
General Council

**INTERIM REPORT BY THE DIRECTOR-GENERAL: PARAGRAPH 43
OF THE DOHA MINISTERIAL DECLARATION**

Revision

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* In English and French only

I. BACKGROUND AND INTRODUCTION

1. This interim report is provided in accordance with the mandate in paragraph 43 of the Doha Ministerial Declaration. In paragraph 43, Ministers requested the Director-General to report to the Fifth WTO Ministerial Meeting with an interim report to the General Council in December 2002, “on all issues affecting the Least Developed Countries”. A full report will be provided to Ministers at Cancun, Mexico, 10-14 September 2003.

2. Forty-nine countries are designated by the United Nations as LDCs.¹ Thirty are WTO Members.² Nine are in the process of accession.³ Three have Observer Status in the WTO.⁴ LDCs have a significant stake and a growing role to play in the rules-based multilateral trading system. As a group, they constitute over 20 percent of the existing membership. The multilateral trading system needs to be sensitive to LDCs’ concerns, and to meaningfully address those concerns.

3. Responding to the needs of the 49 LDCs, in particular the elimination of poverty, is the greatest development challenge facing the international community. Although urgent, these challenges need to be approached with realism. There is no magic formula and no approach or plan will deliver an instant result. An optimal plan for responding to challenges faced by LDCs will, encompass a specific distribution of responsibilities amongst: i) the core multilateral economic agencies;⁵ ii) the bilateral donors;⁶ iii) developing countries; and, iv) with the LDCs retaining the responsibility and the right to manage the process for their integration into the multilateral trading system and the global economy. The Integrated Framework offers the possibility for a comprehensive and coordinated approach to trade-related matters. Although there is an urgent need to improve on the implementation of the Integrated Framework, it is today the principal mechanism in the international community for *mainstreaming trade* into the development plans and poverty reduction strategies of LDCs. It provides a mechanism for the delivery of priority TA recommendations, contained in the Action Plans from trade diagnostic studies, to assist the LDCs to mainstream trade and to pursue wider economic reforms. Trade mainstreaming and wider economic reforms are critical to enable LDCs to draw on the benefits of the open, rules-based multilateral trading system.

4. In implementing this coordinated approach, the contribution of trade, through the successful conclusion of the Doha Development Agenda (DDA), will be vital. However, to derive concrete results from the DDA, LDCs will also need to put in place a national framework of appropriate companion policies. This framework includes sound macroeconomic policies, pro-competitive regulatory policies, regulatory transparency, and governance considerations.

5. Although the overall trade and development trend in the LDCs, as a group, is a cause for serious concern, progress is being made in several individual LDCs. These countries constitute examples of good practice and suggest approaches that could be followed elsewhere. Nonetheless, there is no one size fits all formula, and the trade development strategy for each LDC will need to be

¹ In 1971, the United Nations classified twenty-four countries as LDCs. There are now forty-nine. Only one country, Botswana, in 1994, graduated out of the LDC status. Reversing this trend is a priority both for the LDCs and the international development community.

² Angola, Bangladesh, Benin, Burkina Faso, Burundi, Central African Republic, Chad, Democratic Republic of Congo, Djibouti, The Gambia, Guinea, Guinea Bissau, Haiti, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Myanmar, Niger, Rwanda, Sierra Leone, Senegal, Solomon Islands, Tanzania, Togo, Uganda, and Zambia.

³ Bhutan, Cambodia, Cape Verde, Lao People’s Democratic Republic, Nepal, Samoa, Sudan, Vanuatu and Yemen.

⁴ Equatorial Guinea, Ethiopia and Sao Tome and Principe.

⁵ International Monetary Fund, International Trade Centre, United Nations Conference on Trade and Development, United Nations Development Programme, World Bank, and World Trade Organization.

⁶ Within the framework of the OECD Development Assistance Committee (DAC).

approached on a case-by-case basis. The good news is that this challenge can be met through coordinated action as demonstrated in several LDCs.

6. The contribution that the WTO can make to facilitate the integration of the LDCs into the multilateral trading system is based on three pillars: i) the Integrated Framework in partnership with other core agencies, bilateral donors, and the LDCs themselves; ii) the WTO Work Programme for LDCs adopted on 12 February 2002 pursuant to paragraph 42 of the DDA; and, iii) Annual WTO Plans for TA and CB. What is now required is to proceed with urgency in the implementation of all three of them. Progress has been made, but additional efforts are urgently required.

7. Market access is a key element in the WTO Programme for LDCs and for LDCs' trade development. LDCs' share in world trade has remained largely static through the 1990s. The LDCs as a group accounted for only 0.5 per cent of global trade in goods and 0.4 per cent of trade in services. Furthermore, UNCTAD, in the 2002 Least-Developed Countries Report, notes that fifty per cent of the population in LDCs are living on less than a dollar a day, and estimates that, on current trends, the incidence of poverty will increase by about one third by 2015 unless steps are taken to redress this situation. Improvements in preferential and MFN market access will contribute to LDCs' trade development. In this regard, the Doha Development Agenda offers LDCs an important opportunity. The effective implementation of the DDA will contribute to increased incomes through improved market access opportunities. By combining these opportunities with other appropriate policies, LDCs should be in a position to increase employment and improve standards of living.

8. Market access improvements and technical assistance and capacity-building are complementary and not substitutes. They are critical factors that will assist the LDCs to undertake the necessary adjustments that will support their domestic efforts (through development policies and strategies for poverty reduction) to draw on the benefits of an open, rules-based multilateral trading system. The WTO TA Plan for 2002 laid a good foundation. The 2003 Annual Plan, which has now been authorized by the membership, will consolidate on the gains achieved in 2002 and also expand the scope for action.

9. The WTO has sharpened its focus on LDCs in the post-Doha period. The WTO Work Programme for LDCs (WT/COMTD/LDC/11) was adopted by Members in February 2002. The Work Programme makes a valuable contribution in responding to the objective of LDCs' integration into the multilateral trading system. Effective implementation of the Work Programme has been a priority for Members of the Sub-Committee on LDCs and also for the Secretariat. Significant progress has been made on various elements of the Work Programme. The recent decision by the Special Session of the Sub-Committee on Least-Developed Countries, adopting guidelines for LDCs' accession makes a significant and timely contribution. It marks concrete progress. The guidelines, adopted in the Sub-Committee on Least-Developed Countries, have now been submitted to General Council for a formal decision.⁷ Following adoption by the General Council, the membership needs to proceed with follow-up and actual implementation of the agreed guidelines. If we are to support the integration of the LDCs into the multilateral trading system, LDCs' accession to membership needs to be facilitated. Progress has also been made in the improved delivery of TA/CB to the LDCs through increased volume and value. In this regard, the Work Programme has benefited from the sharp increase in funds for the delivery of WTO technical assistance. In market access, the evidence shows that members are continuing to notify improvements to the WTO.

10. LDCs themselves have been active in the ongoing negotiations. The informal WTO LDCs' Consultative Group is playing a useful coordinating role. The Group meets on a weekly basis. It has submitted several proposals to WTO Standing Committees and Negotiating Groups. The WTO

⁷ WT/COMTD/LDC/12

Secretariat continues to service the work of this Group and provides daily advisory services on issues of interest to LDCs.

11. I would like to stress the necessity of building on past work and results from the Third UN Conference on LDCs (LDC-III) held in Brussels in May 2001;⁸ the LDCs' Ministerial meeting in Zanzibar, in preparation of the Fourth WTO Ministerial Conference; and, the DDA. This interim report sets out what the WTO is doing in conjunction with LDCs' development partners and what further needs to be done.

12. Three key words underline this report. These are urgency, priority and implementation.

II. WTO WORK PROGRAMME FOR THE LDCs

13. The WTO Work Programme for the LDCs⁹ was adopted by the Sub-Committee on Least-Developed Countries (hereafter the Sub-Committee) on 12 February 2002. Pursuant to the mandate contained in paragraph 42 of the Doha Ministerial Declaration, the Sub-Committee, reported on the agreed Work Programme to the General Council on 13 February 2002.¹⁰

14. The WTO Work Programme for LDCs focuses on the following issues:

- (a) Market Access for LDCs;
- (b) Trade-Related Technical Assistance and Capacity Building Initiatives for LDCs;
- (c) Providing, as appropriate, support to agencies assisting with the diversification of LDCs' production and export base;
- (d) Mainstreaming, as appropriate, into the WTO's work, the trade-related elements of the LDC-III Programme of Action, as relevant to the WTO's mandate;
- (e) Participation of LDCs in the Multilateral Trading System;
- (f) Accession of LDCs to the WTO; and,
- (g) Follow-up to WTO Ministerial Decisions/Declarations.

15. In adopting the Work Programme for LDCs, Members placed particular emphasis on its effective implementation. Members have begun considering the various elements of the Work Programme, focusing on a few elements at each session of the Sub-Committee.¹¹ It is recognized that work in other WTO Committees and Negotiating Bodies is also of relevance.

16. So far, work has included:

⁸ The WTO Members submitted six deliverables to the Thematic Session on Trade at LDC-III. The deliverables were contained in documents WT/LDC/SWG/IF/10 – 16/Rev.1.

⁹ WT/COMTD/LDC/11.

¹⁰ WT/GC/M/73.

¹¹ A report of the work of the Sub-Committee, and in particular its work on the WTO Work Programme for LDCs is contained in the Annual Report (2002) of the Committee on Trade and Development contained in WT/COMTD/44 (to be issued).

(a) **Market Access for LDCs:**

17. As part of the WTO Work Programme for LDCs, the Secretariat prepared a report on Market Access Issues for LDCs (WT/COMTD/LDC/W/28 and TN/MA/S/7). The report outlined the initiatives and announcements, made on an autonomous basis, by several WTO Members to improve market access for LDCs. It also examined some of the tariff and non-tariff barriers facing LDCs' exports. The report was considered by the Negotiating Group on Market Access at its meeting on 5 – 6 November 2002 and at the 30th Session of the Sub-Committee on 7 November 2002. The discussions and comments on the report were constructive with Members recognizing their collective responsibility in meeting the mandate set forth by Ministers in paragraph 42 of the Doha Declaration.¹²

18. Since Doha, there has been some new impetus and initiatives to accord "duty-free and quota-free" access for LDCs' exports. Recently, announcements were made by Australia and Canada. There is reason for optimism, as further improvements in market access for LDCs, including addressing tariff escalation and peaks in products of interest to LDCs, might be expected with progress in the Doha negotiations. Under the Work Programme for LDCs, the Secretariat is committed to periodic (annual) monitoring of improvements in market access for LDCs. This work would be greatly facilitated by timely notifications by Members of existing measures or improvements in market access for LDCs.¹³

(b) **Trade-Related Technical Assistance and Capacity Building Initiatives for LDCs:**

19. To complement the initiatives taken to improve market access, priority attention has also been accorded to LDCs in the delivery of trade-related technical assistance and capacity building. The WTO for its part reflected this priority in the *New Strategy for WTO Technical Cooperation for Capacity Building, Growth and Integration* endorsed by Ministers in Doha,¹⁴ and at an operational level, in the preparation and delivery of assistance in the WTO Annual Technical Assistance Plans.¹⁵

20. As mandated in paragraph 41 of the DDA, the Director-General has reported to the membership on the implementation and adequacy of the technical cooperation and capacity building commitments in the DDA.¹⁶ As indicated in the paragraph 41 report, delivery of technical assistance is proceeding adequately, based on the structure of WTO technical cooperation, which was defined after Doha.

21. In both the 2002 and 2003 TA Plans, priority has been accorded to LDCs. In 2002, 70 *national activities* were planned for implementation in LDCs by end December 2002, of which 54 had been delivered at the end of October 2002. In the 2003 TA Plan, the number of national activities programmed for LDCs has been increased to 115 (up from 70 in 2002). The scheduled number of national activities in LDCs amounts approximately to 47% of all national activities in the 2003 TA Plan.

22. In 2003, the number of regional activities for LDCs is also set to increase to 150 (compared to approximately 80 in 2002). Furthermore, LDCs will continue to benefit from specialized seminars,

¹² In paragraph 42, Ministers committed themselves to "the objective of duty-free, quota-free market access for products originating from LDCs" and to "consider additional measures for progressive improvements in market access for LDCs" [WT/MIN(01)/DEC/1].

¹³ Since the Doha Ministerial Conference, notifications of market access initiatives for LDCs have been received from Japan and Switzerland.

¹⁴ WT/COMTD/W/90 was endorsed in paragraph 38 of the Doha Ministerial Declaration.

¹⁵ The WTO Annual Plan for 2002 is contained in WT/COMTD/W/95/Rev.3 and the plan for 2003 is in document WT/COMTD/W/104/Rev.1 and WT/COMTD/W/104/Add.1/Rev.1.

¹⁶ WT/GC/W/484

workshops and trade policy courses in their region. In addition, the Training Institute has increased its intake in the regular Trade Policy Courses and also organised three-week courses specifically for LDCs. The WTO Reference Centre programme has been established in most of the LDCs, and the upgrading of these Centres will begin in early 2003.

23. The continued and generous support of Members at the pledging conferences for the Doha Development Agenda Global Trust Fund has made this increase in the quantity and quality of WTO technical assistance possible.

24. The Integrated Framework is the foundation of the trade-related technical assistance and capacity building by the WTO for the LDCs. Following its application of the Integrated Framework in a pilot phase to three LDCs (Cambodia, Madagascar and Mauritania), it has been extended to a further 11 LDCs. In 2003, the WTO plans to build and improve on these results.

25. While the WTO can make some contributions, it is clear that it cannot on its own meet the full complexity of the challenges facing LDCs' trade development. Cooperation with other multilateral, regional and bilateral development partners, including *inter alia* through the Integrated Framework (IF) and specific programmes like the Joint Integrated Technical Assistance Programme (JITAP) for select African developing and least-developed countries assume importance (Section IV of this report elaborates on developments under the IF).

(c) Providing, as appropriate, support to agencies assisting with the diversification of LDCs' production and export base:

26. While Members and Observers in the Sub-Committee on Least-Developed Countries recognize that assistance in product and export diversification goes beyond the competence of the WTO, it is acknowledged that the work of other multilateral, regional and bilateral organizations is of direct relevance. Assistance for the diversification of LDCs' production and export base was discussed at the Twenty-Eighth Session of the Sub-Committee on LDCs.¹⁷ At the meeting, the Deputy-Executive Director of the International Trade Centre (ITC) was invited to brief Members on the assistance provided by the ITC. It was reported that ITC was enhancing its technical assistance dealing with LDCs' supply-side constraints with a view to reducing LDCs' dependence on a narrow production and export base. This was in line with paragraph 42 of the Doha Ministerial Declaration, and within the framework of the Integrated Framework initiative. As a subsidiary body of the WTO, the budgetary contribution made by the WTO to the ITC was noted. The contributions made by other bilateral donors to the ITC budget were also highlighted. It was agreed that representatives of other agencies with competence in this aspect of the WTO Work Programme for LDCs would be invited to provide reports at future meetings of the Sub-Committee.

(d) Mainstreaming, as appropriate, into the WTO's work of the trade-related elements of the LDC-III Programme of Action:

27. This mandate is reflected in the WTO Work Programme for LDCs (WT/COMTD/LDC/11). The trade-related elements adopted in LDC-III, include for instance, market access for LDCs, LDCs' accession and trade-related technical assistance and capacity building through the implementation of the Integrated Framework. These elements have been mainstreamed into the WTO Work Programme for LDCs.

28. At its Twenty-Eighth Session, the Sub-Committee on LDCs agreed on the importance of regular monitoring and reporting of these commitments as envisaged under different elements of the LDC Work Programme. This work is to be regularly monitored by the Sub-Committee under an

¹⁷ WT/COMTD/LDC/M/28.

agenda item: "Follow-up to Ministerial Decisions/Declarations." Under this item, Members have been invited to report and in particular discuss implementation measures taken in fulfilment of these Decisions and Declarations such as the 1997 High Level Meeting for LDCs; The Third United Nations Conference for LDCs, held in Brussels, May 2001; and WTO Ministerial Declaration and Decisions. Some delegations have indicated their interest in reverting to this item of the Work Programme at a future meeting.

(e) Participation of LDCs in the Multilateral Trading System:

29. Recent trends in LDCs' trade indicate their limited participation in global trade. These trends and the specific initiatives undertaken to enhance the participation of LDCs in the multilateral trading system were outlined in the Secretariat document WT/COMTD/LDC/W/26. The document was considered at the Twenty-Eighth Session of the Sub-Committee.¹⁸

30. Members commended the initiatives that had been undertaken by the WTO Secretariat to enhance LDCs' participation. These included an increase in the number of WTO Trade Policy Courses, initiatives in favor of Non-Residents such as the Geneva Week now funded out of the regular budget, information technology support including through the establishment of WTO Reference Centres, the Diagnostic Trade Integration Studies of the Integrated Framework Pilot Scheme, and increasing the participation of LDCs in international standard setting bodies. Initiatives have also been taken to increase the number of LDCs' Trade Policy Reviews, and to interface WTO technical cooperation with WTO Trade Policy Reviews. The Secretariat continues to service informal meetings of the LDCs' Consultative Group. In 2001, as part of the preparations for the Doha Ministerial Meeting, the WTO worked with UNCTAD to provide support to LDCs' Ministers for their meeting in Zanzibar.

(f) Accession of LDCs' to the WTO:

31. Progress has been made in the area of LDCs' accession. In accordance with the mandate contained in paragraphs 9 and 42 of the Doha Ministerial Declaration, and paragraph 18 (iii) of the WTO Work Programme on LDCs, the Sub-Committee on Least-Developed Countries, adopted guidelines on LDCs' accessions, at a Special Session on Monday, 2 December 2002. These guidelines have been forwarded to the General Council for a formal decision.¹⁹ Following the formal decision by the General Council, I urge Members to concretely and meaningfully implement the guidelines. Actual implementation of the agreed guidelines will be reflected in my full report to the 5th WTO Ministerial Conference on the status of LDCs' accessions to the WTO.²⁰ To this end, my status report to the Fifth Ministerial Conference on the "Implementation of the Commitment by Ministers to Facilitate and Accelerate the Accessions of LDCs" would be facilitated by progress made in the LDCs' accession Working Parties.

32. The provision of technical assistance to acceding LDCs has also been the focus of priority attention. Between 1998 – 2002, over 300 activities were carried out by the WTO Secretariat to assist acceding LDCs. In July 2002, the WTO Secretariat organized the first WTO Seminar on Accessions, in Geneva. The Seminar was held back-to-back with the Twenty-Ninth Session of the Sub-Committee to facilitate the participation of all acceding LDCs including those that are not resident in Geneva.²¹ Chairpersons of Working Parties and acceding LDCs were invited to brief Members on

¹⁸ WT/COMTD/LDC/M/28.

¹⁹ WT/COMTD/LDC/12.

²⁰ Thirty LDCs are Members of the WTO, a further nine LDCs (Bhutan, Cambodia, Cape Verde, Lao PDR, Nepal, Samoa, Sudan, Vanuatu and Yemen) are currently in the process of accession to the WTO. Three LDCs: Ethiopia, Equatorial Guinea, and Sao Tome & Principe, are observers.

²¹ The concluding remarks of the Seminar are annexed to WT/COMTD/LDC/M/29.

progress made in the accession Working Parties. The Note by the Secretariat (WT/COMTD/LDC/W/27 and WT/ACC/12) on the state of play of LDCs' accession Working Parties and the technical assistance provided by the WTO to acceding LDCs were also considered by the Sub-Committee.

(g) Follow-up to WTO Ministerial Decisions/Declarations:

33. Follow-up to Ministerial Decisions and Declarations is a standing item on the agenda of the Sub-Committee. Members, as part of the monitoring and review of the commitments made, have been invited to report on measures taken under the different elements of the LDC Work Programme. Due emphasis is also placed on priority areas for LDCs in the ongoing WTO negotiations and technical assistance in support of LDCs.

III. IMPLEMENTATION OF THE INTEGRATED FRAMEWORK FOR TRADE-RELATED TECHNICAL ASSISTANCE TO LDCS

A. BACKGROUND

34. The Integrated Framework was launched at the High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development in October 1997. At the original launching of the IF, the objective was to increase the benefits that LDCs would derive from the trade-related technical assistance available to them from the six core agencies involved in the framework (IMF, ITC, UNCTAD, UNDP, World Bank and WTO), with a view to assisting them to enhance their trade opportunities, to respond to market demand and to integrate them into the multilateral trading system. In the first three-years of its operations, the IF (the "old IF") made modest contributions to meet the original objective established by the 1997 High Level Meeting. The Framework was reviewed, in 2000, by a team of independent consultants, with a view to improving its operations.²² Subsequently, the Heads and representatives of the six agencies considered the recommendations by the review team, and issued a Joint Communiqué which contained decisions for re-shaping the IF as a mechanism for mainstreaming trade into national development plans and poverty reduction strategies.²³

35. The Integrated Framework, as re-modelled, seeks to integrate ("mainstream") trade priorities into LDCs' national development plans and poverty reduction strategies. Trade liberalization and reform are key elements of economic policy that can make positive contributions to higher rates of growth and thus poverty alleviation. While trade is an engine for economic growth, the gains from open trade cannot be assured unless trade policy is appropriately factored into the national planning framework. Furthermore, *mainstreaming* trade needs to be rooted, not only at the policy level, but also at the levels of government institutions and of the government-donor partnership, in order to maximise the use of available resources for trade. Principally through such instruments as the Poverty Reduction Strategy Papers (PRSPs), the IF seeks to ensure country ownership, partnership, and coordination in the mainstreaming process.

36. The revamped IF was institutionalized and operationalized by the launch of an IF Pilot Scheme in February 2001.²⁴ The implementation of the Pilot Scheme has been guided by the Pilot Phase Work Programme²⁵, which defines three broad steps for trade mainstreaming, led by the World

²² The report, together with recommendations, is contained in WTO document WT/LDC/SWG/IF/1, 29 June 2000.

²³ The Joint Statement by the Heads of the six IF Core Agencies on the Mandated Review of the IF is contained in WTO document WT/LDC/SWG/IF/2, 12 July 2000.

²⁴ Document WT/LDC/SWG/IF/13.

²⁵ Document WT/IFSC/W/2.

Bank. **First**, a diagnostic trade integration study (DTIS) is prepared for each country. The DTIS assesses the competitiveness of the economy and identifies the impediments to the effective integration into the multilateral trading system and the global economy. **Second**, based on the findings of the study, an Action Matrix is developed, in consultation with all stakeholders at a national IF workshop. The Action Matrix spells out a set of policy recommendations and priority technical assistance needs to overcome the constraints identified in the study. **Lastly**, the trade policy priorities are incorporated into the country's PRSP, and the priority technical assistance needs are fed into donors' financing fora, such as the Consultative Groups (CG) or UNDP Round Tables.

37. The implementation of the IF Pilot Scheme began in three LDCs – Cambodia, Madagascar and Mauritania - in May 2001, and was extended to eleven LDCs just before the Doha Ministerial Conference.

38. To strengthen governance and oversight, the Integrated Framework Steering Committee (IFSC) was established. Its purpose was to improve transparency of the operations of the IF. The IFSC, currently chaired by H.E. Mr Hendrik Reé Iversen (Denmark), is a tripartite arrangement with equality of representation by agencies, donors and LDCs.²⁶ This tripartite and inter-agency configuration is intended to enhance the collective management of the Framework. The Inter-Agency Working Group (IAWG), called the Integrated Framework Working Group (IFWG) since October 2002, is responsible for the day-to-day management of the IF. The IFWG is chaired by the WTO, and consists of representatives of the agencies and two special representatives each from least-developed and donor countries.²⁷ The WTO, which houses the IF Secretariat, services both the IFSC and IAWG meetings. Finally, the UNDP, on behalf of the six agencies, manages the IF Trust Fund, which was established in March 2001 by voluntary contributions from bilateral and multilateral donors. As of October 2002, total pledges to the IF Trust Fund amount to US\$ 10.4 million. This fund finances the preparation of DTIS, but also follow-up activities resulting from the studies.

B. IMPLEMENTATION OF THE INTEGRATED FRAMEWORK SINCE DOHA

1. The IF and the Doha Development Agenda

39. Ministers in the Fourth WTO Ministerial Conference held in Doha, 9-14 November 2001, endorsed the IF as a viable model for LDCs' trade development. They also urged the core agencies and development partners to explore the enhancement of the IF with a view to addressing the most pressing needs of LDCs.

40. Several initiatives are being taken to enhance the Integrated Framework. After the Doha Ministerial Conference, Heads of Agency held a second meeting, hosted by Mr. James Wolfensohn, President of the World Bank, in Washington D.C. on 26 February 2002.²⁸ The objective of the meeting was to endorse the good practices of coordination and coherence that had emerged in the revamped IF since the first meeting, and to apply them to the implementation of the Doha Development Agenda. The achievement and value of the IF were again re-affirmed by the Heads of Agency. The meeting adopted the Joint Communiqué (WT/IFSC/1), which, *inter alia*, highlighted: (i) the critical importance of effective follow-up to the DTIS to ensure the sustainability of the IF process, by translating policy and research results contained in the studies into operational activities to address the competitive weaknesses of the LDCs; (ii) the importance of a greater involvement of bilateral donors

²⁶ Since the Doha Ministerial Conference, the IF Steering Committee met on 8 March, 12 July and 9 December 2002. The minutes of the meetings are contained in documents WT/IFSC/M/4 to M/6.

²⁷ Prior to May 2001, the IAWG was restricted to representatives of the six core agencies. For 2002-2003, Canada and the European Commission represent donors, and Uganda/Zambia and Nepal/Mauritania represent LDCs at IAWG/IFWG meetings.

²⁸ The joint communiqué by the Heads of the six core agencies is contained in WTO document WT/IFSC/1.

in the IF implementation, by encouraging them to assume "lead donor/IF facilitator roles" in the countries where they have strong field presence and have interest to support the Governments' mainstreaming efforts; (iii) the commitment to extend the IF to as many LDCs as possible by the time of the conclusion of the new Trade Round; and (iv) the support for the extension of the "IF model/benefits" to non-LDC low income countries, outside the IF institutional framework, and without diverting resources from the IF nor distracting from the priority accorded to LDCs.

41. The six Heads of Agency were convinced that the implementation of the IF would contribute to the realization of the Doha Development Agenda, which placed the needs and interests of developing countries at the heart of its work programme. In particular, the agencies are committed to working together and providing complementary contributions in implementation of the technical assistance and capacity building mandate set out by the Doha Ministerial Declaration. Beyond the coordinated provision of trade-related technical assistance, the agencies further agreed to work together to support trade reform and other measures which were important for the orderly development of trade.

42. The Third Meeting of Agency Heads will take place before the Cancun Ministerial. Mr Koehler, the Managing Director of the International Monetary Fund (IMF) has agreed to host this meeting, which will have three principal objectives, namely: i) coordinating results of efforts by providers of trade capacity building; ii) enhancement of the Integrated Framework as a model for trade capacity building and trade mainstreaming; and, iii) addressing issues related to implementation of the DDA and the WTO Cancun Ministerial Meeting. The meeting will also focus on the implementation of the Integrated Framework and the calendar of extension of the Integrated Framework to other LDCs.

43. Improved coordination with bilateral donors in trade capacity building is another critical element. In paragraph 39 of the Ministerial Declaration, Ministers underscored the necessity for the effective coordinated delivery of technical assistance with bilateral donors in the OECD Development Assistance Committee (OECD/DAC) and relevant international and regional intergovernmental institutions, within a coherent policy framework and timetable. In this regard, the IF has been instrumental in bringing together bilateral and multilateral development partners, and also the trade and development communities, both at the global and country levels. Two months after the Doha Ministerial Conference, the IAWG/IFWG convened its first joint meeting with the OECD/DAC, the forum of major bilateral donors. The second joint IAWG/DAC meeting took place on 28-29 November 2002. The meetings provided an opportunity to discuss how best bilateral donors could be engaged in the implementation of the IF, including on the recommendation of "lead donors" as a practical way to mobilize and coordinate donor support in the implementation of the IF, in particular in the follow-up phase to the DTIS. The concept of lead donor has since then been operationalized in some LDCs as part of the IF process.

2. Progress to date on the implementation of the IF

44. The implementation of the IF started on a pilot basis in May 2001 in Cambodia, Madagascar and Mauritania. These three countries had demonstrated a clear commitment to mainstreaming trade priorities into their PRSPs. The DTIS for the three countries were completed in October 2001. The national IF workshops were held in Mauritania and Cambodia in November 2001 to discuss the studies with national stakeholders. Consultative Group meetings were held in December 2001 and June 2002, respectively. Incorporation of the findings into their respective PRSPs, as well as follow-up to the DTIS have been underway in the two countries.

45. The Integrated Framework was considered successful in Cambodia. Trade has been mainstreamed into the national development plan. There has been concrete follow-up to several of the TA recommendations principally by Japan. The Integrated Framework has assisted in the opening

up process in the country. The results in Mauritania have been satisfactory. Following the conclusion of the trade diagnostics (October 2001) and the national IF Workshop that was concluded in November 2001, a donor Round Table Meeting took place in Nouakchott on 17-18 November 2002. There was concrete follow-up to priority TA/CB projects from Italy, the European Commission and the Integrated Framework Trust Fund (IFTF).

46. In the case of Madagascar, the IF process was suspended in late 2001 due to the domestic situation. In October 2002, the Government of Madagascar requested the resumption of the process, which is scheduled for early 2003 with the holding of a national IF workshop on its updated DTIS.

47. Beyond the three pilots, in October 2001, the Integrated Framework Steering Committee decided to extend the IF to eleven additional LDCs – Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Malawi, Mali, Nepal, Senegal and Yemen. To date, the DTISs have been completed in Lesotho, Senegal and Yemen, where IF national workshops have been scheduled for December 2002. The preparations for the DTIS are currently at various stages in Burundi, Djibouti, Ethiopia, Eritrea, Guinea, Malawi, Mali and Nepal. The completion of the studies in these countries is expected in the first quarter of 2003. Subsequently, the findings of the DTIS will be discussed at national workshops.

48. Since the Doha Ministerial Conference, additional requests for the extension of the IF have been received from eight LDCs, namely, Angola, Benin, Chad, Laos PDR, Maldives, Sao Tome and Principe, Togo and Zambia. It may be noted that Agency Heads in paragraph 7 of their Joint Communiqué, 26 February 2002, agreed to extend the IF to as many LDCs as possible before the conclusion of the Doha Round. This extension is to be preceded by a thorough evaluation. The requests are currently under technical review by the IFWG, on the basis of the criteria set for considering the applications.²⁹ Pending the technical review as well as the IF evaluation, pre-DTIS activities are being undertaken or considered in the requesting LDCs, with a view to preparing them for the launch of the DTIS process.³⁰

3. Achievements, challenges and issues emerging to date

49. The IF process has been important in building consensus, coordination, and capacity building in the beneficiary countries. The preparation of a DTIS and its associated process have been effective in stimulating domestic discussion on trade matters, building consensus for trade policy reform, and coordinating donor assistance to respond to the trade capacity needs of the LDCs. In this regard, one of the most positive developments associated with the IF process is the establishment of the national steering committee. The national steering committee provides a forum for discussion and coordination on all IF-related matters, with the participation of various government departments, the private sector, and the civil society. This committee assists in developing terms of reference for the DTIS, interacting with IF mission members, providing comments on the draft study, feeding the DTIS results into PRSPs, and implementing the Action Matrix.³¹ The national IF steering committee has also contributed to better coordination between government and the donor community, as well as among donors, on trade-related matters. Given the critical role that the national IF steering committee plays in achieving the trade mainstreaming goal of the IF, resources from the IF Trust Fund have been allocated to supporting the committee in the IF beneficiaries.

²⁹ The agreed criteria are contained in document WT/IFSC/W/9.

³⁰ These include: the establishment of national IF steering committees, awareness workshops, IF familiarisation missions, compilation of on-going trade-related activities, etc.

³¹ To achieve the mainstreaming objective, cross-representation is ensured between the national IF Steering Committee and the PRSP Committee.

50. The IF process itself is a trade capacity building exercise.³² Through the national IF steering committee, the IF process involves extensive consultations and building of a trade network, which has contributed to the enhancement of the beneficiaries' ability to manage trade matters. In addition, greater efforts have been made to use local consultants and to involve local government officials, where possible, in the preparation of a DTIS and in follow-up activities, with a view to enhancing local capacity and ownership. While the impact of the IF as a trade capacity exercise is potentially huge, it is difficult to be measured in the short-term. At the same time, it is premature and misleading to judge the success of the IF only in terms of the number of donor assistance generated at a Consultative Group meeting. It is important to note that some assistance, especially involving large-scale interventions, would require time and additional work before realization. While indicators, such as the number of follow-up activities/projects, are helpful in monitoring progress in the medium-term, ultimately, increased trade capacity of a beneficiary should be reflected in the ability of the country to engage in trade, by formulating its trade policies and negotiating trade agreements in a manner to support its development goals. In this regard, the IF process needs to be regarded as a means, not the end in itself.

51. Despite the positive achievements made, follow-up to the DTIS has been the biggest challenge in the implementation of the IF. Follow-up requires strong political and financial commitments on the parts of the beneficiary government and development partners. It also requires greater coordination efforts by all parties. Moreover, for follow-up to be meaningful and effective a careful balance needs to be crafted between policy reform and the delivery of technical assistance, and the implementation needs to be sequenced. The challenge of follow-up is therefore multidimensional. It includes coordination amongst various government departments (which implies dealing with different, in some cases, competing policy priorities); coordination amongst donors (which implies dealing with different assistance priorities, budget cycles and administrative procedures); and coordination between the two communities. While there is no magic formula, country ownership, fostered through the national steering committee process, with the support of the IF facilitator, is the most promising element for sustainable follow-up.

52. The experience of follow-up, while being very limited (i.e. only 2 LDCs have so far gone through the full process under the IF³³), has been mixed. On the one hand, one of the IF beneficiaries has been able to mobilize support for over 60 follow-up activities from some 20 bilateral and multilateral donors.³⁴ On the other hand, in another LDC beneficiary, the results are modest/mixed.³⁵ Generally, follow-up requires parallel actions on two fronts: (i) the beneficiary government to reflect the findings of the DTIS, in particular, those related to policy reform, in its PRSP and act upon them; and (ii) development partners to consider their responses to the identified trade-related technical assistance, and programme them, as appropriate, in their existing or upcoming assistance frameworks.³⁶ Given the limited capacity of the LDC beneficiaries to organize the follow-up process,

³² The DAC Guidelines on *Straightening Trade Capacity for Development* defines trade capacity as a coherent set of activities by donors and partner countries designed to enhance the ability of policy makers, enterprises and civil society actors to: (i) work together to develop and implement effective trade policies and strategies; (ii) improve trade performance through policy and institutional strengthening; and (iii) participate and benefit from the institutions, negotiations and processes that shape national trade policy and the rules and practices of international trade.

³³ As of September 2002, only two LDCs, Cambodia and Mauritania have gone through the full process (DTIS-IF workshop-CG meeting).

³⁴ IFSC/W/13.

³⁵ Issues related to the lack of follow-up responsiveness usually are: (i) ambiguity about the responsibilities of follow-up; (ii) weak capacity of the beneficiary governments to take the lead in the follow-up process; and, (iii) time lags between the IF workshops and the finalisation/revision of the PRSPs, and/or CG or other donor meetings.

³⁶ With a view to facilitating follow-up, the IFWG adopted, at its 31st session, a decision concerning the assignment of responsibilities to key players for the follow-up stage.

the role of the IF facilitator, whether a bilateral donor or agency, is critical in assisting in the follow-up stage. The IF facilitator assists the beneficiary in mobilizing support for and coordinating follow-up responses from various donors.³⁷ In this regard, the earliest possible involvement of the IF facilitator in the IF process is considered as crucial for its effective support in follow-up.³⁸ Moreover, as a practical way to operationalizing the technical assistance matrix, upcoming DTIS would include, as appropriate, a short project description of each of the identified needs, with cost estimation.³⁹

53. Finally, it must be recognized that the provision of trade-related technical assistance brings little value unless it is accompanied by necessary policy reform. To maximize the benefits of follow-up in trade-related technical assistance, policy reform priorities should be laid out and ideally implemented prior to, or at the time of, technical assistance delivery. Where this is not technically feasible, the reform priorities should be at least reflected in the PRSP and its associated medium-term expenditure frameworks, with timetables. In other words, the more trade priorities are mainstreamed into the country's governing policy framework (e.g. PRSP), the more likely the support and effectiveness of trade-related technical assistance would increase. IF experiences have made evident that greater follow-up support has been mobilized in the beneficiaries whose governments have promptly acted up on the policy recommendations by incorporating them into the PRSPs.

C. NEXT STEPS

54. The implementation of the IF remains "work in progress". The agencies are also in the continuous process of learning from the lessons of on-going implementation. The IF has been subject to on-going assessments, including the mandated review in 2000, the assessment of the IF Pilot Scheme before the Fourth Ministerial Conference in 2001, an interim report by the Director-General to the General Council in December 2002, and another mandated evaluation in 2003, prior to the Fifth Ministerial Conference. The latest evaluation of the IF is due to begin in early 2003. The Heads of Agency will meet in June/July 2003 to review the implementation, with a view to reporting to the Fifth Ministerial Conference, in pursuit of paragraph 43 of the Doha Ministerial Declaration.

IV. CONCLUSION

55. Trade is a relevant instrument for poverty reduction and development and the multilateral trading system is relevant to the development concerns of the most vulnerable members of the global community. The WTO alone cannot address these problems and, more than ever before, coordinated action with all development partners is required. The WTO will play its part. However, the complementary role of other partners (agencies, bilateral donors and development partners) will be equally key.

56. While there have been several welcome developments since Doha, there is scope for improvement. The priority areas of action for LDCs shall continue to receive our fullest attention, with a view to providing a full report to the Fifth Session of the Ministerial Conference on all issues affecting LDCs.

57. The response to the priority needs of the LDCs can be structured at three levels: i) market access; ii) technical assistance and capacity building; and iii) accessions. Currently, we are in a

³⁷ To date, the IF facilitators have been identified at least for 7 countries, and have been playing an active role in supporting the following beneficiary LDCs: Cambodia, Lesotho, Madagascar, Mali, Mauritania, Senegal and Yemen.

³⁸ The IFWG recommended at its 33rd meeting that the identification of IF facilitator be one of the conditions for starting the DTIS process in IF countries.

³⁹ Report of the 32nd IAWG meeting.

transitional period in the WTO, on all three issues. At the Cancún Ministerial Conference, a report will be provided on these aspects, including on the implementation of the Integrated Framework.
