

Minutes of the Nineteenth Meeting of the Consultative Committee of the ITC Trust Fund

The Consultative Committee of the ITC Trust Fund (CCITF) met at ITC headquarters on 7 May 2019 at 10:00 a.m.

The Executive Director (ED), Ms. Arancha González, welcomed the participants and presented the proposed agenda of the meeting.

1. CCITF Report (1 January - 31 December 2018)

The **Executive Director (ED), Arancha González**, presented the summary and the main outcomes of the 2018 CCITF Report to the Consultative Committee of the ITC Trust Fund (1 January - 31 December 2018). She underscored that 2018 was a very successful year for ITC, as reflected in both its quantitative and qualitative results.

Regarding XB resource mobilisation, the ED stated that ITC had three positive results, namely: more funding, longer-term grant agreements, and funder diversification (which featured the addition of two new W1 funders and several new W2 funders). In 2018, ITC saw growth in XB agreements signed and cash received: ITC experienced a 69% increase in funds received that grew from \$54 million (in 2017) to approximately \$91 million. The total value of new XB funding agreements signed in 2018, for projects running up to 2023, was \$165 million. She emphasized that this is the highest amount of contributions ever mobilized by ITC.

Concerning delivery, ITC delivered \$100 million (RB and XB) – a notable achievement as it is the highest delivery result in ITC's history. XB delivery increased by 38%, from \$46 million to \$64 million in 2018. In looking at financial delivery by focus area and by priority countries and regions, ITC recorded that 70% of XB funding was directed towards: Promoting and mainstreaming inclusive and green trade (Focus area 5), Connecting to international value chains (Focus area 4), and Supporting regional economic integration and South-South links (Focus area 6). The share of priority countries in region-specific delivery remained stable at 86% (6% above the Strategic Plan target). The share of LDCs was above 60%. Additionally, Ms. González noted that 56% of delivery focused on sub-Saharan Africa, followed by the Asia-Pacific at 20% and Arab States at 12%. The remaining 13% of XB region-specific delivery was spread across Eastern Europe, Central Asia, and Latin America and the Caribbean.

In the terms of development results, in Tier 1, ITC's work translates into contributions to the SDGs. In 2018, the organization based its reporting on its contributions to the Global Goals on more granular data, by reviewing direct linkages of its work to the SDGs. In doing so, ITC was able to increase the number of relevant SDG targets, and develop and introduce guidelines and indicators for project managers. The report highlights various examples for direct and indirect SDG contributions. Regarding Tier 2, ITC's outcome and output indicators, ITC met or exceeded the targets for all outcome indicators and for all output indicators, except the number of advisory services for which a more rigid definition had been applied. This positive result is attributed to the availability of higher than planned XB resources in 2018, and an increase in monitoring efforts.

ED also stated that the leveraging effect of the Window I financed Business Development Fund (BDF) has grown significantly since 2013 reaching \$32 of additional W2 funds received per \$1 of BDF invested. She added that other key areas of Window 1 investments included ITC's tools and methodologies, their maintenance, upgrading, innovation and development, and piloting new business practices. Investments in this area have involved policy work, institutional strengthening work, and programme innovations. Ms. González underscored that these investments also leverage Window II funding, which has been the case for example with the Ethical Fashion Initiative, the NTM programme, the Transparency in Trade Programme, as well as SheTrades Commonwealth, and the Enhanced Integrated Framework. Similarly, the development of knowledge and skills with a 'global public good' character were also supported by ITC's Window I funding. For example, the SME Trade Academy had experienced exponential growth since its establishment– registering the enrolment of over 12,300 participants in 2018. Finally, some efficiency initiatives to reduce transaction costs and enhance results-based management in ITC were also funded by W1.

ITC's performance regarding Tier 3 KPIs that track corporate effectiveness and efficiency, the organization reported excellent results in most areas. For example, ITC secured approximately \$230 million of XB funding for 2019 and beyond, registered more than 875,000 users on the ITC Market Analysis tool, and the organization is close to reaching its target of 46% in gender parity across all professional staff. The ED underscored that W1 funding, in addition to RB and PSC resources supported some of this work. At the strategic risk level, ITC maintained multiple risk dialogues and discussions – both with external stakeholders and project managers – through established mechanisms such as grant committees or in ad-hoc groups, as within the Senior Management retreat held in early 2019. To manage internal and preventable risks, such as fraud, harassment, and threats to staff safety, ITC organized regular awareness-raising activities and trainings. Ms. González also noted that ITC made strides to arm itself against digital risks.

The ED noted that ITC achieved the implementation of 24 of the 29 technical assistance milestones for the six focus areas, with 5 currently in progress. For example, ITC launched 29 strategies and roadmaps; and, “Access to Finance” and investment products were finalized and launched as part of the YEP Gambia project. ITC trained almost 14,000 youth in The Gambia, Jordan, Guinea, and Senegal – with 250 youth benefitting from the first ever Youth Entrepreneurship and Self-Employment Forum organized by ITC. Additionally, through several projects, ITC was able to support MSMEs from 20 developing and least developed countries to participate in the first China International Import Exposition in Shanghai. ITC has also implemented 10 out of 14 its impact, efficiency and effectiveness milestones – with 4 in progress.

In concluding, the ED also provided insight into the work of ITC's Independent Evaluation Unit. Just as in previous years, the critical findings and learning points from the 2018/2019 evaluations would be examined at the JAG.

Comments from members and discussion

The delegate from Denmark in his capacity as the donor coordinator presented a joint statement on behalf of ITC's donor group. He began by expressing satisfaction (on behalf of donors) with the way that ITC structures the agenda for CCITF meetings. He emphasized that donors rely on a responsive Secretariat and an Executive Director who is ready to listen, engage and follow up on recommendations.

The donor coordinator underscored that the 2018 CCITF Report was comprehensive, well-structured and informative. The most notable feature of the report was the rise in ITC's overall budget in 2018. The majority of the rise was due to significant increases in W2 funding for the focus areas “Connecting to international value chains” and “Promoting and mainstreaming inclusive and green trade”. Based on this, the donors flagged the risk that considerable growth in these two areas would be putting strain on W1 and RB funds. In view of this, the questions of growth and ITC's absorptive capacity, and of the optimal balance of W2 vs. RB and W1 funds should be addressed at some point.

The donors underscored that they appreciated ITC's informative reporting on its contribution to the SDGs. They were interested in ITC's plans to integrate a sustainability analysis in its SDG reporting. The donors also called for a more integrated way of presenting results in the CCITF Report, and in this regard, they suggested using the Operational Plan as a model and organize information in alignment with its structure. They added that there would need to be indicators for all levels, but that this would help having a full picture of ITC's work in its various facets, and possibly include the sustainability element.

The donors also welcomed ITC's corporate outcome indicators and progress for 2018 – noting their impressive results. They proposed that ITC could introduce further improvements as to how it constructs its corporate system on reporting results. As an example, they noted that ITC's output indicator on advisory services reflects that the goal for 2018 was not reached (89%) and that this was due to deeper engagement with clients in larger, longer-term projects. Rather than showing this as a target not achieved, ITC should be able to reflect the organization's value-addition through this deeper engagement with clients. Similarly, the donors recommended an upgrade to ITC's approach in the area of reporting on empowerment of women.

Efforts to improve the annual CCITF report's section on Window I funding was welcomed and appreciated. The donor coordinator encouraged more donors to contribute funds to ITC, particularly to Window I. Similarly, they noted the importance of having timely information on the ITC website on projects by country, noting that this would be undertaken in conjunction with the upgrading of ITC's website. Additionally, on the subject of Window I funding, the donors requested an extra table, which provides a breakdown of how much various groups of countries (LDCs, LLDCs, SIDs, etc.) receive in Window I and Window II funding.

Recognizing the useful overview of ITC's risk management policy, they asked for gaining a better understanding of how ITC links its management of strategic risks and increasing the ownership and sustainability of its programs and projects. Donors also referred to section 7.7 on ITC's Independent Evaluation Unit, noting that they hoped to see the issue of sustainability addressed at the JAG – appreciating that ITC was not the only actor in development assistance grappling with the issue of sustainability. All are experiencing a paradigm shift where freedom and innovation in implementation is getting a larger role at the cost of well-designed, but too rigid programs and projects with fixed targets and results. Finally, they noted that they were looking forward to ITC's presentation on how it plans to measure the mainstreaming of gender, youth and the environment across ITC's programmes and projects. They also encouraged ITC to elaborate on its existing gender mainstreaming strategy.

The representative from DFID noted an increase in ITC's delivery, and requested more insight into how the organization managed the expansion of its workload with existing RB, XB staff and contractors. The representative also underscored that the rapid expansion of ITC's portfolio as a risk factor that needed to be managed. He indicated his interest to sign up to a future risk management training session to be held at ITC. Second, the representative requested further unpacking of some of the good results ITC had published, particularly the numbers of cases on policy and regulatory changes. He requested a deeper look at the results and called for the case stories behind these numbers. Finally, DFID called for an improvement in the compliance rate of travel arrangements.

The delegate from Sweden congratulated ITC on its increased funding and delivery and for surpassing most of its corporate targets while maintaining efficiency and effectiveness. He noted that targets and indicators alone do not provide the full picture, and while milestones are good, they do not help to capture the totality of ITC's good work. The delegate stressed the importance of the comprehensive mainstreaming of sustainability and inclusivity – and noted their appreciation of ITC's effort to take these points on board. On a more granular level, the delegate requested more information on financial delivery in post-conflict countries and more clarity on how the T4SD Hubs contribute to other areas of ITC's work, including youth and gender.

The Executive Director thanked delegates for their feedback, took note of the positive receipt of the CCITF report and responded to comments and questions. On the point of growth, ED underscored that ITC is growing in a managed and measured way; it is increasing its delivery by using XB resources, improving controls, developing management and risk tools and methodologies. This expansion is therefore not being managed through expanding ITC's institutional super structure. Referring to ITC's Senior Management decisions and action list on managing growth, she referred to corporate actions on standardizing operating procedures, updating policies, offering bundled training that ensured sustainability, skills development and instilled a culture of managing risks and accounting for results among ITC staff. The ED added that all ITC field based staff – more than fifty – would gather in Geneva around the JAG for a week of training and orientation. This would ensure investing in ability of staff whether they are field based or at HQ, and for them to be part of that culture change at ITC.

On the question of how ITC captured results and impact, ED noted that the organization does not have independence as the UN defined reporting formats. She agreed that the current methodology did not “provide the full picture”, and confirmed that the list of definitions for output and outcome indicators, as well as examples for each was available and could be shared.

On the queries regarding W1 and W2 funding, ED underlined that W1 delivery contributes to W2. She explained that ITC uses unearmarked funding to develop tools, and as such, these outputs are also used in W2 projects – therefore, the two cannot be seen separately. She added that tools created using W1 funds are considered global public goods and as they are also used in W2 funded projects, they can be used to address the needs of priority and non-priority countries alike.

In response to questions about ITC's work on gender-equality, ED explained that ITC worked with individuals as well as businesses. However, ITC only provided outcome data on its work with businesses. She explained that as of 2020, ITC would have more freedom from the UN to refine its indicators.

The ED noted that ITC made an effort to include women and youth in its programmes. She added that ITC would take this conversation to a higher level as it was working on combining gender, youth and green economy mainstreaming to address socially responsible, inclusive and green trade. The ED promised a presentation of the mainstreaming approach during the next CCITF meeting.

She agreed with remarks made by donors, noting that ITC could improve on making advanced travel arrangements. She stressed that the organization had committed to improving its figures – using numerous avenues to make travel cheaper. Furthermore, in response to Denmark's comments on sustainability, ED noted that balancing structured project design with more flexible design that allowed for innovation has been a permanent issue in ITC projects. She requested Denmark to bring its experts and other donors that grappled with the same subject for a brainstorming session to Geneva in autumn, in the hope that ITC could gain insight from their expertise as this relates to trade related projects.

2. ITC's approach to working in partner countries

Sylvie Cochin, Senior Trade Promotion Officer and Fernanda Leite, Associate Programme Officer, gave an overview of how ITC's work in partner countries has evolved. They noted that ITC has increased its physical presence in project countries, engaging in country processes to build synergies, collaborating with domestic institutions in project implementation and design, and improving its methodologies to conduct needs assessments. They underscored that ITC has offices in 22 countries, across five regions:

- Africa: Ethiopia, Guinea, Kenya, Mozambique, Nigeria (regional office for ECOWAS), Rwanda, Tanzania (regional office for EAC), The Gambia, Uganda, Zambia
- South and South-East Asia: Afghanistan, Bhutan, China, Myanmar, Sri Lanka
- Central Asia and Eastern Europe: Georgia, Kyrgyzstan, Tajikistan, Ukraine
- Arab States: Morocco, Tunisia
- Latin America: Colombia

The project offices contribute to building local capacity, fostering strong country ownership and helping to create a network of partners, experts and businesses to support the sustainability of projects.

ITC has started to analyse lessons learnt from setting-up field offices. In doing so, ITC has noted that the process of operationalizing such offices is resource-intensive. Additionally, launching a new country office calls for flexibility so that the organization can adapt to each country's context. They highlighted that investment in adequate IT infrastructure and information systems was important. It was imperative to have good involvement in in-country processes, particularly as a member of "development partners' groups" and UN Country Teams. The importance of constant intelligence gathering on the political, economic and security issues affecting partner countries was also stressed.

ITC partners with local institutions and other organizations to jointly design and implement projects. It involves local implementing partners to build local capacity and ensure sustainability, undertaking due diligence assessments, and implementing monitoring and reporting systems. Moreover, the importance of continuously improving methodologies to conduct solid country needs assessments was highlighted. Methodologies such as value chain analysis, non-tariff measures surveys, trade facilitation assessments, "CUBED" assessments for institutional strength and National Export Strategies were cited.

In closing, the presenters noted that ITC is making more strategic use of its W1 resources for increased return on investment. W1 is being deployed for business development to leverage new W2 projects. Additionally, W1 is being used to innovate and adjust ITC's offering to an evolving trade and competitiveness landscape.

Comments from members and discussion

The delegate from Denmark noted that one of its main concerns is ITC's visibility at country level. Denmark stressed that realities in the field are evolving, and as such, ITC needs to make an effort to become even more visible, going beyond project partners (government partners and project donors) and the UN Country Teams. They added that as Private Sector programmes are complex, ITC should continue to participate in Private Sector dialogues at the country level to advocate its presence and interventions to a broader group of interested parties. Denmark also asked for more clarification on how ITC manages to have enough time and resources available to partake in country dialogues beyond its project implementation.

The delegate from Germany enquired about the basis on which ITC decides to open a country office.

Sylvie Cochin, Senior Trade Promotion Officer noted that ITC's visibility goes beyond a W2 donor in a specific country. ITC works and consults a wealth of donors and partners in countries where it works at a strategy level. In response to Denmark's question, Ms. Cochin noted that for multi-dimensional projects, ITC officers based in country offices should indeed share information and consult with a wider group on donors in respective countries.

Ms. Cochin noted that ITC sets up offices on a case-by-case basis. When selecting a country, ITC weighs both the project scope and partners in the field, considers the capacity of institutions and takes into account the vision of the respective country and that of the project donor.

The Executive Director added that it was indeed true that while national counterparts in the field knew ITC well, it was not the same for many funder representatives. She noted that to remedy this, both the funders and ITC had a role to play. Where funders have decentralized financing and decision making, it was important for ITC's funder counterparts to make the effort to introduce the organization to their colleagues. For example, when funders gathered their field staff at their HQ, they could invite ITC to provide briefings to all of them. From ITC's side, when there are programming missions to the field, it was a requirement to go and visit the key donors in that particular country.

The representative from SECO remarked that SECO collaborated with ITC through various projects and they noted the importance of ITC being connected to other funders in the beneficiary countries to establish synergies and complementarities between projects. With the goal of fostering more collaboration, SECO recommended ITC to participate in donor roundtables in respective countries. SECO also underlined that ITC's method of reporting output and outcomes did not measure the impact of ITC's work fully, including volume of exports after ITC services, jobs created or affected, and increase in incomes. SECO also requested for more examples of ITC's innovation from last year.

The Executive Director agreed with the comments made by SECO, noting that ITC is capturing impact at the project level, but it lacks the ability to aggregate its results at a corporate level. As such, ITC aims to unpack its impact stories in the 2018 Annual Report and at the JAG. On the point of innovation, ED stated that donors would see more examples in the Annual Report. She added that one innovation that ITC has been working on is the T4SD Hubs that was on today's agenda.

3. Leveraging private investment for SME Competitiveness

Govind Venuprasad, Coordinator (Supporting Indian Trade and Investment for Africa (SITA)), noted that ITC's investment focus has evolved over the years. Initially, it focussed on investment matching, but now it also considers investment promotion and facilitation, investment catalyzation and customized aftercare. In doing so, ITC used distinct approaches to work towards the same goal. Mr. Venuprasad underscored that ITC's Supporting Indian Trade and Investment for Africa (SITA) and Partnership and Investment for Growth in Africa (PIGA) projects are active avenues through which the organization offers tailored investment support.

The presentation highlighted that an investment strategy is a necessary complement to a country's National Trade Development Strategy. ITC's work in supporting National Trade Development Strategies involved helping countries with the creation of a Trade and Investment Roadmap. For example, in Mongolia, ITC created a detailed action roadmap for reform, capacity augmentation, coordination, and targeted investment promotion.

Mr. Venuprasad added that ITC's SheTrades initiative helped countries in fostering gender-focused impact investing. The initiative's goal was to create an alliance of development-friendly impact investors and Development Finance Institutions to commit funding to women-led businesses. Thus far, ITC had secured EUR 10 million from one impact investor to invest in women-led enterprises.

In closing, Mr. Venuprasad touched on the topic of investment facilitation noting that ITC's work supported structured discussions on WTO's Investment Facilitation for Development.

Comments from members and discussion

The representative from DFID asserted that the presentation provided insight into the SITA and PIGA projects, which the UK considers the frontier in Aid for Trade. Noting the difference between the worlds of trade and investment, DFID asked for more insight into how ITC approaches and structures trade and investment projects.

The Executive Director noted that investment is about helping to attract financing to a country. In order to be successful, countries should work on creating a conducive environment for attracting investment. She underscored that trade and investment have commonalities, including targeted sectors, predictability, stability, and potential for de-risking. These similarities between trade and investment facilitation place a premium on coordination between the two. She added that investment was a natural extension from trade. In ITC's Advisory Board of Trade and Investment Support Institutions (TISIs) members included Trade Promotion Organizations (TPOs) but also Investment Promotion Organizations (IPOs).

The delegate from Denmark added that ITC's use of a bottom-up approach was positive. Denmark asked for clarification on the extent to which ITC was advocating for investment policies, for transparency and clear administrative processes.

The Executive Director stated that ITC's role was to bring bottom-up learning to the policy level. For example, ITC hosted the World Export Development Forum (WEDF) in Zambia last year, and organized a roundtable on investment facilitation for those African countries which were present at WEDF.

4. Trade for Sustainable Development (T4SD) Hubs

Joseph Wozniak, Head of the Trade for Sustainable Development Hubs, gave an overview of the project. The objective of the T4SD Hubs is to improve SME competitiveness through the implementation of sustainable business practices. The project targets Ghana, Kenya, Peru, Viet Nam, Lao PDR, and Nepal, and is funded via W1 soft-earmarked funds from Sweden for the green economy.

He underscored that the T4SD Hubs are an integrated offering, which work to address: sustainability standards, climate change, resource efficient and circular production practices, green finance, and the positioning of sustainable products in the marketplace. The T4SD Hubs also offer coaching programmes to help enterprises integrate sustainable business practices into their business models.

The T4SD Hubs support the achievement of SDGs 8 and 12, as well as other SDGs that touch on environment and climate-related issues. In the long run, ITC aims to use the T4SD Hubs to build the capacity of local TISIs and to integrate the Hubs' offering into their service portfolio for SMEs.

Comments from members and discussion

The representative from Peru thanked ITC for their work in Peru and expressed appreciation for the support from Sweden. The representative asked ITC to keep the mission in the loop as it could facilitate information sharing with the government and generate support to facilitate T4SD Hub's success in Peru.

5. Any Other Business

Update on ITC's Operational Reserve (OR)

Gerry Lynch, Director, Division of Programme Support explained that the purpose of ITC's operational reserve is to cover delays in the payment of voluntary contributions. The operational reserve is mainly comprised of contributions from funders and the interest earned on donor contributions.

Mr. Lynch stressed that ITC needs to reduce transactions that draw on the OR and grow the OR commensurate to the overall ITC portfolio growth. ITC requested funders to allow for interest earned on contributions to continue to be transferred to the operating reserve.

Comments from members and discussion

The representative from DFID noted that they will check with DFID programme managers, as the issue being described sounded like there was a risk that came from scaling up, and as such, wider discussions were required.

The delegate from Denmark noted that some Window 1 funders had brought forward their commitment from one quarter to another. Denmark was the biggest W1 funder and was planning to bring its payment forward to Q2.

The Executive Director thanked the participants for their valuable comments and observations. She announced that WEDF and SheTrades Global will be held in Addis Ababa, Ethiopia, from the 18 – 22 November.