

## Minutes of the Tenth Meeting of the Consultative Committee of the ITC Trust Fund

The Consultative Committee of the ITC Trust Fund (CCITF) met at ITC headquarters on 28 October 2014 at 15:30 p.m.

**The Executive Director, Ms. Arancha González** welcomed participants. She introduced the new members of ITC's management team, Dorothy Tembo (Deputy Executive Director), David Curry (Director, Division of Programme Support), Marcos Vaena (Chief, Enterprise Competitiveness), Marion Janssen (Senior Economist).

Touching upon the first item on the agenda, **the Independent Evaluation of the ITC**, she stressed that it was very much linked to ITC's newly concluded Strategic Plan for 2015-17. **The evaluation results and recommendations were high level and responses to them had been embedded into the Strategic Plan.** ITC's response was organized around the four broad strategic areas, which were accepted by ITC management and were already under implementation.

For **Strategic Recommendation 1 “moving to a strategic base for supporting and deploying ITC's unique strengths in the global Aid for Trade effort”**, ITC management had approached this from a very pragmatic perspective and integrated this as a central feature of the Strategic Plan.

- First, ITC had developed **6 thematic focus areas**. These 6 focus areas would underpin all of its programmes and would give a clear view of where ITC's comparative advantage and technical expertise are. This would help its donors and development partners better plan their funding decisions.
- Second, ITC management would invest in the development of **coherent log frames** for projects under these six focus areas.
- And third **ITC's Intervention Logic** was developed organizing current ITC interventions in a logical and coherent sequence.

All three of these innovations were also tools to better track, measure and report on results and impact.

On the **Strategic Recommendation 2 “protect and develop ITC's main and distinctive working assets: its special capacity to deal with the private sector in trade and its excellence in technical expertise and appropriate technical assistance”**; ITC management was **investing in people, processes and methodologies**. The technical expertise of the ITC staff was what would keep the organization on the cutting edge of delivery. Investing in skills upgrade around ITC's core areas such as project cycle management and impact assessment would continue to be strengthened but increasingly recognising the importance of facilitating innovation through exposure to the latest techniques and to the experts in the field.

**Investing in processes** was essential if ITC and its stakeholders were to have better returns on investment. Therefore, ITC was moving to a more automated way of working, cutting down on non-essential procedures and was enhancing interfaces. The new integrated project portal would simplify project management functions and create necessary linkages between projects in the house.

**Investing in methodologies** was the third approach. ITC's work had to be methodologically robust and consistent; to this end, logical frameworks, and log frames were systematically being retooled.

For the **Strategic Recommendation 3 “pragmatically strengthening governance and continuing to strengthen accountability while minimizing bureaucracy”**; the Executive Director reiterated her commitment to improving governance and accountability. She briefed on ITC's newly developed **accountability framework** and the **risk management framework** that was being developed along with the work that was advancing on a **costing exercise** which would give ITC management a better sense of where to invest and where to maximise this investment.

Ms. González added that **increasing transparency** had been a priority since she took office last year. It would further be improved in the revamp of the new project portal. The financial information would continue to be made readily available and this information was contained in the CCITF report presented at the meeting. The Annual Report would also be more attuned towards providing case stories of the work that the ITC was carrying out and a case story compendium would be prepared

that would show the impact and reach of ITC interventions. ITC would report regularly on targets and results for each of the 6 focus area.

In 2015 ITC would complete the full transition to accrual based accountability following International Public Sector Accounting Standards (IPSAS) principles. It would also implement the new UN Enterprise Resource Planning application, Umoja.

On the **Strategic Recommendation 4 “moving ITC up to the next level of visibility, engagement and effectiveness as a key player in the global Aid for Trade effort”**; Ms. González stressed that ITC was moving ahead by showcasing results and through partnerships within the UN family, with countries and with the private sector. Continuing to develop thought leadership on multilateral trade matters and increasing the reach and the quality of ITC’s communications would be priorities.

This year ITC had participated at the Benin LDC Conference, the Samoa SIDS Conference and would participate in the Vienna LLDCs Conference. These occasions were utilized to better understand the needs of ITC’s priority partners and to readjust ITC’s programming accordingly.

ITC has also made considerable progress on measuring impact, continuing work on this would remain a very high priority.

Moving on to **the next agenda item, the Strategic Plan 2015-2017**, the Executive Director reiterated that for the first time this was done in a bottom up manner through consultations, stakeholder participation, submissions from the WTO, UNCTAD and other agencies, open discussion in the JAG and an opportunity for all to comment through a link on the website.

As for responses, many comments had come in, which had been reflected. This Strategic Plan was ITC’s compact and its compass. It was ITC management plan for growth to respond to the increasing demand for assistance. It was a plan to guide ITC programmatic approach and a plan to maximise and showcase results and impact.

### **Comments from Members and Discussion**

**The Delegate of Netherlands** thanked the Executive Director for the update on progress made and stated that they would have preferred to have a final ITC management response to the independent evaluation first and the Strategic Plan after.

He reiterated the great importance they were placing on the evaluation and its recommendations. They were particularly pleased on ITC’s move to a programmatic approach, alignment of programmes with strategic goals, and the production of systematic monitoring of impact through the project portal upgrade.

He voiced appreciation for the dialogue that ITC was engaging its donors and beneficiaries in through this and other meetings envisaged until the informal JAG in December. They were ready and willing to be involved in these consultations.

His main points were:

- 1) Implementation of evaluation recommendations to be reported to CCITF and JAG.
- 2) ITC management response needs to be updated and be more complete with a description of who is responsible for implementing which recommendation and by which date, in the form of a matrix of actions that would enable tracking progress.
- 3) There is also a need to have donors’ management response and they are thinking about it.

**The Delegate from Canada** stressed that they were also closely involved with ITC independent evaluation as one of the funders of the exercise and as a member of its Steering Committee. He said that ITC management response should be a forward looking document with actions for the future. He stressed the usefulness of the proposed action matrix in terms of monitoring and evaluation that ITC is to be engaged in.

He stressed that at this stage there is much to praise and they were supportive of ITC’s work and programmes. His comments were to improve the documents produced even further. The Canadian

representation in Geneva was looking forward to having further bilateral and group meetings with ITC management before the informal JAG.

On the management response, there was indeed one from ITC and one from donors and members. From the donor side, ITC efforts to show results, be programmatic and demonstrate impact were the foundations for long term sustainable funding that ITC was looking for.

**The Delegate from the UK** praised ITC's management response and that its implementation was in progress; ITC was moving faster than the donors were thinking. Independent evaluation showed that there were certain responsibilities for all sides. There was tension between donors' wanting to show results and providing earmarked and short term funding.

He recommended the evaluation steering committee to perhaps get together and advance thinking on ways of applying the evaluation recommendation on providing ITC with long-term and sustained funding.

He inquired on the resource implications of implementing the evaluation recommendations.

**The Delegate from Sweden** thanked for the management response and the presentation, welcoming steps taken to implement many of the evaluation recommendations. They had great interest in seeing ITC's systems working as they should be. They also wished to see some sort of matrix and traffic light system to be informed of progress on implementation. They looked forward to discussions on the next steps. They reiterated their support for ITC and were looking forward to continuing on this journey together.

**The Delegate from Norway** inquired if the Strategic Plan was approved at the JAG. She voiced appreciation for the new Strategic Plan that was accompanied with its complex results matrix with a corporate logframe. The CCITF report that covered the first six months was good to follow implementation.

On the thematic focus areas as per the Strategic Plan, she reiterated that focus areas two and five on regional economic integration and women and trade, climate and environment; were the areas where they were looking forward to continuing their cooperation.

**The Delegate from Finland** welcomed ITC's draft management response and indicated that it could be considered as the first step in the process as more consultations were needed. It still needed to be discussed with ITC's stakeholders. They were willing to take part in the ensuing consultations in the coming weeks. They were in favour of developing a tracking tool for implementation of evaluation recommendations.

For the Strategic Plan, their opinion was that it was produced too early as discussions on the evaluation had not taken place at that time. Their comments during the consultation process pointed to this as well. They request ITC to leave some flexibility in its Strategic Plan to give some room to incorporate recommendations on the way forward after consultations on the evaluation results.

The Delegate also inquired about the "friends of the Chair" and if this system added value to the current strategic planning.

Finland looked forward to increase cooperation with ITC, including at the country level and they hoped that the Strategic Plan would hopefully allow for this type of cooperation.

**The Delegate from Germany** indicated that they shared the same concerns on the process and sequencing of having the evaluation followed by a strategic plan and no final management response, which was difficult for them.

He inquired if the Strategic Plan that was shared with the CCITF membership was the final product or if there would be some room for adaptations. One of the elements that was important to look at in the future was to ensure ownership of all stakeholders engaged as ITC intended to mobilize resources around the Strategic Plan. If not everyone was behind it, it would be a challenge to do so.

Another key element the ED mentioned in her introductory statement but did not come through the document was focusing on ITC's core competencies and areas of expertise and how this focus became clearer in the Strategic Plan. He stressed that implementation of this would be key and not following the temptation to go after money beyond the Strategic Plan.

**The Delegate from Russia** indicated that they had followed the process involving the evaluation and its results and recommendations. He highlighted the importance of ITC's effectiveness and efficiency as well as its strong commitment to improve its cooperation with different countries from different regions and improve its efficiency to attract extra budgetary resources and from countries that are not donors of ITC. It was important to attract alternative source of financing for the organization.

**The Delegate from Switzerland** was happy that evaluation recommendations were taken seriously. They had several questions on the Strategic Plan, particularly on the integration of recommendations regarding outcome, impact, RBM and the programmatic approach. They were looking forward to engaging with ITC further on this front.

**The Delegate from Ireland** voiced their wish to see more detail on ITC's management response and the 27 action points under four major strategic recommendations along with a matrix. He expressed their wish for an analysis of recommendations that could be implemented with existing financial resources and those others that implied additional cost. On the Strategic Plan they welcomed increased expenditure (65% of budget) allocated for ITC's priority countries.

**The Delegate from Guatemala** inquired how ITC distributed its non-earmarked funding across regions and countries and if this could be reflected in the Strategic Plan. The LAC countries were not among the priority list and the budget allocated remained small. She inquired if there could be more equitable distribution of ITC's budget.

**Responding to the remarks and recommendations on the preparation of a matrix of actions to undertake to implement the evaluation recommendations, the Executive Director** mentioned that its delivery was possible through adding responsible parties and when actions were to be concluded.

She stressed that this evaluation differed from the last one conducted in 2006 in that it was conducted with a strategic orientation giving four broad recommendation and pointers for implementation. It was also important to note that the evaluators had stopped their work in 2013 and that we were nearly in 2015. It was possible to demonstrate what was already implemented, by when and what remains still for action.

As a response to the comments of the Delegate of UK, Arancha González explained that ITC management was on a track of continuous improvement for ITC; costing of ITC's operations was mostly done; accountability framework was already in place and the following year risk assessment framework would be completed. Her wish was to implement the menu proposed by the evaluation in the short term and declare it implemented and to continue to improve the performance of ITC whether or not it was part of the evaluation. If there were missing elements, she called on the membership to let ITC management know.

Ms. González acknowledged the tension between an institution wide corporate funding model to one where ITC responds through projects specifically earmarked for specific interventions. ITC management wished to minimize the tension moving towards the thematic baskets as a middle ground. She proposed to discuss within a smaller group with suggestions to address this tension.

As a response to comments raised on the process followed, Ms. González explained that the Strategic Plan would be implemented as of 2015, matching with the next programming cycle in the UN. It was not a document for JAG approval, however it needed to address the strategic priorities of ITC stakeholders. For this reason, their contributions to the consultation process were sought.

Implementation of the Strategic Plan would be detailed in annual operation plans and through these there would be scope to incorporate their inputs. However, Ms. González asked if there were missing elements in the Strategic Plan and that ITC management remained ready to discuss.

On the specific question on the “friends of the Chair”, Ms. González clarified that it was a recommendation of informal nature. ITC management was working informally with members for better opportunities to tap into resources that are also decentralized at a country level from donors. There would be more to come on that front.

**The Delegate from Canada** was happy that minor adjustments could be made. He indicated that the management response might need to include more recommendations aside from the four strategic ones as this would help with tracking and charting results as we went along especially for a next independent evaluation that might come in 6-7 years from now.

**The Delegate from Netherlands** indicated that these were useful exchanges but also noted that:

- 1) There was no chance that their government would move towards unearmarked funding even if there was a recommendation to move in that direction. Reality was different and it would be good to reflect on that aspect in the Strategic Plan.
- 2) ITC Strategic Plan should cover a longer term, perhaps until 2020.
- 3) Whilst programmatic approach was supported, he inquired as to how it would be reflected in the organizational structure; it was based on different areas of work and ITC could work in a matrix format, however it was important to reflect on that.

**The Delegate from the UK** inquired on the thematic focus on Trade Facilitation and how valid it remained given the deadlock among the membership on the political process as lead by WTO.

**The Delegate from Switzerland** offered that the tension between moving to a programmatic approach and the need to respond to specific projects could indeed be addressed through the annual operational plans.

She stressed that the corporate goals and indicators were very specific. She inquired as to how ITC could have such specific figures and could manage results through programmes and results at a corporate level. How was it possible to come to such specific targets and leave aside quantitative and qualitative aspects of management.

**The Delegate from Germany** requested budgets by focus area and also more detail on outcome and output indicators.

Ms. González responded clarifying that the programmatic approach did not imply necessarily unearmarked funding for ITC. There was a need to balance unearmarked funding and project specific funding.

ITC's concept of programmatic approach entailed focusing on those areas where ITC's unique selling proposition and comparative advantage was as well as developing coherent log frames. It did not necessarily imply changing the organigram to look exactly like its programmes. In addition, however, a Task Force would be set up to develop programmes and projects of the future, underpinning the work of the organization.

On the institutional logframe, outcomes and targets as reflected in Annex I of the Strategic Plan, Ms. González expressed that it was what the members had approved at the United Nations General Assembly in New York at the start of the biennium. It was based on what ITC could improve over and above what it had been delivering in the past. With the currently on-going impact analysis and review, ITC was in the process of complementing quantitative data with qualitative analysis. The ITC Annual Report for 2014 would cover more substantively impact stories than was done before.

On the three year period of the Strategic Plan, the Executive Director confirmed that it was a short time horizon. The independent evaluation recommendations were indeed embedded in it and it was ITC's compact with its donors. The strategic analysis was in the first part of the plan, looking at long term trends and factors shaping the work of ITC in the next years to come and how global trade trends were advancing,

On Task Forces there would be one on developing programmes and projects and a virtual innovation lab, where innovative ideas could be developed and taken forwards.

As a response to the UK, the Executive Director explained that Trade Facilitation was a necessity for ITC's focus countries. The political process in WTO was one stream but she also noted the demand on the ground. Since the summer break requests of assistance continued to come to ITC. As of now 40 countries requested ITC support for categorization of their commitments and with transforming them into bankable projects. ITC was providing assistance with modest funding, concentrating on where it could be useful and impactful. ITC's interventions were in collaboration with WCO and UNCTAD as well as with the private sector. ITC was in continuous dialogue with WTO, complementing their activities on the ground. Discussions with the World Bank were in train reviewing better and more rational ways of providing upstream and downstream interventions. Therefore Trade Facilitation remained one necessary area to work in and ITC would continue to service this space.

The Delegate of Canada reiterated the question raised by the Delegate of Guatemala and added his own on the response rate to the web based questionnaire and outreach that was carried out by ITC on the Strategic Plan.

Through her response the Executive Director clarified that extra-budgetary funding that is allocated to ITC came in as either W1 unearmarked, W2 earmarked for specific activities or W1 soft earmarked for a broad thematic category or a programme of ITC. The unearmarked component of W1 funding was mainly spent by ITC on global public goods. Second large component was spent on building and strengthening institutions and the rest was somewhere in between. From a geographic perspective, ITC's priority areas were clear and 60+% of ITC's interventions went there. For Latin America and the Caribbean, ITC was engaged in joint fundraising with other organizations and governments of the region.

#### **Item 4 The CCITF Report for the period of January – June 2014**

Ms. Dorothy Tembo, the Deputy Executive Director, presented key facts and figures shared with the members through the CCITF report at the meeting that covered the period of January – June 2014 with update of financing until the end of September 2014.

#### **Item 5 & 6 Towards a better financial architecture of ITC & Revisions to the “General Conditions for the implementation of the ITC Trust Fund (ITF)”**

Mr. David Curry, Director, Department of Programme Support gave a presentation on ITC's financial architecture, highlighting some issues that were of concern as ITC's programming, budget and delivery were growing. Extrabudgetary financial resources were allocated by donors either through Window 1 of the ITC Trust Fund (unearmarked or softly earmarked thematically or programmatically) or through Window 2 (earmarked for projects or programmes).

ITC has been better utilizing Window 1 resources more than ever, while Window 2 resources were allocated by donors with additional conditions. This led ITC to face increased cash flow pressures in 2014 that could start jeopardizing its capabilities on financing delivery in 2015; as ITC would be entering the new year with less carry over, creating a serious risk for hindrance on delivery in 2015.

Increased cash flow pressures existed due to: lack of fungibility across RB and XB funds; continued late receipts of Window 1 funds; reduction in Window 1 funds carried forward; need to forward fund Window 2 projects and payment in arrears; low level of Operating Reserve; and lack of flexibility in growing the Operating Reserve.

ITC was facing a situation where advances to projects to be made in 2015 would not be met by its diminished Operating Reserve that was below the recommended level and the Programme Support Cost reserve.

Some suggestions made to relieve the pressure on the reserve included:

- Bringing forward some Window 1 receipts so that there is a more equal distribution of contributions over the 4 quarters in a calendar year, and
- Reducing the need for ITC to make advance payments and receive contributions in arrears for Window 2 projects.

Second, Mr. Curry explained the requested changes to the General Conditions of the ITC Trust Fund. Three changes were proposed to the text of the general conditions for the implementation of the ITC Trust Fund ('ITF'). Two were related to the implementation of IPSAS (International Public Sector Accounting Standards) and one to the use of the operating reserve mechanism.

The IPSAS changes were:

- (i) A minor wording change from "expenditure" to "expenses" in line with IPSAS terminology; and
- (ii) A reflection that the audit requirement was now annual, not biennial

For the operating reserve, until July 2013 the required level of the reserve was set at 15% of annual planned expenses. Following a 2012 report from the Board of Auditors, there was a recommendation to review the level of the reserve because, at that time, there seemed to be ample reserves to ensure continuity of project funding. Therefore in July 2013, the level of the reserve was set at a fixed amount (currently USD 6 million). The change in the wording of the general conditions was to reflect this change in methodology.

**The Delegate of Canada** thanking for the presentation made, requested a cover note that explained the cash flow issues raised in the presentation and the specific ask with regards to the approval sought from CCITF membership on the Operating Reserve as per the General Conditions of the ITF. He expressed that this note would be useful for donor capitals to assess the situation and be able to get back to ITC accordingly.

**The Delegate of Germany** requested additional clarification with regards to the Agenda Item 6; the Operating Reserve had to be at 15% of ITC's budget. ITC wanted to move away from the % formula and have it at the level of US\$ 6 million, which was lower than the 15%. How that was equivalent to increasing the Operating Reserve was not clear.

**The Delegate of the UK** indicated that they found the request made on changes to the OR reasonable and that they would revert to DFID finance department accordingly.

**David Curry, Director of Division of Programme Support** responded saying that an explanatory note would indeed be prepared that could help capitals to take a decision.

It was agreed that ITC would put its recommendation for adoption by CCITF membership in writing to enable the donor representatives to consult with their capitals.

The Consultative Committee of the ITC Trust Fund adopted by e-mail on 28 November 2014, a revision of the "General conditions for the implementation of the ITC Trust Fund (ITF)", version of November 2014.

### **Closing Remarks**

The Executive Director closed the meeting thanking delegates for their comments and questions. She stressed that a second round of discussions would be held on implementing the recommendations of the independent evaluation bilaterally or in groups during the period leading up to the informal JAG that was scheduled in December 2014 (later delayed to 26 January 2015).

She confirmed that ITC management would in the meantime prepare a complete ITC management response to the independent evaluation taking into consideration the recommendations made at the CCITF meeting, including a follow-up action matrix.