



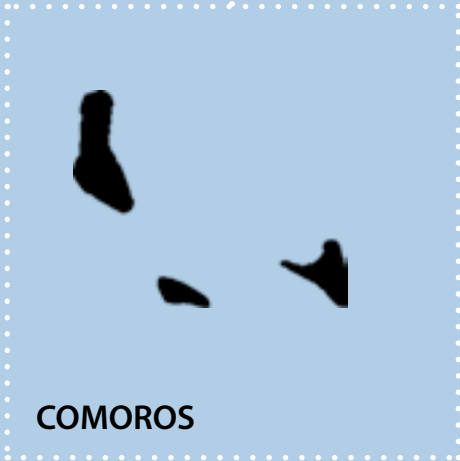
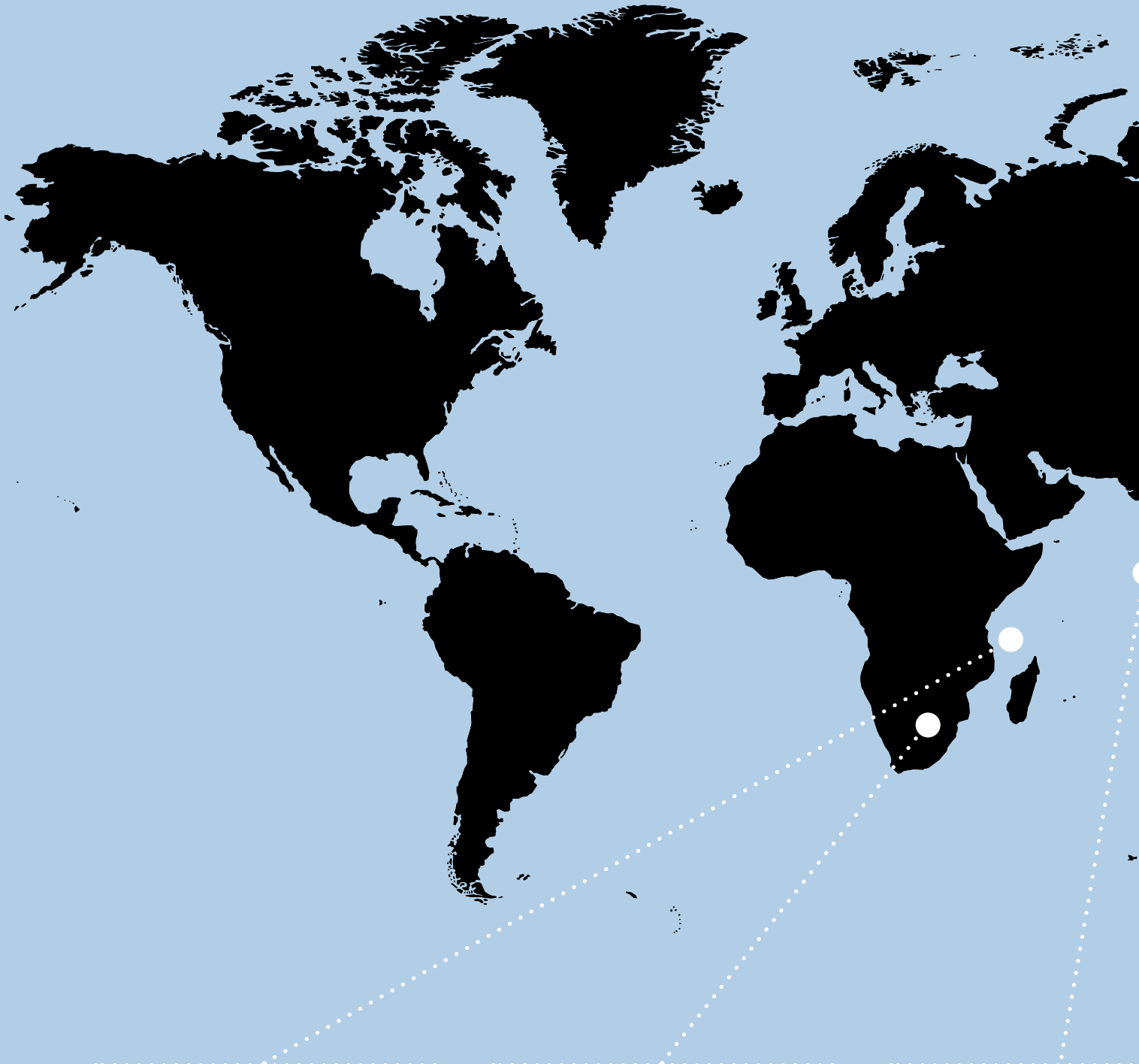
UN
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Integrated Framework for Least Developed Countries

Glimpses from Comoros, Lesotho,
Maldives and Vanuatu

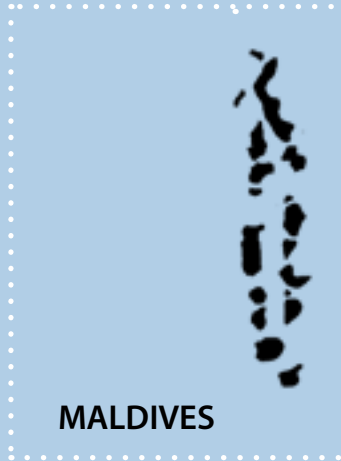




COMOROS



LESOTHO



MALDIVES



VANUATU

The Integrated Framework for Trade-Related Technical Assistance to the Least Developed Countries (or IF) was established as a multilateral initiative under the World Trade Organization (WTO) to support trade development activities in the poorest countries in an effort to enhance the benefits they derive from the global trading system. The United Nations Development Programme (UNDP) served as manager of the IF trust fund which provided assistance to 44 least developed countries (LDCs) from 2001 to 2010 when trust fund operations ceased. Following this initial phase, the IF was redesigned and relaunched as the Enhanced Integrated Framework (EIF). ‘Glimpses’ into IF activities in four of the participating countries - Comoros, Lesotho, Maldives and Vanuatu- are offered here with the aim of highlighting some results.

What is the Integrated Framework Trust Fund (IFFT)? How did the fund come into existence?

In 1997, member states of the WTO came together to launch the IF as an initiative to help the poorest countries benefit from the multilateral trading system. A trust fund for supporting trade projects in the beneficiary countries was established in 2001. UNDP was invited to manage it. The trust fund operated through two windows: window 1 funded basic capacity building interventions as well as a comprehensive trade diagnostic study (Diagnostic Trade and Integration Study – DTIS) with action points for follow up. Window 2 funded priority projects that were relevant for trade development identified through the diagnostic study. The wider goal of promoting economic growth and sustainable development to help people out of poverty was a key consideration in the window 2 projects selected for support. During the operation of the fund, over US \$65 million was contributed by 22 donors to support the activities of the two windows.

What was the role of UNDP?

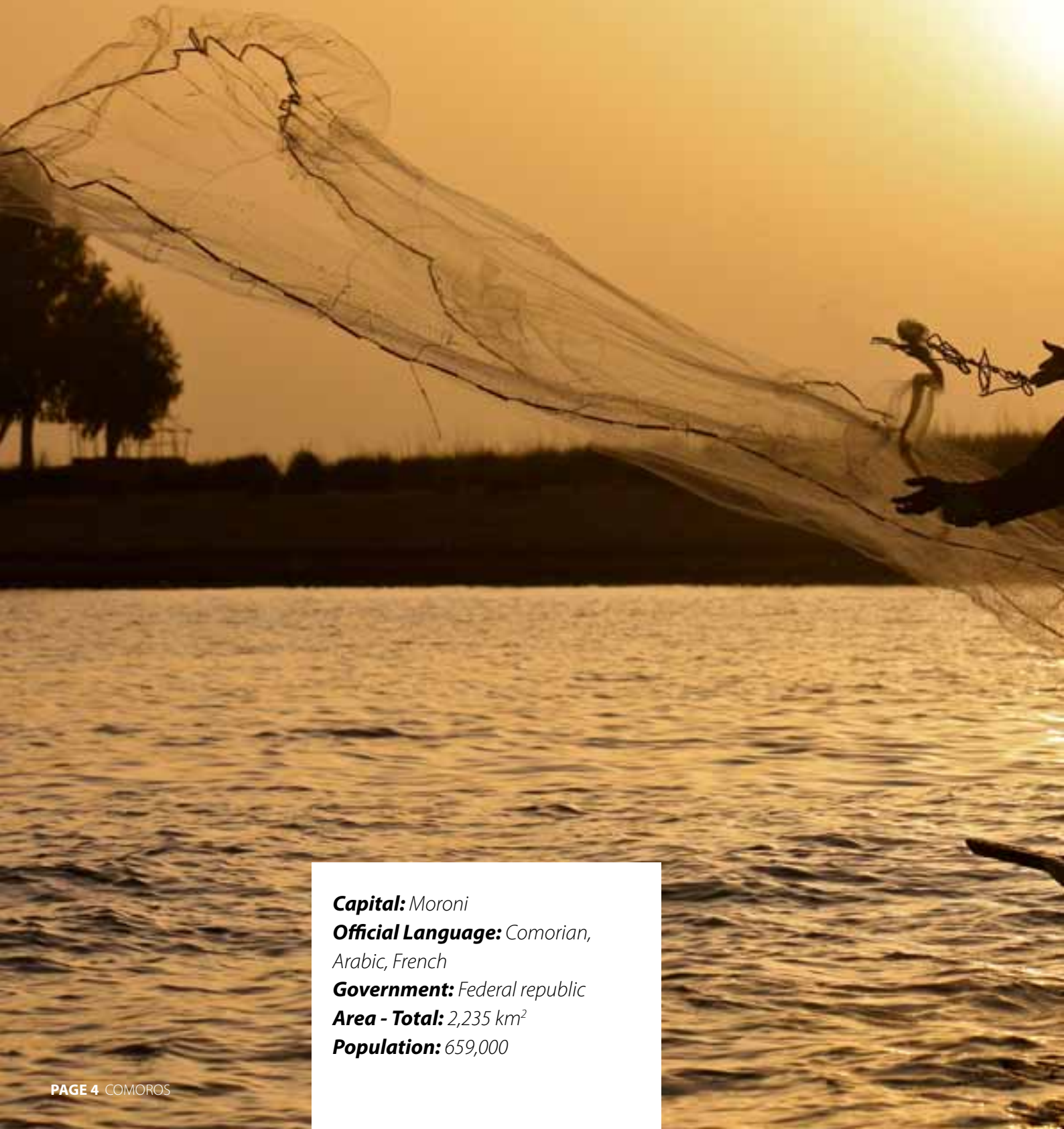
From the start, as trust fund manager, UNDP aimed to create a strong partnership among the multiple stakeholders to get results on the ground while supporting each LDC’s own drive to mainstream trade into their national poverty reduction and development strategies.

During its operations from 2001 to 2010, the trust fund achieved a 92 percent implementation rate i.e. funds spent on projects for LDCs trade development as a proportion of total expenditure approved by the fund’s oversight body, the Integrated Framework Working Group.

Glimpses

The following case stories provide glimpses on how the IF made a difference in enhancing trade opportunities for Comoros, Lesotho, Maldives and Vanuatu, and in so doing contributing to incremental progress toward poverty reduction and some related aspects of millennium development goals achievement. In a nutshell, these four cases show that the trust fund helped the LDCs to implement policy and institutional reforms to enhance their capacity to trade. This has provided a strong foundation for the EIF to build upon.

COMOROS



Capital: Moroni
Official Language: Comorian,
Arabic, French
Government: Federal republic
Area - Total: 2,235 km²
Population: 659,000



TRADE CHALLENGES

With a young and rapidly growing population and limited natural resources, Comoros is made up of three islands poorly connected with each other by transport links. The islands have strong potential as a tourist destination, but require investment in infrastructure and facilities. The low level of educational attainment in the labor force contributes to subsistence economic activity, high unemployment, major capacity constraints and heavy dependence on foreign grants and technical assistance. Agriculture, fishing, hunting and forestry contribute 40 per cent of GDP, employ 80 per cent of the labor force and currently provide most of the exports. However, political instability in recent years has inhibited growth, which has averaged only about 1 per cent in 2006-09. Remittances from 150,000 Comorians residing abroad – with a strong concentration in Marseille, France - are an increasingly important contribution to the economy.

IFTF INTERVENTIONS

The trust fund invested US\$ 1.3 million from the two funding windows to support three main interventions – capacity strengthening in the trade ministry to provide better oversight of trade activities, a diagnostic trade integration study (DTIS) and a private sector reform programme. Taken together, these interventions placed the issue of economic competitiveness high on the government's reform agenda and provided policy and institutional support for entrepreneurial and investment activities with catalytic impacts on the main economic sectors.

Some results are:

- Greater recognition of trade in the government's development priorities with strategic focus on key sectors such as tourism, fisheries and agriculture.
- Improved access to credit for local business start-ups.
- Clarity on investment policy.
- Enhanced capacity to formulate trade policies and engage in trade negotiations at several levels.
- Improved management of the main port at Moroni, the capital, with reduced operating costs, increased productivity and enhanced competitiveness.



TESTIMONY

Moinarafa Ibrahim, a 32-year-old beneficiary of a fishery management training program as part of the strategic prioritization of this sector, took advantage of improved access to credit to grow her business which now includes both local and export sales. "I look forward to expanding my company with my sister and uncle," she said. "That will allow us to create more jobs and also participate in our country's development."

Moinarafa's testimony offers a glimpse into the entrepreneurial response that can follow reforms to provide an enabling environment to support trade development.

Next steps for Comoros ... Under the EIF, the government of Comoros aims to continue the drive toward greater competitiveness, to strengthen its own capacity to engage with trade and investment issues and to provide private sector support.



KEY FACTS AND FIGURES	
GDP (US\$; 2009)	535,336,308
GDP per capita (US\$; 2009)	812
Major exports	Tourism, vanilla, cloves, parfume essences, copra
Poverty (per cent of population living under US\$1.25/day; 2005)	46.1
Human Development ranking out of 169 countries (2010)	140
Aid for Trade Disbursements (million US\$; 2007)	3.9
IFTF Project and Implementing Agency	Capacity building in the trade ministry (led by the government)
	Diagnostic Trade Integration Study (led by UNDP)
	Private sector reform programme (led by the government)
IFTF Budget (US\$)	1,324,037





LESOTHO

Capital: Maseru

Official Language: Sesotho, English

Government: Parliamentary constitutional monarchy

Area - Total: 30,355 km²

Population: 2,067,000



TRADE CHALLENGES

Small, landlocked and mountainous, Lesotho relies on remittances from Basotho (as the people of Lesotho are known) mine workers employed in South Africa, customs duties from the Southern Africa Customs Union (SACU) and export earnings. Completion of a major hydropower facility in January 1998 permitted the export of water to South Africa and generated another much needed trade revenue stream for Lesotho. As the number of mine workers has declined over the past several years, a small manufacturing base has developed based on the garment and apparel-assembly sector as well as farm products that support milling, canning and leather. Lesotho's main trade challenges include the expansion of this manufacturing base, value-addition in the farm sector and tourism development. Thanks

to the preferential trade scheme that the United States offers to African countries under its African Growth and Opportunity Act (AGOA), the US has become an important trade partner and a destination for Lesotho's garments exports. Another challenge for Lesotho is to ensure that this line of export remains competitive, given strong competition in the US market from Asia.

IFTF INTERVENTIONS

Extensive consultations with the government, the private sector, partner agencies and community organizations about the country's trade priorities went hand in hand with the preparation of a DTIS by the World Bank in 2002 with funding from the IFTF. The DTIS mapped the bottlenecks to trade and looked at how to re-

alize Lesotho's potential in regional and global markets and how to improve its business environment and investment climate. The study also highlighted areas for improvement such as infrastructure, trade facilitation and trade statistics. As a follow up, the World Bank, together with the government, implemented a five-year project on business support, export development and competitiveness, regulation issues, licensing and company registration policy.

The diagnostic study further helped the government to engage with other donors. The UK Department for International Development (DFID) implemented a three-year project to support Lesotho in trade negotiations and trade policy.

Through the support of the IFTF and in collaboration with the Ministry of Agriculture, an



KEY FACTS AND FIGURES	
GDP (US\$; 2009)	1,578,614,711
GDP per capita (US\$; 2009)	764
Major exports	Textiles, diamonds, water and electricity
Poverty (per cent of population living < US\$1.25/ day; 2005)	47.6
Human Development ranking out of 169 countries (2010)	141
Aid for Trade Disbursements (million US\$; 2007)	1.2
IFTF Project and Implementing Agency	Capacity building in government and among stakeholders (led by the government)
	Diagnostic Trade and Integration Study (led by the World Bank)
	Product and market development – mushroom and peaches (led by International Trade Center-ITC)
IFTF Budget (US\$)	1,232,472

investment was made in the production and marketing of two crops for export – mushroom and peaches. Some results are:

- Training of farmers in growing mushrooms, a crop that is particularly suited for Lesotho’s highland micro-climate. This has helped over 5,000 individuals and families across 10 districts to grow and sell oyster mushrooms. Women - including individuals living with HIV/AIDS - were the major beneficiaries of the project.
- Farmers are now producing 25 kg of edible and medicinal mushrooms per square metre which significantly increased their earnings and income.
- The project attracted further funding of US\$ 750,000 from China to increase production and export.

- For the peach industry, the IF funded a feasibility study including market surveys as well as an export awareness campaign. In total, 7,000 trees were distributed to farmers in six districts to kick start production.

TESTIMONY

‘Mabokang Nkoale, a 61-year-old participant in a network of women farmers, says international demand for her mushrooms has been so high that she struggles to collect mushrooms fast enough to bring them to market.

“I’m grateful for the assistance [from the IFTF],” she said. “We sometimes have to buy or borrow mushrooms from other farmers, so we could

fill up our stock because so many people want to buy now.”

There is ample scope to scale up production and for Lesotho to become established as a leading mushroom exporter.

Next steps for Lesotho ... An update of the DTIS will focus on future plans for agriculture growth through sector-wide strategies. This will include connecting producers to markets, improving quality and volumes, branding and packaging and developing skills and support for mushroom producers, cooperatives and retailing outlets. Actions planned for the future also include increasing value-added by producing dry and powder products and undertaking other agro-processing, improving compliance with food standards and certification.

Capital: Malé
Official Language: Dhivehi
Government: Presidential republic
Area - Total: 298 km²
Population: 309,000



MALDIVES



TRADE CHALLENGES

Tourism, the Maldives' main economic activity, accounts for nearly a third of GDP and almost two-thirds of foreign exchange receipts. Over 90 per cent of government tax revenue comes from import duties and tourism-related taxes. Tourism has been extremely successful as a revenue earner as is evident from the Maldives' relatively high GDP and per capita income which enabled the country to graduate from LDC status in early 2011. Fishing is the second leading sector, but the fish catch has dropped sharply in recent years. Agriculture and manufacturing play a small role in the economy, constrained by the limited availability of cultivable land and the shortage of domestic labor. Most staple foods must be imported. In the last decade, annual real GDP growth averaged around 6 per cent except for 2005, when GDP declined following the Indian Ocean tsunami and in 2009, when GDP shrank to 3 per cent as tourist arrivals declined in the wake of the global financial crisis. Due to a recovery in tourist arrivals, the government expects GDP growth of around 4 per cent in 2011. Diversifying the economy from dependence on tourism and fishing are the major trade challenges facing the country.

IFTF INTERVENTIONS

The IFTF invested a total of US\$ 1.3 million for a DTIS overseen by UNDP, capacity building at the Ministry of Economic Development which is responsible for trade, establishing a trade information system, supporting services negotiations in the South Asian Association for Regional Cooperation (SAARC) and WTO and upgrading the management system of the Maldives Customs Services. Some results are:

- Clarification of trade policy goals as part of the government's five-year Strategic Action Plan (2009-2013) and recognition that trade is pivotal to Maldives' economic development goals. This activity was also instrumental in taking private sector consultations to a new level.
- Customs reform including introduction of state of the art customs management software.



- Introduction of a trade information system aimed at increasing the level of market transparency by giving farmers and crafts-makers access to more information about the level of interest in their products.
- An analysis of Maldives' interests in services with potential for future development - banking and financial services, law, information technology applications, insurance and accounting services, tourism and hospitality services, aviation and maritime transport services - as the basis for negotiations with SAARC partners and at the WTO.

TESTIMONY

With better information flows through the new trade information system and ongoing improvements in customs services, small businesses are better positioned to become part of Maldives' tourism value chain.

"Business has been good", remarks Mohammed. His father started working at the market a long time ago, helping to unload the boats arriving from the outer atolls and filled with fruit and vegetables. Tourism has offered important opportunities for small business owners in Maldives.

In 1996 Mohammed took over the family business. Every week Mohammed usually gets orders over the phone from about seven resorts. Mohammed recalls the last order: "150 kilos of watermelon, 120 kilos of papaya, 200 kilos of pineapple and two kilos of mustard seeds... they want it overnight." Where possible, Mohammed always tries to source produce from local farmers. As Mohammed explains there are a huge opportunities to substitute imports and supply Maldives resorts with local products.

Next steps for the Maldives ... Maldives' EIF priorities include further capacity strengthening within government to support trade development particularly with respect to services and improvements to the efficiency of Malé International Airport which is pivotal for its tourism industry.



KEY FACTS AND FIGURES

GDP (US\$; 2009)	1,472,960,938
GDP per capita (US\$; 2009)	4760
Major exports	Tourism, fish products
Poverty (per cent of population living < US\$1.25/day; 2005)	Data not available
Human Development ranking out of 169 countries (2010)	107
Aid for Trade Disbursements (million US\$; 2007)	4.9
IFTF Project and Implementing Agency	Diagnostic Trade and Integration Study (led by UNDP)
	Establishment of a trade information system (led by ITC)
	Institutional capacity building to support trade (led by the government)
	Support to services negotiations within the South Asian Association for Regional Cooperation (SAARC) and WTO (led by the government)
	Support to Maldives customs service to upgrade the ASYCUDA program (led by the United Nations Conference on Trade and Development - UNCTAD)
IFTF Budget (US\$)	1,311,256

A man in a white shirt is shown in profile, focused on working on a large, blue-painted engine. The engine is mounted on a blue metal stand. In the background, there is a green tarp and a white rope hanging from a pole. The scene is outdoors, likely on a boat or a dock.

VANUATU

Capital: Port Vila

Official Language: Bislama,
English, French

Government: Parliamentary
republic

Area - Total: 12,190 km²

Population: 240,000



KEY FACTS AND FIGURES	
GDP (US\$; 2009)	647,951,291
GDP per capita (US\$; 2009)	2,702
Major exports	Tourism, coconut oil, copra, kava, beef
Poverty (per cent of population living < US\$1.25/day; 2005)	Data not available
Human Development ranking out of 169 countries (2010)	119
Aid for Trade Disbursements (million US\$; 2007)	13.7
IFTF Project and Implementing Agency	Diagnostic Trade and Integration Study (led by UNDP)
	Capacity building at the trade ministry (led by the government)
	Support to cooperatives including training in entrepreneurial skills and provision of micro-finance (led by the government)
	Customs reform (led by the government)
IFTF Budget (US\$)	1,273,714

TRADE CHALLENGES

Vanuatu is an archipelago of 83 islands located about 1,750 kilometers east of Australia. This South Pacific island economy is based primarily on small-scale agriculture, which provides a living for about two-thirds of the population. Fishing, offshore financial services and tourism, (with nearly 197,000 visitors in 2008), are the other mainstays of the economy. A small light industry sector caters for the local market. Tax revenues come mainly from import duties. Economic development is hindered by vulnerability to natural disasters and long distances from main markets and between constituent islands.

Vanuatu's economic growth of 3.4 per cent in 2006 was strongly driven by the services sector, especially tourism at 20 per cent of GDP. Other

sectors that contributed significantly were construction (15.7 per cent), wholesale and retail sector (12.4 per cent) and the real estate and business service sector (11.2 per cent). With tourism as the leading export and main driver of economic growth, establishing linkages between agriculture and tourism and between fishery and tourism as well as improving tourism services and facilities to derive greater value from tourist arrivals are among the main trade challenges Vanuatu currently faces.

IFTF INTERVENTIONS

In the past few years, a major priority of the government was to bolster the economy by implementing policy reforms through membership of the WTO. The focus of IFTF support was therefore

to assist Vanuatu in both capacity-building and consensus-building for WTO accession as well as supporting the small enterprise sector to establish linkages with the tourism sector. With an overall allocation of about US\$ 1.3 million from the trust fund, assistance to Vanuatu began with a DTIS. This provided a broad platform for further interventions. Sixty-eight action items were identified for institutional and policy reform to boost the country's trade capacity. Most of these were followed through.

To draw small enterprise stakeholders into trading activities, six cooperative hubs were set up throughout the country to provide business services to rural clients. A financial literacy training manual was developed and trainers recruited to assist with education programmes for small businesses.



TESTIMONY

"My husband and I had started a small bakery business," said Joyce Mason, a baker whose business grew into a café frequented by tourists since her exposure to the IF financial literacy courses. "We moved to Western Tanna. We found some customers. But we struggled to grow the business."

Joyce credited insights from one of the awareness meetings that the Department of Cooperatives held in a nearby village for helping her to solve the problem of how to grow her business. She was struck by the idea that she could and should save a percentage of her profits every month.

"You can eat it," she said, "but if you want to grow your business, you have to set some aside for the next season. The more you put aside, the more you will grow. I am still not good with numbers. I need more training."

Joyce's testimony provides a glimpse into how value-addition occurs with supportive policies and institutional outreach: her little café offering delicacies from her bakery provides one more means for Vanuatu to earn foreign exchange from visiting tourists, while also ensuring a dependable source of earnings.

Next steps for Vanuatu ... With the process for achieving WTO membership almost complete, Vanuatu is embarking on another wave of trade-related reforms aimed at further strengthening

capacities such as customs services and deriving greater value from tourism through better linkages with horticultural production and the fishery. The aim is to source locally much of what visitors consume in Vanuatu. These are among the country's priorities under the new EIF.

NOTE ON SOURCES

Population, GDP and poverty data are from the World Bank's World Development Indicators. The Human Development Index ranking is from UNDP's 2010 Human Development Report. Information on Aid for Trade disbursements is from the OECD while information on IFTF disbursements are from UNDP files.

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