

## **Minutes of the 21<sup>st</sup> Meeting of the Consultative Committee of the ITC Trust Fund**

The Consultative Committee of the ITC Trust Fund (CCITF) took place on 19 June 2020 at 10 a.m. via Microsoft Teams.

The Acting Executive Director (AED), Ms. Dorothy Tembo, welcomed the participants and presented the agenda of the meeting.

### **1. CCITF Report (Jan – Dec 2019)**

The AED opened the meeting, welcomed participants and presented the CCITF Report 2019. The CCITF report presents ITC's financial and development results performance in 2019, by comparing them with the targets that were set in the Operational Plan.

Overall, 2019 was another successful year for ITC. Voluntary contributions received in 2019 increased from \$91 million in 2018 to \$120 million. The total value of extra-budget (XB) grant agreements signed stood at \$165 million. ITC has maintained positive trends in both Window 1 and Window 2 resource mobilization.

ITC has delivered a record overall \$129 million combining regular budget (RB) and XB. The RB to XB delivery leverage reached nearly 2.5 in 2019. In terms of financial delivery by focus area, all six focus areas received more funding than planned. Focus area 4 – Connecting to International Value Chains delivered \$24 million, and focus area 5 – Promoting and Mainstreaming Inclusive and Green Trade delivered \$28 million, remaining the top delivery areas. Focus area 6 – Supporting Regional Economic Integration and South-South Links has seen the highest growth rate at 36%.

XB delivery was approximately 20% global, and 80% region and country-specific projects of XB delivery. ITC maintained its strong focus on sub-Saharan Africa and the Asia-Pacific region. ITC has retained its delivery commitment to priority countries. The share of LDCs in region and country-specific delivery was 57% (target 50%). The share of priority countries overall, which also include LLDCs, SIDS, sub-Saharan Africa and conflict-affected countries was 89% (target 80%).

The 2030 Agenda explicitly identifies international trade as an engine for inclusive economic growth, job creation, and poverty reduction. Through ITC's trade-related technical assistance (TRTA) projects, ITC contributed directly to 10 Sustainable Development Goals (SDGs), as measured by the corporate scorecard Tier 1. Each project links to specific SDG targets.

In terms of outcomes and outputs, the 2019 actual delivery met or exceeded the planned delivery for all corporate outcome indicators, except in the category 'Books and Papers'<sup>1</sup>, as measured by corporate scorecard Tier 2. Specific achievements include:

- To increase transparency in trade, ITC offers trade and market intelligence: In 2019 alone, ITC's Global Public Goods were consulted over 5.6 million times (35% up from 2018) and have reached nearly 1 million registered users (over 40% women).
- To increase the value of inclusive and sustainable trade and investment, ITC provided direct technical assistance to over 26,000 MSMEs, largely women or youth operated. These MSMEs have either improved their business operations or transacted in international business, reporting business deals valued at over \$1 billion.

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<sup>1</sup> The category of 'Books' was one short of the target due to a production postponement of a sector guide. Instead of new papers, ITC focused this year on translations of existing papers to meet market demand. These do not enter in the official count.

- ITC supported member states' policy and strategy changes in 130+ cases, and improved effectiveness and services of trade and investment support institutions in 460+ cases.
- ITC's SheTrades Initiative connected almost 1.6 million women to markets by the end of 2019.
- ITC's SME Trade academy has registered almost 80,000 enrolments in 2019 alone.

Un-earmarked, core funding that includes Window 1 (W1) and RB continues to be fundamental for ITC's development assistance. W1 has served to develop and integrate ITC's suite of Global Public Goods and Un-earmarked Window 1 also supported the production of the fifth edition of ITC's flagship SME Competitiveness Outlook.

ITC also met or surpassed most of the KPIs in Tier 3 (efficiency and effectiveness). For example, ITC again excelled in the UNSWAP performance<sup>2</sup>. Most of the efficiency and effectiveness initiatives were funded through core resources – RB and programme support cost (PSC), complemented with a small portion of W1.

Regarding strategic milestones for technical assistance, 26 out of the 39 milestones were completed, 12 are in progress due to minor operational delays, and one is on hold due to a partner's withdrawal. In the corporate efficiency and effectiveness area, ITC has implemented 23 out of 27 milestones, 4 remain in progress. ITC will continue to work on these in 2020.

ITC has upgraded its risk framework and strengthened risk management. ITC undertook multiple risk assessments at various levels of the organization and acted upon key risks.

## **2. AED additional remarks on 2020, COVID and ED transition**

COVID-19 has had a severe impact on ITC's beneficiaries. ITC has tried to meet growing needs in the field by pivoting and adjusting its development delivery mechanism. For example:

- In The Gambia, ITC has supported young tour guides deliver community-based COVID-19 awareness messages through the Youth Empowerment Project (YEP).
- In Burkina Faso, artisans working with the Ethical Fashion Initiative quickly turned from regular textile production to making 70,000 face coverings.
- In Ghana and Kenya, our Trade for Sustainable Development project provided immediate support to beneficiaries in understanding available government support.
- ITC launched a 15-point action plan to advocate for MSME support.
- ITC's Global Public Goods present up-to-date information on COVID-related changes in market rules and conditions.
- ITC has trained, coached and mentored off site, and planned B2B virtual meetings to help beneficiaries adjust and trade internationally in the post-COVID period.

As part of the UN family, ITC is an integral part of the overall UN socio-economic response to the COVID-19 crisis. ITC has also been leading on the work for MSMEs in the 2020 G20.

AED thanked members for their contributions, encouraged their continuous support to MSMEs through this crisis and opened the floor for comments and questions.

## **3. Comments from members and discussion**

**Ms. Hiromi Otsuki, the delegate from Japan** in her capacity as **the donor coordinator**, presented a joint statement on behalf of ITC's donor group. The donor group notes that the report captures the results of 2019 well. Overall, ITC delivered satisfactory technical

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<sup>2</sup> UN system-wide accountability framework designed to measure, monitor and drive progress towards the achievement of gender equality and women empowerment

assistance, 89% of which was allocated to priority countries (up from 86% in 2018) and the share of LDCs accounted for 57%. However, the share of LDCs in region-specific delivery was 57% (60% in 2018). Donors deem it is important to keep a focus on LDCs and seek to understand why the LAC region does not have a bigger share in ITC's delivery.

ITC's continuous focus on women, youth and MSMEs are highly welcomed by donors. SheTrades has been a big success, including its geographical expansion and impact fund arrangements. Donors expect ITC to continue this trend.

On Tier 2 results, there is a note concerning the C2 and C4 indicators, which understate the real impact ITC has on the economic empowerment of women. Donors would like to hear if ITC is considering adjusting these two indicators to measure the results in a more accurate fashion.

Results-based management is important to donors as well as the advocacy and publicity efforts. Gender-disaggregated data is most welcome. In this context, donors would like to know if the new corporate website is still on track to be launched in Q4 of 2020. ITC's organizational performance is satisfactory and donors are satisfied with the Independent Evaluation Unit (IEU)'s work. Donors look forward to the Annual Evaluation Synthesis Report.

On the budget front, donors notice the overall budget is at an all-time high due to a substantial increase in W2. This raises questions about projects' expansion speed, risks for implementation, and possible limitations. Large XB funds compared to regular budget also raise questions related to sustainability beyond funding. Donors also note a strong trend towards W2 funding rather than W1, which may result in 'projectification', and be less effective. It also raises the question whether ITC has reached its absorptive capacity, exceeded it, or if there is space for further growth. Moreover, despite 100% delivery according to plan, the cash reserves build up rapidly which could be a threat to development results.

The donor group commended ITC's active engagement in response to COVID-19 to date. This is an unprecedented time with many uncertainties. Donors would like to hear more on:

- What impact is ITC experiencing on its delivery of programs?
- Are financial implications for 2020 and 2021 likely (e.g. budget adjustment)?
- How are expectations for receipts of XB funds in 2020?
- How useful are the risk management tools in place to manage and mitigate risk around COVID-19?

Donors understand that the selection process of the next Executive Director (ED) is well advanced and that the final decision will be taken by the UN Secretary-General within the coming weeks. Donors would like to emphasize that they expect the whole process to take place in a transparent, fair, merit-based way that excludes any conflicts of interest. Donors inquired on the date and format of the 2020 Joint Advisory Group meeting.

**On behalf of Japan**, the delegate asked how ITC cooperates with the business community regarding funding resources, project partners and technical cooperation. Japan is especially interested in the cooperation with the business community and sees large potential for engagement to advance ITC's work.

**The delegate from the UK, Mr. Sacha Silva**, noted the enhanced collaboration between UK and ITC through W2. Given the uncertain context and potential priority reassessments by donors, he wanted to hear AED's perspective on the coming years from both delivery and operational perspectives. He then voiced his appreciation of how AED has managed ITC in

the interim, facing the difficulties on delivery, staff morale, increasing beneficiary demands, while trying to keep staff safe and operations floating.

**The delegate from Switzerland, Mr. Edouard Jay**, thanked ITC for the CCITF report and noted the success emanating from the results and the growing W2 projects portfolio. He asked of mechanisms of keeping members informed of projects that would come on board following the OP presentation that would take place in February each year. The next time, members would be informed is through the CCITF and Annual Report.

**The delegate from Canada, Ms. Julie Emond**, stated that Canada fully aligns with the donor group statement. She noted in Tier 3 results that ITC had achieved a climate neutral footprint and expressed interest in how this was achieved and whether there were lessons learnt.

**The AED, Dorothy Tembo**, thanked the delegates for their feedback and support, took note of the positive receipt on the CCITF report and responded to comments and questions.

Regarding the decrease in the share of delivery in LDCs, AED noted that LDCs remain ITC's priority geographical focus. In absolute terms, ITC's delivery in LDCs in 2019 has in fact increased. The reason for the decreasing percentage is due to ITC's expanding portfolio in non-LDCs, e.g. Eastern Europe, Central Asia, and some African countries. These projects are mostly multi-year projects. ITC expects that the share of LDCs will remain above 50% in 2020, and higher in absolute terms than it was in 2018, but will not grow in relative terms.

Regarding the LAC share within ITC's portfolio, AED stated that the region accounted for 6% of planned delivery in 2019. The actual delivery stood at \$3.4 million (99% of the planned), thus in line with projections. This represented an increase of almost 80% relative to 2018 delivery, (\$1.9 million). Additionally, the region benefited from ITC's global public goods and fundraising has been difficult as many countries qualify as middle-income countries.

Regarding Tier 2 results, and C2/C4 indicators, AED noted that ITC had limited flexibility in changing the corporate indicator types and definitions, as the UN had approved them. ITC's 'counting' of beneficiaries, which is asset-based (who owns the business), underestimates ITC's engagement towards women empowerment, for example in the coffee or cocoa value chains in Africa. There is ongoing work on better client segmentation within ITC. A harmonized approach for client categorization has been developed, and this year one major internal project is related to enhancing data collection on beneficiaries and aggregation across ITC.

The new corporate website is expected to launch in Q1 2021.

On questions linked to project implementation, delivery capabilities and sustainability, ITC has adjusted its implementation modalities – shifting managing staff and implementing partners to the field, which enabled ITC to exceed 2019 targets. While ITC will increase delivery capacity in the field, we remain cautious. For 2020, our current projections reflect 25% lower delivery than projected. We equally do not see the same volume of grant agreements signed this year. Donors signal reprioritization, which may lead to reduced envelopes of funding.

Regarding the effectiveness of aid in form of W2 project funding, ITC sees increasing funding as an opportunity for deepening its engagement with beneficiaries and advance on sustainability of project results. During project design, sustainability and responsible exit strategies are among key quality control criteria for ITC. This is thanks to ITC's business model of working through multipliers such as TISIs and network of its certified trainers who continue to replicate and scale up ITC's work beyond the duration of a project. In 2020, the IEU will undertake a specific review of results' sustainability beyond a project's life cycle. This will be a pilot to test a new approach that we aim to repeat on an annual basis.

On the W1/ W2 ratio of XB resources, AED responded that the decision to fund ITC through W1 is dependent on individual funders and we continue to advocate for W1 funding. While W1 funding gives ITC more flexibility, ITC understands that not all funders are in the position to support ITC with core funding. W2 resources account for the major part of ITC's growth. ITC will continue to aim for growth of its portfolio at a moderate pace.

On the cash balance: Depending on the funders' payment schedules of large, multi-year XB grant agreements, the cash balance may increase if initial payments are made early. This is not equal to a delay in ITC's implementation of projects as planned.

On the impact of COVID-19 on ITC's project delivery, indeed there are some activities that are postponed (e.g. events) and others are undertaken through digital channels. Following demand from the field, ITC has reshaped and repurposed work plans of ongoing projects.

Regarding the financial implications of COVID-19 and adjustments on budget for 2021, AED noted that the situation continues to evolve and the only certainty is that recovery efforts need to prioritize MSMEs as they will remain affected and will require all the support they can get.

In response to the question on the development of ITC's project portfolio, since the 2020 Operational Plan was presented, AED reported that as of June 2020, ITC had signed projects worth \$27 million, large ones including SITA and Commonwealth Phase 2, Pakistan REMIT, EU-Uzbekistan, Swiss-Trade Programme Viet Nam, Central African Republic. Mature pipeline projects cover Malaysia, Thailand, Iraq, EuroMed-Investment, and South Sudan. On communicating project portfolio developments to funders more systematically, AED suggested that ITC could provide documentation on a regular basis, with color-coding of new developments. AED stressed that ITC welcomed funders' suggestions on its corporate reporting and communication.

The COVID-19 crisis has enabled ITC to test its risk management system, allowed for further improvements and proved that it works. In late February, ITC started monitoring COVID-19 risk and started to prepare for remote work, allowing staff to switch rapidly. The risk register and framework were used by senior management as an effective structure to re-assess the prioritized risks and estimate their impact in the light of new COVID-19 developments. ITC also conducted a beneficiary survey to identify systemic and recurrent risks arising from the pandemic and will apply the lessons learned in the risk framework.

In relation to ITC's climate neutrality achievements, AED suggested a presentation at the next CCITF meeting.

**Ms. Zeynep Özgen, Senior External Relations and Governance** addressed the comment on ITC's collaboration with the business sector. Over the last few years, ITC has intensified its collaboration with the business sector on several fronts. While this collaboration is important from a financing perspective, especially for diversifying the funder base, it is equally strategic in its scope to leverage business sector resources for development. ITC has introduced different categories of the business sector, such as for-profit and commercial enterprises, corporate foundations, and business associations, coalitions and alliances. Examples of ITC's partnerships with the business sector across different modalities of engagement include:

- Through its Alliances for Action approach, ITC collaborates with Coop Chocolats Halba to provide product development and market opportunities for cocoa farmers in Ghana.
- ITC's SheTrades initiative works with entities such as VISA to increase the capacity and financial competencies of women-owned MSMEs.
- With Maersk and UPS, ITC provides logistics and export competitiveness training.

- ITC has joined forces with CARE International to establish the CARE-SheTrades Impact Fund to provide financing to businesses promoting gender equality.

#### **4. SME Competitiveness Outlook (SMECO) 2020**

**Olga Solleder, Economist, Coordinator of the SME Competitiveness Outlook**, presented SMECO 2020: COVID-19: The Great Lockdown and its Effects of Small Business. She briefed on industrial supply chain disruptions. Asia is the region with the largest supply chain effects due to lockdowns and the EU lockdown has the largest repercussions on exports from developing countries.

In response to the current situation, ITC conducted a COVID-19 Business Impact Survey showing that 74% of firms saw a reduction in sales and 60% of SMEs had difficulties accessing inputs. COVID-19 reduced access to logistics services in all sectors, smaller firms saw a larger hit, and one fifth of SMEs are at risk of bankruptcies. This crisis also poses challenges to SMEs in accessing information and benefits from governments.

ITC identifies the following areas as a priority: (1) strengthening the resilience of SMEs to withstand future shocks; (2) stepping up efforts to help SMEs go digital; (3) making value chains more open and inclusive; (4) help businesses become more sustainable. Opportunities for action include (1) continuous support to SMEs, evaluating the effectiveness of policies, (2) supply chain governance for resilience, (3) new types of standards, partnerships around standards, (4) logistics, and (5) intersection of trade, economy and finance.

#### **5. Connecting MSMEs in developing countries to the global textile and clothing value chain**

**Mr. Matthias Knappe, Programme Manager, Cotton, Textile and Clothing** gave a presentation on ITC's work along the fibre, textiles and clothing (FTC) value chain.

By working with various stakeholders, such as SMEs, trade and investment support institutions, policymakers, and firms, ITC enhances the competitiveness of the FTC sector in beneficiary countries and increases jobs and income, directly contributing to six SDGs. For instance, the Ethical Fashion Initiative provides training for artisans along the cotton value chain and helps them access national and international markets. ITC has assisted Nepal in securing the national supply chain of fibre production and value addition. ITC works with enterprises on social environmental sustainability through the process of research, design, product development, material sourcing to logistics, marketing and retailing. In doing so, the SMEs are capturing more value. ITC has done extensive work on linking SMEs to market through marketing/branding, e-commerce, distribution of sales channels and B2B events.

Working with business support organisations, ITC builds institutional capacity that benefits the textile and clothing sector. ITC assessments have helped trade and investment support institutions confirm rules and responsibilities, locate key partners and identify strengths and weaknesses. ITC also provides roadmaps for key areas of improvements, coaching services to improve clients' change management, strategy formulation, and results management. Additionally, ITC contributes to partnerships among academia, vocational training institutions and factories. ITC also helps simplify FTC export by identifying process bottlenecks and reducing transaction costs.

Beyond that, ITC also provides global public goods in order to increase the transparency along the FTC value chain. TradeMap identifies regional suppliers; Market Access Map provides consultations on tariffs; NTM surveys offer information on market access conditions; Export

Potential Map assesses untapped market potential; and ITC's Sustainability Map provides relevant standards and contact to business profiles in the textile and clothing value chain.

Since 2007, ITC has been facilitating south-south cooperation and trade between Africa and other countries. As a result, six textile and clothing investment deals worth \$52 million took place. ITC hosted over 400 B2B and B2G meetings, facilitating business worth \$4.57 million.

The COVID-19 crisis has disproportionately affected the textile and clothing sector, due to demand and supply shocks induced by confinement measures. The effect on MSMEs is especially severe, as they are more vulnerable and less resilient than larger firms. ITC supports FTC companies to switch to masks and PPE production, helps accelerate access to finance and expand e-commerce opportunities. On the other hand, ITC works with governments to conduct COVID-19 impact studies and develop sector recovery plans.

**The Acting Executive Director, Dorothy Tembo**, thanked the participants for their valuable comments and observations and reiterated ITC's commitments to funders, and took note of the requests and suggestions at the next CCITF meeting.