

**ENHANCED INTEGRATED FRAMEWORK FOR
LEAST-DEVELOPED COUNTRIES**

**GUIDELINES
FOR THE IMPLEMENTATION OF THE
ENHANCED INTEGRATED FRAMEWORK
FOR LEAST-DEVELOPED COUNTRIES**

Geneva, 11 June 2008

PREFACE

These Guidelines have been prepared by the Integrated Framework (IF) Programme Implementation Unit (PIU) to help the IF Focal Points (FP), Members of the National Steering Committee, Donor Facilitators and other in-country stakeholders to kick-start the enhanced Integrated Framework (enhanced IF) implementation.

Pending the establishment of an enhanced IF Manual in the future, these Guidelines intend to provide basic information on the enhanced IF process, to help understand how the enhanced IF works and, most importantly, give a hands-on explanation of what the next steps for in-country enhanced IF implementation should be.

The Guidelines are based on the set of documents known as the "Compendium", which outline the agreed enhanced IF process. These documents are available at <http://www.integratedframework.org>. Please note that the Compendium will undergo a final edit in light of the United Nations Office for Project Services (UNOPS) joining the partnership as Trust Fund Manager. The final Compendium will be posted as soon as completed.

The enhanced IF is not a new initiative. Rather, the enhanced IF is improving – enhancing – the operations of the IF mechanism that has been in place so far, to better ensure that the goal of the IF – enhancing the capacity of Least-Developed Countries (LDCs) to be integrated into the multilateral trading system – is achieved. The main aspects of enhancement in which the enhanced IF differs from the IF are stronger and more consequent ownership of the enhanced IF process by the LDC beneficiaries of the IF; increased commitments from development partners who will be key in driving the enhanced IF partnership locally and in their capitals; and improvement in the IF decision-making and management structure to ensure an effective and timely delivery of the increased financial resources. This includes the establishment of an enhanced IF Secretariat, administratively housed in the WTO and headed by an Executive Director.

Development partners have agreed to increase financial support to developing countries for projects that aim at increasing trade capacity. To allocate these additional resources, development partners have vouched to meet the demand expressed by developing countries for Aid for Trade (AFT) with the necessary supply of resources. This supply will partly be channelled through multilateral initiatives like the IF or specific trade-related programmes by IFIs and regional banks, partly through bilateral channels, i.e., through programmes in individual developing countries. In order to benefit from the additional AFT resources, developing countries need to map out their key trade constraints and priorities and express demand for specific programmes and projects to increase trade capacity. The IF/enhanced IF process helps beneficiary LDCs to do precisely that.

An often-asked question for many who have been beneficiaries under the "old" IF is: "what if I have started project activities under the IF Trust Fund (IFTF) with the United Nations Development Program (UNDP) as Trust Fund Manager?" The start of the operations of the enhanced IF Trust Fund with UNOPS as its manager does not prejudice progress in the implementation of any approved on-going projects you may be currently implementing with funds from Window 1 or Window 2 of the current IFTF, managed by UNDP.

The IF PIU would like to thank their contributors, collaborators and reviewers Annet Blank (World Trade Organization), Phil English (The World Bank), Francesco Geoffroy (International Trade Center), Babar Kamal (United Nations Institute for Training and Research), Luca Monge-Roffarello (UNDP), Dorothy Tembo (IF FP, Zambia) and the IF interim Board. All errors are ours.

With best wishes for a successful enhanced IF implementation!

Christiane Kraus, Sari Laaksonen and Constanze Schulz

Note: The mention of IF or Integrated Framework in these Guidelines always refers to the enhanced IF, unless specifically noted otherwise.

Table of Contents		Page
PREFACE.....		2
LIST OF ACRONYMS		4
I. WHAT IS THE ENHANCED IF? WHAT ARE ITS OBJECTIVES, PROCESS AND STRUCTURES?		5
A. WHAT IS THE ENHANCED IF?		5
B. WHAT ARE THE STEPS AND SEQUENCE OF THE IF?.....		5
C. FUNDING.....		5
D. WHAT ARE THE IF'S GOVERNANCE STRUCTURES?		6
E. THE TRUST FUND MANAGER FOR THE ENHANCED IF		9
II. WHAT ARE THE KEY ELEMENTS OF THE ENHANCED IF WORK PLAN?.....		10
A. WHY A "PLAN"?		10
B. WHO SHOULD LEAD THE DEVELOPMENT OF SUCH A PLAN?		10
C. WHEN SHOULD SUCH A PLAN BE DEVELOPED?		11
D. THE FIVE-YEAR ENHANCED IF WORK PLAN ELEMENT BY ELEMENT		11
III. TIMELINE/PROCESSING OF TIER 1 PROJECTS		15
IV. TIMELINE/PROCESSING OF TIER 2 PROJECTS		18
ANNEX		22

LIST OF ACRONYMS

AfT	Aid for Trade
DAC.....	Development Assistance Committee
DF	Donor Facilitator
DTIS	Diagnostic Trade Integration Study
Enhanced IF.....	Enhanced Integrated Framework
EIFTF	Enhanced Integrated Framework Trust Fund
ES	Executive Secretariat
FAO	Food and Agriculture Organization
FP.....	Focal Point
IF.....	Integrated Framework
IFTF.....	Integrated Framework Trust Fund
IFIs.....	International Financial Institutions
IFSC.....	Integrated Framework Steering Committee
IMF	International Monetary Fund
ITC.....	International Trade Centre
LDCs.....	Least-Developed Countries
NDP	National Development Plan
NIAAs	National Implementation Arrangements
NIU	National Implementation Unit
NSC	National Steering Committee
OECD	Organisation for Economic Co-Operation and Development
PIU.....	Programme Implementation Unit
PRSP.....	Poverty Reduction Strategy Paper
SWAps.....	Sector-Wide Approaches
TFM.....	Trust Fund Manager
TRTA.....	Trade-Related Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Program
UNIDO	United Nations Industrial Development Organization
UNITAR.....	United Nations Institute for Training and Research
UNOPS	United Nations Office for Project Services
WTO.....	World Trade Organization

I. WHAT IS THE ENHANCED IF? WHAT ARE ITS OBJECTIVES, PROCESS AND STRUCTURES?

A. WHAT IS THE ENHANCED IF?

The enhanced IF (EIF) is an international initiative through which the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development (UNCTAD), the United Nations Development Program (UNDP), the World Bank (WB) and the World Trade Organization (WTO) combine their efforts with those of Least-Developed Countries (LDCs) and bilateral and multilateral development partners to respond to the trade development needs of LDCs. The goal of the Integrated Framework (IF) is to enhance the capacity of LDCs to integrate into the multilateral trading system in order to reduce poverty and benefit from increased market access.

What are the objectives of the IF to reach the overall goal ?

- to mainstream trade into LDCs' national development plans (NDPs) such as Poverty Reduction Strategy Papers (PRSPs);
- to assist in the coordinated delivery of trade-related technical assistance (TRTA) in response to needs identified by LDCs; and
- to develop the capacity of LDCs to trade, including through capacity building and addressing supply constraints.

On what key principles is the IF based ?

- country-ownership of the process;
- tripartite partnership: LDCs, IF Agencies, donors to the enhanced IF multilateral trust fund;
- demand-driven and tailor-made approach; and
- participatory approach, especially by involving the private sector at all stages.

B. WHAT ARE THE STEPS AND SEQUENCE OF THE IF?

The IF process consists of a number of phases, namely: (1) awareness-building on the importance of trade for development in the beneficiary LDC; (2) preparing a Diagnostic Trade Integration Study (DTIS) or DTIS-update to identify constraints to overall competitiveness and supply chains and sectors of greatest export potential; and an Action Matrix – a list of trade priorities – for better integration into the global trading system; (3) preparing a multi-year work plan for the IF implementation¹ and integration of the priority DTIS recommendations (Action Matrix) into the national development strategy, such as PRSPs; and (4) implementing the Action Matrix in partnership with the development partners.

C. FUNDING

Funding of the IF is done through the following separate channels:

- from the enhanced IF's own Trust Fund (EIFTF). The enhanced IF's own Trust Fund consists of two financing arrangements: Tier 1 and Tier 2. Please note that a detailed

¹ Please see page 11 for guidance in preparing a five-year EIF work plan.

explanation on how to access Tier 1 and Tier 2 funds is provided later in these Guidelines;

- from bilateral, regional or multilateral development partners active in the respective IF/enhanced IF beneficiary LDCs. In that sense, the enhanced IF is an instrument to leverage additional AfT resources. Indeed, the bulk of the funding for the actions included in the DTIS – large programmes, for example infrastructure projects – will need to come from the LDCs' development partners over and above the EIFTF. The funding needed to address the trade priorities listed in the Action Matrix of the DTIS and which cannot be met by the EIFTF can be accessed by submitting these demands to the development partner community of each individual country. How? An effective way is to integrate the trade priorities into the country's PRSP or other national development strategy. This way, the country sends a strong signal to the development partners on the importance of growth through trade, and this should help in mobilizing additional resources for trade; and
- the national budget, especially in countries where assistance by development partners is largely delivered by budget support and where the country's financial state allows for the Government's investment in trade development.

The private sector – domestic or foreign – could also be a source of funding.

D. WHAT ARE THE IF'S GOVERNANCE STRUCTURES?

The IF has governance structures at the global and at the national level.

At the global level

At the global level, the IF has two governing bodies: the IF Steering Committee (IFSC) and the IF Board (Board), whose meetings take place at the WTO. The IF has also provided for the creation of an Executive Secretariat (ES) to better manage the IF overall. The IF Secretariat is administratively housed in the WTO – the IF Programme Implementation Unit (PIU), with which most of the LDC beneficiary governments are familiar, is the kernel for the – larger – Secretariat that will be set up over the next several months. The ES will be headed by an Executive Director.

The **IFSC** is composed of all LDCs, the six IF Agencies and all bilateral development partners to the IF. It accommodates observers: members of the WTO that are not members of the IFSC shall have automatic observer status. Currently also the following organizations are observers: the OECD, DAC, UNIDO and the FAO. The IFSC serves as the overall governing body of the IF. Its functions are to:

- establish overall policy direction and oversee the work of the IF;
- keep under review the overall effectiveness of IF operations;
- promote coordination among participants; and
- ensure transparency of the IF process.

The **IF Board** is composed of one representative from each of the six IF Agencies and of three representatives each of the LDC and donor communities. It is headed by a Chair. Currently, the Chair of the IF Board is Ambassador Dr. Maruping from the Kingdom of Lesotho; the LDC representatives are Rwanda, Senegal and Yemen, and the donor representatives are Canada, Switzerland and the United Kingdom. The Board serves as the key decision-making body for operational and financial oversight and policy direction within the broad context set by the IFSC. The IF Board performs the following functions:

- supervise the management of the IF process;
- provide policy direction to the ES;
- take funding decisions under the EIFTF in accordance with the approval process and the terms set forth in the enhanced IF Accountability Framework and the Compendium; and
- monitor, review and evaluate country-specific progress and operations, including on the basis of in-country monitoring reports.

The IF Board may delegate specific operational tasks to the ES but shall remain responsible for their achievement.

The **ES** serves to better manage the IF overall and to ensure that the objectives of the IF are met. To that end, the ES undertakes the following functions:

- support LDCs' participation in the IF process – frequent contact by visits, e-mails, phone calls, etc., to ensure progress in step with the pace dictated by the beneficiary LDC in question;
- support IF governing bodies (IF Board and IFSC);
- coordinate and monitor IF processes, including diffusion of best practices, facilitate communication among in-country stakeholders, etc.; and
- outreach – national/regional/global workshops, website maintenance, newsletters, etc.

At the national level in the LDCs

One of the key elements of the IF is to build strong in-country capacities in LDCs to manage, implement and monitor the IF process. Accordingly, the IF foresees a number of National Implementing Arrangements (NIAs).

The NIAs include the following:

- IF Focal Point (FP);
- National Implementation Unit (NIU); and
- National Steering Committee (NSC).

Moreover, the LDC is supported by a Donor Facilitator (DF).

Some of these structures may already be in place in many IF beneficiary countries. It is important to note that the IF is, by no means, proposing to set up new structures in addition to implementation arrangements that already exist in one form or another – rather the opposite: the IF seeks to propose ways of strengthening the existing structures. In fact, these NIAs should normally be integrated into an existing governance structure and process, rather than be created as new, independent structures, isolated from the rest of the Government. What is important is that the NIAs provide for ownership, leadership and participatory IF management in the countries.

The IF Tier 1 financing arrangement foresees funding to support the NIAs. Financial support to NIAs (except to the DF) is set at a maximum of US\$300,000 per annum over the enhanced IF programming period of five years, i.e., a total of US\$1.5 million.²

The LDC Government will appoint a **Focal Point** (FP) who :

² Please see page 13 for more information on NIAs and page 22 for a Tier 1 project example.

- oversees the functioning of the NIU and advises the LDC Government on NIU staffing and operations;
- chairs TAC 1³ and TAC 2⁴ and decides, in consultation with the other members, to invite other representatives to participate in these committees;
- works closely with the relevant line Ministries, the DF, the ES, other development partners, including the IF Agencies to ensure that TRTA projects are mainstreamed into the PRSP or other national development plans and respond to DTIS priorities;
- leads on the preparation of the DTIS and its updating; and
- reports to the LDC Government and the ES on IF progress.

The beneficiary countries are expected to set up a **National Implementation Unit (NIU)** to strengthen the FP. The NIU is responsible for coordinating in-country IF activities and for IF implementation at the national level. The NIU is supervised by the FP, and:

- works with the Ministries of Trade, Finance and Planning, and other Ministries and trade-related institutions, such as the Chamber of Commerce and the private sector and civil society to ensure coordination at all stages of the IF process;
- works closely with the ES, the DF and IF Agencies for the preparation of the DTIS, the formulation and appraisal of Tier 1 and Tier 2 project proposals and other TRTA actions, as appropriate;
- monitors the implementation of Tier 1 and Tier 2 projects under NSC supervision and reports on progress to the ES. Organizes, as appropriate, IF implementation meetings to assess progress of the IF initiative;
- works with all relevant partners to advocate for, and assist in, the inclusion of a trade integration strategy and its priorities in the PRSP or national development plans; and
- prepares its multi-year work plan and a detailed annual operational plan.

The FP and the NIU could be an existing structure, or if an appropriate structure does not yet exist, an additional one could be created within an appropriate entity. For the NIU to work effectively, it is important that the Government gives the NIU the necessary authority and provides support. In some countries where an NIU is already in place, it is called the National IF Secretariat. The name may vary; what is important, however, is that the NIU (or whatever its name) is there to support the FP in the management of the IF process in-country.

In addition, beneficiary countries will have in place a high-level inter-ministerial committee to provide senior level engagement and coordination on trade policy and to provide political commitment, the NSC.

The NSC:

- monitors the overall IF process and activities, including trade mainstreaming into the PRSP and other development plans;
- ensures effective coordination and buy-in among LDC Government institutions, the private sector, civil society and other IF stakeholders;
- based on the NIU's proposal, approves Tier 2 projects in close consultation with the DF and the ES. A member of the NSC designated by the NSC Chair participates in the appraisal and approval process of Tier 1 projects;
- decides to submit Tier 2 proposals to the bilateral or the multilateral window of Tier 2;

³ Tier 1 Appraisal Committee that appraises and approves Tier 1 projects in-country.

⁴ Tier 2 Appraisal Committee that appraises and approves Tier 2 projects in-country.

- ensures that trade-related issues are included and receive due attention in development partners' conferences, such as the Consultative Group Meetings and Round Table Meetings.

The NSC should work closely with the governmental committee in charge of the national development strategy, PRSP or similar. Ideally, the NSC should be represented in this Committee. It is advisable that the NSC be composed of high-level members of the LDC Government, for instance from the Trade, Finance, Planning and Development Ministries, and representatives of the civil society and the private sector. The IF FP should also be a member of the NSC. The NSC composition should ideally reflect that the IF's scope and process are broader than the traditional trade domain and encompass several development issues and dimensions.

To provide an effective response and avoid duplication, the IF Agencies, development partners and beneficiaries need to work together through local processes. To this end, it is vital that an effective local **Donor Facilitator (DF)**, with clear terms of reference adapted to the local situation, be appointed by donors in consultation with the local authorities. In principle, the main role of the DF is to help mainstream trade into development partner programming to ensure timely implementation of the Action Matrix.

To this end, the DF:

- assists the LDC Government to enlist and coordinate development partner responses to the Action Matrix, including liaison with development partners to ensure effectiveness, complementarity and harmonization of interventions, including exploring the possibilities for pool funding arrangements for implementation of the Action Matrix;
- follows up on the Action Matrix, especially on development partners' responses, to promote maximum coordination among development partners;
- supports the NIU and the FP in the conduct of their responsibilities as per the established TORs;
- assists the NIU to formulate and appraise Tier 2 projects;
- assists the NIU to formulate and appraise Tier 1 projects and participates in their approval process;
- facilitates the LDC Government's contacts with the development partners by functioning as a link between the development partners and the LDC Government (when the LDC Government and development partners so desire). This entails ensuring that all relevant pieces of information regarding the IF and its implementation are adequately transmitted to IF stakeholders, including from the development partners to the Government and from the Government to the development partners. It also entails close coordination with, and being sensitive towards, the wishes of the NIU and the National FP;
- provides regular briefing updates to development partners on IF progress and arranges for consultation and coordination possibilities for the development partners present in the country;
- informs stakeholders, including the development partners, on the progress and results of IF implementation; and
- assists the local authorities in creating knowledge and understanding of the IF process in the country, especially at the higher political level.

E. THE TRUST FUND MANAGER FOR THE ENHANCED IF

The Trust Fund Manager (TFM) for the enhanced IF is the United Nations Office for Project Services (UNOPS). UNOPS is a separate, self-financing entity established by UN General Assembly decision 48/501 of 19 September 1994 to provide, inter-alia, management and other support services

for the benefit of the member countries of the United Nations. UNOPS's headquarters are in Copenhagen, Denmark. It also has an established office in Geneva, and the enhanced IF TFM activities will be handled out of the Geneva office by staff dedicated to the enhanced IF, supported by regional offices in Bangkok, Dakar, Johannesburg and Nairobi.

II. WHAT ARE THE KEY ELEMENTS OF THE ENHANCED IF WORK PLAN?

A five-year enhanced IF work plan serves as a vision and a strategy for an LDC to benefit from the enhanced IF and AfT initiatives and to develop their trade capacity. Such a plan can include the following elements:

- setting up/maintaining NIAs;
- pre-DTIS support activities;
- preparation of a DTIS (only for IF countries that have not yet done a DTIS);
- updates of the DTIS: once or twice over the five-year enhanced IF period;
- integration of trade into national development strategies/PRSPs ('mainstreaming'): how is this to evolve over the next five years?
- identification of activities in the DTIS Action Matrix that still need to be implemented (for countries that have done a DTIS); and
- identification of funding sources (development partner community active in the country, EIFTF, National Budget) to implement Action Matrix priorities.

This list is not exhaustive and only a suggestion. A country can, based on national consultations, introduce other elements that concern trade policy formulation or other priorities identified in the DTIS Action Matrix.

A. WHY A "PLAN"?

Please note that developing a five-year IF work plan is by no means a prerequisite for your country to benefit from the IF – all IF beneficiary countries are automatically enhanced IF beneficiary countries. However, use of a programmatic approach will in our view maximize the benefits for an LDC from the enhanced IF. The reason for this is that a five-year plan will provide an IF beneficiary country with a tool, amongst other purposes, for:

- advocating for funding from the EIFTF;
- advocating for AfT funding from development partners active in the country (regional and bi- and multilateral partners);
- monitoring progress in trade mainstreaming and trade-related assistance implementation in the IF beneficiary country; and
- identifying and financing longer-term needs to successfully develop and implement a trade-strategy, especially in terms of institutional and human capacity.

Please also note that (according to the Compendium) one of the necessary functions of the NIU is the preparation of a multi-year work plan and a detailed annual operational plan.

B. WHO SHOULD LEAD THE DEVELOPMENT OF SUCH A PLAN?

A five-year work plan should be developed under the leadership of the IF FP and NIU. The development of the plan should be an inclusive process involving the NSC, i.e., representatives of the Ministries of Trade, Finance and Planning and other relevant Government entities, the private sector,

the civil society and the development partner community. The IF Secretariat at the WTO stands ready to assist the FPs and NIUs in formulating their plans.

C. WHEN SHOULD SUCH A PLAN BE DEVELOPED?

Anytime! It is expected that EIFTF resources would be available for Tier 1 and Tier 2 projects from August 2008 onwards and for five years. Developing a work plan will assist in identifying activities for Tier 1 and Tier 2 project developments and would thus be recommended to be carried out prior to or in parallel with developing projects for EIFTF funding. There is no need to rush with EIFTF projects – it is the enhanced IF's intention that the funds will be available to tap into for five years from August 2008 – and it may be better to start with one or two Tier 2 projects so as to create a track record in the implementation. The work plan can assist in deciding with what or which projects to get started.

D. THE FIVE-YEAR ENHANCED IF WORK PLAN ELEMENT BY ELEMENT

The following paragraphs intend to advise enhanced IF practitioners in drawing up and implementing a five-year enhanced IF work plan element by element. As stated above, it would be recommended that the plan included at least the listed elements – it can, however, include much more. The purpose of the plan is to provide the country with a vision and a strategy for the enhanced IF implementation – *a strategy for trade mainstreaming and implementation of the DTIS Action Matrix* – and elements of the plan should be decided by the country. The five-year enhanced IF work plan could serve as the country's *AfT work plan*: it is to include activities proposed for funding outside of the EIFTF and by the beneficiary country's development partners, i.e., by the *providers of AfT*.

The enhanced IF programming period is five years; hence the recommendation to plan using a five-year time-frame. It must be understood, though, that the plan can only be *indicative* for the end part of its implementation period: countries' domestic, regional and international trade dynamics evolve and may thus require the enhanced IF implementation to adjust.

NIAs: please see above in Section I.D.

Pre-DTIS support activities

These activities are to be included in the enhanced IF work plan normally *only by countries that have not yet prepared their DTIS, although it is recognized that there may still be a need for countries that are already IF beneficiaries to engage in some sensitization activities to enhance buy-in for the enhanced IF*. Pre-DTIS support activities aim at sensitizing in-country stakeholders regarding the benefits that trade can offer for national development and the use of the enhanced IF as a tool to make trade work for development. Countries that have already had their DTIS done and need to work on stakeholder sensitization should include these activities in the work plan even if the source of funding should then be the overall Tier 1 allocation towards the NIA.

Preparation of a DTIS

Preparation of a DTIS is to be included in the work plan *only by countries that have not yet prepared their DTIS*. A DTIS analyzes the country's key bottlenecks and opportunities in trade development and includes an Action Matrix for implementation.

Under the enhanced IF, beneficiary countries can freely choose the partners with which they desire to cooperate for preparation of the DTIS. Potential partners for DTIS include the six IF Agencies, other agencies and development partners, private sector entities, etc. Scope, focus and

timetable of a DTIS will be agreed between the FP/NIU and the DTIS Team Leader⁵. The FP/NIU is to consult the key government and other in-country stakeholders for this.

Updates of the DTIS

Countries that have finalized their DTIS can include up to two DTIS updates into their five-year work plan.

It is recommended that the timing of the DTIS updates be linked to the PRSP/National Development Plan and National Budget cycles to produce timely inputs for trade mainstreaming and direct resource allocation for implementation. The updates can focus, for example, on certain DTIS chapters or sectors covered or bring in additional productive sector analyses not hitherto included in the DTIS.

As above, under the preparation of a DTIS, partners for DTIS updates can also be chosen freely as the country deems appropriate.

Trade mainstreaming: how is this to evolve over the next five years?

An important complement to the enhanced IF work plan is a strategy on how to make the IF – and trade – work for the national development objectives. In defining such a strategy, it is recommended that the IF practitioners think in terms of:

- institutional IF/trade mainstreaming: who do we need to get on board and how do we do it?
- policy-level mainstreaming: when and how do we get our messages across to those in charge of the PRSP/NDP? Sectoral implementation strategies? The National Budget?
- IF development partner mainstreaming: how do we intend to ensure that the IF is mainstreamed in the development partner assistance strategies?

Trade mainstreaming is directly linked to enhanced IF Action Matrix/TRTA implementation:

- AfT: trade mainstreaming is a pre-requisite for the bulk of development partner financing channelled through the various existing trade development funding modalities; and
- direct budget support: a growing number of IF beneficiary countries are enjoying direct budget support from their development partners, and enhanced IF Action Matrix activities could be implemented with this funding.

Identification of activities in the DTIS Action Matrix that still need to be implemented

Such stocktaking is only necessary for *countries that have already started to implement their DTIS Action Matrix* and should cover all activities, i.e., should include both the policy/legislative/institutional reform activities that do not require external funding and the activities that do require external funding and technical assistance.

Experience from a number of countries suggests that regular updates of the Action Matrix, typically carried out by the IF FP and the NIU, assist in monitoring Action Matrix implementation and in advocating for additional resources for implementation. The Action Matrix should hence be considered 'a living document' where activities in the pipeline and under implementation would be recorded and emerging needs identified. Such Action Matrix 'updating as you go' should be

⁵ For generic Terms of Reference of a DTIS, please go to www.integratedframework.org.

continuous and does not necessarily require updates of the diagnostic part of the DTIS to be carried out.

Identification of funding sources (development partner community active in the country, EIFTF, National Budget) to implement Action Matrix activities

Following the identification of the activities of the DTIS Action Matrix that still need to be implemented, IF beneficiary countries should seek financing of such activities from the development partner community active in the country (regional and bi- and multilateral partners), the EIFTF or the National Budget.

The DF is expected to assist the IF FP in identifying activities for which there is immediate or likely future local development partner appetite. Activities that are earmarked to receive AfT funding apart from the EIFTF should be clearly indicated in the enhanced IF work plan since strong support by local development partners strengthens the IF beneficiary country's request for EIFTF funding to address remaining gaps.

Current and forthcoming AfT is and will be channelled using existing modalities such as funding provided by the World Bank and regional development banks, utilizing other existing multilateral avenues, such as the UN system and as direct support from bilateral donors (as direct budget support as well as programme and project funding).

IF country governments and their respective development partner communities may wish to consider setting up locally managed trust/basket funds to pool local development partner funding and enhance coordination of the enhanced IF implementation. Examples of such pooled funding arrangements are emerging in IF countries such as Cambodia, Lao PDR and Tanzania: please contact the IF Secretariat at the WTO for examples on best practises.

Activities proposed for EIFTF funding should, subsequently, be translated into EIFTF Tier 1 and Tier 2 projects.

Typically, a country would aim at submitting one five-year Tier 1 project that would cover the following elements flowing directly from their five-year enhanced IF implementation plan:

Pre-DTIS support: up to US\$50,000 only for LDCs newcomers in the IF process.

DTIS: up to US\$400,000 only for LDCs where the DTIS has not been prepared yet.

or

DTIS update: up to US\$200,000 whenever required, on the assumption that it will be carried out once or twice over the 5-year period (some flexibility allowed for budget ceiling, with maximum set at US\$500,000).

Support to NIAs: up to US\$1,500,000 with a maximum of US\$300,000 per year per country. This component should include budget lines such as:

- Depending on specific arrangements, remuneration of some staff working full-time for the NIU;
- FP and NIU office equipment;
- FP, NIU and possibly NSC or private sector representatives' IF-related mission travel;

- IF and trade-related training and capacity building for FP, NIU, NSC and possibly other IF stakeholders;
- cost related to trade mainstreaming (such as national workshops); and
- Tier 2 project development costs (such as hiring national or international consultants, travel, etc.).

DTIS Action Matrix activities neither included in Tier 1 project(s) nor supported by the development partner community active in the country can be translated into Tier 2 projects. Please note that the bulk of the DTIS Action Matrix activities requiring funding are expected to be picked up by the development partners active in the country. Tier 2 is aimed at providing bridge funding to jumpstart project-related activities identified in the DTIS (or its update), included its Action Matrix, such as small priority projects, project development activities, feasibility studies, seed projects, etc.

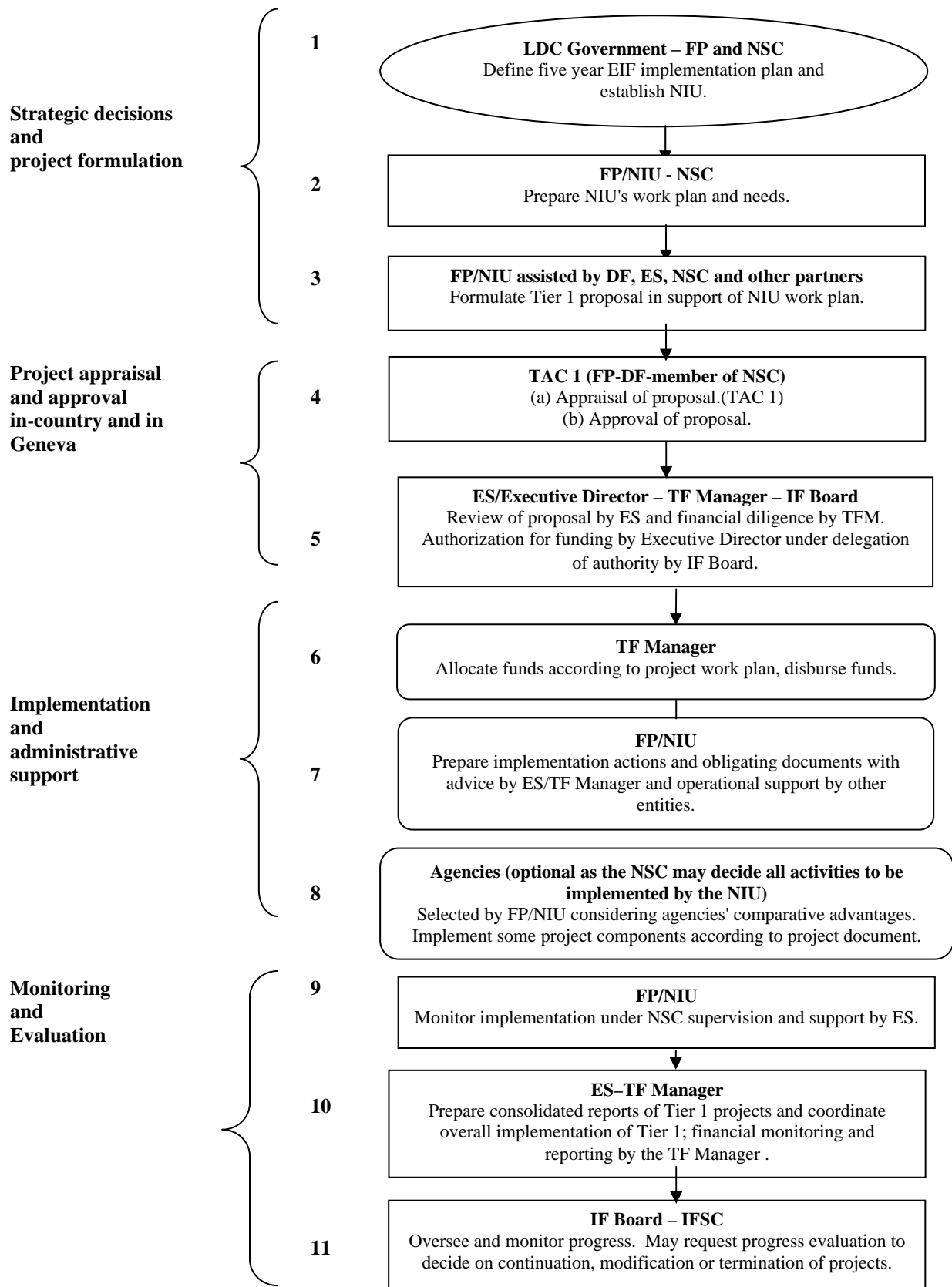
Illustrative examples of eligible Tier 2 projects include the following:

- assistance to implement WTO or other trade policy commitments;
- project preparatory activities, including needs assessments, feasibility studies and project formulation for large trade development and infrastructure projects;
- trade mainstreaming activities to integrate DTIS conclusions into the National Development Strategy or PRSP;
- capacity-building activities for key trade support institutions;
- formulation and implementation of sectoral and national export development strategies;
- small projects to enhance the supply-side response of the country;
- specific actions aimed at enhancing small and medium enterprises' competitiveness for priority sectors identified in the DTIS;
- assistance for WTO accession;
- strengthening of trade support services; and
- preparation of sector-wide approaches (SWAps) for priority sectors identified in the DTIS. Regional trade-related projects including objectives listed above would also be considered.

The flowcharts and attached explanations under Chapters III. and IV. provide you with a more detailed description of the Tier 1 and Tier 2 business processes.

III. TIMELINE/PROCESSING OF TIER 1 PROJECTS

Tier 1 Projects (flowchart reproduced from the Compendium with a few modifications)

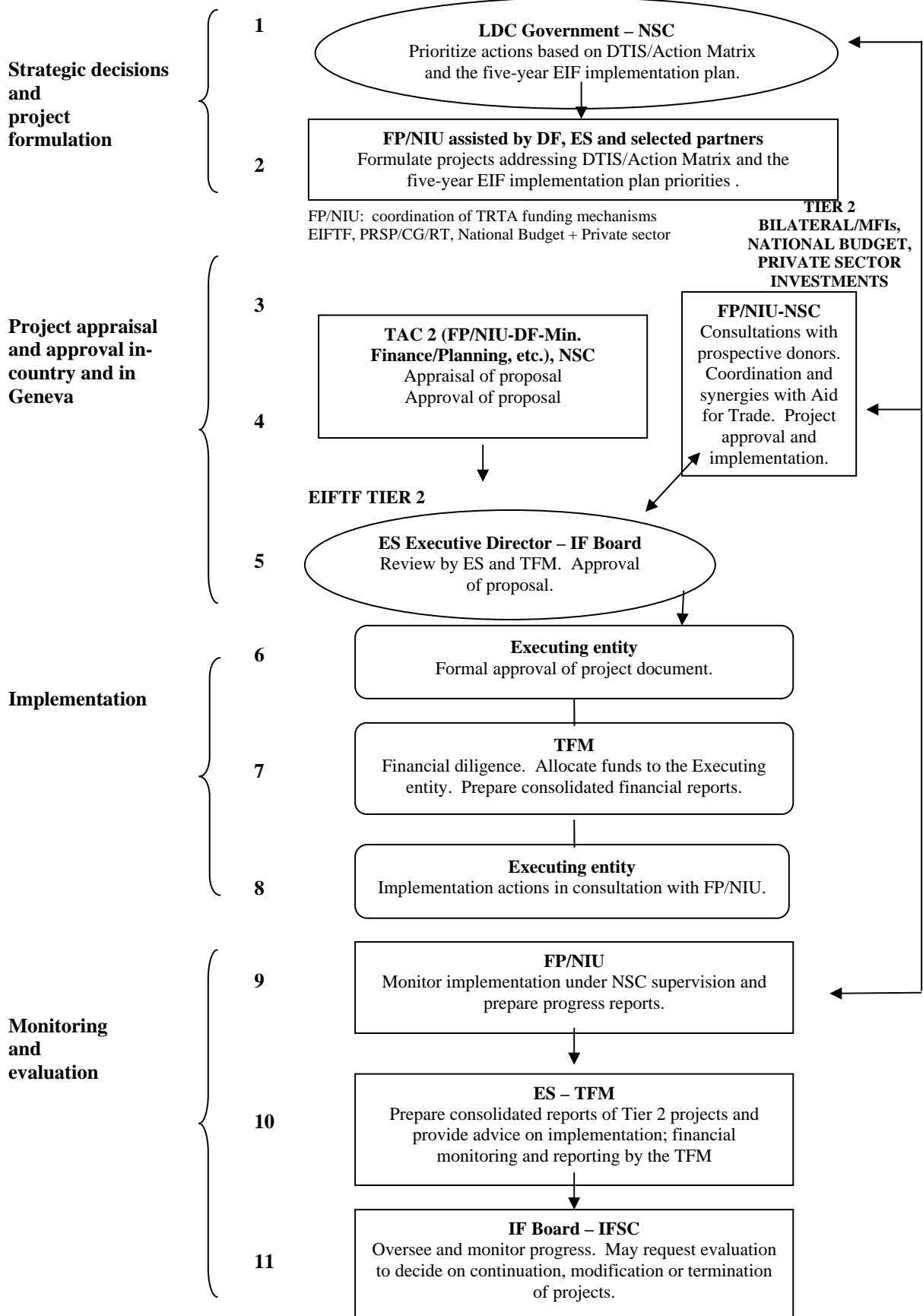


Stage	Entity/ies in charge	Overall objective	Concrete steps for implementation
Strategic decisions and project formulation	IF FP, Government, NSC	Define five-year enhanced IF implementation plan	<ul style="list-style-type: none"> Please see Part III of the Guidelines for details on the five-year implementation plan. In the lead is the FP, overseen by the NSC. The NIU is set up through a Tier 1 project proposal formulated by the FP in cooperation with the IF PIU/ES, DF, IF Agencies, etc.
	IF FP, Government, NSC	Establish NIU	
	FP/NIU, NSC	Prepare NIU's work plan and needs	<ul style="list-style-type: none"> To be spelled out in the Tier 1 project proposal and detailed by the FP/NIU once the NIU is in place.
	FP/NIU assisted by DF, ES, NSC and other partners	Formulate Tier 1 proposal in support of NIU work plan	<ul style="list-style-type: none"> Please see page 13 for activities to be covered by the Tier 1 project proposal. The proposal should support the implementation of the five-year plan.
Project appraisal and approval in-country and in Geneva	FP, DF, member(s) of NSC	Appraisal of proposal	<ul style="list-style-type: none"> TAC 1 needs to be formed (minimum composition: FP, DF, Chair/Member of the NSC). The Tier 1 project proposal developed by FP and his/her team, in cooperation with DF, PIU/ES, NSC discussed at a TAC 1 meeting, comments if necessary incorporated.
		Approval of proposal	<ul style="list-style-type: none"> TAC 1 approves proposal with signatures as provided for in the Compendium.
	ES/ED, TFM and IF Board	Review of proposal by ES and TFM	<ul style="list-style-type: none"> Once the project is approved at the country level, ES/ED will carry out a final review in collaboration with the TFM who provides the project financial diligence.
		Authorization for funding by ED under delegation of authority by IF Board.	<ul style="list-style-type: none"> If proposal and approval process conform to guidelines, approval will be given by IF Board or IF ED under delegation of authority by IF Board and signalled to the TFM for releasing funding as per project work plan and budget.
Implementation and administrative support	TFM	Allocate funds according to project work plan and disburse funds	<ul style="list-style-type: none"> The TFM will disburse funds to the implementation entity (typically the NIU) as per the project work plan and budget and the TFM's procedures agreed upon with the implementing entity.
	NIU	Prepare implementation actions and obligating documents with advice by ES/TFM and operational support by other entities.	<ul style="list-style-type: none"> The 'obligating documents' refer to paper work to be completed between the implementing entity (normally the NIU) and the TFM so that details for administrating the funds, arranging for implementation and monitoring the project implementation are agreed upon. The TFM will provide the FP/NIU with standard documents to be adjusted case by case. Implementation actions include making sure that structures are in place for financial transactions (NIU bank account), reporting and so forth.
	Agencies (optional as the NSC may decide all activities to be	Selected by FP/NIU considering agencies' comparative advantages to implement some project components	<ul style="list-style-type: none"> The FP/NIU may choose to outsource implementation of some of the activities to an agency/agencies. The ES provides, at the request of the FP/NIU, advice on selecting an agency partner for implementation. Both IF Agencies and others can be considered.

	implemented by the NIU)	according to project document.	
Monitoring and Evaluation	FP/NIU	Monitor implementation under NSC supervision and support by ES	<ul style="list-style-type: none"> The FP/NIU provides for the daily monitoring of the implementation against the objectives, process and indicators set in the Tier 1 proposal.
	ES, TFM	Prepare consolidated reports of Tier 1 projects and coordinate overall implementation of Tier 1	<ul style="list-style-type: none"> The ES monitors and reports on the programmatic (or substantive) aspects of the Tier 1 implementation; financial monitoring and reporting is provided by the TFM. The two entities collaborate very closely and base their work on information provided by the FP/NIU, DF and NSC and on direct monitoring carried out in form of missions and constant contact with the countries by phone, e-mail and meetings in Geneva or elsewhere.
	IF Board, IFSC	Oversee and monitor progress May request progress evaluation to decide on continuation, modification or termination of projects.	<ul style="list-style-type: none"> The Board and the IFSC monitor progress based on reporting by the ES and the TFM. Countries are also encouraged to report directly at the IFSC meetings on the overall enhanced IF implementation progress they have made. The enhanced IF implementation will have to undergo external evaluations that inform the Board and the IFSC decisions on the programme implementation.

IV. TIMELINE/PROCESSING OF TIER 2 PROJECTS

Tier 2 Projects (flowchart reproduced from the Compendium with a few modifications)



Stage	Entity/ies in charge	Overall objective	Concrete steps for implementation
Strategic decisions and project formulation	LDC Government, NSC	Prioritize actions based on DTIS/Action Matrix and the five-year enhanced IF implementation plan	<ul style="list-style-type: none"> The FP/NIU prioritize and sequence activities for implementation as they draw up the five-year plan. They need to submit the plan and prioritized set of activities to the NSC.
	FP/NIU assisted by DF, ES and selected partners	Formulate projects addressing DTIS/Action Matrix and the five-year enhanced IF implementation plan priorities	<ul style="list-style-type: none"> Based on the approval of the five-year plan and prioritized set of activities for implementation by the NSC, the FP/NIU will formulate projects for funding from the various sources mentioned below. The ES, DF and the IF Agencies are available to assist the FP/NIU in the project formulation.

TIER 2 – BILATERALS/IFIs

FP/NIU, NSC, DF, development partners,	Consultations with prospective development partners, Coordination and synergies with AFT	<ul style="list-style-type: none"> The FP/NIU will lead this process, which forms part of preparing the five-year enhanced IF implementation plan. The DF is expected to play a major role in advocating for funding from the in-country development partners and coordinating the delivery efforts in close collaboration with the FP/NIU. Should the Government and (some of the) development partners wish to do so, a locally managed basket/trust fund to support coordinated implementation of the activities in the five-year plan could be established; the ES and the (in-country) IF Agencies can provide support in the process.
FP/NIU	Project formulation	<ul style="list-style-type: none"> The FP/NIU will formulate projects for Donor/Budget funding in close collaboration with and following the requirements for project format of the Donor/source of funding in question.
FP/NIU, NSC, DF, development partners	Project appraisal, approval, implementation and monitoring, notification to the ES	<ul style="list-style-type: none"> These projects will be appraised and approved following the procedures of the Donor/source of funding in question. The implementing entity identified when formulating the project will execute the project that will be monitored as agreed upon with the Donor/source of funding in question. The FP/NIU will notify the ES of the project.

TIER 2 – EIFTF

FP/NIU, DF, Min. Finance/ Planning, etc.	Appraisal of proposal	<ul style="list-style-type: none"> TAC 2 needs to be formed. The composition of the TAC 2 will be decided by the FP in consultation with the NSC, the DF and ES. In any case, the TAC 2 will be chaired by the FP and will always include the following core members: the DF, a representative of the Ministry of Trade and one of Finance and/or Planning or another Government entity and a representative of the private sector. The Tier 2 project proposal developed by the FP and his/her team, in cooperation with the DF, PIU/ES, NSC is discussed at a TAC 2 meeting; comments if necessary incorporated.
------------------------------------------	-----------------------	--------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------

NSC	Approval of proposal	<ul style="list-style-type: none"> The minutes of the TAC 2 meeting are transmitted to the NSC and accompanied by the project proposal for formal approval by the NSC and signature by the Chair of the NSC.
ES/ED, TFM	Review of proposal by ES and, for financial diligence, by the TFM	<ul style="list-style-type: none"> The ES will provide advice throughout the process and ensure that the Tier 2 approval process and criteria have been complied with. The ES, upon receipt of the signed document, will transmit it to the IF Board for its financial approval.
IF Board	Approval of proposal	<ul style="list-style-type: none"> The Board approves the proposal based on the reports by the ES and the TFM. Upon approval by the Board, the ED will sign the document based on a delegation of authority by the IF Board.

Implementation	Executing entity	Formal approval of project document	<ul style="list-style-type: none"> The executing entity (a Government or non-Government entity) will have to be involved in the project formulation. At this stage, they need to formally approve and sign the project document as well as an agreement with the parties involved (the TFM, normally also the 'commissioning' LDC Government if the executing entity comes from outside of the Government).
	TFM	Financial diligence Allocates funds to the Executing entity Prepare consolidated financial reports	<ul style="list-style-type: none"> The TFM provides for financial diligence at the project appraisal, approval and implementation levels. They allocate and disburse funds to the implementing entity as per the project work plan and budget and the TFM's procedures agreed upon with the implementing entity The TFM reports on the financial management of the projects based on their financial project monitoring.
	Executing entity	Implementation actions in consultation with FP/NIU	<ul style="list-style-type: none"> The implementing entity works in close collaboration with the FP/NIU, and the FP/NIU provides for coordination, synergies, linkages ('holds the strings') between all enhanced IF projects (no matter what source of funding).
Monitoring and Evaluation	FP/NIU, implementing entity	Monitor implementation under NSC supervision	<ul style="list-style-type: none"> The FP/NIU and the implementing entity collaborate closely and provide for the daily monitoring of the implementation against the objectives, process and indicators set in the Tier 2 proposal and in the five-year plan.
	FP/NIU	Prepare progress reports	<ul style="list-style-type: none"> The FP/NIU provide regular progress reports on the Tier 2 project implementation as agreed between them, the ES and the TFM.
	ES, TFM	Prepare consolidated reports of Tier 2 projects	<ul style="list-style-type: none"> The ES monitors and reports on the programmatic (or substantive) aspects of the Tier 2 implementation; financial monitoring and reporting is provided by the TFM. The two entities collaborate very closely and base their work on information provided by the FP/NIU, implementing entities, DF and NSC and on direct monitoring carried out in forms of missions and constant contact to the countries by phone, e-mail and meetings in Geneva or elsewhere.
	ES, TFM	Provide advice on implementation	<ul style="list-style-type: none"> The ES will provide advice throughout the enhanced IF implementation process, including Tier 2 project formulation, appraisal, approval, implementation and monitoring.

			<ul style="list-style-type: none"> • The TFM will provide advice and capacity building in the project financial management.
IF Board, IFSC	Oversee and monitor progress		<ul style="list-style-type: none"> • The Board and the IFSC monitor progress based on reporting by the ES and the TFM. • Countries are also encouraged to report directly at the IFSC meetings on the overall enhanced IF implementation progress they have made.
IF Board, IFSC	May request evaluation to decide on continuation, modification or termination of projects.		<ul style="list-style-type: none"> • The enhanced IF implementation will have to undergo external evaluations that inform the Board and the IFSC decisions on the programme implementation.

ANNEX

Format for Tier 1 Project proposal

A. Cover Page

Government of _____

Title:

Starting date:

Duration:

Budget (US\$)	
2008:	
2009:	
2010:	
2011:	
2012:	_____
Total:	=====

Short description:

[Empty box for short description]

Approved
by:

(Focal Point)

(NSC representative on behalf
of NSC Chair)

(Donor Facilitator)

(ES Executive Director on behalf of
IF Board)

B. Background

(information on the IF process in-country and progress achieved)

C. NIA Analysis

(short description of the present NIA and distribution of work)

D. Objective

(problems addressed by the project and expected outcome)

E. Project strategy

(explain how the project will strengthen the NIAs and achieve the expected results, in relation to the NIU workplan)

F. Execution modality and management arrangements

(specify the retained execution modality and explain the roles and responsibilities of the different actors for the management of the project and implementation of activities)

G. Monitoring, review and evaluation

(short description of monitoring and review mechanisms, and final evaluation, indication of success criteria and impact assessment)

H. Minutes of the TAC 1 meeting

(attach the Minutes of the TAC 1 meeting or report its conclusions in terms of its compliance with Tier 1 Modus Operandi)

I. Workplan

YEAR 1 – 2008		Budget (US\$)	
Description of activity	Inputs required	Budget Line	Amount
Activity 1:		1	-----
<u>Activity 2:</u>		2	-----
-----		3	-----
TOTAL			-----

YEAR 2 – 2009		Budget (US\$)	
Description of activity	Inputs required	Budget Line	Amount
<u>Activity 1:</u>		1	
<u>Activity 2:</u>		2	
<u>Activity 3:</u>		3	
TOTAL			-----

J. Budget

2008-2012 Budget							
Description		2008	2009	2010	2011	2012	TOTAL
BL 1	Senior Officer						
BL 2	Officer						
BL 3	Secretary						
BL 4	Equipment						
BL 5	Travel						
BL 6	Training						
BL 7	DTIS						
BL 8	Round Table						
TOTAL							