

DRAFT

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

The Consultative Committee of the ITC Trust Fund (CCITF) met at ITC headquarters on 15th April 2015 at 10 a.m.

The Executive Director, Ms. Arancha González welcomed participants and explained that 2015 would be a particularly important year for multilateral cooperation with a calendar full of hall mark events. ITC would participate actively in these and would in fact host two tent pole meetings itself: the Women's Vendors Exhibition Forum in Sao Paulo Brazil from 2-3 September and the World Export Development Forum from 20-21 October in Qatar.

Throughout 2015, ITC's focus would remain on results and impact. ITC would be the face of 'trade impact for good', seeking to ensure that the views of the business community and policy makers, especially SMEs get reflected in the agreed outcomes and roadmaps of the key multilateral events in 2015. ITC's interventions would be guided by the 2015-2017 Strategic Plan; the 2015 Operational Plan; and the ITC roadmap to implement the recommendations of the ITC external evaluation.

1. CCITF Report 2014 – Ms. Arancha González

The report provided information on ITC's financial and operational performance in 2014. During this period ITC delivered 99% of its total budget (RB and XB) of \$90.7 million with expenditure reaching just over \$90 million. Contributions to the ITC Trust Fund totalled \$41 million in 2014 while extra-budgetary expenditure totalled an all-time high of just under \$53 million, exceeding the target set in the 2014 Operational Plan.

In 2014, ITC delivered 35% more technical assistance capacity building and market intelligence than the year before, with extra-budgetary expenditures reaching a record US\$53 million. ITC outperformed its targets against 9 of the 10 outcome indicators and 3 of the 4 output indicators. ITC has since decided to set even more ambitious targets in 2015, going above and beyond its commitment set with the UN at the beginning of the biennium.

ITC remained committed to better quality projects and in 2014 it streamlined the project quality assurance process, improved tools to help project designers, and introduced a rating system to track the quality of its submissions. Ms González was pleased to inform members that there had been notable improvements in the quality of projects designed throughout the year. This would be further supported in 2015 as ITC shifted further towards a programmatic approach.

In 2014 ITC had made significant achievements to deliver more for clients and in a more effective manner. The increase in the delivery of technical assistance had been supported by significantly more productive support services (legal, procurement, travel services), substantial savings in better travel policies and efficiency gains through better use of electronic systems and workflows. Improvements in productivity had been a hallmark of the past year. 2014 also had seen the first full implementation of IPSAS.

Finally, significant improvements had also been made in cutting down the time to recruit (-35% or 70 days less); reducing the vacancy rate and improving on the gender diversity requirement of the UN Secretariat. In a nutshell, ITC had been true to "doing more and doing it better".

Comments from Members and Discussion

The Delegate from Germany presented his take on the common views of the members of the informal donors' group of the ITC as its new coordinator. ITC had come a long way in the last two years to become more strategic and result oriented and donors were satisfied with ITC's management response to the independent evaluation as was presented at the informal JAG meeting in January 2015.

Second, the practical steps, as mentioned by the Executive Director, and the willingness to learn, were appreciated. However, the donor group would have welcomed an opportunity to provide additional substantive inputs to the strategic plan, particularly on results based management. The donor group therefore looked forward to hearing more on how the operational plan would help the organisation become better in reporting; particularly on outcomes and impact rather than just outputs.

He indicated a willingness from the informal donors' group to discuss the draft of the Annual Report 2014 to ensure it facilitated donors' requirements as a tool to facilitate unrestricted financing for ITC. In their view, one of the main elements of the Annual Report should be to provide a better understanding of how the full budget of ITC (regular and ITC trust fund) contributed to achieving specific results.

The Delegate from Sweden commended the improvements made in the transparency and level of information provided through the annual CCITF report; particularly he noted more transparency on the use of W1 financing. There was a question as to the relationship between the CCITF report and the annual report.

Furthermore, there were comments from their capital that it would be valuable to connect performance on the outcomes to the associated costs. Finally, about the topic of W1 funding: Chapter 7 of the CCITF Report 2014, ITC project delivery and performance, showed that corporate efficiency expenditures totalled USD 6.3 million in 2014. A lot of that money came from W1 funding and argued that this spending came in addition to the PSC charged on W1.

Ms. González thanked the Delegates for their feedback. Regarding the usage of W1 funds for corporate expenditures, she clarified that these were structural and corporate expenditures, and not running costs for projects. This year they were higher due to the inclusion of considerable costs of the independent evaluation. She proposed that these items could be detailed further to illustrate how it drives corporate efficiency.

Costing of ITC operations remained work in progress and should be linked to two other corporate efficiency measures that were being implemented:

- The renewed project portal that would be launched in 2015 with an online capacity to capture all data throughout the project cycle.
- The new ERP system, referred to as Umoja, would be rolled out in 2015, which was about structuring the costs in a more standardized manner.

ITC's management expected to make considerable progress on these three fronts by the end of the year.

Second, Ms. González mentioned the CCITF Report's function as compared to the Annual Report's. The CCITF Report was the report that was attached to the Trust Fund of the ITC and in the interest of full transparency, information and data were provided on all financing flows; it therefore gave a foretaste for the Annual Report.

The Annual Report was essentially ready, the lay-out was currently being finished so that it could be presented in an easy to read manner, and would then be discussed at the JAG meeting in June.

Third, on outcomes and impact, ITC had done two things:

1. Capturing the impact of the organisation, through the first survey conducted with all ITC's beneficiaries. A second one was being launched this year.
2. Capturing impact from specific projects, for instance in the Impact Stories publication with 14 examples of output and outcomes and even impact from individual projects. We would continue to do more of this work to showcase outcomes including one on partnerships with the private sector.

On capturing better outcomes, Ms. González informed that their structure was set at the beginning of the biennium. In order to inform the discussions on these issues at the UN in New York, ITC was currently developing programmatic log frames that fitted under the six focus areas. The log frames were currently being formulated.

Ms. González proposed to have an informal consultation with the CCITF membership on how these log frames could be better structured to capture and measure outcomes and not just outputs, in preparation for ITC's upcoming presentation for the next 2016-17 biennium in New York and to ensure CCITF members could work with their delegations in NY on these issues.

2. Operational Plan 2015 – Ms. Dorothy Tembo

Ms. Tembo gave an overview of the key elements and examples of changes introduced within this year's Operational Plan to implement the 2015-17 Strategic Plan.

There were three perspectives guiding the plan:

1. Overall development landscape that guided ITC's interventions;
2. Countries were increasingly seeking more of ITC's support ;
3. There had been increased demand in terms of areas in which ITC assistance was sought.

ITC's management believed the OP 2015 to be an ambitious plan. However, currency fluctuations have had a negative impact on the resources ITC received, which no one had anticipated the impact of. Foreign exchange losses totalled almost USD 8 million. On some of the projects ITC lost 25% on the expenditure side. She requested the need to address this matter with concerned donors.

2015 was the year in which ITC was shifting its operations to be reflected within a comprehensive programmatic approach. ITC's priority focus remained on LDCs, LLDCs, and sub-Saharan Africa.

Second, ITC exceeded its annual targets in many indicators and was therefore setting more ambitious targets for all indicators over the entire biennium.

Third, by working with the beneficiary countries it became clear that ITC had to be closely involved with what was happening on the ground. The Operational Plan addressed innovation, to address needs as they were being identified. ITC had been redesigning and complementing its TRTA tools; For instance, for national export strategies it developed new tools for managing and implementation on the ground.

Fourth, Ms. Tembo reiterated ITC's focus on effective implementation of Umoja while looking at costing of its interventions. ITC would make sure the new projects portal would not only facilitate reporting but also the required policy steps.

Ms Tembo emphasized that the Operational Plan should be seen as a progressive effort to focus and account on results delivery. From ITC's perspective, it was moving forth and renewing but more importantly, it was also able to track that progress, and the corporate goals and KPIs reporting in the Operational Plan clearly showed this.

Comments from Members and Discussion

The Delegate from Nigeria noted that regional integration was important, particularly in Africa. He sought assurances that ITC worked to prioritize that area of its work as well as South-South cooperation. He was delighted that ITC was moving in the right direction and focused more on delivery.

The Delegate from India thanked ITC and agreed with the views that ITC was entering a very exciting era. One of the most important scenarios in post 2015 would be the enhanced focus on sustainability. ITC should therefore focus on helping countries with limited resources to optimally use these scarce resources and achieve sustainability. Second, the slow pace of adopting technology was a serious issue for developing countries. He asked if ITC could provide assistance on this front. Furthermore, he also fully supported efforts to enhance African trade and South-South trade.

He mentioned that most of the trade related assessments and analyses were based on secondary data. The quality of primary and secondary data was extremely important and so he asked ITC to collect, process, and use this data carefully, as it could be vital in the accuracy of analyses conducted.

Regarding the exchange rate losses, he suggested ITC to consider currency hedging as a measure to prevent a similar situation from affecting trade of developing countries.

The Delegate from the USA praised ITC in its work in raising efficiency and effectiveness. He expressed interest in knowing more the role CCITF could play in the preparations for the presentation on the upcoming biennium to the UN in New York. Second, he mentioned that the US applauded the gender work of ITC.

Regarding the Operational Plan, he inquired on creating theories of change and log frames. He asked if there was room to reflect on how the six thematic baskets contributed to ITC's strategic goals, and recommended ITC to consider specific indicators for the six thematic baskets. He suggested that ITC could increase its focus on outcomes. He requested that the list of projects in Annex 2 could be better reflected with start and end dates for the next CCITF report.

The Delegate from Germany commended the work done on the OP 2015 as it helped to provide more clarity. He was interested in the practical aspect of implementing the new strategic plan and the programmatic approach. He inquired whether ITC had already dropped projects or declined to initiate new ones as they potentially did not fit within the programmes. He appreciated Annex 2 listing ITC's operational projects and suggested it include more information on W1 funders. Last, he inquired on the instruments ITC had in place to manage foreign exchange risks.

The Delegate from Norway stated that there was good alignment between Norway's priorities and that of ITC's through a focus on sub-Saharan-Africa and LDCs along with the newly launched ITC initiative to link refugee communities to markets. She agreed on the importance of regional integration and South-South cooperation and linkages.

The Delegate from Pakistan fully supported ITC's six thematic baskets and programmatic approach. She stated that the institutional development efforts of ITC, the change theory it adopted through its programmes and the tools used at ITC should further translate into the work it conducted and should be adopted and reflected in its work in its recipient countries to ensure sustainability of interventions at the national level.

The Delegate from the UK stressed that DFID was very pleased with ITC and the quality of its work, in particular its investments in Africa, its work on non-tariff measures that contributed to promote trade for SMEs, along with its programme on women economic empowerment as well as cross border traders support in fragile states. They were also 100% convinced that ITC was committed to improving its efficiency and effectiveness. DFID asked ITC to inform the CCITF membership of any challenges it could face in implementing any of the measures it had committed through its management response to the independent evaluation..

The Delegate from Australia praised ITC for the high quality of its work. Within Annex 1 of the Operational Plan, there was substantive variance in 2014 expenditures and budget. In the OP15, it would be helpful to see what steps were being taken to investigate what projects were underspending or underperforming along with the reasons and the remedial measures that could be put in place.

The Delegate from Denmark raised the topic of sustainability and the private sector. Stressing that this was an important part of work, it would be good to clarify exactly what it meant to engage the private sector in trade for sustainable and inclusive development. The Delegate inquired if ITC could envisage a bigger role for the donors to engage larger companies that they may help to attract their attention.

The Delegate from Switzerland felt impressed by the progress made by ITC throughout 2014. She made a point based on observations of SECO representatives in the field on ITC projects being too much output driven. While she concurred that measuring at outcome level was very complex and difficult they would encourage ITC to make efforts in going beyond the output level.

Responding to the questions and statements made, **Ms. Tembo** made the following points:

Concurring with the Delegate from India and Pakistan, she stressed sustainability as an important marker for development assistance provided by ITC and others. It was correct that ITC's beneficiary countries were challenged by limited available resources, and therefore ITC's efforts were for channelling the resources and help building the required capacities in partnership with national counterparts. Key element of sustainability came from national ownership. She emphasized that sustainability had to be the result of collective efforts by countries themselves, their national institutions and ITC.

Ms. Tembo agreed with the Delegates on the need for ITC to link its work to regional integration processes. Supporting regional economic integration was one of ITC's thematic priority focus area.. This was one area ITC was growing its engagement and scope of work, particularly with regional entities.

South-South trade was also very much linked to regional integration and Ms. Tembo welcomed the comments from the Delegate from the UK and its contribution through ITC's SITA project. There was value to replicate a similar approach to trade and investment promotion in other regions as well.

On the programmatic approach, adoption of theories of change and the development of programmatic log frames, Ms. Tembo stressed that it was work in progress for ITC. As a response to the Delegate from the USA, she mentioned that ITC would reach out and engage the delegates on this work as it also fit with the preparations to be made for ITC's presentation to New York on the 2016-17 budget and programme of work.

Ms. Tembo indicated that various comments made on the CCITF report were taken on board; i.e comments made requesting the presentation of start and end dates of ITC's on-going projects, sharing ITC's evaluation plan for 2015, measures to undertake to improve ITC's visibility, and that the request of Australia would be addressed within the context of the new projects portal.

Ms. González added the following points:

First, Ms. González explained that ITC management was aware that W1 financing and its visibility were indeed important points for the Delegates, and she assured that ITC management were trying to be responsive to this need. For instance, the booklet on ITC's impact stories was recently published, where each and every W1 contributor to these projects were named individually, enabling donors to attribute the impact stories to their own contributions. Sharing these stories would help delegates and ITC's funders' constituencies to visualize better the outcomes of their contributions provided through W1 financing for ITC.

Second, Ms. González addressed the question on whether ITC responded to every request it received. She stated that ITC's interventions were chosen based on added value. For instance, in the field of technology mapping, as mentioned by the Delegate from India, she did not believe ITC had more to offer than what UNCTAD did. However, once the necessary technologies would have been identified then ITC could help with their application. ITC constantly arbitrated on where it could add value and where it would not. For example, in publications ITC did not do pure research in addition to what others already produced, such as WTO, UNCTAD, ICTSD. However, ITC did have value to add in applying this research with a private sector lens. Another example where the organization often rejected requests was in the area of competition.

In response to a question, Ms. González elaborated ITC's contribution to the International Conference on Financing Development in Addis Ababa in July 2015. ITC would raise three main principles at the conference:

- ODA was necessary but the emphasis should not only be on how much but also on how effective it was used through focusing on results and in better leveraging other resources.
- Private sector contribution to ITC's work was mainly from three channels: first, the private sector as a provider of markets for SMEs. They were the buyers and their largest contribution would come from embedding SME's in their supply chains, assisting them to be compliant with quality standards, and other added benefits. Second, private sector cooperation came in

the form of provision of technical assistance through ITC projects; and third it was through provision of financing for ITC interventions.

- To caution on what ED referred to as the “orphans”, those countries which had graduated from being recipients of TRTA, but were still vulnerable economies.

To sum up, Ms. González stated that ITC would undertake the following as response to the Delegates comments and the discussions held:

- ITC would better explain in its report gaps between budgets and actual spend. It would provide the required explanation as to which part of such discrepancies were due to adjustments and/or unforeseen circumstances;
- ITC would provide further details on what was included in the corporate efficiency expenditures.
- ITC would provide more ‘visibility’ to Funders in its Annual Report;
- Delegates had demonstrated keen engagement on outcomes/impact reporting. ITC would set up a workshop style meeting to bring them into its deliberations on the logframes for programmes before the summer break.
- ITC would share its evaluation and audit work plan for 2015;
- ITC would add start and end dates of projects within the next CCITF report;
- ITC would provide thorough and combined reporting on Independent Evaluation and OIOS Management Responses for JAG on June 26.

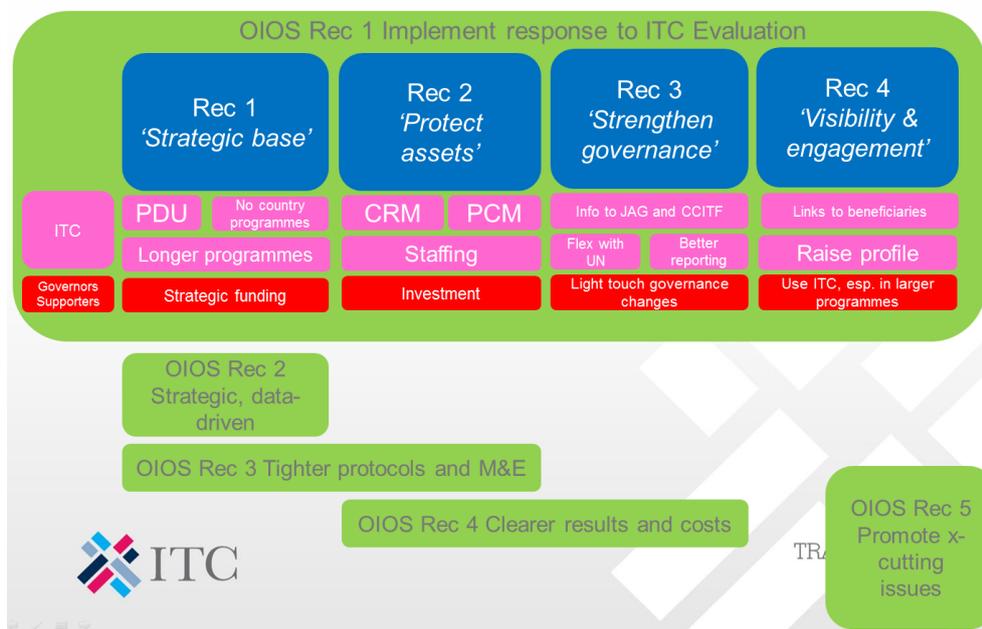
3. Evaluations of ITC - Rob Whitehead

Mr. Whitehead focused on explaining what the OIOS evaluation set out to do and how it linked to the independent evaluation and to ITC’s management response. His presentation was a quick oversight as Delegates would be presented with a more detailed picture in the JAG in June 2015.

Key messages delivered included the following:

1. OIOS evaluation went ahead in spite of reservations about duplication;
2. OIOS validated ITC Independent Evaluation approach;
3. Four substantive recommendations were made, which were coherent with ITC Independent Evaluation;
4. One strategic recommendation was on ITC interventions not being data-driven and strategic enough;
5. All were accepted by ITC, albeit with caveats.

OIOS and ITC Independent Evaluation mapping



Comments from Members and Discussion

The Delegate from Nigeria asked what ITC's response was on OIOS evaluation recommendation that ITC was not data-driven.

The Delegate from India wanted to understand if sustainability formed a barrier in further enhancing trade.

The Delegate from Pakistan wished to hear more about ITC's emission reduction strategies

The Delegate of Norway recognised that ITC was a small institution and that this could curtail its response to the recommendations made. However, she shared her concerns about some of the statements of impact as this had been an ongoing discussion since 2006. If OIOS was unable to verify that ITC was indeed planning to enhance impact evaluation capacity, that was worrying.

On a positive note, Norway had a strong focus on gender equality and was therefore very pleased to see that the organisation was working on achieving gender parity at the institutional level.

In response to the Delegate from Nigeria Mr. Whitehead explained that ITC had certain caveats to the OIOS evaluation: ITC had priority countries, it had set out the programmatic approach, it had spent time identifying needs from its beneficiary countries, it had specific analyses (for national export strategy, NTM's, surveys etc.) and it worked with funders, and focused on country needs. ITC balanced three things: funders' wishes, beneficiary countries' needs, and its strategic objectives

In response to India and Pakistan Ms. González explained that the emission strategy was not a project, but it was about ITC being responsible and practising what it preached. This was the organization's own contribution to making the world greener. In addition to this, ITC had one project devoted to sustainability throughout ITC.

In response to the Delegate from Norway Mr. Whitehead shared her concerns. The foundational work had started in with the PDU (programme development unit) and ITC was continuing to improve.

Ms. González added that the OIOS evaluation eventually captured the results of the ITC's independent evaluation and its recommendations would be covered in the existing plan of action.

4. Update on ITC's cash flow situation - Gerry Lynch

Mr. Lynch noted that in order to alleviate the pressure on ITC's operational reserve it was important that donors transferred funds earlier (both W1 and W2).

- Window 1 contributions were historically received in the last two quarters of the year. Germany, Denmark and India had already paid their 2015 contributions. Other donors (Norway, Sweden, Canada and Ireland) had also agreed to pay their contributions at an earlier date. This helped to reduce the pressure on the use of the operating reserve.
- Window 2 contributions: DFID moved from payment in arrears to advance payment for two quarters in 2015. Other donors had also agreed to pay their contributions at an earlier date. It was important to keep these arrangements for future years.

Mr. Lynch thanked donors for paying early and for keeping arrangements for longer periods of time as it certainly helped ITC to know when payments would be coming in.

Comments from Members and Discussion

The Delegate from Nigeria asked how ITC would be managing its commitments for the year.

Ms. González answered that combining three sources of income, with different conditionalities and with different time lapses, while being expected to make clearer linkages to what ITC delivers and results achieved on the ground, was a key challenge.

Multiyear grants going through four to five years made tracking costs and performance much easier. ITC was aware that this was not possible for all funders. Nevertheless, the more stable and predictable funding was, the easier it was for ITC to track impact and establish the linkages between results and associated financing.

5. Any Other Business

Before closing Ms. González informed the audience that ITC's Impact Stories publication was now available in French and Spanish and that the Annual Report 2014 was in its final stages of completion.

ITC had also opened an innovation lab in its library space. The innovation lab had just the previous week hosted students from the Graduate Institute to a brainstorming exercise to feed into the preparations for the ITC tourism strategy for Liberia. ITC therefore, did not only speak of innovation, but it actually was practicing it as well. She added that ITC's SME Trade Academy had now trained over 2,000 persons since its launch in September 2014.

Finally, Swiss authorities had just confirmed that they would take care of the renovation of the library space to transform it into a set of meeting facilities and liberate office space across the rest of the building and she thanked the Swiss delegation for that.

Ms. González informed that Gerry Lynch was currently the acting director for Division of Programme Support replacing David Curry.