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Integrated Framework Steering Committee

AN ENHANCED INTEGRATED FRAMEWORK

Report of the Chairman of the Task Force on an Enhanced Integrated Framework, Including Recommendations

The following communication dated 19 June 2006, is being circulated at the request of the Chairman of the Task Force on an enhanced Integrated Framework. It contains his Report and the Task Force's recommendations.

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1. A Short History of the Integrated Framework

The first WTO Ministerial Conference, held in 1996, recognized that the Least-Developed Countries (LDCs) faced difficulties integrating into the global economy. This led to the adoption of the WTO Plan of Action for Least-Developed Countries. The following year, the WTO convened a High Level Meeting to discuss the specific needs of the LDCs and to formulate a programme to strengthen their trade capacities, including supply-side and market access capacities. The outcome of this meeting was what became known as the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries, or the "IF" in short.

The main objective of the IF was to improve the capacity of the LDCs to formulate, negotiate and implement trade policy so as to be able to fully integrate into the multilateral trading system and to take up the market opportunities this presents. Support was offered to the IF by six major multilateral agencies, namely the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Programme (UNDP), the World Bank (WB) and the World Trade Organization (WTO).

The achievements of the IF during the early years were modest, with only a handful of LDCs accessing benefits from the initiative. When the six agencies met in 2000 to review progress they adopted a number of recommendations and implemented institutional changes to improve the IF's effectiveness. Two main objectives were formulated for the revamped IF; firstly, to mainstream trade into the LDCs' Poverty Reduction Strategy Papers (PRSPs) or similar national development plans; and secondly, to assist in the coordinated delivery of trade-related technical assistance.

A new tripartite governance and management structure was established to enable the IF to be more country-driven and better coordinated. The revamped structure, which still applies today, comprises:

- The IF Steering Committee (IFSC): the six core agencies and representatives of the LDCs and donors. Participation is open to all WTO Members and Observers. The main functions are to oversee the IF, provide policy direction and assess progress.

- The IF Working Group (IFWG): the six core agencies, two LDCs and two donors. The main functions are the overall management of the IF, monitoring implementation, and overseeing the Trust Fund.

- The IF Secretariat (IFS): housed in and staffed by the WTO Secretariat. The IFS is responsible for the day-to-day management of the IF.

- The IF Trust Fund (IFTF): managed by UNDP and funded on a multi-donor basis.

  The IF was restructured around two funding "windows":

  - Window 1: for financing Diagnostic Trade Integration Studies (DTISs) (US$300,000 per country) and strengthening in-country structures (US$38,000 per country).

  - Window 2: for financing priority capacity building projects in the LDCs as identified in the DTIS Action Matrices (US$1 million per country).

At the country level, the delivery of the IF was structured around a number of processes and responsibility centres, including:

- The National Steering Committee (NSC): representatives of government, civil society and private sector. Main functions are to provide overall in-country coordination and direction to the IF, to monitor progress and to help integrate trade into the PRSP.

- The National Focal Point (NFP): usually a high level civil servant from the Trade Ministry or other core economic Ministry. Main functions are to coordinate the IF process, build awareness and liaise closely with the donors.

- The IF Facilitator (IFF): a representative of the local donor community. Main functions are to coordinate activities between the donors and the government, to assist the government in developing a work programme, and to liaise with donor HQs.

- The Local Project Appraisal Committee (LPAC): comprising various representatives of government, private sector, civil society, the core agencies, the NFP and the IFF. Main function is to approve projects for funding under Window 2.

Approximately 40 Diagnostic Trade Integration Studies (DTISs) have been undertaken so far or are in the pipeline. These diagnostics include a comprehensive appraisal of barriers to trade and typically cover market access, trade policy, transportation, trade facilitation, sector studies and the investment framework, as well as the overall macroeconomic situation and an institutional assessment. DTIS recommendations are summarized in an Action Matrix.

2. Why Enhance the Integrated Framework?

A number of evaluations of the IF have been undertaken recently.[1] A simulation workshop[2] was also undertaken last year. The general conclusion from these is that the IF has provided a good framework for helping the LDCs enhance their trade development capacity and facilitate adjustment

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[1] E.g. "Evaluation of the Revamped Integrated Framework For Trade-related Technical Assistance to the Least-Developed Countries", Capra-TFOC Consortium, November 2003, and "Integrated Framework for Trade-Related Technical Assistance Addressing Challenges of Globalization: An Independent Evaluation of the World Bank's Approach to Global Programs: Case Study". Agarwal and Cutura, 2004.

[2] Integrated Framework Simulation, Addis Ababa, Ethiopia, September 2005.

and integration into the multilateral trading system, but that there are still significant shortcomings in the process. The IF has generally failed to mainstream trade into the PRSP process and has not provided adequate financial and human resources to the LDCs to deliver the intended outcomes. The process has been slow and the success in moving from the diagnostics and priority-setting of the IF to investments by the donors and agencies under their permanent programmes has been relatively low. In other words, there is an implementation gap; priorities identified in the DTIS process are not being picked up in mainstream investments.

It is also apparent that country ownership has been weak. The national IF structures have generally not worked to integrate trade into the development process and there is often still a lack of awareness of the importance of trade at the national level. Capacity to take the integration process forward is generally inadequate and the capacity building support that has been provided through the IF has been inadequate to the task. Trade is still seen primarily as the prerogative of the Ministry of Trade and, although the active engagement of the Ministries of Finance, Planning and Economic Development is essential to the success of the programme, it has not always been present. In some cases these barriers have been overcome, usually due to strong political leadership, but this is not the norm.

The donor community has generally not responded adequately to the needs identified in the DTISs. The fact that the findings and recommendations of the DTISs have not been adequately fed into the PRSP and similar processes, or into the programming frameworks of other donors, contributes to this problem. The IF is still often seen by both the donor community and the LDCs as a stand-alone process. Trade is inadequately seen, by both donors and recipients, as an integral aspect of economic development and poverty reduction, so does not feature high enough on their priorities.

3. The Work of the Task Force

Given the growing interest in trade and development, and the weaknesses noted above, the Development Committee of the World Bank and IMF at their meeting in September 2005 concluded[3] that the IF should be enhanced and provided with additional resources. The World Bank staff estimated that an amount of between US$200 million and $400 million would be needed for an enhanced IF, based on the needs identified in the current 40 recipient countries and assuming that the IF would be expanded to include the "IDA-only" countries. Subsequent to this, the IFSC established a Task Force to develop proposals for such an enhancement, including expanding the IF's resources and scope, and making it more effective. The Terms of Reference of the Task Force are provided in Appendix I.

The Task Force included representatives of LDCs and donors (see Appendix II for list of members) and, after an initial meeting chaired by the Ambassador of Zambia, the Ambassador of Canada was invited to assume the Chair. The Task Force conducted its work in two phases, before and after the Hong Kong WTO Ministerial. In its initial phase the Task Force developed consensus recommendations on its terms of reference and key elements. These were approved by Ministers at Hong Kong.

Subsequently, the Task Force met twelve times between January and May, 2006, including a session to hear the views of the IF agencies (WTO, World Bank, UNDP, IMF, UNCTAD, ITC). To guide its substantive discussions, individual discussion papers were prepared by members on scope, funding, in-country performance, and on management, governance and administration. The Task Force conducted a two-day workshop, 1 to 2 April, at Coppet, Switzerland, to develop initial

[3] Development Committee Communiqué of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, of 25 September 2005.

recommendations. In its final meetings the Task Force refined these recommendations, a task considerably aided by contributions made by the IF agencies.

Throughout its work the Task Force benefited from the strong engagement of its members, ensuring that there was always a lively and informed discussion. Task Force members took their responsibilities extremely seriously. It was particularly gratifying to note that there was often representation from capitals (from both the LDCs and donors) as well from the Geneva missions, illustrating the importance attached to the work of the Task Force by its members. The Task Force benefited from a strong blend of development and trade expertise among its membership.

The point of departure for the substantive discussions of the Task Force was the Hong Kong Ministerial Declaration[4], which reaffirmed the commitment "to effectively and meaningfully integrate LDCs into the multilateral trading system," noted that the Ministers attached "high priority to the effective implementation of the Integrated Framework" and recognised the "urgent need to make the IF more effective and timely" (paragraph 48). Ministers required the Task Force to report back to the IF Steering Committee by 30 April 2006 so that an enhanced IF could be launched by 31 December 2006. It was agreed that the enhanced IF should comprise three specific elements:

(i) increased, additional, predictable financial resources to implement Action Matrices;

(ii) strengthened in-country capacities to manage, implement and monitor the IF process; and

(iii) enhanced IF governance.

The Task Force recognized the importance of trade liberalization and the fact that such liberalization should lead to improved economic conditions in the LDCs and assist in meeting the Millennium Development Goal of reducing poverty by half. However there was also a recognition that trade liberalization in itself would not bring about such improvements unless it was handled in a sustainable manner and integrated into a country's overall development strategy.

The Paris Declaration on aid effectiveness[5] was seen as very important in this process, and our recommendations draw on these principles.

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[4] Ministerial Declaration of the WTO Ministerial Conference held in Hong Kong, December 2005.

[5] The Paris Declaration on Aid effectiveness: Ownership, Harmonisation, Alignment, Results and Mutual Accountability, March 2005. High Level Forum.

***The Paris Declaration** makes specific commitments in the following areas:*

1. *Strengthening partner countries' national development strategies and associated operational frameworks (e.g., planning, budget, and performance assessment frameworks).*
2. *Increasing alignment of aid with partner countries' priorities, systems and procedures and helping to strengthen their capacities.*
3. *Enhancing donors' and partner countries' respective accountability to their citizens and parliaments for their development policies, strategies and performance.*
4. *Eliminating duplication of efforts and rationalising donor activities to make them as cost-effective as possible.*
5. *Reforming and simplifying donor policies and procedures to encourage collaborative behaviour and progressive alignment with partner countries' priorities, systems and procedures.*
6. *Defining measures and standards of performance and accountability of partner country systems in public financial management, procurement, fiduciary safeguards and environmental assessments, in line with broadly accepted good practices and their quick and widespread application.*

4. The Main Conclusions of the Task Force

The Task Force recognized that the IF has had positive results in a number of LDCs and that it was important to capture and build on the strengths of the existing arrangements to improve its effectiveness and efficiency. The Task Force identified four critical issues:

- There needs to be much stronger ownership of the IF by the LDCs and the donors. In part this is a capacity problem. Capacity needs to be developed and strengthened in the LDCs to facilitate greater ownership. Similarly, donors need to give much greater prominence to these issues and to provide more resources.

- There is a gap that needs to be filled between the diagnostic and submission of "bankable projects". In addition, the diagnostic work of the IF needs to be more dynamic, with the DTISs and Action Matrices being updated on a regular basis.

- Responsibility for management and implementation must be more focussed. Currently it is spread wide and thin. Everyone, yet no one is responsible. There needs to be a much clearer management and governance structure.

- There is a need for adequate funding, provided in a predictable manner, to meet the objectives of the IF.

In making our recommendations, we considered various options and alternatives, sometimes with protracted and rich debate. However, we reached specific conclusions on each aspect.

The Task Force was unanimous in recognising that the IF should be country-driven. We realized, however, that the LDCs are often unable to do all that is necessary for the country to take ownership. The capacity is often just not there. The IF therefore has to support capacity building in the LDCs to enable countries to assume greater ownership. We agreed that much more support needs to be given to the national Focal Point. This support could include such measures as partial coverage of staff costs, costs of local experts, a portion of local running costs and equipment such as computers and related accessories. Provision also should be made for short term inputs such as sectoral studies and cost-benefit analyses. The IF also needs to help raise the profile of trade and of the trade ministry in the LDCs so that the highest organs of state give adequate recognition to the topic. The establishment of a high level inter-ministerial committee is highly important to ensure buy-in across government departments.

Another facet of ownership concerns the donors, who have generally not paid sufficient attention to the need to provide adequate resources and to provide them in a well-coordinated and harmonised manner. The donors need to give greater recognition to the importance of trade and to secure more funds in a sustainable manner. They need to harmonize procedures and coordinate more amongst themselves in the delivery of projects and programmes – focussing on the priorities in the Action Matrices. Donors should be encouraged to harmonize their trade related programming around the DTIS, which is an example of a shared analysis as identified in the Paris Declaration. They also need to invest in capacity building measures internally, both at Headquarters and in the field. Internal capacity building will be critical as we scale up the IF and respond more generally to the aid for trade agenda.

The Task Force agreed that the scope of the IF should be broadened to support activities related to the analysis and prioritization of needs, and the mainstreaming of these into development strategies, the development and implementation of Action Matrices, and coordination among donors. We recognized that, while the DTIS provides a good diagnostic base and the Action Matrix articulates what needs to be done, the process could, and has stopped there as there is no clear mechanism to facilitate implementation. More effort is needed to fill the gap between the Action Matrix and implementation leading to bankable projects that will attract the necessary funds. Accordingly, we agreed that the scope of the enhanced IF should be enlarged both upstream and downstream.

We further realized that as the global economy is moving at a fast pace, the IF should also finance updates to the DTISs and Action Matrices and facilitate other studies and activities that would be needed from time to time. This would make the Action Matrices living documents and enable them to be better integrated into PRSPs or other economic development plans. The need for the IF to address supply-side issues, along with the importance of facilitating development of appropriate infrastructure was emphasized, especially by LDC members of the Task Force.

The Task Force discussed at some length whether the IF coverage should be expanded to include other low income developing countries that are not LDCs but which have a need for trade-related technical assistance. We concluded that the IF should remain exclusively for the LDCs, as their needs are particularly acute, although a similar mechanism could be of use in other countries.

Under current arrangements, responsibility for the IF amongst the agencies and donors is diffuse. The WTO hosts a small Secretariat; UNDP is responsible for the Trust Fund; the World Bank, and sometimes UNDP, are responsible for the DTISs; and different donors are appointed as facilitators in the different LDCs. The role of the other three agencies is rather unclear. Management is fragmented, with the result that there is a lack of clear accountability. The IFWG itself also has had a major role in decision-making, yet it meets only infrequently and is not a suitable body for undertaking day-to-day management functions.

In considering an optimal governance structure for the IF the Task Force discussed several different models. These ranged from tinkering at the edges to making very radical changes, including:

- improving the current arrangements without changing current attributions;

- concentrating management and main responsibilities into one agency but keeping the Secretariat separate;

- concentrating all the functions in one of the existing agencies;

- establishing a completely new organization with its own legal status or even contracting the whole process out to a private sector provider.

We undertook a SWOT (Strengths, Weaknesses, Opportunities and Threats) analysis for each of these options and realized that there were trade offs for each option. We discounted the first and last options as being incompatible with the challenges of an enhanced IF.

The Task Force agreed that the IF should be managed on a sustainable basis with adequate resources to ensure it functions in a professional and time-efficient manner. Clear lines of accountability must exist. Annual work plans and budgets must be set to improve predictability and facilitate increased involvement by the donors. We thus concluded that the existing Secretariat should be strengthened and a Chief Executive Officer appointed to lead it. This would allow for clear lines of responsibility and authority, and would also facilitate quicker decision making and improved implementation. We decided that the WTO would be the best agency in which to house the Executive Secretariat as it provides the current IF Secretariat and is intimately connected with the trade agenda, Geneva is probably the best location because of the presence of the WTO but also to capitalize on the presence of other key trade and development institutions and to facilitate access for the LDCs, many of which have trade representation there. However the Task Force strongly felt that the CEO should report directly to its own board and be independent of the WTO to allow it sufficient flexibility and independence. The Executive Secretariat would have to engage actively with the national Focal Points in the LDCs and develop strong and close working relationships with them.

The Task Force recommends that the CEO report to a Board, which although similar in structure to the current IFWG would not be involved in day-to-day management issues, as these responsibilities would be delegated to the CEO. The Board in turn would report to the IFSC which would meet at least once annually. The IFSC would continue to provide policy oversight, but, in addition, would ensure transparency and inclusiveness in the decision making process. We also agreed that there must be strengthened and continuous monitoring and evaluation to ensure the enhanced IF achieves its objectives.

The Task Force further agreed that, to be successful, the IF would need to continue to benefit from the expertise and knowledge brought to it by the six IF implementing agencies. Each of the agencies has its own individual competences. We recognized that to function well the IF will continue to rely on services provided by these agencies in the field.

Throughout its deliberations the Task Force recognized the critical role of the private sector, which ultimately drives trade. There was a broad consensus that the private sector should be included in the work of the IF at the country level, at all stages, including the diagnosis stage. To this end, the Task Force agreed that the IF Secretariat should develop strategies to include the private sector in the work of the IF.

The Task Force appreciated that the current level of funding, approximately $35 million, is inadequate. We therefore looked at what would be required to build a reasonable level of capacity locally and meet reasonable demand. Our indicative costing exercise suggested that the IF should mobilize around $400 million over five years, through a multilateral trust fund and bilateral cooperation. There would need to be sufficient funding available in the multilateral trust fund to meet the costs associated with domestic capacity building (Tier I), some, but not all activities identified in the Action Matrices (Tier II), and the costs of the Executive Secretariat. Donors committed to participating in a pledging exercise which would be initiated following the approval of the Task Force's recommendations.

The Recommendations of the Task Force on an Enhanced Integrated Framework and an Indicative Costing for the Enhanced IF are included in this report at Appendix III.

5. The Next steps

Once the IFSC has approved the Task Force's recommendations more work will need to be done to flesh out the details and undertake some specific actions so that implementation of the enhanced IF can proceed in January 2007. This work will need to focus on:

- institutional issues, including staffing of the Executive Secretariat,
- defining the in-country approach and programming issues, and
- launching the replenishment process.

The specific institutional issues include:

- transmitting details of the enhanced IF to all stakeholders,
- drafting new terms of reference for the IFSC and the Board,
- transforming the IFWG into the Board,
- clarifying the status of the Executive Secretariat and its relationship with the WTO,
- drafting a service agreement with the WTO,
- specifying the type of staff for the Executive Secretariat, including drafting job descriptions,
- initiating the recruitment process for the CEO and other staff, and
- investigating the most cost-effective method for managing the trust fund.

The in-country issues that have to be fleshed out include the following:

- detailing likely in-country measures needed to support the Focal Point through the national implementation unit,
- discussing the role of donors in-country including that of the donor coordinator,
- clarifying the roles of the different agencies and other stakeholders, and
- working out details for in-country programming whereby the different agencies would have a clearer picture of their possible specific responsibilities and how the process would work, including pre-DTIS work, preparation of the DTIS, mainstreaming work, preparation for and implementation of activities funded through Tier 2.

The work regarding the replenishment process includes:

- further clarifying the cost estimates, and
- fixing a date for and organizing a pledging conference.

Appendix I
Task Force on an enhanced Integrated Framework

Terms of Reference

A Task Force is set up in light of the outcome of the Development Committee of the World Bank/IMF Annual Meeting of 24-25 September 2005 which endorsed the proposal for "an enhanced Integrated Framework for Trade-Related Technical Assistance to the Least-Developed Countries, including expanding its resources and scope and making it more effective".[6]

Phase One

The Task Force shall consult with stakeholders and make proposals to the Integrated Framework Working Group and Steering Committee on aid for trade and the enhancement of the Integrated Framework.

The Task Force shall report to the Integrated Framework Working Group and Steering Committee no later 2 December 2005.

The recommendations contained in the report shall build on the outcome of the World Bank/IMF Annual Meetings of 24-25 September 2005, and take into account the recent IF Simulation exercise, the Kigali Workshop and evaluations of the IF.

Phase Two

Taking into account any decisions taken by the Integrated Framework Working Group and Steering Committee and the WTO Hong-Kong Ministerial Conference, further proposals will be elaborated beginning in January 2006 and with a timetable to be agreed in Phase One. A report shall be submitted to the Integrated Framework Working Group and Steering Committee by 30 April 2006. The enhanced IF should be launched 31 December 2006 at the latest.

Consultations

The Task Force shall consult with the six IF Agencies and other stakeholders.

Composition

The Task Force will be composed of representatives of the Integrated Framework Donor Group and Integrated Framework Least-Developed Countries. The members of the Task Force will select its chair. The Task Force will be supported by consultants.

Decision of the Integrated Framework Working Group

The IFWG agreed that an enhanced IF comprises the following three elements:

(i) increased, additional predictable financial resources to implement Action Matrices;

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[6] Development Committee Communiqué of the Joint Ministerial Committee of the Boards of Governors of the Bank and the Fund on the Transfer of Real Resources to Developing Countries, of 25 September 2005.

(ii) strengthened in-country capacities to manage, implement and monitor the IF process; and

(iii) enhanced IF governance.

Appendix II
Task Force on an enhanced Integrated Framework

Membership of the Task Force

Benin	Dominique Fifatin
	Eloi Laourou
Canada (Chair)	H.E. Don Stephenson
	Mark Gawn
European Commission	Jan-Peter Mout
	Peter Young
	Walter Kennes
	Andrea Nicolai
Finland	Jatta Jamsen
France	Emmanuel Farcot
Italy	Dario Ciccarelli
Japan	Kiminori Iwama
	Asoko Sato
Lesotho	Pheko Masabata
Nepal	H.E. Gyan Chandra Acharya.
Norway	Frederik Arthur
Rwanda	Edouard Bizumuremyi
Senegal	Mbaye Ndiaye
Sweden	Niklas Strom
Switzerland	Jean-Pierre Cuendet
	Darius Kurek
UK	Edward Brown
	Susan Prowse
USA	Nance Kyloh
	Nancy Adams
	Anne Simons-Benton
Zambia	H.E. Love Mtesa

Note:

The Task Force was open ended.

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 priory 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.