

**Integrated Framework Steering Committee
Twelfth Session**

**REPORT ON THE 12TH MEETING OF THE
INTEGRATED FRAMEWORK STEERING COMMITTEE (IFSC)**

Thursday, 2 December 2004, WTO, Geneva

Chairperson: H.E. Mr. Henrik Rée Iversen (Denmark)

1. The Integrated Framework Steering Committee (IFSC) held its twelfth meeting on Thursday, 2 December 2004.
2. The Chairman, on behalf of the Steering Committee, extended a warm welcome to the Minister of Trade from Djibouti, H.E. Mr. Saleban Omar Oudine, to the meeting. In view of the presence of the Minister, the Chairman proposed a change in the order of the agenda to allow the Minister of Djibouti to speak first. The Chairman proposed to take up agenda item 2(b) before agenda item 2(a).
3. It was so agreed. The adopted agenda is reproduced in Annex I.
- A. STATUS OF IMPLEMENTATION OF THE IF IN THE COUNTRIES: REPORTS BY IF BENEFICIARIES
4. The representative of Djibouti, the Minister of Trade H.E. Mr. Saleban Omar Oudine, provided a progress report on the implementation of the IF process in his country. He reported on measures being taken by his government to integrate trade into development plans and on projects being implemented including under Window II. He said that his country was among those that had benefited from assistance under Window II of the IF. His government, in cooperation with the Government of Dubai, was investing more than US\$300 million in a project that included a port with a new container terminal, a commercial as well as industrial free zone and an oil terminal with a capacity of 240,000 tonnes per year. He further said that in the framework of economic reforms, his government had taken significant measures to integrate trade into development plans, in particular the Poverty Reduction Strategy Paper (PRSP). He hoped that the launching of the IF Window II activities, with the assistance of the International Trade Centre (ITC), would add value to the investments made by them in the area of trade.
5. The Minister of Djibouti expressed his hope that his government would be able to overcome initial problems encountered in the implementation of the IF. He trusted that two Window II projects would help achieve twin objectives of building up capacity in three institutions namely the Ministry of Commerce, the National Investment Promotion Agency and the Chamber of Commerce as well as of promoting tourism. Those projects, jointly with others, would strengthen the Foreign Trade Department of his Ministry, enable the Chamber to provide greater support for the promotion of small enterprises, and benefit the National Investment Promotion Agency created in 2001 under the direct supervision of the President of the Republic. He added that the tourism project, which aimed at concluding partnership agreements with the tourism promotion agencies of the neighbouring countries, would have a significant impact on employment. In conclusion, he thanked donors for their

support to Djibouti. He informed the Committee that an IF donors' meeting would be organized in the summer of 2005.

6. The representative of Zambia, on behalf of LDCs, welcomed the Minister of Trade from Djibouti in the meeting. He said that the presence of the Minister was a clear manifestation of the interest of the Government of Djibouti in the IF as well as in the WTO as a whole. He was encouraged to hear the plans and preparations for strengthening trade not only in Djibouti but for the entire region as a whole. He expressed the support of LDCs to the Government of Djibouti in realizing its important objectives.

7. The Chairman recalled that the IF Work Programme, adopted in February 2004, placed special emphasis on the effective follow-up to the Diagnostic Trade Integration Studies (DTIS) in the beneficiary countries. He said that nine countries namely Djibouti, Guinea, Lesotho, Mauritania, Madagascar, Mozambique, Nepal, Senegal and Yemen had responded to the questionnaires designed by the Secretariat to monitor progress in the IF process. The information contained in those replies was useful and provided first-hand information on what was happening in the field. He encouraged all beneficiaries to provide the Steering Committee with such feedback. The Chairman invited IF beneficiary countries to report on the status of implementation of the IF in their countries.

8. The representative of Ethiopia welcomed the Minister of Trade from the Republic of Djibouti and said that his country enjoyed strong economic, social, cultural and geographical relationships with Djibouti. He gave a detailed account of the current state of play of the IF process in his country. He said that a DTIS validation workshop, held in November 2003, came up with 108 recommendations. Based on the DTIS and the outcomes of consultations in November 2003, their Minister of Trade and Industry, H.E. Mr. Girma Biru had entrusted the IF/DTIS Technical Committee with the preparation of an implementation plan for trade-related technical assistance which had reviewed those recommendations and identified 43 priorities out of 108 recommendations. He noted that the Technical Committee had set out an implementation schedule for those 43 prioritized DTIS recommendations together with the identification of the implementing agency. He called upon the development partners to engage in and initiate financial support for the implementation of those projects as soon as possible.

9. The representative of Ethiopia added that his country's IF/DTIS Technical Committee had identified three broad areas for immediate support namely: (i) institutional support to the Ministry of Trade and Industry and the Chamber of Commerce; (ii) enhancement of trade negotiation capacity and the activities, including support for the preparation of a "Road Map to WTO negotiations"; (iii) support for the establishment of an internationally recognized conformity assessment system to enhance trade and competitiveness in terms of quality and performance. He specified that these three components were costed and a project document had been co-signed by the State Minister of Trade and Industry, the State Minister of Finance and Economic Development and the Resident Representative of UNDP with a view to submitting it to the IF Trust Fund for funding out of Window II. He reported that as of November 2004, components one and two had received allocation from the IF Trust Fund with component three remaining unfunded. In conclusion, he reiterated the commitment of his government to the IF process and called upon development partners to redouble their efforts to allocate new resources to finance the implementation of the IF/DTIS priority projects, including those submitted to the IF Trust Fund and were awaiting allocation.

10. The representative of Madagascar welcomed the Minister of Trade from Djibouti and made an elaborate report on progress being made in the IF process in her country. She reported on projects being prepared and measures being taken by her government to achieve the objectives set by the IF programme, and highlighted a number of factors limiting the smooth operation of the IF in her country. She said that her country was among those that had validated the DTIS. She added that the IF process in her country had moved forward significantly in spite of certain difficulties and

constraints relating to inter-donor and inter-ministerial coordination problems. Two Round Table workshops had been organized on 15 January and 26 May 2004 respectively, which had made an evaluation of the progress achieved in implementing the IF. The meeting held on 26 May had established a Steering Committee to monitor implementation of the IF process and of decisions made by the Local Project Approval Committee (LPAC). She informed that following the Round Table, the World Bank had confirmed its availability to consider priority trade sectors that had not been funded and had made some recommendations. Following those recommendations, her government had reviewed the priority Action Matrix and reformulated it in a more focussed way. Several ministerial departments had introduced measures to respond to the needs expressed in the Matrix including investment security, promotion of tourism, modernization of customs and the establishment of an agricultural research fund. With regard to Window II projects, she expressed her concern that a project entitled "International Trade Capacity Building in Madagascar", validated by the LPAC on 30 June 2004, was held up at UNDP awaiting definitive authorization contingent upon the choice of an implementing agency. This had led her government to prepare a draft decree for the creation of an IF implementation unit, which was under examination by the government council. She said that there were a number of factors such as: (a) rigidity of the rules and procedures of the Inter-Agency Group; (b) the inter-relationship between the IF and other cooperation mechanisms; and (c) the pace of implementation of the actions planned under IF, which were limiting the efficiency of the IF. She hoped for more flexibility from donors to facilitate quick release of funds.

11. The representative of Mauritania welcomed the Minister from Djibouti. He gave an account of his government's initiatives to contact bilateral partners to get financial support for the implementation of projects and also highlighted efforts being taken in the area of regulatory and institutional reform. He said that in addition to the IF core agencies, his government had contacted multilateral institutions and bilateral partners seeking funds for the implementation of projects identified in the Action Matrix of the DTIS. He said that while there had been an expression of interest in certain projects, funds had not been forthcoming and that funding had been obtained only through the IF Trust Fund. He said that the amount received by his government under Window II funding fell short of the total entitlement allocated to each beneficiary country. His government would soon draft projects to avail of the full entitlement under Window II and hoped that financing for those projects would be obtained rapidly.

12. The representative of Mauritania continued by saying that a number of measures were being taken in the area of regulatory reform such as drafting of the implementing regulations for the commercial code and the investment code, extension of tax reform, lowering of the rate of industrial and commercial profits tax from 25 to 20 per cent and simplification and reduction of the tax on wages and salaries. The Chamber of Commerce, Industry and Agriculture had been provided with new structures. Competitiveness and commercial integration issues would be the main focus of the second PRSP four-year plan 2005-2008. He concluded by saying that the support of the international community and commitment of bilateral partners remained crucial to the success of the efforts being pursued by his government and for the success of the IF.

13. The representative of Senegal welcomed the Minister of Djibouti in the Steering Committee. He said that his government had replied to the monitoring questionnaire and had sent it to the Secretariat. There had been developments since that report was made. Following a mission by UNDP on 15 November, a decision had been taken concerning the funding of projects under Window II. He expressed his thanks to the IF partners, although this had come after a long time since his government had validated the Action Matrix in December 2002. He hoped that for other projects funds would be forthcoming as soon as possible.

14. The representative of Lesotho welcomed the Minister of Djibouti in the Steering Committee. She said that her government had tried to ensure greater synergies and coordination of IF with other trade-related technical assistance projects like the IPR (Investment Policy Review) and that both IF

and IPR were aimed at addressing poverty. She said that recommendations from the IPR and its Action Matrix formed part of the DTIS Action Matrix and the latter also formed part of the larger PRSP Action Matrix. She made a detailed report on the status of implementation of both the DTIS process and the IPR exercise in her country as those were carried out around the same time and their inputs formed part of PRSP for her country. She said that her country was being assisted by the ITC in the implementation of a project entitled "Project and Market Development of Agro-Based Products" financed under Window II of the IF. The project, which was at its implementation phase involved production and marketing of mushrooms and peaches and had five modules: (i) feasibility study; (ii) production issues; (iii) training of mushroom growers; (iv) export linkage and training of private sector in labelling, packaging, storage, etc.; and (v) strengthening market linkages between the supplier and importer.

15. The representative of Lesotho continued by saying that UNCTAD was helping her government with the implementation of most recommendations that were suggested in the IPR and the DTIS. The activities undertaken in the area of investment included: (i) Bilateral Investment Treaty; (ii) Business Linkages; and (iii) Good Governance in Investment Promotion and Facilitation. She further outlined some future activities that were being planned such as drafting a law on Foreign Direct Investment, training in investment promotion and investor targeting for the staff of Lesotho National Development Corporation, preparation of a draft Action Plan to improve competitiveness of Lesotho's garment industry, study on the potential of Lesotho's tourism industry, preparation of an investment guide and organization of a training course for trade negotiators to enhance their negotiating capacity.

16. The representative of Nepal welcomed the Minister of Djibouti in the meeting. He made a detailed report on the status of the IF process in his country. He said that the process of integrating the LDCs' economy into the multilateral trading system remained a difficult task, which was severely affected by supply-side constraints. The IF, according to his government, might be instrumental in uplifting the economy of LDCs by building supply-side capacity. He informed the meeting that the DTIS entitled "Nepal Trade and Competitiveness Study (NTCS)" had been carried out by the World Bank in 2003 on behalf of the IF and had been approved by the Government of Nepal in October 2003. He said that the policy and technical assistance matrix had been developed specifying the time frame for implementation. A High-level IF Steering Committee as well as a LPAC had been formed. The LPAC had approved projects for a total of US\$1 million under Window II to implement various recommendations of the NTCS and to strengthen the Secretariat of the national IF Steering Committee.

17. In 2004, his government had submitted a proposal of US\$665,000 as a first part under Window II of the IF Trust Fund, which had been approved and budgeted by UNDP. Another project proposal of US\$335,000 was in the process of approval and aimed at enhancing the capacity of the private sector. He said that seven out of nine project proposals had been approved by Nepal's national Steering Committee covering 20 items of the DTIS Action Matrix including the establishment of an apex trade policy body, rationalization of investment-related institutions and regulations, strengthening of service sector institutions, garment development and action plan, carpet development and action plan, the establishment of a trade promotion agency and custom reform and modernization. He further stated that US\$38,000 had been allocated to implement the project entitled "Strengthening National Implementation of the IF" managed for the IF by UNDP, which was utilized to carry out various activities under four headings namely: (a) national structures training; (b) Conference; (c) Seminars; and (d) study tour and knowledge sharing. He thanked the World Bank as well as the lead donor, the Department for International Development (DFID) for the DTIS and underscored the importance of the implementation of identified projects. He said that his government would like to strengthen trade-related institutional capacity and supply-capacity through effective implementation of projects identified in the DTIS Action Matrix. He expressed the commitment of his government to mainstream trade into national development strategies and to foster national ownership. His country

was expecting substantial support from the international community including IF agencies and donor partners in its endeavour towards poverty alleviation and sustainable development.

18. The representative of Guinea, on behalf of her Ambassador, welcomed the Minister of Djibouti for his presence at the meeting, which in her view reflected the commitment of the LDCs to the multilateral trading system and to the IF in particular. She provided an update of measures being taken by her government to implement projects resulting from the validation workshop and outlined some difficulties involved in implementing projects. She said that as a pilot country in the second phase of the IF, her government, with the help of development partners, had endeavoured to implement the guidelines for the three projects selected for Window II funding during the validation workshop held in Conakry in November 2003. She expressed the disappointment of her government on the delay in the release of funds for one of those three projects, which was due to lack of understanding on the role attributed to the IF agencies namely UNDP, ITC and UNCTAD. She said that at the regional pre-DTIS Workshop, held from 18 to 21 October 2004, in Kigali, Rwanda, the representative of Guinea had highlighted the difficulty encountered in implementing the project; the matter had subsequently been resolved. She stated that her delegation on previous occasions had expressed concern with regard to delays in implementation of projects with lack of ownership in the process, however, the roles of the agencies in the IF process had been clarified and her government had begun to implement the third project. She hoped that in future unclarity concerning the role of different agencies would be avoided, which was an impediment to the proper functioning of the IF Window II projects. Finally, she expressed the gratitude of her government to the ITC and UNCTAD for organizing the regional pre-DTIS Workshop held at Kigali.

19. The representative of Mozambique welcomed the Minister of Trade from Djibouti in the meeting. She said that the national validation workshop held in September 2004 had highlighted the importance of trade as an engine of economic growth and poverty reduction and had discussed barriers to the expansion of trade and key actions to be taken by her government. That workshop, chaired by H.E. Mr. Carlos Morgado, Minister of Industry and Trade, had focussed on recommendations contained in the DTIS prepared under the IF. She said that the main objective of the workshop had been to analyze the constraints to trade and to identify necessary reforms that would help her country maximize the benefit of trade as an essential part of the national strategy for economic development and poverty reduction. She said that her government had submitted to the IF Secretariat the executive summary, the Action Matrix as well as the main body of the DTIS. She stated that the Ministry of Industry and Trade would present the DTIS and its Action Matrix, to the new Cabinet early next year to ensure progress on the implementation of the DTIS. She informed the meeting that the elections were taking place that very day in her country. Her government would incorporate the national trade strategy into the PRSP. Her country had achieved a significant economic growth through a combination of political stability, favourable economic policies, large foreign investment flows, and integration into regional and global markets. General support from the international community had contributed to that impressive growth. Her country had emerged as a model of success of conflict resolution, political transition and economic recovery. Her government was also endeavouring to increase its participation in international trade, to train more personnel in trade-related issues and to strengthen the existing public-private sector dialogue. She expressed her thanks to the core agencies namely ITC, UNDP, UNCTAD, WTO and diplomatic and donor communities for their contribution to her country. In conclusion, she reiterated the commitment of her government to the IF process

20. The representative of Angola welcomed the Minister of Trade from Djibouti in the Steering Committee. On behalf of his government, he thanked the six core agencies for accepting Angola in the IF. He requested the World Bank to provide his authorities with a date for the preliminary DTIS Mission. His government had contacted the European Communities (EC) in Luanda and hoped for their assistance in preparing for the IF exercise at the national level. His government remained committed to the IF process and to its success. He added that his government, with the support of

development partners, would like to realize the twin objectives of integrating trade into national development programmes and to build institutional capacity. In conclusion, he said that the EMPRETEC programme for building capacity of entrepreneurs, launched in his country, would help assist Angola to fully integrate into the world trading system.

21. The representative of Yemen welcomed the Minister of Djibouti in the meeting. He said that the first working party meeting on the accession of his country to the WTO had been held on 30 November 2004. Regarding the IF process in Yemen, he said that the DTIS had been validated by his government after a certain delay. He had made a presentation at the regional pre-DTIS Workshop held in Kigali on the status of IF implementation in Yemen, where he had explained the reasons for the delay in the validation of the DTIS. So far, his government had submitted three proposals for funding out of Window II of the IF Trust Fund to the UNDP and looked forward to their implementation. His government had made every effort to integrate the results of the DTIS and its Action Matrix into the PRSP. He stated that the results of the DTIS would be integrated into the updated PRSP for 2006-2010.

22. The representative of Bangladesh thanked the Minister of Djibouti for addressing the Steering Committee. He said that it was interesting to hear the perspectives from countries that had been through the IF validation workshop. He said that the IF was a means to an end and not an end in itself. Results from the IF in terms of increased exports from LDCs that had been through the IF process were important. He underscored the importance of an objective evaluation of the question as to whether the IF was delivering in terms of increased exports from LDCs. He wondered when the appropriate stage would be to evaluate that aspect of the IF given that the programme had been in existence for some two to three years.

23. The Chairman said that the question raised by the representative of Bangladesh was valid and important, which needed to be taken up at a later stage. He added that it was also part of an on-going evaluation of IF. He proposed that the Committee take note of the statements made.

24. It was so agreed.

B. 39TH AND 40TH MEETINGS OF THE IF WORKING GROUP (IFWG): REPORT BY THE CHAIRMAN OF THE IFWG

25. The Chairman invited the Chairman of the IFWG to report to the Committee on the outcome of the last two IFWG meetings.

26. The Chairman of the IFWG, Dr. Kipkorir Aly Azad Rana, made a detailed report on the IFWG meetings held on 29-30 June and on 22-23 November. He said that both meetings had made good progress on a number of issues, including the monitoring of progress in on-going DTIS and follow-up, preparations of new DTISs, examination of Technical Reviews on a number of new requests to join the IF, further clarification and operationalization of Window II projects, and strengthening of the IF Secretariat.

27. Regarding progress in on-going DTIS and follow-up, the Chairman of the IFWG, reported that 32 countries were at different stages of the IF process, of which 14 LDCs had finalized their DTIS. He said that the IFWG was working on some practical instruments to improve the country-led follow-up process such as by: (i) establishing a clear roadmap or "aide memoire" at the very beginning of the IF process; (ii) strengthening country ownership through the IF national implementation project; (iii) building up awareness and knowledge on the IF through workshops such as the one organized in October by UNCTAD in Kigali on Pre-DTIS support; (iv) clarifying the steps in the implementation process through a note being finalized by the World Bank; and (v) ensuring earliest possible involvement of donors through, for example, the identification of an IF facilitator in

each beneficiary. He also took the opportunity to request the beneficiaries, donors and agencies to provide the Secretariat with information regarding their responses to the supply-side related needs identified in the DTIS Action Matrices by the end of the year.

28. The Chairman of the IFWG continued by saying that the IFWG had reviewed requests from 13 LDCs to join the IF and ten LDCs were at different stages of the DTIS preparation. On the IF Trust Fund, the Chairman underscored two points. First, he said that lack of knowledge on project formulation and procedures for accessing Window II funds had been identified as one of the major constraints in the operationalization of Window II projects and that the IFWG was taking remedial action. Second, he urged the Steering Committee to endorse the agreement arrived at in the IFWG to make a small change in the Terms of Reference (TORs) for use of Window II funds, in particular regarding the deadline for submission of Window II projects. He said that the IFWG agreed to extend that deadline to one year after actual validation of the DTIS and its Action Matrix.

29. The Chairman of the IFWG recalled one of the recommendations of the second IF Evaluation on the strengthening of the IF Secretariat. He expressed his sincere appreciation to the donors who had positively responded to that urgent need by offering various options to increase staff in the IF Secretariat. He hoped for a satisfactory arrangement within the next few months. On cooperation between IF and Joint Integrated Technical Assistance Programme (JITAP), he said that the IF Secretariat and the JITAP coordination unit were ensuring that existing relevant documents, such as DTISs, were usefully taken into account in drawing up JITAP country documents and vice-versa. Steps had also been taken to explore whether needs expressed in validated DTIS Action Matrices might be addressed through JITAP activities. On cooperation with the Standards and Trade Development Facility (STDF), which was a recent undertaking, he underlined the synergies of these two programmes. He further said that project grants of the STDF might be used to prepare concrete project proposals or to implement any specific project related to standards identified in the DTIS Action Matrices. He also said that a small Task Force was looking into the desired aims, possible modes and expectations for an international conference on the follow-up and implementation of the IF, requested in the Dakar and Kigali Ministerial Declarations of 2004. He also underlined the importance of greater use of the IF website. Finally, he expressed his appreciation for the Regional Workshop on Pre-DTIS Support held in Kigali on 18-21 October 2004.

30. The Chairman said that a decision was required to revise the TORs for use of Window II funds, contained in document WT/IFSC/4, to enlarge the time frame for submitting requests for Window II funding. He underlined the necessity to raise information on the usage of Window II funding. He also emphasized the need to strengthen the IF Secretariat soon by exploring different avenues.

31. The representative of Bangladesh thanked the Chairman of the IFWG for his comprehensive report. He said that the report by the Chairman of the IFWG did not provide details on the issue of strengthening the IF Secretariat. His delegation had certain perspectives which had been expressed in the IFWG meetings in the past. He thought that it would be appropriate if the WTO Secretariat could consult the Steering Committee before making any firm arrangements with the donors for staffing enhancement. He underscored the importance of strengthening the IF Secretariat.

32. The representative of Ethiopia sought clarification about the deadline for accessing Window II funding. He said that the revision of the deadline for submitting proposals for funding under Window II from one year after the date of the DTIS workshop to one year after the actual DTIS validation had been an important improvement. He, however, raised questions as to those countries that could not access full Window II funding within that deadline. Illustrating the example of his country, he said that one year had already elapsed since their validation workshop held in November 2003. To date, his country had secured funding for two components amounting to US\$750,000. Allocation had not been made on their request for the third component amounting to

US\$300,000. He put a question as to how those situations would be met when requests for full funding had been made within the deadline and the full amount had not been released by that deadline.

33. The representative of Djibouti expressed his support for the strengthening of the IF Secretariat. He stated that the assessments and evaluations of the difficulties being encountered by countries in the IF process, which was discussed in the regional pre-DTIS Workshop held in Kigali, should be continued and lessons learnt.

34. The representative of Guinea thanked the Chairman of the IFWG for his detailed report. Her delegation adhered to the idea of strengthening the IF Secretariat. She said that the partners should support that idea as it would strengthen the IF work.

35. The representative of UNDP responded to the question raised by the representative of Ethiopia on the availability of Window II funding. He said that the deadline applied to the time of submission of proposals, not to the time of allocation of funds. He continued by saying that UNDP had tried to ensure equal geographical distribution of the funds taking into account the amount available in the Trust Fund account. He said that there had been constraints in meeting full requirements of the countries. He assured that countries that had approved projects but were waiting for allocations would not be affected by the deadline as they had already gone through the process for accessing the funds. He appreciated the positive response from donors with regard to Window II and said that UNDP had been able to conclude six new contribution agreements with donors and hoped that those projects that had been approved would be taken up for financing by UNDP by the end of the year.

36. The representative of Nepal sought further information from the Chair of the IFWG on STDF funding for DTIS projects. He put a question as to whether STDF was independent of the IF Trust Fund, and sought information on its budget and operation.

37. The representative of the United States responded to the remarks made by the representative of Bangladesh on the strengthening of the IF Secretariat, which had been under discussion for the past nine months. She said that the consultation process was on-going with the LDCs to ensure that the proposal to be made took on board the views of the LDCs. She said that it was understood that the idea of secondment of an individual was not acceptable to the Group of LDCs. She informed the meeting that four donors had been mobilizing resources to fund some positions and had been working out the final details.

38. The Chairman expressed his appreciation for the efforts of the representative of the United States on behalf of the donors group. He said that the IFWG had requested the Steering Committee to make a small change in document WT/IFSC/4, which contained the TORs for Window II to allow the IF countries better access to Window II funding. He hoped that there would not be any problem in agreeing to that. He proposed to take up the issue under the next agenda item dealing with the Trust Fund. He also proposed that the IFSC take note of the report by the Chairman of the IFWG and of the statements made.

39. It was so agreed.

C. INTEGRATED FRAMEWORK TRUST FUND: FINANCIAL STATUS REPORT; STATE OF FUNDING/TRANSACTIONS; IMPLICATIONS FOR FUTURE ACTIONS; REPORT BY UNDP

40. The Chairman said that the UNDP, as Trustee of the IF Trust Fund, had provided tables on aggregated and disaggregated figures on pledges, transfers, and approved and allocated IF Trust Fund

resources for Window II projects. He invited the representative of the UNDP to provide the meeting with a status report on the Trust Fund.

41. The representative of UNDP expressed his appreciation to the Minister of Trade from Djibouti for participating in the meeting. He then made an elaborate presentation, using power point, on the evolution of the IF Trust Fund, the nature and scope of Windows I and II of the IF Trust Fund, the status of DTIS and Window II projects being funded, the Window II implementation challenges and funding situation of the IF Trust Fund as of 29 November 2004. He recalled that the IF Trust Fund had been established in 2000 and was made up of two Windows. Window I had been used to finance the preparation of DTISs while Window II served as the bridging finance for post-DTIS capacity building. He informed that the Trust Fund had a total of 16 donors, who pledged and transferred funds to an open Trust Fund. In line with agreed principles for the IF, contributions to Window I were non-earmarked. In contrast, donors might exercise flexibility to earmark funds for specific activities or countries under Window II.

42. The representative of UNDP reported that so far resources amounting to US\$6.9 million had been allocated to 23 countries for the preparation of their DTIS. He said that a country, once its entry into the IF had been approved by the IFWG, was entitled to receive US\$300,000 to finance the preparation of the DTIS. That amount might vary in some countries depending on the activities needed to be carried out. For instance, assessment was being made to identify how much additional work was required under the revamped IF methodologies for those five LDCs which had benefitted from Round Tables under the old IF. He said that an additional US\$5.7 million would be required for the 19 countries that were in the pipeline of approval. He then made a summary of the status of Window II projects by showing the number of the projects that countries submitted, total costs and funds allocated for those projects and the status of the operationalization of those projects. He said that so far most of the DTIS activities had been executed and implemented by specialized agencies like the World Bank, ITC and the UNDP. He said that countries had started taking charge of the post-DTIS capacity-building phase and there were a number of the issues that needed to be looked at for its smooth operation.

43. Regarding challenges posed by Window II implementation, the representative of UNDP recalled that Window II had been established as a quick disbursing fund. He outlined a number of reasons for the slow implementation of Window II projects. First, he said at the country level there were different interpretations of broad Window II terms of reference, particularly with regard to the composition of LPACs and roles of different partners. Second, he referred to the misunderstanding on the procedures for accessing Window II funds such as the application of agreed UNDP programme/project management guidelines and procedures. Third, he stated that there was a lack of clarity on project execution/implementation arrangements, an issue not adequately dealt with by the LPAC so far. Fourth, he referred to the issue of ownership and alternative execution modalities. Fifth, he pointed out the limitation of knowledge on project document formulation and development. Finally, he referred to the lack of effective mechanisms for coordinating partner efforts. He stressed for more dialogue and effective consultation among the partners at the country level to address those challenges.

44. The representative of UNDP added that contributions to both Windows of the IF Trust Fund had been impressive. The pledges had been moving in line with the transfers. He pointed out that the allocation of resources to projects that had been approved was done on the basis of what actually was transferred to the IF Trust Fund Account and not on the basis of the pledges. Regarding the pledges and transfer figures, he said that so far US\$20 million had been transferred to the IF Trust Fund out of a total of US\$26.5 million pledged. Regarding financial transactions, he stated that since the beginning of 2004, Window I had a balance of US\$4.4 million out of which US\$3.2 million had been allocated for approved projects, which left Window I with a surplus of US\$1.2 million as of 29 November 2004. Window II began with a balance of US\$7.2 million, after adjusting for two

projects for Cambodia and Mauritania. So far US\$6.3 million had been allocated under Window II, which left Window II with a balance of US\$900,000. Replying to the question raised by the representative of Ethiopia he said that six new contribution agreements had been concluded with donors. Those, he said, were likely to bring in additional funds for Window II and would allow to take into account some of the projects which had already been approved but not yet allocated any resources. Overall, the position of the two accounts (Windows I and II) gave the IF Trust Fund a surplus of US\$2.1 million. He said that under Window I, seven new countries would be undertaking the DTIS exercise, four of which had already been approved. This was costed at an estimated US\$2.1 million. Twenty-three countries would undertake activities under Window II in 2005 which would leave an estimated gap of US\$16.3 million in order to meet the requirements under Window II. Thus, the total projected funding requirement for 2005 was estimated at US\$18.4 million. Against the current surplus of US\$2.1 million, this left a hole of US\$16.3 million for 2005. In conclusion, he highlighted that although UNDP was acting as manager of the Trust Fund and also as the lead agency facilitating Window II activities, the latter was a collaborative effort of all stakeholders and not a task of one agency. Therefore, partnership between the various players in the IF process, particularly at the country level was important.

45. The Chairman said that there were two sets of problems; one related to the procedures for accessing funds and the other was to secure sufficient funds. He said that it was important to address both of those at the same time.

46. The representative of the United States said that one of the issues being discussed in the donors' meeting was the desirability that a letter be sent by the Chairman of the IFSC requesting additional funds from donors for both Windows I and II of the IF Trust Fund. She requested the Chairman to initiate necessary action in that regard.

47. The representative of Rwanda sought detailed figures on the disbursement of funds. She expressed her concern regarding the level of disbursement of funds. She understood that US\$20 million had been allocated from a total of US\$26 million. She wondered what amount had been paid out to countries out of that allocation of US\$20 million.

48. The representative of the European Communities thanked the Minister of Trade from Djibouti for his presentation. He also thanked other countries for their reports on the implementation of the IF process. It was important to hear from individual countries to understand how things were working at the national level. He also underlined the point of strengthening implementation at the central level especially in the context of strengthening the IF Secretariat. In relation to the IF Trust Fund reporting, his delegation acknowledged the improvements made by the UNDP. He felt that there was scope for further improvements in that report, particularly in the area of funding, spending and projected needs. He thanked the UNDP for the inclusion of funding deficit in the report, which would be useful for donors in their future planning.

49. The representative of the Netherlands said that his government had developed an implementation method, which was to assist countries through bilateral channels. In close cooperation with the countries concerned, the embassies of his country were engaged in evaluating the entrepreneurial climate and policy areas which also took into account the DTIS, its Action Matrix and its implementation by donors or other participants. If the Embassy of the Netherlands in a given country considered that there was additional value in funding certain activities or considered that it had a role to play, then recommendations for funding were made to The Hague. This was an alternative bilateral approach in addition to the multilateral funding that had been set up for the IF at UNDP. He hoped that there would be other similar types of funding arrangements from other donors and that those would be mapped out in the coming period so that donors might get a more comprehensive view and might contribute more in a transparent way on the implementation of the IF.

50. The representative of the World Bank clarified that the IFWG had proposed to revise that deadline for submission of project proposals for funding under Window II of the IF Trust Fund, so that countries could apply for funds under Window II after the validation of the DTIS Matrices and the Action Programs. The IFWG proposed that revision, since one of the requirements of the projects considered to be funded under Window II was that it had to be part of the validated Action Matrices. He added that the Action Matrices presented at the national DTIS workshops were usually revised and elaborated by governments in light of the outcome of the validation workshops. Hence, validated Action Matrices were only established at the actual time of validation, and not at the preceding DTIS Validation Workshops. Therefore, he said that it was only logical to count the deadline from the date of the actual validation of the Action Matrix.

51. The representative of UNDP replied to the questions posed to him. Responding to the representative of Rwanda, he said that his presentation did not make the detailed break down of financial transactions. However, the reports that had been distributed at the meeting contained figures that showed cumulative expenditures being reported on those projects. He said another important element of reporting was the certified and audited finances on projects which was being done in close cooperation with the executing agencies. He said that while the UNDP manages the IF Trust Fund, the actual activities of implementation was done by other partners. He illustrated that for the preparation of the DTIS, the World Bank was the lead agency and reported to the UNDP. He stated that, to date, reporting was being made annually due to work pressure; but semi-annual reporting was being considered. He underlined the importance of certified financial statements from executing agencies, which was being reflected in the annual report. He said that for country execution under Window II, the onus and responsibility would be on the host countries to report regularly - not only on the technical issues of the project but also on the financial issue. This reporting might be done in close collaboration with the UNDP country offices that usually facilitate allocation of IF resources. He said that there were different modalities for transferring funds to implementing agencies. The UN specialized agencies, once they receive authorization to spend project funds, use their own funds and later apply for reimbursement from the UNDP. The other option was to make advances based on the costed work plans with clearly defined financing requirements for a period and then have advancements made by the UNDP. The last modality involved the government authorizing and making the decisions to spend; under this modality, the transaction process was facilitated by the UNDP. He said that all those modalities would be able to give an account of expenditures involved in a given project.

52. The Chairman said that he would reflect on the question of more funding to bridge the funding gap. He said that he would approach donors in order to get more funds for the IF Trust Fund.¹ On a procedural aspect, he hoped that UNDP would speed up the process of disbursing money to the beneficiaries, taking into account the difficulties shared by countries at the meeting. He also appreciated the work carried out in the IFWG on clarifying steps and procedures in that regard. He placed his confidence on the professionalism and good offices of the UNDP. He then took up the issue of time frame for accessing Window II funding. He proposed that applications for funding under Window II should be made within one year of the date of the actual validation by the government of the DTIS and its Action Matrix. He proposed to approve this proposal ad referendum, subject to a no-objection to the Secretariat by 10 December 2004.²

53. It was so agreed.

¹ A letter was subsequently sent to all potential donors, signed both by the Chair of the IFSC and the Chair of the IFWG.

² Document WT/IFSC/4/Rev.1, containing the agreed revision, was subsequently issued on 16 December 2004.

D. REPORT ON UNCTAD/UNDP REGIONAL WORKSHOP ON PRE-DTIS ACTIVITIES, KIGALI, 18 TO 21 OCTOBER 2004

54. The Chairman invited the representative of Rwanda to provide a report on the UNCTAD/UNDP Regional Workshop on pre-DTIS activities held in Kigali from 18 to 21 October 2004.

55. The representative of Rwanda welcomed the Minister of Djibouti to the Steering Committee. She then provided a detailed account of the Regional Workshop held in Kigali from 18 to 21 October 2004. She outlined the objectives, discussions held, and outcome of the Workshop, reported on presentations of country case studies and called for collective commitment of all IF stakeholders to ensure effective follow-up to the Workshop. She said that the need for pre-DTIS support for LDCs joining the IF had become evident from the pilot phase of the revamped IF as there were serious impediments to country ownership since there had been widespread unawareness of the IF in the pilot countries at the time of its launch and during the subsequent IF process. That had affected follow-up and implementation of the recommendations for trade-related technical assistance emerging from the DTIS. She said that the underlying objective of the Workshop had been to strengthen LDCs' capacity for ownership of the IF process. The Workshop had provided a forum for sharing of knowledge and experiences between representatives of LDCs that had completed the DTIS and those embarking on the IF process. She further said that discussions had taken place under four major areas: (i) the IF process; (ii) trade and poverty, including mainstreaming of trade into national development strategies; (iii) country cases and national implementation; and (iv) IF capacity development and fund raising, including bilateral and multilateral funding.

56. On the IF process, the representative of Rwanda said that the Workshop had welcomed the initiative of UNCTAD to prepare an IF manual. The Workshop had emphasized that trade integration into PRSP should not be perceived as an end in itself but rather a process whose primary objective would be to address the structural supply-side constraints faced by the LDCs. She said that the involvement of the government in the preparation of the DTIS such as drafting of the concept paper, drawing up of terms of reference and selection of national consultants were viewed essential for country ownership. She emphasized the need to strengthen the capacity of the IF national focal point, allowing him/her to play the role in greater synchronization of donor and national budgetary processes, called for by the Workshop. On IF Window II, the Workshop highlighted that the project guidelines were complex and disbursement procedures were slow undermining its effective bridging role. She said that at the Workshop, participants had called upon the UNDP to accelerate the release of funds within 30 days once project approval had been received from the LPAC. On the discussion under the item of trade and poverty, she said that the Workshop had underlined the importance of political commitment in order to mainstream trade into national development strategies. She said that besides good governance, continuous commitment of donors, promotion of entrepreneurship and active participation of private sector had played a crucial role in increasing productivity and competitiveness in some LDCs. She said that the national development plans needed to include both an element on industrial and on trade policy and that every DTIS should be country-specific.

57. She reported that country case studies had been presented by Guinea, Yemen and Cambodia. It was recognized that the IF might be a catalyst for national trade policy dialogue and should be seen as a permanent mechanism for creating national commitment, fostering long-term close relationships with donors and identifying strengths, weaknesses, opportunities and challenges in the trade development, in close cooperation with private sector. It was also highlighted that cultivating donor relations was seen as a process that should begin at the earlier stage of the IF process and should not stop once the DTIS was integrated into the PRSP. On the issue of IF capacity development and fund raising, the Workshop had noted that the post-DTIS momentum could be lost due to delays and complex procedures for accessing Window II of the IF Trust Fund. It was recommended that some trade and private sector indicators be identified and included in the budgetary support performance

indicators as a way to raise the profile of trade and promote closer examination of trade and private-sector development challenges. Another issue highlighted was the importance of the involvement by the IF core agencies, particularly those with a field presence, in order to support the IF focal point to raise the profile of trade on the development agenda and to sensitize Ministries such as finance and planning to the importance of trade and to ensure its reflection in the budgetary process. She concluded that the Workshop had been action-oriented and the success of the Kigali Workshop would be achieved through a collective commitment to its follow-up and through implementing its recommendations.

58. The Chairman suggested that the representative of Rwanda circulate her statement, which she had to shorten due to time constraint. He said that there were lessons that might be drawn from the recommendations of the Workshop.

59. The representative of UNCTAD thanked all the participants which had contributed to the success of the Kigali Workshop. He expressed a special thanks to the Ambassador of Rwanda to the WTO whose active role, besides the partnership spirit that prevailed, had ensured success of the Workshop. He said that the IFWG had encouraged UNCTAD to proceed and finalize the IF manual with inputs from all partners. He said that UNCTAD intended to make the IF manual available by June 2005. He hoped that all would be considering on how to carry forward the conclusions and recommendations of the Workshop.

60. The representative of Switzerland, on behalf of the donors, expressed thanks to all groups and particularly to the Chairmen of the IFSC and IFWG, six agencies and the Secretariat of the IF for the work accomplished in the year. He also hoped to intensify work to strengthen the IF Secretariat in 2005.

61. The Chairman expressed his thanks to the outgoing donor coordinators - EC and Canada and welcomed the new donor coordinators - the US and Switzerland. He proposed that the Committee take note of the statements made. He suggested that the next meeting of the IFSC take place after the meeting of the IFWG. The exact date would be communicated later.

62. It was so agreed.

E. OTHER BUSINESS

63. In the absence of any other business, the meeting was adjourned.

ANNEX I

The Integrated Framework Steering Committee

Twelfth Session

Thursday, 2 December 2004 at 3 p.m.

1. The Integrated Framework Steering Committee will hold its Twelfth Session on Thursday, 2 December 2004, starting at 3 p.m. in the WTO building.
 2. The items proposed for the agenda are:
 - (a) Status of implementation of the IF in the countries: reports by IF beneficiaries. Under this agenda item, IF beneficiary countries are encouraged to report on the status of the IF process in their countries;

The Minister of Trade from Djibouti, H.E. Saleban Omar Oudine will participate in the meeting and will make a statement;

The countries which have at this moment had a Validation Workshop and are therefore encouraged to report are: **Burundi, Cambodia, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Senegal and Yemen;**
 - (b) 39th and 40th meetings of the IF Working Group (IFWG): report by the Chairman of the IFWG;
 - (c) Integrated Framework Trust Fund: Financial Status report; state of funding/transactions; implications for future actions; report by UNDP;
 - (d) Report on UNCTAD/UNDP Regional Workshop on pre-DTIS activities, Kigali, 18 to 21 October 2004.
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