SM/00/145

June 30, 2000

To: Members of the Executive Board

From: The Acting Secretary

Subject: **Review of the Integrated Framework for Technical Assistance for Trade Development of Least Developed Countries**

After more than two years of experience with the interagency Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF), an independent review overseen by the World Bank was recently conducted. The review has now been completed and issued by the World Bank to its Board. At present its recommendations are being discussed informally by the staffs of the six participating IF agencies, in preparation for a meeting of IF agencies scheduled for July 6 which will examine the review and decide on the needed steps to improve and strengthen the IF. In the staff's view, the review provides a balanced assessment, and its recommendations address many of the concerns Fund staff have expressed about the effectiveness of the IF, in particular in a Fund staff aide mémoire sent to the staffs of other participating agencies in August 1999.

The attached Review of the Integrated Framework, as well as the aide mémoire mentioned above, are circulated for the information of the Executive Directors.

Ms. McGuirk (ext. 38363) and Ms. Calika (ext. 36948) are available to answer technical and factual questions relating to this paper.

Att: (2)

Other Distribution:
Department Heads

REVIEW OF THE INTEGRATED FRAMEWORK FOR TECHNICAL ASSISTANCE FOR TRADE DEVELOPMENT OF LEAST DEVELOPED COUNTRIES

Sarath Rajapatirana
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June 6, 2000

Review of the Integrated Framework for Technical Assistance for Trade Development of Least Developed Countries

Advisory Committee

Washington, DC. June 6, 2000

The World Bank asked this Advisory Committee to provide independent advice and counsel to the evaluation team secured by the World Bank at the request of the Integrated Framework Inter-Agency Working Group to conduct the Review. As members of the Advisory Committee we confirm that we are satisfied that the enclosed report covers the essential issues outlined in the terms of reference for the Review.

We recognize that the report's recommendations are rather broad. This is the consequence of the constraints of time - and budget - available for the Review. However, we believe that its recommendations nonetheless provide a basis for making some fundamental decisions about the Integrated Framework. These can then be followed by the preparation of an appropriate in-depth plan of action.

Sincerely,

John Eriksson

Hans Wyss

Acknowledgements

Review team members acknowledge a large debt to many of the individuals and agencies that engaged them in frank and open discussions of the Integrated Framework (IF) and provided written documents. They include Least Developed Country (LDC) representatives in Geneva and in the two countries visited by the review team; officials of donor agencies both in Geneva and in the two countries that the team visited; officials of the six agency members of the IF Inter-Agency Working Group (IAWG); and private sector individuals. They also include those "focal point" representatives in LDC governments who responded to the survey. The International Trade Center (ITC) was a gracious host to the team in Geneva, providing office space and secretarial assistance. The Administrative Unit (AU), located in the ITC, helped with the arranging of meetings in Geneva and with the identification of LDC officials to whom the questionnaire survey was addressed.

The review team would also like to acknowledge the guidance and counsel it received from the Advisory Committee at each stage of preparation of this review.

Table of Contents

List of Abbreviations

AU	Administrative Unit
CAS	Country Assistance Strategy
CDF	Comprehensive Development Framework
CGs	Consultative Groups
COMESA	Common Market for Eastern and Southern Africa
EAC	East African Co-operation
ESAF	Enhanced Structural Adjustment Facility
GDP	Gross Domestic Product
HIPC	Heavily Indebted Poor Countries
HLM	High Level Meeting
IAWG	Inter-Agency Working Group
IF	Integrated Framework
IRs	Integrated Responses
IMF	International Monetary Fund
ITC	International Trade Center
LDC	Least Developed Countries
MFA	Multi-Fiber Arrangement
MYP	Multi-Year Program
NAs	Needs Assessments
ODA	Official Development Assistance
PRSP	Poverty Reduction Strategy Paper
RTs	Round Tables (IF, UNDP)
SAC	Structural Adjustment Credit
SCs	Steering Committees
TA	Technical Assistance
TOR	Terms of Reference
TPRs	Trade Policy Reviews
UNCTAD	United Nations Conference on Trade and Development
UNDAF	United Nations Development Assistance Framework

UNDP	United Nations Development Programme
WTO	World Trade Organization

Executive Summary

i. The principal objective of the Integrated Framework (IF) is to increase the benefits that Least Developing Countries (LDCs) derive from trade-related Technical Assistance (TA) made available to them by the six agencies involved in the IF and from other sources. The IF intended to assist LDCs respond to market demands and accelerate their integration into the multilateral trading system.

ii. Other related objectives are to ensure that trade-related TA is demand-driven and to enhance ownership of the IF by LDCs, so that it meets individual country needs effectively. The WTO Ministers who initiated the IF in their first meeting in 1996 perceived ample opportunities to increase the effectiveness and efficiency of trade-related TA provided to LDCs. Synergies were expected to be realized from the six agencies working together more closely. Another objective implicit in the IF was to provide comprehensive and coordinated information to the six agencies about specific LDC needs in trade-related areas, so that the agencies could build upon their individual experiences and comparative advantage.

iii. In the event, many of these objectives have not been realized. The principal issues associated with this outcome are: (a) different perceptions regarding the objectives of the IF between LDCs and donors: LDCs expected additional funding; donors expected the IF to realize greater efficiency and effectiveness by coordinating trade-related TA; (b) on the whole, IF processes did not lead to a prioritization of TA needs and there was no link to the overall development assistance architecture; (c) the IF was not sufficiently demand driven in the minds of LDC officials; (d) governance and administration were weak since they depended on management by committee without clear responsibility assigned to any single entity; (e) coordination was found more complex than anticipated between the LDCs and donors, among donors, and between the six agencies themselves; (f) the IF has been a generally "unfunded mandate," with varying degrees of priority being given to the IF by different donors and agencies.

iv. As to the future of the IF, three broad options suggest themselves.

(a) A first option is to complete the IF process as having had limited success. However, virtually all stakeholders canvassed through a survey of LDC IF "focal points" (see Annex 3 below), and in interviews of LDC, donor and agency representatives conducted by the review team, find value in the IF. Furthermore, the time period elapsed since the inception of the IF is insufficient to justify a conclusion that it should be wound down; the process of creating capacity is always a lengthy one.

(b) A second option is to expand the IF, as a few donors have suggested, to other developing countries such as the Highly Indebted Poor Countries (HIPC). However, without showing real success on the ground, there is no track record to justify now extending the IF to additional countries.

(c) A third option is to improve the IF by addressing the main issues that have been identified in the process of the review. This is the option recommended by this review. The following measures would form the core of the needed improvements:

(i) Clarify Policy Objectives.
Clarify the objectives of the IF by restricting it to TA for trade-related development, to support, *inter alia,* policy reforms, manpower and human resources development, customs reforms, institutional change and legal environment reforms. Infrastructure investment and other hardware development, as well as TA solely related to equipment and bricks and mortar, would be handled in the context of Consultative Groups (CGs) supported by the World Bank and the UNDP-supported Country Round Tables (as distinguished from the round tables presently held for the IF).

(ii) Prioritize and Link to Overall Development Assistance Architecture.
In the future most development assistance strategy issues are likely to be developed through participatory processes, in the context of such exercises as the Poverty Reduction Strategy Papers (PRSPs), the Comprehensive Development Framework (CDF) and the United Nations Development Strategy Frameworks (UNDAF). These efforts will be prepared by LDCs in consultation with the World Bank, the IMF, UNDP and other UN agencies, donors and stakeholders. In all such endeavors, country strategy will define the role of trade development and related TA. The IF will then be linked to the priorities established through the formulation of country development strategies.

(iii) Give Ownership to the LDCs.
Make the IF process more demand driven and country-owned by requiring LDCs to prioritize their specific needs

from the list of trade-related TA activities listed in the Needs Assessments (NAs). Once a particular trade-related TA project or program is identified as a priority by an LDC, that particular project or program would be submitted to the agency responsible for managing and coordinating such TA.

(iv) **Strengthen Governance and Administration.**
The review considered two options: (a) strengthening the Administrative Unit (AU) to the point that it can manage the IF while continuing to be located at the International Trade Center (ITC) in Geneva, and (b) moving the responsibility for managing the IF to WTO (where the AU would be integrated). On balance, the review concluded that the superior option is to make the WTO responsible for IF management. This is because the IF requires leadership in the trade field. This leadership in trade resides in WTO, following the Uruguay Round. Given the specific capacities required for managing the IF (within the sharper focused objectives as per (i) above), WTO will need to strengthen its ability to handle trade-related TA. The Inter-Agency Working Group (IAWG) would continue as an advisory group, meeting not more than twice a year, and help WTO in its coordination with the other IAWG agencies.

(v) **Coordination Issues.**
Once governance is strengthened along the lines of the foregoing recommendation, coordination can be better assured, as WTO will be the designated clearinghouse for inter-agency coordination issues. After completion of all NAs, the IF process can be simplified. There is also no need to hold round table meetings for the IF, if no trade-related TA funding is expected. As to coordination within LDCs, the lead ministry in the country (whether it be Finance or Planning) that now discusses and presents infrastructure projects to the donors in the context of World Bank-supported CGs and UNDP-supported Round Tables, should bring the Trade or Commerce Ministers to support their requests for trade-related investment assistance at these forums. A special session for trade development may be considered in these forums.

(vi) **Funding the IF.**
First, the IAWG agencies and donors will need to ensure

that they budget their administrative costs related to the IF while providing whatever other incentives are needed for a better recognition of the responsibilities which they undertook when the IF was created. Second, when it comes to the financing of trade-related TA projects, one approach would be for WTO, as the managing agency for the IF to set up and manage a Trust Fund to finance such TA projects. All donors, including multilateral agencies, would contribute (on a voluntary basis) to the Trust Fund as an expression of their commitment to the IF. The Trust Fund could be replenished every three years, depending on the demand for such funds. The LDCs would access the funds according to well-established criteria and use them within the priorities established under the IF process. The LDCs should be able to draw from the Trust Fund to procure TA from any source, including the private sector. This would not only make TA truly demand-driven but will also create incentives for the agencies to tailor-make their assistance to specific country needs. The use of funds would be subject to standard rules utilized by donors for their projects as to commitments and disbursements. The TA provided by the six agencies and the private sector would be subject to international competitive bidding norms. The alternative to the Trust Fund option would be that the WTO would play the role of a clearing-house for trade-related TA - an option that is less likely to achieve the objectives of a revised IF.

(vii) Monitor Trade-Related TA Performance

As trade development activities are brought into the mainstream by including them in the overall assistance process, they will be monitored and evaluated along with the progress of other programs in the countries. This can could be done through the World Bank's Economic and Sector Work and through the WTO's Trade Policy Reviews. WTO trade policy reviews should specifically monitor and evaluate the progress achieved towards integration of LDCs into the multilateral trading system. However, these reviews should go beyond the review of consistency with trade rules to assess how well trade regimes and trade-related TA are contributing to the integration of LDCs into the global trading environment.

(viii) Enlarging the IF to Other Countries and Agencies

This review recommends that the question of enlarging the IF be revisited in the future, after the new recommended arrangements are in place for about three years. At that time a review could be undertaken to see what progress had been made since 1997 to advance the objectives established for the IF.

Introduction

(a) Background to Review

1. At the first Ministerial Meeting of the World Trade Organization (WTO) in Singapore in 1996, the trade ministers adopted the Comprehensive and Integrated WTO Plan of Action for Least Developed Countries (LDCs). It envisaged closer cooperation among the WTO and other multilateral agencies assisting LDCs in the area of trade.[1] To implement the Plan, the High Level Meeting (HLM) on Integrated Initiatives for LDCs, in October 1997 established the Integrated Framework (IF) to provide trade-related technical assistance to LDCs.[2] The six agencies that constituted the IF were the WTO, the International Monetary Fund (IMF), the International Trade Center (ITC), the United Nations Development Programme (UNDP), the United Nations Conference on Trade and Development (UNCTAD), and the World Bank. The present review was mandated by paragraph 6 of the HLM document.

2. The eighteenth meeting of the Inter-Agency Working Group (IAWG) that manages the IF agreed that (i) the World Bank would select an individual to prepare an initial draft; (ii) the initial draft would be considered and revised, as appropriate, by the IAWG; (iii) the IAWG would receive instructions from their Agencies on the draft Report; (iv) the Heads of the Agencies would meet to consider the draft Report, and (v) the Report would be forwarded to the General Council of the WTO and the Governing Bodies of the other Agencies[3]

3. To preserve the independence of the review process, the World Bank selected Sarath Rajapatirana, a former staff member of the World Bank and at present a visiting scholar at the American Enterprise Institute for Public Policy Research in Washington, to lead the review of the IF. Charles Lusthaus and Marie-Helene Adriene of *Universalia*, a Canadian consulting firm, were the other review team members. Hans Wyss and John Eriksson, consultants to the Bank's Operations Evaluation Department, were asked to form an Advisory Committee.

(b) The Scope of Review

4. Given the IF experience during its first two and a half years, the IAWG agreed that the review should, *inter alia*, focus on the following elements: (i) identifying perceptions of IF objectives by involved parties; (ii) evaluation of the IF with regard in particular to: (a) processes, (b) output, (c) implementation of integrated responses, (d) pledges, indications of assistance and new money, (e) impact of the IF in terms of the relevance and role of trade in overall

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[1] WTO, WTO Plan of Action for the Least-Developed Countries, WT/Min (96)/14 January, 1997.

[2] WTO, High Level Meeting on Integrated Initiatives for the Least-developed Countries' Trade Development, WT/LDC/HL 1/Rev 1, October 1997.

[3] Sub-Committee on Least-developed Countries, Integrated Framework for Trade-related Assistance to Least-Developed Countries, Report of the 18th Inter-Agency Working Group Meeting, Geneva, 24 November 1999, WT/COMTD/LDC/6.

development strategy of LDCs; (iii) review of trade-related assistance: institution building, building human and enterprise capacity and infrastructure; (iv) policy considerations: mainstreaming, enlargement of the IF, the trade and macro-economic policy environment; (v) the administration of the IF; and (vi) recommendations for the future.[4] The terms of reference (TORs) for the review team are listed in Annex 1.

(c) The Review Process, Sources and Methodology

5. IAWG asked that the review be conducted in consultation with itself, LDC governments, as appropriate, and the donor community. The review process included (i) a survey directed at the 48 LDCs and carried out with the help of the Administrative Unit (AU) of the IF, located in the ITC; (ii) interviews of officials from LDCs and donor countries as well as officials of the six IF agencies, based on a set of interview protocols; (iii) field visits to Bangladesh and Uganda to interview the countries' officials, donor agencies represented in the two countries, and private sector participants at the IF Round Tables (RTs) held in the same countries. In all, the review team interviewed more than 75 individuals. It also reviewed IF-related documents and memoranda received from LDC representatives and multilateral agencies. The list of documents is given in Annex 2. Both the interview process and the review of documents confirmed that most issues and findings presented in this report have been recognized by many IF participants in the recent past.

6. The methodology used for the IF evaluation follows the well-established criteria of (i) relevance, i.e., the consistency of IF development with the initial objectives; (ii) efficacy, or the achievement of objectives set by the IF originators; (iii) efficiency, or the extent to which IF benefits are commensurate with the efforts and expense incurred; and (iv) overall development outcomes and impact.

7. A review of this nature has its limitations. First, the period of two and a half years during which the IF has been under implementation may not be sufficient to assess its impact adequately. Second, the review team received only nineteen responses to the survey of 48 LDCs. Third, it is very difficult to attribute trade developments in the LDCs to the implementation of the IF since only some influences of the IF on the countries' decision making could be captured in the survey. There are a number of other forces at play in the trade outcomes of these countries. Finally, given the broad range of topics identified by the IAWG for review, more time and financial resources would have been necessary to undertake a more in-depth review.

(d) The Plan of the Review

8. Following this introduction, Chapter 1 provides a brief overview of the LDCs' context. Chapter 2 identifies objectives and perceptions with respect to the IF. Chapter 3 examines the implementation of the IF. Chapter 4 analyzes the IF's impact. Chapter 5 identifies issues and Chapter 6 makes recommendations. The annexes include, in addition to the review team's terms of reference (TORs) and the list of documents reviewed, a summary of survey results, a list of

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[4] *Ibid.*

persons interviewed and two brief descriptions of the IF as it operated in Bangladesh and Uganda. A selected bibliography is also attached.

Chapter 1: Least Developed Countries' Context

(a) Diversity of LDCs and Constraints

1.1 Despite common characteristics of poverty and low development, LDCs differ from each other in many ways. This is one reason why the IF has emphasized that Technical Assistance (TA) provided under it should be demand-driven, owned by the individual LDCs and tailor-made to different country characteristics and circumstances. Of the forty-eight LDCs, thirty-three are in Sub-Saharan Africa, thirteen are in Asia, and one each is in Latin America and the Middle East. Fourteen of the LDCs are land-locked and ten are small islands. These features lead to different constraints on trade that the IF was designed to address. Some countries may have infrastructure needs such as transport networks, while others may need ports and other access to frontiers to lead to increased trade. LDCs' resource endowments and past policies have led to their exports to be concentrated in a few commodities. LDCs' exports also face higher tariffs and quantitative restrictions in industrial and developing country markets compared to exports of other countries.[5]

1.2 Twenty-nine of the LDCs are WTO members. Six are in the process of accession and four have observer status. Accession to the WTO and being within a rule-based system of multilateral trade are important for these countries. Policy and other measures, including TA, are vital to bring about open and growth-friendly trade regimes.

1.3 Many LDCs face other constraints than those directly related to trade, yet overcoming these hurdles is as important, or even more so, in order for the LDCs to participate fully in the international trading system. These constraints include access to foreign direct investment (FDI), macro-economic stability, and political stability. Many countries have experienced some resumption of FDI in the last two years, and many have achieved macro-economic stability. Some continue to face political problems and civil strife, while others have experienced political stability only recently after many years of civil strife. For these reasons, the IF cannot be expected to be implemented at the same pace in all the LDCs.

1.4 In order for LDCs to benefit from expanding world trade, these constraints have to be overcome at different levels: domestic policy and strategy, physical infrastructure, and human and institutional capacity. TA will be needed in all these areas.

(b) Policy Developments and Recent Economic Performance[6]

1.5 While many of the LDCs undertook trade reforms in the early 1990s, the process has slowed in the latter part of the decade. Despite the small size of many of the countries in this group, they have higher levels of protection than many of their competitors, a situation which they can ill afford. Consequently, many of the LDCs have not been able to integrate adequately into the global market and to participate in the growth-inducing benefits of expanding world

[5] WTO Annual Reports and UNCTAD Annual Reports, various issues.

[6] The economic performance of LDCs is described based largely on the UNCTAD 1999 Annual Report of the Least Developed Countries (Geneva, 2000) and the WTO 1999 Annual Report (Geneva, 2000).

trade. It is also true that open trade by itself is not likely to generate rapid growth in these countries; other factors, including institutional and human resource development, are needed to achieve higher growth while reducing poverty.

1.6 In the 1980s to mid-1990s, the IMF and the World Bank supported trade reforms in developing countries and LDCs on a wide scale, through enhanced structural adjustment facilities (ESAFs) and structural adjustment credits (SACs), respectively. In the wake of growing criticisms of the conditionality attached to these loans and of changing priorities of donors, support for trade reforms waned. Some LDCs have halted the liberalization process altogether, while others have yet to embark on strong reforms. Meanwhile, with the implementation of the Uruguay Round, opportunities for greater participation in world trade have increased for all countries. While trade reforms alone cannot be credited for higher growth, empirical and theoretical literature supports the general proposition that open trade favors growth.[7] Therefore, the slow pace and limited extent of trade reforms in many of the LDCs do not augur well for rapid growth and poverty reduction.

1.7 Economic performance of LDCs accelerated in the mid-1990s but slowed down more recently, reflecting the fragile nature of these economies. Even though their economic growth as measured by GDP accelerated in the mid-1990s, it fell to 3.8 percent during the latter part of 1998, compared to the 4.5 percent growth achieved in 1997. The ratio of exports and imports to GDP rose from 40 percent in 1990-96 to 46 per cent in 1997-98. But the share of LDC exports in world exports remains a minuscule 0.4 percent, down from 0.8 per cent in 1980. The share of LDC imports also remains low, at 0.6 per cent of world imports in 1998. FDI flows to these countries are a mere 0.5 per cent of world FDI.[8]

1.8 The principal reasons for the poor economic performance of these countries are the slow recovery of primary commodity prices, declining official development assistance (ODA) to these countries, and the slow or halted pace of policy reform. Thirty of the LDCs are HIPCs and some 25 percent of their export earnings are spent on debt service.

(c) LDCs Concerns

1.9 The LDCs are concerned that if they continue to face barriers to their products in both industrial and developing countries, their policy efforts alone will not be sufficient to address issues of growth and poverty reduction. The special access of LDCs to industrial markets has been declining in recent years. The present system of trade preferences, which should give them special access, has benefited mainly the higher-income developing countries. It has excluded the so-called "sensitive products," such as agriculture and textiles and clothing, in which LDCs and other developing countries have comparative advantage. In addition, the present system of preferential access is complex, non-transparent, and could be withdrawn by the importing countries at will. The WTO has argued for duty- and quota-free access for LDCs to industrial and

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[7] See (Dollar 1992), Sachs and Warner (1995), Edwards (1998), and Bhagwati and Srinivasan (forthcoming).

[8] UNCTAD, 1999 Annual Report on Least Developed Countries, Geneva (2000).

developing country markets. This initiative has recently been receiving increased attention.[9]

1.10 In sum, LDCs face a number of supply constraints that limit their ability to take advantage of the multilateral trading system. Alleviating these supply constraints, while at the same time resuming and initiating policy reforms, would enable these countries to take better advantage of the system. The system is rapidly evolving and continually demands more of participants who would reap its benefits. The IF is a potentially important instrument to help LDCs meet the challenges and reap the benefits of the international trading system. LDCs are concerned that without adequate support they will become increasingly marginalized in world trade.

[9] WTO, 1999 Annual Report, Geneva (2000)

Chapter 2: Objectives and Perceptions of the Integrated Framework

(a) Objectives

2.1 The principal objective of the IF is to increase the benefits that LDCs derive from trade-related TA made available to them by the six agencies involved in the IF, as well as from other multilateral, regional and bilateral sources. The intention is to assist LDCs respond to market demands and to accelerate their integration in to the multilateral trading system.[10]

2.2 Related objectives are to: (i) ensure that trade-related TA is demand driven by the LDCs and meets their individual needs effectively; (ii) enhance ownership by each LDC over the trade-related TA being provided; (iii) enable each agency involved to increase its efficiency and effectiveness in the delivery of trade-related TA; (iv) keep under review trade-related TA in each LDC and evaluate it periodically; and (v) provide comprehensive information about the specific needs of each LDC and about the trade-related TA provided by the six agencies to others, including the private sector. The six agencies and other donors had previously tended to provide different types and levels of trade-related TA to LDCs without much knowledge of each other's activities. Nor were there incentives for the six agencies to work together to realize a common set of objectives. The rationale for the IF was to address these lacunae.

(b) Elements of Trade-Related Technical Assistance

2.3 The IF identified six elements of trade-related TA.[11] These are:

(i) *Institution-building to handle trade policy issues*, such as enhancing the capacity of institutions to make and implement trade policy consistent with WTO obligations, coordination of trade policy making among the relevant government departments and among others, strengthening the capacity for implementation and application of obligations and commitments made under multilateral trade negotiations.

(ii) *Strengthening of export supply capabilities*. This would entail strengthening the policy environment for trade liberalization, improving the competitiveness of enterprises, increasing investment including FDI, and removing bottlenecks to increased production of tradable goods and services including through the development of infrastructure.

(iii) *Strengthening of trade support services*. This would entail trade facilitation, access to trade finance, and support at the enterprise level for issues including access to business information, use of information technology, adaptation and development of new products, advice on standards and packaging, quality control, marketing and distribution channels, commercial representation, international

[10] High Level Meeting on Integrated Initiatives for Least Developed Countries, *Ob.cit.* October 1997.

[11] *Ibid.*

purchasing, and supply management.

(iv) *Strengthening of trade facilitation capabilities*, such as the modernization and reform of customs and other government agencies participating in trade transactions and the simplification of export and import procedures.

(v) *Training and human resource development*, which would constitute large components of the other four areas described above.

(vi) *Assistance in the creation of a supportive trade-related regulatory and policy framework* to encourage trade and investment.

2.4 The list of elements reflects a very ambitious agenda for the IF. The reference to such elements as infrastructure development has led many LDC officials to believe that the IF goes beyond TA and includes the provision of hardware and bricks and mortar. In addition, some elements included in the list, such as the adaptation of new products, go beyond the comparative advantage of public institutions relative to that of private sector. The IF envisaged that it would go beyond the traditional areas of competence of the agencies to include the private sector in the determination of support for TA.

(c) Perceptions

2.5 The IF was a response to the WTO Ministers' desire to help LDCs expand their involvement in global trade. This overarching purpose continues to be relevant to the majority of the stakeholders, three years after the inception of the IF. The vast majority of those interviewed for the review agreed that there is a need to support LDCs in a coordinated fashion, in their attempt to engage in global trade and to integrate into the multilateral trading system. All stakeholders agreed that the IF was a potentially vital instrument to realize this aim. As one interviewee said, "If we did not have an IF we would need to create it."

2.6 LDCs have expected more from the IF than what has been delivered to date. Since the IF has not led to the financing of infrastructure, and has not led to additional resources, LDCs have felt that the process is not sufficiently demand-driven. These views were held by a majority of the LDC representatives interviewed. Only one of the nineteen LDC survey respondents agreed that the IF was achieving its objectives (see Annex 3 below). A third of the survey respondents identified infrastructure, after lack of financial and human resources, as one of the three most important constraints to their trade development. LDCs have therefore expected additional funding for infrastructure activities. Consequently, they are not satisfied with mere improvements in the efficiency and effectiveness of resources as the principal objective of the IF.

2.7 Donors, on the other hand, have an entirely different perception. They say that the IF was meant only for TA and for improving the efficiency and effectiveness of donor assistance. In the interviews conducted for the review, all donors insisted that additional funding was never intended. The sharp divide between these two perceptions has led to frustrations with the IF on the part of both LDCs and the donors. The review team concludes that these differences in perceptions stem from the ambiguity in the documentation prepared at the inception of the IF.[12] For this reason, a clarification of objectives of the IF is needed.

[12] See item III (b), Notes on the High Level Meeting of October 1997, document WT/LDC/HL/1Rev.1.

Chapter 3: The Implementation of the Integrated Framework

(a) Governance Structure and Administration

3.1 Management of the IF resides with the Inter-Agency Working Group (IAWG). The group is composed of representatives of the six IF agencies. The IAWG has met 20 times since October 1997. A WTO official chairs the IAWG and is assisted by a small Administrative Unit (AU), located in ITC. With no one agency having been assigned responsibility for governing or managing the IF, this responsibility is of a collective nature. The Chairman of the IAWG has to use his moral suasion to bring the six agencies to work together to realize the objectives of the IF. The IAWG has sought to make the best of this loose governance arrangement by attempting to reach conclusions by consensus.

3.2 At the level of the participating *six agencies*, the review team found through its interviews with agency staff that there were no clear incentives within agencies to coordinate on the IF. The IF is generally seen as an unfunded mandate competing with other emerging priorities.

3.3 IAWG's work is complicated by the fact that Geneva *representatives of donors* tend to be trade-related, while the country representatives of donors who deal with mainstream foreign assistance are located in their capitals and/or resident missions in LDCs. Thus, with the IF being administered outside the traditional foreign assistance channels, internal coordination among donors has been more complicated than expected. Clearance procedures among the hierarchies of the donor agencies have also been cumbersome. Finally, LDCs have complained that IF processes tend to be bureaucratic and slow moving.

3.4 The *administrative cost structure* of the present IF has three dimensions: recipient countries, donors and the six agencies. Budgeting for these costs has been ad hoc in nature. The following are rough estimates based on interviews conducted by the review team. [13]

3.5 For the *LDCs*, it has been estimated that a Needs Assessment may cost from $15,000 to $50,000 each. IF Round Tables cost around $150,000 each for the recipient country and preparation for the pre-launch meeting (which may entail a trip by the Minister of Trade, Commerce or Tourism with a few advisers to Geneva) could cost anywhere from $15,000 to $30,000. Therefore, each country incur a cost in the neighborhood of $180,000 to $230,000. The review team found that LDC representatives in Geneva were concerned that incurring these costs did not generate additional resources.

3.6 For the *donors*, participation in an IF round table in a country capital could require travel from its capital to an LDC capital and staff time spent on attending the meeting and preparing for it. This could cost in the neighborhood of $3000 per trip and six days of staff time (at $1000 a day), implying about $9000 to $10,000 per round table per country. Alternatively, a donor could

[13] These are rough estimates based on the interviews of country representatives.

use a representative already located in the country, who may or may not be versed in trade-related TA. On many occasions, donors have not attended IF round tables due to a variety of reasons, including the additional financial costs involved.

3.7 IF administrative costs for the *six agencies* include costs for the Administrative Unit (AU), located in the ITC, and other administrative costs borne by the six agencies required to keep the Inter-Agency Working group (IAWG) functioning. Rough estimates for the budget of the AU are around $260,000 per year (includes a full and a half time staff member, and part-time support staff), plus an ITC overhead of roughly $41,000 per year. It is estimated that IAWG member agencies have spent something in the order of $228,000 for the nineteen meetings over two and a half years, without taking into account the opportunity costs of the time of the IAWG representatives.[14] These amounts do not appear excessive against the work expected from, and done by, the IAGW and the AU, given the present governance arrangements of the IF.

3.8 Budgeting for *TA-related costs* presents a similar picture. IF documentation is ambiguous on this matter. While it indicated that the IF should be financed by existing resources, it also mentioned that "additional funds could be mobilized through bilateral and multilateral sources from both traditional and non-traditional sources."[15] One reason for the lack of new funding under the IF has been that it is outside the mainstream; donors were already contributing to the development budgets of the LDCs in their regular assistance programs and the IF appeared more as an "extra-budgetary" item.[16]

3.9 The review team was not able to document cost-effectiveness resulting from the IF process. There is more information available on possibilities for trade-related TA than pre-IF, particularly as a result of the web-site developed by the AU. But beyond this, there is no evidence of cost-saving arising from the IF. When the inventory of all technical assistance for trade development was put together by aggregating the TA provided by the six agencies, 15% of all activities was found to be provided jointly by two, or more agencies. This was not duplicative but complementary and reflected the different comparative advantages of the six agencies.

3.10 In sum, governance and administration arrangements for the IF have been weak. While a spirit of cooperation has helped to overcome day-to-day problems, the IAWG remains a committee that operates by consensus. Even with the best of leadership, it is not suited for managing a program intended to fulfill the expectations of the various IF stakeholders.

(b) IF procedures

3.11 The IF process goes through five stages. It begins with a detailed questionnaire that forms the basis for the *Needs Assessment* (NA). Respondents in an LDC are asked to identify major supply-side constraints on export growth as well as the TA required to enhance human resources

[14] The IAWG cost estimates take into account the cost of travel between Geneva and Washington and New York. staff day is estimated at $ 1000 per day.

[15] *Ibid.*

[16] The WTO has allocated some funds to trade-related TA from *ad hoc* donor contributions.

and institutional capacity in order to achieve the objectives of the IF. These guidelines have been developed in considerable detail (and are well related to the "elements" of the IF discussed in the preceding chapter). LDCs are encouraged to identify a "focal point." This senior official within a relevant ministry is to coordinate the preparation of the NA, to keep the country's evolving needs in review and to coordinate the implementation and monitoring of the program. The resident missions of the UNDP and the World Bank or other agencies involved in trade-related TA are expected to assist the focal point in the preparation of the NA.

3.12 At the second stage of the process, the six IAWG agencies provide an *Integrated Response* (IR) to the IF. The IR indicates the trade-related activities that each agency is implementing in the country, as well as their plans for the future in support of the NAs that have been examined by each one of the agencies. The IAWG and country officials are expected to interact during this phase to determine how trade-related TA could be best designed and sequenced to meet the needs efficiently and effectively.

3.13 At the third stage, a *pre-launch workshop* or *round table* is held in which all the stakeholders of the IF (including the private sector and donors) are invited. At this stage a Steering Committee (SC) is appointed which includes all the actors. The LDC determines the leadership of the SC. The pre-launch workshops or round tables are an innovation of the IAWG to prepare all the parties for the next stage, the *final IF Round_Table.* As a next step, it was envisioned that the outcome of IF round table meetings would feed into the UNDP-supported Round Table cycle and into World Bank-supported Consultative Group (CG) meetings.[17] A multi-year program (MYP) is typically presented at the latter meetings and donors normally announce pledges as to what projects or programs in the MYP they could support (either at the meetings or in association with them).

3.14 Finally, the trade-related TA needs that are identified are aggregated in a single document and it is sent to the country as well as posted on the website, which is accessible to the public globally. This forms a basis for subsequent monitoring.

3.15 The procedures underlying the IF process have been spelled out in varying degree, some in considerable detail. In particular, there is an extensive checklist for the NA phase. This is not the case, however, for the IR phase. In theory, the IR provides an opportunity for the participating agencies to introduce a country strategy dimension, but this has not been done. The use of the common NA check list, in combination with the already mentioned weak management of the IF program and the general absence of a country strategy being introduced in the process has led to the identification of rather similar needs across countries. This is partly a result of common constraints among LDCs, but is also due to the use of an extensive common IT procedural framework.

(c) The Processes

3.16 Forty out of the 48countries have prepared NAs. This has been achieved within a

[17] See High Level Meeting document, *op.cit.*, paragraph (e).

remarkably short period. The IAWG has responded to all 40 NAs by preparing 40 IRs from the six agencies. However, only five IF round tables have been held (Bangladesh, the Gambia, Haiti, Tanzania and Uganda). Some twelve IF round Tables have been planned for 2000. A proposal to postpone the round tables until the present review was completed was not accepted. Instead, the IAWG, in consultation with the WTO Sub-Committee on Developing Countries, has decided to proceed with the round tables so as not to disrupt the process.

(d) Some Lessons Learned

3.17 NAs comprise comprehensive lists of projects or programs (more realistically described as project concepts) that LDCs identify in the NA process established by the IF. Some interviewees have called them "wish lists." As noted earlier, in addition to trade-related TA, they include investment projects. Moreover, many countries have included in their NAs projects that had been under discussion with donors, so as not to lose them in preparing a new list. NAs have been found not to be strategy-driven, i.e., they lack a systematic effort to address a prioritized list of constraints in a well-defined sequence. Rather, they tend to be a list of project concepts that have been identified by those preparing the NA through adhering closely to the standard questionnaires for the process, and by asking the various public agencies and private enterprises which project concepts they would favor.

3.18 These procedures, within a generally well-orchestrated process, may have contributed unwittingly to the neglect of specific factors that operate in different country situations. Many countries with different resource endowments were found to have similar NAs and similar project proposals. This is due largely to the process being carried out in relative isolation from country strategy formulation and close interactions between the LDCs, donors and multilateral agencies. The IF process as now implemented is not directly related to country strategy. For example, it rarely, if at all, refers to the Country Assistance Strategy (CAS) exercises of the World Bank or to the Strategy Notes of the UNDP. Moreover, the process currently is not integrated with such new instruments and processes as the Comprehensive Development Framework (CDF) or the Poverty Reduction Strategy Papers (PRSP) being initiated by LDCs in cooperation with the World Bank, IMF, and UNDP and other stakeholders. Perhaps it was taken for granted that country strategy would be incorporated in the NA. In the event, however, this has not taken place. Nor have the six agencies invoked country strategy in their responses to the NAs, i.e., through the IRs.

3.19 The responsibility for preparing NA has been with Ministries of Trade, Commerce and Tourism of the particular country, rather than with the traditional agencies that deal with foreign assistance such as Ministries of Finance, Planning or Development. In many cases one of the six agencies or bilateral agencies financed foreign consultants to prepare the NA under the aegis of the Ministries of Trade, Commerce and Tourism. Thus, the IF process was outside the main stream of foreign assistance relationships in the country as well as among the donor countries. Consequently, it did not benefit from past experiences and individual relationships that are significant factors in fostering donor assistance. Moreover, Ministries of Trade, Commerce and Tourism rarely have the same influence over the conduct of trade policy as do Ministries of Finance, Economy or Planning. Thus, the IF process has not obtained a particularly high profile in LDCs or in donor capitals.

3.20 The quality of the work done in the NAs, in setting up the Steering Committees (SCs), and running IF round tables has differed among countries. There has been no attempt to monitor quality, even though the High Level Meeting that launched the IF spoke of the need to monitor quality. As suggested in Annex 6 (the Uganda case), the IF process worked well in some countries. Even so, LDCs have been more interested in the results that the process produced in terms of pledges and new money than in the process of preparing inputs, ranging from NAs to the pre-launch round tables and IF round tables.

3.21 Finally, there is tension between the need for the IF to be demand-driven and frequent weaknesses of project and program design and implementation capacity in the LDCs. To address this issue a few donors have provided *ad hoc* resources to fund IF processes. For example, Canada has provided funds to launch IF round tables in the Francophone African countries.

3.22 In sum, the IF process seems to have been more process- than issue-and strategy-led. This must be ascribed in part to weak governance arrangements (especially management-by-committee), while in the recipient countries the leadership of foreign assistance policy remained outside IF processes. But there has also been a major problem of procedures. The Needs Assessment (NA) process has been nominally demand-driven but not prioritized. Therefore, the IF process has not been country strategy–driven as had been anticipated. Functionally, and in terms of results, the IF has had a low profile and has not produced the additional resources that had been expected by the LDCs. The process has led to frustrations on the part of donors who have not seen the IF as part of the mainstream of development assistance processes.

Chapter 4: Impact of the Integrated Framework

4.1 The impact of the IF must be assessed at different levels. At the level of the immediate "outputs" of the IF, reported in the previous chapter, the impact looks impressive. For example, 40 Needs Assessments (NAs) and 40 Integrated Responses (IRs) have been produced. But the *relevance* of these outputs to the strategic development priorities of the LDCs has been very limited, which is undoubtedly a main reason why only five IF round tables have been held and tangible development activities attributable to the IF have emerged in only a few instances.

4.2 This chapter discusses IF impact at four levels;

(a) the six IF agencies;

(b) resource mobilization;

(c) LDC institutions and policies;

(d) The overall impact on trade policies and LDC economies

4.3 The overall conclusion is that the main impact of the IF has been non-financial—an increased sensitivity to trade issues after the relative hiatus of the last few years. This emerged in the results from the LDC Survey, as well as from the interviews of LDC officials (see Annex 3 below).

(a) The Six IF Agencies

4.4 Consistent with one of its original objectives, the IF has led to increased coordination and information exchange among the six agencies. According to agency officials interviewed by the review team, agencies have through the IAWG lines of communication been able to avoid duplication and to sequence support in a more useful way. The web-site has also facilitated interagency communication.

4.5 However, the limited usefulness of the IRs prepared by the agencies demonstrates that coordination is not as effective as it could be. Most IRs prepared so far comprise a database of TA activities undertaken by the six agencies. They are not well-considered responses based on country strategies that result in a set of priorities for TA. It is therefore difficult to establish the linkages between IRs and country strategies. Many of the proposed TA programs appear to be no different from those that had been in existence in the past.[18] One agency mentioned to the review team that it would have provided the same types of trade-related TA whether the IF existed or not.

[18] There are some new initiatives reflected in IRs associated with the implementation of the Uruguay Round and those associated with the need to update technology of data-keeping and recording export and import transactions.

(b) Resource Mobilization

4.6 The mobilization of additional resources from donors is an important impact but is intermediate as compared with impact in the LDCs. In Chapter 2 above, fundamental differences in perceptions between LDCs and donors were noted with regard to resource mobilization. The LDCs believe that the IF was meant to provide new money; the donors believe that the objective of the IF is to create synergies and realize greater efficiency and effectiveness of TA. Consequently, despite expectations of additional resources resulting from the IF, only one country, Uganda, received new money—US $2.0 million for enterprise development. In the case of Bangladesh, the IF advanced what had been an ongoing discussion to provide US $600,000 for a policy research institute to create think-tank capability in the country.

(c) LDC Institutions and Policies

4.7 The review was not able to identify any direct impact of the IF on the ground in LDCs in terms of its influence on institutions and policies. What the IF seems to have done is to bring trade policies back into focus among LDC institutions. This is as yet not reflected in the policies of the institutions at the country level.

4.8 At the country level, the IF could have made LDCs more competitive if it had given the same emphasis to import liberalization as it did to export promotion. A greater link to country strategy could have resulted in more balanced support for import liberalization relative to the prevailing emphasis on support for export promotion. This would have led to a greater degree of integration with the world trading system, as liberalizing imports reduces the bias against exports inherent in many of the trade regimes of these countries.

4.9 In addition, through WTO membership, further unilateral trade reforms and increased access of LDCs to industrial country markets (with the new initiatives to provide duty- and quota-free bound access to their goods and services), LDCs could pursue growth-producing trade strategies with greater confidence than at present.

4.10 Another potential gain from coordination through the IF is the bringing together of all trade-related agencies in an LDC government into a single framework. Equally, coordination with the private sector could be achieved through the Steering Committees. For example, in this way the private sector is said to play an important role in Bangladesh.

(d) The Overall Impact on Trade Policies and LDC Economies

4.11 In the late 1990s other policy priorities have been sought by LDCs, donors and some of the six IF agencies. Trade is the main activity of the ITC, UNCTAD and WTO. For the IMF, World Bank and UNDP, many other activities that go beyond trade are their *métier*.

4.12 As was shown above, the pace of trade reform slowed in the mid-to-late 1990s. During the earlier decade, many countries, including LDCs, undertook trade reforms with the help of IMF and World Bank loans, but this support waned in the late 1990s. This seems to have been an overall trend for the World Bank in the 1990s and to a lesser extent in the IMF.[19] In many cases activities that are only remotely connected to trade have been described as trade-related activities.

4.13 The impact of the IF on such economic magnitudes as the growth of real output or on components of trade, such as exports, is difficult to discern. This is in part because the time that has elapsed since the inception of the IF has been relatively brief. In addition, it is difficult to attribute changes in these magnitudes to interventions such as the IF when other factors have major impacts of their own.

[19] Krueger and Rajapatirana (1999).

Chapter 5: Issues and Conclusions

5.1 The review has identified a number of issues that need to be addressed if the IF is to become a more relevant instrument. Each issue is listed below with a commentary to clarify why it has arisen.

(i) *Different perceptions regarding objectives.* LDCs and donors clearly have different perceptions about the purpose of the IF, especially when it comes to the scope of activities that would be financed under the IF. As long as such a difference exists, it will not be possible to make good progress toward achieving the IF objectives. These differences not withstanding, all parties agree that the IF has an important role to play. Thus, the challenge is to define its role more clearly.

(ii) *Lack of prioritization due to the absence of IF country-specific strategies.* The near-complete absence of a country-specific strategy in the IF process for recipient LDCs has meant that the process has not resulted in a sound prioritization of assistance, including for trade-related TA. With a country strategy identified through participatory processes, there would be a strong basis for the recipient LDC to be in the driver's seat when it comes to the choice of assistance, including TA.

(iii) *The need to make the process genuinely demand-driven and country-owned.* The survey of the LDCs revealed that only a minority believes that the process is demand-driven. One reason why the majority considers it not to be sufficiently demand-driven is that LDCs have not had access to more funds. They believe that a demand-driven process should lead them to have access to more funds than at present. One way to make it demand-driven is to bring all assistance under a shared country strategy while separating trade-related TA from the rest of the country assistance. This would mean a narrower definition of the role of the IF as a complement to country strategy. A clear interface between the IF and country strategy would need to be devised.

(iv) *Weak governance and administration.* The IF needs to be managed by one entity, eschewing the collective responsibility under the present arrangements. The absence of clear responsibility leads to process routine rather than to strategic decision making that is critical for an effective IF.

(v) *Coordination issues.* The main coordination issue identified in this review relates to the general absence of a country strategy in the present IF process. There are already processes in place for the articulation of country strategies in which the country is the locus, e.g., in the context of CGs supported by the World Bank and UNDP-supported Round Tables.

(vi) *Lack of funding to support the IF:* First, the IF has generally been an "unfunded mandate" for the IAWG agencies and donors, resulting in less than adequate attention to the responsibilities these entities had taken on when the IF was created. Second, there is no identified pool of funding available to support trade-related TA once the priority for it has been established in country strategy formulation.

(vii) *Weak monitoring of trade-related TA performance.* This could be addressed by linking with ongoing in-country monitoring and evaluation efforts involving the country and international agencies and donors active in the country. There is potential to use the World Bank's Economic and Sector Work and the WTO's Trade Policy Reviews (TPRs) to assess the relevance and effectiveness of trade-related TA provided for a country. In the case of TPRs, monitoring and evaluations must go beyond examining whether the country is following policies consistent with the WTO to see to what extent the TA and related policies are based on sound development strategy.

(viii) *Expanding the IF.* While there is a proposal by some donor countries to enlarge the scope of the IF beyond the LDCs, those LDC representatives interviewed by the review team were not very keen about extending the IF to include other countries. On the issue of inviting other agencies to join the IF, there was also some ambiguity on the part of the LDCs.

Chapter 6: Recommendations

6.1 In developing its recommendations, the Review team grappled with (i) issues related to the IF founders' intent, (ii) issues that have arisen in its implementation over the last two years, and (iii) the sensitivities of the different parties to particular solutions, or options, that are available for the directions which the IF might take in the future. The overarching conclusion of the review is that a major shift in orientation of the IF is required - away from a process-driven approach to getting results on the ground through a predominantly LDC-driven approach.

6.2 Three broad options suggest themselves. A first option is to wind up the IF as having had limited success. However, virtually all stakeholders canvassed in the survey and through interviews find value in the IF. Furthermore, the time period elapsed since the inception of the IF is insufficient to justify a conclusion that it should be wound down; the process of creating capacity is always a lengthy one. A second option is to expand the IF, as a few donors have suggested, to other developing countries such as the HIPC countries. However, without showing real success on the ground, there is no track record to justify now extending the IF to additional countries. A third option is recommended by this review: improve the IF by addressing the core issues that have been identified in the process of the review and summarized in Chapter 5. The following recommendations are made with respect to these issues:

(i) Clarify Policy Objectives.

The objective of the IF will be clarified by restricting it to TA for trade development to support, *inter alia*, policy reforms, customs reforms, institutional support and legal reforms, and manpower and human resources development needed in support of such policy and other reforms. Infrastructure investment and other hardware development, as well as TA solely related to equipment and bricks and mortar, would be handled in the context of Consultative Groups (CGs) supported by the World Bank and the UNDP-supported Country Round Tables (as distinguished from the round tables presently held for the IF).

(ii) Introduce IF Country-Specific Strategies, Prioritize and Link to Overall Development Architecture.

Once an overall IF country-specific strategy is defined through the above-mentioned processes, the prioritization of trade development related TA would follow. In the future, most development assistance strategy issues are likely to be developed through participatory processes, in the context of such exercises as the Poverty Reduction Strategy Papers (PRSPs), the Comprehensive Development Framework (CDF) and the United Nations Development Strategy Frameworks (UNDAF). These efforts will be prepared by LDCs in consultation with the World Bank, the IMF, UNDP and other UN agencies, donors and stakeholders. In all such endeavors, country strategy will define the role of trade development and related TA. The IF will then be linked to the priorities established through the formulation of country development strategies. It may be that a LDC will not consider trade development a priority. In that case, it would not request funding under the IF.

(iii) Make the IF Process More Demand-Driven; Give Ownership to the LDCs.

Make the IF process more demand driven by requiring LDCs to prioritize their specific needs from the list of trade-related TA activities listed in the NAs. Once a particular trade-related TA project or program is identified by the LDC as a priority, that particular project or program would be submitted to the agency responsible for managing and coordinating such TA.

(iv) *Strengthen Governance and Administration.*

The review considered two options: (a) strengthening the AU to the point that it can manage the IF (while continuing to be located at the ITC), and (b) giving the responsibility for managing the IF to WTO (where the AU would be integrated). On balance, the review concluded that the superior option is to make the WTO responsible for IF management. This is because the IF requires leadership in the trade field. This leadership in trade clearly resides in WTO, following the Uruguay Round. Given the specific capacities required for managing the IF (within the focused objectives as per (i) above), WTO will need to strengthen its ability to handle TA. The IAWG would continue as an advisory group, meeting not more than twice a year, and help WTO in its coordination with the other IAWG agencies.

(v) Coordination Issues.

Once governance is strengthened along the lines of the foregoing recommendation, coordination can be better assured, as WTO will be the designated clearinghouse for inter-agency coordination issues. Once all NAs are completed, the IF process can be simplified. There is also no need to hold round table meetings for the IF, if no trade-related TA funding is expected. As to coordination within LDCs, the lead ministry in the country (whether it be Finance or Planning) that now discusses and presents infrastructure projects to the donors in the context of World Bank supported CGs and UNDP-supported Round Tables should bring the Trade or Commerce Ministers to support their requests for trade-related investment assistance at these forums. A special session for trade development may be considered in these forums.

(vi) Funding the IF.

First, the IAWG agencies and donors will need to ensure that they budget their administrative costs related to the IF while providing whatever other incentives are needed for a better recognition of the responsibilities which they undertook when the IF was created. Second, when it comes to the financing of trade-related TA projects, one approach would be for WTO, as the managing agency for the IF, to set up and manage a Trust Fund to finance such TA projects. All donors, including multilateral agencies, would contribute (on a voluntary basis) to the Trust Fund as an expression of their commitment to the IF. The Trust Fund could be replenished every three years, depending on the demand for such funds. The LDCs would access the funds according to well established criteria and use them within the priorities established under the IF process. The LDCs should be able to draw from the Trust Fund to procure TA from any source, including the private sector. This would not only make TA truly demand driven but will also create incentives for the agencies to tailor-make their assistance to the specific country needs. The use of funds would be subject to standard rules utilized by donors for their projects as to their commitment and disbursements. The TA provided by the six agencies and the private sector would be subject to international competitive bidding norms. The alternative to the Trust Fund option would be that the WTO would play the role of a clearing-house for trade related TA - an option that is less likely to achieve the objectives of a revised IF.

(vii) Monitor Trade-Related TA Performance.

As trade development activities are brought into the mainstream by including them in the overall assistance process, they will be monitored and evaluated along with the progress of other programs in the countries. There is potential to use the World Bank's Economic and Sector Work and the WTO's Trade Policy Reviews (TPRs) to assess the relevance and effectiveness of trade-related TA provided for a country. WTO trade policy reviews should monitor and evaluate the progress achieved towards integration of LDCs into the multilateral trading system. However, these reviews should go beyond the review of consistency with trade rules to assess how well trade regimes and trade-related TA are contributing to the integration of the LDCs in the global trading environment.

(viii) Enlarging the IF to Other Countries and Agencies.

This review recommends that the question of enlarging the IF be revisited in the future, after the new recommended arrangements are in place for about three years. At that time a review could be undertaken to see what progress had been made since 1997 to advance the objectives established for the IF.

Annex 1: Terms of Reference

1. At the suggestion of the WTO, the interagency group that manages the *Integrated Framework for Least Developed Countries' Trade Development* (IF) has asked the World Bank to take the lead to conduct a review of the implementation of the IF over the two years it has existed. The IF is a joint undertaking of the World Bank, IMF, WTO, UNDP, UNCTAD, and ITC. Its objective is to help the least-developed countries to take advantage of opportunities offered by the international trading system; its ambit is trade-related assistance, from seminars on WTO rules to improvement of ports and harbors. It functions basically by helping individual countries to identify their needs, then to bring a program of requested assistance to a Round Table or Consultative Group meeting for support from donors

2. At its 18th meeting in November 1999, the interagency group agreed that the review should, *inter alia,* cover the following six topics:

(a) identify perceptions of the objectives of the IF by exploring the views of involved parties (agencies, donors, LDCs);

(b) evaluate the implementation of the IF with regard in particular to (a) process of the IF; (b) output; (c) implementation of integrated responses; (d) pledges, indications of assistance, new money; (e) impact of the IF, i.e., its relevance to enhancing the contribution of trade to development of LDCs

(c) review of trade-related assistance: institution-building, building human and enterprise capacity and infrastructure;

(d) policy considerations: mainstreaming, enlargement of the IF, the trade and macro-economic policy environment;

(e) administration of the IF; and

(f) recommendations for the future.

3. In covering these topics, the consultant should assess the relevance of IF operations to IF objectives. The cost-effectiveness, or efficiency, of the IF in achieving its objectives should also be assessed. This assessment will take into account, in particular, assessments of the relevance and cost-effectiveness of the activities of the IAWG and of the Administrative Unit.

4. The consultant should also assess the effectiveness of coordination among the 6 core agencies that comprise the IAWG; between the IAWG and LDCs; and between the IAWG and other donors, respectively. The effectiveness of other relevant aid coordination mechanisms in addressing IF-related issues and objectives should also be assessed. These include (1) IAWG-organized Round Tables (RTs); (2) World Bank-convened CGs; (3) UNDP/LDC-convened RTs;

and (4) LDC-led IF Steering Committees.

5. The consultant is expected to examine documentation available on IF implementation; carry out interviews with operational staff of the six agencies; and seek out the views of representatives of LDCs and donors in Geneva, as well as of government and business representatives in at least two LDCs benefiting from the IF, one of which should be from Africa (Bangladesh and Uganda are proposed).

Outline of Guidelines from Advisory Committee to Evaluation Team

Topics and Issues to be Covered

(A) Clarity and Coherence of IF Objectives:
1. Planned or original objectives
2. Current or evolved objectives – as reflected in perceptions of stakeholders and in documents

(B) Achievements in Terms of Relevance and Efficacy:
1. Outputs
2. Outcomes
3. Impacts

(C) Management and Administrative Processes; Cost-Effectiveness in Producing IF Outputs.
1. Data requirements
2. IAWG structure and processes
3. AU processes and procedures
4. Effectiveness of relations between IAWG/AU and LDCs and donors
5. Effectiveness of Round Table, Steering Committee and related processes

Sources and Methods

(A) Sources:
1. Cost Data
2. Personnel Data
3. Economic Data
4. Key Documents

(B) Methods:
1. Key Informant Interviews and Protocol of Questions for Representatives of LDCs, Donors, and Agencies
2. Survey Questionnaire to be submitted to LDCs
3. TORs for Field Visits

Annex 2: List of Principal Documents

The World Trade Organization

WTO Plan of Action for the Least Developed Countries, WT/MIN (96/14), 7 January 1997.

High Level Meeting on Integrated Initiatives for Least Developed Countries' Trade Development, Annex 1 WT/LDC/ HL/1/Rev 1. of October 1997.

Committee on Trade and Development, *Report of the Meeting on 27-28, October 1997.*

Sub-Committee on Least-Developed Countries, "Trade-Related Round Table Meetings/Consultations: Outline Suggested to Assist the Least-Developed Countries in Preparing their Documentation for Trade-Related Round Tables/Consultations and an Indicative Timetable for the Preparation of Such Meetings," *Note by the Secretariat*, 17 May 1999.

Sub-Committee on Least Developed Countries, Integrated Framework for Trade Related Assistance to Least Developed Countries, *Report of the 18th Inter-Agency Working Group Meeting,* WT/ COMTD/LDC/6, 24 November 1999.

Report of the Director-General to the Ministerial Conference, The High Level Meeting on Integrated Initiatives for Least-Developed Countries' Trade Development, Seattle, November 30-December 3, 1999.

Sub-Committee on Least Developed Countries, *Report of the 19th Meeting of the Inter-Agency Working Group*, WT/COMTD/LDC/7, 22 February 2000.

Sub-Committee on Least Developed Countries, *Note on the Meetings on 3 February and 21 March 2000,* WT/COMTD/LDC/M/19.

Sub-Committee on Least-Developed Countries, *Report of the 20th Meeting of the Inter-Agency Working Group*, WT/COMTD/LDC/8 , 7 March 2000.

Annex 3: LDC Survey Results

1. The review team used a variety of methods in the review process. One consisted of a survey sent to 48 LDCs to obtain the broadest spectrum of views from the target population of the Integrated Framework. The Administrative Unit (AU) helped in identifying the officials to whom the survey was addressed in the LDCs. The results are subject to three limitations: (i) only 19 of the 48 countries completed and returned the questionnaire, (ii) questionnaires were addressed to "focal points" or persons responsible for coordinating the work of the IF in the LDC and not to independent parties to the process, and (iii) since the IF is new, there is nothing to compare it with; consequently, there is the general sense that having something is better than having nothing. Despite these limitations, the survey provided helpful insights on the LDCs' perceptions of the IF relating to general perceptions, demand-driven and ownership issues, and process aspects as to the Needs Assessments (NAs), Integrated Responses (IRs), Steering Committees (SCs), and the IF Round Tables (RTs), as well as to resources.

2. It should be emphasized that the findings reflect perceptions by the respondents and not necessarily views shared by other representatives from the LDCs concerned. Indeed, the interviews with representatives of LDCs in Geneva indicated differences from the views expressed in survey responses from LDC country capitals. Nonetheless, taken together with the interviews (for a list of interviews see Annex 4), the team believes that the survey has provided significant information for the review. The following summarizes the main themes and issues stressed by the survey respondents (with differences noted in perceptions expressed in interviews of LDC representatives in Geneva.)

3. A large majority (11 out of 17) of respondents felt that the *objectives of the IF* should not change (Graph 1). However, as many respondents disagreed that the multilateral agencies provided adequate *TA to support the IF process* as those who agreed (6 out of 18 in each case) (Graph 5). The majority (9 out of 15) felt that the IF improved the *LDCs capacity to analyze their trade development needs* (Graph 12). On the other hand, there was about the same number of respondents who agreed, and did not agree, that the IF helped to *build stronger country leadership on trade issues* (Graph 13). These responses indicate differing LDC perceptions regarding the IF. But there is broad agreement about the support that LDCs need in their attempts to engage in global trade and integrate into the multilateral trading system.

4. The survey attempted to find out the views of the LDCs on the issue of *ownership* and whether the IF was *demand-driven.* Only a minority of respondents agreed that the IF has increased the feeling of ownership of trade-related TA in their countries (7 out of 17). Five respondents disagreed, 3 of them strongly; while five neither agreed nor disagreed with the proposition (Graph 2). However, on the issue whether trade-related TA was demand-driven, almost half of the respondents (7 out of 15) agreed with the proposition, while only 3 disagreed (Graph 3).

5. The survey sought views on *governance, administration and process issues* with regard to *NAs, IRs, SCs and IF RTs*. With respect to the *NAs*, 10 out of 15 respondents agreed that they led to new approaches and projects related to trade development (Graph 4). Most respondents (13 out

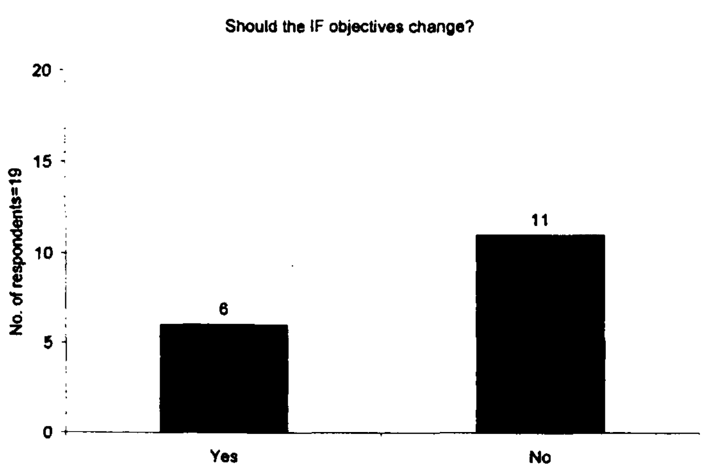
of 17) found *IRs* to have been helpful (Graph 6). However, in the interviews by the review team with LDC representatives there was little support for the view that the IR was helpful.

6. Country *Steering Committees (SCs)* were to provide the LDCs with an opportunity for country-specific coordination. Survey data indicate that very few countries (only 2) believe these SCs are working well (Graph 7). Respondents also provided mixed reactions as to whether or not the IF helped to improve trade coordination with the private sector. While 7 out of 13 respondents said that the IF did help in this respect, five disagreed or strongly disagreed (Graph 8).

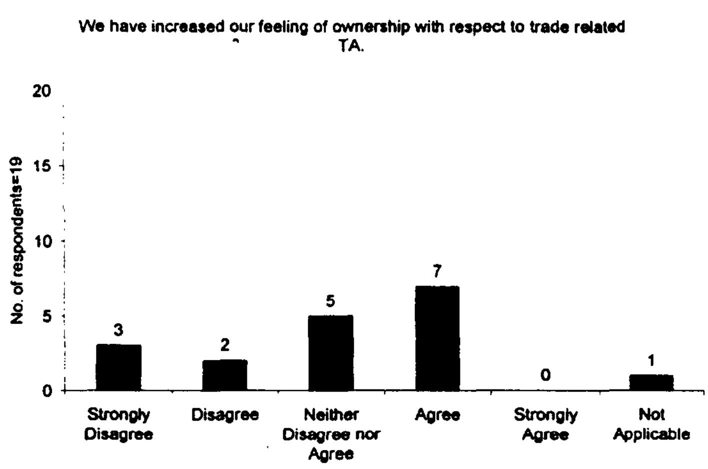
7. *IF Round Tables (RTs)* were also intended to foster consultation and coordination. The IF RTs have been viewed as the culmination of an in-depth consultative process leading to a document that presents a prioritized list of possible projects. RTs have thus been seen as a significant way to increase the benefits of trade-related aid. The fact that at the time of the survey only five RTs had been conducted since the start of the IF underlies the mixed reaction from respondents. Six of 13 respondents agreed that RTs worked well, against 2 who disagreed, and 5 who were neutral on the question (Graph 9). However, when the question was asked as to "*donors' supporting the IF processes by providing increased resources in priority areas*", the negative answers were clearly in the majority (8 disagreed, with 5 strong disagreements, against 2 neutral and 5 agreed, with only one strong agreement) (Graph 10).

8. *IF coordination* issues have been discussed in the IAWG and a number of other forums. More than half of the respondents (8 out of 14) felt they were better able to *coordinate with their national stakeholders* on trade issues as a result of the IF (Graph 14). There was a similar feeling with regard to *building coordination capacity* among LDC Ministries in charge of trade matters, where 9 out of 14 respondents felt that the IF had a positive impact (Graph 11).

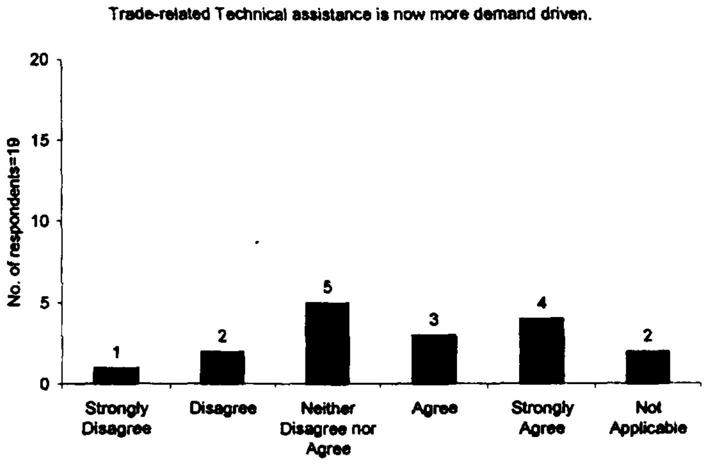
Graph No. 1



Graph No. 2



Graph No. 3



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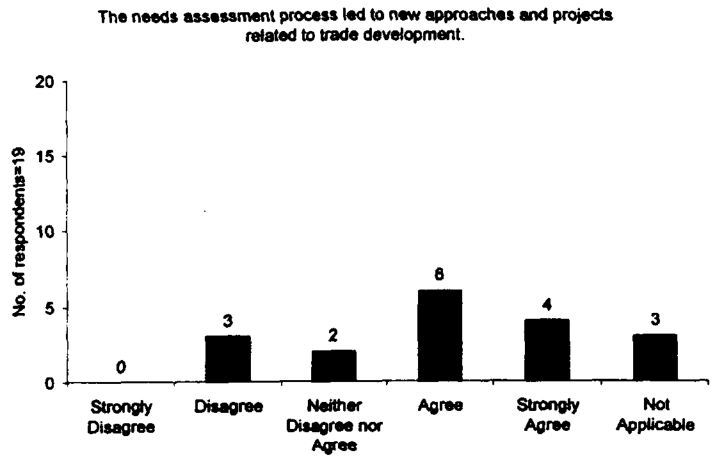

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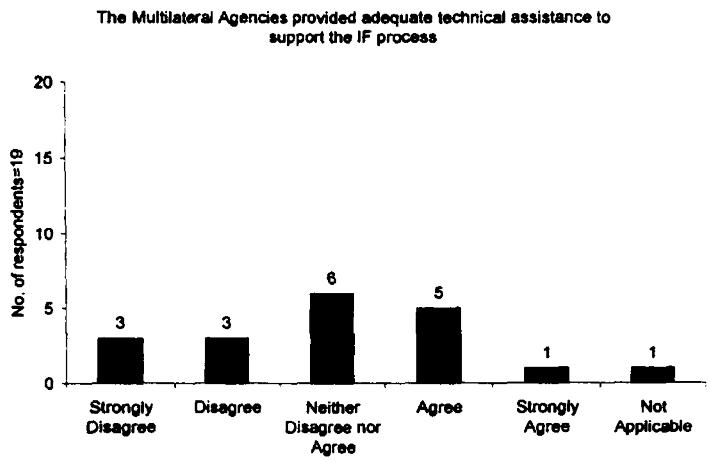

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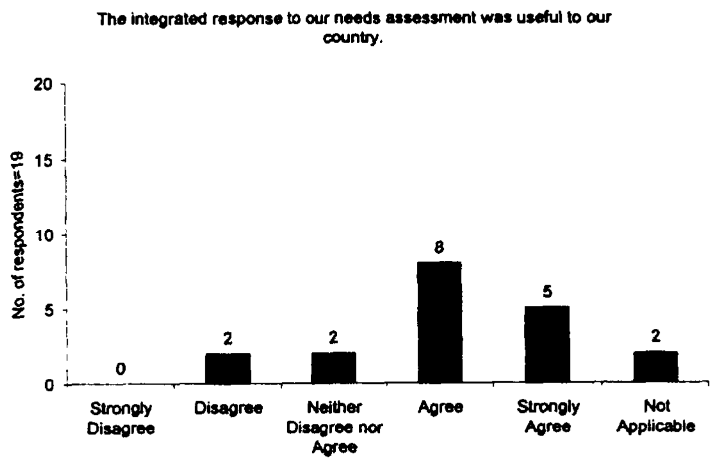

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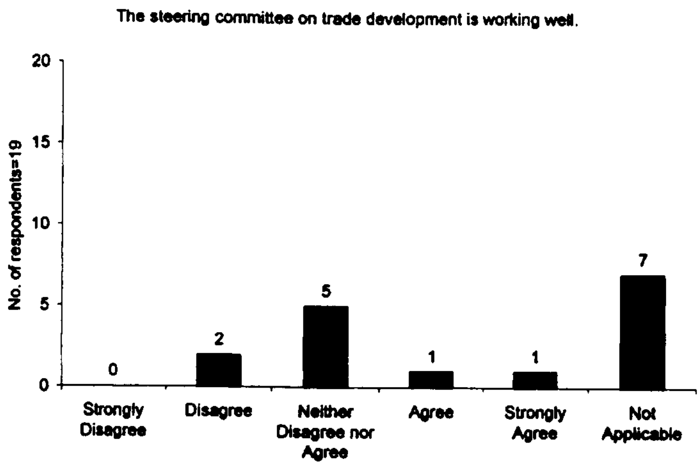
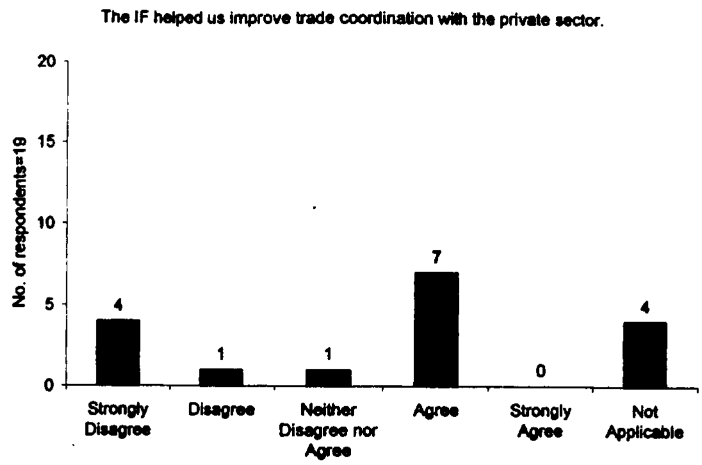
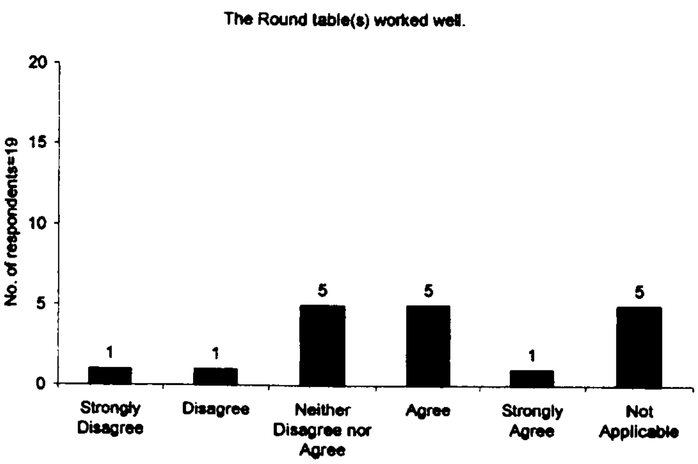


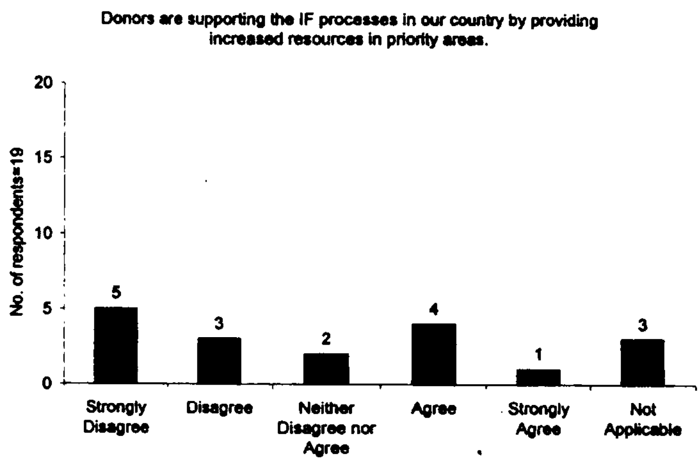
Graph No. 8



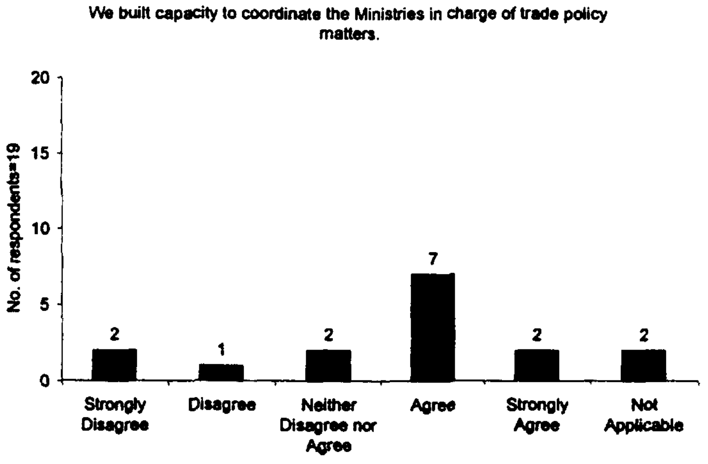
Graph No. 9



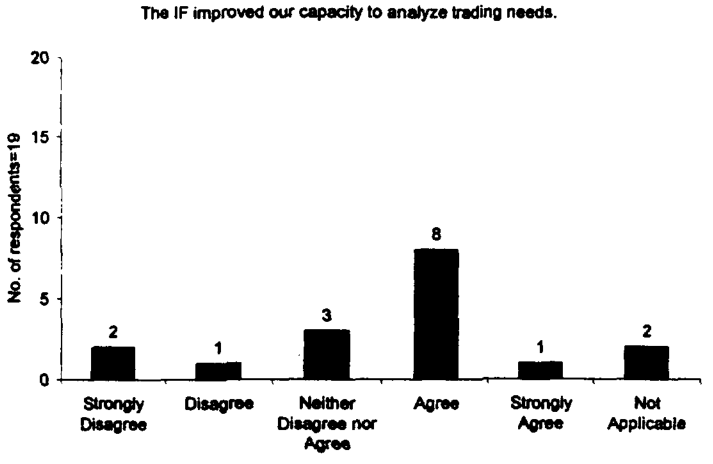
Graph No. 10



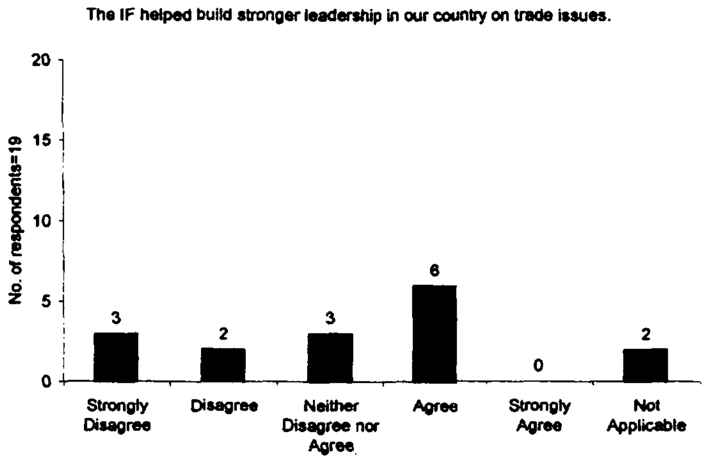
Graph No. 11



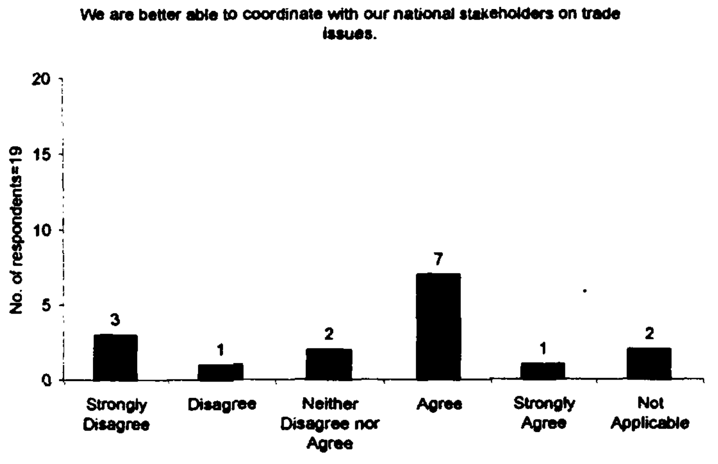
Graph No. 12



Graph No. 13



Graph No. 14



Annex 4: List of Persons Interviewed

Bangladesh

Mr. Khurshid Alam, World Bank, Dakha

Mr. Z. Alam, UNDP

Dr. Debapriya Bhattacharya, Centre for Policy Dialogue

Mr. Zaidi Sattar , World Bank

Mr. Rashid Faruquee, World Bank

Mr. Y. Harun-, Federation of Bangladesh Chamber of Commerce

Mr. Haq , Additional Secretary, Ministry of Commerce

Mr. Ron Hicks, IMF Representative

Altaf Hossain, Deputy Chief, Ministry of Cmmerce

Syed Janaluddin, Secretary General, FBCCI

Shorm Matra DFID

Mr. Abdul Awal Minto President. FBCCI

John Moore CIDA --=Fahmeedu Wahab

Ghulam Rahman-Secretary in charge Ministry of Commerce

Prof. Mustafizur Rahman , Centre for Policy Dialogue

Uganda

Mr. Nimrod Waniala, Senior Commercial Officer, Ministry of Tourism, Trade and Industry (member of the IFTTAP Steering Committee)

Mr. Robert Blake, Country Programme Manager, World Bank (member of the IFTTAP Steering Committee).

Mr. Ron Styker, USAID, Chief Agriculture and Private Sector Development (member of the IFTTAP Steering Committee).

Oskar Rothen, Swiss Consul (member of the IFTTAP Steering Committee)

Ms. Angela Katama, Executive Director, Private Sector Foundation (member of IFTTAP Steering Committee)

Ms. Jennifer Powell, Project Manager USAID – PSF Project

Mr. Peter Haggai Omondi, JITAP Regional Co-ordinator, Chief Technical Advisor for East Africa

In addition to interviews and document review, the consultants attended a one-day workshop on Trade Development to which 50 representatives were invited. At this workshop, presentations on the situation in Uganda regarding trade development were made by the following speakers:

Mr. James Mulwana, Chairman, Private Sector Foundation

His Excellency Mr. Martin Brennan, Ambassador of the United States to the Republic of Uganda

The Honorable Gerald Ssendaula, Minister of Finance of the Republic of Uganda

Professor Patrick Asea, EPRC, Makerere University

Geneva

Country Representatives

Mr. A. Mannan, Bangladesh

Ambassador Bap Kesang, Bhutan

Ambassador A Nahayo, Burundi

Mr.H. Doulaeh,, Djibouti

Mrs. Woinshet Tadesse, Ethiopia

Mr. Mr. Mussie Arega, Ethiopia

Miss A Kourouma, Guinea

Dr. R. Clerisme, Haiti

Ambassador M. Zafera, Madagascar

Ambassador Ould Mohamed Lemine, Mauritania

Miss. Rl Lesoli, Lesotho

Ambassador H. D. Williamson, Liberia

Mr. S.M.Shrestha, Nepal

Mr.C. Kananura, Rwanda

Mr. Ali Mamoud, Sudan

Mrs. Nyasugara Kadege, Tanzania

Ambassador N. Irumba, Uganda

Mr. E, Chisanga, Zambia

Integrated Framework Consultants

Mr. P. Hein

P. Queyrane

T. Noyelle

World Trade Organization

Mr. Michael Moore, Director General

Mr. Ablasse Ouedraogo, Deputy Director General

Mr. J.M.Leger,

Mr. Sam Laird

Mr. Peter Tulloch

Mr. Chiedu Osakwe

Ms. Gloria Bartoli

Mr. Richard Elgin

Mr. Patrick Low

Mr. S. Mathur

International Trade Centre

Mr. J. Denis Belisle, Executive Director

Mr. J. Smadja

Mr. M.V.Dagata

Mr. F.Geoffroy

United Nations Conference on Trade and Development

Mr. J. Cuddy

Mr. J. Burley

Mr. A Abbas

Mr. A. Shah

United Nations Development Program

Ms. O. Sorgho-Mouliner

Ms. P. Andrea

International Monetary Fund

Ms. Susan Prowse

Bilateral Donors

Ms. L.M. Tremblay, Canada

Mr. A. Wright, Denmark

Mr. I.Wilkinson, European Commission

Mr J.M. Mignon, France

Ambassador B. Jonsson, Iceland (Chairman, WTO Sub-Committee on Least Developed Countries)

Mr. O.Genee, Netherlands

Mr. J. de Mol, Netherlands

Mr. Hattrem, Norway

Mr. J. Borgstam, Sweden

Mr. Patrick Pardo, Switzerland

Mr. P.R.Jenkins, United Kingdom

Ms. Alice Greenidge, United States

Annex 5: Bangladesh Case.

1. Bangladesh is a special case for many reasons. First, Bangladesh plays an important role among the LDCs as leader and spokesperson for the LDCs. Second, it progressed farthest in the integrated IF process, being one of only five LDCs that so far has gone through to the RT stage. Third, while Bangladesh began to liberalize its trade regime in the mid-1990s, the process slowed down in the last two years, and therefore, the IF has the additional challenge of raising the consciousness of policymakers, donors, and private sector alike to give new impetus to the process.

2. As the first step in the IF process, an independent policy institute, the Center for Policy Dialogue (CPD), prepared a Needs Assessment (NA) that indicated a good understanding of the IF process. The close cooperation of the Ministry of Commerce with the CPD brought together personnel well-versed in the objectives of IF with individuals with high technical competence. This interaction provided a solid basis for a high-quality NA.

3. The GOB viewed the IF as a means to approach donors for additional assistance. In addition the GOB understood the IF as a mechanism created to improve the use of existing funds through better management and coordination to be achieved in the context of a common set of objectives. Thus, in the minds of the GOB officials these two aims were not mutually exclusive. On the other hand, the donor participants in the RT were taken somewhat by surprise that assistance sought under the IF was to be additional to the normal flows of aid that Bangladesh had received from multilateral and bilateral donors as part of their commitments. Particularly so, since Bangladesh was seen as having difficulties in spending funds already pledged.

4. The time delays –for example, between the preparation of the NA in September 1997 and the creation of a Steering Committee in June 1999—created some cynicism among both government officials and private sector leaders in Bangladesh. An Export Diversification Project financed by the World Bank provided some support for the IF process –for example, funding the NA for the GOB—and helped to speed up the process. As of March 2000, there was a perception that the IF process has been going on too long with too few results. Another perception was that so far, there had been more talk from multilateral and bilateral donors than action and commitment.

5. Interviews conducted by the review team revealed that all IF participants thought they had done their work. However, there was no coherent strategy that linked the projects suggested in the document submitted to the IF Round Table and, in the case of the World Bank, to its Country Assistance Strategy, developed in consultation with the GOB and the various donors and multilateral agencies.

Annex 6: Uganda Case.

1. Uganda improved its macroeconomic environment and witnessed impressive growth during the last ten years. Nevertheless, it still faces numerous impediments that constrain its domestic supply response to opportunities created by the multilateral trading system ruled by the WTO agreements. Chief among these are: poor physical infrastructure (roads, railways), unreliable public utilities (power, water, telecommunications), low levels of education and skills, poor technological research base, weak export institutional framework, market access problems, and limited access to trade finance and cumbersome customs procedures.

2. Uganda faces several serious challenges with respect to trade. First, it must define its relationship within the multilateral agreements with its trading partners in Europe in the context of the Lomé Convention, and with its neighbors in the region within the frameworks of East African Co-operation (EAC) and the Common Market for Eastern and Southern Africa (COMESA). The potential impact of these relationships is not well understood by stakeholders, primarily because they were not actively involved in shaping them. Secondly, Uganda needs to make changes in legislation, regulatory rules and enforcement to ensure consistency with various WTO and regional agreement provisions.

3. The IF for Uganda was initiated almost three years ago. Yet there still is confusion regarding its objectives and scope. The review team also found mixed views on whether the IF objectives met the country's needs. Finally, some stakeholders have difficulty identifying tangible results from the framework.

4. Uganda is the only country in the IF that has received additional funding under the IF. Several reasons are adduced for this. The Government had made a strong commitment to trade reforms, so the donors were prepared to support the IF process as an instrument to help Uganda in continuing the reforms.

5. In terms of the IF process itself, Uganda differed from other LDCs because the process was mainstreamed from the beginning; i.e., the IF process was brought under the umbrella of the Consultative Group supported by the World Bank. Therefore, the main foreign assistance agencies were involved in the IF from the beginning. Many of the coordination difficulties encountered in parallel processes in other countries (including the Bangladesh case) did not prevail in Uganda.

6. However, the review team did not find it possible to evaluate the role of the IF on the ground, i.e, in terms of the framework's impact on Uganda's export and macro-economic development. All it could confirm was that the IF process has worked rather smoothly and benefited from the link to country strategy from the start.

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Aide-Mémoire
Comments on the HLM Follow-Up Process
Prepared by the IMF Staff

1. The follow-up to the High Level Meeting (HLM) launched in 1997 for integrating least developed countries (LDCs)[1] into the multilateral trading system has not delivered the intended results. The purpose of this aide-mémoire is to discuss ways of making the follow-up process more results-oriented and focusing it on the policy objectives set out by the HLM.

I. BACKGROUND

2. The original High Level Meeting (HLM) on Integrated Initiatives for LDCs' Trade Development, held in Geneva on October 27–28, 1997 was convened to accelerate the integration of the LDCs into the global trading system. To this end the Meeting affirmed the critical importance of (i) a trade-friendly international and domestic policies environment, and (ii) a coherent and appropriately targeted assistance in building LDCs' capacity to trade. The first of these focused particularly on improving market access for LDCs, and also on an appropriate domestic macroeconomic and structural policy framework, and an incentive environment that is conducive to trade. The second included in particular technical assistance as well as appropriate policies to foster the relevant infrastructure necessary to support trade development.

3. The HLM included a plenary session and two thematic round tables: (i) on building the capacity to trade in LDCs and (ii) on encouraging investment in LDCs. The plenary session included an appeal to WTO members to increase market access for LDCs and endorsement of an Integrated Framework (IF) for trade-related Technical Assistance (TA). The IF, which was given much prominence during the Meeting, was to increase the benefits that LDCs could derive from the trade-related TA provided to them by the six involved agencies, and to establish the basis for other development partners to provide appropriate assistance. In the follow-up to the HLM, the IF was to assist the LDCs in preparing their needs assessment (focusing on technical assistance but in a broad capacity-building context) that would subsequently be addressed during Roundtables with donors. These were to take place predominantly in the context of World Bank Consultative Group (CG) meetings or UNDP Roundtables (RTs).

4. Although the creation of the IF was considered to be one of the main achievements of the HLM, the agenda for the follow-up process went beyond the needs assessment and coordination of TA. Most notably, it was agreed that the follow-up process should foster appropriate macroeconomic policies and liberal trade systems.

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[1] The term refers to the list of 48 countries classified by the United Nations as "least developed."

5. Following the HLM, an Inter-Agency Working Group (IAWG) was created. The Group has met periodically, most recently in Dhaka on June 24–25, 1999. Also an administrative unit was formed and subsequently enlarged, including establishing a web page to provide information on the HLM follow-up process. With the assistance of consultants, needs assessments have been drawn up for 39 of the 48 LDCs. Nonetheless, only one roundtable has been held, for Uganda in Kampala, in December 1998, and a pre-Consulting Group meeting (launch workshop) for Bangladesh in Dhaka, in June 1999.

II. Operations of the IAWG and Progress of the HLM Follow-up

6. Even though the objective of improving the trade performance of the LDCs is important to all the participating agencies, coordinating the action of six agencies would be a great challenge under any circumstances, since each has different principles and objectives, working procedures and operational mechanisms. Thus, the HLM follow-up process was bound to experience problems of coordination and management. Country ownership, for instance, is essential to the operations of each of the agencies. But the extent to which its assistance is subject to conditionality or is available equally to all member countries irrespective of their circumstance and policies, varies considerably by agency. In general, conditionality is limited to the Fund and the Bank. An additional difficulty is that, for the Fund, Bank, and UNDP, trade is not generally the dominant policy issue. This, of course, does not imply that trade is not relevant for these agencies, or that no common ground in the trade area can be established among all six agencies. On the contrary, fitting trade into LDCs' policy frameworks and development programs, which the Fund, the Bank, and the UNDP are striving to attain (rather than promoting trade for its own sake), seems to be the appropriate agenda for the HLM follow-up process.

7. Recognizing these difficulties in practice, the focus of the follow-up process seems to have become narrowly defined to trade-related TA. Viewed in the broader context, the process is so far lacking clear direction and tangible results (even if these were to be measured solely in terms of improved coordination of TA and thus enhanced efficiency thereof). The work so far seems to have concentrated much more on the process itself rather than on the objective of integrating the LDCs into the global trading system. Therefore it seems important at this stage to step back and question critically the operations and direction of the HLM follow-up process. The Seattle Ministerial Conference takes place in December and it is timely to consider changes at this stage designed to enhance efficiency and the pursuit of results.

III. Specific Suggestions

i. Despite the broad objective of integration into the global trading system, the process has been unduly circumscribed to technical assistance. Having an appropriate supporting policy environment is essential. This needs to be given a greater focus on the agenda of Roundtable discussions. The aims of the original October 1997 HLM specifically included assistance in the creation of a supportive policy framework that will encourage trade and investment.

ii. A critical element of improving the policy environment is to improve coordination of policies to promote trade and the actions of Ministries of Trade with the major economic Ministries in the LDCs responsible for Finance and Planning. The latter are the principal interlocutors of the Fund and Bank and, often, the UNDP. It seems essential that the Roundtable discussions of trade take place in the context of World Bank CG meetings or UNDP-sponsored Donor RTs. This was envisaged in the original HLM and would substantially facilitate including trade policy issues and trade performance objectives in the overall economic policy framework. However, separate meetings seem to be foreseen in a substantial number of cases. This is likely to perpetuate the marginalization of trade issues in economic policy discussions and in the economic policy framework pursued by LDCs, since agreement on the policy framework is usually the focus of CG and RT meetings. In some cases, separate consultations may be desirable to help the governments lay out their priorities, but such meetings are unlikely to succeed unless they are held with a clear objective of preparing LDCs for their CG and RT meetings. For the IF process to be effective, it is imperative that the trade agenda be linked to mainstream donor assistance. Moreover, this is the most effective way of mainstreaming trade policies and trade performance objectives into the institutional focus of the Fund, the Bank, and the UNDP.

iii. A minimum requirement to improve inter-agency coordination on TA should be to at least have each organization prepare a list of what trade-related TA is in process or has been provided in the recent past to the countries concerned. This is basic to avoid the criticism of technical assistance duplicating or failing to build on the past assistance of other donors. It was agreed in early 1998 that this data on past TA would be made available. The Fund provided such a listing in June 1998. To our knowledge no other institution has done so. Provision of this recent historical information should be a priority. Thereafter, each participating agency should maintain this information on a current basis, and update the information provided to the IAWG on a (say) semiannual basis.

iv. A separate issue is whether coordination of TA should be the primary task for the IF. It appears from the needs assessment that there is virtually no duplication in the TA provided by the six involved agencies. It may therefore be desirable for the IF to focus primarily on the prioritization of TA rather than coordination. Thus the process of drawing needs assessments should be steered toward extracting priorities from the countries rather than merely collecting their proposals. At present, the "needs assessments" for each country seem to be more a process of assembling the total requests for each of the 48 LDCs, rather than one geared at identifying priority areas for enhancing trade performance. Without some means of assessment or prioritization of requests, the IAWG process is not providing value added. For example, the needs assessments have included a significant number of requests for TA to introduce antidumping legislation. However, it is at least unclear how antidumping can, as a matter of course, advance the objective of *integration* of LDCs into the world economy. Countries wishing such assistance should approach the WTO directly and not as part of the HLM follow-up. Absent a basic analytical framework, the HLM follow-up is tending to become, in effect, a means for countries to present wish lists of TA to potential donors. Alternatively, it could be viewed as a means for agencies to seek financing for their existing operations. Again, ensuring that the TA that is provided under the IF is consistent with the policy framework—as proposed at the HLM—would help avert such tendencies.

v. Last and perhaps most importantly, decision taking in this process seems ill-defined and unresponsive to the concerns of the participating agencies. The process has become increasingly bureaucratic—a great many meetings, travel, paperwork—but not subject to appropriate judgement and oversight by headquarters. Certain administrative or organizational actions and policies are not discussed or even forewarned, until they are in place. For example the administrative unit has increased in size, currently consisting of 4 people compared with 1 or 1.5 originally envisaged. The participating agencies have not been consulted on this and no budget or function statement has been produced. For the Fund this is increasingly awkward. We are also not sure whether the launch workshops[2] should be the part of the HLM follow-up process. The fact that the six sponsoring organizations are not jointly funding these events is not the point—the HLM operates under the mandate of all six organizations, and should therefore have a proper reporting and approval framework.

The following are some possible proposals for improvement:

- Improve commitment to joint decision making where appropriate, by addressing effectively the concerns expressed under points i-v above. Making the assistance by all agencies conditional on the countries having agreed medium-term structural adjustment programs with the IMF and World Bank should be considered.

- To mainstream the HLM follow-up process, bring the discussion of trade-related technical assistance needs in the broader context of trade policy assessment to be held at the CG or RT meetings. Exceptions to this should be rare. There is no need to rush ahead with Donor meetings simply to boost the total number reported at Seattle as an "achievement" of the HLM follow-up. The key objective is to mainstream trade issues, both in country policy work and in the work of the participating agencies.

- Reduce the number of IAWG meetings. If the Roundtables on trade are held in the context of the Bank's CG or RT meetings, holding fuller inter-agency meetings only once or twice a year would be enough to oversee the process. Hold smaller preliminary meetings only in cases when the authorities need to be assisted in prioritizing their needs in the run-up to the CG or RT meetings.

- Bring to the table, when coordinating work for individual countries or on particular issue areas, only those agencies or experts within agencies that have something concrete to

[2] The intent of a launch workshop is to initiate internal consultations among government agencies and domestic stakeholders on the formulation of a program for strengthening the trade sector.

contribute, rather than having universal six-agency approaches as the default mechanism. This would significantly reduce the administrative workload.

- Replace the old questionnaire for needs assessment with a document that would help the authorities to prioritize their TA needs and list the policy elements requisite for preparing a coherent reform program (preferably in the context of a medium-term structural adjustment program agreed with the IMF and the World Bank).

- Last but not least, an independent evaluation of the costs, benefits, operation, and performance of the HLM follow-up should be undertaken by qualified persons with appropriate terms of reference.