

**Integrated Framework Steering Committee
Eighth Session**

**REPORT ON THE 8TH MEETING OF THE
INTEGRATED FRAMEWORK STEERING COMMITTEE (IFSC)**

Friday 14 March 2003, WTO, Geneva

1. The Integrated Framework Steering Committee (IFSC) held its 8th meeting on 14 March 2003 at the WTO, Geneva. The adopted agenda is reproduced in Annex 1.
2. The IFSC welcomed Deputy Director General Dr. Rana as new Chairman of the Integrated Framework Working Group (IFWG), and Mr. Alberto Campeas as Director of the new Development Division. Special mention was made of the work of the outgoing Chairman, Mr. Chiedu Osakwe.
- A. REPORT BY THE IFWG CHAIRMAN ON THE 35TH MEETING OF THE IFWG, HELD ON 12 AND 13 MARCH 2003**
3. The Chairman of the IFWG reported on the main outcome of the 35th session of the IFWG. By way of introductory remarks in the meeting he had presented his vision of the IF and of the road-map ahead, to which the IFWG had given its full support. In it, he had underscored the fact that the IF was a process designed to assist LDCs in their policy decision to make trade an engine for economic growth. He had emphasised the need for the IF to remain country driven and for enhanced coordination among agencies. He had recognised that trade could not become an engine for economic growth through policy measures only and that concrete development assistance from development partners was also necessary.
4. The IFWG had recognized the problem of differing expectations and perceptions concerning the objectives and scope of the IF among its stakeholders. It had agreed to seriously address this issue. As part of this, a series of outreach activities would be undertaken. Suggested ideas on increasing the awareness of the IF included a stakeholders' dialogue or other forms of pre-sensitisation in-country; and more publicity to promote the objectives, scope and processes of IF through publications, videos and the IF website. The IFWG had also discussed the merits of having, at the very beginning of the process, some kind of written instrument spelling out clearly all steps of the IF process and the responsibilities falling on the governments of the LDCs and those on the other IF partners.
5. In discussions on the state of implementation of the IF in the countries to which the IF was currently extended, the point had been made that as the IF process progresses, the reporting on implementation would gradually be taken over by the LDCs themselves and that these periodic reports constituted a fundamental element in any monitoring of progress of the IF in the countries. However, the Bank and the UNDP would continue to report on overall progress. The IFWG had agreed to reflect on scope and modalities of a mechanism to monitor progress post-DTIS in the countries, mindful of any additional burden such reporting requirement could have on the LDCs. The WTO had been requested to prepare draft guidelines for a standard format for such written reports which would assist the LDCs to write them.

6. The IFWG heard a report by Ms. Mahlape Qoane, Deputy Principal Secretary, Ministry of Industry, Trade and Marketing and Mrs. L.A. Hlasoa, Head of the national PRSP Secretariat, Ministry of Development Planning, Maseru, Lesotho, who had come to Geneva specifically for the IFWG meeting to report on progress made in the IF process in their country. A National Conference to complete and validate the DTIS in Lesotho had been held on 12 February 2003, in Maseru. Some of the points highlighted were the importance of: (i) linkages between the IF and PRSP processes; (ii) coordination amongst the donors in country and national stakeholders; (iii) supply side constraints; (iv) link between environment and poverty reduction; and (v) the importance of transfer of skills and the need to create linkages between foreign direct investment and local investors.

7. The point had been made that the IF process was not limited to trade in a narrow sense, but that it covered all elements that assisted an LDC to integrate into the global trading system. Experience so far had shown that elements of LDCs' Action Matrixes of prioritized activities in the trade sector more than once overlapped with existing donors' Programmes in the country relating to sectors other than trade in a narrow sense, such as private sector development, infrastructure, water, investment etc., thus facilitating identification of necessary financial resources for the activities listed in the Action Matrix.

8. In its efforts to link as much as possible the debates in Geneva to the realities in the field, the IFWG also had an interesting discussion through video conferencing with Ms. Helena McLeod from the UK's Department for International Development (DFID), as the IF lead facilitator in Lesotho. One of the main issues raised was the need to improve the linkage between the head offices of donors and their field offices. It was stressed that in order to achieve concrete actions on the ground, head offices had to provide the necessary financial and human resources to their offices in the countries.

9. The Minister for Trade and Industry from Ethiopia had requested the members of the IFWG to consider revising the terms of reference for the Ethiopia DTIS to take into account Ethiopia's recent application for accession to the WTO and to include concrete technical assistance and capacity building projects in the DTIS. In response to this request, the IFWG had agreed that it was not necessary to revise the TOR of the DTIS in order to achieve an increase in technical assistance for Ethiopia's accession process. Rather, Ethiopia would have to reflect its need for such increased technical assistance as a priority in the Action Matrix of its DTIS. The WTO had responded to the Minister along these lines. The European Commission, Ethiopia's lead facilitator, and UNCTAD were already planning necessary accession-related technical assistance.

10. The IFWG had discussed the paper prepared by UNCTAD on "Pre-DTIS Activities" aimed at ensuring country ownership of the concept and process of the IF from the very beginning, before a DTIS was formally launched. It had requested UNCTAD to prepare a costed project proposal, based on its paper and the suggestions made.

11. At its fifth meeting, the IFSC had requested the IFWG to proceed with implementation of the decision to put at the disposal of participating LDCs necessary resources to facilitate their active involvement in the IF process from the preparation of the DTIS onwards. The UNDP, as manager of the IF Trust Fund had accordingly put forward a project proposal in consultations with the ITC and other IFWG members, which had now been agreed upon by the IFWG. The project aims at strengthening the capacity of LDCs to participate effectively in all steps of the IF process and to establish solid partnerships with development agencies and donors.

12. A proposal on the use of Window II of the Integrated Framework Trust Fund (IFTF) had been presented to the IFWG by the donor community, for information at this stage, and consultations were currently on-going. A preliminary exchange of views had confirmed the point made earlier concerning the differing expectations about the objectives and outcome of the IF and the role of Window II. Views ranged from disappointment to satisfaction. Some had made the point that the amount foreseen was too small to meet the spirit of paragraph 43 of the DDA, while others supported

the proposal as it was demand driven, it illustrated Window II's role as a bridging process, it was small scale, it did not foresee the use of earmarked funds and did not redefine the IF concept.

13. The IFSC took note of the report made by the IFWG Chairman.

B. IMPLEMENTATION PROCESS AND RESULT

14. In reviewing the stages of implementation in the fourteen countries¹ to which the IF was currently extended, the representative of the World Bank reported on progress made in all countries where it had carried out IF-related activities under the revamped IF, while UNDP reported on Djibouti.

15. The ITC reported on progress made in the implementation of follow-up activities to the IF Round Table Meetings held under the "old IF" scheme in five countries: Bangladesh, the Gambia, Haiti, Tanzania and Uganda.

16. A table of the current status of progress in each of the fourteen countries is in Annex 2.

17. Representatives of several LDC and development partners made interventions. In particular the following:

The representative from the World Bank was hopeful that by the middle of this year the remaining DTIS for the countries to which the IF was extended in its current pilot phase would be completed: Burundi, Ethiopia, Guinea, Nepal, Mali. To date, seven DTIS had been completed: Cambodia, Lesotho, Madagascar (to be updated), Malawi, Mauritania, Senegal and Yemen. He recalled that implementation of the IF was a learning process, and stressed the importance of "learning by doing". He said that this was a critical phase of the IF initiative, witnessing collaborative efforts to define and put in place mechanisms to implement the recommendations and capacity building/technical assistance needs yielding from the DTIS. This effort required:

- The introduction of donor facilitators and refinement of their roles.
- Clear sense of the sequence of steps and country responsibilities following the completion of DTIS.
- Better pre-DTIS sensitisation efforts to strengthen their institutional capacity to participate in the diagnostic phase.
- Expansion of the IF Trust Fund to finance short-term priority technical assistance needs.

Following a request from the IFWG, the World Bank would in the next three months prepare a clear set of indicative guidelines to share with agencies/donors/IF countries, to encourage a more systematic follow-up process for IF studies.

18. The representative from the UNDP informed that Mr. Patrick Plane (Director of Research, CERDI) had been selected as Team Leader for the IF Team for Djibouti, and that the mission was scheduled for April. Discussions were taking place with regard to the designation of a Facilitator.

¹Burundi, Cambodia, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Mali, Malawi, Madagascar, Mauritania, Nepal, Senegal and Yemen.

19. The representative from Ethiopia reiterated his Minister's request to revise the terms of reference for Ethiopia's DTIS to include increased technical assistance for its accession to the WTO. In response, it was recalled that in order to increase accession-related technical assistance, there was no need to revise the TOR for the DTIS, but rather, Ethiopia would need to reflect such needs as a priority in the Action Matrix of its DTIS. The WTO was replying along those lines to the Ethiopian Minister of Trade. The IFSC also welcomed existing plans from the European Commission, Ethiopia's lead facilitator, and from UNCTAD (with a contribution from DFID) to provide the necessary accession-related technical assistance. The representative from the United Kingdom added that a Memorandum of Understanding had been signed with UNCTAD in support of technical assistance related to accession of LDCs, from which Ethiopia would benefit.

20. The representative from Madagascar informed that the national validation workshop would take place in June, and reiterated the need for institutional support from the Agencies.

21. The representative from Japan requested that Japan be included in the periodic status report on implementation of the IF as lead-donor for Cambodia.

22. The representative from the United States stated that her country was interested in doing IF-related work in Mozambique (not currently included as IF pilot country) and meanwhile continued its IF-related work in Mali, as facilitator, in coordination with the World Bank. She would consult with her authorities concerning Ethiopia's request for accession-related technical assistance.

23. The representative from Bangladesh stressed the importance of pre-DTIS activities, as well as of concrete results on the ground. He requested more information about the timeframe between the stages of DTIS – to delivery of concrete technical assistance.

24. The IFSC took note of the statements made, welcomed the satisfaction expressed in general with the current progress, and reconfirmed its commitments to the IF Process.

25. Under the agenda item concerning the implementation of the IFSC decision on support for the IF national arrangements, the representative from ITC gave further details on the project which had now been agreed upon by the IFWG. The project, drawn up by UNDP in collaboration with ITC and other members of the IFWG, aims at strengthening the capacity of LDCs to participate effectively in all steps of the IF process and to establish solid partnerships with development agencies and donors.

26. The meeting welcomed the project and took note of the statement made. It urged UNDP to start implementation as soon as possible.

C. IF TRUST FUND

27. The representative of UNDP presented the financial report on the Integrated Framework Trust Fund (IFTF) which includes its current financial situation. The meeting took note of the Financial Report and of the statements made (Annex 3).

28. Regarding the clarification of the TORs of Window II, the Chairman of the IFWG said that the donors had presented a proposal to the IFWG at its 35th session (Annex 4). This was a contribution from the donors in collaboration with UNDP in its capacity as Fund Trustee. The wording of this paper had been carefully negotiated among the donors and had received their endorsement. The World Bank had participated in this process as a donor. On behalf of the IFWG, he was tabling the proposal in the meeting today for the information of all members of the IF Steering Committee to ensure transparency. The paper was still in the consultative stages with the members of the IFWG, particularly the LDCs and the four Agencies which had not been involved in its preparation. Donors were ready to meet with the WTO LDC Consultative Group for further discussion on this paper. He recalled that there were already donor funds in Window II pending

agreement. He suggested that, once agreed, the paper could be endorsed rapidly by a process of "non objection" by the IFWG, using electronic means, and by the holding of an exceptional IFSC devoted to this purpose.

29. On behalf of the LDCs, the representative of Bangladesh requested more time for discussions inside the LDC community.

30. The Chairman of the IFSC proposed that informal consultations be held between the donor community and LDCs, and to come back to this issue at its next meeting.

31. The meeting so agreed.

D. RELATIONSHIP BETWEEN THE IF AND JITAP²

32. The Chairman informed the meeting on the outcome of his informal consultations with the Chair of JITAPS's Common Trust Fund (CTF) to identify practical ways to build synergies, to achieve complementary, to exchange information and to occasionally brief the IFSC. He recalled that JITAP was a capacity building programme. The JITAP included six LDCs to which the IF process currently applied.³

33. The representative of UNCTAD suggested to use the experience of the JITAP in pre-DTIS activities, such as the Mechanism of Inter-Institutional committees.

34. The representative of the Netherlands endorsed full complementarities between the JITAP Programme and the IF process and suggested that the agencies concerned prepare a paper on this matter.

35. The representative of Mauritania requested an assessment of concrete results for the LDCs, where both the IF and JITAP were being implemented.

36. The representative of Benin requested a list of the persons in charge of each programme (focal points), to permit local authorities to contact them (this list has been provided).

37. The representative of the United Kingdom recalled that the need for coordination between the two programmes should also exist on the donors' side. It was important to avoid creating any new heavy structure, and to work closely together.

38. The Chairman proposed that the IFSC have a substantial discussion on this item at a subsequent date.

39. It was so agreed.

E. IF EVALUATION: PROGRESS REPORT

40. The Chairman of the IFWG recalled that UNDP, through the United Nations Office for Project Support (UNOPS), was managing the tendering process to select the team of four evaluators. In accordance with agreed procedures, names of potential contacts had been transmitted to UNOPS on 26 February. Subsequently, UNOPS had sent tender notices to all of them. At its recent meeting, UNDP had informed the IFWG that currently, only three bids had been received in response to its tender notices, which was insufficient for the selection process to progress. The IFWG had agreed

²JITAP I and II: Benin, Burkina Faso, Côte d'Ivoire, Ghana, Kenya, Tunisia, Tanzania and Uganda; Botswana, Cameroon, Malawi, Mali, Mauritania, Mozambique, Senegal and Zambia.

³Malawi, Mali, Mauritania, Senegal, Tanzania and Uganda.

that additional efforts needed to be undertaken immediately to receive more bids of potential candidates and had accordingly agreed that UNOPS would broaden its search and contact various companies (as opposed to individuals) to submit their bids. On the basis of the response to this wider search, UNOPS would proceed to make a shortlist of eligible companies. As a next step, and in accordance with the agreed TORs, the Selection Board, made up of Ambassador Ali as the LDC representative, a donor representative and himself in his role as Chairman of the IFWG would select from the shortlist the company which presented the best team of four evaluators (WT/IFSC/3/Rev.1). The IFWG had also agreed that one of the selection criteria would be a working knowledge of both English and French. According to the agreed TORs for the evaluation, the Evaluation Team would be composed of a team of four trade and development experts, including an expert with LDC experience. The Team would be composed of a lead evaluator, one evaluator representing the private sector, one evaluator representing the donor community and one evaluator representing the LDC community. The IFWG had recognized that a certain time-slippage had occurred and agreed on the need to commence the evaluation process as soon as possible in order to have a Report ready for the Ministerial Conference at Cancun. The time frame set out in the TORs would be adapted to take into account this slippage. The Working Group had also provided guidance to the IF Secretariat for it to finalise the set of criteria for the selection of the team of evaluators.

41. The IFSC took note of the statement made and urged UNDP to proceed as fast as possible.

F. IF WEBSITE

42. The representative from the World Bank made a presentation of the website (www.integratedframework.org) Annex 5. The representative of ITC recalled the format and design of the first Integrated Framework website – not in existence any longer – which had earlier been developed and run by the IF Administrative Unit in ITC and shared some of the lessons learned in operating the site.

43. On behalf of the francophone LDCs, the representative of Djibouti urged the World Bank to operationalize the French version of the web as soon as possible.

44. The IFSC welcomed the presentation of the website and the World Bank's offer to continue to host and manage the web, under its own separate domain. It suggested that the World Bank collaborate with ITC in the further design of the web.

G. THIRD HEADS OF AGENCY MEETING

45. The IMF reiterated its offer to host the third Heads of Agency Meeting and confirmed the date of 10 July 2003.

46. The meeting welcomed the offer by the IMF.

H. OTHER BUSINESS

47. The IFSC agreed to hold its next meeting on 16 May 2003.

48. It took note of the IFWG's decision to explore the possibility of having the next DAC/IFWG meeting after the WTO Ministerial Conference in Cancun.

49. In the absence of any other business, the meeting was adjourned.

ANNEX 1

INTEGRATED FRAMEWORK STEERING COMMITTEE

Agenda for the 8th Session of the IF Steering Committee
Friday, 14 March 2003

1. The Integrated Framework Steering Committee will hold its Eighth Session on 14 March 2003, at the WTO, Room E. The meeting will start at 10:00 sharp.
2. The items proposed for the agenda are as follows:
 - (a) Adoption of the agenda
 - (b) 35th meeting of the Integrated Framework Working Group (IFWG): report by the Chairman of the IFWG;
 - (c) Implementation process and results:
 - General assessment of progress in the 14 countries:¹ report by the World Bank and UNDP
 - Implementation of the decision on support for the IF national arrangements: report by ITC
 - Implementation of the follow-up activities to the IF Round Table Meetings in Bangladesh, the Gambia, Haiti, Tanzania and Uganda: highlights by ITC.
 - (d) IF Trust Fund
 - (i) Financial report by UNDP
 - (ii) Clarification of the TORs of Window II: report by the Chairman of the IFWG
 - (e) Relationship between IF and JITAP
 - (f) IF Evaluation: progress report by the IFWG Chair and UNDP
 - (g) IF website: report by the World Bank
 - (h) Third Heads of Agency meeting: report by the IMF
 - (i) Other business
 - Date next meeting
 - 3rd IFWG-DAC meeting.

Documents:

- Report of the 34th meeting of the Integrated-Framework Working Group.
- WT/IFSC/3/Rev.1
- WT/IFSC/M/6

¹Burundi, Cambodia, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Mali, Malawi, Madagascar, Mauritania, Nepal, Senegal, Yemen.

ANNEX 2

**INTEGRATED FRAMEWORK – STATUS OF LDCs
AS OF 7 MARCH 2003**

Countries	IF Status		Pre-mission	Mission	Delivery to LDC	Workshop	Donor Agency/Facilitator
Burundi	Work initiated		03/12/2002	10/03/2003	31/05/2003	30/06/2003	France (TBC)
Cambodia	IF study completed			01/08/2001	10/10/2001	02/02/2002	
Djibouti	Preparing activities		14/12/2002	02/2003	08/2003		UNDP Consultations by LDC Representatives
Eritrea	Work Suspended		28/10/2002	TBC	TBC	TBC	
Ethiopia	Work initiated		26/08/2002	11/15/2002	30/04/2003	30/06/2003	European Commission
Guinea	Work initiated		15/09/2002	15/12/2002	15/03/2003	15/05/2003	World Bank
Lesotho	IF study completed		24/11/2001	22/03/2002	02/12/2002	13/02/2003	United Kingdom
Madagascar	IF study completed			01/07/2003	01/10/2003	TBC	World Bank
Malawi	IF study completed		28/11/2001	27/04/2002	31/12/2002	30/04/2003	Norway
Mali	Work initiated		06/01/2003	24/03/2003	15/05/2003	31/07/03	United States
Mauritania	IF study completed			07/2001	16/10/2001	11/2001; 11/2002	European Commission
Nepal	Draft under review		26/08/2002	30/09/2002	15/02/2003	15/05/2003	United Kingdom
Senegal	IF study completed		28/11/2001	04/02/2002	30/08/2002	16/12/2002	The European Commission
Yemen	IF study completed		13/02/2002	15/05/2002	30/08/2002	TBC	Netherlands
Roundtable Countries							
Bangladesh	Roundtable follow-up		N/A	N/A	N/A	N/A	
Gambia	Roundtable follow-up		N/A	N/A	N/A	N/A	
Haiti	Roundtable follow-up		N/A	N/A	N/A	N/A	
Tanzania	Roundtable follow-up		N/A	N/A	N/A	N/A	
Uganda	Roundtable follow-up		N/A	N/A	N/A	N/A	

N/A: Not applicable; TBC to be confirmed

ANNEX 3

INTEGRATED FRAMEWORK TRUST FUND

Prepared by UNDP, New York

1. **Pledges** (Table 1)

1.1 As of 10 March 2003, total pledges to the IF Trust Fund amount to US\$ 11,817,181. No additional pledges have been made to the IF Trust Fund since the last IFWG presentation.

1.2 Pledges announced but not yet followed up with a contribution agreement are:

1.2.1 France – 500,000 Euros.

2. **Disbursements/remittances** (Table 1)

2.1 Total disbursements amount to US\$ 10,782,637. Included in this figure are most recent transfers of:

- US\$ 300,000 by Switzerland (the use of the contribution for Window I or II to be determined once the proposed Window II TOR has been finalised).
- US\$ 671,141 by Canada for Window II.
- US\$ 1,303,209 by Norway for Window I.
- US\$ 982, 222 by Sweden for Window I.
- US\$ 500,000 by the World Bank for Window I.
- US\$ 200,000 by the US for Window I.

2.2 As a result of new disbursements, the un-disbursed pledges have decreased to US\$ 1,034,544.

2.3 Of the reported disbursements for 2003, US\$ 2,985,431 has been earmarked for Window I and US\$ 971,141 for Window II.

3. **Approvals & Pipeline** (Table 2)

3.1 World Bank assessments are underway for the pipeline projects in Benin, Chad, Sao Tome & Principe, and Togo. Pre-Technical review for Maldives has been done by UNDP. Decision on requests from Angola, Laos, Zambia, Burkina Faso and The Gambia (US\$ 300,000 allocation each) has been deferred by the IFWG, pending conclusion of the IF Evaluation exercise.

3.2 The IFTF funded global project to support National Implementation Arrangements in 12 LDCs (less Cambodia and Mauritania) where the DTIS exercises are underway will require an amount of US\$ 500,000 from Window I. Donors have endorsed this decision.

3.3 Mauritania project in the amount of US\$ 195,000 has been approved for implementation by ITC.

3.4 The project to evaluate the revamped IF has an approved budget of US\$ 377,827.

4. **Net Position** (Table 2)

- 4.1 Under Window I, with the approval of the IF National Implementation Arrangements project and the IF Evaluation project (the only pipeline projects currently approved for Window I funding), the net position for year 2003 will reflect a surplus of US\$ 2,040,727.
- 4.2 Meanwhile, the approval of Mauritania CB project under Window II puts the net position at a surplus of US\$ 1,469,083.
- 4.3 These transactions result in an overall net position for the IF Trust Fund of US\$ 3,887,637 (as of report date).

5. **Discussion Issues** (IFWG & IFSC Plenary discussion)

- 5.1 Reappraisal of the IF National Implementation Arrangements project to be executed by UNDP (agenda item).
- 5.2 Consideration of World Bank and UNDP Technical Review of requests and the possible extension of DTIS support to other LDCs (list discussed in 3.1).
- 5.3 Clarification of the TORs of Window II to release funding for post-DTIS capacity building support, and the expected role of the IF Trust Fund. It is our hope Window II will receive new funds from donors and not simply transfers earlier made to Window I commitments.

IF PLEDGES & DISBURSEMENTS

Table 1
Date: 10 March 2003

Donor	Pledging Currency	Total amount (foreign currency)	Total pledges US\$	Total disbursed US\$	Annual disbursements US\$			Undisb. Pledges
					2001	2002	2003	
Belgium**	Belgium Franc	30,000,000	692,942	692,942		692,942		0
Canada*	Canadian Dollars	2,000,000	1,331,405	1,331,405	660,264		671,141	0
Denmark	Danish Kroner	2,500,000	281,168	281,168	281,168			0
Finland	Finish Markka	1,000,000	154,497	154,497	154,497			0
France	Euro	500,000	500,000	0				500,000
Ireland	US\$	299,950	299,950	299,950	299,950			0
Italy***		0	0	0				0
Japan**	US\$	500,000	500,000	500,000		500,000		0
Netherlands	Netherlands Guilder	874,500	330,000	330,000	330,000			0
Norway	Norwegian Kroner	14,000,000	1,815,155	1,815,155	511,946		1,303,209	0
Sweden	Swedish Kroner	12,000,000	1,310,780	1,310,780	328,558		982,222	0
Switzerland*	US\$	500,000	500,000	500,000	200,000		300,000	0
United Kingdom	US\$	500,000	500,000	500,000	500,000			0
United Kingdom	British Pound	1,000,000	1,428,572	1,428,572		1,428,572		0
United States	US\$	200,000	200,000	200,000			200,000	0
European Com.	Euros	200,000	172,712	138,168		138,168		34,544
UNDP	US\$	300,000	300,000	300,000		300,000		0
World Bank	US\$	1,500,000	1,500,000	1,000,000		500,000	500,000	500,000
TOTAL			11,817,181	10,782,637	3,266,383	3,559,682	3,956,572	1,034,544

Distribution of funds						
Window 1	9,653,098	8,618,554	3,266,383	2,366,740	2,985,431	1,034,544
Window 2	2,164,083	2,164,083	0	1,192,942	971,141	0

Notes

*CAD 1,000,000 of Canadian pledge is for Window II.

*Once the TOR for Window II has been finalised, Switzerland will decide on the use of their pledge of US\$ 300,000 to either Window I or II. However, based on previous discussions and until then, the amount is being placed under Window II.

**Contributions to Window II.

***The Italian pledge was removed from the IFTF and transferred to ITC.

INTEGRATED FRAMEWORK: CASH FLOW
(As of 10 March 2003)

Table 2

		2001		2002		2003	
		Window 1	Window 2	Window 1	Window 2	Window 1	Window 2
Opening Beginning Balance		\$0	\$0	\$2,366,383	\$0	(\$66,877)	\$692,942
Remittances		\$3,266,383	\$0	\$2,366,740	\$1,192,942	\$2,985,431	\$971,141
Pilot Countries Approvals	Cambodia	\$300,000			\$500,000		
	Madagascar	\$300,000					
	Mauritania	\$300,000					\$195,000
	Sub-total	\$900,000	\$0	\$0	\$500,000	\$0	\$195,000
Old IF Countries Approvals*	Bangladesh			\$300,000			
	Gambia			\$300,000			
	Haiti			\$300,000			
	Tanzania			\$300,000			
	Uganda			\$300,000			
	Sub-total	\$0	\$0	\$1,500,000	\$0	\$0	\$0
Window I Approvals**	Lesotho			\$300,000			
	Malawi			\$300,000			
	Senegal			\$300,000			
	Yemen			\$300,000			
	Ethiopia			\$300,000			
	Nepal			\$300,000			
	Eritrea			\$300,000			
	Djibouti			\$300,000			
	Burundi			\$300,000			
	Mali			\$300,000			
	Guinea			\$300,000			
	Sub-total	\$0	\$0	\$3,300,000	\$0	\$0	\$0
Window I Pipeline***	Benin						
	Chad						
	Sao Tome & Principe						
	Togo						
	Maldives						
	IF Evaluation					\$377,827	
	National Implementation					\$500,000	
	Sub-total	\$0	\$0	\$0	\$0	\$877,827	\$0
Total Expenditures/ Approvals		\$900,000	\$0	\$4,800,000	\$500,000	\$877,827	\$195,000
Net Balance		\$2,366,383	\$0	(\$66,877)	\$692,942	\$2,040,727	\$1,469,083
End Balance (Windows I & II)		\$2,366,383		\$626,065		\$3,509,810	

*Project documents for the five old IF countries signed in January 2002 with total budget of \$1,5 million.

**Regional project document for year 2002 will cover 11 countries at total cost of \$3,3 million.

***Pipeline projects not yet cleared for inclusion into the Regional project. However, once approved, the pipeline projects will require a total of \$1,5 million. This will put Window I balance at \$540,727.

ANNEX 4

DRAFT

Version Dated: 13-03-03 - 17h

The Integrated Framework Trust Fund, Window II – Framework for its expansion and effective use as a tool for immediate follow-up to the DTIS

I. The need for interim measures

1. The Pilot Scheme for the IF has, as one of its agreed principles, the “mainstreaming” or “integration” of trade into the development plans of the partnering LDCs. It was, and continues to be, understood that the funding for the identified TRTA/CB would come through regular channels of donor/government cooperation. During the course of the pilot however, it became apparent that there can arise, in some cases, a gap between the completion of the DTIS, the integration into either the PRSP or another recognized development instrument and the resultant Consultative Group or Roundtable funding process. This gap can be attributed to the fact that LDC governments and donors require time to adjust their programs and funding. Nevertheless, this gap was identified recently by the IFWG to be one of the most serious challenges to the follow-up to the DTIS and therefore to the IF, requiring resolution on an urgent and priority basis”. Interim measures to deal with pressing needs over the period between DTIS finalisation, mainstreaming of trade into policy, and donor mobilisation are therefore proposed for adoption by the IFWG and IFSC such that they can begin to be put in place as quickly as possible.

2. The problem of follow-up to the DTIS is fully discussed in a separate paper prepared for, and in consultation with the donors, Agencies and LDCs, by John Croome, entitled “The Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries: Delivering early concrete results – problems and possibilities”, 2 December 2002. As identified in this paper, the elements that are crucial to effective follow-up include: government commitment to the IF process; establishment of, and donor/agency support for, a national focal point for coordinating mainstreaming; identification of priority projects and early focus on a few modest and “quick-win” projects; donor funding; and continuing review of progress. The report recognized that the main responsibility for follow-up on the DTIS lies with the partner LDCs and that DTIS must be followed by a national process and national activities. In some cases, there is a need for financial assistance in support of these efforts which should, and generally will, come from bilateral and multilateral programs. The basis of this proposal is the acknowledgement that there is the need to strengthen the availability of funds in the short term and in certain cases. Window II of the IFTF, as an integral part of the multilateral IF structure and process, is the recommended mechanism for this purpose. The UNDP is the “trustee” for the IFTF and would continue as such for the enhanced “Window II”.

3. Improvement of the IF process, which should result from the evaluation (results by May/June 2003) will have to be complemented by arrangements that allow prompt funding of “quick deliverable” follow-up projects. At present, such short term measures appear to be insufficient. Consultative Group meetings and Donor Roundtables (CG/RTs) are not designed to consider short-run trade-related projects, and in any case often take place well after the DTIS. As experience from the pilot IF process builds up, and is assessed in the coming evaluation, it is necessary to develop effective mechanisms for donor coordination and response to the priorities identified in the DTIS. Meanwhile, however, LDCs have immediate TRTA/CB needs, notably in order to participate effectively in the current WTO negotiations and to build the institutional capacity required to continue the mainstreaming process.

4. In these circumstances, both the donors and the IFWG need to reconsider the strict interpretation that they have applied up to now in the use of Window II of the IF Trust Fund.

5. The present proposal does not envisage any change in the use of IFTF Window I, which would continue to operate as a "non-earmarked" fund dedicated to DTIS diagnostics and, for use for the extension of the program of "Strengthening of the National Implementation Arrangements of the Integrated Framework". The IFWG and IFSC would also retain their present responsibilities as the IF decision-making authorities.

II. Recommendations

6. **The proposal below would require an extension of the IF as a “pilot” scheme** until the use of Window II in an enhanced fashion could be evaluated. Such an evaluation would need to take place no later than the 6th Ministerial.

Use of Window II

7. It is recommended that **Window II of the IF** continue to be an "earmarked" fund, and that its use remain within the confines set by its original mandate. However, **both the earmarking and use of these funds would be extended beyond the stricter limits currently applied.**

8. The IFTF was established primarily to assist LDCs “in developing the necessary analytical and policy framework for mainstreaming trade into national development strategies, and for developing costed proposals for programmes and projects”.¹ The present IFTF mandate also permits the use of Window I or Window II funds in “limited and exceptional cases” for selected TRTA/CB projects, and there are some precedents for the use of Window II funds in this manner, most notably in Cambodia. Such projects should, however, “only relate to human capacity building” and should “be properly integrated with other relevant projects identified within the programme of assistance elaborated by the IF”. In view of the recognised importance of institutional capacity building, it is recommended that the IF Steering Committee adjust the latter condition so that IF funding of projects relating to institutional capacity building, as well as human capacity building, would be possible. Infrastructure investments and running costs would continue to be excluded from the scope of Window II funding.

9. On this basis, it is recommended that, in addition to the purposes for which Window II is at present used, (namely for targeting to specific regions or specific countries – targeting which is not specifically noted in the IFTF terms and therefore needs also to be added) it should be able to provide funding for specific projects of TRTA/CB which emerge as priorities from the DTIS Action Matrices and which qualify for such treatment in the light of the considerations set out below. The level of funding for qualified projects is dependent on available funds in Window II and the overall long term objective of equitable distribution amongst LDCs having completed their (recognized) DTIS Action Matrices, whether funded by the IF Window I or by bilateral means, **and met all criteria**. As a general indication of the level of funding, but without being categorical, two examples of the types of activities being envisaged are: legislative reform which in one DTIS was costed at less than US \$200,000 or specialized technical assistance in a critical area such as, for example customs valuation, TBT or SPS which might be estimated at around US\$300,000. It is important to stress that these projects would be **quick deliverables**. What is NOT ENVISAGED is funding for projects which would deal with physical constraints such as ports, roads or factories. These larger-scale and longer-term needs must be funded through the Consultative Group or other Development Mechanisms. The project would have to be programmed for completion within three years, at most, of its approval² and applications for use of the fund would need to be received within one year after the DTIS Completion Workshop.

¹ “Integrated Framework – Proposal for a Pilot Scheme” (WT/LDC/SWG/IF/13, Annex).

² This requirement would not exclude the funded project from forming part of a larger initiative that would take longer than three years to complete.

Project choice and funding

10. The next section lists a number of considerations that should guide decisions on use of Window II funds to help in implementing the Action Matrix of the DTIS.³

11. In more concrete terms, examples of the kind of short-term, quick-win projects envisaged might be (a) “strengthening” projects that would add skills or management capacity to people involved locally in the trade mainstreaming process and, in particular, reinforce the effectiveness of the focal point; (b) support to the process of developing projects from their identification to their being ready to present to donors; and (c) assistance, for example, in preparation of a legislative proposal, in solving a customs problem or in bringing an exportable product into conformity with SPS requirements of potential foreign markets.

Essential criteria

12. The following five (5) criteria are considered to be essential for project selection and approval:

a. **Demonstrated Commitment by Partner Country and Conducive Environment for successful delivery of the project:** This would include: clear description of the consultative mechanisms employed by proponents, detailed information about meetings of Ministries of Trade, Finance and Planning and others as appropriate, details about the relationship between the IF committees and PRSP committees, clear descriptions of actions taken by LDC to implement DTIS action matrix activities which are within LDC responsibility, plans for in-kind contributions to the proposed activity(ies), clear demonstration of outreach to donors on TRTA/CB matters, links with private sector, civil society as appropriate, sufficient human resources capacity to deliver the project, etc.

b. **Demonstrated Efforts to locate traditional sources of funding, possibilities of leveraging other funds and no duplication of efforts:** This would include a transparent and complete mapping of donor (including Mission Administered Funds) and national resources that are available immediately or that could become available in the near or longer term future for meeting short and long-term DTIS matrix priorities. It would include an indication of how the funds administered under the "Strengthening of the National Implementation Arrangements of the Integrated Framework" have been taken into consideration and used. It would identify how limited funds from Window II would potentially leverage other more substantial funding.

c. **Activities which meet the fund parameters:** These are described in paragraphs 8 and 10 above. In addition to such characteristics as short-term, urgent need, quick deliverable, traditional development project criteria are also applicable. They include: cost effectiveness, coherence, possibility of effective implementation, sustainability, measurable indicators. Highly desirable are projects aimed at enabling institutional changes or strengthening human resources that will lead to rapid mainstreaming of trade into national policy.

d. **Coherence with PRSP/Development Plans of Beneficiaries:** The project must be consistent with the basic objectives of the (I)PRSP and/or recognized Development Plan of the LDC and with integration of trade into these instruments. The process of working towards the integration into the PRSP must be demonstrated to have been activated.

³ This listing of relevant considerations for project approval would need to be further refined, possibly with an indication of those considerations (for example, those listed under “Nature of the project”) that should be given most weight.

e. **Priority within the Action Matrix of the DTIS:** It is recommended that a proposal must be within the top priorities identified by the Matrix. If a proponent requires additional assistance to further mainstream trade into the PRSP or Development Plan and/or to develop “fundable” project documents for their priority projects, then this could be identified as a priority itself within the Matrix and this can then be funded through this mechanism. The “trade” benefits of the project need to be clearly identified.

III. Proposed terms for contributions to Window II

Sources of funding

13. Donors, agencies and philanthropic organizations, whether from developed or developing countries, are invited to put monies into Window II.

Earmarking

14. **No earmarking, beyond "follow-up to DTIS", is the ideal.** If necessary for some donors, however, additional earmarking for specific beneficiaries, specific regions or specific types of activities (provided that these activities are identified specifically within the DTIS and respond adequately to the considerations listed above) is permitted. No funds can be earmarked to specific agencies, as the use of these monies must follow proper tendering procedures (see Management of Window II funds below).⁴

Management of Window II funds and procedures for their use

15. Following validation of the DTIS Action Plan, the LDC beneficiary country may put forward proposals for projects to be funded by Window II. Often the proponent will be the “IF focal point”. Such proposals shall be assessed by a Local Project Approval Committee (LPAC), on the basis of the considerations set out above. Membership of this Committee may vary from country to country, but it will be composed of a minimum of: the Ministry of Finance or Planning, UNDP Resident Representative or delegate (as trustee for the IFTF), the lead facilitating donor/agency and the World Bank Resident Representative or delegate (as the responsible Agency for Window I).

16. Approved proposals are then sent to the UNDP HQ. In its capacity as the Integrated Framework Trust Fund administrator, the UNDP will provide an oversight review of the proposal and proceed to fund according to the rules and regulations within which it operates. (Reference: UNDP Proposal, Integrated Framework Trust Fund – Procedures for Window II.) If funds are “earmarked” by a donor for a particular country or activity, UNDP will communicate with the donor(s) to ensure that any proposed projects, which would make use of their funds, would fit their particular criteria. **UNDP may refer to the IFWG, as and when needed, to seek guidance on such matters as, inter alia, funding limitations.**

17. Inputs required for the project shall be provided in accordance with the principles of competitiveness (use of internationally recognized competitive-bidding practices for procurement and acquisition of services and goods, in accordance with set UNDP principles), transparency in the selection process, and multilateralism (selection of inputs without regard to country of origin, but also encouragement of procurement within the LDC concerned). (Reference: UNDP Proposal, IFTF – Procedures for Window II).

18. UNDP will manage this process as its contribution to the IF. (Reference: UNDP Proposal, IFTF – Procedures for Window II). UNDP will provide regular reporting regarding both Windows I

⁴ Donors would still be able, if they so wish, to make resources available to specific agencies, NGOs and others outside the IF framework, but with specific reference to the DTIS Action Matrix.

and II. In addition to financial reports, results-based narrative reports will be provided. These will be based upon project by project service standards against which progress can be measured both in substance and as regards the processes.

Monitoring Review

19. This expanded use of Window II will be subject to review and adjustment in the light of a second evaluation of the IF Pilot Scheme which would occur no later than the 6th Ministerial. In the absence of such adjustment, it will terminate four years after the completion of the last DTIS to be undertaken under the revised IF.

ANNEX 5

Listed below are the website address links for the integrated framework:

<http://www.integratedframework.org/index.html>
<http://www.integratedframework.org/about.htm>
<http://www.integratedframework.org/mgt.htm>
<http://www.integratedframework.org/implementation.htm>
<http://www.integratedframework.org/diagphase.htm>
<http://www.integratedframework.org/countries/cambodia.htm>
<http://www.integratedframework.org/trustfund.htm>
<http://www.integratedframework.org/partners.htm>
<http://www.integratedframework.org/donors.htm>
<http://www.integratedframework.org/doctype.htm>
<http://www.integratedframework.org/sites.htm>
