activities carried out by the Fisheries Programme). This includes the the costs of programme coordinators and chief technical advisors. The Technical Cooperation Budget houses the MRC-executed technical assistance through projects required to address the development problems in the Mekong Basin. The Technical Cooperation cash expenditures are 100% funded by Donors and are mainly used for Personnel, Subcontracting and Training activities. The development and maintenance of the knowledge base and GIS as well as the production of maps, technical reports and promotional documents are included in the technical cooperation budget. The continued riparianization policy of the MRC for its professional staff positions will also allow for a gradual expansion of long-term technical services provided under the Regular Budget.

The Technical Cooperation Budget is designed to expand and contract according to the volume of activities implemented by the MRC under its established programmes for the sustainable development of water and related resources in the Mekong River Basin. Sustainability considerations for the Technical Cooperation Budget are relevant in terms of programme and project design, but not in an MRC budget perspective. Staffing levels under programmes, in terms of contracts and liabilities, will be limited in accordance with the duration and budgets of agreements and projects.

- The *Associated Technical Cooperation Budget* to cover all programme activities generated by MRC's Basin Development Planning process but in which MRC has no executing responsibility (e.g. activities carried out by a bilateral project, such as the Navigation Master Plan of Cambodia, executed by the Belgian Technical Cooperation).

Essential functions of a world-class river basin organization need to be seen in the context of government capacities, much as any other organizational development process in developing countries. The present capacities will still require in the foreseeable future international expert input and thus budgetary support by donors to these essential functions. In the medium-term, therefore, donor support to the Regular Budget will still be required mostly to finance international positions. While the MRC Member States need a world-class organization to build up capacity to peacefully develop and manage the Mekong, the costs for such an enterprise are beyond their capacity and budgetary realities.

This acknowledgement of the MRC as a long-term capacity building engagement of donors, however, also requires a commensurate analysis of the engagement and ownership of Member States. Their financial engagement naturally meets limitations, much as in any other technical cooperation project. This financial limitation, however, cannot be equated with a limited commitment or ownership of the countries to the MRC.

5.3.2 Towards budget aid for MRC activities

While the MRC as an International River Basin Organisation gradually matures, sustained donor and Member States support will be required in order to achieve the objectives of sustainable development of water and related resources in the basin – over the next Strategic Phase and probably beyond. It is proposed that the focus of such support will be on the following five areas:

- Environment Programme;
- Sector Programmes;
- Information and Knowledge Management;
- Water Management Strategies and Guidelines; and,
- Basin Planning Processes and Promotion.

Programmes would be strengthened by projects being managed as part of components of programmes rather than being implemented in isolation as donor funded projects. In this way, synergies are more likely to occur and the JC/MRC could take on more responsibility for Programme goals and outputs. Desirable means of funding of this activity component would include contributions ranging from project aid to budget aid, all being pooled into a Programme Budget. To date, donors provide financial support through the following mechanisms:

- Funding of a specific project which falls within a MRC programme component;
- Financial contribution to a specific MRC programme as a whole;
- Financial contribution in support of the overall MRC programme;
- Financial contribution to specific staff positions;
- Secondment of staff;
- Provision of synergetic services through MRC cooperation projects with partners.

Member States contribute through national input components in programmes and through annually increasing Member States contributions. While much funding still occurs through specific projects, it would be desirable and probably more efficient if future contributions were made in the form of budget aid to the overall MRC Programme. 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 added advantage of being more flexible in the response to priority needs and in organizing the activities in a more efficient way.

Supported by programme strategies and through the BDP phase II, the MRC will more pro-actively involve the Joint Committee and help guide donor investments by identifying priority needs in line with country and donor interests and consistent with IWRM principles. Recently, the MRC has created a Multi-donor Water Management Trust Fund, which will allow more flexible and demand-driven mobilization of expertise in order to respond to specific requests from countries.

5.3.3 Support to institutional strengthening of MRC as a world-class International River Basin Organisation

It is important for the MRC to concentrate on the ‘essential’ activities that an effectively functioning and internationally recognized River Basin Organization should undertake. It implies to identify funding sources which ensure that these activities can be sustained in the long term. It is proposed that funding focus on the following areas:

- MRC Organizational Development;
- Integrated Capacity Building; and,

- National and International Cooperation.

These areas are integrated across the proposed Mekong Programme structure and will serve to better coordinate donor funding. The current funding situation of the MRC is likely to remain dependent on donor assistance and unable to reach a level of financial self-sufficiency, although Member States are regularly increasing their contributions. This Strategic Plan promotes a more rigorous and transparent approach to identifying, separating and funding these activities. It is therefore proposed to adopt an organizational and management strategy, which more appropriately and more realistically meets the needs and capacity of the MRC and its member states. The strategy explores opportunities for increased revenue generation based on a three-tiered funding model comprising of

- (i) MRC member state contributions;
- (ii) Programme service charge; and,
- (iii) Any other source of income such as service provisions.

To best illustrate the situation, the following analysis focuses on funding of what is regarded as regular as opposed to programme staff.¹⁴ Accordingly, raising the level of self-sufficiency could be achieved by a combination of increasing income and of reducing the costs of Regular Posts. The following paragraphs explain the concept of regular and programme posts in detail:

Regular posts conduct the central corporate functions of the River Basin Organisation. These include senior management, finance and administration, technical coordination, fundraising, and international donor and stakeholder relationships. Regular staff will drive the strategic planning so that Programmes are highly effective and focused. Staff require strong management skills and expertise as they will perform policy and strategy development, planning, program and project design and management, and evaluation. Regular posts are funded under the MRC Regular Budget.

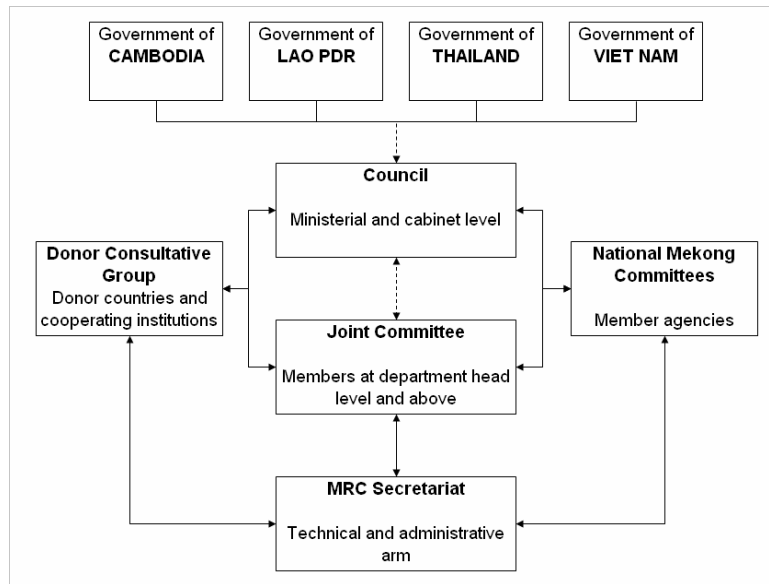
Programme posts coordinate and execute the Programme activities within the various divisions. Actual projects, works and measures conducted by the MRC Programmes will continue to be donor-, partner- and potentially country-funded, but not funded under the MRC Regular Budget. The number and type of 'Programme Posts' will vary at any time depending on the availability of project support from donors and other investors. This will require a more flexible approach to executing the MRC 'business' than in the past; posts will come and go with donor agreements and greater use of outsourcing to country agencies, consulting companies, universities and other service providers. Funding of programme posts will form a part of the agreement between the MRC Secretariat, partners from Member States, donors and the like.

5.4 Organizational and managerial strategy

5.4.1 MRC

The three-tier organizational structure of the MRC will remain unchanged (see Figure 3). Organizing and managing the MRC successfully will largely depend on the effectiveness of the links between the Ministerial Council, the Joint Committee, the MRCS and the NMC's/line agencies. It will also depend on the collaborative arrangements with the donor consultative group and the stakeholders from the civil society.

¹⁴ Current MRCS posts and their functions have been reviewed according to an assessment of the functions and skills needed for the MRCS to be an efficient and highly effective River Basin Organisation.

Figure 3: MRC Organizational structure

At all levels, the MRC will be operated as a 'total business' and the various existing manuals be reviewed and applied accordingly.¹⁵ A comprehensive 'management suite' building on these manuals will allow the MRCS to strengthen its management upwards to the Joint Committee and Ministerial Council, and cooperatively to the NMCs and line agencies. This is a set of high level objectives, goals and targets to be reported on by the various institutional levels of the MRC.

- a. The Joint Committee is reporting to the ministerial Council. It is responsible for implementing Council's decisions to have various studies and investigations undertaken; to oversee the basin planning studies and the range of policies and strategies that need to be developed to underpin the planning studies; to oversee data and information collection to enable the 1995 Mekong Agreement to be implemented and to supervise the activities of the Secretariat;
- b. The MRC Secretariat and its CEO and Assistant CEO report to the Joint Committee based on performance criteria that specify the key issues that have to be addressed;
- c. Reporting relations within the MRC Secretariat include the following levels (from bottom to top): From Unit to Section / Division to the CEO.

Moving to a contemporary programme management approach will impinge on the way in which work is conducted by the MRC. MRC will develop a comprehensive approach to managing the organization and how it interacts with its partners. This approach will be driven by MRC's core values of,

- Respect for diversity and for each other and their abilities;
- Integrity;
- Giving the best possible service to customers;
- Seeking to be professional and excellent.

¹⁵ Procedures for the Secretariat specify the roles and functions of the CEO and the senior management and how annual planning, budgeting and reporting (for both financial and work activity) are to occur. They also detail the requirements for a MRC Programme/Project Manual, a MRC Finance Manual, a MRC Procurement Manual, a MRC Personnel Manual and a MRC Administration Manual.

The management approach will introduce a more comprehensive monitoring and reporting system so that performance and accountability, linked to openness and transparency, can be improved both internally and externally.

A key feature of the MRC, which is not covered by the 1995 Mekong Agreement, is the role of National Mekong Committees in linking the MRC Secretariat with the national agencies, including their strategies, plans and actions. The four committees play a key role in obtaining country input for all activities relating to the MRC. However, MRC policies do not apply in guiding the sovereign country actions and programmes unless a broad consensus is reached. The MRC will therefore pay more attention to strengthening the technical and administrative capacity of the NMCs, and thus their credibility, in order to enhance their ability to influence, coordinate and participate in national policy formulation and project development planning processes.

The MRC will need to lead an evaluation of the roles, functions and responsibilities of the NMCs. Key to this evaluation will be an analysis of the coordination procedures between the MRC and NMCs and the development of recommendations for institutional reform. It is envisaged that the MRC will continue to play a leadership role in building capacities within the MRC, which will be closely aligned with the need to implement IWRM approaches. This evaluation and capacity strengthening within the NMCs will require support from the Members States and donors. It may be desirable to place a long-term expert within the NMCs to overcome the inherent weaknesses of short-term capacity building exercises such as workshops, training course, etc. conducted in the past.

5.4.2 MRC Secretariat organizational structure

The present general organizational structure of the Secretariat will be continued. There will be four Divisions reporting to the CEO, each headed and managed by a senior riparian officer (one from each country). These four Directors together, with the CEO, form the 'Executive' or senior management team of the MRCS. The section below describes the divisions and their proposed functions.

Office of the CEO

In addition to the activities related to senior management of the Secretariat, liaison with Council and Joint Committee members, liaison with donors and stakeholders, the Office of the CEO will host technical coordination activities. This responds directly to the needs identified by all Member States and the donor community for greater technical coordination and integration within MRCS and between MRCS and the NMC's and line agencies.

Planning Division

This division will be the home of two programmes, BDP and WUP. This Division will drive the second phase of the BDP. It will include an increased capacity for economic and social analysis and evaluation to assist the planning processes within BDP as they move to project identification and evaluation, producing suites of development options for the countries to promote and invest in. The completion of the WUP phase I work, and any extension to allow completion and effective implementation of the full package of procedures and guidelines, is closely linked to planning requirements and should be linked to this division.

Also, all consultations related to the present strategic planning study identified the need for MRC to work with the NMC's and line agencies to establish closer and effective links to the emerging River Basin Organisations in the numerous sub-basins in all four countries. This is closely related to the overall basin planning work of MRC and should sit within this division. Cooperation would involve creating professional

networks, developing guidelines of 'best practice', and promoting river basin management within other regional initiatives such as the GMS flagship on water resources management.

Environment Division

The environment division will remain the home of the Environment Programme, which is recognised as a strong Programme by countries as well as donors showing the results of past investments. Its present focus and performance for environmental management activities will be strengthened through much improved monitoring and protection capacity.

Technical Support Division

This division will be the home of two programmes, the Flood Management and Mitigation (FMMP), and the Information and Knowledge Management Programme (IKMP). FMMP was moved into the Technical Support Division (TSD) in 2004, and operates from within the Cambodia-based Regional Flood Management and Mitigation Centre. Locating the Centre remotely from the MRC Secretariat will require a strong management role to be provided by MRCS Senior Management and create special communication challenges. This also necessitates the MRCS setting up strong financial and project management skills in decentralized units. The Information and Knowledge Management Programme will remain a key responsibility of TSD.

Operations Division

The present Operations Division will be the home of the resource development programmes of the MRC. They will now have a clearer role specified to cover all aspects of basin-wide policy, strategy and project activities. This division hosts the following programmes: Navigation, Fisheries, Hydropower, Agriculture, Irrigation & Forestry including the Watershed Management Project, Tourism, and Drought Management. The Drought Management Programme would be a new programme to be developed.

The CEO and Divisions would be supported by three Sections:

Finance and Administration Section

This includes all present Finance and Administration activities plus oversight of improved management processes and procedures that will be introduced progressively.

International Cooperation and Communication Section

This Section includes all the roles of the previous Programme Coordination Section but in a strengthened form to reflect the greater emphasis on cooperation. It would now also include the Communications Unit, with its obvious connections to basin-wide promotion and international perspectives. This latter unit could also drive the development of basin-wide guidelines for education/awareness raising of the present and emerging natural resource issues. Stronger links to regional initiatives such as GMS, MWRAP, ASEAN, and the general donor community are key objectives for this strategic plan and this will be overseen by this Section.

Human Resources Section

This section will be responsible for human resource management and administration. It will also host the Integrated Capacity Building Programme

Table 3: Proposed organisation structure of the MRC Secretariat – Divisions, Units and Functions

Entity	Functions
OCEO	<ul style="list-style-type: none"> • Liaise with Council and Joint Committee members • Represent the MRC with donors and stakeholders • Leadership of MRCS directions and management • Lead and inspire the Executive Team and senior leadership
	<ul style="list-style-type: none"> • Technical coordination, integration, monitoring of progress, and quality assurance of technical programmes and projects of the MRC programme • Monitoring/reporting the organization's performance against the Strategic Plan • Coordination of development of an MRC basin-wide policy and strategy framework for all aspects of IWRM • Technical coordination with NMCs and national line agencies
Planning Division	<ul style="list-style-type: none"> • BDP, including development promotion and economic expertise • Development of WUP procedures and guidelines
Environment Division	<ul style="list-style-type: none"> • Environment Programme • Environmental standards, monitoring and evaluations • Natural resources information support • Input into BDP processes
Technical Support Division	<ul style="list-style-type: none"> • Flood Management Programme • Flood Management Centre • Flood monitoring and data systems • Document Centre • Spatial data, mapping and remote sensing services • Hydrological and natural resources modelling • Input into BDP processes
Operations Division	<ul style="list-style-type: none"> • Navigation Programme • Fisheries Programme • Hydropower Programme • Agriculture, Irrigation and Forestry Programme including river sub-basin organisation liaison and networking • Tourism Programme • Drought Management Programme • Development and implementation of Sector Development Strategies including investment opportunities, environmental safeguards, policies, standards, guidelines harmonized with county approaches • Input into and support to BDP processes
Finance and Administration Section	<ul style="list-style-type: none"> • Finance and administration • Procurement • Information technology • Management approaches/systems and reporting
International Cooperation and Communication Section	<ul style="list-style-type: none"> • Management and quality control of correspondence with member states, donors and partners • Organisation and support of Council, JC, Dialogue and Donor Consultative Group meetings • Organisation and support of other meetings with Member States, donors and partners • Fund raising for programmes and projects, including preparation and negotiation of agreements with donors • Donor coordination • Links to, and liaison with regional initiatives • Implementation of Communication Strategy, promotion of programme activities, media campaigns, and relations with the press
Human Resources Section	<ul style="list-style-type: none"> • Human resource management/personnel • Integrated Capacity Building Programme

5.4.3 Management of the MRCS

The management of the MRC depends on the effectiveness of the links between the Ministerial Council, the Joint Committee, the MRC Secretariat, the NMC's/line agencies and the Basin's stakeholders. The MRC must address all issues such as financial control and reporting, performance accountability both internally and externally, income generation, human resource issues and capabilities, communications and marketing and so on. A key element of this management system will be the Integrated Capacity Building Programme which is to be implemented during the 2006-2010 Strategic Plan period. This Programme should be included under direct oversight by the Senior Management Team and address the capacity building aspects of the MRC.

Senior management

Responsibility for management and direction of the MRC Secretariat is with the Chief Executive Officer, based on terms of references prepared by the Joint Committee and approved by the Council. The Senior Management Team is composed of CEO, Divisions Directors with the support of section chiefs.

For the day-to-day management of the Secretariat, a Senior Management Team meeting is held on a weekly basis. The meeting is composed of CEO, Division Directors with the support of section chiefs and is responsible for ensuring the development and implementation of a complete set of management practices, processes and procedures. Its effectiveness as an 'executive' largely depends on the management systems in place, to allow good project and programme monitoring and reporting, and for decisions to be communicated and efficiently acted upon within the MRCS.

Apex level links to the NMC's through normal coordination activities and at the senior level through the present 'Core Programme Management Group' (CPMG) form part of the senior management structure. The strengthening initiatives will apply to these groups so that MRC, through the MRCS and NMC's, will have a highly qualified and experienced management team by 2010. The CPMG will therefore be re-aligned and renamed to MRC Programme Management Group (PMG) as the new strategic plan removes the concept of 'core programmes' and puts all programmes at the same level. It should still provide a management overview of the key activities but should relate more to the key or priority achievements of all programmes.

Programme management

Moving to a more contemporary approach towards Programme management will necessitate some changes to the way in which work is conducted by the MRC, MRCS and staff. The main changes required are:

1. **Strengthened Programme Governance and Ownership:** Programme Steering Committees are the appropriate means to oversee management of large programmes. The approach improves the rigour of planning, decision-making, implementation, monitoring and on-going and adaptive management. Steering Committees would have membership from each of the governments in order to develop ownership and encourage implementation in jurisdictions. In this regard, the NMCs may need assistance to ensure that in-country coordination arrangements are well developed, and that there is effective feedback back to the JC / MRC. The level of activity of Programme Steering committees will vary according to the level of activity and investment taking place in the respective Programme. Progress in implementing this approach should be closely monitored as the JC/MRC will need to consider:

- a. The need and role for the 'Programme Management Group' with NMCs and MRCS management sitting between the Programmes and JC, that meets on a more regular basis, and deals with coordination and more operationally-based issues;
 - b. Effective and efficient operating arrangements for Programme Steering Committees given the large number of Programmes.
2. Strengthened Programme Management Skills: Programmes will be managed by Programme Coordinators and co-managed by Chief Technical Advisors (CTA). Programme Managers at the MRCS will need to have the necessary skills and understanding of their roles to manage programmes effectively. Management functions are comprised of: strategy, policy, programme and project planning and design; budgeting and seeking donor investment funds with the ICCS; monitoring and managing programme implementation and budgets; programme coordination; contracting projects with a range of service providers; and, monitoring progress and evaluating programme performance. Components and projects are being managed by component and project managers respectively.

A 'separation' in job functions between Programme Coordinators and the staff executing the technical aspects of projects will enable use of a wider range of service providers than just MRCS staff but also consider Member States, international and regional consulting companies, universities and international experts based on drawing in the best skills.

Human resource development

An Integrated Human Resource Strategy will be developed. It will improve on the current staff appraisal scheme, particularly in how good and poor performance (rewards and sanctions) is managed and will complement the integrated training strategy / programme by identifying management development approaches to prepare staff for higher roles, staff management policies, recruitment and so on. MRC wants to be an expert organization managed by competent riparian managers and supported by local and international experts as necessary – and it can only do this with clear and strong human resource policies and strategies.

'Riparianisation' is a key objective of the organization. It must occur in tandem with capacity building and targeted training, and also in a phased way that allows Riparians to become managers with the appropriate management skills plus with the right degree and nature of technical support. As well, MRC staff and management policies must be appropriate for riparian managers and key staff to be able to develop career paths at MRCS and also to contribute to corporate experience and memory through suitable periods of service at MRCS. All aspects of a 'riparianisation' policy and strategy need careful review and appropriate amendments should be made to existing procedures to facilitate a more effective 'riparianisation' of the MRCS. An 'organisational management working group' could be created to provide oversight of this work, reporting to the senior management team.

International staff should only be senior level with recognized international technical experience and solid project and programme management skills, including finance management. International Chief Technical Advisors (CTA), are senior technical specialists who assist the Programme Coordinators on the basis of a co-management approach.

Stakeholder Involvement

Given the significant potential of water resource developments to affect the lives of the people of the Mekong River Basin, it is essential to build in processes for public involvement and input into MRC activities. Consideration of public opinion and

preference is essential for ensuring that identified development options are both appropriate and socially acceptable. Stakeholders represent both people who have direct interest in the Mekong's water resources as well as people who possess a rich supply of knowledge and opinions to guide planning processes. The overall objective for fostering stakeholder participation is to allow those who will be affected by a project to have an influence in decision-making over the planning, implementation, and monitoring of a given project.

Effective stakeholder participation in the MRC's work to realize sustainable management and development requires that stakeholders possess adequate awareness and education on the emerging water-related issues, at basin-wide and local levels. The MRC has been somewhat involved in activities such as World Water and Environment days, but the MRC has lacked an active integrated plan of involvement. In response to a strong need identified through the national consultations for this Strategic Plan, the MRCS will now work with the NMCs to develop an approach, appropriate for each country, to carry out increased education and awareness-raising with the goal of fostering greater stakeholder participation. The MRC can act as a mechanism for increased participation that will help shape their overall Programme and sector Programmes to enhance the analysis, assessment, and planning capabilities being developed.

MRC has acknowledged that effective public participation is a key activity in view of the wide range of issues covered, and the wide range of stakeholders involved. During the next Strategic phase, the MRC will work to improve the scope and quality of stakeholder participation in line with the IWRM Strategic Directions adopted by the MRC. This can only be accomplished by working through the NMCs who are best able to implement improved participation of stakeholders, including civil society and NGOs. NGOs can be particularly helpful in lending independent assessments of planning tools and processes developed by MRC. Internally, the MRCS will ensure that public participation policies are incorporated into and acted upon by each Programme as appropriate. Procedures and processes for increased stakeholder participation need to be developed, including forum for participation, methods for cataloguing information, and how gathered information will be used as input into planning and monitoring activities. Improved stakeholder participation will, of course, require resources for which the donors should be prepared to support. Improved stakeholder participation will also require the strong commitment of the Member States.

Communication and marketing

Communications issues are both internal and external in the MRC and are a key part of the strategy for promoting regional cooperation and conflict prevention. MRC already has a strong communications approach and is highly regarded for the quality of its publications, brochures and general information. A strong emphasis will continue to be given to these aspects and it will be tailored to respond to the particular goals of the strategic plan. However, an updated communications strategy could be developed to increase understanding and recognition of the MRC in the basin and internationally.

The broader area of marketing is where more emphasis will be given. This will aim to ensure that products and services provided by MRCS meet the needs of customers and stakeholders throughout the basin. A Marketing Strategy will be developed to more clearly identify and analyse the customer/stakeholder environment and relate it to the range of products and services that MRC can offer. A strategy can also deal with attracting potential sponsorship from the private sector.

Gender policy

The MRC's Gender Strategy is based on the acknowledgement that gender is a critical element for integrated water resources management. This is to ensure that development options respond equitably to the needs of men and women. Incorporating women into decision making processes also increases the degree of social acceptance development decisions receive. Moreover, a gender perspective in development ensures that the needs, capacities and vulnerabilities of men and women are fully recognized and addressed. The MRC's Gender Strategy (approved in 1998) has been developed to ensure integration and promotion of gender perspectives in "direction, policies, plans, programmes, and projects" of the MRC.

During the next five years, the MRC should continue its efforts to mainstream gender perspectives internally and externally. Such continued effort should be reflected in more comprehensive gender guidelines and policies being developed and disseminated. Moreover, annual reviews of progress on gender mainstreaming should be undertaken and reported in appropriate meetings and publications. The MRC should continue to identify opportunities and report on progress for enhancing gender equity and awareness within its organizational structure at all levels. Additionally, the MRCs should encourage the NMCs to give attention to gender issues including equity in staffing. All Programmes should include a gender element within their strategies which aims to increase gender mainstreaming both within projects and among staff. It is important that research and project designs include gender need and impact assessments, where appropriate, for various development options. To be effective, the Gender Strategy must have the commitment and support from the top-level officials and managers at the MRC (point 2 of the Gender Strategy).

5.5 Strategic annual planning, monitoring and evaluation

5.5.1 Overall performance

This Strategic Plan strongly recommends building upon further elaboration of a set of suitable indicators. By the year 2010 the MRC wishes to:

- Be acknowledged as a leading International River Basin Organisation operating within the bounds of sustainable development and management of the basin's resources and in organizational processes and practices;
- Be accepted as a 'centre of excellence' for information, knowledge and analytical and management systems relating to the water related and environmental resources of the basin;
- Have compiled a list of feasible, justifiable, development projects that reflect the social and environmental aspirations of the riparian countries, and, will have grouped priority projects into a basin-wide Mekong Programme for the countries to use for facilitation to the investment stage;
- Be seen and understood throughout the basin as a world-class International River Basin Organisation that contributes to poverty alleviation and sustainable development.

5.5.2 Key areas of importance

The following section uses the overall basin development planning process to identify key areas of importance in executing and realizing value-added of the MRC as well as

possible risks (table 4). The matrix identifies the key players under each phase and defines the prerequisites required for successful execution of the MRC's purpose. For example, during the needs assessment important prerequisites are that the MRC programmes actively pursue opportunities collaboratively with line agencies, and they provide value-added for existing line agency planning processes. Another area of importance is to ensure that NMCs facilitate the building of active partnerships between MRC programmes and line agencies. Finally, another prerequisite is that donors would encourage line agencies to cooperate with the MRC programmes. This matrix is suggested as a possible monitoring and evaluation framework for the MRC's role in the overall development process in the Lower Mekong Basin.

Key areas of importance during project evaluation and identification through BDP include transparency in planning processes to respond to country needs, and that the planning process meets the capabilities of country collaborators to facilitate modelling and the use of impact assessment tools. Another important assumption for the successful execution of the evaluation process is the MRC being aware of all development projects planned by line agencies, which implies the prerequisite that line agencies inform the MRC on potential projects. Similarly, it is also important that donors and investors require project evaluation through the BDP process prior to funding, which would strengthen the basin-scale modelling and planning effectiveness. Key assumptions associated with the implementation phase are for the MRCS to succeed to identify meaningful projects as a result of well-managed planning process and procedures. Similarly, the NMCs should have the capacity to promote the sustainable investment and development process, line agencies would register their national projects with basin wide significance with the MRC and donors support BDP produced development suites.

It is recommended that a regular reporting be made on each key area so that ineffective areas can be identified and improved. The reporting can be done on a quarterly basis by the MRCS and NMCs including programme coordinators, the directors, and senior management. The JC and Council can make a reporting during their regular meetings. The results of these reports should be broadly circulated to build consensus on the operations of the MRC and related problem areas. Altogether, a sequential implementation of the Strategic Plan, its four Goals and supporting objectives would be desirable implying that each MRCS Division and Section, and all NMCs adapt their own respective organisational objectives.

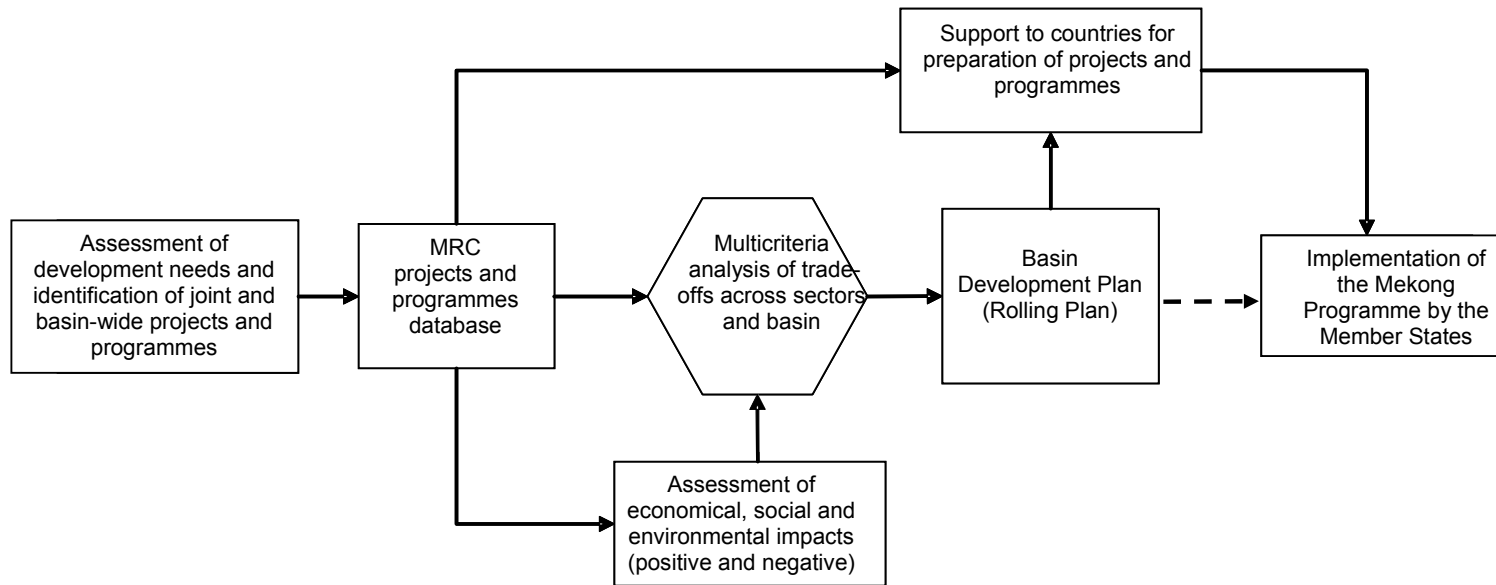
5.5.3 Implementation Arrangements

The Joint Committee shall hold overall responsibility for ensuring the implementation of the Strategic Plan 2006-2010. The MRC CEO and the Senior Management of MRCS will hold responsibility for taking and initiating required actions to ensure effective implementation of this Strategic Plan. In particular, shortly after final approval and adoption, the CEO should make arrangements for the development of an effective and detailed monitoring system to measure and report on progress in implementing this Strategic Plan. It may be advisable to have an independent mid-term review conducted to ensure the Strategic Plan stays up-to-date and to facilitate development of the next five-year Strategic Plan.

Table 4: Monitoring and evaluation of the MRC's role in the overall development process in Lower Mekong Basin

Phase		<u>Needs assessment through fact-finding missions conducted jointly with line agencies.</u>	<u>Evaluation and identification of projects through use of BDP tools and teams.</u>	<u>Stream of projects packaged and promotes to realize mutual net benefits.</u>
Primary output(s)		Sector development strategies with list of identification of needed projects.	Consolidated MRC project data base and stream of evaluated and approved projects.	Strategic Water Resources Development Plan with project packages promoted.
Indicators		<ul style="list-style-type: none"> MRC sector programmes working collaboratively and effectively with line agencies. Programme activities consistent with and support national planning in the basin. 	<ul style="list-style-type: none"> Development plans are submitted to BDP Stream of individual water resource development projects are identified that are significant to countries and donors. 	Production of mutually beneficial suites of identified projects packaged for promotion and identification of funding sources.
Prerequisites	Council / JC			
	MRCS	<ul style="list-style-type: none"> MRC programmes actively pursue opportunities to form close ties with corresponding line agencies. MRC programmes provide value-added for existing line agency planning processes 	<ul style="list-style-type: none"> MRCS provides capacity and transparency in planning processes to respond to country development needs. BDP planning processes meet capabilities of countries facilitating country involvement (this requires effective capacity building). 	<ul style="list-style-type: none"> Planning procedures allow the MRCS to produce meaningful projects
	NMCs	NMCs facilitate the building of active partnerships between MRC programmes and line agencies.	<ul style="list-style-type: none"> NMCs facilitate inclusion of basin development projects for accurate modelling needs. NMCs facilitate development and/or use of evaluation criteria for project assessments 	<ul style="list-style-type: none"> NMC have sufficient capacity to promote the sustainable development process.
	Line Agencies	Line agencies cooperate with sector programmes.	Line agencies inform MRC sector programmes of potential projects.	Projects with basin-wide or transboundary impacts are registered with the MRC.
	Donors	Donors encourage line agencies to collaborate with the MRC programmes	Donors promote and fund projects after evaluation by BDP	Donors use output from BDP planning activities.

Annex 1: Planning in the MRC context



Annex 2: MRC Strategic Outputs 2006 – 2010

Goals / objectives <i>What is our purpose?</i> <i>What do we want to achieve?</i>	MRC Key actions / outputs <i>What are the goods and services to be delivered?</i>
GOAL 1: To promote and support coordinated, sustainable, and pro-poor investment and development	
1.1 To establish and use a framework for analysing water demand, supply and use in the basin to support the basin development planning process;	<ul style="list-style-type: none"> • Upgraded modelling toolkit and decision support framework (DSF) • Water supply and demand maps • Basin-wide water resources development scenarios and options • A series of water accounts and verifiable water use indicators to guide decisions-making and development strategy formulation
1.2 To establish processes and mechanisms enabling the balancing of trade-offs between economic and political net benefits of different sectors, areas, and regions; and benefits from environmental and social protection	<ul style="list-style-type: none"> • Baseline thematic maps of key water and related resource systems and beneficiaries • Cost & benefit sheets of proposed resource development interventions • Consolidated trade-off balance sheets based on assessed and quantified net impacts on economic, ecological and social values • Process of discussions on trade-offs and mutual benefits in basin development, including forum/ policy dialogue meeting.
1.3 To produce a regularly updated rolling plan applying the planning process for identification, categorization and prioritization of projects and programmes;	<ul style="list-style-type: none"> • Collaborative basin development planning process for project identification and prioritization • Integrated Water Resource Management (IWRM) Strategy supported by assessed development scenarios and options • MRC projects and programmes database • Cumulative impact assessment studies of development scenarios
1.4 To screen, formulate and promote wise development options at the transboundary and basin levels for preparation and implementation by other appropriate development agencies. ¹⁶	<ul style="list-style-type: none"> • Support to preparation of project proposals • Project promotion and fund-raising services • Support to identification and preparations of balanced sustainable development projects in partnership with donors, development partners and investment banks.

¹⁶ Supported by sector specific objectives: 1.3.1 through 1.3.7.

<p style="text-align: center;">Goals / objectives</p> <p style="text-align: center;"><i>What is our purpose?</i></p> <p style="text-align: center;"><i>What do we want to achieve?</i></p>	<p style="text-align: center;">MRC Key actions / outputs</p> <p style="text-align: center;"><i>What are the goods and services to be delivered?</i></p>
<p>1.4.1 To support sustainable land and water development through more effective and integrated utilization of agricultural, irrigation, drought, and watershed management systems;</p>	<ul style="list-style-type: none"> • Watershed management policy guidelines and proceeding • Best practises on watershed management and technologies • Basin-wide irrigation strategy • Institutional and managerial guidelines to improve irrigation efficiency • Assessment of groundwater potential for irrigation • Support to planning and implementation of watershed management projects identified through BDP • Support to planning and implementation of irrigation development and rehabilitation projects
<p>1.4.2 To assist in the development of the basin's hydropower potential to ensure safeguarding of the environment and social interests while meeting the Basin's increasing need for energy;</p>	<ul style="list-style-type: none"> • Assessment of hydropower potential in the Mekong Basin • Basin-wide hydropower development strategy • Hydropower database of planned and existing dams • Guideline for hydropower operation and maintenance in the Mekong • Impact assessments of hydropower projects
<p>1.4.3 To achieve more active and efficient river transportation through increased freedom of navigation to increase social development and international trade opportunities;</p>	<ul style="list-style-type: none"> • Regional master plan for navigation • Supporting national studies • Traffic safety management system • Navigation pollution control system • Mekong River Navigation Information Systems • Support to planning and implementation of navigation development projects identified through BDP
<p>1.4.4 To build regional flood management capacity for prevention, minimization or mitigation of people's suffering and economic losses due to floods;</p>	<ul style="list-style-type: none"> • Flood probability maps • Improved flood forecasting and warning system • Hydro-meteorological monitoring network (real-time) • Hydro-meteorological data base

<p align="center">Goals / objectives</p> <p align="center"><i>What is our purpose?</i></p> <p align="center"><i>What do we want to achieve?</i></p>	<p align="center">MRC Key actions / outputs</p> <p align="center"><i>What are the goods and services to be delivered?</i></p>
	<ul style="list-style-type: none"> • Hydro-meteorological year book (bulletin, CD ROM) • Annual hydro-climatic assessment report • Guidelines for flood proofing and mitigation measures • Transboundary flood mediation and coordination mechanisms • Flood emergency management system • Land use planning and management guidelines • Support to planning and implementation of flood management projects identified through BDP
<p>1.4.5 To maintain productive Mekong fisheries and enhance aquaculture for increased food security and economic output;</p>	<ul style="list-style-type: none"> • Report on commercial fish species and production • Inland fisheries development strategy • Increased capacity of local and national fisheries bodies • Technologies for aquaculture of indigenous species adopted • Project planning and coordination services in the field of sustainable fisheries development • Support to planning and implementation of sustainable fisheries development projects identified through BDP
<p>1.4.6 To develop the tourism potential of the Mekong benefiting local economies</p>	<ul style="list-style-type: none"> • Tourism development strategy to benefit local people • Support to sustainable tourism development projects identified through BDP
<p>1.4.7 To assess domestic water supply and sanitation options to ensure adequate protection and improvement of peoples' lives and the environment</p>	<ul style="list-style-type: none"> • Report on domestic water supply and sanitation needs in the basin • Water supply and sanitation development strategy • Support to identification of water supply and sanitation projects through BDP
<p>GOAL 2: To enhance effective regional cooperation</p>	
<p>2.1 To increase MRC's function as a transparent and effective cooperation mechanism among Member States and develop enhanced partnerships with other regional organizations and initiatives, including sub-basin organizations;</p>	<ul style="list-style-type: none"> • Increased cooperation between MRC Member States • Partnership agreements (MoUs) with development partners, International River Basin Organisations, and research institutions

<p align="center">Goals / objectives</p> <p align="center"><i>What is our purpose?</i></p> <p align="center"><i>What do we want to achieve?</i></p>	<p align="center">MRC Key actions / outputs</p> <p align="center"><i>What are the goods and services to be delivered?</i></p>
<p>2.2 To complete, adopt and make applicable mechanisms, procedures and guidelines as required under the 1995 Mekong Agreement;</p>	<ul style="list-style-type: none"> • Technical guidelines for implementing the procedure for maintenance of flows on the mainstream • Guidelines for transboundary environmental impact assessment • Procedures/Guidelines for water quality • Technical guideline for implementing the procedures for water quality • Adopted procedures are implemented
<p>2.3 To identify potential transboundary issues for negotiation, mediation and conflict prevention; and develop mediation and conflict management capacity;</p>	<ul style="list-style-type: none"> • Increased capacity for managing transboundary issues
<p>2.4 To promote and improve dialogue and collaboration with the China and Myanmar.</p>	<ul style="list-style-type: none"> • Increased cooperation with upstream riparian countries through joint studies and projects
<p align="center">GOAL 3: To strengthen Mekong River basin-wide environmental monitoring and impact assessment</p>	
<p>3.1 To improve monitoring of the environmental condition of the basin, focusing on water quantity and quality, ecological health and social impact;</p>	<ul style="list-style-type: none"> • Environmental water quality monitoring system • Social impact monitoring system • Conceptual model of the Mekong Basin's aquatic ecosystems
<p>3.2 To regularly report on the environmental conditions of the basin and disseminate this information widely;</p>	<ul style="list-style-type: none"> • Updated environmental status report • Basin report cards • Guideline on best environmental management practises
<p>3.3 To raise awareness of MRC, NMCs, and Line Agencies on transboundary and basin-wide environmental issues and to increase the capacity to address them;</p>	<ul style="list-style-type: none"> • Training modules on the use of EIA, SEA, and other tools • Environmental educational kits
<p>3.4 To ensure that development initiatives are planned and implemented with a view to minimize negative environmental impacts;</p>	<ul style="list-style-type: none"> • Project planning and promotion services in the field of environmental management
<p>3.5 To ensure that social, economic and environmental concerns are incorporated into basin-wide water resources development strategies</p>	<ul style="list-style-type: none"> • Strategic environmental impact assessment (SEA) • Environmental impact assessment (EIA) • Recommendation in the integrated basin flow management (IBFM) strategy to enhance sustainability

<p align="center">Goals / objectives</p> <p align="center"><i>What is our purpose?</i></p> <p align="center"><i>What do we want to achieve?</i></p>	<p align="center">MRC Key actions / outputs</p> <p align="center"><i>What are the goods and services to be delivered?</i></p>
<p>GOAL 4: To strengthen the Integrated Water Resources Management capacity and knowledge base of the MRC bodies, NMCs and Line Agencies and other stakeholders</p>	
<p>4.1 To improve management systems to allow MRC to operate as a highly effective, transparent and innovative International River Basin Organisation;</p>	<ul style="list-style-type: none"> • Management policies, systems and manuals
<p>4.2 To establish a technical coordination capacity for preparing and coordinating the implementation of MRC's Work Programme applying IWRM principles;</p>	<ul style="list-style-type: none"> • Operational IWRM technical coordination section • Annual work programmes • Harmonized project progress reports • Efficient programme coordination mechanisms
<p>4.3 To enhance and maintain a common IS-based knowledge system to support all MRC activities;</p>	<ul style="list-style-type: none"> • Operational information system and information management and dissemination tools (GIS, Remote Sensing, portal) supporting all MRC programmes • Information and datasets provided to outside users
<p>4.4 To maintain partnerships with leading organizations, universities and civil society stakeholders for programme-focussed collaboration of common interest;</p>	<ul style="list-style-type: none"> • Network of partners (universities, research institutes, civil society and other interested and relevant organizations) established • Assessment of research priorities to support MRC's mission
<p>4.5 To strengthen the human resources capacities of the MRC, NMCs and the Line Agencies.</p>	<ul style="list-style-type: none"> • Capacity needs assessment reports • Training modules and toolkits • Training sessions and study tours of JC, NMCs, MRCS staff and line agencies
<p>4.6 To develop and update as new knowledge becomes available regional assessment tools (EIA, SEA, DSF, TB-EIA etc.) for all development projects to be implemented in the lower Mekong River basin</p>	<ul style="list-style-type: none"> • Readily available tools tested and applied for all development projects to be implemented in the Mekong River basin