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INTEGRATED FRAMEWORK (IF) FOR TRADE-RELATED TECHNICAL ASSISTANCE FOR LEAST DEVELOPED COUNTRIES

An IF Manual: Integrating LDCs into the International Trading System

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Integrated Framework (IF) for Trade-Related Technical Assistance for Least Developed Countries

An IF Manual:

Integrating LDCs into the International Trading System

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Note

This Manual can also be found on the Internet at the following address:
http://www.integratedframework.org

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We would like to put on record our special thanks to all who participated directly or indirectly in the task of elaborating this instrumental guide to the IF which demonstrated the collective spirit with which this initiative was carried out. This partnership, which is a central feature of the IF concept, in no small measure made the realization of the Manual possible.

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It is hoped that the realization of the objective of the Manual namely "*act as an information tool to assist LDCs in their strategic management of the Integrated Framework, taking a step further towards the attainment of national trade and development objectives*" will be rewarding for all the individual and collective efforts invested in its preparation.

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Abbreviations

CAS	Country Assistance Strategy
CEC	Commission of the European Communities
CG	Consultative Group
CSO	Civil Society Organization
DAC	Development Assistance Committee
DDA	Doha Development Agenda
DTIS	Diagnostic Trade Integration Study
GVC	Global Value Chain
HIPC	Highly Indebted Poor Countries
HMGN	His Majesty's Government of Nepal
IF	Integrated Framework for trade-related technical assistance to least developed countries (Integrated Framework, IF)
IFF	IF Facilitator
IFSC	Integrated Framework Steering Committee
IFTF	Integrated Framework Trust Fund
IFWG	Integrated Framework Working Group
IMF	International Monetary fund
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Country
LPAC	Local Project Appraisal Committee
MDGs	Millennium Development Goals
MTEF	Medium-Term Expenditure Framework
MTS	Multilateral Trading System
NFP	National Focal Point
NGO	Non-governmental organization
NSC	National Steering Committee
OECD	Organization for Economic Cooperation and development
PRS	Poverty Reduction Strategy
PRSP	Poverty Reduction Strategy Paper
RT	Round Table meeting
SWAP	Sector-Wide Approach Programme
TA	technical assistance
ToR	terms of reference
TRCB	Trade-Related Capacity Building
TRTA	Trade-Related Technical Assistance
UNCTAD	United Nations Conference on Trade and Development
UNDG	United Nations Development Group
UNDP	United Nations Development Programme
UNDP/CO	United Nations Development Programme Country Office
WTO	World Trade Organization

Introduction

In November 2001, the fourth WTO Ministerial Conference adopted the Doha Work Programme that has come to be known as the Doha Development Agenda (DDA). This is the most ambitious attempt to date to move the issues of development to the core of the multilateral trading system. In this Agenda, the highest priority is given to the needs and aspirations of developing countries, in particular those of Least Developed Countries. Trade-related assistance is a major theme of the DDA and strong commitments were made to provide greater and better assistance. These commitments were further confirmed during the 2002 Conference on Financing for Development in Monterrey and, in the plan of implementation agreed during the World Summit on Sustainable Development in Johannesburg.

In the DDA, "WTO Ministers endorsed the Integrated Framework (IF) for Trade-Related Technical Assistance for Least Developed Countries as a viable model for LDCs' trade development". The IF, a joint undertaking of the IMF, ITC, UNDP, UNCTAD, the World Bank and the WTO, strives to mainstream trade into national development and poverty reduction strategies, and to assist in the coordinated delivery of trade-related assistance.

As the number of countries which choose to join the IF increases, there is a pressing need for a document that provides practical and factual information on the IF modus operandi to serve as a reference for the beneficiary countries and by all stakeholders involved in the IF process. This Manual is designed to do just this. It explains the IF structures and processes, the scope of issues to be dealt with, and draws attention to the tools for trade-related capacity developments available to LDCs. It also clarifies what can be expected from the IF process, how to access resources and, offers suggestions on how to mainstream trade into the national development strategy. Based on lessons learnt from ongoing IF processes, the Manual highlights the essential role of national ownership, the importance of including a wide range of stakeholders, and the need for a strong working relationship between LDCs and international partners. However, this Manual does not intend to be prescriptive as it recognizes that the linkages between trade policy and poverty reduction strategies are very country-specific.

The primary users of this Manual are all stakeholders, including practitioners and policy makers, not only from Ministries of Trade but also Finance and Development Planning Ministries, as well as sectoral ministries whose activities intersect with trade. Indeed, trade outcomes are impacted by behind-the-border policy measures in areas such as trade facilitation, intellectual property rights, phytosanitary measures, foreign investment and environment and labour regulations. Leaders from business communities, social activists, and researchers may find information relevant to their trade-related activities.

As one of the main objectives of the IF is to foster coordination among trade-related technical assistance programmes, it is hoped that this Manual will also be useful for national policy makers, usually in the Ministry of Finance or the Ministry of Development Planning, who are in charge of donor coordination. It is critical that the Ministry responsible for international cooperation be actively involved in the IF implementation process in order to play a coordinating role. Likewise, in-country donor representatives will also find useful information in this Manual when preparing their TA programmes and dialogues with their Headquarters on future orientations and priorities.

This Manual is organized as follows: a) an overview of the current state of research on the relationship between trade, growth and poverty reduction, followed by a presentation of the Integrated Framework (IF) and the strategic importance of mainstreaming trade into development strategies; b) a discussion of key issues such as national ownership, resource mobilization, and implementation of policy measures and priority projects; and c) a brief look at cooperative arrangements between the IF and other TA programmes. In order to assist readers grasp the practical aspects of some rather complex subjects, a few chapters also include a checklist.

The Manual draws, *inter alia*, from the elaborated reports issued by the IF Secretariat after each of the meetings of the IF Working Group and of the IF Steering Committee, from technical reports prepared by the core agencies and from the Diagnostic Trade Integration Studies (DTIS). It also takes into account countries' experience in developing their DTIS and in mainstreaming trade into poverty reduction strategies.

A preliminary draft of the Manual was presented at a Pre-DTIS regional workshop held in Kigali, Rwanda, in October 2004 for incoming LDCs in the IF process. LDCs represented at the regional pre-DTIS workshop were Angola, Cambodia, Chad, Guinea, the Lao People's Democratic Republic, Malawi, Mozambique, Rwanda, Sierra Leone, Tanzania, Uganda, Yemen and Zambia. On the donors' side, the meeting was attended by Belgium, the United Kingdom's DFID, the European Union, Finland, the Netherlands and USAID. All six core agencies attended the workshop. Comments on the draft Manual were received from representatives of LDCs, donors and core agencies. These were incorporated in the Manual and without doubt, have enriched it and made it more relevant to the needs of LDCs.

1. International trade, growth and poverty

There is a broad consensus amongst economists that international trade has the potential to act as a catalyst for accelerated economic growth. As Dani Rodrik observes: "no country has developed successfully by turning its back on international trade and long-term capital flows"[1]. Empirical evidence and economic theory describe a strong relationship between trade and growth, and likewise, though more complex, between growth and poverty reduction. However, a paper from the European Commission notes, "trade openness alone is not sufficient to combat poverty and the extent to which trade contributes to poverty reduction depends on other policies as well. Trade reform must be part of a wider, country-owned poverty reduction strategy for which a combination of better domestic policies and additional external support is needed"[2].

The transmission mechanisms between trade and economic growth are well known. For countries whose markets are constrained by poverty, size, and/or lack of local purchasing power, international trade provides the opportunity to access larger, richer markets, and enter into a spiral of growth. In an ideal scenario, undistorted world market prices and exchange rates would allow resource allocation consistent with comparative advantages. This would allow a given country to increase its productivity, including in export-oriented products. Through exports, foreign currency is generated, which can then be used to import new technologies and intermediate inputs. This raises domestic productivity further, may lead to economies of scale and thereby, a reduction of production costs, thus making the country more competitive.

Access to foreign markets also provides opportunities for increased investment, including foreign direct investment, which is particularly important for the acquisition of new technologies and management techniques. As employment rises and average wages increase, due to improved productivity, the development process begins to take root. Increased revenues from trade also enhance the government's capacity to fund public expenditures for health and education, which lead to better development outcomes.

Countries that have successfully combined trade with higher growth and human development tend to have some key features in common. They have gradually opened up their economies as part of a wider development strategy based on two main pillars: improving the investment climate for the private sector to generate jobs and, empowering poor people, especially through better education. This highlights the fact that the institutional and overall policy environment within which trade liberalization takes place is a determining factor of the impact of trade reforms on economic performance[3].

As economic growth takes place, poverty generally recedes. How rapidly this occurs depends on a number of factors which define the rate of poverty reduction with respect to growth. This process can be quite fast as illustrated in the example of Uganda whose poverty headcount (a percentage of the total population) was dramatically reduced by the impressive growth performance of recent years. It is estimated that the poverty headcount was diminished from 56 per cent in 1992, to 44 per cent in 1997, and a low of 35 per cent in 2000[4].

While the transmission mechanisms between trade and growth may seem fairly straightforward, those between trade and poverty reduction are complex. They depend not only on the trade-growth relationship, but also on the way in which trade affects income inequality and employment. They also work through imports as well as exports and the balance-of-payment constraints.[5] Trade reforms affect the poor by impacting the following:[6]

- the price of goods and services consumed and produced by the poor;
- the demand for, and returns to, factors of production offered by the poor, such as unskilled labour;
- government revenues and resources available for poverty reduction;
- the composition of exports and imports and balance-of-payments effects; and
- the potential for economic growth, which in turn affects poverty.

While trade liberalization is expected to provide a net gain for society in terms of real incomes, the restructuring of the economy will most probably affect some social groups negatively. Hence, in addition to the above five channels, the World Bank's sourcebook for PRSP makes the point that another channel which should be considered is public expenditures borne by the financing of social safety nets for workers who lose their jobs because of changing trade policies.

The links between trade and poverty reduction are neither simple nor automatic because they are mediated through various institutions and mechanisms over a long period of time and affect the whole economy. Moreover, most often the outcomes of a specific trade policy cannot be explained by that policy alone. Macroeconomic policies, governance, and non-trade policies impact the social outcomes of a trade strategy, such as the development of supply-side capacities through investment, applied research and technology acquisition, infrastructure improvement, human and institutional capacities and business transaction costs.

The impact of trade policies on poverty is also very country-specific. If we leave aside non-trade factors and focus solely on trade, we see that variations in the *composition* of trade affect the way trade relates to poverty. For example, the impact of trade on poverty will differ sharply among LDCs with a specialization in commodity exports and those with a specialization in manufacturing exports. Experience has shown that the price of commodities tends to be more volatile and subject to intense price competition, while manufacturing is subject to static and dynamic economies of scale. Elasticity of demand is often higher for manufacturing than for commodity exports. Similarly, a country's level of development, structure of production and employment will affect how trade impacts the poor[7]. For example, a very labour-intensive sector such as the textile and garments industry tends to be dominated by female workers. Thus, any trade measures concerning this sector will have a considerable gender impact.

Lastly, a discussion about trade and poverty must mention the strategic importance of the multilateral trading system, with its evolving rules, disciplines and mechanisms. If poor countries are to expand their share of income generated by trade, they need an international framework that makes this possible. Greater coherence is required between developed countries' trade policies and development assistance. The way trade is related to economic growth is also affected by how trade is related to aid, debt, private capital flows and technology acquisition. For example, the positive import-supply effects of increased exports are sometimes offset by donors' decisions to reduce aid inflows or to increase debt repayment obligations. The result is a reversal of the gains made in the area of trade.

The far-reaching impact of the trade policies of rich countries in such key areas as agriculture was at the centre of the WTO negotiations launched in Doha in November 2001. Developing countries still face considerable barriers to their exports to both developed countries and between themselves. Since most of the world's poor are employed in agriculture and labour-intensive industries, further liberalization of international trade in these sectors remain a key to poverty reduction. As D. Luke noted in his discussion of the outcomes of the recent world conferences on trade and development "*improving trade opportunities and capacity for poor countries is a critical element of the global deal confirmed in the Monterrey Consensus that underlies the Millennium Development Goals (MDGs)*"[8]. More specifically, Goal 8 deals with issues of trade, debt, investment and international finance, and proposes a partnership between developing countries and richer countries for greater coordination in these sectors.

In parallel to a more active participation in the on-going multilateral trade negotiations, LDCs need to respond to the challenges of adapting their policies and institutions to evolving trade regimes. Increasingly, areas that were once the domain of development policy have entered the trade arena, changing the scope of trade policy as well as its stakeholders. At the same time, a proliferation of new bilateral and regional trade agreements have been or are going to be signed, which further complicate the task of policy makers. These structural changes present new opportunities but also challenges, such as the need to strengthen trade-related institutions, bolster human resource capabilities, and reinforce the supply-side of LDC economies.

In response to this situation, the international community launched a major technical assistance initiative known as the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). The remaining part of this Manual will be devoted to the IF process, its structures and operational modalities.

2. IF Structures and Governance

The first WTO Ministerial Conference held in Singapore in 1996 recognized the special difficulties faced by LDCs in integrating into the world economy and adopted the WTO Action Plan for Least Developed Countries. In Geneva the following year the WTO convened a High Level Meeting on "Integrated Initiatives for Least-Developed Countries' Trade Development". On the agenda were issues related to strengthening the trade capacities of LDCs, including supply-side capacities and improved market access for their products.

The High Level Meeting adopted an initiative for strengthening the trade capacities of LDCs known as the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF). It is supported by six major multilateral organizations, namely the International Monetary Fund (IMF), the International Trade Centre (ITC), the United Nations Conference on Trade and Development, (UNCTAD), the United Nations Development Programme, (UNDP), the World Bank and the World Trade Organization (WTO).

When the IF was launched, its main objective was to increase the benefits LDCs derive from trade by coordinating the technical assistance provided by these six agencies. The IF aimed at enhancing LDC's trade capacities to better respond to market opportunities and to work towards full integration into the multilateral trading system. During the first three years of its existence, the IF made modest contributions towards meeting this objective. Country needs assessments were launched and donor meetings were organized in Bangladesh, Haiti, The Gambia, Tanzania and Uganda without much success. The Heads of the six Agencies met in July 2000 to review the IF process. Based on the recommendations of an independent evaluation, they adopted several institutional changes to increase the IF's effectiveness.

A. The revamped IF

The revamped IF strives to use trade as a catalyst for growth more effectively. Consequently, the IF now has two major objectives:

(i) to mainstream trade into LDCs' national development plans and the Poverty Reduction Strategy Papers (PRSPs); and

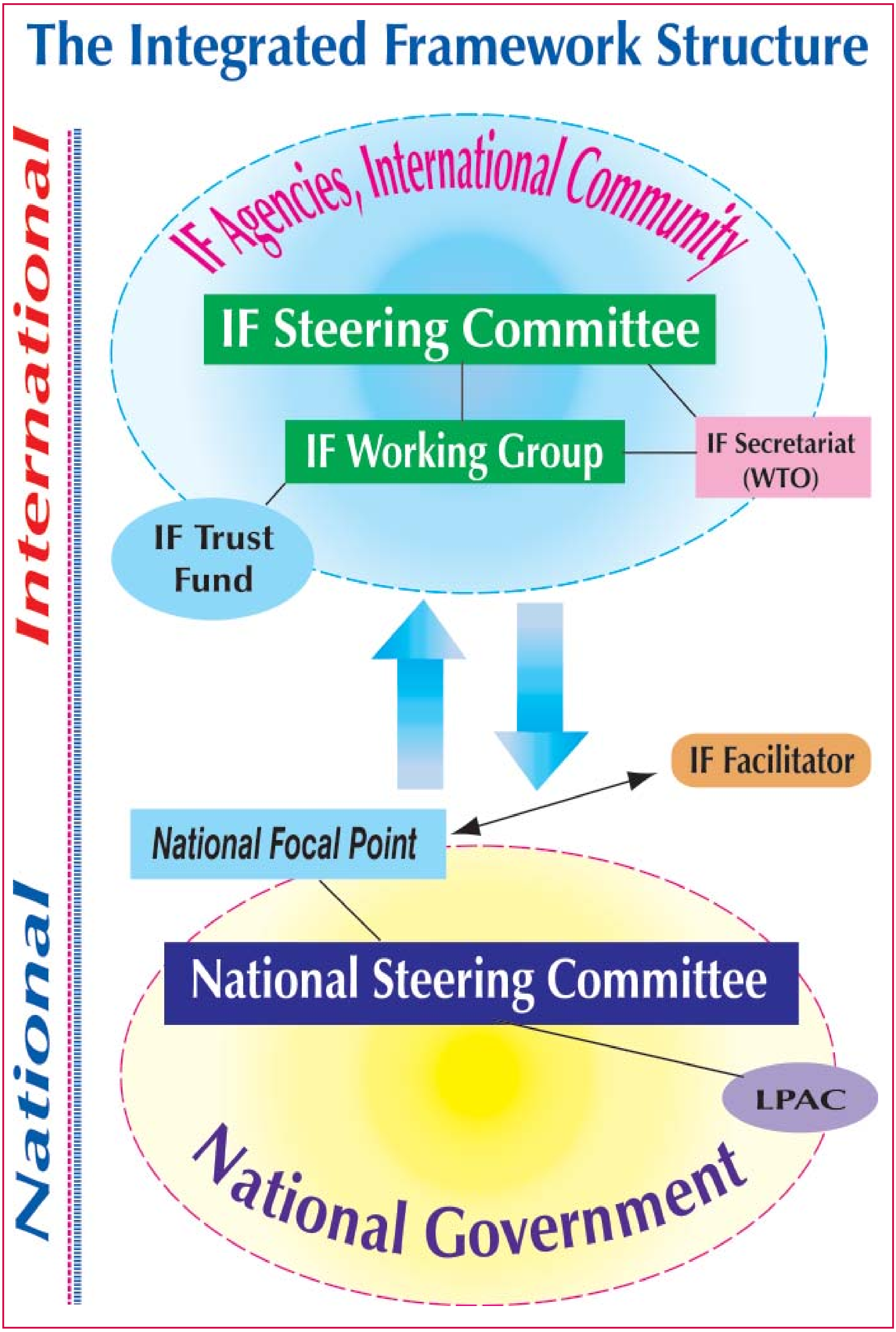
(ii) to assist in the coordinated delivery of trade-related technical assistance in response to needs identified by LDCs.

The IF is first and foremost a *country-driven process* leading to the *integration of trade policy into the overall national development strategies*, and to *coordinated delivery of TRTA* by all development partners including the donor community in response to the needs identified by the LDCs through a mainstreaming process. It is an *instrument of coherence* to ensure maximum use of scarce resources in support of LDCs to become full players and beneficiaries of the world economy and the multilateral trading system. It is a *unique international initiative based on partnership* through which six core international agencies/organizations combine their efforts with those of Least Developed Countries and Donors to respond to the trade development needs of the former.

While the IF is an instrument adopted by the international community to strengthen trade and supply-side capacities, issues related to market access have to be pursued within the WTO framework. The primary vehicle to pursue market access and improved international rules is an active participation in the on-going multilateral trade negotiations under the Doha Development Agenda. The IF's input into this process is indirect but not minor: by raising trade awareness at the national level, sharpening trade policy objectives, and enhancing linkages between negotiators in Geneva and their capitals, and the private sector, and increasing the efficiency of LDCs' participation in the multilateral process.

The revamped IF was first tested on a pilot basis in Cambodia, Madagascar and Mauritania. As of July 2005, it was at different stages of implementation in 28 LDCs, with 19 countries[9] having completed their Diagnostic Trade Integration Studies (DTIS) and moving towards integration into the PRSP. Implementation of the IF remains a "work in progress". The agencies, donors and LDCs are in a continuous learning process as more and more DTIS are finalized and follow-up activities are identified and implemented.

Flowchart 1


The Integrated Framework Structure
International
National
IF Agencies, International Community
IF Steering Committee
IF Working Group
IF Secretariat (WTO)
IF Trust Fund
IF Facilitator
National Focal Point
National Steering Committee
LPAC
National Government

Box 1

The international community's support to the IF initiative

The revamped IF received support from both the trade and the development communities, including at the Third UN Conference on LDCs (LDC III) and the G-8 Summit in 2002. At the Doha Ministerial Conference held in November 2001, WTO Ministers endorsed the IF as a viable model for LDC's trade development. Subsequently, it was endorsed at the Monterrey Conference on Financing for Development and, at the Johannesburg Conference on Sustainable Development. Support of the international community is also manifested by the number of bilateral and multilateral donors (17) supporting the IF and in pledges made to the IF Trust Fund.

B. Structures and governance of the Integrated Framework[10]

Among the decisions taken to "revamp" the IF was the establishment of a governance structure comprising a tripartite management structure that includes agencies, donors and LDC representatives (the IF Steering Committee). In addition, an IF Trust Fund was established to provide a quick disbursement of funds. Most importantly, the revamped IF recognized the need for better integration of trade-related issues into national development policies and poverty reduction strategies. Consequently, a tool known as the Diagnostic Trade Integration Study (DTIS) was adopted to facilitate the mainstreaming process. These IF structures will be discussed in detail at the international and national levels.

(i) The IF at the international level

At the international level, the IF is composed of the Integrated Framework Steering Committee (IFSC), the IF Working Group (IFWG), the IF Secretariat, and the IF Trust Fund (IFTF).

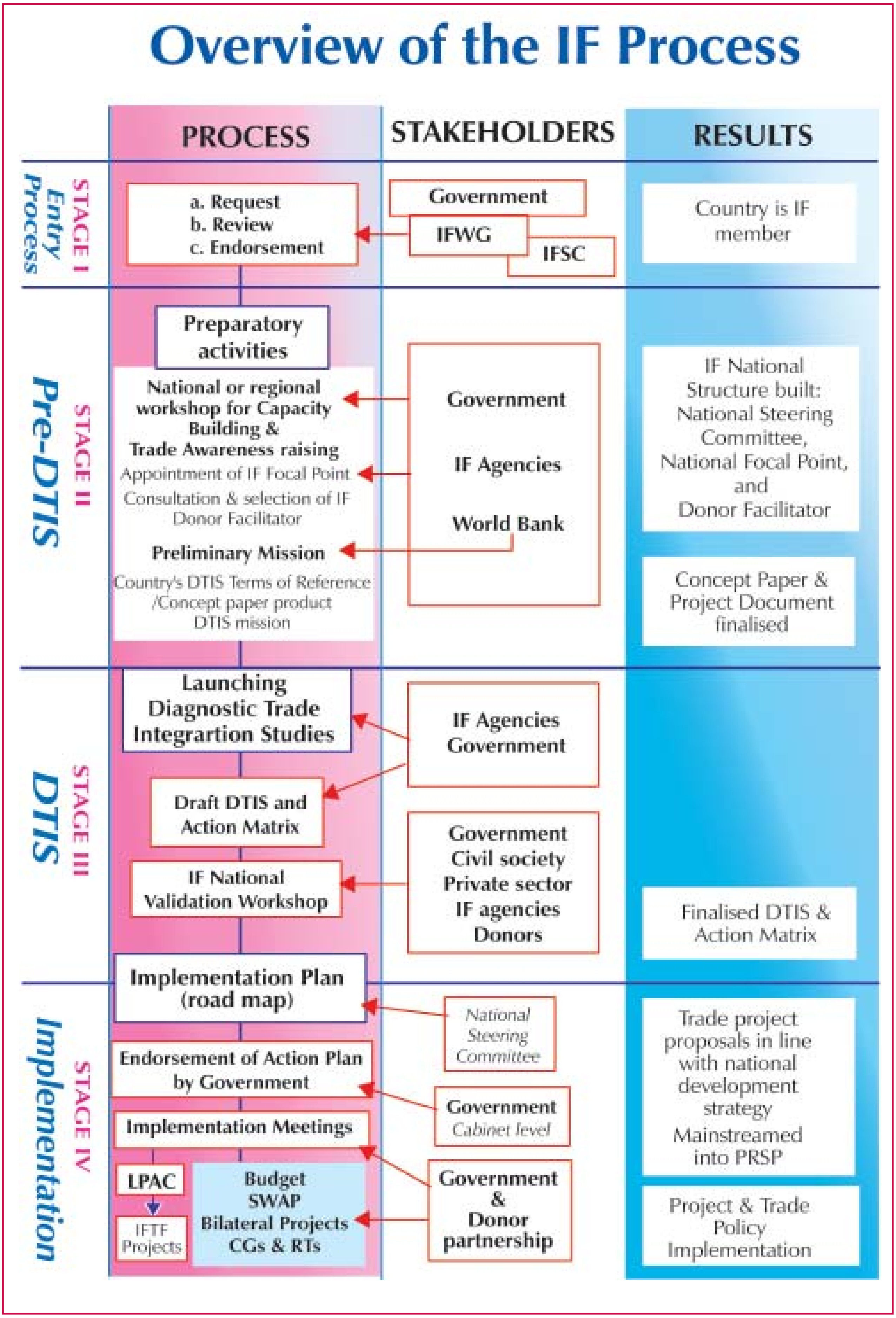
	Functions	Composition
IFSC	• Oversees the work of the IFWG and provides policy directions. • Assesses progress and ensures transparency in the IF process.	• Tripartite arrangement (core Agencies, • Donors and LDCs). • All WTO members can participate. • Chair is elected among WTO members by his peers.
IFWG	• Overall management of the IF process. • Monitoring of field operations. • Oversight of the Trust Fund.	• Six core agencies. • Two LDCs and two donors on a rotating basis. • OECD has observer status. • Chair is one of the WTO Deputy Directors-General.
IF Secretariat	• Responsible for the day-to-day management of the IF process. • Is in charge of communication and information exchange. • Services IFSC and IFWG meetings.	• Housed in and staffed by the WTO.
IFTF	• Multi donors Trust Fund. • Window I is used for financing DTIS (US$300,000 per country) and strengthening capacities of IF national structures. • Window II finances priority capacity building projects of Action Matrix. • Maximum allocation of one million dollars per country from Window II.	• Managed by UNDP on behalf of six agencies. • Follows UNDP financial regulations for receipt and administration of funds.

(II) The IF at the country level

At the country level, the IF structure is composed of the National Steering Committee (NSC), the National Focal Point (NFP), the IF Facilitator (IFF) and the Local Project Appraisal Committee (LPAC). The IF structure at the country level is the backbone of the IF programme which ensures effective implementation and national ownership.

	Functions	Composition
NSC	• Ensures effective coordination and buy-in among government agencies and IF stakeholders. • Assesses DTIS and its Action Matrix, and is responsible for their approval and validation by the National Workshop and subsequent endorsement by Government. • Monitors the IF process and follow-up activities, implementation issues and trade integration into PRSP. • Is instrumental in ensuring that trade related issues are included in donors' meetings such as the CG &RT.	• Members of the Government, in particular from the Trade, Finance and Development ministries, members of the PRSP National Committee, and representatives of civil society and the private sector (the NFP is also a member of the NSC). • Committee's composition should reflect that the IF's scope and processes are broader than the traditional trade domain and encompass several development issues.
NFP	• Coordinates the IF process and is responsible for taking it forward; he/she is the IF's public face. • Builds awareness, rallies support for the IF and contributes to building national ownership in the IF process. • Is an essential intermediary between ministries, donors and international agencies. Works in close cooperation with the IF Facilitator.	• Appointed by the Government. • Usually, a high level civil servant, either from the Ministry of Trade or from one of the core Ministries, the Prime Minister's Office or, the PRSP National Committee.
IFF	• Serves as the focal point for interaction with and between donors and Government. • Assists Government to establish a work programme and assesses the institutional needs required to effectively steer the IF process. • Organizes and chairs a group of interested donors. Informs donors of the IF institutional structure and timetable of the IF process. • Liaises with donors' HQs and informs them about changes in development priorities and growing importance of trade policy for poverty reduction.	• After consultation with donors, Government designates the IF Facilitator.
LPAC	• Reviews and appraises IF projects to be financed by the IFTF. • Recommends approval of projects, rejection or changes to be made.	• Is chaired by UNDP Resident Representative or a senior government official. • Membership varies but usually representatives of Trade, Finance and Development Ministries, UNDP, World Bank, NFP, IFF, private sector and civil society.

Flowchart 2


Overview of the IF Process
PROCESS
STAKEHOLDERS
RESULTS
STAGE I
Entry Process
a. Request
b. Review
c. Endorsement
Government
IFWG
IFSC
Country is IF member
STAGE II
Pre-DTIS
Preparatory activities
National or regional workshop for Capacity Building & Trade Awareness raising
Appointment of IF Focal Point
Consultation & selection of IF Donor Facilitator
Preliminary Mission
Country's DTIS Terms of Reference /Concept paper product DTIS mission
Government
IF Agencies
World Bank
IF National Structure built: National Steering Committee, National Focal Point, and Donor Facilitator
Concept Paper & Project Document finalised
STAGE III
DTIS
Launching Diagnostic Trade Integrartion Studies
Draft DTIS and Action Matrix
IF National Validation Workshop
IF Agencies
Government
Government
Civil society
Private sector
IF agencies
Donors
Finalised DTIS & Action Matrix
STAGE IV
Implementation
Implementation Plan (road map)
Endorsement of Action Plan by Government
Implementation Meetings
LPAC
IFTF Projects
Budget
SWAP
Bilateral Projects
CGs & RTs
National Steering Committee
Government
Cabinet level
Government & Donor partnership
Trade project proposals in line with national development strategy
Mainstreamed into PRSP
Project & Trade Policy Implementation

3. The Integrated Framework Processes

As illustrated in Flow Chart 2, the IF process consists of four broad stages detailed in the following pages: (i) the entry stage through which an LDC requests to participate in the IF and has its application reviewed; (ii) the pre-DTIS stage which comprises awareness-raising activities, the establishment of a national IF structure and a preparatory mission of the World Bank which lays the ground for the DTIS; (iii) the DTIS stage which leads to the production of the DTIS and its Action Matrix, reviewed by the National Workshop; and (iv) the implementation stage which includes project formulation and execution, and the mainstreaming of trade into the national development plan.

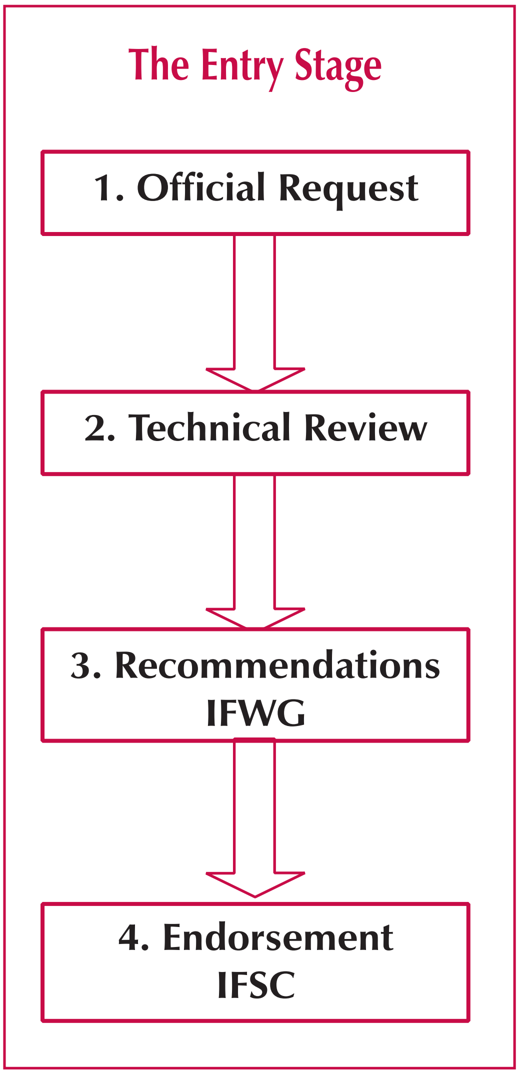
From the commencement of the DTIS to the National Validation Workshop, the time frame is generally between six and nine months. Implementation of projects and programmes, including formulation and execution, can extend over a period of several years.

A. The entry stage

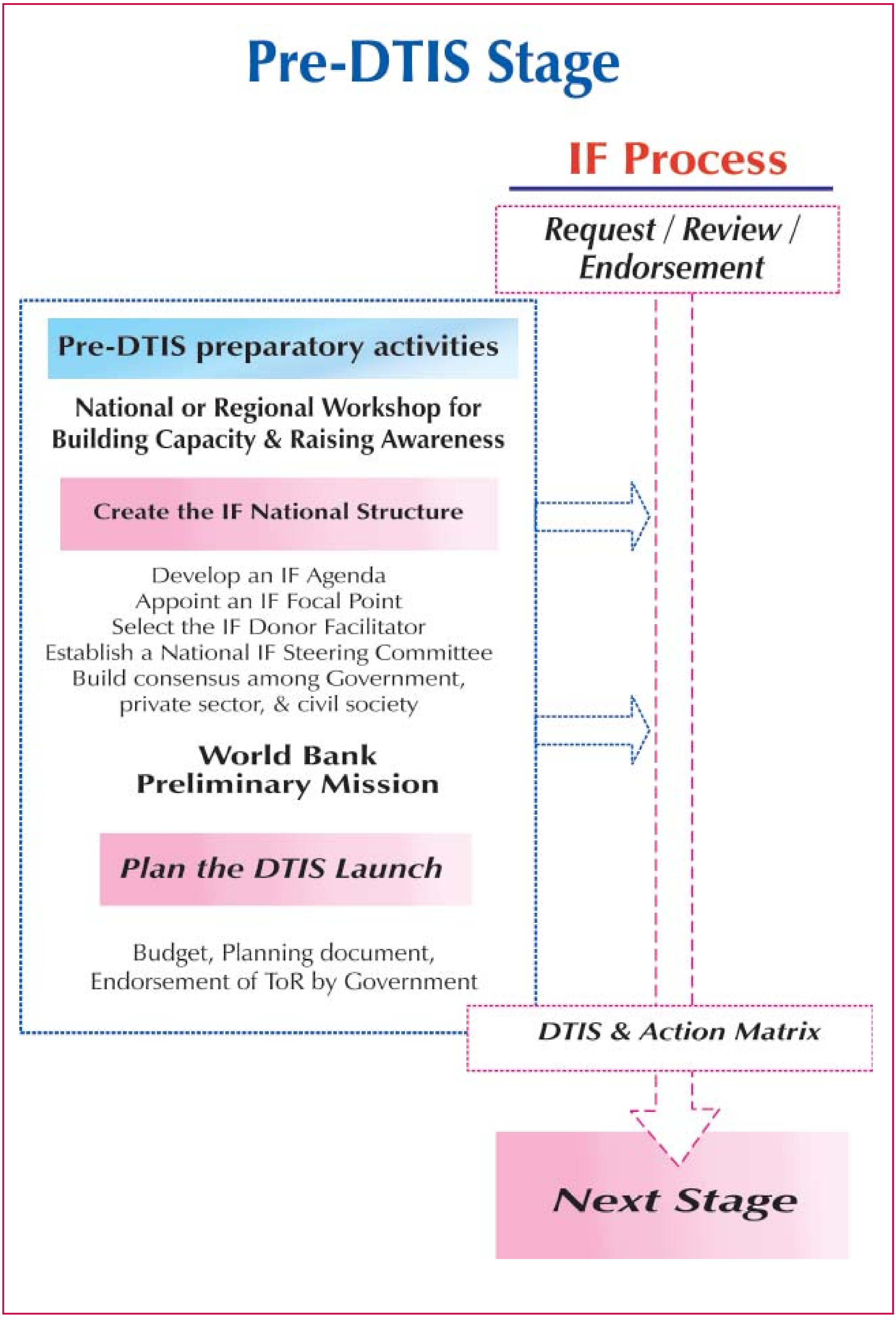
All LDCs are eligible for the IF process. To be considered, an LDC must send an official request for assistance through the IF Secretariat. The World Bank conducts a technical review of the request and the findings are discussed in the IFWG. A decision is then made by the IFSC. In reviewing the request, the following selection criteria are applied with a view to achieving the maximum effectiveness for the programme:

- demonstration of commitment to integrate trade into the national development strategy/ PRSP;
- preparatory stage of the PRSP/national development strategy (time frame, steps to follow);
- upcoming meetings of the CG or Round Table (timetable of future CG/RT and description of trade content in past and intended future CG/ RT); and
- conducive operational country environment (level of infrastructure, resource base of the World Bank/ UNDP country offices, donors' response).

Flowchart 3



Flowchart 4


Pre-DTIS Stage
IF Process
Request / Review / Endorsement
Pre-DTIS preparatory activities
National or Regional Workshop for Building Capacity & Raising Awareness
Create the IF National Structure
Develop an IF Agenda
Appoint an IF Focal Point
Select the IF Donor Facilitator
Establish a National IF Steering Committee
Build consensus among Government, private sector, & civil society
World Bank Preliminary Mission
Plan the DTIS Launch
Budget, Planning document, Endorsement of ToR by Government
DTIS & Action Matrix
Next Stage

B. The pre-DTIS stage

Once the IF request has been approved, and prior to the first World Bank mission, it is important to ensure the active participation of all stakeholders in the IF process. To initiate this, preparatory activities should be implemented which will (i) raise the level of understanding of trade and poverty reduction policies amongst stakeholders, (ii) provide an opportunity to exchange information on the IF process and outcomes in countries having completed the process, (iii) contribute to the establishment of an IF managerial structure, (iv) gather data and resources for the DTIS and (iv) define, with the World Bank, the scope and TORs of the DTIS mission[11].

Examples of such preparatory activities are:

- Awareness and empowerment activities through workshops organized with the support of the IF core agencies;
- Designation of the National Focal Point;
- Establishment of the National Steering Committee, a crucial step in setting up the national management structure;
- Consultation with donors and the selection of an IF Facilitator in the donor community (the designation of an IF Facilitator can be taken at a later stage but there are good reasons to do it earlier rather than later).

Preparatory activities, which have little or no cost attached and which can be undertaken by the IF Focal Point and the National Steering Committee in their roles as counterparts to the international team recruited for the DTIS, include:

- A mapping of stakeholders (e.g. government agencies, academia, private sector associations, NGOs);
- The identification of development partners with an interest in trade;
- An inventory of trade and investment TA projects. Information existing on projects in the national database can be supplemented by the WTO/OECD trade capacity building database. It contains information on past projects, progress achieved for on-going projects, as well as some data on planned activities (http://tcbdb.wto.org);
- A collection of current research and analysis available including the Country Development Strategy and the Poverty Reduction Strategy, the WTO trade policy review, the UNCTAD investment policy review, United Nations Development Assistance Framework, the UNDP National Human Development Report and national and regional reports on trade and development produced by national and regional think tanks and research institutes; and
- A list of national consultants.

Once awareness of the IF has taken hold, and stakeholders are empowered, including through pre-DTIS sensitization activities, fruitful discussions can begin with the DTIS Team Leader regarding the launching of the DTIS and agreement on TORs. The discussion will include the following items:

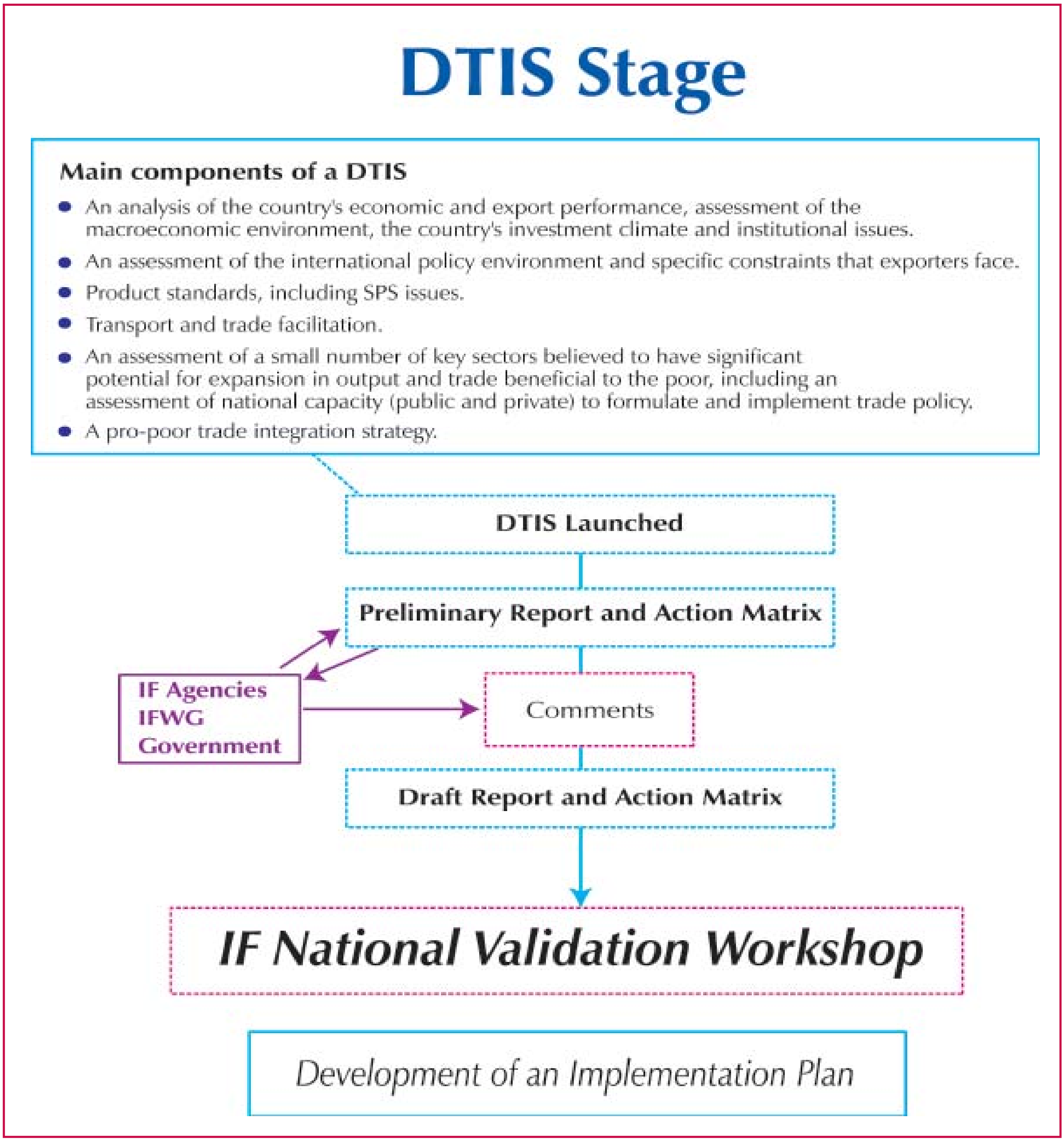
- A preliminary mission by the DTIS Team Leader. This mission should lay the groundwork for the DTIS and delineate the scope of the mission while working closely with the National Focal Point and the National Steering Committee. All the members of the IFWG are invited to participate in this preliminary mission.
- Prior to his/her departure from the country, the DTIS Team Leader will prepare and discuss with the Government an aide-memoire comprising a timetable, institutional arrangements, and a description of the areas to be covered in the DTIS. Upon completion of the preparatory mission, the Team Leader will prepare a concept paper, outlining the main elements of the forthcoming DTIS. This concept paper is subject to an internal Bank review and is circulated to all IFWG members for comments. The Government is also invited to provide comments. Once there is agreement by all parties concerned, the main mission will be launched. The selection of individual consultants usually takes place during the preparatory mission and the main mission.

C. The DTIS stage

The Diagnostic Trade Integration Study (DTIS) assesses the overall competitiveness of a country's economy, identifies sectors of greatest export potential, outlines constraints to trade, and presents an Action Matrix. It provides the analytical foundation for policy recommendations and Trade Related Technical Assistance and Capacity Building (TRTA/CB) formulation for the country's integration into the multilateral trading system. It is also a powerful tool for linking trade strategies and priorities to the overall national development strategy.

The DTIS phase is led by the Work Bank and is conducted by a team of international and national consultants (The UNDP has provided a lead role in countries where the World Bank had no Country Office). The study typically lasts between six and twelve months. The DTIS process is greatly facilitated if the National Focal Point has already identified national consultants, gathered information on on-going TA projects, and collected data, reports and papers related to trade relevant to the country. This places the National Focal Point in a pivotal role as

Flowchart 5



someone who controls the information flow and contributes to the local ownership process.

Given the distinct situation of beneficiary countries and the conditions prevailing in them, it is widely recognized that integration studies must be country-specific. The extent to which reports will focus on specific aspects of the economic situation will depend on the amount of work that has already been completed on trade-related matters. For some countries, integration studies may emphasize sectoral issues, as the macro-economic environment and reform agenda may be well understood. In other countries, especially those with no history of a WTO Trade Policy Review report, the focus will include a detailed assessment of prevailing trade patterns, related policies on investment incentives and economic efficiency. Thus, it must be understood that integration studies will not follow a 'one size fits all' approach. Rather, the integration strategy and related Action Matrices must be tailored to the specific needs of each country, taking into account the national context (e.g. ongoing/upcoming trade negotiations, existing business climate, geographical, political and institutional/capacity constraints, etc) and the existing development framework proposed by that country.

However, there are certain areas that have been identified as important constraints for the integration of LDCs into the multilateral trading system. These areas will probably be reflected, in one form or other, in the integration studies. As a general principle, the starting point of all DTIS studies is an appraisal of past trade reforms and ensuing results. The study will also have to focus on sectors which the interim PRSPs have identified as the key areas where a specific country has decided to focus, as well as existing work undertaken by the country and its development partners.

Integration studies will typically have five components:[12].

First, a review and analysis of the country's economic and export performance. This would include real per capita growth, poverty trends, and integration performance in historical and international perspectives. Particular attention will be paid to indicators of per capita income and trade and integration performance vis-à-vis those of comparable countries. Analysis will focus, inter alia, on trends in exports and imports to GDP ratios, FDI as a share of GDP ratio, type of FDI (by sector), the speed and extent of export diversification (across products and markets), intra-industry trade trends (horizontal and vertical), the role of global production sharing and processing trade. It will also focus on the composition of imports (share of capital goods, intermediates), international telecommunications traffic, the composition of employment, dependence on agricultural production, etc, and sources of foreign exchange earnings by sector (including services). The analysis of these indicators will be forward as well as backward looking.

Second, a description and assessment of the macroeconomic environment and the country's investment climate. Particular emphasis will be placed on the adequacy of policies (both macro and microeconomic, e.g. the regulatory framework surrounding transportation infrastructure/services) and the business environment (property rights, rule of law). Trade and related policy developments and the behaviour of the real exchange rate will also be reviewed. The objective is to assess the incentive regime that confronts (potential) investors, both in tradables and non-tradables. Areas related to trade facilitation which will be addressed/assessed include customs clearance (the existence and functioning of temporary admission and drawback mechanisms and exemptions, the structure and effective incidence of tariffs and related 'red tape' costs), access to and cost of pre-shipment finance and working capital, as well as barriers to investment (regulations, negative lists, equity restrictions and nationality requirements, role of state-owned enterprises, including the status of privatization programmes, transfers from the budget, and capital controls).

Third, a focus on the international policy environment and specific constraints that exports from each country face in international markets. In many countries, policy recommendations aimed at export promotion have been made without paying attention to the prevailing trade restrictions in the importing countries. This section will seek to:

(i) Document the specific set of trade restrictions (and preferential trade arrangements) that exists in industrial country markets for existing and potential export products. This will provide LDCs with reliable information to argue for greater market access in global forums, and to adjust their policy interventions so as not to be penalized by restrictions in world markets.

(ii) Determine the impact of membership in regional economic integration arrangements on the prevailing policy stance by explicitly considering the benefits and costs of such agreements in terms of policy freedom and investment incentives.

(iii) Analyze the implications of greater market access for the existing and potential export commodities, including services, both regionally and globally.[13]

Fourth, a focus on a small number of key labour-intensive sectors, including agriculture (e.g. horticulture), where the private sector can contribute to a significant expansion in output and exports, and a good a priori case can be made that the poor stand to benefit either in terms of employment and/or lower prices. For each sector/product, the team will analyze the internal constraints that entrepreneurs face in expanding production and exporting to the rest of the world. These analyses will target a set of priority sub-sectors to be determined after consultations with stakeholders in the country, in line with the broad priorities that are being incorporated into the PRSPs. While constraints will vary among countries, there are a series of common obstacles that prevail in many countries, namely transaction costs, transportation, the regulatory environment, and global and regional rules and disciplines, such as products standards, market standards, intellectual property protection, and rules of origin.

Fifth, each study will comprise a proposed set of policy reform priorities and required capacity strengthening at the sectoral level to capitalize on major opportunities identified in the strategy. These policy proposals will target key bottlenecks and constraints that emerge as priority areas for action, and corollary actions by donors and development partners. The sector-specific analyses will result in recommended sectoral Action Matrices that identify key opportunities and obstacles that must be addressed to mobilize investment and exports.

Each study will also include an assessment of technical assistance and capacity building priorities to support the trade strategy and, recommended actions that should be taken by high-income and regional partner countries to improve access to their markets. The recommendations will take into account the likely impact of proposed actions on the level and structure of poverty to ensure that the strategy has the desired positive impact on the poor. An analysis of gainers and losers from policy changes will be undertaken, and specific policies to minimize any possible detrimental impact on the poor will be identified.

Lastly, on the basis of the detailed analysis the DTIS study shows an Action Matrix comprising policy reform measures and capacity strengthening activities that will serve as a basis for trade-related technical assistance delivery. The Nepal Action Matrix is attached in Annex III as an example. Except for a few exceptional cases, a typical Action Matrix does not contain concrete project proposals and therefore there is no indication of costs involved. Instead, this subject is discussed during the post DTIS implementation stage that outlines, inter alia, the priority projects identified. A brief description and costing are then prepared and discussed with donors during the Implementation Meetings.

Upon completion of the DTIS, a National Validation Workshop is convened by the Government. All of the relevant national actors are expected to participate, notably Government officials representing all ministries involved in the preparation of the DTIS, stakeholders from the private sector and representatives of civil society. IF agencies and the donor community are also present during the Workshop.

The primary purpose of the Workshop is to discuss the findings of the DTIS and the Action Matrix. Participants may wish to (i) discuss whether priorities set in the DTIS are consistent with the overall development agenda as articulated in the PRSP, and adjust them if necessary, (ii) review the measures articulated in the draft Action Matrix and agree on a well prioritized Matrix, (iii) ensure that the proposed actions are coherent with the PRS and are planned within the national budget and the medium-term expenditure framework. Because of the importance of this National Workshop, it might be useful to hold a few meetings with key stakeholders prior to the Workshop to exchange views on priorities in the corresponding clusters of the Action Matrix.

D. Post-DTIS Implementation Stage

The momentum generated by the National Workshop should be sustained. In order to achieve this, a clear roadmap of follow-up actions should be prepared. It should consist of:

- The finalization of an implementation plan, which ideally should have started during the National Workshop. However, experience shows that it is often difficult to finalize the implementation plan during the Workshop and hence, the National Steering Committee is asked to accomplish this shortly afterwards.
- The validation of the DTIS report and the Action Matrix as amended pursuant to the recommendations made during the Workshop by the national authorities (Cabinet, Steering Committee). This final validation is intended to elicit broad support for the DTIS at senior government levels. Upon completion of the formal validation of the final DTIS by the authorities, Implementation Meetings will be scheduled. These Meetings will provide the national government with the opportunity to discuss with donors the anticipated implementation activities based on the Action Matrix. Prior to the Meetings, outlines for the priority projects identified will be prepared by the Government. Whenever possible these Implementations Meetings will be linked to the Consultative Groups and Round Table Meetings;
- The establishment of a monitoring and evaluation system.

Recommendations: It is advised to take the following steps to prepare for Implementation Meetings. These steps are to be taken by the government, other national stakeholders and multilateral and bilateral donors, during an intensive consultation process. It is highly recommended that the IF Facilitator play an active role throughout this process:

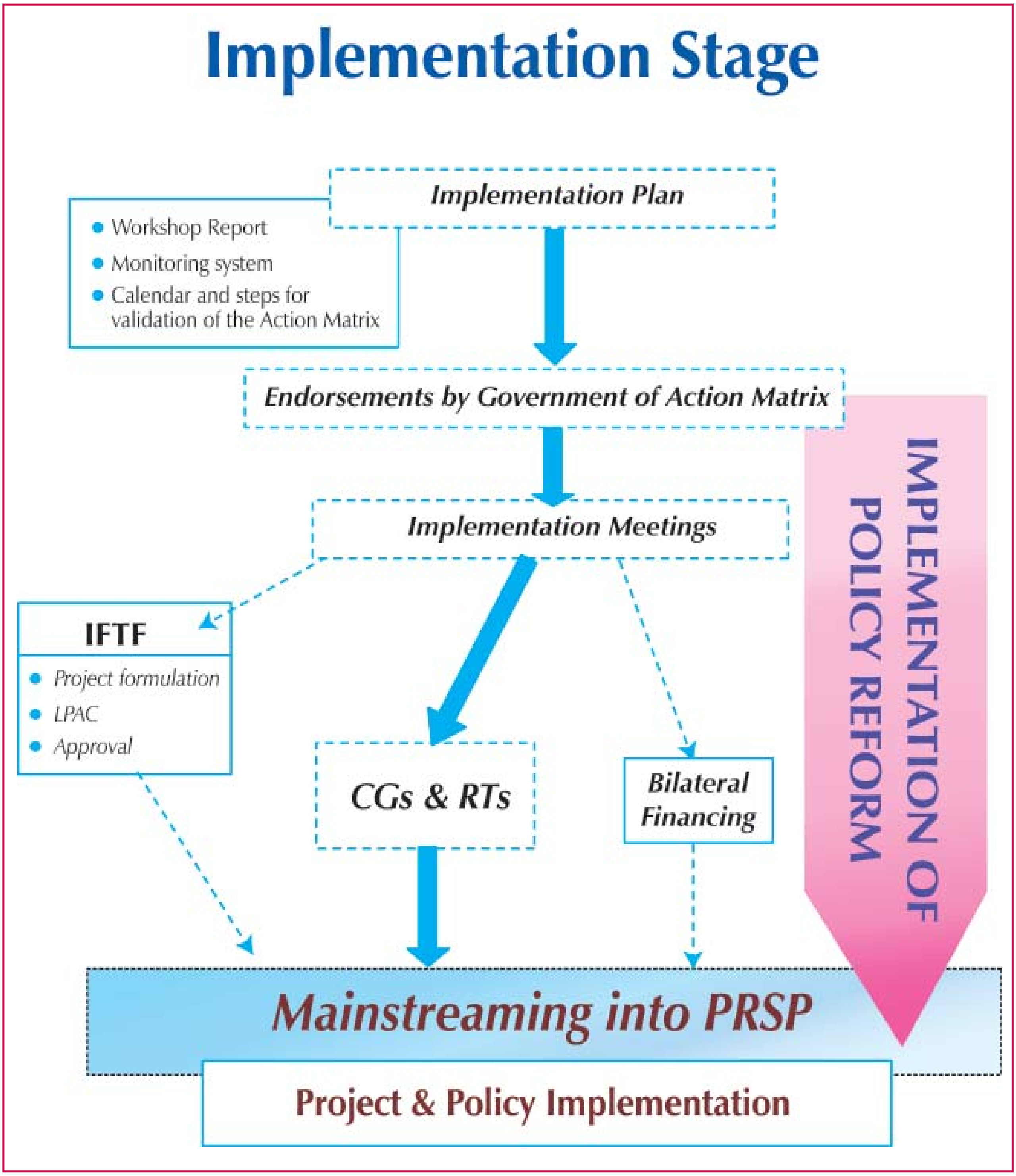
- To inform donors of formal validation of the DTIS and the Action Matrix by the authorities. This will usually occur two or three months after the National Workshop.
- A Government can set up a separate implementation committee or use the existing National IF Steering Committee for this purpose. It is essential that all ministries addressed in the Action Matrix actively participate in the deliberations of this committee. Within this context, the role of the Ministry of Finance or Planning as coordinating ministry for donor activities is very important. In a number of countries, this ministry chairs the implementation committee. Donors can also be invited to attend meetings of the committee.
- To identify funding gaps in the Action Matrix in preparation for the first implementation meeting. Given that the typical Action Matrix consists of a number of clusters, it is recommended to specify and describe in advance the activities already covered by donors and those priorities for which funding must be secured.
- During the first implementation meeting, the funding gaps for priority areas can be discussed and identified. Donors may wish to indicate for which priority areas they might consider providing assistance, taking into account their respective comparative advantage and capacities. The partner should make clear how many donors it wishes to engage with.
- However, given that a typical Action Matrix is formulated in terms of recommendations, an additional step is required to translate these recommendations into concrete project proposals. Therefore, prior to the second implementation meeting, the Government should prepare preliminary project outlines, describing its objectives and the main activities of the proposed projects as well as an indicative budget. At the second implementation meeting the project outlines can be discussed and donors can confirm which projects they are willing to

Box 2

The Lesotho road map

The Lesotho National Workshop provides a good example of an implementation plan. It includes the preparation of the workshop report, the establishment of a monitoring system, the finalization of the DTIS document (including the Workshop's recommendations), the calendar for validation of the Action Matrix by the Cabinet (or by the National Steering Committee), the schedule of meetings with donors to discuss the implementation of priority measures, and the steps required to incorporate the main findings of the validated DTIS and its Action Matrix into the National Development Plan (such as the PRSP).

Flowchart 6



fund. Upon completion of these two meetings, the formulation of formal project documents can take place in line with existing procedures.

The process, as it has been described here, provides a clear advantage because it enables donors to deliver Trade Related Technical Assistance and Capacity Building in a coordinated and transparent way. Although an intensive consultation process between the different ministries and individual donors is required, the Implementation Meetings enable all actors to be fully informed of each other's activities and responsibilities. However, the following points should be kept in mind:

- It should be noted that the IF process requires intensive consultation between the government and donors. It is very labour intensive and may exceed existing capacities. Therefore, Governments may consider formulating a Window II project that could fund a secretariat to prepare the implementation meetings, and conduct preparatory consultations with donors. Consultants could also be funded by this project to "translate" the matrix funding gaps into project proposals.

- If the Government decides to present projects for funding by Window II of the IF Trust Fund, those projects will need to be formulated following the UNDP abridged format and then reviewed and approved by the Local Project Appraisal Committee (LPAC). Issues related to accessing funds are discussed in detail in Chapter 6.
- The above process refers to project funding by donors. However, donors are increasingly using SWAPs and budget support programmes (for instance in Mozambique, Tanzania, Uganda, Ethiopia). These programmes are characterized by direct donor support for government executed activities and donor funding is directly transferred into the government budget. They are usually linked to certain conditions (for example with regard to the public finance management system) and performance indicators. In most cases, donors are jointly involved in providing budget support. More information on these modalities can be found in Chapter 6.
- In cases where direct budget support is provided, it is recommended that the Government and donors set up early consultations during the IF process to identify how implementation of the Action Matrix can be accomplished in these countries.
- Finally, it should be emphasized that the implementation process would be strongly enhanced by the incorporation of the main recommendations of DTIS and its Action Matrix into a country's National Development Plan such as a PRS. This will demonstrate to all parties concerned that the Government has a strong commitment to trade reform and that the strengthening of its trade capacity is a high national priority. Mainstreaming will also help to ensure coherence with other national priorities and strategies that affect trade development and poverty reduction in that country. The results of the above implementation process can be discussed during Consultative Group and Round Table Meetings. In most cases, discussions during these events are focused on a country's poverty reduction strategy; this underlines the importance of the incorporation of the main findings of the DTIS and the Action Matrix in the PRSP.

E. Conclusion

The implementation of IF processes might seem complex and cumbersome. However, the experiences of most LDCs do not confirm this view, created in part, by an analytical presentation that tends to distinguish steps and products. In real life, several of these steps are merged into one-another or follow each other quickly. The NFP and NSC should feel empowered to simplify processes whenever possible while respecting the essence of participation and ownership. The quality of the processes underlined above and their prompt implementation are very much dependent on the capacity of the NFP and NSC to be pro-active and adopt a-can-do attitude. There are actions that can only be initiated by the IF national management, which in turn will trigger others. For example, this is the case for initiating the dialogue with the PRSP National Committee, finding the ways and means to engage it and moving together towards concrete results.

The process, the scarce resources engaged, and the work required, which is considerable, have to be in relation to the rewards of mainstreaming trade into national development strategies. Viewed in this context and considering the starting point, it seems that the results would be worth the effort.

If needed, support is always available. The IF community is small, composed of dedicated professionals in the agencies and governments, who are in daily contact and can respond to queries and access support in their agency or, in a sister agency with a comparative advantage. Another very positive factor is that as a country moves along the process, the IF becomes increasingly bottom-up and owned by local stakeholders. For example, decisions about the use of Window II and the implementation of projects are totally decentralized. However, this does not mean that financial rules and procedures are not respected. On the contrary, experience shows that good knowledge of the financial rules and procedures to prepare project documents speeds up the process. Thus, the importance of raising national capacities through training and learning by doing of national staff that will be involved in these activities.

The adaptability of the IF Framework to changing needs is remarkable. If there are some systemic or policy problems at the country level, it is easy for a country to raise the issue at the IFWG and IFSC through an intervention of the LDC's Ambassador in Geneva.

4. Mainstreaming Trade into National Policies

This Chapter answers the following questions: (A) Why is it important to mainstream trade into the national development strategy? (B) What are the different levels/areas of mainstreaming? (C) How does one garner support for the mainstreaming process?

A. Why is it important to mainstream trade into the national development strategy?

In Chapter 1 the links between trade, growth and poverty reduction were explored. In conditions of mass poverty common to many LDCs, poverty reduction requires an inclusive and sustained growth that substantially increases the average household income and consumption. To reach this objective, international trade, when associated with appropriate complementary domestic policies, is a key factor since, through revenues from exports, a country has access to a wider range of goods and services, as well as to technologies and knowledge capable of increasing the productivity and competitiveness of local enterprises. It also stimulates the entrepreneurial activities of the private sector, creates jobs and fosters learning processes. And finally, international trade attracts foreign direct investment that in turn, provides new opportunities for production and exports. Mainstreaming trade into national development strategies underscores the critical role and contributions that trade makes in national development.

However, the links between trade expansion and poverty reduction are neither simple nor automatic. While it is rather uncommon to have trade expansion coupled with an increase in poverty, it is possible to have trade expansion with little progress in poverty reduction. Evidence suggests the need to place trade reform in the broader context of a country's development strategy, allowing for a gradual opening to imports and foreign investment, as complementary institutional and social structures are put in place.

For trade and investment to have an impact on poverty reduction, they need to be selectively factored into a development-oriented poverty reduction strategy. This calls for an approach that brings trade matters into the dialogue on the Poverty Reduction Strategy papers which foster linkages between trade reforms and other domestic policies, in particular macroeconomic and institutional reforms, designed to promote broad-based growth. However, mainstreaming trade into development is a challenge for countries with weak human and institutional capacities. It requires raising the profile of trade and improving coordination between public policies, taking care of sequencing different policies in order to create synergies, mobilizing a wide range of stakeholders, from government agencies to donors and the private sector and, up-grading capacities for the preparation and implementation of a pro-poor trade strategy. This is a process that should mobilize national energies and receive support from the highest authorities.

Donors should also be concerned by mainstreaming and ensure that support for trade policy reforms features prominently in their development strategies. Today PRSPs are the natural vehicle for mainstreaming trade into comprehensive development frameworks that articulate national public policies and external assistance. Integration of trade into the PRSPs is therefore crucial for securing financing of TRTA. For all of this to happen however, a change in the mindset of the donor community and of LDCs regarding the catalytic role played by trade in development is required.

B. What are the different levels of mainstreaming?

"Trade mainstreaming" has become a buzzword, which is widely used but often interpreted differently by various actors. It should be clearly defined to clarify ideas and manage expectations. For analytical purposes we will examine how trade mainstreaming, trade integration into development policies, can take place at three different levels: policy, institutions, and government-donor relations. While for analytical purposes, it can be useful to distinguish between these different levels, in practice, mainstreaming often occurs through comprehensive action plans, such as the DTIS and its Action Matrix which incorporate all three strands.

(I) Mainstreaming trade at the policy level

For the purpose of this discussion, we will first address the integration of trade strategies and policy into national macro-economic policies and poverty reduction strategies. We will then briefly highlight the questions of trade integration into sectoral policies.

Integration with development and poverty reduction strategies. For most LDCs, the national development strategy is embodied in the Poverty Reduction Strategy Paper (PRSP) that also provides a coordination framework for international assistance.

The first PRSPs focused very much on social sectors, with the aim of ensuring that windfall revenues from debt relief were allocated to priority sectors for poverty alleviation. Attention to trade issues was low. Over time however, countries and the international community moved towards a consensus that the PRSP is a programmatic approach to growth and poverty reduction.

The new generation of PRSPs focus more on sources of growth, including the possible contribution of trade to poverty reduction. They all include import and export projections as part of the macroeconomic framework. This opens a window of opportunity for IF stakeholders to engage in a substantive dialogue and factor trade into the national development strategy. A chapter on trade policy reform and poverty alleviation has been added to the World Bank source book (http://econ.worldbank.org/files/3175_wps2733.pdf) for the Poverty Reduction Strategic Papers.

This paper is recommended reading as it articulates the theoretical underpinnings of pro-poor trade policies and provides guidance on how to prepare such policies. The political economy of trade reform is exposed. It points out that often, even when trade reform would benefit the poor and the economy in general, trade reforms will be resisted. The benefits of trade reform are expected to be economy wide. Hence, the gains to producers and to consumers are diffuse and those who oppose liberalization, the beneficiaries under a protected trade system, are often dominant in political lobbying.

The paper describes successful trade policy reforms and discusses adjustment costs and implications for the poor. It begins with a presentation of the principal trade policy instruments and institutions. It then discusses the agriculture and service sectors, two sectors that are likely to be of particular importance for a poverty reduction strategy. Lastly, there is a discussion of the most important complementary policies and general and trade policy-specific safety nets. It concludes with recommendations for a successful strategy using trade for poverty reduction. A technical note is annexed to this paper and presents a framework for analysis of the short-term and long-term impacts of trade reform on the poor. In Chapter 3 of this Manual, there is a detailed section on the TORs of the DTIS, which reflects the thinking of the PRSP source book.

In the UNCTAD Least Developed Countries Report 2004, a methodology is proposed to help understand the problem of mainstreaming trade into national development strategies. It is for governments to draw from these various approaches to suit the specific needs and contextual situation of a given country.

In summary, the methodology is based on the view that substantial poverty reduction in LDCs requires sustained economic growth and that the balance of payments is a major constraint to achieving this objective. The sustainability of economic growth will be threatened if export expansion is not sufficient to meet the import demand associated with faster growth. This is particularly important for LDCs because of the import sensitivity of their economies.

Thus, the methodology focuses on balance-of-payments constraints and necessary changes in the income elasticity of imports and exports to achieve sustainable growth at rates sufficient to meet poverty reduction targets. It includes an examination of exports, demand prospects for traditional exports and, an identification of promising tradable sectors that can help in achieving trade development goals. This is most effective within the context of a strong national trade policy process in which a wide range of stakeholders, and particularly the private sector, are involved.

It should also be noted that export-led growth is not the only promising open development strategy that can be pursued while liberalizing trade. Liberalization policies can be pursued in which trade is an element of growth rather than the major source of growth. In these cases, domestic demand expansion is an important component of demand-side economic growth.

Integration with sectoral policies. Trade by definition is “a cross cutting dimension of many sector policies and mainstreaming; it implies that sector policies should be reviewed in order to accommodate and integrate the trade dimension"[14]. The findings of several completed DTIS confirm that pro-poor trade integration into sectoral strategies is important to obtain favourable social outcomes. In some cases, this is an efficient way of tackling bottlenecks that may limit an increase in the outputs and incomes of the poor. Consequently, to fully understand how trade policies will impact on a country's poor, a comprehensive analysis of the economy at the sectoral level should be carried out, starting with the poor at the centre of the analysis. The approach followed by DFID in its methodology for analyzing Global Value Chains (GVC) can be of interest in this respect. During the Kigali workshop, DFID presented an analysis of the GVCs for the tea and cotton sectors in Lesotho and their contribution to poverty reduction. A flow chart of the GVC for cotton can be found in Annex 4.

This section provides some insight into how trade specialists can engage their colleagues from sector ministries and discuss the impact of international trade on their sectors.

Trade specialists, poverty experts and sector technicians should work together to develop a common understanding of trade policy impact on the poor. Some quantitative answers, even approximate, should be given to sector-specific questions such as; "are the poor engaged in the tradable or non-tradable sectors? Do they own the factors of production? Is the current structure of protection biased towards consumption by relatively wealthy households? Or, is the bias in favour of protecting goods produced by poor households. What is the market access for goods/commodities of which the poor are the principal producers? How will changing tariffs on intermediate goods and inputs for tradables produced by the poor affect their income?"

These issues are always very country-specific and sector-specific. Often, an analysis at the sector level will not fully capture the diversity of situations affecting the poor. The farmer who grows cotton or millet, or the city dweller who works in a nascent high-tech industry or in a footwear firm will be impacted very differently by changes in trade protection. If needed, the trade specialist should be ready to carry out analysis and policy recommendations at the commodity/manufacturing level. The DTIS chapter on this subject is expected to enrich the debate and improve on the policy and TA responses towards a pro-poor trade strategy.

(ii) Mainstreaming trade at the institutional level

A preliminary condition to mainstreaming trade at the institutional level is the strengthening of the IF structure. Completed DTIS reveal that the usual IF institutional structure at the country level, e.g. the IF National Focal Point and the IF National Steering Committee, needs to be bolstered and supported. This should occur even before substantive activities begin in order to facilitate interaction with stakeholders such as government agencies, academia, think tanks, chambers of commerce, business associations and trade unions.

This is why an IF inter-regional support project, financed by the IFTF, has been prepared to strengthen the institutional and managerial capacity of Focal Points/Steering Committees. It complements and reinforces LDCs' own efforts to participate effectively in all the steps of the IF process, and contributes to a solid partnership with development agencies and donors. More on this inter-regional project and how to access funds is included in Chapter 6, Money Matters.

Organizational integration. In any country, there is government machinery that comprises ministries and supporting institutions, e.g. standards and quality control institutes, export promotion boards, investment promotion centres, etc. The work of these bodies requires numerous interactions. For example, inter-ministerial issues are often delegated to committees. These committees operate following TORs, established procedures, guidelines, agenda, appraisal and vetting processes. Membership also follows specific rules. In most cases, different steps, including consultations with stakeholders, must occur before a policy is formulated and adopted by the country's leadership. All this forms the institutional infrastructure of policy making.

The challenge is to have these committees and bodies participate in the IF process. The IF organizational structure will have an impact on the quality of the relations to be built with the core and sectoral ministries. Hence, it is important to take the time to think through the national IF governing structure.

The saying "one size does not fit all" is most appropriate when discussing institutional arrangements for mainstreaming trade into the national development plan. Leadership, an inclusive or divisive political culture, and a country's institutional development, will differ widely and influence the organization of the IF governance and its structures.

Box 3

Two cases of trade institutional mainstreaming

"…in Bolivia, right from the start of the process all the stakeholders, including actors from the private sector, the informal sector and producer organizations, participated in the National Dialogue. As a result, economic development and trade were identified as a key priority area for the PRSP".

"…in Malawi, during the PRSP process, sectoral and thematic working groups were established. The private sector felt excluded and in response to the weak growth strategy in the PRSP, a National Action Group was formed, which included the Ministers of Finance, Economic Planning and Agriculture as well the private sector and major donors. The new Growth Strategy which builds on the DTIS and emphasizes trade and investment as key paths to growth, will be included in the revised PRSP".

In the IF workshop organized by the Ministry of Foreign Affairs of The Netherlands in The Hague in April 2003, institutional issues were discussed[15] and some participants made the point that "*since the IF process and PRSP process are quite similar (stakeholders participation, emphasis on ownership, action matrix) a special IF process should in principle not be necessary if trade can be mainstreamed into the PRSP*".

The cases of Bolivia and Malawi, quite different from an institutional viewpoint, were discussed during this seminar. They illustrate innovative ways of mainstreaming trade into the PRSP. In particular, an initially unfavourable situation, as in Malawi, can be reversed if alliances between stakeholders are formed, political leadership is mobilized, and constructive proposals are made.

Work coordination. Integration of trade into the national development strategy can be accomplished through institutional mechanisms such as the coordination of work programmes between the National IF Steering Committee and the PRSP National Committee. This might include agreements on outputs, timetables, milestones and joint appraisal reviews.

Such mechanisms contribute to forging work habits and instil a culture of participation and consultation between, and inside, governmental agencies, and between government and civil society. Thus, when organizing the IF Steering Committee, other ministries and stakeholders from civil society and the business community should be associated from the start. The IF process, e.g. review and approval of the ToRs of the DTIS, should be developed, taking into account other on-going national processes and should specify information such as the production of outputs and their timetable which require inputs from other institutional sources. These points are noted in the IF 2003 Evaluation which notes that "*to progress, the IF must be mainstreamed into the work plans for units and individuals throughout the IF operating structure. The mainstreaming of IF into work plans needs to include measurable goals and objectives against which performance and progress can be measured*".

Inclusion of other ministries. In most cases, the National Focal Point is at the Ministry of Trade. This has advantages and disadvantages. The potential danger is that the appointment of a personality from the Trade Ministry can give the wrong signal that the IF is solely the internal affair of this Ministry. This arrangement can, however, work if the Chairperson of the Steering Committee is a personality from another ministry, for example the Finance Ministry such as in the case of Mozambique. In the end, this is mostly a question of personality and a management of perceptions.

The IF Facilitator designated by Government to support and coordinate donor activities, should help to muster support for the IF structure and its representatives.

Recommendations: While there is no one optimal institutional arrangement for fostering the integration of trade policies into the national development strategy, it is possible to outline a few rules of thumb that ensure a favourable outcome:

- If there is an on-going PRSP process, make sure to develop joint institutional arrangements and spell-out concrete outputs and outcomes.
- Include the representation of the PRSP on the IF National Steering Committee and conversely of IF within the PRSP governance body.
- Arrange for a broad and open association of stakeholders in the IF process.
- Do not hesitate to develop innovative institutional arrangements for the IF, taking into account the national context and the existing coordinating mechanisms.

(iii) Mainstreaming trade at the Government-Donor level

The mainstreaming of trade into the PRSP will be facilitated if Donors and the Government make room for trade-related issues in their policy dialogue. There are different means by which this can be accomplished. Ensuring that trade is on the agenda of the Consultative Group or the Round Table meeting is a key step towards integrating it into the national development strategy. It works in two ways: by providing a powerful signal to Donors of the importance given by the Government to trade issues, and by reinforcing the status and position of trade in national policy debate.

Donors can provide support to accommodate trade issues in the agenda of the CG/RT meetings. The crux of the matter lies in inter-governmental relations and in a good understanding of the preparatory process of these meetings, procedures and time frames. Planning for a CG/RT meeting usually starts at least one year in advance, requiring numerous technical meetings and decisions on the documents to be prepared. The agenda is decided at the highest levels, either at the Cabinet level or by the Prime Minister or the Minister of Finance.

Box 4

A successful case of trade integration in a Consultative Group meeting

Cambodia provides a successful example of integrating trade into the Consultative Group meeting, although this case also illustrates the difficulties of such an undertaking. Once the IF process started, efforts were made to put trade on the CG agenda. It was less than six months before the date of the CG and it did not work. Fortunately, in Cambodia, the CG follows a regular schedule and each year a Meeting is organized, usually in Tokyo. The following year, the Prime Minister presented at the CG the so-called “Tokyo Trade Road Map”. This was a strong policy statement on the intention of his Government to vigorously pursue policies in favour of trade liberalization and greater openness of the economy. This was the tipping point, the decisive factor which opened the path for inclusion of trade and IF issues on the agenda of the next Consultative Group. At that occasion, the Trade Minister presented a full report on the IF process and the measures that his Government had taken to integrate trade into Cambodia’s poverty-reduction agenda. It was followed by an interesting and supportive exchange of views with the donor community.

C. How to garner support for mainstreaming?

Mainstreaming trade into national development policies is a long-term undertaking. The case for trade policy and poverty reduction linkages sometimes lacks visibility because the impact on poverty reduction is mediated over a long period through several policies, institutions and channels. Furthermore, there can be short-term negative impacts on different groups as new trade policies are implemented. Hence, for this process to be successful, it requires strong political commitment from a country’s leadership and policy makers. Advocacy for pro-poor trade is essential to sustaining interest and support for policy reforms. In the best-case scenario, it can become a quasi-political force outside the administration, exercising pressure on the Government and the legislative branch in support of reforms.

Implementation of an advocacy strategy can facilitate the transition period until the citizenry feels the positive results of a pro-poor trade policy. Small and finite actions can be realized, in partnership with a variety of actors, including civil society, the business community, and the media. The NFP should take the initiative of preparing an advocacy and communication strategy and engage the donor community to support its implementation. Examples of such actions are given below:

- Give voice to trade champions. Champions are a key element in the advocacy strategy. Hopefully the IF national structure will manage to establish a lasting partnership with some of them since a vibrant advocacy for openness of the economy is essential to ensure continuity of the reform process and smooth out external shocks, by providing explanations and a vision for the future.
- Raise the profile of trade. For example, sponsor conferences at the university and/or chamber of commerce; establish an annual competition, with a reward for outstanding papers analysing pro-poor trade policy; award a small grant to a CSO or a consortium of CSOs for the establishment and service of a web site dedicated to trade related issues.

- Enhance trade understanding. Examples include the organization of Strategic Trade Workshops for members of parliament and civil society on the challenges and opportunities of the multilateral trading system, and sponsoring economic literacy training for economic journalists, media officials and NGOs.

D. Successful integration of the DTIS and PRSP Processes

A successful DTIS process should lead to trade integration into the national development strategy, leading to effective poverty reduction. However, it is not always possible to ensure a perfect synchronization between these processes. In fact, there is often an on-going PRSP when the DTIS is launched. This is not a major problem since the PRSP follows a three-year cycle and is regularly updated. Progress reports are prepared on an annual basis and accordingly adjustments are made. If the implementation of the DTIS is generating a strong and vibrant national dialogue on the role of trade in development and poverty reduction, there should not be major difficulties to develop synergies between the two processes and integrate trade issues during the annual revision of the poverty reduction strategy.

In term of process, the mainstreaming of trade within a development strategy is considered successful when a pro-poor trade policy is effectively part and parcel of the PRSP. Indicators are to be found in a) policy statements in the PRSP concerning trade and corresponding policy reforms and investment programmes, b) trade-related programmes are part of the Medium-Term Expenditures Framework and /or in the national budget, and c) donors have aligned their aid programmes with the new development priorities of the Government. This process should translate into increased employment, increased wages and increased exports. In the longer term, changes are expected in the structure of the national economy and its competitiveness and a virtuous cycle of policy changes should take place, leading to higher socio-economic outcomes.

Checklist for practitioners

- Is there a national trade policy? What are its main features? Does it integrate poverty reduction concerns?
- What is the national vision of trade liberalization? Is there a strong political will for a pro-poor trade strategy? Does it fit within the trade liberalization strategy?
- How is trade dealt with in the PRSP of your country? Has the Trade Ministry been associated in defining quantitative assumptions and goals for the trade sector?
- Is the understanding of, and data on, poverty and trade sufficient to design sectoral policies with a pro-poor bias?
- In organizing the national IF structure, has the NFP considered some institutional innovations?
- What is the composition of the NSC? Have the concerned ministries been associated with it and given responsibilities?
- Have the NFP and the NSC prepared a work plan for strengthening the capacities of the IF structure? Has a request for financing been submitted to the UNDP Country Office?

5. Fostering National Ownership

A. The dynamics of capacity building and ownership

"National ownership" has rightly become a mantra of the development community. Many experiences, both positive and negative, point the crucial importance of having the country in the driver's seat when developing national strategies and policies. As the OECD stated in its presentation at the DAC/IFWG meeting on 28-29 November 2002: *"locally owned country development strategies should emerge from a dialogue by local authorities with civil society and with external partners, about shared objectives and their respective contribution to the local enterprise. Each donor's programmes and activities should then operate within the framework of that locally owned strategy in ways that respect and encourage strong commitment, capacity development and ownership"*[16].

National ownership of trade policy reforms is the key to ensure the long-term sustainability of trade policy and capacity development efforts. It helps to anchor the process of trade reforms in society, enables the development of alliances among a wide range of actors, and fosters an environment for the constant upgrading of capacities (learning by doing). In the event that lobbying by vested interests or economic downturns risk changing the course of trade reforms, strong leadership can act as a rudder that keeps a boat on course through rough waters by mobilizing public opinion and convincing elected officials. National ownership also reduces the influence that trading partners may exercise on a country's policies via technical assistance programmes.

National ownership of trade policies will be most successful when the required capacities for trade policy formulation and implementation are fortified. Some of the required capacities are directly linked to international trade, such as enhancing negotiating skills for regional and multilateral trade agreements and the implementation of WTO agreements. Others are related to broader frameworks that have a direct impact on trade performance such as governance and sound macroeconomic policies, including the promotion of sectoral policies, tax policies that improve the investment climate and support for private sector development, and legal and regulatory frameworks for the private sector, investment and competition. In addition, it is necessary to bolster "horizontal" capacities, such as management, strategic planning, accounting and auditing, training and human resource development, communication skills, advocacy, consensus building, and developing partnerships with civil society and the business community.

B. The development of ownership throughout the IF process

The establishment of an IF National Focal Point and National Steering Committee are institutional developments that foster the IF ownership process. Consequently, the selection of the IF Focal Point is an important moment in the IF process. A person with a dynamic personality, with political clout, who is an imaginative thinker able to reach out to other constituencies, to communicate effectively with the Administration and also engage civil society and the business community and, who can empower his/her colleagues, is essential for the IF success. This person will be the driving force behind the in-country IF process and will be accountable to the stakeholders. As noted in Chapter 4, section B (ii), an IF support project financed by the Trust Fund can provide some logistic support to the IF Focal Point and Steering Committee's members.

Ownership development is a cumulative process that should take place throughout the IF process to ensure a coalescence of stakeholders towards common objectives and a strong identification with national policies. Past experiences indicate that a decisive moment in the IF process for building (or losing) ownership is the quality and depth of the first interactions between the IF stakeholders and the DTIS Team Leader. This interaction is first tested when the Terms of Reference of the DTIS are proposed by the DTIS Team Leader. The outcome of these discussions is decisive in determining the content and scope of the DTIS. Since the DTIS and its Action Matrix form the substantive and analytical content of trade capacity building, it is important that national stakeholders exercise leadership functions from the start of the IF process. It is the interaction of ownership and leadership that ensures an endogenous process of capacity development[17].

In addition to the above considerations, key factors for developing national ownership of trade policy are:

(i) Strong support at the highest political level.

(ii) Early involvement of stakeholders.

(ii) Broad-based participation.

(iv) A positive incentive system.

(v) A common understanding of the pursued objectives.

(vi) Measurable objectives and outcome.

(vii) Ongoing IF dynamics through project implementation.

(I) Strong support at the highest political level

Anecdotal evidence suggests that countries which successfully completed their DTIS had strong support for the IF process at the highest political level. Since most LDCs are going through the PRSP process, which is a highly participatory undertaking, and have adopted liberal economic policies, support for trade reform should already exist. However, some refocusing on trade as part and parcel of the national poverty-reduction strategies may be needed. Too often, trade reforms are equated with simple border measures such as tariff and non-tariff barrier reductions. Instead, trade policy should be seen in the broader context of overall growth, income inequality reduction and poverty alleviation. Support can be reinforced through various means such as participation of policy makers in high-level national or regional seminars, the identification of champions of free trade and their empowerment and, visits to countries with successful trade policies.

Furthermore, since a formal request has to be made to join the IF, including a memorandum explaining the willingness of the country to adopt trade policies aimed at poverty-reduction, the Government and donors have already opened a policy dialogue at the highest level. This just needs to be pursued and nurtured through the IF process.

(II) Early involvement of stakeholders

"Involvement" can mean many things, such as access to information, participation in various decision-making processes, or a presence in the monitoring and appraisal of policy outcomes. An important case of early and timely participation is the establishment of the National Steering Committee.

To engage in a meaningful dialogue with the first World Bank-led DTIS missions, the NSC should be organized prior to the arrival of the DTIS Team Leader, and should already feel empowered. This is a prerequisite to building, from the start, national ownership in the DTIS. Sometimes the NSC is formed in due time but, key partners such as representatives of the private sector are not involved. To ensure the IF's integration into national policies and the development of national ownership, the NSC should comprise, inter alia, officials from the Finance and Development Ministries and a representative from the PRSP National Committee.

In some DTIS, these officials joined the NSC once the DTIS was already well under way. This reflects poor planning and the results suffer. The opportunity to know each other through working on the ToRS, the selection of consultants, and the exchange of ideas on the respective calendars and agenda should be grasped.

(III) Broad-based participation

Broad-based participation raises the issue of who the stakeholders are, their aspirations, interests, and possible alliances. Too often, when making a quick inventory of the stakeholders, the diversity of participants is not fully taken into consideration. Within one given group, for example the manufacturing sector, there may be different opinions between an industrial branch that is threatened by the lowering of tariffs and another one that is in full expansion. It is therefore important that the IF Focal Point prepare at the very beginning of the process, a mapping of stakeholders based on a relatively fine distinction between the different sub-groups, their strengths, weaknesses, and objectives. The mapping should make preliminary distinctions regarding the level of association that can be pursued with the IF for example, information sharing, advisory function, and participation/representation in decision-making. A strategy should also be developed to involve different groups in the various phases of the IF.

Recommendation: National consultants recruited for the DTIS are a *particular group to which the National Focal Point should pay attention. Their ToRs and quality of interaction with international consultants should be carefully reviewed. The 2003 IF external evaluation points to weaknesses in the ways in which the national and international consultants relate in the DTIS. It recommends more mentoring and coaching from international consultants. This is an important recommendation leading to empowerment and development of* *ownership among this group of highly skilled individuals. It is up to the NFP and NSC to ascertain that an incentive framework is put in place for the use of national consultants when preparing for the DTIS.*

(iv) A positive incentive system

Development interventions, like all actions, are driven by incentive systems. Some are conducive to capacity development, while others are not. In many LDCs, public services are riddled with negative incentives, such as low remuneration, downsizing, compression of salary differentials, etc. These might affect performance and national ownership. Therefore, the challenge is to create incentive systems to retain qualified personnel, to provide career opportunities and develop a culture of meritocracy and professionalism in the public service.

(v) A common understanding of pursued objectives

Exceedingly divergent perceptions of the IF amongst stakeholders can undermine the IF process. Paradoxically people can work together for a relatively long period of time and carry divergent perceptions without being aware of it.

According to the 2003 IF evaluation, one dominant perception, at least in some LDCs, is that the IF is a funding mechanism designed to bring additional funds to the country. This perception collides with the view of donors that the IF is first and foremost a coordination mechanism that increases the efficiency of existing assistance. Another frequent misperception, which can have a lasting impact, is that the IF process only concerns the Trade Ministry, rather than various government bodies and economic sectors. Regular meetings of the stakeholders at national and regional levels can bring about transparency in perceptions and help forge a common understanding of the objectives and expected outcome from the IF.

Recommendation: It is essential that the NFP and the members of the NSC forge a common understanding of what the IF is and manage perceptions among all stakeholders.

(vi) Measurable objectives and outcomes

Countries that witnessed the greatest progress under the IF process are those which identified, prioritized and developed initiatives to target problems sequentially. To accomplish this, the dialogue among local stakeholders and the donor community should be based on measurable objectives and outcomes. Baselines, benchmarks and a selection of variables for measuring outcomes of trade capacity development should be established early in the process.

Because of the nature of this exercise, which encompasses poverty-reduction issues, it may be opportune to join forces with an existing monitoring group established for this purpose within the PRSP or within the National Development Strategy.

A well functioning monitoring mechanism will enhance transparency, accountability and ownership if it reports to the appropriate levels on a regular basis and is disseminated to stakeholders and the public. Ideally, some sort of reporting should be presented to the Parliament, at least at the occasion of the discussion of the Budget or during a special session. Moreover, success stories gathered by the monitoring mechanism and disseminated through the media will tend to increase the visibility of trade and its importance in the development process.

(vii) Ongoing IF dynamics through project implementation

Implementing small but tangible priority projects based on the priorities defined in the Action Matrix can boost the confidence of stakeholders and engage actors in a virtuous cycle where programmatic work is followed by implementation and increased ownership. This in turn constitutes an incentive to become more involved in the process and become more efficient. Likewise, benefits generated by participation in the multilateral trade system tend to strengthen the national ownership of trade policies.

C. The role of development partners in national ownership

The international community should support LDCs' mindset change regarding trade and its relation to growth and poverty reduction. Development partners should ensure that support for trade related reforms feature prominently in their Development Assistance Strategies or other similar documents. They should ensure that synergies are built between their trade-related assistance and support to areas that affect the supply response: macroeconomic and fiscal policies, rural development and agricultural research, energy, transport and telecommunication and the effectiveness of the financial sector.

Some progress has been made in this direction but too often expected funding for these new priorities has not yet fully materialized. Aware of the problem, the IFWG decided that each participating LDC should consult with donor countries represented in its capital to determine which donor could act as IF Facilitator. The Facilitator's main task is to assist the Government in managing the IF process, in particular the implementation of the IF Action Matrix, and to liaise with the in-country donor community.

In the light of the national ownership question presented earlier, it is important that the IF Facilitator be chosen by the Government in close consultation with donors and that mutual agreement is reached on his/her role. In other words, it is up to the Government to be actively involved in defining the Facilitator's tasks. In any case, he/she should work closely with the NFP, and not as a substitute for the National Focal Point.

The effectiveness of the IF Facilitator depends on several factors, especially clarity about donors' Technical Assistance priorities. As the IF progresses and trade is increasingly perceived by the country as an instrument to combat poverty, donors' priorities should be readjusted in line with a Government's evolving priorities. The IF Facilitator can support this process by keeping donors regularly informed of choices made by the Government in the DTIS Action Matrix. If necessary, the IF Facilitator should organize a sensitization workshop on issues related to the role of trade in development. He/she can also help to raise the issue of establishing with the international community a fast track mechanism for disbursement, to enable a quick response to priority activities identified in the Action Matrix.

While the role of donors is important, it should be stressed that it is limited, since the IF clearly puts the LDC in the driver's seat of the national development strategy. Thus, the responsibility for adopting and implementing sound policies falls upon the Government. External partners are expected to have only a supportive role.

Checklist for practitioners

- Has the NSC been formed prior to the launching of the DTIS? Have the ToRs of the DTIS been discussed in depth with the NSC and amended to reflect the specificity of the national situation?
- Are all the stakeholders, government ministries, civil society, the business community, represented on the National Steering Committee? Are they participating actively?
- What are the institutional arrangements linking the NSC to the PRSP National Committee or to other governmental machinery for planning development and poverty reduction?
- What is the level and importance of national consultants' participation and of government officials in the analytical discussion of the DTIS and the preparation of the Action Matrix?
- Has the DTIS process led to the formulation of a national trade policy? Is it correct to say that it is a pro-poor trade policy? Is this policy part and parcel of the national strategy of poverty reduction?
- Are there very divergent perceptions of the IF in the group of stakeholders in your country? Have efforts been made to develop one common perception of the IF?
- What has been the NFP's role in defining the tasks of the IF Facilitator?

Checklist for the IFF

- Have pro-poor trade issues been mainstreamed in the donors' aid strategy and in their project design? If the answer is negative, have you tried one of the following, a sensitization workshop for donors, organization of a group of like-minded donors, getting the NFP and the PRSP Secretary to attend meetings with the donors' group?
- Are you keeping donors informed of progress made by the IF process, building a constituency around the nexus of trade, growth and poverty reduction?
- What is the level of cooperation maintained with the NFP and the NSC? Do you have the impression that you have a positive impact on the IF process?
- Have you thought to develop with the NFP a communication strategy targeted at civil society and the business community?

6. Money matters

A. Financing the DTIS process

Window I of the IFTF caters to the needs for mainstreaming. An allocation of US$300,000 for the DTIS is available for LDCs entering the process. Besides this allocation, it has been decided that an allocation of US$38,000 can be made available from Window II to strengthen the IF national structure. National activities under this allocation will vary greatly from one LDC to another. Activities could be in the areas of (i) training (National IF steering Committee members on trade and poverty issues, methodological issues, lessons learnt, empowerment workshops, identification of training needs for participation in multilateral negotiations, proper use of existing support tools, e.g. WTO reference centres); (ii) conferences and seminars; (iii) study tours and knowledge sharing and (iv) procurement of basic office equipment for the IF Steering Committee and a well functioning IF Secretariat. Travel to attend important IF meetings could also be financed.

Box 5

Financial support for strengthening the IF national structure

Financial support up to US$38,000 will be allocated according to the specific needs identified in a work plan, including a schedule of disbursement, prepared by the NFP. In preparing the work plan, it is crucial to keep activities in line with the categories outlined above, notably training, conferences and seminars, study tours, travel, the procurement of basic office equipment and, to have a balanced approach. Care must be taken to avoid allocating all the funds for one budget line when it is clear that there are other crucial needs. It is also good practice to consult with the UNDP Country Office on the work plan and seek advice on the project document.

The allocation will be channelled to the UNDP Country Offices through the inter-regional project entitled "Strengthening National Implementation of the IF". Based on the schedule of disbursement contained in the work plan prepared by the IF Focal Point and officially communicated to the UNDP Country Office, funds will be released by the CO following the standard procedures for national execution.

B. Financing the Post DTIS process

Following the Government's endorsement of the Action Matrix presented at the National Workshop, what comes next? An immediate preoccupation is to not lose the momentum generated and to move forward with the implementation of priority measures identified in the Matrix. However, the national budget in a typical LDC is usually tight and offers little flexibility, at least during the year in which the Action Matrix is approved. This is why the IF process includes the possibility of organizing "Implementation Meetings" to openly discuss financial resources regarding implementation of the Action Matrix. Moreover, Window II of the IF Trust Fund was recently activated to jump-start the implementation of a few high priority capacity-building activities while waiting for larger financing to be mobilized.

This section describes different funding possibilities that the NFP and the NSC can explore while preparing the "Implementation meeting" and the use and function of Window II of the IF Trust Fund. Lastly, it reviews medium-term financing mechanisms, such as the Sector Wide Approach (SWAP) and budget support, and major coordination events, such as the Consultative Group and the Round Table Meetings.

(i) The six months following the national IF workshop

Once the Action Matrix is validated by the national authorities, one or more Implementation Meetings are planned under the auspices of the IF. The Implementation Meeting is not a pledging meeting but it offers an opportunity to candidly discuss with the donor community how the Action Matrix can be implemented and financed. During this meeting, the

Government should indicate in the validated Action Matrix which activities have the *highest priority and require immediate action.* It will be the Government's decision to determine which of the priority projects will be submitted for *Window II* funding (see below) and which projects will be designated for funding discussions with bilateral donors.

If donors have been properly appraised of the IF process, they may have made some funds available which can be quickly disbursed to support the implementation of the Action Matrix[18]. However, in most cases, donors' interest follows the Government's interests with a time lag. This is why it is important to involve donors from the start, giving them time to gauge the Government's commitment to trade and poverty reduction and, to engage in a dialogue with their own capitals on the importance of trade amongst other priorities.

The Implementation Meetings provide an opportunity to clarify the sectoral/thematic areas that individual donors are willing to support and the instruments they will use to channel their support. Timing and procedures for project approval should also be explored at the Implementation Meeting since they can differ greatly from one donor to another depending on different budgetary cycles. Synchronization and harmonization procedures can be on the agenda if prior contacts show there is a favourable environment.

In other words, the Implementation Meeting[19] enables the country to better understand donors' interest and to improve the prospects of resource mobilization. Given that all actors are likely to be present during this meeting, the chance for a transparent and well-coordinated follow-up process is substantially increased.

In organizing the Implementation Meetings the IF Focal Point has a precious ally, the IF Facilitator. His knowledge of the donors' policy postures, and familiarity with the programming and financial cycle of TA projects, will be very useful. Hence, the IF Focal Point will need to liaise closely with him/her.

Recommendation: While organizing the Implementation Meeting, attention should not be diverted from other important and strategic issues, such as the organizational and policy changes flagged in the Action Matrix. Often these changes require little cash outlays but substantial leadership and political will. Taking action on these issues, which are feasible without new funding, is essential in conveying to all stakeholders, including the donors, the Government's determination to move ahead with the agreed plan.

(ii) The IF Trust Fund: Window II

The IFSC recognizes the difficulty for many donors to quickly allocate and disburse funds, and the extended period of time that may lapse between the completion of the DTIS and the next CG/RT meetings. Hence, the use of Window II to provide some bridging funding for priority projects has been approved as a number of LDCs approach or enter the Implementation phase of their IF process.

Resources under Window II aim at assisting LDCs to integrate trade priorities into the PRSP and the national development plan successfully. Window II can finance only projects derived from the activities of the Action Matrix designated by the Government as priorities. Such projects should "*have a bridging function between the completion of the DTIS and accessing funding by donors immediately following the DTIS through the CGs, RTs or programme support. They should clearly have the ultimate aim of helping the LDC to complete the mainstreaming process successfully*"[20]. It should be noted that physical infrastructure projects in the DTIS matrices are excluded from funding under Window II. These projects will have to be presented for funding through Consultative Groups, Round Tables and programme support.

Box 6

Guiding principles for funding under Window II

- The funding ceiling for Window II projects is set at a maximum of one million US dollars per country. This is not an automatic entitlement.
- Proposals for financing should be part of the approved DTIS and Action Matrix and identified by the country as priorities.
- The proposals' ultimate goal is the mainstreaming of trade within development strategies and PRSPs.
- Proposals have to be approved by the Local Project Appraisal Committee.
- Applications for funding under Window II should be made within one year of the DTIS workshop and projects should be completed within three years.

(III) Procedures for accessing Window II[21]

At the request of the IF Focal Point, the UNDP Country Office (UNDP CO) will facilitate the processes of formulation, appraisal, allocation and disbursement of funds from the IF Trust Fund. Throughout this process, the UNDP CO should adequately consult with the NFP and the NSC. In appraising the proposed projects, the Local Project Appraisal Committee (LPAC), will consider the content of the projects, their relevance, their priority within the Action Matrix, and their costing and implementation arrangements, including the proposed executing agency.

The steps for formulating a project, reviewing and approbation and disbursement are as follows:

- The National Focal Point, working in close collaboration with the UNDP CO and other IF cooperating partners, will be responsible for project formulation. To ensure compliance with the UNDP format and procedures, the Country Office will facilitate and guide, to the extent possible, the process of Window II project formulation and appraisal and, facilitate the resource awarding process.
- *Prior to submission of projects to the LPAC, the NFP should be assisted by the UNDP CO to:* rank projects proposals for financing by the IFTF by order of priority; ensure that Window II project proposals for consideration by LPAC fully meet the agreed project document format (concise project description, activities and results framework, execution/implementation modalities, activity-based budget, etc.).

Following the constitution of the LPAC in line with its terms of reference the committee shall:

- Review and approve/reject project proposals submitted by the National Focal Point.
- The appraisal consists of the review of the draft project document, and the log-frame matrix if one is prepared during the formulation process. Persons who are not directly involved in the formulation must participate in the appraisal.
- Through the minutes of the meeting, the LPAC advises the Resident Representative on the soundness of the design of the project and the decision made (either approval, rejection or need for further revision taking into account comments from the LPAC). Minutes of the LPAC meetings must be maintained on file for later review by audit.
- It is recommended that the Country Office also hold one or more internal pre-LPAC meetings to ensure the best formulation possible.

Following approval of projects by the LPAC, UNDP CO will assist the NFP in the following:

- The allocation of project numbers or project ID for approved project proposals before submission to the Trust Fund Manager (UNDP/HQ) for funding confirmation and authorization.
- Sending minutes of the LPAC and the signed project documents with their project IDs to UNDP/ HQ with copy to the IF Secretariat at the WTO.
- Once UNDP/HQ has allocated funds for the implementation of the project, the Government and the UNDP CO shall officially sign the project documents and distributes copies to all concerned parties.
- Uploading copies of the signed project documents into Atlas.

Project Approval. The authority to approve projects at the country level will be specifically delegated to the Resident Representative by the IF Steering Committee once the DTIS and the Action Matrix have been endorsed at the national level. The authority to approve project documents applies to IF Window II funds. Approval may not exceed the funds released by HQ for those Window II funds for the given year/s.

Box 7

The electronic processing of approval and disbursement

UNDP uses a PeopleSoft-based global integrated financial information management system for projects called Atlas. Atlas is designed to facilitate accountability, the management and monitoring of project budgets, expenditure and financial reporting by UNDP country offices. The system electronically allocates funds to projects, provides project IDs (numbers), tracks the use of resources, provides information on the availability of funds and, produces the Project Delivery Reports (PDR). Atlas also maintains requests for advances and direct payments and electronically transfers authorized payments through an inter-agency voucher system.

In exercising this authority, the Resident Representative will be guided by the recommendations of the LPAC, and will seek the guidance of the IF Facilitator. The UNDP Resident Representative will have overall responsibility for all IF-supported activities under Window II. The maximum period covered by a project document is three years.

Local Project Appraisal Committee (LPAC). UNDP will arrange a formal meeting of LPAC. The Ministry of Trade will chair the LPAC meeting on all projects for which it will not be the direct beneficiary. For those projects which will benefit the Ministry of Trade directly, an alternate Chair will be appointed with the participation of IF stakeholders, representatives from the Government, the national institutions involved in the project and, representatives of other donors, civil society, the private sector and target groups. The composition of the LPAC will vary according to the situation and the needs of the project.

Project management. Three types of management arrangements are available for users to decide which one is the most suitable for a given project. UNDP arranges for its support to projects to be provided in one of three ways:

(i) National execution (NEX). This refers to management by a governmental entity.

(ii) Execution by a UN agency or multilateral bank.

(iii) Execution by an NGO or the private sector.

The management arrangements are determined after consultation among the parties during the formulation of the project.

C. The medium-term framework for mobilizing resources

In heavily aid dependant LDCs, the bulk of TRTA financing will most probably continue to come from bilateral donors and multilateral organizations. However, Governments should examine all options for harnessing resources, including innovative arrangements such as Public-Private Partnerships. Support from NGOs and CSOs should also be considered, in particular in the areas of policy advocacy, access to legal advice through international NGOs specialized in delivering such services, and organizations of farmers at the grass roots level.

This section reviews the project modality, the programme approach variants, such as SWAPs and basket funding and direct budget support. Lastly, the Consultative Group and Round Table Meetings (CG & RT) will be presented.

(i) The project modality

Some donors may choose to support the implementation of the Action Matrix through the project modality, using their bilateral cooperation programme to deliver the required TRTA/CB. Resources can be channelled through a project to strengthen capacities in ministries, government agencies or private sector entities such as chambers of commerce. Donors can implement the projects through technical cooperation or through various modalities, such as contracting NGOs. It is important that the project selected for support is one of the priority projects of the Action Matrix and fits within the broader IF scheme. Issues related to harmonization of practices among donors, e.g. predictable and multi-year commitment, untying aid, results-driven management, and alignment on national processes and development strategy that are underscored in the OECD Paris Declaration[22] should be taken into account in the design and implementation of the project(s).

(ii) The Sector Programme Approach

During the last decade, the relative importance of sector programme financing has grown rapidly. Some sector financing is in the form of Common Pool Funds, or Common Basket Funds, supported by several donors, with a clearly identified sub-set of activities at the sector level and using *ad hoc financial procedures* defined by the donors participating in the basket and agreed upon by the Government. Another modality is the fully-fledged Sector Wide Approach (SWAP). The SWAP augments Government funds across a whole sector. They are typically disbursed through the Treasury and follow the financial and budgeting procedures of the Government as opposed to ad hoc modalities of Common Pool Funds[23].

One of the most important features of the programme approach is that it brings sector expenditures to the centre of policymaking and unifies expenditure programming and management, regardless of the sources of funding. By aligning donors around a country-driven process, pooling financial resources and agreeing on a set of objectives and outcomes that can be monitored, sector programme financing fosters national leadership and ownership. It also increases the predictability of resources and funding sustainability in the medium-term. Monitoring of "basket funding" and of SWAPs easily fits within the technique of "public expenditures review", which ensures visibility and accountability. Another advantage is that transaction costs are cut for donors and Government.

A SWAP or a "basket fund" for supporting trade reforms and competitiveness could be complementary to the IF by taking care of supply-side constraints, in particular, infrastructure and investment projects which are beyond the IF's scope. Projects and policy measures, as outlined in the IF Action Matrix, could form the core of a SWAP or a basket. It is up to the NFP and the NSC to initiate discussions on a trade sector programme with the donor community.

(iii) The National Budget

The national budget, which allocates a country's resources, reveals more than any other document a country's priorities and commitment to combating poverty. The budget should be the primary means by which the Government reports on progress in implementing its strategy to reduce poverty, including the role of trade in this undertaking.

Beyond its own national resources, a Government also has access to direct budgetary support provided by donors. Budgetary aid may be utilized to reduce the fiscal deficit or to build up reserves, without any increase in public spending. Such support becomes an integral part of the national budget and is not allocated by the donor to a specific sector. Budgetary support is increasingly used by several multilateral and bilateral donors. In some heavily aid-dependent LDCs, direct budget support and SWAPs can reach nearly 50 per cent of all aid received.

In the current context of emphasis on poverty reduction, budgetary support is most often directed towards the implementation of the PRSPs. For the first PRSPs, performance indicators linked to the disbursement of the various tranches were social indicators linked to health or education. As the second generation of PRSPs includes other issues such as growth performance and structural reforms, a government should negotiate the inclusion of indicators related to trade performance and the development of the private sector. This would be an efficient way to ensure that during the budgetary process more attention is given to trade and supply-side issues and that appropriate resources are channelled into these sectors in order to reach the performance indicators agreed jointly between the Government and the donors. The implication is that trade should be recognized in the PRSP as a priority sector and that the activities considered in the PRSP are convergent with the priorities of the Action Matrix [24]

In addition, it should be noted that in most countries, the sectoral allocations made in the national budget are pre-determined by the medium-term expenditure framework (MTEF). The MTEF is a system for planning actions and programming spending over a three to five year period. In some countries the whole budget process is managed through an MTEF system; while in others it is limited to specific sectors and acts only as a broad guide to spending decisions. In many cases, spending allocations made in the national budget are to some extent pre-determined by the strategic decisions made in the context of the MTEF. This should encourage trade officials to get involved as soon as possible in the budgetary process. They should be ready to make the case for trade competitiveness and to build alliances with other groups in and outside of the Government in support of required changes in public expenditures in the context of a pro-poor trade strategy. Once again, the involvement of the Ministry of Finance is a key to ensuring that the projection of resources for the sector is realistic, and that sectoral priorities are consistent with wider national priorities, as expressed in the PRSPs and the national development strategy.

(iv) The Consultative Group and Round Table Meetings

The Consultative Group (CG) is led by the World Bank while the Round Table (RT) is co-managed by UNDP and the country. LDCs belong to either one of these two mechanisms. Over the years, the differences between the CG and the RT have started to fade. Both are now essentially concerned with macro-economic policies, balance-of-payment problems and a set of sectoral/thematic policies, which evolve according to circumstances, and priorities set by the country in consultation with the donor community.

These meetings, contrary to common perceptions, are not pledging conferences, at least not in terms of pledges for specific projects. Donors are invited to comment on Government policies, to indicate their commitment to provide support (budget support, programme/sector allocations) and to give some indication about the size of their financial participation. On the Government side, the Minister of Finance usually leads both CG and RT Meetings. Except for a few countries, there is no regular schedule. The timing depends, inter alia, on the country's economic performance but, as a rule of thumb, an interval of two to four years is usual.

For an LDC, these meetings are major events. They often signal policy changes and secure the donor community's commitment on a set of policies, benchmarks, and target performance. The preparation time is at least one year, often more. The process begins with negotiations on the meeting's agenda. This is a time of intense lobbying by different sectoral constituencies, followed by the constitution of various working groups, often inter-ministerial, to prepare analytical work, thrash out issues, identify constraints and opportunities, revise and update statistical data, and prepare policy papers, and a medium term macroeconomic framework. The Minister of Finance ensures the leadership and coordination of the inter-ministerial work.

To raise the profile of trade it is essential that it be part of the meeting's agenda. This may be difficult because of competing issues supported by strong constituencies. The obstacles can be internal (other sectoral/thematic issues crowding out trade) or external (the lead donor in charge of the organization of the meeting has a different perception of policy priorities). However, if the Government clearly signals its intention to raise the priority of trade in its development strategy, and that mainstreaming efforts are in place and backed up by a credible implementation strategy, including some (even modest) budgetary allocations, experience shows that it should be possible to get trade related issues on the agenda of the CG or RT meeting. During negotiations on the agenda, the Minister of Trade must muster the support of the IF stakeholders and IF core agencies. In view of the key role of the Minister of Finance in managing the CG/RT process and arbitrating aid priorities, he/she should be involved from the start, in the mainstreaming of trade into the national development strategy, in particular regarding the PRSPs.

Checklist for practitioners

- Has extended collaboration taken place between the NFP and the IFF on issues related to implementation of the Action Matrix?
- After the adoption of the Action Matrix, have actions been launched to solve some priority policy and institutional issues that require little financing? If not, why?
- Has the NFP planned to organize an Implementation Meeting? What is the country's strategy? Has it been tested with the IFF?
- Is the Government ready to indicate which activities of the Action Matrix will have the highest priorities and, which activities will be financed from the IF Trust Fund?
- For priority short-term financing, the country can turn to IFTF Window II. Has the NFP and NSC contacted UNDP to facilitate this process? Has the UNDP abridged format for preparing project documents been used?
- How are trade issues positioned in the agenda of the next CG/RT Meeting? Has it been possible to mobilize support at the highest political level?
- During the dialogue on PRSP, has the idea of programme lending for pro-poor trade activities been tested with the donor community?
- To ensure longer-term financing, has trade been integrated into the Medium-Term Expenditure Framework and the national budget?
- In which strategically important finance committees should experts from the trade Ministry be involved?

Checklist for IFF

- Is the Government interested in a pro-poor trade SWAP? Do you have the information necessary to facilitate the process?
- Is trade on the agenda of the forthcoming donors meetings? CG or RT? If not, what measures have you taken to move trade into the agenda?

7. Building Alliances with other TA Programmes

Within the scope of this Manual, it is impossible to examine the particularities of the many TA programmes that could be of interest to the Integrated Framework. Suffice to say that at the country level synergies and convergence should be built between TA projects; without losing their individuality, they should be folded within the Integrated Framework, which is a home grown coordination process offering a unified and inter-disciplinary approach to trade capacity-building. The relevance of projects will be enhanced as their objectives and activities are adjusted to the overarching goal of reducing poverty and transactions cost will be reduced, as a common body of diagnostic studies will be available to everyone. This also means that, on average, the Government's burden of being involved in the formulation and coordination of numerous projects will be lessened, thereby making more resources available for TRTA/CB activities on the ground. As the owner of the IF, LDC Governments should work towards coordinating TRTA/CB programmes within the IF framework as well as between bilateral donor programmes in the country.

Within the following paragraphs, an attempt is made to enunciate a few principles of cooperation that should guide the relationship between (i) the IF and the Joint Integrated Technical Assistance Programme, (JITAP), and (ii) the IF and the Standards and Trade Development Facility (STDF).

A. Areas of synergy and cooperation with JITAP

The JITAP and the IF are different but complementary trade assistance instruments. They share the same long-term goal but, while the IF is a process leading to the integration of trade policy into national development plans, the JITAP is a programme aimed at strengthening national capacities for integration into the multilateral trading system. In this respect, JITAP has four main objectives. It aims at: (i) developing capacities to utilize the multilateral trading system and its agreements by strengthening a national coordination mechanism on the WTO; (ii) assessing the impact of the MTS on national economies; (iii) supporting capacity for exercising legal rights and conforming to legal obligations in the MTS; (iv) providing a framework of support services to exporting enterprises.

Six organizations combine their efforts in the IF while there are only three in JITAP, namely ITC, UNCTAD and WTO (all three of which are part of the IF). Target beneficiaries for the IF are all 50 LDCs while the JITAP is only for selected African countries (both LDCs and non LDCs). Ten African LDCs are members of JITAP as well as the IF.

Box 8

Commonalities and differences between the IF and the JITAP

	Integrated Framework	JITAP
Objectives	Mainstreaming trade into development, including MTS.	Integration into the global economy and MTS.
Guiding principles	Process for mainstreaming trade. Policy-based TA. Framework for TRTA/CB coordination for all donors.	A programme of TA activities with a strong focus on MTS issues. TA focused on human and institutional strengthening. Concrete TA work, output-oriented.
Agencies	IMF, ITC, UNCTAD, UNDP, World Bank, WTO.	ITC, UNCTAD and WTO.
Countries	All LDCs are eligible.	Selected African countries: LDCs and non-LDCs (LDCs: Benin, Burkina Faso, Malawi, Mali, Mauritania, Mozambique, Senegal, Uganda, United Republic of Tanzania and Zambia; Non-LDCs: Botswana, Cameroon, Côte d'Ivoire, Ghana, Kenya and Tunisia.)

The JITAP evaluation of the Phase I of the Programme contains a number of observations and recommendations on the relations between JITAP and the IF. These include the following:

- The IF is a "framework" whereas JITAP is a programme of activities; the relationship between the IF and JITAP at the country level needs to be looked at afresh.
- In the future, JITAP could consider a role as the catalyst for stimulating bilateral donor trade related technical assistance within the IF.
- In a country where the IF process is completed and if that country is a participant of JITAP, then it is an essential precondition that the results of the IF Diagnostic Trade Integration Study are fully absorbed by JITAP.
- IF and JITAP each address a different, although related and complementary, set of issues.

The 2003 independent evaluation of the IF recommended that " *the operations of JITAP and IF be harmonized in countries where both offer their services, and their resources to be used in a coordinated way*". In a subsequent IF retreat to consider the findings and recommendations of the 2003 evaluation, several recommendations were made by the participants concerning the relations between the IF and the JITAP. One was that "*JITAP be an implementing arm of TA activities identified in the DTIS"; the second that "countries should elaborate how they see synergies between IF and JITAP. This could be included in the Aide-Memoire*" (to be prepared following the first mission of the DTIS team leader to the country).

Recommendations: It is quite obvious that when the JITAP follows an IF exercise, it should fully take into account the findings and recommendations of the DTIS and subsequent documents produced by the IF process, such as the Action Matrix. The JITAP should strive to exploit the complementarities between these two instruments and avoid any duplication of efforts.

To assist in this process, one interesting option would be to merge the IF and the JITAP national Steering Committees. Since in most countries, members of one committee are often members of the other, it would be fairly easy to implement this. This would result in reducing the administrative burden on LDCs, an appreciable result in countries where human resources are scarce and institutional capacities are weak.

Coordination at the country level could also be enhanced through the rationalization of information flow and the implementation and monitoring of progress. The IF Facilitator through his network of donors can assist the Government in facilitating the coordination of trade projects within the IF.

Likewise, at the international level, increased cooperation and collaboration amongst the implementing agencies of the IF and JITAP programmes should be fostered, providing further incentives for similar coordination in the field. It should take place amongst and within agencies, as well as between the management structures in the headquarters of the two programmes. Enhanced technical cooperation between the focal points responsible for the IF and the JITAP at agencies' headquarters would include for example, systematic and regular information sharing, invitations to participate in joint planning sessions, and appraisal and monitoring meetings.

B. Areas of synergy and cooperation with the STDF

The strategic aim of the Standards and Trade Development Facility (STDF) is to assist developing countries enhance their capacity to analyze and implement international sanitary and phytosanitary (SPS) standards, improving their human, animal and plant health situations. This will enable them to gain and maintain market access. The STDF is both a financing and a coordinating mechanism. It provides grant financing for developing countries seeking to comply with international SPS standards and hence gain or maintain market access.

There are apparent synergies in the work of the Standards and Trade Development Facility (STDF) and the IF in the area of SPS standards. Various needs in the SPS field have been identified through the Integrated Framework. It is envisaged that the needs identified by countries could be developed into projects. For example, in the IF Action Matrices of several LDCs a number of activities have been identified in the animal health sector such as recognition of disease freedom, improvement of information on the livestock sector both for disease control and commercial operators, and penetration of export markets in neighbouring countries. It is envisaged that such needs could be addressed either through the development of projects using the project preparation grant of the STDF or through project proposals.

The STDF Secretary will liaise closely with colleagues in the Integrated Framework Secretariat so as to assist in the identification of SPS needs and the development of projects to address the SPS needs identified in the DTIS. The partners in the STDF have agreed to devote at least 40 per cent of facility resources to projects from LDCs. Exploitation of synergies with the IF will assist the STDF partners (the Food and Agriculture Organization (FAO), the World Organization for Animal Health (OIE), the World Bank, the World Health Organization (WHO) and the World Trade Organization (WTO), in meeting this target.

Annex I

IF Process Bibliography

The following documents can be found in the CD-ROM prepared for the "Pre-DTIS Regional Workshop" (Kigali, Rwanda 18-21 October 2004). In addition, the Integrated Framework Website can also be consulted (http://www.integratedframework.org).

TRTA folder: Documents on UNCTAD, WTO and ITC

A. Evolution, Structure and Governance

- **IF Brochure in French, English and Spanish**

- **Old IF: Establishment**

  High Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, "An Integrated Framework for Trade Related Technical Assistance, including for Human and Institutional Capacity-Building, to Support LDCs in their Trade and Trade-Related Activities" (Revision: WT/LDC/HL/1/Rev.1, 23 October 1997).

- **New IF: Adoption of an IF Pilot Scheme (12 February 2001)**

  Sub-committee on LDCs, Integrated Framework: "Proposal for a Pilot Scheme" (WT/LDC/SWG/IF/13, 16 February 2001).

- **New IF: Establishment of IFSC and IFWG (Drafts)**

  Sub-committee on LDCs: "IF for Trade-Related Assistance to LDCs": 21st Meeting of the IAWG - Annex 3 and Annex 4 (WT/LDC/SWG/IF/5, 11 October 2000).

- **Criteria for the Selection of Countries to enter the IF**

  Integrated Framework Steering Committee: "Selection of the initial three pilot countries under the integrated framework pilot scheme", Report by the World Bank, on Behalf of the Inter-Agency Working Group, 2nd Meeting of the IFSC: Introduction, sub-section 1 (WT/IFSC/W/4).

- **Technical review**

  Technical Review Template, 15 July 2004.

- **Terms of Reference Preliminary Mission**

  Generic Terms of Reference and Guidelines for Preliminary Mission for DTIS under IF Integrated Framework Website (http://www.integratedframework.org/files/General_tor_prelim.pdf).

- **Terms of Reference DTIS**

  Integrated Framework Steering Committee, Integrated Framework: Pilot Phase Work Programme Terms of reference for country diagnostic trade integration studies (WT/IFSC/W/2, 15 August 2001).

  Complete Terms of Reference for the Integrated Framework Studies Integrated Framework Website (http://www.integratedframework.org/files/IF_General_tor.pdf).

B. IFTF

- **Terms of Reference IF Trust Fund**

Sub-committee on LDCs "IF for Trade-Related Assistance to LDCs":Annex 5, *Decision on the establishment of the IFTF (draft)* (WT/LDC/SWG/IF/5, 11 October 2000).

Integrated Framework Steering Committee, "IF Trust Fund: Pilot Phase of the IF for Trade-Related Technical Assistance to LDCs, TOR" (WT/IFSC/W/3,15 August 2001).

Integrated Framework Steering Committee: "The IFTF, Window II, TORs" (WT/IFSC/4, Add.1, 21 May 2003).

Integrated Framework Working Group: "Report of the 38th Meeting of the IFWG" (9-10 February 2004, Geneva) Section 1./B. on Window II operation and LPAC.

UNDP: "Important Notice on IF Window II Guidelines & Procedures" (IF – BDP/UNDP Document, 07 April 2004).

UNDP, Integrated Framework Trust Fund: "Procedures for Window II" (BDP/UNDP2005).

C. Other Guidelines

- **Guidelines to Agencies**

Integrated Framework Steering Committee, "Report of the 27th Meeting of the IAWG", World Bank, Washington D.C., 6-7 September 2001.

1.b. 3. Guidelines for participation of Agencies in Bank-led IF missions (WT/IFSC/W/5, 10 October 2001).

- **Facilitator Guidelines**

Report of the 34th Meeting of the IFWG, 16 January 2003, WTO, Geneva

Annex 3: Donor Community Paper on Guidelines on IF Facilitator

IF Facilitator Guidelines: Designation procedure and mandate

- **Joint LDC Communication**

The Integrated Framework and Window II of the IFTF: *Perspectives from LDCs*

- **Joint Communiqué by the six core agencies of the Integrated Framework. 15 July 2003**.

Joint Communiqué by the six core agencies of the Integrated Framework. 28 February 2002.

D. Supporting Papers

Discussion Paper: "The IF for TRTA to LDCs: Delivering early concrete results: problems and possibilities".

The IF for TRTA: The Role of Donors: Report of a workshop, 28-29 April 2003: The Hague, Netherlands.

Background Paper for the Integrated Framework Donor Workshop: Presented by Leendert Solleveld, 28-29 April 2003: The Hague, Netherlands.

Background Paper: *'Making Trade Work for the Poor: A High-Level Meeting on Trade and Development':* 27 May 2003, Copenhagen, Denmark.

OECD/DAC: DAC Guidelines on Strengthening Trade Capacity for Development, 2001.

WTO, Sub-Committee on LDCs, Technical Assistance for acceding LDCs: "Note by the Secretariat" (WT/COMTD/LDC/W/32, 6 May 2004).

WTO, Sub-Committee on LDCs, Assistance to address supply-side constraints: "Note by the Secretariat" (WT/COMTD/LDC/W/33, 26 May 2004).

E. IF Work Programme

IFSC, IF Work Programme: "Follow-up Actions to the Second Evaluation of the Integrated Framework" (WT/IFSC/7, 17 February 2004).

F. Evaluation and Monitoring

WTO, IF 2003 Evaluation report, WT/IFSC/6/Rev.2 and Summary of the 2003 Evaluation, WT/IFSC/6/Rev.2/Add.1

IF Secretariat: Monitoring Matrix, in French and English.

IF Secretariat: Guidelines for the use of the Monitoring Matrix, in French and English.

G. Implementation progress in IF countries

- April 2004 Synthesis
- May 2004 Implementation Progress
- June 2004 Individual Countries progress table
- June 2004 Individual New Countries progress
- June 2004 Conditions of Implementation

H. Other documents

- *WTO Action Plan for the Least –Developed Countries*, WT/MIN(96)/14.
- *The Relationship between the Joint Integrated Technical Assistance Programme (JITAP) and the Integrated Framework (IF)*. DRAFT. 25 June 2003.
- UNDP: *Programme Support Document: Strengthening of the National Implementation Arrangements of the Integrated Framework*. March 2003.
- *WTO, Assistance to Address Supply-side Constraints-Addendum*, WT/COMTD/LDC/W/33/Add.1.
- *WTO, Review of Standards-Related Issues Identified in DTISs*, G/SPS/GEN545.

Annex II

Trade-Related Technical Assistance Web links

IF website: http://www.integratedframework.org

WTO Technical Cooperation and Training: http://www.wto.org/english/tratop_e/devel_e/teccop_e/tct_e.htm

Joint WTO-OECD Capacity Building Database: http://tcbdb.wto.org/

OECD/DAC web site on trade and development: www.oecd.org/dac/trade

Accessible information on Development Activities (AiDA), AiDA view of WTO-OECD TCBDB: http://aida.developmentgateway.org/TCB.do

World Bank Training and Capacity Building: http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:20097560~menuPK:169541~pagePK:148956~piPK:216618~theSitePK:239071,00.htm

World Bank – Trade Policy Reform and Poverty Alleviation: http://econ.worldbank.org/files/3175_wps2733.pdf

UNCTAD Technical Cooperation: http://www.unctad.org/Templates/Page.asp?intItemID=1479&lang=1

JITAP: http://www.jitap.org/

ITC - Compendium of Tools, Services and Global Programmes: http://www.intracen.org/aboutitc/compendium/compendium.htm

IMF Technical Assistance web page: http://www.imf.org/external/np/exr/facts/tech.htm

UNDP, see by region / by country: http://www.undp.org/undp_by_region/index.html

Please see also:

Pre-DTIS Regional Workshop, Kigali, Rwanda 18-21 October 2004 on CD-ROM.

TRTA folder: Documents on UNCTAD, WTO and ITC.

Annex III

Nepal Action Matrix

Policy and Technical Assistance Matrix (A):
Top priority measures recommended for immediate (*) implementation
(Immediate = next 6 months)*

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/ legislation change	Technical assistance	
Strengthen trade policy capacity; rationalize institutions and practices.	▪ Audit trade policy expertise within NPC, MOF, MOICS, NRB, Ministry of Agriculture, and independent institutions by independent advisor outside public service. ▪ Appoint advisor to set up an apex trade policy evaluation unit.		 Yes	Yes Yes	Immediate HMGN, donor Immediate HMNG, donor
Move toward WTO compliance,	▪ Amend Customs Act and Rules to accommodate valuation compliance and other WTO compliance requirements. ▪ Identify service-related bottlenecks that increase costs, and liberalize these sectors for WTO negotiations.		Yes Yes	Yes Yes	Immediate HMGN, donor
Reduce transaction costs and improve market integration	▪ Complete legal review of Draft Nepal India Rail Agreement; finalize and implement. ▪ Appoint a terminal management operating company for Birgunj through competitive tender. ▪ Operationalize and fund Roads Board activities and expenditures, including fuel levy transfer; implement APP budget for rural roads. ▪ Fund customs and ASYCUDA training. ▪ Review passbook scheme for duty drawback; implement or replace by exemption. ▪ Negotiate with India to open Customs border posts for longer hours.	Yes Yes Yes Yes Yes		No No No Yes No	Immediate HMGN Immediate MOF, Roads Board Immediate, MOF DOC, donor Immediate MOF, DOC
Reform labour market mechanisms	▪ Develop draft labour law consistent with a contracts-based legal framework for the labour market, along the lines of Malaysia's 1995 Employment Act; alternatively, consider amending laws to allow dismissal with compensation.		Yes	Yes	Immediate HMGN, donor
Reform institutions and regulations targeting investment.	▪ Review functions of BOI, IPB, OWC, Fast Track Committee, and TPC, with a view to rationalization. ▪ Remove business support services from the Negative List.		Yes Yes	No No	Immediate HMGN Immediate HMGN

Annex III (contd.)

Policy and technical assistance matrix (B):
Supporting measures

(Short term = next 12 months, Medium term = under 2 years, Longer term = 2 to 5 years)

Objectives	Action recommended	Requirements			Time frame and agencies
		Implement existing policy	Policy/ legislation change	Technical assistance	
Trade policy and WTO accession					
Institutional rationalization	▪ Abolish current TPC/EPB and other bodies to set up public-private funded Trade Promotion Agency.		Yes	No	Medium-term HMGN, FNCCI
WTO accession	▪ TRIPS: Extend TA to finish drafting laws to bring Nepal into formal compliance; initiate extension services to educate SMEs on commercial benefits of trademarks and branding; construct facilities to hold confiscated counterfeit goods.		Yes	Yes	Short-term HMGN, MOICS, donor
	▪ TRIPS: Establish inquiry point; build capacity in judicial system to handle IP disputes; conduct public-education campaign on commercial benefits of patents, geographical indications, and commercial value of traditional knowledge; promote the private provision of intellectual property legal services to SMEs.		Yes	Yes	Short-term HMGN, MOICS, donor
	▪ SPS/TBT: Introduce legislation to base domestic regulations on international standards; accept, without requiring additional testing of, any goods bearing certificates of conformity assessment issued by other WTO members (e.g., the EU's "CE" mark); pass legislation to establish an inquiry point for SPS measures.		Yes	Yes	Med/long-term HMGN, MOICS, donor
	▪ Analyze impact of moving to a two-tier tariff structure on effective protection of Nepal-India tariff differentials and trade flows.	Yes		Yes	Medium-term MOICS Donor
Tariff and duty drawback and tax reforms	▪ Assess feasibility of replacing drawback scheme with a duty-suspension scheme.		Yes	Yes	Med. term MOF, DOC
	▪ Broaden tax base to compensate for removal of ODC.		Yes	Yes	Long term MOF, DOC

Annex III (contd.)

Objectives	Action recommended	Requirements			Time frame and agencies
Trade facilitation through customs and logistics reform.		Implement existing policy	Policy/ legislation change	Technical assistance	
Customs procedure.	▪ Develop selectivity criteria for risk-based management of Post Entry Valuation and Audit; implement ASYCUDA selectivity module and train staff.	Yes		Yes (evaluation consultant)	Short term DOC, WCO, Donor
	▪ Align transit documentation with Indian EDIFACT System.		Yes	No	DOC
Customs governance.	▪ Revise objectives of MOF/DOC to make consistent with enhanced voluntary customs compliance and clearance facilitation. Develop Code of Conduct specific to DOC employees.		Yes	Yes (HR consultant)	Short term DOC/MOF, Donor
Customs institutional reform.	▪ Develop customs clearance, non-compliance audit and investigation capability within DOC. Provide training in Post Entry Audit, Investigations and Intelligence.			Yes	Medium term DOC, Donor
	▪ Create a Post Entry Valuation section.			Yes	Short term DOC
	▪ Study benefits of amalgamating DOC into a revenue authority.		Yes	Yes	Medium term MOF, Donor
Customs infrastructure.	▪ Correct weighbridge, X-Ray, laboratory testing and refrigeration facility deficiencies at major border points.			Yes	Medium term DOC, Donor
	▪ Undertake benefit cost appraisal of a dry port at Katmandu.	Yes		Yes Consultant	Medium term
Improving transport and logistics					
	▪ Pass Carriage of Goods by Rail, Carriage of Goods by Road, and Multimodal Transport Acts or promulgate through Ordinances.	Yes		No	Immediate HMGN, MOICS, MOT
	▪ Conduct evaluation of other transit corridors, especially those accessing Mumbai port, with a view to communicating and negotiating these with the Government of India.		Yes	No	Med Term MOICS, MOT
	▪ Undertake benefit cost appraisal of a dry port at Katmandu.			Yes	Med/Long DOC,MOICS MOT, Donor

Annex III (contd.)

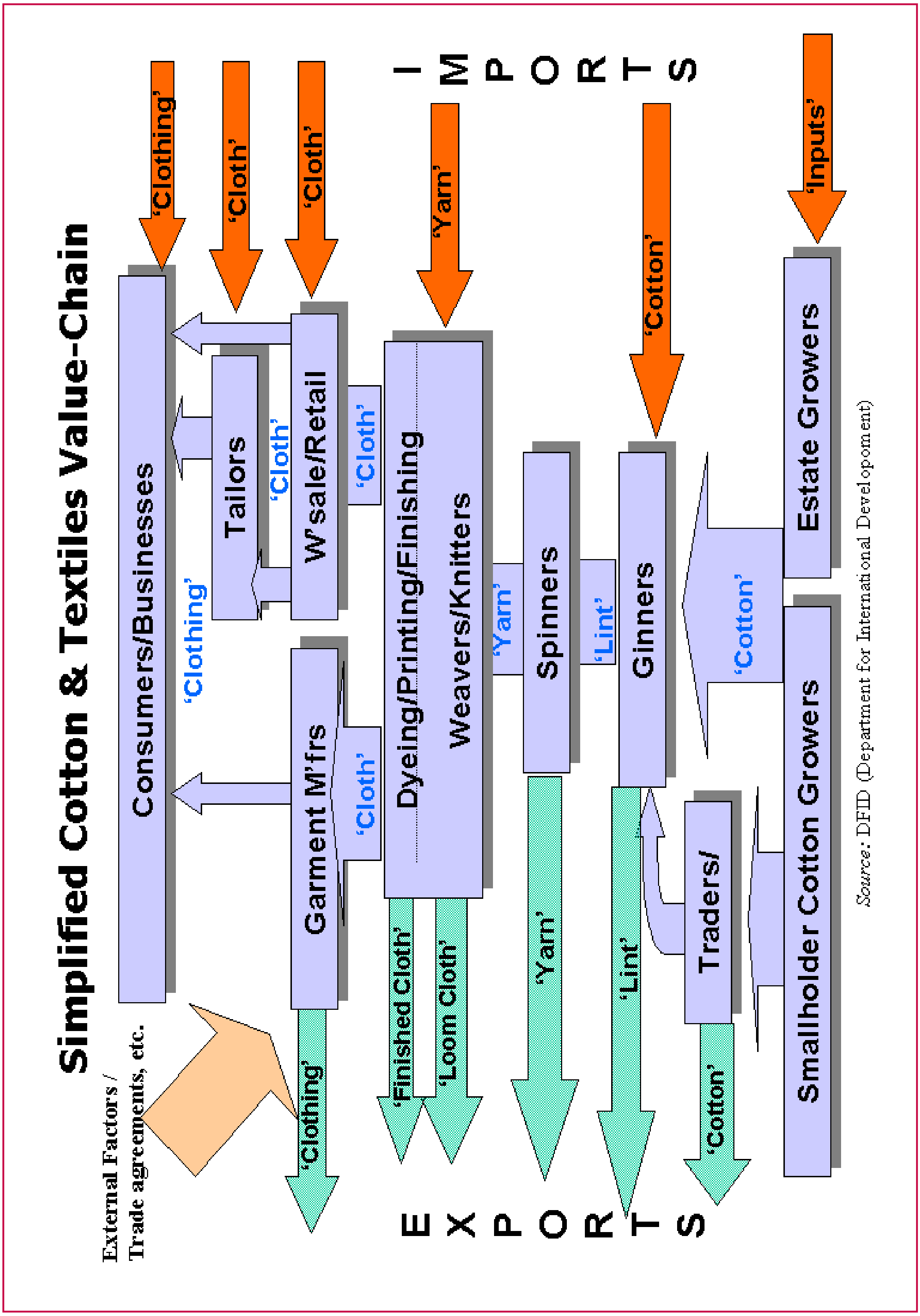
Ease labour market rigidities					
	▪ Review the Income Tax Act 2002, with a view to clarifying tax credits available to employers who have documented evidence of having purchased or provided accredited training to employees.		Yes	No	Med term NPC, MOF DofLab
Regulatory framework and FDI					
Rationalize institutions. Enhance Implementation. Improve business/ government relations.	▪ Create a maximum of three bodies with representation from MOICS, MOF/Department of Revenue to deal with investment approval, concessions, and trade/investment promotion. ▪ Clarify and refine *cottage industry* and other broad category definitions that cause confusion among investors. ▪ Promulgate bankruptcy law and proceed to implementation. ▪ Replace confrontational approach over taxation; consider alternative to current assessment of tax liabilities, including self-assessment and greater selectivity.	 Yes	Yes Yes Yes Yes	No No No No	Med term MOICS, MOF Med term, MOICS FNCSI, HMGN HMGN Short term, MOICS, NRB, FNCCI Med term MOF, FNCCI
Efficiency in key sectors - Agriculture					
Improve productivity and market access. Address credit market imperfections.	▪ Build agriculture extension services, with a view to SPS and TRIPS application in agriculture. ▪ Support fertilizer uptake with APP road funding and improve PIP implementation at village and district levels. ▪ Develop replacement for current subsidized lending, which is being phased out.	 Yes	 Yes	Yes Yes No	Long term MoAg Ag Enterprise Centre, Donor Short term MOF, Roads Board, Donor NRB, MOF, NPC
Efficiency in key sectors - Electricity and Water					
	▪ Proceed with removal of inefficiencies in transmission and distribution, and of rationalizing generating capacity within business units through internal unbundling.	Yes		No	Short term NEA
	▪ Establish independent licensing authority. ▪ Open competitive bidding for IPPs. New agreements need to be coordinated with NEA's expansion plans, with early consideration given to licensing agreements for transmission and grid operations.		Yes Yes	No Yes	Medium term HMGN Medium term HMGN Donor

Annex III (end)

Efficiency in key sectors -Tourism					
	▪ Improve funding for the NTB and ensure governmental independence.		Yes	No	Medium term HMGN
	▪ Improve representativeness and independence of the NTB.		Yes	No	Short term HMGN
	▪ Conduct independent review of finances, charging policy and management of RNAC required before privatization.	Yes		Yes	Short term Donor
Efficiency in key manufacturers					
Carpets: rationalizing regulations.	▪ Review purpose and costs of floor price scheme for carpets, with a view to its abolition.		Yes	No	Short term MOICS
	▪ Conduct benefit/cost assessment of restrictions on importation of various wools, use of machine-spun yarn and foreign investment.		Yes	No	Short term MOICS
Garments: reducing finance and transactions costs.	▪ Accept alternatives to LCs.		Yes	No	Short term NRB, MOICS
	▪ Eliminate requirement for business credibility license and two separate certificates of origin.		Yes	No	Medium term MOICS
Efficiency in a potential growth industry – tea.					
Institutional strengthening and rationalizing regulations.	▪ Involve private sector participation and funding of Tea Board. Strengthen professional capacity and clarify terms of reference.		Yes	No	Medium term MoAg, MOICS, Ag Ent. Centre
	▪ Allow large-scale contract farming, including by FDI.		Yes	No	

Annex IV

The Global Value Chain for cotton



Annex V

Integrated Framework Trust Fund : Procedures for Window II

A. The Integrated Framework Trust Fund, Window II

Terms of Reference[25]

At its ninth meeting on 16 May 2003, the IFSC adopted the following text containing a clarification of the Terms of Reference for the use of Window II of the Integrated Framework Trust Fund, as contained in Section VII, Annex on the IF Trust Fund in document WT/LDC/SWG/IF/13, in so far as they relate to the use of Window II.

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1. The Doha Ministerial Declaration endorses the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF) as a viable model for least-developed countries' (LDCs') trade development. A number of LDCs are now in or approaching the post-DTIS phase of their IF programme. Stakeholders have decided to revise the terms of reference for use of Window II of the Integrated Framework Trust Fund to provide some funding for modest, priority, quick-win projects during this phase. It aims at assisting the LDC to reach successfully the goal of integration of trade priorities into the PRSP, or, in the absence of a PRSP, other development plan, and access development assistance through Consultative Groups, Round Tables and programme support. In this connection, donor agencies (including lead Facilitators) and Governments undertake to increase their efforts to place trade, where appropriate, on the agenda of the Consultative Group meetings and donor Round Table meetings.

2. Window II funds may be accessed by all LDCs who have undertaken a DTIS in the pilot scheme of the Integrated Framework, for priority projects during the phase between the completion of the DTIS and accessing funding through CGs, Round Tables and programme support. These projects should have the ultimate aim of helping the LDC to complete the mainstreaming process successfully but they may be of diverse nature, according to the LDC's own priorities, and may be expected to include project development and supply side as well as institutional strengthening.[26] Procedures for accessing funding will be as simple and rapid as possible in order that Window II may fulfill successfully its role of quick-disbursing, bridging mechanism and to overcome the delays currently being experienced.

3. Technical assistance/capacity building activities identified by the LDC in the DTIS Matrices may be considered. Physical infrastructure projects in the DTIS matrices are excluded from funding under Window II. These projects will have to be presented for funding through Consultative Groups, Round Tables and programme support. There will otherwise be no restriction on the type of project from the DTIS matrix that may be considered for funding under Window II and therefore supporting the ultimate aim of the mainstreaming of trade into the PRSP. It is understood that such projects may include supply side projects with private sector involvement and the procurement of equipment as part of institutional strengthening, should this be the LDC's priority.

4. Particular activities can be flagged at the DTIS stage for possible Window II funding, so that they can be worked up into a full project data sheet with minimum delay. Applications for funding under Window II should be made within one year of the DTIS workshop and be programmed to be completed within three years; these time-limits will apply from the time of the adoption of these guidelines.

5. In order to ensure that decision-making is swift and that the LDC retains full ownership, the initial project selection including recommendations on executing agency will be effected at local level and under the chairmanship of an appropriate government body. Unless an appropriate earmarked contribution is available for the project, the recommendations will be conveyed to UNDP, as trustee of the IFTF. UNDP will be responsible for managing funding in accordance with the applicable rules and regulations (see Annex 1). In order to ensure full transparency, the trustee of the IFTF will report regularly to the Integrated Framework Working Group and the Integrated Framework Steering Committee and seek guidance to ensure fairness and equitable geographical distribution.

6. Unearmarked contributions are preferred. However, earmarked funds may be accepted for particular countries, regions or sectors.
7. These terms of reference will be subject to review and adjustment in the light of the outcome of the evaluation of the IF Pilot Scheme currently underway.

Procedures for use of Funds

1. Following validation of its DTIS Action Plan, the LDC's proposals for Window II funding are assessed by a Local Project Approval Committee (LPAC), chaired by an appropriate government body.
2. Membership of the LPAC will vary from country to country but will include as a minimum: the Ministry of Finance or Planning, the Ministry of Commerce, UNDP Resident Representative or delegate (trustee of the IFTF), the lead facilitating donor/agency and the World Bank Resident Representative or delegate. This committee will consider the content of the project, its relevance, costing and implementation arrangements, including executing agency.
3. Approved proposals are sent to UNDP HQ. In its capacity as the IFTF administrator, the UNDP will provide an oversight review of the proposal and proceed to fund according to the rules and regulations within which it operates. If funds are earmarked by a donor for a particular country or activity, UNDP will communicate with the donor(s) to ensure that any proposed projects which would make use of their funds fit their earmarking criteria.
4. Inputs required for the project shall be provided in accordance with the principles of competitiveness, transparency in the selection process, and multilateralism. Inputs will be selected without regard to country of origin, but encouraging procurement within the LDC concerned.
5. UNDP will manage this process as its contribution to the IF. It will provide regular reporting. In addition to financial reports, results-based narrative reports will be provided.
6. For full details of the procedures, see UNDP Proposal, IFTF – Procedures for Window II (WT/IFSC/W/3).

B. Local Project Appraisal Committee (LPAC)

Terms of Reference for the assessment of IF Window II Projects[27]

Mandate:

The IF Steering Committee (IFSC) has delegated the authority to approve Window II projects at the country level to a Local Project Appraisal Committee (LPAC) that is constituted in line with the Window II terms of reference. The LPAC is the body vested with the quality control of all Window II projects. In exercising this authority, the LPAC will be guided, to the extend possible, by the UNDP Resident Representative or his/her designated official and will seek the guidance of the IF Facilitator when required. Any divergence between the recommendations of the LPAC and the decision of any one member of the LPAC should be recorded on file. The LPAC has the obligation to expeditiously write and circulate to all stakeholders the report of every meeting. The Report shall give clear indications on what has been decided.

Composition:

Membership of the LPAC will vary from country to country but will include as a minimum a quorum comprised of the following members: the Ministry of Finance or Planning, the Ministry of Commerce, UNDP Resident Representative or delegate (trustee of the IF Trust fund and sponsor), the Lead Donor Facilitator (donor representative), the World Bank Resident Representative or delegate (DTIS interface) and the private sector. The Ministry of Trade will chair the LPAC meeting on all projects for which it will not be the direct beneficiary. For those projects that will benefit the Ministry of Trade directly, an alternate Chair will be appointed.

The composition of the LPAC can vary depending on the situation in the partner country or the subject being considered. Participation of IF stakeholders should be expanded to include representatives from the government and the national institutions involved in the project, representatives of other donors, civil society, and other target groups.

Tasks & Procedures:

Appraisal is the critical analytical review of the design and formulation of the project that leads to its approval or rejection. During appraisal, IF stakeholders at the country level ensure that the project has been designed in a sound and results-oriented way and complies with terms of reference of Window II.

All Window II projects funded by the IF-Trust Fund must be appraised before approval. The appraisal consists of the review of the draft PROJECT DOCUMENT, as well as the log-frame matrix that outlines the project activities, expected outputs, inputs and budget. Such a log-frame can be prepared during the formulation process. Persons who were not directly involved in formulation must participate in the appraisal. The approval of a project document constitutes a commitment to implement that project, and is formalized through the signing of the document by representatives from the Government, UNDP, and the designated institution.

Procedures:

A formal meeting of the LPAC is convened at the request of the host government or IF Focal Point.

Through the minutes of the meeting, the LPAC advises the UNDP Resident Representative on the soundness of the design of the project and the decisions made (*either approval, rejection or need for further revisions taking into account comments from the LPAC*). Signed copy of the minutes of LPAC meetings must be maintained on file for later review by audits, country review and evaluation teams, etc.

It is recommended that a country also hold one or more internal pre-LPAC meetings to assist in ensuring the best possible formulation process.

The maximum period of implementation covered by a project document is three years. In case support for a longer period is needed, a new phase with a new document must be prepared and another approval process, including review in a new LPAC, will take place.

Project Appraisal Guidelines:

LPAC can refer to the standard checklist to ensure that the project proposal submitted complies with the established Window II terms of reference.

The project submission checklist helps to check whether the project meets the minimum conditions and requirements for funding under the Window II of the IF Trust Fund *[refer to the attached Checklist to be completed prior to proposal submission to the LPAC]*.

In reviewing project proposals submitted for approval, the LPAC will be guided by the following questions to ensure the soundness, relevance and usefulness of project:

Goals & objectives:

- Usefulness of the project goals and objectives to global integration and trade mainstreaming into the national development plans including the poverty reduction strategy or PRSP?
- Does the project proposal come from the Action Matrix? If not, how was it identified and prioritized? Does project proposal have the endorsement of the IF National Steering Committee?

Strategy and relevance:

- Does the strategy help to explain why the project is considered a priority on operationalizing the trade-related capacity building activities?
- Is there a clear project strategy that is consistent with proposed project activities and budget?
- Is there a capacity building strategy in the proposal? What measures are envisaged to transfer knowledge and expertise to host cadres?
- Where recruitment of long-term experts or consultants is envisaged, are there clear terms of references attached?

Linkages with other initiatives:

Whether project has linkages with other ongoing donor funded activities, and whether there are no duplications with other initiatives?

Whether there are lessons from previous technical assistance experiences in this area to share.

Ownership & management:

How is the project going to be implemented? Who is the responsible and accountable entity for the project? Is this choice supportive of national ownership?

Is there adequate capacity to implement the project?

Are there roles envisaged for other national stakeholders in the implementation of the project?

Budget & finance:

Is the proposed budget supportive of project activities? What is the preferred modality for disbursing project funds and how consistent it is with government financial rules and guidelines?

Who will be responsible for project financial reporting and accountability?

Partnership strategy:

Is there a partnership strategy? With whom does the project focal intend to cooperate with in implementing the project?

Monitoring & evaluation:

Where will the project be based? Who will be responsible to preparing and submitting project progress report(s)? What is the preferred frequency of reporting?

When will the project start and what is the preferred frequency for progress reporting?

Approval/rejection criteria:

In making its final decision on the project proposal, the LPAC shall discuss and make a decision on the project proposal meets one of the following criteria:

a. Project proposal is approved for IFTF funding;

Or

b. Project proposal is approved for funding subject to incorporation of comments proposed by the LPAC;

Or

c. Project proposal needs further formulation before it can be re-considered by the LPAC;

Or

d. Project proposal is declined for IFTF funding. [LPAC can provide reasons for declining funding for the project]

Window II project submission checklist (sample)

LPAC Process Checklist

Project proposal submitted for LPAC approval should meet the requirements as outlined in the checklist *[tick if activity is OK*]:

- Proposal is a priority activity from the Action Matrix (written confirmation provided by IF focal point)
- Project proposal is formatted in accordance with the agreed IF guidelines.
- Project duration and start date have been stated in the project document
- Project execution modality has been identified and justified in the project document.
- Implementing agency has been selected and clearly stated in the project document
- National counterpart for the project has been identified and is mentioned
- Project document outlines complementary and/or parallel financing available for the project or linkages with other donor funded programmes/projects
- Results framework including intended outputs and outcomes are included in the project document
- Activity-based budget outlining the total project financing requirements is included in the project document
- Where subcontracting arrangements are anticipated, terms of references and other guideline notes are attached as annexes in the project document

C. Steps to ensure quick implementation of Window II projects[28]

Project Eligibility

- Window II funds may be accessed by all LDCs who have validated their DTIS documents for priority projects during the phase between the validation of the DTIS and accessing funds through CGs, Round Tables and programme support.
- Proposals for funding should be part of the validated DTIS action matrix and identified by the country as a priority with the ultimate aim of mainstreaming trade into development plans.
- Applications for funding under Window II should be made within one year of the actual validation of the DTIS by the Government and should be implemented within three years.
- The funding ceiling for Window II projects per country is set at one million US dollars ($1 million) per country. This is not an automatic entitlement.
- Project proposals for funding must be approved by the LPAC[29].

Execution Arrangements

Three types of execution arrangements[30] are available for beneficiary Governments to decide which is the most suitable for a specific project:

- National/Government Execution: Project executed by a government entity whereby overall responsibility and accountability for the management of the project lies with the Government.
- Execution by an IF agency, other inter-governmental organizations, multilateral/regional development partners or bilateral donors.
- Execution by a Non Governmental Organization or the private sector.

Project Design and Approval Arrangements

The IF Focal point, working in close collaboration with UNDP Country office (UNDP CO) and other IF cooperating partners will be responsible for project formulation. To ensure compliance with agreed format and procedures UNDP CO will facilitate and guide, to the extent possible, the process of Window II project formulation and appraisal and will facilitate awarding (through Atlas[31]).

Prior to submission of projects to the LPAC, the IF focal point should be assisted by the UNDP CO to determine the following:

- Rank project proposals in priority order. At the time of allocation, UNDP/HQ will have to ensure a distribution of available resources among qualifying beneficiaries.
- Ensure that Window II project proposals for consideration by LPAC fully meet the agreed UNDP project document format, i.e. document contains concise project description, activities and results framework, execution/implementation modalities, activity-based budget, etc.

Following the constitution of the LPAC in line with its terms of reference the committee shall:

- Review and approve/reject project proposals submitted by the IF focal point.

Following approval of projects by the LPAC, UNDP CO will assist the IF focal point in the following:

- Allocate project numbers or project ID for approved project proposals before submission to the Trust Fund Manager (UNDP/HQ) for funding confirmation and authorization.
- Send minutes of the LPAC and the signed project document(s) with their project IDs to UNDP/HQ with copy to the IF Secretariat at the WTO. [Include names & contact details of focal points in UNDP & WTO to receive documents].

- Once UNDP/HQ has allocated funds for the implementation of the project, the Government and the UNDP CO shall officially sign the project document and distribute copies to all concerned parties.

Project Implementation

Upon receipt of the signed project document, designated project executing/implementing agencies or institutions should commence project activities. Important start-up activities include, preparation of project work plan and budget, request for funds, recruitment, procurements, training, etc. Where required, the start of project activities can be complemented by a briefing on project management that could be provided by UNDP CO. (See footnote 3)

Project implementation progress will be monitored through regular reporting and assessments by IF partners.

Notes

1. D. Rodrik, "Trade Policy Reform as Institutional Reform" in "Development, trade and WTO- a handbook" The World Bank, 2002.
2. Commission of the European Communities (CEC), Trade and Development, Assisting developing countries to benefit from trade, 2002.
3. CEC, *idem*, 2002.
4. David Bevan, Discussion paper on economic growth, investment and export promotion, 2003, Oxford University.
5. UNCTAD, *The Least Developed Countries Report 2004*: Linking International Trade With Poverty Reduction; Part II, chapters 2 & 3.
6. Dollar and Kraay (2001), Trade liberalization and poverty: the evidence so far in Journal of Economic Literature, March 2004, and N. McCulloch, L.A. Winters, and X. Cirera, X. (2001), World Bank, Trade policy reform and poverty alleviation, Trade chapter in PRSP source book.
7. UNCTAD, *The Least Developed Countries Report 2004*.
8. D. Luke, Trade Capacity Support – Two Challenges for Coherence in Sub-Saharan Africa. (Forthcoming chapter in book on African Imperatives in the New World Trading Order, to published by the African Economic Research Consortium in 2005).
9. As of July 2005.
10. This chapter borrows from the IF web site, from the reports of the IFSC and IFWG meetings and from a paper presented by L. Solleveld from the World Bank to the Integrated Framework Donor workshop, the Hague, Netherlands, 2003.
11. In the DTIS of the three pilot countries, this phase was absent or in the best cases, some of the above activities were folded into the DTIS phase. This created problems since, in that occurrence the first mission of the World Bank visits the country, makes proposals for the TORS of the DTIS and drafts its Concept Paper before the nomination/establishment of the IF Focal Point and the National Steering Committee. Consequently, the institutional answer to these documents from the country was weakened. Building on the very positive experience of LDCs where some activities of awareness and empowerment were launched before the World Bank mission, notably in Lesotho, it is now proposed to systematize the above activities in a Pre-DTIS phase.
12. For the full text approved by the IFSC refer to the doc. 15 August 2001, WT/IFSC/W2.
13. While the implications of trade liberalization for developing countries have been made on an aggregate and regional basis, there are very few country specific analyses of the constraints and benefits each country faces in the industrial country markets.
14. European Commission, statement at the IF Pre-DTIS workshop, Kigali 2004. DG Trade.
15. Report of the The Hague meeting was presented as a Background paper presented at the High Level Meeting on Trade and Development organized by the Ministry of Foreign Affairs of Denmark, Copenhagen, May 2003.
16. OECD " DAC Guidelines on strengthening Trade Capacity for Development", 2001 and "A Country-Driven Trade Capacity Building Framework Enhancing Ownership among Partners", 2002. The World Bank Institute takes a similar approach: "if development assistance is to produce lasting results, countries must be able to formulate and execute their own development strategies-and to evaluate the outcomes of these strategies. The ability to make and implement development strategies depends, in turn, on the capacity to access multiple sources of knowledge and to adapt what is learned to local conditions" as well as DFID in its Trade Matters Briefing, 2003: "trade related capacity building should take place in the context of nationally owned trade strategies integrated within national development strategies. Donors and agencies need to learn about and commit to best practice on assistance in this area".
17. For an in-depth discussion of the concept of ownership, see UNDP, "Ownership, Leadership and Transformation", edited by C. Lopes and T. Theisohn, Earthscan, 2003.
18. Some donors might have financial resources under the control of the Ambassador or the Chief of Mission for Development Cooperation but usually, they are limited. Resources made available from non-performing projects are other potential sources although re-allocation of funds from an on-going project usually requires cumbersome procedures. The calendar is often linked to the annual review of cooperation provided by a donor.
19. In some countries, this meeting is preceded and followed up by other meetings, more specific, less formal, maybe with only a few donors to further advance.
20. Report of the 38th meeting of the IFWG, 9-10 February 2004
21. See more on procedures for Windows II in Annex V-C.
22 Paris, 2 March 2005, http://www.oecd.org-dataoecd-11-41-34428351.pdf
23. For a thorough discussion of SWAPs and sector approaches, see European Commission, Guidelines for European Commission Support to Sector Programmes, February 2003; OECD 2003 and 2004; and, European Centre for Development Policy Management (ECDPM), discussion papers 36-39 on Harmonizing the provision of technical assistance (2002).
24. OECD/DAC "Draft Good Practice Note on the Provision of Budgetary Support - A Public Financial Management Prospective" [DCD/DAC/EFF (2004)21/REV1]

    OECD/DAC "Harmonising Donor Practices for Effective Aid Delivery", DAC Guidelines and Reference Series, OECD 2003
25. Adopted by the Integrated Framework Steering Committee, see WT/IFSC/4, 21 May 2003.
26. For the six elements of trade-related technical assistance identified under the Integrated Framework, see WT/LDC/SWG/IF/1.
27. These Terms of Reference are to be read in conjunction with the document entitled "Steps to ensure quick implementation of Window II projects" in annex V-C.
28. See terms of reference of Window II at WT/IFSC/4/Rev.1.
29. See terms of reference of Local Project Approval Committee.
30 . Upon request, UNDP can provide backstopping support services to any of the above listed execution modalities. Under either of the three options, the distribution of execution overhead costs, which shall not exceed 10% of the project, will be negotiated among the project partners (execution body, Government and UNDP).
31. Project resource awarding or allocation is now done electronically through new UNDP Integrated Global Financial Management (also referred to as Atlas).