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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. Paragraph 108 of the São Paulo Consensus adopted in 2004 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..."

3. It will be recalled that the secretariat submitted a similar report to the Board at its fifty-second session, held from 3 to 14 October 2005. This report provides an update on the developments related to the implementation of the IF since then.

**(a) *Recent developments in strengthening the IF***

4. The discussions focusing on addressing shortcomings identified in the implementation of the IF carried out during most of last year culminated in a decision by the Integrated Framework Steering Committee (IFSC) to establish a Task Force on an Enhanced Integrated Framework. The three main elements constituting enhancement were agreed upon as follows:

- Increased, additional and predictable financial resources on a multi-year basis to implement Action Matrices;
- Strengthened in-country capacities to manage, implement and monitor the IF process; and
- Enhanced IF governance to ensure effective and timely delivery of the increased financial resources and programmes.

5. The Hong Kong Ministerial Declaration welcomed the establishment of the Task Force and mandated it to provide recommendations to the IFSC by April 2006 with a view to have the IF enhancement enter into force no later than 31 December 2006.

6. The Task Force, which was chaired by Mr. Don Stephenson of Canada, submitted its final report<sup>1</sup> to the IFSC in June 2006. The IFSC unanimously endorsed its recommendations on 5 July 2006, while the WTO General Council welcomed and took note of them at its meeting in July 2006.

7. The new main features of the IF enhancement are:

- **Funding:** Additional funding amounting to about US\$ 400 million to cover an initial period of five years for approximately 40 LDCs; provides for resources for core activities/functions (Tier 1 of the IF Trust Fund) and implementation of the Action

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<sup>1</sup> Report of the Chairman of the Task Force on an Enhanced Integrated Framework, including Recommendations (WT/IFSC/W/15), 29 June 2006.

Matrices (Tier 2). Funding will involve a multilateral channel (IF Trust Fund) and bilateral contributions consistent with the goals of the IF;

- Country Ownership: Development and strengthening of in-country capacity in LDCs to facilitate greater ownership and thus improve IF management and implementation. This includes strengthening of institutional structures and the Focal Point, and establishment of implementation units as necessary; giving the lead role to the country in preparing and/or updating the DTIS and providing for clear modalities of cooperation between the IF secretariat, the beneficiary Governments, the agencies, and the bilateral and regional donors;
- Governance structure: Establishment of an independent IF Executive Secretariat located in Geneva and headed by a CEO and administratively housed in the WTO, with a strong firewall around it; establishment of a Board based on but replacing the current IFWG and reporting to the IFSC. The new secretariat will consolidate the management and administration of the IF, bringing under one roof current functions scattered in three separate agencies, i.e. WTO (secretariat), the World Bank (DTIS) and UNDP (management of the IFTF).

8. In the meantime, a Transitional Team (TT) has been established composed of donors, LDCs and agencies' representatives charged with the task of working out the operational details in each of the three areas of the recommendations of the IF Task Force, namely: IF in-country operations; financial issues; and administrative/legal issues. Three clusters have been created to work on each of these areas, participation in which will be open-ended to allow for transparency and contributions by all stakeholders. The TT, which is co-chaired by the chairs of the IFSC and IFWG and the chair of the former IF Task Force, will report to the IFSC.

9. Until the enhanced IF is fully operational, it has been decided that the current IF arrangements, including its governance structure and division of responsibilities, will remain in place.

10. The process leading to the operationalization of the IF enhancement initiative benefited from UNCTAD contributions in various ways. They included the initiative taken by the Secretary-General of UNCTAD to organize a high-level brainstorming event at UNCTAD in October 2005 that enabled stakeholders to exchange views and identify the main pillars for the IF enhancement. UNCTAD also participated actively in the work of the Task Force on an Enhanced IF by submitting inputs and engaging in active interaction with the members of the Task Force and key IF stakeholders. A joint ITC/UNCTAD proposal on "strengthening national implementation" was presented and circulated to the members of the Task Force as an input into their deliberations. The proposal provides essential elements for guiding the preparation by each country of a tailor-made support kit for the IF implementation unit in the management and monitoring of in-country implementation. The proposal has also been made available to the IFWG and the IFSC.

**(b) Aid for Trade and the enhancement of the Integrated Framework**

11. Paragraph 57 of the Hong Kong Ministerial Declaration invited the Director-General of WTO to "create a task force that shall provide recommendations on how to operationalize Aid for Trade. The Task Force will provide recommendations to the General Council by July 2006 on how Aid for Trade might contribute most effectively to the development dimension of the DDA". The Task Force, which was chaired by Ms. Mia Horn Af Rantzien (Sweden),

submitted its report<sup>2</sup> to the General Council on July 2006. The report contains several recommendations on how to operationalize Aid for Trade, and these recommendations are being considered by WTO members.

12. The enhancement of the IF is considered part of the broader Aid for trade initiative. The report of the Task Force on an Enhanced IF makes the following point about the relationship between the two: "In the light of the evolving situation, the IF should complement the current Aid for Trade discussions and other related initiatives." The report of the Task Force on Aid for Trade further elaborates on the relationship by stating: "The recommendations on an enhanced IF, as agreed by the Integrated Framework Steering Committee (IFSC), will be an essential foundation for strengthening the demand-side of Aid for Trade in LDCs". The reports of both Task Forces have one thing in common, that is the effectiveness of their respective recommendations requires substantial additional targeted resources.

*(c) Review of progress in IF implementation*

13. Currently 31 countries are participating in the IF.<sup>3</sup> Diagnostic Trade Integration Studies (DTIS) and validation workshops have been completed for 20 countries,<sup>4</sup> while 10 are at different stages of the DTIS process.<sup>5</sup>

14. The Central African Republic, Niger, Sudan, the Gambia and Vanuatu are the latest new IF countries.

15. UNCTAD participates actively in the DTIS process by providing substantive comments on DTIS analysis to the World Bank, lead agency on the DTIS and through preparation of inputs for specific chapters at the request of the Bank. This has been the case for the following countries: Lao PDR and Sudan. UNCTAD is working closely with the Bank in the preparation of the Sudan DTIS on the investment chapter and on the analysis on the role of trade preferences. In the case of Vanuatu, UNCTAD has been requested by the Government to undertake the DTIS jointly with UNDP and ITC.

16. Due to limited resources, UNCTAD cannot participate in all the DTIS national validation workshops. However, within these constraints efforts have been made to participate in selected countries, particularly where UNCTAD has ongoing technical cooperation programmes or has been engaged in pre-DTIS activities or where the Action Matrix touches on areas in which UNCTAD has developed technical cooperation tools or programmes. Presence in such validation workshops has allowed for dialogue with relevant government officials on follow-up on implementation of the Action Matrix in those areas identified as priorities by the Government, provided IFTF Window II resources (ceiling of US\$1 million per country) are available. During the period under review, UNCTAD was represented in national validation workshops in Benin, Chad, Lao People's Democratic Republic, Sao Tome and Principe and Tanzania.

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<sup>2</sup> Recommendations of the Task Force on Aid for Trade (WT/AFT/1), 27 July 2006.

<sup>3</sup> Angola, Benin, Burkina Faso, Burundi, Cambodia, Central African Republic, Chad, Djibouti, Ethiopia, Gambia, Guinea, Lao PDR, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, Sudan, Uganda, United Republic of Tanzania, Vanuatu, Yemen, Zambia.

<sup>4</sup> Benin, Burundi, Cambodia, Chad, Djibouti, Ethiopia, Guinea, Lesotho, Madagascar, Malawi, Mali, Mauritania, Mozambique, Nepal, Rwanda, Sao Tome and Principe, Senegal, United Republic of Tanzania, Yemen and Zambia.

<sup>5</sup> Angola, Burkina Faso, Central African Republic, Lao PDR, Maldives, Niger, Sierra Leone, Sudan, Gambia and Uganda.

**(d) Follow-up in the IF countries**

17. In the framework of project funding through Window II of the IF Trust Fund (ITFF) for the immediate follow-up to the DTIS Action Matrices, pledges of \$19.5 million have been made to the IF Trust Fund for 15 countries, and transfers effectively received in the Trust Fund amounted to \$19.2million as of August 2006.

18. However, the total number of projects approved stands at only \$12.2 million. The low expenditure rate under Window II of the IF Trust Fund underscores the need to improve implementation of Window II projects by strengthening the capacity of countries in project design and formulation and streamlining approval procedures. The recommendations of the IF Task Force on an Enhanced IF provide for assistance for this purpose with funding from the proposed Tier 2 of the ITFF.

19. The contribution of UNCTAD to the implementation of the IF at the country level is presented in the annex to this report.

20. The bottlenecks contributing to slow and unsatisfactory progress in follow-up and implementation of the IF Action Matrix at country level has engaged the attention of all IF partners and given rise to discussions at various levels. These discussions subsequently led to the agreement on the enhancement of the IF. The three principles of ownership, coherence and partnership that underpin the recommendations of the Task Force on an Enhanced IF will guide and shape the respective contributions of three main stakeholders, i.e. beneficiary countries, donors and agencies, in this new phase of the IF. The scaling-up of resources available to each country through the ITFF for the implementation of the Action Matrix and the multi-year programming approach under the enhanced IF will allow for greater involvement of UNCTAD and other partners to achieve concrete results in project implementation. In addition, UNCTAD will continue to play its role in strengthening country ownership that was pioneered in launching the concept of pre-DTIS activities under the revamped IF, as well as drawing from its research and analytical work to support countries in their trade mainstreaming efforts.

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

21. UNCTAD continued its lead role in the organization of pre-DTIS activities after the success of the regional workshop in Kigali, Rwanda, in October 2004 and the national workshop in Freetown, Sierra Leone, in October 2005 thanks to financial support for this purpose from the Government of Finland. These pre-DTIS workshops are aimed at strengthening country ownership in order to ensure the optimization of the IF potential at the country level and contribute to effective participation in the DTIS process and implementation of activities identified in the Action Matrices.

22. A national pre-DTIS Workshop was held in Freetown on 17–19 October 2005. The three-day Workshop was arranged to coincide with the main DTIS mission led by the World Bank and the formal launching of the IF process in Sierra Leone. As the Trade and Industry Minister Ms. Kadi Sesay pointed out in her opening statement, "the workshop was part of the national consultative process intended to raise awareness about the IF in Sierra Leone among stakeholders, including those in government, the private sector and the local donor community. It was also designed to underline the sense of national ownership." The workshop was organized in partnership with IF core agencies.

23. A similar national pre-DTIS Workshop was organized in Niamey, Niger, from 31 May to 2 June 2006 and was attended by the representatives of the Government, the private sector and civil society of the country, as well as the IF agencies. The DTIS main

mission to Niger is to be undertaken by the World Bank on behalf of the IF in October 2006. However, the Team Leader for the DTIS represented the World Bank at the Workshop to underscore the importance of the pre-DTIS event in strengthening the country's capacity for ownership of the IF process and in particular of the DTIS analysis.

24. A request has been received from the Government of Sudan for the organization of a national pre-DTIS Workshop to coincide with the launching of the DTIS main Mission by the World Bank later this year. UNCTAD has agreed to organize the Workshop and is currently engaged in consultations with the Government on the preparatory process.

25. These activities have been made possible through generous financial contributions and support for the IF from the Governments of Finland, Italy and the Netherlands and most recently from the Government of France. UNCTAD counts on the continued and increased support from these and other donors in order to enhance its contribution to the implementation of the IF and in particular to the operationalization of the enhanced IF.

**Annex**

**UNCTAD's contribution to IF implementation in IF countries since 2001**

<b>IF Countries</b>	<b>Pre-DTIS workshop</b>	<b>Contribution to DTIS</b>	<b>Participation in validation workshop</b>	<b>Implementation of new and/or ongoing UNCTAD projects</b>
1. Angola				
2. Benin		Investment chapter	July 2005	
3. Burkina Faso				
4. Burundi				
5. Cambodia (one of first three pilot countries)			Nov. 2001	Preparation of project profiles from Action Matrix for the Government in 2002. ASYCUDA/ACIS projects/ tourism/WTO accession
6. Central African Republic				
7. Chad		- Customs - Investment	Oct. 2005	- Investment - Competition
8. Djibouti		Trade policy, investment and trade facilitation chapters	May 2004	Investment
9. Ethiopia			Nov. 2003	
10. Gambia, The				
11. Guinea			Nov. 2003	Commercial diplomacy. Support for compliance with official and commercial standards in the fruit and vegetable sector in Guinea
12. Lao P.D.R.		- Trade facilitation - Investment	Sept. 2006	
13. Lesotho		Investment chapter	Feb. 2003	Support for national focal point and stakeholder sensitization 2002.
14. Madagascar (one of first three pilot countries)				Preparation of project profiles from Action Matrix for Government: capacity building of the national IF focal point
15. Malawi				Inputs to the preparation of donor implementation meeting Nov. 2004.
16. Maldives				

<b>IF Countries</b>	<b>Pre-DTIS workshop</b>	<b>Contribution to DTIS</b>	<b>Participation in validation workshop</b>	<b>Implementation of new and/or ongoing UNCTAD projects</b>
17. Mali			Nov. 2004	Creative industries Tourism Trade facilitation
18. Mauritania (one of first three pilot countries)			Nov. 2001	Preparation of project profiles from Action Matrix for the Government: investment /trade negotiation /ASYCUDA / electronic commerce/tourism
19. Mozambique			Oct. 2004	Project preparation building on UNCTAD evaluation on cost of compliance in tropical fruit sector and design project application
20. Nepal				
21. Niger	Nat.- May 06			
22. Rwanda	Reg.-Sept 04	Investment	Sept. 2005	
23. Sao Tome and Principe				
24. Sierra Leone	Nat.- Oct 05			
25. Senegal			Dec. 2002	
26. Sudan	Planned Nov.2006	Pre-DTIS mission June 2006		
27. Uganda			Oct. 2006	Preparation of project profiles from Action Matrix for the Government: trade negotiations
28. United Republic of Tanzania			Nov. 2005	Asycuda
29. Vanuatu	Pre- DTIS mission Oct 2006			
30. Yemen	Investment		Validation workshop, June 2003	
31. Zambia				
<b>Pre-IF countries (application under consideration)</b>	<b>Trade sensitization workshop</b>			<b>Remarks</b>
Comoros	March 2006			Organized jointly with UNDP at the request of Government
Equatorial Guinea	Planned October 2006			To be organized in collaboration with UNDP at the request of Government and approved by the IFWG