



**Note from the ITC Secretariat to the  
Consultative Committee on the Global Trust Fund**

1. The Joint Advisory Group (JAG) agreed at its forty-first session in December 2007, that a new ITC Trust Fund should be established as of 1 January 2008 and that the Global Trust Fund (GTF) be continued in parallel to the new Trust Fund until 31 December 2009.
2. ITC would like to propose to the Consultative Committee on the Global Trust Fund a revision of the “General conditions for the implementation of the Global Trust Fund” which were adopted by the Consultative Committee at its second meeting on 27 November 1995.
3. The revision serves three purposes: to ensure the transfer of exchange gains and interest to the ITC operating reserve to increase its level (condition 3), a revision on ownership of equipment, supplies and other properties (condition 10) and of the bank account information (condition 1).
4. A revised version of the “General conditions for the implementation of the Global Trust Fund” is enclosed for your consideration and adoption.
5. At the same time, ITC would like to submit to the Consultative Committee the draft “General conditions for the implementation of the ITC Trust Fund (ITF)” for review and adoption. The adoption of the “General conditions for the implementation of the ITC Trust Fund (ITF)” will allow ITC to operationalize the new ITC Trust Fund and clearly stipulating the rules governing the implementation of the ITF.
6. Following the adoption of the “General conditions for the implementation of the ITC Trust Fund” by the Consultative Committee, contributions received in 2008 and initially placed under Window I of the GTF and where such funds are not yet committed could be transferred to the ITC Trust Fund and projects could be managed from the ITC Trust Fund. It is recommended that the Consultative Committee reports on this transitional measure for 2008 to the JAG.

**Operating Reserve Background**

7. Operations of the International Trade Centre (ITC) are subject to the United Nations (UN) Financial Regulations, Rules and directives. In accordance with these UN Financial Regulations, trust fund activities must be fully funded and no commitments can be entered into in excess of funds already received. Therefore, ITC is required to maintain a trust fund operating reserve. “This reserve is a sum set aside within the cash resources of the trust funds to cover delays in payment or non-receipt of pledged contributions and to meet final

expenditures of trust fund activities, including liquidating liabilities. The trust fund operating reserve is calculated as a percentage of the estimated annual expenditures” (ST/SGB/188).

8. ITC may use its operational reserve to advance part of the funds pledged but not yet received, so as not to delay implementation of activities and to optimise the use of resources.

9. Under the terms of ST/AI/285, the applicable percentage is normally at the level of 15 per cent of the annual estimated expenditures, for multiple project technical cooperation trust funds.

10. In agreement with donors, since 1993 ITC’s operating reserve has been maintained at a level of US\$ 1.9 million. This was considered to be sufficient for ITC’s operating procedures.

11. However, ITC’s operating environment has increased by some 90% since 2000.

12. In November 2006 and February 2007, ITC sent a letter to donors to seek their agreement on a “no objection” basis to incrementally increase the level of the operating reserve to the required 15% of annual expenditure, either by using accumulated interest earned on trust fund balances as well as from the balance of the operating reserve itself; using exchange gains from donor contributions or making a lump sum contribution to the operating reserve.

13. The majority of donors did not reply and thus did not object to our proposal. Canada and Denmark expressly agreed to the transfer of interest earned or exchange gains to the operating reserve. These two options would also be feasible for Germany - as indicated by email. Ireland chose to make a lump sum contribution to the operating reserve.

14. In 2007, ITC increased the level of operating reserve from previously \$1.09 to \$1.89 million using the exchange gain on investments and a one-time contribution from Ireland (\$147,000) as well as a transfer of interest for Denmark (\$41,000). The level of \$1.89 million of operating reserve represented 6.4% of the 2007 expenditure as of 31 December 2007. Based on 2007 expenditures, the reserves should amount to \$4.33 million.

15. ITC will also systematically propose the above-mentioned options to increase the operating reserve within relevant bilateral donor agreements. Moreover, ITC is proposing the incorporation of the transfer of interest and exchange gains to the operating reserve into the general conditions of the new ITC trust fund and of the GTF.

16. Please also consider the report “Design & Implementation of a new ITC Trust Fund”.

17. Your views on the content of financial reports are welcomed (see Item 2 c).