



## Design & implementation of a new ITC Trust Fund

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.<sup>1</sup> 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.

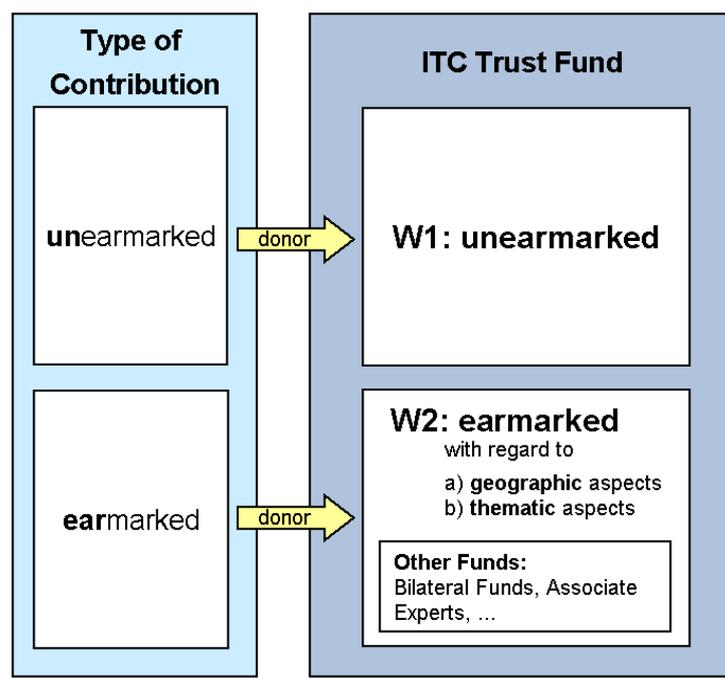
### 1. Structure

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.

### New ITC Trust Fund Structure



<sup>1</sup> 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 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.

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.

### **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.

## **5. Interest**

Exchange rate gains and annual interest accrued will be credited to the ITC Operating Reserve<sup>2</sup> until this account reaches 15% of ITC's expected annual expenditures. 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. 6,4% of the annual expenditure during 2007.

## **6. Transition Phase**

ITC has opened the new ITC Trust Fund account 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 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 31.12.2009 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) Agreement on the general conditions for the implementation of the Global Trust Fund and the ITC Trust Fund.
- c) 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 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. The Consultative Committee will report on this transitional measure for 2008 to the JAG.

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<sup>2</sup> 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.