
**Integrated Framework Steering Committee
Fourteenth Session**

**REPORT ON THE 14TH MEETING OF THE
INTEGRATED FRAMEWORK STEERING COMMITTEE (IFSC)**

Friday, 3 June 2005, WTO, Geneva

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

1. The Integrated Framework Steering Committee (IFSC) held its fourteenth meeting on Friday, 3 June 2005.
- A. ADOPTION OF THE AGENDA
2. The Chairman recalled that the meeting had been convened to revert in particular to two agenda items from the previous meeting, namely the joint WTO/World Bank Initiative on trade facilitation and the Financial Status Report of the IF Trust Fund.
3. The adopted agenda is reproduced in Annex I.
- B. JOINT INITIATIVE BY WTO/WORLD BANK ON TRADE FACILITATION NEGOTIATIONS SUPPORT: CHAIRMAN'S CONCLUDING REMARKS
4. The Chairman recalled that at the IFSC's previous meeting, the Secretariat had provided a briefing on the joint initiative by the WTO and the World Bank to assist developing and LDC countries to effectively participate in the trade facilitation negotiations. He proposed that the Committee take note of the initiative and suggested that the LDCs might wish to take advantage of this initiative in the implementation stage of the IF, since many of their DTISs included, as a priority, one aspect or another on Trade Facilitation. He added that it would not be possible to use money from the IF Trust Fund (IFTF) for this initiative, except in the case when an LDC expressly decided to seek funding out of Window II for a priority project in its Action Matrix aimed at receiving assistance in the negotiations on Trade Facilitation and wishing to use this initiative. He clarified that direct financing of the initiative from the IFTF was out of the Committee's mandate and would not be possible.
5. In the absence of further comments from the floor, he proposed that the Committee take note of his statement.
6. It was so agreed.
- C. IFTF: FINANCIAL STATUS REPORT; STATE OF FUNDING/TRANSACTIONS *INTER ALIA* IN LIGHT OF THE JOINT LETTER FROM THE CHAIRS OF THE IFSC AND THE IFWG OF 4 FEBRUARY 2005, SOLICITING CONTINUED SUPPORT FOR THE IF: CONCLUSION OF THE DISCUSSION FROM THE 13TH SESSION
7. The Chairman recalled that at its previous meeting, the IFSC had heard a report from the UNDP on the status of the IFTF and had agreed to revert to this item at its next meeting.

8. The representative of the UNDP underlined two main points concerning the financial status of the IFTF. He first mentioned that projected funding for 2005 for both Windows I and II together showed a theoretical deficit of US\$4.6 million. He clarified that it was a theoretical deficit since it did not take into account the commitments already made but not yet disbursed. The second point concerned the commitment of the UNDP to improving the efficiency of the IFTF management and reporting. In this regard, he reported that a supervisory arrangement for the Geneva office over the coordination and treasury functions in New York had been established.

9. She presented the IFTF Status Report. In terms of pledges and transfers made to the IFTF, she reported that pledges to Window I totalled US\$16 million, while transfers amounted to US\$15.4 million. As for Window II, pledges totalled US\$14.2 million and transfers amounted to US\$12.3 million. This amounted to a figure of US\$30.2 million for total pledges and US\$27.7 million for total transfers as of 30 April 2005. She said that two issues emerged from the figures, namely (i) that donors had performed relatively well in respecting the pledges made to the Trust Fund since transfers were only some US\$2.5 million behind the pledges; and that (ii) pledges and transfers to Window I had been higher than those to Window II.

10. She also continued by saying that pledges and transfers to the IFTF had been growing throughout the years. As far as Window I was concerned, data referring to the period up to 31 May 2005 showed a balance of US\$+3.9 million, with US\$15.4 million received and US\$11.5 million allocated. She commented the data by saying that Window I was in a rather healthy status. As for Window II, the total funds received at the end of May 2005 amounted to US\$12.3 million, while the allocations for funded projects totalled US\$8 million, leaving an end balance of US\$4.3 million. For both Window I and Window II, total funds received amounted to US\$27.7 million and the total allocated to fund projects US\$19.5 million, showing an overall balance of US\$8.2 million at 31 May 2005.

11. She repeated that pledges and transfers to Window II had been lower than for Window I. She reported on progress to date as regards Window I funding. Three countries had been involved in pilot DTIS projects (Cambodia, Mauritania and Madagascar) and five old IF Roundtable countries had received funding from Window I at the time of the revamping of the IF process for projects relating to capacity building. She added that a total of 28 countries were involved in the DTIS or post-DTIS phase and that three of these countries (The Gambia, Tanzania and Uganda) had already been part of the old IF Roundtable countries. She said that the global projects referred to the National Implementation Arrangements to build institutional capacity to manage the IF process at the country level, to the second Evaluation of the IF and the funds dedicated to outreach activities. She recalled that the total allocations from Window I stood at US\$11.5 million and that total disbursements amounted to US\$5.9 million. As far as different Window I funding issues were concerned, she recalled that the total amount available to finance DTISs was US\$15.4 million and that the total approved allocations out of Window I amounted to US\$11.5 million, giving a surplus of US\$3.9 million on 31 May 2005. Four new DTISs totalling US\$1.2 million were expected to be financed from Window I in 2005. Moreover, following the decision of the Integrated Framework Working Group (IFWG) at its meeting in April, six Technical Reviews (Comoros, Equatorial Guinea, Central African Republic, Democratic Republic of Congo, Haiti and Sudan) would be carried out in the Autumn of 2005. In this respect, the expectation was that following a positive outcome of the Technical Reviews, disbursement for the DTISs for about four out of those six countries could already take place in 2005. She underlined that more effort needed to be done to maintain the momentum that was created by validating the DTIS and start the implementation phase of the IF as quickly as possible thereafter.

12. She continued by reporting on progress under Window II. She reported on the number of projects proposed and the total IFTF allocated funds for the countries that had reached the implementation phase. In her presentation on the status of the implementation of Window II she

recalled that total funds available for projects was US\$12.3 million; 22 projects (out of 33 projects proposed) had been allocated funds so far. She said that the total value of the 22 allocated projects was US\$8 million, showing a balance of US\$4.3 million as of 31 May 2005. There were 11 additional project proposals in the pipeline, corresponding to US\$2.7 million in pending obligations, reducing the anticipated final balance to US\$1.6 million, not taking into account new possible pledges. Some of the 11 projects in the pipeline had already been approved at the country level by the Local Project Appraisal Committees (LPACs); others would be considered by the LPACs in the following weeks.

13. She then reported on the IFTF Funding Projections for 2005. For Window I, the current balance was US\$3.9 million; projected funding requirements amounted to US\$1.2 million, in case the four new DTISs were commissioned before the end of the year 2005, thus leaving a surplus of US\$2.7 million by the end of the year. For Window II, the current balance was US\$4.3 million; US\$2.7 million covered pending obligations for the 11 proposed projects in the pipeline; a further US\$8.9 million was calculated for projected funding requirements for a variety of countries: four countries in the implementation phase which had received funding but allowing for the possibility that they wished to make maximum use of the ceiling of US\$1 million per country. (Madagascar, Nepal, Djibouti and Guinea); seven countries that had just validated the DTIS, or were in a process of validating their DTIS over the summer months, namely Benin, Chad, Mozambique, Rwanda, Sao Tome and Principe, Tanzania and Zambia. She specified that the calculation assumed that the seven countries would send project proposals under Window II up to the maximum ceiling of US\$1 million available to each of them. According to these figures, the final deficit for Window II for 2005 would stand at US\$7.3 million. She however added, that some of the beneficiary countries would probably only be able to fully tap into the funds of Window II after 2005. For Window I and Window II together the projected balance amounted to US\$8.2 million; pending obligations to US\$2.7 million, projected funding requirements to US\$10.1 million, resulting in a combined Window I and II deficit for 2005 of US\$4.6 million. She summarized that Window I had adequate funds to meet its immediate and projected requirements, whereas projections for 2005 for Window II showed a deficit. As regards Window II, she pointed out that many countries which were ready to start the implementation phase were better equipped than the countries in the past, since the former could learn from the on-going IF process and past lessons, as well as from the rationalisation of the LPAC procedures established by the IFWG.

14. The Chairman thanked the UNDP for its presentation. He recalled that the IF comprised some 28 countries which were at different stages of the DTIS process, including the 14 that were in their implementation phase. He clarified that some additional US\$11 million needed to be added to the deficit of US\$7.3 million in Window II to cover all possible obligations, in order to take account of all likely demands from IF beneficiaries for funding under Window II in the scenario where they would submit proposals up to the maximum ceiling available to them. Although it was tempting, it would not be advisable to use funding from Window I to finance projects under Window II. He summed up the figures by saying that in order to be realistic some US\$1 million per month was needed for the following 18 months. He added that these data referred to Window II in its entirety including funding projections.

15. The representative of the Netherlands said that the remarks of the Chair were illustrative of how much was still needed for the future. He added that, for the time being, he would not have a mandate to agree that at some point in the future, funds from Window I could be utilised under Window II.

16. The Chairman clarified that he had mentioned the possibility of utilising funds from Window I merely as a temptation and that it was certainly not something he would submit as a proposal. His remark was to be taken as a warning rather than as a proposal.

17. The representative of the United States asked for a clarification concerning the concept of "global projects" referred to by the representative of UNDP when reporting on Window I funding.

18. The representative of the UNDP clarified that there were three Global projects. One was the IF National Implementation Arrangements Project. She added that pursuant to that project, US\$38,000 per country was normally allocated to beneficiary countries that opted for this support in order to strengthen their institutional capacities to manage the IF. As for the two other global projects, they included the second evaluation of the entire IF process and the funds for outreach activities.

19. The representative of Denmark thanked the UNDP for its report. He said that Denmark took a strong interest in the well-being of the IF, and considered the IF a key entity in providing the necessary technical assistance in order to help LDCs to meaningfully participate in the Doha Development Round. He added that at this political juncture of the IF process, Denmark was able to pledge a contribution for 2005 to Window II of 12 million Danish Crone, roughly corresponding to US\$2 million.

20. He continued by saying that a successful outcome of the Window II process involved more than the necessary financial resources. He pointed out that it was important to continue to address a few substantial issues on how to improve the IF. In this respect, he highlighted the importance of: (i) recipient countries coming up with articulated and precise assessments of their needs; (ii) donor countries and the agencies providing assistance which was better coordinated; (iii) taking stock of experiences, lessons learned and best practices in the bilateral programmes; (iv) all stakeholders, governments, agencies and donors doing the utmost to ensure that bureaucracy was limited and that the implementation of Window II projects was thus carried out in a pragmatic, efficient and committed manner. He added that, irrespective of the money disbursed, no progress could be made without taking these issues seriously. At the same time, if the money was available and these pressing issues were continuously addressed, some of the "ifs" in the IF process would be erased.

21. The Chairman thanked Denmark for its contribution to the IF. He said that he was continuing his bilateral discussions with many IF stakeholders and that he was thankful to all of them for their positive responses. He said that these discussions required time but that he was optimistic.

22. The representative of the United States said that US missions on the ground were focusing on the post-Window II implementation phase. She added that it was very important that the IF functioned properly and that efforts should also focus on ways to do so. The IF Simulation Exercise was moving forward and would take place on 7 to 8 September 2005, at the UN ECA Centre in Addis Ababa in Ethiopia.

23. The representative of Germany thanked the UNDP for its report. He recalled that Germany was a relatively new donor to the IF, and said that his country would continue to consider pledges for the IF. He added that for the year 2006 an additional contribution would be made to the money already pledged for the IF of €250,000.

24. The representative of Rwanda thanked Denmark for its additional contribution to the IF Window II. She said that on-going discussions were taking place within the LDC group on the existing limits of the IF. She said that, as far as the LDCs were concerned, the IF had been a very satisfactory tool in solving the restrictions faced by the LDCs. The limitations of the IF were nonetheless clear. She clarified that the major limitation was the shortage in Window II funds, despite Denmark's contribution of US\$2 million. Discussions were taking place on how to mobilise additional resources for capacity building, integration and adjustment. Discussions among LDCs also involved the suggested possible broadening of the IF beneficiary countries, provided that additional resources were made available. She said that she was reporting on a preliminary reflection among LDCs, and that the feeling was that it would be necessary to meet the existing limitations of the IF

first. These limitations had emerged clearly at the IFSC meeting. In order to fill the existing funding gap, it was important to immediately target the shortcomings of the IF, to counter both the financial limitations and the others to which the representative of Denmark had referred, in particular the need for more specific assessment of needs. She said that assessments were being made in the diagnostic studies, sometimes complemented by specific assessments of supply constraints, as well as of the demand needs. She added that LDCs were of the view that a small bureaucracy was required to ease implementation of the IF, together with additional resources. She expressed her willingness to share in a very preliminary fashion a number of thoughts that had been floating among the LDCs, which were concerned that additional resources should be mobilised, so as to really operationalize the Doha mandate concerning the IF.¹ She added that making the Doha mandate more effective and achieving more important results were a precondition to discussions on any possible broadening of the IF. She specified that her statement was not a formal statement on behalf of LDCs. She considered, however, that it was important to share those thoughts with the other members of the Committee.

25. The representative of United States said that it was important for the sake of clarity, to recall that the resources needed to complete all the IF work in Window II went beyond those needed to complete the year 2005. She added that all members acknowledged that there was a need to look for more funding, but that a difference existed between the immediate needs of the IF and what was missing in order to complete the projects that were in the pipeline. She supported Denmark's remark concerning the need to ensure, as the IF was moving forward, that focus was placed on the substance of the process and not just on the money component. She concluded by saying that the US had started to reflect on the future of the IF and hoped that the Simulation Exercise could be part of the effort to define what the real needs were and how they could be pragmatically tackled.

26. The Chairman recalled that according to the UNDP report, the funding projection gap for Window II for the year 2005 amounted to US\$7.3 million, and that some additional US\$5.3 million was therefore needed to complete the year once the most recent pledge made by Denmark had been subtracted. He added that the estimated financial needs amounting to US\$16 to 18 million included US\$7.3 million for the year 2005.

27. The representative of Canada said that it was essential that governments of the LDCs address directly donor governments' financing, planning and trade departments in capitals, in order to submit their requests for aid and indicate their sectoral priorities. She added that the gap would not be covered otherwise. She also said that the shortfalls would be remedied when the financial departments of donor countries and LDCs would set to work bilaterally. Finally, she underlined the fact that it was the responsibility of the countries to act in this respect.

28. The representative of Japan said that Japanese Embassies around the world had started new assessments for bilateral cooperation for the next years, and invited those LDCs that had requested for trade-related technical assistance to contact the Japanese Embassies in their respective countries directly.

29. The Chairman proposed that the Committee take note of the report from the UNDP and the statements made. He also proposed that the agenda for the next IFSC meeting include an item devoted to the future of the IF.

30. It was so agreed.

D. ANY OTHER BUSINESS

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

¹ Paragraph 43 of the DDA

ANNEX I

The Integrated Framework Steering Committee

Fourteenth Session

1. The Integrated Framework Steering Committee will hold its Fourteenth Session on Friday, 3 June 2005, starting at 10 a.m. in the WTO building.
 2. The Chairman wishes in particular to revert to two agenda items from the last meeting, which, due to lack of time, could not be addressed exhaustively. Hence, the items proposed for the agenda are:
 - (a) Adoption of the agenda;
 - (b) Joint initiative by WTO/World Bank on Trade Facilitation Negotiations support: Chairman's concluding remarks;
 - (c) IFTF: financial status report; state of funding/transactions *inter alia* in light of the joint letter from the Chairs of the IFSC and the IFWG of 4 February 2005, soliciting continued support for the IF: conclusion of the discussion from the 13th Session;
 - (d) Any other business.
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