

Guidelines for EIF Tier 2 projects funded by the EIF Trust Fund (EIF TF)

A. Background and Objective

1. These Guidelines provided by the EIF Board provide a layout for EIF Tier 2 projects and relate to the technical, fiduciary and formatting aspects that will guide the formulation of project proposals submitted for funding by the EIF TF. Furthermore, the Guidelines provide some guidance on in-country procedures and interaction between Focal Points (FPs) or National Implementation Units (NIUs) and development partners (DPs) on Tier 2 support. The Guidelines may be periodically revised by the EIF Board, based on the experience in implementing Tier 2 projects.

B. Tier 2 Projects

2. Tier 2 projects are projects funded by bilateral or multilateral local DPs or the EIF TF to address priorities identified in an EIF beneficiary country's DTIS, the DTIS update and its Action Matrix.

3. Given the size of Aid for Trade needs, the bulk of the external resources necessary to implement the priorities identified in the LDCs' DTIS and Action Matrices will need to come from bilateral programmes of DPs.

4. In order to ensure that EIF activities are consistent with the overall national development objectives, LDC EIF beneficiary countries will be expected to develop a medium-term programme aimed at strengthening their productive and trade capacities, including reforms that are essential to improving the business environment. These programmes will be based on the DTIS Action Matrix and provide a further prioritization of the actions identified in the Matrix. The programmes are expected to include a coherent plan of reforms, capacity-building projects and other necessary actions accompanied by a narrative explanation of how this plan supports the overall development objectives. The programmes will form the basis of discussion between the EIF beneficiary country, supported by the Donor Facilitator (DF) and the local donors and will assist in specifying which activities are led by the Government and which are supported by donors.

5. Notwithstanding the above, it is acknowledged that some LDCs may not currently have in place such programmes, and this will not be a conditionality for LDCs accessing Tier 2 EIF TF resources. However, it is expected that such countries will start working on developing their programmes, for which Tier 1 support or support by the local donors may be requested. Access to EIF Tier 2 project funding by countries without such a programme will generally be limited to an initial period of maximum three (3) years after the first funding by the EIF of a Tier 1 or Tier 2 project (whichever comes first), not exceeding 31 December 2014. For funding during this period, the link with a priority identified in the DTIS Action Matrix should be duly justified.

6. The programming exercise is expected to be led by the FP and the NIU in close collaboration with the relevant Ministries (including Finance and Planning), and the programme is expected to be approved by the National Steering Committee (NSC). Note that the scope and budgeted cost of the programme should be of a magnitude that can be realistically expected to be provided by the Government and local DPs, with the EIF TF resources as a complement.

7. Project proposals from countries that have such a programme in place should explain where the proposed project fits within the programme. The programme should also be annexed to the proposal.

B.1 Tier 2 projects funded by the EIF TF

8. All EIF beneficiary countries that have concluded the DTIS and validated the Action Matrix are eligible for EIF TF funding for Tier 2 projects. EIF TF-funded Tier 2 projects should be part of the above-mentioned country programme and should be strategically selected to complement existing projects or fill gaps, or to leverage resources. Additionally, the Executive Secretariat (ES) and Trust Fund Manager (TFM) will work with the beneficiary countries to ensure that, where appropriate, small, low-cost and strategic projects are consolidated into a broader Tier 2 project.

9. 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 implementation of the above-mentioned programme where they are in place.

10. The decision to give priority to a particular sector or type of activity within the Action Matrix and to start preparation of a project for EIF TF funding has to be taken by the LDC Government, after a documented process of consultation involving all country level stakeholders and concluded by approval by the NSC.

B.1.1 Examples of EIF TF-funded Tier 2 project categories

11. EIF TF-funded Tier 2 projects are usually expected to be from one of the categories included in the EIF Compendium, but not limited, to the following areas: assistance to implement WTO or other trade policy commitments; project preparatory activities that may not have been provided for under Tier 1 projects: trade mainstreaming activities to integrate DTIS conclusion into national development strategies, such as PRSPs; preparation, formulation and implementation of sectoral strategies; capacity building activities for key trade support institutions and Government officials, representatives of local communities, professional federations, NGOs and other stakeholders or to enhance the supply side response of the country; specific actions including capacity development aimed at enhancing SMEs' competitiveness for priority sectors identified in the DTIS; assistance for WTO accession; and strengthening for trade support services.

12. To assist the activities of the NIUs in their role in the development of Tier 2 project proposals, throughout the implementation of the EIF, the ES and the TFM will provide the necessary guidance on compliance with EIF requirements. Assistance in developing project proposals may also be provided through Tier 1 projects or through bilateral support or other relevant in-country partner institutions/ entities or international agencies.

B.1.2 EIF Tier 2 Main Implementing Entities (MIEs)

13. The FP, guided by the NSC, will propose the MIE for a project submitted for EIF TF Tier 2 funding. Once a project is approved and the relevant agreement signed with the TFM, the TFM will disburse directly to the MIE, whether a Government/ national or international implementing entity (UN Agency, non UN development agency, bilateral partner, NGO or other). Government/ national implementation is encouraged. The LDCs have full flexibility in selecting MIEs that are best suited to implement their projects, provided the MIE has been determined as per TF requirements to have sufficient capacity whilst ensuring emphasis on country ownership and accountability. There is no restriction to the number of projects that an MIE can implement.

14. If necessary, the MIEs will assume the responsibility for contracting and monitoring sub-implementing entities.

B.1.3 Project amount and duration

15. EIF Tier 2 projects directly funded out of the Trust Fund should not normally exceed a total cost of US\$1,500,000. However, the Board may consider projects above this amount should it deem it fit to do so from facts presented in the project. Additionally, EIF TF-funded Tier 2 projects should not normally exceed three years. However, exceptionally, provided adequate justification is provided in the project document, the Board may approve a longer term project of up to five years.

B.1.4 Allocation for Tier 2 projects

16. The ES and TFM will, upon approval of the Board, communicate the total allocation of EIF TF resources to fund Tier 2 projects on a semi-annual basis.

B.1.5 Regional projects

17. The Board will decide at a later stage how the EIF addresses the regional dimension.

B.1.6 Co-funding

18. While cost-sharing with LDC Governments is encouraged, co-funding by other donors and its modalities will be considered on a case-by-case basis.

B.2 Bilaterally funded Tier 2 projects

19. Given the size of Aid for Trade needs, the bulk of the external resources necessary to implement the priorities identified in the LDCs' DTIS and Action Matrices will need to come from bilateral programmes of DPs.

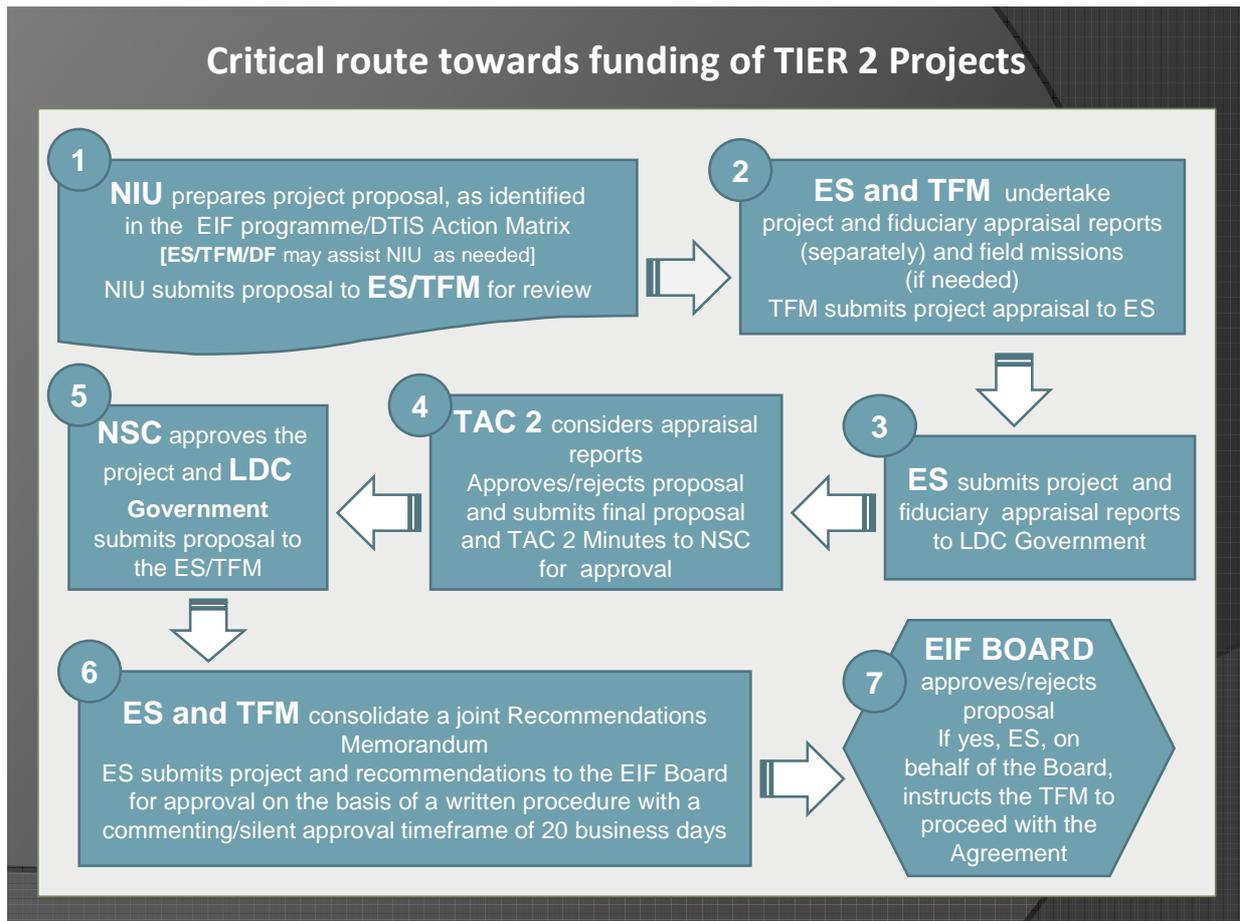
20. EIF projects funded through DPs should have full LDC ownership through the use of the Government-donor coordination structures and process. The FP and NIU will ensure that the DF and NSC are involved in the in-country appraisal and approval. Without prejudice to donors' requirements, the FP and the NIU may want also to use the EIF Tier 2 project format for their bilateral/ multilateral Tier 2 projects; this, however, is not a condition for a project to be counted as a bilateral Tier 2.

21. Before an EIF beneficiary country sets out to draft a Tier 2 project proposal from its EIF country programme for funding by the EIF TF, the IF FP supported by the DF needs to have ensured that the proposed project does not duplicate any projects in the pipeline of any bilateral or multilateral donors. To document this, the project proposal should include a statement to that effect, endorsed by the DF.

22. Bilateral, multilateral or other donors that have signalled that a specific project proposal is under preparation for their funding should fund this project within a year from the submission; otherwise, the LDC can proceed to present the project to the EIF Board for due consideration.

C. Approval Sequence for Tier 2 Projects

23. The diagramme below describes the critical route towards the approval of Tier 2 projects starting from the moment when a project has been identified until its final approval by the EIF Board.



24. As shown, the following steps are required:

1. Project proposals for funding are prepared under the coordination of the FP, usually by the NIU, in close consultation with the NSC. To ensure a smooth process, it is advisable to request the assistance of the DF and the guidance of the ES and the TFM as early as possible for project selection and formulation. The ES and TFM will provide advice throughout the process and ensure that the Tier 2 project and approval process criteria have been complied with.
2. Before submission to a Tier 2 Appraisal Committee (TAC 2), the ES and TFM receive the proposal from the NIU and undertake their respective appraisal processes. The TFM undertakes the fiduciary appraisal of the project and capacity assessment of the MIE, undertaking a field mission, if necessary. The ES appraises the project from the trade development point of view. All appraisal reports prepared by the TFM and ES are submitted to the LDC Government before the TAC 2 meeting.
3. The project proposal must be appraised in a preliminary way before its official approval by a TAC 2, which reviews the project proposal from substantial points of view and for recommending which of the identified execution modalities is most appropriate for the project.¹ The ES's and TFM's appraisal reports inform the TAC 2. The TAC 2 will assist in ensuring that the project is formulated in a result-oriented manner, is in alignment with the

¹ This decision is to be clearly mentioned in the TAC 2 minutes. Depending on the nature of Tier 2 projects, a combination of execution modalities may be possible.

country's latest national development plans, forms part of the country's programme (where available) and responds to priority areas of intervention of the DTIS and its Action Matrix.²

4. The minutes of the TAC 2 are transmitted to the NSC and annexed to the project proposal for formal approval by the NSC and signature by the Chair of the NSC with the view of a final endorsement by the respective LDC Government and of transmission to the ES with the request for EIF funding.
5. The ES and the TFM will prepare a joint Recommendations Memorandum to the EIF Board for approval.
6. Approval will be on the basis of a written procedure with a commenting/ silent approval time frame of 20 Switzerland business days. In case of objections raised by a Board member, the ES will engage with Board Members and/or the FP to resolve the points raised. This consultation period is allocated a maximum of 10 Switzerland business days. Where objections are maintained, the project will be brought to the next EIF Board meeting for discussion and consideration.
7. Once the project proposal has been approved by the Board, the TFM will, upon the request of the Executive Director of the ES, proceed with the commitment of funds for the selected project implementing entity after the signature of the relevant agreement.

D. Monitoring and Evaluation

25. In accordance with the M&E Framework, the MIEs for Tier 2 projects are responsible for developing M&E plans, a logical framework and results indicators for adequately monitoring project activities and results.

26. The MIE will, through its internal monitoring system, provide reporting, as specified in the legal agreement, to the TFM on project implementation in terms of funds utilized, activities implemented, results obtained and difficulties encountered.

E. Operational policies on specific project inputs / budget items

27. Vehicles and other capital items: purchase of a vehicle or other capital items may be granted for the purpose of delivery of public service and implementation of governmental or technical assistance functions, but a justification in the project description is necessary.

28. Payment of import duties and taxes: Governments are requested to afford the EIF-funded projects the same treatment they afford to international organizations present in their countries.

² The TAC 2 is an ad hoc committee convened only for a specific project proposal and is not a permanent body. The composition of the TAC will be decided by the FP in consultation with the NSC and the DF. It may vary depending on the LDC and the technical content of the project proposal being appraised. It may correspond to the existing donor group of a subgroup hereof. In any case, the TAC 2 will be chaired by the FP and will always include the following core Members: the DF (or in exceptional circumstances, another donor representative designated by the DF), a representative of the Ministry of Trade (or Commerce or equivalent) and one of Finance and/or Planning or another Government Entity and a representative of the Private Sector.

F. Procurement guidelines

29. The procurement rules to be applied are usually the ones of the implementing entity provided they are in line with international standards.

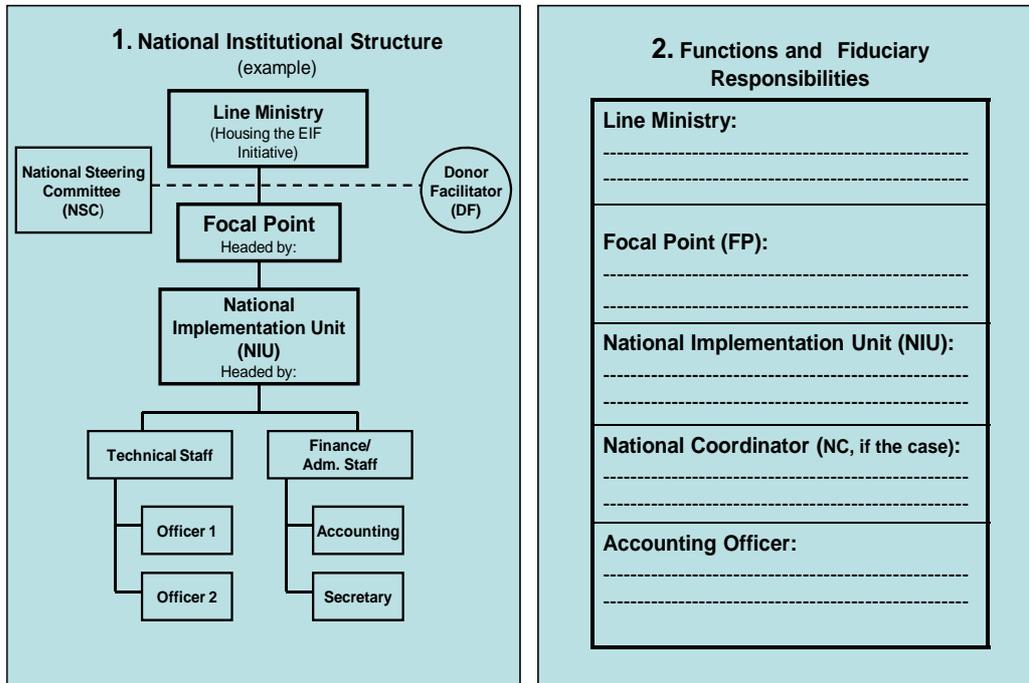
G. Format for Tier 2 Project and Guidance for Completion

Section I: Summary Page	
I.1 Project title	encapsulated description of project aim and focus
I.2 Category of project	technical assistance, or capacity building and training, or special study or other
I.3 Grant recipient entity	name, nature (public, private or other), national or international
I.4 Implementing entity (if different from grant recipient entity)	name, nature (public, private or other), national or international
I.5 Project duration	months, years, indicating expected start date
I.6 Total project costs	in US\$ by year
I.7 EIF funding sought	in US\$ by year
I.8 Other sources of funding (including counterpart funding)	in US\$ by year
I.9 Objective of the project	1-line summary of III.1 below
I.10 Results statement	short summary of III.2 below
I.11 Brief description of the project	which sector is addressed, what are the main activities under the project
I.12 Approved by and date	FP, Chair of the NSC, DF, ES
Section II: Strategic context	
II.1 Succinct explanation on how the project is covered by the medium-term programme aimed at strengthening the country's productive and trade capacities (annexing a copy of this). In the absence of such a programme, provide the explanation linked to the DTIS Action Matrix and narrate any progress in developing such a medium-term programme.	
II.2 Support to national trade and private sector development agenda by the Government and other donors: Overview of actions under implementation and in the pipeline, specifying for each of the actions foreseen in the medium-term programme which part of funding is provided by the Government and which by donors.	
II.3 Status of sector targeted by project (if applicable)	Summary description of sector targeted by project; highlight constraints, including those the project will address.
Section III: Project description	
III.1 Overall objective and specific project purpose	State the project overall objective with reference to impact to be obtained and specific purpose with reference to outcomes to be obtained
III.2 Results	State the specific results (outputs) the project seeks to achieve; this section has to be congruent with the logframe in VI.1 below.

III.3 Key activities and outputs	List the key activities under the project for each of the outputs to be achieved with these activities. These outputs must be sufficient to reach the outcomes identified in III.1.
III.4 Document fund raising activities preceding preparation of the Tier 2 project proposal	State when and on which occasion (Consultative Group meeting, Round Table meeting, special Trade Roundtable, other) the donor community had been asked to fund the project contained in this proposal. Attach a report/minutes of the meeting.
III.5 Summary budget, specifying Government funding	Mention main budget items and Government funding (according to Annex 2); these should be monetized if possible; it is expected that Government contributions increase over the course of the project (if multiyear)
III.6 Sustainability strategy	Describe how the results of the project (see III.2 above) will be made to last beyond the life of the project.
III.7 Exit strategy	What happens at the end of the project; what happens to capital goods purchased under the project?
Section IV: Risk and Mitigation Strategy	
IV.1 Identify risks for project delivery and/or project results	Risks should be categorized into those that are integral to the project, i.e., those that the project design can address, and other risks outside the project and outside the influence of the project.
IV.2 Describe how the risks under IV.1 will be mitigated	For risks integral to the project, show how the project design intends to mitigate the risks; for risks outside the project, describe what mitigation strategy the Government might have.
Section V: Project Implementation Arrangements	
V.1 Description of the Implementing Entity	Nature of the Implementing Entity, experience in providing services as requested, references, etc.
V.2 National ownership	Description of how the project will ensure national ownership
V.3 NIU implementation arrangements (if applicable)	Description of internal supervision arrangements adopted by the NIU while implementing and/or coordinating activities to be undertaken by other Government entities.
Section VI: Logical Framework, Work Plan and Budget	
VI.1 Logical framework	Fill in a logical framework including overall objective, purpose, results, indicators and sources of verification for the project
VI.2 Work Plan	
VI.3 Budget	see format in Annex 3
Section VII: Project Accountability Arrangements	
VII.1 Legal status of implementing entity	Legal personality and fiscal identification
VII.2 Fiduciary responsibilities	Organization of the project and succinct description of roles and functions of key staff assuming fiduciary responsibilities (see National Fiduciary Responsibility Framework in annex).
VII.3 Financial and fiduciary management	Detailed description of procedures for recruitment, procurement, accounting, etc.; see fiduciary administrative process in annex.
VII.4 Audit requirements	Description of internal audit procedures and external audit requirements.
VII.5 Monitoring and evaluation	Summarize the monitoring and evaluation mechanism of the project, including a clear identification of who performs the various tasks. Must be consistent with the EIF M&E Framework.

Annex 1: Fiduciary formats

I. National Fiduciary Responsibility Framework



III. Fiduciary administrative process

1. Administrative Units involved and administrative mechanisms to be used by the NIU for:

Recruitment: ----- -----
Procurement: ----- -----
Sub-contracts ----- -----
Overall expenditure: ----- -----

2. Internal fund flow

Draw flow chart

3. Reporting and control mechanisms

Reporting: ----- -----
Control mechanisms: ----- -----

Annex 2: Budgeting**SUMMARY BUDGET BY CATEGORY**

Account	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Comments
71200	Int'l Experts							
71300	Support Staff							
71400	Nat'l Experts							
71600	Travel & Missions							
63400	Learning Costs							
72100	Subcontracts							
72200	Equipment							
74200	Operating Costs							
74100	Prof Services							
73100	Premises							
74500	Sundries							
	TOTAL							

