



III. Modus operandi of Tier 2

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Objective, country and project eligibility

1. All EIF Countries that have finalized and validated the Diagnostic Trade Integration Study (DTIS) and its Action Matrix are eligible for Enhanced Integrated Framework (EIF) Trust Fund (TF) funding for Tier 2 projects. 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.
2. Given the size of Aid for Trade (Aft) needs, 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 (DPs).
3. The decision to give priority to a particular sector or type of activity within the Action Matrix and to start the preparation of a project for EIFTF funding has to be taken by the EIF Country government after a documented process of consultation involving all country-level stakeholders and concluded with the approval by the EIF National Steering Committee (NSC).
4. EIF projects funded through DPs should have full EIF Country ownership through the use of the government–donor coordination structures and process. The EIF Focal Point (FP) and the EIF National Implementation Unit (NIU) will ensure that the EIF Donor Facilitator (DF) and the NSC are involved in the in-country appraisal and approval process. Without prejudice to donors' requirements, the FP and the NIU may want also to use the EIF Tier 2 project template (Annex III.1) for their bilateral/multilateral Tier 2 projects; this, however, is not a condition for a project to be counted as a bilateral Tier 2.
5. Before an EIF Country sets out to draft a Tier 2 project proposal for funding by the EIFTF, the 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.
6. 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 EIF Country can proceed to present the project to the EIF Board for due consideration.
7. In addition to the adoption of the DTIS Action Matrix and in order to ensure that EIF activities are consistent with the overall national development objectives, EIF Countries are expected, within three years of the first EIF funding decision for a project in the country, to develop a 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 actions identified in the Action Matrix. The programmes are expected to include a coherent plan of reforms, capacity-building projects and other actions that may be necessary, accompanied by a narrative explanation of how the plan supports the overall development objectives. The programmes will form the basis of discussion between the EIF Country (supported by the DF) and the local donors and will assist in specifying which activities are funded by the government and which are co-funded by donors.
8. Notwithstanding the above, it is acknowledged that some EIF Countries may not currently have in place such programmes, and this will not be a condition for them to access Tier 2 EIFTF 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 a maximum of 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.

9. 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 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 EIFTF resources as a complement.
10. 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.
11. Illustrative examples of eligible Tier 2 projects include the following: 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 conclusions 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 local stakeholders or to enhance the supply-side response of the country; specific actions aimed at enhancing small and medium enterprises' competitiveness for priority sectors identified in the DTIS; assistance for WTO accession; and 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 programme mentioned in Section 7 above, where they are in place.
12. The EIF Board will decide at a later stage how the EIF addresses the regional dimension.
13. While cost-sharing with EIF Country governments is encouraged, co-funding by other donors and its modalities will be considered on a case-by-case basis.

Budget and timing

14. The ES and the TFM will upon approval by the EIF Board communicate the total allocation of the EIFTF to fund Tier 2 projects for all EIF Countries on a semi-annual basis.
15. The total level of EIF funding for a Tier 2 project is expected to be in the range of US\$1.5-3 million. However, the Board may consider approving projects with a total cost above or below this amount should it deem it fit to do so from facts presented in the project proposal(s).
16. Project agreements will specify the expected starting date and completion date of the project. EIFTF-funded Tier 2 projects should not normally exceed three years. However, exceptionally, provided adequate justification is provided in the project proposal, the EIF Board may approve a longer-term project of up to five years.

Project preparation: formulation of proposals

17. Project proposals are prepared and coordinated by the NIU under the responsibility of the FP, in close consultation with the NSC and with the assistance of the DF. In preparing such proposals, the NIU may request the advice and assistance of other partners, such as the EIF Partner Agencies, regional or other international agencies, donors, NGOs, etc. The project proposal will be prepared pursuant to the template for project proposals and budgets contained in the Tier 2 project template (see Annex III.1).

18. To assist 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.
19. The FP, guided by the NSC, will propose the Main Implementing Entity (MIE) for a project submitted for EIFTF 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. EIF Countries have full flexibility in selecting MIEs that are best suited to implement their projects, provided the MIE has been determined as per EIF requirements to have sufficient capacity whilst ensuring emphasis on country ownership and accountability. There is no restriction as to the number of projects that an MIE can implement.
20. In the event that the project proposal identifies an MIE other than the government, the NIU shall seek its input during the project preparation phase. In addition, the selection of an MIE should be discussed and approved during a Tier 2 Appraisal Committee (TAC 2) meeting, with signed minutes reflecting the decision.
21. If necessary, the MIEs will assume the responsibility for contracting and monitoring sub-implementing entities.

Project appraisal

22. The TAC 2 appraises the project proposal in-country. It is chaired by the FP and includes the DF (or, in exceptional circumstances, another donor designated by the DF), a representative of the ministry of trade (if the FP is not from such a ministry) and one from finance and/or planning or another government entity, a representative of the private sector and a representative of the MIE in case it is not represented by any of the other mandatory members of the TAC 2. These are the core members of the TAC 2, and they form the minimum mandatory membership. The FP, in consultation with the other core members, may decide to invite other representatives of the private sector or government departments to participate in the appraisal. The TFM and the ES may attend the TAC 2 meetings as observers.
23. The TAC 2 shall review the project proposal and any appraisal reports and memoranda made available to it prior to conducting its appraisal. The TAC 2 will assist in ensuring that the project is formulated in a results-oriented manner, is in alignment with the 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. The TAC 2 shall hold an appraisal meeting, and minutes of such meetings shall be prepared. The minutes shall be circulated promptly to the core members of the TAC 2 for their signatures and to those observers who participated in the meeting. The minutes 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 for final endorsement by the respective EIF Country government and transmission to the ES with the request for EIF funding. The signed minutes of the TAC 2 are to be considered as an integral part of the project proposal.
24. The members of the TAC 2 shall decide as part of their deliberations whether to recommend the project for approval. Only projects approved by all TAC 2 mandatory members can be submitted to the ES for transmission to the EIF Board for approval.

25. The subsequent project appraisal by the ES and the TFM provides a review of all aspects of the project. The aim of the appraisal is to examine and evaluate the project objectives, to assess whether the proposed project is likely to meet these objectives efficiently and to recommend conditions that should be met to ensure that the objectives of the project will be achieved. The appraisal covers both the project and the entity or entities that will implement it.
26. The appraisal process will lead to an ES Recommendations Memorandum and a TFM Capacity Assessment Report (CAR) as detailed below.
27. The ES shall assess and make recommendations as appropriate on the programmatic and substantive aspects of the project, including the consistency of the project with the EIF objectives, the relevant programmatic and substantive capacity of the MIE and the operational quality of substantive performance indicators and expected project outcomes in the project proposal, in accordance with the M&E Framework. A mission may be required for the ES to consolidate this appraisal.
28. The TFM shall, in accordance with its full fiduciary responsibility, (i) carry out a comprehensive fiduciary review of the project, including a financial, procurement, disbursement, legal and anti-corruption review of the project; (ii) carry out an assessment of the operational and financial implementation capacity of the MIE, including the MIE's own internal project monitoring capacity; and (iii) formulate recommendations for capacity building in the above-mentioned aspects as needed. The TFM undertakes a desk review of the proposal and, as necessary, a mission for its appraisal (in conjunction with the ES, if possible and needed). The assessment, review and recommendations of the TFM for the project shall be properly formalized in the TFM CAR and shall ensure that the proposal adheres to the fiduciary requirements set out in this Compendium.

Project approval

29. Tier 2 projects shall be submitted for approval to the EIF Board through a written procedure. A Tier 2 project proposal shall be deemed approved unless an EIF Board member with voting rights presents an objection within twenty (20) Switzerland business days from the date of its submission to the EIF Board. Comments and questions received on a proposal will be addressed by the Executive Director of the ES (ED), through consultations with the TFM, the MIE and the FP, and a response will be provided to the EIF Board without undue delay. These comments and questions will not in themselves prevent the approval of a project proposal. If an EIF Board member objects to the approval of a project proposal, it will communicate such objection and the reasons therefore in writing to the ES within the 20-day period.
30. The ED will consult with the TFM, the MIE and the FP in an effort to resolve the objection. The ED may, with respect to any project proposal under consideration, require additional information or adjustments in the design or cost structure or request any other changes. Upon such consultation, and where appropriate upon revision of the project proposal, the ED shall ensure that any objection is addressed. In cases where the objection is resolved to the satisfaction of the FP, the MIE and the Board member(s) concerned and any possible revision of the project proposal is limited, the project proposal may be considered approved, and the ED shall circulate the final project proposal and an explanatory note to the EIF Board members for their information. In cases where the objection cannot be resolved or in any case where the ED deems this appropriate, such a project may be re-submitted under the above-mentioned written procedure for approval by the EIF Board.
31. The re-submission will include an explanatory note by the ED specifying the modifications made in the project proposal and/or the complementary information considered relevant for not requesting changes concerning the points in the project proposal that the objections expressed by the EIF

Board member(s) relate to. This consultation period is allocated a maximum of ten (10) Switzerland business days. In case of objection by an EIF Board member upon such re-submission, the project proposal shall be presented for consideration at the next regular meeting of the EIF Board.

32. The ES and the TFM will provide advice throughout the process and ensure that the Tier 2 approval process and criteria have been complied with.

Agreements and disbursements

33. Upon the approval of a Tier 2 project by the EIF Board, the ED shall send a formal communication to the TFM that the project has been approved. The TFM shall then enter into the legal agreement with the recipient of the funds. It is the responsibility of the TFM to ensure that all necessary terms and conditions and the rights and responsibilities of the parties, including those identified during the project preparation and appraisal phase, be included in the relevant agreements. The TFM shall facilitate the disbursement to the recipient within ten (10) Switzerland business days of the signature of the final legal agreement, assuming there are no delays caused by banking transaction requirements that are out of the TFM's control.

Implementation modalities

34. Three types of implementation modalities are available for projects under Tier 2. The TAC 2 is to recommend which one is the most suitable for a specific project.

Option 1: Government implementation

35. The project is implemented by a government entity, whereby overall responsibility and accountability for the management of the project lies with the selected government entity. In this case, funds are transferred to this governmental entity.

Option 2: EIF Partner Agency implementation

36. Under this implementation modality, an EIF Partner Agency is selected by the government as the MIE to implement a Tier 2 project and is endorsed in the TAC 2 minutes. This choice will be based on an assessment by the parties of the comparative advantages of such an entity, specialized expertise in Trade-related Technical Assistance (TRTA), possible synergies with other ongoing projects, past experiences, etc. In any case, the EIF Partner Agency will take into consideration the basic EIF principles of enhancing national ownership and building partnerships for development, as well as principles of transparency (transparent budget), light procedures, etc.
37. The responsibility and accountability for the project lie with the selected MIE, and the implementation will take place on the basis of the project documents as approved by the EIF Board. The EIF Partner Agencies and the TFM have entered into Partnership Agreements meant to facilitate the procedures for project implementation.

Option 3: Other entity implementation

38. In this case, the responsibility and accountability for the project lie with the MIE selected by the TAC 2 following appropriate procurement procedures validated by the ES/TFM. This choice will be based on an assessment by the parties of the comparative advantages of such an entity, including specialized expertise in TRTA, possible synergies with other ongoing projects, past experiences, etc. In any case, the MIE will take into consideration the basic EIF principles of enhancing national ownership and building partnerships for development, as well as principles of transparency (transparent budget), light procedures, etc.
39. Under this Option 3, the following main possibilities are envisaged (or a combination thereof), though not exhaustive:
- i. Implementation by another international organization;
 - ii. Implementation by a bilateral DP agency, such as GIZ, AFD, etc.;
 - iii. Implementation by local entities, such as an NGO, a research institute or an academic body; and
 - iv. Implementation by a private sector consulting firm. In this case, government procurement rules would normally be applied.

Neutrality

40. In order to avoid any possible conflict of interest, the DF should not usually be considered as a service provider for the implementation of a project's activities (as MIE or otherwise). However, in duly justified cases, the EIF Board may decide to waive the application of this clause, upon specific request by the FP or the controlling officer where procedures thus demand, on behalf of the EIF Country government, after prior consultations with the other donors present in the country.

Monitoring and Evaluation

41. The M&E of the project will take place in accordance with provisions of the section on the M&E Framework.



Annex III.1: Tier 2 project template

Tier 2 project template and guidance for completion

ENHANCED INTEGRATED FRAMEWORK	TIER 2 PROJECT PROPOSAL
SECTION I: Project Accountability Arrangements	
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	One-line summary of Section III.1 below.
I.10 Results statement	Short summary of Section 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, ED.
SECTION II: Strategic Context	
II.1 Succinct explanation of 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 the 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 the 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's 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 Section VI.1 below.
III.3 Key activities	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 Section III.1.
III.4 Document fundraising activities preceding the preparation of the Tier 2 project proposal	State when and on which occasion (consultative group meeting, round table meeting, special trade round table, etc.) 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 multi-year).
III.6 Sustainability strategy	Describe how the results of the project (see Section 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 of the project and outside of 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 of 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 V: Logical Framework, Work Plan and Budget	
VI.1 Logical framework	Fill in a logical framework including the overall objective, purpose, results, indicators and sources of verification for the project.
VI.2 Work plan	Provide a month-by-month work plan for the activities listed above.
VI.3 Budget	See format below.
SECTION VI: Project Accountability Arrangements	
VII.1 Legal status of the 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).
VII.3 Financial and fiduciary management	Detailed description of procedures for recruitment, procurement, accounting, etc.; see fiduciary administrative process.
VII.4 Audit requirements	Description of internal audit procedures and external audit requirements.
VII.5 M&E	Summarize the M&E mechanism of the project, including a clear identification of who performs the various tasks. Must be consistent with the EIF M&E Framework.

Operational policies on specific project inputs/budget items

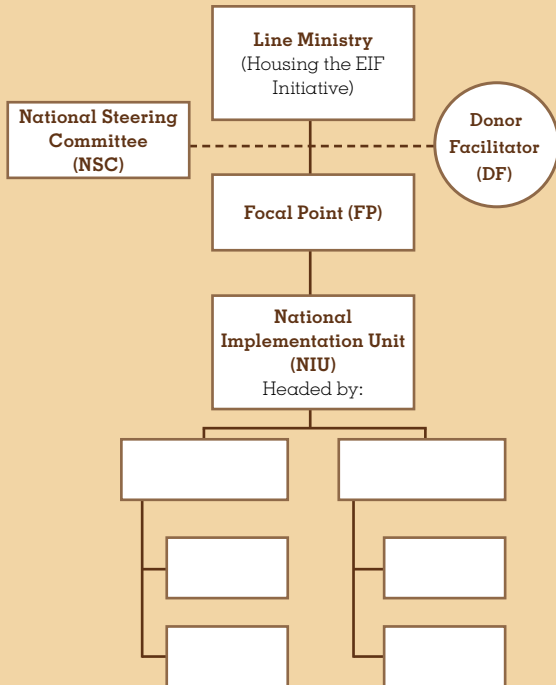
1. Vehicles and other capital items: purchase of a vehicle or other capital items may be granted for the purpose of delivery of public service and implementation of governmental or technical assistance functions, but a justification in the project description is necessary.
2. Payment of import duties and taxes: governments are requested to afford the EIF-funded projects the same treatment they afford international organizations present in their country.

Procurement guidelines

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

National Fiduciary Responsibility Framework

1. National Institutional Structure (example to be adjusted)



For indicative purposes only, to be adjusted according to project specificities

2. Functions and Fiduciary Responsibilities (summary)

Line Ministry:

National Steering Committee (NSC):

Focal Point (FP):

National Implementation Unit (NIU)
Coordinator (if the case):

Accounting Officer:

Summary Budget by Category

Account	Category	Year 1	Year 2	Year 3	Year 4	Year 5	Total	Comments
71200	International experts							
71300	Support staff							
71400	National experts							
71600	Travel & missions							
75700	Training & workshops							
72100	Subcontracts							
72200	Equipment							
74200	Communication							
74100	Professional services							
73100	Premises							
74500	Sundries							
Total								

Detailed Budget Template

Country:

Project Title:

Starting Date:

Project Duration:

Approved Budget:

Funded by: Enhanced Integrated Framework Trust Fund (EIFTF)

Account Code	Account Code Description	Unit	Total		Year 1		Year 2		Year 3		Year 4		Year 5		Comments
			Unit Cost	Total Cost	Units	Total	Units	Total	Units	Total	Units	Total	Units	Total	
71200	International experts	Month													
71300	Support staff	Month													
71400	National experts	Month													
71600	Travel & missions	Trip													
75700	Training & workshops	Training													
72100	Subcontracts	Training													
72100	Subcontracts	Contract													
72200	Equipment	Lump sum													
72200	Equipment	Vehicle													
72200	Equipment	Each													
74200	Communication	Month													
74100	Professional services	Audit													
74100	Professional services	Contract													
73100	Premises	Month													
73100	Premises	Lump sum													
74500	Sundries	Month													
Total															