

Trade and Development Board**Fifty-fourth session**

Geneva, 1–11 October 2007

Item 4 of the provisional agenda

Progress report on the implementation of the Integrated Framework for Trade-related Technical Assistance to Least Developed Countries

Note by the UNCTAD secretariat

Introduction

1. This note has been prepared by the UNCTAD secretariat pursuant to decision 445 (EX-16) of the Trade and Development Board, in which the UNCTAD secretariat was requested to inform the Board, on a regular basis, about progress in the design and implementation of activities related to the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (“the Integrated Framework”).
2. Paragraph 108 of the São Paulo Consensus calls on UNCTAD to “intensify its trade and trade-related technical cooperation and capacity building activities ... [and] strengthen its contribution to the Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries...”.
3. This note provides an update on developments related to the implementation of the Integrated Framework since the fifty-third session of the Board, held from 27 September to 10 October 2006.

I. The enhanced Integrated Framework

4. The Integrated Framework Steering Committee met at the headquarters of the World Trade Organization (WTO) on 1 May 2007, and adopted a package of recommendations to operationalize the enhanced Integrated Framework. The recommendations include a road map outlining the next steps to be taken in order to ensure a smooth transition to the enhanced framework. It was agreed that the formal launching of the enhanced framework should take place at a high-level meeting of the steering committee in July 2007.
5. The enhanced Integrated Framework is the result of a long process that involved intensive work on the operational modalities, on the basis of the recommendations of the Integrated Framework Task Force, adopted in July 2006.¹

¹ Report of the Chairman of the Task Force on an Enhanced Integrated Framework, including Recommendations (WT/IFSC/W/15).

The objectives of the enhanced framework are as follows: increased volume and predictability of funding; strengthened in-country implementation capacity so as to reinforce country ownership; and improvements in the governance structure of the Integrated Framework. The enhanced framework should better serve the goals of the original framework, namely: (a) to mainstream trade in the least developed countries' poverty reduction strategy papers (PRSPs) or national development plans; and (b) to assist in the coordinated delivery of trade-related technical assistance.

6. The outcome of the transition process is contained in a compendium document comprising the mechanisms and terms of reference or guidelines of the main enhanced Integrated Framework entities.²

7. The governance structure for the enhanced Integrated Framework consists of:

- (a) The executive secretariat, housed in WTO headquarters and headed by an executive director: according to the recommendation of the task force, the executive secretariat should be "a small, independent unit located in Geneva ... administratively housed in the WTO Secretariat, with a strong firewall around it";
- (b) The Integrated Framework Board, which will replace the Integrated Framework Working Group and which will be composed of three donors' representatives, three representatives of least developed countries (LDCs) and representatives of the six core agencies. Decisions of the board will be taken by consensus. If a vote is unavoidable, only country members will have a right to vote. The executive director will be a member of the board *ex officio*, and the manager of the enhanced Integrated Framework trust fund will be an observer;
- (c) A steering committee;
- (d) A trust fund manager.

8. The funding mechanism will comprise two tiers: Tier 1 and Tier 2 (replacing windows I and II of the old Integrated Framework). Tier 1 will be aimed at financing in-country capacity and ownership, including human resource capacity for the Integrated Framework national implementation arrangements, operational support, updates on diagnostic trade integration studies and assistance in the formulation and implementation of projects financed under Tier 2. Tier 1 and Tier 2 project proposals will be developed and approved at the country level. Tier 2 is aimed at providing bridging funding to jump-start project activities identified in diagnostic trade integration studies. The multilateral funding through the enhanced Integrated Framework trust fund should be complemented by bilateral contributions.

9. The enhanced Integrated Framework will continue to respect the Paris Principles on Aid Effectiveness, with the emphasis on country ownership by LDCs of their trade and development strategies and on mainstreaming trade in national development plans.

10. In order to sensitize the least developed countries to the new arrangements under the enhanced Integrated Framework, the Integrated Framework secretariat

² The compendium includes: the *modi operandi* for Tier 1 and Tier 2 (replacing windows I and II); guidance on national implementation arrangements and guidance for the donor facilitator; terms of reference for the Integrated Framework Board, steering committee and executive secretariat; job description for the executive director; and terms of reference for the trust fund manager.

will organize advisory missions to four pilot countries.³ In addition, one regional workshop for anglophone Integrated Framework countries was organized in Livingstone, Zambia, in July 2007, and a second regional workshop for francophone countries is due to be organized within the next few months. A meeting of all LDCs' focal points and all other stakeholders will be held in Geneva before the end of 2007. UNCTAD has offered to support the secretariat in the preparations for these outreach activities.

11. UNCTAD participated actively in all phases of the work of the transition team. It organized a regional workshop in Dakar, Senegal, in December 2006, which was an opportunity to establish contacts with national focal points and engage in an exchange of views and obtain feedback on the issues related to the enhancement of the Integrated Framework. The importance of this workshop was recognized by the Integrated Framework Working Group and the steering committee as a useful contribution to ownership by the LDCs and to improving the communication gap between Geneva and LDCs' capitals, thereby enhancing the transparency of the entire transition process.

II. The enhanced Integrated Framework and Aid for Trade

12. The enhanced Integrated Framework has been recognized as an important component of the Aid for Trade initiative and could therefore act as a catalyst for maximizing the contribution of aid-for-trade to overall trade and to capacity development in the LDCs. This can be done by leveraging the Integrated Framework trust fund, which depends on multilateral funding, with bilateral donor funding at the country level in order to maximize the impact of such funding on the trade sector. The enhanced Integrated Framework will become a catalytic and operational tool for aid-for-trade in LDCs. The monitoring and evaluation of the aid-for-trade mechanism which is currently being developed are expected to better capture the overall funding with regard to aid-for-trade at the country level for LDCs participating in the Integrated Framework, as they would cover both the multilateral and the bilateral channels.

III. Review of progress in implementation of the Integrated Framework

13. There are currently 36 countries participating in the Integrated Framework.⁴ Diagnostic trade integration studies (DTIS) and validation workshops have been completed for 25 countries,⁵ while 11 countries are at different stages of the DTIS process.⁶

14. Eight countries are undergoing a technical review pending admission.⁷

³ The list of the four pilot countries has yet to be determined.

⁴ Angola, Benin, Burkina Faso, Burundi, Cambodia, Cape Verde, Central African Republic, Chad, Comoros, Djibouti, Ethiopia, Gambia, Guinea, Guinea Bissau, Lao People's Democratic Republic, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Niger, Rwanda, Samoa, Sao Tome and Principe, Senegal, Sierra Leone, Solomon Islands, Sudan, United Republic of Tanzania, Uganda, Vanuatu, Yemen and Zambia.

⁵ Angola, Benin, Burundi, Cambodia, Chad, Djibouti, Ethiopia, Guinea, Lao People's Democratic Republic, Lesotho, Madagascar, Malawi, Maldives, Mali, Mauritania, Mozambique, Nepal, Rwanda, Sao Tome and Principe, Senegal, Sierra Leone, United Republic of Tanzania, Uganda, Yemen and Zambia.

⁶ Burkina Faso, Cape Verde, Central African Republic, Comoros, Gambia, Guinea-Bissau, Niger, Samoa, Solomon Islands, Sudan and Vanuatu.

⁷ Afghanistan, Democratic Republic of Congo, Equatorial Guinea, Haiti, Liberia, Timor-Leste, Togo and Tuvalu.

15. UNCTAD has continued to participate actively in the DTIS process, either by providing substantive comments before completion of the DTIS or by participating in the DTIS main missions and taking responsibility for specific chapters of the DTIS, as in the case of the following countries: Sudan, for investment issues; Comoros, for four chapters (competition, customs, investment, and trade facilitation/transport); and Cambodia, for three chapters of the updated DTIS (investment, technical barriers to trade, and sanitary and phytosanitary measures).

16. Thanks to the financial support of bilateral partners (Italy, DFID, Finland, France and the Republic of Korea), UNCTAD was able to step up its country-level activities. These activities comprised pre-DTIS workshops (see below), advisory missions and participation in Integrated Framework meetings such as the DTIS validation workshops. UNCTAD contributed substantively to the DTIS national validation workshops in Angola, Burkina Faso, the Lao People's Democratic Republic and Uganda. In November 2006, UNCTAD participated in the donor round table on Mali at which three project proposals formulated by UNCTAD were presented. These proposals concerned the music industry, customs computerization development and tourism. The music industry project in Mali is funded by the Organisation internationale de la Francophonie.

17. UNCTAD has also helped in the formulation of projects to be submitted to the project approval committee at the national level. These projects, which are in the pipeline awaiting funding, concern: capacity-building support for the trade ministries in Sierra Leone and Angola; rules of origin in the Lao People's Democratic Republic; competition and investment in Chad; and commercial diplomacy in Sao Tome and Principe. UNCTAD also participated in a regional workshop on the enhanced Integrated Framework held in Livingstone, Zambia, from 16 to 17 July 2007, at which the UNCTAD representative made a presentation on progress in assisting LDCs on mainstreaming trade into development plans.

IV. Follow-up in the Integrated Framework countries

18. In the framework of project funding through Window II of the Integrated Framework trust fund for the immediate follow-up to the DTIS action matrices, pledges of almost \$29.3 million have been made to the trust fund, and transfers effectively received in the fund amounted to around \$26.9 million as at March 2007.

19. In the transition to the enhanced Integrated Framework, the issue of slow disbursements which affect the rate of implementation at the country level was tackled. The *modi operandi* for tiers 1 and 2 of the enhanced Integrated Framework have been designed to overcome this problem and allow for a quick and efficient disbursement of funds in accordance with the principles of ownership and mainstreaming of the enhanced Integrated Framework. Within the enhanced framework, countries will take the lead in prioritizing activities and submitting proposals for funding based on the action matrices. They will also identify implementation partners. UNCTAD, like other organizations involved in the Integrated Framework, will respond to country requests to play a role in implementing projects identified in the action matrix, while respecting the principle of country ownership. With increased funding from the Integrated Framework trust fund for the implementation of the action matrices (estimated at \$160 million, with an indicative ceiling of \$12 million per country, over a five-year period), UNCTAD could be expected to increase its involvement in in-country implementation. At the

time of writing, approval is pending for four in-country projects that UNCTAD has developed in Chad, the Lao People's Democratic Republic, Sao Tome and Principe, and Sierra Leone. In particular, the local project approval committee procedures for the Lao project that was first submitted to the Government towards the end of 2006 proved to be particularly difficult, demonstrating once more the need to speed up implementation procedures under the enhanced Integrated Framework. The project in Sierra Leone is a joint exercise with the International Trade Centre (ITC), and hopefully heralds closer cooperation between UNCTAD and ITC under the enhanced Integrated Framework.

V. Strengthening capacity for Integrated Framework ownership at the country level

20. The report of the task force on the enhancement of the Integrated Framework states that "the Task Force was unanimous in recognizing that the Integrated Framework should be country-driven", but it went on to add that "LDCs are often unable to do all that is necessary for the country to take ownership". This underscores the importance of the activities pioneered by UNCTAD in the initial stages of the enhancement phase through pre-DTIS support. This support was aimed at enhancing the capacity of countries to assume greater ownership of the Integrated Framework process in general and the DTIS process in particular, and to implement its findings and recommendations.

21. During the period under review, UNCTAD organized a pre-DTIS workshop in Khartoum, Sudan, in October 2006 to coincide with the preliminary mission to launch the DTIS led by the World Bank. The workshop provided national stakeholders with an opportunity to highlight the issues of concern to them that could be analysed by the DTIS. A regional workshop was organized in Senegal in December 2006 to bring together national Integrated Framework focal points and Geneva-based stakeholders in order to exchange views and receive feedback on the operational modalities for the enhanced Integrated Framework, bring a more country-driven approach to the transition process and promote country ownership. A pre-DTIS workshop is planned in Cape Verde later in 2007.

22. In addition to these activities, UNCTAD also responded to country requests for "trade-sensitization missions" as part of their preparations for joining the Integrated Framework. These missions were aimed helping countries formulate a trade development strategy with a view to taking advantage of the Integrated Framework as a potential source of trade-related technical assistance. Two missions were organized jointly with the United Nations Development Programme (UNDP) in Equatorial Guinea in October 2006 and the Solomon Islands in April 2007. As a result, the Solomon Islands became a member country of the Integrated Framework in May 2007. An advisory mission was also organized to Luanda, Angola, in July 2007 at the request of the Angolan Government, in order to prepare the country for the enhanced Integrated Framework process and the implementation phase, during which UNCTAD will carry out certain specific projects.

23. These pre-DTIS support activities were prepared in close collaboration with other Integrated Framework agencies. The activities contributed to a heightened awareness of the role of trade in national development, creating a dynamic process to which national stakeholders were committed and thus leaving them better informed to follow up on and participate in the DTIS process. Pre-DTIS support has

been widely recognized by stakeholders in the Integrated Framework as contributing to country ownership and has accordingly been considered a core activity under the enhanced Integrated Framework. In all workshops dealing with the Integrated Framework, the Integrated Framework manual prepared by UNCTAD was used as the main reference tool. The manual exists in English, French and Portuguese, and will be updated soon to include the new procedures arising from the enhancement of the Integrated Framework.

24. These activities have been made possible through generous financial contributions and support for the Integrated Framework from the Governments of Finland, France, Italy and the Republic of South Korea.

VI. Mainstreaming trade into development

25. UNCTAD's ongoing work aimed at assisting countries in mainstreaming trade into national development plans and PRSPs in the post-DTIS phase follows logically from the pre-DTIS activities in which the conceptual framework for the trade/poverty link is explained. It is widely acknowledged in the Integrated Framework community that the weaknesses in implementation of the framework stemmed partly from the unsatisfactory level of such trade-mainstreaming. The Integrated Framework Task Force clearly states that "the IF agencies have a critical role to play at the country level in the mainstreaming of trade into development". Following an exchange of views with Integrated Framework focal points at the regional workshop in Senegal in December 2006, UNCTAD has begun work on identifying best practices in trade-mainstreaming. A study has been prepared on ways to help LDCs at the individual country level to develop a trade policy framework conducive to the better mainstreaming of trade issues in development plans. Advisory missions have been planned for the last quarter of 2007 in a series of pilot countries to test the methodology and record lessons learned.

VII. Role of UNCTAD in the enhanced Integrated Framework

26. The task force recommends that agencies should continue to play an active role in the implementation of the enhanced Integrated Framework.

27. In this spirit, and on the basis of its empirical research and analysis, its track record in technical cooperation programmes and its experience working with partners from the Integrated Framework, UNCTAD plays an important role in the implementation of the following activities within the enhanced Integrated Framework: pre-DTIS support; undertaking and updating diagnostic trade integration studies; strengthening in-country implementation capacities in such areas as trade-mainstreaming, training in trade policy and trade-institution infrastructure; and implementation of the DTIS action matrix related to its core mandate.

28. UNCTAD will continue to build on its experience in the implementation of the old Integrated Framework, which included: strengthening country ownership through pre-DTIS and post-DTIS activities; substantive contributions to specific DTIS chapters; substantive review of DTIS drafts; updating the diagnostic trade integration study of Cambodia; and follow-up to the DTIS action matrix for Window II projects.

29. In accordance with the principle of country ownership, the demand for UNCTAD's technical cooperation services and support under the enhanced

Integrated Framework will be country-driven. However, in order to boost the implementation of the Integrated Framework at the country level, UNCTAD will step up its proactive engagement in the spirit of active participation called for by the Integrated Framework Task Force.

30. This will be achieved by continuing efforts to mainstream Integrated Framework activities into UNCTAD's core analytical work and programmes and by making the best possible use of its expertise in areas in which it has a comparative advantage and mandate. UNCTAD will take full advantage of any potential for partnership and collaboration with other Integrated Framework agencies in carrying out certain activities is identified, and would expect other partners to do likewise.

31. As the focal point in the United Nations for the integrated treatment of trade and development, UNCTAD is in a position to make a positive contribution to the implementation of the enhanced Integrated Framework and to the promotion of greater ownership by the beneficiary country, including by arranging and supporting multi-stakeholder consultations involving ministries, the private sector and civil society, with a view to mainstreaming trade issues into development plans.

32. Over the years UNCTAD has gained wide-ranging experience of working with and in LDCs on trade and development capacity-building, taking a multidisciplinary approach. It could provide impact and needs assessments and contribute to institution-building and the development of human resources to help developing countries adjust to trade reform and assist them in enhancing their supply capacity, competitiveness and trade-related infrastructure. It could also help to implement the enhanced Integrated Framework in specialized areas in which it has a comparative advantage, such as:

- (a) Assistance in developing a trade policy framework to be mainstreamed into development plans and in preparing better for multilateral and regional trade negotiations;
- (b) Assistance to help developing countries address non-tariff barriers, including technical regulations and standards;
- (c) Assistance in developing a regulatory framework for trade in services at the multilateral and regional levels (development strategies, sectoral assessments and regulatory frameworks);
- (d) Help for developing countries and LDCs in their efforts to accede to WTO;
- (e) Trade and the environment: dealing with environmental measures affecting trade, and the promotion of environmentally friendly goods and services, including organic and biodiversity-derived products and biofuels;
- (f) Trade and competition policy (e.g. the adoption or updating of national competition laws and related disciplines in trade agreements);
- (g) Investment policies and strategies and investment promotion activities such as unilateral trade and investment liberalization and regulatory reforms, to increase understanding of issues related to foreign direct investment (FDI) and enhance its benefits for LDCs. UNCTAD analyses FDI trends and their impact on development, compiles data on FDI, provides advisory services and training on international investment issues, helps LDCs improve policies and

institutions dealing with FDI, and helps these countries participate in international negotiations on investment;

- (h) Trade facilitation platforms (integrated trade and transport facilitation country projects; the Automated System for Customs Data (ASYCUDA));
- (i) Transport and trade logistics (linking national and regional systems to global transport operators and networks);
- (j) Building databases, information systems and analytical tools in the area of commodities, international trade in goods and services and investment and technology;
- (k) Science and technology policy for trade and development;
- (l) Enterprise development activities (EMPRETEC; establishing specialized trade finance services; building a regulatory environment; and the basic institutional set-up for modern trade-related finance systems based on information and communication technology);
- (m) Information and communication technology activities (promoting the use of such technology to improve economic performance and trade competitiveness in developing countries; e-tourism initiative).

33. Capacity-building in all of these activities is underpinned by UNCTAD's empirical research and analytical work, as well as by feedback and endorsement from its intergovernmental machinery.
