

## **Minutes of the 22<sup>nd</sup> Meeting of the Consultative Committee of the ITC Trust Fund**

The Consultative Committee of the ITC Trust Fund (CCITF) took place on 13 November 2020 at 10 a.m. via virtual means. The Executive Director (ED), Ms. Pamela Coke-Hamilton, welcomed the participants and sought endorsement on the agenda.

### **1. CCITF Report (Jan – Jun 2020)**

Ms. Coke-Hamilton presented the mid-year CCITF report, which reviews ITC's utilization of the ITC Trust Fund and assesses the progress made in achieving the objectives set forth in ITC's Strategic and Operational plans. As such, the report provides information on ITC's financial and development results for the period 1 January – 30 June 2020.

The **report is broadly structured into three parts**: (I) financial data on contributions and delivery; (II) performance against ITC's corporate scorecard; (III) progress towards programmatic milestones, partnerships and managing for results.

#### **Part I: Financial performance on contributions and delivery**

**Despite the repercussions of COVID-19, ITC performed well in terms of both income received and delivery of TRTA.** During the first half (H1) of 2020, ITC received \$37.5million in contributions, which was nearly identical to H1 of 2019. By mid-year, ITC had delivered \$59.5 million, which corresponded to 44% of the annual target budget. Regular budget (RB) delivery stood at \$18.6m or 52% of the target, and extra-budgetary (XB) delivery stood at \$40.9m or 41% of the target. While Window 1 (W1) delivery increased by 11% compared to mid-year 2019, Window 2 (W2) delivery was at the same level as mid-year 2019. **As per current forecasts, ITC expects XB delivery to be in the range of 80% of the initial plan at year-end**, which the ED considered positive given the pandemic.

Ms. Coke-Hamilton highlighted that the **largest part of XB delivery was driven by two focus areas**. **'Promoting and mainstreaming inclusive and green trade'** stood at \$11.8m delivery or 42% of the annual target by mid-year. **'Connecting to International Value chains'** reached \$11.8m delivery or 38% of its annual target. W1 allocations in these areas covered the development and maintenance of tools and methodologies, for example in SheTrades, Alliances for Action and ecomConnect.

**In terms of geographic reach**, 80% of ITC's XB delivery by mid-year was country- or region-specific, while 20% was global. ITC retained its strong focus on sub-Saharan Africa and the Asia-Pacific region, which together accounted for 78% of country- and region-specific delivery. Surpassing the target of 80%, ITC delivered 90% of country-specific technical assistance to priority countries<sup>1</sup>, out of which 52% was to LDCs (target: 50%).

#### **Part II: Corporate scorecard results**

The ED explained that ITC measures its corporate performance in three tiers: Tier 1 tracks the contribution to SDGs with narrative reporting at year-end. Tier 2 aggregates ITC's project results to corporate indicators; Tier 3 captures internal operational indicators.

For Tier 2, ITC achieved satisfactory project results in the first half of 2020. While some outcome indicators are not yet available at mid-year, **ITC anticipates most year-end**

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<sup>1</sup> ITC's priority countries include Least Developed Countries (LDCs), Landlocked Developing Countries (LLDCs), Small Island Developing States (SIDS), Sub-Saharan Africa (SSA), Small Vulnerable Economies (SVEs), as well as post-conflict and fragile countries.

**outcome results to reach approximately 80% of the Operational Plan targets** based on the current results. The ED stressed that ITC was able to continue expanding its project portfolio and deliver a substantial number of its objectives despite travel restrictions, by employing virtual and hybrid delivery modes.

Thanking funders for the flexibility provided, the ED stressed that much of **ITC's rapid response to the health and economic crisis would not have been possible without the core RB and W1 contributions**. For instance, ITC created a COVID-19 dashboard in its Market Access Map, the ecomConnect platform to support MSMEs in e-commerce, and a repository of resources, including crisis tools through the SheTrades initiative.

ITC showed **satisfactory results for the Tier 3 KPIs in terms of efficiency and effectiveness performance** and the report shows that ITC is on course to reach or exceed most objectives by year-end. With reference to the implementation of Board of Auditors recommendations, where ITC currently is behind target, methodologies to close existing gaps have been put in place, e.g. for ex-post impact measurement.

**In terms of risk developments, ITC continues to actively monitor major current risks at a corporate and project level and identify mitigation strategies**. The report mentions selected examples of ongoing work to advance and improve ITC's risk management practices.

### **Part III: Operational plan milestones, partnerships and managing for results**

Out of the strategic milestones as set out in the Operational Plan for 2020, **nine milestones were completed, two were cancelled, one has not started and 33 remain in progress**.

ITC's has **intensified partnerships with international organizations, private sector actors and regional institutions** to adapt its COVID-19 response in assisting MSMEs in developing economies with a focus on youth and women. A staff survey on COVID-19 effects underlined that ITC's trust-based partnerships were a key success factor in ensuring the continuity of field operations during lockdowns.

ITC has made **good progress on its efficiency and effectiveness initiatives included in the Operational Plan**. Achievements include publishing the IATI data for all projects with budgets above \$0.5 million; fully integrating the new ITC mainstreaming strategy in ITC's project design process; publishing a manual on corporate and project risk management; and establishing focal points for LGBTQI and persons with disabilities.

The ED closed her summary of the report by pointing to her **positive diagnostic of ITC during her first month in office**. She stated that ITC will reach out to stakeholders and staff in a consultative, bottom-up approach to inform its next Strategic Plan 2022-2025. Consultation will start in Q1 2021 and feedback on a consultation document will be sought in Q3 of 2021. The final plan will be delivered by Q4 2021.

## **2. Statements from CCITF Members and Discussion**

**On behalf of the donor group**, the delegate of Japan, Mr. Kei Tomaru, Second Secretary, welcomed the ED and acknowledged the difficulty in carrying out programmes amidst the pandemic. He commended ITC for the efforts to deliver assistance flexibly to people in need by adjusting programmes and using digital tools.

The donor group **appreciated the comprehensive CCITF mid-year report and welcomed the forecast that most outcome results will be in the range of 80-100% by year-end**. The

delegate commended the increase in both RB and XB delivery compared to the same period last year, in spite of the difficult situation. The group commended the continued focus on ITC's priority countries and welcomed the addition of SDG13 (climate action) as an additional goal for ITC. The group also appreciated the important work of the Independent Evaluation Unit (IEU) and the appointment of diversity focal points.

The donor group **requested ITC to review its set of XB contributors and identify ways to cultivate a more diverse range of funding sources.** The donor group requested ITC's management to further improve synergies, cooperation and coordination with other organizations, including UNCTAD and WTO and to continue improving the effectiveness and efficiency of its operations. The group suggested that ITC engage further in technical exchanges on experiences of the private sector through WTO committees.

**The donor group raised questions** on: the percentage of delivery in Latin America and the Caribbean; ITC staff well-being; the percentage of beneficiaries reporting greater awareness of international trade; coordination with other technical assistance providers in the field; the new corporate website; ITC's estimated budget for 2021; and key priorities for the ED's 100 first days in office. In closing the joint statement, the delegate **emphasized the importance of the CCITF as a forum for exchange with ITC's senior management.**

**On behalf of the UK**, Mr. Sacha Silva, Senior Trade for Development Policy Advisor, commended ITC's flexibility in adapting projects to COVID-19 and tighter development budgets. He **underlined the enhanced collaboration between the UK and ITC through five ongoing projects** and stated that close coordination remained important for the UK and ITC. The delegate took note of the expected 20% shortfall in delivery in 2020 and pointed out that without ITC's flexibility, this could have been much worse. For future CCITF meetings, the delegate suggested to highlight examples of projects that have adapted particularly well to the new circumstances. He invited ITC to share additional progress in the area of risk management in the future, as the global pandemic highlighted the importance of assessing risks and setting up appropriate response processes. In response to the statement, the ED thanked the UK for the continued support.

**On behalf of Norway**, Ms. Torun Dramdal, Sr. Trade Policy and Economic Advisor, highlighted the close cooperation with ITC and pointed out that a **new multiyear agreement as of 2020** is being prepared. Norway **fully supports the strategic and operational priorities of ITC and therefore will not earmark these funds.** The delegate also appreciated the visibility provided to W1 funders through the Annual Report. The ED thanked Norway for the flexible funding provided.

**On behalf of the USA**, Deputy Permanent Representative David Bisbee appreciated the report and **requested ITC to refine the precise avenues for oversight and engagement.** Mr. Bisbee pointed to the **overlapping dialogues between the CCITF, JAG, discussions in New York, and the CBFA meeting at WTO.** He would appreciate clarification on the precise decision-making role of some of these dialogues, as not all may be necessary.

The USA closely examine the direct budgetary transfers from the WTO and UN budgets and expressed **concerns about the growing difference in the level of RB and XB funding**, as the increase in earmarked W2-funds may steer ITC away from its core mandate. Mr. Bisbee suggested **strengthening the mechanism through which W2 funders share project-information** and voiced concerns that the **current recovery mechanism through Project Support Costs (PSC) may not accurately capture the costs incurred of XB projects.** He

suggested that W2 funders should be required to contribute more to overhead costs, as they also benefitted from ITC's Global Public Goods.

The US representative highlighted ecomConnect as an example of where more precise communication was required. While the project refers to specific W2 projects on ITC's website, it remains unclear whether the initiative extends to countries outside of W2 projects. He also suggested that section 2.3 of the report (XB delivery by region and country) should contain more details to better understand impact assessment.

**In her response, the ED confirmed that she was open to discuss improvements to ITC's clarity of communication and reporting, including on ecomConnect.** She also announced plans for an engagement in 2021 to further **discuss the roles of the various ITC dialogues with members such as the CCITF, JAG, the UN 5<sup>th</sup> Committee, the WTO CBFA and the ACABQ to ensure that all members receive information on ITC's priorities and performance.**

**On behalf of the Netherlands**, Ms. Tess van der Zee, Deputy Head, Economic & Development Division, **praised ITC's swift response to the COVID-19 pandemic.** She found ITC's continuation of support to MSMEs and women's economic empowerment through digital channels such as virtual trainings and other creative solutions to be impressive. The ED thanked the Netherlands for the continued collaboration and pointed out that ITC will continue to move forward in the critical area of digitalisation.

**On behalf of Canada**, Ms. Julie Emond, First Secretary, **identified cooperation with other organizations as an important area** in the future including strengthening cooperation with UNCTAD and the WTO. Canada **expressed concerns of imbalanced growth in W2 and W1 funding.** While the increase in W2 funding indicates that partners and donors believe in ITC's ability to deliver results, the changing relative importance may pose a risk. Given that W2 projects come with their own targets and priorities, it is important to **focus on ITC's core mandate and maintain coherence in implementing projects.** In this regard, Canada appreciated the upcoming work on the new Strategic Plan and judged it as a timely exercise to identify how the different funding channels can work together.

**The ED agreed that coherence is indeed critical for ITC and underlined that both the current and the next Strategic Plan will ensure that all work contributes to the objectives set, irrespective of the funding source. ITC will work with all funders to ensure dialogue continues in early 2021.**

**On behalf of Germany**, Ms. Judith Soentgen, Counsellor, congratulated the ITC teams for a **great job in swiftly adapting to the new situation.** She pointed out that Germany, as a long-standing partner of ITC and core W1 contributor, **recently signed a new W1 grant agreement without earmarking. Germany thereby provides ITC flexibility to use funding in line with urgent priorities,** given that the SDGs are only ten years away. The ED thanked Germany and confirmed ITC's continued focus on the SDGs.

**On behalf of Switzerland**, Mr. Edouard Jay, Counsellor, pointed out that Switzerland, as a long-standing partner of ITC, is **currently considering signing a multiyear W1-agreement as of 2021.** Switzerland assured full support to ITC during the COVID-19 pandemic and in the future. The ED thanked Switzerland for the close cooperation and the potential W1 grant agreement.

**On behalf of the European Union (EU)**, Ms. Tiina Satuli, Counsellor, stated that **ITC remains one of the most trusted partners of the EU**, as reflected by the existing collaboration. Addressing concerns about the shifting balance of W1 to W2 funding, she stated that, while the concerns are understandable, the **EU-priorities, as the largest W2 funder for ITC, are in line with the broader WTO and UN priorities, as well as ITC's inclusive approach**. The EU thanked the ED for the transparent and open approach and assured ITC of the EU's continued support.

The ED thanked the EU for the continued and important support and reiterated that the Strategic Plan plays a central role in governing ITC's activities. **She stated that all funds will continue to support ITC's mission and that ITC is not diverging from its core priorities in accepting funding through W2.**

**On behalf of Guatemala**, Ms. Debora Ponce de Gunther, Counsellor, expressed her appreciation for the mid-year report and the focus on priority regions. She stated Guatemala's interest in ecomConnect, as e-commerce represents an important avenue to support MSMEs in post-crisis economies. **Guatemala encouraged ITC to contribute more to technical committees at WTO and UNCTAD and share more information with beneficiary country missions**. The ED took note of the recommendations and agreed that ITC will continue to keep missions involved and will consider taking a more active role in technical discussion groups.

**On behalf of Sweden**, Mr. Love Theodossiadis, Programme Manager, **expressed his country's strong support for the ITC and praised the great flexibility** demonstrated throughout the year. He stated that Sweden, as a key W1 funder for ITC, looks forward to continuing the strong cooperation in the future. The ED thanked Sweden for the important long-term engagement.

### **3. ED Response to Questions**

Responding to questions raised, the ED mentioned as her immediate priorities for ITC:

- **Women's Economic Empowerment:** As the COVID-19 impact is worse for women, especially in the services sectors, ITC will strengthen the SheTrades initiative and look at deeper, systemic issues affecting women's economic empowerment.
- **Green to Compete Strategy:** ITC's new Green to Compete strategy, which comes as a response to SDG 13, tailors to the needs of companies to build back in a sustainable way and will be presented at the next CCITF.
- **African Continental Free Trade Area (AfCFTA):** ITC will support the implementation of the AfCFTA through its new corporate 'One Trade Africa' programme, to be launched in 2021.
- **Small Island Developing States (SIDS):** Given the severe impact of the pandemic, ITC will place more focus on SIDS and is currently discussing specific activities to respond to tourism, SME-financing needs, climate change adaptation and export diversification.
- **Digital:** In addition to its existing work on digital, ITC intends to focus on increasing internet penetration to ensure greater access to digital tools and e-commerce.
- **Resilience Fund:** ITC is exploring the possibilities of a resilience fund for MSMEs and has started to define an approach internally, map external and internal initiatives, and look at opportunities for intervention, including in partnership with existing actors in this space.

The ED stressed that **achieving coherence across internal processes was critical** and that she intends to strengthen **external relations and partnerships**. Concerning strategic partnerships with UNCTAD and WTO, ITC recognizes its role in translating the rules and policies into action for MSMEs. While the long-standing collaboration with UNCTAD and WTO will continue, there is scope for expanding the collaboration and she will be engaging senior leadership of the two organizations.

On the issue of staff well-being during the C-19 confinement period, ED explained that she maintains close contact with Directors and Human Resources to ensure that staff, consultants, interns, and the ITC family on the ground remain safe, and equipped with the required technology to continue to deliver on their priorities. ITC has also encouraged staff to take leave and ED has granted a week of compensatory leave between Christmas and New Year's Eve.

In terms of funding structure, the ED expressed her **appreciation for the increase in XB funding, which allows ITC to reach more countries and cover new regions**. ITC is pleased to welcome new partners like **South Korea** and stands ready to work with funders wishing to invest in the strategic priorities of ITC. While she **recognized the concern about a potential imbalance between funding streams, she advocated for seeing the increase in XB funding as a positive development that allows ITC to increase its outreach**.

With regards to the question how ITC identifies partnerships during the project planning stage, the ED explained that it is **based on in-depth needs assessments, which include a review of the related stakeholders** and discussions with them. ITC also seeks the view of the UN Resident Coordinators. **She identified strengthening the engagement with the private sector and national partners on the ground as essential** and stated that ITC is committed to identifying additional financial partnership opportunities with the private sector and foundations.

**Regarding ITC's budget for 2021, it was estimated to be around \$90 million, out of which \$15 million would come from W1 and \$36 million from RB**. With respect to ITC's new corporate website, the ED informed that this corporate project was postponed due to COVID-19. ITC's new website was planned to be launched in 2021. Addressing the low percentage of beneficiaries reporting greater awareness of international trade, she pointed out that this indicator (Tier 2 A1) is primarily reported at the end of the year.

**To explain the slight drop in delivery to LDCs from 54% during the same period in 2019 to 52%**, she pointed to additional projects in Central Asia, Pakistan, Ghana and Côte d'Ivoire, which have shifted the balance in relative terms. She explained that the **lower delivery in Latin America and the Caribbean (LAC)** was driven by the severe lockdowns imposed in the region, as well as limited opportunities for online engagement in rural areas. However, ITC foresaw to reach 60% delivery across LAC by year-end and was engaged in additional business development in the region.

In response to the suggestion by the UK, the ED **agreed to highlight one or two projects that have worked well in pivoting to the new circumstances at future CCITF meetings**. Responding to Guatemala and the USA, she pointed out that ecomConnect is fully public and available to any entrepreneur.

In closing, the ED thanked participants and offered her assurances that **ITC remains committed to staying relevant and flexible in the future**.