EIF:
MEDIUM-TERM STRATEGIC PLAN 2016-2018

From idea to impact – a partnership supporting the LDCs in harnessing the power of trade, every step of the way

EIF Enhanced Integrated Framework

Trade for LDC development

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* As of December 2016

The EIF programme is supported by

Australia	Japan
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France	Sweden
Germany	Switzerland
Hungary	Turkey
Iceland	United Kingdom
Ireland	United States of America

EIF Core Partner Agencies

International Monetary Fund

International Trade Centre

UNCTAD United Nations Conference on Trade and Development

UNDP United Nations Development Programme

WORLD BANK GROUP

WORLD TRADE ORGANIZATION

EIF Observer Agencies

UNIDO United Nations Industrial Development Organization

UNWTO World Tourism Organization

EIF Trust Fund Manager

UNOPS

The EIF Medium Term Strategic Plan

Vision

TO SUPPORT LDCS IN HARNESSING TRADE AND AID FOR TRADE TO PROMOTE SUSTAINED, INCLUSIVE AND SUSTAINABLE GROWTH AND DEVELOPMENT

Principles

THE EIF SHARES A COMMITMENT TO PROMOTING AND CELEBRATING:

Partnership through increased coordination between development partners and the LDC governments enables targeted support to address priority needs of the LDCs, avoid duplication and maximize synergies.

Ownership of the programme by LDCs, ensuring that EIF support is demand-driven with LDCs managing their trade and development agenda.

Results for a sustainable impact based on the LDCs using trade for national development.

Strategic Goals

THE EIF WILL BE GUIDED BY FOUR OVERARCHING STRATEGIC GOALS:

1. Strengthening institutions and policy mechanisms
2. Reducing supply-side constraints
3. Leveraging resources for the development of LDC trade
4. Promoting gender equality and inclusive trade

Approach

FOUR STEPS TO ASSIST THE LDCs TURN TRADE FOR POVERTY ERADICATION FROM AN IDEA INTO A REALITY.

PRE-DTIS

- Laying the groundwork for integrating trade into an LDC's development strategy

DIAGNOSTIC STUDIES

- LDC-owned studies identifying the challenges and mapping the ways forward for LDC trade

TIER 1

- Institutional support to LDC governments and trade ministries

TIER 2

- Catalytic investments in key areas identified by the diagnostic studies

Contents

Messages from our Partners

WTO Director-General, Roberto Azevêdo

"There is no doubt – the EIF has delivered for the LDCs. The importance of the EIF in promoting inclusive and sustainable economic growth has been recognized by the global development community. Research shows that every dollar invested in Aid for Trade – of which the EIF is part – results in about 20 dollars of exports for LDCs. This is very significant. It shows the value of these initiatives, especially for the poorest countries."

Norway, Foreign Minister Børge Brende

Norway places great importance on the "integration of the least developed countries into the Multilateral Trading System. Trade is vital for development. At the same time, development assistance is necessary for the LDC's ability to take advantage of market access in other countries. The EIF is an important instrument and has for many years been Norway's main channel for targeted, trade-related development assistance to many LDCs. It was therefore natural for us to continue our engagement through the final phase of the programme."

Sweden, Minister for EU Affairs and Trade Policy, Ann Linde

"As a strong proponent for free and fair trade, Sweden believes that the Enhanced Integrated Framework strengthens the opportunities for the world's least developed countries to take full advantage of existing and future prospects for development through trade. We are encouraged by the EIF's commitment to take into account the lessons learned during EIF Phase One, to strengthen the focus on leveraging resources as well as improving monitoring and evaluation. Promoting gender equality and inclusive trade is crucial to maximize the impact of trade and development activities on people's livelihoods. It is therefore promising that this is one of the EIF's four overarching strategic goals in 2016-2018."

Lao PDR, H.E Khemmani Pholsena, Minister of Industry and Commerce

"Through the EIF Programme's unique support, we have the opportunity to truly exercise and benefit from the principle of country ownership defined in the Paris Declaration on Aid Effectiveness. The MoIC made the unprecedented decision to conduct its own DTIS - something never before accomplished "in house" by our government."

Guinea's Minister of Trade, Marc Yombouno

"Through the EIF, trade has emerged as a growth factor in Guinea contributing to poverty reduction, empowerment of rural women and strengthening of the capacity of human resources, including of young people, for a better future."

Foreword

For the EIF's catalytic investments, leveraging will be the watchword. Embedded into the project at every stage, leveraging strategies will aim to ensure the 'EIF vision' of strategic investments leveraged many times over.

An increasingly fast-paced, integrated and complex global trading system holds unprecedented opportunities but risks leaving the Least Developed Countries (LDCs) behind. How the LDCs manage participation in global and regional value chains, e commerce and services trade and how they tackle trade costs will be critical to fulfilling the role the Sustainable Development Goals (SDGs) envisaged for trade: an engine for growth and poverty reduction. Compounding these challenges, Aid for Trade (AfT) funds are increasingly under pressure from competing priorities and budgetary headwinds. LDC governments in 2016-2018 are going to be asked to do more with less in the face of staggering complexity.

The EIF enters 2016-2018 as the only global, multi-partner programme dedicated exclusively to helping the LDCs to navigate these turbulent waters. Throughout EIF Phase One, the EIF offered comprehensive support, assisting the LDCs from their first steps toward integrating trade into development strategies all the way to the implementation of catalytic projects in key sectors, as well as cross-cutting issues. The EIF's Diagnostic Trade Integration Studies (DTIS) served as the seminal blueprints for improving competitiveness. The Action Matrices they contained guided LDC, agency and donor investments in dozens of LDCs. The institutional architecture set up in the LDCs with EIF assistance has been the lynchpin to coordinate the often complex influx of AfT financing. The transition from EIF Phase One to EIF Phase Two offers the EIF an opportunity to build on these successes.

The period covered by this Medium-term Strategic Plan will see the EIF fully implement the EIF Phase Two transition changes, improving all aspects of the EIF's work. By the end of 2018, the DTIS should be more relevant and usable than ever and overwhelmingly managed by the LDCs themselves. Institutional support programmes will be highly tailored to each LDC government, supporting them where necessary but always moving toward sustainability and eventual full integration.

The ES will continue to examine our own procedures and that of the framework with a view to improving value for money, ensuring impact and mitigating risks. We will also look for every opportunity to strengthen the partnership, both in Geneva and on the ground in the LDCs. In doing so, we hope to continue relying on the generosity of our partners who have provided their advice, assistance and expertise throughout EIF Phase One.

The first three years of EIF Phase Two offer an opportunity to deliver strong results and communicate them effectively, contributing to implementation of the SDGs and making an unimpeachable case for replenishment funding in 2018 in the process. In 2016-2018, we will look to better communicate our vision, share our results and muster LDC champions for our work. There is much to be done, but the need for a truly Enhanced, Integrated, Framework partnership for LDCs has never been higher.

Ratnakar Adhikari
Executive Director
Executive Secretariat for the EIF at the WTO

2016-2018: New opportunities, new challenges for LDC trade

In the context of the rapidly evolving global trade landscape, the opportunities and challenges that trade offers for the LDCs have never been greater. International trade is more complex, integrated and fast moving than it has ever been, at the same time unleashing considerable opportunity. New understandings formed in recent years about the nature of international trade vastly broaden the policy toolkits available to LDC governments. New forms of connectivity, a deeper awareness of the power of trade facilitation and new international frameworks provide levers to unlock the AfT's potential for poverty reduction.

Trade ministries are faced with harnessing the benefits of trade in an inclusive, pro poor manner that is driven by the national interest. The pressures on LDC governments to deliver trade policies that support expanding livelihood options, empowering entrepreneurs and creating meaningful, rewarding jobs, are testing limited resources.

At the same time, donors face shrinking resources, competing priorities and increased scrutiny on their development budgets, constraining the ability of LDC governments to tap external resources. While there is an awareness of the imperative to bring the private sector's voice more fully into the trade for a development conversation, an active engagement can be challenging, especially in the LDCs where industry associations are still nascent.

New global consensus on the role of trade in ending poverty

Leaders, speaking through the establishment of the SDGs could not have been clearer: trade is an engine for economic growth and poverty reduction. A new global consensus has emerged. Trade will be critical to achieving many of the SDGs and never more so than in the LDCs, where so many of the challenges that the SDGs seek to address are at their most dire.

LDC growth – lingering global financial crisis

LDC growth slowed in 2015 and is expected to remain depressed throughout the period covered by this Strategic Plan. The LDCs' collective current account deficit increased to a record level of US$49.4 billion in 2014, 40% higher than in 2013 and 87% higher than in 2012. The merchandise trade deficit nearly tripled to US$33.6 billion in 2014, as imports rose by US$20 billion and exports fell by US$1.9 billion. With commodity prices projected to remain low, the LDCs risk being left behind by the benefits of trade and trapped at the increasingly less lucrative lower rungs of the international value chain. Yet, for all the risks, the potential benefits of trade integration have never been greater or more in reach.

Global and regional value chains – lucrative, but elusive

Emergent global value chains (GVCs) are fundamentally changing the traditional concept of production. Goods now include components or undertake transformations in as many as a dozen countries, sometimes leaving and reentering a single country multiple times at various stages of production. This is a paradigm shift, allowing new enterprises and exports in niche areas of comparative advantage. The LDCs have, however, struggled to engage in these value chains except at the bottom level of commodity production. Reversing this trend requires cultivating within the LDCs the right mix of policies, business climate, stability and trade-supportive infrastructure. This presents a formidable challenge to LDC trade ministries and governments. The potential benefits in terms of investment, jobs and growth for meeting these challenges, however, make tackling them imperative.

E-Commerce, ICT and services – new frontiers, new complexities

There is a near universal consensus regarding the opportunities offered by export diversification into the ICT and services sectors and the potential of e-commerce to enable an entirely new generation of exporters. Yet, where goods trade operates along within understood and comparatively straightforward legal and policy frameworks, the 'new export frontiers' can be far more challenging. Creating an export-friendly market for services, supporting nascent ICT industries, making wise long-term investments in telephony and internet infrastructure and many other challenges stand between the LDCs and the full benefits of e-commerce, ICT and services trade. LDC trade ministries will need to act in close collaboration with a wide range of agencies and stakeholders, some of them likely never before engaged. Designing policies and channeling capital influxes in a manner that paves the way for future growth will be a defining hurdle of 2016-2018.

Tackling trade costs – imperative but daunting

There is a great and growing awareness of the role that high trade costs play in diminishing the access of the LDCs to lucrative international export markets. The Fifth Global Review of Aid for Trade in 2015 concluded with a near consensus that trade costs were, in many poorer countries, as steep a barrier as the more traditional forms of distortion like tariffs, if not more so. Meaningfully reducing such barriers would create a quantum leap in the capacity of the LDCs to reap the benefits of global trade flows.

The Trade Facilitation Agreement (TFA), overwhelmingly likely to enter into force during the period covered by this Strategic Plan, created a blueprint and structure for addressing some of these costs. Entire new donor structures, such as the Trade Facilitation Agreement Facility (TFAF) and the Global Alliance for Trade Facilitation, have been stood up to support developing country efforts to tackle trade costs, lending their resources to those of established actors, such as the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the World Customs Organization and the World Bank. LDC trade ministries will be tasked with prioritizing which trade costs to address, navigating the complexities of the TFA and channeling donor capital in line with LDC priorities.

Donors – tighter budgets, competing priorities, greater scrutiny

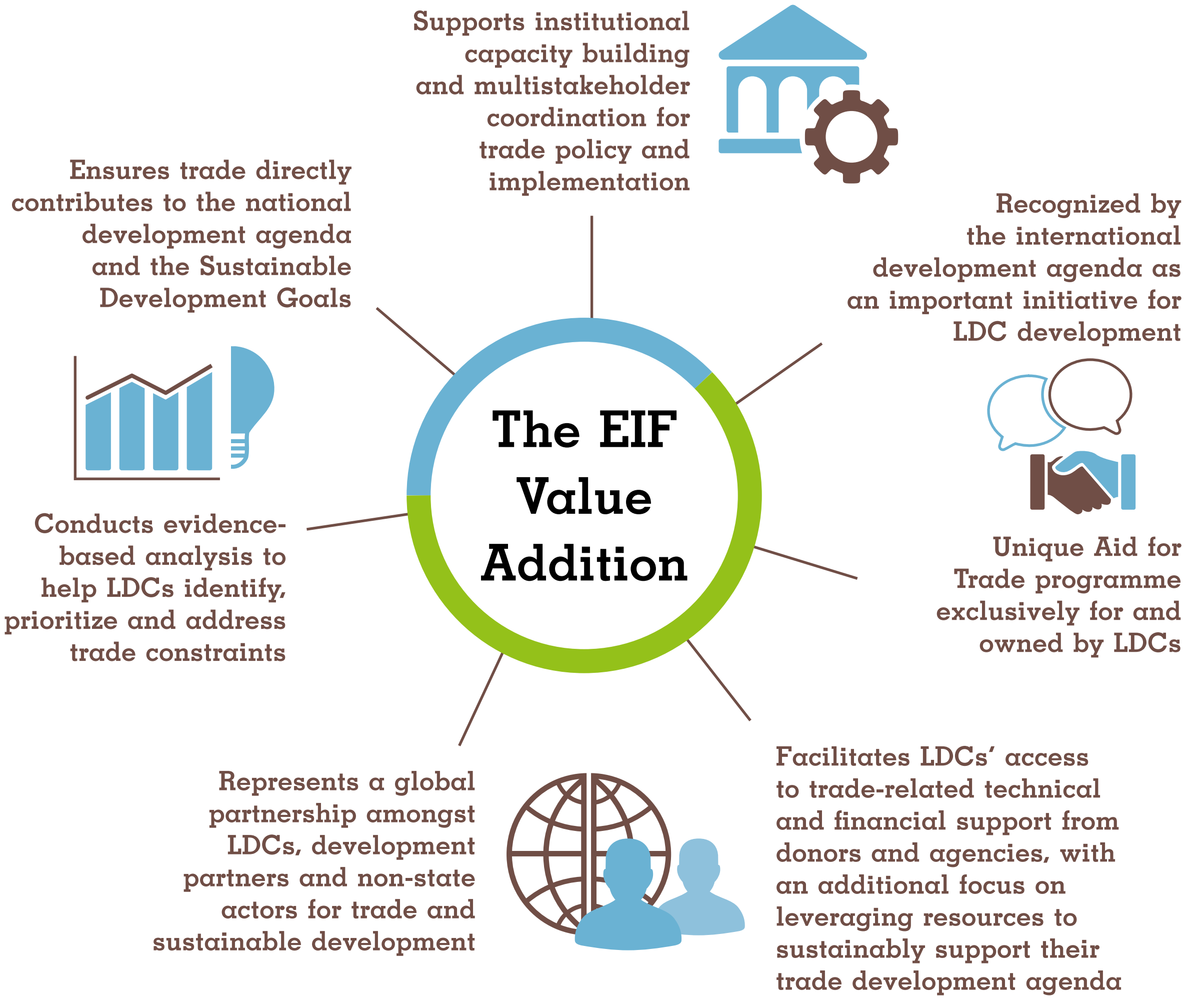
While AfT is a priority for many traditional donors, 2016-2018 is likely to see restricted growth in Official Development Assistance (ODA) spending, diversion of ODA toward competing priorities and intense public and bureaucratic scrutiny on all ODA programmes. The lingering financial crisis, the challenges of accommodating refugee and migrant flows and urgent priorities, such as climate change mitigation will stretch ODA thin. With funds less readily available and more closely scrutinized, the ability of an LDC to identify, design and pitch programmes that can generate sustained, value for money impact on poverty will be critical. Avoiding duplication, waste and fraud and building mutually reinforcing partnerships on the ground has never been more important.

The EIF: Unlocking Trade's Potential for LDC Growth, Together

Support LDCs in harnessing trade and Aid for Trade to promote inclusive and sustainable growth and development

The EIF initiative brings together LDC governments, donors and other development partners and helps them align their efforts toward a single, mutually desirable goal: harnessing trade for LDC growth.

The EIF provides tailored support to the 51 poorest countries on earth. In its first phase, the EIF provided support for 142 projects, with a total allocation of US$201.99 million. Although on a very limited scale, these projects have helped to create the kinds of jobs that lift people, particularly women and youth, out of poverty. The EIF's unique approach guarantees full LDC ownership, and the majority of EIF projects are co-financed by the LDCs themselves.



An AfT partnership for LDC development

The EIF is founded on a simple premise: AfT works for LDCs when it is aligned with government priorities and informed by the experience of international development agencies. This fundamental belief is embedded into the very DNA of the programme and reflected in its trilateral leadership structure.

An equal voice for **LDCs** ensures genuine ownership, not just of the results but of the framework. The LDCs believe in the programme and champion it across the multilateral system.

EIF Agency representation ensures that the latest in development thinking is brought to every discussion. The EIF Core Agencies, the International Monetary Fund (IMF), the World Bank Group, UNCTAD, the United Nations Development Programme (UNDP), the World Trade Organization (WTO), ITC and the United Nations Industrial Development Organization (UNIDO) bring invaluable expertise and considerable resources to the table. Their technical insight and reach ensures the best possible support to LDC stakeholders in meeting the challenges of 21st century trade. EIF Observers, including UNWTO and UNIDO, are also highly valuable voices and active participants within the Framework.

EIF Donors bring capital to the trust fund but equally importantly, their participation unlocks their networks and ensures that the EIF's work is integrated with bilateral, regional and global development efforts. The EIF's role as supporting the coordination of on-the-ground AfT efforts would not be possible without the buy-in from Donors that their representation facilitates.

UNCTAD, Secretary General,
Mukhisa Kituyi

"We look at [the partnership between the EIF and UNCTAD] as a learning exercise. It will be important for more efficient use of resources, avoidance of duplications and indeed, setting priorities that are consistent with inclusive prosperity; the key agenda of the post-2015 world that we inhabit today."

UNDP Administrator,
Helen Clark

"The EIF is uniquely well placed to help LDCs become better integrated in global markets. It has a track record of generating ownership of the reforms countries need to make, and of facilitating consensus across stakeholders. It has helped to strengthen key governing capacities in LDCs so that trade can be mainstreamed in national development plans."

ITC Executive Director, Arancha González

"The EIF has a primary role in helping LDCs understand what their constraints are to trade. It starts with understanding what your needs are. The EIF helps countries map constraints, map challenges, but it doesn't stop there. The EIF then moves on to address those challenges."

LDC-focused, LDC-owned, globally mandated and locally impactful – the EIF partnership makes AfT work for the LDCs

LDC focus

The EIF is the only multi-donor global AfT fund exclusively for the LDCs. It works on the trade-related challenges of the world's poorest countries, assisting them at every stage of their journey to leverage trade for growth and poverty reduction.

LDC ownership

The EIF is structured around an ironclad belief that in order to be sustainable, improvements in an LDC trading environment must flow from the positions of the LDC governments themselves. The EIF does this in two ways. First, it enshrines within the leadership structure of the EIF a full and equal voice for the LDCs. Second, it operates in a manner that demands an active and consistent engagement from the LDC government.

Global mandate, local legitimacy

The EIF has consistently been cited as a programme of singular importance to the LDCs. Leaders and ministers noted its importance and work by name in every major recent outcome document. Most recently, this included the Sustainable Development Goals, the Addis Ababa Programme Agenda on Financing for Development, the WTO 10th Ministerial Conference Outcome document and the UNCTAD XIV Maafikiano. Most notably, in every case, this inclusion was pushed for by the LDCs themselves, an expenditure of political capital that speaks to the importance they place on the EIF.

Bringing actors together

The status of the EIF and the level of engagement it draws from the highest levels of government within the LDCs combine to give it significant convening power on the ground. AfT is a crowded and often confusing place, with an overlapping web of government departments, international agencies, stakeholders and NGOs, as well as bilateral, regional and global donors operating in this space. The EIF brings the high-level engagement required to get all these disparate voices around the table and the financial and technical assistance required to support their coordination once they get there.

The EIF delivers four broad types of interventions, designed to assist an LDC at every stage of integrating trade into its development strategy.

Vanuatu,
Hon. Deputy Prime Minister Joe Natuman

"The Enhanced Integrated Framework has a unique strategy of being a catalyst for projects, which in turn helps other donors and the government realize the benefits of trade. As a specific example, the Vanuatu Tourism Infrastructure Project (funded by the EIF and other partners) will enable local businesses to capture increased benefits of tourism, by improving the infrastructure for locals and tourists alike, boosting sustainable and inclusive development."

Liberia's Minister of Commerce and Industry,
Axel Addy

"The EIF is key to helping us deliver our post-accession agenda. As a global framework, the EIF forges a common understanding among core trade donors and our partner agencies. Through its projects, the EIF is a guarantee of financial support for a post-conflict LDC like Liberia."

The EIF and the SDGs

The EIF is specifically mentioned in the SDGs, particularly SDG 8a, and its work will be integral to achieving targets under many of the goals. Key linkages are provided below:

1 NO POVERTY

In the SDGs, leaders identified trade as an engine for growth and combating poverty. The EIF's work to support the LDCs in unlocking the power of trade in line with their own development strategies ensures that this vision rings true in the world's poorest countries.

8 DECENT WORK AND ECONOMIC GROWTH

Research shows that businesses that export thrive, grow and expand at far higher rates. By assisting the LDCs to break into new export markets through targeted aid for trade support, the EIF is empowering the next generation of entrepreneurs and small- and medium-sized enterprises to create well-paying, fulfilling jobs and drive economic growth.

The EIF believes that in order to be inclusive and effective, trade-driven development needs to be gender-equitable. By empowering women entrepreneurs and supporting them in becoming export champions, the EIF strengthens communities and builds the foundations for equitable, inclusive and sustainable growth.

Sustainability is embedded into the core of every EIF project, and that includes environmental and social responsibility. Even as the EIF works to assist the LDCs to enter the export markets of tomorrow, the partnership also provides the expertise to ensure that export growth does not occur at the expense of our planet.

17 PARTNERSHIPS FOR THE GOALS

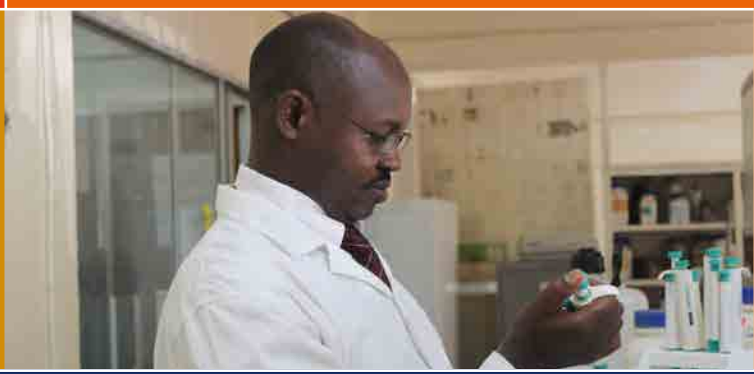
2 ZERO HUNGER

The LDCs are the frontline in the battle against world hunger. Natural disasters, conflicts and the impacts of climate change will increasingly mean that for the LDCs, effective trade is central to food security. The EIF's work in assisting the LDCs to diversify their production and reduce trade costs will be an important contribution to this effort.

5 GENDER EQUALITY

The EIF works with the LDC governments to achieve their priorities around diversification, industrialization and movement up global and regional value chains. The EIF helps the LDCs to identify key infrastructure and policy bottlenecks, prioritize among them and then leverage the finance to address them.

12 RESPONSIBLE CONSUMPTION AND PRODUCTION



9 INDUSTRY, INNOVATION AND INFRASTRUCTURE

As an equal trilateral partnership between the LDCs, EIF Donors and EIF International Agencies, few organizations embody the spirit of SDG 17 more than the EIF. Everything that the EIF does, including the contribution it makes to doubling the share of LDCs exports by 2020, is premised on bringing all stakeholders to the table, coordinating their efforts and aligning their work toward a common goal.

Four steps to assist the LDCs turn trade for poverty eradication from an idea into a reality

1. Pre-DTIS: Laying the groundwork for integrating trade into an LDC's development strategy

Before an LDC can identify and begin tackling its trade challenges, a solid foundation has to be established.

The EIF through its pre-DTIS projects builds that foundation. This includes sensitizing national stakeholders (key government, private sector and civil society representatives) to the importance of mainstreaming trade. It also identifies potential champions who can serve as coordinators for incoming AfT. These coordinators can later form the in country structures of the EIF:

- EIF Focal Points (FPs), who coordinate EIF activity in country;
- the EIF National Implementation Unit (NIU), which assists the FP with coordinating and monitoring project implementation;
- EIF Donor Facilitators (DFs), who provide a single coordinating point of contact for the donor community in an LDC; and
- the EIF National Steering Committee (NSC), which serves as a high level national dialogue between all trade and development stakeholders.

The pre-DTIS brings stakeholders into the process early, ensuring ownership and buy in. Through the NSC and NIU, it also begins to stand up a national architecture within which all stakeholders and all donors operating nationally can coordinate.

Importantly, all future EIF projects are prepared by the FPs and DFs in close collaboration with the relevant ministries. The skills required to develop a proposal to the world-benchmark standard of the EIF are retained in the country, and the time devoted guarantees genuine LDC government ownership and investment in the projects outcome.

During Phase One of the EIF, the programme undertook 11 pre-DTIS projects in 11 countries.

2. DTIS: Diagnostic studies, LDC-owned studies identifying the challenges and mapping the ways forward for LDC trade

A signature project of the EIF, the DTIS, is a comprehensive analysis identifying constraints to competitiveness, supply-chain weaknesses and sectors of greatest growth and export potential.

Developed in close partnership with the highest levels of the LDC government, the DTIS is far more than an academic study. It is a deep-dive analysis of trade's role in development by leading experts in partnership with the LDC government and key national stakeholders. By combining their own resources with that of the EIF Agencies, LDC governments partnering to undertake a DTIS are able to mobilize significant and broad expertise and vast networks to feed into the formulation of a truly comprehensive and relevant analysis.

Perhaps most critically, every DTIS includes an Action Matrix. This document lists, in priority order, concrete actions that can be taken to most efficiently improve the trade competitiveness of an LDC. Validated and approved by all key stakeholders through an EIF-convened process, the Action Matrix offers a blueprint for policymakers and donors alike to most efficiently and effectively improve LDC trade competitiveness, tackle poverty and create jobs. The latter, in particular, can use the Action Matrix to target their AfT support

During Phase One of the EIF, the programme supported 8 DTISs and 37 DTIS Updates.

Box 1: Mauritania's DTISU targets diversifying the economy and putting women small and medium sized-enterprises (SMEs) front and center

The DTISU of Mauritania was completed in 2015 and launched in early 2016 by the Government of Mauritania, the donors, the private sector and civil society representatives. The preparation of the report was supported by the EIF and the Mauritanian Ministry of Trade, with technical support by the World Bank Group. The report covers a macro-level green growth and trade analysis, including a sector analysis of fisheries, agriculture and services (ICT, transport and tourism). The report proposes a shift from a heavy reliance on the Government to a diversification of the economy through private sector development, including an explicit gender perspective, underlining the importance of small-scale women traders and entrepreneurs in the national economy.

Fisheries and agriculture remain key sectors and therefore have a particularly strong potential to reduce poverty through high value-addition along their value chains. In addition, tourism has a long term strategic potential, given the advantage of Mauritania's sizeable cultural heritage and vast desert lands. Women are key players in the fisheries, agriculture and tourism sectors.

The DTISU emphasizes that a diversification of Mauritania's economy could lead to the development of a reliable, high-quality supply of fisheries products, animal products, gum arabic products and other agricultural products. It further showed that the country was well placed to take advantage of its proximity to Europe by accessing markets in Europe and at the same time capitalizing on its position to tap into markets in Africa.

3. Tier 1: Institutional support to LDC governments and trade ministries

Even with successful stakeholder engagement through the pre-DTIS and an agreed Action Matrix arising from a DTIS, the administrative and management challenges of integrating into the global trading system remain formidable. The successful coordination between government departments, regulators, the private sector and other stakeholders is both vital and a huge challenge. By delivering tailored support to the LDC trade ministries undertaking this vital work, the EIF fills a critical niche in the global effort to improve LDC participation in trade.

The EIF, through its support to EIF National Implementation Arrangements (NIAs), assists with the creation of NIUs and NSCs, which coordinate the delivery of the LDC's trade and AfT strategy. They also benefit from tailor-made capacity-building and support in trade-related technical assistance and programme and fiduciary management. These dedicated resources become integral to government operations around channeling AfT to where it (according to the DTIS) can have the most impact. They also serve a vital coordination function, reaching out to, compiling input from and bringing together all the stakeholders with a vital voice in the integration of an LDC into the global trading system.

During Phase One of the EIF, the programme provided support to 40 NIAs in 40 EIF Countries.

Box 2: In Lao PDR, a multi donor trust fund brings donors together as one, implemented through the EIF NIU

In Lao PDR, donors have come together to support Lao PDR's trade goals through a multi-donor trust fund, the Trade Development Facility (TDF). The TDF is administered by The World Bank and implemented by the Ministry of Industry and Commerce through the EIF supported NIU. Its objective is to support the implementation of the Government's trade and integration priorities as outlined in the 2012 DTISU funded by the EIF, and in particular to contribute to improved competitiveness and diversification.

Moreover, the Programme Executive Committee (PEC), which is a working group on trade and private sector development, chaired by the Minister of Industry and Commerce, has been established as a combined steering committee for all TRTA, including the EIF and the TDF. It serves as a critical forum, bringing together trade related institutions, development partners and the private sector, to discuss and implement AfT initiatives. All work plans and reports are consolidated and reviewed by the PEC. The monitoring arm of the PEC is the Project Review Committee, which meets regularly to monitor the implementation of TRTA projects. It is chaired by the EIF Focal Point (FP) – the Deputy Director General of Planning and Cooperation Department.

4. Tier 2: Catalytic investments in key areas identified by the DTIS

Through its Tier 1 projects, the EIF assists the LDCs in mainstreaming trade into their development strategies, identifying their trade constraints and establishing national coordination units to ensure unified action on AfT priorities. Through Tier 2 projects, the EIF leads by example, identifying projects within the Action Matrix where a catalytic injection of funds could be leveraged into a disproportionate impact.

Beyond assisting the beneficiaries directly, Tier 2 projects deliver three critical secondary benefits.

- First, by working with the assistance of the ES and the EIF Trust Fund Manager (TFM) develop and refine a multi-million dollar investment proposal, LDC trade ministry staff gain invaluable experience and confidence;
- Second, by delivering palpable success in alleviating poverty and creating jobs through trade, EIF Tier 2 projects reinforce the confidence of LDC governments and citizens in the transformational power of trade integration; and
- Third, because the EIF makes every effort to deliver its Tier 2 projects to all LDCs sequentially, its work often serves as a beachhead or proof of concept, delivering results that can be scaled up in areas and countries where other donors are reticent.

During Phase One of the EIF, the programme delivered 36 Tier 2 projects in 27 EIF Countries.

Box 3: EIF Partnership rejuvenating livelihoods in Vanuatu

The EIF is helping Vanuatu to rebuild its vital tourism infrastructure and regenerate the seafront precincts in Port Vila, which were in bad shape and then destroyed by tropical cyclone Pam in 2015. As a consequence, all trading activities were drastically reduced, critically limiting job and income opportunities in this Pacific LDC. Now, with the launch of the Vanuatu Tourism Infrastructure Project in August 2015, in partnership with the Government of New Zealand and the Government of Vanuatu, hope is being restored. The project will ensure an integrated approach to environmental management, with improved resilience to natural disasters and climate change. For example, the building of a rock revetment along the bay will help protect the coastline from further erosion due to cyclones and sea level rise.

To Florence, a seller at the Arts and Crafts Market in Port Vila, this project means a new start for her and the **90 other members of her association**, to make an income, feed, clothe and send their kids to school. Florence, seated at the site where the former market was destroyed by the cyclone, looks around pensively and recalling in a bitter-sweet manner says:

"We would like to say thank you for this project. We would now have a well designed building where our products will be visibly displayed and therefore attract the tourists who can enjoy their time, relaxing, chatting with us and buying our wares."

Better deliverables for the LDCs

In an environment of increasingly complex trade challenges and a constrained budget, the EIF must be even more innovative in its methods and results-driven in its focus.

The period covered by this Strategic Plan offers an opportunity to implement the changes arising out of the EIF Phase Two transition, refine operations and deliver stronger results for the LDCs. It also provides an opportunity to re-examine how such results are communicated so as to make the strongest possible case for the EIF Trust Fund's replenishment in 2018.

Each EIF deliverable will need to be strengthened and refined in line with the changes from EIF Phase One and the new trade paradigm. In making these changes, the EIF will be guided by four overarching strategic goals:

Strengthening institutions and policy mechanisms

The EIF will focus on strengthening institutions and policy mechanisms, building the capacity of trade and trade-related line ministries and supporting policy design and implementation geared towards a pro-poor trade growth agenda.

Leveraging resources for the development of LDC trade

Leveraging resources for the implementation of the LDCs' trade development agenda remains a central focus of the EIF. Stronger relationships with in-country sources of finance, regional banks, global development agencies and bilateral development programmes will drive greater investment in LDC trade, better aligned with LDC national priorities.

Reducing supply-side constraints

The EIF will continue to support the LDCs in tackling the internal challenges they face to competing effectively on global export markets. Through diagnostic tools, assisting governments to undertake and sequence policy reforms and targeted catalytic interventions, the EIF will work to unlock the power of trade for poverty reduction in the LDCs.

Promoting gender equality and inclusive trade

The EIF will seek every opportunity to continue its role as a champion for addressing the specific barriers to trade faced by vulnerable or marginalized people. With a focus on poverty reduction, the environment and gender equality, the EIF will work alongside local institutions to develop policies that promote inclusive and sustainable trade.

1. The lessons of EIF Phase One driving the impacts of EIF Phase Two

The EIF enters 2016-2018 with a wealth of experience gained over the course of a successful first phase but with considerable resource constraints. The lessons learned during EIF Phase One, many of them already integrated during the transition, will need to be paired with an even greater focus on leveraging resources, improved monitoring and evaluation and the introduction of annual targets for multi-year projects.

At the **DTIS** level, the EIF has enjoyed considerable success. Trade has been mainstreamed or is actively being mainstreamed into the development strategies for most LDCs. There is a great and growing consensus among LDC governments that trade can be a potent tool to alleviate poverty and create opportunities for their citizens. This means that in 2016-2018 and beyond, the traditional DTIS project will become increasingly rare, supporting the last few LDCs without it to establish their basic EIF AfT architecture.

The 2016-2018 period will see a considerable updating and refinement of the **DTIS instrument and process**. The guidelines for the DTIS have now been revised, with a view to helping the LDCs to develop a document that is more usable, more relevant and a more potent tool for identifying sources of leveraged financing for the projects that the Action Matrix identifies.

A new generation of **DTIS Action Matrices**, designed in close consultation with donors and agencies, will be rolled out. These will take on board EIF Phase One feedback about the need to streamline these tools, making them more immediately usable by Donors, Agencies and LDCs alike. These new documents will become tools that all stakeholders keep at their fingertips when managing AfT flows into an LDC.

A positive trend, which emerged toward the end of EIF Phase One, is only likely to accelerate in 2016 2018. LDC governments are increasingly taking full ownership of and undertaking the DTIS themselves. The ES will support these efforts and assisting LDCs to manage the challenges that arise while ensuring accountability and value for money.

The EIF's support for **NIAs, often called Tier 1 projects**, was critical to the success of EIF Phase One. Significant progress has been made in assisting the LDCs to better coordinate and take ownership of AfT inflows. In some LDCs, the NIAs have been fully absorbed into the LDC governments, becoming units within the LDC ministries staffed and funded by the LDCs themselves.

2016-2018 will see the EIF thoroughly re-examine its approach to NIA support programmes in order to create interventions that are more bespoke and better aligned to the individual circumstances in an LDC. The aim will be the full integration of EIF structures into every LDC system. The EIF's cardinal principal of leaving no LDC behind means that the partnership will keep working to deliver solutions, regardless of the challenges.

Success in support to NIAs has in large part correlated with high level and consistent engagement by the LDCs. An EIF supported NSC, chaired at the ministerial level and held regularly, attracts broad participation and serves as an invaluable clearing house and control center for AfT inflows. In the absence of regular engagement and broad participation, EIF supported staff risk being related to dealing largely with EIF related issues. Designing NIA support programmes that attract high level participation will be a focus in 2016-2018.

The EIF's **Tier 2 projects** are the framework's largest budget items and as such will face the greatest pressure from the constrained funding situation after the 2015 pledging conference. The EIF will need to be maximally judicious in its consideration of Tier 2 project proposals, without sacrificing on its defining 'leave no LDC behind' approach.

The most recent independent evaluation found that Tier 2 projects were impactful and well targeted. 2016-2018 will see the EIF continue to focus on strategic impact, while making leveraging a central focus at all stages of the project pipeline. Leveraging plans will be incorporated into the project proposal requirements, and greater efforts will be made through the DTIS Action Matrix to connect Tier 2 projects with potential catalytic donors. More work will be done to engage the private sector and philanthropies, improving their visibility of EIF projects and demonstrating the value that investing in them could deliver.

The level of support (both financial and in-kind) from LDC governments themselves has never been higher. The majority of EIF projects include a strong co-sponsorship component from the LDC governments, and this is a trend the EIF will be looking to build on going forward. Not only do such contributions increase the impact of an EIF project by allowing fund money to go further, they also demonstrate LDC ownership and ensure an active and engaged participation by critical actors within the LDC governments. In Phase Two, the EIF will look for opportunities to continue to build on this trend. This will of course not be to the exclusion of project delivery by EIF Core Agencies and other relevant entities, where specialized expertise, value for money or other considerations suggest this is the best way to achieve sustainable impact.

2. New and improved interventions for EIF Phase Two

The transition to EIF Phase Two identified a number of interventions that the EIF can undertake to ensure the fulfilment of its objectives. These largely build on existing EIF interventions, bridging gaps and supporting implementation.

The DTIS Action Matrices identify a range of projects in an LDC that would have the greatest impact in support of the government's trade for development agenda. In EIF Phase Two, the EIF will place a greater emphasis on **feasibility support studies**. These reports, produced by the LDCs in partnership with the EIF and its affiliates, analyze the commercial viability and technical feasibility of select projects to ensure that they are achievable and impactful both practically and theoretically.

Experience during EIF Phase One has shown the need for a coordinated implementation of Action Matrices at bilateral or sub-regional level requiring cross-border cooperation, such as transit, transport and trade facilitation. The EIF will explore possible areas of intervention where it could play a catalytic and complementary role.

In line with the greater focus on leveraging in EIF Phase Two, the EIF will offer small **project preparation grants** to assist the LDCs in developing bankable project proposals based on DTIS Action Matrix priorities. With AfT budgets under pressure and intense scrutiny, the LDCs need to be empowered to prepare project proposals at the highest standards. A project preparation grant thus not only potentially unlocks a source of financing for a government priority project identified in the Action Matrix but builds the capacity of the LDC ministries to take full ownership of project preparation work in the future.

As discussed above, the integration of the functions of the NIUs and other structures established by the EIF within the LDCs has varied somewhat between countries. The NIUs in countries where full integration has not yet occurred are still doing vital work but are not yet in a position to continue without some assistance from the EIF. In order to support their transition toward full integration, EIF Phase Two will see the EIF provide **sustainability support**. This support will not be a simple extension of Tier 1 NIA support. Instead, it will be designed specifically around managing an eventual transition to full ownership of, and integration into, the LDC government and relevant ministry.

In 2016-2018, the EIF will aim to:

Strengthen institutions and policy mechanisms

41 EIF Countries with trade integrated in their **National Development Plan**

38 **Sector strategies integrating trade**

30 Quality **trade policies** updated

40 **EIF Countries with effective trade coordination mechanisms**

39 **DTIS developed** and/or updated

40 EIF Countries with effective functioning **public-private coordination** mechanisms

40% Increase in number of public officials **trained in trade** related areas

40% Increase in number of **private sector** representatives trained in trade related areas

38 EIF Countries with quality functioning **public-donor dialogue** on trade matters

15 EIF Countries **integrated EIF** implementation in national structures and processes

Promote gender equity and inclusive trade

30% of direct **beneficiaries** of EIF-funded projects are women.

120 awareness-raising activities conducted on **gender and environment** in relation to trade through EIF-funded projects

Reduce supply-side constraints

30 EIF Countries with quality information dissemination tools to promote **stakeholders engagement** in trade sector

24 New international markets accessed with support from EIF Tier 2 projects

135 Micro, small and medium-sized enterprises (MSMEs) supported by EIF projects.

80 Associations/ producers trained in **value chain** practices

2% Annual increase of **production volume** generated through EIF sector specific support projects

30% Increase in number of **people trained** to participate in the economy

Leverage resources for the development of LDC trade

60% EIF Countries receiving the EIF support able to **leverage resources** for at least 2 projects per year related to DTIS Action Matrix

40% new Tier 2 projects approved under EIF Phase 2 be significantly **co-financed**

45% EIF Countries with Tier 2 projects effectively implement **action plans** to leverage resources

The way forward: efficiency, effectiveness and value for money

In EIF Phase Two, a more dynamic ES will work to streamline its functions and further improve the value for money of its work. Continuing a process begun during the EIF Phase Two transition, the EIF will iterate and self-examine, testing every procedure and assumption through the lenses of efficiency and effectiveness.

EIF partners clearly stated during the launch of EIF Phase Two that they expect the ES to do more. EIF Phase Two will not be successful without the ownership and management of an **empowered ES** that provides timely and strategic guidance to drive the programme forward with efficient and targeted support from the TFM. LDC performance on fiduciary issues will increase their ability to manage and achieve results in accordance with international standards of transparency and fraud prevention.

The EIF will continue to foster **partnership** among all the EIF stakeholders. Difficult discussions about how the EIF should operate in EIF Phase Two saw all three EIF partner constituencies come together and agree on a series of reforms of unprecedented ambition. These reforms were codified into a Change Management Plan that is included in the Programme Framework for EIF Phase Two. The fact that the partners were able to come together and find common cause, even on the margins of tense negotiations ahead of the WTO 10th Ministerial Conference, speaks to the centrality of LDC development to all sides. In 2016-2018, the trust that was built as part of that process needs to be leveraged to forge a stronger and more aligned partnership.

Strengthening the **partnership on the ground** will also be a key priority. The level of coordination and cooperation between the EIF Agencies, the EIF Donors, the LDC governments and the EIF varied considerably during EIF Phase One. Adopting best practices from the LDCs where the partnership worked well and learning lessons from those where it could have been improved will drive better outcomes across the board. This would be further buttressed by applying tailored-made innovative approaches to suit the countries' needs and priorities.

Better engaging the **private sector** is increasingly a focus for international organizations and donors. Ensuring that the voice of the private sector is brought into the discussion in a manner that does not undermine LDC government ownership will strengthen results. Similarly, tapping into private philanthropies for financial and in kind support will provide expertise and funding for the entrepreneurial development that the EIF is aiming to nourish.

Wherever possible, the ES will look for opportunities to **find cost savings and improve value for money**. It has already delivered an early harvest through some proactive, 'quick-win' reform measures. Drawing on the expertise of the partnership, the EIF will undertake reviews of its procedures, practices and staffing levels to determine where room for improvement may lie. Wherever possible, in kind contributions of experts, resources and tools from within the partnership will be used to further improve the core funds return on investment.

EIF projects already demonstrate exemplary **sustainability**, but more can always be done to ensure that local capacities are strengthened to the point where EIF results become self-sustaining. Tier 1 'Support to NIAs' projects, reinforced by sustainability support, will be a particular focus of this effort.

While the EIF delivered impact and value for money throughout EIF Phase One, these results were somewhat not visible to the Donors and the public to demonstrate the EIF's critical role. Site visits on the sidelines of EIF Board Meetings in the LDCs have proven effective but ultimately insufficient in **raising awareness in donor systems of EIF project impact**. In 2016-2018, the ES will aim to rectify this through **improved communications material**, tailored outreach and a more structured approach to demonstrating the EIF's value as well as impact. Developing a **digestible, easy-to-understand narrative about the EIF** and its work will be a key TO this effort.

The presence of LDC governments as equal partners in the EIF offers tremendous access to potential **champions for the programme**. LDC ministers, ambassadors and officials have in the past delivered eloquent and forceful advocacy for the EIF. Working with the LDC and the EIF Donor representatives in Geneva, the ES will look to ensure that such messages reach the right recipients. LDC entrepreneurs, exporters and workers directly benefitted by EIF projects should also be supported and encouraged to make their voices heard, putting a human face on monitoring and evaluation statistics.

While much can be done to deliver pro-poor results that change lives and to improve the efficiency, effectiveness and value for money of the EIF, one fact remains inescapable: **a successful 2018 replenishment** is imperative to the EIF's continued relevance and effectiveness. This remains indispensable even if the ES is able to mobilize additional funding from both traditional and non traditional donors between 2016 and 2018.

The US$90 million raised at the EIF Pledging Conference in 2015 demonstrated the faith of the EIF Donors in the fundamental premise of the EIF and cautious optimism about the direction of agreed EIF Phase Two reforms. The US$274 million minimum target identified by the EIF Phase Two Programme Framework Document will not be reached without demonstrating and communicating good results. Results will remain the largest single goal of the EIF. The programme will continue to deliver high impact projects aligned with LDC government priorities that are sustainable and make a meaningful and measurable impact on poverty and achieving the SDGs.

Appendix 1: Executive Summary Evaluation of the Enhanced Integrated Framework

Purpose and Approach

The Enhanced Integrated Framework (EIF) is a multi-donor programme started in 2008 that works with Least Developed Countries (LDCs) to assist them in becoming more active players in the global trading system. It supports LDCs in mainstreaming trade into national development strategies and building the capacity to trade, including addressing critical supply-side constraints. The EIF is supported by a multi-donor trust fund with contributions from 23 Donors and a funding target of USD 250 million. The mandate of the EIF ends on December 31 2015, with project implementation continuing until December 2017.

Since 2008, the EIF has funded 120 Tier 1 and Tier 2 projects in 45 countries. Some of the Tier 1 projects have supported Diagnostic Trade Integration Studies (DTIS) and DTIS Updates aimed at developing a detailed understanding of the trade-related constraints facing the country and identifying pragmatic remedies and trade policy reforms. Priorities are outlined in a DTIS Action Matrix (AM). Other Tier 1 projects provide support to National Implementation Arrangements (NIAs) aimed at mainstreaming trade, building capacity within the country to implement trade strategies, coordinating Aid for Trade and trade related technical assistance and mobilizing resource for the implementation of the DTIS AM. Tier 2 projects assist with the implementation of priorities identified in the Action Matrix and build trade-related and supply side capacities. The intent is that they complement existing projects, fill gaps and be catalytic. To date, they have focused on agricultural value chains, trade facilitation, standards, tourism and textiles.

The current evaluation was commissioned by the EIF Board. Using a mixed methods approach, the evaluation assessed the relevance, effectiveness, efficiency, sustainability and potential impacts of the EIF programme. It looked at the global (programme) level, country (project) level and the intersection between the project and programme levels. The evaluation identified lessons, challenges and opportunities from implementing the EIF for future strategic programming. While this evaluation covers the period from October 2008 to August 2014, the intention in the Terms of Reference was that the evaluation would build on, and add to, the evidence and information emerging from a Mid-Term Review (MTR)[1] concluded in November 2012 and a Review of the EIF Trust Fund Manager Operating Tools and Procedures completed in April 2014.[2]

[1] Saana Consulting. November 15, 2012. “Mid-Term Review of the EIF”.
[2] Dalberg. April 2, 2014. “Review of EIF Trust Fund Manager Operating Tools and Procedures: Final Report”.

Findings

Relevance

All the evidence streams confirmed that the EIF remains relevant to and supports the trade needs of LDCs. The Tier 1 and Tier 2 windows were seen to be flexible enough to adapt to local conditions. The DTIS and DTIS Updates were important for setting priorities and developing an approach that links into other national development plans, strategies and institutions. The process of the DTIS, the operation of the National Implementation Unit (NIU) and National Steering Committee (NSC) brought people together and acted as a common platform for interaction and coordination of efforts. This built a common understanding of and a basis for moving forward on trade issues. Tier 2 projects were seen to be even more important since they are tackling concrete constraints to trade. Several new funding windows have been opened as well to improve flexibility of support to LDCs including for feasibility studies under Tier 2, trade mainstreaming and International Trade Advisors (ITAs) under Tier 1 NIA Support.

To maintain its relevance, however, the EIF needs to reassess how it is approaching a number of key issues. The intention is to ensure that sufficient flexibility is maintained in programming approaches in the future to allow LDCs to understand the changing global environment and chose strategies that best fit their context. For example, increasing globalization has begun to change how trade operates globally. One key trend is a shift away from a focus on exports to joining the right value chain. The growth of global value chains has increased the extent to which economies are interconnected, triggering increased specialization within value chains on certain stages. How LDCs relate to these changes needs to be considered at the country level in setting priorities, mainstreaming trade, undertaking policy reforms and structuring Tier 2 projects. Some LDCs will have exports as the best prospect; others may be able to link to global value chains. EIF should be able to facilitate whatever option is appropriate at the country level.

With this shifting context, the role of the private sector in the EIF programme needs to be better defined and looked at more strategically. The private sector is active currently in advising on the DTIS and sectoral plans, participating in the NSC and public-private consultation mechanisms and assisting to operationalize some Tier 1 and Tier 2 projects. Recent issues have arisen about their potential role in Tier 2 projects, however. This has highlighted the narrow approach that has been taken to date by the EIF in terms of engagement with the private sector. To meet the trade agenda of an LDC, the private sector, both domestic and international, plays an important role and this role needs to be facilitated by the EIF programming. This includes considering the private sector in the resource equation—not as an EIF funder but as part of the aid, trade and investment equation.

In addition, the growing emphasis by LDCs on regional and bilateral trade agreements means that the EIF will need to think how it can support new opportunities that are emerging on a regional level. The EIF is country focused which makes regional efforts more complex to undertake since cross-country implementation is not allowed. LDCs are increasingly looking to these regional arrangements, however, for developing stronger networks and linkages. Some programming is being done at the country level to meet regional obligations. New options for programming that can addresses regional frameworks and relationships need to be considered so that EIF can support the regional opportunities and requirements of the LDCs.

Effectiveness

Institutional and management capacity has clearly been built in many of the countries that have received Tier 1 funding although variations across countries continue. The ability to formulate trade strategies and plans has improved in recent years with 50% of the countries now having good quality trade strategies in place including Malawi, Maldives, Liberia, Comoros and Nepal. Other countries are close to completing their trade strategies including Chad, Lesotho and the Solomon Islands. The ability to implement the plans and strategies remains weaker, however. One reason is that trade continues to receive more limited resources at the country level from both government and donors. This impacts the ability to implement the trade plans that are generated and continues to be a frustration for LDCs.

Mainstreaming trade into other plans and strategies remains an important issue for LDCs and the EIF has contributed to this in many of its Tier 1 countries. A total of 28 countries (78%) have now successfully integrated trade into the national development plans, generating broader support for the trade agenda. In a number of countries, the DTIS Updates played a key role in the national development plan process including in Burundi, Chad and the Democratic Republic of the Congo. Sector plans are also increasingly having a trade focus. Almost all (91%) of the countries with Tier 2 projects have sector plans that include trade.

Building broad based support within a country remains a challenge. Modules have been developed and rolled out to build capacity to mainstream. New approaches are being developed and funded to have more customized support for trade mainstreaming based on needs assessments, strengthening advocacy for mainstreaming and enhancing inter-ministerial coordination mechanisms on trade and development. The importance of all of these was confirmed with stakeholders since gaps still exist in terms of the extent to which trade is becoming embedded in policies, plans and processes within some countries. Substantial differences are seen across EIF countries in terms of the progress being made.

The EIF is a framework for coordination and integration of efforts focused on trade-related issues and resources. The intent is to have the DTIS AM identify priorities that can be funded by other donors or through the Tier 2 projects. Under the EIF model, the Donor Facilitator and the Focal Point work together to facilitate donor coordination and the donor–government dialogue on trade issues and AfT. This approach has worked well in some locations and produced solid results. In others countries, it has not worked at all. The extent of coordinated delivery around the AM varies widely as a result and some new approaches may need to be taken to improve coordination.

This is further reflected in the more limited results seen on the fourth outcome—securing resources. The EIF is intended to act as a catalyst to bring donors and LDCs together around the DTIS AM. While 22 countries have had some success in mobilizing resources, in some cases the amounts are quite small. Only a few countries have more substantial resources being leveraged from donors. Overall, there is recognition that more resources need to be leveraged around the DTIS AM. Different models are being tried now to mobilize more funds. Two countries—Lao PDR and Cambodia—have been using more sector wide approaches and have raised substantial funds. Others such as The Gambia are using donor platforms. Some countries such as Comoros are developing a Medium-Term Programme which indicates financing needs for DTIS priorities and encourages alignment.

Governments are committing more funds to the trade agenda, with 60% of the countries allocating funds to trade. However, the overall availability of resources at the country level limits their ability to effectively implement the trade strategies, making donors funds even more critical.

The lack of donor funding and the constraints on the government finances are causing the Tier 2 projects to become more important at the country level. The Tier 2 projects are now being viewed basically like another donor funded project, which was not the original intent. The Tier 2 projects are considered essential to demonstrate results and the effectiveness of the EIF since other resources are not being mobilized. Tackling trade-related issues requires broader Aid for Trade support which is only slowly emerging but will be critical for substantial gains to be made in integrating LDCs in the global trading system.

The monitoring and evaluation system is now operational at the programme level and in all EIF Countries with Tier 1 projects. The training provided was well received and assisted in building capacity. Some issues still remain with the implementation, however, which may require some adjustments.

These issues include how to: effectively integrate Tier 2 projects into the EIF programme logframe; improve the interface between the EIF monitoring and country level systems; improve the capacity at the country level to monitor and evaluate; and fine tune some of the indicators.

Efficiency

While the number of approvals has accelerated since the MTR, the approval times for the various EIF stages have not significantly improved. A total of 37 countries have approved Tier 1 NIA projects with the average time from first proposal to first disbursement being 16.9 months. The number of approvals of Tier 2 projects has accelerated over the last two years since the MTR, however, the time required from proposal submission to first disbursement has not improved, averaging over 16 months in the last two years. The feedback received from a wide range of stakeholders during the evaluation highlighted their frustration with the complexity and slowness of the process to develop and receive approval for Tier 1 and 2 projects. In addition, implementation remains slow in some cases. For example, a total of 31 countries have received funding for DTIS Updates from the EIF, but only 13 of these have been completed and validated to date. A majority of the countries participating in the EIF have validated DTIS from prior to 2008 and the financial crisis.

The MTR concluded that the EIF had selected a complex, elaborate and expensive system of governance and management. Three organizational and governance issues were identified in the MTR as needing to be addressed. There was a need for: re-commitment by EIF partners; a movement away from micromanagement by the EIF Board; and a streamlining of overly prescriptive procedures.

While actions have been taken by the EIF Board and Executive Secretariat (ES) to address these concerns, issues remain and are continuing to decrease the overall efficiency and effectiveness of the EIF. The EIF Board continues to be involved in management level issues and decisions and this lengthens the approval and implementation processes. The amount of time required by the Executive Secretariat to serve the needs of the EIF Board and EIF Steering Committee was raised by stakeholders at the country level and donors as an issue in terms of the extent of support that the ES could provide to countries and the understanding the ES could have of the individual country contexts. In addition, the model of management and administration has proven more costly than anticipated initially anticipated.

The level of standardization of processes and procedures continues to be an issue raised across all stakeholders. The strictness of the application of procedures and processes and the rigidity of the approaches means that it is often difficult for countries to move forward in formulating or implementing projects. The result is frustration with the system. The transaction costs are high when dealing with the EIF. Added to this is the pace of implementation by some of the Main Implementing Entities (MIEs). This was raised in the context of both the DTIS Updates and the Tier 2 projects where some countries had limited leverage to not only ensure rapid implementation but to influence the achievement of results.

While the EIF mandate ends at the end of 2015, it is currently facing a funding gap where the pipeline projects exceed the funds available. The intention is to allocate the remaining resources based on a first come, first served basis. A better approach might be to focus on other criteria such as the extent to which gains made to date in individual countries can be consolidated, the momentum built can be continued and success and performance can be rewarded. This would mean placing higher priority on funding Tier 1 Phase 2 projects, trade mainstreaming and Tier 2 projects in countries that do not have current Tier 2 projects.

Sustainability

EIF has fostered local ownership of the trade agenda and engagement of a range of stakeholders in its implementation. In some countries, the prospects for sustainability are good. The greatest levels of ownership were seen when several approaches were implemented within the EIF support. The process of the DTIS and DTIS Updates was owned and managed by the country. The EIF structures were effectively integrated into existing mechanisms, ministries and groups with the country. Buy-in was obtained from other ministries outside of trade to ensure that trade was mainstreamed. The government was willing to engage with a wide range of stakeholders including the private sector and build a broad base of support.

Some concerns were raised about the ability to sustain the gains made at the country level, however. While exit strategies are developed during the proposal stage, the extent they are being implemented varies across countries due to a range of factors including budgets and priorities. For Tier 2 projects, questions are already emerging about how to reach a critical point where the efforts will become sustainable. For example, the value chain work requires extensive time and effort and will not necessarily be at a point, at the end of the current EIF mandate, where the linkages are able to be maintained without more outside support. This will mean that additional funding will need to be mobilized before the end of the Tier 2 funding.

Potential Impact

The EIF is starting to make progress on the purpose level result of assisting LDCs to become more fully integrated into the trading system through mainstreaming trade. Both direct and indirect contributions by the EIF programme are beginning to be identified. Some of the Tier 2 projects are showing signs that they are making progress in areas such as exports and employment growth, although the gains remain small on a relative scale. This is being seen in mango and the gum Arabic in Mali, sesame in Burkina Faso, cashews in The Gambia, mushrooms in Lesotho, honey in Zambia and Yemen and coffee in Burundi. Optimism is seen with stakeholders in terms of achieving results in the trade facilitation area and export capacity. Some countries, such as Liberia. Zambia and Burundi, have already improved their business environment. Cambodia and Lao PDR have improved customs and import export requirements.

However, the extent of the contribution to achieving these results will depend on a series of conditions being met—some are within EIF's control, others outside. The initial set of conditions focus on how well the Tier 1 and 2 projects are implemented including flexibility to meet country needs, alignment of donors to the AM, methods to build ownership and systems supporting the achievement of results. To achieve the intended outcomes and trade integration requires a series of other conditions. A critical mass of results will not emerge unless donors provide resources to fund other aspects of the AM. Trade needs to be further embedded into the approaches at the country level, making the mainstreaming activities particularly important. The outcomes need to translate into greater competitiveness of the private sector, an improved business climate and improved trade environment. The more these conditions are met, the greater the EIF contribution will be to the LDCs' trade integration.

Options for Future Programming

The EIF has been extended to December 2015, with implementation finishing at the end of 2017. The question then becomes what happens next? While designing a subsequent phase is beyond the scope of this evaluation, the ToR requested that an indication of the extent to which changes in programme strategy and delivery would be required for any future programming.

There are basically three options: allow the EIF to complete its work until 2017 and then end with no follow-up programme (phase out); extend the EIF mandate with a replenishment; maintaining the status quo with limited changes; or streamline with some rethinking and reshaping of approaches and strategies. Each of these options has pros and cons and must be assessed seriously by the EIFSC before a decision is made. This evaluation is recommending that option 3 be chosen.

Overall Conclusions

The overall conclusion of the evaluation is that the EIF remains highly relevant and important for LDCs' trade needs. The EIF is supporting LDCs in mainstreaming trade, clearly defining priorities and bringing stakeholders together to support the trade agenda. Gains are already being seen in achieving some of the targeted results. Initial indications show that many of the results have good prospects for sustainability. Signs are emerging that the purpose level outcome of trade integration is starting to be achieved in areas such as employment and exports. The progress on all these fronts varies widely across countries, with some showing more limited changes.

However, the EIF faces challenges that are undermining its effectiveness, efficiency and potential to maximize its impact. The governance structure and complexity of the approval and implementation processes continue to slow progress, decrease ownership and buy-in and dampen the extent to which results are emerging. Countries are struggling to mobilize the resources required to implement their priorities. Key stakeholders such as the private sector are not fully engaged as partners, despite the key role they play. The shifting trade paradigms and the emergence of regional trade agreements need to be fully integrated into EIF programming.

EIF is at an interesting crossroad, where it can reshape itself and move to a new level and, in the process, increase its relevance and impact. More streamlined and dynamic approaches are needed after the current EIF mandate. While many of the tools and approaches remain relevant, some fundamental rethinking is needed in terms of governance, procedures, roles and approaches to trade integration. If this is not done, the relevance of any initiative will decline, with partners and donors looking for other solutions. This current transition period should allow a fresh look at how best to support the LDCs in their ability to become global trading partners. Opportunities are there to make a significant difference to LDCs' trade prospects, but it will require moving to a new way of thinking, toward a more responsive and flexible.

Recommendations

Recommendations for the EIF

- **Recommendation #1 – Develop additional tools to assist the LDCs to better mainstream trade.** Two capacity development models are suggested for the EIF ES to develop. One is aimed at building a broader based knowledge of trade and its importance. The second focuses on enhancing specific skills for policy analysis.

- **Recommendation #2 – Work with agencies, donors and LDCs to determine how to better promote donor alignment and resource generation at the country level.** Three areas are suggested here for the EIF ES and EIF TFM to implement to improve the prospects for resources mobilization. The first is working with countries and donors, where the Donor Facilitator model is not working, to develop individual action plans to resolve the issue. The solutions will likely vary by country and require different models. The second is working with the Focal Points to ensure they understand their responsibilities and identify methods to improve collaboration between the FP and DF. The third is a forum where lessons can be shared among countries on effective and innovative techniques for resource mobilization.

- **Recommendation #3 – Work with MIEs to find methods to increase the pace of implementation of key projects, particularly the DTIS and DTIS Updates.** The first portion of this recommendation focuses on trying to accelerate the pace of implementation of the DTIS and DTIS Update. EIF ES and EIF TFM should convene a meeting of the main implementing agencies and countries and pinpoint obstacles in the process that are causing delays. Options for streamlining would be developed and discussed and support be provided to the MIEs for implementation of the changes if required.

  The second portion deals with the issue of the slow pace of implementation on some Tier 1 and Tier 2 projects. The EIF ES and EIF TFM would identify the projects that are behind schedule and the issues they face. An action plan would then be developed to better facilitate the resolution of issues with various types of MIE.

- **Recommendation #4 – In the short term, select pipeline projects for funding from the available resources in the EIFTF by a criterion other than first come first served.** With the current funding gap, only a portion of the projects in the pipeline will be able to be approved until new funds are released into the EIFTF. The evaluation is suggesting the following approach to allow a consolidation of gains and continue the momentum built to date in order to maximize results. The priority sequence would be: #1 – Support to NIA – Phase 2; #2 Trade Mainstreaming; #3 - Tier 2 projects in countries without an existing Tier 2. As additional funds are placed into the EIFTF, the priority sequence could revert back to the first come, first served or other criteria chosen by the EIF Board.

Recommendations for more streamlined and dynamic approaches of the EIF

Recommendation #5 – The EIF Board establishes a process to build on the work and achievements of the EIF but develop more streamlined and dynamic approaches for the future. A three step approach is being recommended. The desire is to have as smooth a transition as possible as the EIF moves beyond its current mandate, while ensuring that the required changes are done in a systematic and effective manner.

- **Step 1 – Establish a Task Force** - A small high level Task Force should be established as soon as possible to set the overall parameters that will guide improvements of the EIF. The Task Force should have two representatives from each stakeholder group—the LDCs, core agencies and donors. Over a three month period, the Task Force should develop recommendations on the following areas: timeframe; funding targets; strategy for engagement with donors and agencies; EIF programme governance structure; , proportion of the future contributions to the EIFTF that will go to administration, fees and management and a recommended delivery model; parameters for accessing funds and graduation; changes to the Tier 1 and Tier 2 modalities including the parameters for possible regional programming; range of approaches for integration of the private sector; and milestones for programming after the current mandate ends.
- **Step 2 - Approval by the EIF Board and Endorsement by the EIF SC:** The Task Force should present recommendations to the EIF Board for review within three months. The recommendations should clearly provide parameters for future programming. Once approved, the EIF Board should then present the recommendations to the EIF SC for endorsement.
- **Step 3 – Establish Working Groups** - Once the EIF Board has approved the recommendations, more work will be needed to develop the details for implementation and undertake specific actions. It is anticipated that five Working Groups will be needed: Governance and Management; Local Ownership and Management; Programming; Approvals and Implementation Processes; and Re-engagement and Replenishment Process. The representation on these should include: LDCs, core agencies; and donors. The work should be finalized as quickly as possible to allow a full rollout by January 2016.

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