

CONSULTATIVE COMMITTEE – ITC GLOBAL TRUST FUND

24 July 2009

Background

At the forty first session of the Joint Advisory Group in December 2007, the Group endorsed the proposal to set up a new ITC Trust Fund as of 1 January 2008. The existing Global Trust Fund, which still contained unspent pledges (e.g. as a result of multi-year pledging) would continue to run in parallel with the new ITC Trust Fund until 31 December 2009. The new ITC Trust Fund would have two separate windows. One window would accommodate unearmarked resources, there would be a window for bilateral programmes/projects which would correspond to corporate/thematic, regional and country-specific programmes. The JAG also agreed that the financial reporting year will be aligned to the regular budget cycle, i.e. 1 January 2008 – 31 December 2009 and that the Global Trust Fund financial year would be co-terminous.

At the forty second session of the Joint Advisory Group in December 2008, the Group agreed that the Consultative Committee remains the oversight body for voluntary contributions to the ITC Trust Fund, while the JAG remains the policymaking organ of ITC.

Financial Update

Introduction

This report focuses on the use of funds contributed to Window 1 within the overall context of XB funding for ITC. Where appropriate, the report does link Window 1 issues and actions to both RB budget funds and Window II XB funding for Bilateral projects. Based on current experience and future requirements, the report outlines proposals for improved operations, which will ultimately be placed before JAG 2009 for their endorsement.

This report is an interim report to CCGTF, with a fuller report being presented in September 2009. The September report will include more information on the outputs achieved by the Window 1 projects. It will provide an update on 2009 and will include recommendations for improving the process linking donor funding to project delivery and reporting/ accountability. The Annual Report 2008 contains a significant amount of information on expenditures, outputs, deliverables and details of individual projects.

The ITC has had to respond to changes in the external environment in recent years which have demanded customized TRTA to meet country needs and demands. Donors require clearer accountability and reporting in order to assure government satisfaction with the use of funds and to secure further funding, while beneficiary countries have many organizations to choose from to meet their TRTA requirements. Within ITC there has been a commitment to improve not just the quantity but also the quality of delivery, with a focus on 'Export Impact for Good'. All of these developments are interlinked and require some review of the current position as well as making recommendations for future improvements.

The Global Trust Fund and its successor, the ITC Trust Fund, is an essential mechanism for broadening the outreach of ITC's TRTA activities. In addition to supporting a number of specifically targeted areas, GTF has also funded change management/reform activities in response to the 2005 Danish-led External evaluation of ITC, secured core staff expertise, funded research and development and enabled ITC to participate in a number of major events. All of the activities are necessary for ITC to deliver its mandate and mission.

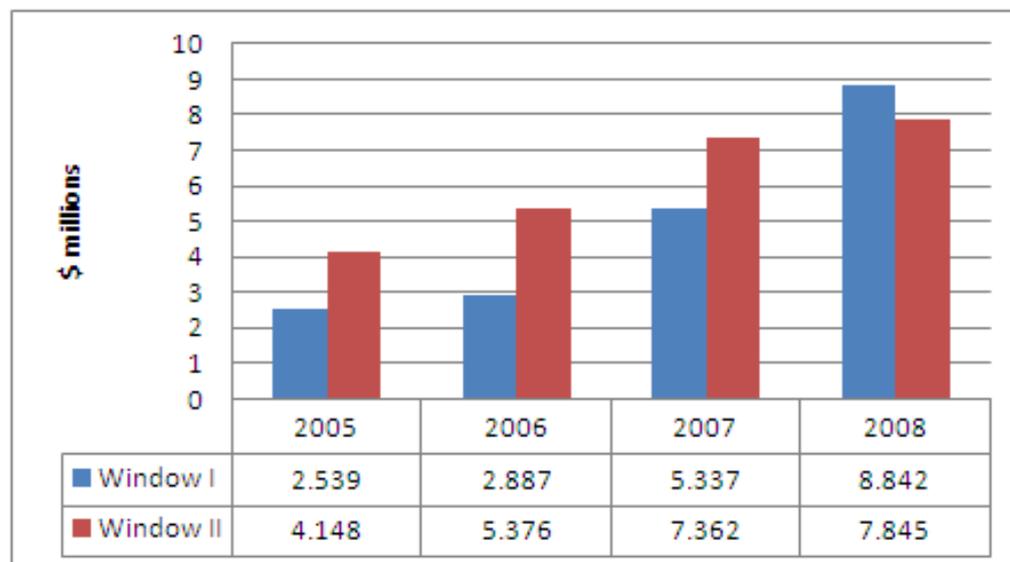
Current Trends in Window 1 funds – Allocation and Expenditure

Since 2005 there has been a significant increase in the XB funding accessed by ITC, for expenditures classified as Window 1 for the new ITCTF. This enabled ITC to allocate funds annually to a variety of projects within a number of categories:

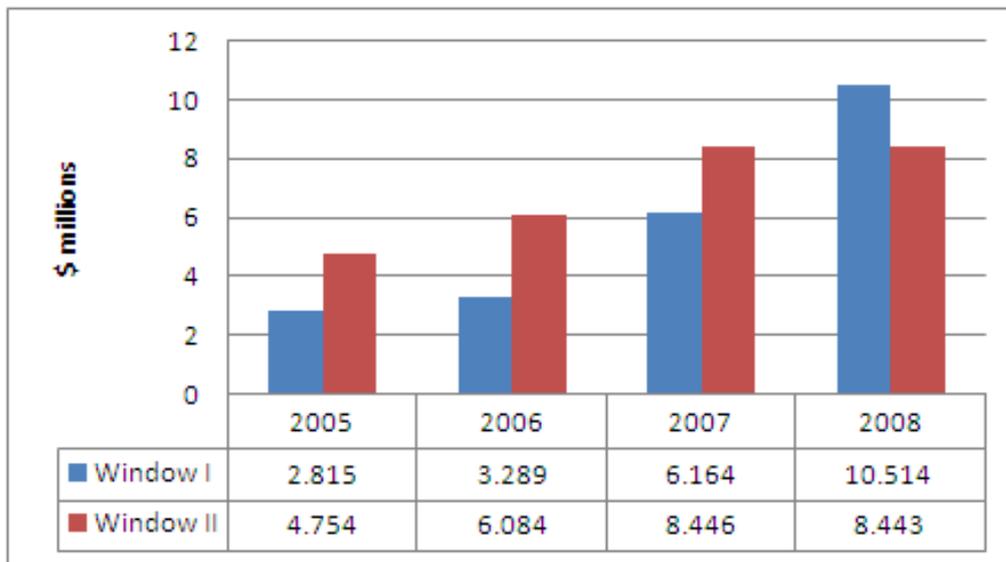
<ul style="list-style-type: none"> • Former GTF window I <ul style="list-style-type: none"> ○ Core staff ○ Meetings of experts (Events) ○ Tailor made programmes ○ Programme development (including Mission Travel) ○ Implementing recommendations of evaluation ○ Evaluation and Clients Survey ○ Other activities 	<ul style="list-style-type: none"> • Former GTF window II <ul style="list-style-type: none"> ○ National Export Strategies ○ World Trade Net ○ South South Trade ○ EPRP ○ E-Trade Bridge ○ Service ExportNet ○ ACCESS!
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Once funds have been received, ITC allocates resources to each of the two categories and to specific projects. Over the four year period, 2005 to 2008, the balance of allocations to the two groups of projects has changed, as shown in the three graphs below:

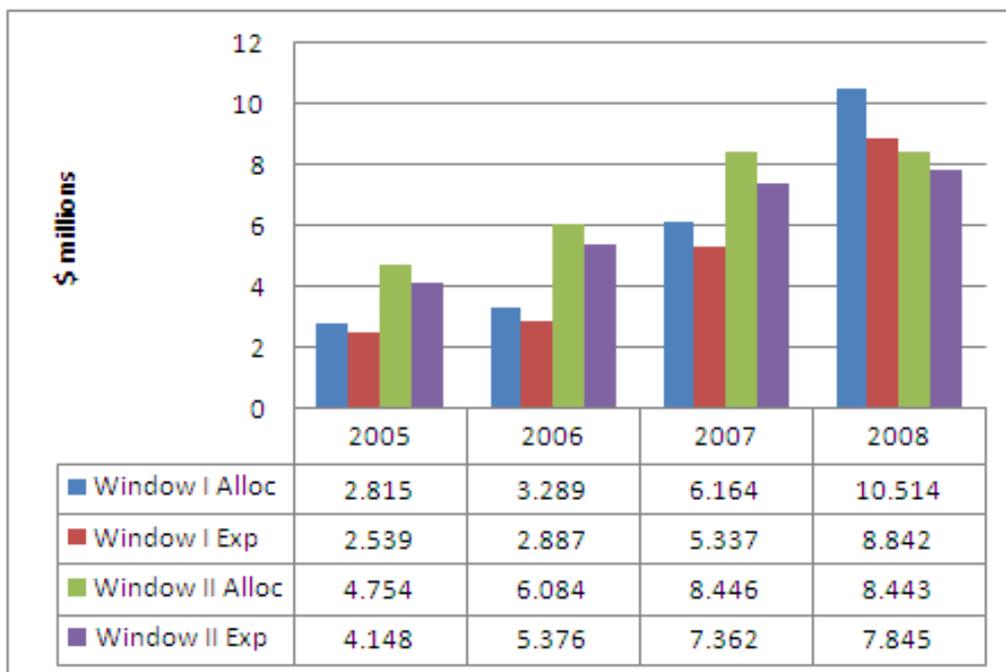
Graph 1 – Expenditures



Graph 2 – Allocations



Graph 3 – Allocations and expenditures combined



The major features of the trends are:

- Allocations to (Former) Window I projects and (Former) Window II projects have risen steadily over the four years
- It was only in 2008, for the first time that allocations to the former Window I I projects have exceeded the allocation to former Window II.
- Expenditures have followed a similar trend over the four years

Over a longer period than just the four years the Former Window II projects have demonstrated the validity and value of their approach. The GTF has served its purpose by funding these projects over the period. In 2008, ITC started the process of integrating the methodologies developed in the Former Window II projects into larger projects and programmes. This follows a pattern recommended in the Danish evaluation, the requirements of beneficiary countries, and ITC's own strategy.

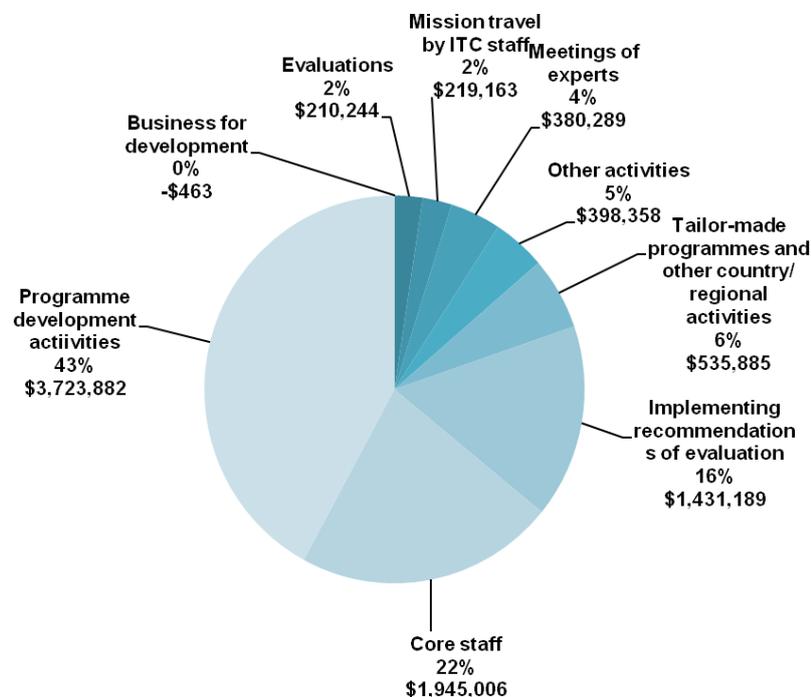
For example, the PACT II programme in 2009 has engaged export strategy, business advocacy and EPRP in the delivery of the programme. ENACT will be demonstrating a similar policy and will be including the expertise of Services ExportNet.

Contributions in 2008

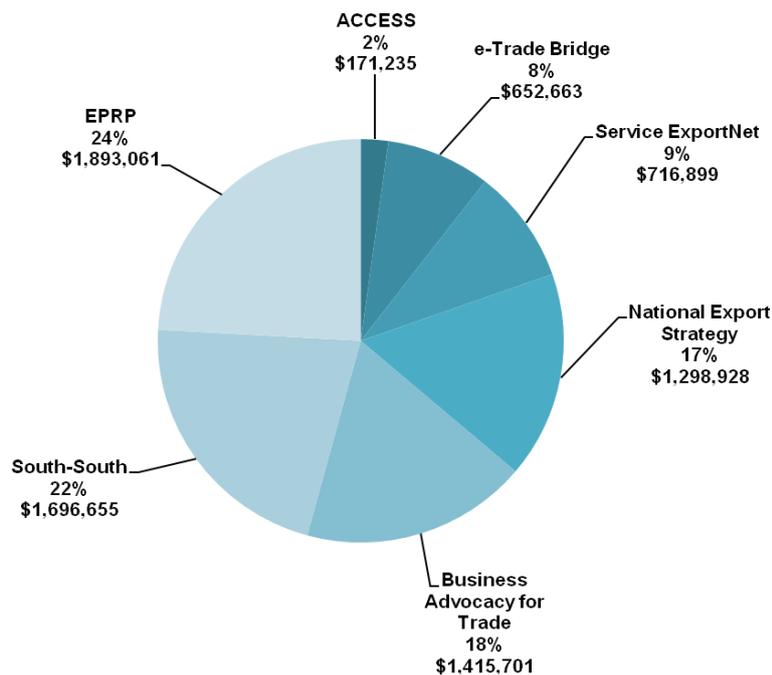
Over the four year period, and extending into 2009, there has been an increasing tendency for donors to “soft” earmark their contributions to Window 1, with varying degrees of specificity. In 2008, a total of \$17,042,150 was received into Window 1 of which, around \$8 million was earmarked to some extent or another.

As of 31 December 2008, ITC has spent \$16.68 million (net) under the former GTF Windows I and II. The breakdown of expenditure by component is shown in figure below.

ITCTF/GTF Window I
Total Expenditures as of 31 December 2008: US\$ 8.84 million (net)



ITCTF/GTF Window II
Total Expenditures as of 31 December 2008: US\$ 7.85 million (net)



By the time discussions have been completed for the 2009 contributions, it is likely that the share of earmarked contributions will be higher than in 2008. It is probable that there are two factors pushing the contributions in this trend: Firstly, at a time of financial crisis it is more likely that Governments will require more specific targets to be attached to contributions as the contributions to ITC compete with other possible funding alternatives. Secondly, ITC still has some progress to make in order to provide donors with specific and comprehensive performance information to provide reassurance that the funds have been deployed effectively.

There is a risk that if each Government makes its own individual request for earmarking then some basic requirements for the operations and management of ITC will not be funded.

In 2008, the earmarked contributions targeted activity in programme delivery and reform. Soft earmarking supported project activity in programme design, project delivery and two of the 'Former Window II programmes. The next table provides information on the links between earmarking and specific projects:

Table – 2008 Earmarking linked to specific projects

Area earmarked	Estimated total contributed to earmarked area \$millions	Example projects covering the earmarked or soft earmarked categories	Type of activity
Africa	0.775	<i>Preparatory work for PACT II UN High level Meeting for Africa Liberia export development Senegal export development UNCTAD XII</i>	<i>Prog Dev Expert Meeting Tailor made Tailor made Expert Meeting</i>
Asia	0.200	<i>Bridging work for further Pakistan project</i>	<i>Prog Dev</i>
Latin America	0.100	<i>Trade Intelligence Uruguay Central America export promotion</i>	<i>Tailor made Tailor made</i>
Pacific Islands	0.193	<i>Preparatory work for Pacific Islands project</i>	<i>Prog Dev</i>
Liberia Trade @ Hand	0.200	<i>Liberia Trade @ Hand</i>	<i>Tailor made</i>
Gender	0.380	<i>ACCESS! EIF Gender Roundtable Uganda Export Strategy (gender dimension)</i>	<i>Window II Expert meeting Window II</i>
Poverty & EPRP	0.600	<i>EPRP</i>	<i>Window II</i>
Ethical trade	0.300	<i>Ethical fashion</i>	<i>Tailor made</i>
E Trade	0.200	<i>e Trade Bridge e Nabling</i>	<i>Prog Dev Prog Dev</i>
Services	0.200	<i>Export ServicesNet</i>	<i>Window II</i>
Organics/ biotrade	0.867		<i>Organics export programme</i>
Global	0.695	<i>ITC Trade Map TSI Benchmarking</i>	<i>Prog Dev Prog Dev</i>
Reform	0.560	<i>Clients Survey Communications Client Relations Management Competency framework</i>	<i>Evaluations Reform Reform Reform</i>

Outline for 2009

Discussions have yet to be completed on all donor contributions for 2009. The overall outcome is likely to be similar to the pattern in 2008. More donors have identified soft earmarking and earmarking when discussing their contributions for Window 1 in 2009. While this provides more solid support for certain parts of the overall ITC work programme, some valuable categories of work could be at risk once the collective totals have been assembled. ITC itself will have to be more proactive in establishing its areas of need and providing estimates of costs together with scheduled outputs and deliverables. This new component of the process needs to be in place for the 2010 round of discussions with donors.

It is also worth highlighting a further issue related to earmarking and the reporting accountability. If the donor's contribution is received late in the calendar year, it may

not be feasible to spend all the funds received within the same financial year (Jan to Dec). The following graph shows how the timing of funds received can impact on the timing of expenditures. Funds have to be re-phased into the following year and clearly tracked so that reporting back to the donor on the use of their contribution can be completed successfully.

ITC has already committed itself to improved reporting via its Annual Report. The Annual Report 2008 has moved in this direction. More will need to be done for the Annual Report 2009, particularly in reporting systematically on the overall outputs and deliverables funded via unearmarked, soft earmarked and earmarked contributions.

Further report to CCGTF in September

By September, the full picture for 2009 will be clear. Hopefully, ITC will be able to report on the full pattern of contributions to be received in 2009. The links between earmarking and the actual funded project activity will be listed.

ITC is beginning its process preparing for 2010 and will be able to share its needs with donors as part of the start of the discussions for 2010 contributions.