



**Agency for International Trade
Information and Cooperation**

March 2009

Report on AITIC *Flash Meeting*:

The Enhanced Integrated Framework: Ready to Go?

25 March 2009, 15.00 – 17.30
Conference Centre Varembe, 9 rue de Varembe, Room B

I. Introduction

1. In response to recent requests for information on the Enhanced Integrated Framework (EIF), an issue of priority interest to the least-developed countries (LDCs), AITIC continued its successful *Flash Meeting* series with a discussion on the EIF. On this occasion, Ms Dorothy Tembo, Executive Director of the EIF Executive Secretariat, was invited to take stock of the activities of the EIF and brief participants on the most recent developments in the process of its implementation. Representatives from the least-developed countries (LDCs), developing countries and the donor community were in attendance, taking the opportunity to ask questions as well as to express their views.

II. Meeting structure

2. The meeting was structured around three key perspectives. After introductory remarks by Dr Esperanza Durán, Executive Director of AITIC, Ms Dorothy Tembo gave an informative presentation on the current status of the EIF. This was followed by a presentation representing the recipient country perspective by HE Mr Matern Yakobo Christian Lumbanga, Coordinator of the WTO LDCs' Consultative Group. Finally, Mr Mark Gawn, Counsellor from the Permanent Mission of Canada gave a presentation representing the donor perspective. Each speaker had the floor for approximately 30 minutes, after which Dr Durán opened the floor to questions and a period of rich discussion followed.

III. Overview of the EIF - Ms Dorothy Tembo

3. The Integrated Framework (IF) was launched in 1997 with the participation of six core agencies: The IMF, ITC; UNCTAD, UNDP, WTO and the World Bank. It had two main objectives: 1) to mainstream trade into the national development

plans or PRSPs of LDCs and 2) to assist in the coordination of Trade-related Technical Assistance. The IF in essence has four phases:

Preparation Phase:	Request, Technical Review, Establishment of National Steering Committee
Diagnostic Phase:	Identify constraints; translate these into activities in the Diagnostic Trade Integration Study (DTIS)
Validation Workshop:	National Stakeholders validate the DTIS and proposed actions in Action Matrix
Implementation Phase:	Implementation of activities in Action Matrix

“Enhancement” came about after meeting three Task Force recommendations issued in 2006:

A. Increased, additional and predictable funds to implement the IF

4. At the Stockholm pledging conference in September 2007, donors committed to provide financing amounting to a total of USD170 millions over a five-year period. The EIF currently has approximately USD63 millions in hand. It was mentioned several times during the Flash Meeting that the current funding was sufficient for the short term only and that additional funding would need to be firmed up so as to ensure the “predictable” component.

B. Strengthen in-country capacities to manage, implement and monitor the IF

5. To address the prevalent need of assistance for in-country management of the IF, the EIF has provided resources to establish a National Implementation Unit to support the National Focal Point. Funds provided through Tier 1 will go toward human resource capacity building and mainstreaming activities, preparation and updating of the DTIS and to further this second component. Funds provided through Tier 2 will go towards identifying activities in the Action Matrix, project preparation, feasibility studies and small scale projects.

C. Enhanced governance structures

6. There are three elements to the third and final component of governance structures: the establishment of a Governing Board, a Trust Fund Manager, and the Executive Secretariat of the EIF. The EIF is presided over by the Governing Board composed of the original six core agencies plus three representatives from LDCs and three representatives from donor countries. Since May 2007, there has been an Interim Board in place, with three LDCs - Rwanda, Senegal and Yemen - and the three donor countries - Canada, Switzerland and the UK. UNOPS was selected to be the Trust Fund Manager and Ms Dorothy Tembo, selected as the new Executive Director of the EIF Executive Secretariat, took office in October of 2008. UNOPS is managing the Trust Fund through its Geneva Office and regional offices in Nairobi, Bangkok and Dakar.

IV. Current and future operational issues for the EIF

7. There are currently several Tier 1 project proposals underway which are being assessed in the form of joint Executive Secretariat and UNOPS assessment missions to Cambodia, Lao PDR, Liberia, Malawi, Mali, Rwanda, Sierra Leone, The Gambia, Uganda and Yemen. The Interim Board has approved the Malawi and Yemen proposals in principle, pending a review in line with the format provided. Internal to the EIF, there are four operational aspects that are still to be finalised: Tier 1 guidelines, an overall EIF compendium of guidelines, core agency partnership agreements and the all-important monitoring and evaluation mechanism for the EIF. The last item is of particular relevance as Canada and some other donors are waiting for the monitoring and evaluation mechanism prior to signing off on their Contribution Agreements, which would disburse the pledged funds to the EIF. Despite this, Ms Tembo felt that in essence the main ingredients for the full implementation of the EIF were in place and that actual project funding – disbursements of EIF funds for LDC identified projects – would commence soon.

V. The LDC perspective - *HE Mr Matern Yakobo Christian Lumbanga*

8. Ambassador Lumbanga, Coordinator of the WTO LDCs' Consultative Group offered the perspective of LDCs as regards the EIF. He began by presenting some "essential characteristics of LDCs", then commented on Ms Tembo's report and finished with some conclusions.

A. Essential Characteristics

9. Ambassador Lumbanga mentioned some key LDC characteristics which he felt were important to cover during the meeting so that everyone present could have a clearer understanding of the realities faced by LDCs, such as: very low internal revenue generation; heavy dependence on development assistance; poor physical infrastructure; low investment rates; poor access to education and health care; stagnation of economic growth; poor governance; corruption and political instability. As regards the LDC share of world trade for the period between 1999 and 2005, LDCs averaged only a very small 0.3 per cent of world trade, which prompted Ambassador Lumbanga to state that, simply, in terms of trade, LDCs "don't even exist". Ambassador Lumbanga went on to state that LDCs are what is being referred as "the bottom billion" and reminded the audience that the eight MDGs, which are due to be completed by 2015, will probably never be reached. All of these facts are the reasons why the LDC Ministers, who met in Maseru on February 2008, called for the operationalisation of the EIF by mid 2008. HE Mr Lumbanga took the opportunity to underline LDC frustration that the EIF is just now beginning to become operational in 2009. He stated that for LDCs, at this time of global recession, it was the EIF, Aid for Trade and even more broadly, Official Development Assistance (ODA) in general, that should be seen as their version of a fiscal stimulus package. With ODA on the decline, specific programs such as the EIF are more important than ever.

B. A critical look at the current state of the EIF

10. Ambassador Lumbanga reiterated some of the main points made in Ms Tembo's presentation, congratulating her for the progress to date and offered a few new observations. The Ambassador was pleased to see the development of new partnership agreements with UNIDO and perhaps other organisations, but observed that they are in some ways latecomers to the EIF. More important, however, was the issue of implementation of the EIF, an area of concern to LDCs. The following areas of where implementation had stalled are:

- the finalisation of the monitoring and evaluation mechanism
- the partnership agreements and funding disbursements
- the structure between UNOPS and two core agencies, UNDP and the World Bank

11. This last issue was of particular concern to the LDCs since two years ago in Stockholm it was not foreseen that inter-agency disagreements would create problems. It was Ambassador Lumbanga's understanding that neither the World Bank nor UNDP were willing to be subjected to having to report to UNOPS, and that unless a clean structure were put in place, the EIF would end up with many partnership agreements with a lot of different reporting requirements to various authorities. This would not be a good outcome. Ambassador Lumbanga pointed out that in the opening remarks, Dr Durán touched on the importance of the Paris Declaration on Aid Effectiveness, and he reminded participants that internal disagreements, such as what was currently happening with the monitoring and evaluation issue, create problems of ownership that, in effect, counter the very efforts to make aid effective. The Ambassador further expressed his frustration on the length of time this particular issue had taken and implored the donor counterparts to look anew at the importance of agreeing among themselves on a clean reporting structure which would allow the EIF to move forward swiftly, and warned that, otherwise, the much anticipated EIF success stories might well never amount to anything.

12. Other issues of concern were:

- the redrawn Tier 1 guidelines and the delay it has caused some LDCs
- the recent toing and froing by donors on the unilateral timeframe for EIF projects (from 5 to 3 to 5 years). His Excellency referred to donors micromanaging issues that were best decided by recipient countries.
- the issue of national and regional ownership of EIF projects, for which Ambassador Lumbanga warned against donors occupying the driver's seat since it is the person "who is really wearing the shoe who should know where it pinches, not the other way around."
- the LDC responsibility for the sustainability of projects through the careful setting aside of counterpart funds which are required for EIF projects
- the LDC responsibility for the mainstreaming of trade in national planning; Ambassador Lumbanga commented that other government

ministries, such as finance, are incorrectly kept out of trade discussions within most all of the LDCs

13. HE Ambassador Lumbanga concluded by stating three points; that LDC Ministers have always considered the EIF important and accorded it high priority; that the current delay in the EIF process continues to frustrate LDCs and that LDCs are actively engaged in moving the EIF forward through collaborations with donors.

VI. The donor perspective – Mr Mark Gawn

14. Mr Mark Gawn, Counsellor for the Permanent Mission of Canada presented the third stakeholder viewpoint of the day's Flash Meeting by asking and answering four questions: Where are we? What have we accomplished? Could we have got here faster? and Where do we go from here? Responses are paraphrased below:

A. Where are we?

15. In the past there has been a great deal of policy discussion and agreement to set up the EIF, and now we are coming to the point where operations can begin.

B. What have we accomplished?

16. Dorothy Tembo has been selected to run the EIF. In the past, this was done by part-time staff, who in addition had other responsibilities. A Trust Fund Manager has been selected. There is a critical mass of Contribution Agreements, money is in the bank – approximately USD63 millions – and the number of donors has doubled.

C. Could we have gotten here faster?

17. Mr Gawn admitted that things could have gone faster, recognising that there is now fatigue and that deadlines have been missed. Delays had been made worse among other reasons due to the global financial crisis. In addition, by way of explanation, Mr Gawn suggested one of the causes of the delays had been that early on in the planning, it was assumed that the WTO would be able to manage the EIF as an administrative host. However, this proved not to be feasible. Eventually it was decided to select an external agency: UNOPS. The retooling of the accountability structure and the Partnership Agreements changes took time. The search process and eventual selection of Ms Dorothy Tembo took a great deal longer than originally planned. However, lessons have been learnt.

D. Where do we go from here?

18. In the short term: Monitoring and Evaluation is critical and this component is not complete. There are gaps in the current accountability structure, for example, what is the relative responsibility of the Trust Fund Manager and the Executive Secretariat? Mr Gawn acknowledged that such things might seem boring, but were critical for assessing problem areas should things do not go as planned. Canada

itself has not yet signed the Contribution Agreement due to the need for a clear division of responsibilities as regards the monitoring and evaluation. Other issues include large questions such as how the EIF Board should function. The EIF is now at the stage of designing operational guidelines, which, although tedious to design, are important to ensure the smooth functioning of the EIF. Mr Gawn also brought up the fact that there would need to be training on how to characterise and present projects, since in some cases the documentation and formatting did not allow the Board to understand how a particular project might fit in with longer term national plans. Finally, all of these short-term issues would need to be brought before the Steering Committee.

19. In the long Term: key long-term issues have to do with demonstrating real results, amongst which some questions and issues should be taken into consideration:

- Are we leveraging the EIF Trust Fund money?
- Are we changing behaviour – getting trade mainstreamed in LDCs? Are we getting further buy-in from the private sector, banks, etc.?
- Replenishment of funds as Tier 2 role out will deplete current funding
- There should be an effort to make EIF a longer term initiative

20. Mr Gawn summed up by reiterating that it has taken longer to get to the current state of affairs in EIF than was planned, but that in his opinion things were in a good place and that operations should start to bring more visible results soon. On a positive note, Mr Gawn noted that UNIDO is an emerging non-traditional partner for the EIF and he felt there could be other such possibilities.

21. Ms Tembo was given the final word for which she summarised her thoughts on the EIF preparedness for operations by stating that she felt that “we are almost there”. She reiterated that the starting point for action was with the recipient country’s own DTIS implementation plans and invited the LDCs to contact her should they have any questions on how to move forward.

VII. Discussion

22. HE Mr Fisseha Yimer of Ethiopia mentioned that the AITIC Flash Meeting was particularly timely as his capital has asked him for direction on how to proceed as regards Ethiopia and the EIF. Ambassador Yimer wanted to know what he should do, in non-technical terms, in order to benefit from the EIF. Dr Durán mentioned that since Ethiopia was an AITIC member, she would be more than happy to meet informally with the Ambassador to help with preparing for a meeting with the EIF. Ms Tembo also invited the Ambassador to meet with her and discuss how Ethiopia might want to implement their 2003 DTIS.

23. Based on his experience from several assessment missions to LDCs in his capacity as an economist for the WTO, Mr Panos Antonakakis has witnessed poor donor organisation coordination and asked the following two questions:

- How can the links between the various ministries within LDCs be strengthened?

- How do we ensure that donors themselves perceive the EIF as a catalyst for coordination for their own technical assistance projects?

24. Another question was raised regarding the approval of the proposals from Yemen and Malawi, and it was suggested that both should have been approved under the previous guidelines. Ms Tembo explained that it was felt by the Board that things should begin on the best possible basis, and so the Executive Secretariat is currently working closely with both countries to update their proposals to include all the necessary components.

25. Ms Aminata Kourouma-Mikala, First Secretary for Economic Affairs and Trade of the Republic of Guinea, shared her country's progress with the EIF thus far. Guinea has been involved with the IF since its inception in 1997 as one of the 11 pilot countries. In 2003, the DTIS was completed along with the Validation Workshop in October of that year. Three projects were then chosen from the DTIS regarding institutional capacity building, human resource capacity building and Agriculture. Guinea has also carefully followed the IF Secretariat's recommendations in order to set up the requisite national organs for effective EIF management. A five year action plan including development projects and institutional support was presented to the EIF in a letter by the National Focal Point. These plans were developed in close collaboration with the World Bank, IMF, ITC, the private sector and civil society. Despite Guinea's efforts, things are currently blocked. Ms Kourouma-Mikala then asked Ms Tembo that given Guinea's successful compliance with the specified EIF criteria, what would the next steps be in order to really move forward? Ms Tembo later indicated that the EIF Executive Secretariat would be willing to work closely with Guinea on the proposals and remains at the service of others with similar questions.

26. Mr Alcides Barros of Cape Verde, a relatively recent LDC graduate, asked if there were considerations for countries such as theirs. Ms Tembo commented that the EIF was specifically targeted at LDCs. Mr Gawn mentioned that there was some discussion within the board to consider a "grandfathering" of recent LDC graduates, however he was not sure if this would become reality as the EIF was designed first and foremost for the LDCs.

27. Ambassador Samba of the Central African Republic commented that a recent Round-Table EIF meeting organised in his capital, Bangui, the EIF Secretariat and other institutions had not been represented, although they had been invited. Ms Tembo expressed regret that she was not present at the recent to and offered to meet with His Excellency at another date convenient to him. She mentioned the understaffing of the Executive Secretariat as a problem in being able to cover all the demands that are being made on her office.

28. In response to the several questions from LDCs present as to how to move forward, the representative from Rwanda, Mr Edward Bizumuremyi – Rwanda being one of the Board members – offered to meet with any of the LDCs before they met with Ms Tembo to help brainstorm the possible next steps. Mr Bizumuremyi also asked Ms Tembo if she had an estimated timeframe for the completion and approval of the proposals from Malawi and Yemen, to which she replied that she hoped it would be done by the end of April, pending Board approval. Finally, Mr Bizumuremyi asked Mr Gawn if guidelines were needed for

Tier 2. To this question, Mr Gawn responded that perhaps it would suffice to use a test case, possibly for a particular region, to run through the Tier 2 process.

29. Dr Durán then took the floor to acknowledge and welcome the new Ambassador from Zambia, HE Mr Darlington Mwape. Ambassador Mwape commented on Zambia's progress in integrating their DTIS into a private sector development plan. Ambassador Mwape also reminded participants that Zambia will be hosting the next Pledging Conference and that there will be many projects in need of EIF support.

30. The Trust Fund Executive Officer from UNOPS, Dr Jairo Morales-Nieto, stated that his agency had a very broad mandate: to support national frameworks for LDCs within parameters set by the EIF and the Trust Fund. Put simply, UNOPS is focusing on creating the capacity for change. UNOPS faces 4 major challenges:

- setting up the appropriate technical capacity in Dakar, Nairobi, Bangkok and at country levels
- creating a legal framework for the process (Partnership Agreements)
- replenishing the USD64 millions currently in the fund which will likely be exhausted by 2010
- setting up a rational framework for projects with a fiduciary and strategic dimension (national development plans)

31. The meeting concluded with participants being satisfied that the meeting had been useful, the presentations had been informative, comprehensive and clear and the discussion had been candid. Several LDC participants commented that after having had a clearer view of where the EIF stood after this *Flash Meeting*, they were more optimistic than previously about its future.

Acronyms

AITIC	Agency for International Trade Information and Cooperation
DTIS	Diagnostic Trade Integration Study
IF	Integrated Framework
IMF	International Monetary Fund
ITC	International Trade Centre
EIF	Enhanced Integrated Framework
LDC	Least-developed Country
PRSP	Poverty Reduction Strategy Paper
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNIDO	United Nations Industrial Development Organization
UNOPS	United Nations Office for Project Services
WTO	World Trade Organization