

DESIGN & IMPLEMENTATION OF A NEW ITC TRUST FUND SYSTEM

ITC is consolidating the various current ITC trust funds into one “**ITC Trust Fund**” (ITF) aligned to the ITC Consolidated Programme Document (CPD) 2008-2009. The aim is to attract (mainly) un-earmarked and multi-year funding and to harmonize and streamline administrative work through the provision of one single trust fund report presented to all stakeholders.¹ It is recognized that change will be achieved over time and the new ITF-structure provides for this. With this effort, ITC is responding to the need to re-examine existing governance and accountability structures in order to provide a more effective mechanism for operational programming, effective use of funds and simplified reporting, as requested by the Denmark led evaluation.

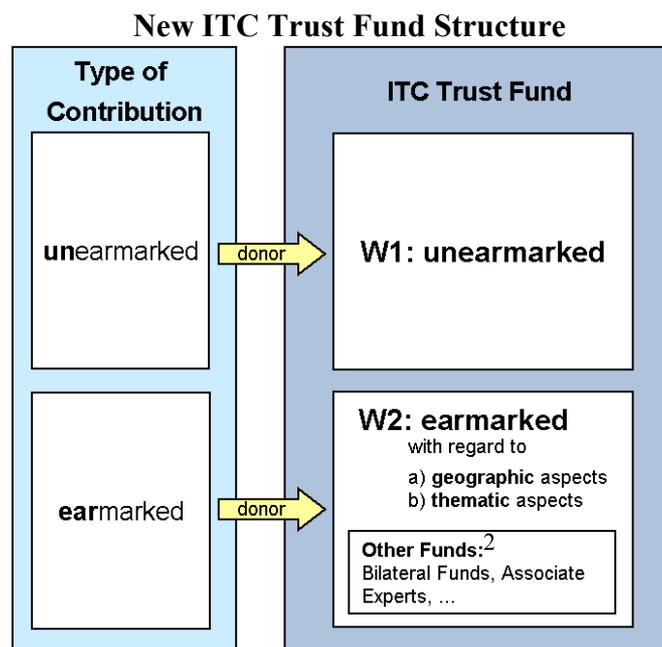
1 Structure

ITC’s proposal for a new trust fund structure follows the general nature of contributions. In principle there are two types of contributions:

1. **unearmarked** contributions, and
2. **earmarked** contributions, either with regard to any thematic or topical priority or with regard to a geographic (Country, region) focus.

According to these types of contributions and in order to simplify and streamline ITC’s fund structure, ITC offers two fund windows as shown in the figure below.

¹ At present, ITC prepares a yearly, individual financial report to all bilateral and funds-in-trust donors. This includes a statement of account showing the funds received and the allocations made and the balance. In addition, ITC prepares yearly reports to the Consultative Committee of the Global Trust Fund, to the JITAP Steering Committee and reports in Euros in the EC format for the European Communities.



Unearmarked funds contributed to W1 will be deployed to activities in a manner reflecting the CPD.

For specific projects or activities - as for example associate experts - ITC will continue to accept earmarked contributions to Other Funds, which are incorporated into W2 due to their special characteristics, which are a type of earmarking. ~~Funds contributed to W2 may be deployed as required to any activity falling within W2, while fully respecting earmarking over the financial period.~~

2 Reporting

a) Financial Reporting

ITC shall provide global financial statements and substantive reports prepared in accordance with the United Nations accounting and reporting procedures:

- a. An audited financial statement for a given biennium and an unaudited interim financial statement for the first twelve months of the biennium.
- b. A biannual report on the ITF showing contributions to the TF windows by time period and by donor; income and expenditure status and funds balance by windows over the time period and as of 31 December of a given biennium.

ITC is moving towards results based reporting. The income and expenditure status and funds balance reports by windows may be delivered in different formats, clustered either by topics or geographically by countries or regions.

Until the end of the 2-year transition phase, ITC will continue to report on the GTF.

² The reporting on W2 will include other funds, such as for example Bilateral Funds or Associate Experts. The reporting on the use of these funds might follow rules and conditions specific to them and distinct to the ITC Trust Fund conditions.

b) Substantive Reporting

A single ITC annual report will be prepared based upon the CPD, reflecting programme activities.

Donors of bilateral trust funds may receive detailed project reports, evaluations and other project related reports as agreed when a bilateral trust fund is established.

3 Information on Contributions

Information on individual donors' contributions to each of the trust fund windows will be available. Expenditures from those windows will be available at a consolidated programme level for each trust fund window.

4 Internal Fund Allocation

Funds given to W1 (unearmarked) will be allocated by ITC to reflect as best as possible the overall priorities of the organization in terms of substance, themes and geographical balance.

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 1 of the Global Trust Fund and where such funds are not yet committed, they will be transferred to the ITC Trust Fund and projects will be managed from the ITC Trust Fund.

On request of a donor, funds contributed to the GTF in 2008 and 2009 could be retained in the GTF until 31 December 2009.

5 Interest

~~Exchange rate gains and annual interest accrued will be credited to the ITC Operating Reserve until this account reaches 15% of ITC's expected annual expenditures. To comply with the recommendation contained in the report of the Board of Auditors A/63/5 (Vol. III) to increase the level of the ITC Operating Reserve³, exchange rate gains and annual interest accrued will be credited to the ITC Operating Reserve until this account reaches 15% of ITC's expected annual expenditures. The funds held within the ITC Operating Reserve are will only be used for bridge financing of technical cooperation activities and to meet final expenditures of trust fund activities, including liquidating liabilities.~~ Thereafter, any exchange gains and annual interest attributable to the contributions shall be retained in the ITF and used for technical cooperation activities. Currently the ITC Operating Reserve stands at around \$1.89 million, which is approx. 6.55% of the annual expenditures during 2007.

~~Upon request of a donor, exchange gains and annual interest attributable to its particular ("earmarked") contribution will not be transferred to the can only be credited to the originated Window. In that case, a transfer of those exchange gains and annual interest to the ITC Operating Reserve but will be kept within Window 2 won't be applicable.~~

~~Based on an assumption of an annual value of technical cooperation activities of \$28.87 million, it is anticipated that to reach the 15% target of \$4.33 million value, it would take between 1.5 and 4.5~~

³ The ITC Operating Reserve is a sum set aside within the cash resources of the trust funds to cover any delays in payments of pledged contributions and to be used to meet the final expenditures of trust fund activities, including liquidating liabilities. ITC continues its efforts to incrementally increase this reserve as members agreed at the 40th Meeting of the Joint Advisory Group Meeting in April 2007. Following the Secretary-General's Bulletin, ST/SGB/188, 1 March 1982, paragraph 26, a pledge is a "written commitment by a prospective donor to make a contribution to a trust fund. (A written commitment which is subject to the need to secure an appropriation or other national legislative approval is considered a pledge)."

years time. This estimate will be influenced by exchange rate fluctuations and by any direct donor contributions to the operating reserve.

ITC will regularly report on the status of the level of the ITC Operating Reserve so that donors can see progress in achieving the goal of arriving at 15% of annual estimated expenditures. This information could also be provided informally.

6 Transition Phase

ITC has ~~established~~**implemented** the new ITC Trust Fund System as at January 1st, 2008.

Global Trust Fund

The projects and programmes under the Global Trust Fund will continue to exist for a transition period of ~~two~~**2** years, until projects are completed and/or absorbed in the new ITC Trust Fund. After the transition period any remaining balance will be credited to the unearmarked trust fund window W1 of the new ITC Trust Fund.

Other Funds

In some cases, these funds continue to be earmarked for specific projects or activities, with varying conditions and separate approval and reporting procedures. However, for the sake of harmonization, donors are encouraged to contribute to the new ITC Trust Fund.

Any projects/programmes funded from GTF still active at 31 December 2009 will be redistributed into the ITC TF, thus allowing the closing of the GTF as planned.

7 General Conditions

ITC submits to the Consultative Committee the draft “**General conditions for the implementation of the ITC Trust Fund (ITF)**” for review and adoption in a separate handout.

8 Necessary Agreements

The Consultative Committee of the Global Trust Fund CCGTF as well as donor countries would have to agree on the following:

- a) ITC will provide reports as described under bullet point 2 above.
- b) An agreement on the general conditions.