

**Integrated Framework Steering Committee
Fifteenth Session**

**REPORT ON THE 15TH MEETING OF THE
INTEGRATED FRAMEWORK STEERING COMMITTEE (IFSC)**

Wednesday, 26 October 2005, WTO, Geneva

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

A. ADOPTION OF THE AGENDA

1. The Integrated Framework Steering Committee (IFSC) held its fifteenth meeting on Wednesday, 26 October 2005. The adopted agenda is reproduced in Annex I.

2. The Chairman of the IFSC welcomed Deputy Director General Mrs. Valentine Rugwabiza in her role as Chair of the IFWG.

B. 42ND MEETING OF THE INTEGRATED FRAMEWORK WORKING GROUP (IFWG): REPORT BY THE CHAIR OF THE IFWG

3. The Chairperson of the IFWG made a detailed report on the IFWG meeting held on 24 to 25 October 2005. She pointed out that the IFWG had taken up a wide range of issues relating to the IF Work Programme as well as on the future of the IF.

4. On the implementation of the IF process in various countries, she reported that DTIS National Validation Workshops had been held in 17 LDCs, namely in Benin, Burundi, Cambodia, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Rwanda, Senegal, Yemen, and Zambia. Reports by the representatives of the World Bank, UNDP, as well as donors on each of these countries showed that IF implementation was on the right track with a number of projects being implemented, including through IF Trust Fund (IFTF) resources and through bilateral channels. The Group had emphasized the need for more efforts on behalf of LDCs to integrate trade into their national development plans, which would ultimately assist them in attracting further resources from bilateral and multilateral donors. Emphasis was also placed on the importance of increased coordination among IF stakeholders at the country level, including more dialogue between donors and LDC governments to ensure a successful implementation of all the needs expressed in the Action Matrices of these countries.

5. She said that the representatives of the World Bank and UNDP had also reported on progress in the preparation of the DTIS in the following 11 countries: Angola, Burkina Faso, Chad, Lao PDR, Maldives, Niger, Sao Tome and Principe, Sierra Leone, Tanzania, The Gambia and Uganda. She specified that National DTIS Validation Workshops were scheduled for Chad, Sao Tome and Principe and Tanzania in November 2005.

6. She added that, upon its mandate to the World Bank, the IFWG had received Technical Reviews from the World Bank for the Central African Republic, Comoros, Democratic Republic of

Congo, Equatorial Guinea and Sudan. As per its usual practice, members of the Group had agreed to provide comments electronically to the IF Secretariat by 24 November 2005, with a view to making a recommendation for each of these countries on the way forward in the IF.

7. As regards the requests by Afghanistan and Vanuatu to join the IF, she reported that the IFWG had agreed to mandate the World Bank to undertake technical reviews for these two countries, a first step in the IF process for consideration by the IFWG at its next meeting.

8. She continued by saying that the IFWG had heard a report by the representative of the US on the IF simulation exercise which took place in Addis Ababa, Ethiopia on 7 to 8 September 2005. She explained that the objective of this innovative event was to explore ways to improve implementation of the IF in beneficiary countries. One of the insights gained in the simulation exercise was that the international private sector could play an active role in the IF implementation, which it had not done so far.

9. As regards the IFTF, she said that UNDP had provided a detailed status report on it. She welcomed the fact that pledges and transfers to the IFTF were going hand in hand for both Windows of the IFTF and that these resources had been increasing. In this light, the IFWG had welcomed the recent contributions from Denmark, Germany, Norway and Sweden to the IFTF, totalling US\$5.1 million.

10. She recalled that the IF Work Programme contained in document WT/IFSC/7 terminates on 31 December 2005. In that regard, the IFWG recommended to the IFSC the extension of the IF Work Programme, for another year, until 31 December 2006.

11. She further recalled that the IF evaluation undertaken in 2002 to 2003 had recommended to strengthen the IF Secretariat which was housed in the LDC Unit of the Development Division of the WTO. She reported that donor representatives had tabled a concrete proposal in the IFWG meeting to effectively strengthen the IF Secretariat. According to the proposal, a Programme Implementation Unit (PIU) consisting of a chief coordinator, a deputy coordinator and an administrative assistant would support and complement the existing structure of the IF Secretariat. She added that the PIU would work exclusively on IF-related issues and would be in place once final modalities were agreed upon. The PIU would be financed through donor funding.

12. The Chairman of the IFSC indicated that the issue of IFSC chairmanship, the extension of the IF Work Programme and the report on the simulation exercise would be dealt with in separate agenda items and asked Members to focus their discussion on the remaining statements made by the IFWG Chairperson.

13. The representative of the Solomon Islands welcomed the decision by the IFWG to mandate the World Bank to undertake a technical review for Vanuatu. Since there were in total five LDCs in the Pacific region, namely the Solomon Islands, Tuvalu, Kiribati, Vanuatu and Samoa, he asked whether it would be possible to undertake one regional DTIS instead of one for each country. He recognized that each country would have to agree to such an arrangement before applying but he wanted to enquire if that possibility existed.

14. The representative of Haiti enquired about the status of his country's request to join the IF process.

15. The representative of Djibouti welcomed the new Chair of the IFWG. He commended the work done so far in the IF in terms of increased dialogue among IF stakeholders. He stressed the importance of having the right means for trade integration to take place. He referred to the low

capacity of LDC missions in Geneva as an impediment for LDC delegations to participate in all the activities in the WTO. He would welcome more information on the role of each agency in the IF, the role of development partners and beneficiary countries and on the IF's scope of work in the field. He made reference to the use of Window II resources in Djibouti and underlined that US\$1 million was not sufficient to address the challenges facing LDCs. He urged IF stakeholders to meet more frequently in order to examine ways to move the implementation of the IF forward. He commended the initiative by donors to strengthen the human resources of the IF Secretariat, but added that LDCs needed to have more personnel dedicated to all the issues which concerned LDCs and not solely the IF.

16. The representative of Tanzania commended the initiative by donors to strengthen the IF Secretariat. She stressed that the staff of the PIU needed to be familiar with LDC problems on the ground.

17. The representative of Nepal welcomed the report of the incoming Chair of the IFWG. He welcomed the report on IF implementation in those countries which had held a DTIS Validation Workshop. He also welcomed the decision by the IFWG to extend the IF Work Programme until the end of 2006. He stressed the importance of the IF as a vehicle for LDCs to integrate into the multilateral trading system. He welcomed the fact that the IF Secretariat would finally be strengthened and stressed the importance of hiring competent staff that was aware of the complex needs of LDCs. He added that there was a need to add human resources for the rest of the LDC Unit as a whole.

18. The representative of Benin welcomed the incoming Chair of the IFWG. Speaking on behalf of the LDC coordinator, he welcomed the initiative by donors to strengthen the IF Secretariat by adding a PIU.

19. The Chairperson of the IFWG clarified the question posed by the representative of Haiti. She said that in all cases, the decision to mandate the World Bank to carry out a technical review for LDCs wishing to join the IF was taken by the IFWG. In the case of Haiti, the IFWG had not yet given such mandate to the World Bank.

20. The Chairman of the IFSC proposed that the Committee take note of the report on the IFWG meeting on 24 to 25 October and of the statements made.

21. It was so agreed.

C. EXTENSION OF THE IF WORK PROGRAMME INTO 2006

22. The Chairman of the IFSC recalled that following the submission of the report of the Second Evaluation of the IF by CAPRA in August 2003, the IFSC had requested the IFWG to formulate a work programme which would improve the operational aspects of the IF. Accordingly, the IFWG had adopted a Work Programme at its meeting on 9 to 10 February 2004 and had submitted it to the IFSC, which subsequently had approved it at its 11th Session on 13 February 2004. He added that the adopted Work Programme, contained in document WT/IFSC/7, stipulated a number of actions which the IFWG aimed to achieve by 31 December 2005. During the past two years, the IFWG had worked hard to achieve all the points included in the Work Programme. In that context, he stated that the IFWG had agreed to extend the IF Work Programme until the end of 2006 and had asked the IFSC to endorse its decision.

23. He proposed that the IFSC endorse the decision of the IFWG to extend the IF Work Programme until the end of 2006.

24. It was so agreed.

D. REPORT OF THE IMF AND THE WORLD BANK ON THE OUTCOME OF THE MEETING OF THE DEVELOPMENT COMMITTEE OF THE BANK AND THE FUND ON 25 SEPTEMBER, IN PARTICULAR MINISTERS' ENDORSEMENT OF THE PROPOSAL FOR AN ENHANCED IF

25. The representative of the World Bank reported on the September meeting of the Development Committee of the World Bank which encompassed more than 100 Ministers of Finance and of Development represented at the Boards of both the World Bank and the IMF. The joint proposal on aid for trade of the staffs of the IMF and the World Bank emphasized the important role that trade can play as a catalyst for economic growth. He underlined the need of developing countries and specially LDCs for further assistance to address their supply-side constraints and those in the area of physical infrastructure.

26. He explained that the aid for trade proposals contained in the paper should be placed in a larger context of growing development assistance for developing countries, growing development assistance to Africa and the debt reduction initiative. The proposals consisted of three main elements: (i) enhancement of the IF; (ii) examining the adequacy of existing mechanisms to address regional or cross-country aid for trade needs and explore new mechanisms as appropriate; and (iii) support for a strengthened framework to address adjustment needs stemming from trade liberalization.

27. Among the three elements, he underlined that the enhancement of the IF received the broadest support. The main focus of an enhanced IF, as envisaged in the paper, would be the translation of the Action Matrices contained in the DTIS into concrete implementing actions. He insisted on three important points: (i) strong in-country leadership and implementation capacity; (ii) multi-year predictable programmes of technical assistance and capacity building coupled with increased donor coordination; and (iii) the possibility of financing project preparation particularly for the large infrastructure projects which would need to be financed outside an enhanced IF. He added that the paper by the staffs of the IMF and the World Bank underlined the importance of enhancing the IF governance structure. He concluded by placing emphasis on the need to strengthen government ownership and capacity through stronger national implementation units, the need to strengthen the capacity of the IF Secretariat and of core agencies and the need to ensure that the IF become a fully funded tool.

28. The Chairman welcomed the report by the World Bank on the Development Committee meeting. He recalled that the proposals included two broad elements namely: (i) the enhancement of the IF; and (ii) a broader element on aid for trade. He invited Members to limit their discussions to the enhancement of the IF.

29. The representative of Benin welcomed the report by the World Bank. He stressed that an enhanced IF would allow LDCs to address supply-side constraints more effectively. He added that there was a need for a predictable programme over a relatively long period of time in order to strengthen LDC institutional capacity and build infrastructure.

30. The representative of Nepal thanked the World Bank for its report and reiterated his support for an enhanced IF, with more predictable resources spread over a longer period of time. He also welcomed the broader aid for trade element in the proposal as it would examine the adequacy of existing mechanisms to address regional or cross-country aid for trade needs and explore new mechanisms as appropriate. This was particularly important for his country which was landlocked and least-developed. He asked the representative of the World Bank to further elaborate on the third element of the aid for trade proposal, namely, support for a strengthened framework to address adjustment needs stemming from trade liberalization.

31. The Chairman proposed that the Steering Committee take note of the statements made and suggested to continue the discussions on this item following the report by the IFWG Chairperson on the future of the IF under the next agenda item.

32. It was so agreed.

E. FUTURE OF THE IF: REPORT ON THE DELIBERATIONS ON THIS MATTER IN THE IFWG

33. The Chairperson of the IFWG recalled that the discussions on the IF originated in the WTO Singapore Ministerial Conference and the subsequent High Level meeting for LDCs in 1997 in the WTO. She added that in the Doha Declaration, Ministers had endorsed the IF as a viable model for LDCs' trade development. Ministers had urged development partners to significantly increase contributions to the IFTF and WTO extra-budgetary funds in favour of LDCs. The IMF/World Bank Spring meeting of 2005 and the G-7 Finance Ministers meetings in February and June 2005 had both stressed the need for aid for trade and had called on the international financial institutions to work with others to prepare proposals for "additional assistance for countries to develop their trade and ease adjustment in their economies", for consideration at the IMF/World Bank annual meeting in September 2005. In the Livingstone Declaration of June 2005, LDC Trade Ministers had called for increased resources and an effective delivery mechanism for trade capacity building to address supply-side constraints faced by LDCs. That included strengthening the effectiveness of the IF by an increase in its resources. The G-8 meeting in Gleneagles in July of this year had repeated its earlier call for the IFIs to present proposals to the Annual meetings, and also agreed to increase help to developing countries to building the physical, human and institutional capacity to trade, including trade facilitation measures. Finally, the staffs of the Bank and the Fund had submitted a paper on Aid for Trade to the Annual Meetings of the Bank and the Fund in September of this year.

34. She pointed out that against this historical overview of the aid for trade initiative, the IFWG had held a rich discussion on issues relating to an enhanced IF. The IFWG had agreed on three elements which together comprised an enhanced IF, namely: (i) increased and additional predictable financial resources; (ii) strengthened capacities in the IF beneficiaries to implement, manage and monitor the IF; and (iii) improved IF governance. The IFWG had agreed to establish a Task Force to operationalize the enhancement of the IF based on these three elements. The Task Force would comprise of representatives of the donor community and the LDCs. It would consult intensively with the IF's core agencies. The Task Force would work in two phases. In the first phase, before Hong Kong, it would generate first ideas and come up with a first report, before the Hong Kong Ministerial. The report would be discussed in an informal IFWG meeting before the Hong Kong Conference. During the second phase it would build on the results of phase one and would report to the IFWG and the IFSC in April of next year. She underlined that the Reports of the Task Force would be discussed and endorsed by the IFWG and the IFSC. The Task Force would not take away the prerogative of the IFWG and the IFSC to govern the IF.

35. She also reported that ITC and UNCTAD had jointly submitted to the IFWG for its review their preliminary proposal for the strengthening of the IF national implementation arrangements.

36. The Chairman welcomed the report by the IFWG Chairperson and opened the floor for discussions on the future of the IF.

37. The representative of Benin welcomed the report by the IFWG Chairperson on the future of the IF and welcomed the decision by the IFWG to establish a Task Force. He was eager to know which members would form part of the Task Force and urged partners to establish a specific timetable so that proposals on the future of the IF could be implemented as soon as possible.

38. The representative of Djibouti thanked development partners for their initiative to engage in a dialogue with LDCs on the future of the IF.

39. The representative of Nepal welcomed the three elements agreed by the IFWG which together comprised the enhanced IF. He recalled that increased, predictable and additional financial resources for an enhanced IF were the most important element for LDCs. The second element, strengthening

the capacity of beneficiaries was also very important. In terms of improving the IF governance he underlined the need for faster disbursement of funds and a more effective implementation of priorities expressed in the action matrix. He welcomed the decision by the IFWG to establish a Task Force and stressed the importance of a substantial involvement of LDCs in its work.

40. The representative of Japan welcomed the establishment of a Task Force on the future of the IF. He said that the elements defined by the IFWG as constituting the enhanced IF needed to be further elaborated in order to obtain concrete results. He expressed his delegation's interest to participate in the discussion on the future of the IF, either as part of the Task Force or in another form. He underlined the need for the Task Force to consult and inform other IF stakeholders in order to ensure that the ideas it developed were embraced by all IF stakeholders. On the timetable of the Task Force, he urged partners to keep their level of ambition with respect to phase one to allow concrete and fruitful discussions prior to the Hong Kong Ministerial Conference, but reminded that the limited human resource capacity of both LDCs and donors before the Hong Kong Ministerial could have an impact.

41. The representative of the United States recalled that LDCs formed a key partner of the Task Force. She had already invited the LDC Coordinator to consult with the LDC Group and communicate to donors a list of participants from LDCs and possible dates for convening the first meeting of the Task Force.

42. The representative of Sweden supported the aid for trade initiative and welcomed the decision of the IFSC to focus discussions in this forum on the enhancement of the IF. The establishment of the Task Force would allow donors to better understand the needs of an enhanced IF with a view to increasing its resources. He stressed the need to have the active involvement of LDCs in these discussions.

43. The representative of the European Communities asked a procedural question with regard to the link between the deliberations of the Task Force and the process underway for the preparation of the Ministerial Meeting.

44. The Chairperson of the IFWG recalled that the draft text of the Hong Kong Ministerial Declaration was the responsibility of Members. She recalled that there was a process underway in which the Chairperson of the General Council would consult with the interested parties. She added that the results of the Task Force's first phase would first be channelled through an informal IFWG meeting prior to the Hong Kong Ministerial which would allow preliminary ideas to be shared and endorsed by IFWG Members.

45. The Chairman of the IFSC recalled that the quality of ideas and results which would transpire from the Task Force would determine the extent to which they would be incorporated in a draft Ministerial text. He also urged donors and LDCs to agree on a time to convene the first meeting of the Task Force in the next two weeks and in any case as early as possible.

46. The representative of Sweden expressed his delegation's wish to hold the first meeting of the Task Force on 3 November 2005. He would consult with LDCs to agree on a precise date.¹

47. The representative of Benin suggested that LDCs would consult in their Group with a view to deciding on a time and date as soon as possible.

48. The Chairman of the IFSC welcomed the discussions on the future of the IF. He commended the initiative by donors to form a Task Force and urged donors and LDCs to agree on a clear calendar

¹ The first meeting of the Task Force took place on 3 November 2005.

of meetings of the Task Force. He proposed that the IFSC take note of the statements made on the future of the IF.

49. It was so agreed.

F. IMPLEMENTATION OF THE IF: REPORT BY BENEFICIARIES ON FOLLOW-UP TO THE DTIS

50. The Chairman recalled that the IF Work Programme had placed special emphasis on the effective follow-up to the DTIS in the beneficiary countries. To date, the DTIS had been completed in 17 LDCs. They were: Burundi, Benin, Cambodia, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Rwanda, Senegal, Yemen and Zambia. The preparations for the DTIS were currently at an advanced stage in Chad, Lao PDR, Sao Tome and Principe and Tanzania. Seven LDCs had also started their DTIS process namely: Angola, Burkina Faso, Uganda, Niger, Maldives, The Gambia and Sierra Leone. The IFWG had furthermore mandated the World Bank to undertake Technical Reviews – the preliminary step in the IF process – in seven countries: Afghanistan, Comoros, Central African Republic, Democratic Republic of Congo, Equatorial Guinea, Sudan and Vanuatu. He said that 36 LDCs were now at the various stages of the IF process. He encouraged the countries that had entered into the post-DTIS phase to share with the meeting information on the status of IF implementation in their respective countries, including any positive elements and/or problems encountered.

51. The representative of Benin said that his country's DTIS Validation Workshop was held in Cotonou from 10 to 14 October 2005. The Workshop was a success. The recommendations resulting from the Workshop and the DTIS would be duly taken into consideration by his government. The DTIS Action Matrix would be finalised as soon as possible. His government was committed to ensure the progress of the implementation of the IF. He expressed the hope that development partners would assist in the capacity building of his country's human resources and all other aspects which would enable it to benefit from the opportunities offered by international trade.

52. The representative of Rwanda said that the DTIS Validation Workshop was held in Kigali in September 2005. Steps were being taken to move further on the IF process. The DTIS team, in consultation with the Ministry of Commerce, had been engaged in the process of preparing the final version of the DTIS and its Action Matrix based on the outcome of the Workshop. After the finalization of the DTIS and its Action Matrix, it would be submitted to the National Steering Committee, and subsequently to the Cabinet, for approval. This process would be completed by early November 2005. His government intended to revise the current PRSP to incorporate trade issues, particularly the main elements identified in the DTIS and its Action Matrix. His government also intended to incorporate those main elements into the national budget for 2007. His authorities were exploring ways to set up a system to monitor and ensure smooth implementation of DTIS recommendations. He concluded by saying that the IF process was in good shape in his country.

53. The representative of Guinea said that since 1997 his government had evaluated its trade-related technical assistance needs. The evaluation had been transmitted to institutions participating in the IF. That had led his country to be eligible for Window II under the IF in March 2002. In this connection, the following actions had been taken: (i) creation of a National Committee for International Trade Negotiations and the IF, composed of representatives of the public and private sectors and of civil society; (ii) the preparation and validation of the DTIS, together with the Action Matrix of priority actions, which had enabled identification of the constraints to be overcome in order to participate more actively in global trade; and (iii) integration of the DTIS findings into the PRSP. He said that these elements had become valuable tools in mobilizing the financial resources essential for promoting and developing trade activities. In this connection, he highlighted three priority projects which were being implemented namely: (i) strengthening of

national capacity for a better understanding of the multilateral trading system, to better defend national interests and to meet the requirements of the private sector; (ii) building the capacity of institutions responsible for the promotion and the development of exports; and (iii) development of exports of agricultural products with a high poverty reduction potential. These projects had been implemented since June 2004 and had helped to improve the economy's integration into the multilateral trading system through sustained promotion and development of non-traditional exports. These were also important ways of achieving poverty reduction objectives. He said that in addition to the projects financed from Window II resources under the IF, some bilateral development partners, the EC in particular, had expressed interest in the IF process and had agreed to finance two other trade facilitation projects. These were: (i) a project in the area of customs administration, to change from the old "ASYCUDA" system of statistical data management to the new system "ASYCUDA++", where an agreement had been signed with the EC for a provision of €2 million; and (ii) a project for strengthening security in the autonomous port of Conakry in order to bring it into conformity with the new security standards in the International Ship and Port Facility Code (ISPS). He added that in relation to the creation and implementation of the quality and standards promotion strategy, which had been an important element of their Action Matrix, UNCTAD had provided his country with financial assistance of US\$600,000 for a programme covering the years 2006 and 2007. The DTIS had shown that his country had vast potential in sectors in which it had comparative advantages in comparison with other countries in the West African sub-region, which had been a complementary factor in integration, as emphasized by the representative of the World Bank in his statement. He finally expressed gratitude to the bilateral and multilateral partners for their assistance.

54. The representative of Mozambique expressed appreciation for the continued commitment and dedication of the Members of the IFSC to the scope and goals of the IF. Her government continued to place high priority in the IF process and implementation of the DTIS Action Matrix. Since the National Validation Workshop held in September 2004, her government had undertaken the following steps: (i) the establishment of a National IF Steering Committee (IFSC); (ii) the creation of the Local Project Appraisal Committee (LPAC). The National IFSC included all relevant Ministries including Finance, Planning and Development, as well as the private sector, civil society and academia. Mozambique's IFSC had been meeting regularly and at least once a month. Her government had been working closely with the lead donor, the United States Agency for International Development (USAID), as well as with other interested donors such as the EC, the Netherlands and Switzerland, in supporting various IF related activities and proposals. She said that bilateral donors had continued to finance activities identified in the Action Matrix such as reforms in the labour laws in her country, which was being financed by USAID. She informed that the PRSP of her country called "PARPA" was in the process of being revised. Members of the National IFSC had been participating in the committees revising the PRSP. Trade issues had been tackled under the IF. Her delegation, including the IF focal point and representatives from the private sector, had participated in the IF Simulation held in Addis Ababa, Ethiopia, in September 2005. Her country had been selected as one of the Simulation case study countries. Her authorities considered the Simulation fruitful, in particular its discussion on how to better implement the IF. The IF familiarization tour to Geneva for her delegation from the capital, sponsored by USAID in collaboration with the ITC, had also been effective. Mozambique's IF focal point, representatives from the National IFSC, representatives of the private sector, Ministry of Labour, Ministry of Planning and Development, Ministry of Agriculture and the Ministry of Industry and Trade had participated in the tour. The tour had provided participants with an in-depth overview of the objectives and benefits of the implementation of IF, experiences of other countries, functions of the core IF agencies, and had contributed to a better understanding of how to overcome the challenges in implementing the IF. Her government had been finalizing the recruitment of a full time IF coordinator funded from the IFTF. A consultant was hired for three months to assist in the IF implementation. The consultant would assist with the formulation of IF projects, organize National IFSC meetings and create greater awareness of the IF in her country. She said that progress had been made in finalizing the first set of priority actions to be funded from IF resources. Project documents would be finalized in the next few months and included projects on improving trade data, supporting a survey of the private sector in her country and improving the

fisheries sector in terms of applicable standards. There had also been sector-specific initiatives supported by the ITC and UNCTAD. Finally, she said that her country had provided guidance to other IF countries based on its own experience in the IF process. The national IF focal point had attended the pre-DTIS Workshop held in Sierra Leone from 17 to 19 October 2005. Her delegation had provided guidance to the Government of Angola on IF related issues.

55. The representative of Burkina Faso expressed thanks to donors and core agencies for their work in promoting the IF in respective LDCs. Her country had also been benefiting from the IF, which had joined the IF recently. An IF mission had visited her country. The preparation of the DTIS had begun and her government would organize a Workshop to validate the results of the DTIS. Her country needed the IF to better integrate into the multilateral trading system. Burkina Faso could benefit from the experiences of other countries in the IF process. She hoped that more activities would be carried out under the IF process. She would make a detailed report in future meetings of the IFSC.

56. The Chairman thanked the delegations for their statements. He noted the positive developments in the IF process in the beneficiaries. He proposed to take note of the statements made.

57. It was so agreed.

G. 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

58. The Chairman invited the UNDP to provide a status report on the IF.

59. The representative of UNDP acknowledged the efforts by the Chairman of the IFSC as well as the former Chairman of the IFWG for mobilization of resources, particularly for Window II of the IFTF. She congratulated the three donors namely Denmark, Norway and Sweden who had made contributions totalling US\$5.1 million in Window II of the IFTF since the last IFSC held in June 2005. In addition, Germany had made a pledge for the years 2006-2007. In addition, she acknowledged Italy for making contributions to the IF. While these contributions had not been made to the IFTF, they had nevertheless been made to the IF's work in the form of various contributions to individual IF core agencies for their respective IF-related activities. Turning back to the IFTF, she said that as of 30 September 2005, Window I had received pledges amounting to US\$16.03 million with transfers of US\$15.4 million. The Window II pledges and transfers had surpassed those of Window I. The pledges for Window II stood at US\$18.6 million with transfers of US\$17.4 million. In total, the pledges were US\$34.6 million and the transfers were US\$32.8 million. She said that the transfer to pledges ratio were as high as 95 per cent: better than the last year. She then made a summary of financial transactions under Window I and Window II of the IFTF. Window I had received US\$15.6 million including interest adjustment of US\$0.2 million. Total funded projects under Window I stood at US\$11.7 million which resulted in an end of period balance of US\$3.9 million as of 30 September 2005. Under Window II, the total financing received including interest adjustment was US\$17.6 million against a total expenditure for funded projects of US\$10 million which resulted in an end of period balance of US\$7.6 million. This led to a total of funds received of US\$33.2 million against a total expenditure for funded projects of US\$21.7 million, which resulted in an end of period balance of US\$11.5 million. She said that in 2005, both pledges and transfers to Window II had been growing faster than those for Window I, which indicated that the focus of the IF was moving from the diagnostic phase to the implementation phase.

60. With regard to the disbursement of funds, she said that under Window I, three of the five old IF Round table countries namely Gambia, Tanzania and Uganda had been allocated funds for carrying out their respective DTISs in 2004. Twenty-three LDCs under post-pilot DTIS projects had been allocated funds. Under Window I, in addition to the funding for the preparation of the DTIS,

US\$1.5 million had been allocated for three global projects: strengthening of IF focal points, the IF evaluation and IF outreach by the IF Secretariat. She said that total allocations from Window I amounted to US\$11.7 million. In sum, a total of US\$15.6 million was available to finance DTISs and other Window I activities. Total approved projects amounted to US\$11.7 million, which represented 75 per cent of funds made available under Window I. As of 30 September 2005, Window I of the IFTF had a surplus of US\$3.9 million. So far as she was currently aware, two new DTIS projects totalling US\$0.6 million were likely to be approved by second quarter of 2006.

61. She then turned to disbursement of funds under Window II. Six LDCs namely Burundi, Cambodia, Ethiopia, Malawi, Mali and Yemen had each received US\$1 million, the maximum amount available under Window II. The LPAC in Senegal had approved four projects. The disbursement for those projects had been pending due to some operational issues which were now being solved through consultations between the authorities and the donor facilitator in Senegal. She clarified that Burundi had not received an allocation of more than one million, although the presentation might have suggested this. She said that the financial system might have recorded the full fact sheet of one of the projects instead of shares allocated under Window II. Many of the Window II projects were being co-funded by other sources of funding such as financing from bilateral donors or UNDP or other development partners. This would be taken into account in the next reporting. She then gave an overview of the implementation of Window II. Total financing available for projects was US\$17.6 million. Thirty projects had been allocated funds, totalling US\$10 million. That was 57 per cent of total financing made available under Window II. She expressed confidence that many of the LDCs that had been approaching the implementation stage would be able to access Window II funds more rapidly than before. There was a surplus of US\$7.6 million, which would be able to respond to the funding needs of LDCs entering into the implementation stage.

62. She continued by saying that with regard to funding projections until mid year 2006 (second quarter of 2006), under Window I there were no pending obligations with a current balance of US\$3.9 million. The projected funding by the second quarter of 2006 was estimated to be US\$0.6 million which would leave a surplus of US\$3.3 million for Window I. Similarly, under Window II, there were no pending obligations and the current balance was US\$7.6 million. The projected funding was estimated at US\$10.9 million. Therefore, the projected deficit under Window II for mid 2006 was estimated at US\$3.3 million. This led to a total projected balance in the second quarter of 2006 of nil for both Windows together.

63. She elaborated on the projected funding needs under Window II by the second quarter of 2006. Lesotho and Senegal were expected to exhaust their balances of US\$0.6 million and US\$1 million respectively within the next few months. Djibouti, Guinea, Madagascar and Nepal were expected to exhaust their balances totalling US\$1.3 million by mid 2006. Mozambique as well as the seven LDCs expected to validate their DTISs between the third quarter of 2005 and the second quarter of 2006 namely Benin, Chad, Lao PDR, Rwanda, Sao Tome & Principe, Tanzania and Zambia were expected to exhaust their balances totalling US\$8 million by mid 2006. She added that the LDCs that had been undertaking DTISs recently would benefit from past experiences in the IF process and would likely move faster in the implementation stage. There had been more support available to these countries including support from the UNDP to facilitate accessing of funds under Window II.

64. In conclusion, she said that Window I of the IFTF had adequate funds to meet immediate and projected requirements for the preparation of new DTISs in 2005 and in early 2006. Under Window II, a high demand for funds was anticipated between the last quarter of 2005 and the second quarter of 2006. The current balance in Window II was US\$7.6 million. The projected funding needs amounted to an estimated US\$10.9 million, which led to a projected funding gap of US\$3.3 million by the second quarter of 2006. The total projected balance in the second quarter of 2006 was nil for both Windows. She noted that more LDCs were joining the IF which might require more resources beyond mid 2006. She underlined the need for greater predictability of funding. In this regard, UNDP had been developing a multi-year funding framework to address the issue of predictability.

She also noted that the outcome of the "Aid for Trade" discussions would have an impact on that undertaking.

65. The representative of Benin congratulated the UNDP for its report. He noted the deficit of US\$3.3 million under Window II of the IFTF. He made an appeal to all donors to make additional efforts to bridge that deficit. There were programmes under the IF process which were important and needed to be implemented.

66. The representative of Djibouti thanked the donors for their contribution to the IF. He also noted the shortfall of US\$3.3 million under Window II. He made an appeal to donors to make greater efforts so that the IF bore fruit. If financial means were not available, results from the IF would not be achieved. Trade integration had been a difficult area. LDCs needed means to be able to integrate into the multilateral trading system. The ability and capacity of LDC delegations in Geneva had been limited. If LDC delegations could not operate smoothly in Geneva it would affect the overall operation of the IF in respective countries. He requested to pay attention to this matter.

67. The Chairman took note of the appeals made by the LDCs for more funds. He thanked the UNDP for its comprehensive report. He proposed that the Committee take note of the report from the UNDP and the statements made.

68. It was so agreed.

H. SIMULATION EXERCISE

69. The Chairman invited the representative of the United States to make a presentation on the IF Simulation held in Addis Ababa, Ethiopia, from 7 to 8 September 2005.

70. The representative of the United States thanked the Chairman of the IFSC, the WTO Secretariat, LDCs and IF agencies for their participation in the Simulation Exercise. She also expressed gratitude to Denmark, Norway and the UK for their contributions in funding participants' travel. She said that up until now the IF had focused on the diagnostic phase. Time had come to focus on implementation as well. She underlined that the IFWG and IFSC had given their support to this hands-on Simulation project. Country representatives in the IF countries who were engaged as active strategists in the field had been invited to help explore approaches and recommendations for improving IF implementation. Representatives from LDC Governments and the private sector, donors, IF agencies and five representatives from the international private sector had participated in the Simulation Exercise. Five significant implementation challenges had resulted from this exercise. These were: (i) ownership of the IF process; (ii) coordination among all IF stakeholders; (iii) operational factors that affect the IF process; (iv) resource constraints; and (v) private sector engagement, which had largely been untapped.

71. She said that three factors had contributed to the current emphasis on IF implementation. A critical mass of LDCs had completed their DTISs and had moved into the implementation stage. Seventeen LDCs had begun the implementation of phase three (implementation) in the IF process. She said that within the IF, a mechanism to share insights about the implementation of the IF did not exist. The past IF evaluations as well as the assessment of the IF by the World Bank had not addressed implementation. The Simulation provided the opportunity to study the insights gained in the IF process. It had been difficult to learn from other LDCs' DTIS reports and Action Matrices as contents of those DTISs varied in scope and structure. The IF needed to include all the different stakeholders to fully address the challenge of improving implementation. Participants in the Simulation Exercise had ranged from donors, agencies and the LDCs, undertaking implementation efforts with considerable personal commitment and varying degrees of success. The IF process currently did not have a mechanism to enable such individuals to be known to the IF management

structure and to one another, nor to develop a network. The Simulation had developed a network of 65 people forming a self-reinforcing network of champions.

72. She continued by saying that in consultation with the LDCs, donors and the IFWG, IF implementation had been defined as a process of ensuring that Action Matrix priorities were reflected in specific actions that produced tangible benefits and results. She then explained the approach of the Simulation. A Simulation was an exercise, different from a Conference and mainly consisting of three phases. There had been significant research and analysis done such as collection of data on recent insights about the IF which had helped in making some key decisions in the Simulation and had provided input into the final report. The initial research had reviewed the 15 LDCs that had completed their DTIS at the time of Simulation and had come up with a composite Action Matrix. That Matrix was a useful tool for donors, beneficiaries and agencies that showed that certain subjects would come up in every DTIS such as assistance for sanitary and phytosanitary standards, or trade facilitation. That in turn could help in starting the dialogue with relevant stakeholders. There had been telephone interviews with many IF stakeholders including LDC Governments as well as their domestic business sector, donors, agencies and the international private sector. Other Simulation inputs included a compilation of IF best practices and a preliminary evaluation of IF innovations. Three representative countries had been chosen namely: Malawi, Mozambique and Senegal in order to represent the challenges of many IF countries. She underscored the importance of identifying an IF champion within a country. In addition to Cambodia, a number of champions had also been identified in other LDCs. The donors and agencies team, the international business team and the three country teams had explored over a series of four moves the challenges posed by implementation of the IF as well as opportunities for improving implementation. These participants had worked through a wide range of events to come up with key insights. The report of the Simulation would be put on the IF website.

73. As regards the results of the Simulation, she highlighted five significant insights gained relating to ownership, coordination, operational factors, resources and inclusion of the private sector. Concerning ownership, participants found that in Cambodia, the IF had been successful because of one key individual, while in Ethiopia the involvement in the process of stakeholders across the board had helped in consolidating priorities in the Action Matrix. In Mozambique, stakeholders all across the country had been involved in the IF process. Inviting the private sector to participate in the Validation Workshop had also helped, reinforcing country ownership. She said that Mozambique had been able to move ahead in the IF process despite elections and a change of government. She underlined the importance of involving all stakeholders from the beginning of the IF process onwards. She also stressed the importance of identifying an IF national champion in the early stages of the IF process with sufficient authority. There was a need to address the asymmetrical Ministerial authority and to ensure broad participation of key government Ministries, particularly the Ministry of Finance. An important insight gained from the Simulation was that the IF focal point needed sufficient resources and enough authority to sustain a leadership role. She pointed out that one large disconnect in the IF process was the weak linkage between the IF and the PRSP. LDCs that had been able to timely integrate the DTIS and its Action Matrix into their PRSP had fared better. The Simulation also showed the importance of including Action Matrices into the PRSP soon after the Validation Workshop. She concluded by saying that the overall finding from the Simulation was that the stakeholders needed to be involved in the IF process from the very beginning, including the private sector.

74. The Chairman thanked the representative from the US for organizing this useful event and proposed that the IFSC take note of the report.

75. It was so agreed.

I. CHAIR OF THE IFSC FROM 2006

76. The Chair of the IFWG expressed gratitude to the Chairman for his service to the IFSC. She recalled that Ambassador Iversen was first elected as Chairman of the IFSC in March 2001 and re-elected in 2002. That arrangement had been tacitly extended. The term of Ambassador Iversen would expire in March 2006. She noted that Ambassador Iversen would be leaving Geneva soon to take up his new assignment in Dublin, Ireland as Ambassador of Denmark. He had nevertheless agreed to stay on as the Chairman of the IFSC until the Hong Kong Ministerial Conference. She said that a new Chair of the IFSC would need to be elected from 2006 onwards. At its meeting on 24 and 25 October 2005, the IFWG had been advised by the LDCs and donors that their consultations on this matter had led to the following result: (i) the LDCs and donors appreciated the readiness of Ambassador Iversen to stay as IFSC Chairman until the Hong Kong Ministerial Conference; (ii) the LDCs and donors had agreed on the nomination of Ambassador Mia Horn af Rantzien of Sweden as next Chairperson of the IFSC from January 2006; (iii) LDCs had decided to conduct internal consultations within the next weeks on the nomination of a Vice Chair, who would be an LDC representative. She recalled that as a precedent, when electing its Chairman in 2001, the IFSC had also elected the then Permanent Representative of Lesotho as its Vice Chair.

77. The Chairman thanked Members for their confidence in him to stay on as Chairman of the IFSC until the Hong Kong Ministerial Conference. He proposed to elect Ambassador Mia Horn af Rantzien as Chairperson of the IFSC from January 2006.

78. It was so agreed.

79. The representative of Benin, on behalf of the LDCs, extended congratulations to the outgoing Chairman. The LDCs deeply appreciated his tireless efforts in promoting the interests of LDCs in the IFSC. He wished him all the best in his new position. He pledged the full support of LDCs for the incoming Chairperson of the IFSC. He hoped that in the coming weeks, LDCs would come up with the nomination of the Vice Chair of the IFSC.

80. The representative of the IMF thanked the Chairman for his commitment. He appreciated the work of the Chairman in moving the IF forward. He wished the Chairman all success in his new responsibilities.

81. The representative of Sweden thanked the Chairman for all his work and insights in the IF process. She said that she would try her best to carry forward the work accomplished by the outgoing Chairman.

82. The Chairman congratulated the Ambassador of Sweden on her election. He looked forward to the nomination from LDCs for the Vice Chair of the IFSC.

J. ANY OTHER BUSINESS

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

ANNEX I

The Integrated Framework Steering Committee

Fifteenth Session

1. The Integrated Framework Steering Committee will hold its Fifteenth Session on Wednesday, 26 October 2005, starting at 10 a.m. in the WTO building.
 2. The items proposed for the agenda are:
 - (a) Adoption of the agenda;
 - (b) 42nd meeting of the Integrated Framework Working Group: report by the Chair;
 - (c) Extension of the IF Work Programme into 2006;
 - (d) Report of the IMF and the World Bank on the outcome of the meeting of the Development Committee of the Bank and the Fund on 25 September, in particular Ministers' endorsement of the proposal for an enhanced IF;
 - (e) Future of the IF: report on the deliberations on this matter in the IFWG;
 - (f) Implementation of the IF: Report by beneficiaries on follow-up to DTIS: countries which have validated their DTIS are encouraged to report on the status of the IF process in their countries;
 - (g) 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;
 - (h) Simulation Exercise: report by the US;
 - (i) Chair of the IFSC from 2006;
 - (j) Any other business.
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