

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

The Consultative Committee of the ITC Trust Fund (CCITF) met at ITC headquarters on 19 October 2018 at 10:30 a.m.

The Executive Director (ED), Ms. Arancha González, welcomed the participants and presented the agenda of the meeting.

### **1. CCITF Report (1 January- 30 June 2018)**

The **Executive Director (ED), Arancha González**, opened the meeting and introduced the results of the 2018 mid-year report to the Consultative Committee of the ITC Trust Fund (1 January- 30 June).

ED stated that funding has continued to grow in both Window I and Window II, both from traditional and new funders. As of June 2018, ITC saw a 20% increase in the extrabudgetary funding received, compared with June 2017 (\$18.6 million to \$22.3 million), most of it for multiple years. Contributions received have been on an increase, with ITC receiving \$65 million into its accounts, of which \$14.6 million were W1 contributions. ITC's funding as well as its delivery is on the rise and is reaching the targets set in its Operational Plan 2018. At mid-year, ITC had delivered USD 46.5 million, or 50% of the 2018 target budget (\$ 92.9 million). Regular budget delivery stood at 52%, and XB delivery stood at 49%. (Table 2 and 6 of the report). This constitutes a 28% growth in XB delivery, compared to mid-year of 2017.

The highest levels of XB delivery were concentrated in three of the six focus areas, representing 72% of XB delivered at mid-year. Inclusive and green trade saw a cross fertilising of earmarked Window I contributions with earmarked Window II contributions. Connecting to International Value chains showed a \$7 million delivery of mainly W2 funds, with some W1 investment in the development of tools and methodologies, e.g. on digital trade or improved SME access to finance. Supporting regional integration and South-South Trade and Investment had \$4.4 million W2 delivery. Window II initiatives were predominantly country and region specific. W1 investments emphasized global projects, such as 'SheTrades', 'T4SD', 'Improving transparency in trade through market analysis tools' and others that serve clients in multiple regions.

Regarding ITC's delivery across the six geographical regions and priority countries, ED stated that around 70% of ITC's investment went towards country and region specific projects and 30% global projects. **Sub-Saharan Africa and the Asia-Pacific region**, accounted for **72% of ITC's country and regional project delivery. 84% of country-specific technical assistance was provided to ITC's priority countries (LDCs, LLDCs, SSA, SVEs, post-conflict and fragile countries)**. The share of LDCs in region-specific delivery was 58%.

In terms of contribution to the SDGs, **¾ of ITC's project expenditures focus on contributing to SDGs 1, 8 and 17 with remaining 25% contributing to six additional goals (Goals 2, 4, 9, 10, 12, 16)**. Based on lessons learnt from 2017, ITC is developing guidelines to harmonize and improve the reporting on ITC's 2018 contribution to the SDGs. **A more precise narrative on ITC's contribution to the SDG targets will be introduced in the 2018 year-end report.**

Regarding the corporate indicators, the actuals for most outcome indicators are underreported. This is due to some results only being captured through the annual ITC tools, such as user surveys, and others, especially in multi-year projects, being collected through annual outcome assessments. ITC is expected to meet its targets for all corporate outcome indicators by the end of 2018.

At the output level, ITC delivery is well on track for the categories 'Servicing of intergovernmental and expert bodies' and 'Technical cooperation outputs'. ITC organised three successful annual flagship events including the SheTrades Global conference, held in Liverpool in June 2018, the World Export Development Forum (WEDF) organized in September 2018 in Lusaka, jointly with the Zambian government and the Trade for Sustainable Development Forum at ITC in October 2018.

As per the efficiency and effectiveness indicators that form the third layer of ITC's corporate scorecard, ITC had very good results for most KPIs by the end of June 18. ITC received an unqualified audit opinion on its financial statements for 2017 and the Board of Auditors closed 70% of the open audit recommendations. The XB funding secured for 2019 and beyond has already exceeded the target (\$154m vs \$125m). Two KPIs, the area of 'compliance with advance travel arrangement rules' and 'percentage of women in professional and senior level positions' are below target.

With regard to the operational plan deliverables, 27 of the 29 technical assistance milestones for the six focus areas are in progress, and two have been fully implemented. The SME Trade academy registered 12,155 participants in the first half of the year, representing a 34% increase as compared to June 2017. As of Dec 2017, approximately 16,500 beneficiaries participated in ITC online courses, 52.4% of who were female. The top five countries of users were Kenya, Uganda, India, Nigeria and Rwanda. By type of organisation, 79% were entrepreneurs, 16% TISIs, and 5% others (government officials, etc).

With regard to the users of Market Analysis Tools, by the end of 2017, there were more than 700,000 registered accounts, 87% in developing and least developed countries and 13% in developed countries. The number of user accounts from developing countries and LDCs were 61% in Latin America and the Caribbean, 18% in Asia and the Pacific, 10% in Eastern Europe and Central Asia, 6% in Arab States and 5% in Africa. ITC developed the first draft working paper of the National Quality Policy in collaboration with Afghanistan National Standards Authority and the first draft law on legal metrology. The framework for migration and inclusive trade has also been finalised. 140 TISIs have received support, ranging from assessments and capacity building initiatives to building managerial and operational performance of the institutions.

Lastly, ITC has implemented 4 out of 14 impact, efficiency and effectiveness milestones, with ten being in progress. Up hauling of the customer-relationship management system – and its related needs assessment phase is completed, and a proposal developed for revamping the system. The implementing partner policy and assessment methodology are being finalized. The ITC Anti-Fraud & Anti-Corruption Framework Awareness eLearning course was launched in February 2018. The International Aid Transparency Initiative (IATI) project is progressing as planned.

ITC has also stepped up its engagement on the global debate about the benefits of multilateralism, cooperation in international trade, link between the governance of trade and the SDGs as well as on the UN reforms. These topics remain important in Q4 and will shape the business environment for ITC in 2019.

### **Comments from members and discussion**

**The delegate from Denmark in his capacity as the donor coordinator** presented a joint statement on behalf of ITC's donor group. He commenced by indicating that the report lacked an overview of the challenges that ITC meets in its daily work to implement the new 2018-21 strategy. Suggestions about the issues that would be useful for discussion for an overview were put forward. The delegate appreciated linking SDG's with ITC's programmes and projects, and asked if ITC as one of the custodian agencies of SDG target 17.11 foresaw this goal/target being reached, since the trajectory until now seemed more or less flat. He then asked what it would take for ITC to work strategically at country level to lift SME competitiveness in whole industries, and how ITC could leverage its expertise with other development actors on the ground. He recounted as examples the IT sector in Bangladesh and Alliances for Action's approach in agribusiness. He recalled that one of the big challenges identified for ITC in evaluations is the sustainability of its TISI capacity building interventions, and asked how ITC was addressing that.

In terms of corporate indicators and results reporting, he suggested that it would be beneficial if ITC included the number of women in A1 corporate outcome indicator and further disaggregated the data into youth, displaced people, maybe even persons with disabilities for C1 and C3 indicators. The number of jobs created or maintained because of ITC support should also become a standard indicator. ITC should also develop indicators for longer-term outcomes, such as the turnover/profitability/employment of the supported enterprises. He then inquired about C2 indicator for

women-owned enterprises, which has not been met so far, and whether ITC believed that they were on track with indicator C3.

He noted that ITC's donors appreciate the examples provided of results achieved with Window I funding for the first half of 2018 and would encourage ITC to do even more. Regarding ITC's work to improve business processes to facilitate the implementation of larger projects, he would be interested to know whether these projects are mainly regional, or a mix of country and regional projects. The donors wanted to hear ITC's initial thoughts on follow up to the three recommendations identified as relevant for ITC in the Joint Inspection Unit Review of Whistle-blower policies and practices in UN system organisations, published in August 2018.

**The delegate from Canada** expressed her capital's anxiety over the table in the report that reflects contributions received up until mid-year point and wondered if there is a way to add a note to clarify the actuals in order to prove back home that the funding levels are safe.

**The delegate from the US** thanked ITC for the report, and indicated that they would like to see further progress for the corporate indicators in 2019.

**The delegate from Norway** confirmed their disbursement of 1.1 million USD and appreciated ITC's efforts to provide detailed reporting through the CCITF and bilaterally for its funders.

**The delegate from Switzerland** thanked the ITC for a well-presented report. Switzerland appreciated ITC's efforts to link its projects to the SDGs and requested that ITC provide further information on the steps taken in this regard. He was interested to know ITC's views on implementing large multi-country programmes as opposed to single country large projects.

**The delegate from the United Kingdom** thanked ITC for the report and stated that CCITF is best practice for donor relations in Geneva. Regarding the scale of UK's investments through the SITA, PIGA and SheTrades projects, they consider ITC's interventions as value for money. As ITC takes on bigger and larger projects, it should put efforts to keep track of downstream project beneficiaries and have proper safeguards in place.

**The delegate from the Netherlands** thanked ITC for the CCITF report and inquired why performance seemed to lack behind in a couple of indicators and whether this is due to the challenges presented from within. They would like ITC to provide more information on youth and women related work and are interested to know about the bottlenecks for achieving these goals.

**The delegate from Iceland** affirmed that gender is important for Icelandic development policy and that they commend ITC on its work in this area. 40% of ITC funds contribute to SDG 5 on gender equality. They would be interested to have gender disaggregated data for as many indicators as possible and wondered if it would be feasible to have job creation as an indicator. Concerning indicator C3, they would like to see costs and investment values behind transactions achieved through ITC support.

**The delegate from Pakistan** requested ITC to complete the global help desk as soon as possible as this would help the SMEs of Pakistan to connect to the markets.

**The delegate from Sweden** wanted to follow up on the challenges of women and youth and were keen to know when the guidelines for disaggregation will be ready.

**The Executive Director, Arancha González** thanked the Delegates for their feedback, took note of the positive receipt of the CCITF report and responded to comments and questions. She confirmed to add a paragraph in the CCITF report, describing contextual and operational challenges that ITC faces. She confirmed that A1 indicator will be gender disaggregated as well as outcome indicators for which gender disaggregation applies.

ED confirmed that for economic sectors, ITC's focus remained on agriculture, light manufacturing, IT and tourism. It might be possible to cover another service sectors like logistics and distribution but it is important for ITC to be focussed on the current areas of its work. With regard to the target of doubling exports of LDCs by 2020, ED expressed her reservations as increasing exports is a long term process and ITC's assistance is on improving LDCs capacities to increase their export profiles.

Regarding inclusive and sustainable trade, ITC has youth, women and sustainability as development markers for its projects and programmes. Some projects are void of these markers as their focus is on institutional strengthening. ITC is also expanding its work through specific projects within the thematic umbrella of inclusive and sustainable trade, such as Women & Trade, Youth & Trade and Trade for Sustainable Development. ITC is equally mobilizing resources and linking donors and institutions to help women connect to markets through its SheTrades initiative.

In many of the countries ITC operates, the biggest challenge is connecting youth to employment, to buyers and becoming entrepreneurs. ITC helps countries map those areas where there is a need to invest in skills improvement for youth to become marketable. ITC has done this in the Gambia and is currently replicating the same model in Senegal and soon in Guinea. Regarding T4SD, ITC has a combination of W1 and W2 resources. ITC develops tools for companies to adopt sustainability standards in their production and along value chains.

ITC is relatively small but can leverage its interventions in countries through providing strategic analysis on what is required to complete their trade profiles and identifying gaps. In Afghanistan, ITC supported the government to produce a national trade and export strategy that informs of those sectors that have potential and require soft trade infrastructure for improvement. These national strategies serve as road maps for other funders such as the World Bank, IMF, ADB and bilateral cooperation agencies.

ED explained that ITC's work with institutions involves either a full-fledged review of institutional capabilities or fixing a particular problem that an institution faces. There is a need to engage the leadership of the institution in order to ensure that they have a voice in their home countries and are involved in change management and good planning. This is the work that ITC is doing with 21 TISIs in LDCs in Africa in order to strengthen their ability to provide services to businesses.

ED stressed that it will not be possible to have disintegrated data as per jobs created, turnover and disabled beneficiaries due to the nature and variety of ITC's interventions. On the question of ITC's large and very large projects portfolio management, she indicated that ITC is improving its business processes, such as organizing back office support, devolving more responsibilities to the field, ensuring that they can authorize payments, conduct procurement, training, travel, etc. and maintain accountability.

With regard to the JIU report, it addressed three recommendations to ITC and these are currently being implemented. By end of 2019, UN Executive Heads will develop communication tools to help UN staff report misconduct. At ITC, a message has been circulated to all staff explaining policies and procedures that are in place. UN Leadership Dialogue with management and town hall meetings have been planned to brief staff on how to deal with misconduct and its reporting. By the end of 2019, ITC will have trained managers and supervisors on these matters. An online course has been developed and is now part of mandatory training for ITC staff. Finally, a staff survey will gauge perceptions on these issues.

On the figures provided in the CCITF report for income-received by June 2018, there is no reason for worry, as cash income received increases within the second half of the year. As of today, W2 income is at USD 65 million and W1 income is at USD 14.6 million. On corporate indicators A1, C1 and C3, there is a mismatch between the tools ITC uses to capture results and reporting at mid-year. We affirm that by the end of the year targets will be met if not surpassed.

Iris Hauswirth, Chief of Strategic Planning, Performance and Governance (SPPG) section, explained that last year, ITC had for the first time asked all projects to be linked to selective SDG targets. This meant that the quality of reporting differed and there were varied interpretations of defining outcomes. Currently, the team is working on providing guidance and trainings to project managers for this year's end of year reporting. In future, ITC is hoping to aggregate and align better its results with SDGs. In order to increase the visibility of W1 contributions, impact stories have been put together with information describing specific funder contributions.

ED confirmed that a presentation on SME help desk will be made at the next CCITF. This will include a redesign of the platform as a result of the response ITC received after MC 11 in Buenos Aires and as per comments from the working group on MSMEs in the WTO. ITC is in the process of creating new partnerships to ensure its wide use such as the ICC.

ED summed up by indicating that the future CCITF reports will include a section on contextual and operational challenges and the A1 indicator will be gender disaggregated.

## **2. Self-Reliance, resilience & trade: ITC's approach to addressing vulnerable migration and forced displacement through market based solutions**

**Vivian Marcelino Santos, Associate Programme Adviser and Katherine Schlinder, Consultant Refugee Employment and Skills Initiative (RESI)**, explained that adapting its approach to the context of vulnerable migration and forced displacement, ITC has developed a framework following five guiding principles and six main intervention areas. Driven by market needs, ITC identifies the connection points between beneficiary populations and global markets. This takes place at different levels, from equipping poor communities with skillsets, to establishing market connections among actors along value chains and facilitating dialogue with policymakers to ensure affected populations can work legally. By building on its expertise and careful market assessment, ITC identifies value chains with high potential for integrating targeted populations to the economy. ITC currently runs such projects in Africa and the Middle East and we hope to expand to Latin America and Asia.

ITC has identified two different approaches to manage instances of vulnerable migration and forced displacement. The first one is to address the economic root causes of migration by targeting vulnerable migrants, populations at risk of migration, returnee migrants and diaspora communities. The second is to build economic resilience in forced displacement scenarios by targeting rural and urban refugees, asylum seekers, internally displaced populations and diaspora communities.

The two examples of YEP Gambia and RESI Kenya were used to explain ITC's work in more detail. ITC's experience demonstrates that developing market-based solutions in humanitarian contexts is difficult. Second, solutions require strong collaboration between different actors as well as adapting to different circumstances. Finally, solutions have to focus on social and economic integration of vulnerable populations and this outcome requires time to succeed.

**The delegate from Sweden** appreciated ITC's efforts and its innovative work. He offered that ITC's good practices and practical solutions should be shared more widely.

**The delegate from Denmark** was interested to understand how ITC acquired funding for such projects. Financing channels within government structures were distinct for humanitarian aid and development. ITC's efforts created a cross over between these two streams.

**ED** responded indicating that beneficiaries do not wish to work only for securing livelihoods but want to be self-reliant and that this is similar to agricultural communities.

With regard to financing for such initiatives, ED concurred that this is indeed a difficult sector that pushes humanitarian actors to work with a trade and development entity such as ITC to bring an understanding of markets and market linkages.

**Ashish Shah, Director, Division of Country Programmes** pointed out that there is an increasing recognition that humanitarian and development funding are intersecting at many levels and this inter-junction is becoming important in situations of protracted crisis. It is thanks to funders like the Netherlands and Japan that have understood the importance of this nexus and have been financing ITC projects in Dadaab, Jordan and Syria. The EU has been investing in such large projects through its Trust Fund for Africa; ITC projects in the Gambia and Guinea were examples.

**The delegate from the Netherlands** mentioned that this was a practical way of interpreting the compact and going beyond political commitments on rights and obligations in such circumstances.

**The delegate from Switzerland** enquired about the selection process followed for project partners, particularly the private sector, and what type of partner assessments were used for this purpose.

Mr. Shah responded stating that at ITC we assessed all our partners. We sought innovative partnerships in Kenya working with local social enterprises that helped us to connect to the markets and to the refugee camp. When it comes to private sector, ITC has an assessment and due diligence process in place.

### **3. ITC XB Resource Mobilisation results 2014-18**

**Zeynep Ozgen, Senior Donor Relations and Governance Officer** presented an overview of ITC's XB and RB resources over the past decade that showed ITC's overall funding has been increasing steadily.

While the RB funding has been more or less stable with a slight decline from 2016 due to the UN/NY re-costing, the XB funding has been on a healthy rise. This increase has been led by an increase in W2, which has grown from \$25-26 million in 2014 to \$44.6 million in 2017. The W2 income in 2018 is expected to go above \$56 million. The decrease in W1 funding from 2014 to 2015 was due to exchange rate losses while the decline from 2015 to 2016 was due to decrease in funding from donors. W1 funding has been on the rise from 2017 and has reached \$15.8 million in 2018.

ITC's resource mobilisation strategy tracks both volume and length of signed grant agreements (GAs). The volume of GAs ITC signed had increased from \$21 million from 2015 to more than \$100 million in 2017. For 2018, it is expected to rise to more than \$140 million (\$141.6m). ITC is securing an increasing numbers of Large (more than \$1 million) and Very Large (more than \$5 million) grant agreements. From having signed seven large grants worth \$11.8m in 2015, ITC signed nine large and six very large grants in 2017 worth about \$91.3 million. By the end of 2018, we expect to have signed nine large and seven very large grants worth about \$134 million in total.

With regard to the length of GAs signed, ITC is exponentially increasing the number and volume of multiannual grants. From \$10 million worth of multiannual grants in 2015, it rose to more than \$85 million in 2017 and is expected to go beyond \$118 million in 2018. As of today, 83.5 % of ITC's income is secured from multi-annual grants which is a key element of predictable funding.

The largest share of ITC's funding comes from what we call our "traditional funders." They are those funders who contribute for five consecutive years over a 10-year period. Going beyond these traditional funders, ITC has increased contributions from 'other' funders. Compared to 2014, ITC's funder base has increased by 68%. ITC is signing grant agreements particularly with new governmental funders, followed by regional organizations, then with the private sector and followed by multilateral financial institutions and development banks. These other funders' contributions start small and grow over time. ITC aims to build on its existing partnerships over the next few years.

**The delegate from Denmark** remarked that whether the dramatic increase in W2 funding acts as constraint and what is a good balance between the W1 and W2 resources.

**ED** commented that it is easier to manage an organisation with core resources as opposed to project specific funding. She noted that governments are not ready to increase their core funding, and therefore at ITC, we capitalise on our core funding through matching it with earmarked funds. ITC's programmatic approach with its six focus areas encourage donors with higher levels of soft-earmarking aligned to their own thematic priorities. ITC considers regular budget and W1 as core funding.

On ITC's Regular Budget (RB), ED requested donors that UN's re-costing exercise should not penalise ITC and that she would be presenting this point in November 18 in New York. She hoped that they could share related materials with the missions for onward forwarding to their colleagues in New York.

### **4. Status of ITC's Operational Reserve by Gerard Lynch, Director, Division of Programme Support**

The operational reserve (OR) is used to cover mainly delays in the payments of voluntary contributions, or when ITC has to incur costs before receiving payments. The OR is a critical cash flow mechanism to ensure that projects' implementation maintain momentum. ITC is implementing more and more larger projects and this creates pressure on the OR to carry on with interim funding.

While growth in projects' size and budget is a good development for ITC, it creates more pressure on the OR and close follow-up on its levels and use is needed to keep it healthy. Monthly average usage of OR is 55%. ITC appreciates advance payments from its funders as per the MoU commitments and to allow interest earned to be transferred to the OR.

**The Executive Director, Arancha González** thanked the participants for their valuable comments and observations and reiterated ITC's commitments to ameliorate the CCITF report content, and took note of the requests for presentations at the next CCITF meeting.