

# WORLD TRADE ORGANIZATION

RESTRICTED

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## Integrated Framework Steering Committee Second Session

### NOTE ON THE MEETING OF 3 MAY 2001

Chair: Ambassador Henrik Reé Iversen (Denmark)

#### A. ADOPTION OF THE AGENDA

1. The Chairman welcomed all Members of the Steering Committee, in particular, those who were participating for the first time. He said that he had extended the invitation to all interested parties, who could participate in the capacity of Member or Observer, for the reason of full transparency. This was in accordance with the decision taken by the WTO Sub-Committee on Least-Developed Countries.

2. The Steering Committee adopted the proposed agenda as attached in Annex 1.

#### B. INDICATIONS BY DONORS ON SPECIFIC PLEDGES TO THE IF TRUST FUND

3. The Chairman reported that at the previous meeting of the Steering Committee held on 15 March 2001, nine donors, including UNDP and the World Bank, had made pledges to the IF Trust Fund, which amounted to approximately US\$ 4.55 million.

4. The Representative of Japan said that his country regarded trade as the vital means for economic development of LDCs, and that it had extended technical assistance to them, bilaterally and multilaterally, in order to enhance their trade-related capacity. Japan had supported the renewed IF, which could serve as an effective machinery to help LDCs make full use of opportunities generated by trade liberalisation in the multilateral trading system. In this context, the Government of Japan was at the stage of finalising its contribution to the IF Trust Fund. The contribution would amount to approximately US\$ 500,000, and would be channelled through the already established financial scheme within UNDP. It was expected that the contribution would be officially confirmed shortly. Thereafter, Japan would formally announce the contribution at the Third United Nations Conference on Least-Developed Countries (LDC-III) in Brussels. He added that Japan would continue to contribute to the objectives of the IF through its bilateral technical assistance to LDCs.

5. The representative of Finland said that his country had always been committed to making the IF operational. Finland regarded the establishment of an IF Trust Fund as a constructive step forward. However, the Trust Fund alone would not be sufficient in assisting the process of mainstreaming trade into development strategies. It was important to coordinate with other already existing trust funds, such as WTO and ITC Global Trust Funds. As a result of internal consultation on its contributions to trade-related technical assistance activities, the Ministry of Foreign Affairs had decided to pledge 1 million Finish Markas to the IF Trust Fund, which would correspond to US\$150,000 to US\$170,000, in 2001. He added that with a fully pledged trust fund, it was time for the IF to move forward with the implementation of the Pilot Scheme.

6. The representative of Nepal commended the latest development on the revamped IF, after having seen the slow progress since the Singapore Ministerial Conference in 1996. He welcomed, in particular, those pledges that had been made by donors at this and previous meetings. He expressed

appreciation to them, on behalf of all LDCs. He said that the IF had become an important tool for the integration of LDCs into the multilateral trading system, and that the Pilot Scheme was the important first step in the implementation of the IF.

7. The Chairman, on behalf of the Steering Committee, expressed appreciation to the donors for their contributions to the IF Trust Fund, which now amounted to over US\$5 million. This was an indication that the IF was moving in the right direction.

C. REPORT OF THE 25<sup>TH</sup> AND 26<sup>TH</sup> MEETINGS OF THE INTER-AGENCY WORKING GROUP

8. The Chairman recalled the discussions on the Pilot Phase Work Program at the previous meeting of the Steering Committee. At the First Session of the Steering Committee, the Inter-Agency Working Group (IAWG) had been asked to decide on important issues, including the selection of pilot countries. The IAWG had met on 29 March 2001 at the UNDP Headquarters in New York and on 17 April 2001 via video-conferencing. He invited the Chairman of the IAWG to report on the results of the IAWG meetings.

9. The Chairman of the IAWG said that the IAWG had met on 29 March 2001 in New York on the margins of the Preparatory Meetings for LDC-III. It was an inter-agency meeting, in its expanded format, which included two representatives each from donors and LDCs. Donors had been represented by the United Kingdom and the United States, and LDCs had been represented by Tanzania. Nepal, another LDC representative, could not attend the meeting due to a conflict in its schedule of meetings.

10. The IAWG had made four main decisions at its 25<sup>th</sup> and 26<sup>th</sup> meetings. First, Ethiopia had been included as part of possible candidates for the IF Pilot Scheme, and had been added to paragraph 19 of the revised Pilot Phase Work Program. Second, the IAWG had reached an understanding on the criterion for selecting pilot countries, as follows: (i) demonstration of a strong commitment by the government to integrate trade into its national development strategy and its PRSP; (ii) the status of national preparation of the PRSP; (iii) the preparatory stage and timing of an upcoming World Bank Consultative Group or UNDP Round Table meeting; and, (iv) conducive operational country environment (e.g. level of infrastructure, resource base of the World Bank/IMF and UNDP country offices, donor response, and the pace of domestic reform).

11. Third, the IAWG had requested the World Bank to identify candidate LDCs for the Pilot Phase, and provide a technical report on them, which would enable the IAWG to take a decision on the first three pilot countries. Based on the Bank's report, the IAWG at its 26<sup>th</sup> meeting had decided on three pilot countries namely, Cambodia, Madagascar and Mauritania. Fourth, the IAWG reviewed the five countries which had held IF Round Table (i.e. Bangladesh, The Gambia, Haiti, Tanzania and Uganda). Following the review, it recommended that the Chairman of the IF Steering Committee should write a letter to the five countries, communicating the decision taken by the Steering Committee at its first meeting. The letter had been signed by the Chairman and had been sent out to the five countries.

12. Lastly, the Chairman of the IAWG welcomed the memorandum from the Spring Meeting of the World Bank and the IMF, which explicitly supported the revitalization of the IF, re-affirmed trade, as one of the core strategic priorities for the institution.

13. The Steering Committee took note of the statement by the Chairman of the IAWG.

D. REVISED PILOT PHASE WORK PROGRAM

14. The Chairman said that the Pilot Phase Work Program was the operational basis for the implementation of the IF Pilot Scheme. He recalled that, at the previous meeting, Members of the

Steering Committee had expressed general satisfaction with the Work Program, presented by the World Bank, on behalf of the six core agencies, while making several comments and suggestions for its improvement. The latest revision of the Work Program had incorporated these comments and suggestions.

15. The representative of Canada said that her country endorsed the Work Program, but had some general comments and suggestions. First, it remained important to ensure that the IF exercise reconciled the views of Geneva and Washington on trade liberalisation. In this context, the implementation of key WTO Agreements and compatibility of trade-related capacity building with WTO rules was an important part of the process of trade integration, and had to be incorporated into IF analytical documents and IF programming. IF analyses should be built on assessments already undertaken by the WTO, such as in the Trade Policy Review Mechanism (TPRM) and accession negotiations, and the programmes which resulted from such analysis. Such analyses should also reflect the attempt to synthesise WTO agreements with IF experience in developing programming. Second, implementation of the Pilot Programme needed to take account of the fact that the IF had been designed to co-ordinate donor-led capacity building at the country level. Canada would like to see greater emphasis in the outline document on a process by which all of the six agencies and bilateral donors could be engaged in planning and implementation at the country level. Third, the IF was designed to be participatory. In this regard, Canada would like to underscore that the implementation of the Pilot Scheme should endeavour to ensure that the process was fully participatory.

16. The representative of the World Bank, in response to the comments by Canada, said that, first, it was difficult to reflect all necessary elements in the Work Program, which only provided an overall framework for the trade integration studies. Flexibility would be required in the terms of reference for each of the pilot countries, which would reflect country specificities. The availability of existing information on the countries, such as from WTO Trade Policy Reviews (TPRs), could also influence the terms for the trade integration studies. The purpose of the trade integration studies was to build on existing information, but not to re-invent the work of others. Second, the World Bank was in support of the involvement of donors at the country level, which would be sought actively in the pilot phase and should be clearly indicated in the Work Program. Third, the trade integration studies could also assess the impact of regional integration agreements, which was not fully reflected in the Work Program. Nonetheless, such assessment would be incorporated, as appropriate, in the studies.

17. The Chairman said that the Pilot Phase Work Program was an evolving document, which would be reviewed at the end of the pilot phase. He said that the Steering Committee had taken note of the concerns by Canada, which would be taken into account by the review. He proposed that the Steering Committee adopt the Pilot Phase Work Program.

18. It was so agreed.

E. PRESENTATION BY THE WORLD BANK: (I) THREE LDCs SELECTED BY THE IAWG; AND, (II) INDICATORS FOR ASSESSING AND MONITORING PROGRESS DURING THE PILOT PHASE

### **1. Three LDCs selected by the IAWG**

19. The representative of the World Bank, reporting on the recent developments at the World Bank. He informed the Steering Committee that the paper "Leveraging Trade for Development" had been submitted to the Executive Board. The paper laid out a strategy for the Bank's operation in the area of trade, which had become one of the priority strategic areas for the World Bank. There were three levels of activities envisaged in the paper: first, at the global and multilateral level, where the focus would be placed on specific issues relating to development; second, at the regional level where greater attention would be paid to regional integration agreements and their impact on economic growth and development; and, third, at the national level where the focus would be given to an IF-

type approach, i.e. use of trade as a vehicle to promote economic growth and development. The paper was complemented by the research agenda on market access issues, including the identification of remaining areas of protection in OECD countries and developing countries from the development point of view.

20. He said that the Bank's Country Departments had expressed much interest in trade-related work, including within the context of the IF. There was also a concerted effort to support the IF process within the World Bank, as resources had been mobilised internally to support the IF. In particular, there was a strong interest in trade-related work in the Africa region.

21. Regarding the selection of countries under the IF Pilot Scheme, the representative of the World Bank said that the IAWG had met in March 2001 to identify the first set of pilot countries and to clarify the criteria for the selection. In the course of discussions, six countries had been identified as potentially strong candidates for the pilots, based on current activities on trade by bilateral and multilateral agencies in those countries. In order to assess these six countries for the selection of the initial three pilots, three criteria had been used. The first criteria was whether the Government demonstrated strong commitment to use trade as vehicle for development and to incorporate a trade strategy into its national development plan, such as the PRSP. The second criteria was whether there were a PRSP process and associated Consultative Group (CG) meeting which would be held following the completion of the PRSP. The timing of the PRSP and CG meeting was of crucial importance as one of the objectives of IF's trade integration studies, which would be incorporated in PRSPs, was to generate financing for trade-related projects at CG or UNDP Round Table meetings. The third criteria was the likelihood of success as a pilot, because the completion of the Pilot Scheme was constrained by the tight deadline of November 2001. It was important to select countries where the existing environment, including institutional capacity and the pace of domestic reform, were conducive and amenable.

22. In assessing which countries met the above criteria, the World Bank had held a series of meetings with its Country Teams, as well as with the UNDP which operated in these countries. The technical information used in the assessment of the six countries was summarised in the document entitled "Selection of the Initial Three Pilot Countries under the Integrated Framework Pilot Scheme". The six countries were among the 15 potential candidate countries listed in the Pilot Phase Work Program. It was important to note that information contained in the document was constantly changing, and needed to be updated, in particular for the other countries beyond the six that had been identified.

23. The IAWG at its 26<sup>th</sup> meeting had agreed to the selection of three pilot countries - Cambodia, Madagascar and Mauritania. In all of the three countries, there was strong ownership by the Governments, a strong demand for integrating trade into their PRSPs, and strong support from the respective Country Departments at the IMF, the World Bank and UNDP for the IF process. As a result, there was a high probability for the completion of the pilot process by November 2001. The three countries were also in the process of drafting their PRSPs, into which the results of the Trade Integration Studies would be fed. In the case of Mauritania, the full PRSP had already been completed, but would be updated by the end of year 2001, and a Consultative Group meeting had also been scheduled. The three selected countries had also been active under the old IF. In the case of Cambodia, for example, a consultant, financed by one of the core agencies, was already involved in the IF process, and a PRSP Workshop had already been held in the previous week.

24. The other three countries described in the document (i.e. Mali, Mozambique and Nepal) could be considered for potential candidates in the next round of trade integration studies. There was strong interest among the agencies, particularly, at the World Bank, to pursue trade integration work. In addition to the three, in the Bank's recent consultations, Ethiopia and Eritrea had also emerged as strong candidates for trade integration studies on the parts of the Country Teams and the Governments. Uganda and Tanzania, two of the five countries which had held Round Tables under

the old IF, had also been identified as countries that indicated much interest. The increasing interest in the trade integration work would make the success of the initial three pilots even more important for their experience to be learned for other upcoming studies under the IF. He reiterated the significance of the successful completion of the three pilots by the deadline of the WTO Fourth Ministerial Conference.

## **2. Indicators for Assessing and Monitoring Progress during the Pilot Phase**

25. The representative of the World Bank also made a presentation on the second sub-item under Agenda D, commenting on the document "Monitoring Progress under the IF Pilot Scheme". He suggested benchmarks which could be used for monitoring and evaluating progress in the implementation of the Pilot Scheme. These were as follows:

- (a) Creation of the IF Trust Fund and transfer of resources committed by donors;
- (b) Agreement on selection of pilot countries;
- (c) Compilation of available materials and prior analyses undertaken for the three pilot countries by the IAWG;
- (d) Identification of priorities and required expertise to undertake the integration diagnostics and develop sectoral action plans;
- (e) Completion of terms of reference for the IF team;
- (f) Identification of national counterpart teams working on or in parallel to the PRSP by the government;
- (g) Identification of consultants, including identification of local experts and private sector representatives;
- (h) Engagement of the local donor community by Bank/UNDP representative and country teams;
- (i) Contracts issued by executing agency;
- (j) Completion of the first mission, including a consultation workshop;
- (k) Draft report on strategy completed and circulated for comment to the IAWG and counterpart PRSP team;
- (l) Draft report revised;
- (m) Second consultation mission/workshop to discuss draft strategy;
- (n) Development of sectoral action plans that respond to priorities identified by the team;
- (o) Submission of project proposals to the CG or other forums; and,
- (p) Funding by donors of priority projects.

26. Concerning indicator (c) "compilation of available materials and prior analyses undertaken for the three pilot countries by the IAWG", the representative said that TPRs, work by the IMF, UNDP, World Bank and other agencies, as well as Needs Assessments, would be compiled to assess the situation regarding trade policy and trade-related integration for each of the countries. Regarding

indicator (e) "completion of terms of reference for the IF team", the terms of reference would be modified in accordance with each country's priorities and pre-existing information in the trade area. On indicator (f) "identification of national counterpart teams working on or in parallel to the PRSP by the government", the objective was that IF term would work together with the national counterpart teams. The purpose on indicator (g) "identification of consultants, including local experts and private sector representative" was to ensure access to fresh information on priorities and challenges for each pilot country. Indicator (h): "engagement of the local donor community by Bank/UNDP representative and country teams", was designed to engage donors at the early stage of the IF process, so as to generate donor interest in financing trade-related projects at CG meetings. Indicator (j) "completion of the first mission, including a consultation workshop", was to ensure that the process was fully participatory, thereby, where initial findings in the trade integration study would be discussed and the country's priorities could be identified. Other indicators were essentially self-explanatory.

27. The representative of the World Bank added that the incorporation of a trade integration strategy into the PRSP was not indicated in the document as an indicator, since the PRSP was a country-owned document. Nonetheless, he was confident that the strategy would be incorporated in the PRSPs of the pilot countries. Moreover, he said that the World Bank would report to the Steering Committee at its next meeting on the progress made in the implementation of the Pilot Scheme.

28. The representative of the United States said that her country looked forward to seeing individual work programs for the three countries, and stressed the importance of making the pilot cases a success for the IF.

29. The representative of Norway associated his delegation with the comments made by Canada. He stressed the importance of building on existing information for the trade integration studies, and of co-ordination at the country level. Norway expressed support for the criteria for selecting the pilot countries, particularly, the pilots with a likelihood of success. Norway also looked forward to the identification of the second wave of countries for trade integration studies.

30. The representative of Canada expressed support for the selection of pilot countries, as well as for the selection process. Concerning the indicators for monitoring progress, she said that the incorporation of a trade chapter into the PRSP should be part of monitoring progress under the Pilot Scheme. Moreover, the indication of funding for Action Plans at CG meetings should also be monitored as part of the pilot process.

31. The representative of Switzerland, agreeing with the comments by Canada and Norway, reiterated the importance of donor-agency co-ordination at the country level. She also underlined the importance of integrating beneficiary governments in the IF process, which was the only way to ensure long-lasting impact at the country level.

32. The representative of Japan said that his country supported the selection of the three countries for the Pilot Scheme. Japan was interested in active involvement in Cambodia, whose reconstruction it had been actively assisting. With regard to the identification of the second wave of countries for the IF, he stressed the importance of taking into full account the experience which would be obtained from the first three pilot countries, as stipulated in paragraph 19 of the Pilot Phase Work Program.

33. The representative of the European Communities expressed support for the selection of the pilot countries and the process involved, as well as the future process as indicated by the World Bank. With regard to the indicators for monitoring progress, it was important to link the IF to the PRSP process, while fully recognising the country ownership of the PRSP document. He recalled that one of the pre-conditions for the selection of pilot countries was the full commitment by the government to integrate a trade chapter into its PRSP, and said therefore that such reference should be included as part of the indicators for monitoring progress under the Pilot Scheme. Moreover, a reference to the bilateral donor community could also be made as part of the monitoring indicators.

34. The representative of Zambia said that since his country had been active in the process, he had thought that it would have been among the six candidates under the IF Pilot Scheme. Nonetheless, he understood that the selection process had taken into account activities there not limited to Geneva. He supported the selection of the three countries. Zambia would like to know how the next round of countries would be selected, and would like to make sure that it would be part of it.

35. The representative of Mauritania expressed satisfaction that the IF was entering into an operational phase, with the establishment of the IF Trust Fund, and that the IF was becoming an instrument to assist LDCs' integration into the multilateral trading system. His country was also pleased that it had been selected as one of the three pilot countries, which he believed was due to its continued economic reform efforts, with the support from the IMF and the World Bank in the PRSP framework.

36. Under the PRSP framework, the four goals of the Governments were: (i) to reduce all types of poverty, improve the economy, and to reduce the dependence on external factors; (ii) to increase productivity; (iii) to develop human resources; and, (iv) to develop good governance through full participation of all actors. The PRSP would be implemented gradually over the next 15 years. In this process, the Government would enrich itself with experience gained on poverty-reduction programmes, the national economy, and the evaluation of the programme. The first phase of the implementation in 2001-2004 had set an ambitious target for poverty reduction, which would mobilise all actors in the process. It was expected that the role of the Government would be reduced in the economy to selected areas, such as the provision of basic services in health and education, as well as the creation of a favorable environment to attract foreign investment. The Government would also focus on distributing resources efficiently in the fight against poverty. The role of the private sector needed to be strengthened in various sectors, particularly in the trade sector, through measures to attract foreign investment. Private sector reform would focus on the reform in the legal framework and the tax system, as well as the improvement of the competitive environment. In addition, civil society would play a crucial role in the fight against poverty. Since the problem of poverty was very often that of proximity, NGOs operating in the field were in a better position to address the problem. The representative of Mauritania stated that his selection as one of the three pilot countries would help consolidate the process of the fight against poverty.

37. Finally, he informed the Steering Committee that Mauritania was no longer a member of the UEMOA customs union. To that end, a correction needed to be made to his country's membership in the Organization in the document "Selection of the Initial Three Pilot Countries under the Integrated Framework Pilot Scheme".

38. The representative of the World Bank, in response to the comments by Canada and the EC, said that the integration of trade dimension into PRSPs could be included as part of the indicators for assessing and monitoring progress during the pilot phase. Regarding the comment by Zambia on the selection of three pilot countries, he said that the IF process was only one of the criterion, on the basis of which countries had been selected under the IF Pilot Scheme. It was also important for the government to consult with Country Directors of the World Bank, IMF and UNDP to confirm that trade ranked high in their assistance priorities for the country. One of the problems in the past had been that trade had not been identified as one of the priority areas of assistance. Currently, there was much more interest in the issues of trade and trade integration, particularly, among the Bank's Country Departments, in particular, in the Africa region. He was, therefore, confident that more assistance would be provided in this area for the coming years. Concerning the description of Mauritania's Membership in the UEMOA, he fully noted the factual mistake which would be corrected in the next revision.

39. The Chairman noted that it was evident that the Steering Committee fully supported the choice of countries for the IF Pilot Scheme recommended by the IAWG. Regarding the indicators for

assessing and monitoring progress during the pilot phase, he said that the Steering Committee had agreed to the list which had been submitted by the World Bank, on behalf of the six agencies, as well as the inclusion of an additional indicator, that was, whether trade would be incorporated in PRSPs. Donors needed also to be consulted on the Action Plans in the discussions at the Trade Integration Workshops. Moreover, the Steering Committee had noted the need to take into consideration the experience from the first three pilot studies before moving on to the selection of the next wave of countries for trade integration studies.

40. The Chairman proposed that Steering Committee takes note of the comments made.

41. It was so agreed.

#### F. FIVE IF ROUND TABLE COUNTRIES

42. The Chairman recalled that the Steering Committee, at its previous meeting, had agreed that trade-related technical assistance and capacity-building projects, which had been presented to the IF Round Tables under the old IF in Bangladesh, The Gambia, Haiti, Tanzania and Uganda, would be considered for funding from the IF Trust Fund, once these projects were prioritised and sequenced, and were in support of mainstreaming. The Steering Committee had also reached an understanding that projects to be financed would not exceed the ceiling of US\$ 300,000 per each of the five LDCs. In his capacity as Chairman, he had written a letter to the five LDCs to communicate the decision and the understanding of the Committee.

43. The Chairman of the IAWG, referring to paragraph 3(d) of the adopted Pilot Phase Work Program, said that the Steering Committee had mandated the IAWG to consult with the five LDCs to identify their priorities, to consider trade-related technical assistance projects that had emerged from the IF Round Tables, and to make selection on the basis of their priorities that could be presented to the Steering Committee for funding from the IF Trust Fund, and which not exceed the value of US\$ 300,000. Moreover, those projects falling outside of the "mainstreaming" objective could also be separately presented to the CG or UNDP Round Table meetings for funding.

44. He said that ITC had begun consultations with the five LDCs on behalf of the agencies. ITC was consulting on the basis of the letter of the Steering Committee Chairman to the IF focal points in these countries. At the same time, the World Bank was relating with these countries as part of its overall responsibility for the Pilot Phase Work Program, to make sure that the process was pursued within a coherent policy framework of PRSP and IF's mainstreaming agenda. While the consultations by the ITC and World Bank continued, the agencies were already pursuing some of the projects that had emerged from the five IF Round Tables. For instance, the WTO had initiated, from its own resources, the Trade Policy Review for Haiti, which had been identified as one of the priority projects in support of mainstreaming by the government. He said that the agencies would provide the Steering Committee an updated report on this matter at its next meeting.

45. The representative of Canada expressed support for the follow-up activities to the IF Round Tables, as initiated by the ITC on the identification of those prioritised projects. Canada would like to see the list of prioritised projects, some of which could also be transmitted to its capital for consideration.

46. The representative of Lesotho asked what was the minimum preparatory work required for a country to hold an IF Round Table.

47. The representative of the United States expressed satisfaction with the ITC's consultations with the five Round Table countries on identification and prioritisation of trade-related technical assistance projects in support of mainstreaming, and looked forward to obtaining the results of the consultations at the next meeting.

48. The representative of the European Communities said that paragraph 3(d) of the Pilot Phase Work Program indicated that trade-related technical assistance projects would be presented to the IF Steering Committee at its second meeting, and that the deadline was missed. It was hoped that the IAWG would be able to report back to the Steering Committee at the next meeting.

49. The representative of the ITC said that it had initiated consultations with the five LDCs soon after the first meeting of the Steering Committee, and that it had so far obtained the preliminary indication of their priorities. The letter conveying the official communication from the Chairman would facilitate the on-going consultation process with the five countries. The ITC would continue to consult, with a view to identifying practical activities which would enhance and lead to mainstreaming in the countries.

50. The representative of Uganda confirmed that the Chairman's letter had been transmitted to his capital for consideration and action, said that his country would provide its response as soon as possible. He was grateful that those trade-related projects from the IF Round Tables would be accommodated under the IF Pilot Scheme.

51. The representative of Zambia sought assurance from the donors that financing would be available for those projects which would be identified as priorities for the five countries.

52. The Chairman of the IAWG, in response to the question by Lesotho, said that Round Tables held under the old IF had not been successful in raising necessary funding for trade-related technical assistance projects, because they had been stand-alone and organised outside development frameworks such as the UNDAF and PRSPs, Round Tables and Consultative Groups. Under the revamped IF, Action Plans and priorities stemming from World Bank-led trade integration studies, would be presented to CG or UNDP Round Table meetings. Therefore, those IF Round Tables would now be folded into CG and UNDP Round Table, where trade would be discussed along with other development priorities. As for the minimum preparatory work for the CG or Round Table meetings, a country needed to go through, first, a trade integration strategy which would be led by the World Bank, and then, development of an Action Plan which would contain prioritised trade-related technical assistance projects to be presented for consideration by donors.

53. The Chairman of the IAWG, in response to the question by Zambia, recalled that the Steering Committee had reached the understanding that the value of trade-related projects in support of mainstreaming at US\$300,000, could be met for each of the five Round Table countries from the IF Trust Fund.

54. The Chairman requested the IAWG to continue its consultations with the five Round Table countries and to report back to the Steering Committee at its next meeting with a prioritised list of projects for possible financing from the IF Trust Fund.

55. It was so decided.

#### G. STATEMENT BY UNDP ON THE ISSUE OF OVERHEAD CHARGES ON THE IF TRUST FUND

56. The Chairman recalled that the Steering Committee at its previous meeting had an exchange of views on the issue of management fees and overhead charges for executing projects under the IF Trust Fund, and that UNDP had been consulting with the other agencies and donors in this regard.

57. The representative of UNDP said that the IF Trust Fund had been established by UNDP, on behalf of the six agencies. The establishment of the IF Trust Fund, followed the rules of UNDP, including decisions by the Governing Board of UNDP on the reimbursement of overheads cost, as well as specific agreements that had been signed by UNDP with some donor countries. After consultations with the other agencies, it had been agreed that the overall overhead costs would not

exceed 13% in any circumstance. Accordingly, this would be reflected in the draft terms of reference governing the IF Trust Fund. He urged those donors who had pledged to remit their contributions to the IF Trust Fund as quickly as possible, so as to allow the agencies to proceed with implementation of the IF Pilot Scheme in the three pilot and five Round Table countries. The cost of implementation in these countries would immediately require US\$2.4 million. UNDP would sign the first MOU with the United Kingdom in the following week with regard to the transfer of its contribution.

58. The representative of the Netherlands welcomed the proposal by UNDP to cap the overall overheads cost at 13%. The Netherlands had been concerned about the overheads, in particular, the 3% management fee that had been proposed by UNDP. However, after consulting with other donors, it had been felt that a positive decision regarding the modalities for the IF Trust Fund was needed to allow the IF process to move forward. In this spirit, he proposed the following modalities for the IF Trust Fund. First, the donors would be willing to accept the overhead cost at 13%, which was the standard in the UN system. Second, the 13% should cover all administrative costs relating to the execution of the program, while the remaining 87% would be exclusively used to cover program expenses. Third, the agencies would decide among themselves how to distribute the 13% overhead costs. No reference would be made to the 3% management fee or to the execution fee in the terms of reference for the IF Trust Fund, while only the maximum 13% overheads cost would be mentioned. Fourth, there would be no derogation from any existing bilateral funding agreements between UNDP and bilateral donors concerned. Finally, the draft terms of reference for the IF Trust Fund would be adjusted accordingly, taking into account the these points.

59. The representative of the United Kingdom, recalling that the IF Pilot Scheme faced a tight timeframe for the review before November 2001, stressed that it was important to ensure the availability of funds to allow the agencies to undertake the work as required in the Pilot Scheme. She encouraged other donors to remit their contributions as quickly as possible, as had been done by her country.

60. The representative of UNDP confirmed that 13% would be the maximum to be charged for the overhead costs of the IF Trust Fund, which would be distributed among the agencies. No mention would be made of the management fee in the Terms of Reference. He added that the World Bank and UNDP would not charge 13% in any case.

61. The Chairman proposed that the Steering Committee agree that the fee for the IF Trust Fund should not exceed the rate of 13%, which would cover all administrative costs and would be distributed among the agencies, and that this arrangement would be reviewed at the time of the evaluation of the IF Pilot Scheme.

62. It was so agreed.

63. The Chairman noted that paragraph 10 of the draft terms of reference for the IF Trust Fund would accordingly be revised to reflect the agreement.

#### H. COORDINATION OF TRADE-RELATED TECHNICAL ASSISTANCE: PRESENTATION BY DAC/OECD SECRETARIAT

64. The Chairman said that the coordination of trade-related technical assistance was one of the central objectives of the IF. The Development Assistance Committee (DAC) at the OECD, strongly supported the IF, as reflected in its active participation in the IF Steering Committee and at IAWG meetings. The DAC had developed guidelines/disciplines for the effective coordination and delivery of technical assistance in the area of trade-related capacity building, which had been endorsed at the High Level Meeting in the previous week.

65. The representative of the DAC said that the OECD and its Members fully recognised the importance of and mutual benefits from integrating developing countries into the global economy. She emphasised the need to effectively address the concerns of developing countries in the new round of trade negotiations. The DAC was now working more closely than ever before with the Trade Committee at the OECD. Their mutual effort was to endeavour to bring the trade and development communities together, both at the Secretariat and the Committee level, and to work towards a more coherent approach in responding to the need of developing countries. In this context, the DAC welcomed the participation of the WTO Director-General at the first brainstorming meeting between the representatives of the Trade Committee and DAC on 24 April 2001.

66. The DAC had asked its Secretariat to review capacity constraints that developing countries faced in the area of trade, including how to assist them in overcoming those constraints. The DAC guidelines were intended not to be prescriptive, but to provide a common reference point, a basis for on-going dialogue among policy communities, and among key stakeholders. Developing countries, the IF core agencies, and bilateral agencies had been consulted in the preparation of the guidelines. The guidelines had also built on the core lessons learned from the IF, JITAP and other bilateral activities that contributed to capacity building for trade.

67. The DAC guidelines contained three key principles. The first principle was to "adopt comprehensive approaches". Experience with development cooperation had shown that *ad hoc* and isolated approaches to trade-related technical assistance would not be successful. Trade capacity building needed to address constraints at all levels in a comprehensive manner, including the macro and trade policy environment, supply side constraints, implementation of WTO rules and agreements, trade facilitation and market access. This was also the reason for the importance of mainstreaming trade as one element in a wider comprehensive national strategy for development.

68. The second principle in the DAC guidelines was to "support local ownership and participation", which was the essence of capacity building. Technical co-operation in the past had too frequently involved sending expatriate experts to a country for a short period of time, often leaving little expertise and little capacity behind. Now, there was an increasing trend in capacity building, in which all relevant stakeholders, including the policy-making community, with the private sector and civil society, worked together on the ground and engaged in consultations, networking and more interactions. A participatory approach to trade policy-making would help strengthen local capacities, as stakeholders would "learn-by-doing" and learn from each other.

69. The third principle was to "improve co-ordination and information-sharing among donors, both at the level of headquarters and on the ground." The challenges for developing countries were enormous and beyond the means of any single donor to respond effectively. In order to succeed in helping developing countries to assume greater ownership of their trade development process and to sustain that process, and in order for the IF and the mainstreaming process to succeed, the donor community had to work more closely together on the ground in the beneficiary countries. Better co-ordination between the various bilateral and multilateral activities, and a workable division of labour would prevent duplication, optimize resource use, and avoid overloading partner country capacities. To achieve these objectives, several conditions were necessary. First, the donor community needed to rally behind efforts led by the World Bank and IMF to mainstream trade into comprehensive development strategies using PRSPs as the principal vehicle. The existence of multiple frameworks of development cause confusion and ultimately a lack of coherence. Second, it required fuller and better co-ordinated involvement of bilateral and other multilateral agencies in the PRSP process. Although the responsibility for co-ordinating the preparation of PRSPs lay ultimately with the developing country itself, all parties involved, including the Bank and the Fund, needed to contribute to this objective in a constructive and transparent manner, including through information sharing.. Third, there should be frequent consultations as draft PRSPs evolved. Bilateral and other multilateral agencies, civil society and the UN system should be engaged from the beginning. Fourth, bilateral donors also needed to be more proactive in the process. The process did not only depend on the

World Bank and IMF. Fifth, there should be better communication and co-ordination between headquarters and field offices. There was a need to foster commitment among country level aid managers for trade development and provide them with sufficient institutional support to undertake trade capacity building activities in terms of greater resources, incentives and knowledge of trade issues. Furthermore, there was also a need for better communications flow between Geneva and Washington.

70. The representative of Zambia said that allocation of resources should not disadvantage any of the six agencies in the IF process, as they were complementary in their role and competence. Moreover, he said that inadequate coordination had been one of the drawbacks of the old IF, and that cooperation between the agencies and donors should be improved in the revamped IF for the benefits of LDCs.

71. The representative of Uganda expressed appreciation for OECD's initiative to hold regional seminars on trade-related issues, including one to be held in Santiago, and expressed the hope that the organisation would organise a seminar that would target the LDCs. With regard to coordination, it was important for Country Representatives of the World Bank and the UNDP to recognize the importance of trade to be mainstreamed into PRSPs and implement it operationally in the beneficiary country. Little emphasis on trade by the two institutions had been one of the difficulties faced by LDCs in their past attempt to mainstream trade at the country level.

72. The Chairman proposed that the Steering Committee should take note of the comments made, and suggested that the matter should be kept under review.

73. It was so agreed.

I. COMPLEMENTARY ACTIVITIES: ZAMBIA TRADE SECTOR STAKEHOLDERS' MEETING, LUSAKA, 11 APRIL 2001

74. The Chairman said that some Members at the first meeting of the Steering Committee had stressed the importance of coordination to encompass complementary activities at the country level within the framework of the IF. One example of such activities had taken place in Zambia, where a Stakeholders' meeting on trade had been held and attended by donors and some of the IF agencies, including the WTO.

75. The representative of the WTO said that the Stakeholders' meeting held on 11 April 2001 had been attended by about 50 participants, including from the Government, the private sector, and the donor community. The purpose of the meeting had been to discuss the "Common Vision on Trade", which had been outlined in the report prepared for the meeting with the support of USAID. The vision, which envisaged tripling the trade volume by the end of this decade, had provided a good opportunity for dialogue, especially between the private sector and Government officials. Regarding the way forward for the IF process in Zambia, there had been a number of presentations, including one from Zambia's PRSP Coordinator on the status of the preparation of its PRSP, which was due to be completed by September 2001. It had been agreed that trade would be addressed in the PRSP as a cross-cutting theme, and that the exercise would be led and coordinated by the Ministry of Commerce. The date for the next CG meeting would be held after the scheduled election in November 2001, and perhaps earlier next year. Finally, he added that the Ministry of Commerce had fully participated in the meeting, with the support of bilateral donors, including USAID.

76. The representative of Zambia said that he would provide his Government's point of view on the meeting. The Ministry, responsible for trade and the IF, had sponsored, together with the USAID, an IF Stakeholders Meeting in Lusaka on 11 April 2001. Fifty-five representatives from the Government, the private sector, and the donor community had participated in the meeting. Overall, the meeting, chaired by the Permanent Secretary of the Ministry of Trade, had been successful in

achieving the goal of mainstreaming trade and addressing policy and implementation issues in the area of trade. The meeting included a number of presentations, including the presentation by Mr. Jim Fox, USAID Consultant on the IF, as well as by Zambia's PRSP Coordinator on the preparations of its PRSP which was due to be completed in the summer 2001.

77. The participants had expressed the view that export was crucial for economic growth and poverty reduction. USAID Consultant Dr. van Blarcom, together with one officer from the Ministry of Trade, had provided a background to the IF in Zambia, including the analytical work that had been done. USAID Consultant Mr. Fox had presented the vision for export, as outlined in the report financed by USAID, which projected tripling Zambia's exports by year 2010. It was expected that this vision (strategy) would help restore rapid economic growth, reduce the size of Zambia's debt burden to a manageable level, and also reduce poverty. At the same time, the report had identified constraints impeding the achievement of the vision.

78. The Permanent Secretary had fully endorsed the vision for export; and had expressed the Government's commitment to implement the vision. He proposed chairing the Export Promotion Steering Committee, if such committee was considered useful by other stakeholders. He observed that the report's description on the Government's commitments to the privatisation and export promotion had been rather pessimistic. He cited the Government's activities for enhancing trade activities, such as the inclusion of services in the Export Board's promotion activities and reassessment of the locations and duties of trade attachés.

79. There had been strong support for the export vision among the participants. USAID consultants had provided an overview of the issues concerning the implementation of the IF and mainstreaming trade into the development agenda of the country. In response, the private sector had called for a stronger leadership by the Government on trade issues, and had also called for improved communication/coordination among key Ministries, and for closer cooperation with the private sector. The idea of a public-private steering committee had been fully endorsed. Moreover, some speakers had requested that the Ministry name a senior person to oversee the dialogue with the private sector, and with other key Ministries on a full time basis. Donors had been requested to fund such position, if an appropriate incumbent could be found. The public-private steering committee would include representatives from the main private sector associations, economic ministries and statutory bodies, and donors. The purpose of the steering committee was to strengthen the public sector-private sector-donor collaboration in order to achieve Zambia's export potential. The steering committee would also review the current PRSP draft section on macroeconomic growth, agriculture, industry, tourism, and mining, in order to ensure that trade issues were assigned a proper weight. The participants had been requested to provide comments on the draft PRSP to the steering committee which would then meet with the PRSP Coordinator on 7 May 2001 to discuss the issues raised.

80. Finally, the Government, the private sector, and donors had been satisfied with the outcome of the meeting, namely, establishing consensus on the importance of mainstreaming trade into the PRSP, and improving cooperation between the Government and the private sector to work together for the implementation of the vision for export.

81. The representative of the United States said that on complementary activities, the adopted Proposal for the IF Pilot Scheme encouraged donors to identify LDCs which had strong field presence and an existing program of trade-related technical assistance, and were committed to the integration of trade into overall development strategies. The US was in the process of identifying the countries for complementary activities, and looked forward to working closely with the IF agencies, other donors, and LDCs in these complementary activities.

82. The representative of the United Kingdom, echoing the comments by the DAC, Canada, Norway and Japan, reiterated the need for improved collaboration between bilateral and multilateral agencies. While donors would continue to work with partner countries, it was also important to

improve donor coordination, including between bilateral and multilateral donors, in the spirit of the IF.

83. The representative of Canada endorsed the comment by the UK. She suggested that the ITC compiles a list of on-going trade-related activities by various donors in the five countries which had held Round Tables under the old IF. Such a compilation should also be made for the three pilot countries, where trade integration studies would be undertaken by the World Bank.

84. The Chairman said that the Steering Committee fully recognised the need for better coordination among donors, both at the level of the Steering Committee and at the country level, as well as the importance of balance between the two levels of coordination. He suggested that the Steering Committee take note of these comments.

85. It was so agreed.

J. ANY OTHER BUSINESS

86. The Chairman of the IAWG, on behalf of the six agencies, expressed their gratitude to LDCs for their support in the consultation process on various issues. He also expressed appreciation to the donor countries for their contributions to the IF Trust Fund, which had made the IF operational and transformed it into a funded mandate. He added that the core agencies valued the format of the Steering Committee, where the equality of participation among donors, LDCs and the agencies had been attained.

87. The Chairman said that, the IF was one of the interesting deliverables for the forthcoming Third UN Conference on LDCs, which had been developed in cooperation among donors, LDCs, and agencies. He congratulated the Steering Committee for its efforts to make the IF operational and effective. He added that the Chairman of the WTO Sub-Committee on Least-Developed Countries and the Director-General would report on the progress of the IF at the forthcoming meeting of the WTO General Council.

88. The Chairman proposed that the Steering Committee meet for its 3<sup>rd</sup> meeting on 3 October 2001, which would be approximately a month before the 4<sup>th</sup> WTO Ministerial Conference in Doha. At that meeting, the Steering Committee would take stock of progress made under the Pilot Scheme and in the follow-up with regard to the five Round Table countries.

89. It was so agreed.

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

ANNEX 1

**Provisional Agenda for the 2<sup>nd</sup> Meeting of the Integrated Framework Steering Committee**  
**Thursday, 3 May 2001, 10.00 a.m.**

1. The Integrated Framework Steering Committee (IFSC) will hold its second meeting on 3 May 2001, beginning at 10.00 a.m. in the Centre Willam Rappard.

91. The items proposed for the provisional agenda are as follows:

- (a) Adoption of the agenda
  - (b) Indications by donors on specific pledges to the IF Trust Fund
  - (c) Report of the 25<sup>th</sup> and 26<sup>th</sup> Meetings of the Inter-Agency Working Group (IAWG)
  - (d) Revised Pilot Phase Work Program (Job No. 2423)
  - (e) Presentation by the World Bank on:
    - Three pilot LDCs selected by the IAWG
    - Indicators for assessing and monitoring progress during the pilot phase
  - (f) Five IF Round Table countries (i.e. Bangladesh, The Gambia, Haiti, Tanzania and Uganda): report by ITC
  - (g) Statement by UNDP on the issue of overhead charges for the IF Trust Fund
  - (h) Coordination of trade-related technical assistance: presentation by DAC/OECD Secretariat
  - (i) Complementary activities
    - Zambia Trade Sector Stakeholders' Meeting, Lusaka, 11 April 2001
  - (j) Any other business
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