



Mekong River Commission

REPORT

INFORMAL DEVELOPMENT PARTNER MEETING

**2 - 3 October 2014
Phnom Penh, Cambodia**

Meeting the Needs, Keeping the Balance

MRC INFORMAL DEVELOPMENT PARTNER MEETING 2014

MEKONG RIVER COMMISSION

3 October 2014, Phnom Penh, Cambodia

GENERAL INTRODUCTION

1. The Informal Development Partner Meeting (IDM) of the Mekong River Commission (MRC) (hereafter referred to as “the Meeting”) was held in Phnom Penh, Cambodia on 3 October 2014. The Meeting was attended by 80 delegates from the MRC Member Countries, Development Partners (DPs), cooperating organisations, Chief Executive Officer (CEO), Directors, Section Chiefs, and staff of the MRC Secretariat (*see Annex 1 – List of participants*).
2. The Meeting was chaired by H.E. Mr. Te Navuth (the Chairperson), Secretary General of the Cambodia National Mekong Committee, Member of the MRC Joint Committee for Cambodia, Chairperson of the MRC Joint Committee for 2014/2015.
3. On 2 October 2014, the DPs held a private meeting, Donor Harmonisation Meeting, to discuss issues of mutual concern prior to the Meeting.

A. OPENING ADDRESS OF THE CHAIRPERSON OF THE MRC JOINT COMMITTEE

4. The Chairperson warmly welcomed all the Delegates to the IDM and highlighted the importance of the MRC’s working relationships as well as cooperation with DPs on a number of key priority areas, which include advancing the institutional reforms and the studies on sustainable development in the Mekong River Basin. The Council Study will fill the knowledge gaps in the effects of major water use sectors on key areas of the basin’s social, environmental and economic systems and provide the riparian governments with a basin-wide understanding needed to make well-informed decisions. Meanwhile the reform will guide the MRC work towards improving its regional and national operations more effectively and efficiently. For all this to happen we need the Member Countries (MCs) and others, including DPs, to work as closely as possible. The Chairperson expected that the relations between the MRC and the DPs would be further strengthened through this meeting, where significant input from DPs to the key cooperation, study, strategy and procedure matters has been valued. (*see Annex 2 - Opening remarks*)

B. ADOPTION OF THE AGENDA

5. The provisional Agenda was adopted by the Meeting (*see Annex 3 – Provisional Agenda*). The CEO announced two notes on the agenda: (1) due to an earlier commitment of the Viet Nam delegation, the Meeting may wish to finish earlier, (2) in order to make the meeting and the discussion informal and more dynamic, there would be no Joint DPs’ Statement at the beginning of the meeting as previous years, instead the DPs preferred to deliver key messages following the discussion of the meeting.. The official Joint DPs’ Statement would be forwarded to the Secretariat within two weeks after the meeting.

C. FOLLOW UP ON RECOMMENDATIONS OF THE MID-TERM REVIEW OF THE MRC STRATEGIC PLAN 2011 – 2015 AND THE MRC PROGRAMME MID-TERM REVIEW

6. The CEO informed the Meeting that some of the recommendations of the Mid-Term Review (MTR) had been discussed at the MTR consultation meeting earlier in 2014. The presentation today would offer an overview of key highlights of the MRC Strategic Plan (SP) 2011-2015 and of 8 MRC's Programmes, and how the MRC had addressed the recommendations.

7. The Technical Coordination Unit (TCU) presented an overview of the recommendations of the MTRs and the MRC's responses. The SP MTR indicates slow progress of overall implementation and lack of outcome monitoring. The nine recommendations of the SP MTR include five for the remainder of the present SP cycle 2011-2015 and four for the next SP 2016-2020. A Task Team has been established in the Secretariat to identify and take actions on each recommendation. Key actions have been initiated and are being implemented to enhance multi-stakeholder dialogue and strengthen the implementation of the MRC Procedures and focus on trans-boundary issues (Rec 1), improving outcome monitoring (Rec 2), and analysing funding priorities (Rec 3). The Secretariat will facilitate a discussion with the MRC Joint Committee to address the constraints of Article 33 of the Mekong Agreement on staffing policy to address Rec 4 and Rec 9. There is currently a process to consolidate the multiple planning processes into one streamlined MRC planning process anchored in core functions, starting with the updating of the Basin Development Strategy (BDS) and the preparation of the MRC SP 2016-2020. **(Annex 4)**

8. Switzerland stated that the review of the MRC SP and Danida's review of MRC's effectiveness were important reviews, showing important concerns and interests of the DPs. Switzerland appreciated the information presented on the actions undertaken to respond to the MTR recommendations. DPs requested further detail update and information on how Danida's review is being incorporated into those recommendations. DPs are following this with great interest especially the recommendations on structural reform, staffing reform, financial reform and monitoring and evaluation system.

9. Australia reaffirmed Switzerland's view, and said that, concerning Outcome 3 on reform, enhancing multi-stakeholder engagement and dialogue relates to all Programmes and across the whole organisation. Therefore, the stakeholder forum should be led by the Secretariat management board with involvement of all programmes instead of leading by BDP as a Programme.

10. The CEO informed that there are indeed plans for a stakeholder forum and that the MRC needs to find a balance of such a wide range of stakeholders. The MRC as a whole has been working on improving and updating the stakeholder engagement policy which goes beyond the BDP and the BDS, following the 1995 agreement. Once there is an agreement on that update, the Secretariat will proceed further with MRC stakeholder forum. In the meantime, BDP is coordinating the BDS process which also requires a full range of stakeholders of all MRC's sectors and hence Programmes. The upcoming multi-stakeholder dialogue will be focusing on the updating BDS.

11. Germany requested a status update on Rec 4 concerning staffing policy in the preparation for the staffing reform. If the process hasn't been started then when is it supposed to take place? The CEO replied that Rec 4 pertains to something that has been a recurring item. Article 33 of the 1995 Agreement limits the time riparian professional staff can work at the Secretariat to 6 years which in turn limits scope for a career path and hampers maintaining an institutional memory. It has been discussed many times, but addressing the issue directly means amending the Agreement, which is a large undertaking. There is no quick solution but it has been brought up several times. The review is aware of this and raised it because it needs to be addressed.

12. The Chairperson added that amending the agreement is a higher level matter that is not simple because looking at one article means having to look at the others. This has been discussed several times and the pros and cons have been considered. At the same time, the organisation is also looking into giving opportunities to young staff so the emphasis is not only on institutional memory. Some organisations do not see six-year term as too short.

13. European Union (EU) emphasised that there is only one year left in the current SP, and questioned on what is the MRC's position regarding the budget gap as well as how the gap can be filled. The EU expressed concern over the US\$3 million gap in the Council Study. The CEO informed the meeting that the DMP and FMMP gap has recently been bridged with the new funding coming from Japan-ASEAN Integration Fund (JAIF). The Council Study was presented and discussed under agenda item H, but in general, the Secretariat will look into how funding might be shifted and reallocated from existing funding agreements.

14. Sweden wondered about funding gaps in other programmes because the list presented was limited to a few programmes. From the annual consultation on the previous day, almost all programmes presented funding gaps. The CEO explained that the list presented was the programmes the Secretariat had prioritised because of the most critical funding gaps. While programmes with some funding gap have sufficient funds to implement much of the work, for the listed programmes the funding shortage hampers not only the achievement of the programme but through dependencies the work of other programmes as well.

15. Lao PDR expressed its appreciation to the continued support of the DPs community to the MRC activities. The financial contribution by MCs however should not be considered in an isolated way. Contribution, ownership and commitment from MCs is reflected through the implementation of strategies, policies and tools both jointly at the regional level and at the national level. The sustainable use and management of the Basin water and related resources have been in progress. After almost 20 years a lot has been done, for example, the five Procedures have been approved and being implemented. The MRC has achieved a lot in its work in different areas, in contrast, as an example, it took 18 years for the US and Canada to agree on a monitoring plan for water quality. Commitment of MCs for cooperation is strong but should not be taken as granted. Furthermore, the MCs are struggling to survive and to reach the goal by 2020 in the face of challenges including climate change. Focus has always been at the regional level activities but there are also activities that are needed at the national level. Impacts will be generated and measured at the national level. Lao PDR urged the DPs to reconsider their position in supporting national activities in order to achieve regional objectives. We should not focus too much on financial commitment from MCs, but focus on how we can cooperate further and work together.

16. The Chairperson echoed Lao PDR in stressing that the main goal of MRC cooperation is the sustainable management and development of the Mekong Basin's water and resources.

D. PROGRESS ON THE IMPLEMENTATION AND UPDATING OF THE BASIN DEVELOPMENT STRATEGY AND THE PREPARATION OF THE MRC STRATEGIC PLAN FOR 2016 – 2020

17. The Basin Development Plan Programme (BDP) presented on the implementation and updating of the BDS and preparation for the MRC SP 2016-2020. The presentation showed that the MRC is in the process of streamlining planning processes and link it to the restructuring and decentralisation. The BDS is being implemented at the regional level with regional action plans, at the national level through the MCs' NIPs. As for the linkage between the BDS update and the MRC SP 2016-2020, a new streamlined SP is being developed containing budget, timeline, inputs and progress indicators. A draft of the MRC SP will be

available at the beginning of next year with indications of key activities for the next five years as well as some indicative amount of the budget. **(see Annex 5 - Presentation on Progress on the implementation and updating of the Basin Development Strategy and the preparation of the MRC Strategic Plan 2016-2020)**

18. The CEO further clarified that this shows how the MRC is taking up the recommendations of the MTR. In addition the Secretariat is working on a plan for structural reform and decentralisation. By mid next year, the Secretariat will be able to present the final approved version of the SP which presents a new approach and request support from the DPs.

19. On behalf of the DPs, Germany expressed appreciation for the efforts in the preparation of the MRC streamlined planning process and the Council's agreement to the recommendations pertaining to the decentralisation Roadmap in June 2014. The DPs would appreciate to get involved in the process of the updating BDS and preparation of the SP 2016-2020 including re-structuring and financial reform despite time constraints. It would be of great benefit if all items mentioned in the presentation could be covered within the remaining time of the SP 2011-2015 so that by the beginning of the next cycle, the organisation can start working under a new financial and organisational structure.

20. Australia informed the Meeting that the DPs well recognised the constraints on the timing, so receipt of the SP document by January 2015 would be good for DPs to make funding decisions. However, DPs would like to suggest timely sharing of the documents for DP's comments and suggestions during progress of the new SP 2016-2020. In general, DPs will need a year in advance to prepare for the future funding.

21. The Chairperson valued the suggestion and comments by the DPs and confirmed that DPs will be consulted along the process. The Secretariat will share relevant documents with DPs in a timely manner.

E. UPDATE ON THE IMPLEMENTATION OF THE MRC CORE FUNCTIONS DECENTRALISATION

22. The International Cooperation and Communication Section (ICCS) provided an overview of the implementation of the decentralisation roadmap and reform. After the Joint Committee and Council agreed to the recommendations for the decentralisation plan and associated reforms made in March and June 2014 respectively, the Secretariat conducted an organisational analysis to take into consideration the previous reform issues, the MTR recommendations, Roadmap recommendations, two MRC Summit Declarations and the 1995 Mekong Agreement as well as international experiences of other RBOs, to identify boundary conditions and criteria for restructuring and transition. Some preliminary options of the new structure for the Secretariat by 2030 and also transitional structures have been identified, but will be discussed with MCs during October and November 2014. On implementation of the decentralisation plan for Batch 1 activities, the National Roadmap for one Member Country has been approved at the national level, while the other three are in the process of being approved. Funding needs for Batch 1 was updated in August and will be updated at the national level in the coming months. The overall work plan for the decentralisation and associated reforms was presented to the meeting, showing the coherent processes related to organisational restructuring, staffing and financial reforms, BDS updating, SP preparation and M&E system development. The MRC is at the initial stage of the staffing reform. For the streamlined process, the Secretariat will work as one. The national consultations will be organised shortly to get further guidance for the implementation. The plan is to submit the reform plan to the JC and Council at the next Council Meeting by the end of 2014 or January 2015 for consideration and approval. Kick-start fund of batch 1 and BDS are included in the decentralisation plan and restructure

reform. (**Annex 6 - Presentation on Update on the implementation of the MRC Core Function Decentralisation**)

23. The CEO emphasised that there are a lot of ongoing activities and the Secretariat would be happy to provide more information on specific issues as required. Some issues regarding budgeting would be covered under the agenda item F. The Secretariat would be able to share more widely the different options regarding the actual physical restructuring. This has been presented to MCs and will be taken up at the national and regional consultations. The Secretariat is in the middle of the process and hopes to receive endorsement from the MCs by end of 2014.

24. Germany mentioned that in the Donor Harmonisation Meeting there was a discussion about the possibility of DPs' engagement in the discussion about planning and prioritisation in the new framework of the financial and programmatic sides. It's important for the DPs to have access to the drafted documents on SP and BDS as well as the guideline for pooled funding mechanism so it can enable their discussions about how they can contribute to as well as how funds will be allocated for some specific areas which are of interest to some DPs. Most DPs are willing to contribute to the pooled fund and would appreciate more information on future funding arrangement including funding oversight and the possibility of other appropriate modalities of assistance not within the pooled fund. The CEO explained that the options are very open at this stage, and the Secretariat is open to further discussions. The budgetary issues will be presented in the next agenda item. However, more concrete summary of the principles for the pooled fund will be outlined and shared with DPs later.

25. Australia referred to the Donor Harmonisation Meeting and Annual Programme Consultation where one issue was how responsibility and accountability will work for the thematic sectors under the new structure of core functions. How will the Secretariat push this forward? Most DPs foreseen that they could support a sectoral approach but without programmes it means no Steering Committees to oversee the implementation of the activities. If Steering Committee Meetings no longer existed, what is the mechanism for DPs to continue to provide technical support and follow up on the implementation? The CEO responded that the issue of sector or thematic cross cutting responsibility has been raised forcefully by many programmes, specifically some programmes that have interactions with specific line agencies. For cross cutting programmes, this will not be a great problem but for sectoral programmes such as Fisheries, Agriculture/Irrigation and Navigation there will have to be cross cutting coordination, however the exact modality is not yet worked out. The overall coordination mechanism is a key to ensure coherent implementation with adequate involvement of the line agencies of the sectors. For annual planning, under the change to a core functions structure, the process will have to be adjusted with planning following core functions. The ownership of the countries will be maintained through involvement in the planning process at the national level.

26. The Chairperson added that the organisational options are still open for further discussion, similarly with the staffing reform and Member Country's contribution. The MRC will seek DPs' advice on these along the process.

27. Sweden made a proposal relating to the issue of the restructuring. In consideration of its importance, the MRC might need to consider undertaking a comprehensive analysis to identify risks and risk mitigation measures. This is a common practice in any big organisation that plans for this kind of reform. The CEO appreciated the proposal. The Chief of ICCS informed the Meeting that the internal process of identifying different options had taken a chance to analyse advantages and disadvantages, and considered critical risks with the restructuring. These processes will be discussed at the national and regional consultation workshops. The analysis can be shared with DPs by November. The CEO supplemented

that the Secretariat has main elements for a risk analysis and can restructure these elements to come up with a sufficient risk analysis to give an idea about what needs to be done to be successful in the transition.

28. Finland sought clarity on the kick start fund and would appreciate a practical discussion on this issue during the day. The CEO responded explaining that the Kick start fund was conceptualised to support the decentralisation of Batch 1 during 2013-2015 including data collection and some country-led activities. It covers actions needed for MCs at the country level to support their takeover. In the 1st round they're looking at how much of these activities can be supported within the existing programmes. For funding gaps, the Secretariat will work further on this in order to have a more realistic picture. The Secretariat might have to rely on further support from DPs on this or through for re-allocation of the existing support.

29. European Union reaffirmed the DPs' support to the decentralisation and reform, as well as the issue of re-arrangement between regional cooperation and national activities. DPs in fact have increased bilateral cooperation at national level to complement the regional efforts. DPs have recently contracted SIWI to do an analysis with recommendations for future cooperation in the region. DPs would like to present and share this with the MRC in a workshop.

30. The meeting took note of this suggestion.

F. OVERVIEW OF MRC PROJECTED FUTURE BUDGET IN THE CONTEXT OF DECENTRALISATION AND REFORM 2016-2030

31. The Finance and Administration Section (FAS) presented an overview of the MRC's projected future budget in the context of the decentralisation and reform (2016-2030). FAS noted that the figure had been updated in the presentation and that was slightly different from that in the briefing note. The first MRC Summit committed to the self-financial sustainability by 2030 which was re-affirmed at the Second MRC Summit. In order to enable the change, MRC will need to have a financial reform which might include establishment of a basket fund, a cost-centre approach and to change from cash basis accounting into accrual basis. Over the transition period the contribution from DPs will be going down whilst MCs' contribution will be going up. Funding estimates for 2016-2030 were presented in two scenarios. It also shows the decrease trends from DPs (79% in 2016 to 70% in 2025 to 0% in 2030) and increase from MCs in one scenario, while the Regional Roadmap scenario is MCs increasing their contribution to 25% by 2020, 50% by 2025 and 100% by 2030. (**Annex 7 - Presentation on overview of the MRC's projected future budget in the context of the decentralisation and reform (2016-2030)**)

32. The CEO mentioned that there is much work going on with this emerging system of the basket funding and budgetary oversight in replacement of the existing programme based cash-basis accounting system. In principle, the annual work plans will be developed through a mechanism with input from the MCs and interested parties (DPs) involved in thematic areas and various core functions. There will be one consolidated annual work plan for the Secretariat. A budgetary committee will be established composed of MCs (JC level), supported by the CEO or the Chief of FAS and representatives of DPs. The specific mechanism and the rules and roles will need to be agreed and approved. The Committee will oversee the work plan budget to ensure it is in line with the SP, look at budgetary realities (such as if there is a short fall in funds available for the year) and come to an agreement on any adjustment to the proposed budget and endorse the budget. That would then lead to implementation. A review of the budget revision may take place after 6 months. As the accounting system change is ongoing, meanwhile the figure presented is in working process which taken from the decentralization plan. Further discussion at country level

regarding contribution formula may have impact to the presented funding scenarios. MRC Secretariat would like to facilitate a discussion between MCs and DPs for future cooperation to provide the necessary support during the transition process not only on regional but also national activities and objectives supporting the MRC cooperation. MCsThe total MRC cooperation budget does not equal the budget the Secretariat administer. There is room for DPs to contribute bilaterally to individual MCs that supports the MRC cooperation at the national level (such as support to implementation of decentralised core functions).

33. Finland shared the view following the MTR recommendation on acceleration of the reform process for sustainability of the MRC. DPs have communicated on several issues including the possible reduction of DP funds to the MRC in the coming years. The two scenarios presented here are quite different to the scenarios presented earlier, e.g. the accelerated roadmap scenario in which Member Country contribution would increase to 28% in 2016, 51% by 2020, 75% by 2025 and 100% by 2030, which to DPs seems to be the right pathway. Finland was wondering if there was any deviation from the early considerations. The CEO explained that the early scenarios and the presented scenarios are not very different in nature. The figure presented previously is for OEB at the Secretariat while the figure in this presentation alludes to the overall cost of the organisation not just the Secretariat. The scenarios previously presented referred to the Member Country contribution to the Secretariat's costs rather than to the whole cooperation costs. For Member Country contribution, the Secretariat is looking at 2 levels: one level is the operation of the Secretariat where MC contribution comes together with DP support and at another level it is the whole MRC cooperation at regional and national level to which the organization is looking into the additional needs for DPs to bilaterally support MCs.

34. Australia suggested breaking down the costs at regional (MRC Secretariat) and national levels. DPs are also interested to know the methodology of the calculations for their funding consideration process. In the meeting in March, DPs stated that their contributions to the Secretariat and regional activities for the next years will be less than previous SP period. DPs are also interested to better align their bilateral support to the decentralised activities. In line with a streamlined Secretariat fewer activities run by the Secretariat and the funding to Secretariat will be much less. In order to support MRC better, DPs urged the Secretariat to provide a more detailed figure and information for DPs planning including the figure needed to support countries in implementing regional activities and objectives, including bilateral funding.

35. Cambodia recognised the importance and additional effectiveness of the Secretariat, the JC Preparatory Meeting had touched on this issue, and there is a need to have proper structured discussions on all issues related to financial, staffing and organisational reforms. MCs can discuss and come up with a preferred option.

36. Thailand appreciated the continued support of DPs and their frank opinions on the MRC's reform. Thailand looks at the goal of self-financing by 2030 both in terms of financial sustainability but also the technical strength. As most programmes are scientific, they really need support and guidance from the DPs. For the long term, MRC still needs DPs' technical cooperation. The transition period and target of 2030 is approaching while there is still a lot of work to do. The MCs and DPs should have more dialogue and discussion on this. Dialogues can be at different level: with the Secretariat and with the countries; the issues can be revisited and revised time by time.

37. Australia sought further clarification on the scope of the proposed basket fund, whether it includes only budget for the Secretariat or it also covers the decentralised activities. According to the CEO, there is not yet a clear mechanism, but it is supposed to cover all budgets that the Secretariat will administer. Australia stressed that it is more imperative to have the breakdowns of the cost needed to run the Secretariat and the national

costs needed for the decentralised activities. Finland reiterated Australia's comments and also urged for more precise figures about the costs and plan before the end of the year for DPs' decision-making and planning.

38. The Chairperson reminded the Meeting that for the decentralisation process there is a transition period and the MCs still require budget support for decentralised activities.

39. The Australian representative further asked if there is a plan for the Secretariat to coordinate with MCs at the country level on the bilateral funds for water issues at the national level and at the regional level. The CEO mentioned that there has been substantive work done at the Member Country level through the decentralisation roadmap development but not yet with respective bilateral support by the DPs. As suggested, the Secretariat will work further on this issue.

40. Germany shared the view that the batch 1 of the decentralised activities does not include the bilateral support at country level. A scenario was used to come up with the formula for MCs contribution that has been applied for about 15 years, and it is being revised at the moment. Germany asked for an update from the Secretariat regarding this issue in understanding that it will support DPs argument for future funding.

41. The CEO stressed that the current understanding that the amounts and increase of Member Country contribution over the last 15 years will continue, and by 2030 Member Country contribution would be sufficient to finance the Secretariat's work fully MCs. How that will be structured in terms of the current or new contribution formulas is still under discussion. The Secretariat will provide a breakdown after consultation with the MCs to offer a comprehensive picture.

G. PROGRESS ON THE IMPLEMENTATION OF THE MRC PROCEDURES: THE JOINT PLATFORM'S WORK AND THE CONSULTATION PROCESS ON DON SAHONG HYDROPOWER PROJECT

42. The Mekong Integrated Water Resources Management Project (M-IWRMP) presented progress made on each MRC Procedure. The first meeting of the Joint Platform was organised with approval of the modification of the ToR of the MRC Joint Platform. Progress was evident on implementation of the MRC Procedures. The geographical scope of the Chapter 4 of the Technical Guideline for Water Quality (Emergency Response and Management) is under further consideration. In regard to the PNPCHA, following the submission of the Don Sahong Hydro Power Plan (DSHPP) by Lao PDR for the Prior Consultation process under the PNPCHA, the PNPCHA JCWG meeting was convened on 22 August 2014 in Vientiane, Lao PDR. The meeting discussed the draft Roadmap on the Prior Consultation process, the draft Scoping Assessment (a proposal for the preparation of the Don Sahong PNPCHA Technical Review Report), multi-stakeholder participation, and other relevant issues. The Meeting agreed on the proposed activities of the draft Roadmap, public consultations/information sharing and site visit matters. The Secretariat also forwarded the submission for "Notification" of the Nam Ngiep 1 Hydropower Project on 16 May 2014 by Lao PDR to the Joint Committee of three other MCs. (*Annex 8 - Presentation on progress on the implementation of the MRC procedures*)

43. The CEO provided more contexts on the Procedures. Regarding the Prior Consultation for the DSHPP, all information submitted so far by Lao PDR is already available on the MRC website. The Secretariat is undertaking a Technical Review Report. National consultations will take place in the MCs, for which Viet Nam and Cambodia are in an advanced stage of preparation. The Secretariat will coordinate regional consultations in November or early December. The Chairperson further informed the Meeting that the agreed starting date of the 6-month prior consultation process is 25th July 2014. The timeframe

could be extended upon agreement of the JC if the 6 month timeframe is not sufficient, as stipulated in the Procedure for Notification, Prior Consultation and Approval.

44. Lao PDR gave a statement on the Prior Consultation of the DSHPP, where it looks forward to the constructive cooperation and discussion to realise the objective of the 1995 Mekong Agreement. Lao PDR have had the project under study since 2006 and have had advice from experts and studies carried out over almost a decade. Lao PDR is convinced that the DSHPP will utilise the water in an equitable manner. Lao PDR remains committed to undertake its responsibility during the 6-month process. Lao has made available all materials, and will make any new materials available as they may arise. Lao PDR encourages the Secretariat's assistance. Lao PDR reaffirmed its commitment to facilitate any consultation, presentation and evaluation and even additional site visits if requested. Lao PDR is proud that the Mekong spirit has prevailed. (*Annex 9 - Lao Statement on Don Sahong*)

45. Australia, on behalf of the DPs, expressed the DPs' appreciation the JC decision on the starting date for the Prior Consultation and is looking forward to the timeline with specific dates for the consultations with stakeholders. DPs see value in strengthening the PNPCA process. DPs encourage MCs to see the Joint Platform as useful forum on all issues related to the Procedures. DPs also seek for further information on the design changes of the Xayaburi Hydropower Project. They view that information sharing is a central role of the MRC. The CEO informed the Meeting that with the agreed starting date, a specific timeline on the next steps will be posted on the MRC website. The regional consultation is scheduled for the beginning of November. Two regional consultations are proposed. The first one to explain the Procedure and seek inputs from Stakeholders. The second ones is planned after the process to clearly explain the outcomes and results. With respect to the design changes, the Secretariat provided clarification under agenda item I.

46. European Union brought up the issue of tributary dams as a concern because some development projects in the tributaries have trans-boundary impacts. The PNPCA does not address tributaries but European Union encourages the MRC to include the tributaries in the PNPCA as far as possible within the agreement saying that there is a need to look at the trans-boundary aspects of the tributaries not only the mainstream.

47. IUCN pointed out that based on the experience of the Xayaburi Hydropower Project Prior Consultation it would be very useful if there is a statement with the clear and clarified scope of the consultation to avoid the confusion and misunderstanding at the consultation. The CEO took note of that point and will make sure that there is clarity in the upcoming consultations.

48. The Chairperson acknowledged that the PNPCA process should be made clear.

49. Lao PDR appreciated its gratitude to the constructive comments from DPs since the PNPCA process for the Xayaburi Hydropower Project. Lao PDR requested the Secretariat to establish a joint monitoring team to follow up on the process and as this is beyond the PNPCA, the work then will be carried out beyond the 6 month period in this respect. Lao PDR expects the DPs continued support and further comments.

50. The Australian representative requested more information on the decentralisation of the implementation of all the Procedures, especially PDIES (data collection) as the Procedures are central to the MRC cooperation. What role would the Secretariat play in this process? The CEO confirmed the vision of decentralisation that the Secretariat would be in the position to receive data and information from MCs, and undertake analysis and regional integration. The Secretariat is envisioned to have some oversight in terms of quality control of the data to ensure reliability and offer analysis if necessary, support at the national level.

H. PROGRESS ON THE STUDY ON THE SUSTAINABLE MANAGEMENT AND DEVELOPMENT OF THE MEKONG RIVER, INCLUDING IMPACT OF MAINSTREAM HYDROPOWER PROJECTS

51. The CEO gave an overview of the Council Study and its status. Information and data for the Study has been collected through the work of the programme activities in the last few years. The Regional Technical Working Group was organised to introduce the Inception report. The CEO presented the 6 themes of the Council Study with an emphasis on the roles and involvement of each programme. In addition to the thematic teams, there will also be discipline teams during implementation of the Study. The teams will address flow changes, bio-resources changes, consequent social changes as well as economic impacts. The total estimated cost of the study is about US\$6 million. The funding gap needed from the DPs is about US\$ 4.5 million. The outstanding funding gap is US\$3.4 in recognition of the recent funds from Australia (new funding) and Finland (re-allocation) for the Council Study. (**Annex 10 - Presentation on progress on the study on the sustainable management and development of the Mekong river, including impact of mainstream hydropower projects**)

52. World Bank noted the progress in conceptualising the study and requested further update on team leader of the Study as well as its management scheme. The CEO has overall responsibility however the Technical Coordination Unit will take lead in oversight and overall management of the process supported by an international consultant acting as Study Coordinator. The CEO will oversee the details on a regular basis whilst the day-to-day management falls under the TCU. A lot of the work and actual activities will be done by thematic and discipline teams. Some of the management will be decentralised and the programme coordinators as managers for the thematic areas and discipline teams. The other levels of coordination are already integrated within the existing management structure of the programmes and there is no need for a separate structure to manage the technical inputs (such as external consultants).

53. Switzerland requested further information on the actual funding gap for the Study. The CEO explained that US\$1.1 million has been allocated by Australia and Finland, which leaves a need of US\$3.4 million. A substantial part of the funding can be reallocated with the support of the DPs. The MRC Secretariat estimate that up to US\$2 million is available but require agreement from the DPs to reallocate funds. There are limitations for some of the DPs, for example if the Secretariat shifts funds from an existing allocation a new reporting system may be needed which could be a substantial exercise.. The MRC is open to flexible arrangements (e.g. reallocation of existing funds, contribution of new small funds), but at the same time realised the constraints from DPs also in terms of funding cycle. Sweden followed up on the issue for clarity, whether there was an additional US\$1 million needed as new contribution. The CEO said that was the case but if there's flexibility at the DP level it could be worked out and he understands the limitations of securing funding in a short time.

54. Germany mentioned that one of the key elements is the work on mitigation by ISH and requested an update of the implementation of this aspect, specifically on studies ISH03 and ISH06. The meeting was informed that the Secretariat will move forward in the coming weeks after resolving the outstanding issues.

55. Finland was pleased that the stakeholder consultation is being considered but hopes that the strategy is finalised soon in the Council Study process. Finland noticed that there will be substantial external specialists mobilised to contribute to the Council Study and wondered the strategy which the Secretariat could use to manage the contracting and the work to be done by these external specialists. The CEO acknowledged the concern about the stakeholder engagement in the process. Regarding external specialists, the CEO clarified that what was initially envisioned has been revised as per the MCs comments and the

number has been lowered and that they are working on assigning staff internally. The external experts will be mobilised in phases as needed and will be managed technically by the relevant Programmes.

56. The Chairperson thanked the Meeting for the comment and discussion.

I. DISCUSSION AND CONCLUSIONS OF ANY ISSUES RAISED AND OTHER BUSINESS ON STRENGTHENING COOPERATION OF MRC AND DEVELOPMENT PARTNERS

57. The CEO informed that the Secretariat had recently received some updated information from Lao PDR on the redesign of the Xayaburi Hydropower Project. The information relates to sediment, improvements of navigation locks, and dam safety. The Secretariat will review this information and will report back to the MCs.

J. JOINT DEVELOPMENT PARTNER'S STATEMENT

58. H.E. Mr. Jean-François Cautain, the European Union Ambassador to Cambodia, delivered key messages on behalf of the DPs. DPs took note with high interest of the results of the MTRs of the current SP, of 8 of the MRC Programmes, and also Danida's review on MRC effectiveness, which will soon be complemented by a value for money assessment. DPs look forward to regular updates on the implementation of these recommendations.

59. DPs are very supportive of the move away from a programmatic approach to MRC management to planning centred on a Basin Development Strategy (for strategic guidance), the SP 2016-2020 (identifying specific MRC activities) and an annual work plan (for yearly budget and planning purposes). DPs were thus very pleased to note the substantial progress made by the Secretariat and the JC in that direction.

60. DPs however insist on the importance of effective stakeholder engagement in the development of these new strategic frameworks, and possibly broaden the scope of this stakeholder engagement. DPs request additional information about how DP engagement will be built in into the next strategic planning period in the absence of programme steering committee meetings.

61. DPs highlighted the importance to receive the BDS but more importantly the SP as soon as possible, no later than first quarter of 2015, in order to be able to incorporate these into their current budgetary planning cycle.

62. DPs recalled their Summit statement that DPs' funding to the MRC will gradually reduce and will most probably not meet the levels presented for 2016-2020. This goes in line with the need for a leaner and more decentralised MRC. DPs fully support a basket funding mechanism for future MRC Secretariat activities, though this should not exclude other appropriate modalities of assistance. This mechanism should be adapted to the new and decentralised organisational structure, taking into consideration DPs' bilateral cooperation with riparian countries. DPs urgently need more detailed funding information to assist their planning and request this information before our DP coordination meeting in the margins of the BDS stakeholder forum in November. This should include the draft National Implementation Plans for each MRC country.

63. Considering the significant scope and importance of the MRC's reform and decentralisation agenda, DPs would like to be reassured that a comprehensive risk analysis is being made, in order to identify, mitigate and manage possible risks for a smooth implementation of the agenda.

64. DPs would appreciate additional information by the MRC Secretariat on design changes to the Xayaburi Hydropower Project. As mentioned at the last Consultative Group Meeting, DPs reiterate their view that information sharing fulfils a central role of the MRC and ensures the legitimate concerns of Member States are taken into account.

65. DPs believe that an effective PNPCA will result in improved coordination, streamlined development, and maximised benefits for the countries of the Mekong Basin. DPs encourage the MRC to consider including tributary dams and other infrastructures with substantial trans-boundary impact in the Prior Consultation process. DPs value the expertise and on-the-ground experience of other stakeholders including civil society organisations, research institutions and the private sector. DPs encourage MRC to use this expertise more, through involvement of these stakeholders during PNPCA discussions.

66. DPs welcomed update on the progress of the Council Study, which will go a long way in alleviating their concern on the delays in implementation and stakeholders' engagement regarding this crucial study. The presented funding gaps are however of high concern and require urgent attention from the Secretariat.

67. DPs will provide the MRC Secretariat with a final statement two weeks after the meeting (**Annex 11**). DPs congratulated and thanked the Secretariat for organising what proved to be indeed a very convivial, informal successful meeting.

K. STATEMENT BY MCS

68. Viet Nam thanked DPs for their generous and timely assistance to the MRC in coping with changes in the wide basin, especially during the transition period towards the self-financing by 2030. Viet Nam recalled the important decisions made by MRC leaders at the Summits regarding decentralisation and organisation reform, the Council study as well as the MC contribution toward self-financing by 2030. The DPs assistance is vital to the MRC in the context of rapid changes and development in the Basin. With assistance from DPs, the MRC will be able to overcome the difficulties and be able to achieve the 5-year-target and ultimate goal by 2030. Viet Nam shared concerns and interest in one of the most important decisions by the MRC leaders, the Council Study. Viet Nam considered the Council Study is another milestone in the MRC's cooperation. The MRC is now in the process to prepare for its self-sustainability and like other JC members have already expressed, Viet Nam would appreciate the continued support of the DPs for the MRC to achieve its goal. In addition, Viet Nam also expressed its special thanks to DPs in joining Viet Nam's efforts in implementing the Delta Study. That study will not only be beneficial to the Government of Viet Nam but also support basin wide, in coordination with Council Study, to make sure that we have better knowledge, better coordination and join efforts in the region. In addition, the studies will also assist us to prepare for the decentralisation, to build up our capacity, to sustain our ability, to deal with challenges in the future in the Mekong Delta in particular, and in the Mekong River in general. Viet Nam wishes to continue the good cooperation in the Mekong basin related activities.

69. Cambodia highlighted the importance of the Mekong Spirit, a good spirit of cooperation by further demonstrating the profound commitment, determination and trust in working together in order to shape and realise the joint future, a future of hope and prosperity. Cambodia would like to see the updated BDS well incorporated into the institutional reform process, centralised core functions of the MRC and decentralised activities as stipulated in the Regional and National Decentralisation Roadmaps. Cambodia gives firm emphasis, importance and support to the process of transforming the MRC into an organisation that is based on core river basin management functions. Cambodia would like to see the budgeting exercise for Decentralisation Fund (DF) taken place in parallel with the new MRC Strategic Plan 2016-2020 and be ready for implementation in 2016 in order to allow sufficient time for

funding gap fulfilling by both the MRC's MCs and the Secretariat. The organisational structure and operations of the Secretariat during the transitional period and until 2030 should be developed and implemented in a phase approach in accordance with a 5-Year SP and Batch 2 of Core River Basin Management Functions (CRBMF) to be guided by the newly updated BDS for 2016-2020. The discussion of the new formula and country contribution to the OEB beyond 2015 should simultaneously take place in conjunction with the proposed options of the transition of organisational structures and operations of the Secretariat. Cambodia trusts the Secretariat and the Council Study teams will ensure that an open, transparent and participatory process will be adopted for all steps of the implementation and timely produce an acceptable standard quality report. Cambodia expressed appreciation for DPs' frank concerns expressed and constructive guidance given to the MRC concerning the restructuring process and future operations of the MRC. Cambodia highly appreciated the Joint DP's messages given at this Meeting and for continued support for the future core and strategic activities of the MRC in order to enable MRC to reach full self-finance by 2030. **(Annex 12)**

70. The Thai delegation reaffirmed its commitment to sustainable development in the Mekong basin and will continue the support the MRC Cooperation, in particular to achieve the goals of the MRC on sustainable development as well as the current SP 2011-2015. In the context of increasing vulnerabilities due to the effects of climate change, Thailand considers that there is some room for improvement for the MRC to be more effective and efficient in terms of providing complete and accurate information to MCs. Thailand urged the MRC Secretariat to expedite the implementation of the Council Study as well as to prepare the next Cycle of MRC SP based on a new direction from BDS. Thailand also supports a stronger cooperation, collaboration and commitment among all MCs and the Secretariat to address not only positive but negative aspects as well as the appropriate monitoring and evaluation system and mechanisms to address the negative trans-boundary impacts, especially the ones on environmental and social dimensions. Thailand wishes to reiterate the request and support for using the newly established MRC Joint Platform as a mechanism to exchange views and share experiences both formally and informally among all MCs to drive the effective implementation process of the MRC Procedures. In preparation for a full self-financed organisation by 2030 and to increase ownership, Thailand recognised that strengthening of the MRC capacity is of utmost importance and priority. Thailand will take into consideration new challenges and opportunities of our region and in particular to have active engagement with all partners and stakeholders. Thailand is fully committed to supporting the MRC and the fellow Mekong Riparians to make continuous progress towards the achievement of the MRC SP's goals and milestones, and to further contribute valuable inputs to meet the Millennium Development Goals as well as needs and aspirations of the people of the Mekong River Basin. **(Annex 13)**

71. The Lao PDR delegation reiterated its deepest gratitude to all MRC DPs and international organisations for their continued support to MCs in implementation of the MRC SP, BDS and five procedures and many other programme activities. Lessons learnt and experiences shared on water resources management and ecological issues from MRC programmes contributed to policy development of Lao PDR and to the process of revising the relevant curriculum within the Lao higher education system as well as supporting the Ministry in formulating the strategy in the areas of natural resources and environment, and fisheries. In addition, capacity at the provincial level has been built up in a range of issues including agriculture, irrigation, flood mitigation and navigation in preparation for the decentralisation process. All of the DPs contributions have had a good impact. Initial outcomes from the climate change intervention project in Lao PDR will be presented at the Climate Change Forum. The Lao Government has seriously taken into consideration all comments and concerns by MCs, DPs and international organisations including NGOs regarding the development of the Xayaburi Hydropower Project. It reflected in the redesign of the Xayaburi Hydropower Project. The redesign of the project was sent to the Secretariat

on August 23rd last year. The Lao Government has requested the MRC to set up a joint meeting team to monitor the progress of not only the proposed DSHPP but also of the Xayaburi Hydropower Project, which is already beyond the PNPCCA and they will ensure the continuity of their collaboration and how to together sustain development of hydropower at least in the Xayaburi Hydropower project. Lao PDR highly appreciated the recommendation for solutions for the issues from international organisations including IUCN.

L. CLOSING REMARKS BY THE CHAIRPERSON OF THE JOINT COMMITTEE

72. The Chairperson concluded the meeting with appreciation for all active participation and real insights into the meeting. The meeting heard, deliberated and took notice of valuable concerns regarding the issues of major priorities and important deliverables over the coming years such as decentralisation process, organisational restructuring and the Council Study. The MRC is pleased with the high level of participation and close partnerships it has had with the DPs. The MRC acknowledges and lauds all these dynamic contributions by DPs. **(Annex 14)**

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