

## **WORKSHOP REPORT**

### **Making the Integrated Framework a Tool for Poverty Reduction**

**Geneva, 18<sup>th</sup> October 2007**

#### *Introductory Session*

#### *Introduction to the (Enhanced) Integrated Framework*

#### **Gideon Rabinowitz, Centre Manager, CUTS London**

- This workshop comes at a critical time in the development of the IF and we want to explore the issues of ownership, participation and the response of trade diagnostic work to the challenge of reducing poverty.
- This workshop is being organised by CUTS under its project “linkages between trade, development and poverty reduction”, which involves a range of research and advocacy activities taking place in 13 African and Asian countries and advocacy in Europe carried out by CUTS London.
- Given the importance of Aid for Trade and the IF CUTS London is eager to bring a Southern perspective to discussions on these issues.
- In support of this we have in attendance a number of CUTS’ civil society partners from Africa and Asia and representatives from Southern governments as well.

#### **Ambassador Anthony Maruping, Lesotho – Chair of IF board**

- There isn’t a level playing field in the global economy or the WTO at present, therefore the question is how do we support malnourished and weak economies to produce and trade on a more equal footing?
- We need to use trade and non trade measures to rectify this mis-match and support the poorest countries. Aid for trade is one non trade measure and the IF is one of the important elements of Aid for Trade.
- The IF has faced problems and to improve its functioning reforms were proposed in 2000, again in 2003 and more radical ones in recent months with the proposals for an enhanced-IF.
- I am sceptical of enhancements as I have seen how the enhanced HIPC has functioned and it disappointed many developing countries.
- But through the discussions about the IF a lot was discovered – lack of measurable goals, poorly defined performance indicators, limited country ownership, un- transparent ways of selecting participating LDCs, limited monitoring and evaluation, limited capacity building (not stop and start), poor

coordination between all parties and weak governance. These issues all need to be tackled.

- There needs to be more active involvement of local consultants, as donors often bring external consultants, who do not have local knowledge. There also needs to be better financing of the IF and it needs to be more efficient, reliable and flexible.
- Things have really moved forward with the E-IF and the Stockholm pledging conference has mobilised funds for the next 2 years. These funds need to be used successfully so that donors can be encouraged to make more funds available.
- M&E will be completed following the first phase of the E-IF – M&E is key.
- Beauty of the E-IF is that it is what LDCs and donors want and is therefore a welcome development.
- The E-IF has the potential to be a truly enhanced initiative unlike previous enhanced initiatives.
- Also important that EIF will dovetails with broader aid for trade. It also needs to be concretised soon.

### **Mark Gawn, Counsellor, Canadian Mission**

- Don Stephenson wanted to be here, but the NAMA negotiations are taking up much of his time at the moment.
- Canada believes in the IF as we think it is an important initiative which helps to scope out other half of negotiations, with the WTO working out one side.
- The timing of this meeting is good as the Stockholm pledging conference was on 25<sup>th</sup> Sept and was successful.
- Important to remember that the IF is a partnership (between agencies, bilateral donors and LDCs). The partnership that has emerged during discussions over the E-IF is a welcome relief from the tense WTO discussions.
- E-IF discussions have also put trade and development more firmly at the centre of international policy in Geneva, as vocabulary of Geneva has changed.
- Follow-up and financing of the IF has been a real problem and this needs to be improved. This will include creating better links with the private sector.
- The E-IF discussions have led to the production of a handbook for how it will work; this has been approved by existing structures; a board has been established (3 LDCs, 3 donors, chaired by Lesotho).
- Following the Stockholm conference money is not a problem for once, especially as Stockholm broadened donors (more than 20 donors now on board, including emerging donors such as Korea).
- There will be improved management / ownership at national level with financing for national implementation unit, comprising ministries and other national stakeholders. These will soon be established.
- An executive director will also be recruited soon, and we are finalising terms of reference for trust fund manager.
- We are also getting word out – this event is particularly useful. There have also been regional meetings and there is the possibility of getting all focal points together at some point soon.

## **Christiane Kraus, IF Project Implementation Unit, WTO**

- What will change in country? National Implementation Units will be set up; there will be active support from Geneva; and we want to build an active IF community communicating with each other, sharing experiences.
- It is important to get IF right because the PRSPs haven't had so much on trade and more actors need to be brought into the diagnostic and implementation process.
- The second result that we want to achieve is a better coordinated delivery of trade related development assistance. Diagnostic studies / action matrices will be validated by the government and donors will use these to direct their support.
- In-country changes in more detail - Tier 1 financing – will build institutional setting; national implementation units; team to support focal point; include private sector; NIU will manage projects in country; Focal Point will coordinate across government and private sector on the priorities for trade. Tier 2 financing – for bridging between diagnostics and start of projects.
- Support from Geneva is very important; there will be at least 4 face to face meetings every year during IF management visits. Geneva support will also be ongoing through email, and ad-hoc country visits when required.
- There will be regional outreach events; a newsletter will come out every two months; there will be 4 virtual families (2 Francophone, 2 Anglophone, maybe Lusophone) that will communicate by phone and email.
- Tanzania example is where we would like IF to go. Tanzania's DITIS was finalised 2 years ago; ownership waned; they then decided to prioritise the 100 line matrix; Denmark and Sweden supported the establishment of a quasi NIU. The prioritised diagnostic has now been turned into a trade strategy, with strong ownership, in Swahili. The donor facilitators (Denmark, Sweden) have been creating a basket fund to mobilise funding for priorities.
- This example suggests we should be optimistic that this can be replicated. Madagascar, Cambodia and Lao PDR are thinking of putting in place similar processes / structures.
- Now up to countries to take next step, develop ideas for NIUs, ask for funding, get enhanced IF in process.

### ***Session One***

#### ***What Spaces for widening participation?***

## **Peggy Mlewa, Counsellor, Mission of Zambia**

- LDCs attach a lot of importance to the IF because of the various trade constraints that they face.

- I was involved with the Transition Team discussions relating to ownership and I want to relate some of my experiences.
- We surveyed LDCs involved in the IF to find out what issues are impeding ownership. They highlighted low staffing levels due to high turnover rates, compounded by multiple responsibilities allocated to trade officials. The E-IF therefore emphasises building in-country capacity.
- It is also clear that the early involvement of domestic stakeholders in the process sets the base for ownership, inter-ministerial coordination etc. Therefore national stakeholders need to own process from the beginning.
- We therefore need to create awareness so that national stakeholders can be mobilised to play a role.
- Implementation is essentially a political question. However, most of the time you find the political players come in at a very late stage, normally during validation stage. NIUs will assist political buy in and ownership.
- Local consultants / experts have not been used effectively, and the NIU can include such stakeholders who can provide significant local knowledge and tier 1 funding can be used to support the building of such structures.
- The focal point / NIU can now also decide which agencies they want to bring in to support their diagnostic work and project design.
- LDCs will obviously be looking at how support being given to the NIU goes beyond the funding for the EIF and they therefore need to develop long term plans to mobilise such support.
- The process for developing the DTIS has not promoted stakeholder dialogue and coordination, and this needs to be improved.

### **Gashaw Debebe, Counsellor, Ethiopia Mission**

- Prior to my current assignment I was Director of Foreign Trade in the Ethiopian Ministry of Trade and also the IF Focal Point. I therefore want to share some of my experiences of implementing the IF in Ethiopia, what the problems were, and what needs to be addressed with EIF.
- Ethiopia's DTIS was finalised in Nov 2003 and then validated by the IF Steering Committee in June 2004. However, this was not timed to link in with PRSP which was completed before the IF was undertaken hindering mainstreaming.
- The original list of actions was rationalised by the Steering Committee and funding was mobilised for a number of activities.
- However, after that implementation stalled, this was down to the IF being seen as donor driven and therefore limited ownership across government.
- Ownership was hindered by the fact that the Ethiopian government was only involved in a limited way in the design of the DTIS, choice of consultants.
- There was also limited cross ministerial engagement, a problem because trade cuts across many policy areas. Also the private sector was weakly engaged.
- There is now a major challenge to convince the government (and others) that there is anything to be gained from an Enhanced-IF as they have experienced disappointment already with the IF.

## **Peter Elimu, Senior foreign Trade Officer / IF Focal Point, Uganda**

- Uganda was one of the first countries to engage with the IF process back in 1997.
- Initial efforts were not successful as little funding was made available to support identified priorities.
- However, funding was provided (through JITAP) for a national trade policy coordination mechanism, which has promoted improved dialogue and coordination amongst national stakeholders (especially ministries) in relation to trade policy.
- In addition, there has been some progress in mainstreaming trade into the PRSP, much of which is down to the IF. 2 of the 5 pillars of our PRSP focus on production, competitiveness and trade.
- The IF has also contributed to the development of a Ugandan trade policy.
- The IF and related initiatives have also stimulated the private sector and civil society to play a more active role in trade policy discussions.
- In preparation for the enhanced IF Uganda has already made a submission for funds to put in place an NIU and improve management and planning of trade capacity building.

## **DISCUSSION**

- The short donor missions to design the DTIS; limited involvement of local stakeholders in design of DTIS; short dialogue process on DTIS, were all factors that weakened ownership.
- There needs to be more open and patient dialogue, and country management from the beginning.
- In Nepal it has been observed that there are ideological disagreements between donors which are hindering the coordination of support. UNDP wants to support MDGs, World Bank wants to support PRSPs. Different implications for trade support.
- There needs to be more involvement of local consultants and institutions. All too often consultants come in from Washington and Geneva.
- \$400 million for IF is not enough, as this is only \$10 million for each LDC over five years, or \$2 million a year. This will not help build long term capacity; support implementation of projects.
- There is a problem of a lack of awareness amongst donors in relation to the IF, as in Nepal donors were invited to a meeting but only a few attended.
- External experts do not have day to day knowledge of issues on the ground. Where national consultants are not available regional ones, previously involved with the IF could be utilised.
- It is self-defeating to not promote ownership, as for IF to be successful recommendations need to be refined and more detailed proposals developed in-country. If there is no ownership then this will not take place.

- If IF is to be firmly rooted in policy-making process then it needs to involve the ministries of planning and finance/trade/agriculture.
- **Peter Elimu** - Ten years ago in Uganda, if you talked to the ministry of Agriculture or private sector about Trade they would ask “what does this have to do with us” they didn’t see the link between trade and production. Over time they have been sensitised to these issues, as has civil society.
- The EIF will not be in the position to do some of the financing for large infrastructure projects – the EIF can provide critical resources to do an analysis of needs, design projects and leverage donor support.
- **Peggy Mlewa** - At the time of the validation stakeholders refused to endorse some recommendations because they were not involved in discussing them at earlier stages.
- **Edward Brown (UK mission / IF Board)** - About local consultants / knowledge, IF donors have asked LDCs to send lists of such consultants but none have so far done so.

## *Session Two*

### *The challenges facing CSOs in engaging on trade issues*

#### **Vladimir Chilinya, Centre Manager, CUTS Zambia**

- There is a national working group on trade in Zambia, which brings together national stakeholders to discuss trade policy. Through this civil society can make their contributions.
- However, civil society doesn’t have the capacity to engage fully, follow through policy discussions and really influence the process.
- Civil society engagement with the IF has been limited, as has been little active consultation (besides validation workshop) and limited knowledge of the process.

#### **Sok Hach, Director, Economic Institute of Cambodia.**

- Since peace emerged in early 1990s attention has begun to turn to issues such as economic and trade integration and development.
- The country has liberalised, re-established a functioning economy, joined WTO in 2004 and needs the IF to support Cambodia to benefit from accession
- There are structures for consultation around trade policy, but this didn’t prevent the government from rushing into WTO accession.
- Civil society formed a Trade and Economic Development Network (TEDN) in 2006, but only a small number of NGOs have experience in working on trade and many suffer from capacity constraints.

- Civil society also faces political obstruction in influencing policy discussions.

### **Ratnakar Adhikari, SAWTEE, Nepal**

- In Nepal NGOs have played an important role in the WTO accession process, including drawing up sensitive list and protecting the rights of farmers.
- They have also played a role in protecting intellectual property rights in relation to agriculture, and kept related issues out of WTO commitments.
- However, in other negotiations (ASEAN, South Asia Free Trade Agreement) this model wasn't followed and CSOs did not have a voice.
- This comes down to the fact that CSO consultation has not been institutionalised and therefore depends on goodwill of officials who are in place. Consultation needs to be institutionalised.

### **Nestory Masswe, Tanzania Association of NGOs**

- TANGO is an umbrella association of NGOs in Tanzania. It works in 3 areas: capacity building; information dissemination; policy and advocacy.
- Many NGOs lack funding and capacity. Donors don't like to fund institutional base – only programs.
- There is currently a lack of political will from government to have a dialogue on trade. It is hard for NGOs to access government officials and accurate information.
- Consultative mechanisms are in place but don't function and are often there just to satisfy donors and convince them there is consultation.

## **DISCUSSION**

- What is it about CSOs in Nepal that has allowed you to get so engaged?
- **Ratnakar Adhikari** – It is sheer hard work. We were able to create a network of civil society organisations that were interested in trade policy issues, and issues such as food security, consumer protection and protection of workers rights. We were able to build capacity and sensibalise the debate. We also work on trade from a holistic perspective.
- In Uganda civil society is still only starting to work on trade issues. NGOs seem to lack capacity. Sometimes they develop capacity and they don't retain it. So NGOs spread themselves very thin in order to keep staff.
- Some NGOs have a very radical approach, which excludes them from debate. There are questions about whether their agenda is home-grown or pushed from elsewhere. Often they haven't done accurate analysis.
- **Edward Brown (UK mission / IF Board)** - Under tier 1 of the E-IF countries can request capacity building support for NIUs.

- However, donors will not dictate who sovereign governments should consult with. The IF though does provide space for such consultation to go on and CSOs need to initiate these discussions with government.
- BUT CSOs can only get capacity building funding through IF by going through government? Only those CSOs that are not a threat to government will be able to get involved.
- In Tanzania, consultation often only comes about when donors push for it. But not always real consultation, and involves only a select group of organisations.
- **Edward Brown (UK mission / IF Board)** - At country level, why would a policy maker not want to listen to an NGO? If they are representative and have something to add why wouldn't the government engage with them?
- Many NGOs challenge the government and strong vested interests in the country, in such cases government has an incentive to exclude them.
- Government often more eager to work with umbrella NGOs.
- Could the IF have a window for supporting CSOs?
- **UNCTAD** – Idea of IF is to coordinate policy and efforts, having windows for individual groups undermines this effort.
- **Edward Brown (UK mission / IF Board)** – The problem with a CSO window is sustainability, at the end of the day the government needs to get its act right and that is what IF (like budget support) is about.
- Producers at margins of economy are the ones not really represented by trade associations. CSOs are quasi trade unions for marginalised producers and therefore need to be engaged.
- Even in Cambodia where education levels are higher than in Africa, trade NGOs are only just beginning to emerge. This suggests scale of the capacity development challenge.
- Where donors could play role is to ensure processes have potential for wide ownership. IF diagnostics to date have been externally led, rushed, only limited opportunity for dialogue and open discussion.
- **Sok Hach** – We need to be realistic, in LDCs no NGO is supported by the government. Where will their money come from?
- Maybe this discussion highlights the need for donors to provide more support to CSOs bilaterally.

## *Session Three*

### *Integrating trade-poverty perspectives into DTISs / Action Matrices*

#### **Lisa Borgatti, Expert, UNCTAD**

- UNCTAD has done a lot of work in recent years on the trade-development nexus and I want to share some of the insights we have gathered from this work today and apply it to the DTIS.
- For trade policy to contribute to development there needs to be a coherent theoretical methodology. The DTISs produced to date do not incorporate such a methodology; trade and poverty is usually approached in a chapter, but not integrated.
- Technology is often neglected in trade and development strategies and Action Matrices have the same weaknesses, although better tackled in DTISs
- If the IF is to influence the PRSP process then there needs to be effective sequencing of the processes so that they can link up.
- Economic growth is obviously very important, and an important determinant of this is exports, which allow generation of foreign exchange to pay for the import of materials and technology that is vital to productive capacity building.
- Policies then need to be developed around these objectives, including the possibility for interventions to reduce import dependence.
- Action Matrices are vital to the success of the IF, but often they fail to outline actions in enough detail and more studies are all too frequently recommended.

#### **Gideon Rabinowitz, Centre Manager, CUTS London**

- This presentation is based on an analysis of the DTISs / Action Matrices of 11 IF countries, which I have carried out over the last two months and will be the subject of a paper to be published by CUTS in the next month or two.
- The IF outputs of many of the countries that are represented here today have been covered during this assessment.
- In presenting this analysis I want to: firstly give an overview of what DTIS's and action matrices cover in a comprehensive manner; secondly I'd like to present what they neglect and what needs to be improved; and thirdly I'd like to share a couple of thoughts on what the next steps should be to tackle these issues more comprehensively.
- To put in perspective the approach of the IF to trade it is important to recognise the history of IF. It was born out of discussions that took place at the WTO in the mid-1990s, about the engagement of developing countries in global economy. It wasn't until 2000 that another important element of the IF received more attention, that of integrating trade into PRSPs. Following the first set of PRSPs a consensus emerged that they didn't focus on trade and production enough; they looked at social sectors but not trade. Perhaps therefore no surprise that the IF focuses more effectively on exports than domestic trade-poverty dynamics.
- *What are DTIS's / Action Matrices good at?*

- Most focus strongly on export sectors. In the vast majority of studies that I've reviewed the sectoral analysis is on export sectors. For example, Uganda's DTIS focuses on cash crops but not at all on food crops.
- There is strong emphasis on improving customs facilities, on what needs to be done to strengthen the formal sector and improve the business environment.
- The main sectoral focus is on agriculture. In many DTISs – exceptions being Cambodia, Laos – there is little analysis on industrial and service sectors.
- There is analysis of trade policies in relation to regional and global markets and engagement with the WTO.
- There is also analysis of the capacity of trade policy-making institutions and the constraints they face.
- *What are DTISs / Action Matrices neglecting?*
- There is a limited focus on domestic trade dynamics, food crops and food security issues.
- There is little on what needs to be done to get those weakly linked to markets on the production ladder.
- Little on to improve domestic trade linkages, e.g. how to link remote areas to surrounding towns? How do you link small towns with larger urban areas?
- In many DTISs there is only little on supply chain dynamics and implications for policy. Often the poorest are the weakest in the supply chain and action needs to be taken to empower them; support their organisations
- In relation to regional trade there is very little analysis thinking more strategically about which products / sectors regional markets provide opportunities for. There is currently very limited information out there about what is traded regionally and the IF is an opportunity to generate this analysis.
- There is only limited focus on processing / manufacturing. There needs to be more attention on emerging manufacturing sectors and those sectors in which there is not currently competitiveness but comparative advantage could be generated.
- In discussions on trade policy there is very little discussion on what the impacts of these policies will be; analysis of different scenarios; and trying to generate different policy options for LDCs.
- *What steps to better address these issues?*
- The IF should be viewed as ongoing processes – DTIS should not be set in stone but living documents that can be revised, like PRPSs.
- There need to be opportunities for ongoing discussions and more national debate on how trade development should occur, and then for the IF to support this response. This will support ownership and thereby implementation.
- DTIS make a good start, especially on global market, but more work needed on domestic markets, and how we bring most marginalised into processes.

## DISCUSSION

- Challenge is how we change the format of DTISs as set out by World Bank; when is a good time for these discussions to emerge?
- **Nestory Masswe** – My analysis of Tanzania's Action Matrix found that important agencies were left out –like small farmers and their organisations

- Also, the DTIS recommends more attention on floriculture. But floriculture involves poor working conditions, use of harmful chemicals. Little discussion on this in the DTIS.
- Countries need to be free to approach diagnostic studies in ways most helpful to them. Good step forward that countries can choose agencies now but needs to be followed through.
- **Mark Gawn** – Would be great if CUTS’ analysis would be made available to the IF Board on completion. We need to keep the diagnostic study template under review, but still important to have template as a process element.
- Thinking about comparative advantage in a dynamic way is important. I am often struck by the focus on current CA not future; we should be thinking about shifting comparative advantage.
- How to cooperate regionally? Issues such as SPS and infrastructure need to be addressed regionally.
- Overall objective of IF should be for countries to do these studies themselves.
- **Lisa Borgatti** - Another weaknesses of DTIS is its limited focus on infrastructure – only include ICT, but miss out other infrastructure.
- **Edward Brown (UK mission / IF Board)** – The DTIS template was revised back in March, but hope it can be revisited. There needs to be more focus on regionalism and gender. There is funding available under tier 1 for countries to revisit their DTIS / Action Matrix.
- **Gashaw Debebe** - I was involved in initial stage of DTIS which was led by donors with little government involvement. Therefore no surprise food security, regionalism not covered and important to revisit template.
- **Christiane Kraus** – Of course we need to do more analysis and research. However, we already know a number of sectors that are important to poverty reduction, including cash-crops such cotton, coffee, where small-holders often grow crops and labour is employed. Also tourism can have very important backward linkages to other parts of the economy.
- In relation to monitoring – it is extremely difficult to measure impacts – but we are trying to get trade targets into PRSPs.
- **Gideon Rabinowitz** - Coming back to comparative advantage, Uganda is a growing economy, but it struck me from the DTIS of Uganda that it didn’t focus on the industrial sector.
- **Christiane Kraus** – The government chooses the sectors for the DTIS and those were the sectors it chose.
- Many of the DTIS direct countries to produce flowers. Will flowers be the next commodity that is oversupplied and faces low prices? Also significant water and health issues related to flower production. We need to think more creatively about strategic interests of countries and not just apply a one size fits all approach.

