

Integrated Framework (IF) Financial Report

Period to June 2002

Prepared by UNDP

A. Overview

1. The Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF) aims at mainstreaming trade within national development strategies by promoting trade policies supportive of the poverty reduction objectives of these countries, accelerating the integration of LDCs into the multilateral trading system and the global economy and at developing national capacities.

2. The Integrated Framework Trust Fund (IFTF), hereafter also referred to as “the Trust Fund (TF)” or “the Fund”, is established under the financial regulations and rules of the UNDP for the receipt and administration of funds and for mobilizing additional resources needed to enhance the programme activities of the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). Project management and expenditures are all governed by the regulations, rules and directives of the UNDP and, where applicable, the regulations, rules and directives of a designated executing agency.

3. The IFTF serves as a central point for the deposit of contributions to the IF. Contributions are pledged by both bilateral and multilateral donors towards two finance windows operating simultaneously: Window I, a general fund, for un-earmarked contributions for diagnostic studies and mainstreaming, or Window II for contributions allocated to specific and clearly identifiable programmes for capacity building.

This report covers and reflect IFTF transactions on both accounts, and also raises issues of concern to the smooth execution of IF activities in the selected LDCs.

Important UNDP Trust Fund Administration Rules

4. In managing the fund, UNDP observes the following important rules:
- That the aggregate of the amounts budgeted for the projects together with any estimated payments in respect of support services shall not exceed the total resources available to the Fund;
 - That separate sub-trust funds for the IFTF will be established in cases where donors provide resources with conditionalities attached, e.g. termination dates, separate reporting requirements, etc.
 - That audited financial report for expenditures incurred in previous years will be prepared in close consultation with the executing agency(s) and thereafter presented to donors during the period of IF implementation.

B. Review Period Financial Status

Status of IF Pledges, Remittances & Approvals

5. This Financial Report covers the period as of June 2002, and captures financial information on contributions to Window I (mainstreaming) and Window II (capacity building), and project approvals done by the SC during the same period. In addition, the Financial Report reports on progress by donors in remitting pledges to the IF, as well as the major problems encountered.

6. As of 30 June 2002, cumulative pledges to the IFTF amounted to US\$ 10.5 million. This amount has been pledged by total of 17 bilateral and multilateral donors, as indicated in Table 1.

7. Of the total pledges made so far, US\$ 6.9 million, or 66% had been deposited or remitted by donors to the IFTF bank account. Undisbursed pledges account for the balance of US\$ 3.6 million (Table 2).

Useful definitions & clarification:

Resource transfer or remittance: defined as the confirmation by UNDP of the deposit of pledged donor resources into the IFTF Bank Account.

Expenditure authorization: for purposes of disbursing project funds, the signature of the project document or project budget serves as the official expenditure authorization to any designated IF project executing agency.

Funds transfer: Trust Fund Agreements or Memorandums of Agreement (MoUs) are a necessary but not obligatory tool for transferring IF pledges to the IFTF.

8. The following are updates on pledges, remittance and approvals:

Pledges:

- Since the last IAWG meeting, total IF pledges amounted to US\$ 10.5 million (see Table 1).
- During the period of March to June 2002, new pledges were received from the European Commission (Euro 750,000), France (Euro 500,000), and Switzerland indicated that they were ready to dispense the second tranche (US\$ 300,000) of their original pledge of US\$ 500,000. The Memorandum of Agreement between UNDP and Swiss Government is being jointly reviewed and will be signed soon. Processing of the EC and French contribution has not yet been initiated as UNDP awaits further instructions from the two donors.

Remittances:

- Remittances by donors to IF account in 2001 amounted to US\$ 3.3 million. As of 30 June 2002, a total of about US\$ 3.6 million had been remitted to the IF account in 2002. Of this amount, US\$ 2.8 million, or 78% of total remittance were targeted for Window I.

- EC remitted first tranche of its contribution of US\$ 138,167 during the period of March to June 2002.
- UNDP transferred its 2001-2002 contribution of US\$ 200,000.

Approvals:

- At its last meeting, the IF Steering Committee endorsed the extension of the IF to a second group of recommended LDCs¹ on the basis of the agreed criteria.² The UNDP and World Bank approved regional project (GLO/02/G06) is providing funding for Lesotho, Malawi, Senegal, Yemen, and Mali (still to be confirmed or replaced based on USAID interest to support country outside IF framework) at a total budget of US\$ 1.5 million.
- As a follow-up to this SC decision, the IAWG meeting of 31 May noted the timetable of the DTIS for the second group of 11 LDCs³ proposed by the World Bank, and agreed to proceed with DTIS for these countries at an additional cost of US\$ 1.8 million.
- Efforts are underway to increase the GLO/02/G06 project budget by a maximum of US\$1.5 million to cover the balance of the 5 LDCs planned for year 2002 (these include: Ethiopia, Nepal, Eritrea, Burundi, and Guinea).
- IAWG also agreed that due to the absence of World Bank field presence, UNDP would lead the DTIS in Djibouti. Due to UNDP being accorded execution function for the Djibouti project, a separate project document to the approved regional one, in the amount of US\$ 300,000, will be prepared to implement the DTIS.
- Japan approved Window II funding for the Cambodia capacity building project with a budget of US\$ 500,000, and expenditure authorization has been given by UNDP to the Government of Cambodia to commence project activities.

IFTF Cash Flow

Window I Report

- As of June 2002, remittances and approvals available in the IFTF for Window I programming are adequate to cover the planned activities for the year 2002, as shown in Table 3 (IF Cash Flow).
- After taking into account the remittances and approvals for 2002, Window I balance, as of June 2002, will project a reduced surplus balance of US\$ 333,122.

¹ Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Mali and Nepal.

² The agreed criteria are contained in WTO document WT/IFSC/W/9.

³ Burundi, Djibouti, Eritrea, Ethiopia, Guinea, Lesotho, Malawi, Mali, Nepal, Senegal and Yemen.

- To disburse resources required for the newly approved countries, the GLO/02/G06 regional project budget is being increased by US\$ 1.5 million to a total of US\$ 3.0 million to cover the balance of the 5 LDCs planned for year 2002.
- The project for Djibouti to be approved soon will have a budget allocation for US\$ 300,000.

Window II Report

- As of June 2002, the balance of resources available for programming amount to US\$ 327,321.
- Only Cambodia has benefited from Window II funding through a contribution from Japan.

B. Matters for Discussion

1. The architecture of the IF regional project adopted by UNDP and the World Bank requires that donor funds be untied and/or free of any conditionalities. However, this is not the case with resources available for Window I programming. To address this concern and to timely provide resources to IF executing agencies, UNDP has opted to programme all available resources (with or without conditionalities), and bring to the attention of the IAWG any donor pledges/remittances restricting funds access.
2. New pledges are required for Window I activities to commence in 2003.
3. As many of the LDCs complete their diagnostic studies, demands for capacity building technical assistance is expected to grow. In this regard, the IF is urged to mobilize additional resources for Window II activities.

Table 1: Pledges to IF Trust Fund
(As of 30 June 2002)

DONOR	AMOUNT PLEDGED
Belgium**	Belgium Franc 30,000,000 = US\$ 715,000
Canada	Canadian Dollars 1,000,000 = US\$ 660,264
Denmark	Danish Kroner 2,500,000 = US\$ 286,168
Finland	Finish Markka 1,000,000 = US\$ 154,497
France	*Euro 500,000 (approx. US\$ 500,000)
Ireland	US\$ 299,950
Italy**	*Euro 900,000 (approx. US\$ 900,000)
Japan**	US\$ 500,000
Netherlands	Netherlands Guilder 874,500 = US\$ 330,000
Norway	Norwegian Kroner 4,500,000 = US\$ 511,946
Sweden	Swedish Kroner 3,000,000 = US\$ 323,558
Switzerland	US\$ 500,000
United Kingdom	US\$ 500,000 plus British Pound 1,000,000 = US\$ 1,928,572
United States	US\$ 200,000
European Commission	US\$ 138,167 plus *Euros 750,000 (approx. US\$750,000)
UNDP	US\$ 300,000 (US\$ 100,000 per year)
World Bank	US\$ 1,500,000 (US\$ 500,000 per year)
TOTAL	US\$ 10,498,122

* For accounting purposes, a parity between Euro and dollar is assumed for those pledges not yet remitted. As money is transferred, the figures will be adjusted.

** Earmarked for Window II for capacity building.

Table 2:

IF Pledges & Remittances (2001 & 2002)
(US\$)

	IF Pledges	Actual Remittances		Undisbursed Pledges
	(2001&2002)	2001	2002	
Belgium*	715,000		327,321	387,679
Canada	660,264	660,264		
Denmark	286,168	286,168		
Finland	154,497	154,497		
France	500,000			500,000
Ireland	299,950	299,950		
Italy*	900,000			900,000
Japan*	500,000		500,000	
Netherlands	330,000	330,000		
Norway	511,946	511,946		
Sweden	323,558	323,558		
Switzerland	500,000	200,000		300,000
UK	1,928,572	500,000	1,428,572	
USA	200,000			200,000
European Commission	888,167		138,167	750,000
UNDP	300,000		200,000	100,000
World Bank	1,500,000		**1,000,000	500,000
Total	10,498,122	3,266,383	3,594,060	3,637,679
Of which:				
Window I	8,383,122	3,266,383	2,766,739	2,350,000
Window II	2,115,000	0	827,321	1,287,679

(As of: 30 June 2002)

* Contribution to Window II

** The US\$ 1,000,000 amount recorded is based on US\$ 500,000 received and an additional transfer of US\$ 500,000 which is currently being completed.

Table 3:

INTEGRATED FRAMEWORK: CASH FLOW
(As of 30 June 2002)

	2001		2002	
	Window I	Window II	Window I	Window II
Total Beginning Balance	\$0	\$0	\$2,366,383	\$0
Remittances	\$3,266,383	\$0	\$2,766,739	\$827,321
Pilot Countries Approvals				
Cambodia	\$300,000			
Madagascar	\$300,000			
Mauritania	\$300,000			
Sub-total	\$900,000			
Old IF Countries Approvals*				
Bangladesh			\$300,000	
Gambia			\$300,000	
Haiti			\$300,000	
Tanzania			\$300,000	
Uganda			\$300,000	
Sub-total			\$1,500,000	
Window II Approvals				
Cambodia				\$500,000
Sub-total				\$500,000
Window I Approvals**				
Lesotho			\$300,000	
Malawi			\$300,000	
Senegal			\$300,000	
Yemen			\$300,000	
Mali (TBC)			\$300,000	
Sub-total			\$1,500,000	
Window I Pipeline***				
Ethiopia			\$300,000	
Nepal			\$300,000	
Eritrea			\$300,000	
Djibouti			\$300,000	
Burundi			\$300,000	
Guinea			\$300,000	
Sub-total			\$1,800,000	
Total Expenditures/Approvals	\$900,000	\$0	\$4,800,000	\$500,000
Category end balances	\$2,366,383	\$0	\$333,122	\$327,321
Total End Balance		\$2,366,383		\$660,443

Notes:

* Project documents for the five old IF countries signed in January 2002 with total budget of US\$1.5 million.

** Window I - Regional project document for year 2002 will cover 10 countries at total cost of US\$3.0 million.

*** Window I - Pipeline projects comprise of five countries to be included in the regional project GLO/02/G06 plus Djibouti as a single project to be executed by UNDP.