

## Integrated Framework Steering Committee

### PROGRESS REPORT ON THE INTEGRATED FRAMEWORK PILOT SCHEME

Report by the Director General of the World Trade Organization,  
on behalf of the six core IF agencies

#### Revision

## I. INTRODUCTION

1. This report is provided for the information of Members at the Fourth Ministerial Conference, pursuant to paragraph 11 of the proposal for the Integrated Framework Pilot Scheme, which was adopted by the WTO Sub-Committee on Least-Developed Countries at its 23<sup>rd</sup> Session on 12 February 2001.<sup>1</sup> The WTO, as Coordinator for the Integrated Framework, has prepared this report on behalf of the core agencies, i.e. 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, and the World Trade Organization (WTO).

2. Following a 6-month review process involving donors, agencies and LDCs in the year 2000, the Integrated Framework for Trade-Related Technical Assistance to Least-Developed Countries (IF) was re-modelled into a viable mechanism for *mainstreaming* trade into national economic plans and poverty reduction strategies. Donor countries have helped transform the IF into a funded mandate, the agencies have re-committed themselves to its implementation, and LDCs have begun to use it as a mechanism for their trade development. The new IF was endorsed by the G-8 Summit held in Genoa, July 2001.

3. Immediately after the Pilot Phase Work Programme was adopted by the IF Steering Committee on 3 May 2001, the implementation of the Pilot Scheme began in three countries - Cambodia, Madagascar and Mauritania. The process of implementation is led by the World Bank, with the support of the other core agencies, according to their institutional mandates and expertise. In light of the satisfactory on-going implementation of the re-modelled IF through the Pilot Scheme, it has been agreed to extend the scheme to 11 additional LDCs – Burundi, Djibouti, Ethiopia, Eritrea, Guinea, Lesotho, Malawi, Mali, Nepal, Senegal, and Yemen. Implementation will begin immediately in Eritrea, Lesotho, Malawi, Senegal and Yemen, and in mid-2002 in the rest of the six LDCs.<sup>2</sup> Furthermore, consideration is given to the enhancement of the IF and the extension of the approach to other developing countries.

4. This report contains progress made on the on-going implementation of the IF Pilot Scheme since May 2001. As the implementation advances, progress has been monitored on a country-by-country basis. Periodic progress reports will be prepared by the Inter-Agency Working Group (IAWG) to the IF Steering Committee.

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<sup>1</sup> WTO document WT/LDC/SWG/IF/13, 16 February 2001.

<sup>2</sup> A technical background for the extension of the IF Pilot Scheme is contained in WTO document WT/IFSC/W/9, 12 October. The timing for implementation in Eritrea and Yemen will depend on political developments in the countries or the region.

## II. BACKGROUND

5. The Integrated Framework was endorsed at the High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development (HLM) in October 1997. Although the IF had made modest contributions in the first three-years of its operations, it was a failing programme, which had not achieved the original aims established by the stakeholders.<sup>3</sup> As part of the review mandated by the HLM framework document<sup>4</sup>, the IF was evaluated by a team of independent consultants who made recommendations for improving the operations of the IF.<sup>5</sup> Subsequently, the heads and representatives of the six agencies considered the recommendations and issued a Joint Statement.<sup>6</sup> The Joint Statement contains four major decisions for improving the IF, as a mechanism for *mainstreaming* trade into poverty reduction strategies, and for delivering trade-related technical assistance and capacity building to LDCs.

6. The Integrated Framework, as re-modelled, seeks to integrate ("mainstream") trade priorities into countries' national development plans and poverty reduction strategies.<sup>7</sup> Trade liberalisation and reform are key elements of economic policy contributing to higher rates of growth and poverty reduction. While trade is an engine for economic growth, the gains from open trade cannot be assured unless trade policy is appropriately factored into the national planning framework. Furthermore, *mainstreaming* trade needs to be rooted, not only at the policy level, but also at the levels of government institutions and of the government-donor partnership, in order to maximise the use of available resources for trade. Principally through such instruments as the Poverty Reduction Strategy Papers (PRSPs), the IF seeks to ensure country ownership and effective coordination in the *mainstreaming* process. It was agreed at the Heads of Agency meeting that the World Bank would lead and coordinate efforts with other stakeholders in *mainstreaming* trade into the appropriate policy frameworks in beneficiary LDCs. This agreement was endorsed by donors and LDCs.

7. The Heads of Agency meeting also agreed to improve governance and transparency by expanding inter-agency meetings, to include representatives from least-developed and donor countries in a newly created body, the Integrated Framework Steering Committee. The role of the Steering Committee, which is independent of WTO bodies, is to provide policy oversight and guidance, by assigning responsibility and ensuring ownership amongst LDCs, donors and agencies. The tripartite and inter-agency configuration is intended, not only to enhance the collective management of the framework, but also to address the long-standing institutional concerns on decision-making on IF matters. Decisions on IF matters to be taken would involve relations with the six agencies, and thus, the Steering Committee needs to increase coherence and transparency in the decision-making process. Moreover, the Heads of Agency also agreed that the WTO would continue to be the Coordinator of the IF, whose task included the chairing of the Inter-Agency Working Group (IAWG) and acting as the IF Secretariat.<sup>8</sup> Finally, they proposed the establishment of an IF Trust Fund (ITF), to which

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<sup>3</sup> Problems and challenges pertaining to the IF in the pre-review period are well documented. See for instance, WTO documents WT/COMTD/LDC/W/18 (25 January 2000), WT/LDC/SWG/IF/1 (29 June, 2000), and WT/MIN(99)/7 (19 November 1999).

<sup>4</sup> WT/LDC/HL/Rev.1, 23 October 1997.

<sup>5</sup> The report, together with recommendations, are contained in WTO document WT/LDC/SWG/IF/1, 29 June 2000.

<sup>6</sup> The Joint Statement by the Heads of the six IF Core Agencies on the Mandated Review of the IF is contained in WTO document WT/LDC/SWG/IF/2, 12 July 2000.

<sup>7</sup> With a view to operationalizing the concept of *mainstreaming*, the core agencies jointly organised the seminar on the "Policy Relevance of Mainstreaming Trade into Country Development Strategies: Perspective of Least-Developed Countries" on 29-30 January 2001, in the WTO.<sup>7</sup> This seminar provided an occasion for some 200 officials representing the trade, finance and development communities, both from LDCs, developing and developed countries, to share various experience of *mainstreaming*, and to brainstorm the best practice for *mainstreaming*. A report of the seminar is contained in WTO document WT/LDC/SWG/IF/15/Rev.1.

<sup>8</sup> The role of the IAWG is to ensure transparency and adequate coordination of the activities of the core agencies under the IF, primarily through the continuing flow of information on activities under the IF, and, *inter alia*, makes periodic reports to the Steering Committee.

donor support and voluntary contributions were sought. The UNDP was assigned the responsibility for managing the proposed IF Trust Fund.

8. The above decisions were endorsed and formalized with the adoption of the proposal for the IF Pilot Scheme by the WTO Sub-Committee on Least-Developed Countries at its 23<sup>rd</sup> Session on 12 February 2001. The inaugural session of the IF Steering Committee was held on 15 March 2001<sup>9</sup>. At that session, Ambassador Henrik Reé Iversen (Denmark) and Ambassador Victor Lechesa (Lesotho), were elected Chairman and Vice-Chairman, respectively.<sup>10</sup> To ensure greater transparency and coherence in decision-making, two special representatives each from donor and least developed countries – the United Kingdom and the United States, Nepal and Tanzania, respectively - were also appointed to participate in meetings of the IAWG in an advisory capacity. Moreover, an IF Trust Fund was established by voluntary contributions from bilateral and multilateral donors.<sup>11</sup> The subsequent meetings were held on 3 May and 12 October 2001.<sup>12</sup>

9. In sum, there are four key elements in the revamped Integrated Framework:

- (a) Mainstreaming trade priority areas of action into national development plans and strategies for poverty reduction;
- (b) Improved governance with the establishment of the IF Steering Committee and the expanded IAWG, for improving coordination amongst donors, LDCs and agencies;
- (c) Establishment of the IF Trust Fund; and,
- (d) Coordination of trade-related technical assistance within a coherent policy framework.

### III. INTEGRATED FRAMEWORK PILOT SCHEME

#### A. PILOT PHASE WORK PROGRAMME

10. The objective of the IF Pilot Scheme is to assist LDCs, on a pilot basis, to develop a trade integration strategy that would foster sustainable pro-poor growth by embedding trade policies and priorities into national development strategies. The IF Steering Committee, at its second session in May 2001, endorsed the selection of three pilot countries – Cambodia, Madagascar and Mauritania, which had demonstrated a clear choice and commitment to mainstream a trade integration chapter as part of their PRSPs. The implementation of the Pilot Scheme is being led by the World Bank, based on the Pilot Phase Work Programme adopted by the Steering Committee at the same session.<sup>13</sup> The scheme is funded by the IF Trust Fund, and is supplemented by resources of the core agencies in terms of staff contributions and budgetary outlays.

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<sup>9</sup> The minutes of the meeting is contained in WTO document WT7IFSC/M/1, 28 August 2001.

<sup>10</sup> The IF Steering Committee composed of 6 LDC representatives, the 6 core agencies, and donors. LDC representatives would be rotated annually, with the exception of Bangladesh, as global LDC Coordinator. The other five LDC representatives for 2001 are: Haiti, Mauritania, Uganda, Yemen and Zambia. LDCs in the pilot phase, as well as other interested countries, have observer status.

<sup>11</sup> As of 30 September 2001, 14 bilateral and multilateral donors pledged to the IF Trust Fund, amounting to US\$6.2 million. The contributing donors are: Canada, Denmark, the European Commission, Finland, Ireland, Japan, the Netherlands, Norway, Switzerland, Sweden, the United Kingdom, the United States, UNDP and the World Bank. A financial report on the IF Trust Fund is contained in WTO document WT/IFSC/W/7, 10 October 2001.

<sup>12</sup> The minutes of the second meeting are contained in WTO document WT7IFSC/M/2, 28 August 2001.

<sup>13</sup> WTO document WT/IFSC/W/2, 15 August 2001.

11. The Pilot Phase Work Program started with the preparation of a diagnostic trade integration study for each of the three pilot countries. The diagnostic study assesses the competitiveness of the economy and of the sectors that are engaged in international trade or have such potential. Given the distinct situation and prevailing conditions in each beneficiary country, the study identifies key constraints to the country's integration to the multilateral trading system and the global economy, which are specific to the country concerned. A diagnostic study typically includes five components, as follows:

- (a) A review and analysis of the *country's economic and export performance* from a historical and international perspective, with particular attention to indicators of per capita income, trade and integration performance vis-à-vis those of comparator countries;
- (b) An assessment of *the macroeconomic environment and the country's investment climate*, with emphasis on customs administration, access to (and cost of) pre-shipment finance and working capital, barriers to investment, and the behaviour of the real exchange rates;
- (c) An assessment of *the international policy environment* and specific constraints that the country's exports face in international markets, including market access barriers, the impact of regional arrangements. Implications of greater market access for the country's exports area also assessed;
- (d) An analysis of key *labour-intensive sectors for expansion* of output, exports and employment, together with identification of internal constraints in the expansion.
- (e) A conclusion ("pro-poor trade integration strategy") with *recommendations for policy reforms and action plans* to remove bottlenecks and seize opportunities identified in the diagnostic study. The recommendations take into account the likely impact of proposed actions on the level and structure of poverty.

12. Specific terms of reference (TORs) for the diagnostic trade integration study are developed for each country, on the basis of the above five generic components, in consultation with the Government concerned. The Government is expected to establish a national steering committee which would channel information to all relevant national stakeholders, and coordinate and stipulate national needs and priorities for its trade development. The effectiveness of such committee would determine the degree of ownership, and the sustainability of the IF process, which in itself is a long-term capacity-building exercise. The study is prepared by a team of local and international experts, together with staff members from the core agencies. Preparations of the study include at least one field mission, lasting three weeks. Interactions between the IF team and local counterparts in the field are designed to increase the local capacity and understanding on trade matters.

13. The findings of the diagnostic study will form the basis for an Action Plan that includes a set of policy recommendations and priority technical assistance needs to overcome the constraints identified. The study, together with the Action Plan, will then be presented to the country's stakeholders for discussion in a series of Trade Integration Workshops. Such workshops provide an opportunity for various Ministries and Government agencies, donors, private sector and civil society, to exchange views on trade matters, in order to raise the profile of trade issues within the overall context of the PRSP. For the organisation of the workshops, two, but mutually supportive, options could be considered: (i) trade integration workshops on the stand-alone basis; or/and, (ii) trade integration workshops within the framework of the national PRSP committee. The choice rests with the beneficiary country. And whatever choice is made, the workshops will be chaired by the beneficiary country. Finally, it is envisaged that, following consultations with donors, the Action Plan is submitted to an upcoming meeting of the World Bank Consultative Group (CG) or UNDP Round Table for financing.

**B. PROGRESS IN THE IMPLEMENTATION OF THE IF PILOT SCHEME IN CAMBODIA, MADAGASCAR AND MAURITANIA**

14. Since the endorsement of the Pilot Phase Work Programme and the three pilot countries - Cambodia, Madagascar and Mauritania - by the IF Steering Committee in May 2001, the World Bank has taken the lead in developing the TORs for the diagnostic trade integration studies, appointing the IF teams and sending field missions to the pilot countries. The diagnostic trade integration studies are being completed and will be circulated in October 2001. Trade Integration Workshops are scheduled for November 2001, and follow-up activities are expected thereafter. Follow-up activities will be monitored and periodically reported to the IF Steering Committee. Below are summaries of the preliminary findings in the three pilot countries.

**1. Cambodia**

15. The TORs for Cambodia's diagnostic trade integration study were drafted on the basis of the needs identified in the concept paper entitled "Formulation of a Pro-Poor Trade Sector Strategy for Cambodia: The Tokyo Road Map", prepared by the Government with the support of ITC and UNDP. The Tokyo Road Map was presented by the Minister of Commerce at the Third Consultative Group meeting held in Tokyo on 12-13 June 2001, where broad support was expressed by development partners. An IF Inter-Ministerial Steering Committee was established by the Government in order to monitor the implementation of the pro-poor trade sector strategy, including co-ordination of IF activities with all stakeholders. The Committee is chaired by the Minister of Commerce and includes representatives from various Government Ministries, such as the Ministry of Planning (i.e. the PRSP Secretariat) and the Ministry of Economy and Finance, as well as the donor community. The IF core agencies considered that this approach would be supportive of the principle and practices of ownership.

16. A field mission took place in August 2001, involving the participation of the IMF, World Bank and the WTO. The IF mission interacted with the UNDP's field office in Phnom Penh. The IF mission provided briefings on the diagnostic trade integration study to the IF Inter-Ministerial Steering Committee. The draft report will be circulated in October 2001. The preliminary findings highlight the high transaction costs for the agricultural and fishery sectors, and elucidate the steps and actions necessary to incorporate the expanding labour intensive export sectors into the rest of the economy. The study also quantifies the gains from preferential trade agreements, including the implication of changes in these preferences for the Cambodian economy.

17. A Trade Integration Workshop will be held on 19-20 November 2001 within the framework of the IF Inter-Ministerial Steering Committee to discuss the draft report with stakeholders. Cambodia is currently preparing a fully fledged PRSP, which builds on the Interim-PRSP approved by the Executive Boards of the IMF and the World Bank in January 2001. The full PRSP is due in mid-2002. On the basis of the preliminary reviews of the pilot case in Cambodia at the 27<sup>th</sup> IAWG meeting in September 2001, priority trade-related recommendations to be identified at the Trade Integration Workshop will also be reviewed and integrated into the PRSP. Pursuant to the agreed process, the results will be tabled for active consideration by development partners at the CG meeting scheduled for mid-2002.

**2. Madagascar**

18. The TORs for the diagnostic trade integration study were drafted on the basis of the earlier work that had been initiated by the ITC and UNDP at a launch workshop held in March 2000, and also on WTO's Trade Policy Review completed in February 2001. The National PRSP Steering Committee provides a single platform for discussing socio-economic matters, including trade issues. The Committee comprises relevant Government Ministries, private sector representatives and development partners. The Agence Intergouvernementale de la Francophonie (AIF) has provided

support for the participation of the Ministry of Trade and the private sector in the consultation process at the Steering Committee.

19. The field mission led by the World Bank took place in July 2001, and interacted closely with the UNDP field office in Antananarivo. A pre-workshop was held in July 2001 to exchange views on the preliminary findings from the draft report with national stakeholders. The report will be circulated in October 2001. The preliminary findings of the study reveal that the economic trend in Madagascar has been reversed after years of negative economic growth, with textiles and shrimp exports providing increased employment and incomes. However, the country's growth remains fragile and dualistic – with production in the export processing zone much more dynamic than in the rest of the country. Even in the Export Processing Zones, the future erosion of benefits that currently arise from the preferential trade agreement with ACP countries highlights the potential vulnerability of textiles, especially when the integration of the textiles and clothing sectors into the WTO framework is completed in 2005. There is the urgent need to ensure a more conducive national environment for exports and investment. Madagascar's trade is characterized by large transactions costs in several areas – credit, legal framework and in customs – and is compounded by a lack of transparency in transactions, for example in taxation. Another significant constraint to Madagascar's trade expansion is the pervasive existence of monopolies and other obstacles to free competition. Finally, infrastructure requirements in different areas, such as port, airports, railroads and roads, are critical, not only to support trade, but also for the indirect benefits to the poor from opening up the economy.

20. A Trade Integration Workshop is scheduled for late 2001, within the framework of the PRSP Steering Committee, to discuss the full report and the Action Plan to follow-up the needs and priorities identified in the report. Madagascar completed its Interim-PRSP in November 2000, and is in the process of preparing a full PRSP, scheduled for completion in end 2001. The findings from the diagnostic trade integration study will form the basis for the Trade and Regional Integration component in the full PRSP, which had already been identified by the Government as one of the priority areas in its I-PRSP. Pursuant to the agreed process, the results will also be tabled for active consideration by development partners at an upcoming donors' financing forum.

### **3. Mauritania**

21. The TORs for the diagnostic trade integration study were drafted on the basis of the Trade Development Strategy, that had been prepared by the Government, with the support of ITC, UNDP and the WTO. Discussions on the strategy at the meeting of Stakeholders' Consultations on Mauritania's External Trade, 10-11 June 2001, have helped generate synergies with the World Bank-led diagnostic trade integration study and the WTO's Trade Policy Review. The Ministry of Economy is the IF focal point, and chairs the National PRSP Committee. Trade matters, including coordination of IF activities, are discussed at the Committee where the Ministry of Trade actively participates.

22. The World Bank led the field mission in June 2001 to carry out the diagnostic trade integration study. The mission coincided with the Stakeholders' Consultations, where five of the six IF core agencies participated. The draft report will be circulated in October 2001. The study's preliminary findings highlight that despite solid economic growth and steady trade reform, Mauritania remains far from being integrated in the world economy. While market access does not pose a problem for Mauritania's current narrow basket of exports, any potential export diversification may face significant difficulties due to high tariffs in the QUAD markets and non-tariff barriers in terms of phytosanitary standards. Key identified constraints to trade expansion include a cumbersome and discretionary Investment Code, weak customs administration, inadequate port and road infrastructure, and weak institutions in key export industries, such as fisheries and tourism.

23. A Trade Integration Workshop will be held on 5-6 November 2001 to discuss the diagnostic study and the resulting Action Plan. A further workshop is envisaged under the auspices of the National PRSP Committee with a view to incorporating the findings from the IF study in the updated PRSP. Mauritania completed the full PRSP in December 2000. The findings from the IF study will

strengthen the trade component, which is currently not prominent, in the next revision. Moreover, pursuant to the agreed procedure, those trade-related projects identified in the IF process will be submitted for active consideration by development partners at an upcoming CG meeting.

#### C. FOLLOW-UP TO THE IF ROUND TABLES IN THE FIVE COUNTRIES

24. As an integral part of the implementation of the IF Pilot Scheme, follow-up has been pursued to the activities that resulted from the stand-alone Round Table Meetings under the "old" IF process.<sup>14</sup> Bangladesh, The Gambia, Haiti, Tanzania and Uganda held IF Round Tables between December 1998 and January 2000 to present their needs assessments and propose multi-year programmes of trade-related technical assistance projects to meet the needs. Despite enormous preparations by the LDCs, the Round Tables did not raise funding for the projects proposed, with a few exceptions. No stand-alone IF Round Tables have been held since, and those scheduled Round Tables have been encouraged to be mainstreamed into the meetings of the CG or UNDP Round Table. At the Meeting of the Heads of the Agency in July 2000, it was decided that existing programmes under the auspices of the IF, including follow-up activities to the old Round Tables, would be pursued with a view to mainstreaming them within the broader ambit of national development strategies.

25. In pursuit of the above decision, the IF Steering Committee at its first session in March 2001 agreed to re-examine those projects presented at the IF Round Tables for possible financing from the IF Trust Fund. It was decided that projects to be selected should support the objective of mainstreaming trade into wider national planning framework. The IF Steering Committee requested the ITC to lead the process of identifying projects in the five LDCs that would meet the specified parameters. A list of prioritised and sequenced projects, in support of mainstreaming, would then be considered by the Steering Committee for funding with a maximum ceiling of US\$300,000 for each country. Other projects could be considered for funding by bilateral donors, including at meetings of the CG or UNDP Round Table.

26. At its 27<sup>th</sup> meeting in September 2001, the IAWG proposed that, on the basis of a report prepared by the ITC, the list of trade-related technical assistance projects which would support the mainstreaming objective in the five LDCs, be recommended to the IF Steering Committee for financing.<sup>15</sup> The list will be submitted to the 3<sup>rd</sup> Session of the Steering Committee. The report listing the projects for follow-up activities to the five IF Round Tables is contained in document WT/IFSC/W/8 and its five addenda.

#### IV. CONCLUSIONS: PROSPECTS FOR THE IF PILOT SCHEME

27. The implementation of the IF Pilot Scheme, still underway, has been a valuable learning process. On the one hand, a number of issues and problems have expectedly emerged in this multi-layer structure of coordination mechanism since the implementation began in May 2001. On the other hand, the revamped IF, with the new focus on mainstreaming trade into national development plans and poverty reduction strategies, has emerged as a potentially powerful instrument to support the meaningful integration of LDCs in the global economy. The implementation of the Pilot Scheme have already had beneficial effects on: (i) coordination amongst stakeholders; (ii) policy coherence; (iii) country ownership; (iv) capacity-building; and (v) follow-up and funding. The effects are expected to multiply as the new approach advances and consolidates.

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<sup>14</sup> Prior to July 2000, the IF was structured on the basis of five steps: (i) country needs assessments prepared by individual LDCs; integrated responses by the six agencies; (iii) preparation of a multi-year country programme and the holding of a Round Table meeting; (iv) implementation and monitoring of trade-related technical assistance activities; and (v) regular evaluation by the staff of the six core Agencies and officials of the least-developed countries. Under this process, out of the 48 LDCs, 40 countries completed their needs assessments, all of which had been responded by Integrated Responses by the six agencies. Only five LDCs proceeded to hold the IF Round Tables.

<sup>15</sup> The decisions taken by the IAWG at the 27<sup>th</sup> meeting are contained in document WT/IFSC/W/5.

28. First, coordination amongst the principal parties has significantly improved under the IF Pilot Scheme. The IF experience has highlighted the importance of coordination between the beneficiary governments and development partners. However, more remains to be done. Four levels of coordination are essential in ensuring the smooth implementation of the Pilot Scheme: (i) coordination at the domestic level; (ii) coordination amongst agencies within the IAWG; (iii) coordination between the regional offices of the core agencies and the beneficiary governments; (iv) coordination amongst bilateral donors. The efficiency of coordination can be improved through internal coordination mechanisms on the part of the beneficiary governments, donors, and the core agencies.

29. Second, the implementation of the IF Pilot Scheme has reflected improved coordination amongst the core agencies, involved in global economic policy-making. There is still scope for improvement. The joint IF missions have contributed to providing coherent policy guidance to the beneficiaries. The agencies will soon begin the difficult process of adjusting their programmes and projects to align them more closely with the Action Plans emerging from the diagnostic trade integration studies in close coordination with each other. For instance, the WTO is programming its Trade Policy Reviews for LDCs more closely with the diagnostic trade integration studies, as in the case of Mauritania. In the case of Madagascar, the Trade Policy Review, completed in early 2001, has identified issues for the diagnostic study to explore. Increasingly, technical assistance programmes and projects are being executed jointly by some of the IF agencies, as in the case of follow-up activities to the IF Round Tables in the five LDCs (Bangladesh, The Gambia, Haiti, Tanzania and Uganda).

30. Third, the experience of the IF Pilot Scheme has made evident that the benefits accruing from the integration of trade into national development plans and poverty reduction strategies, are ultimately determined by the level of ownership of the IF process. Here also, there is scope for further improvement, as more time is required for the process to take root domestically. The ability to own the IF process depends on the domestic institutional coordination mechanism, whereby national consensus is established on the role of trade in fostering economic growth and poverty reduction. Although IF focal points are typically located in trade ministries, the experience of the on-going implementation has shown that trade ministries stand-alone cannot achieve the objective of mainstreaming trade into development plans. Achieving the objective of mainstreaming requires inter-related actions by key economic ministries, particularly the ministries of finance, planning and trade, in partnership. Although the IF process have evidently brought closer the key ministries in the pilot countries, the record, so far, is not encouraging. More needs to be done at the domestic coordination level.

31. Fourth, the obvious benefits from the IF process are very positive knock-on effects for trade capacity-building in the three pilot countries. This positive effect has also contributed to the consolidation and expansion of the trade policy community. This development augurs well for ensuring trade as engine for economic growth and poverty reduction. Every issue needs a domestic constituency to prosper. The trade policy community will also assist in resisting protectionist domestic special interests and lobbies. Furthermore, preparations for the diagnostic studies have been part of the broader participatory mechanisms associated with the preparation of PRSPs. The IF process has involved discussions with various parts of the Governments, bilateral and multilateral donors and the private sector on the field, with a view to raising the profile of trade issues among stakeholders. However, while necessary, mainstreaming of trade priority areas of action needs to be followed up by further strengthening of systems, procedures, institutions and human capacities. This is why the priority recommendations to agreed by all stakeholders require active consideration at meetings of the World Bank Consultative Group (CG) and UNDP Round Table.

32. Fifthly, strong commitments have been expressed by the Governments, the core agencies and donors to follow-up on the results of the diagnostic trade integration studies in order to sustain the benefits accruing from the IF process. Recommendations for policy reform and priority needs for trade-related technical assistance are being defined within a coherent framework of companion policies which are consistent with the national objective of economic development and poverty

reduction. LDC Governments will consider those policy recommendations to be part of the country's broad policy setting within the PRSP process. The core agencies and bilateral donors will re-focus their programmes and re-allocate resources, as necessary, to accommodate the priority technical assistance needs, as contained in the Action Plan. According to the agreed procedure, resources to meet the trade needs are expected to be raised at meetings of the World Bank CGs or UNDP Round Table where trade will be considered along with other development priorities. The IF process will be monitored and evaluated on a country-by-country basis by the IF Steering Committee, based on reports by the IAWG, as well as by the National Steering Committees for the Integrated Framework.

33. In conclusion, the IF core agencies in the World Bank-led IF process have agreed to recommend the extension of the IF Pilot Scheme. The recommendation will be considered at the Third Session of the IF Steering Committee. One question that has arisen is how long the Pilot Scheme will last. The agencies consider that more time is required for measuring the full effects and evolution of follow-up to the results of the diagnostic trade integration studies before a final position is taken on the Pilot Scheme and the consolidation of the revamped IF. At this moment, the prospects for the Pilot Scheme are positive and encouraging. The IF core agencies are fully committed to the further implementation of the Pilot Scheme and to making the IF as a valuable instrument for assisting LDCs to integrate into the multilateral trading system and the global economy.

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