

THE BANGLADESH MULTI-DONOR FUND INITIATIVE

Terms of Reference

1. Background Information

The donor community in Bangladesh, organized under the umbrella of the Local Consultative Group (LCG), is continuously engaged in a dynamic dialogue not only with the Government of Bangladesh, but also within its own ranks. Given the large number of donor institutions represented in Bangladesh, and considering the comparatively large scale of their assistance, it is essential to maintain a high level of interaction within the donor community at all times.

In 2008, in line with the Paris Declaration on Aid Effectiveness and the Accra Agenda for Action, 15 donors, including multi- and bilaterals, together with the Government of Bangladesh (GoB) signed a *Statement of Intent* to develop a Joint Cooperation Strategy (JCS). A GoB – Donor Steering Committee and a JCS Working Group were formally established under the LCG, comprising both development partners and representatives from the GoB (ERD, Planning, Finance Division and the Prime Minister’s Office). GoB has participated in several international aid effectiveness events and has agreed for Bangladesh to be part of the Paris Evaluation 2010, followed by the next DAC Survey and the High Level Meeting on Aid Effectiveness in South Korea 2011.

The overall goal of the Joint Cooperation Strategy is to make aid in Bangladesh more effective by creating common platforms for national and sector dialogues and a nationally owned change processes for improving delivery of aid.

2. The Multi-Donor Fund

While many donors individually have the financial and manpower capacity to carry out specific analyses of development issues in Bangladesh or resolve legal/administrative problems on their own, it is in particular circumstances advantageous to launch initiatives in a “collective” manner, i.e. backed not only by the funding, but equally importantly by the weight and authority of a broad alliance of donors with similar objectives or concerns. The “collective” option is particularly attractive with respect to sensitive issues, where it might be seen as inappropriate for one donor to act alone, and with respect to issues that are common to the entire donor community, and which are thus best addressed through a joint approach that “kills many birds with one stone”, and which significantly reduces the overall response burden on the Government.

Hence to address the logistical complexity and labour-intensive nature of *ad hoc* joint approaches that have been an obstacle for the donor community in Bangladesh, at the LCG plenary meeting on 27 November 2002, the creation of a **Multi-donor Fund** (MDF) initiative was proposed. This initiative would overcome such difficulties, if it could be constructed, operated, and managed in an unbureaucratic and flexible manner in accordance with the criteria and guidelines described in the following sections.

3. Institutional Arrangements: The LCG plenary meeting held on 16 January 2003 decided that a Multi-Donor Fund would be created which would not have any formal association with the LCG. Contributions to the MDF would be entirely voluntary, and initiatives undertaken with resources from the MDF would be labeled publicly not as “LCG activities”, but as “multi-donor activities”. The MDF would therefore operate within the donor community in Bangladesh as a shared funding window, with the clear understanding that each donor mission can decide on a case-by-case basis:

- (a) whether or not to endorse and participate in a particular initiative underwritten by the MDF, and
- (b) whether or not to contribute financially to a particular initiative proposed for MDF funding.

3.1 Contributions can be paid in any freely convertible currency, but the US dollar will be used at all times for accounting and reporting purposes. Donors who for legal or other reasons find it difficult to contribute financially to the MDF will be able to contribute “in kind”, i.e. by means of “bilateral” recruitments or secondment of staff for carefully synchronized joint activities under MDF auspices. The MDF is equipped to pay for goods and services both in Bangladeshi Taka and in the most common convertible currencies.

3.2 UNDP is the Trustee of the MDF and is legally authorized to receive, co-mingle, manage and disburse donor funds from multiple sources and also to operate in a fully decentralized manner, i.e. without the need for approvals or clearances from its headquarters or other far-away authorities. The MDF initiative is administered under the UNDP ATLAS accounting system. The MDF is managed by the UN Resident Coordinator’s Office as part of its activity under “Support to Local Donor Coordination”.

4. Activities/Initiatives Eligible for MDF Funding: The MDF is aimed at funding collaborative GoB/donor initiatives, the key beneficiaries of which are GoB and the donor community within the LCG structure.

4.1 The MDF supports the full spectrum of development inputs, including:

- i) Recruitment of short-term international consultants and national experts
- ii) International and in-country travel (subject to strict strategic criteria)
- iii) Local training and workshops
- iv) Advocacy and public awareness activities
- v) Procurement of goods and services, including printing of publications and office equipment (subject to strict criteria).

4.2 The MDF also supports:

- i) Initiatives that are strategic in nature, joined up and supportive of broad policy goals as defined globally by the OECD/DAC and the Millennium Development Goals (MDGs), Bangladesh’s poverty reduction strategies and development priorities, and GoB and donors commitments as articulated in the Paris Declaration 2005 and all follow up high level for a such as the Accra Agenda for Action 2008.
- ii) Activities under the JCS Action Plan as part of the Joint Cooperation Strategy process.
- iii) Joined up studies and other interventions that are broadly endorsed by donors, e.g. overarching issues such as aid effectiveness (management and policy), governance, sector strategies, organisational analyses in selected sectors, and cross-cutting issues such as gender, environment and human rights.

5. Initiation and Selection Process of Proposals for Funding: Activities to be funded by the MDF can be proposed by any individual member or any group or members of the LCG – or by any of the thematic Sub-Groups established under the auspices of the LCG. This definition of the MDF’s “constituency” does not connote any formal LCG association, but is a pragmatic mechanism to ensure that the activities of the Fund remain at all times closely attuned to the priorities and preoccupations of the governmental/intergovernmental donor community in Bangladesh which are discussed at regular intervals in various LCG-related fora. This implies also, *inter alia*, that MDF funding will not be accessible by NGOs, whether international or domestic.

Once initiated, the proposal will be shared with the donor community through the LCG Secretariat. Proposals that have a broad consensus of support by the contributing donor(s), the LCG Plenary and/or the LCG ExComm/Steering Group will be approved by the LCG Plenary and implemented through the LCG Secretariat, provided that the required resources are available.

6. Reporting Rules: UNDP as Trustee of the MDF will provide individual reports to each contributing donor on a regular basis. Expenditure incurred in the activities under the MDF initiative will be managed, reported and audited as per the Trustee's (UNDP) rules and regulations.

7. Labeling Rules: All outputs produced and all activities carried out with funding drawn from the MDF will appear to the public as "multi-donor products" or as "GoB/multi-donor products" and **not** as products of the Trustee or of the specific contributors to the MDF. Emphasis is given to "joint" action and "collective" ownership, guided both by economies of scale and by a desire to lessen the aid management burden of the GoB.

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