

Appendix III
Recommendations of the Task Force on an enhanced Integrated Framework

Preamble

The Task Force endorses the mission of the IF. The goal of the IF is to enhance the capacity of LDCs to integrate into the multilateral trading system in order to reduce poverty and benefit from increased market access. The Task Force reaffirms the mandate of the IF:

- to mainstream trade into LDCs' national development plans such as Poverty Reduction Strategy Papers (PRSPs);
- to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by LDCs;
- to develop the capacity of LDCs to trade, including through capacity building and addressing supply constraints.

In the light of the evolving situation the IF should complement the current aid for trade discussions and other related initiatives.

Commitment to mainstreaming trade into the national development processes such as the PRSP process is critical to achieving Millennium Development Goals. The IF is a tool and a means to an end. It is a process feeding into the broader framework for donor support and programming around a country's development planning and priorities.

The Task Force wants to strengthen the IF process, building on the existing structure and modalities wherever possible, and to continue to benefit from the full participation of the six IF Agencies (IMF, ITC, UNCTAD, UNDP, WTO and the World Bank).

The enhanced IF should be guided by the aid effectiveness principles set out in the Paris Declaration, such as donor harmonization, using country systems, promoting ownership and involving stakeholders such as the local private sector. The strength and potential that the IF concept offers could be considered as a methodology for further delivery of trade related assistance.

Pursuant to the Hong Kong Ministerial Declaration, the enhanced IF should be comprised of the following three specific elements:

- Provide increased, predictable, and additional funding on a multi-year basis;
- Strengthen the IF in-country including through mainstreaming trade into national development plans and poverty reduction strategies; more effective follow-up to diagnostic trade integration studies and implementation of action matrices; and, achieving greater and more effective co-ordination amongst donors and IF stakeholders, including beneficiaries;
- Improve the IF decision-making and management structure to ensure an effective and timely delivery of the increased financial resources and programmes.

1. Scope

It is proposed that the current Window 1 should be modified to support greater in-country capacity and should cover a core package of activities. It is proposed to call this "Tier 1". The current Window 2 should be modified to facilitate greater implementation of activities identified as priorities in the Action Matrix. It is proposed to call this "Tier 2".

1.1 Coverage

The coverage of the IF should be enhanced to include:

- Upstream activities – capacity building to help prepare countries for undertaking a DTIS and integrating the DTIS into their national development plans such as the PRSP;
- An expanded DTIS to include broader trade-related issues such as needs assessment for infrastructure including related policy design, cross-cutting and regional issues when so requested, and response to needs emanating from on-going trade liberalisation processes and new trade rules, including the DDA;
- Periodic updates to the DTIS as and when necessary;
- Downstream activities covering integration with the national development plan, preparation for implementation of projects and programmes identified in Action Matrices, and implementation of projects, including projects targeted at removing supply-side constraints, according to criteria to be developed.

The core areas eligible for intervention as defined in the modalities for Window 2 would remain the same and would support bridging activities identified in action matrices. The existing terms of reference for Window 2 include the following items:

- Institution-building to handle trade policy issues;
- Strengthening of export supply capabilities;
- Strengthening of trade support services;
- Strengthening of trade facilitation capacity;
- Training and human resource development;
- Assistance in the creation of a supportive trade-related regulatory and policy framework to encourage trade and investment.

1.2 Modalities

Tier 1: This would provide resources from the Trust Fund that are available to all IF countries for core functions, taking into account the availability of alternative funding and building on existing activities in the trade sector. This would cover:

- upstream HR capacity building;
- preparation and/or updating of a DTIS;
- provision of support to the national implementation unit and key institutions, including human resource capacity and small capital equipment such as computers, etc;
- assistance to facilitate integration into the national development plan.

Tier 2: This would provide funding from the Trust Fund for activities as identified in the Action Matrix, taking into account the availability of alternative funding and quality of projects. The Trust Fund would provide bridging funding to jump start activities identified in the DTIS such as project preparation, feasibility studies as well as funding of smaller projects including seed projects. Illustrative activities/projects include:

- assistance to implement specific WTO and other trade policy commitments;
- preparatory activities for infrastructure development and infrastructure projects;
- activities to harmonize action matrices with national development plans such as PRSPs, and to prioritize and provide cost benefit analysis leading to project design and implementation;
- further assistance to the national implementation unit and key institutions;
- assistance to develop a national trade plan and/or sectoral programmes;
- assistance with project design for regular programming processes such as World Bank Consultative Groups and UNDP Round Table meetings;

- Independent implementation of small projects identified in DTIS Action Matrices.

For the larger implementation activities as identified in the Action Matrix, such as infrastructure, support should be sought from mechanisms outside of the IF Trust Fund for example through World Bank Consultative Groups and UNDP Round Tables. One of the objectives of the IF is to help leverage these resources and to ensure coherence. Information on other resources for the implementation of activities outlined in action matrices should be included in IF reporting.

1.3 Country Coverage

The IF is for LDCs.

2. In-country Management and Operations

The IF needs to be better aligned, integrated and sequenced with the PRSP and similar national development plans as well as with Trade Policy and Private Sector Development programmes. The aim should be to harmonise around one common approach for the economic sectors, to be determined in country as appropriate. While it is imperative that LDCs mainstream trade into development planning, the donors and agencies also need to do better at integrating trade into their planning and programming.

While the IF recipient countries have a diversity of in-country governance and management structures, some best practices have been identified. The IF should build on and strengthen existing structures that have been identified as working best, including those identified in the IF Simulation workshop held in Addis Ababa in September 2005.

2.1 Institutional Mechanisms

To provide senior level engagement and coordination, and to provide political commitment, a high level inter-ministerial committee should be established. This should be led at the Ministerial level and be coordinated by the by the Ministry of Trade, Finance, Planning or any other Ministry as best determined by each country. The close collaboration of the Ministries of Trade, Planning and Finance is critical.

To support the development of the DTIS and implementation of the action matrices a broad-based stakeholder process including government, private sector and civil society representation should be established.

To improve the implementation of the IF, the IF Focal Point should be strengthened including through the creation of a national implementation unit where necessary. The Focal Point, who is appointed by the national authorities, is responsible for coordinating in country IF activities in consultation with the IF Secretariat. The IF will provide resources as appropriate to strengthen this capacity, including the provision of secretariat resources (human and physical), preferably through engagement of local expertise. This unit could be set within an appropriate government department or set outside normal government structures, as per specific country requirements. The Focal Point should report to the inter-ministerial committee as part of the development planning process.

To provide an effective response and avoid duplication, the agencies, donors and beneficiaries need to work together through local processes. To this end it is vital that an effective local donor facilitator, with clear terms of reference adapted to the local situation, be appointed by donors in consultation with the local authorities. The main objective of the donor facilitator is to help mainstream trade into donor programming to ensure timely implementation of the action matrices.

The IF agencies have a critical role to play at the country level in the mainstreaming of trade into development. The role each agency plays in the IF programme in each country will be determined through a dialogue among the agencies, local development authorities, the IF Focal Point and the IF Secretariat. Key elements of their role include participation in the diagnostic process, implementation, local fund management, and monitoring and evaluation. To facilitate the involvement of agencies at the country level, a programme approach should be adopted. In order to fully play their role, Agencies should make the required trade and development expertise available to the local level and, to support this, to reinforce their core capacity in the trade and development area.

2.2 The DTIS Process

It is important that the recipient country itself take the lead in the preparation and/or updating of its DTIS, including selecting in consultation with the IF Secretariat the executing entity. The DTIS team should include local expertise and should work closely with the national PRSP team.

To facilitate consistency, information sharing and implementation, a global template for undertaking the DTIS should be developed to guide the process. The ultimate quality control of the DTIS would rest with the recipient country supported by the executing entity. The DTIS should be a living document, sequenced and synchronized with the national development planning process such as the PRSP; possibly through the creation of a national trade plan. The Focal Point should take the lead for updating the DTIS and for integrating it into the national development plan. All six of the IF agencies have valuable contributions to make to the DTIS process. Normally all six agencies would have a role from the start of the process.

2.3 Linkages Between the LDC Capitals and Geneva

The IF in country process should be driven from the countries rather than from Geneva.

The Focal Point should actively develop strong linkages with the IF Secretariat, and an ongoing process of information sharing between the Focal Point and the IF Secretariat should be maintained.

The IF should be an umbrella for other national and regional trade capacity initiatives.

2.4 Role of the IF Agencies

The Agencies will continue to play an active role in the implementation of the IF. As described above, each country, in consultation with the IF Secretariat, would decide which agencies or organizations are best suited to carry forward IF activities, building on their comparative advantages and mandates. The participation of the IF agencies in projects and programmes should be on a fully costed basis.

3. Governance, Overall Management and Administration

The Task Force recognizes that the effectiveness of the IF is hindered by the existing fragmented management structure and sub-optimal division of responsibilities among the different agencies, principally among the WTO (Secretariat), the World Bank (diagnostics) and the UNDP (Trust Fund), and by a lack of a clear accountability framework.

The Task Force does not propose to create a new organization. The main aim of the proposed approach is to transfer responsibility to the country level while consolidating management and administration. In order to build on the strengths of the existing structures as much as possible, the

Task Force recommends a modified management and governance structure by proposing to keep the IF Steering Committee as the overall governing body, to transform the IFWG into a Board with greater recipient and donor participation, and to turn the Secretariat into an Executive Secretariat with a Chief Executive Officer. The IF would continue to rely on the agencies in achieving its mandate.

3.1 Steering Committee

The Steering Committee, based on the existing IF Steering Committee, should provide overall policy direction, review progress and provide a platform for the exchange of experience. It should meet at least once per year.

3.2 Board

Reporting to the Steering Committee would be a Board. This Board, based on the current IF Working Group, should remain small but be rebalanced. It should continue to include representatives of the recipients, the donors and the agencies. The Board should meet as regularly as necessary to conduct its business, to provide oversight and policy direction, and to decide programme criteria and allocative criteria.

3.3 Secretariat

The Secretariat needs to integrate management functions at the global level to improve delivery (efficiency and effectiveness) and provide for greater accountability. Accordingly, it should become an Executive Secretariat with a Chief Executive Officer accountable to the Board. The CEO would be selected by the Board.

The Task Force recommends that the IF Secretariat be a small, independent unit located in Geneva and that it be administratively housed in the WTO Secretariat, with a strong firewall around it.

The IF Secretariat would:

- service the governing bodies;
- propose to the Board an annual work programme and budget including allocations for staffing;
- propose to the Board programme and allocation criteria;
- prepare annual substantive and financial reports;
- coordinate support to countries;
- undertake financial management, including management of the Trust Fund;
- identify new sources of funds;
- maintain close links with the national implementation units;
- maintain close links with the implementing agencies;
- provide outreach to stakeholders;
- share best practice including through a website;
- oversee monitoring and evaluation;
- undertake other responsibilities to be delegated by the Board;
- develop strategies to include the private sector in the work of the IF.

While recognizing that the Board and CEO should determine the new staffing structures for the IF Secretariat, the Task Force recommends that the CEO be recruited on merit by the Board and report directly to the Board. Staff will also be recruited on merit. Staff appointed to the existing IF Programme Implementation Unit should be integrated into the Executive Secretariat.

3.4 Local Governance

Consistent with Section 3 above, the Focal Point should be responsible for IF implementation at the national level.

4. Monitoring and Evaluation

Currently there is no adequate single monitoring and evaluation framework for the IF, making it difficult to measure results.

- An effective monitoring and evaluation system needs to be developed and implemented at both global and national levels on a priority basis;
- To encourage sharing of experience, the Steering Committee should showcase at each of its sessions the in-country experience of some IF members;
- Links should be maintained with the OECD to benefit from the WTO/OECD/DAC database on trade related assistance;
- An independent auditor should be appointed.

5. Funding

The Task Force recommends that there should be greater predictability of funding for the recipients as well as greater levels of funding, including identification of new sources of funds.

5.1 Level of Funding

At its Annual Meeting in 2005 the WB/IMF Development Committee took note of an estimate from staff that an amount of US\$200-400 million over five years would be required, based on anticipated requirements for 40 countries. An exercise based on the above recommendations has been undertaken to provide an indicative costing for the enhanced IF (see Annex).

The CEO, once appointed, should thereafter prepare a three-year rolling workplan and budget which would be subject to approval by the Board.

5.2 Donor Commitments and Supply of Funding

Predictability of funding is important. Donors should make multi-year indicative pledges over a three to five year period where possible, even though actual commitments/obligations may be on an annual basis. There should be multilateral and bilateral funding. Earmarking of funds is generally not desirable, although there could be some flexibility in the way donors fund certain aspects of the IF.

5.3 Sources of Funding

New donors should be identified and invited to participate, including from the private sector, at both national and international levels.

5.4 Allocation of Resources

Tier 1 funding for core activities should be predictable. Disbursement should be decided by the Focal Point in consultation with the IF Secretariat.

Tier 2 funding will be based on requests submitted by the Focal Point to the IF Secretariat.

6. Transitional Arrangements

The Task Force makes these recommendations understanding that some areas require further elaboration. The Task Force further recognizes that it will be important to ensure the continuity of ongoing and planned IF activities during the transition period.

Annex
Recommendations of the Task Force on an enhanced Integrated Framework

Indicative Costing for the Enhanced IF

This draft costing is based on the participation of 40 LDCs and covers an initial five year period. The indicative costing in total comes to about US\$400 Million and is comprised of three elements:

- Tier 1: Core function support costs (\$77 million)
- Tier 2: Action Matrix implementation support costs (\$320 million)
- Executive Secretariat costs (\$14 million)

It is recognized that all countries are at different starting points and will have different requirements. Thus the costings per country as well as the total costing should be treated as indicative. Work programmes will need to be tailored accordingly. For example, it will not be necessary to undertake pre-DTIS activities in countries which have already completed a DTIS.

Activities will be funded through a multilateral trust fund and by bilateral cooperation.

Tier 1: Core Function Support Costs

A total costing of \$77 million is proposed for Tier 1 – providing core function support to the participating LDCs. Tier 1 will include a number of support measures. The work programme in each country would vary according to its situation.

- Pre-DTIS support will be provided to 20 LDCs not yet participating in the IF;
- Provision is made for undertaking the DTIS in 20 LDCs, based on the current budgeted amount for undertaking a DTIS;
- Support to the national Focal Point could include partial coverage of staff costs, costs of local experts, a portion of local running costs and equipment such as computers and related accessories. Provision is also made for short term inputs such as sectoral studies and cost-benefit analyses. The government will be expected to provide office accommodation and other related costs;
- The DTIS will need to be updated from time to time. It is assumed that this will be done twice over the five year period.

	Per LDC			No. of LDCs	Total Cost
	\$	No.	\$		
Pre-DTIS support	50,000	1	50,000	20	1,000,000
DTIS	400,000	1	400,000	20	8,000,000
Support to Focal Point	300,000	5	1,500,000	40	60,000,000
DTIS updates	100,000	2	200,000	40	8,000,000
Total					77,000,000

The IF multilateral trust fund will meet the costs associated with Tier 1 activities where these are not covered by bilateral cooperation.

Tier 2: Support to Implementation of Action Matrices

Based on estimates made by one of the implementing agencies, an indicative amount of \$12 million per country over a five year period is identified to support implementation in four or five priority areas of the action matrix. These costs include bridging funding to jump start activities in the DTIS such as project preparation, feasibility studies as well as funding of smaller projects including seed projects and some infrastructure development projects. Larger implementation activities identified in the DTIS would be funded outside of the IF. It is assumed that there will be divergences in the sequencing of implementation. The assumption used is that one third of the countries will be able to start implementation right away, one third will be able to implement two thirds of the priority areas over five years, with the remaining countries implementing one third over five years. This gives an average of \$8 million per country, making a total of \$320 million in total for Tier 2.

	Cost Per LDC	No. of LDCs	Total Cost
Priority areas from Action Matrix	\$8,000,000	40	\$320,000,000

It is anticipated that at least one half of the costs associated with Tier 2 activities will be met through the IF multilateral trust fund. The remainder will be met through bilateral cooperation reported to the IF on an annual basis.

Executive Secretariat

The costing for the Executive Secretariat is proposed at \$14 million, based on the following assumptions:

- Seven professional staff employed in Geneva.
- The professional staff will be supported by three locally engaged administrative staff.
- Office running costs include rent, utilities, stationary and other consumables.
- Thirty foreign trips are made by the professional staff in total each year.
- While the task force did not make specific recommendations on evaluation an indicative figure is included.
- A figure is included to cover costs related to workshops and other networking and outreach activities

	\$	Qty	Years	Total
Professional staff	250,000	7	5	8,750,000
Office support staff	100,000	3	5	1,500,000
Office running costs	200,000	1	5	1,000,000
Travel	5,000	30	5	750,000
Evaluation	200,000	1	5	1,000,000
Networking and outreach	200,000	1	5	1,000,000
Total				14,000,000

The costs of the Executive Secretariat will be met by the IF multilateral trust fund.

Funding Approach

The enhanced IF will be funded through a combination of contributions to a Multilateral Fund and through bilateral contributions consistent with the goals of the enhanced IF. A number of

countries have already announced their intention to contribute resources on a multiyear basis either to the Multilateral Fund or bilaterally. In order for the enhanced IF to enter into force it will be necessary for a critical mass of resources to be pledged to it, this will necessitate a formal pledging process. The Task Force encourages all current donors to the IF to make contributions to the multilateral trust fund and urges other donors to do so.
