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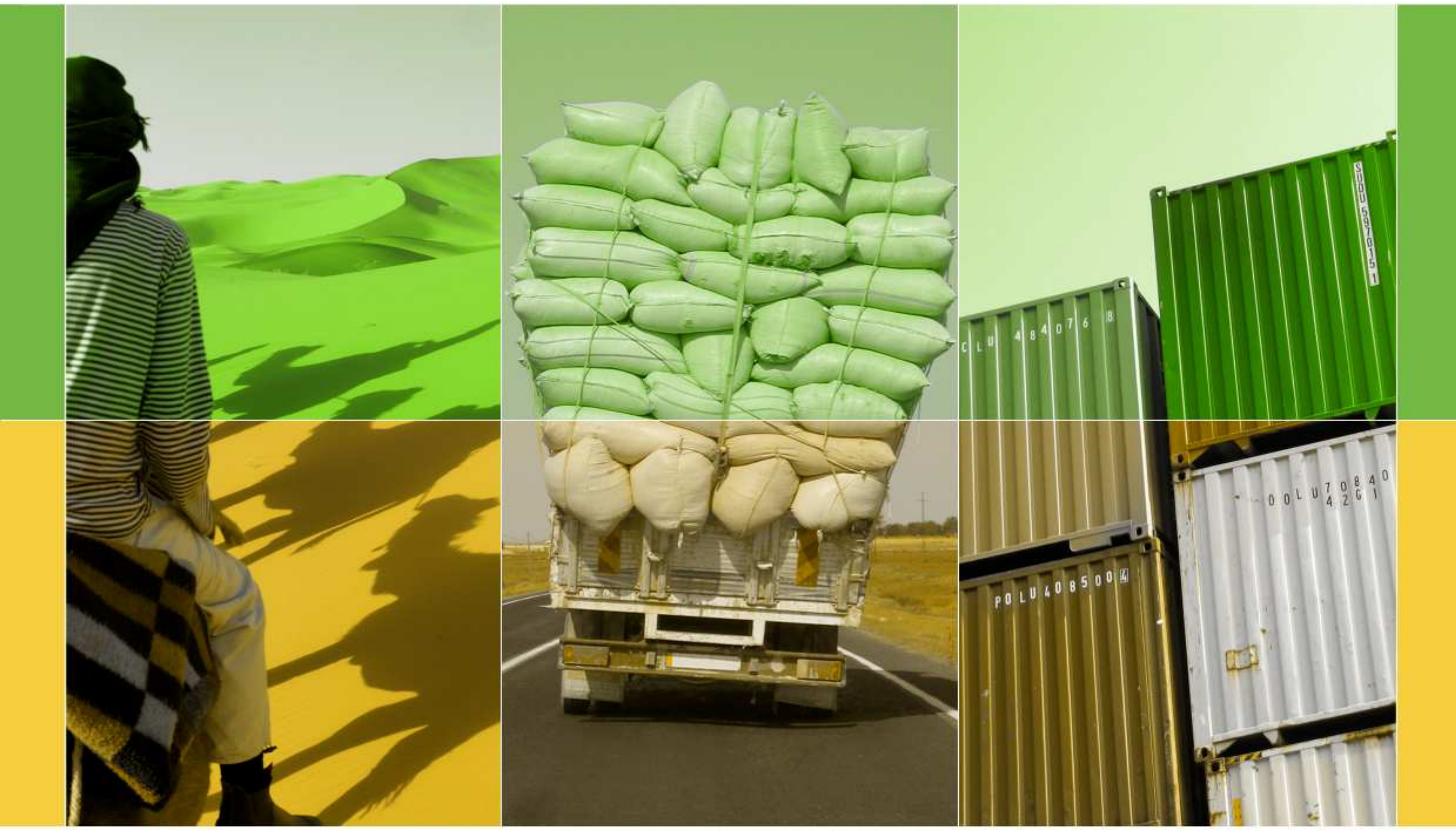

Reassessing Scope and Mandate of the Enhanced Integrated Framework

A Legal/ Technical Study

gtz Trade Programme

On behalf of
Federal Ministry
for Economic Cooperation
and Development

Published by

Deutsche Gesellschaft für
Technische Zusammenarbeit (GTZ) GmbH
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Responsible: Trade Programm

Eschborn 2010

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24 January 2010

Content

List of Abbreviations

ACP	The Africa, Caribbean and Pacific Group of States
ADB	Asian Development bank
AfT	Aid for Trade
ASEAN	Association of Southeast Asian Nations
CB	Capacity Building
COMESA	Common Market for Eastern and Southern Africa
CRS	Creditor Reporting System of the OECD
CTD	Committee on Trade and Development of the WTO
DAC	Development Assistance Committee of the OECD
DF	Donor Facilitator
DFID	Department For International Development (United Kingdom)
DG	Director General
DTIS	Diagnostic Trade Integration Study
EC	European Commission
ECOSOC	United Nations Economic and Social Council
ED	Executive Director
EDPRS	Economic Development and Poverty Reduction Strategy
EIF	Enhanced Integrated Framework
EIF ES	Executive Secretariat of the Enhanced Integrated Framework
EIFTF	Enhanced Integrated Framework Trust Fund
EPA	Economic Partnership Agreement
ES	Executive Secretariat
EU	European Union
EVI	Economic Vulnerability Index
FAO	Food and Agriculture Organisation
FP	Focal Point
GATT	General Agreement on Tariffs and Trade
GMS	Greater Mekong Subregion
GNI	Gross National Income per capita
HAI	Human Asset Index
IA	Implementing Agency
IDA	International Development Assistance of the World Bank
IF	Integrated Framework
IFF	Integrated Framework Facilitator
IFTF	Integrated Framework Trust Fund
IFSC	Integrated Framework Steering Committee
IMF	International Monetary Fund
ITC	International Trade Centre
JITAP	Joint Integrated Technical Assistance Programme
LDC	Least Developed Country
LPAC	Local Project Appraisal Committee
M&E	Monitoring and Evaluation
MDG	Millennium Development Goal
MITM	Ministry of Industry, Trade and Marketing
NEPAD	New Partnership for Africa's Development
NFP	National Focal Point
NGO	Non-Governmental Organisation
NIA	National Implementation Arrangement
NIU	National Implementation Unit
NSC	National Steering Committee
NSGRP	National Strategy for Growth and Reduction of Poverty
ODA	Official Development Assistance
OECD	Organisation for Economic Cooperation and Development
PR	Principal Recipient
PRSP	Poverty Reduction Strategy Paper
REC	Regional Economic Community
RTA	Regional Trade Agreement

SADC	Southern African Development Community
SWAp	Sector Wide Approach
TFM	Trust Fund Manager
TFF	Trade Facilitation Facility of the World Bank
TRTA	Trade Related Technical Assistance
TTFA	Trade and Transport Facilitation Audit
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECA	United Nations Economic Commission for Africa
UNIDO	United Nations Industrial Development Organisation
UNOPS	United Nations Office for Project Services
WB	World Bank
WTO	World Trade Organisation

Executive Summary

The Integrated Framework (IF), started in 1997, initiated a technical assistance programme tailored specifically for least developed countries (LDCs) and aimed at mainstreaming trade into their national development plans and to coordinate delivery of aid to them. In 2007, it was revamped and resulted in the Enhanced Integrated Framework (EIF), which has become the flagship technical assistance and capacity building programme for LDCs. EIF is a vehicle for development and poverty reduction goals, but is in itself inadequately financed to meet the mounting challenges and needs for Aid for Trade (AfT) support.

In 2007, total new AfT commitments reached USD 25.4 billion, with USD 7 billion of it aimed for LDCs. The key to the success of trade mainstreaming efforts now is increased ownership of the development and implementation of the strategies by the beneficiaries, increased coordination among donors to make available the resources necessary to see through the implementation, and better aligned monitoring and evaluation systems at both ends.

Country ownership, coordinated decision and implementation framework among donors, beneficiaries and implementing agencies, in-country institutional capacity building preceding the move towards project mode of aid delivery, and robust fiduciary and administrative accountability frameworks have guided work of the EIF Interim Board since its establishment in 2007. It has since developed guidelines for pre-DTIS phase, template for DTISs, and guidelines for accessing funds under both the phases of EIF etc. Key national level beneficiary owned arrangements for implementing EIF projects are being put in place. The first two projects under EIF were approved on 1 July 2009, thus formally launching the EIF. The EIF appears ready now to approve and implement projects based aid. A monitoring and evaluation framework is being put in place and training of relevant stakeholders to use it has been initiated. The EIF thus has a crucial role to play in successful trade mainstreaming.

For the beneficiaries, improved coordination between the trade and other ministries is a key issue for LDCs and sector wide approaches can facilitate such coordination. Besides, the inclusion of relevant ministries other than Trade, such as Finance and Planning, in the National Steering Committee (NSC) set up with EIF support is expected to create the much needed in-country coherence and better government buy-in for EIF activities. Similarly, having the private sector and civil society representation on the NSCs is expected to increase a sense of ownership of EIF activities among the relevant stakeholders. Of course, the in-country structures established through the EIF need to be equipped with adequate authority to feed the wider AfT needs into the national donor coordination mechanisms, budgetary support processes and the evaluation of progress in implementation of the national development strategies.

For the donors, their representatives, and in particular the donor facilitator, would need to look out for AfT related funding opportunities from funding partners other than the EIF Trust Fund (EIFTF) during the donor coordination, Consultative Group or Round Table meetings. For that, two key elements have to fall in place. First, there needs to be a better coordination between the foreign, development and trade ministries in order to feed the AfT needs into their development cooperation plans. Second, the feedback loop between the donor representatives at Geneva responsible for monitoring EIF and the donor representatives/facilitators at the country level needs to be improved significantly.

All the trade mainstreaming needs in LDCs cannot be fulfilled through the currently planned modalities and funding mechanisms in the EIF. Broader AfT related interventions can fill the gaps. EIF can nonetheless act as the coordinating mechanism for overall AfT related interventions in the LDCs and can be used as a platform to launch larger projects, gain leverage with the donor community through legitimacy building and channel demand for AfT through the national implementation structures. The EIF Executive Secretariat (ES) could receive information on wider AfT components of the Action Matrix and the status of their implementation and periodically communicate it to the Geneva based donor coordination mechanism so that they could, through their capitals, assess the opportunities for intervention under their development cooperation policies and priorities, and provide feedback to the ES.

For the EIF structures to adapt to the role of acting as a coordinating facility for AfT, there are not many difficulties in terms of legal and institutional structures. Building more inclusive and substantive partnerships including through the EIF – both at the donor and beneficiary level – will increase the effectiveness of aid. This can be achieved by reducing the current fragmentation of aid to avoid duplication, widening the scope of potential donors, and including more partners in implementation, including national consultants and civil society organisations. Challenges nevertheless remain both on the part of donor and beneficiary partners.

Regional approaches to AfT delivery can be an efficient way to increase the reach of trade related aid assistance; these are being deployed variously already. Efforts to reduce administrative barriers, standardise procedures, and consolidate regulatory systems are often the most effective steps towards regional cooperation used to facilitate increased trade. Regional Economic Communities (RECs) and Regional Development Banks are already being established in various parts of the world towards this end. Feasibility of regional projects materialising in the near future would depend upon the extent to which a champion, like the EC or DFID or Germany, takes proactive action to stimulate interest among the multilateral, regional and bilateral donors in such projects. The focus at present is on the in-country capacity, of which the EIF processes are an integral part. Regional projects will perhaps not be ripe for interventions until the national and regional institutions are ready to adapt to their requirements.

Regional projects where a joint regional approach is not critical to implementation can be implemented under the existing EIF procedures by individual LDCs applying to the EIF for projects in a synchronised manner and also implementing them simultaneously. Regional projects where such a joint regional approach is critical to implementation would require a regional body, like a REC, or a champion amongst donors to facilitate coordination. Since regional projects of this type are likely to need higher resources, the LDCs would be well advised to approach their national donor coordination mechanisms to determine availability of external funding before approaching the EIF. In such cases, while the EIF procedures would suffice for the LDCs in the region, for the non-LDCs external funding will need to tied up, again through their national level donor coordination mechanisms. It will be useful to install EIF type structures in the non-LDCs involved in a regional project to ensure coordinated delivery.

It is debatable whether the circle of beneficiaries under EIF should be expanded. This change will require modifications in the current legal mandate of the EIF, which may neither be desirable nor necessary for now. It is not desirable because the categories of non-LDCs to be possibly included are numerous, not clearly defined and will likely create confusion regarding the remit of the EIF. It is not necessary because donors are not shying away from supporting non-LDCs in their trade mainstreaming needs and have shown this through AfT and other programmes. National level coordination mechanisms established by donors for delivering aid in non-LDC countries with LDC-type challenges, however, could emulate the EIF guidelines to create structures like the NSCs and National Implementation Units (NIUs) to support increased coordination within the national decision making institutions for evolving national development plans and strategies. This will also avoid duplication of efforts and can result in synergies with existing structures, systems and mechanisms. Another recommendation from this study is to provide continued assistance through the EIF to graduating LDCs in order to ensure they do not relapse into the LDC status.

The international level EIF structures are in place and may only need to be formalised soon. National level ownership enhancing structures are being supported through EIF funding with increased speed now that the guidelines and procedures have begun to evolve in a systematised and acceptable way. Donors have shown unabated commitment to provide additional funds when required. Focus on making the EIF a functional, practical and easy to use model for mainstreaming trade into national development strategies cannot be lost sight of. It is early times for the EIF as a functioning, delivering agency and the challenge is to keep up the good work.

1 Background

1.1 Introduction

Developing countries and in particular Least Developing Countries (LDCs) face trade integration obstacles in technical capacity, human resource and hard infrastructure capacity, as well as managing adjustment and transition costs. To realise benefits from trade opening, developing countries must build awareness of such opportunities, build their supply capacity, improve physical infrastructure, and create an enabling environment to benefit from trade opening opportunities.

A number of initiatives aimed at enhancing the trade capacity of LDCs were taken after the coming into force of the World Trade Organisation (WTO). At the Singapore Ministerial Conference of the WTO in 1996, trade ministers decided to organise a meeting along with UNCTAD and ITC to foster an integrated approach to assist LDCs. As a result, the Integrated Framework (IF) was inaugurated in 1997 by six multilateral institutions - the International Monetary Fund (IMF), International Trade Centre (ITC), United Nations Conference on Trade and Development (UNCTAD), United Nations Development Programme (UNDP), World Bank and WTO - to respond to the trade and trade-related infrastructure needs of LDCs. These institutions are referred to as the Core Agencies. The main objective of the IF was to improve the capacity of the LDCs to formulate, negotiate and implement trade policy so as to be able to fully integrate into the multilateral trading system and to take up the market opportunities this presents.

1.2 From IF to Enhanced IF

The Core Agencies reviewed the IF in 2000 and formulated two main objectives of a revamped IF. The first was to mainstream trade into the LDCs' Poverty Reduction Strategy Papers (PRSPs) or similar national development plans, and second to assist in the coordinated delivery of trade-related technical assistance. They established a new tripartite governance and management structure to enable the IF to be more country-driven and better coordinated. The delivery of the IF was structured at the country level around a number of processes and responsibility centres including the National Steering Committee (NSC), the National Focal Point (NFP), the IF Facilitator (IFF), and the Local Project Appraisal Committee (LPAC). The IF Trust Fund (IFTF) was restructured around two funding "windows", one for financing Diagnostic Trade Integration Studies (DTISs) and strengthening in-country structures and another for financing priority capacity building projects in the LDCs as identified in the DTIS Action Matrices. An evaluation[1] of the revamped IF was conducted in 2003 through a consortium of consultants to develop coherent and practical mandates and clearer roles and responsibilities for all stakeholders. The World Bank[2] also undertook a case study on the effectiveness of the IF in 2004

The IF began on a pilot basis with a few LDCs. While endorsing the IF as a viable model for LDCs' trade development, the ministers at the Doha Ministerial Conference of the WTO in 2001 urged the Core Agencies, in coordination with development partners, to explore the enhancement of the IF with a view to addressing the supply-side constraints of LDCs and the extension of the pilot model to all LDCs[3]. This

[1] See http://www.integratedframework.org/files/docs/IFSC-6_R2A1.pdf

[2] See at the World Bank website: http://lnweb90.worldbank.org/oed/oeddoclib.nsf/24cc3bb1f94ae11c85256808006a0046/0b4878ca5c5e3cbd85256f64005d19cf/$FILE/gppp_if_wp.pdf

[3] Three evaluations of the IF preceding this decision by the Ministers are worth noting: (a) An evaluation of the Revamped Integrated Framework For Trade-Related Technical Assistance to the Least-Developed Countries by the CAPRA-TFOC Consortium in November 2003; (b) Integrated Framework for Trade-Related Technical Assistance Addressing Challenges of Globalisation: An Independent Evaluation of the World bank's Approach to Global Programs: A Case Study, by Agarwal and Cutura, 2004; and (c) Integrated Framework Simulations, organised at Addis Ababa in September 2005. These evaluations came up with a number of shortfalls of the IF, mainly: (a) the IF has generally failed to mainstream trade into the PRSP process; (b) it has not provided adequate financial and human resources to the LDCs to deliver the intended outcomes; (c) the process has been slow; (d) the success in moving from the diagnostics and priority-setting of the IF to investments by the donors and agencies under their permanent programmes has been relatively low; (e) priorities identified in the DTIS process are not being picked up in mainstream investments; (f) the country ownership has been weak; (g) the national IF structures have generally not worked to integrate trade into the development process and there is often still a lack of awareness of the importance of trade at the national level; (h) capacity to take the integration process forward is generally inadequate and the capacity building support that has been provided through the IF has been inadequate to the task; (i) trade is still seen primarily as the prerogative of the Ministry of Trade and, although the active engagement of the Ministries of Finance, Planning and Economic Development is essential to the success of the programme, it has not always been present; (j) cases where these barriers have been overcome were usually due to strong political leadership, but this is not the norm; (k) donor community has generally not responded adequately to the needs identified in the DTISs; (l) findings

process of introspection got an increased impetus at the Hong Kong Ministerial Conference of the WTO in 2005, when the ministers highlighted the need to reduce supply-side constraints faced by LDCs and established a task force to examine the structure and implementation mechanisms of the IF and to provide recommendations to improve its effectiveness. The Task Force found that the IF had generally failed to mainstream trade into the PRSP process and had not provided adequate financial and human resources to the LDCs to deliver the intended outcomes. The process had been slow and the success in moving from the diagnostics and priority-setting of the IF to investments by the donors and agencies under their permanent programmes had been relatively low. In other words, there was an implementation gap; priorities identified in the DTIS process were not being picked up in mainstream investments. The report concluded that the IF required increased and predictable financial resources, strengthened in-country capacities, and enhanced governance at the international level to achieve its goals.

Accordingly, work on an Enhanced Integrated Framework (EIF) was initiated in May 2007 with a threefold mandate: increased, additional, and predictable financial resources to implement Action Matrices; strengthened in-country capacities to manage, implement and monitor the IF process; and enhanced IF governance. As with the IF, under the EIF, typically, the support starts with preparation of a diagnostic trade integration study (DTIS), which assesses a country's competitiveness and identifies impediments to its effective integration in the multilateral trading system and the global economy. This is followed up with the development of an action matrix on the basis of DTIS findings, with a view to integrating trade priorities in the national development plans, and to seek support for their implementation from the EIF as well as in donor meetings such as the World Bank Consultative Groups and UNDP Round Table meetings.

1.3 From TRTA/CB to Aid for Trade

Trade Related Technical Assistance and Capacity Building (TRTA/CB) has been historically provided both by multilateral and bilateral donors to developing countries to benefit from bilateral and multilateral trade openings, raise their awareness and build capacity to understand the issues and challenges. Donors have been providing such assistance in two broad categories: Trade Policy and Regulation comprising of raising awareness about trade issues and negotiations, and Trade Development comprising of trade-related private sector development, trade finance, trade promotion, market analysis etc. Multilateral organisations also provided TRTA/CB within their respective mandates. The WTO, for example, launched, jointly with UNCTAD and ITC, an Africa specific Joint Integrated Technical Assistance Programme (JITAP) in March 1998 focusing mainly on more effective participation in trade negotiations and implementation of trade rules, and improved supply capacity and market knowledge. This was the context in which the IF began operations in 1997, and focused mainly on aligning LDC trade policies with multilateral trade policies and benefits from market opportunities thus created.

The OECD and WTO jointly established the Trade Capacity Building Database (TCBDB) which collected statistics for 2001-2006. These statistics were classified in the two categories mentioned above, and an additional category of Infrastructure was added. Being important providers of TRTA/CB in all categories, Bilateral donors have been the prime contributors of TRTA/CB activities of multilateral organisations also. In the latest TRTA biennial plan[4] of the WTO for 2010-11, for example, CHF 24.5 million out of a total of CHF 30 million will come from the Doha Development Agenda Global Trust Fund (DDAGTF), financed through contributions from bilateral donors. The three largest donors to DDAGTF since 2005 have been Sweden, Germany and Norway. Another CHF 12 million has been received in earmarked contributions to the DDAGTF, contributions for Internships and Trainee Programmes and for Trade Facilitation Trust Fund[5]. Two-fifth of this TRTA/CB is delivered to LDC.

During this period, it was also becoming clear that more was needed than the traditional TRTA/CB assistance for developing countries to convert market opportunities into economic activities. With the launch of the Doha Round which seeks to place the needs and interests of developing countries at the heart of the negotiations, many WTO Members also felt that financial support could help developing countries to overcome their fear that trade negotiations might have a negative impact on them, and at the same time

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and recommendations of the DTISs have not been adequately fed into the PRSP and similar processes, or into the programming frameworks of other donors; (m) the IF is still often seen by both the donor community and the LDCs as a stand-alone process; and (n) trade is inadequately seen, by both donors and recipients, as an integral aspect of economic development and poverty reduction, so does not feature high enough on their priorities.

[4] See para 174 of document WT/COMTD/W/170/Rev.1 on www.wto.org

[5] See http://www.wto.org/english/tratop_e/devel_e/teccop_e/financing_trta_e.htm#contributions

contain protectionist influences by powerful domestic groups. This, coupled with some parallel events in development organisations, helped broaden the TRTA/CB portfolio to Aid for Trade.

In September 2000, building upon a decade of major United Nations conferences and summits, world leaders came together at United Nations Headquarters in New York to adopt the United Nations Millennium Declaration, committing their nations to a new global partnership to reduce extreme poverty and setting out a series of time-bound targets - with a deadline of 2015 - that have become known as the Millennium Development Goals (MDGs). OECD DAC members have pledged to provide additional resources to help low-income countries overcome their binding trade-related constraints as part of the eighth Millennium Development Goals (MDGs) – which range from halving extreme poverty to halting the spread of HIV/AIDS and providing universal primary education, all by the target date of 2015. The MDGs highlighted the role of trade related assistance in the development and poverty reduction initiatives.

The year 2005 was characterised as the "Year of Development". In this context, a Joint Ministerial Committee of the World Bank and the IMF met in September 2005[6]. The Ministerial Committee's communiqué emphasised, *inter alia*, increased AfT to address supply-side constraints and to enhance capacity of developing countries to take advantage of the trade opening with the then expected conclusion of the Doha Round in 2006 as crucial components for meeting the MDG targets. The communiqué triggered much interest in AfT around the world, leading to its inclusion in the preparations towards the Hong Kong WTO Ministerial Meeting in December 2005. The focus in the ministerial communiqué on supply-side constraints also highlighted the missing elements of the traditional TRTA/CB activities, such as trade-related infrastructure and productive capacity building. The communiqué also endorsed the then planned enhancement of the IF into EIF, including expanding its resources and scope and making it more effective.

The Hong Kong WTO Ministerial Declaration introduced AfT for the first time into the WTO work programme, noting that it should aim to help developing countries, particularly LDCs, to build the supply-side capacity and trade-related infrastructure that they need to assist them to implement and benefit from WTO Agreements and more broadly to expand their trade. Taking a cue from the Bank and Fund communiqué, the Declaration invited the Director General of the WTO to create a Task Force that shall provide recommendations on how to operationalise AfT and to consult with WTO members, World Bank, IMF and others on appropriate mechanisms to secure additional financial resources for AfT. From awareness raising and trade policy related capacity building and training, trade related assistance was thus expanded to additionally address trade related adjustment, supply side capacities and infrastructure related issues. With the birth of AfT, trade related assistance acquired a character broader than what was being reported under the TCBDB.

The TRTA/CB agenda thus gradually metamorphosed into AfT. The objective of AfT is to assist developing countries through support in five main areas: trade policy and regulations, trade development, trade-related infrastructure, productive capacity building, and trade-related adjustment. But donor aid programmes did not have explicit reference to all AfT categories. Donor agencies needed to better integrate and identify trade related development support of all types in their country programmes and engage their programme staff better on trade-specific interventions. Hence, several modifications have been made to the CRS to adapt it to Aid for Trade needs (i.e. a new CRS category "trade-related adjustment" was introduced from the 2008 data collection on 2007 activities). Reporting accurate AfT data still remains a challenge as even after the modifications, proxies are used for AfT categories as defined by the AfT Task Force[7].

As IF came out of the TRTA/CB initiatives, the EIF evolved in the context of AfT. For LDCs, the EIF exists in parallel with the broader AfT initiatives, providing assistance and resources for capacity building programs, scoping studies, and seed projects. Thus, through the EIF framework, a larger project – such as infrastructure development – could be appropriately organised, implemented, and funded, either through a separate arrangement or under a revised EIF framework. The EIF participates in AfT related assistance in this manner through targeted technical assistance including economic studies, trade facilitation programmes, and policy analysis. It is important to note, however, this assistance only encompasses one portion of AfT. The EIF is a tool and a means to an end. It is a process feeding into the broader framework for donor support and programming around a country's development planning and priorities. LDCs can use the EIF process as a platform to launch larger projects, gain leverage with the donor community through legitimacy

[6] The Development Committee Communiqué is available at http://siteresources.worldbank.org/DEVCOMMINT/NewsAndEvents/20660181/Sept_2005_DC_Communique_E.pdf

[7] See http://www.oecd.org/document/21/0,3343,en_2649_34665_43230357_1_1_1_1,00.html for details

building (which can come from the DTISs, their Action Matrices and the resultant mainstreaming of trade into the national development plans), and channel demand for AfT through the national implementation structures. Exploring whether the current EIF framework is amenable to the broader umbrella of AfT is the subject of Section 3 of this study.

1.4 From individual country-based to regional approaches

The 2006 WTO Aid for Trade Task Force pointed to limited support for regional, sub-regional, and cross border trade as a barrier to effective integration of LDCs into the global trade framework. Policy and infrastructure coordination at the cross border and regional levels can further build trade capacity and extend the benefits of trade, particularly to small or landlocked countries. Weaknesses in AfT implementation efforts at the regional level as well as coordination problems and competitiveness between countries limit the effectiveness of regional development. Efforts to reduce administrative barriers, standardise procedures, and consolidate regulatory systems are often the most effective steps towards regional cooperation used to facilitate increased trade. Furthermore, cost saving measures, particularly in the areas of production capacity and infrastructure (i.e. transportation, communication, etc.) development, are often more effective at the regional level. Unfortunately, the majority of development funding sources focus solely on the country level.

Under the original IF framework, each country was entitled to a set dollar amounts in each funding window. Rather than fostering regional cooperation, the IF implementation structure (See Section 2 for further details) and the funding mechanisms encouraged nationally based projects. Some countries have expressed interest in formulating and presenting regional projects with EIF funding; however, no regional projects have been approved so far. At the regional level, Regional Trade Agreements (RTAs) are being created to decrease the barriers to trade and to assist with development; however, this is only possible when the RTA is designed to foster inclusiveness, is implemented effectively and works in sync with the multilateral trading system. EIF institutional capacity building and technical assistance initiatives can also be used to develop and implement better RTAs, but the onus of initiating these projects remains at the country level.

One notable handicap for the EIF to cover regional cooperation is the inclusion of non-LDC countries in Regional Economic Communities (RECs). RECs are the most likely candidates for overseeing and implementing regional projects at the local (regional) level; however, their lack of technical ability, lack of political will of the member states to relinquish sovereign decision making authority in favour of the regional bodies and inadequate structural capacity of the regional bodies potentially hinders regional projects from being developed and approved. A lack of coherence between regional goals and national priorities leads to weaker demand for regional projects. Section 4 of this report will explore the potential to utilise the current EIF framework for regional projects, examines issues relating to the participation of non-LDC members of the region, and consider the practicality of RECs acting as the implementation units. Section 5 examines the advisability of expanding the scope of the EIF to include beneficiaries beyond LDCs. Section 6 lists some recommendations for each of the three issues being discussed in Sections 3, 4 and 5. During this examination, some suggestions have been made to improve existing aspects of the EIF institutions and procedures. Recommendations relating to these suggestions are also incorporated in Section 6.

1.5 Paris/Accra and Beyond

Given other priorities of the donor community like poverty, health and fragile states, the link between MDGs and trade capacity building appears to be in need of strengthening. It is worth noting that the intergovernmental organisation dealing with trade, WTO, does not figure as a partner for the United Nations for the Millennium Development Goals (MDGs)[8], even though the WTO endorsed the AfT Task Force recommendations mentioning MDGs as a development objective that can be fulfilled *inter alia* through AfT[9]. Of course, the UN Resolution adopting the Millennium Development Declaration mentioned WTO as one of the institutions along with the Bretton Woods Institutions in need of greater coherence to achieve a coordinated approach to the problems of peace and development[10]. The United Nations Development Programme has set targets to be achieved to facilitate the attainment of MDG 8: one of them is to develop further an open, rule-based, predictable, non-discriminatory trading and financial system[11] and another is to

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[8] See http://www.un.org/millenniumgoals/bkgd.shtml . WTO is not a development organization.

[9] See recommendation F.1 in WTO document WT/AFT/1 at www.wto.org. The Paris Declaration on Aid Effectiveness has been annexed to the Report.

[10] See paragraph 30 of the Resolutions at http://www.un.org/millennium/declaration/ares552e.pdf

[11] See http://www.mdgmonitor.org/goal8.cfm

address the special needs of the least developed countries[12] which focuses on duty free quota free market access for LDCs, debt waiver and more generous official development assistance. One[13] of the four trade related indicators developed to assess achievement of MGD 8 is the proportion of ODA provided to help build trade capacity. A UN report on progress on MDGs states that many donor countries have paid more attention to the sectors addressed by the Millennium Development Goals, but less so to technical cooperation to boost production and trade[14]. The second global review of Aid for Trade held in July 2009, however, did deliberate on the role of donors in increasing support to MDG 8. The joint OECD-WTO publication released then recognised the firm commitment of the donors to faster progress towards MDGs and poverty reduction. They are taking measures to strengthen their capacity to respond to the increasing demand for aid for trade by scaling up aid resources, bolstering in-house expertise and raising awareness among policy makers and practitioners at headquarters and in the field[15]. Thus, the link between MDGs and trade capacity building is being gradually strengthened.

The Development Assistance Committee (DAC) of the Organisation for Economic Cooperation and Development (OECD) is a unique international forum where donor governments and multilateral organisations like the World Bank and the United Nations come together to help partner countries reduce poverty and achieve the Millennium Development Goals. While the main objective of DAC is to be the definitive source of statistics on official development assistance (ODA), its 23 members also undertake analysis and issue guidelines in key areas of development and forge ties with other policy communities to coordinate efforts on aid delivery. All of DAC's work relates to the MDGs, while specifically focusing on monitoring the goals and increasing aid effectiveness. The OECD work on Aid for Trade, managed jointly by DAC and the Trade Committee, aims to enhance donor coordination and alignment in the design, delivery and evaluation of AfT, provide practical guidance to maximise aid effectiveness in that area, and promote greater coherence between aid and trade in donor and partner countries.

In February 2005, the High Level Forum on Aid Effectiveness met at Paris to establish a broad consensus on increasing development aid effectiveness. Principles established by the Paris declaration that emerged from that Forum are specifically referred to as one of the three operating principles[16] of the EIF. The declaration signed by over 100 agencies, donors, and developing countries makes a commitment to help developing country governments formulate and implement their own national development plans according to their own national priorities and using their own planning and implementation systems. Five principles underlie the Paris Declaration: Ownership, Alignment, Harmonisation, Managing for Results, and Mutual Accountability. To increase aid effectiveness, national ownership of a comprehensive development strategy should be encouraged through capacity building in order to strengthen local leadership, management, and implementation mechanisms. Donors agreed to align their funding strategies with the implementation procedures of the aid receiving country. In this way, local institutions are strengthened and individual, country specific development strategies are perused. To reduce duplication and waste, donors also agreed to coordinate their efforts and harmonise their aid projects to ensure more effective and comprehensive development. To assess the progress of development strategies and the effectiveness of the development aid, all parties agreed to focus on end outcomes – how policies actually change the situation in-country and affect the lives of people on the ground. Finally, all parties agreed to increase transparency and citizen (through parliamentary) accountability. The declaration goes on to identify twelve indicators that will be used to measure national and international progress on the five principles to increase aid effectiveness and sets specific targets in each area for 2010. The EIF is thus linked to the broader international development paradigm, making successful expansion to broader mandates or increased beneficiaries practical. This report explores the potential to expand the EIF in both directions.

To assess progress and re-evaluate the direction taken to increase aid effectiveness established in the Paris Declaration, another High Level Forum was held in Accra, Ghana in September 2008. Country ownership of comprehensive development plans was again identified as the key to meeting the Millennium Development Goals (MDGs) and accelerating progress. The resulting "Accra Agenda for Action" notes the progress that has been made, but laments that efforts will have to be increased and actions will have to be accelerated and

[12] Ibid.

[13] The other three relate to duty free market access to developing countries and LDCs, tariff levels in developed countries on agriculture and textile goods, and domestic support to their agriculture sector given by developed countries.

[14] See page 46 at http://mdgs.un.org/unsd/mdg/Resources/Static/Products/Progress2008/MDG_Report_2008_En.pdf#page=48

[15] See pages 69-70, Aid for Trade at a Glance 2009: maintaining Momentum; joint publication by OECD and WTO.

[16] The Compendium of EIF states that one of the three operating principles of EIF is: A partnership approach in accordance with the Paris Principles of Aid Effectiveness ("Paris Principles") whereby Donors and international agencies coordinate their response to the needs of the LDCs, manage for results, ensure LDC leadership and accept mutual accountability.

deepened to fulfil goals of increased aid effectiveness. Recommendations focus on increasing consultative mechanisms in developing countries through a broader dialogue of stakeholders, enhancing capacity, and integrating decision making into existing country structures to increase national ownership of policies. Furthermore, building more inclusive and substantive partnerships – both at the donor and recipient level – will increase the effectiveness of aid. This can be achieved by reducing the current fragmentation of aid to avoid duplication, widening the scope of potential donors, and including more partners in implementation including civil society organisations. The EIF can be an important instrument in fulfilling the goals set in the Accra Agenda, particularly those relating to national ownership and building substantive partnerships, as the EIF in practice in the following section and the recommendations in the end will show.

2 EIF in Practice

2.1 Introduction

Since the IF started in 1997, DTISs have been completed in 35 LDCs. Technical review, the review undertaken to determine whether the country is ready and equipped for the DTIS stage, has been approved for another 12 LDCs. Technical Review for a 48th LDC is underway. Trade mainstreaming efforts in LDCs, however, are an ongoing exercise. Learning from the evaluations and simulations of IF, observations and recommendations of the IF Task Force, and experiences from the IF days, the EIF has developed its procedures and guidelines for delivering on its mandate. The first two projects were approved by the IF Interim Board on 1 July 2009, committing almost USD 2 million.

As of November 2009, 7 multi-year projects to support national implementation arrangements have been approved under the EIF, committing about USD 7 million out of the EIF funds to Cambodia, Liberia, Malawi, Rwanda, Sierra Leone, Uganda and Yemen. Another three agreements have been signed by the EIF with the World Bank to facilitate EIF related work in Afghanistan, the Democratic Republic of Congo and Togo at a total cost of USD 1.2 million. Twenty more projects are in the pipeline, requiring approximately USD 17 million in assistance. Many more are on the drawing board in the respective LDCs waiting to be sent to the EIF Board. It is expected that the currently funds committed by donors may not last beyond 2011, and additional pledges may be required. EIF is functional and projects are being approved, but certain critical steps to formalise it remain. These include finalisation of certain guidelines relating to project approval[17] and monitoring and evaluation[18], revising and approving the compendium of procedures[19], and most importantly the interim EIF Board shedding its interim nature.

2.2 Governance Structures and Regulatory Framework

Governance – as recognised by the 2005 IF Task Force – is an essential part of development assistance. To best achieve the goals of integrating trade into national development plans and increasing capacity, the Task Force recommended further country ownership of the EIF process. Accordingly, although the implementation of the EIF is managed and monitored at the international level, most of the practical governance of specific projects occurs at the national level. The IF Steering Committee (IFSC) provides general policy direction and oversees the overall scope of projects at the international level. It comprises of representatives from each of the six Core Agencies, all LDCs, and all donors. OECD, FAO and UNIDO have observer status in the IFSC. All member and observer governments of the WTO can also participate in the IFSC meetings. The IFSC is chaired by a country representative and is expected to meet at least twice per year. Presently, the IFSC meets on an ad hoc basis when key decisions have to be taken or it wishes to provide input on the general direction of the EIF.

[17] At the time of writing (January 2010), Tier 2 procedures had not yet been approved by the EIF interim Board. The modalities for approving regional projects are also yet to be developed.

[18] While the M&E systems have been approved, a small group of EIF members is working on the logical framework to be used, which will then need to be approved.

[19] This would follow once decisions relating to Tier 2, regional projects, and M&E logical framework are in place and ready to be added to the compendium. Another key issue, perhaps, is determining the terms of references for the EIF Steering Committee, on which the EIF Board will need to take a decision soon.

The main decision making body at the international level is the EIF Board[20], currently an interim body. Charged with key operational and financial decisions, the Board is composed of a representative from each of the six Core Agencies as well as three representatives of LDCs[21] and three representatives of donors[22]. The Board is headed by a chair chosen from the membership and should meet at least every three months, although it has been meeting as often as every month in recent times. Principles established by the Paris Declaration on Aid Effectiveness are used to develop detailed operational policies and business processes used by the EIF Board. The EIF Board functions as the lead decision maker of the EIF by supervision of the management of the EIF process, ultimate fiduciary responsibility including independent auditing, responsibility of approving specific projects, and overall evaluation.

To coordinate and facilitate day-to-day operations, the Executive Secretariat (ES), under the leadership of the Executive Director (ED)[23], monitors the EIF process. In this role, the Executive Secretariat assures that the fundamental objectives are being met, supports LDC participation, and reports to the EIF Board. Serving as the public representative of the EIF, the ED is responsible for leading the ES, mobilising resources, and facilitating communication between all stakeholders. Procedurally, the ED reports to the Board on policy and programme implementation and reports to the WTO Director General on secretariat related issues. Through the advisory function of the IFSC, the decision making role of the IF Board, and the operational mandate of the ES, the increased focus on effective governance and enhanced guidance from the international level meets the recommendations of the Task Force.

Country ownership is the crucial element of the enhancement of IF put into effect through the creation of the EIF. Institutionally, it is expected to be achieved by installation of National Implementation Arrangements (NIAs) in the LDCs. NIAs should normally be integrated into an existing governance structure and process, and comprise of a National Steering Committee (NSC), an EIF Focal Point (FP) and a National Implementation Unit (NIU). The NSC should have representation of all relevant government institutions, private sector and the civil society. Its main functions include overall monitoring of the EIF processes and activities including mainstreaming of trade into the national development plans, ensuring coordination among and buy-in of relevant government and non-governmental institutions, and ensuring that trade related issues get the requisite attention of donors. The FP is typically a senior official of the Ministry of Trade of the LDC. The FP oversees the functioning of the NIU and advises the government on its staffing and operations, chairs the relevant approval committees that approve EIF projects, works closely with relevant line ministries, liaises with the ES, TFM, Core Agencies, donors etc, and is expected to lead the project processes and implementation and report to the government, the ES and the TFM on their progress. The NIU is the supporting office for the FP and aids in the implementation of approved activities, works closely with, reports to and advises the ES, TFM and Core Agencies as well as the relevant government and non-government institutions.

2.3 Financial Architecture and Fund Availability

For the IF, an Integrated Framework Trust Fund (IFTF) was established under the financial rules and regulations of the UNDP for the receipt, administration and disbursement of funds and for mobilising additional resources needed to enhance the programme activities of the Integrated Framework. Contributions were pledged by both bilateral and multilateral donors towards two finance windows operating simultaneously: Window I, a general fund, for contributions for diagnostic studies and strengthening capacities of IF national structures; and Window II for contributions allocated to specific and clearly identifiable programmes for trade capacity building. The IFTF was closed for new commitments effective 31 May 2008 and UNOPS took over these functions in July 2008.

Donations to the EIF are held and managed through the EIF Trust Fund (EIFTF), which is headed by the Trust Fund Manager (TFM). The TFM for the EIFTF is the United Nations Office for Project Services (UNOPS). Donors contribute funds to the EIFTF through Contribution Arrangements whereby the TFM receives the donations, agrees to provide its services as the trustee of the EIFTF and undertakes to fulfil

[20] Until all the procedures and guidelines are fully approved and operational, the EIF functions under the management oversight of the EIF Interim Board. It is expected that the EIF Board will be duly constituted and functional by early 2010.

[21] Mali (Mr. Abdoulaye Sanoko), Yemen (Mr. Nagib Hamin) and Rwanda (Mr. Eduard Bizururemyi) are the current LDC representatives.

[22] United Kingdom (Mr. Edward Brown), the EC (Mr. Jan Ten-Bloemendal) and Switzerland (Mr. Darius Kurek) are the current donor representatives. Sometimes the donor coordinator in Geneva (currently Denmark), which may be different from these three, also attends.

[23] The Executive Director is Dorothy Tembo, from Zambia, an LDC.

fiduciary responsibilities. The National Implementation Unit (NIU) in the concerned LDC, in consultation with the TFM and the ES, identifies the Principal Recipient (PR) of EIF funds for implementing EIF activities in that country. Normally, NIU identifies one of the Core Agencies[24] or UNIDO, but has the possibility of identifying another entity as well. The PR enters into a Partnership Entity Agreement[25] with the TFM thus enabling TFM to transfer funds to them and for them to supervise or implement the EIF activities. Thus, the TFM is responsible for accepting pledges, concluding agreements with donors and administering the EIFTF, a task that includes collection, custody and investment of contributions, preparation of cost plans, disbursements, and financial reporting.

One flaw of the IF recognised by the task force was the lack of predictable, sufficient resources. The creation of the EIFTF and its management is envisioned as a partial solution to this problem. In its role as administrator of the EIFTF, the TFM will be able to assess the needs of the programme and provide timely updates to all stakeholders – leading to more stable and predictable funding. The TFM is also expected to be tasked with making periodic needs assessment exercises based on the projects approved and in the pipeline to the EIF Board so that the Board can take the next steps towards garnering more funds if required. Additionally, the EIF allows for more project specific feedback at the donor level through the Donor Facilitator and the country donor coordination mechanisms. In this way, donors are assured funds are properly managed and project implementation is properly monitored. These assurances may lead to increased contributions to the EIFTF, using the framework to route increased development assistance, AfT funding, and other aid to LDCs.

On 25 September 2007, a High-Level Conference was held in Stockholm to mobilise international financial support for the EIF. The conference brought together representatives of 38 donors, the six agencies, and five LDCs. Concrete pledges were made by 22 donors totalling about USD 170 million over the five years duration. These figures only relate to the multilateral EIFTF and not to additional bilateral contributions that donors may make during the EIF process. Other significant pledges were made later by Denmark (USD 12 million), France (USD 4.4 million) and Saudi Arabia (USD 3 million). Belgium, Estonia, Hungary and Japan contributed additional amounts through Agreements with the EIFTF. In terms of the actual inflows into the EIFTF in the last two years, USD 69.16 million flowed in by November 2009, including USD 23.50 million received from IF Comingled Fund. The top ten contributors into the EIFTF were the United Kingdom (USD 12.27 million), Denmark (USD 6.01 million), Spain (USD 4.18 million), the EC (USD 4.15 million), Norway (USD 4.06 million), Ireland (USD 3.24 million), Finland (USD 2.87 million), Luxembourg (USD 2.15 million) Germany (USD 1.94 million) and France (USD 1.43 million). A further about USD 53.61 million has been committed with a predominant largest share of USD 49.10 million by the United Kingdom, until 2013, thus securing a total of USD 122.77 million for the EIFTF by November 2009. Many donors have indicated that funds would not be a constraint in implementing EIF projects which meet the approval criteria laid down by the EIF Board approved guidelines.

By November 2009, approximately USD 8 million had been committed for projects through the EIFTF including USD 6.8 million committed to LDC governments and USD 1.2 million to the World Bank. Projects in pipeline are expected to consume another USD 14 million. The currently available funds should be sufficient to see through projects in the pipeline and on the drawing board until 2011.

2.4 Implementation Framework

Through the governance structures mentioned above, the EIF has started functioning. Typically, the EIF Secretariat conducts a technical review of an applicant LDC's preparedness to receive assistance in accordance with the objectives of EIF, based on which applications for specific project support are examined. Though the EIF Board is wary of determining specific ceilings for assistance to be received by each LDC at various stages of the project, a broad understanding exists in terms of the amounts required and available for support. Support is delivered in two phases, called Tier 1 and Tier 2.

Tier 1 is aimed at supporting greater in-country capacity and ownership. The beneficiary LDC can get up to USD 2 -5 million allocated for Tier 1 in a period of up to 5 years starting from the time that the EIF Board approves the Tier 1. Primary use of the Tier 1 funds is made to support establishment and functioning of the NIA and the preparation of DTIS. The latter exercise involves pre-DTIS support for new entrants to the EIF, preparing the DTIS including an Action Matrix, and updates to the DTIS. The procedure for accessing Tier 1 funds commences with the NIU conducting in-country consultations and submitting a draft proposal

[24] Normally the World Bank, UNDP, ITC or UNCTAD.
[25] The World Bank Group has a slightly different form of arrangement with the TFM.

including a recommendation on the PR to the TFM and the ES. The TFM conducts fiduciary and capacity appraisal and the ES makes recommendations on the programmatic and substantive aspects of the draft proposal. The final proposal is then approved by the Tier 1 Appraisal Committee (TAC1), chaired by the FP and having representation at least from the DF and the Ministry of Trade. The approved proposal is sent to the ES for obtaining approval of the EF Board.

Tier 2 is aimed at facilitating the implementation of projects identified in the DTIS, its updates and the Action Matrix. LDCs will be expected to develop a programme to strengthen their trade and productive capacities within their overall national development plans by prioritising interventions identified in the DTIS Action Matrix. Given the funding requirements arising from Action Matrices and limited funds available and envisaged in the EIFTF, EIF under Tier 2 is expected to support activities such as feasibility studies, project development activities, and small infrastructure projects. So far no Tier 2 applications have matured for funding, so it is too early to make a firm assessment of the type of projects that may get funded. The guidelines envisage these projects to typically avail USD 1.5 million directly from EIF finds, and also typically be of three year duration. The Tier 2 proposals are likely to go through a similar approval process as Tier 1 proposals, except that the Tier 2 Appraisal Committee (TAC2) should have representation from the Finance and/or Planning Ministries of the LDC and the in-country approval should be obtained at the level of the NSC. Some more details regarding procedures outlined for the two tiers are given in Annex I.

Donor coordination and coherence is achieved in the EIF by the Donor Facilitator (DF). The main objective of the DF is to help mainstream trade into in-country donor programmes to ensure effective and timely implementation of the Action Matrices. The DF is expected to enlist and coordinate donor responses to the Action Matrix so that the EIF support is adequately supplemented by exploring possibilities of pool funding arrangements. The DF works closely with and facilitates the LDC government contacts with all donors. Normally, the DF is from a donor country committed to take a lead role in the development aid structures for the relevant LDC. Donors that have committed to the EIFTF through pledges made through the last few years are more likely candidates for this role.

2.5 Mandates, Roles and Responsibilities

Once the institutional, operational and financial aspects of the EIF are well in place, monitoring progress and evaluating feedback and impact will become equally important. Based on the recommendations of the IF Task Force in 2006 and as part of the enhancement of the IF, it was agreed that a Monitoring and Evaluation (M&E) Framework would be established to enable all LDC governments, donors and implementing agencies to assess the performance of EF in its totality and establish whether the targets are accomplished or not, and where the targets are not met, why this is so and what can be done to redress the situation. A study was commissioned by the EIF Board[26] for developing a comprehensive M&E Framework. The study was concluded in early 2009. Key objectives of the Framework proposed in the study include supporting LDCs in mainstreaming trade into their national development plans, facilitating and supporting donor-coordinated delivery of trade-related technical assistance[27] including in the context of Aid for Trade in response to the needs identified by LDCs and to facilitate donor response, and developing capacity of LDCs in the formulation and implementation of trade-related policies and strategies.

Key roles, responsibilities and reporting requirements under the proposed Framework are available in Annex II. Efforts are underway to put the M&E Framework into operation, which includes in the first instance a series of training programmes for in-country EIF stakeholders to understanding the Framework. Efforts are currently underway to engage all the stakeholders, including the NIAs at the in-country level, in training programmes in the next few months to equip them with the necessary wherewithal to discharge their relevant M&E roles efficiently. These are early days for the EIF and the M&E process has not yet been formally approved by the EIF Board or put into operation, but the following parts of this study has addressed certain aspects of these mandates, roles and responsibilities.

[26] See http://www.integratedframework.org/news.htm#Monitoring and Evaluation Framework

[27] Though how the Consultant characterizes the assistance, (see http://www.integratedframework.org/files/non-country/M&E%20Policy%20and%20Guidelines.pdf), it is assumed his recommendation does not preclude broader AfT related initiatives being implemented through the EIF so long as they are based on needs identified by the LDCs.

2.6 In-country Structures and Modes of Delivery

A main objective of the EIF is to mainstream trade into the national development plans of LDCs. The AfT Task Force recommendations also state that projects and programmes should be considered as Aid for Trade if these activities have been identified as trade-related development priorities in the recipient country's national development strategies[28]. Aid for Trade (AfT), thus, has trade mainstreaming as an objective. The EIF in practice, however, starts to focus first on the in-country structures necessary to own such mainstreaming efforts at the national level. Therefore, rather than seeing EIF as the funding mechanism for mainstreaming trade into the national development plans of the LDCs, it should be seen as the mechanism that creates robust institutions at the LDC in-country level that create the awareness, capacity and ability to access funds for this objective, and a mechanism for the donor community to assess capacity, funding and other support needs of LDCs to ensure that trade gets so mainstreamed. Seen in this light, it is useful to review the role AfT has played in developing countries in general and LDCs in particular. While the next section of the report delves more deeply into the subject, suffice to recall here some observations from the Second Global Review of Aid for Trade held in July 2009. The review report perceives remarkable progress both at the in-country level and the donor level. AfT had grown at more than 10% in 2006 and 2007 and total new commitments from bilateral and multilateral donors reached USD 25.4 billion, of which LDCs got USD 7 billion. An additional USD 27.3 billion was provided as AfT in the form of non-concessional trade related financing. In terms of donors, the World Bank led the multilateral funding agencies followed by the EC. The US, Japan and Germany were the top three bilateral donors. Thus, if the EIF driven Action Matrices demand funding that goes much beyond the remit of the EIFTF, donors appear in a position to step in.

It is perhaps too early to make an assessment of the strength of EIF created in-country structures, given that the first of the EIF assistance started flowing into the LDCs only from July 2009. Nevertheless, some good indicators are emerging from the guidelines being developed by the EIF Board, the increased donor coordination and assistance in the in-country meetings and the resulting ability of LDCs to understand the support and delivery structures better and to access them for their nationally developed objectives. The focus of the EIF Board on giving priority to establishing functional in-country structures can be gauged by the fact that all the seven projects approved under the EIF are meant to provide support to the NIAs. Fourteen more requests to create NIAs are in the proposals in the pipeline. Further, the implementing agency in all the approved projects is the national government. The same is the case in those pipeline proposals where decision on the implementing agency has been taken.

Some of the principle criticisms heard during the first EIF Focal Points Global Workshops held at Geneva in July 2009 were that the implementing agencies were not fully conversant with the local conditions, or changed too often, or did not appropriately consult with the national institutions in preparing the DTISs or obtained validation for them through inadequately participative workshops, or recruited outsiders with little in-country knowledge to prepare the DTISs. That should change. The entire decision making responsibility in the EIF rests with the NIAs, with support and guidance from the EIF ES, EIF TFM, the implementation agency and the donor facilitator. The national authorities decide who the implementing agency for DTISs or Tier 2 projects would be, even though the ES and TFM play a role in determining the capacity of the chosen agency to deliver. These changes would facilitate the national government in ensuring that the EIF performs to their advantage.

The national structures, however, could take time to develop the capacity to discharge this responsibility fully. Their ability to do so is a function of existing governmental processes, importance of their Ministries of Trade in the national political hierarchy, coherence within the government, capacity of the officials manning the NIUs to understand and take on the roles assigned to them and to make effective use of the other components of the NIAs, particularly the NSCs and the FPs. Best practices are being created in the process of making use of the EIF. To use a cliché, one size does not fit all. However, availability of such experience out there helps each LDC to determine the use they can make of these experiences.

2.7 Best Practice Examples and Feedback

Cambodia and Zambia have been seen as good examples of the way forward for installing functional and effective in-country processes during the IF process. Annex III shows some of the details relating to the Cambodian experience. Not all LDCs can move at the same pace; there could be various reasons for variations, including the current decision making structures, the quality of PRSPs or DTISs already available from WB/IMF or IF sources, the time and effort required to obtain the correct data and feedback on

[28] See the *chapeau* of Section D on page 2 of WT/AFT/1 at www.wto.org

domestic trade mainstreaming needs and so on. Tanzania can be used as an example where such handicaps are being gradually but effectively overcome. Annex IV gives some details. Practices develop over time, with past experiences helping in removing the handicaps perceived earlier. This can be a long process, however, even for well meaning political leadership, for various reasons. One case in point is Rwanda, as can be seen in Annex V.

Feedback from various experts and officials involved in the EIF process in various countries and organisations is given in the boxes below. A list of experts and officials interviewed for this study can be seen in Annex VI.

Indicative Feedback from Donors

1. Availability of funds is not the issue; preparedness of the in-country processes to identify needs clearly, access funds and utilise them well is. Creating EIF funded national structures in the Ministry of Trade is not enough; there needs to be a better political buy-in, for which endorsement of other important Ministries is necessary. The government machinery needs to accept the fact that the EIF is spearheaded by the Ministry of Trade. Within the Ministry of Trade, the EIF processes should be driven at the Principal Secretary or higher level. That will enable clear mandate from the NSC and better coordination among officials of various Ministries involved.
2. Funding by bilateral donors is readily available at the country level; technically sound proposals received from NIUs will readily get funded. Most donors have clear multi-year country strategies; many of them have clear private sector and trade components. At the country level there would be few funding efforts with a clear AfT or EIF tag on it; such a tag is really not necessary.
3. Mainstreaming trade into national development plan documents is not enough; funding needs to ensure such mainstreaming should be phased into the broader development planning processes of the government.
4. Some donors see the EIF structures the main entry point for bilateral aid while some others see the donor priorities the key driver for funding. A few find other means of identifying in-country needs better than the EIF processes, perhaps based on the experiences from the IF days or after undertaking impact evaluation of the IF interventions. Still others appear non-committal due to the EIF structures being in their early formation stage and feel that their effectiveness is still to be tested.
5. M&E aspects of implementation of any projects, including EIF projects or projects arising out action points identified in the DTIS Action Matrices are important for all donors.
6. The key constraint at the moment is that the technical capacity of the NSCs and the government departments involved is low.
7. Sector wide approaches are more amenable to multilateral as well as bilateral donor support. Still, coordination and avoidance of duplication among different funding streams remains a challenge.
8. Some in-country donor officials are not aware that the EIF exists.
9. There is a time lag between EIF related decisions taken in the Geneva based structures and their being effectively communicated at the in-country level.
10. The EIF processes need to be given adequate time to establish and become effective means of creating a donor awareness of the local buy-in of the trade mainstreaming efforts the in-country national level structures are creating in the larger governmental and budgetary processes.

Source: Various interviews and discussions.

Indicative feedback from National EIF Institutions and others at in-country level

1. Establishment of functional NIAs in LDCs is a slow and gradual process, and it must be appreciated that we are dealing with many officials and stakeholders who have had no exposure to the kind of accountability and performance standards that have been instituted in the EIF.
2. The NIUs are generally delivering quite well if you keep in mind the fact that they have other responsibilities apart from the EIF activities also.
3. In most cases, the EIF FP is also responsible for other substantive portfolios in the Ministry of Trade, adding to the diversion of time towards other administrative burdens.
4. In many cases, the FP is reporting to higher authorities (Principal Secretary, Minister) with a number of other responsibilities thus making it difficult to engage them in EIF related decision making needs.
5. The Minister of Trade and his Principal Secretary are the key stakeholders whose blessings are necessary for the national EIF processes to deliver effectively. In some countries, this is possible due to the influence of the Trade Minister in the Cabinet.
6. The FP is typically an official of the Trade Ministry who does not have adequate opportunities to interact with relevant officials of other Ministries which have to make significant inputs into the EIF processes, such as the Finance, Planning and Statistics Ministries.
7. NIUs are inadequately staffed.
8. The DTIS and Action Matrix were prepared a long time back, are very broad and theoretical and do not respond to the current needs of trade mainstreaming.
9. Donors are mainly in touch with officials from the Finance and Planning Ministries, and wish to receive funding requests in a certain format and with certain procedures not familiar to the Ministry of Trade.
10. Donors and donor facilitators keep changing every two years, so continuity of engagement with individuals with whom one can establish a relationship is a challenge.
11. Consultants involved in preparation of DTISs and their updates face difficulties accessing official information needed as inputs.
12. Civil Society Organisations, businesses and other stakeholders do not get adequate information from EIF NIUs.

Source: Various interviews and discussions.

3 EIF as an Aid for Trade Coordinating Facility

3.1 Scope of the AfT Agenda

The needs for Aid for Trade (AfT) support has been discussed in Section 1 above. The WTO Task Force on AfT set up to implement directions of the ministers at the Hong Kong Ministerial meeting engaged in determining the scope of AfT and recommended *inter alia* that AfT should aim to strengthen needs identification at the country level, donor response and the bridge between donor response and needs. Building upon the definitions used in *the Joint WT*O/OECD Database, the categories of AfT identified by the AfT Task Force include: (a) trade policy and regulations, including training of trade officials, analysis of proposals and positions and their impact, support for national stakeholders to articulate commercial interest and identify trade-offs, dispute issues, institutional and technical support to facilitate implementation of trade agreements and to adapt to and comply with rules and standards; (b) trade development, including investment promotion, analysis and institutional support for trade in services, business support services and institutions, public-private sector networking, e-commerce, trade finance, trade promotion, market analysis and development; (c) trade-related infrastructure, including physical infrastructure; (d) building productive capacity; (e) trade-related adjustment, including supporting developing countries to put in place accompanying measures that assist them to benefit from liberalised trade and (f) other trade-related needs. The DTISs prepared with EIF support generally cover many of the interventions required for the first four of these AfT categories. Thus, the objectives of AfT align with the objectives of EIF. EIF is the one of the instruments through which LDCs access AfT.

3.2 Current Contributors to the AfT Agenda

Not being a development organisation, the WTO has only a catalytic role to play, ensuring that relevant agencies and organisations understood the trade needs of WTO Members and encouraging them to work together more effectively to address these needs. An Advisory Group was set up by DG, WTO comprising of African Development Bank, Asian Development Bank, European Bank for Reconstruction and Development, IMF, Inter-American Development Bank, Islamic Development Bank, ITC, OECD, UNCTAD, UNECA, UNDP, UNIDO and the World Bank. The WTO Committee on Trade and

Development, which monitors progress on all development issues including on AfT, gives an opportunity to donors and recipients to serve as a resource and a sounding board and to take WTO related decisions[29]. WTO has been used as the primary formal forum to review progress on AfT. Biennial Global Reviews have been held in 2007 and 2009. WTO and OECD jointly created a database of TRTA/CB in 2001. With the emergence of AfT, OECD CRS data is being used. WTO and OECD also conduct quantitative monitoring of AfT and while impact monitoring and evaluation is planned soon. The donors also consult on AfT issues informally in Geneva. This is done within the larger rubric of the Casai Group, an informal grouping of the donor representatives based in Geneva. The Geneva Group on Aid for Trade meets as required, usually every month, and is open to participation from any OECD member state, the European Commission and any other country that contributes financially to multilateral aid for trade initiatives. Participation is encouraged by those who serve as donor coordinators or represent donors on the boards or other bodies of the relevant multilateral organisations.

Multilateral institutions have been supporting development and poverty alleviation efforts in LDCs through various structured programmes, and therefore have been more visible than the bilateral donors. Some of them have a direct linkage with the EIF objectives. Geared to contribute to the effort to halve poverty as part of the Millennium Development Goals, the World Bank and the IMF started preparing comprehensive country-based strategies for poverty reduction in 1999 called the Poverty Reduction Strategy Papers (PRSPs). PRSPs aimed to provide the crucial links between the national public actions, donor support and the development outcomes needed to meet the MDGs. Between the World Bank and the IMF, PRSPs or interim PRSPs have been prepared for 38 of the IF countries so far. PRSPs have later led to the development of national development plans by many of the beneficiary countries. The World Bank has assisted in the preparation of most of the 35 DTISs adopted under the IF. The Trade Facilitation Facility (TFF) of the World Bank is an initiative directly related to AfT (see box below). ITC characterises itself as a 100% Aid for Trade related institution, contributing to the AfT agenda by helping to make national policy environments more friendly for export business, strengthening national and regional institutions that provide services to exporters, and helping enterprises to become more competitive in the global market. UNCTAD steps in with other organisations to provide training and other trade related technical assistance to LDCs. UNDP is on the ground in as many as 166 countries world-wide, thereby providing much needed local presence for delivery of AfT as well as EIF related initiatives. UNIDO also has significant in-country presence and delivers AfT and EIF related activities focused on addressing supply-side and market conformity issues.

[29] Notably, the Advisory Group does not include representatives of the bilateral donor community, including emerging donors, as well as partner countries. A group of donors have made a suggestion to the WTO Director General to enlarge the Aid for Trade Advisory Group to include bilateral donors, including emerging donors, and partner countries.

The Trade Facilitation Facility of the World Bank

TFF is a multi-donor trust fund launched in April 2009 to help developing countries improve their competitiveness through concrete improvements in their trade facilitation systems and by reducing trade costs. The TFF can also play an important role in helping developing countries implement trade facilitation provisions of international trade agreements, including a WTO Trade Facilitation Agreement, and supporting regional trade institutions across the world. The TFF will also support small investments (e.g., around USD 1-2 million) that address critical trade bottlenecks *inter alia* those identified in Integrated Framework Action Matrices. The TFF will respond on a rolling basis to requests from governments and regional organisations.

Coherence with other Aid for Trade Activities*:* The TFF is linked to the Aid for Trade agenda and can provide critical inputs into the design of trade related investment projects. In LDCs, for example, the TFF complements the EIF by providing additional resources to help LDC governments address trade facilitation priorities in IF Action Matrices. The TFF will also address regional trade externalities (e.g., those related to transit through gateway countries) or support projects in non-LDCs that provide demonstration effects for IF countries - activities that are beyond the scope of the IF. The World Bank Aid for Trade Coordination Council will coordinate the TFF, the Multi-Donor Trust Fund for Trade and Development, and other AfT trust funds that may be established at the World Bank to ensure that these programmes complement each other.

Funding Support: TFF aims to mobilise USD 40 million in trust fund resources in four years. Sweden, the Netherlands and the United Kingdom have committed to provide support.

Ongoing TFF Projects:

1. Trade Facilitation Audit in the Democratic Republic of Congo (July 2009-March 2010)
2. Support to Increased Efficiency of Customs Administration in Cameroon (October 2009-December 2010)
3. Greater Mekong Region Trade Facilitation Project (September 2009-May 2010)
4. National Single Window Support Programme in Mozambique (October 2009-March 2010)

Source: *World Bank* and personal interviews

Regional Development Banks also contribute significantly to the AfT agenda. The African Development Bank does so through, for example, the Investment Climate Facility, Trade Finance Initiative and Enhancing Private Sector Assistance for Africa Initiative, apart from contributing actively towards the development of some of the transport corridors in Sub-Saharan Africa. The Asian Development Bank has set up a Regional Technical Group for Asia and the Pacific to provide regional ownership of AfT apart from successfully implementing the Greater Mekong Region programme including economic corridors in the ASEAN region. While several multilateral organisations have a formal role either in the coordination (WTO, OECD) or implementation (UNIDO, UNCTAD, ITC) of the Aid for Trade initiative,, bilateral donor-led and other instruments complement the programming implementation of the AfT initiative in a significant way. Bilateral donors like US, Japan, and Germany are at the forefront of these efforts, though many other bilateral donors are also contributing substantially. During 2007, over 60% of the AfT flows came from bilateral donors. Most bilateral donors have either already developed[30] or are developing AfT specific aid strategies.

[30] Japan has a Development Initiative for Trade; Belgium, Finland, Ireland and the UK have developed dedicated AfT strategies; Austria, Czech Republic, Greece, Poland and Spain have identified AfT as a priority in their development policy; Germany, Latvia, Lithuania and the Netherlands explicitly frame their strategies within the EU AfT strategy; and AfT strategies are under preparation in France, Italy, the Slovak Republic and Sweden. See page 67, Chapter 4 of "Aid for Trade At A Glance 2009: Maintaining Momentum" published jointly by OECD and WTO.

The multilateral institutions allocated a significantly higher share (43%) of their sector allocable ODA to AfT than bilateral donors (28%). This might also be due to differences in the manner in which bilateral donors accounted for AfT related interventions in their inputs to the OECD CRS. An exercise is underway in the WTO and the OECD to improve CRS reporting into the category of AfT. Furthermore, the multilateral institutions also get their funding from these bilateral donors; the government coffers are the same. Some donors are increasingly using multilateral channels or general budget support. The EC, in addition to contributions by its member states contributes significantly to AfT (see box). It has a singularly important role in establishing regional institutions, in particular in Sub-Saharan Africa.

The European Union and Aid for Trade

In December 2005 the EU made an overall commitment to increase its collective annual spending on trade related assistance (one component of the overall Aid for Trade budget) to Euro 2 billion every year by 2010. Euro 1 billion of this is to come from the European Commission and an equal amount from EU Member States. In October 2007, EU adopted the 'EU Strategy on Aid for Trade' which follows a demand-driven approach, aimed at delivering an effective response to countries own trade related priorities. Developing countries will have to mainstream trade into national and regional development plans in order to articulate their needs and demands. European Commission has pledged Euro 10 million to EIF Trust Fund and provides support on the ground by taking the role of a 'facilitator' in 12 Least Developed Countries. Total AfT commitments of the EU had reached Euro 7.2 billion in 2007 (Euro 4.74 billion from EU Member States and Euro 2.43 billion from the EC according to the EU website WTO-OECD reported in 2009 that the EC and EU Member States collectively provided Euro 8.5 billion in 2007. There is an increased interest in the Enhanced Integrated Framework. Seven Member States indicated in questionnaire responses to the WTO that they systematically align their TRA/AFT with the IF Action Matrix and take clear account of the needs identified during the IF process.

Support for regional integration is also improving. Eight Member States indicate that they have strengthened their support to the implementation of regional integration strategies developed by regional organisations, along with their capacity to organise coordination and wider stakeholder involvement and to identify and prioritise trade-related needs. At regional level, however, implementation through joint delivery modes was less developed than at national level.

There are significant synergies of the EU AfT agenda with other international agendas (e.g. Aid effectiveness, WTO Global AfT review, UN Financing for Development process, etc).

Total ODA allocations (including to Aid for Trade) over the programming period 2008-2013 is given below:

1. European Development Fund (African, Caribbean and Pacific countries): Euro 22. 682 billion
2. Development Cooperation Instrument (Latin America and Asia including Central Asia): Euro 16.897 billion
3. European Neighbourhood Policy Instrument (Neighbourhood countries and Russia): Euro 11.181 billion
4. Pre-accession instrument (the Balkans and Turkey): Euro 11.468 billion

Source: EU and WTO websites, personal interviews and http://www.acp-eu-trade.org/library/files/Fredereiksen-Rampa_EN_1207_ECDPM_New-EU-AfT-Strategy.pdf

Private sector contribution to aid has been a recent phenomenon, and mostly focuses on non-trade issues. The volume of philanthropic contributions, is, however significant; one study assesses that private philanthropy amounts to USD 49 billion, which is almost half of the total ODA volumes[31]. More recently, some private charities have also started contributing handsomely to the effort to address supply side constraints in some least developed countries, which is a step towards private charities' contribution towards the AfT agenda.

Some large projects (see box) with a regional approach are emerging as equally important players in the AfT agenda, such as the North South Corridor Scheme in Eastern and Southern Africa, supported not only by the ODA multilateral, regional and bilateral donors but also by the private charities.South-South Cooperation has also started contributing to AfT efforts. Data for such aid is difficult to get. Nine developing countries responded to an OECD-WTO questionnaire request on their contribution to AfT, while three of them

[31] The Index of Global Philanthropy and Remittances 2009; by the Centre for Global Prosperity, USA, available at http://www.interaction.org/sites/default/files/7/Index%20of%20Global%20Philanthropy%20and%20Remittances%202009.pdf

(Chinese Taipei, India and Singapore) confirmed that they had an AfT strategy. Annex VI provides details of AfT commitments of various donors and whether they have an AfT strategy.

The North South Corridor

It is a joint COMESA-EAC-SADC pilot AfT programme aimed at reducing the time and cost of road and rail travel along two priority corridors identified by NEPAD linking the Dar Es Salaam and South African southern ports to the Copper belt. It serves eight countries: Tanzania, DRC, Zambia, Malawi, Botswana, Zimbabwe, Mozambique and South Africa. The pilot programme aims to improve the physical infrastructure, electricity, the regulatory environment, transport and energy, with the intention to use it to develop methodologies and approaches that can be applied to other similar projects. While private investment is expected in certain areas like toll bridges and energy generation, significant quantities of public-sector funding and concessional development financing will be required to improve the state of public infrastructure.

A major high level conference held at Lusaka, Zambia, in April 2009 saw USD 1.2 billion being pledged by the international community, in addition to contributing additional USD 500 million to improve other corridors in the hinterland. The Development Bank of Southern Africa announced support up to USD 1.5 billion in the energy, ICT and transport sectors. Institutional structures like a Project Steering Committee and a Project Implementation Unit with support of agreed tripartite processes among the three RECs were agreed upon and a Trust Find to be established by DBSA set up.

The Phnom Penh-Ho Chi Minh City Highway

Aimed at closer economic ties among Cambodia, China, Lao PDR, Myanmar, Thailand and Vietnam, the Highway is expected to enhance competitiveness, improve connectivity and engender a sense of community among the Greater Mekong Region countries. Financed by an Asian Development Bank loan in 1998, the project is operational and is bringing about expected positive results. For example, the value of trade passing through the Bavet/Moc Bal border crossing post increased by 41% between 2003 and 2006, and the number of vehicles crossing the post increased by 38%. Commercial Vehicle operating costs have dropped by 15% and travel time reduced by 30%. Six years after the completion of the project, the economic internal rate of return has increased by 25%.

More needs to be done relating to soft infrastructure. The GMS countries have forged the GMS Cross Border Transport Agreement to establish single-window customs inspection, cross border movement of persons, transit traffic regimes, requirements and standards for road vehicles, exchange of commercial traffic rights and infrastructure standards. They have also set up an Economic Corridors Forum to develop three related corridors into truly economic corridors. More regional level coordination, however, is proving to be a challenge.

Source: Aid for Trade at a Glance 2009: Maintaining Momentum (OECD/WTO, 2009); and personal interviews.

3.3 Entry points for EIF to become the overarching AfT Coordinating Mechanism

As per the Paris Principles, country-owned development is the corner stone of aid effectiveness. To make ownership a reality, LDCs need to take the lead in developing and implementing their development strategies, and the donors need to support these strategies and align their aid with national priorities.

Most LDCs find this goal challenging due to capacity constraints, scarcity of resources and other more urgent policy priorities such as for health and education needs. Lack of adequate coordination among ministries and other state agencies compound the problem. Often, trade ministers are not very important in the Cabinets of LDCs, and find it difficult to make a case for trade mainstreaming. It has also been found in studies that trade ministries rarely formulate cogent strategies to improve competitiveness, and that a strategic focus on harnessing economic growth is often missing. Similarly, for AfT efforts there is often inadequate coordination between the Geneva Missions of LDCs and their capitals, and within the capitals between various relevant Ministries. Addressing supply-side constraints including in particular infrastructure needs as part of the trade mainstreaming efforts by the LDCs requires a much closer coordination between Trade and other relevant Ministries than exists at present. Geneva Missions of LDCs are in need of better linkages to their capitals; the two way consultation mechanism needs to be much more efficient.

The in-country institutions set up with EIF support in LDCs are filling some of these gaps. The NSC, NIU and FP mentioned in paragraph 2.2.4 above constitute the core of the in-country institutional set up. Since reach of AfT is wider than the remit of trade ministries, the role of constituents from other members of the NSC, including other important ministries and the private sector becomes paramount. The inclusion of other relevant ministries such as Finance and Planning in the NSCs is expected to create the much needed in-country coherence and better government buy-in for EIF activities. Similarly, having the private sector and civil society representation on the NSCs is expected to increase a sense of ownership of EIF activities among the relevant stakeholders.

At the same time, donor coordination in order to align their aid with the national priorities is equally important. Currently, donor coordination is undertaken through international (e.g. OECD DAC, or more informally as ahead of the North South Corridor Meeting), national (e.g. Consultative Group Meetings, Round Table Meetings) and regional (REC Steering Committee, Donors/Partners Fund Meeting) level coordination mechanisms. Representatives of donors participating in these configurations are normally aware of their country priorities in a region or a country, or in a sector or theme, but not necessarily the position taken by them in the Geneva based EIF related coordination meetings. Further, the different priorities of or lack of coordination between the Ministries of Foreign Affairs, Development Cooperation and Trade in donor governments may prevent adequate focus on trade mainstreaming efforts in LDCs, as Ministries of Trade or the EIF initiatives led by their Geneva Missions may not get adequate attention in the coordination groups and donor decisions at the LDCs level.)

In order to assess the possibility of EIF acting as a coordinating facility for AfT related needs of LDCs, such needs have to be identified clearly. DTISs and Action Matrices are the basis for such identification. When mainstreaming trade into the national development plans occurs through these actions, most aspects of AfT interventions should come out clearly. In particular, requirements related to building productive capacity, trade related infrastructure and trade adjustment needs should be part of the Action Matrices. The latter two in particular are either lacking or recommendations related to them are unclear. A survey of the DTISs of a sample set of LDCs shows that most of them have significant deficiencies in respect of building productive capacity also.

Some Key Deficiencies of IF era DTISs

1. A public workshop was held (Ethiopia, Lesotho and Malawi being good examples) only to validate the DTIS draft, providing participants with a limited frame of reference around which to provide feedback.
2. In only five out of the 11 DTISs reviewed (Cambodia, Ethiopia, Lao, Tanzania and Uganda) was there an attempt to model the impacts of the proposed tariff reductions on poverty levels. For the rest of the countries, it was simply assumed that such measures would contribute favourably to poverty reduction.
3. Virtually all the Action Matrices recommend a large number of very general actions to be taken to promote trade development. It is not uncommon for an Action Matrix to recommend "increase access to credit" (as in the case of Cambodia's) or "establish an inland dry port" (as in the case of Ethiopia's), and most include 50-100 recommended actions, with no prioritisation amongst them. Although such recommendations do give some guidance to policy makers, on their own they are far from actionable and funders may find it difficult to justify funding.
4. In only three countries were food crop sectors selected for specific analysis: Cambodia (rice), Ethiopia (cereals) and Sierra Leone (milled rice and gari). For the majority of countries the focus was entirely on cash crops without any attention given to food crops, even though they may be net food importers.
5. The actions recommended in relation to infrastructure and financial issues mainly focus on formal trade sectors and cross-national/regional infrastructure, at the expense of focusing on the needs of more informal sectors and localised infrastructure constraints.
6. The weakness of smallholders in markets and the steps that can be taken to strengthen their market power is not adequately addressed.
7. Another weakness is the failure to deal with rural taxation issues, which can be very relevant to the ability of the rural poor to gain from production for export. Recent studies of the rural sectors in Kenya, Malawi, Tanzania, and Uganda found that small-holders/petty traders were being negatively impacted by a range of official and non-official taxes that were extracting much of their profits and discouraging their engagement in commercial activity.
8. Given the (mostly potential) importance of services exports from these countries it is some concern that in only one DTIS reviewed did analysis focus specifically on a service sector other than tourism and transport, and that was for Uganda.
9. The sectoral analysis failed to focus on the full range of industrial opportunities available. Although most of the DTISs reviewed focused on at least one industrial sector, a range of potential industrial sectors were neglected including those identified in PRSPs as strategic priorities, for example in Uganda.

Source: Study of 11 DTISs undertaken in 2008 by CUTS, available at http://www.cuts-citee.org/pdf/WP08-02.pdf

In particular, the effectiveness of the in-country institutions to deliver beyond the mandates of the trade ministries needs to be enhanced. Even though no Tier 2 proposals have so far been approved, the second (productive capacity building) and third (trade related infrastructure) categories of AfT deliveries are most likely to need regular support from outside the EIF. The NIU however may not have the mandate to ensure effective implementation of such AfT deliveries unless the other ministries represented in the NSC are fully involved in the implementation process. The NIU and FP require better coordination in particular with the Planning and Finance ministries followed by other relevant ministries for individual AfT projects like transport, agriculture, private sector development etc. Further, since EIFTF funds may not be adequate both in terms of mandate and volumes to deliver larger AfT projects, the FP should be a part of the partner country resource mobilisation team. Often this team is constituted of personnel from the Office of the Chief Executive, Planning and Finance Ministries. Funds accessed by such resource mobilisation officers are often a multiple of the EIF related requirement, leading to lack of much interest in EIF funded projects and examining how they can be dovetailed into the larger national budgetary and strategic exercises. Participation of the FP in the team will enable filling this gap. Once that is done, co-funding or comingled funding mechanisms can be used to dovetail EIF led funding of DTIS Action Matrix related action points in order to achieve the broader national development strategy.

The current institutional structures at the donor coordination level similarly need to be enhanced. The WTO AfT Task Force pointed out that there is a need for improved coordination of staff working across sectors and for greater trade mainstreaming in aid agencies' programmes. Foremost, the donor facilitators or lead donor representatives at the national level should be adequately familiar with the EIF. Institutionalised donor coordination efforts with records enabling continuity of coordination is called for. In particular, the needs identified in the DTIS Action Matrices that require broader AfT funding should be discussed in donor coordination meetings and decisions to provide assistance followed up with oversight on implementation. Given the lack of coordination between different Ministries in the LDCs, a proactive action by the donor community to seek information on such needs and their implementation would help in delivering better on the broader AfT needs. Further, the donor representatives should seek regular instructions from their capitals where funding to meet the matrix based needs is possible so as to provide timely inputs to the donor facilitator and the FP for factoring co-funding or comingled funding possibilities into proposals received from the LDC government. This becomes important also in the light of the fact that many bilateral and multilateral donors are active in areas other than trade in LDCs, such as infrastructure needs, private sector development and human resources capacity building, which are some of the needs often identified in the DTIS Action Matrices. The donor facilitator under the EIF should coordinate with other donors to ascertain synergies between Action Matrix related and broader AfT interventions planned in each LDC. Lastly, the donor facilitator should report even the non-EIFTF funded AfT interventions to the EIF ES through the FP/NIU so that the ES is aware of and factors in the larger AfT implementation arising out of DTIS Matrices into the impact assessment and fund raising responsibilities of the EIF institutions at headquarters.

As part of its catalytic role for AfT and EIF, WTO has drawn up an Aid forTrade Work Programme 2010-2011[32]. The Work Programme is intended to encourage existing pledges to be realised and new ones pressed for, promote mainstreaming of trade into national and regional economic planning frameworks and encourage greater ownership by developing countries, reinforce the regional dimension of AfT, highlight effective implementation through evaluation, use of management for development result systems, improved indicators and development of case studies. However, WTO is not a development organisation. It can only provide a 'spotlight effect' to the AfT endeavours of donors and development organisations. Nevertheless, the WTO Secretariat's involvement in the WTO Trade Policy Review Mechanism can be a useful link between the donor and partner countries for implementing AfT projects. Progress on AfT is regularly on the agenda of the WTO Committee on Trade and Development (CTD). The WTO secretariat also participates in the EIF meetings where Core Agencies are invited or when the ES requests their presence for specific issues. A WTO official is often invited to the donor coordination meetings on AfT in Geneva (the Casai Group). The EIF Secretariat is not invited to such meetings. Either the EIF ED should be invited to such meetings, or the WTO official attending such meetings should be adequately briefed by the EIF ES and the ES in turn de-briefed after the meeting. The EIF donor coordination group (separate from the Casai group) should regularly update the Casai group on their deliberations if not already been done. Such close interaction with the WTO and EIF ES staff can usefully supplement information available with donors from their own

[32] See document WT/COMTD/AFT/W/16 on www.wto.org

capitals, the OECD DAC, other multilateral funding channels and other sources to make a better assessment of the needs identified at the Geneva level and transmitted to the in-country processes.

The EIF procedures provide for regular DTIS updates. These updates should be used as an opportunity by both the LDCs and the donors to assess progress on the delivery of AfT related funding needs identified in the original DTIS and Action Matrix.

Monitoring and Evaluation are important for all donors and partners. Donors have to meet the OECD DAC M&E requirements, their own national requirements as well as contributing to appropriate M&E mechanisms being developed both in EIF as well as the M&E mechanisms being developed by OECD and WTO for AfT. As mentioned in paragraph 2.5.2 above, EIF is developing its M&E procedures. NIUs and other related officials in LDCs need to be adequately trained to understand both the need of M&E and the procedures to conduct it. These trainings should take into account not only the EIF M&E requirements, but also M&E requirements for AfT, Core Agencies or other implementation agencies more commonly supporting EIF activities (such as the World Bank, UNDP) and donors. Donor representatives at the country level should participate in such trainings so as to brief the LDC officials on relevant specificities of their national M&E requirements.

3.4 Legal feasibility of restructuring EIF based on the issues and deficiencies noted

In terms of legal and institutional structures, there is not much difficulty for the EIF structures to adapt to the role of acting as a coordinating facility for AfT. In the best case scenario, the mandate for AfT projects not currently supported by the EIFTF will already exist in the DTIS Action Matrices. Since the DTISs are aimed at mainstreaming trade into the national development plans, which have the political approval of the LDC government, mandate exists for the EIF ES and TFM, the national EIF structures and the donors to act on it. Since DTISs are meant to be comprehensive documents related to all trade related needs, big or small, an element of AfT not in the Action Matrix can be presumed to be either not needing trade related aid or not a priority in the national development strategy. Of course, the broader AfT related assistance will come directly from donors and not from the EIF. However, some crucial additional responsibilities will arise for both the NIUs and the donors. NIUs will need to keep abreast of AfT related actions pending in the matrix and seek active involvement of the relevant officials from other Ministries which handle donor interventions more directly so as to pursue funding opportunities through them. Donor representatives, and in particular the donor facilitator, similarly, would need to seek AfT related funding from other than the EIFTF during the donor coordination, Consultative Group or Round table meetings.

3.5 Political and technical feasibility of restructuring EIF as a AfT Coordinating Mechanism

Political feasibility of EIF acting as a coordinating facility for broader AfT interventions, however, is less clear. The first question to be addressed is whether the importance of the EIF institutions has been better appreciated within the LDC government. As stated, the Ministries of Trade typically have lesser clout than Planning or Finance Ministries. Also, there is inadequate coordination between their Geneva Missions and capitals. Coordination between the Geneva Missions of donors and their development cooperation agencies in the capitals and in the field also need strengthening. This double gap i.e. the gap between the trade and the development community between the capitals and Geneva and the field, both on side of donors and partners is one of the most problematic issue in Aft as well as the EIF. Some progress in ameliorating these gaps is expected by implementing suggestions in paragraphs 3.3 above. The second question is what the model of coordination envisaged is. The wider AfT agenda encompasses many sectors which may not have had a focused consideration in the DTIS, such as energy, forestry, fisheries, transport, infrastructure etc., and even if there is such a focus the DTIS recommendations may be limited to trade related interventions whereas the sector may be in need of a broader donor support from domestic policy, human development, poverty reduction and economic growth points of view. The role of in-country EIF structures as AfT coordination facility will therefore remain focused on the narrower agenda of trade policy, trade regulation, trade development where the Ministry of Trade is central to decision-making and execution. Suggestion to install a reporting mechanism for the broader AfT interventions mentioned in DTIS Action Matrices to the EIF ES is one way to address this challenge (as suggested in paragraph 3.3.6 above). Once these structures have been strengthened enough to become the drivers for mainstreaming trade into the national development strategies, they could take an effective lead on cross-cutting issues as well.

Some LDCs have adopted a Sector Wide Approach to address such cross-cutting issues, and some best practices are emerging in this regard. The SWAp approach appears to have worked better in facilitating such mainstreaming. Two examples of ongoing SWAps are given in the box below.

SWAps and trade mainstreaming

1. Best practices from Cambodia

Using a sector-wide approach (SWAp) is a way of reducing the costs involved in working with multiple donors to deliver trade related aid. Under this scheme, donors work with a single government-led program which streamlines the coordination process, eliminates overlaps and gaps, and ensures that our trade priorities are met.

Through a Trade SWAp, supported by a number of key donor agencies and the government, the government of Cambodia is seeking to integrate trade policy into a broader development and poverty reduction agenda. Though it remains a work in progress and its success in generating pro-poor development impacts remains to be seen, a number of lessons for the development of an integrated framework for pro-poor Aid for Trade can be drawn from Cambodia's progress.

Launched in 2005, the Trade SWAp is instrumental in creating the strategic and institutional foundation for a holistic strategy for development through trade growth along with institutional reform and capacity building. The Trade Integration Strategy, set out in the DTIS, was adopted by the newly formed Sub-steering Committee for Trade Development and Trade-related Investment in 2007. An integrated approach to AfT was adopted with an effective Inter-ministerial coordination lead by the Ministry of Commerce. The MoC's entrepreneurial approach was a key to harnessing existing donor activities, combined with donors' willingness to provide concrete assistance to realise the Trade SWAp.

Cambodia's sustained economic expansion has been driven in large part by rapid export growth. Exports in goods and services accounted for 65% of GDP in 2007. Cambodia's textile and garment industry has been the cornerstone of this export performance, for 16% of GDP in 2007 and 2.4 points of GDP growth between 1998 and 2007. Despite Cambodia's poor overall governance, public–private collaboration in the sector has created an enabling environment conducive to growth.

2. Best practices from Laos

The Trade Development Facility (TDF) is a Multi Donor Trust Fund financed by the European Commission and Australian Government and administered by the WB. The TDF is the first stage of efforts to build a Sector-Wide Approach in trade-related assistance to the Lao PDR, and is implemented by the National Implementation Unit in the Ministry of Industry and Commerce. The USD 6.8 million funding will be used to support the Government of Laos through investments, capacity building and regulatory reform across trade facilitation, sanitary and phytosanitary standards (SPS), export competitiveness, and trade policy.

Sources: Kate Bird, Kate Higgins, Milo Vandemoortele, Rainer Quitzow. 'An integrated approach to Aid-for-Trade: Cambodia Trade Sector-wide Approach (SWAp). ***July 2009.*** *Published by ODId and* World Bank 'in Laos' Newsletter. Issue 12: July/August 2009

It will be difficult for all funds to be channelled through one basket and to use EIF as that basket for LDCs; different multilateral and bilateral donors contributing to the AfT efforts in LDCs may find it politically, institutionally and in some cases even legally challenging. This is an even less feasible proposition for those bilateral donors which have either not joined or withdrawn their support to the IF/EIF. Hence, the EIF as a AfT coordination facility should be modelled on a joint programme approach, where the monitoring of implementation of DTIS Action Matrix related AfT needs and spurring donor action in-country for on-the-ground interventions to take up action identified therein would be the key added value. The EIF M&E programme should be adapted accordingly.

4 EIF and Regional AfT Approaches

4.1 Definitional issues and gaps in current EIF

Many EIF beneficiaries share similar concerns with their neighbours. In some cases, all the neighbours may be EIF beneficiaries, and in many other cases, one or more non-beneficiaries may share similar concerns. For many EIF/AfT needs, there may be synergies and efficiencies to be gained from a regional approach. Therefore, there is a clear felt need by the developing countries of better coordination of their AfT needs at the regional level. This section identifies projects where a regional level support may be more appropriate for beneficiaries and the donors may also find the consequent synergies a more efficient use of scarce resources for AfT/EIF interventions. The Box below has drawn from a sample of DTIS Action matrices of potential Eastern and Southern African beneficiary countries of such regional projects. While much can be said about lack of clarity of the action points identified in these matrices, the focus of this section of the paper is on possible regional approaches. Action points arising out of the newer DTISs and DTIS updates are expected to be more implementable.

What is a regional project would depend upon the degree of 'regionality' in implementation: a project involving interventions addressing regional problems with a regional solution would satisfy that degree, while synchronised national interventions through a multi-country approach could be a set of national projects amenable to synergies and efficiencies if delivered regionally. Until a definition of regional projects is decided upon, it may be useful to examine possible regional approaches for both types of projects under the EIF framework.

Indicative list of possible regional projects taken from some DTIS Action Matrices

Burundi

1. Preparation of an Action Plan to address all issues related to transit and movement of consignments to/from Burundi (physical infrastructure, bureaucracy encumbrances, and unnecessary paper requirements). The Action Plan should specify what Burundi can do alone and what they can do with other neighbours.
2. Preparation and begin implementation of an Action Plan for elimination of regional market access issues.
3. Prepare an integrated code covering present investment code, labour code and commercial code; ensure consistency across codes with COMESA and WTO Agreements.

Malawi

4. Work with the government of Mozambique to improve the Nacala corridor.
5. Ensure reciprocal treatment for Malawian truckers in other regional countries.
6. Strengthen public private partnerships and link with regional PPP initiatives for developing the Mtwara corridor (Malawi-Mozambique-Zambia).
7. Harmonise border operating hours with neighbours.

Rwanda

8. Use participation in RTAs, EPA negotiations and corridor organisations to enhance transit facilitation in gateway countries.

Tanzania

9. Enhance harmonisation of exemptions within EAC to reduce the risk of trade deflection.
10. Aim for harmonisation within RTAs to avoid contradictory requirements.
11. Implement electronic cargo tracking system under the framework of EAC

Uganda

12. Harmonise trade standards and behind-the-border regulations with EAC and COMESA member countries to pursue deeper regional integration and to avoid contradictory requirements.

Zambia

13. Develop regional supply chains based on comparative advantage in collaboration with SADC and COMESA.

Source: DTIS Action Matrices available at http://www.integratedframework.org/. Some of these DTISs and Action Matrices

One type of regional projects may require similar TRTA/CB intervention to assist LDCs in the region to develop their export capacity. One example is a proposed mango value chain project in Mali, which could be simultaneously replicated in all the West African mango exporters to meet the EuroGAP standards and access European markets. The proposed project on the leather sector development of a number of West African LDCs in the box below is another example. While there will be synergies between various TRTA/CB needs of the neighbouring countries, regional coordination at the official or business level would not be a key. Another example is training customs officials of all members of a REC in trade facilitation needs. While simultaneous and synchronised training of such officials would be help facilitation of trade across borders, and collective training would result in efficiencies in delivery, a joint regional approach may not be critical. Such regional projects can be implemented individually in partner countries or collectively to synchronise delivery. Let us call these projects RP1.

Project for the development of the leather sector in West Africa:
Benin, Burkina Faso, Guinea, Mali, Mauritania, Niger, Senegal

These countries are facing similar problems in accessing markets for their leather products and decided to join in order to tackle these issues together. The project to promote the development of the leather sector in these countries is envisaged as a part of a greater initiative of cooperation led by the EIF Focal Points, and is the result of two international meetings.

The countries of the project share some key features:

- They are well endowed with raw material that is still not fully exploited.
- Traditional know-how is endangered by low quality imports, mainly from China.
- The leather industry is not able yet to provide substantive added value that could generate higher profits and benefits.

The IF processes in the countries identified a number of priorities to help in the better development of the industry:

- Husbandry has a strategic economic and social role. Improving linkages between husbandry and the leather industry can therefore be useful.
- It is crucial to have a better communication between both sectors as the leather industry depends mainly on the good quality of the skins provided, the way the animals are taken care of, and better coordination between the two sectors across the countries.

The main goals of the project are the following:

- Increase the supply possibilities based on the demand stemming from the international market in order to foster employment creation and poverty reduction.
- Foster know-how exchange among the countries of the region in order to reach economies of scale.
- Improve production capabilities, organise the production chain in a way that it is more efficient in meeting international standards.
- Find a better way to attract local investments and foster innovation.

This project is proposed to be implemented by the NIU, the Sub-regional Association of West Africa Leather Professionals with headquarter in Bamako, Mali, and the ITC which holds a deep knowledge of the leather industry in Africa and will provide technical assistance. The proposed length of the project is three years.

Source: Discussions with a number of stakeholders involved in developing the project.

A second type of regional projects may involve regional infrastructure enhancement projects (for example the North South Corridor in Eastern and Southern Africa and the GMS region mentioned in the box below), management of resources of trans-boundary nature (The Trans-border Development Basin of the Great Lakes of Africa), and plant, animal and human health and life related issues with trans-boundary impact (regionally harmonised standards, for example, for SPS issues like foot-and-mouth disease, fruit fly in mangoes). Such projects would require collaboration of official machineries across countries, and a coordinated delivery. Let us call these regional projects RP2.

The Greater Mekong Sub-region Trade Facilitation Project

The Greater Mekong Sub-region (comprising Cambodia, Laos, Myanmar, Thailand, Vietnam and China (Guangxi and Yunnan provinces)), is geographically located among the fast growing economies of both South and East Asia. Dramatic opening up of low-income countries in trade and investment has been a key driver of the strong growth and performance. The main objectives of this project are:

- Providing data on the status and the effectiveness of the existing legal, institutional and infrastructural framework in the GMS region,
- Benchmarking it against international best practices and identifying hard and soft bottlenecks to trade and transport, in particular in the corridors, and
- Proposing opportunities for trade and transport facilitation and presenting cost-benefit analyses of potential remedies.

The proposed project will complement current trade facilitation projects led by the World Bank, pilot new trade facilitation methodologies and provide capacity building. The project consists of three components:

- Corridor monitoring,
- Trade and transport facilitation audit (TTFA), and
- Assessment of the interconnectivity potential of a regional data platform.

Source: The World Bank

4.2 EIF Design and Structure for Regional Projects

EIF procedures have provision for regional proposals. The draft Compendium of Working Documents of EIF published in May 2007 states that regional projects could be considered at Tier 1 stage at the request of the LDC governments concerned. At Tier 2 stage again, it states that regional trade related projects including listed Tier 2 objectives will also be considered. However, no regional project has so far been approved. It is understood that no regional projects have so far come to the EIF Board for a decision. The questions relating to definitions of a regional project, appraisal and approval processes, and ascertaining availability of funds are some of the reasons why they have so far not been considered or approved by the EIF. This section considers some options.

For RP1 projects, the extant procedures are adequate, provided the in-country institutions of donors as well as partner countries acted in coordination, and implemented the projects at the same pace in all applicant LDCs for the project. The FPs in each of the countries could prepare country proposals based on their own Action Matrices and coordinate to simultaneously submit them to the EIF Board for a decision. Similarly, implementation also could be coordinated to be undertaken at the same pace, and the fiduciary and accounting/auditing obligations synchronised. This would require, of course, coordination among the FPs of LDC partners in the project as well as the donor facilitators in each of the partner countries. This can be particularly challenging (but feasible) for the FPs as they would need to prioritise such regional projects in sync with other FPs of LDCs in the region. To facilitate this level of coordination, M&E procedures will need to factor in the requirements of coordination for regional projects. Existing Tier 2 procedures, therefore, can be used for application and approval of RP1 projects. To the extent that there are non-LDC countries requiring involvement in RP1 type of projects, they can be involved in the EIF processes for coordination purposes and can access funds from other multilateral, regional or bilateral platforms available to them. Coordination mechanisms existing in RECs, RDBs and other regional institutional mechanisms can be used to facilitate such coordination. So far as the EIF processes are concerned, however, they would be considered as separate (but coordinated) proposals from the relevant LDCs involved in the regional project.

For RP2 projects, since delivery would need to be harmonious the need to sequence TRTA/CB, supply-side addressing and infrastructure development activities required to be implemented in sync would be crucial. Either a new regional arrangement will need to be established for the project or existing regional bodies (RECs, RDBs etc., depending upon the region and institutional strengths of such bodies) would need to step in as coordinating organisations. It has been noted that while institution setting has progressed considerably in RECs, robust functioning of these institutions may take more time and effort. If there is a felt need for regional projects, donors need to provide the 'soft' infrastructure required for making RECs deliver faster and better coordinated decisions. EC has the most experience in building RECs, particularly in the Sub-Saharan

African regions, and it is a priority intervention as per EC Policy. EC, thus, would be ideally suited to provide this support in coordination with and support of other multilateral and bilateral donors.

It may be noted that typical Tier 1 projects last for a maximum of five years, with some projects (e.g. DTIS preparation and updates) being much shorter, sometimes with a life of some months only. Tier 2 projects also are envisaged to have a three year life normally, with the possibility of a maximum of five years in exceptional cases. More recent DTIS Action Matrices show such an understanding among partner countries as typical action points requiring EIF support involve projects of short duration, while more long term and high value projects are expected to be supported by other multilateral, regional or bilateral donors. Once the RECs have acquired the desired level of effectiveness in coordinating within the LDCs, they could be the focal points to submit joint proposals on behalf of all constituent LDCs. Where non-LDCs are involved in the project, the challenge for RECs to become an effective vehicle for coordination becomes even more daunting. This challenge is dealt with below.

4.3 Options, entry points, good practices

It is quite possible, as has been noted[33] in the case of some ongoing regional AfT efforts, that inclusion of non-LDCs is important for the success of the project. For the present, it may be more appropriate to limit the EIF project support exclusively for LDC and to seek separate multilateral, regional or bilateral support for the non-LDC intervention. Suggestions for better in-country donor coordination elaborated in the previous section (particularly paragraph 3.3.6 above), based on their respective country priorities, become a relevant pre-requisite here. For AfT projects, donors are normally willing to step in with financial assistance so long as the project arises from a DTIS or PRSP related action point and is specific and deliverable, with important developmental impacts and involving partner developing countries on their priority list[34]. The issue, therefore, may be more of better coordination among the stakeholders in the EIF process rather than the availability of funds to deliver the non-LDC part of the project. In some cases, the relevant non-LDC may have national budgetary inputs available for such interventions as well.

Another complicated issue relates to funding of regional projects. At present, the EIFTF delivers funds based only on applications from EIF member LDCs. The Compendium also does not clarify whether the regional projects, once received, would be funded through the existing Tier 1 and 2 categories, and whether they will cut into the broadly accepted ceilings for national funding under each Tier. With the EIF being functional now, available funds may be adequate only to deliver projects in pipeline and some more, but a new category of regional projects could increase calls for additional pledges as well as procedures for funding such projects. It may be too early to decide those issues given that regional project based applications are yet to be received and processed under EIF procedures. A step-by-step approach, balancing the interests of both donors and partners, is called for in this regard. Therefore, it is suggested that for RP1 type projects, funding can be done through existing broad allocations to the LDCs involved. This would mean that in prioritising their Tier 2 projects, LDCs will have to factor in the funding needs for such regional projects from within their allocated USD 1.5 million for Tier 2. Of course, there could be cases where external funding from national donor coordination facilities is available to them, but in that case they need not apply for EIF funding for such projects at all. RP2 type projects are normally expected to involve higher amounts that may cut deeply into the LDC allocations. For these projects, as has been highlighted in the Tier 2 guidelines as well, LDCs will be expected to approach external bilateral and multilateral donors active in their county/region first, before making an application to the EIF. Once proposals for a few regional projects of both types have been received and processed in the EIF, the EIF Board may need to revisit this issue to decide, based on donor response, whether a third funding window for regional projects needs to be created.

Thus, establishment of robust institutional and legal mechanisms for delivery of regional projects using EIF processes as the identifying factor are in need of further exploration. This exploration may have to await delivery of some pilot regional projects with the EIF processes acting as the coordinating mechanisms thereby providing the desired level of confidence in their ability. Until then, earmarking of funds specifically for regional projects may not be advisable. From policy point of view, as stated, the EC is suited to take the lead in regional projects. The EU strategy on AfT is modelled equally on enhancing the regional integration needs of LDCs and hinterland non-LDC countries. DFID is another bilateral donor which has taken a lead on some projects with regional components, such as the North South Corridor Scheme

[33] For example the involvement of Kenya and South Africa in the North South Corridor project in Sub-Saharan Africa, or the involvement of China and Vietnam in the GMS region projects

[34] Most donor officials interviewed endorsed the idea that if the relevant developing country is on their priority list and their participation in the regional project is crucial, funding should not be a problem.

EU Strategy on Aid for Trade-The Regional Focus

1. One of the pillars of the EU AfT Strategy is building upon, fostering and supporting ACP regional integration processes with an ACP-specific angle of the Joint EU AfT Strategy.
2. In promoting an effective response to the wider AfT agenda (i.e. AfT beyond TRA) the EU will enhance coordination and cooperation with other donors, both bilateral and multilateral, including emerging donors and international financial institutions such as WB and RDBs.
3. In agreeing to enhance the IF, the EU will *inter alia* lend full support to partner countries efforts to manage the DTIS process, including acting as a donor facilitator if so requested by the government, ensure that the EU decisions to support AfT programmes include explicit consideration as to how the programmes take account of needs identified during the IF process, and in non-LDC countries, stand ready to appoint an EU lead donor to facilitate the process, particular attention being given to IDA-only countries.
4. To achieve greater complementarity and cooperation between donors, the EU will step up its efforts to prepare joint response strategies relating to AfT for countries and regions, and continue to pursue related joint delivery modalities including by reinforcing its dialogue on AfT with all financial institutions.
5. With a view to support regional integration, EU will upgrade AfT at regional level so as to further strengthen its support to regional organisations and translation of regional needs into national implementation strategies.
6. To promote an effective response to the wider AfT agenda in ACP countries and regions, the EU will, *inter alia* continue to strengthen trade related infrastructure including through the EU Africa Infrastructure Partnership, reinforce support to productive capacity building on the basis of coherent regional and national strategies, and focus regional AfT in ACP countries on initiatives which target a deepening of regional integration, such as elimination of remaining intra-regional barriers to trade and services, strengthening and modernising regional customs rules and arrangements, strengthening and harmonising standards and technical regulations, promoting and strengthening regional conformity assessment institutions, as well as integration of financial and capital markets and the free movement of persons.

Source: Relevant excerpts from the EC AfT Strategy adopted in October 2007, available at www.ec.europa.eu

4.4 Feasibility Issues

Feasibility of regional projects materialising in the near future would depend upon the extent to which a champion, like the EC or DFID, takes proactive action to stimulate interest among the multilateral, regional and bilateral donors in such projects. DTISs are a result of a joint action by the beneficiaries and the donors. The focus at present is on the in-country capacity, of which the EIF processes are an integral part. Regional projects will perhaps not be ripe for interventions until the national and regional institutions are ready to adapt to their requirements. Once that milestone is reached, even regional DTISs could be envisaged, further integrating the implementation processes required for regional projects. Realisation of that milestone appears distant for many reasons. Firstly, the EIF is still in the making, though functional and delivering aid regularly since July 2009. Secondly, in the most recent political level discussion among the EIF partners that happened at the breakfast meeting on the margins of the 7th WTO Ministerial Conference in December 2009, none of the interventions referred to regional approaches, which is understandable in these early days. The UK mentioned regional integration as a critical area of their support while referring to the North South Corridor, but in parallel with the EIF and trade facilitation, not as part of the EIF. Thirdly, regional bodies like RECs include non-LDCs also, and in these early days it is difficult to expect LDCs to agree to their inclusion in any funding efforts through the EIF. Donors, more particularly bilateral donors, are active in countries where they have priorities, and are ready and willing to step in with funding of both LDC and non-LDC components of regional projects so long as the proposals are aligned with trade mainstreaming objectives in their national development plans. Hence, coordinated efforts at the national level in LDCs for developing and implementing regional projects may not languish only due to funding needs.

Bilateral funding will remain a critical component of regional projects as with the general AfT related interventions, but the donors do not appear to be overwhelmed by the idea of regional projects once the in-country institutions are in place, they coordinate well with the relevant regional body or amongst them on such projects, and adequate M&E frameworks have been established. For example, in addition to the EU Africa Infrastructure Partnership there exists the World Bank Infrastructure Consortium and the focus of many bilateral donors like the UK and the USA on infrastructure enhancement related interventions of the kind seen during the North South Corridor and similar interventions.

Further, if donors take the lead as suggested, intervention on behalf of non-LDC REC partners should not be a problem, taking into account the funds available through instruments such as the 10th EDF of the EU, the DFIF Aid for Trade Strategy and other donor initiatives. The key, in the end, lies in in-country processes maturing enough to take on ownership of proposed projects and to lead in seeking technical and financial assistance. The EIF will remain a crucial component in this regard. Its importance will be more in identifying the regional AfT needs of LDCs as evidenced from well grounded DTISs and Action Matrices, and making these needs available in clear terms and with relevant LDC national governmental priorities in implementing them as part of their trade mainstreaming efforts.

Finally, the EIF can very well become the relevant coordinating mechanism for regional projects for LDCs given their prioritisation in the respective national DTISs and Action Matrices, but it is not yet ready to become the funding mechanism for the RP2 type projects. Improvements in regional integration efforts in the developing world, as has already advanced in Eastern and Southern Asia and is in the making in Sub-Saharan Africa could add impetus to implementation of regional projects through EIF driven identification, and at least in the medium term, bilateral and multilateral funding outside the EIFTF.

5 Scope of expansion of EIF beneficiaries

5.1 The country coverage of EIF is limited to LDCs

The AfT Task Force stated that the recommendations on an enhanced IF, as agreed by the Integrated Framework Steering Committee (IFSC), will be an essential foundation for strengthening the demand-side of Aid for Trade in LDCs. The Task Force recommended exploring the necessity of establishing a similar but separately funded in-country process for non-LDCs "International Development Assistance (IDA)-only" countries if such mechanisms do not already exist or can be improved upon[35]. The IF Task Force, after discussing at length whether to expand the coverage of IF beyond the LDCs concluded that the IF should remain exclusively for the LDCs, as their needs are particularly acute, although a similar mechanism could be of use in other countries. The simple and straightforward recommendation of the Task Force on country coverage is clear: EIF is for LDCs[36].

The AfT initiative has succeeded in raising awareness about the support developing countries, in particular LDCs, need to overcome the barriers that constrain their ability to benefit from trade expansion and reduce poverty. Developing countries are increasingly mainstreaming trade issues in their development strategies and plans, and identifying their needs for both trade related assistance and the larger AfT agenda such as supply and infrastructure related constraints. Donors are coming forward to assist them in overcoming these constraints. For LDCs, EIF has become the principle partnership in this process of identification of constraints. Better institutional structures are being created at the national level both in the LDCs and among the donors. The EIF Board has begun to elaborate clear substantive, procedural and fiduciary guidelines, which will lead to clearer understanding of identification and communication of needs and projects, the procedures and the agents for their implementation, and in due course, a robust M&E structure to assess delivery.

In this Section, we explore the political, technical and financial feasibility of leveraging these experiences beyond LDCs.

5.2 AfT related development assistance also focuses on non-LDCs low income countries

Though donors have stepped up their commitments on trade related assistance and more developing countries are integrating trade into their development strategies, according to the AfT Task Force challenges remain, including those relating to uneven country coverage. Most donors either have specific AfT strategies or have integrated trade component into their development policy or strategy documents. Various bilateral donors provide AfT related support based on their country priorities, and many non-LDC countries get support through this channel. Groups of developing countries including non-LDCs get targeted AfT related support from some multilateral donors as well. For example, the World Bank provides such support to IDA

[35] See document WT/AFT/1, Page 4, Section F.3, at www.wto.org
[36] See document WT/IFSC/W/15, Appendix 3, paragraph 1.3 at www.wto.org

only countries[37]. If EIF type assistance was to be provided to IDA-only countries, 18 additional countries would qualify: Armenia, Cameroon, Côte d'Ivoire, Georgia, Ghana, Guyana, Honduras, Kenya, Kyrgyz Republic, Moldova, Mongolia, Nicaragua, Nigeria, Republic of Congo, Sri Lanka, Tajikistan, Tonga, and Vietnam. Under the World Bank's Trade Facilitation Facility which is explicitly linked to the AfT and EIF agenda[38], governments of all developing countries as well as regional organisations are eligible to apply. Two of the four ongoing TFF projects involve IDA-only countries also. Some of the bilateral assistance is also focused on the broader category of IDA-only countries rather than being limited to LDCs only.

EU is one of the largest providers of AfT related assistance, and contributes to the EIF also. Its bilateral assistance is focused on groups of countries that go beyond LDCs. The total ODA allocation by the EU (including EC and Member States) to the ACP countries through the European Development Fund for 2008-2013 is Euro 22.682 billion and to the Latin American and Asian countries through the Development Cooperation Instrument is and Euro 16.897 billion. According to the EC assistance delivered in 2006 on three of the six AfT categories was more than Euro 7 billion. Sub-Saharan Africa and the Asia and Pacific region, accounting for most of the low income countries, receive two-third of total EU AfT flows[39]. EU aid has been particularly significant in creating and supporting regional economic communities (RECs) in the ACP countries, providing an impetus to regional integration and also a regional development approach. Both LDCs and non-LDCs in these RECs benefit from such assistance.

The category of IDA-only countries is one way of grouping non-LDCs to receive EIF type assistance. There are many other categories in the literature, each based on a set of criteria favoured by the authors of such classification. The precondition for their inclusion and the possible criteria for their selection are many. The issue in the context of expansion of EIF beyond LDCs is more related, however, to which of these countries may have LDC-type problems. Small and vulnerable economies have been taking cohesive stand on some of the Doha Round issues to their benefit. The Commonwealth has been steering special programmes for a group of 32 countries it calls Small States. It can be argued that small, vulnerable economies that have small populations and limited intrinsic resources required for a sustainable growth path need external assistance more than those that do not have these handicaps. These could typically be the countries with 'LDC-Type' problems. Another category apart from the IDA-only countries that might qualify as such is those non-LDCs that failed to qualify as LDCs under the UN definition because of marginally high rating on the gross national income per capita (GNI), human asset index (HAI) or economic vulnerability index (EVI) indices, but having very small populations and hence limited intrinsic human resources capacity. A criterion could be developed to include them in a priority list for assistance for AfT. A converse criterion already exists in the UN system of not categorising a country as an LDC if it is low income but has a population of more than 75 million[40]. Thus, a country that is marginally above the three indices mentioned above, but has a population of less than 75 million could be one such criterion[41]. This would add just 7 new countries to the list of LDCs needing EIF type assistance.

5.3 Low income countries and regions can benefit from coordination structures created for EIF

As stated earlier, since non-LDCs are also receiving AfT related assistance from various bilateral and multilateral donors, the donor coordination structures created under the EIF process can be leveraged for trade mainstreaming in such non-LDC low income countries that have limited national coordination capacities. The potential existence of a donor facilitator in each LDC, and the traditional coordination among donors in forums such as the UNDP Roundtables and the World Bank Consultative Groups gives an opportunity for donors to liaise with each other to access the EIF structures for aid coordination beyond LDCs. When bilateral and/or multilateral donors present in these meetings see an opportunity to identify

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[37] Eligibility for IDA support depends first and foremost on a country's relative poverty, defined as GNI per capita below an established threshold and updated annually (in fiscal year 2010: US$1,135). IDA also supports some countries, including several small island economies, which are above the operational cut-off but lack the creditworthiness needed to borrow from IBRD.

[38] See title "Coherence with other AfT Activities at http://web.worldbank.org/WBSITE/EXTERNAL/TOPICS/TRADE/0,,contentMDK:22109269~menuPK:5937761~pagePK:210058~piPK:210062~theSitePK:239071,00.html

[39] See "Fact sheet on Aid for Trade", 1 October 2008, available at www.europa.eu

[40] See http://www.un.org/esa/policy/devplan/profile/criteria.html

[41] As of 2007-08, the seven low-income non-LDCs with populations less than 75 million were: Cote d'Ivoire, Ghana, Kenya, Kyrgyzstan, Tajikistan, Uzbekistan, and Zimbabwe

synergies with interventions in their own priority non-LDC countries in the region, a further step could be taken to identify regional interventions required on account of actions specified in the DTIS Action Matrices of LDCs which involve action in the non-LDCs in the hinterland.

Country ownership of AfT related interventions in the non-LDCs may still remain a challenge. National level coordination mechanisms established by donors for delivering aid in those non-LDC countries could take guidance from the EIF guidelines to create structures like the NSCs and NIUs thus supporting increased coordination within the national decision making institutions for evolving national development plans and strategies. For example, if an AfT related intervention is envisaged in a non-LDC by a donor, the donor could seek involvement of the Ministry of Trade in the decision making processes, thereby increasing the role of trade officials in aligning the trade strategy with the national development strategies. The EC is a good example of a donor facilitator which could forge such synergies in many non-LDCs. Sweden, as the donor coordinator in Tanzania, for example, could play an increasing role in facilitating AfT related interventions in Kenya. Similarly, UNDP as donor facilitator for Cambodia could do it for Vietnam. In due course, EIF type national structures could be created in hinterland non-LDCs through such a process.

Low income countries could also seek independent donor support for the creation of EIF type national structures in their own countries. Given the increasing AfT related interventions by many bilateral and multilateral donors in non-LDCs, these donors benefit from the experience under the EIF in LDCs where they take a lead and help in creating such national structures to facilitate better ownership of trade mainstreaming in the non-LDCs.

5.4 Graduating LDCs need a special dispensation

Of the LDCs under the original IF, Cape Verde has graduated. Graduation of Maldives is on the anvil, and more LDCs like Samoa and Vanuatu may be candidates in the near future. While it is heartening to see LDCs graduating from that status, showing that assistance received by them in their economic and development efforts is paying off; continued assistance to ensure a more sustainable growth path is called for. The EIF Board is yet to take a decision on the extent of assistance such graduating countries should receive from EIFTF.

LDCs are defined as such based on three indices: GNI, HAI and EVI. The Committee for Development Policy (CDP), a subsidiary body of the United Nations Economic and Social Council (ECOSOC) is responsible for reviewing the status of least developed countries (LDCs) and for monitoring their progress after graduation from the category. On 20 December 2004, through Resolution 59/209, the UN General Assembly decided that any country that is regarded by ECOSOC, in the light of the CDP's work, as technically qualifying for graduation from LDC status will be granted a three-year grace period before graduation effectively takes place. During that period, the graduating country will be encouraged to agree on a "smooth transition" strategy with its development partners in anticipation of the phasing out of relevant concessions.

The EIF could take guidance from this and continue assistance for at least three years. In particular, existing programmes of assistance to such graduating countries should continue, and assistance for implementing those actions contained in the Action Matrix considered crucial to retaining their graduation status should get priority funding. This will enable a smooth transition from LDC to non-LDC status for them.

5.5 A Gradual Process of Expansion

EIF is for LDCs only and it has started delivering assistance only six months back[42]. Currently the EIF is meant to last for five years, though its extension beyond that period is not in doubt. Most donors have a three to five year budgetary plan for development assistance. Those who made pledges in Stockholm in 2007 are likely to undertake a review by 2013 before they renew their commitments. EIF M&E as well as donor M&E processes will feed into these decisions. Donors may also feed into these review processes the need to expand their support beyond LDCs, and will have benchmarks both in terms of cost and effectiveness to factor into such decisions. At the same time, the needs of LDCs are admittedly more acute, and will need to take priority over such expansion. Expansion, therefore, is a long-term issue and needs to be so. EIF is first and foremost for LDCs and the benefit LDCs derive from it will be the test of the need and modalities for its expansion.

[42] The IF era funding of ongoing projects continued in the meanwhile from the UNDP managed IF Trust Fund

6 Recommendations

The EIF is new. It started delivering less than a year ago. Some of its procedures are still to be approved. This study has identified some gaps and come up with some suggestions for it to achieve the main objective of trade mainstreaming. Filling of these gaps will also contribute to the EIF taking on additional roles and responsibilities like acting as an overarching AfT coordination mechanism for LDCs, implementing regional projects and providing a set of best practices for similar initiatives for non-LDCs. The recommendations below capture both these gaps and suggestions as well as suggestions for specific additional roles.

For LDCs, the key issue is better coordination between the Trade and other ministries. The inclusion of other relevant ministries such as Finance and Planning in the NSCs is expected to create the much needed in-country coherence and better government buy-in for EIF activities. Similarly, having the private sector and civil society representation on the NSCs is expected to increase a sense of ownership of EIF activities among the relevant stakeholders.

The effectiveness of the in-country institutions to deliver beyond the mandates of the Trade ministries needs to be enhanced. The NIU may not have the mandate to ensure effective implementation of such AfT deliveries unless the other ministries represented in the NSC are fully involved in the implementation process. The NIU and FP require better coordination in particular with the Planning and Finance ministries followed by other relevant ministries for individual AfT projects like transport, agriculture, private sector development etc. Sector wide approaches can work best for facilitating such coordination.

The in-country structures established through the EIF need to be equipped with adequate authority under their political systems to feed the wider AfT needs into the national donor coordination mechanisms, budgetary support processes and the evaluation of progress in implementation of the national development strategies.

In order to assess the possibility of EIF acting as a coordinating facility for AfT related needs of LDCs, such needs have to be identified clearly. DTISs and Action Matrices are the basis for such identification. In particular, requirements related to building productive capacity, trade related infrastructure and trade adjustment needs should be part of the Action Matrices. The latter two in particular are either lacking or recommendations related to them are unclear. Further, the EIF procedures provide for regular DTIS updates. These updates could be used as an opportunity by both the LDCs and the donors to assess progress on the delivery of AfT related funding needs identified in the original DTIS and Action Matrix and the gaps that still need filling up.

Since EIFTF funds may not be adequate to deliver larger AfT projects, the FP should be a part of the partner country resource mobilisation team. Once that is done, co-funding or comingled funding mechanisms can be used to dovetail EIF led funding in order to achieve the aims embedded in the national development strategy. The DTIS and Action Matrix have the ownership of all the relevant Ministries through the NSC. Identification of AfT needs and their implementation should therefore not be a problem.

For donors, two key elements have to fall in place. First, there needs to be a better coordination between the foreign, development and trade ministries in order to feed the AfT needs into their development cooperation plans. Second, the feedback loop among the donor representatives at Geneva responsible for monitoring EIF, the capital based authorities responsible for policy level guidance to both their Geneva and in-country representatives, and the donor facilitators at the country level and their counterparts from other donor governments needs to be strengthened. Donors should strengthen their trade expertise both in the field and at headquarters. There is a need for improved coordination of staff working across sectors and for greater trade mainstreaming in aid agencies' programmes. Foremost, the donor facilitators or lead donor representatives at the national level should be aware of the EIF activities. In particular, the DTIS Action Matrix should be read by all donor representatives and action points identified in the matrix needing broader AfT funding should be discussed in donor coordination meetings.

Given the lack of adequate coordination between different Ministries in the LDCs, proactive action by the donor community to seek information on needs identified in Action Matrices would help in delivering better on the broader AfT needs. Donor representatives should seek regular instructions from their capitals where funding is possible so as to provide timely inputs to the donor facilitator and the FP for factoring co-funding or comingled funding possibilities into proposals received from the LDC government. The donor facilitator should be charged with a responsibility to report, through the FP, non-EIFTF funded AfT interventions also to the EIF ES so that the ES is aware of and factors the larger AfT implementation into its impact assessment and fund raising responsibilities.

A WTO official is often invited to the donor coordination meetings on AfT in Geneva (the Casai Group). The EIF Secretariat is not invited to such meetings. Either the EIF ED should be invited to such meetings, or the WTO official attending such meetings should be adequately briefed by the EIF ES. Such close interaction with the WTO and EIF ES staff can usefully supplement information available with donors to make a better assessment of the needs identified at the Geneva level and transmitted to the in-country processes.

NIUs and other related officials in LDCs need to be adequately trained to understand both the need of M&E and the procedures to conduct it. These trainings should take into account not only the EIF M&E requirements, but also M&E requirements of the Core Agencies or other main implementing entities more commonly supporting EIF activities (such as UNIDO). Donor representatives at the country level should participate in such trainings so as to brief the LDC officials on relevant specificities of their own M&E requirements.

Finally, it will be difficult for all funds to be channelled through one basket and to use EIF as that basket for LDCs. Hence, the EIF as an AfT coordination facility should be modelled on a joint programme approach. Spurring donor action to take up projects identified through the EIF processes thus ensuring better trade mainstreaming will be the key added value of the EIF.

The role of EIF in responding to regional needs does not have to be legally and separately established as of now, as regional projects are already envisaged in the EIF Compendium. However, the EIF has not yet developed procedures for such projects, and is considering doing so in early 2010. The key, in the end, lies in in-country processes maturing enough to take on ownership of proposed projects and to lead in seeking technical and financial assistance. The EIF will remain a crucial, but just one, component of such regional projects.

For the regional projects where a joint regional approach is not critical, no changes are required in the EIF procedures. Such regional projects can be approved under the existing Tier 2 guidelines. Of course, much better coordination will be required within LDCs and among the LDCs in the region to proceed in sync in applying for and implementing such projects. EIF structures should be well oiled and functional for that to happen. Key in their effective implementation, apart from robustness of the EIF structures, is the role other multilateral, regional and bilateral donors play in assisting the LDCs (and non-LDCs where they are a part of such a project) in effective coordination for synchronised delivery.

For the regional projects where a joint regional approach is required, regional bodies like the RECs, or regional assistance programmes such as those of the EC in ACP countries and the ADB in GMS region can be the forward for the present. EIF can be responsive to such regional needs by keeping the information loop functional. In addition, since delivery would need to be harmonious either a new regional arrangement will need to be established for the project or existing regional bodies (RECs, RDBs etc., depending upon the region and institutional strengths of such bodies) would need to facilitate coordinated delivery. Also, donors need to provide the 'soft' infrastructure required for making RECs deliver faster and better coordinated decisions. Such projects are normally expected to involve higher amounts that may cut deeply into the LDC allocations. Therefore, LDCs will be expected to approach external bilateral and multilateral donors active in their county/region first, before making an application to the EIF.

Political opportunities exist for regional projects of both types, for the first type directly through EIF funding, and for the second type using the EIF structures but preferably by accessing external bilateral or multilateral funding sources. The EC, in particular, is eminently suited to take on that role in line with their focus on creating regional cooperation among developing countries. Other bilateral donors like the UK have shown interest in and implemented such initiatives. Once proposals for a few regional projects of both types have been received and processed in the EIF, the EIF Board may need to revisit this issue to decide, based on donor response, whether a third funding window for regional projects needs to be created.

To expand the circle of beneficiaries under EIF, the current legal mandate of the scheme will have to be changed. That may not, however, be either desirable or necessary.

It is not desirable because LDCs have acute needs for assistance, and it is too early to judge when such needs will be fulfilled. Even when all the ongoing and pipeline proposals from the LDCs are implemented, NIAs would have been created in less than half of the potential beneficiaries. Tier 2 proposals have yet to be received, as the interim EIF Board has only recently approved the procedures. Although donors have shown exemplary commitment to continue to support the EIF, the real test will come when the LDCs are all equipped to make proposals on both Tiers, and the EIF has both the administrative capacity and the funds to approve and implement them. It is also not desirable as the categories of non-LDCs to be included are many, not clearly defined, and susceptible to creation of some confusion regarding the remit of the EIF.

It is not necessary because donors are not shying away from supporting non-LDCs in their trade mainstreaming needs, and have shown through AfT and other programmes that they can come forward once a clear needs identification exercise has been presented to them. EIF structures can, however, be replicated in the non-LDCs to steer trade mainstreaming efforts rather than creating new structures.

Nevertheless, graduating LDCs need to be provided continued assistance through the EIF to ensure they do not relapse into the LDC status. In any case, trade mainstreaming needs are not exclusive to LDCs. While the global community may have little control on *force majeure* of the type Tsunami created in 2004, thereby delaying LDC graduation, it can continue to assist graduation LDCs on well defined criteria. The EIF Board is considering such criteria and should shortly be finalising them.

Annex I

EIF as a Coordinating Mechanism

1. The EIF is a coordinating mechanism that funds small scale projects in two distinct windows, or Tiers, to promote the development of LDCs through capacity building and enhanced trade opportunities. Proposals for project funding are first prepared under the coordination of the National Implementation Unit (NIU), in close consultation with the National Steering Committee (NSC), and the Donor Facilitator (DF). These activities all take place in-country with the goal of including relevant stakeholders in project formulation. The Focal Point (FP) serves as the central coordinator for day-to-day operations of the EIF in the recipient country. He or she leads the dialogue on specific implementation of projects, interacts with all relevant stakeholders, builds ownership through inclusiveness, and links the EIF ES to the NIU. He or she also participates in establishing general policy direction as a member of the NSC. The FP is appointed by the LDC government and should be experienced in development issues and preferably knowledgeable of relevant ministries and stakeholders. To develop project proposals, the LDC government will first need to make strategic choices concerning the structure of the EIF bodies within the country and then work with those respective groups. At the national level, the National Steering Committee (NSC) monitors EIF process, overall implementation, and coordination. The NSC is also active in establishing and initially approving projects. Ideally, the NSC is incorporated into the governmental decision-making process on development policy and effectively interfaces with relevant government stakeholders. To be most effective, the NSC should be composed of high level officials from relevant government ministries as well as representatives of the private sector and civil society. Finally, the NSC will supervise the actions and provide direction to the NIU.

2. The NIU works to coordinate with all relevant stakeholders throughout the project development, assessment, and implementation phases. As the body responsible for implementing EIF processes at the national level and coordinating in-country activities, the NIU should engage the senior level of relevant government agencies to coordinate on trade policy and ensure political commitment. Created based on the recommendations of the IF Task Force, the NIU exists to strengthen the Focal Point. Each LDC government will develop and select the appropriate structure and composition of their NIU. This flexibility will allow the NIU to most effectively incorporate the existing development policies in each country. Designed to assure timely implementation of the Action Matrix, the role of the Donor Facilitator (DF) is to work to avoid duplication and waste through consultation with donors and beneficiaries. As of now, appointment of the donor facilitator is determined based on the interest of individual donors in a particular LDC. As recommend by the Task Force, the creation of the DF role envisioned providing a tangible link between the donor community and decision making in LDCs. Through consistent dialogue, the DF will be able to best inform donors of the development needs in each country as well as advise national policy makers of the prospects for project funding. The EIF in-country structures are open to consideration and interpretation by each LDC in order to establish the most effective and robust working arrangement within a country. Roles and responsibilities remain flexible to allow quicker and more effective integration of the EIF process into existing country structures. The in-country mechanisms, however, should be designed to assure further national ownership of the decision making process and should create an atmosphere of predictability.

3. Tier 1 projects focus on building in-country capacity and ownership through Trade-Related Technical Assistance (TRTA). The funding ceiling per country is set at USD 2 million, which can be used for a period of up to five years starting from the signature of the Tier 1 proposal by the ED. Tier 1 funding can be dispersed to the LDC government, but also to one of the six IF agencies or another entity for implementation. Tier 1 projects seek to promote greater in-country ownership by building human resource capacity, providing operational support, formulating Diagnostic Trade Integration Studies (DTISs), and facilitating trade mainstreaming actions. Projects are appraised and approved on their inclusion within the National Implementation Framework (NIAs). In this way, Tier 1 projects will facilitate more effective Tier 2 proposals.

4. The project proposal must be appraised before its official approval by an Appraisal Committee (TAC 1, in this case), chaired by the FP. At this stage in the process, promoting open inclusiveness to assure ownership of the project is essential. In order to facilitate this, the TAC should be both transparent and inclusive in design. TAC 1 includes the FP (as chair), the DF, a representative of the ministry of trade, and a representative of the NSC. The TAC 1 may wish to include other relevant stakeholders such as members of civil society groups, relevant representatives of the private sector, or ministers of other important government

bodies. Additionally, the TAC 1 may wish to consult with the ES or the IF Board and solicit feedback before moving forward. The ES should monitor the project design, proposal, and appraisal phases – providing input and recommendations to best improve the process. Once developed and appraised at the national level, a prospective project is sent to the EIF Board for approval at the international level. The ED, acting on behalf of IF Board, will sign the approved appraisal, thereby launching the Tier 1 project. In practice, the EIF Board meets to evaluate project proposals, provides relevant feedback, and ultimately signs off on each proposal. Project approval and funds distribution should remain flexible in order to facilitate fast action on proposals, however. A ten week time period is envisioned between the project formulation stages to final approval. The proper balance between sufficient appraisal and timely approval is essential to effective Tier 1 projects.

5. Tier 2 is aimed at providing bridge funding to jump start project-related activities such as small priority projects, project development activities, feasibility studies, and seed projects. Projects to be funded directly from EIFTF should not normally exceed USD 1.5 million. For large projects, such as infrastructure development, additional financing would be sought from other sources. In order to ensure that EIF activities are consistent with the overall national development objectives, LDC EIF beneficiary countries will be expected to develop a programme aimed at strengthening their productive and trade capacities, including reforms that are essential to improving the business environment. These programmes will be based on the DTIS Action Matrix and provide a further prioritization of the actions identified in the Matrix. The programmes are expected to include a portfolio of Government- and donor-supported reform and capacity-building projects, and a narrative on how those projects support the overall national development objectives. The programmes will form the basis of discussions between the EIF beneficiary country supported by the Donor Facilitator (DF) and the local donors and will assist in specifying which activities are led by the Government and which are supported by donors.

6. Execution of projects under Tier 2 can be done by the LDC Government or another entity (e.g. IF agency, development agency, or NGO) provided it takes into consideration IF principles on enhancing the country's ownership. Tier 2 project proposals must contain a short description of the objectives in relation to the Diagnostic Trade Integration Study (DTIS) conclusions, the mainstreaming of trade into the national development plans, and the specific area of the Action Matrix they address. Tier 2 projects fund priority activities identified by the Action Matrix of the DTIS that include small scale projects, project development activities, feasibility studies, and seed projects. Ideally, these projects will act as a catalyst, encouraging the development and implementation of a wide range of projects within the Action Matrix. Funding for these projects will be sought from outside mechanisms such as the Consultative Group meetings or the Round Table meetings.

7. Project appraisal will follow project formation under the same general format as Tier 1 projects. The TAC 2 will always include the following core Members: the DF, a representative of the Ministry of Trade, a second minister from a relevant ministry, and a representative of the private sector. In considering Tier 2 projects, the TAC 2 will take into account the degree to which the proposal responds to the identified areas of the Action Matrix and represents a results oriented, feasible approach. After clearing the TAC 2, a proposal and the minutes of the meeting are sent to the NSC chair for his or her signature and made publically available. This allows for increased transparency and feedback at the country level with the goal of increased national ownership. Then the ED, upon receipt of the approved appraisal, will transmit it to the IF Board for its financial approval and sign under the authorisation of the Board.

8. Execution of Tier 1 projects may be undertaken by the LDC government itself or by one of the six Core Agencies (or, in some cases, another entity). This decision is ultimately taken by the TAC; however, in developing proposals, LDCs should keep in mind the costs and benefits of each approach. It is preferable that the LDC government take on the role to assure national ownership of the project. Under this method, the project will be overseen by the NIU with the leadership of the Focal Point. Both the NSC and the ES will be available to assist and advise the implementation. Project funds will be released to the NIU to distribute to the partners. Any partners or additional actors involved in the implementation will contract directly through the NIU. In this way, the project is fully implemented at the national level, providing an avenue for better involvement of local practices and increased effectiveness. If the NIU believes its ability to implement a project is severely limited, it may propose that one of the six Core Agencies of the EIF undertake it. The NIU should consider the comparative advantages of each of the agencies and recommend the one that is best equipped to implement the project with the goals of the EIF in mind. Under this framework, the ED will direct the TFM to disperse funds based on the working plan for the project. Throughout the implementation

process, the NIU will monitor the progress and maintain an ongoing dialogue between the NIU, the DF, and the ES.

9. The implementation of Tier 2 projects would proceed in much the same way as Tier 1. Execution could either be undertaken by an entity of the LDC government or an outside entity such as one of the six Core Agencies, another well equipped development agency, or a civil society group. The implementer would need to consider the EIF paradigm of national ownership and stakeholder inclusion when agreeing to undertake implementation. The implementing entity is expected to receive funds from the TFM immediately after the final signature of the Tier 2 project proposal. Monitoring and reporting throughout the project is again the responsibility of the NIU. Because Tier 2 projects are larger in scale and likely to be longer in scope, a yearly report of project activities is required by the NIU. The subsequent report would be shared with stakeholders in the EIF process as well as made publically available with the intention of increasing transparency.

Source: EIF Compendium and other materials available on www.integratedframework.org

Annex II

Key Roles, Responsibilities and Reporting Requirements in the proposed M&E Framework of the EIF

A. Roles and Responsibilities

Partner	*Key roles and responsibilities in M&E*
Steering Committee	• Monitors overall performance of the EIF at the programme level and the performance of the Board, the ES, TFM, and EIF partners and progress toward results on behalf of the stakeholders.
EIF Board	• Adopting and revising policy for M&E for the EIF partnership; • Oversight of the M&E framework; and • Establishing terms of reference for external studies and evaluations.
Executive Secretariat (ES)	• Coordination of reporting to the EIF Board by all partners; • Work in partnership with NIAs in the establishment of the baseline at the country level in consultation with TFM • Work in partnership with the NIUs in defining country level M&E framework in consultation with TFM; • Coordination of evaluation of projects and supporting external evaluations at the programme level (with support from TFM where required); and • Reporting of results at the programme and country levels semi-annually to the Board and annually to the Steering Committee.
Trust Fund Manager (TFM)	• Quarterly financial reporting via the ES to the Board; • Reporting to the ES on, and monitoring of, project implementation, resource utilisation, activities, outputs and outcomes for all projects on a semi-annual basis; • Work in partnership with the NIA in the establishment of project level M&E framework and drafting of country level logframes in consultation with the ES; • Regular monitoring and analysis of the project portfolio in collaboration with the ES on technical/trade aspects; and • Submission of project completion reports via the ES to the Board.
FP/National Implementation Units (NIUs)	• Development of country level logframes with ES/TFM; • Submission of annual reports to ES/TFM on: o Progress against country level logframe; o Tier 1 projects if IA (also to TFM); and o Tier 2 projects if IA (also to TFM). • Submission of a light report every twelve months, starting six months after implementation of EIF activities in-country. This interim report is to be prepared jointly by the FP/NIU and the DF to highlight problems that may threaten the achievement of the objectives at the next reporting cycle.
Donor Facilitators	• Annual reporting on coordination of TRA and AfT at the country level and donor plans to respond to priorities in the Action Matrix to the ES on an annual basis; and • Jointly with FP/NIU reporting six months after FP/NIU annual report on any problems that may arise in implementing the country level programme (see above).
Implementing Agencies (IAs)	• Responsible for project internal monitoring and submission of monitoring reports semi- annually to the TFM on Tier 1 and Tier 2 projects where they are IA; and • Submission of project completion reports to the TFM.

B. Reporting Requirements

EIF Partner responsible	***Report content summary***	***Frequency***	***Submitted to whom?***
ES	Progress report against country and programme level logframes.	Annual.	EIF Board and EIF Steering Committee.
ES	Semi-annual progress report against programme and country level logframes.	Semi-annual.	EIF Board.
TFM	Financial reports on financial commitments, utilisation of resources and activities implemented.	Quarterly.	ES (who submits to Board).
TFM	Progress reports on inputs, activities, outputs and outcomes on all projects.	Semi-annual (to feed into ES semi-annual report).	ES.
NIUs	Reporting on progress against country level logframe and any Tier 1 and Tier 2 projects where IA.	Semi-annual (with the mid-year report being light and reflecting issues that may need immediate attention should they arise. This report is to be done jointly with DF.).	ES (also copying to TFM who has oversight of project activities).
Donor Facilitators	In liaison with FP report on coordination of AfT at country level and donor response to priorities in Action Matrix.	Annual.	ES.
Implementing Agencies	Report on project implementation in terms of funds utilised, activities implemented, outputs delivered and outcomes achieved on Tier 1 and Tier 2 where IA.	Semi-annual.	TFM.

Source: http://www.integratedframework.org/files/non-country/M&E%20Policy%20and%20Guidelines.pdf

Annex III

EIF Experience of Cambodia

1. Cambodia had its first PRSP in 2002, whereby a National Poverty Reduction Strategy for 2003-05 was prepared. The PRSP validation process had four workshops across a period of eight months, was steered actively by the Prime Minister's Office and involved a number of stakeholders. Export growth was a part of the priority to create jobs, rather than a standalone strategy. The second PRSP was finalised in 2005 with the development of a National Strategic Development Plan 2006-2010. In this strategy, reforms to private sector development addresses trade issues as well. Garment industry and tourism, the two major sectors with export potential, got priority consideration. In both these stages, it helped that Cambodia was gradually gaining ground as a competitive exporter of garments which contributed handsomely to the national growth, and that the WTO accession process was going on simultaneously.

2. Cambodia was one of the three pilot countries for IF. Its DTIS was conducted in 2001. The Ministry of Commerce was closely involved from the inception stage of the study, active in selection of consultants, sectors, and outputs. The Focal Point was the Secretary, the highest bureaucrat in the Ministry of Commerce. Political support from the Minister of Commerce and the Prime Minister's Office was always at hand. Cambodia also implemented a Window II project under the IF from 2005. Institutional weaknesses and a lack of appropriate structure for implementing action matrix were identified during the review of the DTIS by the government. A DTIS update was conducted in 2007, removing these weaknesses and developing Cambodia's Trade Integration Strategy. The update led to the creation of a living document with complete national ownership, development partners and Cambodia delivering as one, installing an inclusive consultative process with the private sector and building in risk assessment and mitigation indicators. In order to manage expectations, a limited set of shared objectives were identified based on the update, and a Sector-Wide Approach (SWAp) was adopted under the leadership of the Ministry of Commerce. This became an effective tool for the government, trade sector stakeholders and donors to jointly formulate a shared strategy, creating a greater buy-in. UNDP, ITC, UNCTAD, the World Bank, the EC, GTZ and IMF all participated in these consultative mechanisms created under the Ministry and effectively and coherently contributed to meeting the SWAp objectives.

3. One of the main reasons of success of Cambodia's IF processes is the greater political support that the Ministry of Commerce got from the overall government decision making processes in creating the necessary implementation structures in the Ministry for effectively using the assistance received. Cambodia is one of the seven LDCs for which EIF has approved Tier 1 projects to assist NIA establishment. The Donor Facilitator is Mr. Jo Scheuer, Country Director, UNDP Cambodia and Secretary of Ministry of Commerce continues to be the FP.

Source: Interview followed up by literature search

Annex IV

EIF Experience of Tanzania

1. The first PRSP of Tanzania was conducted in 2001. Although an extensive consultative processes was undertaken in the preparation of the PRSP, it was highlighted that there was inadequate donor coordination and national processes for mainstreaming aid into the budgetary processes and efforts to reform the public sector and reforms in key sectors like agriculture and education were still in their infancy at the government end. After three reviews of the 2001 PRSP, a new PRSP was conducted in 2005 in the form of the National Strategy for Growth and Reduction of Poverty (NSGRP), called MKUKUTA which is the Kiswahili acronym for NSGRP. The Integrated Framework figured for the first time in this second PRSP as a tool for growth. The Annual Implementation Report for the MKUKUTA was brought out in October 2007. It does not mention the Integrated Framework or the DTIS.

2. The DTIS for Tanzania was concluded in 2005. A number of issues relating to trade mainstreaming were included in MKUKUTA 2005 based on the DTIS. Sweden is the donor facilitator for Tanzania, and is actively involved in trade mainstreaming efforts including the DTIS process. The DTIS was updated through the Tanzania Trade Integration Strategy - TTIS in 2008-2009. After the DTIS the Government appointed head of the Multilateral Section in the Ministry of Industry, Trade and marketing (MITM) as the IF focal point. He is a junior official as compared to the FP in Cambodia, for example. In April 2009 a coordination office for the TTIS (TTIS-CO) was established and staffed with 3-5 people. The TTIS is the single framework for all trade related assistance in Tanzania and the coordination office coordinates that work. The National Steering Committee has been established with the intention of meeting every quarter or so, and a Technical Committee has also been established. All relevant line ministries and apex private sector organisations are invited to these meetings. The TTIS-CO is established and staffed, but may have difficulties in carrying out there tasks. The capacity is low; some of the staff are not yet in position and/or have other commitments in other parts of the ministry. In terms of quality 3 of the members are trade analysts and do not necessarily have the programme management and coordination skills needed for this huge tasks. The project coordinator also recently joined. The TTIS-CO needs to be equipped with adequate skills. But to have real success and speed up the process for accessing EIF, the Government's commitment for trade issues needs to be increased significantly. Then donors would automatically make available resources needed for accessing EIF funds and implementing a trade mainstreaming strategy.

3. Donors have expressed a need for better national political buy-in for trade mainstreaming into the national development strategies of Tanzania as elsewhere; only financing the MITM with EIF or other funds would not be enough. They also feel that the EIF process needs to be firmly anchored at the Principal Secretary level. To ensure effective inter-ministerial coordination, buy-in from other key ministries is also equally important. A broad understanding and acceptance that the (traditionally weak) trade ministries are spearheading the process is also a key factor for developing better national level ownership. Such buy-in and understanding can be achieved when the National Steering Committees are given the requisite mandate and also have the blessings and tools to effectively take lead on implementation as well as obtain concurrence of technical level officers from other relevant Ministries on board.

4. Donors feel, furthermore, that trade mainstreaming will primarily have to be the responsibility of the MITM team. The NSC will need to factor the EIF related interventions and support into the national development strategy and the broader national trade programme. The FP and the DF can, importantly, ensure that bilateral interventions do not overlap with the EIFTF funded interventions and *vice versa*. For this reason, donors recommend the SWAp approach in which the beneficiary LDC designs a broad based programme based on the DTIS. The various sources of financing can then avoid duplication by creating a division of labour amongst them. Basically, donors fear the risk that the NSC and the relevant government authorities put together a technically unsound plan, and the donors do not find enough reason to fund it.

5. As a consequence of the lack of adequate initiative from the government of Tanzania and particularly in MITM and donors waiting for a comfort level regarding the NIA that will enable them to steer through a funding programme at their national decision making levels, there is no request from Tanzania for EIF support, and no impetus in donors nudging Tanzania to take the leap.

Source: Literature, followed up with various interviews

Annex V

EIF Experience of Rwanda

1. Eager to move forward beyond the conflict ridden times, Rwanda prepared a Vision 2020 document in 2000. It is an ambitious vision, including most of the desired goals ranging from good governance to education, health and infrastructure, regional and international integration to private sector development, science, technology, ICT and creating knowledge based economy. It has a roadmap to achieve the goals. A PRSP was conducted in 2002, which it did not have trade as a priority area.

2. Rwanda sought access to IF assistance in 2003. In the tenth meeting of the IFSC in Geneva in October 2003, the then Ambassador stated that she hoped that trade would be integrated into Rwanda's PRSP. An export led growth strategy was also developed by Rwanda in 2004. The PRSP was reviewed every year until 2005 and referred to the progress made on export development primarily in terms of productive capacity constraints. The PRSP reviews underlined that progress on achieving the Vision 2020 goals was sub-optimal, primarily due to lack of effective implementation.

3. Once Rwanda obtained access to IF, a DTIS was prepared 2005. The DTIS mentions that efforts have been made to feed recommendations on trade mainstreaming into the PRSP Review. World Bank and DFID (as the lead donor) played a crucial part in developing these documents and assisting Rwanda in identifying its needs. A second PRSP was conducted in 2007-2008 leading to the creation of an Economic Development and Poverty Reduction Strategy 2008-2013, with a focus on decentralisation and privatisation and private sector development, and included the expected cost and the sources from where to meet it and an elaborate M&E framework. Trade and export led growth are part of this strategy. However, neither IF nor DTIS figure anywhere in the document. The main vehicle for policy consultation with donors is the Development Partners Coordination Group which meets every two months, holds an annual two-day retreat and is supported at the technical level by Budget Support Harmonisation Group and a Private Sector Cluster. Only the last of these focuses on trade matters.

4. The main body in the Ministry of Trade is the National Development and Trade Policy Forum, which also doubles up now as the NSC, and focuses on diverse issues including trade negotiations, regional integration related negotiations and mainstreaming trade into EDPRS. It is meant to meet every month but does not have regular meetings.

5. It is no wonder, therefore, that in response to the AfT partner country questionnaire in 2008, Rwanda stated that the DTIS and the accompanying Action Matrix are not a good indicator of Rwanda's trade related needs and priorities.

6. In the meanwhile, with the acceptance of its application to the EIF process, Rwanda has created a NIU, but it is manned by officials from the Ministry of Trade who have multiple responsibilities, and are often travelling out of the country for various meetings. The FP is the Secretary General of the Ministry of Trade and Industry, assisted by an IF Coordinator. The main interaction on trade matters including on EIF activities is, however, required to be conducted with the Director in the Ministry of Trade and Industry, a junior officer. The DF continues to be DFID. A DTIS update is underway now, and government inputs into the updating process are few and far in between. The NIU is poorly manned, and with little capacity to facilitate the update process. The agency preparing the update has borrowed an expert from the Private Sector Federation of Rwanda for assistance in gathering information and data from government agencies. They have the benefit of a Rwandan as the national consultant, who is a graduate from the University of Connecticut in the USA. Thus, both effectiveness of the EIF created structures and inter-ministerial coherence in mainstreaming trade into the national development strategy are a challenge in Rwanda.

Source: Various interviews followed up by literature survey

Annex VII

List of Officials Interviewed

1. Ambassador Mothae A Maruping of Lesotho, Chairman of the EIF Interim Board
2. Ms. Christiane Kraus, Chief Coordinator, EIF Executive Secretariat, Geneva
3. Ms Dorothy Tembo, Executive Director, EIF Executive Secretariat, Geneva
4. Mr. Shishir Priyadarshi, Director, Development Division, WTO
5. Mr. Michael Roberts, Counselor, Development Division, WTO
6. Ms. Annet Blank, Counselor, Development Division, WTO
7. Mr. Fransesco Geoffroy, Counselor, ITC
8. Mr. Owen Skae, Lead Consultant for Rwanda DTIS update for ITC, Durban, South Africa
9. Mr. Bernard Hoekman, Director, International Trade Department, World Bank, Washington
10. Mr. Richard Newfarmer, Special Representative, World Bank, Geneva
11. Mr Edward Brown, First Secretary (Trade and Development), UK Mission, Geneva
12. Mr. Jan Ten-Bloemendal, Head of UNIT AIDCO E2, EC, Brussels
13. Mr. Darius Kurek, Counselor, Swiss Mission, Geneva
14. Mr. Lars-H. Selwig, First Secretary, German Mission, Geneva
15. Mr. Hugo Cameron, First Secretary, Canadian Mission, Geneva
16. Ms. Heli Niemi, First Secretary, Finland Mission, Geneva
17. Mr. Nagib Hamin, First Secretary, Yemen Mission, Geneva
18. Mr. Eduard Bizururemyi, Rwanda Mission, Geneva
19. Ms. Mia Horn af Rantzien, Deputy Director General SIDA, Sweden
20. Mr. Erik Ringborg, Department for Development Partnerships, SIDA
21. Ms. Elisabeth Lofvander, Division for Market Development, SIDA
22. Ms. Love Theodossiadis, Swedish Embassy, Dar Es Salaam
23. Mr. Antti Piispanen, MFA, Helsinki
24. Mr. Antti Putkonen, Second Secretary, Finnish Embassy, Dar Es Salaam
25. Mr. Marcos Sampablos, EC Mission, Dar Es Salaam
26. Ms. Gisela Habel, Head of Division for Development Cooperation, German Embassy, Dar Es Salaam
27. Mr. Douglas Kigabo, Director, External Trade, Ministry of Commerce, Kigali
28. Ms. Diane Brand, First Secretary, Canadian Mission, Nairobi
29. Mr. Manuel Iglesias, Head of Regional Cooperation, EC Mission to ECOWAS, Abuja
30. Mr. Amitava Chakravorty, Joint Secretary, Ministry of Commerce, Dhaka
31. Mr. Ravi Bhattarai, Nepal Embassy, Geneva
32. Mr. Shiv Raj Bhatt, NPM&TA Analyst, NIU, Ministry of Commerce, Kathmandu
33. Mr. Tenzin Choda, Mission of Bhutan, Geneva

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