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**PROGRESS REPORT ON THE IMPLEMENTATION OF THE
INTEGRATED FRAMEWORK**

Note by the UNCTAD secretariat

INTRODUCTION

1. This report has been prepared by the UNCTAD secretariat pursuant to the decision taken by the Trade and Development Board at its sixteenth executive session. In that decision, the UNCTAD secretariat was requested to inform the Board, on a regular basis, about the progress of work related to the design and the implementation of activities related to the Integrated Framework for Trade-related Technical Assistance, including for Human and Institutional Capacity-Building, to Support Least Developed Countries in their Trade and Trade-related Activities (IF). The IF was adopted by the High-level Meeting on Integrated Initiatives for the LDCs' Trade Development in October 1997.
2. It will be recalled that the secretariat submitted a similar report to the Board at its forty-ninth session, held from 7 to 18 October 2002. This report provides an update on the developments related to the implementation of the IF since then.

A. Progress in IF implementation

3. There are now 14 countries to which the revamped IF is currently extended. Diagnostic Trade Integration Studies (DTIS) have been completed for the following countries: Cambodia, Lesotho, Madagascar, Malawi, Mauritania, Nepal, Senegal, and Yemen. DTIS Validation Workshops have so far been held in Cambodia, Madagascar, Mauritania, Lesotho, Nepal, Senegal, and Yemen. In addition, implementation meetings with the donor community were held in Cambodia, Mauritania, and Senegal. Implementation of follow-up activities to the IF Round Table Meetings held under the "old" IF scheme in five countries is ongoing in Bangladesh, the Gambia, Haiti, The United Republic of Tanzania, and Uganda.
4. Diagnostic studies have been initiated and are in progress in Burundi, Djibouti, Ethiopia, Guinea and Mali. There has been a temporary pause in the IF process in Eritrea since November 2002 following an understanding reached between the Integrated Framework Working Group (IFWG) and the Government.
5. The extension of the IF to more countries awaits the evaluation of the IF.

(a) *Follow-up in the IF Pilot Scheme countries*

6. The major challenge during this phase of the IF has been the concern for follow-up to the DTIS action plans through implementation of concrete projects the country level for countries that have gone through the DTIS phase. At the initiative of the donors an interim solution has been worked out to address this concern through the use of resources in Window II of the IF Trust Fund.
7. It is expected that follow-up and implementation will now gather pace as the LDCs that are at the stage of implementation of technical assistance action

plans listed in their country's action matrix take advantage of this resource-bridging mechanism. One of the issues being considered by the ongoing IF evaluation is the stable and predictable funding for the follow-up of the recommendations in the DTIS.

(b) *Strengthening capacity for IF ownership at country level*

8. In order to ensure that countries are in the driver's seat and assert ownership of the IF at country level, thus contributing to its success, assistance was considered necessary for helping applicant LDCs prepare the ground for their participation in the IF through pre-DTIS activities.
9. At the request of the IFWG, UNCTAD prepared a paper entitled, "Implementation of Pre-Diagnostic Trade Integration Study (DTIS) Activities", which focused on how to enhance countries' capacity for IF ownership through the implementation of pre-DTIS activities in those countries that have applied to join the IF. The proposal was endorsed by the IFWG at its 35th meeting, and UNCTAD was requested to prepare a costed project proposal based on its paper and suggestions made at the meeting. This project proposal has been finalized and approved by the IFWG, and is awaiting agreed modalities and arrangements for its implementation.
10. The pre-DTIS activities will be complemented by the activities being implemented under the project on "strengthening of the national implementation of the Integrated Framework" for LDCs already participating in the IF.

(c) *Evaluation of the Integrated Framework*

11. The second evaluation of the IF is currently underway. The mandate is provided in paragraph 43 of the Doha Ministerial Declaration. The terms of reference of the evaluation focus on assessing the effectiveness of the Integrated Framework first as a mechanism to mainstream trade into development plans and/or poverty reduction strategies and second as a mechanism to deliver trade-related technical assistance.¹
The outcome of the evaluation will provide a basis for determining the future direction of the IF, including its extension to other LDCs.

B. Progress of implementation of the IF-related Doha Work Programme

12. Paragraph 43 of the Doha Ministerial Declaration² "urged core agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the model to all LDCs, following the review of the IF and appraisal of the ongoing Pilot Scheme in selected LDCs". Pursuant to this mandate, the Heads of the six core agencies held their third meeting in

¹ The terms of reference for the evaluation are contained in document WT/IFSC/3/Rev.1.

² WT/MIN(01)/DEC/1.

Washington D.C. on July 10, 2003. The first Heads of Agencies meeting (HAM), held on 6 July 2000, had recommended new arrangements for the IF to ensure better integration with national development strategies, complemented by a Trust Fund for trade mainstreaming. The second HAM, held on 26 February 2002, highlighted (a) the critical importance of effective follow-up to the DTIS to ensure the sustainability of the IF process, by translating policy and research results contained in the studies into operational activities to address the competitive weaknesses of the LDCs and (b) the importance of greater involvement of bilateral donors in the IF implementation, by encouraging them to assume "lead donor/IF facilitator roles" in the countries where they have a strong field presence and an interest in supporting the Government's mainstreaming efforts.

13. At the third HAM, the IF core agencies expressed their readiness to step up assistance on trade-related infrastructure, private sector development and institution-building to help countries expand their export base. The six core agencies adopted a Joint Communiqué³ in which they *inter alia*:
- Undertook to further integrate IF activities into the work of their respective agencies;
 - Emphasized that strong country ownership and a commitment to integrate trade into national development plans, such as poverty reduction strategies, are central to enhancing the role of trade in development and leveraging increased development assistance for trade;
 - Committed themselves to stepping up efforts to help countries integrate their diagnostic studies into national development plans such as poverty reduction strategies; to further integrate the IF activities into the work of the respective agencies; and to improve the IF process and make it more flexible in the diagnostic phase, and accelerate the implementation of DTIS action plans;
 - Expressed support for the extension of the IF to more LDCs and committed themselves to continuing efforts to increase synergies and complementarities between the Integrated Framework, the Joint Integrated Technical Assistance Programme for Africa (JITAP) and other trade-related technical assistance programmes, both at the country level and between institutions.

C. UNCTAD's participation in the implementation of Integrated Framework

14. UNCTAD, within its limited means, continues to be as proactively involved as possible with other core agencies in the activities of the IF. In addition to its contribution to the DTIS exercises drawing on its work in intellectual property rights, particularly in the case of Lesotho, UNCTAD is contributing to the analysis for the Djibouti DTIS in the areas of trade policy, trade facilitation and investment.
15. UNCTAD is also implementing projects in Haiti, Uganda, and The United Republic of Tanzania in the context of assisting the five "old" IF countries, using part of the \$300,000 allocated to each of these countries. In response to the needs identified within the action matrices in Cambodia and Mauritania, UNCTAD has also developed project proposals in both training

³ WT/FS/5, 15 July 2003.

(TrainForTrade) and institutional building (ASYCUDA). The ASYCUDA migration project proposal for Mauritania is currently being implemented while other proposals are awaiting financing.

16. Access by IF Pilot Scheme countries to IFTF Window II resources opens up the possibility of UNCTAD's participation in the implementation of priority, small quick-win projects to be identified in countries' Action Matrices.
17. As mentioned above, UNCTAD took the initiative, endorsed by the IFWG and the Integrated Framework Steering Committee, to develop a project document on pre-DTIS activities, which has been approved but is awaiting implementation.
18. UNCTAD will also work on contributing to strengthening national capacities to "mainstream" trade into countries' overall development strategy, which for many LDCs is a new challenge. The *Least Developed Countries Report 2004* will be on poverty and trade, and its findings and recommendations are expected to constitute a major contribution to LDCs' efforts to mainstream trade into development strategies.

D. Financing of UNCTAD participation in the implementation of the Integrated Framework

19. Agencies are expected to finance their individual participation in IF core activities from their regular and extrabudgetary resources. In UNCTAD, IF activities continue to be under the responsibility of the Special Programme for the Least Developed, Landlocked and Island Developing Countries. The Special Programme has assigned, from its already stretched limited resources, a very small team to cover IF-related activities within UNCTAD, including coordination activities with other core agencies. This has been complemented with limited IF-earmarked extrabudgetary financing from the Government of Finland. However, the growing number of IF countries requiring follow-up in cases where DTIS are completed and in cases where DTIS are current or planned represents a challenge which needs to be addressed. UNCTAD's continued active participation will very much depend on the availability of resources through extrabudgetary funding and a possible increase in the regular budget allocations.
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