

## **1. Introduction**

Aid for Trade is an important element in Denmark's strategic approach to private sector development and low income countries (LIC). Participation in international trade in goods and services is important for poverty eradication and sustainable development. By fostering economic growth through trade, expansion of international trade can contribute to addressing poverty reduction, food security, job creation, gender equality and environmental sustainability. Many developing countries face a range of supply-side and trade-related infrastructure obstacles and barriers which constrains their ability to engage in international trade.

In order to help developing countries, and in particular least developed countries, overcome these constraints, a number of developed countries and international organizations provide trade related development assistance with the overall objective of assisting developing countries in their efforts to make use of increased trade opportunities and market access towards better integration in the global economy, this allowing these countries to develop their comparative advantages.

The Danish Government has recently presented a draft of Denmark's new strategy for Development Cooperation and Humanitarian Assistance. Taking as its point of departure the Sustainable Development Goals adopted by the UN General Assembly last year, the draft strategy determines inclusive, sustainable growth in developing countries to be one of its primary objectives. The draft strategy inter alia states "that sustainable economic growth is primarily fostered by private sector enterprise and the promotion of free trade." To allow LDC's and other developing countries to benefit from the privileged access they already have to the EU and other markets in developed countries and emerging markets, the strategy in particular highlights the importance of increasing the effectiveness of the EU's Aid for Trade Strategy and promoting the interests of developing countries through the WTO.

Aid for trade is particularly relevant to countries' achievement of SDG 8, Promoting Sustained, Inclusive, and Sustainable Economic Growth for All.

## **2. Danish support for EIF since 2008**

EIF (Enhanced Integrated Framework) is a multi-donor trust fund established in 2007 within the framework of WTO and replacing the so-called Integrated Framework for Trade-related Technical Assistance from 1997. It has signed Partnership Agreements with ITC, UNCTAD, UNIDO, UNDP, and the World Bank. UNOPS acts as the EIF Trust Fund Manager in support of the program.

From a strategic perspective the EIF is a key player in the multilateral Aid for Trade environment as it focuses on analyzing the trade policy needs of LDC's and integrating trade policy measures and know-how in their policies and strategies for economic development. Upon request from program countries, it also gives advice and provides capacity-building of government and local industry in trade policy formulation and implementation as well as support for economic infrastructure for trade.

For this reason Denmark has supported EIF since 2008, committing and disbursing USD 16.9 million (DKK 90 million), making Denmark the fourth largest donor.

For phase 1 of the Program, initiated in 2008, Denmark committed DKK 60 million of which a first tranche of DKK 30 million was disbursed in 2010.. Due to the fairly slow of EIF, the second disbursement of the remaining DKK 30 million was only made in December 2013.

In 2014 the Danish Mission in Geneva carried out a review of the entire Danish Aid for Trade portfolio in order to maximize the impact of its funding in this field. Following up on the findings from the review the Mission developed “A Transitional Strategy for Denmark’s Aid for Trade Support 2014-15”, recommending increased focus on channeling Aid for Trade through EIF while phasing out support for some minor WTO programs. It was also recommended that Denmark should explore possibilities for getting a seat on the EIF Board.

In December the same year, the countries involved decided to extend EIF for a second phase of further six years starting from the completion of Phase One in 2016 and continuing to December 2022. The Board’s decision was taken on the basis of experience from Phase 1 as well as a 2012 mid-term review and a final evaluation in 2014 in which Denmark actively participated.

Denmark joined the Board in December 2014 and one year later, at the EIF pledging meeting at the margins of the WTO Ministerial Conference in Nairobi, the Minister of Foreign Affairs pledged a further DKK 60 mill for EIF’s phase 2. Accordingly 30 mill DKK was set aside for this purpose on §06.36.06.20 in the Danish Appropriations Act for 2016. In accordance with the Danish pledge in Nairobi, another 30 mill DKK is planned to be committed in next year’s Act.

### **3. Program objectives. Program description. Results framework**

EIF works on the basis of **a clearly structured sequence of assistance** which has proven its worth since EIF’s establishment in 2008:

In Tier 1 projects, EIF undertakes a DTIS (Diagnostic Trade Integration Study) to identify how and where trade policy and trade promotion must be integrated into the national development plans and policies of the LDC in question. The projects include an implementation phase for key policy reforms and outreach to bilateral donors for funding in this respect.

In Tier 2 projects addressing the needs of LDC’s that have already gone through the Tier 1 project phase, the EIF aims at mainstreaming trade into national development plans, strengthening trade institutions and building capacity needed to roll out coordinated trade and development assistance. EIF focuses its own financial resources in Tier 2 on catalyst projects to overcome supply-side constraints to trade, recognising that the bulk of Aid for Trade assistance must be provided by other donors.

For more details about EIF’s Tier 1 and Tier 2 Projects, please consult Annex 1, Programme Framework Document for the Second Phase of the EIF.

EIF's program objectives will be slightly revised for Phase 2, based on the results of the 2012 mid-term review and the 2014 evaluation. The main conclusions of the two exercises were very similar. Quoting from the latter, the strengths of EIF are as follows:

"The EIF remains highly relevant and important for LDCs' trade needs. The EIF is supporting LDCs in mainstreaming trade, clearly defining priorities and bringing stakeholders together to support the trade agenda. Gains are already being seen in achieving some of the targeted results. Initial indications show that many of the results have good prospects for sustainability. Signs are emerging that the purpose level outcome of trade integration is starting to be achieved in areas such as employment and exports. The progress on all these fronts varies widely across countries, with some showing more limited changes."

The evaluation goes on to point out four major areas of concern which must be addressed in EIF's second phase:

- A complex project approval and implementation process, slowing down delivery
- Difficulties for project countries in mobilizing resources to implement their priorities in trade policy and trade promotion
- Insufficient engagement from the private sector in some LDC's
- Assistance from the EIF needs to take greater account of an increasing number of regional trade agreements and shifting trade paradigms like e.g. e-commerce and the growing importance of global value chains, linking closely trade in goods with trade in services.

Taking into account the findings of the 2014 evaluation and the resources at its disposal following the pledging conference in Nairobi in December last year, the EIF Secretariat has put forward a Medium-Term Strategic Plan for 2016-18 and proposals for a more efficient and flexible project implementation process. The EIF Board will discuss the MTSP and the efficiency-enhancing proposals at its next meeting in Kigali at the end of this month.

The MTSP 2016-18 is enclosed as Annex 2. Its **vision** and **mission** are focused on using trade for poverty eradication and bringing together partners to support this objective. It has four **strategic goals and objectives** supplemented by a fifth cross-cutting coordination goal:

- **Strengthening institutions and policy mechanisms**

Reference is made to the 2018 Key Deliverables in the MTSP. See also Annex 3, Progress on Results Based on the EIF Phase Two Log Frame. Today, 26 LDC's have been through DTIS's and received Tier 1 support. The Secretariat aims to cover about 40 LDC's with DTIS's and supplementary support by 2018. These figures include necessary updates of existing DTIS's, trade policies, and action plans on the basis hereof. The number of countries with trade integrated into their National Development Plans by 2018 is set at 41 in the MTSP.

- **Reducing supply-side constraints**

The focus under this strategic goal is on Tier 2 projects that increase production and provide access to new international markets, train private sector associations, and finally support SME's,

including with the adoption of new technologies. In the first category, increased production and access to new international markets, the baseline is low today (see Annex 3), and the figure of 24 with respect to new markets will probably have to be downgraded a little before 2018. With respect to private sector capacity building and support to SME's the 2015 baseline is stronger, cf. Annex 3.

- **Leveraging key drivers for investments**

This objective addresses EIF's ability to leverage financial resources by donors, international financial institutions and LDC governments themselves to implement Tier 2 projects as well as other projects based on DTIS's and national trade policy. The 2015 baseline is low, also for LDC governments (4 leveraging actions), but the Secretariat expects a significant increase in their ability to leverage resources for strategic trade policy projects over the coming two years (15 actions in 2016 and coverage of 40 percent of Tier 2 countries in 2016).

- **Promoting gender equity and inclusive trade**

The EIF Secretariat foresees a significant rise in activities raising gender and environment awareness "as the two activities are now front and centre of program delivery". By 2018, it expects to reach 120 awareness-raising activities covering the two areas through EIF-funded projects and 30 % of direct beneficiaries of these projects to be women.

Lastly, as stated above, EIF works with a fifth complimentary objective based on its key role in analysing the needs at country level in terms of trade policy integration and trade promotion:

- **Strengthening framework functions**

This objective is meant to reinforce EIF's ability to coordinate trade development in the LDC's and thus leverage resources (cf. the leveraging objective above). It has hardly been present in EIF's program delivery up to now, but is expected to feature prominently by 2018, inter alia with 80% of core partners using the EIF as coordination framework and 4 new partners joining EIF efforts to support the LDC's in addressing cross-cutting issues related to trade.

The **theory of change** that EIF is working with is reflected in the Phase Two Programme Results Framework developed by a reference group of EIF members (enclosed as Annex 4). The assumptions it is based on, the context indicators for each outcome as well as the output indicators (see respective columns) reflect work plans specific to individual country needs. Baselines were established in December last year through country level surveys and assessments. In Phase 2 the Secretariat will work to strengthen links between objectives of Tier 2 projects and EIF's program outcomes, not least with respect to poverty eradication.

The **risk management** of EIF in Phase 1 was not sufficiently addressed. For Phase 2 the Secretariat has elaborated a risk matrix, based on the elements presented in Annex 1, Risk Management in EIF Phase 2. The Risk Mitigation Plan for 2016 is enclosed as Annex 5. Important risks are addressed here, e.g. the risk of losing momentum in LDC's where neither the government nor the private sector manage to address trade policy concerns, the risk of irregular or delayed contributions by EIF donors, and the risk of LDC's requesting Tier 2 projects that are not linked to DTIS's or national development priorities.

#### **4. Governance and management set-up**

EIF is governed by two bodies with slightly different functions:

- A Board with 3 LDC members and the LDC Group Coordinator, 3 donor members (one of which is presently Denmark) and the Donor Group Coordinator, plus representatives from the 7 partner agencies (ITC, UNCTAD, UNDP, UNIDO, UNWTO (World Tourism Organisation) World Bank and WTO). The Board takes all major policy, management and budget decisions required for EIF's daily operations. It meets twice annually, once in an LDC. The Geneva Ambassador of Sergio Leone is currently Chairperson of the Board, a senior representative of the UK Mission being the Vice-Chair;
- A Steering Committee in which all donors, partner agencies and program countries are represented. The Steering Committee meets annually and approves decisions taken by the Board in order to provide them with the required broader legitimacy in the Aid for Trade environment. Seldom, if ever, does it reject or change these decisions.

A change management process has been carried out within EIF over the last couple of years with a view to strengthening the policy and operational oversight role of the Board and empowering the Executive Director to take full responsibility for financial monitoring and individual project decisions. As part of the revised Board function, the three main stakeholders – LDC's, donors and partner agencies – should increasingly be able to devote part of the Board meetings to discuss lessons learned and best practices in Aid for Trade, based on their own experience in this field. However, there is still some way to go before the Board and the Secretariat, respectively, will be able to live fully up to these objectives.

EIF has a small secretariat of 12 persons housed by the WTO and led by an Executive Director. Most of these officers work as coordinators for EIF project activities in several countries at the same time, undertaking frequent missions, some of longer duration. They work in tandem with the teams and local representatives of UNOPS, the EIF Trust Fund Manager, who undertakes a broad range of operational functions, including the financial management of donors' contributions and individual projects. The coordinators are backed up by technical experts who work as consultants in Tier 1 as well as Tier 2 projects.

As the project portfolios develop and more LCD's move on from Tier 1 to Tier 2 projects, there will be steadily increasing demands on EIF coordinators to be present for extended periods in program countries. It is likely that the coordinator functions will have to be decentralised to the regional level within a few years.

#### **5. Financial situation. Budget for 2017**

The current financial situation of EIF is characterised by delayed commitments from donors – at present only about 30 mill USD or about one third of the pledges from Nairobi (about 88 mill USD) – due to a disagreement between donors and UNOPS, the Trust Fund Manager, about a specific clause in the revised EIF Standard Provisions for donors' contributions which was only recently resolved. Consequently EIF has built up a pipeline of projects that await

donor funds. Disbursements for 2016 up till now have been as far down as about 6 mill USD, cf. the financial table below.

To help improve the cash flow for upcoming projects the EIF Secretariat has requested Denmark to make its commitment of 30 mill DKK as expected in 2016, but to only disburse the contribution in the Spring of 2017.

Donor	Pledge (USD)	Commitments (USD)	Receipts (USD)	2016 forthcoming	2017	2018	2019	2020	Unknown
Australia	2.162.829	2.162.829	360.446	360.472	720.943	720.943			
Denmark	8.508.225			4.254.112	4.254.113				
Estonia	16.484	16.484	16.484						
European Commission	10.582.011			10.582.011					
Finland	11.061.947	9.955.752		6.637.168	1.106.195	1.106.195			
France	2.212.390			1.106.195	1.106.195				
Germany	2.863.492	1.425.439	1.425.439		1.438.053				
Korea	1.000.000	1.000.000		500.000	500.000				
Luxembourg	4.977.876	4.977.876	1.106.195		1.106.195	1.106.195	1.659.292		
Netherlands	423.280			211.640	211.640				
Norway	17.595.000			3.519.000	3.519.000	3.519.000	3.519.000	3.519.000	
Saudi Arabia	4.000.000				500.000	500.000	500.000	500.000	2.000.000
Sweden	11.425.960				2.856.490	2.856.490	2.856.490	2.856.490	
Switzerland	2.000.000	2.000.000	1.000.000		1.000.000				
UK	10.000.000	8.519.004	2.129.751		2.129.751				4.259.502
<b>TOTAL</b>	<b>88.829.493</b>	<b>30.057.383</b>	<b>6.038.314</b>	<b>27.170.598</b>	<b>20.448.574</b>	<b>9.808.822</b>	<b>8.534.782</b>	<b>6.875.490</b>	<b>6.259.502</b>

As it can be seen from the financial table EIF has a broad range of donors for Phase 2, the Danish contribution being the fifth largest after those of Norway, Sweden, Finland, the EU, and UK.

The low level of disbursements in 2016 in conjunction with the planned 27 mill in commitments for 2016 and another 20 mill in 2017 will be a major issue of discussion at the Board meeting in Kigali at the end of this month. It is important EIF moves towards an even flow of disbursements and project delivery in the years to come, and has a good match between donor commitments and its pipeline of projects. Upon request from some donors, UNOPS, the EIF Trust Fund Manager, has put forward a detailed plan to achieve both objectives throughout Phase 2.

EIF does not work with a programme budget per year. The Board has delegated authority to the Executive Director to approve Tier 1 projects (which involve fewer financial resources than Tier 2 projects). Tier 2 projects must be presented to the Board for approval within the financial framework at its disposal (disbursed contributions minus running administrative costs). Each project has its own budget which the Board reviews at part of its overall approval.

At the Board meeting in Kigali, the Board will be presented with three administrative EIF budgets for 2017: the Global Activities Budget, the Secretariat Budget, and the Trust Fund Manager Budget (Annexes 6-8). The requested funds for the three budgets break down as follows in USD:

- Global Activities: 338,716 (CHF 337, 535)
- Secretariat: 4,082,400 (CHF 4,068,161)
- UNOPS: 2,323,948

Total 6,745,064

As a consequence of the fall in disbursements of contributions throughout 2016 all three administrative budgets for 2017 operate with reductions compared to the budgets for 2016: almost CHF 100,000 for Global Activities, 6 % for the Secretariat, and USD 30,000 for UNOPS.

The final Annexes to this paper are the draft Contribution Agreement between Denmark and UNOPS (Annex 9) and the Standard Provisions Applicable to the Enhanced Integrated Framework Phase Two Trust Fund (Annex 10). The Contribution Agreement will be signed by the Mission when this note with its annexes has been approved by the MFA.

Annexes:

Annex 1: Programme framework document for the second phase of the EIF

Annex 2: EIF Medium-Term Strategic Plan 2016-18

Annex 3: Progress on Results Based on the EIF Phase Two Log Frame (not included, can be forwarded upon request)

Annex 4: Phase Two Programme Results Framework

Annex 5: EIF Risk Mitigation in 2016

Annex 6: EIF Global Activities Budget 2017 (not included, can be forwarded upon request)

Annex 7: EIF Secretariat Budget 2017

Annex 8: Trust Fund Manager Budget for 2017 (not included, can be forwarded upon request)

Annex 9: Draft Contribution Agreement between Denmark and UNOPS

Annex 10: Standard Provisions Applicable to the Enhanced Integrated Framework Phase Two Trust Fund (as approved on 10 October 2016) (not included, can be forwarded upon request)

**Programme framework document for the second phase of the EIF**

**EIF: Trade for Development Partnership in the LDCs**

**20 May 2015**

**EIF Board**



## Acronyms

AfT	Aid for Trade
AM	DTIS/DTISU Action Matrix
DF	EIF Donor Facilitator
DTIS	Diagnostic Trade Integration Study
DTISU	DTIS Update
ED	Executive Director of the Executive Secretariat for the EIF
EIF	Enhanced Integrated Framework
EIFSC	EIF Steering Committee
EIFTF	EIF Trust Fund
ES	Executive Secretariat for the EIF
FP	EIF Focal Point
IF	Integrated Framework
ITA	International Trade Adviser
ITC	International Trade Centre
LDC	Least Developed Country
M&E	Monitoring and Evaluation
MIE	Main Implementing Entity
MOU	Memorandum of Understanding
MTP	Medium-term Programme
MTR	EIF Mid-Term Review
NIA	EIF National Implementation Arrangements
NIU	EIF National Implementation Unit
NSC	EIF National Steering Committee
PRC	Project Review Committee
RPM	TFM Regional Portfolio Manager
TAC 1	EIF Tier 1 Appraisal Committee
TAC 2	EIF Tier 2 Appraisal Committee
TFM	EIF Trust Fund Manager
TOR	Terms of Reference
TRTA	Trade-related Technical Assistance
WTO	World Trade Organization

## Executive Summary

1. The Programme Framework for Phase Two of the Enhanced Integrated Framework provides a design for the extension of the programme that will produce a more dynamic and results-driven EIF, demonstrating increased efficiency, effectiveness, sustainability and value for money. The approach adopted combines continuity and consolidation of effort/work in areas where the EIF has demonstrated important results over Phase One, with improvements that are needed at several levels, both to remedy identified weaknesses in the partnership and the programme to date, and also to re-gear them to the environment for Aid for Trade (AfT) in Least Developed Countries (LDCs) over the next seven-year lifespan of Phase Two.
2. Although it is focused on the provisions for a second phase, the Framework includes the essential information on all the key elements of the EIF. At the same time, it clearly features the improvements now proposed and will include a change management plan (to be provided in Annex B) setting out more detailed ways and means of implementing changes. The improvements, changes and greater flexibility for Phase Two will be incorporated in a revised version of the Compendium of EIF Documents that will continue to serve as the stand-alone programme outline and guide, supporting a well-integrated programme proposal.
3. **Purpose and objectives:** The EIF's purpose remains unchanged for the second phase as a unique global partnership dedicated to supporting the LDCs to use trade as a tool for economic growth and poverty reduction through job and income opportunities. The EIF continues to build on country ownership, empowering the LDCs to identify where trade can form an integral part of their national development strategies and assist them in harnessing AfT towards this goal. The central focus of Phase Two will be on the objectives of leveraging AfT resources while assuring that there are sustainable capacity improvements for all the LDCs at the end of the Phase Two period.
4. The following three operational objectives are identified for achieving the programme's potential in Phase Two:
  - i) Targeting sustainable results from the programme for the LDCs right from the start of this decisive phase through specific measures identified in a sustainability plan;
  - ii) Reinforcing and reinvigorating the partnership, with the EIF Core and Partner Agencies (Agencies), EIF beneficiary countries and the Donors to the EIF Trust Fund (Donors) each more active and more accountable for their respective responsibilities; this will be captured through specific indicators and targets in the logframe for Phase Two. The new partnership approach is also reflected in a proposal for a more appropriate name: EIF: Trade for LDC Development; and
  - iii) Better communicating the objectives of the programme and engaging key decision-makers. This will be done through systematically supporting the LDCs in developing and using communications for trade advocacy and project implementation.
5. The programme will also become more flexible to achieve its purpose and objectives, for which the opportunity of this transition is being taken to move the EIF programme to more responsiveness to country conditions, priorities and initiatives. EIF support will be provided to achieve specific results, with flexibility regarding structures and activities to be supported towards this aim.

6. **Scope and operations:** The basic design of the EIF programme, including the two funding tiers, is to be maintained in Phase Two. Changes will make the programme more flexible, adapted to the specific circumstances, needs and opportunities of different LDCs. The following changes in scope and operations are aimed at streamlining the EIF 'Programme':
- i) Sharpening the Diagnostic Trade Integration Studies (DTIS) and DTIS Updates (DTISU) as well as synchronizing them to strategic decision-making, e.g., review of National Development Plans, or other key strategic documents such as the trade strategy, regional integration strategy, export strategy, etc.;
  - ii) Targeted and limited support to EIF National Implementation Arrangements (NIAs) beyond the five-year Tier 1 'Support to NIAs' projects on request for specified phase-out or sustainability purposes on a case by case basis. It is proposed to include this transitional sustainability support because a number of EIF beneficiary Countries will not have reached the point of sustainability after the end of the five-year support period. The support would be tailored to the specific needs of the LDCs; and
  - iii) The original objectives for Tier 2 projects – strategic selection to complement existing projects or fill gaps – remains for Phase Two with a strong focus on the leveraging objective. All Tier 2 projects are identified in the DTIS/DTISU Action Matrix (AM) and included in the EIF Medium-term Programme (MTP).
7. **Adapting for major trends in trade:** The Framework recalls that the original analytical design for the EIF had clearly anticipated some of the important trends in international trade that have emerged so strongly in the intervening period, such as the growing movement toward regional integration and trade, concern for services as well as goods trade, trade facilitation, value chain trade and the role of private sector actors as the key players in trade itself. The Framework re-affirms that these trends in trade can continue to form part of the EIF processes including DTIS and DTISUs as well as Tier 1 support. Phase Two, however, will:
- i) Permit the financing of Tier 2 projects that have a regional dimension provided they are endorsed by the relevant EIF National Steering Committees (NSC), while the use of the EIF Trust Fund (EIFTF) remains exclusively for the beneficiary countries of the Programme; and
  - ii) On a similar permissive, not prescriptive basis, Tier 2 will not only continue to be open to projects that address services and value chain-related priority areas identified in DTIS/DTISUs, but will be able to fund priority projects that involve contributions by private sector parties, while not directly funding the private sector.
8. **Governance:** In the area of governance, the Framework clarifies the respective roles of the EIF Steering Committee (EIFSC) -as the plenary body for direction-setting and broad oversight- and the EIF Board – focusing on its more appropriate strategic operational oversight role, with greater emphasis on monitoring and sharing substantive results, risks and lessons. The Framework sets out clear accountability provisions to the EIF Board and for more delegated responsibilities of the Executive Secretariat for the EIF (ES) and the EIF Trust Fund Manager (TFM) function. For Phase Two, there are provisions to guard against potential conflicts of interest: For the Phase Two, the following changes will be introduced:

- i) Broad focus on strategic decision making; number of EIF Board meetings capped at two (including one in an LDC) in principle, based on need;
  - ii) Delegation of authority to the Executive Director of the Executive Secretariat for the EIF (ED) to approve all projects under Tier 1 and feasibility studies funded under Tier 2;
  - iii) Explicit enforcement of conflict of interest situation; and
  - iv) Intensify measures, also proactively, at the individual LDC level.
9. **Management:** With the growing strength, responsibility and accountability of the ES as the programme coordinator in Phase Two, considerable re-balancing should now be expected between the ES and the TFM. The TFM function will be lighter and less costly in countries where the national structures have proven fiduciary capacity. In Phase Two, the TFM function should serve as a fixed-term service provider of fiduciary services, including performance-linked contracting and essential budgeting and financial reporting to the satisfaction of the EIF Board:
- i) Changed Terms of Reference (TOR) for the TFM in Phase Two, reflecting services tailored to the fiduciary capacity of each country; TFM services to be procured through a competitive process done before Phase Two sets in;
  - ii) Strengthening the ES for supervising and monitoring the effective implementation of the programme in Phase Two through improved management information systems and business process, and additional human resources to enhance ES programme management capacity;
  - iii) Consolidating country portfolios and decentralizing ES staff where necessary; and
  - iv) Explicit provisions for performance evaluation review of the ED by the EIF Board. Stronger goal-setting and performance accountability to the EIF Board for the ED and cascading down to the staff members will allow maintaining a uniformly high-performing team.
10. **Increasing efficiency:** The objective of reducing the time and money required to achieve results under the EIF has been reflected in all areas of this Framework, and it is to be carried forward in its implementation. To increase efficiency, the ES will improve its processes in supporting countries in EIF implementation and internal processes including management information systems and appraisal documentation. Specific ways and means, timelines and costs will be set out in the change management plan. A number of significant changes are already underway as part of the 'quick win' improvements presented to the EIF Board by the ED in December 2014. Key changes include:
- i) Extended or repeated ES missions supporting project development and formulation, facilitated through a regional structure of the ES;
  - ii) Simplified appraisal documentation;
  - iii) Management information system adapted to better track and report progress and to support results-based management; and
  - iv) Delays in the implementation of projects, in particular DTIS/DTISUs will be addressed through a focus on improving contractor performance by stronger mutual accountability mechanisms and a stricter application of competitive bidding provisions in the Compendium of EIF Documents.
11. **Managing for results and risks:** More advanced outcomes in the Results Framework for the programme will be identified in Phase Two. There is a need for a limited updating and refinement of the logframe (to be proposed in Annex C) with regular annual review and updating with the engagement of the EIF Board as part of its strategic oversight work. Many Phase Two projects will now be intended to contribute more directly to the EIF's outcomes at the purpose level 'To enable

EIF Countries to become fully integrated and active players in, and beneficiaries of, the global trading system through mainstreaming trade'. Proposals for these types of projects should also be informed by poverty and gender impact assessments in their design and implementation, and the EIF should adapt and apply good practices with these systems. The Framework outlines plans for project and programme evaluation, which include the following elements:

- i) Phase Two should include an independent evaluation in 2020; progress against the Change Management Plan will be reviewed by the ES and reported to the EIF Board annually; and
  - ii) Strengthening the logframe as part of the change management process.
12. A more comprehensive and balanced approach to risk management in the partnership and the programme will be an especially important function for Phase Two of the programme - beyond the fiduciary risks that have been the dominant concern in Phase One. The key risk elements to be recognized and managed in Phase Two (developmental, operational, and reputational as well as financial) – will be set out with a view to maintaining a full and 'living' register of assumptions and risks for EIF risks to accompany and underpin the Results Framework. To this end, a full risk management assessment will be done as part of the change management process.
13. ***Value for money and indicative programme budgets:*** The value for money offered by the EIF is increased by possible savings in Phase Two, together with better rules for measuring administrative costs. Leaner operating procedures and better management information systems are key factors for cost savings. A combination of three factors is used in indicatively estimating appropriate budget requirements for a successful Phase Two programme: need, capacity and the likely availability of resources. The management of contributions and disbursements will be an important continuing task in Phase Two. The following elements are critical:
- i) In the absence of recognized standards for calculating appropriate administrative costs, the EIF Board decided to define the TFM cost as an administrative fee, while the majority (such as 70%) of the expenditure on the ES as technical cooperation support (to be tracked), as well as setting a ceiling on administrative costs against a predictable denominator value;
  - ii) As part of a further "value for money" analysis a proposal for additional cost reductions will be made, where possible; and
  - iii) Indicative Budget estimate for the Phase Two of the Programme shall be in the range of US\$274-320 million.

## **1. Purpose, Background, Results and Lessons of Phase One**

### **Purpose of the EIF: Trade for Development Partnership in the LDCs**

14. The EIF is a unique global partnership, which is dedicated to supporting the LDCs to use trade as a tool for economic growth and poverty reduction through job and income opportunities. The EIF empowers the LDCs to identify where trade can form an integral part of their national development strategies and assist them in harnessing AfT towards this goal.
15. In operation since 2010, the EIF is working in 48 LDCs and three graduated LDCs across Africa, Asia, the Pacific and the Americas delivering tangible results. The EIF's activities are funded through a multi-donor Trust Fund (EIFTF). The EIFTF provides funding, which kick-starts a process of trade capacity building and enables the leveraging of further funds to support priority projects from Donors, agencies, the private sector and LDC governments.
16. Evidence shows that trade can be a powerful enabler for fostering growth and poverty reduction. As a group of countries that face the most difficult development challenges, the LDCs experience many and varied obstacles in their ability to trade. Therefore, targeted support in priority areas identified and owned by LDCs themselves, is required to help realize their full trade potential. The EIF contributes to achieving this goal through an equal partnership between the LDCs, Donors and Agencies.
17. Through building trade capacity, the partnership works together to support the LDCs' own drive to:
  - Identify and address the priority constraints to trade;
  - Ensure trade directly supports the national development agenda;
  - Set up institutional and coordination mechanisms to coordinate trade-related technical assistance; and
  - Trigger policy reform and mobilize additional financial and technical resources to address priority trade needs.
18. Together with its focus on the LDCs, the EIF's approach sets it apart from other AfT initiatives. The EIF provides country-specific, customized support, which addresses the full suite of trade capacity-building needs through:
  - A structured approach encompassing institutional and policy-related support to address specific constraints,
  - A rigorous evidence based needs analysis to guide prioritization for addressing constraints;
  - Raising the profile of the role of trade and setting up of consultative processes involving all national stakeholders, including the private sector and the civil society; and
  - Effective implementation of projects, which have the most impact (based on identified priority needs).
19. A 2014 independent evaluation found that in the LDCs where the EIF has been operating, progress has been made in all of the above areas. The second phase of the programme – to begin in 2016 – will focus on building on these results by ensuring there is sustained and maximum impact. The emphasis will also be on delivering results in the most effective and efficient way possible, delivering value for money.

20. In its work, the EIF is guided by its three core values. These ensure the results it delivers are sustainable, participatory and fully owned by all stakeholders:
- **Partnership approach:** The most effective way to use trade as a means to support growth and poverty reduction in the LDCs is by having the international community work together and coordinate better. The EIF's effectiveness is a reflection and combination of all partners' specific roles and responsibilities, together with mechanisms for mutual accountability;
  - **Country ownership:** The EIF is defined by the understanding that successful trade capacity building can only occur if it is fully aligned with the priorities of LDC governments. All EIF structures and processes are designed around this principle; and
  - **Results for sustainable impact:** The EIF has achieved good results in strengthening institutional capacities in the LDCs to manage their trade policy and AfT agenda. It will continue to build on these aspects by ensuring a sustainable impact. Best practices, cross country learning and innovative approaches will be harnessed toward this goal.
21. The strong emphasis of the LDCs on the importance of the EIF demonstrates the success of these values in making genuine changes.

### **The Place of the EIF in Aid for Trade**

22. In response to the concerns of the LDCs regarding their integration into the multilateral trading system, raised during the first World Trade Organization (WTO) Ministerial Meeting held in 1996 in Singapore, the Integrated Framework (IF) was established in 1997. It was intended to help meet these concerns through more 'integrated' responses by the major international organizations and donors in the field.
23. The programme was revamped in 2001 and subsequently reviewed in 2005. In line with the Brussels Programme of Action for the LDCs, significant work was undertaken to create a more results-focused, accountable and responsive EIF programme functioning in line with the principles of the Paris Declaration on Aid Effectiveness. The 'enhanced' programme, which became fully operational in 2009-2010, has aimed to focus on country ownership, greater coordination and commitments from all EIF partners, stronger national and global governance structures and additional financial resources to match the LDCs' demands. In spite of the enormous growth in different aspects of the global AfT activity and expenditure over the past two decades, the EIF remains a unique international instrument in its special focus on the LDCs and its purposive investment in helping build the underlying capacities to mainstream trade for development in countries that face the hardest challenges. The December 2013 decisions of the WTO Ministerial Meeting held in Bali reconfirmed the special coordinating role of the EIF in trade-related assistance to the LDCs.
24. Taking into account the experience of Phase1 – with an EIF Mid-term Review (MTR) in 2012, a Review of the TFM's Operating Tools and Procedures in 2014, and the Final Evaluation of Phase One of the EIF programme later in 2014, the EIF Board and the EIFSC decided in December 2014 to extend it for a second phase of a further five years starting in 2016, from the completion of Phase One to 2021.
25. One of the distinctive features of the EIF is that it has an authoritative reference document or 'charter' in the form of the Compendium of EIF Documents, to which all the diverse stakeholders

refer as a detailed rule book with key EIF concepts and objectives included at various points. The agreed vision for the EIF in Phase Two and necessary programmatic changes for this Phase will be reflected in a revised edition of the Compendium of EIF Documents.

26. For an overview in this Framework document, Box 1 below briefly outlines how the EIF funding windows work.

### **Box 1: How the EIF funding windows work**

The EIF programme and EITF provide support to the LDCs through two funding facilities: Tier 1 and Tier 2

#### **EIF – Tier 1 projects**

The first stage of the programme provides the key trade-enabling building blocks for countries to work through how to prioritize actions needed to promote economic growth and sustainable development. The DTISs provide a common platform for government, civil society, private sector and development partner stakeholders to own the trade and development track a country is moving down to secure a strong trading future.

- **Tier 1 funds pre-DTIS, DTIS/DTISU and 'Support to NIAs' projects**

An LDC submits a request to become an EIF Country, which is followed by a technical review. Once approved, the LDC builds up in-country support for the trade and development agenda through stakeholder outreach, advocacy and awareness-raising and sets up a national EIF structure. This phase is supported by EIF preparatory funds.

- **For the next phase the LDC undertakes a DTIS**

to identify constraints to competitiveness, supply chain weaknesses and sectors of greatest growth and/or export potential. The DTIS includes an AM – a list of priority reforms – which is validated by national stakeholders and by the Government. A country may request the funding of a DTISU (and update of the AM) instead of a full DTIS where a DTIS has already been carried out and an update is sufficient.

#### **The implementation phase, which follows, supports the integration of trade priorities into national development strategies and how to identify funding for key priorities**

Support can also be used to help coordinate the delivery of trade-related assistance. This phase is supported by EIF assistance to NIAs projects and/or through bilateral donor support. Tier 1 NIA projects can be for up to five years. Projects of more than three years will be approved in a phased manner.

#### **EIF – Tier 2 projects**

Building on in-country partnership, outreach and advocacy, the EIF focuses on mainstreaming trade into national development plans, strengthening trade institutions and building capacity needed to roll out coordinated trade and development assistance. The EIF works to support catalyst projects to overcome supply-side constraints to trade and help develop a sustainable for export growth.

- **Tier 2 funds Action Matrix priority projects to build up trade-related and supply-side capacities**

This phase is supported by the EITF for priority small-scale projects to build up trade-related and supply-side capacities. However, the bulk of the AfT funding to implement the AM and the national trade and competitiveness policies and action plans should be sought from bilateral donor support or other sources of support at country level

### **Results and Lessons of Phase One (2010-2015)**

27. Specific findings around the results and lessons of Phase One are noted where relevant throughout this Framework document, so that only a brief summation is included here. In the course of Phase One, the EIF has engaged with all 48 LDCs and three others that have 'graduated' from that



category over the period. It now has 37 institutional strengthening projects under implementation and a further 36 projects aimed at building up trade-related and supply-side capacities in identified priority areas, with a grand total of 131 projects undertaken to date. In terms of expenditure the programme has allocated and committed a total of US\$193.93 million, out of total contributions of US\$201.40 million received. In terms of programme results, the EIF claims specific achievements across the range of areas within its mandate: identifying priorities for trade policy and AfT; building institutional capacity; trade mainstreaming; resource leveraging and mobilization; and productive capacity building.<sup>1</sup>

28. The overall conclusions of the independent evaluation of Phase One were broadly consistent with those of an intensive independent MTR conducted two years earlier. They were that:

*'The EIF remains highly relevant and important for LDCs' trade needs. The EIF is supporting LDCs in mainstreaming trade, clearly defining priorities and bringing stakeholders together to support the trade agenda. Gains are already being seen in achieving some of the targeted results. Initial indications show that many of the results have good prospects for sustainability. Signs are emerging that the purpose level outcome of trade integration is starting to be achieved in areas such as employment and exports. The progress on all these fronts varies widely across countries, with some showing more limited changes.*

*However, the EIF faces challenges that are undermining its effectiveness, efficiency and potential to maximize its impact. The governance structure and complexity of the approval and implementation processes continue to slow progress, decrease ownership and buy-in and dampen the extent to which results are emerging. Countries are struggling to mobilize the resources required to implement their priorities. Key stakeholders such as the private sector are not fully engaged as partners, despite the key role they play. The shifting trade paradigms and the emergence of regional trade agreements need to be fully integrated into EIF programming.'*

## **2. Objectives for the second Phase of the EIF: Sustainable results, partnership and communication**

29. The central focus of Phase Two will be on the objectives of leveraging AfT resources while assuring that there are sustainable capacity improvements for all the LDCs at the end of the Phase Two period. Achieving these two objectives will require a more flexible approach to programming, adapted to the specific circumstances, needs and opportunities of the different LDCs.
30. The transition to a Phase Two of the EIF, shaped by the experience and maturation of Phase One, is a watershed moment. It both allows and demands a fresh and tangible re-commitment by all partners to the fundamental objectives and principles of the **partnership**, to be reflected in the tangible engagement, support and follow-up action expected, especially in leveraging far more AfT, as well as in the EIF's governance.
31. It also permits and requires a changed approach to the management of the programme as it moves into more diverse, less standardized challenges in catalysing trade-related assistance. This changed

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<sup>1</sup> Specific results and activities are outlined in the EIF Annual Report 2014 with reference to the programme logframe and recently in summary form in presentations by the ED and the Executive Officer of the TFM at the EIF Global Platform in March 2015.

approach should reflect the growing experience and capacity of the LDCs, to which it has contributed in Phase One and the chance to empower and enable their creative efforts more, and direct and oversee them less intensively (and less expensively).

32. The proposed programme framework is designed to assure clarity, stability and predictability for the LDCs over the Phase Two period, but also enough flexibility to allow for further significant adjustments to be made over the lifespan of Phase Two to respond to progress in implementing change, programme learning and to the evolving contexts for trade in the LDCs. Once the future directions are agreed upon, a change management plan will be completed to guide the agreed changes (see draft in Annex B). Reinvigorated management and governance arrangements will be essential to monitor and make the required continuing improvement a reality.

### **Targeting sustainable results throughout Phase Two**

33. Phase Two will bring the critical tests for the EIF's central purposes of mainstreaming and building capacity for trade and its core principles of country ownership and partnership. The programme's focus in the LDCs has always called for patience and flexibility, taking account of the severe challenges – some unanticipated – facing many of these countries in recognizing and grappling with the trade development agenda. The result has been that the programme has progressed at different paces in different countries and encountered setbacks and delays in a good many. These realities are intrinsic to the EIF's special mission, but at the same time they pose special risks for achieving the goals of ownership and sustainability.
34. Pragmatic adaptations have had to be made, for example in using free-standing implementation units in some countries, and not all have yet been integrated into country systems. Reliance for a wide range of support on a very hands-on TFM function has been heavier than might have been expected, and has not yet been reduced in most countries. Capacity-development activities of various kinds have been much in demand and look to remain so. Staff turnover of skilled and trained people has presented problems on occasions and the continuing weakness and fragility of institutions is widely ranked as a serious risk. The intended leveraging of EIF assistance to help generate much larger flows of AfT has so far materialized in only a minority of countries, with the result that others are sometimes seeking the modest EIF projects as badly-needed substitutes rather than as catalysts. Project extensions had become sufficiently common that new policies have had to be introduced to limit them.
35. None of these problems, or the need to improvise temporary solutions, was ever completely unexpected in a programme of this type operating in the LDCs. But with the onset of Phase Two, the stakes in ensuring longer-term sustainability will rise greatly and require the programme and partners to work out and progressively implement orderly 'exit strategies' designed to maximize lasting EIF benefits and results. This discipline will require firm timelines and, on occasions, difficult decisions by individual countries and by the EIF Board, with the sights firmly set on the Programme phase-out in 2020/2022 and avoiding a prolongation of dependence on outside resources for this work.
36. One such decision has already come up, at this design stage of Phase Two, in response to some anticipated need for further 'Support to NIAs' for trade capacity in countries extending beyond the current five-year limit after the start of those projects. Bearing in mind the diverse circumstances of different countries, an argument can be made for a case-by-case approach to provide supplementary assistance in special circumstances.

37. In this proposal, bearing in mind that the existing five-year extended term for this support is already supposed to place a strong focus on sustainability, it is suggested that a provision shall be made for a targeted support on request for specified phase-out or sustainability purposes.

### **Harnessing the EIF partnership for impact on the ground**

38. The EIF is not intended to serve as a conventional development assistance agency or programme. Instead, the three main sets of partners jointly adopted the much more challenging form of a light and voluntary partnership in purpose and principle, aiming to enhance the work achieved under predecessor arrangements. In renewing the partnership for Phase Two, an issue that merits early attention and clarification by the EIF Board and the EIFSC is around the designation, roles and expectations of 'Partner' and 'Core' Agencies in the EIF. While the main basis of participation of EIF Countries (by application, acceptance and implementation) and of Donors (through contributions to the EIFTF, EIF Donor Facilitator (DF) roles) are relatively clear, the situation of Partner Agencies (and 'Additional Partners') is much less so. Not all of the six founding Agencies remain actively engaged in the EIF, while other agencies have become more so, which was one of the hopes of the original founders. These changes and the implications that flow from them for the governance and identity of the programme need to be better reflected in Phase Two.
39. All the EIF partners have accepted tasks and responsibilities of mobilizing, coordinating and strengthening the capacities of the LDCs in AfT and the flow of greater resources to those purposes. This framework EIF partnership called for active commitment of each of these sets of partners, which can contribute with their own operations, expertise, reputational assets and financial resources.
40. Over Phase One, the financial contributions of the EIFTF and the activities of the lean ES and the TFM came to dominate the attention. The less measurable but equally vital larger partnership was often lost from sight and many of the partners have not been carrying out their responsibilities as fully as foreseen. For Phase Two, success will depend on substantial reinforcement of all of these elements, both in the EIF's central governance and management and in its operations in the LDCs. The proposed new framework underlines how Donors, the LDCs and Agencies will have to become more active and more accountable in Phase Two, as the challenges of coordinating and leveraging resources on the ground become even more pressing.
41. The specific tangible commitments that should apply for each group of EIF partners in Phase Two can be summarized as below, reflecting the experience and lessons of Phase One. In order to improve performance in Phase Two, the different EIF partners should explicitly accept this sort of understanding of their respective responsibilities:

**Table 1: Responsibilities of EIF Partners in Phase Two**

**LDC Governments:** to take the leadership in trade development efforts; advocate the importance of trade in development; engage all relevant stakeholders better; validate the DTIS, DTISUs, AM and MTP solidly; link and synchronize with national trade, development and sectoral strategies; focus on clear priorities; as implementers of projects, to deliver as promised; to leverage EIF with their own and other resources; share experience; and ensure the sustainability of benefits gained from the EIF.

**Agencies:** to engage more actively with the EIF; respect, better support and synchronize their AfT with AM and MTP priorities; coordinate and accept coordination; leverage EIF with their own and other resources; be open to seconding specialized experts to the ES or country structures on request; as implementers of projects, to deliver as promised; play an active part in ensuring the sustainability of benefits gained from the EIF.

**Donors:** to engage more actively with the EIF; respect, better support and synchronize their AfT with AM and MTP priorities; empower, support and hold accountable DFs for their tasks; coordinate and accept coordination; be open to seconding experts to the ES or country structures on request; deliver on the promise to leverage with their own and other AfT resources; provide adequate and predictable funding to the EIFTF; and play an active part in ensuring the sustainability of benefits gained from the EIF.

42. Through the EIF reporting systems and governance structures, the partners themselves have the responsibility to ensure that they and other partners are carrying out these responsibilities. The ES and the TFM have key roles in informing the partnership processes but have only limited means to ensure that partners deliver.
43. Another key requirement for Phase Two will be to narrow divergent expectations between different sets of partners around the pace of expenditures and the results to be achieved in different timeframes. Seen as a long-term capacity-development programme in very challenging fields and countries with relatively modest budgets and a strong emphasis on national ownership (with the extensive consultations that this implies), most EIF Countries have consistently reaffirmed the importance of the programme as their key to accessing AfT, and have been patient about demonstrating long-term results. At the same time they have shared concern with others about heavy and slow procedures and often lagging performance by implementing entities. Donors and potential donors face particular pressures around financing a relatively low spending and labour intensive capacity-development programme that cannot, by its nature, plausibly claim rapid and direct development results.
44. The pace of expenditure and implementation has accelerated, and can continue doing so in Phase Two. This will especially be the case if the management, transparency, accountability and other improvements recommended are acted upon, at a new stage of maturity in the programme and with a consensus on this new Framework and a clear understanding by all partners of the need to ensure the sustainability of gains by the end of this term. The expectations gap should, at the very least, be narrowed.

#### **Using communications and experience-sharing for efficient EIF implementation**

45. The EIF faces major challenges of communication at several distinct levels in its work, to the point that diverse stakeholders repeatedly refer to communications as crucial to the success of a new

Phase Two.<sup>2</sup> The most important facet of this multi-dimensional communications challenge is that of gaining appropriate attention and priority for the potential contributions of trade, and thus trade capacity building, among the urgent competing priorities of leaders and decision-makers in many LDCs. It has often proved extremely difficult to find the ways to engage the central trade actors in the private sector, and this remains a major preoccupation in the programme.

46. Some EIF beneficiary countries, in different regions, have been in the forefront in building this recognition, and have optimized their benefits from the programme as a result. In others, ministries responsible for trade tend to be more marginal to the key processes around setting national strategies for development and priorities for seeking international development assistance. As a consequence, the EIF, relatively modest in financial terms and with a mandate offering medium to longer-term developmental impacts, struggles to achieve access, integration and the kinds of human and financial resources needed to achieve results.
47. While respecting the key EIF principle of country ownership, the EIF as a global partnership is well-placed to help ensure that the issues and potential of trade are not undervalued in setting these strategic priorities in EIF beneficiary countries, and that the EIF structures in countries gain the recognition, support and engagement to do their job. Some of the changes planned in Phase Two, for example around more openness to working alongside the private sector and in regional activities, will offer new opportunities and it is proposed that EIF give serious attention and resources to a strategic communications strategy bringing in all the key elements. The possibilities for e-learning and other technology applications will clearly need to form important parts of the strategy
48. At a practical level, there is clear evidence that even the periodic presence of EIF staff helps raise the profile and remove obstacles, and this effect is multiplied many times over when the key Agencies and Donors demonstrate a strong interest in working in these areas. Well-targeted information materials and events, enlivened by examples, are vitally important. In the area of examples, sharing experience of EIF work at appropriate levels among the different LDCs (within a region or more widely) can also have special benefits, among decision-makers, business and civil society leaders as well as working staff. The trade advocacy and 'mainstreaming' benefits of exchanges of EIF experience therefore rank highly alongside their 'how to' functions in terms of EIF's own operations.
49. Within the complex EIF partnership itself as well as in particular operations, regular and open communication is essential and has been lacking at times in Phase One. There are proposals in this framework for strengthening basic information and reporting systems in the EIF and better quality strategic exchanges at the EIF Board and the EIFSC levels, as well as ensuring closer and more regular contact between the ES and the EIF structures and stakeholders in countries. Complementing a greater physical presence, making maximum use of virtual communications and video-conferencing options can help bridge the gaps.
50. A final communications challenge for the EIF relates to the identity, understanding and profile of the EIF itself. For reasons of its relatively complex mandate and structure and limited resources, the EIF is not going to become a household name, and nor should it try. As the MTR concluded in 2012

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<sup>2</sup> While not being articulated as a major theme in itself, different aspects of communications were repeatedly cited as preoccupations by participants during various sessions at the EIF Global Platform in March 2015.

*'...the EIF should not and cannot try to compete as a 'retail brand' or a major source of financing with some far larger programmes of trade-related technical assistance and massive 'aid for trade' resources. Instead it must strengthen and sustain its special 'honest broker' position and its potentials for leverage and convening these bigger players to permanently reinforce the ability of the LDCs to carry on this work.'*

51. Building an adequate base of recognition for a programme like the EIF to do its work with a range of interested audiences is therefore a far more subtle challenge than for most programmes, but it should not be an impossible one. A key starting-point, highlighted by new countries participating in the programme, would be to simplify and de-mystify much of the 'insider' terminology in the programme, beginning with the programme title itself. While the title 'Enhanced Integrated Framework for Trade-related Technical Assistance for Least Developed Countries' has a history and an established meaning among some highly specialized groups, it is clearly a communications nightmare for any wider purposes, and the acronym EIF by itself is little help.
52. While not attempting to re-name the EIF at this stage, it should not be too late to link the acronym with a more readily-understood statement of purpose such as 'EIF: Trade for Development Partnership in the LDCs'. At a more detailed level, while the Compendium of EIF Documents serves some important purposes as a single agreed sourcebook for all stakeholders on the operations of the programme, it is filled with inside jargon and almost entirely focused on rules and regulations. Without weakening those important functions, it is proposed in the amendments for Phase Two to include some elements to make the Compendium of EIF Documents a more accessible resource. This Programme Framework has also attempted to move toward a clearer and more accessible presentation of the EIF.

### **3. Scope and operations of the programme**

53. The basic design of the EIF programme, as summarized above in the description of 'how the EIF funding windows work' are to be maintained in Phase Two. Several substantive adjustments are planned to capture lessons of experience, the growing maturity of the programme and evolving trade challenges and opportunities expected to confront the LDCs in the coming years.
54. Beyond these substantive adjustments and clarifications, the detailed changes in scope and operations (to be reflected at the relevant points in the revised Compendium of EIF Documents) are all aimed at streamlining and sharpening the EIF 'Programme': improving processes, cutting unnecessary delay, frustration and disenchantment. In short, the opportunity of this transition is being taken to move the EIF programme to be more responsive to country conditions, priorities and initiatives. To achieve this change, more prominence will have to be given to the substantive programme objectives, the supporting results framework and the coordination of the programme by the ES in steering, overseeing and representing the programme.

#### **Key enabling projects for AfT: Modus operandi of EIF Tier 1**

55. While some two thirds of the LDCs now have Tier 1 'Support to NIAs' projects in place providing the key trade-enabling building blocks for countries to work through how to prioritize actions needed to use trade to promote economic growth and sustainable development, the remainder are yet to come or be completed. Some countries have joined the EIF only recently, in others the EIF has

deployed International Trade Advisers (ITAs) to help mobilize the process, while in other countries disasters or crisis situations have blocked progress.

### **Sharpening and synchronizing EIF tools**

56. The DTIS is the analytical anchor of the EIF and of its contributions and provides a common platform for government, civil society, private sector and development partner stakeholders to own the trade and development track that a country is following to secure a strong trading future. For all the LDCs, it remains important to examine strategically the continuing role of this seminal instrument over time as well as the spinoff products derived from it. The DTIS process itself must be approached as a fundamental opportunity for capacity building at the national level, with the objective that subsequent DTISUs be managed by the LDC itself. Active Donor and Agency participation in the DTIS processes, and coordinated internal follow-up within those organizations are essential parts of a successful approach.
57. In Phase Two, without sacrificing the analytical rigor of the DTIS, and building on key elements available from other sources (as already detailed in the Compendium of EIF Documents), these Studies should be shortened and simplified as much as possible to be more accessible and, especially, well summarized for policy and operational audiences. The AMs and MTPs derived from the DTIS should be focused in on a manageable number of more clearly prioritized items to be able to serve better to steer AfT resources.
58. DTISs need to be developed, delivered and validated more rapidly. The implementing Agencies should firmly commit to business-like delivery, and the EIF contract payment patterns should be based on output and performance. The same rules around focus and performance should apply to DTISUs. As in other areas, further improved ES business processes, increased delegation by the EIF Board to the ED, and lighter financial supervision requirements by the TFM will streamline these now-established operations.
59. Crucially, as far as possible, all of these EIF instruments should be planned and timed in advance to synchronize effectively into the country's own cycles of preparing national trade or development strategies and/or key sectoral programmes. Since those planning cycles provide the main basis for Donors' own AfT planning, this synchronization can maximize the opportunities for channelling resources to AM priorities. Even in Tier 1 activities, the EIF will move toward a more flexible, customized approach to fit the particular circumstances of each LDC, varying, if necessary, from the sometimes rigid application of standard requirements and templates in Phase One. From the start of the programme the Compendium of EIF Documents has always left some room for such customization, and with the maturing programme it can now be applied with greater confidence. In addition to greater customization, Tier 1 funding will also include targeted and limited 'Support to NIAs' projects beyond the five-year duration on request for specified phase-out or sustainability purposes on a case-by-case basis. It is proposed to include this transition sustainability support because a number of EIF beneficiary Countries will not have reached the point of sustainability after the end of the five-year support period. The support would be tailored to the specific needs of the LDCs.

### **Priority projects to build up trade-related and supply-side capacities: Modus operandi of EIF Tier 2**

60. Through the Tier 2, the EITF supports priority projects from the DTIS AM to build up trade-related and supply-side capacities. It carries the clear expectation that the bulk of the AfT funding to

implement the AM and the national trade and competitiveness policies and action plans must be secured from donor support or other sources of support at country level.

61. Since such a large share of the external resources necessary to implement the priorities identified in the EIF Countries' DTISs and AMs will need to come from programmes funded by bilateral or multilateral Development Partners, the rapid transformation of priorities listed in the AMs into funded projects is essential for maintaining the EIF's usefulness and credibility.
62. Ideally, this allocation of AfT funding should take place at the same time as, or soon after, the Validation Workshop. Initial planning for a Donor Roundtable should begin at the time the DTIS concept note is approved, and proceed in parallel with the formulation of both the DTIS and the priorities to be listed in the AM. Projects based on the AM should be clearly recorded on a website for the Ministry of Trade or other relevant institution and regularly updated, including from where the financing has been mobilized (e.g., Government, donors, private or philanthropists).
63. In the Phase Two programme it will be important to adhere closely to the original leverage objectives set for Tier 2 in the Compendium of EIF Documents (*'[Tier 2] projects should be strategically selected to complement existing projects or fill gaps'*), as they still present the only persuasive rationale for this tier of activities with modest funding under a catalytic programme like the EIF. Other pressures to fund Tier 2 projects to demonstrate direct trade benefits, or to boost EIF disbursement levels, have not served the programme well.
64. The Compendium of EIF Documents expands on these leverage objectives for Tier 2 and provides useful examples of the types of projects envisaged:

*'Tier 2 is aimed at assisting in the implementation of priority projects identified in the DTIS Action Matrix. These priority projects should be strategically selected to complement existing projects or fill gaps. Additionally, the Executive Secretariat for the EIF (ES) and the EIF Trust Fund Manager (TFM) will work with the EIF Countries to ensure that, where appropriate, small, low-cost and strategic projects are consolidated into a broader Tier 2 project. ...the bulk of the external resources necessary to implement the priorities identified in the EIF Countries' DTIS and Action Matrices will, however, need to come from programmes funded by bilateral or multilateral Development Partners.'*

*Illustrative examples of eligible Tier 2 projects include the following:*

- i) Assistance to implement WTO or other trade policy commitments;*
- ii) Project preparatory activities that may not have been provided for under Tier 1 projects;*
- iii) Trade mainstreaming activities to integrate DTIS conclusions into national development strategies, such as PRSPs; preparation, formulation and implementation of sectoral strategies;*
- iv) Capacity-building activities for key trade support institutions and government officials, representatives of local communities, professional federations, NGOs and other local stakeholders or to enhance the supply-side response of the country;*
- v) Specific actions aimed at enhancing small and medium enterprises' competitiveness for priority sectors identified in the DTIS;*
- vi) Assistance for WTO accession; and*
- vii) Strengthening of trade support services.*



*Small infrastructure projects may also be considered by the EIF Board on a case-by-case basis if they are of a limited and focused scope, if they address a supply-side constraint that has been identified in the DTIS Action Matrix and if they are part of the implementation of the [countries' medium term programmes,] ... where they are in place.'*

65. In applying more closely the original still-valid and unique catalytic roles for Tier 2 projects, Tier 2 financing does carry a clear expectation that efforts to leverage other funds and contributions, including in-kind (from development partners, from the government, from private sector and philanthropists), have been made. These efforts should be undertaken under the leadership of the government and with support by the DF, using the established in-country coordination mechanisms for development assistance including AfT coordination mechanisms and will be documented. However, the successful leveraging of additional funds shall not constitute a precondition for Tier 2 funding.
66. The US\$1.5 million to US\$3 million funding range normally set for Tier 2 projects, appears to remain consistent with the types and sizes of activities foreseen as well as the need to allocate resources among all the potential LDC applicants, but it should not be treated as either setting a fixed entitlement or a rigid ceiling. Subject to resource availability, the EIF Board should be open to considering smaller or larger projects that meet the objectives.

#### **Adapting Phase Two for major trends in trade**

67. A careful reading of the original Compendium of EIF Documents shows that the analytical design had clearly anticipated some of the important trends in international trade that have emerged so strongly in the intervening period, such as the growing movement toward regional integration and trade, concern for services as well as goods trade, trade facilitation, value chain trade and the roles of private sector actors as the key players in trade itself. In spite of this early recognition, however, the active project engagement of the EIF on most of these issues during the formative Phase One was relatively limited and, in the cases of regional projects and those involving private sector actors, expressly restrictive. With the approach of Phase Two, detailed discussion and an in-depth study have been devoted to considering whether and how to best take account of these trends in this Phase of the EIF.
68. The approach now being planned first reaffirms and clarifies that these trends in trade will continue to form part of the analytical basis for the EIF through the DTIS and DTISUs. Where justified by demand from the LDCs concerned, the EIF could consider supporting the preparation of a regional DTIS to explore regional possibilities even more deeply. On a similar basis, value chain analysis may be applied in the DTIS and DTISU processes so that these possibilities can be assessed among potential priorities for trade development.
69. Further adjustments in Phase Two will be to:
  - i) Permit the financing of Tier 2 projects that have a regional dimension provided they are endorsed by the relevant NSC, while the use of the EIFTF remains exclusively for the beneficiary countries of the programme; and
  - ii) On a similar permissive, not prescriptive basis, Tier 2 will not only continue to be open to projects that address services and value chain-related priority areas identified in DTIS/DTISUs,

but will be able to fund priority projects that involve contributions by private sector parties, while not directly funding the private sector.

#### **4. Governance**

70. All three constituencies of EIF partners – the EIF Countries, Donors and Partner Agencies – share in the governance of the EIF through the plenary EIFSC and the smaller, representative EIF Board, with the support of the ES and the TFM. It is important to note that one of the main enhancements targeted in the move from the old Integrated Framework in 2006 was to achieve *'Stronger governance of the EIF, including collective decision-making through the EIF Board, the ES and the TFM, as well as through clearly defined accountability and rigorous monitoring and evaluation.'*
71. On the basis of experience in Phase One, as documented in the EIF evaluation studies, the main formal mandates and functions assigned to these bodies remain relevant, but in practice they have not always focused on their most essential responsibilities. To rectify this situation in Phase Two, the key governance responsibilities and accountabilities, especially for the EIF Board, are being refocused and reinforced, as outlined in this section and in Annex A.
72. Equally important are the governance provisions for EIF activities within the LDCs, intended to ensure country ownership and leadership of the programme's support for trade integration, while effectively calling on the engagement and support of the other EIF partners on the ground. Experience has shown wide variance in the effectiveness of these in-country governance arrangements, and cases of concern are also to be addressed early in Phase Two.

#### **The EIF Board and the EIFSC**

73. The roles and tasks of the EIFSC and the EIF Board must work in tandem. Together they need to provide the necessary combination of top-level plenary oversight and collective programme direction by all stakeholders – through the EIFSC – and key decision-making – by the smaller, representative EIF Board – for operational and financial oversight and policy direction within the broad guidelines set by the EIFSC. As the bodies where the EIF partners come together, both the EIFSC and the EIF Board are responsible for applying the principles of the EIF, and as forums for mutual accountability by the partners for performance under their respective EIF responsibilities.
74. The EIFSC plays an essential direction-setting, broad oversight and legitimizing role for the EIF programme, and all stakeholders recognize that it is not the forum for operational supervision. Although there has not been evidence of serious conflict or confusion between these mandates in Phase One, it can be a challenge for constituencies to ensure the necessary consultation and representativeness for EIF Board proceedings, and the proceedings of the EIFSC need to benefit from more lively exchange of experience alongside formal reporting and statements to become more compelling and relevant to the EIF programme and promoting coherence and cooperation in the changing world of Aft.
75. On the other hand, the EIF Board, at this more mature stage of the EIF, needs to focus on its more appropriate strategic operational oversight role, with greater emphasis on monitoring and sharing substantive results, risks and lessons. EIF Board meetings could serve mutual accountability in the partnership by having Donors, Agencies and the LDCs take turns presenting their performance under their respective EIF responsibilities, giving examples of successes and lessons, and

responding to comments and questions from the other partners. For the EIF Board to be able to exercise such a strategic oversight role effectively, the different constituencies, in selecting their representatives, need to meet the expectation in the Compendium of EIF Documents *'that all EIF Board Members will have substantial standing and experience in development assistance matters.'* The EIF Board's greater focus on the strategic oversight role in Phase Two also implies that it will have less continuing direct preoccupation with detailed issues of financial monitoring and individual project decisions, which are more properly delegated to the ED (i.e., projects under Tier 1 and feasibility studies funded under Tier 2). It is foreseen that the number of EIF Board meetings can be capped at two (including one in an LDC) in principle, based on need.

### **Guarding against potential conflicts of interest**

76. A special consideration affecting the governance of the multi-partner EIF is the need to avoid conflicts of interest in situations where partner institutions that have a governance role may also have a financial interest in EIF activities. To date, such situations have primarily involved partner agencies, although they may also arise with government implementation of EIF projects and certain donor roles. To some extent, the EIF Board Rule of Procedure No. 18 as set out in the Compendium of EIF Documents may have anticipated the possible conflicting roles of Agencies in its provision that an EIF Board "consensus shall include the representatives of the Donors, the LDCs and the WTO, taking into consideration the views of the other five Core Agencies" and that "in the event that no consensus can be reached, the Donors and the LDCs shall have recourse to a vote." To meet accepted standards for impartial governance, it will be important for the EIF in Phase Two to have in place a clear policy in the EIF Board Rules of Procedure that the Chair of the EIF Board protects against perceived conflicts of interest in the decision-making function of the EIF Board.

### **Accountability for programme and trust fund management**

77. The essential balancing condition for more normal delegation of management responsibilities will be for more direct and explicit goals and full transparency and accountability to the EIF Board for performance by the ED (and in turn his/her staff) and for the TFM and its personnel. Goal-setting and accountability arrangements for the performance of the ED (and through him/her for all staff members of the ES) should be based on an annual performance review set out between the ED and the EIF Board Chair and monitored with the EIF Board Chair in consultation with all the EIF Board members. These reviews must be consistent with the formal job description in the Compendium of EIF Documents and define the strategic priorities for the period and the relevant measurable goals and targets wherever possible. Two initial benefits will be a sharper delineation of what is actually within the power of the ED to deliver, and a clarified cascading set of goals for the individual performance agreements of staff members. Under the WTO's administrative hosting arrangement for this multi-partner programme, the EIF Board Chair's report shall be forwarded to the WTO Director-General as the substantive basis for his/her formal contractual annual performance assessment for the ED. This arrangement, under which the Director-General can also integrate issues of an administrative nature as necessary, will make the accountability provisions in the Compendium of EIF Documents' job description<sup>3</sup> truly operational in Phase Two.
78. The performance of the TFM will be evaluated on an annual basis. Performance indicators will be developed by the programme through the M&E framework, with TFM input, and presented by the

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<sup>3</sup> "The ED reports to the EIF Board on all matters relating to the implementation of the EIF programme and to the Director General of the WTO on all administrative matters related to its staff and the operation of the ES."

ES to the EIF Board and be subject to monitoring on the basis of its annual work plans, reports and the ED's assessment of their performance. These changes will be added to the Compendium of EIF Documents. In the event that arriving at agreement on performance review results should require amendments in the existing documents (Contribution Agreements including Standard Provisions, the UNOPS Bid and the Accountability Framework), these should be pursued. If entirely new arrangements should be required, the normal provisions for requesting competitive proposals would be put into effect.

79. A range of provisions to implement the necessary improvements in the governance performance of the EIFSC and the EIF Board under Phase Two and the accountability of programme management, still working within the existing institutional arrangements, are set out in Annex A of this paper and will also be reflected in revisions of the Compendium of EIF Documents.

### **At the country (individual LDC) level**

80. From the available evidence, it appears that the EIF's proposed model of governance and management at the country level is working well in some countries - often with adaptations to fit effectively into their own systems - and much more unevenly in other countries. The expected contribution of DFs in-country is an integral part of these arrangements.
81. In preparation for the launching of Phase Two, the ES and the EIF Board (in consultation with the countries and other stakeholders) will take stock of the state of these arrangements in countries where any concerns are raised about the working of these structures. They will then rapidly explore ways to help adjust and revitalize them as necessary. The objective is to help equip all possible LDCs to take advantage of the EIF in Phase Two, and not be left behind. The cardinal principle of country ownership must be maintained in this process but the EIF must be ready to help proactively at this crucial stage and work with country stakeholders.
82. As well as possible course-corrections for the EIF itself, it will be important to keep in mind the potential roles that the EIF's governance, consultative and managerial capacities may be able to play in meeting new challenges in areas such as new Trade Facilitation activities.
83. In line with the overarching objective of strengthening country ownership and assuring sustainable improvements in trade capacity in all EIF Countries before the end of Phase Two, the EIF will maintain and intensify the following measures, also proactively, according to the needs and preferences of different EIF Countries:
  - i) Agree on training and institutional strengthening plans with countries to ensure that sufficient human and institutional capacity is in place to exercise ownership and sustain EIF results;
  - ii) Increased alignment with national mechanisms in AfT management, Donor-Government dialogue (in particular sector working groups) and national trade policy consultation/coordination;
  - iii) Full integration of the NIUs into government structures;
  - iv) Mobilize greater involvement and responsibility of other key ministries and the private sector in project steering functions, project development, supervision and oversight. Consider formal mechanisms for engagement with other ministries and stakeholders beyond the NSC;
  - v) Strengthen partnership for resource mobilization through capacity building (e.g., a training module), and communications and trade advocacy; and
  - vi) Communications for advocacy of trade and to support project implementation.

84. There is no major evidence of governance problems as such arising between the work in the LDCs and Geneva, although some of the management issues covered in the following section do have implications for governance. Challenges arise from the inescapable strains for most of the LDCs to try to cover many subjects through their Geneva Missions, or not having a resident Geneva Mission. The move to hold some EIF Board meetings in the LDCs should be positive, as should arrangements for greater participation from capitals in EIF Board and EIFSC meetings. While the ES Coordinators are likely to remain stretched to cover all countries, their more frequent deployment to countries when needed to help expedite action or ease bottlenecks could help further, together with the use of other communication technologies. For their part, donors and agencies need to be responsible to ensure that commitments and priorities accepted around the EIF table are followed-through in their capitals or headquarters and in their field operations.

## **5. Management**

### **The ES**

85. Building on the experience of Phase One, the EIF has a much stronger basis for clarifying the roles, functions and expectations of the ES going into Phase Two. Compared with the earlier years of Phase One, there is good evidence that the coordinators can now deploy greater competencies, capabilities to apply them effectively in the programme, and capacities to apply them on a larger scale. This is reflected in improving rates of design and implementation in the face of the heavy responsibilities of each of the individual coordinators in a diverse set of countries.
86. However, at this turning point and with a view to growing activity and demands, the efforts being expended by the ES need to be better harnessed and organized from the more improvisational model worked out in the EIF's early years. A very small core staff of coordinators built up the operation from scratch, carrying the load in multiple countries, multi-tasking to maintain the other key ES functions, providing the corporate memory and inducting and coaching new colleagues. Meanwhile, the EDs have taken on the responsibility of both overall internal leadership and strategic direction as well intensive representation and cooperation with the EIF's multiple stakeholders – in nearly 50 countries and with some 30 Donor and partner institutions - as well as the governing EIF Board and EIFSC, the WTO as administrative host and the semi-autonomous contracted TFM organization with parallel responsibilities. The more recent recruitment of a senior staff member responsible for partner relations was a welcome reinforcement, but further highlighted the impossibility of the previous load.
87. While it is still generally expected that the EIF will maintain a lean operation to support a relatively small programme, it is clear at the start of this decisive Phase of the programme that the ES will again be severely strained by the growing and diversifying array of projects and the need for direct engagement with LDC project partners. By its nature, the programme unfortunately cannot benefit from the normal economies of scale available to many others. Moreover, supervising and monitoring the effective implementation of the reforms set out in this new Programme Framework will impose a substantial additional workload at the senior management level. In this situation, it may be justified for the Executive Director to consider how to strengthen the ES's role in overseeing delivery, results and economy across the entire EIF portfolio, as well as the performance of contractors and implementing entities.

88. The ES may also need to supplement its internal resources with impartial expertise in specialized areas to assess proposals and advise countries in developing and implementing a widening variety of catalytic trade support projects. In situations where there is no potential conflict of interest, EIF Core Agencies, Donor countries or other sources could be called upon for such supplementation on a short-term or even longer-term secondment basis. Another substantive requirement is for the ES to be more readily accessible to work with EIF Country operations, and relevant proposals are included in the section below on management arrangements 'Between Country programmes and Geneva'.
89. The ES urgently needs to invest in improving its business processes by putting in place and relying on a basic management information system to track, report on developments and support implementation and results in all the programmes, building on the 'information hub' and other existing tools. Synergies within the team need to be strengthened. Implementing a planned change process to support the revised Programme Framework (see Annex B: The Change Management Plan for the Phase Two Programme Framework) will be required to map out realistic steps, schedules and budgets to implement such business process improvements, and to examine how particular functions may best be carried out. This will need to include the ES's roles in communications, partnership management, and in support of the EIF Board and the EIFSC.
90. The demands on the small team are inescapably high and complex, and there is likely to be very limited scope for adding further staff to service a relatively small programme. This implies that the ES must be a uniformly high-performing team, and be as well organized and efficient as possible. In order to help achieve and maintain the required high performance, the new provisions for stronger goal-setting and performance accountabilities to the EIF Board for the ED will be vital, with similar performance provisions to cascade down to his/her staff members. With all staff engaged on relatively short, fixed-term contracts, the essential high performance should be possible to maintain.

### **The TFM**

91. The TFM function, initially required to take a leading and weighty role on the ground in setting up Memoranda of Understanding (MOUs) as well as ensuring and helping develop the requisite financial capacity in programme countries has, by all accounts, assured the effective management of possible fiduciary risks in the modest EIF programme. Its deployment of Regional Project Managers has helped deliver readily-accessible assurance as well as support and advice to EIF Countries in its areas of competence.
92. The intensive initial roles and continuing frequent TFM presence in EIF Countries (for example with two regular missions to each per year, now totalling 340 missions in all) have also included a range of additional functions by the TFM service. Among these it reports: support to the LDCs with accounting, budgeting, recruitment, procurement, sub-contracting, reporting, and auditing (draft TORs), as well as capacity building through its missions, on-the-job training, e-mails and daily phone calls. It is clear that a good many EIF Country officials have come to appreciate and rely on this level of close support, including the usefulness at times of TFM (and less frequent ES) missions in raising attention and easing blockages in their own systems.
93. In Phase Two, the TFM function should be expected to serve as a fixed-term service provider of fiduciary services, including performance-linked contracting and essential budgeting and financial reporting to the satisfaction of the EIF Board. This will require new TOR, to be approved by the EIF

Board, which should reflect the roles and functions of the TFM in Phase Two of the EIF. The procurement process would need to reduce the risk of disrupting this programme, in line with the programme framework's commitment for an efficient and smooth transition to Phase Two. To this effect, the procurement process will be concluded in a manner which will ensure that the TFM for Phase Two is fully operational on 1 January 2016, with the understanding that the necessary preparations have been completed such that there are no delays to the operationalization of Phase Two of the EIF, including the disbursement of funds, stemming from any change in the TFM. These issues will be reflected in the Change Management Plan (Annex B).

### **Combined (ES/TFM) roles and functions**

94. The evidence suggests that the ES and the TFM have worked closely and effectively together over most of Phase One. The later-developing ES often leaned for some of its own tasks, especially in the early years, on the fully-staffed and better-financed TFM function with its presence in the regions. It still tends to do so on occasions. With the growing strength, responsibility and accountability of the ES as the programme coordinator in Phase Two, and the diminishing need and justification for the intensive and far-reaching financial supervision of the past, considerable re-balancing should now be expected to give greater weight to substantive programme support. Such a change will better reflect the original conception of the Trust Fund management service supporting the ES and the EIF Board, as reflected in the Compendium of EIF Documents' section on governance at the global level. This re-balancing should immediately be reflected in more joint missions and assessment processes to reduce burdens and delays for LDC partners. Where the activity and cost of the TFM function can be successfully reduced, resulting savings would help offset additional costs of the ES.

### **Between country programmes and Geneva**

95. In the new Phase of the EIF, with the ES strengthening its responsive accompaniment function with the LDCs, it will be even more important for the ES to be readily-accessible and present in countries as required. As detailed in other sections of the programme framework, there are constraints that would have to be overcome for the ES to be as decentralized as the TFM operation (e.g., direct employment by the WTO, which does not now have field staff provisions). Consultations have explored a range of advantages and disadvantages. But from the point of view of the essential tasks of the ES and the key goals of the EIF in Phase Two, a higher and more sustained presence of the Coordinators in their countries of responsibility will be essential to put them physically and in perspective closer to LDC clients and their needs, as well as to representatives of other partners on the ground.
96. A first logical change, which would also respond to the growing moves toward regional integration in many regions, will be for the country portfolios of ES Coordinators to be distributed as far as possible by region or sub-region, taking account of linguistic and special knowledge requirements. Since not all LDC's are concentrated in neighbouring regions or sub-regions, covering countries such as Haiti or South Pacific island states will always require extra measures.
97. As further steps, it is proposed that the ED decentralize at least some ES Coordinators regionally, with local support staff. In several important ways, such a move should serve to ground and complement the perspectives and contacts between the ES staff in Geneva and the field and encourage transfer of knowledge and skills. Overall costs and overheads would likely be very similar to the present situation and bureaucratic arrangements to post or contract ES staff might call for adjustments, either in some flexible adaptation by the WTO or different contractual arrangements.

But if successful, the shift to a more nearby, responsive and flexible programme for the LDCs would be worth the effort.

98. If a decentralization of all Coordinators is not initially possible, a pilot test could be undertaken with one or two of them and the results for the programme assessed after a reasonable period. For Coordinators not being relocated, their more frequent and extended presence on the ground with LDC clients could be more easily achievable with clear regional responsibilities and longer and more frequent regional missions. The minimum objective of one ES mission per country per year should be maintained in all but the most exceptional circumstances, with more where justified in order to support key programme milestones.

### **Increasing efficiency**

99. Most EIF stakeholders indicate that they would like to see faster and more substantial delivery of programmes. EIF evaluations and consultations have revealed different perceptions of the seriousness of these concerns and of where bottlenecks lie, and there are no reliable comparative standards on delivery times for different types of development cooperation projects across the project cycle, especially for complex projects in the LDCs. Moreover, because EIF projects are by definition targeted and small and aimed at capacity development and leverage, there are few economies of scale to be realized.
100. Nonetheless, concern is urgent to improve EIF efficiency wherever possible because of pressures to show results and competing demands for available funding, all with a view to leaving the most solid contributions possible when the EIF as such comes to an end.
101. On the basis of evaluative evidence base and stakeholder consultations, a set of bottlenecks and possible efficiency gains in EIF's project cycle has been identified in the Table below.<sup>4</sup>The detailed steps, templates, etc., set out in the Compendium of EIF Documents do not suggest broad areas where wholesale cuts could be made, but rather point towards a more flexible application of the requirements as guidance, appropriate to a more mature and country-owned programme. In particular, given the evidence on where delays have been most common, the focus is on reducing duplicative and/or time-consuming steps by the TFM and the ES in stages b. and c., e., f., g. and k. and l. in the Table below.
102. Specific actions to implement these streamlining (and effectiveness) improvements are included in the Change Management Plan (Annex B) which also includes a provision for further specifying reforms to increase efficiency.

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<sup>4</sup> The Evaluation report in November 2014 suggested that the timing of overall EIF delivery had not changed substantially over the 2012-2014 period.



**Table 2: Efficiency Gains in the Project Cycle for Phase Two**

Stage/Activity of EIF Cycle	Key Measures	Action by (in Order of Responsibility)
a. <b>Capacity development (at all stages)</b>	EIF Countries adopt focused Phase Two plans for the countries' human and institutional capacity to own and sustain EIF results. Targeted ES/TFM support, LDC commitment to sufficient continuity.	FP, NIU, NSC, ES, TFM
b. <b>Project identification</b>	Early consultation of potential funders in DTIS process, rapid convening of donor round tables, etc. around AM. Reporting/accounting for AM follow-up.	FP, DF, NIU, NSC, ES
c. <b>Formulation of proposals</b>	More conclusive support missions by ES (with TFM if necessary, not duplicated). Reduce back-and-forth steps in finalizing proposals. Project summary sent to EIF Board for information at the formulation stage.	NIU, DF, ES, EIF Board
d. <b>TAC appraisals</b>	No major reported delays/problems, use as opportunity to widen and deepen engagement in country.	FP, DF, NIU, NSC, ES
e. <b>ES project appraisals/ assessments</b>	Joint missions with TFM where possible, longer support missions to finalize, regionally-based capacity. Reduce number of back-and-forth stages.	ES, PF, DF, NIU
f. <b>TFM project appraisals/ assessments</b>	Joint missions with ES where possible. Focus on countries with highest needs for fiduciary support. Lighter engagement where LDC experience and capacity developed.	EIF Board, TFM, NIU
g. <b>Project approval by the EIF Board</b>	Delegated authority given to ED to approve projects under Tier 1 and Feasibility studies under Tier 2. Submission of Summary Page of EIF project assessment by ES/TFM for approval of Tier 2 project by the EIF Board by no objection within 10 working days.	ED, EIF Board
h. <b>Finalizing agreements</b>	The only reported delays/problems relate to formality of top-level signature requirements in countries. Appropriate delegated authorities could resolve.	LDCs, TFM
i. <b>Disbursing funds</b>	Maintain disbursement pace for operating projects, but resolve commitment backlog and extension issues. Further guard against avoidable extensions for projects.	TFM, ES, EIF Board
j. <b>Implementation</b>	Business-like commitment and incentives to ensure timely delivery of quality results by all implementing entities. ES/TFM follow-up on delivery. Quarterly progress reports to EIF Board against key project milestones across the portfolio.	MIEs, TFM, ES backed by the EIF Board.
k. <b>Facilitation/ monitoring by the ES</b>	Reduce number of back-and-forth stages, more responsive support missions with flexible expert supplementation, stronger regional capacity.	ES, EIF Board, WTO
l. <b>Facilitation/ monitoring by the TFM</b>	Less frequent supervision missions in the LDCs where the experience and capacity developed allow. Focus on more difficult situations.	EIF Board, TFM
m. <b>Monitoring at the national level</b>	Review and revise if necessary to focus on essential monitoring requirements in user-friendly form.	ES with focus group of NIUs to propose.
n. <b>Evaluation</b>	Project level: ensure usability and promote use of evaluation results. Programme level: avoid over-evaluation and the associated demands and costs. Consider light ongoing evaluation as well as planned summative evaluation in 2020.	ES, NIUs, NSCs  EIF Board decision.

## 6. Results Framework, Monitoring, Evaluation and Risk Management

### The Results Framework and monitoring system

103. The Results Framework and monitoring system for the EIF to date has been based on the original Programme Logical Framework (Logframe) reproduced in the existing Compendium of EIF Documents, specifying the EIF's overarching goal, purpose, intended outcomes and their respective indicators, data sources and some assumptions and risks. The logframe and M&E framework were found to basically serve their main purposes in relation to Tier 1 capacity-development projects.

104. In relation to the growing number of Tier 2 EIF projects, however, the role of the Programme Logframe and M&E system can appear more complicated. The Evaluation pointed out that, *'The Tier 2 [project] indicators vary by country depending on the areas of focus of the projects but still are expected to be related and contribute to the four EIF outcomes.'*<sup>5</sup> The evaluation findings highlight the current situation and needs for improvement in Phase Two:

- i) The projects selected and financed under Tier 2 must be clearly linked to the DTIS AM priorities, as specified in both Outcomes 3 and 4, and should respond to the priority purposes for Tier 2 set out in the Compendium of EIF Documents.

Action: The linkage to AM priorities was clear in the small sample tested, but the evaluation did not include clear findings on this question or on the adherence to Tier 2 criteria, and there are perceptions by some stakeholders that this has not always been the case in projects to date. In Phase Two these linkages will need to be made more explicit in project proposals; A key objective for Tier 2 is that 'The bulk of the external resources necessary to implement the priorities identified in the EIF Countries' DTISs and AMs will, however, need to come from programmes funded by bilateral or multilateral Development Partners.'

Action: To date, total direct EIF spending on 32 Tier 2 projects has leveraged a total of 16% more in Government contributions, and 19% more in contributions by other donors. So far, donor contributions are expected to exceed the EIF share in only one project case. On this basis, the key leverage objective, directly for Tier 2 projects and more widely, is evaluated and perceived as one of the less satisfactory results areas to date. All the EIF partners share the responsibility to improve performance. This concern is a major one, even bearing in mind that the leverage function of the EIF should not always be expected to show up in direct contributions to the 'EIF projects' themselves, but that those projects may trigger or enable much larger contributions to support AM priorities. While it would not be reasonable, in the conditions of most of the LDCs, to set substantial counterpart donor funding as a rigid pre-requisite for Tier 2, it will be an important part of assessing results against Outcomes 3 and 4 to be able to document systematic efforts to attract such funding, and the responses of potential contributors;

- ii) Tier 2 projects should have robust project results frameworks that are consistent, and clearly linked with the EIF Programme Framework.

Action: The evaluation and test sample found solid project results frameworks, while not

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<sup>5</sup> Outcome 1: Sufficient institutional and management capacity built in EIF Countries to formulate and implement trade-related strategies and implementation plans; Outcome 2: EIF Countries mainstream trade into their national development strategies and plans; Outcome 3: Coordinated delivery of trade-related resources; Outcome 4: EIF Countries secure resources in support of initiatives addressing DTIS AM priorities.

necessarily explicitly linked to the EIF Framework. Rather than expecting Tier 2 AfT projects to be artificially cast in an EIF mould, in most cases it would appear to be a relatively simple matter to add the linkages from the project framework to EIF Outcomes 3 and 4 in particular, with reference to existing indicators, updated as necessary; and

- iii) Unlike Tier 1 projects, which are mostly aimed at intermediate or trade-enabling outcomes, many Tier 2 projects are intended to contribute directly to the EIF's ultimate outcomes: at the purpose level 'To enable EIF Countries to become fully integrated and active players in, and beneficiaries of, the global trading system through mainstreaming trade', or (less attributably) to the EIF's overall goal of contributing to 'LDCs' integration into the global trading system with a view to contributing to poverty reduction and sustainable development.'

Actions: In the cases where the linkages can be made up to the purpose and goal levels, a select number of existing indicators can be applied and also updated as necessary. The prospect of more direct contributions to the developmental goals of poverty reduction and sustainable development also raises the salience of integrating purposive poverty assessment to ensure that likely poverty impacts (losers/winners) are considered and actions are taken to mitigate risks. From the outset, the Compendium of EIF Documents has recommended that DTIS analyses include 'Discussion of implications for poverty alleviation and employment generation and review of the poverty alleviation dimension of increased production and exports through direct and indirect employment generation, in both the formal and informal sectors.' This analysis is also supposed to extend to issues of gender equity. In Phase Two, the programme should take advantage of good practices elsewhere in these assessment systems, extending through implementation as well as design.

105. As the main focus of the EIF projects shifts in Phase Two, experience to date and review for the new Programme Framework suggest updating and refinement of the Logframe with regular annual review and updating with the engagement of the EIF Board as part of its strategic oversight work. The updated Logframe will need to be circulated to all stakeholders to test, confirm and strengthen a common understanding of the priorities for Phase Two, especially in the strategic, catalytic use of Tier 2 projects and the imperative of consolidating sustainable capacity gains by the end of the Phase Two term. The requirements for this process are built into the change management plan.

### **Programme evaluation**

106. It is important to avoid the danger of over-evaluating the EIF in Phase Two as occurred in Phase One, while at the same time providing for essential independent input on the ambitious improvements being undertaken in this Phase. It is proposed:
- i. That the new phase should include an independent evaluation in 2020 in order to:
    - Confirm performance and provide final course-corrections if needed;
    - Sum up the evidence on results achieved from the full experience of the EIF/IF to that date, and on the effectiveness, efficiency, impact and sustainability of the EIF model to the objectives of helping the LDCs to integrate into the global trading system and advance their economic and social development; and
    - Provide recommendations for appropriate future directions in mobilizing TRTA for the LDCs, in good time for consideration and possible action by the end of the EIF term.
  - ii. Progress against the Change Management Plan will be reviewed by the ES and reported to the EIF Board annually.

## Mature risk management

107. In Phase One, the full range of risks and assumptions underlying the EIF programme have not been coherently addressed and reviewed on a regular basis by the EIF Board, or sufficiently internalized by all stakeholders. At the same time, potential fiduciary risks, which by all accounts have been successfully contained, have, in effect received overwhelming attention. An original reference in the Accountability Framework for the EIF is worth recalling:

*'The first risk, inherent in all funding programmes, is that financial resources are used inappropriately – that expenditures are not for approved activities and that these are not effective in achieving the objectives of the EIF overall programme. The second risk is that the funds will not be used – that is, that the design of the EIF overall programme does not facilitate its use by LDCs. If the design is too complex, the procedures are too rigid, or insufficient technical support is provided throughout the EIF process, LDCs may have difficulties making effective use of the EIF overall programme.'* (Compendium of EIF Documents.)

108. A more comprehensive and balanced approach to risk management in the partnership and the programme will be an especially important function in the next, decisive Phase of the programme. A full and 'living' register of assumptions and risks for the EIF should logically accompany and underpin the Results Framework. The ES will have to elaborate a risk matrix, based on the elements presented in Table 3.

**Table 3: Risk Management in EIF Phase Two**

Type of Risk	Specific Risks	EIF Risk Management Picture
Development risks	Strategic relevance/suitable modalities.	Relevance has been basically confirmed, adjustments required in Phase Two (e.g., Targeting Tier 2 to leverage and getting better responses from funders; link to growing volumes of funding for the implementation of the WTO Trade Facilitation Agreement (TFA); consider regional and value-chain trade projects and private sector involvement where these are country priorities).
	Tangible commitment and performance of all partners.	Not monitored or managed in any coherent way in Phase One. Substantive re-commitment, performance mechanisms and monitoring proposed.
	Institutional capacity and governance in the LDCs.	Need for adjusted responses to varied capacities/performance, and test and revitalize whole-of-government and private sector engagement.
	Danger of unsustainability of EIF contributions.	Intensive focus throughout Phase Two on measure to steadily reducing dependence and build sustainability. Explicit sustainability plans/exit strategies.
	Disasters, socio-political obstacles to higher level EIF purpose and goal.	Recognized and managed by the EIF, taking account of the programme's very limited control or influence.
Financial risks	Fiduciary funding.	Has received intensive investment/attention, some trade-off with slowed performance pace and high administrative cost. Lighter and more selective approach needed in Phase Two. Risk that donor funding allocations will not be adequate or sufficiently

		timely to sustain the Programme. This has necessitated a conservative commitment/disbursement approach and begun slowing healthy programme growth. Need to clarify firm and indicative pledges for Phase Two as early as possible and review semi-annually with the EIF Board, adjusting portfolio management as needed.
Operational risks	Human Resources. Performance management. Critical business systems and information.	Has been steady strengthening, top-performing team now needed for Phase Two.  Clear accountabilities and actionability required.  Improvisational in early years, major strengthening is an imperative for Phase Two.
Reputational risks	Reputation and stakeholder confidence.	Nature and importance of trade capacity development mission for the LDCs inherently difficult to convey to non-specialists. Need to select and target audiences and vehicles. Early expectations of pace of programme development and disbursement unrealistic, but spending for its own sake mostly avoided. Clearer understanding (and achievement) of catalytic EIF role essential to maintain confidence/interest. Confused understandings and pressures around Tier 2 projects. More explicit assessment by the Compendium of EIF Documents' criteria is needed. Further strengthening/transparency of information for governance. Imperative for solid programme and story on contributions to results in decisive Phase Two.

## **7. Value for money and indicative programme budgets**

### **Value for money and areas for savings**

109. From the point of view of an 'external' test of value for money in the EIF - an appraisal of other feasible ways of achieving the intended results of the EIF- the evidence base to date has not revealed any substantial alternative approaches for achieving the intended results of the EIF programme in the LDCs. All the findings testify to a widespread continuing conviction in the importance and relevance of the challenges, and a wide measure of continuing acceptance of the EIF's 'unique value proposition' in offering ways ahead in this extremely difficult work, especially with further improvements.
110. Second, in the 'internal' assessments that are commonly made of 'value for money' through the combination of economy, efficiency and effectiveness, some comparative standards are always applied explicitly and/or implicitly, but in the EIF's case they have not yet been clearly informed by structured evidence. The review and M&E work done on the EIF to date have yielded significant findings around its effectiveness and its efficiency in terms of time and complexity of operations, taking account of its nature as a programme and the contexts in which it works. But no accepted comparative standards of economy or efficiency in the use of resources are available to apply directly to a programme like the EIF. For example, any simple measure of programme efficiency or economy based on overall disbursement against programme support costs would wrongly pre-suppose that there are economies of scale in the particular types of targeted and deep capacity

development results sought in this kind of programme, in uncharted settings. Such an approach could even incentivise irresponsible 'big bang' spending, which the EIF has prudently avoided.

111. Moreover, decades of experience in and among development agencies have confirmed the near-impossibility of rigorously identifying, calculating and especially of comparing 'administrative' costs. The obstacles to comparison include: differences in remuneration and social system contributions; degrees of decentralization and/or delegation to project implementers; shares of technical cooperation components; the size of projects; the size of recipient countries; availability of adequate local procurement systems; level of consultation with local actors; shares of human rather than material inputs provided; as well as other differences concerning the recipients, forms, sectors, quality, follow-up and accountability arrangements for aid. In short, a very careful comparison of very similar programmes (which may not actually exist in the case of the EIF) would be necessary to get a true idea of comparative administrative costs.
112. In the absence of any recognized standards for calculating a range of appropriate administrative costs, the 13% limit on administrative fees and costs originally specified in the Compendium of EIF Documents appears to have been a reflection of a broad political judgement of what can be perceived as an acceptable cost for delivering a set sum of resources to beneficiaries. In this respect the EIF Board has decided as follows:

*In the absence of recognized standards for calculating appropriate administrative costs, the EIF Board decided to define the TFM cost as an administrative fee, while the majority (such as 70%) of expenditure on the ES as technical cooperation support (to be tracked), as well as setting a ceiling on administrative costs against a predictable denominator value.*

113. Even with all these important caveats, it would clearly not be possible or acceptable to set aside a concern for finding the best standards possible for ensuring economy in the EIF's operations. The agreement of the EIF Board and the EIFSC to extend the EIF for a second phase was premised on reforms to improve the efficiency of the programme as well as its effectiveness and sustainable results. A systematic way to proceed in preparing this framework has been to identify what are perceived as some of the inherently 'higher-cost' features that have been accepted from early on in the EIF, some after a long and difficult debate, and seek all stakeholders' views on which can and should be improved, bearing in mind the possible offsetting benefits and constraints. This will provide the basis for an agreement in Phase Two as to which cost factors are unavoidable and which should be targeted for reductions. The factors assessed and the findings were as shown in Table 4 below.
114. As part of a further "value for money" analysis, a proposal for additional cost reductions will be made, where possible (see Annex B: Change Management Plan).

**Table 4: Higher cost factors in the EIF and possible savings in Phase Two**

<b>Some apparent higher-cost choices in EIF</b>	<b>Savings possible in Phase Two?</b>
a. Seating the EIF's centre in the high-cost environment of Geneva;	No.
b. Seating it administratively within a multilateral organization – most other experiences suggest that decentralized operation under an international organization would not yield major savings;	No.
c. Adopting a highly intensive model of longer-term trust fund management that has carried substantial costs;	Some lighter and more selective TFM functions in Phase Two.
d. Separating substantive coordination and trust fund management, which may add some additional cost;	Yes, minimizing duplicative activities, missions, assessments, etc.
e. Extremely detailed prescription of preparations and operating procedures, considered important to launch the programme properly and coherently;	Yes, with a possible trade-off of limited fiduciary risk.
f. Major travel, communications and in-country costs intrinsic to working closely with a large number of far-flung LDCs;	Checks that normal disciplines are applied for economy (e.g., advance travel reservations).
g. Practice of procuring major services without recourse to competitive bidding/selection;	Yes, competitive bidding/selection as set out in the Compendium of EIF Documents
h. A governance structure that requires considerable support services;	Yes. Number of EIF Board meetings capped at two (including one in an LDC) in principle, based on need; EIFSC meetings capped at one per year.
i. Weaknesses to date in modern business processes and management information systems appropriate to EIF's needs; and	Yes, can and must be streamlined, with some up-front investment.
j. Weaknesses to date in systems for accountability and performance management, integrating concerns for economy.	Yes.

**Indicative programme budget estimates for Phase Two**

115. Finally, it is important to estimate indicatively appropriate budgets that would be required to build on past EIF achievements, and to implement the planned changes and objectives set for Phase Two. This Programme Framework has clarified what Phase Two will do and how it will operate, applying lessons from the experience of Phase One. This analysis provides a foundation for a credible and responsible estimate of what an appropriate budget or budgetary range would be, with the all-important reminder that while financing is a critical element, success in Phase Two will also hinge on the respective capacities and tangible commitments of all partners, as well as the progress to be made in achieving the necessary reforms and efficiencies in the programme itself.

116. Budgetary estimates for Phase Two need to take account of a combination of three factors:

- i) The anticipated need for resources by the LDCs for the particular support that the EIF has to offer;
- ii) The capacity of the LDCs to use these resources and that of the ES and the TFM to manage them effectively and economically ; and
- iii) Finally, the likely availability of donor resources for this programme over the next seven years.

117. A tested and improved EIF in Phase Two should offer an opportunity to enlist all those additional donors who wish to see the LDCs better placed to benefit from trade. These should include bilateral agencies as well as the growing range of philanthropic investors. Serious consideration should also be given to financial contributions by multilateral agencies – especially, but not only, the EIF Core Agencies with their reputational stake and benefits - in recognition of the EIF as a unique enabling catalyst for their own missions and programmes on behalf of the LDCs.
118. An important difference from Phase One is that the programme is now more demand-led, and those demands and expectations are higher and more immediate. Rather than a repetition of the start-up years of Phase One, with a build-up of uncommitted EIFTF resources, Phase Two faces the opposite prospect of a major build-up of demand with good quality projects right from the outset.
119. Therefore, sufficient firm contributions will need to be in place right from the start of Phase Two in order to plan properly, maintain a viable base and meet enough of the demand to preserve the credibility of the programme. After the launch, enough firm and predictable pledges for later contributions over the period will need to be received in order to sustain the pace of the programme activity and the effective use of resources. These situations would call for key policy determinations and possibly contingency measures by the EIF Board and the EIFSC.
120. Even with adequate initial replenishment and improved predictability of pledged contributions for Phase Two, as well as the effects of competitive contracting and limiting project extensions, it appears unlikely that the EIFTF will be in a cash-flow position to change its prudent policy of 'ring-fencing' the budgets for committed projects.<sup>6</sup> Consistent with this, budget projections need to be based on commitments for projects, and can be expected to include modest interest income. However, especially since this Phase is planned to conclude on a firm schedule, project appraisals and approvals will now need to incorporate realistic and binding schedules for disbursements linked to implementation, backed up by provisions for performance incentives for contractors and, in special circumstances, suspension of projects by the EIF if necessary including un-commitment of funds and return of disbursed funds. Monitoring, reporting and taking appropriate actions on the implementation and disbursement picture will become central to the work of the TFM, the programme staff and the EIF Board.

### **Calculating needs and capacities**

121. It has apparently been an operating principle of the EIF in Phase One to offer fairly equal access to EIF projects to all the LDCs, regardless of their size and other differences. In practice, some of the countries have not yet been able to take up these opportunities, but nor has the programme yet offered large numbers of projects to those LDCs that might be able to mount them. This situation presumably reflects some concern to preserve reasonable access for all the LDCs and also the fact that, once operating well in a country, the catalytic EIF should be mobilizing projects from other funding sources rather than multiple projects of its own. The budgetary scenarios set out below assume that something like this approach to country distribution will continue to be applied in Phase Two.
122. As a reminder, these budgetary projections relate to new proposals to be made in Phase Two, not to continuing projects already approved and funded under Phase One. On the other hand, both

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<sup>6</sup> One Donor disagrees with this assessment.



existing and new sets of projects are considered together in assessing the capacities of the countries and the programme (especially the ES and the TFM) to manage them all effectively. Throughout, the proposals integrate explicit concerns for economy, reflecting lessons learned in the exploratory Phase One.

### **Key enabling projects for AfT**

123. In assessing the need for the programme in 2015, an important starting-point is the fact that nearly a third of the LDCs still do not have in place the basic trade capacity-building foundations of Tier 1 projects. In a number of cases, ITAs have been assigned to help advance this process, with good results in some instances and useful lessons in others. While there are often very serious obstacles to progress with this agenda in different LDCs, it must be seen as a key objective, before the end of Phase Two, for the EIF to have made a significant contribution in all of the countries.
124. On this basis, maintaining the expenditure levels of Phase One, the programme should project up to US\$2 million for 14 Tier 1 projects over seven years and a supplementary pool of some US\$3 million for special support to jump-start the capacities for Tier 1 projects in the most challenging countries, for example through the use of advisors, special awareness-raising initiatives, and initial support to key institutions. With the greater selectivity planned in the operations of the ES and the TFM, these new Tier 1 activities will be within their capacity to manage and support as a high priority. If not all countries were able to launch Tier 1 projects within the first half of Phase Two – the start-time needed to accomplish the minimum results – any surplus funds in this area could be re-directed to Tier 2 activities where solid projects are proposed.
125. For those countries that benefitted from Tier 1 activities in the past (under the EIF and the IF) another vital legacy of the programme in Phase Two will be to assist them with completing of DTISU (of the improved type now proposed) before the end of the period. It is estimated that 30 of these could be carried out at an average cost of US\$200,000 (with savings possible through competitive bidding.)
126. Still in the area of Tier 1 support, it can safely be anticipated that seven present Tier 1 countries will require the normal Tier 1 extensions (for the 4<sup>th</sup> and 5<sup>th</sup> years) early in Phase Two, which will amount to a further US\$4.25 million not yet approved and provided for.

### **Priority projects to build up trade-related and supply-side capacities**

127. In the area of Tier 2 projects, it becomes more difficult to project the demand and capacity for good projects over the seven-year period of Phase Two, and there will be considerable room for debate around any estimates and the assumptions on which they should be based. For these purposes, and always bearing in mind the likelihood of a continuing concern for reasonable distribution, the best predictors (and underlying assumptions) are judged to be:
  - i) The past, and accelerating rate of Tier 2 proposals approved and in the pipeline (33 approved to date, excluding feasibility study projects, some 20+ in the pipeline);
  - ii) The number of countries in a position, or expected to be, to propose sound Tier 2 projects (27 countries now have them, including 5 countries with two projects each; 24 countries do not yet have them, but 10 of those countries are well into Tier 1);
  - iii) The capacity of the programme to manage projects effectively, taking account of the past

record, growing experience by the programme managers and countries, planned management improvements; and some innovative activity;

- iv) A need for fairly modest supplementary resources to carry out further innovative work, e.g., more regional, private sector-linked project activity;
- v) The average number of new Tier 2 projects that the 27 existing Tier 2 countries would have the capacity to implement over the period in addition to those already in progress (a working assumption here would be an average of 1.5-2 new projects each)<sup>7</sup>;
- vi) The average number of Tier 2 projects that the 10 Tier 1 countries that have not yet had Tier 2 would have the capacity to implement over the period (a working assumption here would be an average of 1.5-2 projects each); and
- vii) The likely number of Tier 2 projects that could be forthcoming over the period from the 14 countries not yet advanced in Tier 1 (a working assumption here would be a total of five projects).

128. On the basis of the experience analyzed and the working assumptions set out above, a total estimate of the demand for sound Tier 2 projects in Phase Two would amount to between 60.5 and 79 projects. At an average budget of US\$2.5 million each (at some 85% of the expected US\$1.5-US\$3 million range), the total cost for Tier 2 projects would amount to between US\$151.25 and US\$197.5 million.

#### **A limited transitional facility/window for Sustainability Support**

129. It is now anticipated by the countries concerned and others, that a good number of EIF beneficiary Countries will not have reached the point of sustainability in their national implementation arrangements even after the extended five-year period of Tier 1 support, which will end soon for some. This has led to some recent suggestion of the possibility of EIF adding a 'sustainability' or 'phasing out' support, which could be tailored to the specific needs of these LDCs.

130. This suggestion of introducing a further EIF facility or window raises a critical choice for the EIF: where do the partnership and the programme set the threshold of sustainability at which support will cease for the foundational enabling projects for AfT, while allowing sufficient time for the full integration of this activity into the countries' existing systems and reducing the risk of prolonged dependence on outside support and deferring vital country ownership?

131. Adding such a facility would require a decision of principle by the EIF Board and the EIFSC. On this basis, it is noted as a possibility in this programme framework, to allow for discussion and further action by the EIF Board as required.

#### **Other programme expenditures**

132. *Global activities:* Increases from the past averages are projected, reflecting more work, for example in capacity building, management information systems, EIF Board travel, management consulting.

133. *Resources for further innovative work:* For example, specialized expertise, project design, consultation and supervision required to be able to respond to expected demands from countries

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<sup>7</sup> It should be noted that this falls far short of estimates of their needs and capabilities reported by a number of LDCs to the TFM in a "non-representative survey on what the expectations of the LDCs would be for the second phase of the EIF."

around regional projects, value chains, and projects with parallel or matching involvement by private sector actors.

134. *ES's technical cooperation*: This category takes an estimated share of 70% of the ES's costs as being substantive technical cooperation/programme support, rather than administration/management cost. A note on this will be provided as stated before.

135. *Management cost*: For present estimation purposes, this includes *the* current cost of the TFM's contract and 30% of the ES's cost projected over the seven years, with declining levels in the final two (wind-up) years. If agreed, the planned lighter, more selective activity of the Trust Fund management function in Phase Two would result in reduced costs, but the amounts that could be saved can only be determined after renegotiation or return to the market.

Table 5: Indicative Budget Estimates for EIF Phase Two (Commitments US\$ million)								
Budget item	Estimate							
	2016	2017	2018	2019	2020	2021	2022	Total
<b>Key enabling projects for AfT</b>								
New Tier 1 (3 DTIS @US\$0.4 million and up to 14 'Support to NIAs' projects @ US\$1.5 million)	8.80	13.40						22.20
Jump start resources for new Tier 1s	1.00	1.00	1.00					3.00
Existing Tier 1 Phase 2s (11)	3.00	3.60						6.60
DTISUs (up to 30)	1.00	1.60	1.40	1.00	1.00			6.00
<b>Sub-Total: Key enabling projects for AfT</b>	<b>13.80</b>	<b>19.60</b>	<b>2.40</b>	<b>1.00</b>	<b>1.00</b>			<b>37.80</b>
<b>Priority projects to build up trade-related and supply-side capacities</b>								
New Tier 2 projects (60.5 to 79) US\$151.25 million	42.50	37.50	38.75	32.50				151.25
and US\$197.5 million	45.00	57.50	57.00	38.00				197.50
<b>A possible additional facility/window</b>								
Sustainability Support	3.06	3.06	3.06	3.06	3.06			15.30
<b>Other programme expenditures</b>								
Global activities	1.00	1.00	1.50	1.00	2.00			6.50
Resources for further innovative work	2.00	3.00	3.50	3.50	3.50			15.50
ES technical cooperation	3.21	3.21	3.21	3.21	3.21	2.14	1.61	19.80
<b>Sub-Total: Other programme expenditures</b>	<b>6.21</b>	<b>7.21</b>	<b>8.21</b>	<b>7.71</b>	<b>8.71</b>	<b>2.14</b>	<b>1.61</b>	<b>41.80</b>
<b>Management cost</b>								
ES management components*	1.38	1.38	1.38	1.38	1.38	1.04	0.92	8.86
Trust Fund Manager services	3.20	3.20	3.20	3.20	3.20	2.00	1.50	19.50
<b>Sub-Total: Management cost</b>	<b>4.58</b>	<b>4.58</b>	<b>4.58</b>	<b>4.58</b>	<b>4.58</b>	<b>3.04</b>	<b>2.42</b>	<b>28.36</b>
<b>Totals required</b>								
<b>Low projection</b>	<b>70.15</b>	<b>71.95</b>	<b>57.00</b>	<b>48.85</b>	<b>17.35</b>	<b>5.18</b>	<b>4.03</b>	<b>274.50</b>
<b>High projection</b>	<b>72.65</b>	<b>91.95</b>	<b>75.25</b>	<b>54.35</b>	<b>17.35</b>	<b>5.18</b>	<b>4.03</b>	<b>320.75</b>

Notes:

For underlying assumptions and the basis for indicative calculations, see the preceding text.

Indicative amounts and schedules represent commitments to projects, not disbursements (which will follow with implementation).

Indicative amounts do not take account of the existing TFM fees.

\*This amount would be increased if the EIF Board were to decide on a reinforcement of the ES as discussed in the option raised under 'Management'. This would tend to reduce or eliminate the option of a low-key independent accompanying evaluation, and generate some offsetting savings under the allocation above for 'Global Activities.'

## **Annexes**

### **Annex A: Mandates and functions of EIF Governance Bodies** (Including proposed changes for Phase Two)

#### **The EIF Steering Committee**

##### **Mandate**

1. The mandate of the EIFSC is to provide strategic advice and guidance to the EIF stakeholders on the implementation of the programme and its overall goals, as well as provide a forum for transparency, information and experience exchanges.

##### **Functions**

1. The functions of the EIFSC are to:

- Provide advice, guidance and recommendations on the overall goals of the EIF and on the overall implementation and effectiveness of the EIF programme;
- Receive and advise on annual progress reports including progress against the change management plan, strategic plans and the evaluation presented by the EIF Board; ensure transparency of the EIF process;
- Be a forum to share information, experiences and best practices by all the EIF partners and other stakeholders such as the private sector, including on:
  - Mainstreaming of trade into national development plans and strategies of EIF Countries;
  - Coherence and alignment of donor trade capacity-building programmes with country policies in EIF Countries;
  - Mainstreaming of other development concerns into country trade policies, in particular gender equality and environmental sustainability;
  - Private sector participation in the EIF processes on the ground; and
  - Mechanisms to leverage additional funding of EIF activities.
- Receive annual progress reports and evaluation reports from the EIF Board; and
- Review the EIF Board's recommendations on the results and lessons of the EIF programme and determine action as appropriate.

#### **The EIF Board**

##### **Mandate**

2. The EIF Board shall serve as the key decision-making body for operational and financial oversight and policy direction within the broad guidelines set by the EIFSC. The EIF Board shall focus on strategic decision making; number of Board meetings will be capped at two, in principle, (including one in an LDC) with some flexibility, based on need.
3. The work of the EIF Board shall be guided by the principles set out in the Paris Declaration on Aid Effectiveness, the Accra Agenda for Action and the Busan Partnership for Effective Development Aid Cooperation. The EIF Board shall adopt detailed operational policies and business processes for the EIF operations in line with these principles.

## Functions

4. The EIF Board shall perform the functions outlined below:

- Establish overall policy direction on strategic, operational and financial matters relating to the EIF and oversee the effective implementation of the EIF as mandated by the EIFSC (delegating authority to the ED as appropriate in good strategic management practice);
- Serve as a forum for mutual accountability among the partners including discussing successes, challenges and lessons learnt. This platform will also be used for sharing examples of good practices, innovations, new developments, policy issues and trends (e.g., around TFA implementation). Materials to be widely shared among the partnership and reported to the EIFSC;
- Regularly review the status of the partnership and the programme against the risk management assessment;
- Supervise the overall management of the EIF process and the ES, on the basis of overall annual performance reviews worked out by the EIF Board Chair with the ED covering, among others, regular tracking, reporting and review of the progress and performance of the portfolio. The performance of the ED will also be assessed against the change management plan. These reviews will cascade down to the ED's performance reviews with ES staff members. Review performance under this arrangement with the ED and provide direct assessments to the Director-General of the WTO as the administrative host for the ES;
- Review semi-annual reports of the progress of programme implementation against major milestones identifying delays in project implementation and indicating warning signs. Extended or repeated delays will trigger EIF Board review and problem-solving discussion with the ES, the TFM and partners involved;
- Perform oversight of the EIFTF management. Review any significant negative audit findings and take appropriate action. The EIF Board may commission independent auditing of accounts and evaluations;
- Assess the performance of the TFM as a contracted service provider and deciding on performance agreements, revised terms, renewal or re-procurement of these services at the appropriate times;
- Approve the annual reports and financial statements for the ES and the TFM;
- Present annual progress reports and strategic plans to the EIFSC; and
- Based on project proposals submitted by the governments and endorsed by the ED and the TFM, considering and approving projects under Tier 1 and Tier 2. Where appropriate, delegating the authority to approve projects to the ED.

Fulfilling these general functions implies, in particular:

- Reviewing and approving ES and TFM annual budgets, any modifications thereof and the statements of expenditures;
- Monitoring country-specific progress and operations, for example, with possible sample reviews of operations in several LDCs at each EIF Board meeting;
- Deciding on the admittance to the EIF of new beneficiary Countries, new Donors and other contributors;
- Approving the Compendium of EIF Documents and amendments thereof, as appropriate; and
- Approving the EIF strategic and resource mobilization plans.

## Annex B: The Change Management Plan for the Phase Two Programme Framework

**Table A: Main Changes and implications**

	Area of change required	Task(s)	Main responsibility	Timeline	Output
1	Align and strengthen the ES' operational oversight capacity.	ED to consider how to strengthen the ES role in overseeing delivery, results and economy across the entire EIF portfolio, as well as the performance of contractors and implementing entities.	ED.	Sep. 2015.	Revised ES's organigramme with job descriptions.  Expected cost reflected in a draft budget for 2016.
2	Maintain momentum of new EIF project activity in 2015.	Prompt replenishment of the EITF for Phase One.	Donors.	Sep. 2015.	
3	Strengthening business-like terms in all EIF contracting.	Ensure that the TFM is building in clauses on performance-based payments. TOR for the TFM to include the requirement of performance-based payment.  Ensure that Phase Two contracts are performance-based.	EIF Board.  TFM.	Jun. 2015.  Throughout Phase Two.	TOR for TFM.  MIE contracts performance-based.
4	Strengthening ES business processes.	Design and implementation of appropriate and user-friendly basic management information system (building on existing hub and other systems).  Consultative review and revision of staff functions and processes and practices to maximize performance.	ED.	Sep.-Nov. 2015.	Management information system.  See output under Area 1 above.
5	Specific reforms to increase efficiency.	Based on Table 1 below, draft proposal for efficiency gains in the project.	Leadership ITC and Coordination ES; consultations with the LDCs, Agencies, ES.	For Nov. 2015 EIF Board meeting.	Draft Efficiency Gains Plan.
6	Sharpen the key DTIS instrument and spinoff products and synchronize better to country and donor planning and decision cycles improving	Shortening, simplifying and focusing DTIS, AMs and MTP focused in on a manageable number of more clearly prioritized items to be better able to steer AfT resources. Ensuring maximum consultation and timely delivery. Good practice	ES to lead asking for comments on existing DTIS guidelines; propose new version.	Comments from EIF partnership by 30 Jun. 2015; new version for the Nov. 2015 EIF Board meeting.	Consolidated DTIS guidelines in the Compendium of EIF Documents for Phase Two.

	Area of change required	Task(s)	Main responsibility	Timeline	Output
	leveraging and mainstreaming functions of the EIF.	models in synchronizing. Gear for future management of DTIS by the LDCs themselves.			
7	Clarify and reinforce programme level governance.	Ensure and review that the EIF Board and the EIFSC roles adapt and perform as expected in the first year.	EIF Board and EIFSC Chairs with support of the ES.	Spring 2016.  Throughout Phase Two.	Revised TOR for EIF Board and EIFSC in the Compendium of EIF Documents for Phase Two.  Revised TOR fulfilled in Phase Two.
8	Clarify and reinforce in-country governance.	Take stock of the state of governance/management arrangements in countries where any concerns are raised about the working of these structures. Rapidly explore ways to help adjust and revitalize them as necessary for Phase Two of the programme.	ES and EIF Board (surveying/consulting with country structures and other stakeholders) Possible special missions or mainstreaming initiatives.	Starting in Jun. 2015 finished by December 2015.	Stocktaking report.  Report on measures taken and results.
9	Set clear accountability for programme and trust fund management goals and performance.	Review TOR of the ES and job description of the ED.  Preparation of the targets for the performance review of the ED.  Agree on TOR and procurement process for the TFM.  TFM selection.  Negotiation with the TFM.  Contract with the TFM signed Or Rework the Standard Provisions.	EIF Board.  ED and EIF Board Chair.  EIF Board; support by the ES and the WTO.  EIF Board; support by the ES or the WTO.  EIF Board; support by ES.  TBD (depends on WTO position).	Nov. 2015.  Dec. 2015.  15 Jun. 2015.  Sep. 2015.  Oct. 2015.  Nov. 2015.	TOR and job description in Compendium of EIF Documents for Phase Two.  2016 targets for ED.  Agreed TOR & process.  TFM for Phase Two identified.  Contract with TFM agreed.  Agreements in place for receiving contributions.
10	Strengthen EIF communications and experience-sharing.	Produce an agreed multi-faceted communications strategy for the EIF.  Analyze and improve	ED, consultancy support, EIF Board, stakeholders by survey.	Oct 2015.  Apr. 2016.	Agreed communications strategy for the EIF.  Improved communication flows.



	Area of change required	Task(s)	Main responsibility	Timeline	Output
		communications flows within the complex EIF partnership.			
11	Targeting sustainable results from the start of Phase Two	<p>Guidelines for sustainability including good practice. Building on existing plans, bring together clear programme and model country 'exit strategies' designed to maximize lasting EIF benefits and results by the Programme phase-out in 2021 and avoid prolonged dependence on outside resources.</p> <p>Countries to formulate sustainability plans using the guidelines.</p> <p>[As a precondition for accessing the Sustainability Funding, countries need to have sustainability plans in place, approved by the ES. Funding for sustainability phase in principle for activities, not for staff cost.]</p>	<p>ED and ES in consultation, EIF Board approval.</p> <p>FP, DF, NIU, NSC, ES support.</p>	<p>Nov. 2015 EIF Board meeting.</p> <p>For Tier 1 Phase 2.</p> <p>After Tier 1 Phase 2.</p>	<p>Sustainability guidelines.</p> <p>Sustainability plans for Tier 1 Phase 2.</p>
12	Act on EIF Board Working Group Chair's proposals to strengthen ownership, sustainability and resource leveraging.	Assuming approval of Programme Framework, implement the measures detailed in Table 2 below on 'Specific measures for Ownership, Sustainability and Leveraging Resources. Measures on Sustainability to be included in guidance note under area 11; those on leveraging under area 14.	ES taking the lead, EIF Board to approve documents.	For the Nov. 2015 EIF Board meeting.	See areas 11 and 14.
13	Improve Tier 2 project design and format.	<p>Review Tier 2 project design to adapt to updated logframe to include leveraging documentation and poverty, gender and environment assessments as necessary.</p> <p>Include an annex format for documenting leveraging.</p>	ES taking the lead.	?	Tier 2 project format in Compendium of EIF Documents for Phase Two.
14	Maximize leverage effects of Tier 2 projects.	Good practice for leveraging.	ES, FPs, NIUs, NSCs, DFs, Donors and Agencies.	For next newsletter (Oct. 2015).	Examples from various countries in newsletter.

	Area of change required	Task(s)	Main responsibility	Timeline	Output
		<p>Developing capacity building on leveraging and rolling it out.</p> <p>Strengthened leveraging efforts in country led by the government supported by the DF.</p>		<p>Jul. 2016, and after.</p> <p>Starting in 2015, targeting countries where a DTIS/DTISU is under way.</p>	Module (with STDF).
15	Strengthen use of Results Framework.	<p>Draft updated logframe.</p> <p>Final logframe agreed by all partners.</p>	ES, FPs, NIUs, NSCs, DFs, Donors and Agencies. TFM. All Implementing entities.	First draft Jun. 2015; to be ready for the Nov. 2015 EIF Board meeting.	Revised logframe for the Compendium of EIF Documents for Phase Two.
16	Strengthen comprehensive risk management in the EIF.	Formulate full risk management assessment based on Programme Framework Table 3: 'Risk Management in EIF Phase Two', which sets out the key elements that will need to be better recognized and managed in Phase Two.	ES, EIF Board, EIFSC, TFM.	First draft 15 June together with the logframe.	Included in revised logframe of the Compendium of EIF Documents for Phase Two.
17	Successfully manage initial and subsequent EIFTF contributions.	Once funding targets for Phase Two are agreed, sufficient firm contributions will need to be in place right from the start in order to plan properly, maintain a viable base and meet enough of the increased demand to preserve the credibility of the programme. After the launch, enough firm and predictable pledges for later contributions over the period will need to be received in order to sustain the pace of programme activity and the effective use of resources. These situations would call for key policy determinations and possibly contingency measures by the EIF Board and the EIFSC.	<p>Donors.</p> <p>Donors and TFM.</p> <p>EIF Board direction, EIFSC Chair involved, ES/TFM application.</p>	From Jul. 2015	<p>Firm pledges by Donors, ideally multi-year.</p> <p>Timely disbursement of contributions.</p> <p>Launch outreach replenishment.</p>

	<b>Area of change required</b>	<b>Task(s)</b>	<b>Main responsibility</b>	<b>Timeline</b>	<b>Output</b>
18	Better manage Phase Two commitments and disbursements.	Especially since this Phase is planned to conclude on a firm schedule, project appraisals and approvals will now need to incorporate realistic and binding schedules for disbursements, backed up by provisions for performance incentives for contractors and the lapsing and return of project budgets if necessary. Monitoring, reporting and taking appropriate actions on the disbursement picture, avoiding large buildups, will become central to the work of the TFM, the programme staff and the EIF Board.	EIF Board direction, ES/TFM application.	15 Jun. 2015.  Standard provisions developed by Jan. 2016.  Ongoing starting Jan. 2015.  Ongoing starting Jan. 2015.	Provisions reflected in the TOR for the TFM.  Reflected also in the legal agreements between the TFM and partners.  TFM ensuring compliance with the provisions.  EIF Board reviewing compliance.
19	Ensure best standards possible for ensuring economy and value for money in EIF's Phase Two operations.	ES will identify possibilities to reduce cost in an ongoing manner including decentralizing EIF staff into the regions.  A reflection note will be prepared to discuss means of reducing cost and improving flexibility in adapting the EIF to different conditions.	ES; EIF Board direction, ES/TFM application.	Reflected in final version of the change management plan, to be approved at the Nov. 2015 EIF Board meeting.  Nov. 2015 EIF Board meeting.	Change management plan.  Reflection note.



# Medium-term Strategic Plan

2016-2018

## Context

The Enhanced Integrated Framework (EIF) supports the world's poorest countries in realizing global economic empowerment and social resilience through trade.

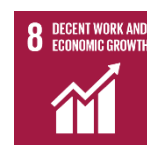
The EIF works with various stakeholders to make the best use of trade for sustainable development and poverty alleviation in the Least Developed Countries (LDCs).

The EIF remains the only programme exclusively dedicated to the supporting the LDCs in using trade both as a vehicle for economic growth and as an effective gateway for administering Aid for Trade (AfT). Recognized as a unique framework for aid effectiveness and delivery, the EIF's mandate is in line with the **Istanbul**

**Programme of Action** for the LDCs and the **Addis Ababa Action Agenda** on Financing for Development. Furthermore, the EIF is recognized in **Sustainable Development Goal 8a** as a mechanism for promoting inclusive economic growth in the LDCs.



**THE GLOBAL GOALS**  
For Sustainable Development



The EIF assists the LDCs to undertake policy and regulatory reforms and to address critical supply-side constraints that promote sustainable development. The EIF also supports the LDCs in tackling their barriers to trade by undertaking analytical trade integration studies; promoting human and institutional capacity development; facilitating trade coordinating mechanisms between governments, the private sector and donors; and developing projects that create jobs and help to lift people out of poverty, particularly women and youth.

EIF Phase One, implemented from 2008 to 2015, has successfully built the bases for trade and development for the LDCs. Through EIF institutional trade capacity-building efforts in 40 countries and 26 Diagnostic Trade Integration Studies (DTISs) or DTIS Updates validated by the end of 2015, 33 LDCs have fully mainstreamed trade into their national development plans; 32 LDCs have effective public-private sector consultations on trade; 20 countries have included trade issues in their government-donor dialogue; and 29 LDCs have formulated trade strategies, of which 25 are funding the implementation of their trade strategies.

The EIF extension and its transition into Phase Two come at a time when the LDCs still suffer from high rates of poverty and a slow pace of development. Specifically, the LDCs' poverty headcount remains the highest worldwide – in all but seven LDCs, it is still 30% of the population. Along the global economic downturns, the LDCs' merchandise exports in 2015 declined by 25% and imports by 9%, and the LDCs' share in global merchandise export fell below 1%.

The global landscape of AfT, trade and trade policy is also changing. Rapid technological change provides an option for the LDCs to leapfrog, especially in services development. To harness this opportunity, the LDCs have to narrow and eventually eliminate the technological divide.

The global economic downturn has created a situation of austerity in the LDCs' traditional development partner countries, which, coupled with competing humanitarian priorities for aid allocation, means reduced resources for AfT. To meet these growing challenges, tapping into private sector resource inflows to complement AfT and domestic resources for trade capacity-building, especially in graduated and graduating LDCs, would be crucial.

In this context and building on the solid bases and results achieved, EIF Phase Two is focused on addressing new economic challenges and strengthening the effectiveness in delivering results while ensuring enhanced value for money. The EIF has had a positive impact as a coordination framework, leveraging resources and ensuring sustainability of the interventions. Further implementation will demand renewed focus and commitment from a global partnership with a mandate of increasing sustainability.

## Approach

In December 2015, the EIF held a pledging conference on the margins of the WTO Tenth Ministerial Conference, during which nearly US\$90 million was pledged by 15 Donors.

This Medium-term Strategic Plan sharpens the EIF's vision, mission, strategic goals and expected results for EIF Phase Two based on the Programme Framework Document, resource availability and the EIF guiding principles as approved by the EIF Board in April 2016. This Plan also outlines the changes envisaged to ensure its effective implementation.

During EIF Phase Two, the framework functions of the EIF will be reinforced through a more dynamic Executive Secretariat with cross-functional capabilities that reinforce its capacity as a framework. By coordinating the efforts of a range of development partners and investors, the EIF will collaborate with other development partners to co-finance projects and leverage resources.

The in-country structures will be strengthened to coordinate AfT resources as well as enhance local capacities to ensure the sustainability of results achieved.

To ensure that by 2018, EIF Phase Two is successfully implemented, the programme will become more responsive, delivering results more rapidly and efficiently. This requires the strategic and operational approach to be scalable, which in turn calls for a funding mechanism that can support projects when opportunities arise for achieving results in the short and the medium term, with promising added value in the longer term.

The EIF will continue to follow the principles of country ownership, a partnership for delivery of results and an effective use of trade for development.

# Vision

Using trade as an instrument for poverty alleviation, contributing to sustainable economic development in the world's poorest countries.

# Mission

Bringing together partners and resources to support the LDCs in using trade for poverty reduction, inclusive growth and sustainable development.

# Strategic Goals and Objectives

Four strategic goals will guide the work of the partnership, bringing the international community together to help the LDCs use trade as an instrument for development.

## 1. Strengthening **institutions** and **policy** mechanisms

The LDCs should be equipped to absorb rapid technological change and innovation, especially in high value-added services development. Trade success depends increasingly on efficient connectivity, in particular trade facilitation and access to affordable, quality services and a business environment conducive to private sector engagement.

The EIF will focus on strengthening institutions and policy mechanisms, building the capacity of trade and line ministries and supporting policy design and implementation geared towards a pro-poor trade growth agenda. The EIF in-country structure will ensure visible improvement in the collaboration between public and private actors on trade issues and work towards the sustainable implementation of a trade-related development plan.

## 2. Reducing **supply-side constraints**

At its core, the EIF continues to support the LDCs to tackle national challenges through the diagnostic tools, assisting governments to undertake and sequence policy reforms, thus enabling greater participation of the LDCs in the global market place.

Priority sector-specific supply-side constraints will also be addressed through EIF interventions aimed at enhancing the competitiveness and participation of the LDCs in global and regional value chains and markets. These include product and services development, skill enhancement, enhanced connectivity, improved trade facilitation and adapting to new technologies.

## 3. Leveraging key **drivers** for **investments**

The EIF will enhance the LDCs' capacity to leverage and mobilize domestic economic drivers, contributing to greater in-country resources and long-term economic sustainability. To ensure that the EIF upholds its mandate throughout EIF Phase Two, the programme will pursue stronger relationships with regional organizations and development banks. This will yield a greater focus on regional trade integration and contribute to greater LDC participation in international markets and global value-chains.



During EIF Phase Two, a renewed focus on private sector development through their active participation is envisaged. For this purpose, specific in-country projects will be implemented, including e-commerce, agriculture, trade facilitation and micro, small and medium enterprises. The EIF will leverage key drivers for investments in trade capacity development, mobilizing governments, the private sector, development partners and agencies for investment opportunities.

Leveraging resources for the implementation of the LDCs' trade development agenda remains a central focus in EIF Phase Two. Guidelines on leveraging private investment for trade, AfT and domestic support measures will be prepared to support the LDCs' resource mobilization efforts.

## **4. Promoting gender equality and inclusive trade**

The EIF promotes projects in the LDCs that address the specific barriers to trade faced by vulnerable or marginalized people. With a focus on poverty reduction, the environment and gender equality, the EIF will work alongside local institutions to develop policies that promote inclusive and sustainable trade.

Greater flexibility on funding and implementation arrangements will yield an increased ownership and better project implementation. EIF beneficiaries will be able to request funding that contains both institutional and productive capacity-building components with a specific focus on women's economic empowerment.

Primarily, the EIF will continue to promote gender equality through inclusive trade, supporting projects that generate employment opportunities, especially for women, marginalized groups and vulnerable people.

# Expected Results

## *At the programme level*

By the end of 2018, the EIF will have contributed to:

- ✓ Development effectiveness and efficiency improved by providing a platform for sustainable development through trade and investment coupled with increased coordination, harmonization of global resources and expertise.
- ✓ Stronger regional and global partnerships built through joint knowledge products, tools and events and by connecting different partners.
- ✓ Increased financing mobilized including through the diversification of sources.

## *At the country level*

Through the EIF support, it is expected that EIF countries will achieve:

- ✓ Evidence-based trade policy, planning, formulation, coordination and dialogue, which will provide the opportunity to foster economic efficiency, investments and deeper cooperation between countries and international stakeholders.
- ✓ Enhanced country ownership and national identification of priorities.
- ✓ Increased and diversified financing made available at the country level to address key constraints.
- ✓ Increased participation of the LDCs in the global markets.

## Next Steps: Operational focus in implementation

The EIF will continue to bridge countries, specialized agencies and development partners, strengthening collaboration with existing institutions and initiatives and providing a platform for sustainable development through trade and investment.

The LDCs' access to global AfT resources and expertise will be supported through an effective use of the various channels of communication at the EIF's disposal, including the EIF's website for easy access to relevant information and through regional and global events organized by the EIF.

Guidelines for leveraging private investment for trade, AfT and domestic resources will be used to build the necessary capacity in the LDCs.

The in-country EIF implementation arrangements will be mainstreamed into national structures and processes. Country ownership will also be strengthened

through building capacity in the LDCs to ensure a strong focus on poverty, environment and gender, in order to increase the value of EIF projects for pro-poor inclusive growth and sustainable development.

The revamped DTIS will make the approach more flexible and responsive to country needs and contribute to a more innovative and effective implementation of the Action Matrix. Because of the growing emphasis on regional integration and trade, EIF Phase Two will support regional diagnostic and productive trade capacity-building initiatives.

To better support the LDCs to adapt to trade trends, the EIF will focus on services, connectivity, e-commerce and private sector development, in particular micro-, small- and medium-sized enterprises as key drivers of inclusive trade growth.

In simplifying the EIF process, the EIF funding tools will be more flexible in EIF Phase Two, with the provision for merging activities for institutional and productive capacity-building within the same funding window, based on LDC demand, to suit specific needs and priorities.

A special facility supporting project design and formulation has been established to ensure that country-owned project ideas are fully reflected in the proposals, projects meet the crucial bankability criteria and sustained capacity is built in the LDCs.

# 2018 Key Deliverables by pillar of intervention\*

## Strengthening institutions and policy mechanisms

- 41 EIF Countries with trade integrated in their National Development Plan
- 40 EIF Countries with effective trade coordination mechanisms
- 38 sector strategies integrating trade
- 30 quality trade policies updated
- 39 DTISs developed and/or updated
- 40 EIF Countries with effective functioning public-private coordination mechanisms
- 38 EIF Countries with a quality functioning public-donor dialogue on trade matters
- 15 EIF Countries have integrated EIF implementation into national structures and processes
- 40% increase in the number of public officials trained in trade-related areas\*
- 40% increase in number of private sector representatives trained in trade-related areas\*

\*Indicator compared to baseline 2015

## Reducing supply-side constraints

- 30 EIF Countries with quality information dissemination tools to promote stakeholder engagement in trade sector
- 2% annual increase of production volume generated through EIF sector-specific support projects
- 24 new international markets accessed with support from EIF Tier 2 projects
- 30% increase in number of people trained to participate in the economy\*
- 80 associations/producers trained in value chain practices
- 135 micro-, small- and medium-sized enterprises will be supported by EIF projects

## Leveraging key drivers for investments

- 60% EIF Countries receiving EIF support will be able to leverage resources for at least 2 projects per year related to the DTIS Action Matrix
- 45% EIF Countries with Tier 2 projects effectively implement action plans to leverage resources

40% new Tier 2 projects approved under EIF Phase Two will be significantly co-financed

## **Promoting gender equity and inclusive trade**

120 awareness-raising activities conducted on gender and environment in relation to trade through EIF-funded projects

30% of direct beneficiaries of EIF-funded projects are women

## **Strengthening Framework functions**

80% EIF core partners using the EIF as coordination framework to support trade development in the LDCs and leverage resources

4 new partners joining EIF efforts to support the LDCs in addressing cross-cutting issues related to trade

20% increase in joint knowledge products, tools and events with different partners

Yearly portfolio review and planning with EIF Partner Agencies

22 meetings of the EIF Steering Committee per year

1 EIF Global Platform per year

These deliverables are proposed with the understanding that major risks foreseen in the EIF risk matrix and other unforeseen risks will not occur or the EIF Programme can mitigate them promptly.

### EIF Phase Two Programme Results Framework (Logframe)

Impact	Context Indicators	Baseline December 2015	Annual Milestones 2016-2020	Target (End of Phase Two) Dec 2022	Source/ Frequency	Assumptions
<b>EIF countries are integrated into global trade in a way which contributes to poverty reduction and sustainable development</b>	<u>I1.</u> LDC share of non-oil global exports.				Customs data, COMTRADE WTO AfT country fact sheets.	Several factors including the EIF support to LDCs will contribute towards progress on the context indicator to achieve the impact. Result will therefore not be attributable to the support of the EIF alone.  Political stability in EIF countries and no major natural disasters (environment, food shortage, disease, conflict etc.).  Project formulation and implementation at country level have included inclusive approaches for gender and pro-poor growth.
	<u>I2</u> Value of trade from LDCs (intra-regional and global).				Annual update from WTO.	
	<u>I3</u> AfT flows to LDCs.				Annual update from OECCD CRS.	
	<u>I4</u> Foreign Direct Investment (FDI) in LDCs.				UNCTAD database (annual update) OECD International Direct Investment Statistics.	
Outcome 1	Indicators	Baseline December 2015	Annual Milestones 2016-2020	Target (End of Phase Two) Dec 2022	Source/ Frequency	Assumptions
<b>EIF Countries own a trade agenda conducive to</b>	<u>O1.1</u> Number of EIF countries with trade integrated in	Country self-assessment and EIF verification		That all EIF Countries with Tier 1 'Support	FP/NIU reports. Annual country progress	Government prioritizes trade in the national development plan and increases resources for the

<b>sustainable pro-poor growth<sup>1</sup></b>	their National Development Plan.	using a checklist.		to NIAS' projects have trade integrated satisfactorily (five-point scale).	reports National Development Plan. Available TPRs	development of the trade sector. Government owns the National Development Plan in its entirety.
	<u>O1.2</u> Number of EIF countries with effective trade coordination mechanisms.	Conduct a survey to establish baseline.		That all EIF Countries with Tier 1 'Support to NIAS' projects have good trade coordination mechanisms in place (five-point scale).	FP/NIU reports. Annual country progress reports. ES annual progress report Supervision reports/BTOR. Assessment for baseline, at mid-term and at the end of the project.	Ability/Status of the ministry of trade to influence central government on trade related matters  Capacity building at country level has included implementation approaches inclusive of the coordinating the national trade development agenda.
	<u>O1.3</u> Number of sector specific strategies per country integrating trade.	Conduct a survey to establish baseline.		That all EIF Countries with Tier 2 projects have trade incorporated in 80 per cent of relevant sector strategies.	FP/NIU reports. Annual country progress reports. Supervision reports/BTOR. Sectoral strategies. Assessment for baseline, at mid-term and at the end of the project.	Government demonstrates commitment to developing the national trade agenda.  Trade related sector line-ministries willing to engage with the ministry responsible for trade to implement national trade policy.  The government will own the trade related strategies in their entirety.
<b>Output 1</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target</b> (End of Phase Two) Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<u>Op1</u> <b>Improved evidence</b>	<u>Op1.1</u> Number of quality trade	Use WTO TPR as		All EIF Countries	FP/NIU reports.	Government demonstrates

<sup>1</sup> Pro-poor growth refers to economic growth resulting from trade in goods and services that support livelihoods of the poor. They include trade sectors like agriculture (crop and related products, livestock and related products), tourism, textile and apparel.

<b>based policy inputs supporting pro-poor trade</b>	policies updated with support from the EIF.	a source to establish baseline.		80 per cent of EIF Countries with Tier 1 'Support to NIAs' projects have a trade policy that is atleast satisfactory (five-point scale).	Annual country progress reports.	commitment to develop and own the trade policy.  Capacity and leadership of the ministry responsible for trade to implement national trade policy.
	<u>Op1.2</u> Number of actions in support of improved legislation and participation in fora (includes WTO accession, regional integration etc.)	Conduct a survey to establish baseline.		Annual publicly available overview of improved trade-related legislation in 80 per cent of all EIF Countries with Tier 1 projects.	FP/NIU reports.  Annual country progress reports.  WTO Accession reports.	Increasing the capacity of the NIU will lead to increasing the ability of the NIUs to produce or coordinated production of items of legislation.  EIF countries express willingness to join the WTO and engage in the accession process.
	<u>Op 1.3</u> Number of Diagnostic studies developed/ updated with support from the EIF.	Use ES progress report 2015 to establish baseline.		100 per cent of active EIF Countries with Tier 1 'Support to NIAs' projects.	DTIS and Action Matrices. FP/NIU reports.  Annual country progress reports.	The Focal Point in the ministry responsible for trade has ability and capacity to coordinate with the National implementing arrangements to lead the DTIS process.
<b>Output 2</b>	<b>Indicators</b>	<b>Baseline</b>  December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target</b> (End of Phase Two) Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<b>Op2 Strengthened institutional coordination of trade and development</b>	<u>Op 2.1</u> Number of EIF countries with NIU integrated into the Government system.	Conduct a survey to establish baseline.		At least 80 per cent of active EIF Countries with Tier 1 'Support to NIAs'	FP/NIU reports.  Annual country progress reports  Supervision reports/BTOR	Structures set up by Tier 1 are funded by the government on an ongoing basis.  Government willingness to integrate the NIU into mainstream



				projects.		<p>ministry responsible for trade.</p> <p>An exit strategy exists for integrating teams in mainstream ministry responsible for trade.</p> <p>Government supports a medium and long-term capacity building plan to enhance the capacity of the NIU to perform trade related functions (including trade policy and strategy formulations, M&amp;E and fiduciary functions) with the goal of strengthening the human capacity of the ministry responsible for trade to conduct national trade related functions.</p>
	<p><u>Op 2.2</u> Quality of functioning public-private coordination mechanism.</p>	<p>Conduct a survey to establish baseline.</p>		<p>That all EIF Countries with Tier 1 'Support to NIAs' projects have good public-private consultation mechanisms in place (five-point scale).</p>	<p>FP/NIU reports.</p> <p>Annual country progress reports</p> <p>Supervision reports/BTOR</p> <p>Assessment for baseline, at mid-term and at the end of the project</p>	<p>Government shows ability and willingness to engage the private sector and private sector willingness to engage with government to implement the national trade policy and participate in the development of the country's trade regime.</p> <p>The mechanism is open and transparent.</p> <p>Trade related sector line ministries willing to engage in coordination and review exercises.</p> <p>The engagement is open and transparent.</p>
	<u>Op 2.3</u>	Conduct a		That all EIF	FP/NIU reports.	In-country donors are willing to

	Existence and quality of government-donor dialogue on trade related matters.	survey to establish baseline.		Countries with Tier 1 'Support to NIAs' projects have good government-donor consultation mechanisms in place (five-point scale).	Annual country progress reports Supervision reports/BTOR	operate in a coordinated manner (Donors include both those involved in the EIF and other bilateral development partners, as well as NGOs and philanthropic organizations).  Government and donor agreement includes aspects of engaging on trade issues.  The dialogue is open and transparent
<b>Output 3</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target</b> (End of Phase Two) Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<b>Op 3</b> <b>Enhanced human capacity for trade and development</b>	<u>Op 3.1</u> Number of public officials trained in trade related areas disaggregated by gender and age.	To be established based on capacity assessment and training plan.		At least 80 per cent of public officials trained based on an approved training needs assessment and training plan.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Public institutions willing to upgrade the capacity of their staff in trade related issues without bias or prejudice.  Persons trained available for follow up support.  Involvement of local stakeholders and communities unrestricted.  Availability of local experts in the trade related fields of training.
	<u>Op 3.2</u> Number of private sector representatives trained in trade related areas to participate in the national trade agenda disaggregated by gender and age.	To be established based on capacity assessment and training plan.		At least 80 per cent of public officials trained based on an approved training needs assessment and training plan.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Private sector willingness to engage with government to implement the national trade policy.  Private sector participation unhindered.  Persons trained available for follow up support.

	<u>Op 3.3</u> Number of countries with information dissemination tools for different stakeholders	Conduct a survey to establish baseline.		All active EIF Countries with Tier 1 'Support to NIAs' projects.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR Country's communication strategy on trade.	Communication and exchange of information unhindered.  Stakeholders willing to collaborate in integrated information systems and sharing data on regular basis.
<b>Outcome 2</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target (End of Phase Two)</b> Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<b>EIF countries increase their presence in international markets</b>	<u>Q1.1</u> Increase in volume of production generated through EIF interventions.	Conduct a survey to establish baseline.		To be set based on baseline survey results.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Trade in pro poor sectors increase employment and incomes and helps reduce poverty  Government supports pro-poor growth
	<u>Q1.2</u> Number of new markets accessed as result of the EIF .	Conduct a survey to establish baseline.		To be set based on baseline survey results.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR National Statistics	Exporters will have access to technical and financial assistance.  Exporter have access to up to date market information for their products.
<b>Output 1</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target (End of Phase Two)</b> Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<u>Op1</u> <b>Support to EIF beneficiaries (farmers, MSMEs stakeholder etc.), particularly women and youth to participate in EIF Capacity Building</b>	<u>Op1.1</u> Total number of people (disaggregated by gender and age) receiving quality training to better participate in the economy.	Conduct a survey of current and potential countries with Tier 2 projects to establish baseline.		To be set based on baseline survey results.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Project authorities are committed to gender inclusive development.

<b>initiatives</b>	<u>Op1.2</u> Number of awareness raising activities on gender and environment in relation to trade conducted.	Conduct a survey of current and potential countries with Tier 2 projects to establish baseline.		To be set based on baseline survey results.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Willingness to conduct an environmental assessment based on potential environment impact.  Communities are involved in project planning.
	<u>Op1.3</u> Percentage of direct project beneficiaries that are women.	Conduct a survey of current countries with Tier 2 projects to establish baseline.		At least 50 per cent.	FP/NIU reports. Annual country progress reports Supervision reports	Project authorities are committed to gender inclusive development.
<b>Output 2</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target</b> (End of Phase Two) Dec 2022	<b>Source/ Frequency</b>	<b>Assumptions</b>
<b>Op2</b> <b>Support to EIF countries to boost productive capacities and access international markets</b>	<u>Op2.1</u> Number of producers/associations certified in value chain practices.	Conduct a survey of current countries with Tier 2 projects to establish baseline.		At least 50 per cent certified in at least one value chain practice.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	Market information available to the entrepreneurs on quality standards.  Training available on such standards.
	<u>Op2.2</u> Number of new technologies introduced through the EIF supported projects	Conduct a survey of current countries with Tier 2 projects to establish baseline.		At least 25 per cent adopts at least one new technology.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR National statistics	New technologies are available for introduction and accessible  Participants are motivated and devoted to learn about new improved ways of undertaking economic activities.
	<u>Op2.3</u> Number of SMEs supported by EIF projects.	Conduct a survey of current countries with Tier 2 projects to establish baseline.		At least two SMEs support in countries with Tier 2 projects.	FP/NIU reports. Annual country progress reports Supervision reports/BTOR	SMEs will have access to technical and financial assistance.  Doing business in-country and across borders becomes favourable to encourage SMEs in the sector.
<b>Output 3</b>	<b>Indicators</b>	<b>Baseline</b> December 2015	<b>Annual Milestones</b> 2016-2020	<b>Target</b> (End of Phase Two)	<b>Source/ Frequency</b>	<b>Assumptions</b>

				Dec 2022		
<p><u>Op3</u>  <b>Support to EIF countries to leverage (directly and indirectly) additional funding</b></p>	<p><u>Op3.1</u>            Number of actions undertaken by all EIF partners in support of leveraging finance and expertise.</p>	<p>Conduct a survey of current countries with Tier 2 projects to establish baseline.</p>		<p>At least 80 per cent of countries with Tier 2 projects have a plan of actions of which 100 per cent have been implemented.</p>	<p>FP/NIU reports.            Annual country progress reports            Supervision reports/BTOR</p>	<p>Greater AFT contributes to integration in the global trading system            That EIF partners are willing to operate in a coordinated manner, both those involved in the EIF Trust fund and other bilateral development partners, as well as NGOs and philanthropic organizations.</p>
	<p><u>Op3.2</u>            Number of projects funded by donors related to the DTIS Action Matrix.</p>	<p>ES annual progress report 2015.</p>		<p>At least two per year per EIF Country.</p>	<p>FP/NIU reports.            Annual country progress reports            Supervision reports/BTOR</p>	<p>Ability of the ministry responsible for trade to engage donors on national trade agenda.</p>
	<p><u>Op3.3</u>            Number of EIF projects significantly co-financed</p>	<p>ES annual progress report 2015.</p>		<p>At least one per year per EIF Country.</p>	<p>FP/NIU reports.            Annual country progress reports            Supervision reports/BTOR</p>	<p>That donor financial resources will be available at reasonable levels during the phase of the EIF.</p>



## The Executive Secretariat for the EIF Risk Register:

### Risk Mitigation 2016

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
*Reputational Risk	Insufficient funding to the EIF reduces the programme's predictability in the eyes of LDC governments and Implementing Agencies, which will lead to countries disengaging with the EIF to engage with more reliable sources of funding or not prioritizing trade in their development agendas.	M	M	<p>The ES kept stakeholders engaged in programme delivery and coordination. The LDCs were updated on the expected changes in EIF Phase Two by providing documentation on project sustainability, revised templates on Tier 1 and Tier 2 projects and DTIS/DTIS Updates. Portfolio reviews were conducted with the Agencies (World Bank, UNCTAD, ITC, UNDP and UNIDO) as EIF Main Implementing Entities (MIEs)</p> <p>In December 2015, EIF Donors pledged about US\$90 million to the EIF Trust Fund (EIF Phase Two). The ES continued to seek Donor commitment to their pledges to EIF Phase Two through donor coordination meetings and bilateral engagements.</p> <p>The majority of the Donors have resorted to annual disbursement of funds. The programme was adjusted accordingly through a country-by-country</p>	<p>The ES is to produce and distribute relevant literature on the EIF to raise awareness of the programme with donors and agencies.</p> <p>The EIF will continue to engage traditional and non-traditional donors as well as reach out to philanthropic institutions to contribute to the EIFTF.</p> <p>The ES will continue to manage the expectations of LDC governments around funding and emphasize the EIF as a framework and not</p>

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
				<p>analysis.</p> <p>The ES continued to cultivate donor buy-in and support for the programme through sensitization and lobbying to achieve early mobilization of Donor support and garner the support of new donors. The EIF specifically reached out to three major EIF Donors – Canada, Japan and the USA, which could not make any pledges during the EIF Pledging Conference. To date, 14 Donors have committed funds to the EIFF to the tune of about US\$30 million.</p>	funding programme.
	<p>The EIF does not demonstrate to the EIF partnership that results are being achieved at the global level, which reduces the confidence that partners have in the programme's ability to deliver results.</p>	M	L	<p>The EIF Phase Two logframe is being rolled out and adapted to country conditions. Two regional workshops have been conducted covering 13 countries, while customized assistance was provided to Afghanistan, Djibouti, Madagascar and Mauritania in project proposal development that reflected the EIF Phase Two Logframe.</p> <p>The ES communicated the programme's progress by producing and launching the Annual Report 2016 and through two thematic newsletters.</p>	<p>The EIF Phase Two Logframe is to be rolled out to all countries. Two workshops will be conducted for Francophone and Anglophone Africa LDCs in the first quarter of 2017.</p> <p>The 2016 Annual Report will show progress on milestones and communicate to all stakeholders.</p>
	<p>Negative publicity (both local and international) from negative audit findings or</p>	M	M	<p>The slow pace of taking the Standard Provisions to conclusion due to the TFM's handling of specific clauses delayed programme delivery. Through</p>	<p>UNOPS is to make sure that such incidence is not repeated, and the EIF</p>

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
	severe cases of fund misuse that is not quickly and effectively managed by the ES/TFM will damage the EIF reputation with donors. This will reduce the likelihood of donors contributing additional funds to the programme and new donors will be dissuaded from joining the EIF.			<p>a series of exchanges between the ES, UNOPS and Donors, the TFM was advised to bring the process to a speedy conclusion.</p> <p>The TFM followed its audit and fiduciary procedures to ensure that due diligence procedures were undertaken for all MIEs in 2017.</p> <p>A Memorandum of Understanding (MOU) for EIF Phase Two was revised and updated to emphasize issues on transparency, fraud and results-based budgeting.</p>	Board may institute actions in case of future occurrence.
Political	Perception of national stakeholders that the EIF is more political than technical and its funded projects are rather politically influenced than of national interest.	M	M	<p>The ES and the TFM have ascertained that all projects funded in 2017 (four extended to EIF Phase Two, two Tier 1 and one Tier 2) by the EIF are prioritized in the DTIS Action Matrices and that project preparation and monitoring included stakeholder engagement and clear messaging.</p> <p>A programme-level communications strategy and action plan was produced that will guide the countries to raise awareness about the EIF, make it inclusive and communicate results.</p>	Each country will be encouraged to produce and roll out a communications strategy to facilitate stakeholder engagement and raise the profile of the EIF.
*Fiduciary Risk	Weak financial management capacity of the NIUs for EIF-funded projects will lead to a poor utilization of funds, delays in disbursing funds for project activities or misuse/fraudulent use of	M	M	The TFM instituted a financial and programme monitoring system that includes quarterly financial reporting and annual independent audits. Due diligence checks were undertaken through country project supervision and regional financial management capacity-building training.	<p>Due diligence monitoring is to continue.</p> <p>The TFM is to produce a country-by-country fiduciary maturation analysis so that EIF resources can be better</p>



Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
	funds, which will affect project implementation and ultimately lead to poor project results.				focused on countries that pose weaknesses or a threat of fiduciary risk.
	Inadequate mobilization of financial resources by ministries responsible for trade in support of Tier 2 projects will lead to the EIF not being sustainable and undermine the objective of countries being able to increase their share in global trade.	M	M	<p>Countries were supported to engage in-country stakeholders (governments, private sector and donors) in validating their DTIS/Updates in order to increase the chance of donors and other development partners to sign up to priorities in the DTIS Action Matrix.</p> <p>Some LDC governments committed to financially support their trade agendas using the EIF mechanism.</p>	The process of instituting a country-level resource mobilization drive with in-country donors and government commitment will continue.
	Non-compliance with contractual obligations by MIEs including governments which will lead to delays in project implementation and will negatively impact results in terms of delays in achieving project objectives or the reappraisal of components of the project.	M	M	<p>The TFM included a Code of Conduct for MIEs in the MOU with governments.</p> <p>Countries submitted timely and accurate financial and programmatic reports according to the signed MOUs.</p> <p>The ES has put in place strict programmatic and financial disciplines, such as work plan-/activity-based budgeting; milestone-based disbursements rather than disbursement based on pre-determined schedules; and adoption and strict enforcement of policy on No-cost Extensions.</p>	Compliance with contractual obligations by the MIEs including Governments will continue to be enforced to reduce delays in project implementation.
Policy Risks	Government delays and/or non-adoption and ultimate	M	L	The EIF Focal Points (FPs) were encouraged to institute a continual dialogue with private sector	The ES will continue to provide support to

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
	implementation of trade-related policies, regulations and strategies produced through EIF support will slow down the uptake of national trade agendas by both public and private sectors.			<p>stakeholders and trade-related line ministries on the importance of mainstreaming trade into their respective sector development strategies.</p> <p>NIU staff were asked to use the ES on stakeholder engagement in order to have a broad stakeholder consultation and advocacy, to ensure that the EIF process continues to receive support from across Government and the private sector.</p>	countries to create the enabling environment for a public-private dialogue on the national trade agenda.
Operational Risks	Weak project monitoring by the ES/TFM and lack of an integrated approach to financial and technical monitoring by NIUs and other MIEs will affect the achievement of project-level results and thus the overall impact of the EIF.	M	M	<p>The MIE in collaboration with the ES and the TFM monitored and reviewed project performance, identified constraints to implementation and resolved problems in collaboration with the FPs.</p> <p>The ES and the TFM will support a sound monitoring and evaluation system for all activities in each project.</p> <p>A quality-at-entry check of projects was implemented and is being applied to new projects (Afghanistan, Djibouti, Madagascar and Mauritania).</p> <p>The ES has applied flexibility in project preparation to reflect the nature of the EIF Phase Two Logframe, which makes provisions for a project proposal to combine the modalities and results areas of Tier 1 and Tier 2 based on country needs.</p> <p>Project portfolio reviews, as a monitoring mechanism, were undertaken with the EIF Agencies as MIEs of EIF-funded projects.</p>	Monitoring of projects will continue to be strengthened and assumptions/risks associate with delivery of outputs assessed and mitigated.

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
	Low capacity of local/ international experts and implementing partners to support project delivery will lead to delays in project implementation and expected results of the project.	M	M	A specific funding mechanism has been provided in the EIF for a careful recruitment of international trade advisors, where national staff recruitment fails, with the requisite technical expertise and the skills necessary to engage with a broad range of stakeholders. For example, this was applied in Kiribati where UNDP was employed as the MIE.	The ES has instituted a transfer of knowledge system where international experts are contracted under the terms of building capacity of national staff. This mechanism will be evaluated for its effectiveness.
	Lack of capacity of the NIU to integrate gender programming by reflecting gender inclusiveness in project planning, implementation and management processes that will affect project results.	L	M	<p>Two EIF regional workshops were delivered for the Pacific and Asian regions with a theme on the nexus between gender and trade and gender mainstreaming, among other things.</p> <p>Participants were encouraged to dedicate significant resources to integrate gender into EIF-supported projects and to promote capacity development of women and youth to participate in the national trade agenda.</p> <p>In line with the requirement of EIF Phase Two, two new projects proposed (Djibouti and Bhutan) have integrated and emphasized gender-related indicators, which will be monitored and reported annually to the EIF partners.</p>	<p>Similar workshops with the gender component will be delivered in the first quarter of 2017 for Anglophone and Francophone Africa.</p> <p>All new projects will include gender indicators as key result area.</p>
	By the end of the EIF support to a national government, the NIU is not integrated into	M	M	The ES is in dialogue with five governments (Burkina Faso, Cambodia, Comoros, The Gambia and Sierra Leone) to effect sustainability of the	The ES will continue to emphasize high-quality training of NIU staff and

Risk Type	Risk Description	Impact	Probability	Mitigation Measures Taken in 2016	Next Steps
	the ministry responsible for trade and therefore lacks the capacity to influence the national trade agenda.			<p>project results by supporting the ministry responsible for trade to ensure that staff requirements are included in budget and planning submissions to the ministry of finance so that adequate staffing is guaranteed, since. These countries were technically supported by the ES through proposal development to benefit from the EIF sustainability window of funding in order to make sure that the results achieved on the ground and human and institutional capacity developed are enhanced.</p> <p>Sustainability considerations through capacity-building of national staff in trade-related line ministries and resource mobilization are at the center of the EIF's ongoing regional workshops and will be enforced through a continual dialogue with governments.</p>	<p>other partners in trade-related issues so that staff can deliver on both Tier 1 and Tier 2 projects and lead their country's trade agenda.</p> <p>The ES has also rolled out a sustainability window of support to enable countries to enhance capacities developed through Tier 1 and Tier 2 windows of supports.</p>
Global Risks	Volatility of market prices alongside productivity gains will destabilize the value chain of productive sectors.	M	L	As part of project monitoring activities, no price fluctuation was reported that negatively affected project implementation conditions.	Countries will be encouraged to establish databases for commodity price monitoring

\*The conclusion and signing of the Standard Provision served as potential reputational and fiduciary risk in the first half of 2016. Thus risk impact was raised to high (H). This has already been resolved, and the risk impact returned to Medium (M).

**Executive Secretariat for the EIF - Budget 2017 (WTO format, in CHF)**

		2016 Budget and Expenditure			Budget 2017		% Change	
		Budget	Expenditure up to 30/9/2016	%				
Section 1	Work Years							
	Current Staff	12	2,459,179		11	2,348,749		
	New Staff	1	455,081		2	491,392		
	<b>Total Section 1</b>		<b>2,914,260</b>	<b>1,989,924</b>	<b>68%</b>	<b>13</b>	<b>2,840,141</b>	-3%
Section 2	Temporary Assistance							
	Support							
	Translators							
	Interpreters							
	Consultants (See detail under consultancies)		90,500			90,760		
	<b>Total Section 2</b>		<b>90,500</b>	<b>135,513</b>	<b>150%</b>	<b>90,760</b>	<b>0%</b>	
Section 4	Building Facilities							
	Rental of CWR, including charges and parking		159,000			154,000		
	<b>Total Section 4</b>		<b>159,000</b>	<b>0</b>	<b>0%</b>	<b>154,000</b>	<b>-3%</b>	
Section 8	Staff Other							
	Training (estimated on the basis of the 2016 budget, including retreats and resource people)		25,200			25,860		
	Insurance		10,000			10,000		
	Recruitment		15,000			30,000		
	<b>Total Section 8</b>		<b>50,200</b>	<b>8,130</b>	<b>16%</b>	<b>65,860</b>	<b>31%</b>	
Section 9	Missions							
	Missions - Staff and Consultants		548,000			434,400		
	<b>Total Section 9</b>		<b>548,000</b>	<b>192,025</b>	<b>35%</b>	<b>434,400</b>	<b>-21%</b>	
Section 10	Various							
	Representation and Hospitality Expendable		5,000			5,000		
	Other (Management Information System)		50,000					
	<b>Total Section 10</b>		<b>55,000</b>	<b>52,757</b>	<b>96%</b>	<b>5,000</b>	<b>-91%</b>	
Section 11	Unforeseen		10,000	0	0%	10,000	0%	
Sub-Total			<b>3,826,960</b>	<b>2,378,349</b>		<b>3,600,161</b>		
Overhead charges 13%			<b>498,000</b>	<b>309,000</b>		<b>468,000</b>		
<b>GRAND TOTAL</b>			<b>4,324,960</b>	<b>2,687,349</b>	<b>62%</b>	<b>4,068,161</b>	<b>-6%</b>	

## **Notes on the ES Budget Submission for 2017**

### **Spending on consultants**

- By 30 September 2016, the budget for consultants was overspent by 150%.
- Budget for two new staff (Programme Officer and Deputy Executive Director (DED) was provided under Section 1 for the entire year).
- The Programme Officer was recruited in August 2016, and the DED is still not on board; in the meantime, the ES recruited temporary assistance and consultants not foreseen in the budget to support the implementation of the work plan based on a team including those two staff.

### **Budget items covered by the WTO's administrative fee**

- Translation.
- Interpretation.
- Graphics and production services.
- Telecommunications charges (landlines and cell phones).
- Office and IT equipment for the ES staff, including laptop docking stations for ten staff.
- Office automation (ICC support charges (internet connection), e-mail, computer software licences and maintenance).

## EXECUTIVE SECRETARIAT FOR THE EIF

### WORKPLAN 2017

The proposed work plan for 2017 is aligned with the EIF Medium-term Strategic Plan and the EIF Logframe for EIF Phase Two. It also includes key objectives and performance indicators of the Executive Director of the Executive Secretariat for the EIF.

<b>Activities/Indicators</b>	<b>Timeline</b>
<b><i>I. Strengthening institutions and policy mechanisms</i></b>	
<input type="checkbox"/> Develop/validate four (4) DTIS/DTIS Updates.	Q1-Q4
<input type="checkbox"/> Deliver three (3) new Tier 1 projects.	Q4
<input type="checkbox"/> Deliver four (4) Tier 1 Phase 2 projects.	Q3-Q4
<input type="checkbox"/> Complete final evaluations and project completion reports for Tier 1 support in four (4) EIF Countries and help them in their transition to sustainability.	Q1-Q4
<input type="checkbox"/> Support and monitor the implementation of existing projects to ensure delivery of outputs targeted under EIF Phase Two Logframe, Outcome I.	Q1-Q4
<input type="checkbox"/> Provide customized support to EIF Countries to deliver on trade mainstreaming and cross-cutting themes in accordance with project work plans.	Q1-Q4
<b><i>II. Reducing supply-side constraints</i></b>	
<input type="checkbox"/> Depending on the availability of resources, submit two (2) new Tier 2 projects to the EIF Board for catalytic funding.	Q2-Q4
<input type="checkbox"/> Support and monitor the implementation of existing projects to ensure the delivery of outputs targeted under EIF Phase Two Logframe, Outcome II.	Q1-Q4
<input type="checkbox"/> Provide customized support to EIF Countries to enhance their participation in global and regional value chains and e-commerce, and to facilitate trade as per country requests.	Q1-Q4
<b><i>III. Leveraging key drivers for investments</i></b>	
<input type="checkbox"/> Organize ten (10) meetings with EIF Donor Ambassadors in Geneva/Donor representatives from Donor capitals to discuss EIF funding issues.	Q1-Q4

<b>Activities/Indicators</b>	<b>Timeline</b>
<input type="checkbox"/> Continue to secure pledged contributions from EIF Donors.	Q1-Q4
<input type="checkbox"/> Organize two meetings with Geneva-based Donors at expert level.	Q2-Q4
<input type="checkbox"/> Organize Donor missions to two (2) LDCs to see how the EIF is working on the ground.	Q2-Q3
<input type="checkbox"/> Undertake an annual bilateral review with Luxembourg at the end of July.	Q3
<input type="checkbox"/> Organize an investment workshop.	Q2
<input type="checkbox"/> Strengthen the collaboration between the EIF and EIF Focal Points and the EIF Donor Facilitators in at least four (4) CIF Countries to help the EIF Countries leverage resources.	Q1-Q4
<input type="checkbox"/> Ensure that the EIF paper on leveraging is delivered on time and implementation of the recommendations are carried out.	Q1/Q2
<input type="checkbox"/> Establish operational linkages with at least two (2) international/regional organizations supporting the trade capacity-building agenda in the LDCs.	Q4
<b>IV. Promoting gender equality and inclusive trade</b>	
<input type="checkbox"/> Organize a gender workshop.	Q3
<input type="checkbox"/> Author an EIF chapter "Connectivity and LDCs – Meeting the target and promoting trade inclusion" for Aid for Trade at a Glance publication.	Q1
<input type="checkbox"/> Include gender as cross-cutting issue in all aspects of the EIF's work.	Q1-Q4
<input type="checkbox"/> Actively support the gender dimension in the project design and approve/recommend projects after carefully analyzing gender implications.	Q1-Q4
<b>V. Strengthening framework functions</b>	
<input type="checkbox"/> Organize two (2) group meetings with LDC Ambassadors to update them on programme implementation and seek their support in facilitating better delivery of results.	Q2, Q3
<input type="checkbox"/> Organize meetings with high-level government officials in three EIF Donor capitals.	Q1-Q3
<input type="checkbox"/> Visit the headquarters of at least three (3) Agencies outside of Geneva to sensitize them on the need for re-commitment to the EIF at the highest possible level.	Q1-Q3



<b>Activities/Indicators</b>	<b>Timeline</b>
<input type="checkbox"/> Organize the EIF Global Platform.	Q2
<b>i. Support the EIF Board and the EIF Steering Committee (EIFSC) to provide strategic guidance to the EIF</b>	
<input type="checkbox"/> Organize two (2) EIF Board meetings, including one in an EIF Country, or as instructed by the Chair of the EIF Board, and pre-EIF Board consultations, as required. Ensure timely availability of the EIF Board documents.	Q1, Q4
<input type="checkbox"/> Organize two EIFSC meetings with two thematic presentations for experience-sharing.	Q2, Q4
<b>ii. Play a key role in EIF public advocacy, communication, outreach and capacity-building</b>	
<input type="checkbox"/> Catalyze the inclusion of EIF texts in the outcome documents/decisions/declarations of at least one (1) global conference/development processes.	Q3-Q4
<input type="checkbox"/> Participate in, deliver statements/presentations at, and/or chair/moderate sessions of at least six (6) events of an international/regional significance, and which are of importance to the EIF, including Global Reviews of Aid for Trade, WTO Public Forums and WTO Ministerial Conferences.	Q1-Q4
<input type="checkbox"/> Ensure up-to-date information and a 25% increase of traffic of the improved EIF website.	Q3
<input type="checkbox"/> Publish at least two (2) EIF e-newsletters <i>Trade Works</i> .	Q2-Q4
<input type="checkbox"/> Publish and disseminate three articles and/or stories of significance to LDCs.	Q1-Q3
<input type="checkbox"/> Publish and release EIF Annual/Impact Report 2016.	Q3
<input type="checkbox"/> Organize two (2) regional capacity-building workshops for Francophone Africa and Anglophone Africa.	Q1
<input type="checkbox"/> Ensure the systematic inclusion of communications elements within all project documents.	Q4
<b>iii. Manage the effective and efficient operations of the EIF while ensuring value for money</b>	
<input type="checkbox"/> Organize portfolio reviews with EIF partners.	Q3
<input type="checkbox"/> Present a value-for-money framework document to the EIF Board for approval and implement after approval.	Q2
<input type="checkbox"/> Roll out the Management Information System and support EIF stakeholders in using the system.	Q1-Q4
<input type="checkbox"/> Organize one (1) capacity-building workshop and one (1) retreat for ES staff members.	Q2
<input type="checkbox"/> Provide at least five (5) training opportunities to each of the EIF staff members to contribute to their career development objectives.	Q1-Q4

<b>Activities/Indicators</b>	Timeline
□ Manage effectively and efficiently financial resources of the EIF Trust Fund (EITFF) and monitor TFM performance, including:	Q1-Q4
✓ Continue to promote a culture of cost consciousness in the operation of the EIF and take concrete actions to achieve cost reductions without compromising on the quality of delivery.	Q1-Q4
✓ The EIF has the appropriate legal instruments tailor-made for EIF Phase Two.	Q1-Q4
✓ The TFM provides accurate, clear and timely reporting, facilitating decision-making on the EITFF.	Q1-Q4
✓ The TFM adheres to fiduciary principles and EIF guidelines in EIF projects.	Q1-Q4
✓ EIF Main Implementation Entities' fiduciary capacities are strengthened to perform fiduciary responsibilities efficiently.	Q3-Q4
✓ ES/TFM coordination is further strengthened (joint workshop).	Q1/Q2

## **Contribution Arrangement Between the Government of Denmark And the United Nations Office for Project Services For the Enhanced Integrated Framework Trust Fund - Phase Two**

Whereas the **Government of Denmark**, hereafter referred to as the Donor, is prepared to support the Enhanced Integrated Framework (EIF) – Trade for LDC Development in its Phase Two.

Whereas the United Nations Office for Project Services, hereafter referred to as UNOPS, assumes responsibility for the management of the EIF Trust Fund as defined in the Standard Provisions for the Phase Two, attached hereto as Annex I.

The Donor and UNOPS have come to the following Arrangement:

1. Pursuant to the Standard Provisions and in consistency with the Compendium of working documents for the Enhanced Integrated Framework (the “Compendium”), the Donor is making available a Contribution of DKK 60,000,000 (Sixty million Danish Kroner). The Contribution is to be administered by UNOPS in accordance with the Financial Regulations and Rules applicable to UNOPS and in line with the terms and conditions set out in the Standard Provisions.
2. The Contribution will be used to support the implementation of the EIF Phase Two from 2016 and 2017. The Donor will transfer the amount of DKK 60,000,000 (Sixty million Danish Kroner) in accordance with the schedule of payment set out below:

[Insert currency and amount] [Upon signature of this agreement]

[Insert currency and amount] [Insert date]

[Insert currency and amount] [Insert date]

3. The amount will be marked “EIF Trust Fund Phase 2 Account” and will be deposited in UNOPS’ Bank Account:

Currency:	USD
Bank name:	JP Morgan Chase
Account Holder’s name:	UNOPS
Account number:	323846017
Bank Address:	277 Park Avenue, 23rd Fl., New York, NY 10172, USA
ABA:	021000021
SWIFT Code:	CHASUS33

Trade for LDC development

4. The Donor will inform UNOPS when the contribution is paid via an e-mail message with remittance information to [EIFcontributions@unops.org](mailto: EIFcontributions@unops.org).
5. This Contribution Arrangement may only be amended in writing between the Parties in line and in consistency with the relevant paragraph in the Standard Provisions.
6. All correspondence related to this arrangement and with its implementation should be directed to:

For the Donor:

For UNOPS:  
Chakib Belhassan  
Executive Officer, EIF TFM  
UNOPS Geneva Office  
11-13 Chemin des Anémones  
CH-1219 Châtelaine, Switzerland  
Fax: +41-22-917 8062  
[ChakibB@unops.org](mailto:ChakibB@unops.org)

7. This arrangement shall enter in to force upon signature by both parties.

For the Government of Denmark

For UNOPS

Signature:

Name:

Title:

Date:

Signature:

Name: Moin KARIM

Title: Regional Director, Europe and Central Asia

Date: