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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 regarding 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 at 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 fiftieth session, held from 6 to 17 October 2003. This report provides an update on the developments related to the implementation of the IF since then.

A. Progress in IF implementation

3. Currently there are 22 countries¹ to which the revamped IF is extended. Diagnostic Trade Integration Studies (DTIS) have been completed for the following countries: Burundi, Cambodia, Lesotho, Madagascar, Malawi, Mauritania, Mozambique, Nepal, Senegal, and Yemen. DTIS Validation Workshops have so far been held in Burundi, Cambodia, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Mauritania, Mozambique, Nepal, Senegal, and Yemen. In addition, implementation meetings with the donor community have been held in Burundi, Cambodia, Madagascar, Mauritania, Nepal and Senegal. Implementation of follow-up activities to the IF Round Table Meetings held under the "old" IF scheme in five countries (Bangladesh, Gambia, Haiti, United Republic of Tanzania, and Uganda) has been completed. The five national project activities were approved in 2001 with a budget of US\$ 300,000 each from the IF Trust Fund. The five countries are eligible for full participation in the revamped IF subject to technical review. Tanzania and Uganda are already part of the new IF.

4. Diagnostic studies have been launched and are in progress in Benin, Chad, Mali, Sao Tome and Principe, Tanzania and Zambia. Rwanda will start its DTIS in November 2004 and Lao PDR in January 2005.

5. Angola, Burkina Faso and Uganda have been accepted as new countries based on the technical reviews undertaken. Preliminary missions will be organized soon so as to prepare the DTIS main missions.

(a) Follow-up in the IF countries

6. The 2003 donors' initiative to address the immediate follow-up to the DTIS Action Matrices through the use of Window II of the IF Trust Fund (IFTF) came to fruition early in 2004. The Integrated Framework Steering Committee (IFSC) approved the enhancement of the Window II terms of reference of May 2003, which

¹ Benin, Burundi, Cambodia, Chad, Djibouti, Ethiopia, Guinea, Lao PDR, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Rwanda, Sao Tome and Principe, Senegal, Tanzania, Uganda, Yemen, Zambia.

provide guidelines and procedures for access and use of resources from this Window. Essentially, Window resources will be available as an interim measure to provide funding for specific priority trade-related technical assistance projects that emerge from the approved DTIS Action Matrices. The funding ceiling for Window II projects was set at US\$ 1million per country, subject to availability of funds for this purpose. To date 11 countries have submitted project proposals to UNDP in its capacity as IFTF Administrator for funding from Window II through the Local Project Advisory Committees (LPAC).

7. As of today, pledges to Window II stand at US\$ 6,845,565, of which US\$ 3.6 million has so far been obligated and/or disbursed for the 11 countries.

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

8. Country ownership of the IF process is regarded by all stakeholders as central to the effective implementation and success of the IF initiative. In order to ensure that countries are in the driver's seat and assert ownership of the IF at country level, assistance was considered necessary to help new IF countries prepare the ground for participation and to develop capacity for genuine country ownership through pre-DTIS activities.

9. At the request of the IF Working Group (IFWG), and with funding provided by the Government of Finland, UNCTAD is preparing a subregional workshop to be held in Kigali, Rwanda, from 18 to 21 October 2004. The workshop is entitled "Pre-DTIS Support for Incoming LDCs in the Integrated Framework Process" and is aimed at bringing together the new IF countries and those to which the IF is currently applied for sensitization and to share experiences.

10. It is generally recognized that the IF countries need support as they prepare for the launching of the IF process, starting with the DTIS. This support involves action at the earliest stage: strengthening the capacity of LDCs for IF country ownership through pre-DTIS activities to ensure thorough preparation and understanding of the IF process, but also to provide the tools, advice and exchange of experience necessary for incoming LDCs to build their own tailored IF strategy. It is required to increase awareness and capacity in the LDCs in terms of what the IF can offer, what it takes and how to go about managing the process nationally and determining priorities for trade-related technical assistance. The focus of the workshop is on developing capacity for LDC ownership, drawing upon the experiences of other LDCs, in addition to providing a space for exchange and practical advice and for learning from best practices from all stakeholders.

(c) *Coordination of IF and JITAP activities*

11. In order to maximize synergies and coordination between JITAP and the Integrated Framework (IF), it has been decided that meetings should be organized on a regular basis to take stock of the developments in each initiative and to better coordinate activities in countries that are members of both JITAP and IF. Currently,

10 countries are members of JITAP and IF at the same time². The first and second meeting of representatives of the respective agencies' focal points for the two initiatives (ITC, UNCTAD and the WTO) were held at the WTO on 3 August 2004 and on 22 September 2004 respectively.

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

WTO General Council Decision, 31 July 2004

12. The Decision by the General Council of 31 July 2004, while recognizing the progress that has been made since the Doha Ministerial Conference in expanding trade-related technical assistance (TRTA) to developing countries and low-income countries in transition, affirmed that "such countries and in particular the LDCs should be provided with enhanced TRTA and capacity building to increase their effective participation in the negotiations, to facilitate the implementation of WTO rules, and enable them to adjust and diversify their economies." In this context the Council Decision also welcomed and further encouraged "the improved coordination with other agencies, including the Integrated Framework and the Joint Integrated Technical Assistance Programme (JITAP)."

13. The Integrated Framework is now better recognized in its role on trade development through the integration of trade into national strategy plans such as the PRSPs. Accordingly, the initiative of the IF was mentioned in the two Ministerial Declarations issued in May and June 2004 by the Trade Ministers of the LDCs at their meeting in Dakar and by the Trade Ministers of the African Union at their meeting in Kigali respectively. Both call for greater participation of LDCs in the IF. The texts of the two Declarations are contained in documents WT/L/570 (Dakar Declaration) and WT/L/572 (Kigali Declaration).

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

14. Paragraph 108 of the São Paulo Consensus calls for strengthening of UNCTAD's contribution to the implementation of the Integrated Framework for Trade-Related Technical Assistance to LDCs. The paragraph states that: "UNCTAD should intensify its trade-related technical cooperation and capacity building activities. It should strengthen its contribution to the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries..." Strengthening UNCTAD's contribution to the IF, with the extension of the IF to an increasing number of LDCs, will require a significant increase in the scope and intensity of this activity. By the end of 2004, the IF will have been extended to about 30 LDCs. The increased UNCTAD contribution will be demonstrated *inter alia* through UNCTAD's implementation and monitoring of concrete trade-related technical assistance in a greater number of countries; substantive inputs into the pre-DTIS and DTIS processes in the countries concerned; increased UNCTAD presence in inter-agency IF missions to countries; and more intensive interdivisional coordination tasks.

² Benin, Burkina Faso, Mali, Malawi, Mauritania, Mozambique, Senegal, Tanzania, Uganda, Zambia.

15. UNCTAD, with its limited means, continues to be as proactively involved as possible with other core agencies in the activities of the IF. UNCTAD has reinforced its involvement in the DTIS exercises, mostly in investment and customs chapters, drawing on UNCTAD's expertise in policy analysis in these areas. Thus, UNCTAD took responsibility in the investment chapters for Chad, Benin and Djibouti and will participate in the DTIS for Rwanda and Lao PDR for sectoral studies on customs and investment.

16. Access by IF countries to IFTF Window II resources opened up the possibility of UNCTAD's participation in the implementation of priority, small, quick-win projects to be identified in countries' Action Matrices. Thus, UNCTAD, with the collaboration of ITC and WTO, has assisted Madagascar, Djibouti and Guinea in project formulation. The focus of these projects is mainly building the capacity of the IF focal point in the LDCs, so as to better manage the IF process and enhance country ownership in the implementation of national trade policies. The Workshop in Kigali to be organized by UNCTAD in October 2004 will highlight the concept of country ownership as a key issue in the IF process.

17. By greater involvement in the DTIS exercises as well as the project proposals for Window II and participation in DTIS validation workshops, UNCTAD has also managed to promote greater interaction with participating countries and enabled them to become more aware of its technical assistance tools.

18. UNCTAD's analytical work contributes to strengthening national capacities to "mainstream" trade into countries' overall development strategies, which for many LDCs is a new challenge. The *Least Developed Countries Report 2004* on Trade and Poverty sheds new light on the relation between trade and poverty. Its findings and recommendations constitute a major contribution to LDCs' efforts to mainstream trade into national development strategies and demonstrate how the integrated framework could be made a useful instrument for such integration.