

CONSOLIDATED PROGRAMME DOCUMENT FOR 2012–2013

ITC mission:

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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ABBREVIATIONS

CEB	United Nations System Chief Executives Board
CFTA	Continental Free Trade Area (Africa)
CIS	Commonwealth of Independent States
COMESA	Common Market for Eastern and Southern Africa
CPD	Consolidated Programme Document
EAC	East African Community
ECCAS	Economic Community of Central African States
ECOWAS	Economic Community of West African States
EIF	Enhanced Integrated Framework
EnACT	Enhancing Arab Capacity for Trade
FDI	Foreign direct investment
IPSAS	International Public Sector Accounting Standards
ISO	International Organization for Standardization
ITF	ITC Trust Fund
ITC	International Trade Centre
JAG	Joint Advisory Group
LDC	Least developed country
LLDCs	Landlocked developing country
MDG	Millennium Development Goal
MOU	Memorandum of understanding
MLS–SCM	Modular Learning System – Supply Chain Management
NTF II	Netherlands Trust Fund II Programme
NTM	Non-tariff measure
OIF	Organisation Internationale de la Francophonie
PACT II	Programme for building African Capacity for Trade
RBM	Results-based management
REC	Regional economic community
SADC	Southern African Development Community
SIDS	Small island developing States
SME	Small and medium-sized enterprises
SPECA	United Nations Special Programme for Central Asia
TCCEP	Trade, Climate Change and Environment Programme
TPO	Trade promotion organization
TRTA	Trade-related technical assistance
TSI	Trade support institution
UEMOA	West African Economic and Monetary Union
UNCTAD	United Nations Conference on Trade and Development
UNDP	United Nations Development Programme
UNECE	United Nations Economic Commission for Europe
UNIDO	United Nations Industrial Development Organization
WEDF	World Export Development Forum
WIPO	World Intellectual Property Organization
WTO	World Trade Organization
WTPO	World Trade Promotion Organization

FOREWORD

When the International Trade Centre (ITC) was created in 1964, it was assumed that integration of developing countries into the world trading system would automatically lead to better living standards for their populations. While some progress has undoubtedly been made, international consensus over the past ten years has evolved beyond the simplistic assumption that global trade liberalization would be sufficient to bridge the gap between developing and developed economies. Without supply-side capacity to respond to market needs and opportunities, the most vulnerable countries cannot grasp the opportunities of market access. It is also broadly accepted that although trade may lead to GDP growth, growth in itself does not necessarily result in better living standards for the poorer segments of the population. Likewise, the correlation between trade and employment is more tenuous than previously believed. There is general agreement, therefore, that capacity building, institutional development and appropriate policy development and implementation must accompany the process – providing real opportunity and fostering inclusiveness.

In this context, ITC's mission – to enable small business export success by connecting small and medium-sized enterprises (SMEs) to the global trading system, as part of the global Aid for Trade agenda – has acquired a new significance, intensifying demand for our services. Direct interventions, not foreseen when ITC's regular budgetary framework was originally conceived, now make up approximately half of the organization's total annual budget of US\$ 88.1 million. In 2011, despite the difficult economic environment, ITC delivered US\$ 47.8 million in trade-related technical assistance (TRTA) to SMEs – our highest volume of work ever and a clear signal of the agency's relevance in the TRTA field. In 2012 and 2013, ITC plans to maintain its TRTA delivery at the 2011 level. This requires support to the ITC Trust Fund (ITF) of US\$ 11 million in 2012 and US\$ 34 million in 2013, which we realize is an ambitious target in the current economic climate. This will be complemented by the supervisory and management function provided for in the regular budget contribution of SwF 76.144 million (equivalent to approximately US\$ 80.58 million), which was approved for the new biennium by the World Trade Organization (WTO) General Council and the United Nations General Assembly in December 2011.

The trade environment has continued to go through waves during the previous biennium. In spite of world trade having rebounded strongly in 2010, major markets have remained burdened by persistent high unemployment, unsustainable levels of sovereign debt and fiscal unbalances, with the associated risk of another global economic recession. Least developed countries (LDCs) and other vulnerable economies still struggle to compete internationally with undiversified export portfolios. The instability and uncertainty about world economic prospects directly affect demand for exports and development cooperation aid, and are therefore detrimental to SMEs.

In these circumstances, demand for ITC's services shows no sign of slowing. Indeed, as the global economy enters the early stages of recovery in some parts of the world, there is even greater urgency for developing countries to enter or expand their engagement in global supply chains – creating jobs, generating tax revenues, and supporting competitiveness and economic dynamism that contribute to growth and development.

This Consolidated Programme Document 2012–2013 (CPD) provides a roadmap for ITC's stakeholders and potential donor organizations, aligning the organization's strategic focus to programme status and funding needs by geographical region, for the coming year and beyond. Our 2011 Client Survey confirmed that the organization is meeting or exceeding the expectations of its clients, with more than three-quarters of respondents reporting that the quality of ITC's products and services has evolved positively over the past three years. At the same time, they expect us to continue to innovate in our delivery of services to SMEs, in partnership with local trade support institutions (TSIs) and other TRTA providers, and to increase the level of customization of our products.

A critical development at the end of the biennium was the preparation of the four-year Strategic Plan 2012–2015 and a new ITC corporate logical framework for the 2014–2015 biennium, which will be submitted for approval in May 2012 at the 46th meeting of the Joint Advisory Group (JAG). Three important features of the new Framework are a gradual move from outcome to impact measurement; integration of “gender”, “inclusiveness” and “sustainability” into project reporting; and embedding a gender-mainstreaming ambition by committing to monitoring a significant number of outcomes and impact indicators on a gender-basis.

In 2012, a large proportion of our work will be focused on our multi-year programmes, the largest of which will enter their final year of operation in the first quarter of 2013. Independent mid-term evaluations of these programmes have confirmed that we are on the right track, and that larger projects are more efficient, generate a higher level of stakeholder buy-in and are likely to achieve greater impact. We are currently in the process of identifying the next generation of large projects, based on client needs and lessons learned from our current projects to ensure relevance and coherence with other organizations.

Our Strategic Plan addresses the need to improve the pipeline portfolio and multi-year financial management through better operational planning, pipeline management and development of a new fundraising strategy. This strategy will be guided by our Strategic Framework objectives and targeted to both traditional and emerging donors, as well as development banks and private-sector interests. The CPD identifies opportunities to invest in ITC projects and programmes over this biennium. We will be following three complementary tracks in resource mobilization: (1) securing the current flow of extra-budgetary resources from traditional donors, in view of the current economic crisis and the difficulties faced by several traditional donor governments; (2) mobilizing resources to expand activities in regions where ITC has no significant funding, such as the Pacific, where Australia announced a three-year contribution for ITC during the December 2011 WTO Ministerial Conference in Geneva; and (3) a tailored approach to the requirements of emerging donors – in this context, talks have been progressing with China and Turkey. It is expected that the new comprehensive resource-mobilization strategy will enable us to address such a fast-changing environment.

STATEMENT OF PURPOSE

The CPD describes what ITC intends to do in the next one to two years, showing how we will break down the goals of our Strategic Plan 2012–2015 into impact areas within which projects are conceived. The impact areas include projects that are already funded, and in some cases operational, as well as project ideas that still require resources in order to be implemented.

The CPD therefore serves a dual purpose:

- To provide an overview to stakeholders, mainly beneficiary governments and institutions, of the work we are planning to carry out in their country and region;
- To communicate to potential donors the impact areas ITC has identified to further its mission and for which it needs to secure funding.

The CPD is organized by strategic objective and then by region, with key impact areas identified in each of the chapters. Last year, ITC refined its objectives within the framework of the Strategic Plan 2012–2015. While the new Strategic Plan is based on the concepts and accomplishments of the previous one, it also represents an important step forward for the organization, offering a more integrated approach for measuring the results of ITC interventions and the incremental socio-economic impact of its work. Organization of the thematic chapters in the CPD follows the strategic objectives identified in the Strategic Plan 2012–2015.

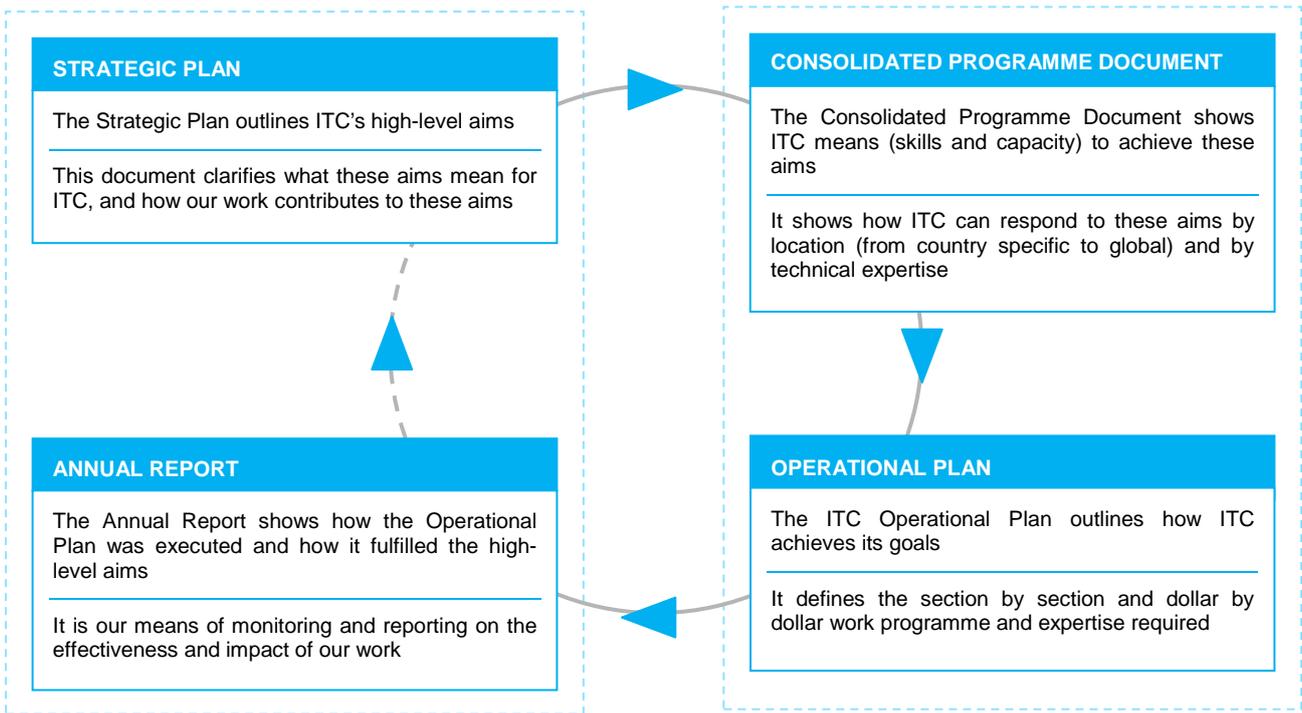
We have also included chapters on intraregional cooperation, South-South trade and trade in services, three themes that cut across regions and strategic responses, and are therefore discussed separately. Finally, the CPD outlines the corporate operational improvements that ITC is making to ensure the impact of our technical work.

Greater detail on the 2012 work of the individual ITC Sections responsible for projects and work programmes can be found in the Operational Plan. More detailed information on ITC's ongoing projects can be found in the project area of our web site at www.intracen.org/by-country/. Projects are grouped by country, and each entry describes the objective of the project, its duration, total budget, list of beneficiary countries and donors, as well as outcomes in 2011 and expected delivery for 2012.

PLANNING AND REPORTING CYCLE

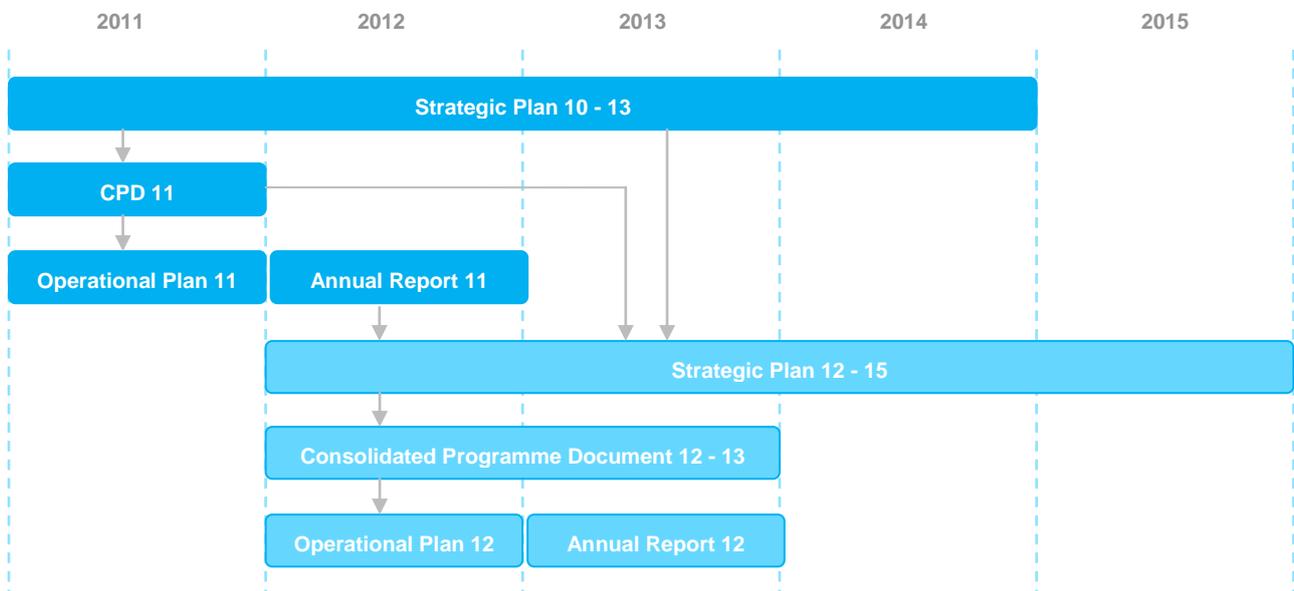
ITC communicates with, and reports to, its stakeholders through the following documents:

- The **Strategic Plan**, which sets the overarching goals;
- The **Consolidated Programme Document** and **Operational Plan**, which define the projects and programme level work in line with our strategy and goals;
- The **Annual Report**, which assesses the effectiveness of this delivery and ITC's results.



The Strategic Plan and the Annual Report focus on ITC's overarching goals, and in these we show how our projects serve the delivery responses that were created in consultation with and based on the needs of our stakeholders and beneficiaries. The figure below illustrates how ITC's corporate documents relate and are delivered.

Rolling cycle of planning and reporting



The CPD 2012–2013 will be presented, along with the 2011 Annual Report, at the annual meeting of the Joint Advisory Group (JAG) in May 2012.

PROGRAMME DELIVERY RESPONSES: CONNECTING THE WORK PROGRAMME WITH THE STRATEGIC PLAN

Today's trade environment is characterized by instability in global markets, increasing marginalization of least developed countries (LDCs), globalization of value chains and the consequent fragmentation of production processes, and South-South dynamism in the global economy. These factors represent challenges, but also offer opportunities to SMEs in developing countries, their TSIs and governments.

Decrease in demand in their traditional export markets is particularly detrimental to SMEs, who are typically less diversified than their larger rivals. At the same time, market turbulence may also provide opportunities for SMEs to leapfrog into new value chains, which more and more often may be found in their immediate region or in emerging economies.

ITC's work in assisting exporting and export-ready SMEs to improve their competitiveness and identify market sweet spots at a time of major change is even more relevant than it was during the more predictable environment of the previous decade. ITC is ready for this challenge and, with the support of the donor community, can help its clients effectively with innovative products, programmes and solutions.

ITC has a clear mission: we work to enable export success for SMEs in developing and transition-economy countries, by providing, with partners, sustainable and inclusive development solutions to policymakers, TSIs and the private sector. In order to succeed in this mission, the 2012–2015 Strategic Plan outlines and explains five strategic areas of focus:

- Improving the availability and use of trade intelligence;
- Strengthening TSIs;
- Enhancing policies for the benefit of exporting enterprises;
- Strengthening the export capacity of enterprises to respond to market opportunities;
- Mainstreaming inclusiveness and sustainability into trade promotion and export development policies.

ITC's work programme is firmly embedded in the objectives of the Aid for Trade initiative, which is a major component of the Global Partnership for Development, described in the eighth Millennium Development Goal (MDG). The growing understanding of how Aid for Trade supports trade integration and expansion, as well as inclusive growth and poverty reduction, has informed ITC's choices in resource allocation. Trade affects the welfare of households through three transmission channels: the distribution channel (cost of goods and services); the enterprise channel (profits, employment and wages); and the government channel (taxes and transfers facilitated through growth). ITC supports export-enabling trade policy and the integration of SMEs into global value chains, which expand trade, create income opportunities for the poorest people and ultimately increase revenues for governments.

In the 2011 ITC Client Survey, our clients made it clear that they expect ITC to offer solutions to the challenges not only of today, but also of tomorrow. When we asked them to rank the relative importance of nine possible areas of focus for ITC, respondents selected as their top priority the development of innovative tools and training programmes, which can in turn be replicated and rolled out by other organizations.

With this clear message in mind, ITC has identified several innovative projects we believe will answer tomorrow's needs in the areas of trade intelligence, exporter competitiveness, TSI strengthening, effective policymaking, and inclusiveness and sustainability in trade.

That new solutions are needed is not in doubt. The export performance of developing and transition-economy countries remains uneven, with large, rapidly industrializing countries outperforming world trade growth, while LDCs and other vulnerable economies struggle to compete with their undiversified export portfolios.

In spite of modest per capita growth and some human and institutional successes over the past decade, LDCs still experience an overall lack of sustained progress resulting from high dependence on primary commodities, particularly agriculture. ITC's work in the area of trade intelligence, trade policy formulation and export strategy design, based on dialogue with the private sector, has a proven track record of assisting developing countries and LDCs at the macro level and improving the environment in which SMEs operate, while our TSI-strengthening and export-competitiveness services offer the institutional capacity necessary to provide the services they require. As the following chapters explain in detail, we are looking for funding in order to:

- **Meet today's challenges**, by broadening the reach of our TRTA services – for example, developing export strategies in more countries, providing assistance to more LDCs negotiating for WTO membership, and generating more market data and analysis for global use.
- **Meet tomorrow's challenges**, by creating a new generation of tools and programmes for our beneficiaries – for example, mainstreaming youth employment into export development strategies, building early signal analysis into our trade intelligence, and providing analytical tools on the operations of TSIs through our benchmarking programme.

ITC's funding structure

ITC's work is funded in two ways: through the regular budget (RB) and through extrabudgetary funding (XB). The RB is approved on a biennial basis by the United Nations General Assembly and the WTO General Council. In 2011, ITC's RB expenditure was US\$ 40.25 million and its gross XB expenditure reached US\$ 47.80 million.

The RB portion of the budget provides the infrastructure for ITC to operate, but does not, on its own, enable ITC to carry out TRTA work and implement projects for beneficiaries. These are largely funded from extrabudgetary sources. XB funds are activated through the ITF, which receives voluntary donor contributions. The ITF comprises two categories of funds, known as Windows. Window I consists of contributions from donors that are used to fund projects in line with ITC's overall strategic priorities, while Window II consists of bilateral contributions for specific projects or programmes, often in specific countries.

FOCUSING ON LDCS, LLDCS, SIDS AND SUB-SAHARAN AFRICA

As an organization affiliated to the United Nations and WTO, ITC's mandate covers all developing countries and transition economies. At the same time, in line with the Millennium Declaration, ITC gives particular weight to project implementation in the LDCs, landlocked developing countries (LLDCs), small island developing States (SIDs) and sub-Saharan Africa.

ITC's overall project allocation to this group of countries reached 55% in 2011 and this level is expected to be maintained in 2012. When considering projects with a clear geographic focus (country and regional projects), the ratio of projects focusing on LDCs, LLDCs, SIDS or sub-Saharan Africa in 2011 came to 78%, and we also expect to maintain this level in 2012.

EXPORT CAPACITY BUILDING WITH A COUNTRY FOCUS

Providing assistance directly to countries according to their own development priorities and in coordination with other donor and development agencies, is a cornerstone of aid effectiveness. This translates into three types of country-specific projects, which represent 61% of ITC's projects in 2012:

- Broadly based projects that draw on a wide range of ITC's expertise and are designed around the priorities of a national export strategy or sector export development strategy;
- Projects that form part of larger, multi-agency initiatives;
- Specific technical interventions, at the request of partners in the country.

Over the last few years, assessment of a country's demonstrated ownership of a project has become a key criterion when evaluating whether to develop new projects. From an organizational perspective, ITC's regional offices will continue to be the focal point for country-specific project development and remain involved in integrated project implementation.

EXPORT CAPACITY BUILDING WITH A REGIONAL FOCUS

ITC considers regional projects an important means of integrating regional economies into the multilateral trading system, exploiting the untapped potential of regional and South-South trade, and rationalizing regional supply chains. In 2012, the share of regionally designed projects in ITC's portfolio is 10%.

In providing support to regional groupings, the Programme for building African Capacity for Trade (PACT II) will continue to be the major vehicle in 2012, intensifying its work in three African regional economic communities (RECs) – the Common Market for Eastern and Southern Africa (COMESA), the Economic Community of Central African States (ECCAS) and Economic Community of West African States (ECOWAS) – and exploring how to associate other African RECs. In Asia, activities will continue in the Mekong area, including planned South-South exchanges between West African and Mekong countries. The Enhancing Arab Capacity for Trade (EnACT) programme in five Arab States is structured around country projects that are linked by joint regional objectives and project components such as intraregional trade promotion, and benefit from synergies in project implementation.

TARGETING THE MDGS

Trade is one of the three instruments through which world leaders have pledged to help developing countries achieve the MDGs by 2015. All of ITC's work operates within the framework of the Millennium Declaration and is aligned with the Aid for Trade agenda. However, some projects and programmes directly target specific MDGs, such as poverty reduction, empowerment of women, the environment and development of an open, rule-based, predictable, non-discriminatory trading system. In 2012, ITC's work programme includes US\$ 19.4 million of activity that directly targets specific MDGs.

Measuring the social impact of ITC's work is a cornerstone of the Strategic Plan 2012–2015. Beyond monitoring outcomes, the new proposal gradually moves towards capturing economic and social indicators of the impact of ITC's activities on export and growth performance. Defining these measurements is currently underway with two goals for 2012:

- Design and mainstream new sets of statistical indicators and monitoring tools that correspond to the targeted impact;
- Measure the baselines of current activities against this new set of impact indicators.

For more on ITC's plans on adapting its TRTA work to take into account cross-cutting development issues such as the economic empowerment of women, sustainable development and poverty reduction, see the chapter on mainstreaming inclusivity on page 20.

STRATEGIC OBJECTIVES AND WORK PROGRAMME IN 2012

BRIDGING THE TRADE INTELLIGENCE GAP

Why trade intelligence matters

Improving the availability and use of trade intelligence is critical to export success for SMEs. Access to information, analysis, publications and thought-leadership on concrete trade-related challenges, needs, trends and opportunities that have a direct impact on their operations will assist them in competing on the global market. ITC is a major provider of trade intelligence to SMEs through its online tools, directories, statistical databases and publications and related capacity-building activities. In order to improve the usability and relevance of trade intelligence, ITC trains and advises SMEs and TSIs on how to best select from and interpret the mass of information available to them, and processes information itself to provide it in a format that is useful to clients.

As enterprises and TSIs become more connected, the trade-related information they have access to increases. The 2011 Client Survey highlighted the expectations placed by our clients on the need for capacity building and for coverage of specific themes and issues so that they can make optimal use of ITC's trade intelligence offerings. In order to better cope with information overload, clients tell us that they need today's information on markets, sectors, products, prices, tariff and non-tariff measures (NTMs) in order to make decisions on tomorrow's business. They need precise information on buyers, standards and organizations that can facilitate their entry into particular markets. Our clients also tell us they need ITC's support to develop their skills to analyse and make decisions based on the data and information they have access to, and to facilitate the process of transforming raw information and data into knowledge and intelligence that will have a positive impact on their businesses. While access to data is improving, the capacity of SMEs to interpret this volume of information and turn it into concrete, actionable intelligence is still lacking. With ITC's help, SMEs can be put in a position to anticipate trends and to make decisions today that will lead to export success tomorrow.

The challenge is to support clients in identifying the information they really need, turn information into intelligence and ensure that access to learning online is possible in all our countries of operation. We believe that the directions for future research and development proposed in this section will contribute to achieving these objectives for our clients.

How ITC currently responds to client needs

The generation of information on market opportunities and its dissemination to developing countries is in ITC's mandate and continues to be a major objective. Trade intelligence is a primary tool in addressing the trade capacity constraints faced by developing countries and economies in transition. In line with market needs, and in the context of SMEs facing increasing difficulties in benefiting from new opportunities in world markets because of a range of technical regulations, product standards, customs procedures and other requirements, ITC has widened its trade intelligence offering to cover new areas such as trade in services, LDC terms of trade, NTMs, voluntary standards and corporate social responsibility requirements.

Trade intelligence products

ITC currently offers its clients a range of online trade intelligence related products and services, including:

- A series of online databases covering trade data, tariffs and investment flows (TradeMap, Market Access Map, Investment Map);
- Sector-specific portals (Leatherline, Cotton Guide, Coffee Exporter's Guide, Organic Link);

- Online tools covering multilateral trade agreements (LegaCarta), packaging (PACKit) and voluntary standards (Standards Map), as well as customized systems facilitating the dissemination of information via mobile phones (Trade@Hand);
- An online library providing information on a wide range of trade themes and sectors, databases of TSIs and information on topics such as importers' associations, market reports and prices;
- Publications (www.intracen.org/publications), notably market studies and guidebooks on areas including quality, standards, public-private sector collaboration and NTMs, and regular bulletins such as the Trade Forum magazine, the Market News Service (MNS) and the ITC Business Briefing, which provide news and analysis on the multilateral trading system.

Because access to information without the capacity to interpret it limits its impact, ITC's engagement includes strengthening the market-analysis skills, research methodologies and information management, dissemination and decision-making capacity of public- and private-sector TSIs and enterprises. Services offered to TSIs begin with a diagnosis of trade intelligence needs and capacities to address these by national or regional institutions, leading to the implementation of tailor-made services and information management systems for TSIs, including web-based platforms, content creation, trade analysis and intelligence gathering processes. Tailored training programmes for SMEs, both in the field and online, are offered to ensure that enterprises can benefit fully from improved access to information, and are also empowered to carry out their own analysis of information gathered for effective decision-making. Policymakers, in constant need of large volumes of diversified data for detailed analysis in the market access and trade negotiations field, also benefit significantly from ITC's strong presence in the trade intelligence field.

Trade intelligence and the MDGs

- **Determining what women-owned companies export.** ITC is expressly committed to systematically mainstreaming a gender-responsive approach throughout all areas of its work. To do so, we need to know what companies owned by women actually export. Surveys can then be conducted on specific constraints to trade faced by women exporters, and TRTA can be supplied to address issues. In addition, this information can help ITC identify suppliers who may qualify to sell to governments and corporations under supplier diversity programmes.
- **Intelligence through ITC's Trade, Climate Change and Environment Programme (TCCEP).** This Danish-funded programme builds the capacity of SMEs and TSIs in a number of sectors, including organic and biodiversity products and carbon standards for agricultural products. It contributes to ITC's trade intelligence initiatives by producing publications that assist SMEs in developing countries to overcome barriers to accessing environmental niche markets.

Turning trade data into trade intelligence: examples of ITC services building on trade intelligence

Clients' needs drive ITC's trade intelligence programme and lead to the development of new tools, services and technical programmes that bring tangible results to beneficiaries. Examples include:

International trade treaties database

ITC has identified 280 international treaties covering the full range of international trade relations, in areas such as contracts, customs, dispute resolution, environment, finance, intellectual property, investment, transport, human rights and labour standards. ITC's Trade Treaties Map – LegaCarta – provides the full text of treaties with explanatory summaries and monthly updated ratification lists. It serves as a database for policymakers and is complemented by a capacity-building programme. With ITC support, and funding from the French Government, Haiti, Romania, Madagascar and Viet Nam have made substantial progress in designing and implementing roadmaps for enhancing their legal environment by planning and prioritizing accession to international trade treaties.

Supporting women informal cross-border traders in Uganda

ITC's programme on Trade Facilitation, Gender and the Informal Economy provides targeted trade intelligence and training to women cross-border traders who face significant obstacles because of their lack of knowledge of correct export procedures and cross-border protocols. Acquiring information on trade facilitation procedures, market opportunities, small business management and accessing finance are just some of the benefits realized by the women selected for the pilot programme.

Improving exporters' and trade advisers' skills in turning trade intelligence into actionable market-entry plans

Developing country exporters typically face a higher failure rate in new export markets compared to counterparts in developed country. A trial and error approach has high costs that could be avoided with more preparation and more systematic analysis of market potential and the fit with a company's experience, resources and readiness for export. ITC's new programme, Researching and Analysing Export Markets, develops the skills of trade advisers and exporters to structure their approach on the basis of systematic market research. Currently being delivered in three countries, the training materials include a comprehensive guide to market research, a customizable e-learning platform and a databank of case studies and lessons learned from interviews with exporters and importers from around the world, so participants can learn from the real export experiences of others.

NTM programme

With the fall of tariffs, NTMs have become the major impediment to international trade and are of particular concern to exporters seeking access to foreign markets and needing to comply with technical regulations, product standards, customs procedures and other requirements. SMEs in developing countries often lack the information, capabilities and facilities to meet complex requirements and demonstrate compliance at a reasonable cost, while national policymakers often lack a clear picture of what their business sector perceives as the major obstacles to trade. Understanding the key concerns of enterprises regarding NTMs can help governments better define national policies and regulations as well as plan concrete actions and capacity building. ITC is implementing its NTM programme in 27 countries over the period 2010–2013. It involves a survey of exporting and importing enterprises followed by an in-depth analysis of the survey results to identify NTMs of concern to exporters and importers, as well as sectors and markets affected. An NTM report is then produced and disseminated. The information also feeds into ITC-supported public-private dialogues on trade matters.

Economic dashboards

In order to anticipate and respond to trade opportunities and threats, ITC has worked with governments to set up trade observatory teams, developing dashboards and econometric models to track trends in international trade, shifts in current accounts and movements in commodity prices, and to simulate external shocks in world demand to predict potential impacts on a country's economy. Equipped with alert mechanisms, policymakers are better positioned to identify export opportunities, analyse trade competitors' behaviours and formulate strategic responses.

Lessons learned

Key learnings from ITC's contribution to transparency in international trade and to supporting SMEs with access to information for improved competitiveness can be summarized as follows:

- With the phenomenal growth in the volume of data available globally, it is critical to focus on issues that really matter to clients and present the information tailored to their needs (e.g. standards, NTMs, prices);
- Access to information should be available free of charge to users in developing countries to ensure the greatest possible impact;
- To contribute to the local trade intelligence offering and drive innovation, it is important to build on partnerships and on the capacity of local or regional TSI networks;

- Where local capacities are limited, access to information has to be accompanied by learning and training programmes on how to make best use of it;
- While access to the internet is steadily improving, even in LDCs, it is important to explore other means of dissemination such as mobile technologies, a medium with high penetration in many ITC client countries.

Looking ahead: innovation driving ITC's trade intelligence footprint

Continuous improvement in the trade intelligence service offering is an important feature of the 2012–2015 Strategic Plan. ITC is committed to improving existing online tools and providing effective responses to SMEs through its technical cooperation programmes. In this context it is essential to address clients' needs by developing new, innovative programmes. It is also important for our clients that ITC remains at the forefront in transforming rapid technological developments in information generation, collection, analysis and distribution into actionable intelligence that helps them to succeed in entering international supply chains.

We have conceived these programmes based on the demands of our clients, and their realization depends on donor support:

Competitive intelligence for development

ITC is increasingly focusing on the adoption of new technologies and modes of delivery in order to accelerate access to intelligence and widen the range of beneficiaries. To adapt cutting-edge technologies and solutions to the needs of its clients, ITC undertakes ongoing research and development. Beneficiary countries are increasingly asking for more than just access to information – they need to move up the information value chain by being able to identify early risks and opportunities in the markets before they become obvious. This need has been accentuated as a result of the ongoing global financial and economic crisis. Such early signal analysis, which we have termed competitive intelligence (CI), consists in defining, analysing and distributing intelligence about products, services, customers, competitors and any aspects of the trade environment needed to support managers in making strategic decisions for their enterprise or organization.

To respond to this need, ITC is committed to developing a CI model, along with implementation guidelines and related technical assistance for its clients. The Competitive Intelligence for Development model will enable ITC and its clients jointly to develop a roadmap to identify gaps in the CI field at the national/regional level that need to be addressed with specific interventions.

Online courses for trade intelligence

Enterprises and TSIs in developing countries increasingly have the infrastructure in place to follow distance learning programmes. In order to extend the reach of ITC's trade intelligence training programmes, courses need to be developed and adapted for the online learning platform. In 2011 we ran 11 customized training sessions on market analysis and research, delivered remotely through web-based seminars (webinars) to TSIs in countries including China, India, Jamaica, Nicaragua and Zambia. A pilot programme for foreign trade representatives in Uruguay demonstrated the efficiency of distance learning in trade intelligence and the need to mainstream this delivery channel into more programmes. An important environmental benefit of this single event, which connected 15 participants from around the world to work with ITC trainers, is that the amount of CO₂ emissions saved was estimated at 25 tons, corresponding to the emissions of a family car driving more than 150,000 km. We are looking to roll-out this model in the next two years and to develop partnerships with academic institutions in the field.

Trade for Sustainable Development

Producers and exporters in the developing world often lack information when it comes to engaging in more sustainable production and trade practices, increasingly demanded by their clients. At the same time, manufacturers, retailers and public procurement officials lack detailed information on the ability of suppliers to adhere to particular standards when making purchasing decisions. To improve

information transparency and help inform decisions, ITC has produced Standards Map, a web-based tool that allows for analyses and comparisons of voluntary standards not legally required by regulation, with the aim of strengthening the capacity of producers, exporters and buyers to participate in more sustainable production and trade. In addition to developing the tool in 2011, the programme is developing the capacity of producers and exporters in developing countries to understand private standards and the opportunities and challenges they represent. The goal of the programme is to ensure that the spread of voluntary standards does not put developing country SMEs at a disadvantage.

The realization of these initiatives and the provision of trade intelligence tools at no cost to developing country users requires donor support estimated at some US\$ 50 million per year. We are grateful for the support received to date and look forward to engaging with donor agencies to make further progress and meet our clients' high expectations in the trade intelligence field.

ENHANCED TRADE SUPPORT SERVICES

A new trade paradigm: the evolving role of TSIs

Given the global crisis affecting the financial and trading environment, governments are re-examining their relationships with the private sector. In some cases, governments are taking greater direct control over the national trade development agenda, while in others they are outsourcing and privatizing export development services to promote competition. The wider environment for ITC is being driven by food security concerns, partner country aspirations for self-determination and increasing intolerance of the uneven distribution of wealth arising from trade. As a result, more than ever donors are looking to ITC to present a strong intervention logic that shows how trade development leads to the creation and distribution of wealth.

TRTA providers need to know how they do what they do, and how they interact along the development assistance value chain, of which trade is a part. National trade promotion organizations (TPOs) mandated to promote exports (and investment) are under increasing pressure to demonstrate economic returns to stakeholders, with tangible increases in exports, employment and poverty reduction.

ITC's partners are refocusing on the design of sustainable service delivery channels rather than creating infrastructure for its own sake. The challenge is to strengthen existing national trade support networks, where each network member understands its market position and how to serve its specific target audience. TRTA providers have only begun to scratch the surface of developing performance metrics for individual institutions and institutional networks. ITC's beneficiaries are demanding expert advice in this area, so that they can design trade support architectures that are efficient, make the most of scarce resources and multiply the expertise of network members. This is a trend that is likely to grow, stimulated by the development of social networks and improved tools for performance measurement.

TSIs are also demanding changes in the way ITC's services are delivered, requesting coaching, mentoring and innovative solutions to skills development, as reflected in the 2011 Client Survey. This poses a challenge to the organization to configure its service offer, combining mixed modes of delivery that it can sustain, for example distance learning, technical advisory backstopping and managing consultant networks.

How ITC currently responds to client needs

Institutional assessment and benchmarking performance

As TSIs face closer stakeholder scrutiny, ITC's services in performance assessment and benchmarking are increasingly in demand. The organization provides a full set of institutional assessment and benchmarking tools to help stakeholders understand and improve country and regional trade support infrastructures. In countries such as Mali, Chad and Sao Tome and Principe, ITC contributed through feasibility studies to the creation of new TPOs, which, on at least one

occasion, resulted in legislation establishing a new organization by Act of Parliament. For existing TSIs, ITC will continue in 2012 to use its institutional assessment tools in Oman, Uganda, the Occupied Palestinian Territory and elsewhere, providing proprietary reports to identify needs and recommend solutions to improve organizational structure. The new ITC institutional benchmarking programme promotes transparency and sharing of good practices by measuring the performance of TSIs against peer group practices. These best practices have been gleaned from ITC's experience and validated through pilot exercises conducted with TPOs in Malaysia, Botswana, Finland, Colombia, Australia and Uganda. As the programme achieves critical mass in 2012, it will offer a global public platform for TPOs and TSIs to compare themselves against best-in-class benchmarks and reference points.

Institutional strategies and operating plans

ITC assists TSI managers to design effective strategies and develop operating plans that are realistic and justify investments by public and private stakeholders. CEOs and senior managers require knowledge and skills to develop strategies and manage financial and human resources to achieve export development outcomes. ITC helps TSIs to measure their performance by providing them with a number of tools enabling them regularly to monitor their work and assess its alignment to their strategic and operating plans. For instance, in Africa, under PACT II, ITC strengthened the COMESA, ECCAS and ECOWAS secretariats by delivering results-based management (RBM) training to the performance monitoring unit.

Developing effective trade support services

TSIs act as the link between trade policy and trade promotion, serving governments by fostering public-private dialogue and serving enterprises by improving the international competitiveness of exporters. ITC helps TSIs to develop the skills required to design trade support services and also provides services that TSIs can adopt and implement immediately.

In Brazil, ITC helped the national TPO, ApexBrasil, to design a service recording and reporting system linking service development to performance outcomes. Successful implementation in 2011 is driving a change in organizational culture, shifting the focus from activities to designing services based on desired outcomes and impacts. In Uganda, a service portfolio review was prepared for the National Union of Coffee Agribusiness and Farm Enterprises to identify gaps in the provision of services. The results of this survey are being used to develop a new strategic plan and to programme a series of capacity-building interventions, including a service portfolio design workshop and a number of market development events.

The Certified Trade Advisors Programme (CTAP) trains TSI staff to diagnose enterprise management problems and deliver training courses to address areas of weakness. The next objective for ITC is to train CTAP advisors in a range of export-related services, including export quality management, access to finance, packaging, marketing and branding. Several TSIs are also developing trade information services based on a business information review methodology and advisory services offered by ITC.

ITC also provides assistance to SMEs by helping TSIs to broker export transactions. The South-South trade methodology helps institutions to identify sales opportunities through supply and demand surveys, followed by bringing buyers and suppliers together. In Mexico, ITC is developing the capacity of TSIs to provide assistance to women-owned business enterprises, linking Mexican women jewellery exporters to buyers in the United States under the ITC Women and Trade programme. The mature South-South trade flow methodology is also now being used by the Inter-American Development Bank to foster regional trade integration through the REDIBERO TPO network. This is a good example of how earlier donor investments in ITC are yielding results and are being applied by the wider donor community to meet local needs.

Global, regional and national TSI networks

In LDCs and many other developing countries, where TPOs are often resource poor, carrying out their mandates in isolation is extremely difficult. Global and regional networks can provide access to

resources and competencies that are often beyond the reach of a single TPO. Donors increasingly view networks as a cost-efficient vehicle for implementing services and reducing the risk of duplicating activities.

ITC provides services in building TSI networks under several large ITC programmes, including PACT II, the Netherlands Trust Fund II Programme (NTF II), the *Programme d'appui au commerce et à l'intégration régionale de la Côte d'Ivoire* (PACIR), and others. The types of networks vary from institutional to expert, sector to functional, but they have the common goal of encouraging the sharing of information and best practices and eventually providing state-of-the-art services to SMEs in a cost-effective manner.

Foreign trade representatives act as extended arms of TSIs in foreign markets to help SMEs enter international markets. Despite the fact that many projects tend to focus only on institutions based in capitals, there is a growing demand on the part of governments (ministries of trade and ministries of foreign affairs) to strengthen these external trade networks for the benefit of their business communities. ITC acts to strengthen external trade networks in two ways: it convenes meetings of foreign trade representatives to learn about best practices from within a country's regional representative offices; it also stimulates the development of inter-country trade-support networks by bringing together foreign trade representatives from different countries based in a foreign capital or duty station. ITC is also partnering with other international agencies acting as network operators. For example, the International Organization for Standardization (ISO) and ITC are working to ensure horizontal and vertical linkages between TPOs and National Standards Bodies (NSBs) in support of trade development. The ITC programme on linking NSBs and TPOs helps these institutions clarify their respective roles and how they can cooperate. Regional meetings of NSBs and TPOs in Asia, America and Africa have identified a number of areas where inter-institutional cooperation, at national and regional levels, offers exporters improved opportunities to enter and expand new markets.

During the 2010 World Trade Promotion Organization (WTPO) Conference in Mexico, TPOs gave ITC a mandate to explore further the creation of a global TPO network. This biennial event, organized by a host TPO in partnership with ITC, provides a forum for TPOs to come together to recognize, debate and exchange good practices as ITC's main multipliers.

Delivering MDGs: trade for human development

Effective TSIs, by definition, deliver services focused on human development and ITC has mainstreamed a human development focus into its TSI-strengthening portfolio. Some projects specifically target disadvantaged or marginalized communities. For example, the Women and Trade Programme launched the Global Platform for Action on Sourcing from Women Vendors to increase women business owners' share of corporate, government and institutional procurement in sectors as diverse as textiles, construction and clean technologies. In the agribusiness sector, ITC is working through organizations such as the East African Fine Coffee Association to raise awareness of the benefits of women's empowerment at the farm gate, with demonstrable effects in terms of increased savings rates and price premiums for export quality coffees.

Lessons learned

ITC stakeholders are looking for new approaches to developing institutional capacity that go beyond off-the-shelf training courses and provide mixed modes of delivery to build the knowledge and skills of development partners. These partners are also more demanding, with the result that service delivery systems need to feature delivery networks, drawing on the expertise of specialized local service providers rather than offering a one-size-fits-all solution. This means that the processes and procedures must be robust and flexible to offer solutions that make sense.

ITC will be working to offer more built-to-standard programmes that serve a large enough audience to be meaningful, and are financially capable of being maintained over time. ITC will also be offering field-based distance learning and Geneva-based training programmes for those countries that are unable to mobilize large stand-alone trade projects.

Looking ahead: innovation driving ITC's work for TSIS

Our TSI clients, working in a rapidly changing environment, are turning to ITC for assistance and services that meet tomorrow's needs. Based on discussions with current clients and partners, the annual client survey and our expertise in the area, we have identified the following key services to be developed over the next two years, resources permitting. We also need funding for the rollout of services that we have recently developed and successfully piloted.

Creating regional TPO networks

The global TPO community has requested ITC to facilitate the creation of a global network for TPOs to share best practices and exchange information. Creating global networks is often difficult and resource intensive, given geographies, divergent interests and absorption capacities among this highly varied group of institutions. ITC's priority in 2012–2013 will be to develop and strengthen regional TPO networks as a first step to support a global architecture, particularly in Africa and Arab countries where regional networks have failed or been inconsistent because of lack of support and demand.

Exchanging good practice in foreign trade representation

Regional workshops bring together trade representatives (FTRs) from various countries posted in the same capital or duty station offer low-cost benefits to participants, in particular to the representatives of the FTR network of the country hosting the meeting. Without needing to travel, trade attachés will learn from their foreign colleagues working in the same geographical area about ways of delivering innovative services to their target clients. The emphasis is on sharing the practical aspects of the daily work of trade representation. Participants will learn about other ways of delivering services for which they have a clear comparative advantage. They will identify the work processes, tools and systems – used by other countries – that would need to be put in place in order to achieve more effectiveness.

Roll-out of 2011 pilot projects

The institutional capacity-building training programme, developed in 2011, will be rolled out through projects, including a Geneva-based training programme in September 2012. This will provide a one-week introduction to institutional assessment, strategy and management, service portfolio design, networks and performance assessment. Through this programme, TSIs will be empowered to become multipliers, implementers of ITC-developed methodologies for their clients.

ITC will continue developing the TSI Mapping and Reporting System (TSI-MRS), an open source online platform aimed at providing a comprehensive and standardized overview of the existing national or regional trade institutional support set-up in a country or region. Managed through regional and national TSI administrators, the TSI-MRS goes beyond being an online database by providing a methodology for classifying and analysing TSI structure and activities and allowing rapid extraction of customized single and cluster TSI reports for multiple uses and users.

Following the pilot stage in 2011 of the TSI Benchmarking project, ITC will continue consolidating the benchmarking programme during 2012 and will expand and deepen the programme during 2012–2015. This year, we will particularly focus on developing a web-based platform to collect and share information on TPO good practice. In addition, the methodology will be expanded to cover not only TPOs but also other TSIs (functional and sector). Finally, ITC will develop a self-assessment application to enable TSIs to assess their performance in four areas: leadership and direction; resources and processes; service delivery; and measurement of results.

ENHANCED TRADE POLICY

Why public-private collaboration on trade policy and strategy matters

Many developing countries have benefited greatly from export-led economic growth strategies in the last decades, grasping new opportunities in the evolving context of the fragmentation of manufacturing into global production networks and the rise of trade in services. This required rapid and innovative

responses from the private sector, facilitated by multilateral trade policy reforms and simultaneous liberalization of domestic trade and investment. Experience of successful countries reveals one common theme: government and the private sector working together towards creation of an enabling environment. Public-private dialogue is increasingly recognized as an essential ingredient for improving government policies in developing countries, yet in the majority of LDCs, other developing and transition economies, such dialogues are not well organized, often poorly informed and sometimes barely exists.

How ITC currently responds to client needs

The objective of ITC's work in providing policy support and strategic guidance is to develop the capacity of the private sector in developing countries to engage effectively in a fruitful dialogue with government and to facilitate the creation of multi-stakeholder platforms for this dialogue to take place. ITC focuses on two areas vital for export competitiveness.

- **Building stakeholder confidence**, especially in the private sector, in national trade policy reforms and enhancing the private sector's capacity to influence government positions in international trade negotiations. This helps to improve the ownership and quality of policymaking, bringing it in line with the needs of the private sector, and to make government policy politically credible and sustainable by securing buy-in from key stakeholders.
- **Transforming policy into action**, by facilitating the development of needs-driven national, regional and sector-specific export-development strategies. This entails identifying priority areas for reform and sustainable export development, and elaborating an implementation action plan for policymakers, TSIs and enterprises to achieve maximum impact.

In implementing these programmes, ITC emphasizes inclusiveness by targeting its assistance to associations representing the interests of SMEs, including women-owned enterprises, and including wider groups of stakeholders, such as civil society organizations. The 2011 Client Survey showed that 76% of policymakers who interacted with ITC, positively valued its contribution in supporting their organization or government to integrate business into the global economy over the past three years.

Building stakeholder confidence in trade policy reform

ITC's interventions are aimed at supporting a structured and well-informed policy dialogue by reducing the capacity deficiencies on both sides of the public-private dialogue.

- **On the public-sector side**, ITC's interventions include convening and moderating public-private dialogues and providing policymakers with technical knowledge and experience of reforms undertaken in other countries. ITC's interventions contribute to toning down the control-oriented attitudes of governments, which is often the first direct result of private-sector participation in policy formulation and implementation. It also contributes to improving the quality of decisions by developing a better understanding of the business implications of intended policies.
- **On the private-sector side**, ITC builds the technical capacity of organizations representing the private sector to articulate the interests of their membership – especially SME's – on trade policy issues. Through specialized training courses, including on trade intelligence, targeted research and analysis of policies, ITC helps the private sector to acquire the knowledge and skills needed to engage in constructive dialogue and in effective advocacy. ITC also assists business organizations to reach out to the wider SME constituency in their efforts to secure legitimacy of their advocacy activities.

ITC thus helps to create a positive, collaborative environment for trade policy dialogue, moving away from common, unconstructive criticisms of governments, which reinforce confrontational attitudes and mutual mistrust to no party's advantage.

Facilitating coherent strategies for export development

ITC provides technical assistance to countries to facilitate the design, implementation and monitoring of national, regional and sector export strategies. These strategies, while being comprehensive in scope since they address, both the supply-side – the business environment and the market, specifically priority sectors for inclusive development – and trade support functions – such as trade financing and trade promotion – also tackle cross-cutting issues such as gender, rural development, environmental sustainability and regional integration.

Designing an export strategy enables national stakeholders to set priorities and allocate resources to them. Using ITC's participatory methodology and needs-analysis tools, a diverse group of stakeholders from the public and private sectors, civil society and vulnerable communities, are brought together to make informed decisions on the scope and priorities for expanding and diversifying exports. The result is a roadmap and plan of action with strong national buy-in to increase export competitiveness, while at the same time ensuring economic and social sustainability in development. This actionable roadmap, which integrates trade and export competitiveness in national development plans, also provides a framework for follow-up assistance to countries by ITC and other technical organizations.

During the implementation phase of the export strategy, ITC continues to work alongside stakeholders, strengthening their capacity to manage and coordinate implementation, and to obtain and allocate the necessary resources to implement the priorities identified in the action plan. An effective monitoring and management structure allows periodic checks on the continuing relevance of the priorities identified and allocation of resources in a constantly evolving environment. The country's institutions involved in export strategy design, implementation and monitoring are strengthened and the plan of action is transformed into implementable and funded projects.

Over the past ten years ITC has facilitated national, regional and sector-specific export strategies around the world in middle-income countries, LDCs, SIDS and fragile states (for example in Mozambique, COMESA and Jamaica), with the financial support of donors such as the European Union, Germany and Canada.

The principal challenges for ITC are twofold:

1. *Develop new tools that respond to developing countries' emerging needs and priorities*

ITC continues to innovate in export strategy so that its programme evolves in response to the changing needs of its clients. In 2011, for example, ITC piloted its first multi-country regional export strategies, funded by the European Union and Canada, in the COMESA, ECOWAS, ECCAS and UEMOA subregions in response to the need to adopt a harmonized approach to facilitate regional integration. ITC needs resources to engage more actively in youth development and job creation, environmental sustainability, and in tracking countries' strategic frameworks to minimize duplication of effort by development partners.

2. *Meet rising demand for technical assistance in export strategy design and implementation*

Over the past two years, ITC has seen a rapid increase in demand for technical assistance in export strategy design and management. The organization has only been able to respond to a few of these requests because of a lack of funding. For example, there were no resources available to assist the following countries: Afghanistan, Antigua and Barbuda, Armenia, Barbados, the Central African Republic, the Gambia, Guyana, Haiti, Kenya, Kyrgyzstan, Mongolia, Sierra Leone, Uganda, Viet Nam and Yemen.

MDGs

By building stakeholder confidence in the private sector around national trade policy reforms and international trade negotiations, ITC helps to strengthen the multilateral trading system, thus contributing to MDG 8 (Global Partnership), which aims at "developing further an open, rule-based, predictable, non-discriminatory trading and financial system."

ITC's export strategy methodology integrates the promotion of gender equality and empowerment women. This ensures that women are integrated into decision-making, as well as in national and international value chains, and that policies and actions address the issue of women's unequal access to the resources and opportunities needed to trade.

During the past year, ITC developed a module for environmental sustainability. This is designed to encourage developing countries to adopt green production techniques and engage in the export of environmental products and services. The methodology introduces crucial strategic considerations related to biodiversity and climate change in export competitiveness.

Examples of ITC's programmes

Building trade capacity in LDCs acceding to WTO

ITC, jointly with the WTO, provides technical assistance to LDCs by strengthening stakeholder confidence, especially among the private sector, in their government's bid for WTO membership. This programme was implemented in Samoa, Lao People's Democratic Republic, Ethiopia and Yemen in 2010–2011.

We facilitate structured public-private dialogues on selected themes in workshops, experience sharing using the case study approach, and provide advisory services and training to develop the capacity of apex private-sector associations to engage in a constructive dialogue with policymakers. ITC publications and trade intelligence tools are extensively used to enhance the technical capacities of clients.

The programme has been customized to the specific needs of each acceding country. For example, in Samoa, ITC's technical assistance contributed to helping the country to complete its accession negotiations successfully and thereafter engaged the private sector in an informed debate on the business implications of the accession package and on the potential benefits of WTO membership. In Ethiopia, in line with the government's cautious approach, the programme was gradually rolled out starting with sharing lessons from recently acceded LDCs on business competitiveness, then discussing issues of liberalization in the sensitive telecommunications and financial services sectors. In the Lao People's Democratic Republic, assistance focused on identifying strategies for benefiting from new business opportunities integrating domestic enterprises into global value chains by increasing trade in parts, components and services, as WTO membership fosters deeper integration in the Association of Southeast Asian Nations (ASEAN) region.

Supporting business advocacy on trade policy and regulations

Since 1996, ITC has been implementing a global programme on supporting business advocacy on trade policy and regulation. The projects under this programme have been titled variously as Uruguay Round Follow-Up, World Trade Net, and Business and Trade Policy, in line with the requirements of the global trade environment of the time. The programme enhances the knowledge base of national chambers of commerce to undertake informed advocacy on national trade policy and regulation, as well as on their positions on multilateral, regional and bilateral trade negotiations. Activities include publications, business briefs on trade policy (e-newsletter), and training programmes. Examples in 2011 include assistance to the East African Business Council, the Southern African Development Community (SADC) Employers Group and SADC Chambers of Commerce and Industry in understanding the business implications of regional integration in Africa.

Lessons learned

- A customized approach aligned with the special requirements of each country is essential for building stakeholder confidence through public-private dialogue on trade policy and regulation. The additional effort required in customizing the project for each country is small when compared to the results achieved, in terms of stakeholder buy-in and enhanced policy that serves the interests of SMEs.

- For ITC's business and trade policy interventions to be effective, a basic level of confidence and openness between government and private-sector stakeholders is a precondition for success, for them to engage in dialogue and substantial discussions on trade policy and regulatory reform.
- The impact of interventions is maximized if the local business advocacy partner (such as the chamber of commerce) has a strong organizational capacity and credibility of engagement with the government in policy dialogue.
- For an export strategy to be effective in a beneficiary country, the design process must be fully inclusive and participatory. In such a process, all the different actors along the relevant value chains, as well as the highest levels of political authority, need to be engaged.
- Continued support in the post-design phase is crucial to enable the implementation of export strategies. Partner countries need assistance in setting up coordinating mechanisms, monitoring systems and measurement tools, as well as with resource mobilization and allocation.

Looking ahead: Consolidation of programmes and innovation to respond to beneficiary needs

Policymaking and strategy development go hand in hand. Therefore, ITC provides the opportunity to sequence technical assistance programmes that allow for support in developing enhanced and more inclusive decision-making on trade policy (domestically, regionally and in the multilateral context). This is combined with support for design of export-oriented strategies that enable the country's TSIs and SMEs to action such policies by taking advantage of the opportunities negotiated at the policymaker level. The strategy design process informs policy and enables policymakers to adjust or introduce policies that are conducive to entrepreneurship, export development and competitiveness.

ITC is looking for funding to innovate further in these areas to make sure that its offering is in line with the evolving needs of its clients. We would like to highlight the following three areas:

Support for the LDC accession programme

Building on the foundation laid during the last two years and reflecting strong demand, ITC will further consolidate the scope of the programme by deepening analysis and targeted discussions on important areas of the negotiation process. At the same time, we aim to respond to requests by exploring a gradual extension of the programme to new countries. The proposed activities should encompass:

- Besides engaging the private sector, ITC would involve in the process key opinion makers such as parliamentarians, the media and academia in countries where we are already providing accession assistance (Ethiopia, Lao People's Democratic Republic and Yemen);
- Launching the programme in Sudan and Liberia in response to requests received from these governments;
- Post-accession support to Samoa to assist the public and private sectors in implementing accession commitments and adjusting to the new situation.

Support for business advocacy on regional integration and trade in services

Research and development for maintaining the relevance of the programme in the rapidly evolving global trade environment requires the development of new case studies to document benefits and challenges of liberalization, especially in developing countries; a publication on business benefits of services sector reforms; and a workshop on factors that facilitate linkages between big business and SMEs. The knowledge thus created will support training sessions in six countries and two African subregions [the East African Community (EAC) and SADC] in 2012, besides being disseminated through e-newsletters and the ITC website. Based on client demand, and also reflecting government priorities, two themes, regional integration and trade in services, will be the focus of these sessions.

Support for export strategy development

Provided funding is available, ITC plans to continue to expand and innovate in the area of export strategy by:

- Extending assistance to Burundi, Cambodia, Côte d'Ivoire, the Gambia, Ghana, Jordan, the Lao People's Democratic Republic, Liberia, Mozambique and the Occupied Palestinian Territory. Additional resources are needed to respond to requests for technical assistance from Antigua and Barbuda, Armenia, the Central African Republic, Kenya, Kyrgyzstan, Uganda, Viet Nam and Yemen.
- Following the mainstreaming of gender issues into export strategy methodology, the next areas of focus for mainstreaming are environmental and youth issues. A methodology for designing environment-sensitive export strategies needs to be piloted and then integrated in ITC's export strategy work.
- Reinforcing and updating sector strategy design support materials based on lessons and experiences from 20 countries and regions over the past two years.
- Strengthening the programme of post-design support and capacity building to encourage implementation of the strategies and effective monitoring and measurement of results.
- Introducing an international database of national strategies and plans as a global resource for beneficiaries, donors and technical assistance agencies alike, as well as a self-assessment tool on export development to maximize reach and impact.
- Reinforcing the network of national stakeholders from developing countries involved in export strategy design and management to encourage sharing of good practice.

STRENGTHENING EXPORT CAPACITY OF ENTERPRISES TO RESPOND TO MARKET OPPORTUNITIES

Why SME exporter competitiveness matters

In a fast-changing business environment, exporters in developing countries, particularly SMEs, face strong competition. To be competitive, enterprises must understand end-market requirements, plan strategically, manage resources, set up robust, sustainable operations, produce marketable products, and find the right channels to reach their target customers. In doing this, they face considerable challenges, such as limited access to finance, lack of product diversification and innovation, sub-optimal supply chains, and limited access to training and business development services in export planning and preparation.

ITC's mission is to assist developing country SMEs in meeting these challenges and integrating into the world trade system. Focusing on sectors with export potential that have been identified as priority areas in the export strategies of client governments, ITC's training and capacity building increase the knowledge and skills of entrepreneurs and optimize sector-level value chains for exports.

How ITC currently responds to client needs

ITC's exporter competitiveness service portfolio

ITC offers its clients a wide range of certification and training programmes as well as white papers accessible to all through the internet and in print:

- **Certified Trade Advisers Programme (CTAP).** This programme develops national capacity to provide training and advisory services to improve the international competitiveness of SMEs. It equips trainees with the know-how and skills to diagnose problems related to the management of production, marketing and exporting processes. Clients include several schools and universities, such as the Private University of Bolivia, which is designing programmes and providing assistance to enterprises using CTAP materials and methodologies.

- **Trainers-cum-Counsellors (TcC) Programme.** ITC trains TcCs on food safety requirements and coaches on quality audit techniques for enterprises, which enables them to provide assistance in food safety to SMEs. With support from the European Union, three TcC programmes were delivered in 2011, in Ghana, Kenya and Uganda.
- **Modular Learning System in Supply-Chain Management (MLS–SCM).** For a decade, ITC has worked on the development and implementation of this training programme in response to the need for professional development of supply-chain managers across the globe. The programme aims at reducing the knowledge gap in supply-chain management, achieving a reduction in costs and an increase in revenues for businesses. With the support of Switzerland, the training programme targets business executives at different stages of their career. Participants can choose from 20 modules, study at their own pace, take exams and gain internationally recognized professional certification. The programme is managed and delivered locally by ITC's partners and in 2011 the programme received ISO certification.
- **PACKit modules.** Packaging is an important component of any marketing strategy, as it helps to differentiate a product and attract attention, while also helping to prevent loss or damage to goods traded internationally. This modular training programme targets packaging industry professionals, using a unique set of 37 modules designed specifically for SMEs in developing countries. ITC certifies packaging trainers who have undergone a rigorous training programme and are able to train and advise exporting SMEs and the local packaging industry. ITC also provides support to institutions to set up packaging information centres and technical resource centres, and advises governments on matters related to export packaging in general.
- **Access to Finance for Exporting SMEs.** This programme assists exporting and export-ready SMEs in partner countries to access affordable, formal finance to support exporting activities by improving financial management and strengthening the capacity of TSIs to provide financial counselling to SMEs. We partner with financial institutions to facilitate the access of SMEs to financial products and services. The programme is supported by a credit scoring tool for financial institutions, a self-assessment instrument, or self-checker, for SMEs available through the ITC website, training manuals and handbooks.

Exporter competitiveness and the MDGs

Gender-specific programmes are being implemented in the coffee and cotton sectors, aiming at generating increased revenue for women workers through distinct labelling and branding of coffee produced by women-led organizations. The focus of the ethical fashion programme is on job creation and poverty alleviation of women in poor communities.

- **ACCESS! – Enhancing capabilities of women entrepreneurs to manage their international businesses.** ACCESS! is an enterprise support development programme funded by Canada that works to improve the export development services of business support institutions, and to assist women-owned SMEs in Africa to increase their exports. Licensed national focal point institutions train and certify ACCESS! trainers to, in turn, train SME managers. They also provide export business counselling. Resources permitting, ITC plans to expand this programme, which has to date focused on Africa.

Exporter competitiveness delivery modules

When it comes to enterprise competitiveness interventions beyond certification programmes, ITC has adopted a market-driven intervention logic that forms the backbone of its enterprise-strengthening efforts. The structured approach has the following components:

- **Market opportunity identification.** ITC provides market knowledge and expertise through its trade databases and sector portals, and also works with market experts and buyers to provide advice and coach SMEs in specific contexts.
- **Export strategy.** Methodologies and tools are made available through TSIs to facilitate the development of bankable export strategies and business plans that are coherent with the sector and national level strategy.

- **Situation analysis.** At the beginning of a capacity-building project or programme, ITC experts conduct a rigorous baseline analysis of the SMEs in a country and the support infrastructure available to them, with the aim of highlighting the competitiveness gaps of enterprises and of the entire value chain.
 - **Activation plan.** ITC sets up a capacity-building intervention plan for the optimization of the sector value chain. The plan covers all critical aspects of export performance at the level of SMEs and the relevant support institutions, including:
 - Sector-specific export strategy
 - Export management
 - Marketing and branding
 - Export packaging
 - Export quality management
 - Supply-chain management
 - E-solutions for business
 - Financial management
 - Information and knowledge management
 - Legal aspects of international trade
 - Sector-specific capacity-building expertise
- The assistance is provided through identification and selection of partner institutions who deliver training and advisory support to enterprises.
- **Market linkages.** ITC links exporting SMEs to global value chains by promoting the participation of potential international buyers in the programmes. Through buyer–seller meetings, successful results have been obtained in the cotton, coffee and pharmaceutical sectors, among others, including for women-owned enterprises.

Putting this approach into practice – the case of cotton

ITC tailors its enterprise-strengthening services to the particular needs of various sectors, including cotton. African cotton companies have traditionally focused on production rather than the market. A market-oriented culture did not develop because sales were handled outside Africa by international cotton merchants. Direct market linkages with clients did not develop and no direct feedback loop from spinning mills to ginning companies and producers emerged. Moreover, African cotton producers and ginners were isolated from technical developments elsewhere, with the result that emerging economies such as China, India and Turkey advanced in the sector while African producers stagnated.

At the heart of ITC's approach is South-South cooperation, with two major focus areas: facilitating learning and collaboration with countries that have successfully developed their cotton and textiles and clothing sectors, and building sustainable trade linkages.

Learning and collaboration:

- Learning from success, for example, in Brazil, China, India, Pakistan or Turkey, to share knowledge with cotton professionals from Africa;
- Developing capacity to transform cotton: successful textile and clothing producers are relaying their experiences to African countries;
- Encouraging intra-African cooperation: extensive knowledge and know-how is available in Africa but often neglected.

Sustainable trade linkages:

- Sourcing from other developing countries items ranging from seeds and fertilizer to ginning and textile technology;
- Promoting African cotton to forge closer linkages with cotton-consuming countries in Asia, not only to learn what clients expect but also to promote their cotton;
- Reducing cotton contamination to achieve premiums.

Lessons learned

Projects in this area have taught the following lessons:

- In order to achieve long-term impact, there is a need to continue consolidating and keeping up the momentum in countries, with the aim of maintaining and further strengthening existing export development capacities;
- There is a need to enable beneficiary TSIs to achieve self-reliance and self-sustainability from a financial, technical, and operational perspective. TSIs need to engage and commit, through the signature of license agreements, to make full use of the technical expertise available beyond the lifetime of a project.

Looking ahead: Innovation driving ITC's exporter competitiveness efforts

ITC is committed to improving existing tools and programmes for strengthening the competitiveness of SMEs in developing countries in important traditional and new sectors for LDCs. ITC will also continue to strengthen South-South trade linkages. Participants in the 2011 Client Survey made it clear that they expect ITC to address the needs of beneficiaries with the development of innovative programmes to support the export success of entrepreneurs in the developing world. Funding permitting, we intend to launch a number of new programmes:

Trade and youth

Despite the increasing recognition of entrepreneurship as a source of employment, wealth creation, empowerment and economic dynamism in a rapidly changing world, there has been no systematic ITC programme focusing on extending these benefits to young people. ITC plans to design and develop a pragmatic and sector-relevant capacity-building programme for young women and men to develop skills and competences that can be applied to the revitalization of their communities. The objectives of this programme would be, first, to bring alienated and marginalized youth into the economic mainstream; second, to promote innovation and resilience in young people by equipping young entrepreneurs with the necessary skills and knowledge to take advantage of opportunities offered by the marketplace; and third, to make young entrepreneurs responsive to and originators of new economic opportunities and trends.

Promoting services' exports

In 2012, ITC will be investing significant resources in reinforcing the programme on promotion of export in services. The organization will be developing tools to understand the relationship between services' exports and employment generation, and to advise country clients on how to improve the environment for services companies. Key issues to be addressed include helping clients to improve the profile of their services industries, promoting building of human capital and developing the capacities of TSIs in services' export promotion. (For more details, see page 46.)

Access to finance for exporting SMEs

The Asia and Pacific SME Knowledge and Finance Regional Centre is a new initiative to address the acute shortage of formal and affordable finance for exporting and export-ready SMEs in Nepal, Lao People's Democratic Republic, Samoa and Vanuatu. The project will use ITC's access to finance for SMEs methodology, and ITC will partner with the Association of Development Finance Institutions in Asia and the Pacific, a technically strong and well-respected institution in the region. The project will advocate sound financial management practices, roll out innovative approaches to SME financing and facilitate knowledge sharing through an electronic platform.

Value creation and retention at source: an ITC–WIPO partnership

A major challenge faced by countries exporting agricultural commodity products is that on average less than 10% of the value created is retained in the exporting country. To address this issue, ITC and

the World Intellectual Property Organization (WIPO) have joined forces to cooperate with their respective technical expertise in branding and intellectual property. A pilot programme is to be implemented in the cloves sector of Zanzibar, United Republic of Tanzania, where producers will be helped to identify, protect and retain the value created at source. This initiative is expected to be replicated in other countries and other sectors.

Realization of these initiatives requires donor support. We are grateful for the support received to date and look forward to engaging with donor agencies to enable us to meet our clients' high expectations for best impact in the enterprise competitiveness field.

The Global Platform for Action for Sourcing from Women Vendors

A ten-year strategy was developed last year to deliver the Platform's aim to increase the share of corporate, government and institutional procurement from women vendors in order to bring greater economic benefit to women and their communities.

The Platform already has corporate members with an annual procurement spend in excess of US\$ 700 billion, a sellers' network of more than 50,000 business and professional women, and a growing number of TSIs across multiple sectors and countries. We are seeking to develop the Platform further, both in terms of membership and sales volume.

INCLUSIVENESS AND SUSTAINABILITY MAINSTREAMED IN TRADE PROMOTION

Why inclusiveness and sustainability matter

ITC's stakeholders have consistently emphasized the importance of mainstreaming inclusiveness and sustainability in the organization's trade development work. During the JAG meeting in July 2011, beneficiaries and partners reaffirmed the need to create work opportunities for millions of young people entering the job market, emphasized the importance of developing services that lead to the employment of poor communities and women, and stressed the need to continue ITC's work in mainstreaming gender into its activities at headquarters and in the field.

Our work in countries in 2011 reinforced our understanding of these needs. For example, supporting the creation of employment for young people has become a priority in the wake of the Arab Spring. Our work in Côte d'Ivoire also emphasizes the importance of the integration of women and marginalized communities in sector strategy and export development. Buyers in multinational corporations and producers in developing countries coming together under ITC's Platform for Action on Women Vendors place a high priority on building linkages between buyers and women-owned business in developing countries. The 2011 Client Survey also highlighted the importance of prioritizing project requests with a positive social and environmental impact. And finally, beneficiary TSIs and private-sector leaders continue to identify connecting poor communities, women and youth to international markets as priority objectives in all of our work.

2012 is a critical year for sustainability. World leaders and civil society will come together at the Rio+20 United Nations Conference on Sustainable Development to agree on a plan to preserve the natural environment. As part of this process, ITC's partners are highlighting the need to ensure that the linkages between trade and sustainable development are understood, and are requesting assistance in taking advantage of the immense opportunities related to the green economy concept, and in overcoming the challenges presented by the proliferation of sustainability standards used by an increasing number of their customers in making purchasing decisions.

There is also a strong message from our client countries and donors that we need to integrate indicators and evaluation and monitoring methods that enable us to measure our impact in these areas. This integration will enable ITC to better help our client countries achieve their MDG goals related to poverty reduction, the environment and women's empowerment.

How ITC currently responds to client needs

ITC has developed pilot programmes focusing on women and trade, poor communities and trade, climate change and the environment, to build and test tools and approaches with a view to mainstreaming and scaling them up across the portfolio.

The Women and Trade Programme

The Women and Trade Programme, supported by the United Kingdom, Norway and the ITF, develops the capacity of women's business organizations to support women-owned enterprises through direct technical assistance and market linkages. The programme led the establishment of the Global Platform for Action on Sourcing from Women Vendors for TSIs to help women-owned businesses to connect to corporate and government buyers. Its membership includes 300 corporations, associations and government agencies, representing over 50,000 individual members. The estimated annual procurement spend of member corporations is above US\$ 700 billion. In 2011, ITC also began a formal process for mainstreaming gender into its wider portfolio, as well as when working with partners in the field. According to the World Food Programme, women reinvest 90% of their earnings in family well-being. When women are in control of their income, a number of positive outcomes follow: infant mortality decreases, child health and nutrition improves, economies expand and cycles of poverty are broken.

Achievements of the programme include:

- US\$ 15 million in goods and services sales generated for women entrepreneurs in developing countries;
- Commitment and Letters of Intent from three multinationals to purchase coffee produced by women;
- Establishment of buyer-mentor groups in selected sectors to help sellers understand buyers' requirements and as a vehicle through which buyers train prospective sellers in their procurement processes;
- Creation, with partners, of three new TSIs for women in coffee as a channel for TRTA and to link sellers with buyers;
- Following the Expert Round-table on the Gender Dimension of Aid for Trade, development of 20 case studies highlighting how addressing gender-based constraints to trade fosters development, which were included in the Compendium of Case Studies prepared by WTO for the Third Aid for Trade Global Review.
- Successfully influencing adjustment of the Diagnostic Trade Integration Study template to better capture gender-based constraints to trade – from a single reference in the introduction to 12 references to women and gender in substantive chapters;
- Development and piloting of training on the gender dimension of the Enhanced Integrated Framework (EIF), supporting integration of gender in Tier 2 EIF project proposals.

The Poor Communities and Trade Programme

The Poor Communities and Trade Programme connects micro-entrepreneurs and informal workers from marginalized communities to export markets through an inclusive business model and a support infrastructure managed by project-based alliances between ITC, social enterprises and leading global companies. Together they build market linkages with buyers, particularly in the fashion industry, for example with British designer Vivienne Westwood, and develop capabilities in the communities to produce world-class products while contributing to social development.

The Trade, Climate Change and Environment Programme

TCCEP provides a capacity-building platform for exporters in developing countries to enable them to benefit from the so-called green economy, that is, one that results in improved human well-being and social equity, while significantly reducing environmental risks and ecological scarcities. In order to strengthen the competitiveness of SMEs in accessing sustainability markets, the programme provides

trade intelligence, training services to SMEs and TSIs on compliance with sustainability standards, and strengthens market linkages. It focuses on markets related to sustainable agriculture, biodiversity-based products and climate change issues.

The impacts of the programme includes raising producer incomes and producing positive environmental outcomes both at the local level (net biodiversity gains) and internationally (reduced greenhouse gas emissions in the supply chain).

Focusing on the opportunities of the green economy for SME exporters in 2012, the programme will respond to high demand from exporters and cooperatives in Peru and other developing countries for assistance in market development for biodiversity-based products. It will pilot new projects for Kenyan tea and fruit exporters to prepare and implement climate change adaptation and mitigation strategies and extend collaboration with the Convention on International Trade in Endangered Species of Wild Fauna and Flora to analyse the trade in endangered species of animals and plants. The programme will continue its implementation through capacity development, strengthening market linkages and producing global public information goods for SMEs.

Export strategy design

ITC's approach to export strategy design enables inclusiveness by bringing together stakeholders from the public and private sectors and civil society. The strategies include actors all along export value chains from producers to shippers to license-issuing officials. Gender has been a core consideration in the development of such export strategies for the past ten years. Since 2009, ITC has also offered stand-alone gender-sensitive export strategy assistance to bring women in trade to the forefront of countries' national trade agendas.

Lessons learned

ITC has learned a range of lessons from these processes:

- In strategy, at the national and sector level, maximum inclusiveness increases ownership and stakeholder buy-in. Consequently, there is a marked increase in levels of implementation and results. As a result, we have incorporated this wider approach to inclusiveness as a core element of all sector-development work.
- We have also learned there is relatively little understanding of where women-owned exporting companies are concentrated and, despite the strong interest that many buyers have in increasing their procurement from women, there are a number of barriers that keep actual transactions low, which may include complex procurement procedures.
- We have learned that poor communities can produce world-class fashion products, but the time horizon for bringing them to self-sufficiency through local social enterprises is at least three years.
- In the area of environmental sustainability, we have learned that our SME clients are particularly focused on market opportunities and the uptake of sustainable business processes is much higher if clients see a tangible business benefit as a result of the intervention.
- At the level of ITC's overall portfolio, we have learned that programme design has to balance purely economic objectives of maximizing export growth with those of maximizing poverty reduction and social impact.
- We have also learned that RBM design must take into account that inclusion of vulnerable and poor segments in the informal sector may require more resource-intensive TRTA input for each dollar in new export earnings than working with export-ready enterprises.

Looking ahead: Innovation to drive inclusiveness and sustainability

In 2012–2013, ITC will continue to innovate to mainstream inclusiveness throughout the portfolio and develop approaches that will allow our TSI partners to build these principles into their services. We have conceived these programmes based on the demand of our clients, and their realization depends on donor support.

Scaling up of the Poor Communities and Trade Programme

The Poor Communities and Trade Programme is scaling up from its initial pilot in Kenya and Uganda to at least three other countries, including Ghana, with the support of Switzerland, and Haiti. The programme will work to adapt elements of ITC's service offering to working with poor communities more broadly, and is studying how to mainstream the principal elements of its approach, such as social-impact assessment, across the ITC portfolio. During 2012, Poor Communities and Trade will seek to build an Africa-wide platform reaching tens of thousands of beneficiaries in the medium term.

Scaling up and accelerating the Women and Trade Programme

The Women and Trade Programme Phase II, 2013–2015, will focus on three areas of activity to bring greater economic benefit to women and their communities:

- Continuing to help women-owned businesses to understand buyers' requirements and government procurement. It will tackle issues underlying lack of access to information on tenders and the role corporate, government and institutional buyers can play in setting targets for sourcing from women-owned businesses. Demand for services related to government purchasing comes principally from Africa and the Latin America and Caribbean region, with a concentration of corporate buyer interest in Asia.
- Advocating integration of the economic empowerment of women as a goal in agreements, resolutions and declarations and their accountability frameworks. Under Phase II, ITC intends to launch a combined advocacy campaign provisionally titled Empowering Women: Powering Trade – Economic Empowerment for Sustained Impact. A prime focus would be on the post-2015 United Nations Development Agenda, which presents a significant opportunity to focus on women's economic empowerment as a goal.
- Improving the availability and use of trade intelligence and good practices in support of the economic empowerment of women. We will conduct further research, with partners, into the link between women's entrepreneurship as a catalyst for job creation and a deeper understanding of gender-based constraints to trade. In addition we will propagate the integration of gender analysis into national trade diagnostics and gender-sensitive value-chain analysis. While it is recognized that women are a link between trade and development, impact can only be achieved through women's control over their income.

Mainstreaming youth and environment in export strategy design

ITC is developing a methodology for environment-specific export strategies that will be tested in 2012, and plans to develop a youth-specific methodology for export strategy.

Understanding the opportunities of the green economy for SME exporters

The TCCEP aims to pilot several new activities focusing on the potential of the green economy. These include two public-private partnership market studies on bio-trade in Peru analysing the impact of climate change on the supply of natural products and the competitiveness of natural products from Latin America in the United States market.

Building analytical tools to understand impact on inclusiveness and sustainability

ITC will improve its analytical tools and processes for understanding our impact in the areas of inclusiveness and sustainability. During 2012, we will be developing processes to better measure impact on women and youth and building baselines to inform our work in the future. We will also build on our large-scale company survey to understand better where and how women and young people are currently engaged in export activities. For young people, we will conduct a needs assessment to understand the qualification requirements in specific sectors and develop inputs to tailored training and capacity-building programmes that can help them meet those requirements. In environment and sustainability, we will begin to address the challenge of quantifying the association between trade and the environment, looking specifically at sectors such as management of land, efficiency of water use and other areas for agricultural trade.

REGIONAL AND COUNTRY PROGRAMMES

SUB-SAHARAN AFRICA

KEY FACTS

GDP per capita US\$ 2011, range (IMF estimate):

- 14,374 (Equatorial Guinea)
- 197 (Burundi)

GDP per capita US\$ PPP 2011, range (IMF estimate):

- 24,724 (Seychelles)
- 348 (Democratic Republic of the Congo)

GDP growth rate, annual % 2011, range (CIA WFB estimate):

- 13.5% (Ghana)
- 5.8% (Côte d'Ivoire)

Human Development Index 2011, range in rankings:

- 52 (Seychelles)
- 186 (Democratic Republic of the Congo)

Population 2011 – range:

- 162 million (Nigeria, UN estimate)
- 91,000 (Seychelles, census result 2010)

Number of countries:

45 countries, including 29 LDCs of which 12 are also LLDCs and 3 also SIDS; and including 3 other LLDCs and 3 other SIDS

Number of countries with ITC projects in 2011:

21 countries

ITC delivery in the region 2011:

US\$ 19.6 million

ITC expected delivery in the region 2012:

US\$ 21.0 million

Share in ITC's country and regional delivery 2011:

60%

ITC regional partners and subregions:

- ECOWAS – West Africa; and ECCAS Central Africa¹
- EAC – Eastern Africa and SADC – Southern Africa²


**Trade fact examples 2010
(ITC Trade Map)**

Region's exports: 2.1% of world merchandise exports, yet:

- 62% of cocoa beans (30% from Côte d'Ivoire)
- 50% of gum arabic (47% from Nigeria)
- 35% cloves (19% from Madagascar)

Region's imports: 1.9% of world merchandise imports, yet:

- 30% of matches (11% by Nigeria)
- 18% of rice (3% by Nigeria)
- 12% wigs, eyebrows and eyelashes (8% by Benin)

REGIONAL OVERVIEW

ITC believes that Africa's decade has finally come and, with the right support, many of the continent's SMEs could integrate into the global trading system and produce sustainable and inclusive growth in their communities and beyond. Over the last decade, Africa has experienced unprecedented growth and even the global financial crisis could not halt this momentum. In 2011, GDP in sub-Saharan Africa grew by an estimated 5.5%, with a number of countries exceeding 7% – the threshold for making major and lasting inroads into poverty reduction. At least one country, Ethiopia, is projected to grow at around 11% in 2012. The number of households with discretionary income is projected to rise by 50% to 128 million by 2020,³ and by then Africa is expected to have the world's largest work force –

¹ Western Africa (ECOWAS): Benin, Burkina Faso, Gambia, Guinea, Guinea-Bissau, Liberia, Mali, Niger, Senegal, Sierra Leone, Togo, Côte d'Ivoire, Ghana, Nigeria, Cape Verde; Central Africa (ECCAS): Cameroon, Congo, Gabon, Sao Tome and Principe, Angola, Burundi, Chad, Central African Republic, Democratic Republic of the Congo, Equatorial Guinea.

² Eastern Africa (EAC): Kenya, Burundi, United Republic of Tanzania, Rwanda, Uganda; Southern Africa (SADC): Angola, Botswana, Democratic Republic of the Congo, Lesotho, Madagascar, Malawi, Mauritius, Mozambique, Namibia, Seychelles, South Africa, Swaziland, United Republic of Tanzania, Zambia, Zimbabwe.

³ Source: McKinsey 2010: Lions on the move: The progress and potential of African economies.

1.1 billion –greater than China’s or India’s. To provide work for the large number of young people entering the job market, focusing on sectors with the potential for significant youth employment is critical. Foreign direct investment (FDI) in Africa in 2010 amounted to US\$ 554 billion, which significantly exceeded India’s total of US\$ 198 billion.

Benefiting from growth in world trade and high commodity prices, the subregions of sub-Saharan Africa registered economic growth of 5.3%, 6.7%, 4.5% and 6% for Central, Eastern, Southern and Western Africa respectively: the outlook for 2012 is 5.7%, 6.7%, 5.5% and 6.8%.⁴ These robust GDP growth rates in the wake of the global financial and economic crisis of 2008–2009, compounded with the recent political crisis in Côte d’Ivoire, suggest that sustainable, double-digit growth is possible in the right conditions.

REGIONAL TRADE LANDSCAPE

However, despite the impressive growth, Africa’s exports still represent only 4% of global trade – and only 1% if the oil and gas sectors are excluded. In addition, the proportion of intra-African trade relative to total trade is low, at about 11%, compared to about 40% in North America, 60% in Western Europe and 50% in Asia.⁵ Africa also has the highest export product concentration of all the regions in the world, limited to a range of agricultural commodities and minerals and – in the case of West Africa – oil. Export of manufactured goods is negligible, with a few notable exceptions such as Uganda, Rwanda and Ethiopia. This is coupled with a high export market concentration. Diversification and exploitation of the untapped potential of intraregional trade represent two major opportunities for the continent.

The challenges are substantial: Africa ranks low on trade facilitation. Supply chains are underdeveloped within countries and regionally, markets are fragmented and borders are difficult to cross. At the same time, even the continent’s high-potential SMEs are underfunded because of a lack of availability of reasonably-priced capital. They also lack access to advisory services, export market knowledge and the production quality and efficiency required for successful and sustainable export activities. These are the challenges that ITC must help governments to tackle.

Recognizing the importance of intra-African trade, African governments decided at the 18th Summit of the African Union in Addis Ababa, Ethiopia, in January 2012 to create a Continental Free Trade Area (CFTA). Ensuring Africa’s convergence with the rest of the world through regional economic integration is a priority for ITC in the region (see the text box on page 28). In Western and Central Africa, intraregional trade continues to be marginal, reflecting a lack of appropriate trade facilitation, of knowledge on trade opportunities existing within the member states, and bureaucratic hurdles. East and Southern African countries have, on the other hand, seen their exports expand, and several countries have created intraregional platforms moving towards common markets over the past five years.

African countries continue to secure development funds from donors, including for TRTA. But many, in particular the LDCs, face problems in responding adequately to these opportunities because of the lack of capacity in designing projects, coordinating the engagement of development partners, and leading national project approval processes according to set criteria, such as those of the EIF. TRTA absorption capacity is further hindered by weak institutional structures of TSIs and other private-sector organizations, through which support could be channelled more efficiently and sustainably to raise SMEs’ competitiveness. Addressing these issues is the key to unleashing the potential of Africa’s sectors, and to achieving export impact through in-country transactions with tourists and foreign investors.

KEY IMPACT AREAS AND RESOURCE NEEDS

ITC’s approach to technical assistance in the region will focus on the challenges described above. Five areas have been identified with high impact to facilitate the integration of SMEs into the global trading system and help foster sustainable and equitable growth, address gender issues and create

⁴ Source: “African Economic Outlook 2011”.

⁵ Source: AU 2010: Achieving integration that is people-centred and development oriented, Session of the Conference of African Union Ministers of Trade, Kigali November, 2010.

employment. Working within the frameworks of national and regional development strategies and priorities, ITC also integrates its expertise also into larger multi-agency programmes. As an active member of the United Nations System Chief Executives Board (CEB) Interagency Cluster on Trade and Development, the organization engages fully in joint programming under the One UN umbrella.

Together with our national and regional development partners, we are looking for additional resources with which to achieve further impact in the following key areas:

Advancing regional integration and interregional trade in Africa

In spite of a large number of integration schemes, market integration in sub-Saharan Africa has remained weak. There is, however, political momentum among governments for greater regional integration. Accordingly, ensuring Africa's convergence through regional economic integration is a priority for ITC. Our programme activities focus on promoting linkages between RECs, the private sector and TSIs.

In 2012, under PACT II, we will continue our efforts to promote regional integration, supporting COMESA, ECCAS and ECOWAS in strengthening their organizational capacities and operational structures to initiate and lead regional trade development. This includes market analysis, networking arrangements between TSIs, and outreach mechanisms to the private sector; developing the capacities of private-sector organizations to formulate trade policy positions and advocate for the business sector; strengthening the service capacity of organizations handling business law harmonization; improving regional trade information networks; and focusing stakeholders' attention on improving the regional value chains for products such as leather, coffee and mango. Work on improving regional trade in West Africa through more conducive trade laws, a better understanding of regional trade opportunities by the private sector, a strengthened private-sector voice in addressing regional trade obstacles, will be pursued under the PACIR project. The NTM programme (see page 6), supports these efforts by increasing transparency and understanding of non-tariff trade barriers. NTM surveys will be conducted in Côte d'Ivoire and most of the EAC, and efforts are being made to create linkages to an intraregional NTM monitoring framework.

A successor programme to ITC's work on the All ACP Agricultural Commodities Programme countries, funded by the European Union and expected to start in 2012, will focus on the development of the West and Central African cotton sector to empower producers to deal directly with international customers, thereby reaping more of the benefits than is the case currently.

ITC is looking to expand its programme in the region in 2012, building the capacity of RECs to better articulate and facilitate Aid for Trade projects at the regional level. We aim to strengthen ties for inter-REC cooperation for information exchange, with a view to eventually having joint project implementation to increase trade within the CFTA framework. We will build on the experience of PACT II and are exploring, jointly with the RECs and potential donors, a follow-up cooperation programme that will provide a regionally focused response strategy and solutions to the countries' trade development needs in the context of their regional integration agenda. As part of the Women and Trade Programme, We are also looking for funding to expand the pilot initiative for women cross-border traders in EAC and South Sudan, so that they can better tap into the markets of neighbouring countries.

Focus on the particular needs of LDCs under the EIF

The EIF is an important development mechanism for the region and is widely seen as a tool to pilot Aid for Trade delivery methodology. However, many LDCs have only recently set up the required National Implementation Units. Because of challenges in project design, project implementation and partner coordination, progress in finalizing and submitting Tier 2 project proposals has been slow. ITC plans to assist LDCs in tackling these bottlenecks by building the capacity of EIF national infrastructures through country-specific tools and training on project delivery and donor coordination. This includes gender mainstreaming in EIF project design. ITC will also assist LDCs in developing Tier 2 projects, and in 2012, proposals jointly developed with Benin, Chad, Comoros, Lesotho, Uganda and Zambia are expected to be finalized.

Tourism-driven poverty reduction

Many countries in Eastern and Southern Africa are already recognized as major destinations with a high potential for tourism, from safaris to cultural tourism, leisure and beach holidays. Globally, the tourism industry is dominated by multinationals, but it also creates opportunities for linkages with SMEs in other sectors of the economy – agricultural products and services, such as organic agriculture, farm tourism, light manufacturing and handicrafts (art, craft, souvenirs), and the services sector (health, beauty and entertainment). During 2012, ITC will launch a project funded by Switzerland, in conjunction with several other agencies, to link SMEs in the horticulture sector to supply produce to hotels in the United Republic of Tanzania. In Mozambique, ITC is working with the Department of Tourism on developing and promoting a diversified, quality-controlled tourism offering with maximum impact on income opportunities for micro-businesses. The Gambia has requested ITC to identify opportunities for linking local small producers with the tourism sector, under their new EIF project starting later this year. An EIF tourism-sector project in Uganda is also being discussed.

Employment and youth development

Job creation is the most effective means of sustainably moving a segment of the population out of poverty, and hence is an area of prime focus for ITC, with a particular emphasis on youth. A rapidly growing informal sector in the continent's cities is providing jobs to all categories of young people, both skilled and unskilled. Facilitating the movement of enterprises employing these workers into the formal sector will provide more stable employment. ITC has experience in the area of drawing marginalized and under-employed communities into the formal economy, as demonstrated in the Ethical Fashion initiative in Kenya and Uganda. The programme represents an approach to the design, sourcing and manufacture of clothing and lifestyle products that inserts disadvantaged African communities and their groups of informal manufacturers – mostly women – into an international value chain associated with household brand names in the fashion industry. With funding from Switzerland, the programme has expanded to Ghana since January 2012.

In 2012 ITC will conclude a project funded by Flanders to assist vegetable smallholders in Malawi, Mozambique and South Africa to sell directly to supermarket chains, thus increasing incomes and employment. In various other countries, ITC has identified sectors with export potential and particular employment impact, and is working on improving sector value chains at all levels – small producers, exporters, TSIs, policy and strategy. For 2012, this includes work under the NTF II programme in Senegal (mangos), Kenya (tree fruit), Uganda (coffee), South Africa (rooibos and automotive parts); and under the new EIF project in the Gambia (groundnuts, sesame, cashew). The Danish-funded TCCEP promotes opportunities for smallholders in bio-trade and organic farming. A particular focus on employment and economic opportunities for (young) women is a feature of the Canadian-funded ACCESS! programme, which strengthens trade support and networks of women business owners, and the United Kingdom-funded Women and Trade programme, under which establishment of women's associations in East Africa's coffee sector is promoted.

Resources permitting, ITC is planning to work in several African LDCs on facilitating SME and community business development by helping them to integrate into domestic and regional value chains.

Promoting institutional learning through South-South and triangular cooperation

Besides intraregional trade there are other areas of cooperation that could be mutually beneficial to countries in the region, contributing to export-led growth. ITC will foster the following mechanisms as support to institutional learning and development through South-South cooperation:

- Deploy benchmarking support services to ensure that TSIs' capacity development is based on thorough diagnostics of existing internal and external capacities and challenges;
- Inter-firm cooperation, to enhance international competitiveness.

An initiative funded by the *Organisation Internationale de la Francophonie* (OIF) to link West and Central African producers and TSIs with counterparts from the Mekong region in Asia will continue in 2012.

In focus: regional integration

Regional integration has become an important issue for policymakers across developing countries and transition economies. As described in the regional chapters of this CPD, ITC is committed to assisting its clients in benefiting from the closer integration of neighbouring economies, which can contribute significantly to economic growth and development. Larger regional markets for trade and investment result in greater competitiveness, because of lower trade barriers, reduced risks for trade and investment, and productivity gains through economies of scale. Regional trade among neighbouring developing countries tends to include a higher share of manufacturing products, with more added value, compared to exports to the rest of the world. Increased intraregional trade also means more geographical diversification and offers greater opportunities for SMEs because of lower upfront investment requirements and more similar product and services requirements of clients. Given the importance of export composition for long-term growth, greater integration within regions can in turn boost per capita income and sustain employment creation in dynamic industries.

The African CFTA

The African Union (AU) has decided to fast track the African CFTA, to be completed by 2017. In order to achieve this, the AU has adopted an action plan for boosting intra-African trade based on overcoming challenges in several cluster areas. These include:

- **Trade policy.** Support to and implementation of programmes to enhance the role of the organized private sector, informal private sector and women in trade through public-private dialogue.
- **Trade facilitation.** Expediting the movement of goods along existing trade corridors.
- **Trade finance.** This cluster is being established with the aim of developing and strengthening African financial institutions and mechanisms to promote intra-African trade and investment.

ITC's response: strategic partnerships to facilitate and deliver TRTA

ITC actively seeks to strengthen its partnerships to facilitate and support public- and private-sector policy dialogue. One initiative is the support for the Pan-African Private Sector Trade Policy Committee (PAFTRAC) with its secretariat in the African Export-Import Bank. PAFTRAC was set up to provide a framework to facilitate African private-sector participation and engagement in trade issues in the continent, including trade policy formulation and trade negotiations. This agenda includes the following themes, which ITC will support subject to resource availability:

- **Trade facilitation.** Supporting public-private forums that will help to identify ways to improve trade facilitation measures and monitor their implementation at national and regional levels. It will assist governments in overcoming inertia and reducing resistance to a robust integrated border management system, and encourage government agencies to introduce and implement self-regulation schemes. This will not only improve levels of compliance but also reduce the costs incurred in ensuring compliance.
- **NTMs and standards.** Supporting the establishment and implementation of a NTM monitoring, removal and reporting mechanism, to establish a common framework for the systematic elimination of NTMs at regional and national levels. PAFTRAC would also support capacity building in the private sector to distinguish legitimate from illegitimate measures that need to be resolved by intergovernmental mechanisms. PAFTRAC would assist the public sector to find ways of defining appropriate levels of sophistication that meet the requirements of national and regional industries, without prohibitive costs.
- **Trade in services.** Assisting governments to clarify, from the business perspective, the broad policy objectives they wish to pursue in services negotiations at the regional, continental and multilateral levels; and designing a service-sector roadmap by setting up a cross-sectoral, multi-issue steering committee.
- **Trade finance.** Facilitating dissemination of information to businesses regarding trade finance instruments offered by banks and other financial institutions, fostering an inclusive dialogue on the growth and development of a strong, vibrant and competitive African continental financial system with appropriate regulation.

Technical assistance in these areas will require financial resources for organizing workshops and research for preparing policy position papers.

THE ARAB STATES

KEY FACTS

GDP per capita US\$ 2011, range (IMF estimate):

- US\$ 97,967 (Qatar)
- US\$ 1,227 (Mauritania) (Somalia, n.a.)

GDP per capita US\$ PPP 2011, range (IMF estimate):

- US\$ 102,891 (Qatar)
- US\$ 2,212 (Mauritania) (Somalia, n.a.)

GDP growth rate, annual % 2011, range (CIA WFB estimate):

- 18.7% (Qatar)
- -2.5% (Yemen)

Human Development Index 2011, range in rankings:

- 30 (United Arab Emirates)
- 169 (Somalia) (Sudan, n.a.)

Population 2011 – range:

- 81.6 million (Egypt, official population clock)
- 906,000 (Djibouti, UN estimate)

Number of countries:

21, including 5 LDCs and 1 SIDS

Number of countries with ITC projects in 2011:

14, including 4 LDCs

ITC delivery in the region 2011:

US\$ 4.2 million

ITC expected delivery in the region 2012:

US\$ 4.5 million

Share in ITC's country and regional delivery 2011:

13%

ITC regional partners and subregions:

- Arab LDCs⁶
- Non-oil exporters⁷
- Oil exporters⁸


**Trade fact examples 2010
(ITC Trade Map)**

Region's exports: 5.5% of world merchandise exports, yet:

- 99% of essential oil of jasmine (mostly from Morocco)
- 78% of liquorices roots (76% from Morocco)
- 48% of live sheep and goats (14% from Syria)

Region's imports: 3.9% of world merchandise imports, yet:

- 27% of human hair, unworked (mostly by Tunisia)
- 23% of refined sugar (4% by UAE)
- 23% of wheat and meslin (6% by Egypt)

REGIONAL OVERVIEW

The 21 countries that comprise the Arab States region have been deeply affected in economic, social and political terms by a wave of social movements commonly referred to as the Arab Spring. Revolutions and civil protests that erupted in late 2010 and in places are still continuing, resulted in prolonged political transition in many countries. Several governments are still in the process of defining roadmaps towards political and economic reform. Political uncertainty, armed conflict and the financial crisis in their major European export markets have weakened especially the non-oil exporting countries and LDCs. The economies of both country groups are estimated to have shrunk in 2011 by 0.5% on average. Growth in the entire Arab region is forecast to pick up in 2012 and reach 4.2%, albeit with large disparities between countries; while most non-oil exporters will likely recover and grow by 2.4% on average, real GDP in the LDCs will contract further by 2.9%. Oil exporters are expected to grow by 4.4% in 2012, slightly down from their 5.8% growth in 2011.

Despite national particularities, certain development challenges are common to most countries of the region. Income inequality, for example, is a significant factor in nearly all countries. The poverty rate

⁶ Djibouti, Mauritania, Somalia, Sudan, Yemen.

⁷ Egypt, Iraq, Jordan, Lebanon, Morocco, Occupied Palestinian Territory, Syria, Tunisia.

⁸ Algeria, Bahrain, United Arab Emirates, Kuwait, Libya, Oman, Qatar, Saudi Arabia.

averages 39%, and stands at 59% in LDCs. Economic development in many countries has not been inclusive and the benefits of growth have not been shared equitably. This has resulted in further marginalization of vulnerable communities, particularly women, landless producers and unemployed youth. Unemployment is a chronic problem, even in the high- and very high-income countries: jobless rates stand at around 15% for the region as a whole, but are as high as around 25% among young people. With three years remaining for the achievement of the MDGs, only the high-income oil exporters are likely to reach their goals.

REGIONAL TRADE LANDSCAPE

Most of the Arab States recorded a decline in exports in 2011, both in volume and value. Overall, the region experienced export growth of approximately 4.8%, but this average masks huge cross-country disparities: six countries saw the real value of their exports decline between 0.6% (Algeria) and 15% (Sudan); at the same time, the oil-exporting countries, except conflict-stricken Libya, benefited from rising oil and gas prices and exported 6.7% more than in 2010.

From a macroeconomic perspective, a lack of export diversification exposes most of the countries to the risk of negative external demand and price shocks. While a few non-oil exporters, notably Morocco and Tunisia, managed over the past decade to reduce the concentration of their exports, the majority still rely on a small number of exported goods. Exports from Arab LDCs are nearly as highly concentrated in terms of products as those from the oil exporters. In the latter group, Oman and the United Arab Emirates were the only countries to have significantly reduced the concentration of their exports over the past decade. The domination of hydrocarbon products in the exports of oil-exporting countries is a serious trade challenge with regard to economic sustainability, even for high-income countries. Non-oil exporters and LDCs display a high dependency on raw materials, agricultural produce and low value-added products.

Persistently low export diversification rates are the result of structural factors that undermine the ability of exporters to compete in international markets. High transaction costs in trade, resulting from burdensome trade regulation and inadequate transport and logistics facilities, lead to a considerable competitiveness disadvantage, as does the low use of trade intelligence. Trade intelligence services are very basic, often not available in Arabic, and exporters do not perceive trade intelligence as an important factor in decision-making.

Many of the trade-related challenges in the Arab States have not been addressed adequately because TSIs and policymakers often lack the necessary technical capacities to do so. Ten out of the 21 countries do not have a dedicated TPO, and those that do exist often suffer from low resource endowments, which do not allow them to fulfil their mandates. Moreover, existing TPOs and other TSIs lack an effective networking mechanism, which, as in many other regions of the world, could promote the spread of good practice in supporting exporters and foster regional trade integration.

KEY IMPACT AREAS AND RESOURCE NEEDS

ITC's work in the region in recent years has concentrated on addressing major trade and development challenges and has helped achieve outcomes with high potential for long-term development impact. Important achievements include building trade intelligence capacities, for example through setting up trade observatories in Morocco, Tunisia and Jordan under the EnACT programme, and assistance in building the competitiveness of SME exporters in specific export sectors, such as the fruits and vegetables sector in Tunisia, under a project funded by Switzerland. With new projects coming on stream in 2012, ITC is increasingly becoming involved in strengthening TSIs (including TPOs) and their networks, but much remains to be done in this important area.

Building on the success of its work in the region and keeping in mind lessons learned, such as the importance of regional multipliers, the need to build on good practice and the importance of working through a sound network of national and regional consultants, ITC has identified three key areas of impact to focus on where it can make a meaningful contribution. Beneficiary countries will be Tunisia, Egypt, Jordan, Morocco, Algeria, the Occupied Palestinian Territory and Kuwait. We are looking for additional resources of US\$ 10 million over the next two years to fund the pipeline projects described

below, which will all contribute to the cross-cutting objective of export diversification and regional trade integration, assisting SMEs to integrate into global value chains.

Improving capacities in trade and competitive intelligence

ITC's recent surveys among the users of its trade intelligence services have shown that enterprises from the Arab States use trade intelligence less than exporters from all other regions. TSIs, recognizing the importance of trade intelligence in export diversification, have repeatedly expressed their demand for capacity building in the area of trade and market information.

In response, over the past two years ITC has been providing support in developing capacities in market analysis and economic and competitive intelligence under its main programmes in the region. This includes the establishment of trade information centres in Morocco, Tunisia and Jordan; capacity development in modelling, simulation and trade data analysis in Tunisia; the establishment of an institutional network for gathering, analysing and disseminating economic and competitive intelligence in Tunisia; and capacity building of TPOs and chambers of commerce in preparing market studies for products and markets in the EnACT partner countries. Work in these areas will continue in 2012 with a focus on spreading the knowledge base to a larger number of TSIs and to the provinces of the beneficiary countries.

Over the next three years ITC plans to expand its work in these areas to other countries by replicating good practice and creating a regional network of trade information centres and institutions offering competitive intelligence services to exporters. The scope and nature of capacity-building activities will vary, according to the profile of the country. Oil-exporters will particularly be looking for trade intelligence capacity building related to export diversification, with customized services being provided to identify products and markets with the greatest potential for export success.

Non-oil exporters will be provided with capacity-building assistance in developing and strengthening economic intelligence systems that provide dynamic, forward-looking intelligence on products, markets and other areas related to competitiveness. Funded by Canada, tailor-made training on detecting and analysing export opportunities will be provided in the Occupied Palestinian Territory in collaboration with the Palestine Trade Center (PALTRADE). In Tunisia, where the new government has made trade development a high priority, ITC will build on its work in 2010–2011 with support from Switzerland, by making the institutional network on trade intelligence accessible to exporters.

ITC is currently developing a new multi-agency programme under the Aid for Trade initiative for the Arab States on promoting regional integration. Funds permitting, the programme will provide policymakers with in-depth analyses on regional trade flows and opportunities and existing barriers to integration, and build regional capacities for creating, analysing and disseminating trade intelligence. It will also enable TSIs to provide state-of-the-art trade intelligence services through dedicated training, replicating successful interventions in Morocco, Tunisia and Jordan.

Strengthening TSIs and establishing regional TSI networks

Effective institutional support is critical for enabling enterprises to become exporters and pursue market opportunities abroad. Recent institutional assessments, for example in Morocco, the Occupied Palestinian Territory and Oman, showed that many institutions face a common challenge: lack of exposure to international good practice in the area of export promotion.

ITC's expertise in creating and nurturing TSIs and their networks will allow it to build strong and much-needed TSI networks in the Arab States – platforms that will allow TPOs, standards bodies, customs authorities and chambers of commerce to share their experience and knowledge with their peers and initiate regional trade promotion projects. For example, building on the CTAP in Tunisia, Morocco and Algeria, resources permitting, ITC will endeavour to establish, a network of trade advisors to provide export advisory services to exporters from the region. Strengthening existing TSI networks and creating new ones is, thus, an important preliminary step in ensuring that other TSI capacity-building measures will have sustainable development impacts.

In 2012, projects in Tunisia, the Occupied Palestinian Territory and under the EnACT programme will focus on developing TSI and TPO institutional capacities. As part of a new multi-agency programme on developing and promoting regional integration in the Arab States, ITC plans to carry out institutional assessments of TPOs and create a regional TPO network in the region. Starting in 2012, TPOs from Arab LDCs, non-oil exporters and oil exporters will be supported in conceiving, creating and managing a sustainable network to share experiences, promote good practice and address common problems.

In 2012, ITC will also prepare a successor programme for EnACT to consolidate the results achieved in the five programme countries, particularly in the area of TSI capacity development.

Poverty reduction and employment creation through sector development

Unemployment among disaffected youth has been a major factor in the recent upheavals in the region and there is a high expectation on the new governments to provide work for young people. Fostering employment through export promotion and development will be a priority objective for ITC in the region, with a focus on creating decent employment and incomes for young people and women. The EnACT programme has made an important contribution in this regard, with several initiatives directly targeting young and women entrepreneurs. Increasing trade among the five programme countries is an integral part of the programme's strategy, with a focus on young entrepreneurs, and the experience from this programme will be important in rolling out a similar approach to other countries of the region. The focus will be on identifying sectors with high potential for job creation. ITC will primarily concentrate on sectors where it has developed expertise through successful interventions in the past, for example, agribusiness, leather, textiles and clothing, and services.

At country level, ITC is currently developing a successor programme to the sector development project in Tunisia, which will focus on building the competitiveness of the agribusiness and textiles and clothing sectors and integrate them into global value chains, with a focus on employment creation and the development of specific subregions within Tunisia.

At regional level, ITC is developing a new programme entitled Sustainable Employment through Export Development that focuses on providing much-needed assistance to countries affected by the Arab Spring. It takes a two-track approach, with a swift-response track to provide assistance to address immediate trade-related challenges resulting from the political transition, and a long-term transformation-oriented track focusing on developing export sectors with employment creation potential, especially for young people and women. The planned successor programme of EnACT will also have a sector-development focus and will help deepen trade among the five partner countries. Both programmes will require adequate funding in order to deliver on their objectives.

For LDCs, ITC is developing a special programme in collaboration with the Islamic Development Bank's Islamic Solidarity Fund for Development and the International Islamic Trade Finance Corporation, aimed at integrating poor communities into international value chains through grassroots approaches, with a focus on creating sustainable incomes and improving livelihoods in Mauritania, Sudan, Djibouti and Yemen.

ASIA AND THE PACIFIC

KEY FACTS

GDP per capita US\$ 2011, range (IMF estimate):

- US\$ 50,714 (Singapore)
- US\$ 575 (Afghanistan) (Tuvalu, n.a.)

GDP per capita US\$ PPP 2011, range (IMF estimate):

- US\$ 59,937 (Singapore)
- US\$ 965 (Afghanistan) (Tuvalu, n.a.)

GDP growth rate, annual % 2011, range (CIA WFB estimate):

- 11.5% (Mongolia)
- 1.0% (Tuvalu)

Human Development Index 2011, range in rankings:

- 15 (Republic of Korea)
- 172 (Afghanistan)

Population 2011 – range:

- 1.3 billion (China, official estimate)
- 10,000 (Nauru and Tuvalu, UN estimate)

Number of countries:

36, including 2 LDCs, 4 LDC-LLDCs, 6 LDC-SIDS and 9 SIDS

Number of countries with ITC projects in 2011:

9, including 2 LDCs, 1 LDC-LLDC and 2 LDC-SIDS

ITC delivery in the region 2011:

US\$ 4.1 million

ITC expected delivery in the region 2012:

US\$ 4.4 million

Share in ITC's country and regional delivery 2011:

12%

ITC regional partners and subregions:

- Asia⁹
- Pacific¹⁰



Trade fact examples 2010 (ITC Trade Map)

Region's exports: 21.2% of world merchandise exports, yet:

- 83% of basketwork & wickerware (69% from China)
- 85% of cinnamon & cinnamon tree flowers (35% from Sri Lanka)
- 99% of natural sponges, of animal origin (nearly all from the Philippines)

Region's imports: 21.1% of world merchandise imports, yet:

- 76% of world asbestos (32% by India)
- 43% of unwrought or semi-manufactured gold (27% by India)
- 35% of fresh or chilled garlic (11% by Indonesia)

REGIONAL OVERVIEW

Home to more than half the world's population, the region includes centres of great economic dynamism and vigorous export performance, while also sustaining two-thirds of the world's poor. Economies in Asia have experienced slowdown resulting from global uncertainty and the impact of the 2011 natural disasters in Japan and Southeast Asia. Uncertainties about fiscal sustainability in the United States and sovereign debt in the Eurozone have constrained growth in the region by weakening external demand and causing volatility in financial markets. The earthquake and tsunami in Japan and flooding in Southeast Asia, particularly Thailand, caused supply-chain disruptions and damaged production networks. With the weaker global outlook, growth in Asia fell to 8.2% in 2011 (4.7% excluding China). Weak external demand, particularly in manufacturing, will continue to constrain growth in 2012. For 2012, the Asian Development Bank expects a slight increase in GDP growth for Southeast Asia, from 5.5% in 2011 to 5.6% in 2012, steady growth at 7.7% in South Asia and a slowdown in the Pacific economies to 5.5%.

⁹ ASEAN members: Brunei Darussalam, Cambodia, Indonesia, Lao People's Democratic Republic, Malaysia, Myanmar, Philippines, Singapore, Thailand, Viet Nam; and Afghanistan, Bangladesh, Bhutan, China, Democratic People's Republic of Korea, India, Iran (Islamic Republic of), Maldives, Nepal, Republic of Korea, Mongolia, Sri Lanka.

¹⁰ Cook Islands, Kiribati, Federated States of Micronesia, Marshall Islands, Nauru, Niue, Palau, Papua New Guinea, Samoa, Solomon Islands, Tonga, Tuvalu, Vanuatu, Timor-Leste.

Despite considerable progress in terms of poverty reduction, challenges remain: 1.8 billion people still live on less than US\$ 2 a day and approximately 900 million people live on the edge of subsistence with a daily income of US\$ 1.25 or less. Furthermore, vast inequalities across the region, and within countries, continue to be a major cause of concern, forcing policymakers to attach increased importance to the inclusiveness of the growth process.

REGIONAL TRADE LANDSCAPE

Rebalancing national and regional strategies beyond exports to western markets, is an important policy objective for many governments in the region, both in terms of boosting domestic demand and exploring linkages with new foreign markets. Export diversification is a particular priority for the region's LDCs, LLDCs and SIDS, given their narrow export base and overdependence on a limited number of export markets.

Asian economies have pursued greater regional trade integration, which has been identified by governments as an engine for further economic development, particularly in light of weakened demands from European and North American markets. With the intricate web of regional supply chains and production networks, the emergence of Asian regionalism augurs well for growth. However, the region's diversity and the gap between low-income and high-income countries underscores the need for increased policy efforts to nurture regional cooperation and trade. NTMs, regulatory standards and behind-the-border issues stand out as important bottlenecks in this regard.

In 2009, Aid for Trade to Asia accounted for US\$ 15.4 billion, with US\$ 276 million flowing into Pacific countries. Two-thirds of the funds were concentrated on economic infrastructure. The region includes six of the top ten Aid for Trade recipient countries in the world. A notable trend in the delivery of Aid for Trade is the growing importance of multi-country programmes, aid effectiveness, country ownership and an increased focus on LDCs.

KEY IMPACT AREAS AND RESOURCE NEEDS

In view of the economic and trade situation of the region and the framework of the MDGs, ITC has identified three key impact areas to sharpen focus and achieve greater results. We will continue to concentrate on the integration of vulnerable communities into global supply chains, the facilitation of trade between developing countries within and between regions, and assistance in sector-specific diversification. We will engage in partnerships with emerging countries in the region, such as China and India, which show a growing interest in providing resources, knowledge and regional good practices, especially in the context of intra- and interregional South-South trade and triangular cooperation.

Linking vulnerable communities to global markets

Poverty reduction and inclusive economic growth are at the core of ITC's work in the region, in line with our goal to mainstream inclusiveness and sustainability in trade promotion. Using trade as a powerful force for socio-economic development, we will continue to focus on facilitating the participation of disadvantaged communities in value chains linked to tourism, handicrafts and agricultural goods. Particular attention will be paid to the economic empowerment of women, who make up most of the workforce in many of these sectors.

ITC's work in the Lao People's Democratic Republic – in conjunction with the CEB Trade Cluster Programme and Switzerland – will focus on assisting producers of silk and organic products into the tourism value chain. Assistance to the silk sector in Cambodia will continue through the New Zealand-funded sector-wide silk project and a planned successor project that will benefit mainly the poor communities involved in silk production, particularly women artisans. In Viet Nam, implementation of the ITC-led One UN programme, financed by Spain, enters its third year focusing on employment generation and boosting income in remote, rural communities by developing better integrated, pro-poor, and environmentally sustainable value chains in the craft and furniture sectors. A new initiative to support poor communities is planned in Fiji. This project will focus on alternative sources of income and livelihood improvement for communities engaged in production and processing of agri-foods, through increasing revenue retention and sales volumes and reduction of product loss.

Facilitating regional integration and South-South trade

In view of sluggish demand from most industrialized countries, South-South cooperation in both trade and investment has become a major engine for growth. In terms of intraregional trade there is considerable potential for expansion among countries in the South Asian Association for Regional Cooperation and Pacific Island economic groupings. The Asian Development Bank 2011 report concludes that strengthening regional cooperation in the region would also contribute to poverty reduction.

Linkages with countries in Africa, Latin America and the Middle East offer promising means to rebalance the sources of economic growth in the region. Barriers to trade have already been significantly reduced in the South with increased economic cooperation. However, tariff levels and other barriers to trade are still higher for South-South trade than for trade with industrialized markets. A gradual removal of the remaining obstacles would create opportunities for growth. The recent decision by China to abolish all tariffs for products originating from LDCs represents an important boost to South-South cooperation.

To improve the availability and use of information on regional and interregional trade obstacles, ITC will complete a NTM survey in Cambodia this year. Dialogue with government authorities in Indonesia, Lao People's Democratic Republic, Malaysia and Viet Nam to roll out similar surveys is planned.

As part of the focus on LDCs in the region, ITC will continue to work closely with the business communities of the Lao People's Democratic Republic on its WTO accession process, and in Samoa on implementation of the country's WTO accession commitments. All candidates for WTO accession take this process as a stepping stone to open regionalism. (To read more about ITC's TRTA work related to WTO accession, see page 14).

ITC will build on the successful implementation of the European Union-funded African, Caribbean and Pacific Agricultural Commodities Programme, which connects African cotton producers and Asian buyers. This initiative will not only develop new sales channels but also be an important vehicle to build capacities of African producers through training and institutional-level linkages in Asia, thereby strengthening productive exchanges between the regions.

In 2012, ITC will continue to promote intra- and interregional trade in the context of its two flagship events, both of which will take place in the region: the World Export Development Forum (WEDF), will take place in Indonesia and will focus on interregional trade; the WTPO Conference and Awards will be held in Malaysia and will offer an opportunity for TPOs to network and share best practices.

We are still seeking funds for a new project focusing on access to trade finance as part of our South-South trade development initiative. The planned Asia and Pacific SME Knowledge and Finance Regional Centre would strengthen regional cooperation to address the acute shortage of formal and affordable finance for exporting and export-ready SMEs. The project addresses trade finance in a number of important sectors in Nepal, the Lao People's Democratic Republic, Samoa and Vanuatu, in partnership with the Association of Development Financing Institutions in Asia and the Pacific, the leading TSI representing development banks in the region. The budget for the proposed project is US\$ 2.3 million over its three-year lifespan.

Assisting sector-specific export diversification

Diversifying exports, both in terms of products and sectors, is a priority for sustained economic growth. ITC supports the process by facilitating the development of national and sector-based strategies and by enhancing productive capacities to strengthen international sector competitiveness. Concurrent with these efforts, access to foreign markets will be facilitated for SMEs and the role of the trade support networks strengthened to improve and expand the availability of relevant and effective extension services to exporters.

In Bangladesh, ITC will continue its partnership with the Netherlands Centre for the Promotion of Imports from Developing Countries and the Bangladesh Association of Software and Information Services, to create sustainable exporter competitiveness in the information technology and information technology enabled services sector in a country that has so far been left out of the business process outsourcing boom in the region.

In Cambodia, a new initiative under the EIF aims to diversify and expand the country's export performance. ITC will leverage previous achievements of the Sector-wide Silk Project to enhance the competitiveness of the sector and develop new export markets for high-value silk products. An important aspect of the new initiative is the involvement of the government and its intention to create an enabling policy framework and a sector-development roadmap. Until recently, the redevelopment of the silk sector in Cambodia was mostly a private-sector and donor-driven effort. Earlier attempts to develop the sector principally through private sector initiatives such as the Cambodia Silk Forum or the CraftNetwork Cambodia, while helpful, have shown limitations. It is therefore envisaged to create an institutional mechanism in the form of a National Silk Board to establish a public-private partnership.

ITC's work in trade policy will also continue in Pakistan where the government is being supported in designing and implementing a coherent and well-informed trade policy and regulatory reform to increase export competitiveness in non-traditional sectors. The project support ranges from trade policy research to institutional capacity building for government bodies and trade research institutes to strengthening the public-private dialogue in view of developing a national export strategy – the first step towards the creation of a sector-specific export diversification strategy.

Responding to the trade-related development priorities of Nepal, an EIF pipeline project aims to strengthen the competitiveness of the Chyangra Pashmina sector. Interventions are planned all along the value chain, including targeted marketing initiatives in selected markets and strengthening the sector's institutional support infrastructure, which provides improved access to essential market and trade-related information for producers, processors and exporters.

In focus: South-South trade

Countries looking for greater integration into the global trading system are faced with a continuously challenging global economic environment, with traditional markets stagnant or shrinking. For many developing countries, including LDCs, the best strategy to address this situation is to strengthen trade ties with emerging markets and other developing countries. ITC is well positioned to assist developing countries in such export diversification strategies, as it has been active in what is often called South-South trade for more than a decade. (For the related programme area of Regional Integration, see page 46.)

The programme on South-South trade focuses on the motivation and capacity of enterprises to seek and find business opportunities in other developing markets, despite barriers that are often initially higher than for Northern or domestic markets.

A programme on establishing South-South business linkages, primarily through identifying and documenting regional trade opportunities and arranging buyer-seller meetings for particular sectors and regions, was established in 1999. The programme received positive evaluations over the years; most recently, transactions facilitated at the LatinPharma event in Peru in November 2011 amounted to more than US\$ 2 million in confirmed sales at the event, while deals worth a further US\$ 4.3 million are under negotiation. ITC's investment, funded by the Denmark, was US\$ 160,000. Over the last few years ITC has facilitated South-South transactions and cooperation in the cotton sector, with a focus on West Africa, Turkey and China; knowledge-sharing in the leather sector; and linkages between the Mekong region and West Africa. However, it is clear that South-South trade needs to be further mainstreamed in the organization's work, leveraging more areas of internal expertise and feeding into more projects. The 2011 Client Survey and follow-up interviews highlighted the demand for ITC to address this area and confirmed the strategy of focusing on the needs of specific sectors.

Looking ahead: a comprehensive South-South trade offering

In line with the Strategic Plan and its strategic objectives, we aim to expand and systematize support to SME exporters in identifying and grasping business opportunities in fellow Southern markets.

- **Trade intelligence.** There is far less market information available and accessible on product/market complementarities in the South than in the North. We will progressively address this gap with sector-specific trade intelligence on growing Southern markets, selected on the basis of statistical analyses of trade flows and the relevance of particular sectors for trade and inclusive development (e.g. agro-products, pharmaceuticals, logistics and financial services).
- **Capacity of TSIs.** ITC works with TSIs, transferring South-South trade promotion methodologies, enhancing their competence to support enterprises in this field and encouraging networking on priority issues. The range of organizations involved is wide: sectoral trade associations, foreign trade representations, academic and financial institutions, insurance companies, and organizations handling production standards. Coalitions of TSIs can be built around selected sectors and topics, partially compensating for the lack of resources in individual organizations: an example is the RERINFOCOM network, hosted and managed by the ECCAS secretariat and developed under PACTII. It is a regional trade information network working to enhance trade information transparency.
- **Facilitating business linkages for South-South exports.** We will continue to help enterprises transform opportunities into business deals by bringing potential importers and exporters together. The organization of buyer-seller meetings has proved to be an effective method for converting potential into actual trade. In order for these meetings to be successful, they need to be embedded in an overall export facilitation programme, rather than being organized as one-off events. The promotion of regional supply chains, for example through regional sector strategies, can generate savings on inputs and diversification of clients. They can also lead to South-South investment.
- **Strengthening the enabling environment for South-South trade.** We will develop a structured feedback methodology on sector-specific and general intraregional trade obstacles, taking account of the trade policy agendas, stakeholder coalitions and public-private dialogue forums of particular regions. This will contribute directly, and be an integral part of the intraregional trade programme.

In order to respond adequately to the growing demand from our clients in this area we seek financial support from donor agencies to promote South-South trade in products and services. We also seek to establish stronger collaboration with partners in emerging markets who are ready to share their expertise with other countries and to look for mutually beneficial opportunities.

EASTERN EUROPE AND CENTRAL ASIA

KEY FACTS

GDP per capita US\$ 2011, range (IMF estimate):

- US\$ 14,529 (Croatia)
- US\$ 862 (Tajikistan)

GDP per capita US\$ PPP 2011, range (IMF estimate):

- US\$ 18,338 (Croatia)
- US\$ 2,040 (Tajikistan)

GDP growth rate, annual % 2011, range (CIA WFB estimate):

- 9.9% (Turkmenistan)
- 0.2% (Azerbaijan)

Human Development Index 2011, range in rankings:

- 46 (Croatia)
- 127 (Tajikistan)

Population 2011 – range:

- 143 million (Russian Federation, official estimate)
- 620,000 (Montenegro, census 2011)

Number of countries:

19, including 9 LLDCs

Number of countries with ITC projects in 2011:

8, including 4 LLDCs

ITC delivery in the region 2011:

US\$ 1.3 million

ITC expected delivery in the region 2012:

US\$ 1.6 million

Share in ITC's country and regional delivery 2011:

4%

ITC regional partners and subregions:

- CIS and Georgia¹¹
- Eastern Europe and Turkey¹²


**Trade fact examples 2010
(ITC Trade Map)**

Region's exports: 4.7% of world merchandise exports, yet:

- 85% of shelled hazelnuts and filberts (77% from Turkey)
- 52% railway or tramway goods vans and wagons (50% from the Ukraine)
- 34% of potassic fertilizers (18% from the Russian Federation)

Region's imports: 4.3% of world merchandise imports, yet:

- 36% wallpaper and similar wall coverings (24% by the Russian Federation)
- 23% of dried apricots (19% by the Russian Federation)
- 19% of black tea (12% by the Russian Federation)

REGIONAL OVERVIEW

Hard hit by the 2008–2009 financial crisis, the region recorded economic growth of 5% in 2011 and the forecast for 2012 is around 3.2%. There are two important areas for concern: some countries, especially in Eastern Europe, may be particularly negatively affected by deterioration in global financial markets and the crisis in the euro area. At the same time, higher food and energy prices are a source of vulnerability for net importers, threatening to increase poverty, particularly in lower income economies in the Commonwealth of Independent States (CIS) such as Kyrgyzstan and Tajikistan.

Connecting SMEs to the global trading system is a challenge in a region with a legacy of central planning focused on large enterprises, where responding to market needs was historically not important. ITC is committed to assisting vulnerable players in the economy to overcome these difficulties and become the engines of sustainable economic growth in the region.

Sustainable development, which combines strong economic growth with equity and preservation of natural environment, is a major challenge for policymakers in all the countries of the region. During the

¹¹ Armenia, Azerbaijan, Belarus, Georgia, Kazakhstan, Kyrgyzstan, Republic of Moldova, Russian Federation, Tajikistan, Turkmenistan, Ukraine, Uzbekistan.

¹² Albania, Bosnia and Herzegovina, Croatia, Serbia, Montenegro, Turkey.

past two decades, inequality has increased rapidly. Although since 1999 nearly 90 million of the region's 480 million people – about 18% of the population – have moved out of poverty, almost a third of the population are still poor or vulnerable. And despite some progress, several countries in the region are among the least energy efficient and most carbon intensive in the world, and suffer from environmental degradation as a result of their recent history.

REGIONAL TRADE LANDSCAPE

Most of the countries recorded significant growth in exports in 2010, the region registering overall growth of 27% according to ITC's Trade Map. However, despite this growth, which was in large part the result of commodity price increases, exports have not yet returned to pre-crisis levels.

At a structural level, many CIS economies are dominated by volatile commodity revenues, insufficient levels of diversification and low value-added products and services. Raw materials (oil, gas, metals, cotton and wheat) tend to dominate export revenues. A competitive industrial base has so far failed to develop in the restructuring process. In many cases, this can partly be attributed to unpredictable regulatory environments that have hindered effective interaction between the state and the private sector.

The level of openness and the importance of international trade vary considerably between the countries of the region. High transport costs to the rest of the world and relatively weak competitiveness explain the comparatively high share of intra-CIS trade in non-oil and gas products. Countries in Eastern Europe are generally better integrated into the world trade system, as a result of their proximity to major markets and more efficient regulatory reform. However, there is still a strong potential in the region for increasing trade volumes. Market concentration makes these countries very vulnerable to adverse economic changes in the European Union. Furthermore, countries across the region suffer from significant trade deficits, with the cost of imports for some countries nearly three times their earnings from exports.

Reaping the benefits of integration into the international trading system continues to be an important goal for the countries in the region. This includes WTO accession for eight countries; European Union integration for Eastern Europe; tapping into the Chinese market for Central Asia; and a growing awareness of the importance of strengthening formal regional networks. Access to market information and the proliferation of opaque NTMs are serious problems for trade both within the region and with the rest of the world. Recent developments, such as the Russian Federation's entry into the WTO in December 2011 and the formation of a customs union between Belarus, Kazakhstan and the Russian Federation, provide opportunities and create challenges for the member states and the region as a whole. The recent agreement signed by the Russian Federation and most of the CIS countries for the creation of a free trade zone will be an important step for successful integration of neighbouring states in the region.

Despite the manifest need for trade development and trade diversification assistance, East European and Central Asian countries have received little attention or funding from Aid for Trade initiatives. ITC is committed to playing its part in increasing the region's access to funds that will boost exports by SMEs.

Key impact areas and resource needs

Job creation and fostering high and inclusive growth are high priorities for all the governments in the region. Major components of their reform agendas are policies to improve the business environment; ensuring equal access to public services such as health care and social services; improving transparency, governance and institutional quality; facilitating further regional trade integration; and improving labour skills. As governments recognize the importance of SMEs in economic development, demand from countries in the region for ITC's services continues to grow.

The demands of a market economy and the focus on quality are a recent phenomenon in the region, and SMEs are struggling to meet quality requirements and technical standards. They receive little institutional support in this field. Quality management infrastructure (especially in Central Asia) is weak and is a major constraint to export diversification into more demanding markets. To address these

issues, ITC's experience in the region points to the importance of building partnerships with private-sector associations and TSIs. Project ownership by committed partners has proved to be an important success factor. Where possible, ITC seeks alliances with local partners and other TRTA providers, as well as harmonized approaches in trade promotion and development. The organization is actively participating in regional Aid for Trade deliberations and programmes for countries of the United Nations Special Programme for the Economies of Central Asia (SPECAs), as a follow-up from the SPECAs Aid for Trade Ministerial Declaration adopted in Baku in 2010.

ITC has identified four areas of focus with high impact to facilitate the integration of SMEs into the global trading system, summarized below. We have ongoing projects in each of these areas and we are looking for additional funding to achieve further impact in them to be able to assist more enterprises and TSIs.

Enhancing competitiveness through a vertically integrated sector-development approach

Because of the soviet legacy, most SMEs in the region lack the skills needed to operate efficiently in a market economy. ITC's experience, confirmed by various external evaluations, shows that interventions are most effective when integrated: when tackling the problems of product quality, production efficiency, access to market information and trade intelligence are carried out as part of a vertically integrated sector-development process.

After successful interventions in the processed food sector (2003–2009), projects in Kyrgyzstan and Tajikistan will continue targeting the diversification of SME exports in the textiles and clothing sectors, implemented in close cooperation with sector associations and relevant ministries. With 90% of the textile and clothing sector labour force in Tajikistan composed of female workers, the project benefits women in particular.

SMEs will also continue to benefit from projects to enhance their skills in key business processes, as well as improving sourcing, quality management, product development and marketing operations. ITC's assistance in implementation of quality management principles and achieving certification will ensure production of high and reliable quality goods and services in line with target market requirements.

In countries of the SPECAs region, in close collaboration with other development partners such as United Nations Economic Commission for Europe (UNECE), the United Nations Development Programme (UNDP), and the United Nations Conference on Trade and Development (UNCTAD), ITC is developing pipeline projects to increase competitiveness in industries with growth potential, and to better position businesses to access new markets and integrate them into global supply chains.

Improving the quality management infrastructure

Not only are SMEs struggling to meet quality requirements, but the quality management infrastructure is weak and is a major impediment to export diversification to more demanding export markets.

Activities related to standards quality accreditation and metrology (SQAM) and sanitary and phytosanitary measures are at the core of ITC's work in this impact area: improving the quality infrastructure, so that enterprises in the textiles and clothing, agricultural and other sectors will be able to benefit from internationally recognized certification and accreditation. Recently, the Kyrgyz Centre of Accreditation (KAC) successfully upgraded its procedures, with ITC assistance, to meet the requirements of the International Laboratory Accreditation Cooperation (ILAC). The preliminary evaluation for ILAC membership has been already been conducted and KAC is working on implementing the recommendations of this review ahead of final evaluation for ILAC membership in 2012.

In 2012 and beyond, ITC will continue supporting the alignment of SQAM infrastructure to WTO requirements in Kyrgyzstan and Tajikistan. A new needs assessment is planned for the end of 2012, based on which ITC will look to secure funding for project implementation.

Enhancing institutions providing high-quality trade-support services and capacity building in trade intelligence

A key to export diversification is knowledge of non-traditional export markets and niches in which SMEs could have a comparative advantage. However, SMEs do not currently have access to such services in the region. Upgrading the services provided by TSIs through improved availability and use of trade intelligence and strengthened institutional and human capacities, is essential for achieving further trade integration. With some notable exceptions, TSIs across the region have limited capacity to deliver quality services to a broad range of enterprises – another legacy of the planned economy. At the same time, in the 2011 Client Survey, respondents from the region pointed to the importance of ITC's capacity-building work with TSIs, who in turn can assist exporters.

ITC has developed several project proposals for TSIs in the region, which were reviewed and endorsed by the SPECA Steering Committee. These include the creation and promotion of a regional TSI network in the region, a project proposal created at the request of the Export Promotion Agency of Afghanistan, AzPromo (Azerbaijan) and KAZNEX (Kazakhstan) in December 2010. There is a strong demand for developing core capacities in market analysis and in transforming trade information into customized trade intelligence. A barrier to the use of trade intelligence tools by TSIs and SMEs alike is the low level of foreign language proficiency in the region. Subject to funding, ITC plans to make its trade intelligence tools available in Russian and carry out local adaptations. ITC is also preparing a guide on NTMs in the European Union market for selected food products for Belarus, the Russian Federation and Kazakhstan.

Subject to funding from the One UN programme in Albania (2012–2016), ITC is planning to conduct workshops on competitiveness intelligence, as well as provide advisory services and technical solutions to the new Albanian Investment Development Agency. In Kazakhstan, ITC plans to conduct TPO benchmarking in order to assess the gaps in TSIs' capacities. ITC will introduce MLS methodology in Kazakhstan, Belarus, Kyrgyzstan, the Russian Federation and Turkey, as part of its TSI-strengthening activities.

Facilitating public-private dialogue for trade development

The region has seen many efforts to increase internal economic integration over recent years, while the WTO accession process of several countries is continuing. Incorporating the voice of the private sector in trade policy development and negotiations is therefore an important area of ITC's focus. ITC will help the business community to participate in, understand and benefit from trade agreements. In Tajikistan we are launching a new Swiss-financed project on developing the capacity of the private sector in the WTO accession process. Similar projects are planned for other SPECA countries. A series of seminars on the business implications of WTO accession for policymakers, academia and enterprises will be conducted in Belarus, Kazakhstan and the Russian Federation.

In Kyrgyzstan, ITC is planning to develop a national export strategy that will support the country in turning market access into business opportunities, and help the business community to identify and voice its trade-related needs. In order to help the government orient negotiations with its trading partners and review its policies, ITC will work on analysing NTMs affecting Kazakh exporters, as part of a joint study on trade needs assessment with UNECE in the country.

LATIN AMERICA AND THE CARIBBEAN

KEY FACTS

GDP per capita US\$ 2011, range (IMF estimate):

- US\$ 23,172 (Bahamas)
- US\$ 739 (Haiti)

GDP per capita US\$ PPP 2011, range (IMF estimate):

- US\$ 30,962 (Bahamas)
- US\$ 1,241 (Haiti)

GDP growth rate, annual % 2011, range (CIA WFB estimate):

- 10.5% (Panama)
- -2.1% (Antigua and Barbuda)

Human Development Index 2011, range in rankings:

- 44 (Chile)
- 156 (Haiti)

Population 2011 – range:

- 192 million (Brazil, official estimate)
- 52,000 [Saint Kitts and Nevis, official estimate (2009)]

Number of countries:

33, including 1 LDC-SIDS, 2 LLDCs and 14 SIDS

Number of countries with ITC projects in 2011:

18, including 1 LDC-SIDS, 1 LLDC and 12 SIDS

ITC delivery in the region 2011:

US\$ 3.6 million

ITC expected delivery in the region 2012:

US\$ 2.0 million

Share in ITC's country and regional delivery 2011:

11%

ITC regional partners and subregions:

- Central America¹³ and Mexico
- South America¹⁴
- Caribbean¹⁵


**Trade fact examples 2010
(ITC Trade Map)**

Region's exports: 5.9% of world merchandise exports, yet:

- 55% rock lobster and other sea crawfish, frozen (15% from Brazil)
- 34% citrus fruit and lemon peel (15% from Mexico)
- 31% of poultry meat and offal (28% from Brazil)

Region's imports: 5.6% of world merchandise imports, yet:

- 42% of grain sorghum (30% by Mexico)
- 21% of corn flour (6% by Guatemala)
- 19% of personal deodorants and antiperspirants (6% by Brazil)

REGIONAL OVERVIEW

Growth in the region consolidated in 2011, confirming a steady recovery after a difficult 2009. The Economic Commission for Latin America and the Caribbean reports GDP growth of 4.3% for 2011, following a robust rebound in 2010 of 5.9%. During 2011, South America and Central America both recorded strong growth, of 4.6% and 4.1% respectively, with Brazil becoming the sixth-largest economy in the world, while the Caribbean continues to face problems at a lower GDP growth rate of just 0.7%. Only Haiti bucked this trend, with its economy rebounding at 5.4% following a 5.1% contraction in 2010.

Despite the generally encouraging 2011 numbers, the outlook for 2012 remains uncertain given the danger of contraction in Europe, a vital export market. A stronger global slowdown could affect the region on several fronts, including reduced exports to developed countries, lower FDI to the region or even a net outflow of resources, and the possibility of stronger competition in third and domestic markets from other regions at artificially low prices resulting from a global oversupply of goods. At the

¹³ Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama.

¹⁴ Argentina, Venezuela (Bolivarian Republic of), Brazil, Chile, Colombia, Ecuador, Peru, Bolivia (Plurinational State of), Uruguay.

¹⁵ Bahamas, Barbados, Belize, Cuba, Dominican Republic, Guyana, Haiti, Jamaica, Organisation of Eastern Caribbean States (OECS: Antigua and Barbuda, Dominica, Grenada, Saint Kitts and Nevis, Saint Lucia, Saint Vincent and the Grenadines), Suriname, Trinidad and Tobago.

same time, tourism and remittances, important sources of foreign exchange last year, are expected to remain strong contributors to the economy in 2012.

The remarkable export growth in the region over the last two years (27% in 2010 and 23% in 2011) is mainly the result of increases in the prices of commodities and raw materials rather than volumes. The exception was Central America, which also registered significant growth in export volumes. South American countries have continued to diversify their exports away from the United States and Europe, their traditional trading partners, thus improving their chances of dealing with a slowdown in developed nations' imports during 2012. Intraregional trade, although growing, continues to be significantly below its potential, amounting to a modest 20% of all exports – less than half of the rate in Asia.

Two years after the slowdown of 2009, unemployment has fallen to 6.8%, below pre-crisis levels, from its 2009 peak of 8.1%. Nevertheless, many structural challenges remain, particularly affecting the employment opportunities of the most vulnerable groups of society, including women and young people. Poverty levels have continued to decline in the region, but are still far from the MDG target of eradicating extreme poverty. Increasingly, governments in the region are giving prominence to employment creation and poverty alleviation among their national development priorities, thus increasing the chances of achieving equitable and inclusive growth with a durable impact on welfare.

REGIONAL TRADE LANDSCAPE

The decade-long process of trade liberalization and integration has been consolidated in the last two years, and most countries have by now made major progress in this direction, for example the North American Free Trade Agreement, the Dominican Republic–Central America–United States Free Trade Agreement, Economic Partnership Agreements and several bilateral and multilateral agreements. At the same time, the gradual loss of preferential treatment in traditional export markets has exposed the competitiveness limitations of certain countries in the region, particularly in Central America and the Caribbean. To address these issues, ITC is focusing its assistance on the improvement of institutional frameworks, particularly with respect to the business environment, import and export regulations and their enforcement, and standards. In order to regain their competitiveness in a more liberalized environment, these countries need to diversify away from traditional commodity exports by innovating and moving into the production of higher value products and skill-based services. This in turn could remedy a legacy of inequitable income distribution and lower the toll of the economy on the environment.

KEY IMPACT AREAS AND INITIATIVES

One of the lessons learned from ITC's experience in the region is that countries are not content with generic solutions, but have very specific demands to tackle their problems and are requesting tailor-made approaches. ITC's responds to these demands by focusing on improving the competitiveness of value-added exports by SMEs through diversification and innovation. To further these goals at the institutional level, strengthening the institutional framework is also important in helping exporters in repositioning their products to a wider range of markets, including intraregional buyers. Efforts are needed to re-orient export strategies towards fast-growing product and services markets, and to link vulnerable producer groups to export markets. In order to achieve impact on these objectives over the medium to long term, ITC's work in 2012–2013 will concentrate on the following areas:

Strengthening trade support service providers

The level of development and performance of TSIs varies across the region. South America has a tradition of public and private TSIs with established presence. In Central America, while private TSIs are well established, in some cases national TPOs have been only recently created or restructured. In the Caribbean, countries have created regional bodies for trade promotion and trade development. The diversity of the institutional set-up in the various countries provides opportunities for performance comparisons and sharing of best practices among TSIs. ITC's TPO benchmarking assessments conducted in 2011 in Colombia will be extended in 2012 to El Salvador and the Caribbean, thus increasing the availability of good practices in the region. Requests from Ecuador, Mexico, the Dominican Republic and Cuba to strengthen the capacities of their national TPOs and sectoral TSIs

are expected to materialize in new technical assistance projects if funds can be identified and mobilized for the region.

During 2012, assistance will be provided to local institutions in Peru and Mexico to develop and adapt their design and marketing services in the clothing and jewellery sectors to help their clients increase their export competitiveness. A Swiss-funded project in Peru's northern corridor will continue to provide access to development services for TSIs in the important agribusiness sectors of this region, which has traditionally been cut off from trade support services because of its distance from the capital.

Enabling SMEs to join global supply chains

Increasing the earnings of SMEs by raising the value-added content of traditional export products, upgrading production processes, improving quality control, entering into service exports, and gaining access to market intelligence, are challenges shared by many exporters in the region. ITC's strategy focuses on encouraging innovation and improving the capacity of exporters to anticipate demand and target new markets for value-added products and skill-based services. An example of this approach is the planned crafts project in the Dominican Republic, which will focus on innovation with the aim of enhancing the competitiveness of the handicrafts sector and repositioning its products towards high fashion and interior design. This project will also be an example of intraregional cooperation in technical assistance, which will be provided by Colombian experts.

Women-owned business enterprises in the jewellery and alpaca garments and accessories sectors in Mexico and Peru are being supported to enter the United States market as part of ITC's Women and Trade Programme. While women are strongly represented in these sectors, their participation in international trade has been marginal because of their lack of knowledge of market requirements and business opportunities.

The Ethical Fashion Programme is seeking resources to implement a project in Haiti to empower disadvantaged community groups of artisans by connecting them to the international fashion market. The project will also support environmental friendly materials and products that can be integrated into high-end designer collections. Another project under discussion looks at increasing income in the coffee sector of Haiti. Under the TCCEP, an initiative to promote trade in biodiversity-based products produced in a sustainable manner, launched in Peru in 2011, is expected to contribute to the sustainable exploitation of non-timber forest products.

Improving availability and use of trade intelligence

Access to timely and relevant trade intelligence is one of the critical factors determining exporters' competitiveness. ITC's annual client surveys consistently confirm appreciation of and the need for this service from clients in the region. In 2012 and coming years, ITC is planning to build on its extensive experience in training on the use of trade intelligence tools to enable TSIs and SMEs to fully exploit these tools and methodologies in finding markets and diversifying their exports.

To ensure the sustainability of its interventions, ITC will continue to build the capacity of TSIs to collect and disseminate relevant trade intelligence using appropriate tools and methodologies, including those from ITC. At the same time, we will continue the development and provision of world class trade intelligence for SMEs and publishing and disseminating sector-specific trade information and providing tailor-made assistance to institutions in their quest to develop or update their capabilities for the collection, analysis and dissemination of trade intelligence.

Several countries in the region have requested ITC's assistance to improve the transparency of information on NTMs and enhance their understanding of the increasingly complex regulations governing international trade. A series of NTM surveys targeting a representative sample of exporting enterprises across various sectors is being carried out, with the support of regional partners, in Jamaica, Paraguay, Peru, Trinidad and Tobago and Uruguay, with the coverage of further countries foreseen in coming years. The results from the surveys are expected to enhance trade policy by informing on the implications of NTMs for trade negotiations and export development policies.

Enhancing our presence in the region

The establishment of a regional office in Mexico City has provided ITC with an additional vehicle for pursuing our goal of integrating SMEs into the world trade system. Opportunities to engage with new clients, partners and donors will increase, which will provide further opportunities for regional project development. Our presence will also facilitate dialogue and partnerships with networks of national institutions and, notably in Mexico, state-level TPOs and TSIs, and this will allow us to share best practices while reaching a larger audience more effectively.

In focus: trade in services

In 2012–2013, ITC intends to develop a comprehensive trade-in-services portfolio in response to the increasing significance of services exports in developing and transition economies. The services sector now represents close to 50% of GDP in low-income countries, and developing countries' share in global services exports has increased from 14% in 1990 to 21% in 2008. The social impact of a well-functioning services sector is far reaching, as the quality and affordability of telecommunications, transport and professional services contribute significantly to the overall export competitiveness of an economy, including the manufacturing and agricultural sectors. As a sector with higher added value, it can provide an alternative engine of growth for sustainable economic development and poverty reduction. As a result, many developing countries have expressed a demand for ITC's support in enhancing their services exports as they look to diversify their trade.

ITC's current work in services

ITC's current offering in trade in services spans various technical areas and expertise: ITC builds stakeholder confidence in developing appropriate policy and regulatory reform processes, for example in African trade policy formulation and regional integration in services trade. ITC has also been active in strengthening the role of TSIs in business advocacy on trade policy in services, and organizing public-private dialogue to improve understanding of the business implications of services development and liberalization. ITC also supports partner countries in developing export strategies for services sectors. We run projects to increase the competitiveness of exporters in various service sectors, such as in IT in Bangladesh and in inclusive tourism in several African countries. Through training-of-trainers programmes, ITC has been able to develop the capacities of SMEs in the area of export marketing and branding.

Looking ahead: building a comprehensive trade-in-services offering

In line with the milestones in the Strategic Plan and based on client feedback, ITC aims to further strengthen and systematize its trade-in-services offering by building up core expertise in the following areas:

- **Improving transparency in trade in services.** We will improve access to and enhance capacities in trade intelligence in the area of services. This will include the collection and analysis of regional and bilateral trade in services agreements, in the form of a new market analysis tool, Services Map. It will also include the collection and analysis of NTMs affecting services exporters.
- **Strengthening the enabling environment for trade in services.** We will build stakeholder confidence in developing appropriate policy and regulatory reform processes in order to liberalize services trade. We will also focus on strengthening services associations and coalitions in developing countries, so that they can better advocate for the needs of their members.
- **Strengthening enterprise capacities and enhancing direct services exports in selected sectors.** This objective will focus on developing the capacities of clusters of SMEs in selected services industries and supporting partner countries in enhancing direct services exports through an integrated sector-development approach. Offerings will include strengthening the value chain of particular services sectors.

In order to meet these objectives, ITC is working on a trade-in-services programme that will develop project ideas, establish collaborations with partner organizations and implement projects. To ensure operational efficiency, we will seek to build on existing capacities and lessons learned in previous projects of both ITC and partner institutions. Longer term, we aim to institutionalize a services offering in all five of our business lines: Trade Intelligence, Exporter Competitiveness, TSI Strengthening, Export Strategy and Business and Trade Policy, complementing our current expertise in merchandise trade.

In order to respond adequately to the growing demand from our clients in this area we seek financial support from donor agencies and look to establish areas of collaboration with partner institutions.

ENHANCING CORPORATE PERFORMANCE

Corporate development is necessary to support the delivery of ITC's technical assistance in the field. This chapter covers work undertaken to improve the performance, efficiency and effectiveness of the organization.

FOCUSING ON OUTCOMES AND IMPACT

Continuing to assess the effectiveness of TRTA is an important issue in 2012. It is part of ITC's wider Management for Development Results approach and will be pursued at the project, programme, country and global levels.

At the project and programme level, ITC's improved RBM and project-cycle management processes will facilitate systematic monitoring and evaluation of outputs and outcomes and contribute to the growing knowledge about results chains. It is clear that outcomes can only be achieved with project partners, which is why counterparts need to play an active role in the full project cycle. Project-specific lessons will be essential inputs to the development of follow-up and related projects, and for modifications in ITC programmes. This work will also be supported by the rigorous evaluation function in 2012 and the continued upgrading of the project information system.

ITC will strive to achieve RBM at the corporate level in 2012. This includes the development of an integrated project-reporting architecture based on harmonized corporate, section and project level outputs and outcomes, as well as updating of the Strategic Plan and Framework.

Major tasks that will be completed in 2012 in preparation for the 2014–2015 Strategic Framework and Corporate Logframe (logical framework) include conducting an external consultation process with major partners, aligning section-level outputs and outcomes and sub-indicators with the corporate logframe, and refining the clarification of terms and sources of verification for each of the indicators pertaining to the strategic objectives.

AN EFFECTIVE ORGANIZATION

During 2012, we will consolidate the continuous improvement process and work towards ensuring that business processes support operational delivery against strategic objectives. We will focus on the successful delivery of projects and programmes while ensuring a sound and well-managed use of human and financial resources. As in previous years, Legal Services is an area in particular need of extra funding, in order to deal with an increasing workload in preparing memorandums of understanding (MOUs) and providing legal advice for all programmes.

The main component of ITC's strategic planning cycle is the Strategic Plan, which defines the strategic direction of the organization for a four-year period. The 2012–2015 Strategic Plan sets milestones as guide for ITC's work on a biennial basis. Indicators have been defined in the Strategic Framework, with a view to raising standards and supporting improved performance.

ITC will continue its commitment to strengthening quarterly and monthly reporting mechanisms covering finance, human resources, central support services, implementation of the IT strategy, project delivery in 2012 and outcome indicators, through the Integrated Monitoring and Documentation Information System (IMDIS).

To better serve our clients and support effective project implementation, ITC will roll out a Customer Relationship Management System. This will be a central repository for all contacts and records of exchanges with clients and support greater internal coherence when responding to beneficiaries and donors. The system incorporates a number of current business processes, including managing notes for the file, recording the contributions in kind of our beneficiary countries, managing events and tracking delivery of outputs against corporate targets, as captured on IMDIS. A second phase of the system will capture, manage and automate processes related to MOUs, grants and letters of agreement; correspondence management; publications and statutory reporting.

In 2012, the annual project evaluation programme, client and staff surveys and integration of feedback into our ways of working will continue to be funded both by ITC itself and by donors. We will also share external and internal evaluation good practice, to ensure all evaluations follow quality standards and result in positive learning for the organization.

RESULTS FROM RESOURCES

ITC will continue its efforts in monitoring and managing its internal and external efficiencies and governance. Under the Operational Plan, we plan to maintain annual extrabudgetary expenditure at US\$ 48 million in 2012. After three years of significant expansion in delivery, the focus this year is on project quality and outcomes. Critical to achieving this will be the successful management and timely delivery of both a larger portfolio and larger programmes within that portfolio, keeping in mind a strong commitment to value for money.

ITC works to develop donor relationships with country-based bilateral donors. Strategies will be deployed in 2012 to leverage opportunities available through sources such as the EIF and the One UN initiative, and to strengthen strategic long-term partnerships with regional banks, the World Bank, the United Nations Industrial Development Organization (UNIDO), the Commonwealth Secretariat, bilateral development programmes and other funding institutions.

UPGRADING FINANCIAL MANAGEMENT

ITC operates in a complex financial environment, receiving funds from a variety of sources with varied timelines and different conditions. Bearing in mind these constraints, the organization will continue to upgrade its financial management.

Regarding integrated corporate tools and accounting standards, investments will continue in upgrading financial management through implementation of the new International Public Sector Accounting Standards (IPSAS) as well as definition of requirements for the new Enterprise Resource Planning project, Umoja. We will continue to invest in the Umoja project and implementation of IPSAS as they contribute to further embedding RBM at ITC and align with United Nations system initiatives.

During 2012, training will continue for these systems and IPSAS-compliant policies will be defined and agreed with the external auditors. Preparatory work and simulations of financial statements will be performed. These activities will assist both the delivery of our commitment to improve value for money, and financial management. As in previous years, the Senior Management Committee will receive monthly reports on financial performance and progress in project delivery. This will facilitate accountability to senior management and to external bodies.

Cash-flow management is essential for the smooth delivery of projects. Through carefully managed use of the operating reserve, the organization can advance funds to projects and thus ensure continuity of operations. We will seek to increase the operating reserve in consultation with donors.

INVESTING IN PEOPLE AND LEVERAGING HUMAN RESOURCE MANAGEMENT

As a knowledge-driven organization, ITC's staff is critical to its success. We will therefore continue to develop corporate training initiatives with the aim of further improving staff members' performance in support of operational delivery.

The five-part People Strategy, outlined in the Strategic Plan, is the principal tool for guiding the investment in staff and the human resources management programme. Milestones for 2012 include implementation of learning and development policies, succession planning and continued coaching and training. The learning and development initiatives for 2012 include:

- Training on project design, implementation and management workshops;
- Leadership, management and supervisory skills training;
- Accountability and communication skills training;
- Performance management training.

A hiring managers' coaching programme to assist managers through the hiring process of fixed-term staff was launched in 2011, and a four-module programme is now available. New policies on staff selection and central review bodies, aligning with current United Nations policies, have been introduced from 1 January 2012. A new information system will be introduced to support the administration of high turnover processes, such as hiring and rostering of TRTA consultants, building on the new automated system implemented in 2011 for the selection and administration of interns.

By investing in these programmes, we will be investing in our most valuable asset – our staff. ITC will strengthen its team and contribute to the output of staff members by building their knowledge, their project-management, programme-management and people-management skills, and by ensuring that they have a greater understanding both of their role in the organization and what they can contribute to achieving export impact for good for beneficiaries of ITC's work.

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