

Annex 1: Engagement Context – Key Information for a Pillar Assessment

ENTITY SUBJECT TO ASSESSMENT	THE MEKONG RIVER COMMISSION SECRETARIAT
PILLAR	PILLAR SUBJECT TO ASSESSMENT ⁽¹⁾
1 INTERNAL CONTROL	YES
2I ACCOUNTING	YES
3 EXTERNAL AUDIT	YES
4 GRANTS	NO
5 PROCUREMENT	YES
6 FINANCIAL INSTRUMENTS	NO
7 SUB-DELEGATION	NO

CONTACT DETAILS

Entity : THE MEKONG RIVER COMMISSION SECRETARIAT

Address	184 Fa Ngoum Road, Unit 18, Ban Sithane Neua, Sikhottabong, Vientiane	Country	Lao PDR
Phone	00856-21 263 263	Fax	00856-21 263 264
Website			

Key contact

Name	Mr. Pham Tuan Phan	Function	Chief Executive Officer
E-Mail	ptp@mrcmekong.org	Phone/Fax	00856-21 263 263; ext. 4131

PILLAR 1 - INTERNAL CONTROL

Please provide a description (maximum 5 pages) of the Internal Control System addressing:

- Control Environment
 - Integrity and ethical values:

The MRC values of integrity, transparency, mutual respect, professionalism, accountability and results orientation provide clear principles for the ways staff members interact with their clients and stakeholders, with each other, and in fulfilling their work responsibilities.

- MRC vision and missions:

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

- Organisational structure and assignment of authority:

The new MRCS organizational structures will be applied from 1 July 2016 following its core functions which were initially established in 2009 and recently revised when the JC and Council agreed to the Regional Roadmap as follows:

(i) **Secretariat, Administrative and Management Functions** (such as executive and administrative management functions performed by the office of the CEO, ICCS, FAS and HRS, and programme coordination functions performed by the Technical Coordination Unit- TCU, among others)

(ii) **River Basin Management Functions**

- (1) Data acquisition, exchange and monitoring
- (2) Analysis, modelling and assessment
- (3) Planning support
- (4) Forecasting, warning and emergency response
- (5) Implementing MRC Procedures

(iii) **Consulting and Advisory Services** (such as providing technical expertise, databases, models, expert networks to support studies by others, etc.)

A structure of 4 Divisions has been recommended by the 28th Task Force meeting held on 4 December 2015 and approved by the JC and Council in January 2016. The four Divisions are (1) Administration Division, (2) Planning Division, (3) Environment Division, and (4) Technical Support Division. The first two Divisions will be located in Vientiane, Lao PDR which also has the Office of the CEO, while the two latter in Phnom Penh, Cambodia. Each

Division is led by a Director. Management and coordination principles are laid out in the following sub-sections:

Management Principles

- Each Division is managed by a Director, who is proposed to have at least a renewable three-year term (up to two terms).
- Each Division is composed of core specialists and officers
- Each Division is allocated lead responsibility for specific outputs.
- A budget is estimated for each output and the lead Division has management responsibility for managing that budget.
- Each Division is allocated lead responsibility for contributing to and monitoring an outcome indicator.

Coordination across Divisions

- While each Division has lead responsibility over an output, other Divisions also have roles and responsibility to contribute in terms of activities and tasks under that output.
- The Director must coordinate with other heads through quarterly internal technical meetings and regular Senior Management meetings in ensuring the activities and tasks conducted by other Divisions contribute to the overall outputs that they are leading.

Coordination with Member Countries

- The Head of Unit has direct responsibility in management as well as technical matters relating to the conduct of activities.
- National Mekong Committee Secretariats should advise on a senior focal point to communicate with each Head of Unit on management and technical issues for the work of that unit.
- There will be a centralized system (from the MRCS side with one focal point) of setting consultation events (with one centralized corporate calendar) with Member Countries, avoiding

overlapping events from each unit. Events not planned nor incorporated into the calendar cannot be implemented, unless justifications are provided and approved by the CEO.

- Existing regional technical mechanisms such as JCWG, JCTF, RTWG, TAB, JP, Regional Technical Working Groups for the Procedures, etc. continue to exist until end 2016. This is because time is needed to conceptualized and agree on the establishment of new mechanisms such as Regional Expert Groups. Once established, they could be operationalized in 2017.
- All regional and national meetings will follow the budget limit set for such meetings by the Budget Committee.

Coordination with Development Partners

- The CEO leads the overall coordination and engagement with Development Partners. The OCEO acts as the administrative focal point for communication with Development Partners.
- The CEO, with support from senior management, will lead the mobilization of funds and other forms of support and collaboration from existing Development Partners as well as from potential new Development Partners.
- The M&E team under the OCEO will coordinate the monitoring of AWP implementation by the different units and produce the progress reports. The OCEO will submit the reports to Development Partners.

- Governance oversight structure:

Every year, environment and water ministers of Cambodia, Lao PDR, Thailand and Viet Nam meet to discuss emerging issues related to the Lower Mekong Basin. As Council Members of the Mekong River Commission, the ministers convene to review and come to mutual conclusions on the management and development of water and related resources within the framework of the 1995 Mekong Agreement.

Then, the MRC Joint Committee, which comprises senior officials at no less than Head of Department level of the four countries, and supported by national line agencies including the Ministry of Foreign Affairs, takes these decisions and policies forward by putting them into actions.

Technical and administrative functions fall under an operational arm, the MRC Secretariat, managed by a Chief Executive Officer. Currently, there are about 80 staff members based in two Secretariat offices—one in Phnom Penh, Cambodia, and the other in Vientiane, Lao PDR.

The Secretariat facilitates regional meetings of the Member Countries and provides technical advice on joint planning, coordination and cooperation. It also works closely with the four countries' coordinating bodies, the National Mekong Committees (NMCs), and other state agencies. Currently, the People's Republic of China and the Union of Myanmar are engaged as MRC Dialogue Partners.

- Risk assessment

Risk assessment have been carried out during the initial period of the strategic plan for 2016-2020 formulation. The risk matrix had been prepared and the risks identified reflect both basis wide and organisational challenges facing the MRC. Risk management plan is specified in the Strategic plan 2016-2020 that can be found at the fol <http://www.mrcmekong.org/assets/Publications/strategies-workprog/MRC-Stratigic-Plan-2016-2020.pdf>

- Control activities including inter alia:
- Segregation of duties (including measures for avoiding conflicts of interest):
- Co-hosting of the MRC Secretariat in two locations maintains the nature of the MRCS as a single organisation,
- Transparent and timely management and administrative decision-making,
- Responsibility rests with the CEO unless otherwise delegated to the Assistant CEO (ACEO), Head of Office of the Secretariat in Phnom Penh (OSP) or one of the Directors, so as to ensure practical and efficient operation of the Secretariat while maintaining necessary levels of accountability,
- Prevention, detection and correction of errors, fraud and irregularities:

Following the Procurement Manual (revised version date April 2012), all procurement should be free of fraud and corruption, especially in the short listing and selection of suppliers, contractors, service providers, and consultants and with the negotiation, award, and management of contracts.

The development of a Fraud Prevention and Anti-corruption Mechanism is on-going. The 1st draft will be submitted for review in June and the final draft is foreseen in August 2016.

- Bank/cash management

1. Bank Management.

- The signatories for the MRC bank accounts which two are needed for any withdrawal or payment are following signatories: the CEO, all four division directors, Chief of HR and the Chief Financial Officer.

- Additional signatories may only be introduced on a short-term basis, in order to address possible temporary shortage of available signatories.

2. Cash management.

- The MRC secretariat maintains a cash box of a maximum of 1,000 USD. Each payment from the cash box may not exceed 100 USD. The cash box balance is counted regularly, at least monthly and reconciled monthly. Lockable safe is also available to secure the cash.

- Payroll and time management

Payroll: Payroll is generated monthly for all staff members of the MRCs through our accounting software. After payroll is generated toward the end of each month, the payslip is sent through secured e-mail to each staff. HR team is taking a lead roll on maintaining salary, advances with the staff HR/ payroll record. As well as sick leave and partial payment eligible for the relevant staff where applicable.

Time & Attendance: Time attendance system is planned for the Implement an employee self-service portal to manage leave request of the staff, providing of leave summary record for each staff.

- Information and Communication:
 - Internal reporting: MRC implementing various means and levels of the internal reporting: MRC generates Monthly, Quarterly, Semi-annual and annually report to the management.
 - External reporting: MRCs providing report to external parties such as donors, and development partners on a quarterly, annually basis. The audited financial statements and reports are posted in our website for general public.
- Monitoring
 - Monitoring of (the components of) the Internal control System:

Through the Strategic Plan (SP) 2016-2020 the MRC sets out to achieve its role to promote and coordinate sustainable development and management of the Mekong's water and related natural resources. For the MRC to be accountable to its Member Countries and its Development Partners it needs to be able to provide evidence of progress against the outcomes identified in the SP. To deliver this greater emphasis will be placed on an efficient and integrated monitoring and evaluation (M&E) system. M&E will provide timely and reliable evidence and information to support the understanding of progress and MRC performance. It will also support the development of mutual openness and accountability between the MRCS and the NMCSs, and build a common understanding of the potential constraints and opportunities in implementation. The M&E system will synchronize the collection of quantitative and qualitative data to understand the accomplishments of the organization against the MRC SP 2016-2020 Outcomes.

The M&E system has been designed with the vision of creating a sustainable monitoring and evaluation practice and culture in line with the following principles:

- to create a strong evidence base for the MRC to understand their performance
 - to create an accountable culture that looks at and uses evidence to support decisions and actions
 - to build understanding and the capacity to use M&E approaches and tools
 - to build a culture focused on continuous learning, to understand what is working, what is not and why
- Internal audit function:

The Secretariat maintains an internal financial control mechanism which provides for an effective current examination and review of financial, management and operational activities, in order to ensure:

- The regularity of the receipt, custody and disposal of all financial resources administered by MRCS;
- The conformity of commitments and expenditures with agreements with Donors, with other organizations and with MRCS own procedures and regulations;

- The effective and efficient management of MRCS and the effective, efficient and economic use of all resources administered by MRCS.

An internal auditor may be engaged to perform independent reviews of some functional areas or projects at MRC as deemed necessary by the CEO. The internal audit function incorporates both routine types, that is, financial as well as operational audits. The internal auditor must maintain a detailed record of all audit work performed. The internal auditor reports directly to the CEO, through Chief FAS. The findings must be discussed with the programme or Secretariat personnel whose activities were audited and the results of those discussions will be included in the final report. If deemed necessary the Joint Committee may appoint an audit team to conduct an internal audit based on the terms of reference approved by the Joint Committee. This audit team reports to the Joint Committee and will send its final audit report to the Joint Committee with a copy to the CEO.

PILLAR 2 - ACCOUNTING

Please provide a description (maximum 5 pages) of the Accounting System:

- Accounting system and policies:

The accounts of MRCS are recommended to be managed and prepared in accordance with the International Public Sector Accounting Standards (IPSAS) with financial statements which are using the accrual basis.

The fiscal year is 1st January to 31st December.

MRCS accounts are to be prepared in United States Dollars (USD) with all receipts and payments in local currencies (LCY) or currencies of donor agreements converted into USD at the rate prevailing at the appropriate date.

- Budgeting:

The MRC Basket Fund arrangement has a number of advantages. Firstly, it will reduce the risk of uneven or even failing implementation of MRC priorities due to funding shortfalls for certain topics or programmes. The MRC Basket Fund will provide a more stable funding modality which will improve implementation of all of MRC's functions and mandated activities. Secondly, it will introduce more transparency in the overall financial management of MRCS through one overall budget rather than over 16 separate budgets under the current structure. Thirdly, this funding modality would have flexibility in addressing emerging needs in a timely manner (with the approval from MC and DPs as required). Finally, the MRC Basket Fund provides a smooth mechanism for managing the transition from a situation where most of the funding comes from DPs to the one where MC contributions are the main source of funding, making the phasing out of development assistance less disruptive.

The primary purpose of the new MRC Basket Fund would be to support the whole operation of the MRCS. However, during the process of decentralization some of the funds will be necessary to support transitional elements of capacity building or interim financing at the national level before the activities can be completely transferred to the Member Counties. This support according to the approved roadmap of decentration will be gradually decreased over the strategic period. The exact amount would be determined during the process of AWP and budget preparation each year. Other financial source needed to the support the decentralization activities at the national level would be primarily met through the DP's bilateral support to the MRC MCs, within the framework of the Core Functions Decentralisation.

Although the general principle is to have pooled financing to MRCS in the form of MRC Basket Fund, some DPs may earmark funding for specific purposes; usually a specific sector or theme, and the Secretariat must make sure that it is used for the purpose indicated by the respective DP. The designated funding amount can be earmarked and be tracked by a specific code that is linked to output, outcome, activity or core function level.

The Basket Fund mechanism would be overseen jointly by the MC and the DPs, within the framework of a Budget Committee. Every year, and in line with the Strategic Plan, the MRC would prepare its

Annual Work Plan (AWP) which includes the budget for the activities that will be carried out. The budget in the AWP represents the financial framework in which the MRCS operates and is a highly important tool for financial planning, monitoring and control for the MRCS. The Budget Committee would be in charge of reviewing and agreeing on the AWP and Budget before it is submitted to the JC for endorsement and to the Council for approval.

The Basket Fund mechanism implies several changes in the current financial management of the organisation. First of all, it is recommended that MRCS moves from a cash basis to an accrual based accounting method. This would be a more appropriate accounting practice as MRCS moves from project/programme based funding to long term support for core functions. Under accrual basis accounting method income will be recognized when earned rather than received and the expenses will be recognized when incurred rather than paid. This method will provide a more comprehensive tool to report and analyse the financial status and also reflect the true and fair financial position of the MRC as a whole rather than the current modified cash basis. This would also bring the MRCS in line with international accounting practices.

Secondly, the efficient operation of the Basket Fund requires design and implementation of an integrated budgeting, planning & control system. Currently, the MRC does not operate an integrated budgeting, planning and control system. There is no consolidated budget, let alone a reporting or control system which tracks and consolidates all activities at the MRC level. Such an integrated planning, budgeting and control system is a core financial management tool which helps the management to manage and control operations and projects; unify financial reporting formats & tools; efficiently allocate scarce financial resources; empower management; and finally facilitate internal communication on resources allocated.

- Accounting and budgeting for projects, activities, (trust) funds and financial instruments:

The MRC SP 2016-2020 identifies the following four Key Result Areas (KRAs) and their associated outcomes. Under each outcome, 3-6 outputs have also been identified. The outputs that will start to be implemented in 2016 appear in this AWP (Chapter 4) whilst outputs not yet implemented are listed in this Section 3 with the reasons for why they are delayed.

The Annual Work Plan (AWP) is the detailed operational plan to implement the MRC Strategic Plan 2016-2020 (MRC SP) at the regional level. It contains the activities and tasks, along with associated budgets, for 2016 that are needed to be accomplished in order to reach the achievement of outputs and outcomes agreed in the MRC Strategic Plan. The National Indicative Plans (NIPs) 2016-2020 will contain activities at the national level to contribute to the outcomes in the MRC SP. The timeline, responsible unit, M&E and risk management are included in this AWP.

The AWP will be implemented after the approval of the Council in January 2016. A Mid-Year Report will be produced by the end of July 2016 and submitted to the Budget Committee and the Informal Development Partners Meeting (IDM, proposed to be held back to back in August). The Budget Committee will review and provide recommendations on expenditures and budget adjustments if needed. The IDM will review the overall progress of the AWP 2016 and provide recommendations. Any major changes will be recommended to the Joint Committee that will make deliberations at its meetings.

PILLAR 3 – INDEPENDENT EXTERNAL AUDIT

Please provide a description (maximum 5 pages) of the External Audit function, addressing:

- Regulatory framework for external audit:

1. Audit Policies

The MRC accounts must be audited comprehensively by an independent auditor on an annual basis. The annual audit will serve two purposes. It primarily represents a control function for the Joint Committee and the donors, by verifying beyond reasonable doubt that the MRCS accounts represents a true and fair picture of the Commission's financial status. The audit should in addition serve as a guide and reference to good accounting practices and the auditor should function as an advisor in support of the MRC Secretariat's continuous efforts to ensure sound financial management. The audited annual financial statements and the annual auditor's report are addressed to the MRC Joint Committee, presented prior to the first session of the MRC Joint Committee meeting following the completion of the audit, and published in the MRC 's annual report. It is the responsibility of FAS to identify and recommend the auditing body, for the CEO's approval, to ensure that the audit is performed in accordance with international auditing standards. In addition, as the need arises, the MRC may establish an Internal Audit function to conduct an ongoing audit review of programmes or activities. The MRC may also form 46 an Internal Audit team composed of MRC staff and independent consultants to undertake an audit of a specific activity.

2. Annual external audit

The identification of the auditing firm must follow the MRC procurement guidelines. However, it may be decided to retain the same auditor for a number of years, provided that competitiveness is demonstrated. A commercial and reputed company must carry out the audit. Audit companies from outside the region may be solicited. The audit is normally conducted from mid-January to allow the audited financial statement to be ready for presentation to the scheduled meeting of the MRC Joint Committee in March. The auditor must have access to all information requested, for them to issue a complete statement to the Joint Committee. FAS is responsible for drawing up the terms of reference for the audit each year, ensuring the following output:^f

- Audited financial statements ^f
- Auditor's report ^f
- Management letter

The output covers the overall MRC accounts, the OEB, the donor supported programmes, as well as individual donor reports, if required by individual donors. In addition, FAS may from time to time select, in conjunction with Programme management, specific projects for a functional audit in conjunction with the annual audit.

- External Auditor of the Entity and audit standards:

The audit of the MRC's financial statements are carried out in compliance with International Standards on Auditing (ISA) issued by the International Federation of Accountants (IFAC), or International Organization of Supreme Audit Institutions (INTOSAI) and in accordance with ISA 800 (Auditor's Report on Special Purpose Audit Engagements), and assess that:

- Financial transactions reflected in the financial statements and reports have been prepared in accordance with the rules and regulations, the budgetary provisions and other applicable directives of the Development Partners and MRC;
- Financial accounting, monitoring and reporting are appropriate and in accordance with Development Partners and MRC's regulations;
- Management structures, including internal controls, monitoring and record-keeping mechanism, e.g. concerning financial decisions and authorization of expenditure are adequate; and
- Equipment use and controls are appropriate and in accordance with the MRC's and Development Partner regulations

The external auditor shall take responsibility to review the adequacy of policies and procedures in order to consider any corruption found during the audit. The external auditor also takes responsibility to consider any fraud in the audit, the primary responsibility for the prevention and detection of fraud within MRC. In reviewing and providing opinion on internal control, it is expected that the external auditor will follow ISA 240 "The Auditor's Responsibility to consider Fraud in an Audit of Financial Statements."

The following MRC reports will form the basis of the audit:

- Statement of Assets and Fund Balances;
- Balance Sheet;
- Operating Expenses Budget Accounts;
- Project Income and Expenditure Reports; and
- Development Partner Fund Status Reports.

PILLAR 4 - GRANTS

Please provide a description (maximum 5 pages) of the Entity's grants system, addressing:

- Legal and regulatory framework
 - Grants principles. Notably measures to avoid conflicts of interest throughout the grants award process
- Types of grants used
- Organisation (tasks and responsibilities)
- Documentation and filing of the grants process
- Grants procedures
 - Publication of call for proposals
 - Submission of proposals
 - Security and confidentiality of proposals
 - Receipt, registration and opening of the proposals
 - Selection and evaluation procedures
 - Awarding of grants
 - Notification and Publication
 - Grant agreements and contracts

PILLAR 5 - PROCUREMENT

Please provide a description (maximum 5 pages) of the Entity's procurement system addressing:

- Legal and regulatory framework:

The Procurement Manual serves primarily as a guide outlining the procurement procedures of the Mekong River Commission (MRC) and to facilitate the efficient flow of daily work. The manual is the product of the documentation and collation of written rules, regulations, and established practices. The Joint Committee (JC) has endorsed the first version of the procurement manual and its basic policies in August 2006 as a working document. Application and interpretation of this manual within the approved policies is the responsibility of the Chief Executive Officer (CEO) under delegated authority from the JC. In the interests of efficiency, procedures may be reviewed and updated by the Secretariat on the approval of the CEO if developments or work requirements so demand. Where a policy revision is required, the approval from the JC shall be obtained before changes to this manual are effected. The Manual will enable both flexibility and accountability. Managers and supervisors of programmes and operational units could exercise delegated authority but should ensure that they are acting correctly on matters for which they are accountable. The content is applicable to all staff working for MRC, irrespective of duty station. The content covers all the main areas of daily procurement. This Manual is part of a set of Manuals covering the various aspects of the work of the Secretariat:

- The Administration Manual stipulating the procedures for the administrative processes;
- The Finance Manual stipulating the procedures for the financial processes;
- The Procurement manual stipulating the procedures for the procurement of goods and services;
- The Personnel Manual with the procedures for Human Resources Management; and
- The Mekong Programme Manual stipulating the procedures related to the management of the programmes and projects.

- Procurement principles. Notably:

Principles of procurement

1. **Transparency:** The Secretariat shall, to the greatest extent possible, make the procurement proceedings transparent through public procurement notices, clarifications, results of bidding processes, and award of contracts. There should be clear disclosure of information, rules, plans, processes and actions.
2. **Accountability:** MRC staff members are held responsible for executing their powers properly in relation to all procurement activities.

3. Competition: Procurement should be carried out by competition unless there are convincing reasons to the contrary. The procedures encourage wide and open competition and provide equal opportunities to all bidders. The widest appropriate source of suppliers, service providers, consultants, and contractors will be tested, both in the local market and from abroad to ensure competitive and realistic bids are received. The Secretariat may undertake procurement utilizing funds provided by the riparian Member States, by donor governments and from other legitimate income received by the Secretariat in the performance of its mandated functions. Irrespective of the source of funds, and unless otherwise agreed by the CEO or bound by any restriction by any funding agency, procurement activities by the Secretariat will not be tied to any individual country.
4. Value for money: MRC would obtain maximum benefit from the goods, works, consultancy services and non-consultancy services it procures and/ or provides, within the resources available to it. It is not only the cost of goods and services, but also the mix of quality, cost, resource use, fitness for purpose, timeliness and convenience to judge whether or not, when taken together, they constitute good value. Achieving value for money at MRC may be described in terms of the 'three Es': economy, efficiency, and effectiveness.
5. Economy and efficiency: Procurement processes should be carried out as cost effectively as possible.
6. Effectiveness: Procurement should meet the commercial, regulatory and socio-economic goals in a balanced manner appropriate to the procurement requirement.

- Transparency measures such as ex-ante publication of calls for tenders and ex-post publication of contractors

Publication of annual procurement plan Upon approval of the annual procurement plan by the CEO, the Procurement Unit will prepare a General Procurement Notice (GPN) to inform potential bidders of what the Secretariat is planning to procure during the year. Such a GPN will be posted on the MRC and DgMarket websites.

Publication of the Award of Contract Within two weeks after contract signature, the Procurement Unit shall publish on the MRC Website the Contract Award Notice with following information: (a) the names of all consultants who submitted proposals; (b) the total scores assigned to each consultant; and (c) the evaluated prices of the winning consultant. Other information include (d) the final point ranking of the consultants; (e) the name of the winning consultant and the price, duration, and summary scope of the contract. The same information shall be sent to all consultants who have submitted proposals.

- Measures to avoid conflicts of interest throughout the procurement process

MRC staff shall declare any personal interest that may affect or might reasonably hinder their impartiality in any matter relevant to their procurement duties. Conflict of interest (COI) is mostly evident in consultancy assignments. Moreover, a consultant conflict of interest is a situation in which consultants provide, could provide, or could be perceived as providing biased professional advice to the MRC to obtain from MRC or from others an undue benefit for themselves or their affiliates. Conflicts of interest must be avoided because they affect the consultants' impartiality and spoil the quality of their advice.

MRC requires consultants to provide professional, objective, and impartial advice at all times. Consultants are also required to hold MRC interests paramount, without any consideration for future work, and in that, should not provide advice to avoid conflicts with other assignments and their own

corporate interests. Consultants shall not be hired for any assignment that would be in conflict with their prior or current obligations to other clients, or that may place them in a position of being unable to carry out the assignment in the best interest of MRC.

Consultants or their affiliates competing for a specific assignment should not derive a competitive advantage from having provided consulting services related to the assignment in question. To that end, the Secretariat shall provide all the shortlisted consultants with all information that would in that respect give a consultant a competitive advantage over competing consultants together with the request for proposals.

- Types of procurement used (works, assets, services, supplies):

Procurement of MRCS means any purchase or acquisition of goods, works, services, or consulting services using the methods specified in the Procurement Manual:

- Goods: liquid, solid, or gaseous substance with value or economic benefit, such as machinery, tools, materials, equipment, consumption goods, medicines, and other products.
- Works: any activity associated with construction, alteration, repair, renovation, improvement, and related activities.
- Non-consultancy service: any activity associated with the use of human physical labor and equipment that is usually of non-intellectual in nature.
- Consultancy service: advisory and technical services provided by consulting firms or individual consultants that are usually of intellectual nature.

- Types of competitive procurement procedures used:

The procurement methods that may be used are:

- (a) international/regional open tender;
- (b) restricted tender;
- (c) request for proposal;
- (d) direct procurement;
- (e) request for quotation; and
- (f) low value procurement.

In principle, tenders / contracts may not be split with a view to avoid application of the procurement methods. This includes amongst others a split in order to reduce monetary thresholds or contract duration thresholds.

- Organisation (tasks and responsibilities):

The Procurement Unit exists within the Administration Division/Finance and Administration Unit (FAU) at the MRC Secretariat. This unit is responsible for all procurements, except those for procurement of individual consultant services which is being handled by the Human Resource Unit (HRU).

For the Office of the Secretariat in Vientiane (OSV), all contracts will be handled by the Procurement and Contract Officer in OSV, checked by the Chief Finance Officer (CFO) and approved by the CEO.

For the Office of the Secretariat in Phnom Penh (OSP), contracts with value from US\$20,000 upwards will be handled by the Administration & Procurement Officer in OSP, cleared by the CFO (hard copies sent by pouch) and approved by the CEO. Contracts with value less than US\$20,000 will be handled by the Administration & Procurement Officer in OSP, cleared by the CFO (via email) and approved by the Head of OSP.

- Documentation and filing of the procurement process:

Correspondence and communications are essential to the management of relationships with suppliers, MRC Procurement Manual 86 contractors, consultants, service providers and other bodies, but communications issued by MRC may commit or bind it to a course of action with legal, contractual or financial implications. Therefore, all procurement correspondence and other communications issued by MRC shall emanate from the Procurement Unit.

Documentary records, both in print or electronic format, are essential for efficient and effective management of activities. They provide evidence in support of decisions and actions taken, and provide an audit trail for verification of transparency, accountability and effectiveness. Efficient records management is essential to ensure effective storage, retrieval and use with due regard to security, integrity and confidentiality. The documentary records should be kept for a period of not less than seven years.

All MRC staff shall ensure they obtain, retain and maintain appropriate documentation supporting the activities for which they are responsible. Senior Officers involved in approval or authorization shall ensure that any transactions they approve or authorize are backed by appropriate supporting documentation.

The Procurement Unit has a general responsibility for maintaining procurement dossiers and contracts registers. Responsibility for the official maintenance of record files, authority to access files, and coordination of management and follow-up actions must be clearly defined in each Contract Administration Unit to provide an audit trail and to avoid:

- (a) partial and incomplete records being held by several different sections and individuals;
- (b) unauthorized access to records; or
- (c) failure to take any necessary action at the right time.

All documents regarding a particular procurement case shall be kept for future reference and monitoring and control purposes.

- Procurement procedures:
 - Invitation to tender

To alert prospective applicants, the Secretariat will prepare a General Procurement Notice well before the actual procurement starts. Thereafter, the Secretariat shall prepare, advertise, and issue a Specific Procurement Notice in order to obtain expressions of interest. The information requested should be the minimum required to make a judgment on the firm's suitability and not be so complex as to discourage consultants from expressing interest. 6.2 4 Shortlist of Consultants: The Evaluation Panel shall evaluate the applications. The Panel shall consider those firms expressing interest that possess the relevant qualifications. Short lists shall comprise 4-8 firms; at all times not less than 3. If there are more than 8 qualified firms, additional criteria may be applied as stated in the bidding documents to reduce the number of shortlisted firms to 8. The consultant shortlist shall not have a mix of individuals and firms. The Secretariat may short list a smaller number of firms in special circumstances, for example, when only a few qualified firms have expressed interest for the specific assignment or when the size of the contract does not justify wider competition.

- Selection and evaluation procedures and award of contracts

Selection methods are used for the procurement of consultancy services:

- Quality and costs based selection
- Least-cost selection
- Single-source selection

- Complaints system

Procurement Complaints Committee

At the start of each financial year, the CEO shall appoint members of the Procurement Complaints Committee. The Committee shall consist of a Chairperson who is at least at the level of the MRCS Section Chief and four other members who are MRC Secretariat staff. The CEO may appoint an alternate member from time to time to replace another to avoid conflict of interest where the originally appointed member belongs to the section or programme whose procurement process is under dispute. Any bidder who claims to have suffered or risks suffering loss or damage due to the breach of a duty imposed on MRC by the Procurement Manual and bidding documents, may lodge a complaint to the MRC Procurement Manual 18 MRC through the CEO. All the costs of the bidder-initiated review shall be borne by the bidder. The bidder may withdraw the complaint in writing any time before the completion of the review. Immediately upon receipt of such a complaint, the CEO shall forward the document to the Procurement Complaints Committee for a review and recommendation of a decision..

Once the Chairperson of the Procurement Complaints Committee receives the formal complaint, he/she shall communicate with the Chief of FAS and Procurement Unit that the procurement proceeding stands suspended until either the bidder withdraws its complaint or the complaint is finally resolved in accordance with this section, or until the suspension is otherwise lifted in accordance with this section. The Committee shall complete its review within 15 working days of receipt of the complaint. On completion of the review, the Procurement Complaints Committee shall recommend in writing (the "PCC Recommendation") to the CEO: A copy of the PCC Recommendation and the written decision made by the CEO on the basis of the PCC Recommendation ("MRCS Decision"), together with the reasons for that decision, must be made available to the bidder. The MRCS Decision shall be final and binding and shall not be subject to further review, by any person, court or authority, subject only to the decision objection procedures which will be handled by the Joint Committee members.

PILLAR 6 - FINANCIAL INSTRUMENTS (Not Applicable)

Please provide a description (maximum 5 pages) of Financial Instruments, addressing:

- Legal and regulatory framework. Aspects to be covered
 - descriptions of the FIs, including investment strategies or policies, the type of support provided, the criteria for eligibility for Financial Intermediaries and final recipients as well as additional operational requirements transposing the policy objectives of the FI;
 - the requirements for a target range of values for the leverage effect (the EU contribution to a FI shall aim at mobilising a global investment exceeding the size of the EU contribution according to the indicators defined in advance);
 - a definition of non-eligible activities and exclusion criteria;
 - provisions ensuring alignment of interest and addressing possible conflicts of interest;
 - provisions for the selection of Financial Intermediaries (Financial intermediaries shall be selected on the basis of open, transparent, proportionate and non-discriminatory procedures, avoiding conflicts of interests) and for the establishment of dedicated investment vehicles, if applicable;
 - provisions on the liability of the entrusted Entity and of other entities involved in the implementation of the FI;
 - provisions on the settlement of disputes;
 - provisions on the governance of the FI;
 - provisions regarding the use and re-use of the EU contribution (Article 140(6) of the FR)
 - provisions for the management of contributions from the EU and of fiduciary accounts, including counterparty risks, acceptable treasury operations, responsibilities of parties concerned, remedial actions in the event of excessive balances on fiduciary accounts, record keeping and reporting;
 - rules for accounting and financial reporting (separate financial reporting for each FI);
 - provisions on the duration, possibility of extension, and termination of the FI, including the conditions for early termination and, where appropriate, exit strategies;
 - provisions on the monitoring of the implementation of support to financial intermediaries and final recipients including reporting by the financial intermediaries;
 - Where applicable, type and nature of any hedging operations (Article 219 of the FR).
- Basic principles: FIs shall be used in accordance with the principles of sound financial management, transparency, proportionality, non-discrimination, equal treatment and subsidiarity and in accordance with their objectives and, where applicable, the duration established in the basic act for the FIs.
- Guidelines, operating rules for the use of Financial Instruments
- Organisation (tasks and responsibilities)

PILLAR 7 – SUB-DELEGATION (Not Applicable)

Please provide a description (maximum 5 pages) of the procedures put in place by the Entity which ensure to a reasonable extent that sub-delegatees or Financial Intermediaries to which the Entity sub-delegates implementation tasks, will implement actions with procedures and systems that comply with international standards, addressing the following aspects:

- Internal control
- Accounting
- External Audit
- Grants
- Procurement
- Financial Instruments

[For information: The degree of sub-delegation may vary from Entity to Entity depending on the number and the nature of implementation tasks effectively delegated by the Entity to the Sub-Delegatee or – in the case of Financial Instruments – the Financial Intermediary. The degree of sub-delegation is based on the possible combination of two implementation tasks:

- i) Sub-delegation of **contracting** relating to procurement, grants and financial instruments procedures. In this case the Sub-Delegatee concludes contracts for procurement, grants and Financial Instruments with Third parties but it is the Entity who makes the payments to Third parties; **and/or**
- ii) Sub-delegation of **financial management** (payments).

Consequently sub-delegation may range from minimal (or partial) sub-delegation to maximal (or full) sub-delegation as follows:

- *Minimal (or partial) sub-delegation*

Under ex-ante/ex-post controls of the Entity (during the steps of the contracting procedure) the Sub-Delegatee is responsible for contracting either in accordance with its own procurement, grant and/or Financial Instruments procedures or in accordance with the procedures of the Entity. However, the Entity, and not the Sub-Delegatee, has the final decision on the amounts to be paid / recovered and makes all the related payments to Third parties. There is no delegation of financial management to the Sub-Delegatee.

In the case of minimal (or partial) sub-delegation the Entity must have control and supervisory measures in place which ensure that:

- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting tasks apply appropriate procedures for providing financing from EU funds through

grants, procurement and Financial Instruments. Depending on the case these are the Entity's or the Sub-Delegatee's own procedures.

- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting tasks comply with criteria for internal control, accounting and independent external audit insofar these criteria are relevant for the contracting procedures and tasks.
- *Maximal (or full) sub-delegation*

The Sub-Delegatee is responsible for concluding contracts for procurement, grants and Financial Instruments with Third parties – either in accordance with its own procedures or the procedures of the Entity - **and** for the financial management (including payments to Third parties) of these contracts.

In this case the Entity must have control and supervisory measures in place which ensure that:

- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting **and** payment tasks apply appropriate procedures for providing financing from EU funds through grants, procurement and Financial Instruments. Depending on the case these are the Entity's or the Sub-Delegatee's own procedures.
- Sub-Delegatees (including Financial Intermediaries) to which the Entity has sub-delegated contracting and payment tasks comply with the Pillars and criteria for internal control, accounting and independent external audit.]