

WORLD TRADE ORGANIZATION

RESTRICTED
WT/IFSC/M/3
28 February 2002

(02-0999)

Integrated Framework Steering Committee Third Session

NOTE ON THE MEETING OF 12 OCTOBER 2001

Chair: Ambassador Henrik Reé Iversen (Denmark)

A. ADOPTION OF THE AGENDA

1. The Chairman apologised for not having been able to keep the originally proposed date for this session of the meeting due to logistical reasons. He said that since the IF Steering Committee had last met in May 2001, the IF had further received support, first by the Third United Nations Conference on LDCs held in Brussels in May 2001, and then by the G-8 Summit held in Genoa in July 2001. Further support was expected at the forthcoming WTO Ministerial Conference in Doha.

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

B. REPORT BY THE CHAIRMAN OF THE INTER-AGENCY WORKING GROUP (IAWG) OF THE 27TH MEETING, 6-7 SEPTEMBER 2001 AND THE 28TH MEETING, 11 OCTOBER 2001

3. The Chairman recalled that the Steering Committee at its previous meeting had endorsed the Pilot Phase Work Program which guided the implementation of the IF Pilot Scheme. The Steering Committee had also endorsed the selection of three pilot countries – Cambodia, Madagascar and Mauritania. Since then, the World Bank, together with the other agencies, had begun the implementation, by undertaking diagnostic trade integration studies in the three countries. The Inter-Agency Working Group (IAWG) had held its 27th meeting on 6-7 September 2001, to discuss, *inter alia*, issues that had emerged in the first phase of the implementation. The report of the 27th meeting was contained in document WT/IFSC/W/5. The IAWG had also held its 28th meeting, on 11 October 2001, in advance of this session of the IF Steering Committee.

4. The Chairman of the IAWG said that the issues discussed at the IAWG meetings were reflected in the subsequent agenda items of this meeting. The primary focus of the two meetings had been the implementation of the on-going IF Pilot Scheme, on which the World Bank had presented a status report. At the 27th meeting, the representatives of the beneficiary pilots had also been invited to provide their perspectives on the implementation. Based on their presentation and responses, the IAWG had drawn four initial lessons. First, the agencies had misjudged the timeframe for undertaking a diagnostic trade integration study, which had placed the World Bank and the other agencies under considerable pressure. Thus, the first lesson was that it required more time, perhaps, approximately 6 months to prepare a diagnostic trade integration study. Second, the pilot LDCs had stressed the need to balance between macro issues, including competitiveness and regulatory policy on the one hand, and micro issues which focus on specific product sectors, such as agriculture, mining and tourism, essential oil and fishery. Third, each diagnostic trade integration study should be country-sensitive to reflect the pilot's economic circumstance and development. Fourth, it was also clear that the participatory process of drafting a diagnostic trade integration study had had knock-on effect for technical assistance and capacity building, due to the use of local consultants. This had also helped expand the domestic trade policy constituency. These lessons were not necessarily criticism,

but these were more of guidance, which could help improve the implementation of the Pilot Scheme. Overall, the IAWG believed that significant value existed in the process of preparing a diagnostic trade integration study.

5. The IAWG had also discussed, together with active participation of the three IF focal points, extensively on the question of follow-up to the diagnostic trade integration study. Once the draft of a diagnostic trade integration study was made available, a workshop would be chaired by the beneficiary LDC, with the involvement of bilateral donors. It was emphasised that at this stage of the implementation, country ownership should be strengthened. At the workshop, stakeholders, including various government ministries, agencies, bilateral donors and the private sector, would review the draft diagnostic study, with a view to establishing an understanding on; (i) policy recommendations which the beneficiary country would undertake; and (ii) priority technical assistance needs. The results of discussions at the workshop would then be fed into the national PRSP Steering Committee, as well as into the CG or Round Table meetings. It was recognised that some institutional capacity building might be required to ensure the follow-up process. In this regard, Japan had, for instance, earmarked its contribution to the IF Trust Fund as capacity building under the Window 2. Furthermore, as announced at the LDC-III, the US would proceed with concrete projects in Mali and Mozambique, as complementary activities to the IF Pilot Scheme.

6. The IAWG had also discussed how the IF Pilot Scheme would be reviewed and assessed, so that the lessons learned would be fed into the implementation of the Pilot Scheme and in its extension. There were four measures that could be used as assessing the success of the Pilot Scheme: (i) the extension to which trade priority areas of action would be integrated into a national plan for development or a PRSP; (ii) the extent to which the agencies would refocus their programmes by re-allocating resources to reflect those trade priority issues identified in the diagnostic studies; (iii) the extent to which bilateral donors would demonstrate a coordinated approach to the delivery of TA, by taking account of those identified technical assistance projects in their work programmes; and (iv) the extent to which the beneficiary LDC would, not only re-allocate its resources to take account of trade issues in the diagnostic study, but would also make policy adjustment arising from the study.

7. Furthermore, the IAWG had agreed to consider the enhancement and extension of the IF model, which was currently applied only to LDCs. In this regard, it had been decided to hold a seminar on mainstreaming, which would be a follow-up to the first seminar held in January 2001. The second IF joint seminar "Trade mainstreaming and enhancing the IF approach", would be held on 25-27 February 2002.

8. Finally, the IAWG had discussed the ITC's project proposals on follow-up to the IF Round Table meetings in the five LDCs. The ITC had led the consultations with the five LDCs, pursuant to the decision by the IF Steering Committee, to identify prioritised and sequenced trade-related technical assistance projects in support of mainstreaming. The details would be discussed under agenda item D.

9. The representative of the European Communities introduced a new colleague, based in the DG Trade, who was exclusively responsible for trade-related technical assistance and capacity building. This indicated the importance that the Commission attached to technical assistance and capacity building, as well as coordination in this area. Regarding document WT/IFSC/W/5, he sought some clarification. First, further explanation could be provided on para 15 of the document concerning the IAWG's recommendation to delete Window II of the IF Trust Fund. Second, further information was sought with regard to the establishment of a mechanism for transparency and information flow amongst the agencies, including IAWG focal points, divisions and field offices involved in the Pilot Scheme, beneficiary Governments, other LDCs and donors. Such mechanism would be essential in ensuring the involvement of bilateral donors in the follow-up phase of the IF implementation.

10. The representative of Zambia expressed concern about the late arrival of documentation, which could affect effective participation of the beneficiaries in discussions.
11. The representative of Bangladesh concurred the concern expressed by Zambia. He noted that the IF was moving towards a more macro approach, which might contradict the original purpose of the IF to assist LDCs in developing an environment for export expansion. In discussions on the proposal for follow-up to the IF Round Table meeting, Bangladesh had opted for a leather-sector specific project, since there were enough studies at the macro level, sponsored by the World Bank and other organisations. He cautioned that too much emphasis on the macro approach, emphasised by the World Bank, might undermine the expectations of LDCs, embodied in the Uruguay Round and the Singapore Ministerial Declaration.
12. The representative of Pakistan welcomed the enhancement of the IF model, including the possible future extension of its coverage to include other low-income developing countries.
13. The representative of Haiti commended the efforts by the World Bank to integrate sectoral issues such as agriculture, fisheries, mining, tourism and essential oil, into the IF studies, which were important for raising production and export capacity of the LDCs. However, he noted that LDCs should be accorded priority in the IF before its extension to low-income developing countries.
14. The representative of Djibouti welcomed progress made in the IF, and his country was fully committed to the implementation of the IF Pilot Scheme.
15. The representative of Zambia said that in evaluating the performance of the IF, it was important to take account of the beneficiaries' views, which should be reflected in the level of capacity building achieved. He asked how the agencies intended to achieve the ultimate objective of capacity building in the IF.
16. The Chairman noted that the issues raised under this agenda item would be further discussed under separate agenda items which would follow.
17. The Steering Committee took note of the reports by the Chairman of the IAWG, and the issues raised.

C. IMPLEMENTATION AND FOLLOW-UP TO THE IF PILOT SCHEME

18. The Chairman said that since the implementation of the Pilot Scheme had begun in May 2001, the World Bank had led the preparation of the diagnostic trade integration studies (DTIS) in three pilot countries, Cambodia, Madagascar and Mauritania. The objective of the studies was to assess and identify, from various perspectives, those constraints that hampered the country's effective participation in the global economy. The findings from the study would then form the basis for an Action Plan, which would include a set of policy recommendations and priority technical assistance needs, to be prepared in consultation with all stakeholders, to overcome the constraints identified.
19. The Chairman informed that the Steering Committee had initially invited the IF Focal Point from Cambodia to this meeting, to provide the beneficiary's perspectives on the IF process. Due to the prevailing international security situation, he was unable to attend the meeting, however, he had submitted a presentation paper, which he had intended to make at this meeting (Annex 2).
20. The representative of the World Bank said that the DTIS assessed both the supply-side and demand-side constraints for exports of the pilot LDCs. Each DTIS included sections on market access, macroeconomics (including the exchange rate performance), the trade policy regime, trade facilitation (including customs, ports and transport network), as well as specific sub-sector studies of

the Government's choice. Overall, the DTIS provided both micro and macro-prospectives of the economy.

21. The draft reports of the three DTIS were underway and would be made available in the coming 2 to 3 weeks. The draft reports would be discussed at the IF workshops where inputs would be sought from donors, agencies, governments, civil society, with a view to establishing priorities for the country. The workshops were tentatively scheduled for 4-5 November 2001 in Mauritania, and for 19-20 November 2001 in Cambodia, while the date for Madagascar was yet to be finalised. Such discussions on the reports would then be converted into a workable programme, in which follow-up activities to the diagnostic studies would be identified and sequenced. The DTIS was the only first step of a long process of the IF implementation. It would help trade priorities be reflected in the country's strategies, and therefore would provide a framework for discussions between the government and development partners on the country's priority technical assistance and other trade projects. Prioritisation of the trade needs was, however, ultimately dependent on the government. Finally, agencies and bilateral donors would respond to the prioritised needs with technical assistance projects.

22. The representative noted some of the lessons learned from the first phase of the implementation of the IF Pilot Scheme in the three pilots. The timeframe envisaged by the Steering Committee had been too tight. The tight deadline of three months had constrained consultations which had been necessary for the appropriate preparations for the DTIS. However, the agencies were learning from the lessons, which were already being implemented as the process proceeded. It was important to recognise the dynamic aspect of the IF process.

23. Finally, the representative spoke on some of the challenges that the World Bank had taken up since the implementation of the IF Pilot Scheme. First, the Bank had significantly expanded its trade work with additional US\$ 5 million being pulled into the existing trade work in 2001-2002, including regional trade issues, research, and individual country studies. This was significant in bringing the Bank's country teams into the trade field, by equipping them with research tools, and specific programmes and projects. Second, the Bank had expanded its research capability on the development impact of trade, specifically taking into account the perspectives of developing countries. This was well reflected in the report of the Global Economic Prospects, soon to be issued, which essentially focused on the development implications of a potential Round of trade negotiations. Third, the Bank was undertaking detailed research and analysis in the areas of specific interest to developing countries, such as customs and agriculture. Fourth, the Bank was expanding the IF framework to low-income CIS countries and other low-income developing countries such as Pakistan, out of its own resources with some support from DFID. Lastly, the senior management of the World Bank had extended support for the expansion of trade work. Such commitment was reflected in the holding of monthly meetings between the Managing Director responsible for operation and the trade team. The firm commitment by the senior management was partly due to the IF, which had contributed in making the trade programme one of the Bank's six strategic priorities, along with the HIPC programme.

24. The representative of Mauritania said that the IF Pilot Scheme had made much contribution to his country. Mauritania, one of the three selected pilot countries, had undertaken the preparation of a diagnostic trade integration study, including an analysis of the main sectors of the national economy, such as fisheries, agriculture and tourism. A Ministerial Committee had been set up after a workshop held in June 2001, and had supervised the work of national experts who had worked together with foreign experts to carry out different aspects of the study. Despite the short time constraint, the DTIS had been prepared in a practical manner and its content was up-to-date. A workshop scheduled for November would examine and review the study, with a view to enhancing and amending the findings which would be converted into a national Action Plan. Once priorities were identified, Mauritania would mobilise the necessary financial resources to materialise the different components of the study.

25. The Government was fully committed to the success of the IF and it intended to use the IF mechanism to bring together various national economic actors, including local experts, development partners and the six agencies. He noted that as Mauritania's IF programme was successful, the IF Pilot Scheme should be broadened to cover as many LDCs as possible.

26. The representative of Canada stressed the importance of making available the reports of the three pilot countries before the Steering Committee, and looked forward to receiving them in the coming weeks. Canada welcomed the impact that the IF had within the World Bank, as well as in other institutions, which should be reflected in the report on the IF Pilot Scheme to be presented at the Ministerial Conference. Regarding the Bank's intervention on the extension of the IF approach to other low-income developing countries, it was noted that the focus should be given to ensuring the success of the three pilots, including the transition from the diagnostic stage to practical implementation. While it was recognised that the preparation of the DTIS had taken longer than what had been expected, she wondered how the progress on the IF Pilot Scheme would be presented at the Ministerial Conference.

27. The representative of the United Kingdom welcomed the progress made in the implementation of the IF and the recent elevation of trade work in the international community. She recalled that one of the problems associated with the old IF had been the decline of trade-related work and activities in some of the key agencies over the last decade, which was reversed in the previous few months.

28. The representative emphasised the urgent necessity of making available of the draft reports of the three pilots. A review of the reports and the IF workshops should be done at the IF Steering Committee, possibly, before the end of 2001. At the same time, it was important not to lose the momentum that had been created among the agencies. Once the reports were made available, the attention should be concentrated on the follow-up process, which was imperative to the success of the IF initiative. It was also noted that the response to studies would have to take place in capitals of donor countries.

29. She drew attention to paragraph 21 of the written statement by Mr. Sok Siphana of Cambodia, that a number of donors, such as Japan, Australia, Canada, Singapore, France, ESCAP and the Asian Development Bank, had already started to respond to various trade needs of the country. She noted Mr. Sok Siphana's response at the 27th IAWG meeting that the donor assistance would not have come if the country had not been engaged in the IF process.

30. The representative of Japan said that better coordination among donor countries and multilateral organisations was essential to strengthen the IF. Since the second meeting of the Steering Committee, Japan had committed to the Cambodian project, with a view to assisting the country with technical assistance and capacity building such as in areas as TBT. She expressed concern about the extension of the IF Pilot Scheme to other low income developing countries, as the priority should first be given to the LDCs, in particular, to follow-up to the DTIS in the pilot countries.

31. The representative of Pakistan welcomed the enhancement of research capability at the World Bank on the development impact of trade on developing and least-developed countries, in particular, in the area of agriculture where they faced enormous problems in exporting their products. He wished to see in the IF studies policy recommendations for removal of distortions in the agricultural sector, such as tariff escalation, which had hindered the development potentials of many developing countries. Furthermore, recommendations on how to move up the production chain with higher value added. Finally, the representative expressed appreciation that the World Bank had started to extend the IF approach to other low-income developing countries, including Pakistan.

32. The representative of Madagascar said that his country, as one of the three pilots, was satisfied with the evolution of the IF, and looked forward to the report of the DTIS, and the IF

seminar, as well as concrete follow-up projects. Madagascar also supported the extension of the IF Pilot Scheme.

33. The representative of the European Communities reiterated the importance of the availability of the three reports at the earliest possible time. Given the time-consuming process of the preparations of the DTIS, he cautioned the possible danger of overload on the agencies, if additional pilots were to be undertaken. He also expressed concern about the extension of the IF approach to non-LDCs.

34. The representative of Ethiopia appealed to the IAWG to consider Ethiopia to be part of the next phase of the IF Pilot Scheme. She sought clarification on Table I of the document WT/IFSC/W/9, as to why the preparation for some pilots listed, including Ethiopia, would only start in 2002.

35. The representative of Bangladesh stressed the importance of meeting the targeted LDCs in the implementation of the IF Pilot Scheme. Within a large institution like the World Bank, the IF Pilot Scheme was a small programme. Referring to the presentation by the World Bank, trade was one of the six priority areas of its work along with the HIPC, which had been widely criticised by various groups. He hoped that the IF would not become like the HIPC.

36. The Chairman said that all questions related to the extension of the IF Pilot Scheme would be discussed under Agenda Item E.

37. The representative of the World Bank, in response to the comments by Bangladesh, said that his institution undertook a number of trade-related work, including in Brazil, NAFTA, Russia and China. The frameworks prepared for the IF diagnostic studies were applicable to other low-income developing countries, with some modification for individual country differences. For instance, as a result of the IF Pilot Scheme, the World Bank had developed new tools, such as the templates for assessing the impact of trade, growth, and poverty, for analysing the quality and pricing of services trade, as well as the database on market access. The additional resource of US\$5 million for 2001 had been pulled into these type of trade-related work. Moreover, the Bank had used its own resources to undertake studies similar to the IF in other low-income developing countries.

38. The Chairman summarised the discussions as follows. First, while the IF was still an on-going process, from which the lessons were being drawn, the Steering Committee was reasonably satisfied with progress in the implementation of the IF Pilot Scheme. It was also recognised that the IF approach was the most comprehensive way of dealing with the trade and development priority needs of countries. Second, the Steering Committee looked forward to receiving from the World Bank the draft reports of the DTIS on the three pilot countries, as there was an understanding that the preparations for the reports had taken more than what had been anticipated. Third, the Steering Committee underlined that the priority should be accorded to follow-up to the priority recommendations for policy and technical assistance from the IF diagnostic studies. Fourth, the Steering Committee took note of the presentations by the World Bank and by the IF focal point of Cambodia, as well as other comments made by Members, which should guide the agencies in the further implementation of the Pilot Scheme. Fifth, the Steering Committee might consider having another meeting before the end of 2001 to review any tangible results arising from the three pilot countries. Finally, consideration might be given to providing some financial support for the continuation of the IF process in the pilot countries.

39. The Steering Committee took note of the Chairman's summary.

D. FOLLOW-UP TO THE IF ROUND TABLE MEETINGS IN BANGLADESH, THE GAMBIA, HAITI, TANZANIA AND UGANDA: REPORT BY ITC (WT/IFSC/W/8)

40. The representative of ITC said that the projects had been prepared pursuant to the decision by the IF Steering Committee at its first session in March 2001. The IF Steering Committee had requested the IAWG to consult with the five governments to examine trade-related technical assistance projects that had been presented at the Round Tables, and identify and prioritise projects in support of mainstreaming. At the 27th meeting in September 2001, the IAWG had considered draft project proposals for follow-up to the Round Tables, which were prepared by the five Governments in consultations with the ITC and other agencies. On the basis of these discussions, the IAWG proposed that the following proposals, as contained in document WT/IFSC/W/8 and its five addenda, be considered by the IFSC for financing from the IF Trust Fund.

41. On Bangladesh, as contained in document WT/IFSC/W/8/Add.1, the project would provide intensive marketing support for the leather, including a diagnostic study, market information, training, marketing missions, and trade fair participation. The project implementation would be closely coordinated with related initiatives taken by UNIDO and the World Bank.

42. On the Gambia, as contained in document WT/IFSC/W/8/Add.2, the project would produce a master plan for export development of four sub-sectors, including fisheries, horticulture, floriculture, and livestock. It would also contribute to institutional strengthening and human resources development.

43. On Haiti, as contained in document WT/IFSC/W/8/Add.3, the project would focus on institutional strengthening for trade services support and training, and trade policy and export promotion strategy formulation.

44. On Tanzania, as contained in document WT/IFSC/W/8/Add.4, the project would provide technical assistance to support the formulation of an export development strategy for fisheries and gem stones. It would also contribute to capacity building for more effective participation in the multilateral trading system.

45. On Uganda, as contained in document WT/IFSC/W/8/Add.5, the project would contribute to the formulation of an export development strategy for spices and silk, and would provide capacity building support to the inter-institutional arrangement for participation in the multilateral trading system. It should be noted that the projects in Tanzania and Uganda, at the specific request of the Governments, would provide synergetic linkages with JITAP interventions and would build on the foundations by JITAP.

46. The representative added that it was envisaged that sectoral studies and strategies would be carried out in close cooperation with local counterparts, and that they would provide practical bottom-up impetus to an enabling policy framework at the macro level in the countries concerned. He proposed that the project proposals be approved by the Steering Committee.

47. The representative of Haiti said that his Government and the ITC had consultations, including a visit of four officials to Geneva, on the use of US\$ 300,000 for capacity-building under the IF. The Government had placed high priority to the IF programme, and was fully committed to its full implementation. Haiti also expressed appreciation to the WTO for agreeing to undertake the first Trade Policy Review of Haiti for 2002 from its existing resources.

48. The representative of the Netherlands welcomed the project proposals, which were concrete and sector-specific. However, the late arrival of documentation would make it difficult to give approval to the proposals, and there was a need to revisit this agenda item on a later date. He sought clarification on the linkages between JITAP activities and the IF, as JITAP was in its consolidation

stage and its operations would be evaluated in early 2002. Moreover, he asked why JITAP countries, such as Benin and Burkina Faso, were not being considered as potential candidates for the extension of the IF Pilot Scheme.

49. The representatives of Canada, Japan, the United States, Norway, and the European Communities, concurred with the comments by the Netherlands that the late arrival of the documentation would make it difficult to approve the proposals at this meeting.

50. The representative of Bangladesh welcomed the project proposal which had emerged from discussions at the IF Round Table meeting held in the country. He sought minor changes in the proposal at a later date.

51. The representative of Canada proposed that the proposals be approved if no objections were received from Members in a few weeks, and that if the necessity arose, an informal meeting should be held to approve them.

52. The representative of Zambia sought clarification, in paragraph 9 of the document WT/IFSC/W/5, on why the IAWG had expressed concern, at this 27th meeting, that Bangladesh's project proposal was overly sector-specific, while the earlier comments by the Netherlands supported sector-specific proposals.

53. The representative of Norway supported Canada's proposal that the project proposals be adopted on a referendum basis, if there were no objections in 2-3 weeks. He added that such approval before the Ministerial Conference would be symbolically important.

54. The representative of the European Communities reiterated the importance of incorporation of JITAP activities into the DTIS and the resulting Action Plan. He sought clarification on the last sentence in paragraph 2 of WT/IFSC/W/8, whether "other projects" which could be considered for funding by bilateral donors, including at meetings of the CG or Round Table, were listed in any document.

55. The representative of Haiti concurred with the suggestions by Canada and Norway that a decision by the Steering Committee on the project proposals would provide positive impetus to the forthcoming Ministerial Conference.

56. The representative of the ITC, in response to the question by Bangladesh, said that minor changes to the project proposal would be accommodated. In response to the EC's comments, he said that the proposals in some cases contained a list of projects where further funding was sought.

57. The representative of Bangladesh, in response to the question raised by Zambia, said that the project was at the request of his country. Since Bangladesh had already benefited from a number of macro-level studies in the area of trade development, it requested a sector-specific project as follow-up to the IF Round Table meeting.

58. The Chairman of the IAWG, adding to the comments by Bangladesh, said that the IAWG, in its discussions on Bangladesh, had recognised that the value of the sector-specific project, as contained in document WT/IFSC/W/8/Add.1, would approximate the total cost of a diagnostic trade integration study, which would provide an economy-wide analysis. The IAWG had examined the proposal and had made a recommendation, as contained in paragraph 9 of the document WT/IFSC/W/5, on the basis of the decision by the Steering Committee at its first session that projects to be approved for follow-up to the five IF Round Tables should support the objective of mainstreaming. Finally, the IAWG had asked Bangladesh for its preference between the sector-specific project and an economy-wide diagnostic study, and on the basis of country ownership, the country opted for the sector-specific project as follow-up to the IF Round Table meeting.

59. The Chairman, taking account of the late arrival of the documentation, proposed that the proposals, as contained in document WT/IFSC/W/8 and its five addenda, be adopted, if no objections were received by 26 October 2001. If the need arose, the Chair would consider holding an informal meeting for further discussions.

60. It was so agreed.

E. CALENDAR FOR THE NEXT PHASE OF THE IF PILOT SCHEME: REPORT BY THE WORLD BANK

61. The Chairman recalled that the framework document of the IF Pilot Scheme stated that "in the light of the lessons learned from the Pilot Scheme, consideration should be given, no later than the WTO Fourth Ministerial Conference, to extend the initiative to other LDCs. Pursuant to this decision, and taking into account the lessons learned in the three pilot countries, the IAWG had considered at its 27th meeting the next phase of countries under the IF Pilot Scheme. The background note for the next phase of countries was contained in document WT/IFSC/W/9.

62. The representative of the World Bank said that since the Second session of the Steering Committee, a number of LDCs had submitted requests to the Chairman of the IAWG to be included in the next phase of the IF Pilot Scheme. Based on such requests, the World Bank had prepared a calendar for the extension, on the basis of three elements: first, the capacity of the IF team at the Bank; second, the readiness of its country teams to support the IF work; and third, the sequencing of on-going and future IF activities. Out of these elements, the support and buy-ins from the Bank's country teams was critically important to carryout the IF work, particularly because they would play a key role in follow-up phase, including in interactions with other development partners at the country level and at CG meetings.

63. Table 1 of the document WT/IFSC/W/9 provided an indicative timetable for the second phase of the IF Pilot Scheme, which could be carried out within the existing capacity for the coming 12-14 months. There would be adjustments made in the timetable, however, depending on domestic situations of the pilot countries. In three to five countries, the Bank's teams had already clearly indicated interest in the IF work and there were already on-going trade-related work which could help generate synergies with the IF work.

64. The timetable also reflected the lessons learned from the initial three pilots. For instance, in the second phase, preparatory missions would be undertaken by mission chiefs in advance of main missions. Mission chiefs would use such occasion to consult a study with various parts of the government of the country concerned, review any existing work on trade, have initial contacts with donors and sensitise them with the IF process. On the basis of preparatory missions, TORs for the IF diagnostic trade integration study would be prepared. This was one of the lessons learned from Cambodia where such a preparatory mission had proved significant in conducting the IF work.

65. Moreover, the timetable was critical in ensuring the full involvement of the World Bank, as well as other agencies, as the IF work needed to be built into the on-going and future programmes of the country concerned. It would be also important to have sufficient time between pilot countries in the timetable to allow for better preparation, such as identification of consultants and drafting of TORs.

66. Finally, the representative stressed that it was of utmost importance not to lose momentum that had been created for the IF, *inter alia*, among the Bank's country teams

67. The representative of Guinea said that her Government considered trade as an important element in the fight against poverty. Trade was an important part of the economy, after agriculture, as many people depended on trade for their income. There had been a number of trade reforms, however, they had not so far brought much economic growth in the country. A key question for the

Government was what specific reforms could be introduced for trade to play a role in improving its competitiveness in international markets, and thereby generating income for the poor. Guinea had placed trade at the centre of its poverty reduction strategy. However, this could not be achieved without the support of bilateral and multilateral partners. With the help of the UNCTAD and AIG, Guinea had so far tabled a national strategy for poverty reduction at LDC-III, which would contribute to the strengthening of its trade sector. The country had also worked closely with the Bretton Woods institutions in the context of structural adjustments to fight against poverty.

68. The representative appealed to the Steering Committee to recommend Guinea to be among the pilot countries in the second phase of the IF Pilot Scheme, as mentioned by the World Bank. The country would like to improve its basic infrastructure in rural areas, upgrade its trade chain for products with higher value added and encourage non-traditional exports, such as in agriculture and fisheries and tourism. The Government saw the IF had a role to play in creating a more favorable environment for trade development.

69. The representative of Lesotho proposed that the Steering Committee adopts the proposal for the second phase of the IF and the timetable for its implementation. For Lesotho, the IF arrived at the opportune moment, as the country had completed the interim PRSP and had begun to work on a full PRSP. The IF could complement the shortcomings in the trade area of the interim PRSP, and would ensure that the full PRSP, to be completed in 2002, would be a balanced one.

70. On the earlier comments by the World Bank on the extension of the IF model to the CIS countries and other low-income developing countries, he said that it needed to be carefully considered. It had taken over three years to revamp the IF, which still required further work. It was important, at the first instance, that the IF would work for the targeted beneficiaries, which were the LDCs. The extension to other low-income countries should be re-considered in the medium- to long-term.

71. The representative of Yemen said that that his country had gone through structural adjustment programmes with the World Bank and the IMF, and had applied to the WTO, and that its commitment to mainstreaming trade into PRSP had been part of the Government policy. Therefore, this could be inserted in Table 1 of the document WT/IFSC/W/9. Furthermore, he sought clarification on the Governance indicators in Table 2, in particular, with regard to the use of such indicators for the selection of pilots.

72. The representative of Zambia also sought clarification on Table 2, and its relation to the five criteria for the selection of pilots specified in paragraph 3 of the document WT/IFSC/W/9.

73. The representative of Canada said that one of the purposes of the IF was coherence, coherence with regard to cooperation among the multilateral agencies on the one hand, and cooperation between the multilateral agencies and bilateral donors on the other, both in cooperation with beneficiary countries. The IF process had helped internal coherence within Canada's ministries of finance, trade and development. Therefore, it was important to provide a chance for these people to be engaged in the process, as they were interested in the selection of new pilots. However, the late arrival of the document had not allowed consultations with the capital, while Canada supported the continuation of the IF process. She proposed a similar procedure for approval as in the case of the five Round Table countries under Agenda D.

74. Moreover, she stressed the need to review the results of the initial three first pilots before a full scale expansion of the IF Pilot Scheme. Canada had been made this point in several occasions, including through the Chairman of the IAWG. She therefore proposed the establishment of a process for extension, which would allow for careful consideration of the results of the initial pilots and then would give an opportunity to approve the next phase of pilots.

75. The representative of Bangladesh sought clarification on the footnote of Table 2 in document WT/IFSC/W/9, the source of the table, and the description of the governance sections of the countries listed in the document. He asked how governance was related to trade and how the indicators were used in the selection of pilots. He cautioned that new conditionalities should not be imposed, and proposed the deletion of the table.

76. The representative of OECD welcomed the progress made in the IF and the process in which the lessons had been learned. She recalled the speech by H.E. Mr. Sok Siphana, Secretary of State, the Ministry of Commerce, Cambodia at an ITC conference, who had explained that the IF process, which was locally owned, had been catalytic in raising awareness on trade matters, setting in trade policy in the country, and bringing a number of stakeholders on board. These elements would need to be considered in assessing success of the IF Pilot Scheme, in addition to financial resource allocation. The IF was more of capacity building process than just projects. The Cambodian case illustrated that capacity building could be done by stimulating the consultative process in the country.

77. Second, she stressed the importance of the involvement of bilateral donors at the earlier stage of the implementation of the IF Pilot Scheme, since much financial resources would be forthcoming from them for follow-up activities. It would take at least one year from the identification of particular needs to the earmarking of funds by donors to the process. It was important for beneficiaries to make efforts in engaging bilateral donors, as well as multilateral donors, at the earliest possible stage.

78. Third, there was concern about steps between the DTIS and the CG/Round Table process. If there was a considerable time gap, in some cases up to five years between CG meetings, some sort of consultations would be organised with stakeholders, to allow bilateral donors to identify the areas where they might wish to fund.

79. The representative of Djibouti expressed satisfaction for being considered as part of the next wave of pilot countries. There was some work already underway on trade, such as by the World Bank, ITC and AIG. Djibouti requested technical assistance in order to speed up the pace of the ongoing work.

80. The representative of Lesotho echoed the comments by Canada on the need to speed up the release of the reports of the three initial pilots, so as to allow the timely extension of the IF Pilot Scheme before the Fourth Ministerial Conference. As a candidate for the extension, Lesotho had already started ground work for the IF and would like to speed up the implementation of the Pilot Scheme.

81. The representative of Zambia, in response to the comments by the OECD, drew attention to paragraphs 33 and 35 of the responses on the implementation on the IF Pilot Scheme in Cambodia, prepared by H.E. Mr. Sok Siphana.

82. The representative of the European Communities said that it was difficult to extend the Communities' approval for the new series of pilot countries without seeing the outcome of the three pilot projects. Moreover, he expressed concern that the timetable in Table 1 only contained the start of the process, including preparatory and main missions, but did not indicate any follow-up activities such as workshops, CG and Round Table meetings. A more detailed programme would help the Communities make judgement on the continuation of the IF. Furthermore, concern was expressed that reliance on the mechanism of CG and Round Table meetings, which did not meet periodically, could undermine the momentum created by the DTIS. He sought the view of the World Bank on this point.

83. He noted the importance of the regional aspects of integrating trade into development plans, which could constitute an important aspect of the IF studies. As the European Union had signed the Cotonou Agreement with 77 ACP countries, it was committed to regional integration and economic

partnership between them. Furthermore, he noted that some of the pilots listed were not WTO members, and sought justification for the selection.

84. The representative of the United Kingdom said that the principle of the IF was of a process, which was continuing. It was therefore important not to lose the momentum, particularly in the critical time ahead of the Ministerial Conference. At the same time, as part of the continuous process, the suggested work programme needed to be re-appraised, on the basis of lessons learned from the three initial pilots. As the reports of the three pilots were expected shortly, and the IF workshops would soon take place, the work programme could be reviewed and re-appraised.

85. The representative of Guinea, echoing the comments by Lesotho, appealed to development partners to help the IF make progress. Guinea had already had a launching seminar of the IF with participation from all social and economic sectors of the country, and the Government was determined to make the IF a success.

86. The representative of Zambia said, in response to the EC on the qualification of non-WTO members in the IF Pilot Scheme, that the IF did not have discriminatory treatment among the LDCs. While Zambia was not on the list of pilots, it was supportive of those non-WTO members being part of the IF, as it could help bring them to the trading system through technical cooperation.

87. The representative of Djibouti agreed with the comments by the EC on the importance of regional aspects of trade in the IF studies.

88. The representative of Lesotho, echoing the importance of the regional aspects of trade in the IF, emphasised that under the Cotonou Agreement, not only the multilateral agencies, but also bilateral donors, should mainstream their programmes into the IF work. Both bilaterals and multilaterals had the responsibility to complement and supplement each other's work within the context of the IF and PRSP. This type of cooperation would go to the heart of coherence, which needed to be established not only within the agencies, but also between the agencies and bilateral donors.

89. The representative of the EC, in response to the comment by Zambia, said that the Communities had no objection to include non-WTO members in the IF Pilot Scheme. Rather, they should be encouraged, as the IF could help them become WTO members.

90. The representative of Japan said that Japan had no objection to the extension, however, it was important to consider the criteria adopted by the IF Steering Committee, as in para 3 of the document WT/IFSC/IF/W/9. Moreover, it was important to see the results of the three pilot countries.

91. The representative of Canada, in response to the comments by Guinea, said that while Canada was supportive of the IF, it was important to have some results. The timetable indicated preparatory missions being scheduled for Eritrea, Lesotho, Malawi and Senegal in November 2001. She asked the World Bank whether it could start these missions without accessing the IF Trust Fund. Once the results from the three initial pilots were obtained in two to three weeks, the latter pilots could be integrated.

92. The representative of the EC asked whether the new pilots could be financed within the existing resources in the IF Trust Fund.

93. The representative of Lesotho cautioned that the suggestion by Canada to impose conditionalities on the use of the Trust Fund would establish a bad precedent for the IF. After three years of hard work to revamp the IF, it was important to avoid any segmentation in the IF programme.

94. The representative of UNDP, in response to the question by the EC, said that under the current pledges made to the IF Trust Fund, there were just enough resources for the 11 new pilots.

95. The representative of Guinea asked the World Bank why there was no indication of the date of main mission for Guinea.

96. The representative of the World Bank said that the calendar was not established by the Bank, but it contained those countries which had asked to be included in the IF Pilot Scheme. On the basis of those requests, the World Bank had spoken to its country teams, which had consulted with the governments to establish a timetable. In the case of Guinea, the Bank was in the process of consultations with the Government on the timing of the mission. He noted that the governance indicators were only information, not used for the selection, and would be deleted in the future.

97. Regarding the comments on the regional trade aspects, the IF studies looked into regional trading agreements, in terms of market access. In some cases, the studies examined the impact of multiple arrangements, with multiple tariff rates, which could create problems.

98. Regarding the outcome of an IF study, he said that there seemed much misunderstanding. He reiterated that a DTIS was not the end in itself, and it had several functions. First, the study was essentially an instrument to provide information and issues to be taken up in the PRSP, and inputs into decision-making by the Government and others. Second, the study could identify the country's priority needs, to which development partners could support in their assistance programmes. While the study itself could not design projects, could offer a set of issues around which projects could be developed. The IF framework could provide a basis for discussions, in which priority issues would be discussed by the agencies and the government in a coherent framework, not on a stand alone basis. The findings of the study would be discussed at the IF workshops. He also emphasised that the IF was a process in which stakeholders had been changing the way of working together.

99. The representative reiterated the importance of establishing a reasonable timetable which would help bring the institutions together in the IF process. He recalled that the three initial pilots had been done in an unrealistically tight schedule, which had not allowed much preparation for the studies. Therefore, preparatory missions would be taken with a view to ensuring inputs from the governments, donors and agencies in developing TORs, and preparing for the main missions. Those preparatory missions, scheduled for November 2001, would coincide with the economic missions of the World Bank teams, which would allow the mission chiefs to gain immediate access to information and network. If these opportunities for the missions were missed, the whole programme would have to be held back.

100. The Chairman asked the World Bank what was its proposal for the extension of the IF Pilot Scheme.

101. The Representative of the World Bank responded that preparatory missions were planned for Eritrea, Lesotho, Malawi and Senegal in November 2001, with the mission chiefs already identified.

102. The Representative of Canada said that discussions on the agenda item indicated the strong willingness by the LDCs and the agencies to proceed with the extension of the IF Pilot Scheme in eleven countries as quickly as possible. It was also assumed that that the World Bank had learned lessons from the three pilots. Canada would not object the extension. However, she stressed that it was utmost important to keep donors as partners, by keeping them informed with the timely issuance of information. Otherwise, it could risk alienating important donors, like Canada, in the IF process.

103. The Chairman summarised discussions under this agenda item as follows. First, the Steering Committee welcomed progress made in Cambodia, Madagascar and Mauritania under the Pilot Scheme, and would look forward to receiving the reports of the DTIS in the coming weeks. Second,

the Steering Committee noted that the IF was still in the learning process, in which due attention needed to be paid to the lessons learned, and in which the Scheme should be adjusted accordingly. Third, the Steering Committee recognised the importance of maintaining momentum in the IF Pilot Scheme, and took note of the eleven countries proposed for the extension of the IF Pilot Scheme. In particular, the Steering Committee took note of the four countries - Lesotho, Malawi, Senegal, and perhaps Eritrea, where the World Bank could start preparatory work immediately. He added that the Steering Committee could consider a meeting in December, if there was essential information on the on-going work.

104. The Steering Committee took note of the Chairman's summary.

F. REVIEW OF THE INDICATORS FOR ASSESSING AND MONITORING PROGRESS DURING THE PILOT PHASE

105. The Chairman recalled that at the Second Session of the Steering Committee, the World Bank had presented a list of indicators for assessing and monitoring progress during the pilot phase. While the Steering Committee had had good discussions on the item, some had requested to revisit these indicators at this session. There had been further discussions amongst the agencies in this regard.

106. The Chairman of the IAWG said that he had already presented, under Agenda Item B, the four indicators for assessing and monitoring progress during the pilot phase. At this meeting, the Steering Committee reiterated the importance of establishing the basis for appraising and reviewing the on-going Pilot Scheme. It was intended that the IAWG would have further discussions in this regard at its next meeting.

107. In addition to the appraisal of the implementation of the IF Pilot Scheme in the three initial LDCs, the Steering Committee had also called for a broader and more systemic review of the IF, which had also been mandated in the decision by the Heads of Agency of 6 July 2000. This could be considered within the framework of the seminar on mainstreaming, which the agencies would be proposing under Agenda Item I.

108. The representative of Zambia recalled his earlier question on the focus of such an appraisal, which in his view, should be given on the priority basis to the perspectives of the beneficiaries.

109. The representative of Canada recalled the 18 indicators for monitoring and assessing progress during the pilot phase, which had been discussed at the previous meeting of the Steering Committee, in addition to the four indicators which had been discussed at this meeting. She proposed that if the assessment of JITAP was available at the time of the next meeting of the Steering Committee, it could be considered together with the appraisal of the IF Pilot Scheme.

110. The Chairman of the IAWG confirmed the view of Zambia, that the LDCs' point of views would be placed at the heart of the appraisal. Moreover, he welcomed the suggestion by Canada that the JITAP assessment could be considered together at the appraisal of the IF Pilot Scheme.

111. The Chairman proposed that the Steering Committee take note of the comments made and would revisit this item at its next meeting.

112. It was so agreed.

G. FINANCIAL REPORT BY UNDP ON THE IF TRUST FUND

113. The Chairman recalled that at the previous two Steering Committee meetings, some 11 bilateral and multilateral donors had made pledges to the IF Trust Fund. Subsequently, Switzerland, Ireland and the United States had announced their pledges to the Trust Fund at the General Council

and at the Third UN Conference on LDCs in May 2001. The total pledges amounted to US\$6.2 million to date. The status of remittances to, and expenditure of, the IF Trust Fund since the implementation of the IF Pilot Scheme was reported by the UNDP, as contained in document WT/IFSC/W/7.

114. The representative of the UNDP provided an overview of the document WT/IFSC/W/7. He said that as of 30 September, 2001, fifteen bilateral and multilateral donors had pledged a total of approximately US\$ 6.2 million. France had indicated its willingness to pledge, but had not announced its contribution. The contribution by Japan was earmarked towards capacity building in Cambodia. As of 30 September, US\$1.95 million had been remitted to the IF Trust Fund. An additional US\$ 1.58 million was expected in 2001, with another US\$ 1.58 million in 2002 and US\$ 600,000 in 2003.

115. Referring to Table 4 of the document WT/IFSC/W/7, with the total remittances expected at US\$ 3.5 million at the end of the 2001, the total expenditures and commitments amounted to US \$2.4 million for the implementation of the IF Pilot Scheme in the three pilot countries and the five Round Table countries. If the World Bank undertook missions for the next pilot phase in January 2002, which would imply additional commitments of further US\$ 900,000 for 2001, the end balance of the IF Trust Fund would be US\$ 200,000. In 2002, with the assumption that the implementation started in 11 new pilots, the balance would be in equilibrium. However, if additional commitments for the expansion were made, there would be a shortfall in the balance.

116. The representative added, just for information, that while the IF Trust Fund had made available US\$ 300,000 for each DTIS, the agencies had incurred significant costs for the implementation of the IF Pilot Scheme. For instance, the World Bank had committed, within its own resource, US\$ 150,000 of staff time on average for undertaking each of the DTIS. UNDP had committed US\$ 100,000 for financing projects in Cambodia and Lesotho.

117. The representative of the European Communities said that its contribution to the IF Trust Fund would be transferred in 2001.

118. The representative of Finland said that its contribution to the IF Trust Fund had been transferred as of 20 September 2001.

119. The representative of Norway confirmed that its contributions to the IF Trust Fund would be transferred in 2001.

120. The Chairman said that the Steering Committee might consider at its next meeting the issue of providing some financing for the follow-up stage in the implementation, in order to keep the momentum created by the DTIS until upcoming meetings of the CG or Round Table.

121. The representative of Canada supported the Chairman's suggestion and recalled the donors' meeting held in June 2001 at the OECD, where the need for financing the follow-up had been emphasised by many of the participants.

122. The representative of Guinea expressed appreciation for the contributions made to the IF Trust Fund.

123. The Chairman proposed that the Steering Committee take note of the report by the UNDP and the comments made, and that the expenditures associated with the implementation of the IF Pilot Scheme, which were covered by the IF Trust Fund, be reported to the Budget Committee of each agency for it to be properly taken into account in their budget planning.

124. It was so agreed.

H. REPORT BY THE DIRECTOR-GENERAL TO THE WTO FOURTH MINISTERIAL CONFERENCE, DOHA, 9-13 NOVEMBER 2001

125. The Chairman recalled that the framework document for establishing the IF Pilot Scheme required that progress on the implementation of the IF Pilot Scheme be reported to the Fourth Ministerial Conference. Pursuant to the decision, the WTO Director-General had prepared a report on the implementation, in consultation with the other core agencies. This report, as contained in WT/IFSC/W/6, described progress made on the on-going implementation, including issues that had emerged in the three pilot countries, and areas where improvements could be made for the next phase of the programme.

126. The Chairman of the IAWG said that before introducing the progress report on the implementation of the IF Pilot Scheme, he referred to the late circulation of the documentation for this meeting, which had been repeatedly mentioned by Members. The agencies fully recognised the problem and were committed to circulate documents on time. However, he also highlighted the capacity problem within the WTO Secretariat, as the IF Secretariat which served all the six agencies, donors and LDCs, in dealing with IF matters, since no resources for this function had been made available. There was the urgent need to strengthen the capacity of the WTO for the smooth functioning of the IF.

127. Regarding the report on the implementation of the IF Pilot Scheme, the Chairman said that it was a factual report, consisting of; (i) an introduction on the origin of the scheme, (ii) background to the scheme, including the mandated review which had revamped the IF, not only as a mechanism for the delivery of trade-related technical assistance, but also as a mechanism for mainstreaming trade into country's development plans and PRSPs; (iii) a summary of activities that had been carried in the three pilots as well as in the five Round Table countries; and (iv) preliminary lessons from the first phase of the implementation. The report had already been approved by the agencies.

128. The representative of the World Bank echoed the points by the Chairman of the IAWG that the unreasonably tight timetable had constrained much-needed consultations with and information release to interested parties. The World Bank was in the process of equipping its IF team, with additional staff, with a view to improving its operations.

129. The Steering Committee took note of the report.

I. SEMINAR "TRADE MAINSTREAMING AND ENHANCING THE IF APPROACH", FEBRUARY 2002: REPORT BY THE CHAIRMAN OF IAWG

130. The Chairman recalled that the IF agencies had held, in January 2001, a first joint seminar on the "Policy Relevance of Mainstreaming Trade into Country Development Strategies, Perspective of LDCs". Over 200 representatives, from donors, developing and least-developed countries, and non-IF agencies, had actively participated in the seminar. The seminar had been valuable in bringing together the finance, development and trade communities to discuss, and share experiences, including on how best to mainstream trade into the national development framework and strategies for poverty reduction in LDCs. Many had asked for another seminar to be organised on the same theme. Furthermore, as the on-going implementation of the IF Pilot Scheme had exhibited the value-added in this IF inter-agency approach, not only the other LDCs, but also many developing countries, were asking that the IF approach be applied to their countries.

131. The Chairman of the IAWG said that the agencies proposed to the Steering Committee to organise a seminar, on 25-27 February 2002, as a follow-up to the mainstreaming seminar held in January 2001. It was envisaged that the seminar would be structured into four themes: (i) the implementation of the IF Pilot Scheme in the three pilot countries, with focus on best practices in mainstreaming; (ii) technical assistance and implementation concerns, focusing on how WTO and

other agencies could cooperate in areas beyond WTO matters; (iii) linkages between the IF and JITAP, focusing on how to reconcile the two initiatives in a coherent manner; (iv) the review of the IF model and its enhancement and extension. The agencies would welcome any guidance and suggestions from Members.

132. The representative of Finland supported the agencies' suggestion for the second mainstreaming seminar, but sought further information on the second theme, proposed for the seminar.

133. The representative of Canada welcomed the agencies' suggestion for the second mainstreaming seminar, and recommended the widest possible attendance by the LDCs.

134. The representative of the WTO, in response to the question by Finland, said that the idea for the second theme was to explore whether the IF model could be extended to the delivery of a wider set of trade-related technical assistance amongst the agencies and bilateral donors.

135. The Chairman appealed to donor Members of the Steering Committee to consider extending support for the widest possible participation of LDCs at the seminar.

136. The Steering Committee took note of the report by the WTO and the comments made.

J. ANY OTHER BUSINESS

137. The Chairman proposed the date of 14 December 2001 for the next Session of the meeting of the IF Steering Committee.

138. The representative of the World Bank said that the World Bank would prepare an internal evaluation of the IF implementation, after the release of the DTIS reports and the holding of IF workshops. It was important to have enough presentable examples and cases of the IF process, including the DTIS, workshops, inter-agency and inter-donor contacts, for the Steering Committee to make assessment of the IF process.

139. The representative of Canada said that while Canada was interested in holding the next meeting as early as possible, it was also important for the World Bank and agencies to be prepared to report on the substance to the Steering Committee. She suggested that if that was the case, the meeting could be scheduled for a later date.

140. The Chairman said that he would consult with the agencies and then would communicate the date of the next meeting to Members of the Steering Committee.

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

Annex 1

INTEGRATED FRAMEWORK STEERING COMMITTEE

Provisional Agenda for the 3rd Session of the IF Steering Committee
Friday, 12 October 2001, 10.00 a.m.

1. The Integrated Framework Steering Committee will hold its third session on Friday, 12 October 2001, beginning at 10.00 a.m. in the Centre William Rappard.
 2. The items proposed for the provisional agenda are as follows:
 - (a) Adoption of the agenda
 - (b) Report by the Chairman of the Inter-Agency Working Group (IAWG) of the 27th meeting, 6-7 September 2001 and the 28th meeting, 11 October 2001 (WT/IFSC/W/5)
 - (c) Implementation and Follow-up to the IF Pilot Scheme
 - Progress report by the World Bank
 - Report by the representative of the IF focal point for the IF Pilot Scheme
 - (d) Follow-up to the IF Round Table Meetings in Bangladesh, the Gambia, Haiti, Tanzania and Uganda): report by ITC (WT/IFSC/W/8)
 - (e) Calendar for the next phase of the IF Pilot Scheme: report by the World Bank (WT/IFSC/W/9)
 - (f) Review of the indicators for assessing and monitoring progress during the pilot phase
 - (g) Financial report by UNDP on the IF Trust Fund (WT/IFSC/W/6)
 - (h) Report by the Director-General to the WTO Fourth Ministerial Conference, Doha, 9-13 November 2001 (WT/IFSC/W/7)
 - (i) Seminar "Trade Mainstreaming and Enhancing the IF Approach", February 2002: report by the Chairman of IAWG
 - (j) Any other business
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Annex 2

IMPLEMENTATION OF THE IF PILOT SCHEME IN CAMBODIA

RESPONSES BY H.E. SOK SIPHANA
Secretary of State, Ministry of Commerce
Focal Point for the IF Pilot Scheme (Cambodia)

I. EVOLUTION OF CAMBODIA'S PRO-POOR TRADE S STRATEGY

1. Subsequently, an Inter-ministerial Steering Committee responsible for formulating – later on, implementing – the Government's pro-poor trade sector strategy was appointed in March, 2001 with the Ministry of Commerce (MoC) as chair.
2. On April 17, 2001, Cambodia has been designated as one of the three Pilot Countries for Integrated Framework Pilot Scheme.
3. In close consultation with the World Bank and the other IF Agencies, the Ministry of Commerce prepared and presented the Tokyo Road Map at the Fifth annual Consultative Group meeting in Tokyo June 2001. The Road Map is essentially a description of what Cambodia needs to do to prepare all the inputs required to formulate a robust pro-poor trade sector strategy which can become a critical cornerstone of the country's poverty reduction strategy.
4. IF activities were aimed at complementing other poverty reduction strategy development such as the PRSP, and the Second Five Year Socio-economic Development Plan (SEDP II).

II. EVENTS FOLLOWING THE TOKYO ROAD MAP

5. In early July, drawing on the Tokyo Road Map, the WB Task Manager and the IF Team Leader prepared a draft generic IF TOR highlighting emerging needs and team composition and submitted to MoC for comments.
6. By early August 2001, extensive discussions to incorporate the specificities of the country requirement was held and the IF TOR was finalized, leading to the recruitment of consultants, the assignment of MoC counterpart team, the establishment of a permanent IF secretariat at the MoC, and the commissioning of field work by a 13 member team comprising of officials from the WB, IMF and WTO, sector specialists and 4 local consultants.
7. By End of September 2001, a draft diagnostic report was completed and submitted to the Ministry of Commerce and circulated among stakeholders for comments and additional inputs.

III. PROGRESS AND EMERGING ISSUES FOR ACTIVITIES FORESHADOWED IN THE TOKYO ROAD MAP

8. The review of economic and trade sector performance was undertaken by the World Bank team in Washington, DC.
9. On the macroeconomic environment, a draft report was completed by IMF team members covering issues such as dollarization and the implications of minimum wages specified in dollars.
10. On the investment climate a review of the investment law which was proceeding under separate contract with the government involved extensive stakeholder discussions.

11. For the assessment of competitiveness of Cambodian exporters and entrepreneurs, a survey of 100 firms covering competitiveness and market access is being conducted, the results of which are expected to be available around 10 September.

12. For the assessment of current trade regime, advices on WTO accession aspects, including legal obligations and other compliances, are ongoing through to 10 September. An analysis of the existing cascade tariff structure raises the issues such as the scope for high protection while not much established industry depending on this protection; the questions whether tariff could be simplified without sacrificing revenue and making administration easier; and the implications for tariff binding.

13. The trade facilitation review was undertaken in close consultation with the resident IMF customs advisor, Bill Le Drew. Some complexities at Customs reflect the commitments made under CDC approval and obligations to preferential trading partners.

14. Product sector action plans include rice, other agriculture crops, fisheries, tourism, handicraft, and labor services export. The draft Rice report was completed highlighting main issues which hinged around shifting from a food security/quantity emphasis to an environment where producers are encouraged to, and can, produce to a specification. For other agriculture crops, issues also involve producing to a specification and identification of obstacles - road block taxes, local trade monopolies, and access to information. Given the costs of Government provision of services how can farmers be assisted to form associations to access information and technology - farmer associations an option. The issues raised in the Fisheries report include the need to establish community based regulatory regimes to replace the company based systems which have been dismantled. For the Labour Services, the main issues involve how to test whether slow uptake onto Malaysian market reflects costs of agency transactions or slow demand from Malaysia. The Tourism and Handicrafts reports are still in progress and are due early September.

IV. OTHER INSTITUTIONAL DEVELOPMENTS SINCE THE SELECTION OF CAMBODIA IN THE IF PILOT SCHEME.

15. On March 28, 2001, the Government adopted a Sub-Decree amending the composition of the IF Inter-Ministerial Steering Committee. The growing importance of the IF and the Pro-poor trade strategy process was reflected in the expansion the steering committee to include high level policy makers at the secretary of state level for 5 key ministries such as Commerce; Economy and Finance; Agriculture Forestry and Fisheries; Public Works and Transports; Woman and Veteran Affairs; at the under secretary of state for 3 ministries such as Industry, Mines, and Energy; Tourism; Social Affairs, Labor, Vocational Training and Youth Rehabilitation; and key representatives from the banking sector and the private sector.

16. In July, the Government appointed its senior economic advisor to the post of Ambassador to the Permanent Mission of Cambodia to the WTO.

17. In August, the Prime Minister appointed a large think tank comprising of senior officials in the government to assist in matters related to Cambodia's accession to the WTO.

18. The Prime Minister appointed H.E. Cham Prasidh, in addition to his current commerce portfolio, as Vice Chairman of the Council for the Development of Cambodia (CDC) in charge of private sector investment.

19. An extensive awareness campaign on the IF, the Pro-Poor Trade Sector Strategy, and Globalization was initiated and included *inter alia*: the holding of a 2 days international conference on "Globalization: Perspectives on Business and Law", followed by a special condensed lecture at the Royal Academy of Cambodia, a lecture on Intellectual Property Rights at the Faculty of Law and

Economics, a National Seminar on Investment for Provincial Governors, and a special Hearing Session at the National Assembly.

20. A parallel campaign to involve other donors in the process was also undertaken and has culminated in the pledge of support from key donors like Japan in the area of TBT, Australia in the area of SPS, Canada in the WTO accession process, Singapore in trade related capacity building, France in the area of IPR protection, ESCAP in the fisheries sector, ADB in the provision of a electronic law database for the WTO reference centre, and the US in a yet to be determined area. Several other activities of the Tokyo Road map were funded under an extension of the World Bank Technical Assistance Project (IDA Credit 2664-KH).

V. EARLY SUCCESSES FOLLOWING THE IF DIAGNOSTIC STUDIES AND OTHER SYNERGISTIC DEVELOPMENT.

21. Selection of Cambodia as part of Investment Development Scheme.

This initiative has been conceived during the Brussels Conference similarly with the IF where 4 multilateral agencies (MIGA, UNCTAD, UNIDO, and FIAS) will assist 5 pilot countries (**Cambodia**, Mali, Mozambique, Tanzania, and Uganda) in the investment policy review (focused on sectoral analysis and sector competitiveness unlike the FIAS Law on Investment review which are primarily driven by SAC conditionalities), linkage promotion, and preparation of investment guide. These series of activities are very timely as they provide additional external resources to strengthen the recent institutional portfolio merging of commerce and investment.

22. Support of ITC to implement recommendations of the Diagnostic Studies.

23.1 Development of Essential Oils Industry: ITC has recently approved the dispatch a team to undertake the development of the essential oils industry as part of a series of initiatives to diversify the agricultural sector and in support of the Pro-Poor Trade Sector Strategy. A ToR is currently being prepared and a team assembled.

23.2 Quality Improvement of the Spices Industry: ITC is currently implementing a regional programme to upgrade the quality of spices (hot pepper, black pepper, ginger, etc.) in Vietnam and Thailand with funding provided from the Swiss Government. Suggestions have been made to include Cambodia in the scheme as well. The necessary modalities are being reviewed.

23.3 Industry Strategy in Medicinal and Aromatic Plants: ITC has also opened a door to assist Cambodia prepare a special industry strategy in medicinal and aromatic plants which they believe Cambodia has the right climate and soil environment to make it a success. This sub-sector can fetch extremely high value as compared to other agriculture crops. MoC needs to submit an official request to ITC to kick start the process.

23.4 ITC's Export led Poverty Reduction Programme (EPR): ITC has selected 6 countries (Bolivia, Cambodia, Namibia, Madagascar, Peru, and Vietnam) to implement the EPR program focusing on: agricultural products (fresh and processed), textiles, leather and leather products, simple manufactured components, and community-based tourism. The focus of intervention will be support to poor communities in producing export-oriented products (formation of producers' groups, training on entrepreneurial skills, support in the adaptation of products to export market requirements, partnership with microfinance institution to address producers' credit needs). A Global Trust Fund - Window II will be used for that purpose.

23. *Support to the Cambodia IF by the Japanese Government:* The Japan Government in Tokyo has approved in principle:

24. the dispatch of TBT expert to assist in the development of standards, metrology and other TBT related matters.
25. a special capacity building programme for key staff of the Cambodia's new Permanent Mission in Geneva.
26. *Thai-Cambodian Joint Development Study (TCJDS)*. The Governments of Cambodia and Thailand are near completing the joint study the objectives of which are to study and set clear guidelines for the economic development and co-operation policy between Thailand and Cambodia, in the short, medium and long term. It aims at achieving a sustained economic growth for the two kingdoms through the adoption of strategic partnership principles which seek to maximize the mutual benefit in the areas of agriculture, trade, tourism and industry.
27. *The Integrated Study on Phnom Penh-Sihanoukville Growth Corridor*. The Government of Japan has approved a comprehensive study which is due to last 16 months. Both of these regional studies complement and deepen the IF diagnostic studies.

VI. NEXT STEPS

28. MOC has begun circulating the draft report to various stakeholders while translation of the draft into Khmer is also underway. The Government plans to hold a series of debriefing with the stakeholders (unfortunately only within the capital city of Phnom Penh due to limited funding) and build awareness of the issues in anticipation of the national workshop which will be held on November 19-20.
29. The stakeholder consultations will hopefully provide adequate inputs for the Government to prepare an official position document for presentation at the 4th WTO Ministerial Meeting at Doha in November, 2001.
30. The national workshop process should bring to closure on proposals in the draft report and secure funding commitment from donors.

VII. URGENT ACTIVITIES REQUIRING IMMEDIATE SUPPORT

31. The Government still believes and reasserts its view as expressed at the last IF IAWG in Washington, DC last month that the majorities of the stakeholders are still left out of the loop as they are predominantly outside the Capital city where the diagnostic desk studies took place. The Government would want to access quite rapidly to a small funding (estimated around \$50,000) to allow the Government to undertake a series of provincial grass-root awareness campaign to build on the one hand real national support for the national trade strategy and on the other hand to empower as early as possible these stakeholders in the "National Mainstreaming Process". The Government has touch based with the Embassy of Japan in Phnom Penh for that purpose but is also exploring other avenue to secure such a crucial support.

VIII. EXPERIENCES FROM THE IMPLEMENTATION OF THE PILOT SCHEME IN CAMBODIA

32. The following experiences can be drawn from the implementation of the IF Pilot Scheme in Cambodia.
33. **Inputs from the Government:** *First: Government as owner of the process:* While the initial TOR was drafted by the Bank Task Manager and the IF Team Leader, the Government believed that the success of the IF initiative lies to a great extent on it being able to provide the right leadership both the formulation stage and the implementation. Government ownership of the process is a *sine*

qua non condition for the success of the pilot scheme in Cambodia. The Cambodian Commerce Minister Cham Prasidh has been on the forefront, both on the domestic front and the international front, to earn the respect and support of the key stakeholders and to assert his leadership on this vital initiative. This leadership was in fact one of the key determinants of Cambodia being selected in the pilot scheme.

34. *Second: Government as partner:* With the rigid time constraint imposed by factors beyond its and the IF agencies control (i.e. the Doha meeting in November and to a lesser extent the PRSP timetable), the Government believes that substantive outputs can still be achieved provided it and the mission can develop an efficient, collaborative and synergistic partnership drawing on each other strengths and covering for each other shortcomings. The mission was comprised on highly qualified international consultants who, most of them regrettably have never been in Cambodia and thus lacked the insight of the local realities. Nonetheless this deficiency was easily matched by the extensive exchanges with the Cambodian local consultants and official counterparts. Research materials and other policy documents were conveniently made available to the team thus saving enormous research time and resources.

35. *Third: The Government as Policy maker:* The Government believes that technical assistance can be a potent tool for assisting it in the policy formulation and implementation. For this reason, Minister Cham Prasidh has appointed a senior policy maker, the Secretary of State for Commerce, to act as the focal point for the entire exercise. The IF permanent secretariat was established right next door to his office thus providing instant access for mission team members to discuss policy issues and other matters requiring quick decisions. Access of other key policy makers within the Government was also secured expediently through the network of the focal point.

36. **Transparency:** The Government feels that the Bank should provide more information on the management and procedures on the use of the IF Trust Fund and should have discussed more on the budget allocation with the Government in order to ensure that the fund allocation are prioritized according to the actual needs of the country specific TOR. The lack of understanding of the fund usage on the part of the Government has prevented it from timely securing the necessary budget to undertake several key activities it deems crucial, such as provincial field visits, and capacity building sessions for key counterpart staff whose responsibilities are to ensure the follow up of the IF scheme after the departure of the mission.

37. **Coordination During Field Missions:** The Government believes that coordination amongst various government agencies and donors was adequately made by both the Government and the mission team leader. Both bilateral and multilateral consultations and debriefing were held on numerous occasions during the mission.

Emphasis on Securing the Continuous Support of Stakeholders: The Government believes that the IF exercise will never be complete if the key stakeholders or beneficiaries are not fully on board with the process to share and experience the challenges and ultimately the success of the initiative. The fact remains that the IF will be an ever evolving undertaking which will require constant nurturing from all concerned, and in particular the Cambodians, be it public sector, private sector, and the civil society. Recommendations of actions under the IF study will have to concretely reflect this need.
