

REPORT OF THE 43RD SESSION OF THE ITC JOINT ADVISORY GROUP MEETING

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ITC enables small business export success in developing and transition countries by providing, with partners, sustainable and inclusive trade development solutions to the private sector, trade support institutions and policymakers.

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14-15 December, 2009

OPENING SESSION

1. H.E Ambassador Emina Keco-Isakovic (Bosnia and Herzegovina), Chair of the 42nd session of the Joint Advisory Group (JAG) meeting, opened the 43rd session. She paid tribute to ITC's Executive Director Patricia Francis and her team for their work over the past year and in particular, the implementation of reforms. She thanked a number of donor countries for their announcements of financial support to the organization. She then invited H.E. Ambassador Dennis Francis (Trinidad and Tobago), who had kindly agreed to chair the 43rd session, to take his place on the podium.

Opening remarks by the Chair of the 43rd Session, H.E. Dennis Francis

2. Ambassador Francis expressed his thanks to his predecessor and welcomed the representatives of WTO and UNCTAD – Director-General Pascal Lamy and Deputy Secretary-General Petko Draganov. He reaffirmed that the main objective of the two-day meeting was to discuss ITC's work programme – the results achieved in 2008 and 2009 and the plans for 2010 and beyond. He noted there would also be an opportunity for members to announce extrabudgetary contributions.

Statement by Pascal Lamy, Director-General, WTO

3. Mr. Lamy noted that the 2008 JAG had taken place against the backdrop of a worsening global economic situation. There was now empirical evidence that the crisis had not only had a serious impact on developing countries, but also threatened to reverse gains made towards achieving their developmental objectives and the Millennium Development Goals (MDGs).

4. Mr. Lamy noted that the recent WTO Ministerial Conference had reaffirmed the importance of concluding the Doha Round of trade talks in 2010 to enable developing countries to realize the full potential of opening trade.

5. The WTO Director-General welcomed a new joint WTO/ITC/EIF programme that aimed to provide capacity building to help support least developed countries (LDCs) in the WTO accession process. He noted that donors had been forthcoming in supporting the programme.

6. Mr. Lamy noted that the WTO Budget, Finance and Administration Committee had approved WTO's 2010-2011 budget on 7 December 2009, which provided for increases of 8.21% and 5.86% in the WTO contribution to ITC's budget in 2010 and 2011 respectively. He expected this to be endorsed by the WTO General Council this week.

7. Commenting on the ITC Consolidated Programme Document being considered by the JAG, Mr. Lamy welcomed ITC's follow-up on its commitment to enhance its monitoring and evaluation capacity. He also welcomed the focus on export diversification and competitiveness in LDCs and said it was essential that developing countries themselves should mainstream trade into development strategy. ITC should focus in 2010 on providing a better understanding of the major impediments to diversification and improved competitiveness in these countries and mainstreaming trade into development strategies.

The most efficient ways to address those impediments, including by encouraging effective public-private coalitions, should be identified.

Statement by Petko Draganov, Deputy Secretary-General, UNCTAD

8. Mr Draganov stated that the current economic crisis had been transformational, posing a direct challenge to the development paradigm anchored in export-led growth. He said there were some signs that a trade recovery might be under way, but it might not be stable or strong. Firms in developing countries should therefore look to diversifying into new markets and new products.

9. The private sector could not, however, be expected to achieve this on its own. It would require proactive government policies, regulations and institutions aimed at providing incentives and improving productivity and competitiveness. There was a strong role for ITC in supporting the private sector in developing countries to respond to new market opportunities and develop business capacities.

10. Mr Draganov noted with satisfaction commitments by UNCTAD, ITC and WTO to strengthen inter-agency cooperation, and the successful outcomes of their participation in the UN CEB Inter-Agency Cluster on Trade and Productive Capacity. He stressed the importance of the three agencies making every possible effort to publicly demonstrate the institutional links between them and identify their mandates and lines of expertise without ambiguity. He urged donors to support the three agencies in their efforts to devise and implement joint initiatives and to keep in mind their objective of coherence and cooperation.

Keynote address by Patricia Francis, Executive Director, ITC

11. Ms Francis welcomed delegates to the 43rd JAG, noting that the task for the coming two days was to review ITC's work in 2009 and set out priorities for 2010. She referred to the global economic context of the meeting and said that some of those present would have not faced such a period of financial insecurity in their working lives.

12. The Executive Director said that the economic crisis, together with potential crises in climate, the environment, energy and food, amounted to a perfect storm, which meant that achieving the MDGs was further from sight. Recovery would not be quick or steady, and ITC's contribution to the recovery must be to achieve greater levels of equity.

13. At the same time, she said times of challenge could be times of opportunity. What was important was not only to "do the right thing", but also to "do the thing right." To achieve sustainable development required a different way of acting. In particular, returns on investment needed to be measured against a triple bottom line of social, environmental and economic advantage – yielding development that paid equal due to people, planet and prosperity; existing practices needed to be reviewed in the light of their possible future impact; there was a need to acknowledge the need for compromise and to reach consensus; and contribution to the recovery had to be to achieve greater levels of equity.

14. Ms Francis said the essential building blocks of market success and for maintaining competitiveness were long-term strategic planning, flexibility and agility to respond to change and embrace innovation, and establishing regional, intraregional and public-private partnerships and alliances.

15. In terms of strategy, ITC was now in the second year of its Strategic Planning cycle and having completed the change management process was now focused on quality, delivery, results and impact. A dedicated unit had been set up to manage the process of scaling up for large programmes. Implementation had begun of recommendations related to Project Cycle Management and a Project Quality Assurance Committee had been put in place.

16. The MDGs relating to poverty reduction, gender and the environment were now consistently being mainstreamed within ITC projects where appropriate. New Women and Trade and Trade, Climate Change and Environment programmes would be launched in 2010.

17. Regarding agility, ITC regional offices were continuing to build knowledge and understanding of the needs of client countries, which would be reflected in the design of technical assistance programmes. Timely provision of global public goods such as monthly trade data allowed clients to be more relevant locally.

18. Concerning partnerships, she noted that for the third year, the agency was publishing its Client Survey, devised as a means of ensuring that ITC responds better to members' needs. It showed that satisfaction with the agency's performance continued to increase steadily – from 38% in 2007, to 43% in 2008 and 56% in 2009 – but that work remained to be done.

19. Ms Francis said members of the Senior Management Committee had been designated as managers of special relationships with partner organizations to ensure maximum coherence. During the year ITC worked with WTO, UNCTAD, World Bank, UNIDO, EIF, FLO, FAO, UNDAF and the CEB Cluster.

20. Ms. Francis concluded by describing various features of the 2009 JAG session, including a two-hour round table on export strategy. She thanked all of the agency's parent organizations and partners for their support and expressed her confidence that 2010 would see ITC contributing to a community with shared values and a network that could deliver prosperity.

ANNUAL REPORT ON 2008 AND PRELIMINARY REPORT ON 2009 ACTIVITIES

21. The Executive Director introduced the two reports. She said the structure of the 2008 Annual Report, like that of 2007, was based around contribution to the MDGs and regional progress, as these had been the key areas of importance to the JAG in the previous years. The preliminary report for 2009 was structured around the programme and internal delivery responses outlined in the ITC Strategic Plan and approved by JAG 2008. This would make it possible to measure the agency's performance against the commitments made to the JAG last year. She said that the final 2009 Annual Report would include indicators and annexes outlining the scope of the agency's work in the same way as the 2008 report. While in 2009 the organization would be reporting output indicators, in 2010 it would be reporting outcomes, and would be moving steadily towards the measurement of impact as the Results-Based Management process within ITC and with partners matured.

Presentation of financial information

22. The Director of the Division of Programme Support provided an overview of ITC's financial situation, including both regular budget (RB) and extrabudgetary funding (XB) and the operating reserve. She reported that due to the fluctuations in exchange rates over the years, the regular budget appeared to show a steady increase, but in real terms resources had been relatively steady over time, with limited real increases. For 2010-2011, the organization was hoping that after several years without any significant increases, additional regular budget resources would be available to permit the establishment of new posts. These posts would increase ITC's ability to provide customized responses to needs assessed in the regions and for the poorest countries, and deliver ITC's core competencies. The Director reported that projected expenditures in 2009 amounted to US\$ 32.4 million

under the regular budget and US\$ 34.9 million in extra-budgetary funding, for a total of US\$ 67.4 million. She noted that ITC's level of delivery of technical assistance since 2002 continues to progress. Referring to the Operating Reserve, she reported that the organization continued its efforts to increase this to the target of 15% of annual delivery, or about US\$ 4.4 million as underscored by the 41st JAG in 2007. Currently it stood at US\$ 2.35 million; additional contributions from donors would be welcomed.

General debate

23. There were 41 interventions in response to the presentation of the Annual Report for 2008 and the Preliminary Report for 2009. Delegates noted that 2009 had been a particularly difficult year for their economies and that international trade had been hard hit by the world financial and economic crisis, compounded by the energy and food security crises. This had made the work of ITC more important than ever.

24. Delegates commended the secretariat for the quality of the documentation prepared for the JAG, which many said represented considerable progress, and was described as clear, compelling and coherent. It reflected the changes in management approach, particularly the introduction of Results-Based Management (RBM), that were particularly appreciated. However some delegates felt that there was still considerable work to be done, suggesting work on establishing clear baselines for measuring performance, prior needs assessment, verifiable indicators, and links between outputs and outcomes and developmental impacts.

25. In their interventions, many delegates emphasized the need for ITC to focus on its areas of comparative advantage, in particular working to build the capacity of small and medium-sized enterprises (SMEs) to integrate into the world trading system, and also to enhance the performance of the trade support institutions (TSIs) that exist to support them. The emphasis on improving business competitiveness was commended and delegates agreed with Mr Lamy and Mr Draganov that the importance of the role of ITC as a purveyor of technical support targeting the private sector could not be overstated.

26. Many delegates referred appreciatively to the connection made between ITC programmes and support to countries in their efforts to achieve the MDGs. There was particular emphasis on the need for further efforts towards mainstreaming gender concerns and focusing on the role of women entrepreneurs. Delegates also noted the importance of factoring into ITC programmes concerns about climate change – which was likely to affect the poorest countries disproportionately – and other aspects of the environment.

27. There was wide appreciation of the focus on promoting regional and intraregional trade, and also on the priority given in ITC planning to the LDCs, LLDCs, SIDS and sub-Saharan Africa. Concern was, however, expressed by some delegations (Eastern Europe and Central Asia and Latin America and the Caribbean) that certain regions appeared to be receiving less support from ITC than they needed in these difficult times. Delegations also urged ITC to develop larger programmes in their countries and regions.

28. Delegates welcomed the opening statements of the Director General of WTO and the Deputy Secretary-General of UNCTAD and Patricia Francis, and expressed appreciation at the improved collaboration and coherence between the programmes of the three organizations, particularly in the UN Chief Executives Board's Inter-agency Cluster on Trade and Productive Capacities, as well as with other TRTA providers. There was also a call for ITC to continue its important role in the Enhanced Integrated Framework (EIF) and to ensure that all ITC programmes in LDCs were coordinated with the EIF.

29. Many delegations underlined the importance of the Aid for Trade initiative and said they regarded private sector development as an important component of Aid for Trade. Delegates from developing countries expressed their appreciation for the support of donor countries in providing extrabudgetary funding to ITC, and urged them to maintain this support.

CONSOLIDATED PROGRAMME DOCUMENT 2010

30. The Consolidated Programme Document (CPD) 2010 was introduced by the Director of the Bureau of Policy and Programme. He explained that the function of the CPD was to act as a link between the four-year Strategic Plan and ITC's operations. It aimed to provide ITC's client countries, institutional partners and donors with a more detailed vision and understanding of the proposed programme of work at global, regional and country levels, and to provide a basis for discussion with partners on priorities and funding. The CPD format had been adjusted to take account of comments made by the JAG in 2007 and 2008. It focused on providing a clear description of ITC's plans by region and area of work, described the links between the work and the MDGs, provided much greater detail on planned achievements and outcomes and the sources of funding, and clarity on the intended uses of extrabudgetary funds.

General debate

31. Delegates welcomed the CPD 2010 as a considerable advance over the previous years and a solid basis for discussing ITC's activities in the coming year. The document was described as reader-friendly and well prepared. Its continuing focus on the needs of LDCs was welcomed by donors, LDCs and other developing countries. However, some delegates urged the organization to articulate clearer links between the CPD and the Strategic Plan.

32. Delegates noted that poverty reduction was the over-arching objective underpinning all of ITC's export and trade support work, and called for ITC to develop clearer indicators to measure the impact on poverty of trade and export programmes.

33. There was a particular welcome for the focus on MDGs. The Women and Trade programme was frequently mentioned as well as the revised programme on Trade and the Environment to incorporate a strong focus on the implications of trade on developing countries.

34. Delegates also welcomed the proposed work on non-tariff measures (NTMs), which were posing an increasing challenge to developing economies, and strongly urged ITC to assemble and disseminate more data on these so that stakeholders, including the private sector, could start to address the problem.

35. Some concern was voiced that a large part of extra-budgetary funding, which was projected to cover 55% of ITC delivery in 2010, was hard earmarked. The question was raised as to how priorities would be established for spending if there was a shortfall in anticipated voluntary contributions. Delegates asked how ITC would maintain its focus on the strategic objectives in the face of the level of reliance on XB funds and donor earmarking. Concern was expressed that increasing demands on the organization could result in it spreading itself too thinly and thus becoming less effective.

STRATEGIC PLAN 2010-2013

36. The Acting Deputy Executive Director introduced ITC's Strategic Plan covering the period 2010-2013. He said the similarities with the Plan tabled at the JAG last year were deliberate – the structure was the same, although the content had been updated. The Plan was the result of a collective process incorporating contributions from members of the Senior Management Committee, sharing a common vision of what they wanted to achieve in terms of impact, and how to do it. The modifications and improvements in this second plan demonstrated the value of the rolling cycle approach. The plan had been made sharper and more precise, although overall programme delivery responses were consistent with the original plan. An important addition was major milestones and targets over the four-year period. The key elements of the Plan included greater prominence given to Aid for Trade, including support to countries seeking WTO accession; taking into account the current global challenges; intensified collaboration with partner agencies; the improvement of quality assurance processes; and the shift in the ITC portfolio to domination by a number of larger multi-year programmes.

General debate

37. A total of 13 delegations intervened in the general debate and expressed a broad welcome for the Strategic Plan, which was judged to be an improvement on last year's document. There was appreciation of the priorities described, including the geographical focus and emphasis on supporting LDCs, LLDCs, SIDS, and SSA. Delegates also welcomed the emphasis on the MDGs and said it was essential for ITC to maintain its focus on the private sector and SMEs.

38. Several delegations felt that while progress had been made there was more work to be done to align the plan with RBM approaches. Some delegates said that while the description of milestones was welcome, some were expressed as activities rather than outcomes, results or impacts. The milestones and indicators need to be more clearly qualified. There were several requests for clear baselines to be established to facilitate performance measurement. Some delegates stressed the need for monitoring longer term as well as immediate impact, and underlined the importance of the monitoring and evaluation function within ITC.

39. There was also a need for greater clarity in articulating and defining objectives at various levels, and the links between them. Several delegates said it would be useful in future for changes in the plan to be more clearly flagged so they could follow the evolution of the document.

40. Regarding the MDGs, there were calls to strengthen analytical work to demonstrate the links between ITC's projects and programmes and the MDGs, in particular between trade and poverty reduction. Some delegates called for greater efforts to focus on women and trade, climate change and food security. It was noted that 80% to 90% of women in developing countries were working in the informal sector and there was a need for specific programmes to address this issue.

41. There was a further call for greater geographical balance in the application of ITC's resources, with attention drawn in particular to the limited extent of ITC activity in the Eastern Europe and Central Asia and the Latin America and the Caribbean regions. Even if countries in this region were receiving help from the EU and other donors, they still expressed a need for ITC expertise.

42. Delegates urged ITC to engage in comprehensive feasibility studies involving local expertise before engaging in projects and programmes. They welcomed the shift in emphasis towards longer-term, larger projects that not only had greater impact, but also reduced transaction costs.

MANAGEMENT RESPONSE

43. In reply to some of the issues raised during the debate, the Executive Director said that prioritization between programmes and projects in the event of limited financial resources would be done in line with the priorities set out in the Strategic Plan. It was vital to maintain a balance between achieving impact and spreading services too thinly.

44. On the question of why the level of ITC activity was quite low in some regions compared to others, the Executive Director said that the organization had very limited resources as compared to needs and had to be careful not to spread itself so thinly that it diluted the benefits of its interventions in responding to needs of client countries. It was also important for ITC to invest in its own infrastructure and financial management tools if it is to deliver the quality of reporting required by members. Resources, both human and financial were finite, and therefore ITC has to prioritize according to the Strategic Plan which places the emphasis on supporting LDCs, LLDCs, SIDs and SSA.

45. Referring to comments on the pace of introduction of RBM, the Executive Director welcomed the level of interest in this topic and said this was an iterative process and that while progress had been made, management was aware of the need for greater emphasis on reporting and more systematic analysis, and that much remained to be done.

46. Asked about publication of the OIOS Audit Report, the Executive Director said the organization had not yet received a draft report or been invited to a final exit interview. When received, the report would be circulated to members.

47. On questions about the emphasis on poverty reduction, she stressed the importance given to the work on export-led poverty reduction in the EPRP, which was being rolled out in many ITC programmes. However, she added that establishing indicators to measure the impact on poverty reduction was not always easy. For example, the link between work on building the capacity of TSIs to have the required market knowledge to be able to interpret market trends into market and product differentiation and the reduction of poverty in communities, could not easily be measured. At the same time, it was emphasized that there was a strong link between SMEs' growth and related poverty alleviation.

48. Referring to the mainstreaming and targeting of MDGs, it was emphasised that Global Public Goods provide strategic information and intelligence to SMEs and TSIs in developing countries, free of charge. This is part of ITC's commitment to MDG8, contributing to an open and rule-based multilateral trading system. Moreover, programmes that directly achieve poverty reduction, such as EPRP, TPRP and Ethical Fashion, are being implemented. Additional programmes which directly contribute to MDG3 and MDG7 include TCCE and Women and Trade.

49. On the question of benchmarks for TSIs, the Director of Business and Institutional Support clarified that ITC's benchmarking was not a ranking system but a self-assessment tool aiming to support the process of continuous improvement of TSIs by spreading information on best practice. By improving the support to local SMEs, the benchmarking scheme could help TSIs contribute to community development and poverty reduction via contributing to sustainable export development and investment. TSIs, particularly in LDCs,

LLDCs and SIDs, needed to be sure they were meeting the needs of their stakeholders and clients and optimizing the use of often limited resources, including staff.

50. On the question of the apparently high cost of programme planning, coordination and implementation, the Director of Policy and Programme clarified that the estimate for implementation given in the CPD covered a substantial element of in-country technical delivery, which could not be considered overhead. At the same time it was stressed that ITC is a technical assistance agency rather than a traditional development agency.

DONOR CONTRIBUTIONS

- Canada: 4.5-6.5 million Canadian dollars in 2010 to be disbursed for PACT, depending on progress in project implementation: 1.9 million Canadian dollars for ENACT in 2010-2011. Total for PACT is 19.8 million Canadian dollars over several years, and 9.1 million Canadian dollars for ENACT, also over several years.

Canada maintains consistent support focusing on the large projects PACT and ENACT, designed to strengthen the institutional middle link of public-private sector cooperation that will help businesses take advantage of regulatory liberalization.

- China: US\$ 90,000 in 2010, plus an in-kind contribution on cotton capacity building for African LDCs is under consideration. The contribution represents a 12.5% increase over 2009, and is subject to approval of the National Chinese People's Congress of China.
- Finland: will continue to finance one JPO in 2010. The 2010-2011 contribution was not yet made, but Finland looks to continued cooperation with ITC. Finland increased its support to ITC in 2009 and considers it an important technical-related trade assistance (TRTA) partner.
- Germany: in addition to the financing of three Junior Professional Officers (JPOs), will contribute a €2 million in 2010, agreement is likely to be signed shortly. The soft earmarking will be for projects with direct MDG links, such as Trade for Sustainable Development and Export-led Poverty Reduction Programme, and remain open to other projects.
- The Netherlands: €15.88 million over four years, with a maximum of €3.97 million in 2010, subject to parliamentary approval. Focusing on LDCs in Africa.
- New Zealand: 250,000 New Zealand dollars in 2010 for core budget support. This is the third year in a row that New Zealand contributes to ITC.
- Norway: Expected 15-18 million Norwegian kroner in 2010, representing consistent support. Subject to parliamentary approval.

ODA remains consistent at above 1% of GNI. However, the Norwegian government's strong priority for climate change and forest issues may affect contributions to other areas such as Aid for Trade.

- Romania: US\$ 135,000 for Georgia – trade market analysis and capacity building. This represents Romania's first contribution to ITC.
- Sweden: 120 million Swedish kronor, or US\$ 17 million, over 4 years, un-earmarked.

This represents an increase in volume and duration, in line with the Paris Declaration and Aid for Trade.

- Switzerland: not in a position to contribute to the Window 1 of the ITC Trust Fund, but will continue bilateral donations (details not specified). Exploring modalities of trust fund and may donate to it in future.

Switzerland on behalf of donor countries suggested that ITC should consider the possibility of changing the timing of the annual JAG meetings and to convene the JAG in the first quarter of each year to enable a complete overview of the previous year's work.

- United Kingdom: £5.4 million over 3 years, in 3 strategic areas: women and trade, non-tariff measures and internal reform.

THE FOLLOWING TEXT WAS ADDED AFTER ADOPTION OF THE REPORT.

Informal session on Export Strategy

51. The Director of the Bureau of Programme and Policy led an informal session on Export Strategy with panellists from Romania, Jamaica, Uganda and Samoa. The panellists shared their experience with export strategies and answered some questions from delegates.

Closing session

52. The closing session considered the draft report of the 43rd JAG. Some delegations asked for amendments to the report of the announcement of their extrabudgetary financial contributions. These requests were agreed and the report was duly adopted.

CLOSING REMARKS BY THE EXECUTIVE DIRECTOR

53. The Executive Director thanked all delegations for their work over the two days of the JAG meeting, and the overwhelming support received for ITC's work. She said the senior management team had followed the discussions and taken careful note of suggestions.

54. Agreeing with the comment of one delegation that the reward for hard work is more work, the Executive Director said it was clear that a lot more work was needed to achieve ITC's objectives, but she was heartened by the encouragement received and was happy to draw on the experiences of others.

55. The important thing was to remember the triple bottom line and give equal due to people, the planet and prosperity. It was necessary to do the right thing right, as she had stated at the outset.

Closing remarks of the Chair

56. In bringing the meeting to a close, the Chair expressed his appreciation to all delegations for their full engagement and active participation. It was right for stakeholders to ask searching questions of a service organization such as ITC, whose ethos was to serve the needs of its constituents. He had appreciated the probing approach of questions raised over the past two days, and had also been impressed by ITC's open responses.

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