

DRAFT

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

The Consultative Committee of the ITC Trust Fund (CCITF) met at ITC headquarters on 5th October 2016 at 10:00 a.m.

The Executive Director, Ms. Arancha González, welcomed participants and introduced the agenda of the meeting.

1. CCTIF Progress Report (1 January – 30 June 2016)

The Executive Director (ED), Arancha González, presented the summary of the Report to the Consultative Committee of the ITC Trust Fund (1 January - 30 June 2016).

The ED began by informing member representatives that this was the first CCTIF report to incorporate financial data drawn from UMOJA. She noted that the transition to UMOJA was an ongoing challenge, but that ITC was actively embracing the new system. She also pointed out that the report included information on corporate results indicators and on the geographical distribution of project activities, which was drawn from ITC's revamped projects portal – the New Projects Portal – which now houses the entire project cycle in one place.

In terms of financial targets, the ED explained that ITC's half-year delivery was on track, with 49 percent of ITC's 2016 Operational Plan budget (regular budget and extra-budgetary funding) having been delivered so far. She noted that the regular budget and extra-budgetary funding delivery stood at 51 percent and 47 percent, respectively. The ED explained that ITC's 2016 extra-budgetary funding delivery expectations were in the range of \$46-47 million, or over 90% of the Operational Plan extra-budgetary funding budget. This, she explained, would represent a moderate decline from last year's record delivery, and was a direct consequence of W1 funding cuts and a slowdown in W2 delivery resulting from transitioning to a new phase of several large initiatives as well as the transition to Umoja.

The ED noted that, to adjust to a reduced W1 funding at beginning of the year, ITC had to reduce some of the planned initiatives for 2016 and had to cut the business development budget. She pointed out that ITC has had to squeeze its budget to correspond to the means at the organisation's disposal. She explained that ITC has experienced delays in a number of projects, in particular due to negotiations on a new EU-UN framework agreement between UN Headquarters and Brussels. Nonetheless, she noted that ITC has been working extremely hard to grow its pipeline with considerable success. ITC continued to engage and convince new funders of ITC's capacities and to maintain the trust of current funders. She referred to the EU Valetta fund as a new source of financing for ITC through for example a project in the Gambia which will connect young entrepreneurs to markets so as to reduce pressure for migration. She highlighted the Regional Economic Commissions in Africa, as well as the Caribbean Development Bank as new funders of ITC.

In terms of outlook for 2017, the ED stressed that despite challenges facing the organisation in 2016, she was confident that ITC had a healthy W2 pipeline. Notwithstanding the progress on W2 projects, the ED underlined the importance of ongoing commitments of the ITC's W1 funders. She explained that W1 funding was crucial for ITC's ability to be responsive to client requests, maintain its offer of global public goods and to be innovative.

With regard to ITC's planned share of delivery in priority countries, the ED explained that ITC was more than on track. At mid-year 2016, the share of priority countries in region-specific delivery was 83 percent, 1 percent more than in the previous period and well above the Strategic Plan commitment of 65 percent, and Operational Plan commitment of 70

percent. She reassured CCITF that ITC was continuing to focus on its priority countries and regions.

Regarding development results, the ED explained that ITC was on track in terms of its output indicators, and that a number of these were above target, especially in the `technical cooperation outputs` category. In the category of `other substantive activities`, she noted that some of the figures were below target as a number of these activities had been back loaded to the second half of the year and were therefore not recorded in the report. Similarly, on quantitative corporate outcome indicators, the ED clarified that in any area where a deviation could be observed between results and current delivery, this was due to the fact that ITC was capturing results in the second half of the year. Beyond the quantitative output and outcome indicators, the ED informed the CCITF that for the first time, ITC would be introducing a qualitative narrative in the annual report to illustrate how ITC's projects contribute to specific SDG targets.

The ED explained that the 2016 Operational plan also lists 20 Key Performance Indicators as measures to track efficiency and effectiveness. She noted that these are organised into three areas (managing resources, improving internal processes and building organizational capacity), and that ITC would be reporting on these KPIs in the CCITF year-end report.

The ED then proceeded to inform member representatives about strategic milestones outlined in the 2015-2017 Strategic Plan as well as the Operational Plan for the period. Concerning milestones in technical assistance, she noted that over 70 percent of these were in progress, while 26 percent had already been implemented. She pointed to the fact that ITC now had over half a million registered users for its market analysis tools, and that ITC had set up an Advisory board of CEOs from representative TPOs and TISIs to guide ITC's institutional strengthening strategy. In addition, she pointed to programmes that ITC had designed, launched, or rolled out.

She explained that, with many improvements in productivity, efficiency and quality, ITC was putting available resources into action to "do more and do better". Out of 19 milestones related to impact, effectiveness and efficiency, 12 were in progress, 6 had been implemented, and 1 was in its inception phase.

The ED noted that overall progress on the milestones to date was good, and that ITC would further report on progress at the end of the period.

Comments from Members and Discussion

The **Delegate from the UK**, in his capacity as **Donor Coordinator**, delivered a joint statement on behalf of the group. He thanked ITC for the opportunity to interact and to regularly engage with senior management. He confirmed funders' satisfaction with the enhanced level of transparency delivered in the CCTIF progress report, as captured by data on regular budget expenditures and the breakdown of extra-budgetary funding by donor. He noted that the donors' group was pleased to observe that ITC was largely on track in terms of delivery, and that its focus on priority countries and regions had been maintained.

The donor coordinator highlighted three areas where additional attention was required: finances; strategy; and reporting and impact. Regarding finances of the ITC, members of the donors' group acknowledged that the funding environment was challenging, that the organisation was faced with a constrained budget in 2016, and that the shortfall had particularly affected W1. He enquired how these constraints might affect project delivery in future years, and how ITC might respond to these changing circumstances. In relation to new donors, the donor coordinator asked about ITC management's mode of engagement as well as if current funders could support ITC in this outreach process.

Concerning strategic planning, he noted that funders welcomed the fact that ITC is planning a more inclusive process for strategic planning, and informed ITC that numerous representatives had informally indicated a willingness to partake in discussions that will determine the organisation's future priorities. Referring to comments at the previous CCITF, the donor coordinator indicated that donors would be keen to provide feedback on ITC's programme-specific Theories of Change.. He also requested an update on the realignment of ITC's organigram which aimed to strengthen internal coherence.

As for impact and reporting, ITC's funders expressed their gratitude for the details of organizational performance against Operational Plan commitments, which allowed them to relay a stronger story back to their capitals in terms of ITC's contributions to the SDGs and how it captured results on the ground. Referring to a number of corporate outcome indicators contained in the report that fall below a 50 percent threshold, he enquired whether ITC had any concerns that targets would be missed, and what measures ITC would take to prevent this. He noted that in order to assist in making more explicit linkages between finances and impact, donors would appreciate if ITC could list the share of project funds spent on individual outcomes in future reports. Donors appreciated the status update on the operational plan deliverables, but would welcome further elaboration on the status of, and challenges facing individual deliverables. Regarding key deliverables listed as implemented in the report, such as the New Projects Portal and the CRM System, he noted that donors would like to see some more detail on how they are being used and their effectiveness. The donor coordinator expressed a desire for clarification by ITC on its approach to risk management. Finally, he enquired whether ITC was facing any serious challenges in terms of project delivery as a result of the UMOJA rollout.

The **Delegate from the US** praised the quality of the CCITF report, and expressed appreciation for the fact that the report responded to a number of CCTIF requests. He welcomed the transparency on ITC funding and the inclusion of Regular Budget data. Overall, he expressed gratitude for the high level of effectiveness and efficiency delivered by ITC's activities. He noted that while USAID is pleased to see project closure reports being implemented, they would like to see some more detail on project evaluations in the CCTIF and JAG reports. The Delegate announced that USAID was pleased to expand its cooperation with ITC with a new grant agreement that would provide broad-based technical assistance providing financing for ITC's work on Non-tariff measures, E-solutions, Value Added to Trade, and ITC's Sustainability Marketplace. The Delegate also mentioned that building on the very positive reception of previous ITC trainings, USAID would be funding a second tranche of training to Nepal's Trade and Export Promotion Centre at the request of the host government.

The **Delegate from Sweden** thanked ITC for the report and congratulated ITC on the achievements made in the first six months of 2016. He further expressed his appreciation for ITC's focus on key areas such as trade and gender, and conflict-affected states. He noted that it was difficult for funders who provide un-earmarked funding to assess the cost-effectiveness and price of results achieved, as financial spending and expenditure was connected to thematic priority areas and not to outcome indicators. He expressed a desire to further discuss options to remedy this with ITC.

Regarding back loading of W1 contributions, he acknowledged the risk posed to ITC, but pointed out that this provided a clear incentive to ITC to try and ensure more un-earmarked funding. The Delegate noted that SIDA was unable to disburse funds prior to the issuance and approval of ITC's Annual Report and Financial Statements. He explained that SIDA had disbursed the W1 un-earmarked funds for 2016 in August, and that these totalled approximately \$3.5 million. He enquired as to what ITC's operational strategy was for increasing un-earmarked funding going forward, and requested that future CCTIF reports include a breakdown of W1 funding (un-earmarked versus soft-earmarked). With reference to the decline in this year's extra-budgetary resources, the Delegate enquired as to how this

development could affect ITC's prioritisation, and whether or not activities would be cancelled or postponed as a result.

The Delegate requested further elaboration on ITC's corporate risk analysis, which SIDA deems necessary in light of the volatile environment in which ITC operates. He noted that some form of corporate risk matrix or analysis would be a pre-condition for a next phase of funding from Sweden. He explained that the SIDA core support would conclude at the end of this year, and that initial discussions for a new multi-year agreement would commence shortly. The Delegate indicated that the modality of funding would be discussed during the appraisal phase, but that funding could be either un-earmarked, soft-earmarked, or a combination of both.

The **Delegate from Germany** expressed his full support for the joint donor statement. He noted that ITC's global public goods interventions, such as the T4SD databases, were a very important element of the organisation's work, and therefore merited further highlighting in the report. In relation to W1 funding, the Delegate sought clarification on the extent to which ITC was able to use its regular budget to offset the shortfall in funding, and for business development and innovation.

The **Delegate from Canada** thanked ITC for the presentation and report, and expressed her support for the joint donor statement. She noted that an understanding of the impact of the decline in W1 funding was especially important to Canada, which is a W1 funder. She also expressed her gratitude for ITC's submissions to Canada's International Assistance Review consultations, and informed attendees that Canada hopes to announce some of its results by the end of the year.

Ms. Arancha González thanked the Delegates for their feedback and answered questions raised. Responding to concerns about ITC's finances, Ms. González explained how ITC was adjusting to changes in the financing mix of the organisation. She noted that ITC will ring-fence a certain part of W1 funding for business development. Specifically, she emphasised that ITC strives to be cutting-edge, and investment in business development was crucial. More on this point, ITC had launched an Innovation Lab to create an ecosystem of innovation with other actors in and around Geneva, on innovation to implement the SDGs. She referred to ITC's Global Public Goods (GPGs) as a notable example of where ITC was investing its un-earmarked W1 funding, which were becoming more sophisticated as a result of the investments. The Executive Director (ED) referred to the W&T programme as another area where ITC's W1 resources were invested along with W2 project financing. These resources enabled the development of cutting edge products such as the 'SheTrades' app that increased the likelihood of enterprises being connected to global markets. She referred to ITC's Trade and Environment Programme that included projects to help countries adapt to climate change, as an area that had to be scaled back as a result of the changes in ITC's financing mix. ITC was indeed re-prioritizing and consolidating its programming. These efficiency and effectiveness measures led to some changes in the organization's organigram that would be shared with ITC staff and rolled out in the last quarter of 2016.

Regarding Resource Mobilisation, the ED explained that ITC developed a Resource Mobilisation Strategy that helped set targets for ITC. It was supported by a Steering Committee consisting of funder focal points which facilitated relations, dialogue and cooperation with ITC's main funders. Ms. González pointed to the fact that the number of ITC's funders had increased from 24 to 36 over the past couple of years, and that although new funders' financial contributions were not huge, it signalled a healthy expansion of ITC's financing base. She also noted the enhanced interest from the private sector to finance ITC's work in building value chains and markets in developing countries.

On readjustments to be made to ITC's organigram, the ED gave some examples including the creation of a special taskforce for project design, and rationalising all the trade and

market intelligence work in one place in ITC. Responding to questions about UMOJA implementation, the ED stressed that UMOJA was designed primarily for regular budget funded organisations, and was not built for project management. Therefore, she explained, costing of ITC's projects and activities was currently challenging, but discussions to address these difficulties were ongoing.

With regard to the regular budget, the ED stressed that it is not meant to subsidize extra-budgetary funding and vice versa. She explained that ITC was trying to mix all its resources in an intelligent manner.

In terms of risk management, the ED pointed out that every project has a risk management element and that a risk management framework would be put in place at the corporate level. She noted that ITC had received an OIOS advisory at the beginning of this year and was developing a risk management policy accordingly. She assured representatives that this policy would be shared to give them an understanding of how ITC foresees risks and how the organisation intends to mitigate them.

To facilitate information sharing on Log frames and Theories of Change, the ED informed representatives that Iris Hauswirth, Chief of Strategic Planning, Performance and Governance, would convene an informal session in the near future.

The ED appealed to funder representatives to reach out to their capitals on ITC's behalf. ED explained that she had visited a number of their countries in 2016 and that she had a number of upcoming visits scheduled. She noted that donor representatives are key to the success of such visits, as they could help link ITC to the right decision making forums at capitals and could inform ITC in advance of messaging that would be effective.

Regarding knowledge management and project closures, **Iris Hauswirth, Chief of Strategic Planning, Performance and Governance**, outlined the main themes that came out of evaluations, namely the strength of Theory of Changes that is being looked at; the questions of scaling up, ensuring sustainability, exit strategies and in-country coordination.

On Theory of Change, Mrs. Hauswirth explained that ITC has been working hard through programme development and in terms of project quality reviews prior to the launch of a new project. For in-country coordination, she noted that ITC was looking at increasing in-country representation for larger projects to support ITC's efforts. In terms of scaling up, she pointed to the SME Academy and the SheTrades initiatives as examples of approaches that have allowed ITC to reach out to more clients. She emphasised that sustainability and exit strategies were part of project design, and that these elements were dealt with and reviewed on a case-by-case basis. She added that ITC also had systematic general elements built into its projects to ensure sustainability – in particular the work with TISIs. Regarding closure reports, Mrs. Hauswirth explained that ITC had done these in the past according to the requirements of individual funders. Now, a corporate ITC template was being provided to allow for an easier aggregation of such information. ITC was trying to systematise the process via the Projects Portal.

Gerry Lynch, ITC's Director of the Division of Programme Support stressed that while the UMOJA transition process has not been entirely smooth and is a continuous learning exercise; ITC recognised that the system is ultimately more efficient as it merges seven IT systems across the UN globally into one. There were still some issues in the system to overcome. ITC was working across the Geneva UN community and with New York on these issues. He added that when ITC went through its annual UNBOA audit, ITC's financial data was tested and sampled, and no errors were found in the migration of data.

2. Update on ITC's management response to external and OIOS evaluations

The Executive Director explained that the detailed status on Evaluation recommendations had been reported to ITC's JAG members on 04 July 2016 and at the CCITF meeting in June. She emphasised that ITC had worked further on the outstanding items – covering the use of Umoja and New Project Portal features to better capture costs; risk management; self-evaluation guidelines, training, and impact reporting. She noted that projects were required to budget at the output level, and that tools to enable financial reporting at the output level across all projects were being developed. She informed representatives that self-evaluation guidelines were at the final draft stage, and the Project Portal had been modified to capture contributions of each project to the achievement of SDG targets. The ED explained that, as these items were still in progress, the status of the report had not been altered since the JAG, and that ITC had therefore not circulated a new report.

The ED stressed that ITC was continuing to work on improving its performance in other areas as well where it had already implemented the specific actions promised in its management response. She pointed out that ITC had advanced on gender mainstreaming, as confirmed by the recently received report on progress on UN SWAP indicators. She noted that the current representation of women at all professional levels in ITC was 39 percent – an increase of 8.4 percent from the period 2004-2014. She also highlighted that ITC was advancing the sustainability of its projects. Moreover, she pointed to the success of the recently held T4SD forum, as well as to the launch of the ITC Innovation Lab as examples of where ITC had made substantial advancement.

The ED highlighted upcoming key ITC events taking place in Q4, namely the launch of ITC's flagship publication the SME Competitiveness Outlook; the World Export Development Forum in Sri Lanka; and the 11th Trade Promotion Organisation Network World Conference to be held in Morocco. She extended her invitation to all representatives and their colleagues for all these events.

The **Delegate from the UK** noted that ITC has had some successes in mobilising resources, and he indicated his interest to track these developments more closely. He indicated that he would like to see more details on the Resource Mobilization Steering Committee. He then asked a section on risk management to be included in the next iteration of the CCITF report.

The **US Delegate** congratulated ITC on its progress on meeting the UN SWAP goals and enquired about ITC's objectives for SWAP 2.0.

The ED confirmed that the details requested by the Delegate from the UK would be included in summary form in the next CCTIF report. Regarding SWAP, she noted that ITC was considered as a 'good example' by UN Women. She explained that discussions about new targets had commenced, and that she would appreciate donors' inputs on how they were formulating targets in their home countries.

3. Planning for 2017

The ED informed representatives that ITC would have a draft Operational Plan for 2017 ready in December 2016, and would finalise the plan by January 2017 based on feedback and inputs. She explained that the plan would be aligned with ITC's Strategic Plan 2015-2017, and that it consisted of the following components: a review of the trade and development landscape; ITC's planned budget and delivery by focus area; the projects that will contribute to ITC's outcomes; the corporate scorecard with targets; and the strategic milestones for the year. She noted that a lesson learnt from 2016 was that in times of rapidly changing funding decisions, ITC had to place less emphasis on trying to provide close estimates down to the project level, in favour of having the plan ready earlier in the year.

The ED also explained that ITC would soon begin work on its next Strategic Plan, so as to align it to the planning process of the UN. The main questions guiding the design of the Strategic Plan would be where to focus activities, and how to operate from the perspective of optimal use of resources. She noted that ITC would follow the same approach as last time by opening the consultation process to stakeholders around the world. She reiterated that ITC would like to see the extensive involvement of the donor representatives and their capitals in this consultation process, and announced that ITC planned to have a draft of the next Strategic Plan ready by Q3 2017.

The **Delegate from the EU** thanked ITC for the visibility on future planning. She noted that the EU was looking forward to a more structured cooperation with ITC, the details of which were being shaped currently.

The **Delegate from Germany** indicated that he would like to see a more structured dialogue with Geneva missions during the development of ITC`s next strategic plan.

4. Update on ITC`s cash flow (presentation)

Gerry Lynch, ITC`s Director of the Division of Programme Support, gave a brief presentation about the state of ITC`s cash flow. During the presentation, he stressed how important it was that ITC received W1 contributions at the beginning of the year (Q1, latest end of Q2) rather than at the end. He appealed to donor representatives to advance W1 funding for 2017 latest by Q2, as this would allow ITC to carry out planned activities while also reducing transaction costs and risk exposure.

5. Any other business

Ms. González thanked the Delegates for their feedback and constructive comments during the meeting and expressed the desire to see them again at the occasion of the launch of the 2016 SME Competitiveness Outlook (SMECO) report on 11 October