

**Evaluation of
International Trade Centre
(UNCTAD/WTO)**

**Volume 5
Corporate Performance
and Capacity**

**GOVERNANCE
AND FINANCING
MODALITIES**

File No. 104.A.1.e37
April 2006

DMI ASSOCIATES
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List of Abbreviations and Acronyms

ADE	Aide à la Décision Economique
ATF	Asian Trust Fund
BTF	Bilateral trust fund(s)
CHF	Swiss francs
CRNM	Caribbean Regional Negotiating Machinery
CTF	Common Trust Fund for JITAP
ECOSOC	UN Economic and Social Council
EC	European Commission
EPU-NTUA	Decision Systems Laboratory – National Technical University of Athens
EU	European Union
EUR	Euro(s)
GATT	General Agreement on Tariffs and Trade
GTF	Global Trust Fund
IBM	IBM Business Consulting
IF	Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries
IGO	Intergovernmental organisation
IMF	International Monetary Fund
ITC	International Trade Centre UNCTAD/WTO
JAG	Joint Advisory Group, International Trade Centre UNCTAD/WTO
JITAP	Joint Integrated Technical Assistance Programme for Selected Least Developed and Other African Countries
NGO	Non-governmental organisation
PBA	Program-Based Approach
PRSP	Poverty Reduction Strategy Paper (national)
TechCom	Technical Committee of the Joint Advisory Group
TRTA	Trade-related technical assistance
UNCTAD	United Nations Trade and Development Conference
UNGA	United Nations General Assembly
UNDP	United Nations Development Programme
USD	US dollar(s)
WTO	World Trade Organization

1. Governance and Accountability

This report addresses the issues in the Evaluation's Terms of Reference related to financing modalities and the implications for the performance and management of the International Trade Centre (ITC). During the course of the Evaluation, questions were added to the Terms of Reference by the Management Group and the Core Group supervising the Evaluation on the governance structures of the organisation and donor coordination, and these are also addressed in the report.

The discussion of governance is based on the analysis of a substantial body of documentary evidence and of supervisory and accountability structures, and how the character and roles of these structures have changed over time, including the participants, processes, the nature of input and output documents from individual meetings of the various bodies, discussion and decisions or advice, influence and perceived effectiveness, and decisions and direction from the parent bodies. The analysis also reflects interviews with participants in the governance process and with ITC's parent organisations.

The analysis of financing modalities is also based on an extensive examination of documentary sources, including financing agreements and reports of various kinds, changes in such modalities over time, the characteristics and objectives of different financing sources, available statistical information, and interviews with ITC management and staff as well as representatives of some of the bilateral donor agencies.

The report first reviews and assesses the governance structure of ITC as it has evolved since the agency's establishment as a part of the GATT Secretariat and subsequently as a joint subsidiary body of the General Agreement on Tariffs and Trade (GATT) and the United Nations. The report then examines the evolution of ITC funding from different sources and assesses the implications of the financing modalities for the management of the organisation and programme delivery.

1.1 Establishment, Mandate and Governance Framework¹

The International Trade Centre was established by the GATT Council in 1964 to provide trade information and trade advisory services for developing countries. The Centre commenced operations in May 1964 as a small unit within the GATT Secretariat.

Its establishment resulted from an extended debate on the declining share in world trade of developing countries and how their trading performance might be improved, and a GATT working committee established by the Council as part of the 1958 Programme of Action. This was reflected in a proposal by Brazil for establishment of an "international trade information centre", which was supported by a GATT Action Committee of 21 developing coun-

¹ This section traces the development of the principal elements of the governance, accountability and programme review structure of ITC, as well as the agency's mandate, and draws on original documentation on key decisions and individual meetings, including agendas, documents discussed, and reports of the various bodies, as well as on individual interviews and an account of ITC's first 20 years by Dr. Frederick Glover (*The International Trade Centre UNCTAD/GATT 1964-1984: An historical account of twenty years of service to developing countries*, 1984).

tries. An *Expert Group* of specialists in trade promotion, consisting of technical specialists from 12 countries (Australia, Brazil, Canada, Germany, India, Israel, Italy, Madagascar, Netherlands, Sweden, United Kingdom and the United States) and chaired by Sweden, met in February 1964 and provided more specific guidance on the objectives and activities of the proposed Centre, and this was subsequently approved by the GATT Council.

A second meeting of what was now the *Expert Group on Trade Information and Trade Promotion Advisory Services* in early 1965 reviewed the activities of the new Centre and made recommendations on programme development and the Centre's expansion. The recommendations were adopted by the GATT Committee on Trade and Development, which also recommended an increase in participation of developing countries and a change in nomenclature to *Advisory Group*. A third meeting was held in March 1966 with 29 countries represented,² and at the 4th meeting in January 1967 it met as the *Advisory Group on Trade Information and Trade Promotion Advisory Services*, with 39 countries participating. At these two meetings the Group provided policy guidance and proposed or endorsed new program directions, as well as making recommendations on additional staff and budgetary allocations.³

Concurrently, the United Nations Conference on Trade and Development (UNCTAD I) met in early 1964, and among its conclusions was that an international trade information and trade promotion centre, adequately staffed, could render valuable assistance to developing countries. At the 1967 meeting of the Advisory Group, a representative of UNCTAD indicated that it had been decided to combine various UN activities into a United Nations Export Promotion Programme, and that the GATT and UNCTAD Secretariats were exploring arrangements that would involve ITC, particularly for technical assistance.

The Director-General of GATT and the UNCTAD Secretariat subsequently proposed the formation of a *joint GATT/UNCTAD International Trade Centre*. A Working Party reviewed these proposals and recommended that ITC be operated jointly as of January 1968. The recommendations were accepted by the GATT Council and the UNCTAD Trade and Development Board, and the UN General Assembly adopted a resolution approving the establishment of an ITC to be “operated jointly by the United Nations Conference on Trade and Development and the General Agreement on Tariffs and Trade on a continuing basis and in equal partnership” from January 1, 1968.⁴

The Centre's purpose was to assist export promotion efforts of developing countries by:

- providing trade information;
- providing trade promotion advisory services;
- arranging training in export promotion;
- undertaking studies on specific aspects of trade promotion and marketing; and
- providing substantive support for export promotion projects financed under

² Participants also included the Commission of the European Communities, as well as several observers.

³ Glover, pp 8-9. The recommendations on staff and budgetary allocations are particularly noteworthy, in the light of the more restricted role of the Advisory Group in more recent years.

⁴ UNGA Resolution 2297 (XXII), 12 December 1967.

United Nations technical cooperation programmes.⁵

In addition to a regular budget to be financed by GATT and the UN, and UN technical assistance funding, the Centre was expected to receive contributions of financial resources or in kind from governments and agencies in developed countries. A GATT Working Party further suggested that, in addition to export promotion activities, the Centre should “provide for active measures to promote imports from developing countries into the markets of the developed countries.”

Governmental supervision of the joint ITC was to be exercised by the Contracting Parties to the GATT and the UNCTAD Trade and Development Board, to which an annual report on ITC’s activities would be submitted. A *Joint Advisory Group* was to be established along the lines of the existing GATT Advisory Group. The Joint Advisory Group was to meet annually “to review the activities of the Centre and formulate recommendations on its future work programme to the governing bodies of GATT and UNCTAD”.⁶ Participation was to be open to any government of a member state of UNCTAD or Contracting Party to the GATT that was prepared to provide an expert on trade promotion.⁷

Administrative and financial arrangements were to be worked out jointly by GATT and UNCTAD. In the meantime, GATT would continue to deal with administrative and financial matters such as personnel actions, payments and maintenance of accounts, and GATT financial and staff regulations would apply. Expenditure of voluntary contributions would be accounted for by GATT, and ITC accounts would be audited by the GATT external auditors. The Director of ITC was to be appointed jointly by the Director-General of GATT and the Secretary-General of UNCTAD. He was to be accorded sufficient autonomy to allow the smooth functioning of the Centre, and would be guided in policy matters by the executive heads of GATT and UNCTAD.

The first meeting of the new Joint Advisory Group was held in May 1968, with experts and advisers in trade information and trade promotion from countries and intergovernmental organisations. The JAG reviewed the Centre’s work programme, made proposals for activities in the coming year, and supported a substantial increase in staff, noting the corresponding increase required in the regular budget.^{8 9} The meeting also reviewed the bilateral contributions in cash or services that a number of developed countries intended to make. Some 18 countries indicated their intention to make such contributions. These voluntary contribu-

⁵ “Proposal for the Establishment of a Joint GATT/UNCTAD International Trade Centre”, Annex to L/2890, 6 Nov. 1967, subsequently adopted by the governing bodies of the GATT and United Nations.

⁶ *This is still the only formal mandate for the Joint Advisory Group.*

⁷ Report of the Working Party of the GATT on the Joint GATT/UNCTAD International Trade Centre (L/2932, 22 Nov. 1967), paras. 11-12. See also Glover, p.10.

⁸ After 1968 the regular budget was financed jointly by GATT and the UN, beginning with a small contribution by the UN in 1968 and a somewhat larger contribution in 1969, and then subsequently financed equally by GATT and the UN.

⁹ This continued to be a more active role for the advisory group than has been the case in later years when the JAG became larger and more formal.

tions provided the basis for a substantial growth in ITC activities.¹⁰

Further meetings of the Joint Advisory Group were held annually, together with meetings of smaller subsidiary bodies established as the JAG became increasingly larger.¹¹ These included a *Sessional Working Group on Evaluation* and, following a review of the role of the Advisory Group by the governing bodies of UNCTAD and GATT in 1971, a small *Technical Committee*, consisting of experts in trade promotion representing selected governments, to carry out a detailed examination of the work programme and organisational structure of ITC prior to meetings of the JAG. The first meeting of the Technical Committee was in January 1972.

ITC's role was strengthened by a Resolution of the UN Economic & Social Council (ECOSOC) in 1973, which recognized that a better utilization of scarce resources could only be achieved by avoiding duplication and overlapping among agencies, that the definition of trade promotion provided by the objectives and programmes of ITC should constitute the basis for any United Nations action, and that the Centre should be "the focal point for technical assistance and cooperation activities in the export promotion field within the United Nations system."¹²

The ECOSOC Resolution called on the Centre's governing bodies to "consider all possible measures at both policy and operational levels that would permit the Centre to discharge fully its responsibilities as the focal point for United Nations assistance in trade promotion." The JAG subsequently established a small working party to undertake this task, and the resulting recommendations were approved by the UNCTAD Trade and Development Board and the GATT Council.

In March 1972, the executive heads of GATT and UNCTAD decided to undertake the review of ITC's administrative and financial management arrangements envisaged in the original agreement between the two bodies. A number of budgetary and administrative functions had been transferred to ITC beginning in 1971, and as a result of the review there was a transfer of additional responsibilities, together with the staff for such functions, as of January 1973.

A further review of administrative, financial and personnel services was undertaken by the UN Administrative Management Service in 1973, and in January 1974 the JAG recommended that the secretariats of the UN, UNCTAD, GATT and ITC formulate proposals for the administrative and financial arrangements for the Centre.

The reviews of ITC's administrative and financial management arrangements in 1972 and 1973 had resulted in a number of important changes. These included the transfer of a num-

¹⁰ Voluntary contributions had begun in 1966, and these became increasingly significant, reaching a level equivalent to more than 50 % of the regular budget by 1970 and exceeding the level of the latter by 1974. In addition, UNDP funding began in 1970, reaching a level equivalent to the trust funds in 1972 and then increasing further, although as a reduced share of the total, as the bilateral trust funds rose even more substantially in subsequent years.

¹¹ By 1968 the number of governments represented had reached 75 and fluctuated around 70 until 1980, when the JAG began to increase steadily, to 88 in 1984 and to currently to just under 100, not counting Observers.

¹² ECOSOC Resolution, E/RES/1819 (LV), 10 August 1973.

ber of budgetary and administrative responsibilities to ITC. This was followed, as a result of the further review in 1974, by a major shift in accountability functions from GATT to the United Nations, which was approved by the governing bodies of GATT and UNCTAD and subsequently the General Assembly in December 1974.

The 1974 agreement confirmed the status of ITC as a subsidiary organ of both the United Nations and GATT, and provided that the Centre would apply the Staff Regulations and Rules and the Financial Regulations and Rules of the United Nations; ITC's accounts would be certified by the UN Controller, audited by the UN's external auditors and reported to the General Assembly and the GATT Council; ITC would continue to exercise delegated authority it had already assumed; regular staff members of ITC would have the same rights as staff members of the UN Secretariat;¹³ and the UN Office in Geneva would provide certain services to the Centre. The agreement also provided that "ITC should be accorded a degree of separate identity that would facilitate the carrying out of its work effectively and efficiently".¹⁴

In 1980, the Centre's responsibilities in trade promotion and export development were underlined by the International Development Strategy for the Third UN Development Decade adopted by the General Assembly.¹⁵ The Strategy requested donors to give further support to ITC's technical cooperation programme. The Substantial New Programme of Action for the Least Developed Countries in September 1981 also called for a strengthened role for the Centre in promoting effective international marketing for the least developed countries. A further appeal for additional voluntary contributions to ITC was made by the GATT Ministerial session in September 1982.

UNCTAD VI in 1983 also endorsed a strengthening of the Centre and requested ITC to support implementation of the Integrated Programme for Commodities and to expand its technical assistance, particularly for least developed countries. Also in 1983, in a significant development, ITC was designated as an executing agency of UNDP, following a recommendation of the JAG and endorsement by the GATT Council and the Trade and Development Board.

These various elements in ITC's first two decades served to define the broad role and mandate of the agency, the basic administrative arrangements, and the general governance framework, with the latter developed in the context of the structure and conception of the agency as it was in 1964-1968, initially as a small integrated unit of the GATT Secretariat, to which was added a broader mandate and a dual reporting relationship and accountability.

¹³ Although their employment was limited to ITC.

¹⁴ UN documents A/PV.2325, 20 Dec. 1974, and A/9960, 17 Dec. 1974, pp. 13-14, and A/C.5/52/25, 2 Dec. 1997 on "Administrative Arrangements for the International Trade Centre UNCTAD/WTO, p. 2.

¹⁵ UNGA Resolution 35/56 (XXXV), 5 December 1980.

1.2 Policy Direction and Programme Review

ITC, as a subsidiary agency of the UN/UNCTAD and the WTO, is subject to the governing bodies of both, including the programme and budget approval bodies of the UN, the Trade and Development Board of UNCTAD, and the General Assembly, as well as the WTO Budget Committee and Committee on Trade and Development, and the WTO General Council. ITC is also subject to the extensive internal oversight procedures of the UN. The Executive Director of ITC is appointed jointly by the Director-General of WTO and the Secretary-General of UNCTAD, and is intended to be guided in policy matters by the heads of the two parent organisations, who have been assisted in this regard, particularly in the early years of the joint ITC, by a Liaison Committee of designated officers of the organisations.¹⁶ In addition, that part of the overall ITC programme financed by the regular budget is subject to detailed programme and budget review procedures of the United Nations, with final programme and budget approval by the governing bodies of both the UN and WTO. These programme and budget procedures do *not* extend to ITC operations financed from extra-budgetary resources.

The *Joint Advisory Group* of ITC is an essential element in the governance and accountability structure, and is regarded as the policy making organ of ITC. It is in practice the principal body to which ITC reports for substantive programme review and policy guidance, since review in the various bodies of WTO, UNCTAD and the UN is much more brief and more formal, without an opportunity for substantive discussion among officials directly concerned with ITC or by officials with ITC itself. The nature and extent of review and guidance by the JAG has, however, evolved considerably over time.

The Joint Advisory Group was originally intended as a body of experts on trade promotion, drawing on the work of its predecessor, the GATT Advisory Group, which had provided substantive guidance on the work of ITC in its initial phase. The record suggests that in its early years the JAG made a significant contribution in providing broad policy direction and substantive advice to ITC, including continuing interpretation of the Centre's mandate in practical terms.¹⁷ The formal role of the JAG, however, was (and remains) advisory, as it does not have the power to commit financing to ITC, since the latter function is exercised by the governing bodies for UNCTAD and WTO (as successor to the GATT).

The JAG has been provided with an Annual Report and other documentation from the ITC secretariat describing the substantive character of the work programme, constraints and changing circumstances, and, at least in earlier years, financial and human resource needs.¹⁸ From its first session in 1968, the JAG recommended evaluations of ITC activities, and in 1980 decided that, in addition to project evaluations, there would be regular evaluations of ITC programmes and sub-programmes to be undertaken by independent consultants, and that the examination and discussion of these evaluation reports would constitute *a major agenda item for meetings of the JAG*. This provided an opportunity to examine ITC's activities in

¹⁶ This is discussed further in Section 1.3 (page 16)

¹⁷ Glover, p. 49.

¹⁸ Based on the analysis in Glover, *ibid.*, p. 50.

depth, including recommendations on programmes and programme management, and the JAG maintained a strong interest in such evaluations and their use as a management tool.

The JAG became an increasingly larger body, however, and a number of governments felt that it could not be expected to scrutinize ITC activities effectively with a view to determining priorities and providing substantive guidance. On the recommendation of the Chairman of JAG,¹⁹ the governing bodies of GATT and UNCTAD in 1971 approved the establishment of a smaller *Technical Committee*, consisting of 18 experts in trade promotion, representing separate country groups, with nine from developing countries (three each from Africa, Asia and Latin America), six from market economies, and three from socialist countries. This was a significant development, which had the effect of restoring some of the functions of the JAG itself when it was a smaller and more professionally experienced body.

The terms of reference of the new Technical Committee were: “... to review . . . the implementation of the Centre’s work program . . . ; to examine, in the light of the assistance required by the developing countries . . . , proposals for the Centre’s work program and its organisational structure; and to report to the Joint Advisory Group.”

It proved difficult, however, to apply the original intention of a rotational membership, and the Technical Committee continued with the same composition for its first eight years (with experts from Argentina, Brazil, Bulgaria, Canada, Egypt, Finland/Sweden, France, Germany, Kenya, India, Indonesia, Israel, Poland, Senegal, UK, USA, USSR and Venezuela). In the absence of agreement on a rotational arrangement,²⁰ the composition of the Committee was finally changed to the concept of “self-election”, and as a result as many as 52 governments were represented at the 1979 meeting, increasing further to 67 by 1981. The much larger participation, with many participants not having a background in trade promotion activities, however, made it difficult to continue to justify having two separate meetings, and beginning in 1983 the Committee no longer met, and only one meeting was held annually, in the form of an extended 7-day meeting of the JAG.

In 1986, however, it was again felt that ways should be found to strengthen the technical nature of discussions, and it was decided to have a three-day *Technical Meeting* to review the annual program evaluations. Meetings of the JAG were shortened to 5 days.

Technical Meetings were held from 1987 to 1999, with substantive discussion on a series of program and thematic evaluations. TechCom also discussed the proposal to set up a Global Trust Fund, with a Consultative Committee for the new fund, which the Technical Meeting recommended for approval by the JAG.²¹ A detailed Report from each Technical Meeting, with the results of its discussion and recommendations, was placed on the agenda of the next meeting of JAG.

¹⁹ Presumably after consultation with governments.

²⁰ It is not clear how the consultative process was carried out, as no records were available to the Evaluation. But it may have been undertaken by the then Chairperson of the JAG.

²¹ The proposal for setting up a Global Trust Fund and a Consultative Committee was prepared by a Working Group on Funding Reform Relating to Trust Fund Contributions and revised by the January 1992 Technical Meeting.

Beginning in 1997, however, some governments indicated a desire to consider again the possibility of an additional, more broadly focused, supervisory or deliberative body. Informal consultations on the ITC's supervisory mechanisms were conducted by the Chairman of JAG in late 1998, at which the Executive Director reviewed the arrangements as a whole, including the budget approval process with the UN and WTO and the new GTF Consultative Committee, and expressed the hope that ways could be found to avoid additional bureaucracy or expenditure.

What was agreed was significantly less than might have been originally envisaged by governments requesting the review. It was decided that there would be a relatively limited new arrangement in the form of an *informal meeting of the JAG* midway between annual JAG sessions, to be based on a review of existing documents such as ITC's Medium Term Plan, Annual Operations Plan (AOP) and Annual Report, which would serve as a basis for informing governments more fully on the work programme of each of ITC's substantive divisions in turn.²²

One result, however, was that the smaller Technical Meetings were discontinued, a decision that appears to have been an administrative one by ITC, perhaps reflecting overall burdens on the ITC secretariat. The last Technical Meeting was that held in 1999, and its Report was considered at the JAG meeting in 2000. The practice of placing one or more evaluation reports on the agenda of the JAG was also discontinued

Box 1: Milestones

- 1958. GATT *Programme of Action*.
- February 1964. Meeting of **Expert Group** of trade promotion specialists on formation of ITC.
- May 1964. ITC commences operations as part of GATT Secretariat.
- 1965. Second meeting of now **Expert Group on Trade Information and Trade Promotion Advisory Services** to review ITC policies and programmes.
- 1966. Third meeting of Expert Group.
- 1967. Fourth meeting of the now **Advisory Group on Trade Information and Trade Promotion Advisory Services**. Group advised of intended UN Export Promotion Programme proposed by UNCTAD I. Followed by recommendations of Director General of GATT and UNCTAD for formation of a joint GATT/UNCTAD International Trade Centre.
- January 1968. ITC begins operations as Joint GATT/UNCTAD International Trade Centre following decisions by the GATT Council and the UN General Assembly.
- May 1968. First meeting of **Joint Advisory Board (JAG)** established by the governing bodies to reflect joint operations and membership of GATT and UN. JAG continues to meet annually.
- 1971. Decision of GATT and UNCTAD governing bodies to establish a small expert **Technical Committee** (TechCom)
- January 1972. First meeting of the JAG Technical Committee, which continues to meet annually.
- 1972. Review of ITC administrative and financial arrangements by GATT and UNCTAD, followed by transfer of responsibilities and staff to ITC, effective January 1973.
- 1973-1974. Review of ITC administrative, financial and personnel services by UN and the JAG. Report and agreement approved by governing bodies of GATT and UNCTAD and by UN General Assembly, December 1974. Administrative oversight transferred from GATT to the UN.
- 1979. First meeting of the Technical Committee with "self-elected" participation. Consequent rapid enlargement of Committee with less expert participation.
- 1983. Enlarged Technical Committee no longer meets. Replaced by extended annual 7-day meeting of the JAG.
- 1986. First 3-day **Technical Meeting** to review evaluations and report to JAG. JAG shortened to 5-day meetings. Meetings continue annually.
- 1991. Working Group on Funding Reform, followed by review in January 1992 Technical Meeting, which recommended a revised proposal for GTF to JAG.
- 1998. JAG Chairman consults on a proposal to strengthen ITC supervisory structure. Agreement only on informal information mechanism (Informal JAG) without reporting responsibility.
- 1999. First **Informal Meeting of the JAG**.
- 2000. Discontinuation of Technical Meetings and of regular evaluation reports as part of the agenda for JAG meetings.

²² "Note on JAG Chairman's consultations with Members of WTO", 4 November 1998.

in 2000. Two more evaluations in the series were subsequently completed, but were not submitted to the JAG.

Since 1999, Informal Meetings of JAG have been held in the autumn, with presentations and discussion on individual programmes. These are intended to provide interested governments with a better understanding of particular programmes and current issues, rather than to develop recommendations or to consider ITC programming as a whole. Most recently, in November 2004, there were presentations on two sub-programmes, the Integrated Framework and JITAP, and integrated trade-related technical assistance at country-level. Unlike the earlier Technical Committee and Technical Meetings, a report is not prepared for submission to the JAG.

The Joint Advisory Group itself meets in April or May each year, with invitations issued by the Director General of WTO and the Secretary General of UNCTAD. Some 250 or more invitations are sent to governments, UN bodies, Intergovernmental Organisations (IGOs) and NGOs, with close to 100 countries and 20 or so Observers attending in recent years, and with a total of 200 to 240 delegates participating. The agenda includes statements by the Executive Director and by WTO and UNCTAD, a report on technical cooperation activities, a report from the Consultative Committee of the Global Trust Fund,²³ in some years a special topic such as the biennial strategic framework, and announcement of bilateral trust fund contributions.

Statements are made by individual delegations on the agenda items, raising points of particular interest or concern, and trust fund contributions for the current year are announced by contributing governments. A written report on the meeting, reviewing statements and points raised or commented on, as well as contributions pledged, is then prepared in six languages, and is reviewed and revised by delegates on the final day of the meeting. The approved Report of the JAG is submitted to the governing bodies of WTO and UNCTAD.

²³ The GTF Consultative Committee has been established as, in practice, a sub-body of the JAG.

1.3 Analysis of Policy Guidance and Accountability Structures²⁴

The basic features of ITC's governance and external accountability structure were designed in the circumstances of 1967/68, when ITC was established as a joint organ of GATT and UNCTAD, with accountability of the executive head of ITC to the executive heads of the two parent organizations, and an overall dual accountability to the programme and budget review mechanisms and governing bodies of GATT and the United Nations. This included accounting, audit and oversight mechanisms, initially of the GATT, and after 1974 of the United Nations, as well as application of the financial and staff regulations of the GATT and later the United Nations.

The executive head and the agency were granted a degree of separate identity and a significant devolution of authority. The structured accountability and oversight mechanisms, particularly of the United Nations, nevertheless, remain in place, with a dual programme and budget approval process for the two parent organisations and detailed oversight procedures applicable to the UN Secretariat.

A separate programme advisory mechanism, known as the *Joint Advisory Group*, was provided within the governance structure. This was patterned after the expert advisory group that had been used by the GATT to guide the formation of ITC and its initial development. It was originally a relatively small group of officials directly concerned with trade information and trade promotion, which provided substantive guidance in the development of ITC's programme and management and a continuing interpretation of its mandate. This is sometimes referred to as the governing body of ITC, although its formal role is advisory, with an annual report being submitted to the governing bodies of UNCTAD and WTO.

The increasing size of the Joint Advisory Group, and gradual weakening of its expert advisory character, led to an increasing degree of formality in its functioning, and it is now an intergovernmental body of some 100 delegations from all interested UN and WTO members able to be represented, together with Observer delegations, similar to what in some organisations is called the board of governors, but without responsibility for budget or the capacity to approve a programme.

The JAG does, however, serve a number of key functions, including keeping governments apprised of ITC operations and able to offer views and comments, as well as a mechanism for the extra-budgetary contribution process, and in some cases its endorsement has in practice provided needed decisions or benchmarks. It also provides a network of senior contacts for ITC with governments and their delegations in Geneva. In addition, the Consultative Committee of the GTF reports to the JAG, which originally endorsed the establishment of the GTF and its Consultative Committee.

As outlined in the previous section, the work of the Joint Advisory Group has at different times been supplemented by smaller groups, which have, in some cases for fairly long peri-

²⁴ The analysis in this section is based on the survey of the governance and program review structure summarized in the previous section, as well as interviews with participants in the process, and analysis of key documents including input and output documents from the relevant processes and meetings.

ods, provided a more detailed review and accountability mechanism on programmes, objectives and/or the results of evaluation work, and contributed to the larger body's subsequent review.

The most structured of these was the *Technical Committee*, established in 1972 by decision of the governing bodies of UNCTAD and GATT and intended to consist of experts in trade promotion. Its composition was initially of 18, representing the three country groups among developing countries, the developed countries, and the then socialist countries, with the intention that participation would be rotational.

It seems clear that this committee played a valuable role and complemented the work of the JAG. By subjecting the Centre's activities to a detailed technical review, the Committee facilitated the JAG's policy deliberations, its consideration of broader themes, and its annual review of extra-budgetary resources, and as a result of the quality of its discussions and recommendations TechCom was considered to have made a significant contribution to the progress of ITC.²⁵ The nature of the consultative process, however, made it difficult to reach agreement on rotation within the country groups, and eventually the concept of "self-election" by governments was experimented with, with the result that there was a rapid increase in the Committee's size.

This evolution of the Technical Committee meant that the country composition became close to that of the JAG itself, many of the participants no longer had the expert knowledge of trade promotion that was the basis of the original concept, and the Committee's size made constructive, detailed discussion of ITC's activities difficult.²⁶ A review in 1981 concluded that representation at the Committee and JAG had become largely the same and recommended that the two meetings be replaced by a single, extended meeting of the JAG. The importance of preserving the technical level of discussion was, however, recognized, and governments were invited to include, where possible, technical experts and officials dealing with policy matters in their representation.²⁷

After a short period (1983-1986) of extended JAG meetings covering more than a week, the need was again felt for a smaller body, as well as a shorter JAG session. Beginning in 1987, a *Technical Meeting* was held each year, three months prior to the JAG, with a very specific mandate to consider in detail what were then an annual series of programme evaluations, although other issues were also considered, in particular the establishment of the Global Trust Fund. The record makes clear that the meetings were used for substantive discussion on a series of programme and thematic evaluations, as well as on the proposal for a Global Trust Fund. Available evidence, including the group's reports to the JAG, suggests that the technical meetings functioned well within their limited mandate during the period 1987 to 1999.²⁸

²⁵ Glover, p. 52. This is supported by the Evaluation's review of original documentation from this period.

²⁶ Glover, pp. 52-53.

²⁷ Report of the Working Party on Future Arrangements for the Joint Advisory Group and its Technical Committee, 25 Sept. 1981.

²⁸ The number of participants, at least in the later years, ranged between 40 and 65, but this was still less than in the JAG.

Technical Committee meetings, however, were overtaken by another initiative, in response to views that it would be useful to review ITC's supervisory structures as a whole and consider whether a new mechanism was appropriate. This latter prospect may have seemed daunting to an overburdened secretariat, given also the work associated with the new Consultative Committee for the GTF, although there was recognition that a mechanism to improve understanding of ITC's programmes would be useful.

What was agreed was that a short *Informal Meeting of the JAG* would be held in the autumn each year, without special documentation, for a briefing and discussion on individual programmes and other issues.

Concurrently, as indicated in the previous section, the Technical Meetings were discontinued, as was the practice of submitting programme evaluations for discussion by the JAG. A review of documentation and interviews with participants suggest the meetings provide a useful opportunity for familiarization with ITC programmes. The meetings do not, however, play a formal or reporting role in relation to the JAG, and there has been no resumption of the consideration of evaluation reports.

A different mechanism that was particularly significant during ITC's early years was a *Liaison Committee* of senior officers of UNCTAD and GATT (later WTO) together with the executive head and deputy head of ITC. This met frequently in an advisory capacity until 1975 and contributed to the policymaking process during this period, including preparations for the JAG.²⁹ As the apparent need for such meetings was reduced, the Committee met less frequently, and its last meeting as a committee was in February 1996. Consultations, mostly informal, at the executive head level continue periodically, but the role of the secretariats of the parent organisations is now much reduced, except for a *Joint Appointments and Promotions Board* with respect to staff appointments to ITC, which is a continuing feature of the relationship.

Findings and Conclusions on Governance

As the above indicates, ITC's governance and accountability structures have evolved over time, but are still essentially those originally established for a special programme within the secretariats of GATT (now WTO) and the UN, with a separate intergovernmental advisory body that covers the overlapping memberships of both parent organisations. There is no longer an expert advisory group to provide more detailed review of activities and performance or discussion of future programming and strategy. The parent bodies are not, in practice, equipped to provide this function, and the several layers of the programme and budgetary approval process of the United Nations (the Committee on Programme Coordination, Advisory Committee on Administrative and Budgetary Questions, Second Committee of the UN, Fifth Committee and the General Assembly), and the separate approval process of WTO, provide a relatively distant and formal process that does not necessarily reflect the present character of ITC as a distinct agency with a relatively separate identity.

The process also does not – from the perspective of donor governments – adequately reflect

²⁹ Glover, p. 53.

the current situation where roughly half of ITC's overall operations are financed by direct contributions from donors, and roughly 25 % each through the UN and WTO.

The dual accountability and approval process (UN and WTO) has been reviewed on different occasions in an effort at simplification, because of significantly differing (and additive) requirements of the two parent organisations, but in essential terms the process remains the same. Changes in the WTO budgetary system have reduced the additional work required for submission of the budget in a different format from that used by the UN, but there are still multiple stages and layers in the process.

There are also extensive accountability and oversight mechanisms, particularly of the UN, which do not necessarily suit ITC's current needs, and which, overall, represent a significant burden on the limited administrative resources of ITC. The burden of current oversight arrangements seems excessive for a small organization that is not operationally part of the UN Secretariat. This includes a substantial number of internal audits, a detailed UN reporting system that is activity- rather than results-oriented, and a considerable number of evaluation and inspection reports. In addition, the audits are largely process-based, rather than aligned with results-based budgeting and management.

The Joint Advisory Group, as a core element in the governance structure, plays an important role as a link between governments and the agency, including both governments that contribute extra-budgetary resources and governments for whom ITC provides assistance. It does not, however, fill the function (at least in its present form) of a detailed programme review body, and it has no budgetary responsibility, except in a very general way for the Global Trust Fund, whose Consultative Committee reports to the JAG. Although efforts have been made in the past to address this issue, they have eventually been discontinued because of the large number of participants and/or because of limitations in the role of the body concerned, and the difficulty of reaching agreement through a consensual consultative process on a more effective mechanism.

It might be noted that during the period of several years in the early to late-1990s when there was an interregnum in the senior level of leadership at ITC and related weaknesses in policy direction, followed by a period of reappraisal and consolidation, there was no smaller body such as the earlier Technical Committee with a mandate to provide close monitoring of ITC activities, support to ITC management, and policy and programme advice to the larger body of the JAG. It is at least arguable that a cohesive body of expert officials with particular responsibilities in relation to ITC might have played a useful role during this period and helped to overcome some of the difficulties more quickly. This would have been similar to the board of directors or executive committee that some other international agencies have, which helps to provide continuity and support during a period of management change. The absence of such a body may have prolonged the period during which there was a sharp decline in resources and level of operations as shown in Figure 1 in the next section.

2. Financial Resources and Programme Modalities

2.1 Sources of Financing

Financial support for ITC's operations has from its earliest period included both regular budget and extra-budgetary resources. The regular budget has, since 1970, been financed equally by GATT/WTO and the UN, while extra-budgetary funding is provided from different sources for particular programmes or projects, with a required percentage contribution toward ITC support costs. There have, however, been substantial changes over time in the extent to which ITC operations have been financed by different sources of funds.

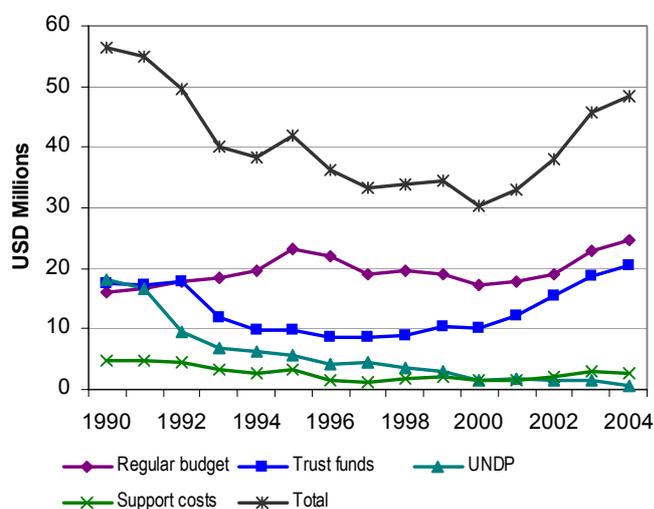
Over the period 1990 to date, total expenditures by ITC have varied from a high of USD 56.4 million in 1990 to a low of USD 30.3 million in 2000, rising again to USD 48.5 million in 2004. The changes are shown graphically in Figure 1. Detailed figures are provided in Table 1.

Financing from the *regular budget* rose from USD 16.1 million in 1990 to USD 23.1 million in 1995, declining to USD 17.2 million in 2000. Since 2000, the regular budget has recovered to USD 24.6 million, while overall expenditures have risen more rapidly, reflecting in both cases changes in exchange rates, together with a faster rate of increase in trust fund resources.³⁰ Despite recent increases, however, overall expenditures have not regained the level of 1990.

Funding from the UN system, including extra-budgetary funding from UNDP as well as the UN's 50 % share of the regular budget, declined from USD 26.1 million in 1990 to USD 17.2 million in 1995 and USD 12.8 million in 2004, reflecting the shift in UNDP support from being the major single provider of funds to a nominal level of USD 500,000 (see Tables 1 and 2).

Trust fund resources provided by individual donors have financed a substantial part of ITC operations over the period. In terms of expenditures, trust funds provided USD 17.5 million in 1990 (not including support costs), declining to a low of USD 8.5 million in 1996, then in-

Figure 1: Total ITC Expenditures from Regular and Extra-budgetary Resources, 1990-2004
(USD Millions)

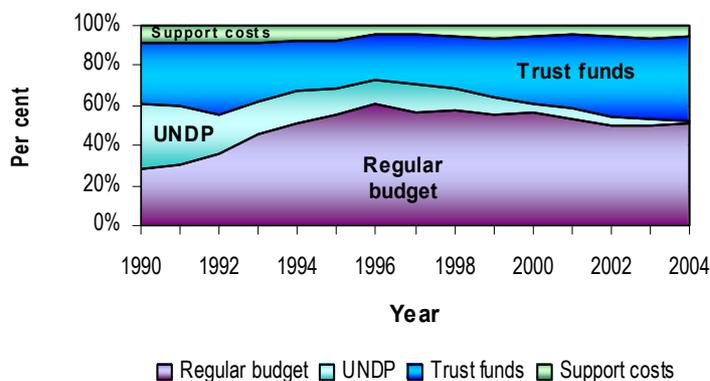


Source: ITC Annual Reports 1990 to 2004, *Statistical Tables* volume.

³⁰ The regular budget is denominated in CHF, with U.S. dollar funding adjusted to meet the approved budget in CHF terms. According to the ITC Secretariat, the nominal increase between 2002 and 2004 was largely a result of exchange rate changes. Similarly, the USD equivalent of trust fund contributions, where these were committed in other currencies, also increased in terms of U.S. dollars.

creasing to USD 20.6 million on 2004 (not counting USD 2.7 million in support costs).

Figure 2: Total ITC Expenditure from Regular and Extra-budgetary Resources, 1990-2004
(per cent)



In percentage terms, *bilateral trust funds* covered 35.3 % of ITC expenditures in 1990, compared to 28.5 % for the regular budget and approximately 36.1 % for UNDP.³¹ In 2004, trust funds financed 48.2 % of ITC expenditures, the regular budget 50.7 %, and UNDP 1.1 %.

The share provided by *the UN system*, including extra-budgetary funding from UNDP, fell from 50.2 % in 1990 to 26.4 % in 2004. *WTO's share* has risen from 14.3 % to 25.4 %, reflecting the relative increase in the

share of the regular budget.

The changing trends in percentage terms are shown graphically in Figure 2. The charge for support costs is shown separately in the chart.

Overall, the changes have reflected a sharp reduction in UNDP funding, constraints on UN budget resources, and reduced bilateral support during an interregnum in ITC leadership and policy direction in the early 1990s, followed by substantial increases in bilateral donor support in more recent years. In the case of UNDP, the decline appears to have been the result of both declining UNDP resources and changes in UNDP priorities.³²

³¹ These percentages include an approximate estimate for contribution to support costs. Because a breakdown of the levy for support costs was not available to the Evaluation, the data in Tables 1 and 2 show such contributions from both UNDP and bilateral trust funds as a single series.

³² Until the late 1990s, as shown in Figures 1 and 2, extra-budgetary resources from UNDP provided a significant share of ITC program funding.

Table 1: Total ITC Expenditures from Regular and Extra-budgetary Resources, 1990-2004 (million US Dollars)

Source of Funds	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Regular budget	16.1	16.6	17.9	18.3	19.6	23.1	22.0	18.9	19.6	19.1	17.2	17.7	19.1	22.8	24.6
Extra-budgetary funds	40.3	38.4	31.7	21.8	18.6	18.7	14.1	14.5	14.4	15.4	13.1	15.4	18.9	23.0	23.9
<i>Of which:</i>															
<i>Trust funds</i>	17.5	17.1	17.9	11.8	9.7	9.8	8.5	8.6	8.9	10.4	10.2	12.3	15.4	18.6	20.6
<i>UNDP</i>	18.1	16.5	9.4	6.7	6.2	5.7	4.1	4.6	3.7	2.9	1.4	1.7	1.5	1.5	0.5
<i>Support costs</i> ³³	4.7	4.8	4.4	3.3	2.7	3.2	1.5	1.3	1.8	2.1	1.5	1.4	2.0	2.9	2.8
Total	56.4	55.0	49.6	40.1	38.2	41.8	36.1	33.4	34.0	34.5	30.3	33.1	38.0	45.8	48.5

Source: Annual Report 2004 Add.2, Statistical Tables; Annual Report 2003 Add.2, Statistical Tables; Annual Report 1998, Statistical Tables.

Table 2: Total ITC Expenditures from Regular and Extra-budgetary Resources, 1990-2004 (%)

Source of Funds	1990	1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004
Regular budget	28.5	30.2	36.0	45.7	51.3	55.3	60.9	56.6	57.6	55.4	56.7	53.5	50.3	49.8	50.7
Extra-budgetary funds	71.4	69.8	64.0	54.3	48.7	44.7	39.1	43.4	42.4	44.6	43.3	46.5	49.7	50.2	49.3
<i>Of which:</i>															
<i>Trust funds</i>	31.0	31.1	36.1	29.4	25.4	23.4	23.5	25.7	26.2	30.1	33.7	37.2	40.5	40.6	42.5
<i>UNDP</i>	32.1	30.0	19.0	16.7	16.2	13.6	11.4	13.8	10.9	8.4	4.6	5.1	3.9	3.3	1.0
<i>Support costs</i> ³³	8.3	8.7	8.9	8.2	7.1	7.7	4.2	3.9	5.3	6.1	5.0	4.2	5.3	6.3	5.8
Total (in %)	100														

Source: Data presented in Table 1.

³³ Contributed as a percentage of bilateral trust funds and a percentage of UNDP funding, a percentage understood to be somewhat larger for bilateral trust funds. Total extra-budgetary resources provided by trust funds, therefore, consists of both the figures shown on the Trust funds line and a portion (an increasing portion) of that shown for contributions to support costs.

2.2 Extra-Budgetary Resources and Programme Advisory or Coordination Mechanisms

Voluntary contributions by individual donors exceeded the level of the regular budget as early as 1974, and UNDP funding provided additional resources beginning in 1970. For the period since 1990, the figures are shown in Table 1. In 1990, expenditures financed from extra-budgetary sources (bilateral trust funds and UNDP, inclusive of the total contribution from these sources for support costs) were USD 40.3 million, of which UNDP provided USD 18.1 million, and the trust funds provided USD 17.5 million, excluding the levy for support costs. By the end of the period, in 2004, expenditures from the trust funds (which declined significantly in the 1990s and then began to move upward, as shown graphically in Figure 1) were USD 20.6 million on a rising trend, with a nominal USD 500,000 for UNDP, again excluding support costs.³⁴ A breakdown of current extra-budgetary funding by programme for the two most recent years is shown in Table 3.

Global Trust Fund

With the approval by the JAG for the establishment of the Global Trust Fund (GTF) in 1995, a new facility was provided to complement ITC's regular budget through relatively flexible funding to enable the agency to provide additional services and field activities for a larger number of beneficiaries. The GTF is similar to a *Program-Based Approach* or PBA, and finances an agreed programme, although with different funding options and different degrees of earmarking.

Window I of the GTF is available to finance additional core staff in specialized areas, missions by ITC staff for the regular programme of work, programme development, specific programmes for particular countries or regions, meetings of experts, and other activities.

Window II allows donors to fund particular programmes, and four such programmes are currently being financed by different donors. These are the *World Tr@de Net*, *South-South Trade Promotion*, the *E-Trade Bridge for SMEs*, and the *Export-led Poverty Reduction Programme*. Funds under Window I are nominally earmarked, and under Window II are more specifically earmarked, but in support of an agreed programme.

Most recently, a *Window III* was created in 2004 for contributions for the EC-supported Asia Trust Fund.

A distinctive feature of the GTF is the *GTF Consultative Committee*. This is a formally established programme advisory body, with a mandate to review proposals for the use of funds, take a position on the orientation of the use of funds under Window I, advise on types and orientation of programmes under Window II, review progress on implementation, and agree

Table 3: ITC Extra-Budgetary Resources
Allocations for operational projects (USD'000)

	2003	2004
Global Trust Fund	8,767	9,079
Window I	4,835	3,982
Window II	3,932	5,097
Common Trust Fund (JITAP)	1,263	2,480
Asia Trust Fund (EU)	-	99
Individual Trust Funds (21)	8,782	8,745
Funds-in-trust	221	371
Revolving funds	836	1,045
UNDP	800	274
UNDP – Integrated Framework	626	184
TOTAL	21,295	22,277

SOURCE: DATA PROVIDED BY ITC
SECRETARIAT

³⁴ As noted above, available ITC data does not provide a breakdown of the support costs levy, and the percentage varies, with that for UNDP being lower than for bilateral donors.

jointly with the secretariat on monitoring and evaluation mechanisms. The Committee has 18 members from both donors and beneficiaries, with members drawn from each country group, as well as a number of country observers. Members are nominated annually by each country grouping. The Committee meets two to three times per year to review progress reports, proposed activities and programmes, GTF evaluations, and the Committee's annual report to the JAG.

JITAP and the Common Trust Fund

The multi-agency *Joint Integrated Technical Assistance Programme (JITAP)* for selected African Countries is financed by a Common Trust Fund (CTF), to which 10 donors are contributing a total of USD 12.7 million for the Programme's second phase (2003-2007). The Programme began with a set of needs assessments in 1996-97 and the CTF was established in 1998. Recent funding from the CTF for ITC activities under JITAP is shown in Table 3. The executing agencies for JITAP are ITC, WTO and UNCTAD, and ITC administers the trust fund and houses the coordinating unit.

JITAP's objective is to strengthen the capacity of African partner countries to benefit from the Multilateral Trading System, including through more effective participation in trade negotiations and improved supply capacity and market knowledge of exporting enterprises. Under JITAP II, the Programme has been extended to a total of 16 African partners.

Country-level coordination is undertaken through national steering committees, while in Geneva an overall *Steering Group* meets up to three times per year. Members of the Steering Group include the three executing agencies, contributing donors and African partner countries. Others may participate as observers. Among the features of the programme's management is results-oriented reporting, a performance framework, and an emphasis on evaluation. Both a JITAP I mid-term evaluation and a summative evaluation at the end of JITAP I have been completed to date.

The Integrated Framework

Another important inter-agency mechanism is the *Integrated Framework for Trade-Related Technical Assistance to Least Developed Countries (IF)*, which includes six core agencies (WTO, World Bank, IMF, UNCTAD, UNDP and ITC), 22 least developed countries, and a number of bilateral and multilateral donors, which contribute to an IF Trust Fund administered by the UNDP. The governance structure consists of a tripartite IF Steering Committee and an inter-agency Working Group chaired by WTO, supported by an IF Secretariat based in WTO. The mandate of the Integrated Framework is very broad – to mainstream trade into national development plans and PRSPs and to assist in the coordinated delivery of trade-related technical assistance. Emphasis to date has been on diagnostic studies and pilot countries.

Other Trust Funds

Individual trust funds continue to provide a major share of ITC's extra-budgetary resources (USD8.7 million out of USD22.3 million in extra-budgetary resources available in 2004, as shown in Table 3), although the Global Trust Fund is now of comparable importance. There are more than 20 such funds, most of them from individual donor countries. In some cases, these continue to be earmarked for very specific projects or activities, with varying condi-

tions and separate approval and reporting procedures. In other cases, more flexible arrangements are now in place, in one case with language in the agreement similar to that of a Program-Based Approach or PBA, but still earmarked as to purpose.

Among these is a recent arrangement with the European Commission for an *Asian Trust Fund (ATF)*, based on the concept of a partnership between the EC and ITC. This approach permits the Commission to support a programme with a high degree of flexibility and quick response. The objective is to assist Asian developing countries in their integration into the world economy by providing trade-related technical assistance. The ATF provides for a programme of EUR 5 million for the 3 years 2004-2007, with the EC providing EUR 4.5 million and ITC covering the balance. The arrangement may be extended, depending on results. The procedures provide for a high degree of transparency and a relatively rapid (60-day) response to requests from governments. There is no formal coordinating mechanism. As noted above, a special Window III in GTF has been set up to cover the cost-sharing needed under the partnership agreement.

Trust Fund Donors

Under present trust fund arrangements, donors are able to contribute extra-budgetary resources in various ways, with Window I of the GTF being closest to a harmonized PBA in support of a programme that is in many ways an extension of that financed by the regular budget.

On an overall basis, current support levels for individual donors are shown in Table 4 as a 5-year average, on the basis of funds allocated by ITC. The EC does not yet appear separately, as the ATF had only just begun operations in 2004.

Some donors provide contributions in different ways. The principal donors for Window I of the GTF are Denmark, which is the major donor, Canada, Sweden and Norway, and others also contribute. Germany provides most of its support through Window II of GTF, which is also supported substantially by Switzerland and Norway, with further contributions from several others. The contributors to the Common Trust Fund are Canada, followed by Denmark, Norway and several others. Switzerland provides the largest part of its total assistance under bilateral trust fund arrangements, as does the Netherlands and France. Other significant individual trust funds are provided by the United States and Italy.

The extent to which resources are earmarked for particular purposes – and the procedures for funding, approving and reporting on activities – varies greatly among the different arrangements. Individual trust fund arrangements are discussed further in Section 2.3.

Table 4: Major Trust Fund Donors

Funds allocated	
Annual average 2000-2004	
	USD'000
Switzerland	4,954
Netherlands	1,831
Denmark	1,607
Canada	1,359
Germany	1,343
Norway	1,179
Sweden	1,299
France	714
United Kingdom	526
Agence...la francophonie	446
Finland	364
Italy	335
Others	331

SOURCE: DATA PROVIDED BY

2.3 Analysis of Financing Modalities and Programme Management Structures³⁵

The structure and modalities of the financial resources for ITC operations have been reviewed in the previous section, as have the advisory and coordination mechanisms for some of the trust funds. Taken together, although there has been significant progress in simplifying the modalities, the structure as a whole remains complex, with varying conditions, procedures and reporting requirements. The result is a significant level of transaction costs similar to those highlighted by the international development community's current focus on reducing such costs through "harmonization" and "Program-Based Approaches". There are also other issues of timing, predictability, effectiveness of programme management, and accountability for results that flow from the structure of financing and related programming.

Window I of the Global Trust Fund. This is a broadly flexible financing instrument, although its particular uses are guided by the *Consultative Committee*, which is a type of programme management board with donor and beneficiary representation, chaired by the executive head of ITC. It is considered a "best practice" example of trust fund financing,³⁶ and provides complementary support for ITC's overall operations and allows the Centre to undertake programmes that might not otherwise be possible.

The Consultative Committee is of a reasonable size and has a structured mandate. It includes some development agency professionals, although only limited trade development expertise, so that its focus is perhaps less on the operational design and focus of programmes than on their relevance and objectives. ITC has shared with the Committee information on the biennium regular budget, so that there is an opportunity to place GTF-supported operations in context. This falls short, however, of considering an overall integrated programme and budget.

Window II. Window II of the GTF facilitates contributions by donors whose policies require attribution to specific identified programmes, and provides financing for what ITC considers are priority programmes. It is included within the mandate of the Consultative Committee, which guides the selection of such programmes.

In 2004, just over 40 % of ITC's extra-budgetary resources were provided through GTF, with just under 18 % through Window I. These resources are the most flexible and easily programmed of the trust fund arrangements, and reduce transaction costs, with consequent benefits in terms of operational efficiency and effectiveness.

GTF currently uses a different fiscal year than ITC's calendar-year regular budget. This was

³⁵ This section is based on the preceding review of ITC financial resources and the changes in and characteristics of those resources, as well as an analysis of documentation and available statistical data on funding sources, programs financed by different sources, individual bilateral funding and project agreements, reporting on the use of the different financial resources, agendas and meeting documentation of the program-specific management or coordinating bodies, available evaluation material on some of the programs, and individual interviews, as well as data especially compiled in response to specific enquiries of the evaluation team.

³⁶ A conclusion of an audit of ITC operations by the UN Office of Internal Oversight.

originally intended to reflect the fact that donor funds are generally pledged at the JAG meeting in April or early May, and become available for use only at a still later date. The “slippage” factor, however, is still there, and funds intended for use in a particular fiscal year may become available only late in the fiscal year, and in some cases too late for use in the year in question.³⁷ The Consultative Committee has pointed out that this creates serious programming problems for ITC. Taken together with the annual nature of pledges in most cases, it creates difficulties for timely and effective programme operations.

Asia Trust Fund. The ATF, as a facility for EC financing, is also considered a best practice modality,³⁸ in that it is relatively flexible, without cumbersome procedures, and is designed for quick response. It is a “partnership” modality, and requires some degree of cost-sharing. ITC’s 10 % share of the ATF is covered by donor contributions through a special Window III of GTF.

Inter-agency mechanisms. An important inter-agency mechanism is the Common Trust Fund (CTF), which finances the Joint Integrated Technical Assistance Programme (JITAP) for Selected Least Developed and Other African Countries and has three executing agencies, including ITC, which administers the fund and houses the coordinating unit. JITAP is a significant programme, and in 2004 the CTF provided 11 % of ITC’s extra-budgetary resources. The JITAP Steering Group is a type of management or coordinating committee, and operates in a structured way, including emphasis on results-based reporting, a results-oriented performance framework, and use of evaluations.

The other inter-agency mechanism is the *Integrated Framework* (IF) (see Section 2.2). As a separate source of funds, the use of IF Trust Fund resources by ITC has so far been relatively modest, but the IF process and the work of the IF Steering Committee, as well as the availability of funding, can be expected to have an increasing influence on the programming of all TRTA, and therefore on future programming of ITC as well as other agencies.

Bilateral trust funds. The bilateral trust funds are where the differences are greatest and where the complexity is most apparent. There has in some important cases been significant movement in the direction of greater flexibility and support for a common programme, but there is still considerable use of earmarking as to programmes or particular beneficiaries, with differences in objectives, programming methods, approval and consultation procedures, as well as reporting. The Evaluation’s analysis of funding arrangements for different donors, using the most recent year, 2004, provides an indication of the differences, although in some cases there are changes under consideration.

Denmark provided almost all of its direct support for ITC in 2004 to GTF, with the largest part to Window I, and to a lesser extent JITAP.³⁹ *Germany* provided most of its support through GTF, although this was earmarked for particular programmes under Window II.

³⁷ Payments by some donors are made relatively quickly, in other cases more slowly, and in a few cases have not been available until after the end of the year in question (based on data for December 31, 2004).

³⁸ A conclusion of *The Evaluation of Trade Related Technical Assistance by the European Commission in Third Countries*, prepared by ADE with IBM and EPU-NTUA.

³⁹ The figures used in the analysis are on an allocation basis for 2004.

Commitments, however, are now on a multi-year basis, and consultations are done at the level of the Consultative Committee.

In the case of *Norway*, a new framework agreement in 2003 stresses that activities funded must contribute to the programme of work and medium term strategy approved by ITC's governing bodies and that a programme approach, including coordination with other donors, shall as a rule be applied, and there is an emphasis on common reporting. Funding modalities include support for regular programmes of ITC, activities funded jointly with other donors, and activities funded only by Norway. In practice, most of Norway's current assistance in 2004 was provided through either Window I or Window II of GTF, or JITAP.

Other countries that provided most or all of their assistance through GTF or JITAP include *Sweden*, the *United Kingdom*, and *Finland*. Sweden provided the largest part of its assistance through Window I and Window II of GTF, but also contributes significantly to JITAP. The United Kingdom contributed approximately equally to GTF (Window I and Window II) and JITAP. Finland's funding was divided equally between GTF Window I and JITAP.

Canada's assistance in 2004 was provided through three mechanisms, GTF Window I, JITAP, and individual trust funds, in the latter case in some instances for a specifically designated country and activity.

The *Netherlands* provided most of its funding on an individual trust fund basis, although support was also provided for Window II of the GTF and through JITAP. A new partnership agreement to govern the Netherlands Trust Fund was, however, reached in late 2004 and early 2005. This is a more flexible, multi-year arrangement for 2005-2008, with funding of EUR 1.36 million per year, with an evaluation planned for 2008. The focus is on a target "triangle" of three areas: sub-Saharan Africa, information management capacity development, and trade support institutions. Operational objectives, expected results and indicators to be monitored are set out in a logframe matrix. An annual work programme will be prepared jointly, and a joint coordinating group will be responsible for the overall consistency and coherence of activities.

In the case of *Switzerland* – ITC's largest donor – much of its assistance was on a bilateral trust fund (BTF) basis, although substantial support was also provided through Window II of GTF and, to a lesser extent, through Window I. Under the BTF agreement, ITC selects project requests, taking into account the needs of beneficiaries and the priority areas of intervention and overall strategy of Switzerland for TRTA, and prepares individual project documents, including log frames, for Switzerland's consideration and approval. Annual reporting is required for the BTF as a whole.

Donors that provided all or most of their assistance through individual trust funds include *France*, *Italy*, the *Agence intergouvernementale de la Francophonie*, the *United States* and, among smaller donors, *Ireland* and *Spain*, with varying conditions and procedures.

Transaction Costs

There are a number of issues associated with a relatively complex structure for extra-budgetary funding, including differences in programme guidance or direction, and the bur-

den of complex reporting requirements, necessary as these may be to meet the requirements and needs of individual donors. A number of donors, for example, require statistics on personnel and finance according to non-standardized models and terminology.

Requirements for reporting on substantive project activities, including achievements, difficulties and projections, vary from donor to donor and often require separate formats. Some requests are also made on an ad hoc basis and must be given necessary priority. Taking into account some 100 bilaterally funded projects, customized reporting probably represents in the order of 400 days per year.⁴⁰ In addition, of course, there is the substantial amount of time required for programme consultations, negotiations and drafting of documents, i.e. overall programme management. Some donors have moved to simplify the latter, but not all.

Regular Budget and Non-Budgetary Financing

The overall structure of ITC's financial resources, with a regular budget financed by WTO and the UN and extra-budgetary resources provided by individual donors, has been discussed in an earlier section. That analysis also presented the changes in the pattern of support, with the UN and WTO each currently contributing about 25 % of ITC's overall resources, and bilateral donors providing close to 50 %. Particularly marked has been the declining share of the UN system as a whole, reflecting the sharp decline in extra-budgetary UNDP funding.

Constraints on the regular budget appear to reflect in part the constraint on UN resources, rather than those of WTO.⁴¹ The result, given the priority that donors have attached to TRTA, including TRTA provided by ITC, is that donor trust funds, in particular the GTF, are currently financing elements of ITC's operational base that would otherwise be covered by the regular budget. On the other hand, the coordination mechanisms available to donors do not currently provide an opportunity to review an integrated programme and budget or to provide substantive guidance on priorities at the institutional level.

⁴⁰ Estimate provided by ITC staff at the Evaluation's request.

⁴¹ A conclusion drawn from the Evaluation's interviews.

3. Evaluation Findings and Conclusions

Governance and Accountability Structures

1. There are basic weaknesses in the current governance and accountability structure of ITC, despite a high degree of formal oversight by the parent bodies. The present structure was designed for a different set of circumstances, and currently lacks either an expert advisory group or a small enough consultative or management body to provide adequate programme review or policy guidance, or support for ITC management during a period of change such as in the early 1990s.
2. These weaknesses include the absence of effective policy and programme review at the level of ITC's overall operations, and differing priority and accountability arrangements for different programme areas.
3. Funding relationships have changed significantly, with bilateral donors now providing close to half of ITC's funding, including part of its operational base, and a substantial decline in the share provided by the UN system.
4. ITC's past experience provides substantial evidence both of the benefits that can be expected from a smaller and more expert group with greater responsibility in relation to ITC, and of the factors that led to a gradual weakening of previous arrangements.
5. That experience also provides a varied set of precedents and lessons that can be drawn on in the development of a mechanism to meet current circumstances. It demonstrates the feasibility of an improved governance mechanism within the framework of formal oversight by the two parent bodies.
6. As a separate issue, the burden of current oversight requirements by the parent institutions, in particular the UN, is excessive for a small organisation that is not operationally part of the UN Secretariat, and these requirements are not well-suited to ITC's current needs or the management priorities of contributor governments.

Financing Modalities, Donor Coordination and Harmonization

7. Much progress has been made in managing and simplifying a complex set of funding modalities and using these to support programmes with broadly common objectives. There is still, however, an overall lack of coherence, insofar as the differing modalities do not provide an integrated programme and budget that can be effectively reviewed, monitored and assessed by governments (or by the parent bodies).
8. There is also, despite improvements in recent years, significant further scope for reducing the use of earmarked funding. ITC's operations would be facilitated in terms of reduced transaction costs, with an expected gain in efficiency and effectiveness in programme operations, if the share of extra-budgetary resources provided through GTF – and in particular Window I – could be increased further.
9. The Evaluation's analysis of individual funding arrangements provides evidence both of recent improvements in such arrangements and of the readiness of a number of donors to envisage changes that would strengthen programme coher-

ence and reduce transaction costs.

10. Specific issues in the funding modalities and the flow of funds also deserve attention. These include single vs. multi-year funding commitments and the timing of contributions in relation to the year for which they are intended. Some donors have been able to address these issues, but not yet others. Early availability of promised funding, including greater use of multi-year commitments, would allow more effective programming, and an enhancement of results.
11. It would also be desirable to move to a single fiscal year for all of ITC's operations, and to develop an integrated ITC programme and budget covering both budgetary and non-budgetary resources for purposes of review by contributors and beneficiaries, irrespective of the approval procedures. This would, in addition, also provide a strong basis for consideration by donors of an overall harmonized approach to extra-budgetary funding.
12. A related issue is the extent to which funding constraints unrelated to ITC and affecting one of ITC's two founding partners, the United Nations, limit the extent to which the regular budget can provide adequately for those activities for which it was originally intended – even if the other partner, WTO, were able to increase its funding – because of the fixed 50:50 sharing ratio between the two regular budget partners. Some of the financing provided by bilateral donors in effect compensates for the constraints on regular budget financing. This underscores the conclusion that there has been a substantive change in funding relationships, the implications of which merit further review by governments.
13. Harmonization of donor-provided extra-budgetary resources and improved governance and accountability are closely related. Progress on harmonization of funding arrangements is likely to require steps to strengthen the governance structure and provide for review and assessment of an integrated programme and budget.⁴²

⁴² A similar harmonization exercise commissioned by several donors for another trade-related agency has recently concluded that such a linkage was necessary, particularly if what the aid community refers to as a program-based approach (PBA) were to be considered. (*A Program-Based Approach to CRNM Financing: Harmonization of Donor Support in a Performance Management Framework*, Final Report, January 2005.)

4. Recommendations

The recommendations that follow from the findings and conclusions in the current study are set out below.

Implementing Harmonization

The Evaluation recommends to donor agencies and governments that:

- *Increased harmonization of donor support for ITC should be undertaken as a priority, if possible in the form of a program-based approach (PBA), with the objective of reducing transaction costs and improving overall programme coherence and effectiveness.*
- *Consideration should be given to greater use of multi-year advance commitment authority and reduction of the adverse effects of late availability of funding authority for the year or years in which the funds are to be committed.*

It is also recommended to ITC management that:

- *Steps to facilitate a harmonized approach should be taken as soon as possible, in particular the movement to a single fiscal year for all of ITC operations and preparation of an integrated programme and budget document covering all of ITC's operations, whether financed from the regular budget or from extra-budgetary resources.*

Strengthening Governance and Accountability

It is recommended to the governments supporting ITC and concerned with its future direction that:

- *The governance and accountability structures for ITC should be changed to provide a smaller and more effective mechanism for overall programme review, assessment and policy guidance as a core element of the governance structure. Such a mechanism should complement and support the existing Joint Advisory Group and the parent governance organs.*
- *Such a mechanism should be considered as a replacement for some of the existing mechanisms, such as the Informal JAG and the Consultative Committee of the GTF, so as to minimize the administrative costs of governance and accountability.*
- *The new arrangement should include designated responsibility for the members of such a mechanism, which should be relatively small, but representative of both donor governments and geographical groupings of beneficiary governments on a rotational basis.*
- *Interested governments should establish a process for review of the governance structure of ITC and the design of further steps for greater harmonization of donor assistance, and report on their consideration to the next meeting of the Joint Advisory Group. Such a mechanism would best reflect the present realities of inter-governmental support for ITC.*

It is also recommended to ITC, the JAG and the UN and WTO secretariats that

- *The current overload of technical oversight mechanisms appropriate to UN secretariat bodies should be reviewed, with a view to releasing some of ITC's available staff resources for performance-oriented programme management, an objective that ITC and its supporting bodies share as a priority.*

Box 2: Key Recommendations

Harmonization

- Greater harmonization of donor support to reduce transaction costs and improve programme coherence and effectiveness should be undertaken as a priority.
- Harmonization should include greater use of multi-year funding and mechanisms for reducing adverse effects of late availability of funding authority.
- Steps to facilitate a harmonized approach should be taken, including movement to a single fiscal year for ITC operations and preparation of an integrated programme and budget document.

Governance

- Governance and accountability structures should be changed to provide a more effective mechanism for programme review, assessment and policy guidance on an integrated or agency basis.
- Such a mechanism should replace some of the existing mechanisms, such as the Consultative Committee of the GTF and the Informal JAG.
- Consideration should be given by interested governments to establishing a process for review of the governance structure and the design of further steps for greater harmonization of donor assistance and financing modalities.