

Roundtable on Trade and Poverty

MAKING THE INTEGRATED FRAMEWORK A TOOL FOR POVERTY REDUCTION?!

Geneva, Thursday, 18th October

BACKGROUND NOTE

1. Introduction to IF

The establishment of the Integrated Framework for Trade Related Technical Assistance (IF) to LDCs was mandated by the Singapore WTO Ministerial in 1996, in response to calls from LDCs for better coordinated and more effective TRTA.

The IF was jointly established by the IMF, ITC, UNCTAD, UNDP, World Bank and the WTO in 1997, who agreed to work together to deliver TRTA to the LDCs.

The IF aims to deliver TRTA to participating LDCs through the following processes:

- **Preparatory phase** - Includes an official request from the country to participate in the IF process; a technical review of the request; the establishment of the National IF steering committee; and, to the extent possible, the identification of a Lead donor.
- **Diagnostic phase** - Once the request has been approved, a diagnostic phase is undertaken, resulting in the elaboration of Diagnostic Trade Integration Study (DTIS), which is supposed to be a comprehensive assessment of the trade policy and trading environment.
- **Follow-up phase** – Consists of the translation of diagnostic phase's findings into the elaboration and validation of an action plan, which serves as basis for trade-related technical assistance delivery.

2. New role in PRSPs and AfT?

In recent years the Integrated Framework (IF) for Trade Related Technical Assistance (TRTA) to LDCs has risen in prominence and has been hailed as the key facility for integrating trade more effectively into PRSPs and guiding the Aid for Trade process.

The IF therefore looks set to have a major influence over the way the international community responds to the challenge of developing trade capacity in the poorest countries.

3. Weaknesses and challenges

However, despite its lofty goals the IF process remains opaque to most outsiders and its initial phase of operations has been plagued by serious weaknesses. The IF has been criticised as a technocratic process which is often poorly suited to popular participation in-country and has been seen as excessively donor driven. In addition its effectiveness has been called into question for a slew of reasons, including poor management, limited ownership and its narrowly technocratic approach to trade.

4. Ongoing review and reform

In response to these challenges efforts have been underway amongst the founding agencies, donors and its LDC clients to improve the effectiveness of the IF.

Of most relevance is the work of the WTO mandated *IF Task Force* which led by Ambassador Don Stephenson (Canada) has spent the last year reviewing the operation of the IF; making recommendations for improving its effectiveness; and beginning the process of implementing these recommendations.

The *IF Task Force* and its successor the *IF Transition Team* have recommended that an Enhanced-IF be established that would include the following elements:

- **National Implementation Unit** – Each IF country would establish a NIU to bring together donors and recipients to support IF implementation (with human and physical resources) and receive money for implementation. The NIU would be managed by a High Level Ministerial committee.
- **Independent Trust Fund** – This will sit in the WTO (and receive admin support) but be entirely independent. The Trust Fund will be managed by the IF Board (consists of 3 LDCs, 3 donors, with establishing agencies as observers).
- **Finance** – It has been recommended that the IF be provided with \$400 million for over the next five years (\$10m per country - \$1m for producing / revising the DTIS, \$1m for capacity building activities and \$8m for actual interventions).
- **Role of IF agencies** – Participating countries can choose their preferred agency to take a lead in engaging with them in the process (previously the agencies were chosen for them), so they can choose those which best respond to their needs.

5. Remaining questions on the Enhanced-IF

Despite the bold and progressive vision that has been put forward by the *IF Task Force* and *Transition Teams*, a number of questions still remain about these recommendations and issues that have not been addressed by the IF reform process. These issues have major significance for the operation of the IF and its ability to contribute positively to development and poverty reduction in the LDCs, and they need to be urgently addressed.

- How to ensure that LDC's take advantage of the new flexibilities and innovations of the Enhanced-IF?
- How to create spaces within the IF process for non-state actors (including private sector and civil society) to play a significant role?
- How to increase awareness, mobilise and build the capacity of non-state actors (including private sector and civil society) to play a significant role?
- How to effectively integrate a trade-poverty perspective into the diagnostic studies and the follow-up phase?
- How donors and other agencies will utilise their engagement with the Enhanced-IF to promote a more open debate on trade policy and development in LDCs?

7. Opportunities to address these questions

The Enhanced-IF package was approved by the IF Board in May 2007, and discussions are ongoing about how to put this into operation.

With many of the administrative, operational and institutional matters of the Enhanced-IF settled, there is now an opportunity to address some of these remaining questions and to encourage those leading the IF process to consider them fully.