Towards a better financial architecture

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ITC Financial Architecture

**Income / Resources**

<table>
<thead>
<tr>
<th>Regular Budget</th>
<th>Extra-budgetary</th>
</tr>
</thead>
<tbody>
<tr>
<td>WTO</td>
<td>Program Support</td>
</tr>
<tr>
<td>UN</td>
<td>Revolving Funds</td>
</tr>
</tbody>
</table>

**Expenditure**

<table>
<thead>
<tr>
<th>Experts</th>
<th>Innovation</th>
<th>Global Public Goods</th>
<th>Projects</th>
<th>Support Staff</th>
<th>Building, etc.</th>
</tr>
</thead>
</table>

**Focus Areas**

- Trade and market intelligence for SME competitiveness
- Supporting regional economic integration and South-South trade
- Connecting to value chains: SME competitiveness, diversification and links to export markets
- Strengthening trade and investment support institutions
- Promoting and mainstreaming inclusive and green trade
- Building a conducive policy and business environment through public-private partnerships
ITC is growing...

Net expenditure 2000-14

US$ million

- Regular budget
- Extra budgetary
- Support costs

...but there are some financial architecture issues

- To deliver more benefit we need more funding, more predictability and more long-term funding and to accommodate that growth through reforms

- Window 1 is being better utilised than ever before, but donors are putting more restrictions on Window 2…and as a result cash is being squeezed
Donors have a variety of non-core funding routes, we should encourage longer, more strategic financing.
Increasing cashflow pressure

**REASONS**

- Lack of fungibility across RB and XB funds
- Continued late receipts of Window 1 funds
- Reduction in Window 1 funds carried forward
- Need to forward fund Window 2 projects and payment in arrears
- Low level of Operating Reserve
- Lack of flexibility in growing the Operating Reserve
W1 funds are generally received about 6 months in arrears

W1 Contributions per Quarter during 2012-2014

<table>
<thead>
<tr>
<th>Year</th>
<th>Q1</th>
<th>Q2</th>
<th>Q3</th>
<th>Q4</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>0.00</td>
<td>5.58</td>
<td>4.64</td>
<td>3.13</td>
</tr>
<tr>
<td>2013</td>
<td>0.10</td>
<td>0.94</td>
<td>13.89</td>
<td>2.52</td>
</tr>
<tr>
<td>2014</td>
<td>0.91</td>
<td>4.49</td>
<td>3.30</td>
<td>9.44</td>
</tr>
</tbody>
</table>

US$ Millions
ITC has been able to progressively operationalise more of its W1 resources.
Cashflow forecast

Advances required from OR/ PSC Surplus based on quarterly allocations

- Advance to W1
- Advance to W2
- Operating reserve + PSC surplus
- Operating reserve
- Payment in arrears

Million $
What options are there?

**Immediate term**
- Use resources from elsewhere
  - PSC Reserve
  - Monthly allocations
  - Use Revolving Fund balances

**Short term**
- Reduce pressure on OR
  - Reduce expenditure
  - Reduce requirement for advance funding / payment in arrears

**Long term**
- More predictability and flexibility
  - Build up the OR (direct contribution, use of other funds, more flexibility in use of W1)
  - Make W2 surpluses more fungible
  - Bring forward W1 payments
  - Multi-year commitments