

INTEGRATED FRAMEWORK TRUST FUND STATUS REPORT

31 May 2005

Prepared by UNDP

Table of Contents

1	Introduction & overview	Page 2
2	Highlights of the report	Page 2
2.1-2.2	Pledges & transfers	Page 2-3
2.3	IF project approvals – Window I & Window II activities	Pages 3-4
	End of period balance	Page 4
3	Update on funding projections for 2005	Page 5
4	Points to note	Page 5-6
Annexes	Table 1; Table 1.1; Table 1.2; Table 2	
	Table 3: IF National Implementation Arrangement expenditures – interim report	
	Table 4: IF Window II project allocations	

1. Introduction & Overview

The status report for the Integrated Framework Trust Fund (hereafter referred as the IFTF update report or the report) provides an update of financial transactions on **Window I** and **Window II** accounts as of 31 May 2005.

Window I is an open account for non-earmarked contributions and is used to mobilize financial resources for the IF diagnostic trade integration studies (DTIS) and related institutional support activities initiated at the global level. Window II is a more flexible account that provides bridging finance up to a maximum of US\$1 million for post-DTIS capacity building activities from the Action Matrix of the DTIS.

The report reflects new pledges made by donors since the last report presented on 30 March 2005, new or expected project approvals, and the financing gap for the forecast period to the end of 2005. On the funding side, the IFTF Update Report captures **pledges** made by IF donors, **transfers** made by those donors to the IFTF accounts administered by UNDP.

The Report provides an account of transactions on the account and highlights issues that need the attention of the IF partners. The IF currently has a total of seventeen (17) donors, while the list of LDCs already benefiting from the IF now stands at thirty-one (31). Individual project delivery reports for DTIS and Window II projects are consolidated by UNDP based on inputs provided separately by the designated executing agencies or institutions, i.e. the World Bank, UNDP, ITC, Government, etc. United States Dollar is the reporting currency.

The IFTF update report has five (5) annexes that provide, in greater detail, information on the financial contributions made and transactions done on the accounts. Contributions by donors to the two accounts are reflected in more details in the annexes attached - Window I account (Table 1.1: Window I Pledges and Transfers) and Window II account (Table 1.2: Window II Pledges and Transfers). The aggregated contributions by donors are captured in Table 1: Aggregated Pledges & Transfers. Financial transactions on the IFTF accounts, to include cost of projects and other allocations approved are as reflected in Table 2 of the report. Table 3 shows expenditures for IF National Implementation project. Table 4 shows Window II project allocations

2. Highlights of the report

Table A:
Summary of IF Trust Fund Accounts – Aggregated totals
(As of 30 April 2005)

	Pledges		Transfers		Total	
	Window I	Window II	Window I	Window II	Pledges	Transfers*
Totals	US\$16.0m	US\$14.2m	US\$15.4m	US\$12.3m	US\$30.2m	US\$27.9m

* - includes adjustment for interest income retained of \$0.2 million
Source: Table 1 – Aggregated pledges & transfers

2.1 Pledges (*Annex Tables 1; 1.1; 1.2*)

Cumulative **pledges** to the IFTF amounted to US\$30.2 million. Pledges were both for Window I (US\$16.0 million) and Window II (US\$14.2 million) accounts, as shown in Table A. Figures have been updated for newly confirmed transfers from the donors listed below, with the most recent additions (since 30 March 2005 report) being contributions from Canada and Sweden as shown in Table B. Where differences were observed between donor and IFTF figures on pledges and transfers, mutually agreed amendments have been incorporated into the reports, as was the case with Sweden contribution pledged in 2003 but received in 2004.

Table B:

Donor pledges & transfers for Q4/2004 & May 2005				
<u>Donor</u>	<u>Pledge & pledging currency</u>	<u>Transfers to IFTF</u>		<u>Remarks (incl. date of transaction – deposit &/or placement)</u>
		<u>Transferred amount</u>	<u>US\$ equivalent received</u>	
Switzerland	US\$1,000,000	US\$1,000,000	\$1,000,000	Nov. 2004
	US\$300,000	US\$300,000	\$300,000	Nov.2004
Norway	Nkk 10,171,711	Nkk 10,171,711	\$1,660,251	Dec. 2004
Ireland	Euro 200,000	Euro 200,000	\$265,252	Dec. 2004
Netherlands	US\$200,000	US\$200,000	\$200,000	Dec.2004
Denmark	Dkk 5,400,000	Dkk 5,400,000	\$985,402	Jan. 2005
	Dkk 7,000,000	Dkk 7,000,000	\$1,277,372	Jan 2005
Finland	Euro 500,000	Euro 250,000	\$324,254	February 2005
Germany	Euro 250,000	Euro 150,000	\$194,553	March /April 2005
Canada	CD\$950,000	CD\$950,000	\$785,124	April 2005
Sweden* - Sida	SEK 4,500,000	SEK 4,500,000	\$632,911	April 2005
Sweden* - Min.of FA	SEK4,500,000	SEK 4,500,000	\$680,787	May 2005
Total of transfers received			\$8,305,906	

Notes:

* December 2004 transfers but reflected in IFTF account in 2005 due to coincidence with year-end closing of UNDP accounts.

2.2 Transfers (Annex tables 1 ; 1.1 ;1.2)

The cumulative **transfers** to the IFTF amounted to \$27.9 million¹. Transfers to Window I account stood at \$15.4 million, while those to Window II have increased to \$12.3 million (less interest accrued).

2.3 IF project approvals (Annex table 2)

2.3.1 Window I activities

IF projects approved since December 2004 were allocated a total of \$2.1 million from Window I. These are: Burkina Faso, Uganda, Angola, Tanzania, Niger, Maldives and Sierra Leone. The World Bank and UNDP (in the case of Maldives) have commenced preparatory or full project activities in these countries.

The new IF countries are also entitled to receive IFTF resources to the tune of \$38,065 per country for strengthening their IF National Implementation Arrangements. Total cost of the new allocations amount to \$266,455. The total budget allocation for all the 12 LDCs approved from the beginning of 2004 is \$501,780 (including administration and support costs). Interim delivery reports from beneficiary countries that cumulative expenditures for the IF National Implementation Arrangements project amount to about \$371,854 (Annex table 3). UNDP has commissioned an impact assessment for this project, with inputs expected from the beneficiary countries or IF focal points.

2.3.2 Window II activities

As of the report date, a total of 33 Window II projects had been appraised and approved at the country level by their respective LPACs. Following a query by the IF donor facilitator on the LPAC process that approved four Window II projects in one country, UNDP halted the IFTF allocations for all the four projects pending clarification by the parties concerned (see Table B).

The total financing requirements of all the thirty-three projects totals \$10.7 million (includes old Cambodia and Mauritania projects). Twenty-two of these projects have already been allocated funds amounting to \$8.1

¹ Includes adjustment for interest income earned of \$0.2 million for the period to 31 December 2003

million based on incremental programming influenced by availability of funds in the IFTF. A total of \$2.6 million is yet to be allocated.

After a slow phase due to low reserves, allocation of Window II funds to approved projects resumed late 2004 and continued to Q2/2005 when the funding situation improved. Table C shows countries with projects allocated Window II funds in Q4/2004 and Q1/2005, or are scheduled to receive allocations in Q2/2005:

Allocation period	Countries with submitted projects	No. of new projects allocated funds	Total budget (US\$)
Q4/2004	Burundi	2	\$579,007
	Senegal	2*	\$450,000
	Madagascar	1	\$655,000
Q1/2005	Cambodia	1	\$500,000
Q2/2005 ^f	Mali	4	\$1,000,000
	Ethiopia	1	\$250,000
	Senegal	2	\$550,000
	Burundi	3	\$420,993
	Malawi	1	\$476,000

* Currently on hold due to inconclusive LPAC process; f – forecast allocations
Source: IF Window II allocations, as of 30 April 2005

The following countries are in the process of formulating additional Window II projects: Malawi; Lesotho; Nepal; Guinea; Madagascar; and Djibouti. The Window II projects for Mali, Burundi and Ethiopia were recently approved by its LPAC and will soon be submitted for funds allocation. Mozambique is preparing its projects for Window II funding.

Based on update reports submitted by UNDP offices in IF countries, delivery rate for Window II remains low for a number of reasons that include the following: late start of project activities; essential but time consuming consultation of stakeholders is stretching further the expected start dates for most projects; limited experience in most Trade & Commerce Ministries to assume full management of Window II projects; and in some countries IF capacity building activities have not been integrated into Ministries' sectoral work programmes.

2.3.3 End of period balances (Table D)

As shown in Table D, Window I has an end of period balance of +\$3.9 million, and Window II +\$4.3 million. If allocation to all the approved projects are taken into account, this will reduce the Window II balance by \$2.7 million (being the total obligations for approved projects) to +\$1.6 million. Window II account has received most of the recently received contributions from donors.

The Windows I and II have a combined end of period balance of +\$8.2 million (or +\$5.5 million taking into account all pending obligations).

	Window I (US\$)	Window II (US\$)
Total finance received by account (Table 1)	\$15.4m	\$12.3m
Total for funded projects (Table 2 & Table 4)	\$11.5m	\$8.0m*
End of period balance	+\$3.9m	+\$4.3m
Combined end of period balance	+\$8.2m	

Notes:

* Funding position not including pending obligations.

Source: Annexes - Table 2 & Table 4

3. Update on funding projections for the period 2005 (Table E)

Funding requirements for the IF for 2005 are based on a scenario that forecasts immediate needs identified by the IFWG. Projected funding requirements (both Windows I and II) for those LDCs most likely to have IF projects approved in 2005 are currently estimated at \$12.8 million². Of this amount, Window I (DTIS support) requires \$1.2 million, and while Window II (trade-related capacity building) will require \$11.5 million³.

With the joint IFTF accounts registering an end of period balance of +\$8.2 million, and taking into account the allocations that have already been made for new DTIS projects and Window II allocations for projects, the account is projected to have a funding gap of \$4.6 million as shown in Table E of this report:

Table E:			
Projected IF funding requirements & position			
2005 period			
		<u>Amounts (US\$ millions)</u>	
1. End of reporting period balance:			+\$8.2
2a. Funding obligations	(Approved yet allocated funds)		-\$2.7
2b. Updated funding requirements:	(Forecasts only)		-\$10.1
Of which:	Window I	(\$1.2)	
	Window II	(\$8.9)	
Funding surplus/gap (=1 - 2a - 2b)			-\$4.6

4. Points to note:

- 4.1 For now, Window I has adequate funds to cover the costs of new DTIS project anticipated in the 2005 period.
- 4.2 Delivery rate for Window I funded activities, i.e. DTIS & Global projects, has remained consistently high at about 65% per annum. The relatively high delivery is mainly attributed to DTIS activities that are executed by agencies and are predominantly for time-bound policy research work done by teams of consultants.
- 4.3 To address the slow rate of implementation of Window II projects, the IFWG has adopted a number measures to improve delivery. New guidelines and steps for approving Window II projects, including new Terms of References for Local Project Appraisal Committees (LPACs), were adopted at the last IFWG meeting held on 26-27 April. This will help to expedite the implementation of Window II projects.
- 4.4 Formulation of additional Window II projects has not commenced in most countries as many struggle to commission those projects that have already been given IFTF resources. Improved balance for Window II account will enable the clearing the funding backlog of approved Window II projects.

² Both new donors transfers to IFTF, and the addition of new projects or removal from list once allocated funds influence the outcome of the funding gap.

³ **Window I:** [estimated requirement is **\$1.2 million**] - Countries with identified needs that are most likely to be funded in 2005 at US\$300,000 per country study. List includes Comoros, Equatorial Guinea, Central Africa Republic, and Democratic Republic of Congo where new Technical Reviews will be conducted during Q3/2005. (World Bank, DTIS technical reviews, updates, April 2005)

Window II: [outstanding obligations - **\$2.7 million**] - Senegal (\$550,000), Ethiopia (\$250,000), Burundi (\$420,993); Malawi (US\$476,000), Mali (\$1,000,000).

Window II [estimated requirement for new projects - **\$8.9 million**] - Countries with projected Window II funding needs in 2005 are: Madagascar (\$321,000), Nepal (\$335,000), Djibouti (\$304,920), and Guinea (\$350,000). The new countries to access Window II funds (up to \$1 million each) are: Benin, Zambia, Mozambique, Rwanda, Sao Tome & Principe, Tanzania, and Chad.

- 4.5 Rwanda, Mozambique, Benin, Sao Tome & Principe, Tanzania, Chad and Zambia are most likely to access Window II funds during 2005. These countries are likely to perform much better in implementing Window II projects, as they have already benefited from the recently commissioned pre-DTIS guidance and support for new IF countries.
- 4.6 After taking into account the new transfers and allocations to country projects, the funding gap for the IFTF for 2005 stands at \$4.6 million. With Window I well funded for now, Window II requiring \$ 7.3 million. New funding appeals will be required to cover the funding gap on the IF and in particular for Window II.