A/77/5 (Vol. III)

United Nations

Financial report and audited financial statements

for the year ended 31 December 2021

and

Report of the Board of Auditors

Volume III
International Trade Centre

General Assembly
Official Records
Seventy-seventh Session
Supplement No. 5

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Note

Symbols of United Nations documents are composed of letters combined with figures. Mention of such a symbol indicates a reference to a United Nations document.

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Letters of transmittal

Letter dated 31 March 2022 from the Secretary-General addressed to the Chair of the Board of Auditors

In accordance with financial regulation 6.2, I have the honour to transmit the financial statements of the International Trade Centre for the year ended 31 December 2021, which I hereby approve. The financial statements have been completed and certified by the Controller as correct in all material respects.

Copies of these financial statements are also being transmitted to the Advisory Committee on Administrative and Budgetary Questions.

(*Signed*) António **Guterres**

Letter dated 21 July 2022 from the Chair of the Board of Auditors addressed to the President of the General Assembly

I have the honour to transmit to you the report of the Board of Auditors, together with the financial report and the audited financial statements of the International Trade Centre for the year ended 31 December 2021.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

Chapter I

Report of the Board of Auditors on the financial statements: audit opinion

Opinion

We have audited the financial statements of the International Trade Centre (ITC), which comprise the statement of financial position as at 31 December 2021 (statement I) and the statement of financial performance (statement II), the statement of changes in net assets (statement III), the statement of cash flows (statement IV) and the statement of comparison of budget and actual amounts (statement V) for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the International Trade Centre as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS).

Basis for opinion

We conducted our audit in accordance with the International Standards on Auditing. Our responsibilities under those standards are described in the section below entitled “Auditor’s responsibilities for the audit of the financial statements”. We are independent of the International Trade Centre, in accordance with the ethical requirements relevant to our audit of the financial statements, and we have fulfilled our other ethical responsibilities in accordance with those requirements. We believe that the audit evidence that we have obtained is sufficient and appropriate to provide a basis for our opinion.

Information other than the financial statements and auditor’s report thereon

The Secretary-General is responsible for the other information, which comprises the financial report for the year ended 31 December 2021, contained in chapter IV, but does not include the financial statements and our auditor’s report thereon.

Our opinion on the financial statements does not cover the other information, and we do not express any form of assurance thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements, or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If, on the basis of the work that we have performed, we conclude that there is a material misstatement in the other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Secretary-General and those charged with governance for the financial statements

The Secretary-General is responsible for the preparation and fair presentation of the financial statements in accordance with IPSAS and for such internal control as the Secretary-General determines to be necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Secretary-General is responsible for assessing the ability of the International Trade Centre to continue as a going concern, disclosing, as applicable, matters related to the going concern and using the going-concern basis of accounting unless the Secretary-General intends either to liquidate the International Trade Centre or to cease operations, or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the financial reporting process of the International Trade Centre.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance as to whether the financial statements as a whole are free from material misstatements, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with the International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of the users on the basis of these financial statements.

As part of an audit in accordance with the International Standards on Auditing, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement in the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than the risk of not detecting one resulting from error, as fraud may involve collusion, forgery, intentional omission, misrepresentation or the overriding of internal control;

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the internal control of the International Trade Centre;

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Secretary-General;

(d) Draw conclusions as to the appropriateness of the Secretary-General's use of the going-concern basis of accounting and, on the basis of the audit evidence obtained, whether a material uncertainty exists in relation to events or conditions that may cast significant doubt on the ability of the International Trade Centre to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the International Trade Centre to cease to continue as a going concern;

(e) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with those charged with governance with regard to, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on other legal and regulatory requirements

Furthermore, in our opinion, the transactions of the International Trade Centre that have come to our notice, or that we have tested as part of our audit, have in all significant respects been in accordance with the Financial Regulations and Rules of the United Nations and legislative authority.

In accordance with article VII of the Financial Regulations and Rules of the United Nations, we have also issued a long-form report on our audit of the International Trade Centre.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

21 July 2022

Chapter II
Long-form report of the Board of Auditors

Summary

Audit opinion

The Board of Auditors has audited the financial statements and reviewed the operations of the International Trade Centre (ITC) for the year ended 31 December 2021. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2021 and its financial performance and cash flows for the year then ended, and have been prepared in accordance with the International Public Sector Accounting Standards.

Overall conclusion

The total assets of ITC decreased by $19.40 million (5 per cent) to $392.63 million as at 31 December 2021 (2020: $412.03 million). The net assets of ITC remained negative (2020: -$53.96 million; 2021: -$43.74 million), albeit with an improved situation mainly owing to the decrease in non-current liabilities for conditional arrangements (2020: $212.53 million; 2021: $152.28 million). Liabilities for conditional arrangements declined as a result of a decrease in new multi-year agreements signed during the year (2020: $87.12 million; 2021: $36.94 million). The accumulated deficit decreased from $66.40 million in 2020 to $56.95 million in 2021. The deficit of $10.78 million in 2020 turned into a surplus of $9.64 million in 2021.

The Board noted that the functioning of ITC could be improved in areas such as financial management, human resources management and project management. The Board has made recommendations to address those weaknesses.

Key findings

Closed implementing partner agreements with outstanding advances

There were 90 closed implementing partner agreements with outstanding advances amounting to $894,346 as at 31 December 2021, two of which had been closed more than three years previously, with outstanding advances amounting to $10,091, and 14 had been closed more than one year previously, with outstanding advances amounting to $393,700.

Lack of a comprehensive workforce plan

The total workforce of ITC was 2,081 persons, including 1,627 consultants and individual contractors (78 per cent), as at 31 December 2021. According to the proposed programme budget for 2021 and supplementary information on the proposed programme budget for 2021, the approved number of consultants and individual contractors supported by the regular budget in 2021 is 29 on the basis of the needs of 23 projects. ITC did not develop a formal and comprehensive strategic plan for its workforce in 2021.

Lack of midterm review and deficiencies in the year-end review procedure applied to staff members

The midterm reviews of 10 staff members were not conducted and deficiencies in the year-end review procedure for 11 staff members were identified, mainly concerning

the lack of individual workplans and the fact that the match between the performance ratings and the task progress percentages was not sufficient.

Deficiencies in field operations

The project-based approach exposed ITC to risks of fragmentation that could prevent it from having a coherent institutional identity. ITC had multiple project offices and premises within the same country and, in some cases, even in the same city. In addition, ITC had not developed office-wide guidelines for opening new project offices.

Main recommendations

The Board has made the following key recommendations, namely that ITC:

Closed implementing partner agreements (IP) with outstanding advances

(a) **Clear the outstanding advances on 90 closed implementing partner agreements and review those with outstanding advances on a regular basis;**

Lack of a comprehensive workforce plan

(b) **Develop a comprehensive strategic workforce plan covering all types of workforce so as to identify the talents and skills required by ITC;**

Lack of midterm review and deficiencies in the year-end review procedure applied to staff members

(c) **Take measures to promote the timely completion of midterm reviews and ensure the integrity of the year-end review reports;**

Deficiencies in field operations

(d) **Review the current approach to the deployment of physical presence in the field and develop guidelines on opening project offices.**

Follow-up on previous recommendations

As at 31 December 2021, out of 21 outstanding recommendations up to the financial year ended 31 December 2020, 8 (38 per cent) had been implemented, 12 (57 per cent) were under implementation and 1 (5 per cent) had been overtaken by events.

Key facts	
$160.51 million	Total revenue
$150.87 million	Total expenses
$9.64 million	Surplus for the year
$392.63 million	Total assets
$436.37 million	Total liabilities
-$43.74 million	Net assets

A. Mandate, scope and methodology

1. The International Trade Centre (ITC) is a technical cooperation agency jointly funded by the United Nations and the World Trade Organization (WTO) to stimulate exports by small and medium-sized enterprises in developing countries and countries with economies in transition.

2. The Board of Auditors has audited the financial statements of ITC and has reviewed its operations for the year ended 31 December 2021 in accordance with General Assembly resolution 74 (I) of 1946. The audit was conducted in conformity with the Financial Regulations and Rules of the United Nations, as well as the International Standards on Auditing. The latter standards require that the Board comply with ethical requirements and plan and perform the audit to obtain reasonable assurance as to whether the financial statements are free from material misstatement.

3. The audit was conducted primarily to enable the Board to form an opinion as to whether the financial statements present fairly the financial position of ITC as at 31 December 2021 and its financial performance and cash flows for the year then ended, in accordance with the International Public Sector Accounting Standards (IPSAS). This included an assessment as to whether the expenditure recorded in the financial statements had been incurred for the purposes approved by the governing bodies and whether revenue and expenses had been properly classified and recorded in accordance with the Financial Regulations and Rules of the United Nations. The audit included a general review of financial systems and internal controls and a test examination of the accounting records and other supporting evidence to the extent that the Board considered necessary to form an opinion on the financial statements.

4. Owing to the coronavirus disease (COVID-19) pandemic, the audit was conducted remotely in Beijing from 2 to 29 April 2022.

5. The present report covers matters that, in the opinion of the Board, should be brought to the attention of the General Assembly. The Board's report was discussed with ITC management, whose views have been appropriately reflected.

B. Findings and recommendations

1. Follow-up on previous recommendations

6. The Board followed up the implementation of previous recommendations. Of 21 outstanding recommendations up to the financial year ended 31 December 2020, ITC had implemented 8 recommendations (38 per cent), while 12 (57 per cent) were under implementation and 1 (5 per cent) had been overtaken by events. The details are shown in table II.1.

Table II.1
Status of implementation of recommendations

	Report of the Board of Auditors				
Status	*A/72/5 (Vol. III) 2016*	*A/74/5 (Vol. III) 2018*	*A/75/5 (Vol. III) 2019*	*A/76/5 (Vol. III) 2020*	*Total*
Open recommendations as at 31 December 2020	1	4	7	9	21
Status of implementation in 2021					
(a) Implemented	–	1	2	5	8
(b) Under implementation	1	3	4	4	12
(c) Overtaken by events	–	–	1	–	1
Recommendations open as at December 2021	1	3	4	4	12

7. The annex to chapter II of the present report contains details on the status of implementation of previous recommendations. The Board carried out an analysis of the open recommendations and noted that four involved travel management; four were about human resources management; two fell under project management; one was related to the business continuity plan; and one pertained to procurement management.

8. With regard to the ageing of open recommendations, one (9 per cent) had been pending for more than three years; three (25 per cent) were three years old; four (33 per cent) were two years old; and four (33 per cent) were made one year ago.

9. As for the recommended corrective measures, 10 (83 per cent) required full compliance with regulations; and 2 (17 per cent) indicated a need for the development of regulation.

2. Financial overview

Financial position

10. As at 31 December 2021, the net assets of ITC remained negative, at -$43.74 million (2020: -$53.96 million). Total assets decreased by $19.40 million (5 per cent) from $412.03 million as at 31 December 2020 to $392.63 million as at 31 December 2021, which was mainly attributable to the decrease in long-term voluntary contributions receivable from $117.87 million to $102.22 million.

11. ITC reported total liabilities of $436.37 million as at 31 December 2021 (2020: $465.99 million). This decline was attributable, in particular, to the decrease in non-current liabilities for conditional arrangements, which fell from $212.53 million as at 31 December 2020 to $152.28 million as at 31 December 2021. The accumulated deficit decreased from $66.40 million as at 31 December 2020 to $56.95 million as at 31 December 2021.

Financial performance

12. ITC reported a surplus of $9.64 million for the year ended 31 December 2021 (2020: deficit of $10.78 million). Revenue for the year totalled $160.51 million (2020: $120.52 million), the majority of which was earned from assessed contributions of $40.08 million (2020: $37.14 million) and voluntary contributions of $111.68 million (2020: $78.00 million).

13. ITC reported expenses of $150.87 million for the year ended 31 December 2021 (2020: $131.30 million). As in previous years, the majority of expenses related to employee salaries, allowances and benefits (2021: $76.20 million; 2020: $68.57 million). Non-employee costs (costs of consultants and individual contractors) were reported as $33.25 million and other operating expenses were $25.27 million.

The expenses also included travel, grants and other transfers, supplies and consumables, depreciation, amortization, other expenses and share of joint arrangement. Table II.2 shows the Board's analysis of ITC expenses.

Table II.2
Expenses of the International Trade Centre for the years ended 31 December 2021 and 31 December 2020

	2021		*2020*	
Expense type	*Thousands of United States dollars*	*Percentage of total*	*Thousands of United States dollars*	*Percentage of total*
Employee salaries, allowances and benefits	76 202	50.5	68 573	52.2
Non-employee compensation and allowances, excluding travel costs	33 253	22.0	28 135	21.4
Travel, including non-employee travel	2 774	1.8	2 443	1.8
Grants and other transfers	8 195	5.4	5 251	4.0
Supplies and consumables	962	0.6	595	0.5
Depreciation	219	0.2	305	0.2
Amortization	867	0.6	769	0.6
Other operating expenses	25 265	16.8	22 087	16.8
Other expenses	3 015	2.0	3 111	2.4
Share of joint arrangement	120	0.1	26	0.1
Total	**150 872**	**100**	**131 295**	**100**

Source: Based on data provided by ITC.

Financial analysis

14. As part of the financial analysis, the Board assessed the Centre's financial ratios and key assets and liabilities (see table II.3).

Table II.3
Ratio analysis

Ratio	*31 December 2021*	*31 December 2020*
Cash ratio[a] (cash + short-term investments to current liabilities)	1.34	1.74
Quick ratio[b] (cash + investments + accounts receivable to current liabilities)	2.47	3.16
Current ratio[c] (current assets to current liabilities)	2.55	3.24
Solvency ratio[d] (total assets to total liabilities)	0.90	0.88

Source: ITC 2021 financial statements.

[a] The cash ratio is an indicator of an entity's liquidity by measuring the amount of cash, cash equivalents or invested funds are available in current assets to cover current liabilities. A high ratio indicates strong short-term solvency.

[b] The quick ratio is more conservative than the current ratio because it excludes inventory and other current assets, which are more difficult to turn into cash. A higher ratio means a more liquid current position.

[c] A high ratio indicates an entity's ability to pay off its short-term liabilities.

[d] A high ratio is a good indicator of solvency. The solvency ratio should generally be at least 1.0 in the long term.

15. The Board noted that the current, cash and quick ratios had decreased compared with the previous year, which was owing mainly to the decrease in current assets and the increase in current liabilities in 2021. However, the solvency ratio increased from 0.88 as at 31 December 2020 to 0.90 as at 31 December 2021. The Board agrees with the assertion of ITC that it remains a going concern.

3. Financial management

Closed implementing partner agreements with outstanding advances

16. According to ITC management of implementing partner agreements, the closure of an implementing partner agreement indicates that the implementation and financing of the agreement have been completed. Furthermore, ITC states that all grant memorandums of understanding contain a standard clause indicating that, upon expiration or termination thereof, the grantee shall return to ITC any unspent balance.

17. The Board noted that there were 90 closed implementing partner agreements with outstanding advances amounting to $894,346 as at 31 December 2021, two of which had been closed more than three years previously, with outstanding advances amounting to $10,091, and 14 had been closed more than one year previously, with outstanding advances amounting to $393,700.

18. The Board is of the opinion that the closure of implementing partner agreements stipulates that all financial settlements have been completed. Therefore, the clearing of the outstanding advances increases the liquidity of funds and also enhances the financial information's accuracy.

19. **The Board recommends that ITC clear the outstanding advances on 90 closed implementing partner agreements and review those with outstanding advances on a regular basis.**

20. ITC accepted the recommendation.

Cash balance of grants not cleared in time

21. According to ITC project management guidelines, most donor agreements contain a clause in which the grant end date is specified, as is a deadline after that date for reporting on the grant. The reporting deadline marks the date of the grant's financial closure and is usually set at between six and nine months after the grant end date. When such a deadline is not specified in the agreement, ITC sets the deadline for financial closure at nine months after the grant end date. This information will be updated in Umoja. A grant is considered to be financially closed when the donor is provided with information about the final balance. Donor refunds are booked accordingly in Umoja.

22. The Board reviewed the grants cash position of ITC and noted that there were 38 closed grants with a positive balance of $1.96 million as at 31 December 2021. The Board further noted that of those 38 closed grants, 17 grants with a total residual balance amounting to $135,320 were cleared in 2022, while the other 21 grants with a total residual balance of $1.82 million remained uncleared as at 31 March 2022. Of these 21 grants, 4 had been closed more than three years previously (with an end date prior to 31 December 2018), and 16 had been closed more than one year previously (with an end date prior to 31 December 2020).

23. The Board also noted that there were five closed grants with a negative cash balance, amounting to $41,046.

24. ITC explained that it was making efforts to gradually reduce the number of closed grants with outstanding amounts.

25. The Board is of the opinion that any residual cash balance of closed grants would affect both the accuracy of financial information and operational efficiency.

26. **The Board recommends that ITC review the balance of grants regularly and clear the residual cash balance of closed grants within a reasonable time period.**

27. ITC accepted the recommendation.

4. Human resources management

Lack of a comprehensive workforce plan

28. It is stated in the ITC Strategic Plan 2018–2021 that workforce planning is essential to identify the talents and skills required for project-based work while maintaining sufficient core skills in key technical and administrative functions.

29. The Board noted that the total workforce of ITC was 2,081 persons as at 31 December 2021. That figure included 1,627 consultants and individual contractors (78 per cent), as well as individual contractors hired through the United Nations Office for Project Services (UNOPS) and the United Nations Development Programme (UNDP), which were supported by extrabudgetary resources. The details are shown in table II.4.

Table II.4
Total workforce as at 31 December 2020 and 31 December 2021

Category	*31 December 2020*	*31 December 2021*
Staff members	404	426
Consultants	1 537	1 404
Individual contractors hired by ITC	56	35
Individual contractors through UNOPS	121	115
Individual contractors through UNDP	70	73
Interns	9	17
Non-reimbursable loans	1	2
Fellows	1	1
Junior Professional Officers	6	8
Total	**2 205**	**2 081**

Source: Based on data provided by ITC.

30. The Board also noted that, according to the proposed programme budget for 2021 (A/75/6 (Sect.13)) and supplementary information on the proposed programme budget for 2021 (A/75/6 (Sect.13)/Add.1), the approved number of consultants and individual contractors supported by the regular budget in 2021 is 29, based on the needs of 23 projects.

31. The Board further noted that ITC did not develop a formal and comprehensive strategic workforce plan. Moreover, information on the consultants and individual contractors hired by ITC and those provided by UNOPS or UNDP was not disclosed.

32. ITC explained that it had submitted some other documents including on the staff selection system, performance management and the learning needs assessment for 2021, into its workforce planning and had planned to procure and implement workforce planning tools by the third quarter of 2023.

33. The Board is of the view that the lack of comprehensive workforce planning, especially the insufficient planning with regard to consultants and individual contractors, which represented the highest proportion of the workforce, may affect the ability of ITC to organize its human resources efficiently in order to fulfil its mandate.

34. **The Board recommends that ITC develop a comprehensive strategic workforce plan covering all types of workforce so as to identify the talents and skills required by ITC.**

35. ITC accepted the recommendation.

Lack of midterm review and deficiencies in the year-end review procedure applied to staff members

36. In accordance with the ITC administrative instruction on the performance management and development system (document ITC/AI/2016/02), the performance cycle begins on 1 April of each year and ends on 31 March of the following year. As part of a staff member's individual workplan for the performance cycle, individual performance evaluation criteria are established by setting goals. The midterm review is usually conducted six months after the beginning of the appraisal cycle. Prior to the end of the cycle, staff members are encouraged to conduct a self-appraisal of the personal goals established at the beginning of the performance cycle. The appraisal will be taken into account when determining the overall performance ratings. All parties sign the completed e-performance document, which is usually done within one month of the end of the performance appraisal cycle.

37. The Board sampled 40 midterm review reports for the performance cycle 2021/22 and noted that 10 midterm reviews had not been conducted. In addition, five midterm reviews were completed after 30 November 2021.

38. The Board further sampled 40 year-end review reports for 2020/21 and found the following deficiencies in the year-end review procedure for 11 staff members:

(a) Missing staff signatures in three reports;

(b) The self-appraisal did not cover each of the goals set in one report;

(c) The lack of an individual workplan in one report;

(d) The ratings met performance expectations in two reports, even though the task progress percentages were far below 100 per cent and the progress on some of the work goals was zero;

(e) The ratings exceeded performance expectations in four reports, even though the task progress percentages were below 100 per cent.

39. ITC explained that the main reasons why some goals had not been achieved included geopolitical reasons, a change in project plans and the impact of COVID-19.

40. **The Board recommends that ITC take measures to promote the timely completion of midterm reviews and ensure the integrity of the year-end review reports.**

41. ITC accepted the recommendation.

5. Project management

Deficiencies in field operations

42. ITC is a non-resident agency and, other than its corporate office in New York, it does not have corporate country or regional offices. Its field presence network consists of project offices established solely to implement projects and programmes.

The ITC portfolio of field-based projects has grown significantly over the past few years, rising from approximately $45.90 million in 2017 to $91.90 million in 2020.

43. The Board noted that there was a need for ITC to reassess its approach regarding the deployment of offices in the field. The project-based approach exposed ITC to risks of fragmentation that could prevent it from having a coherent institutional identity and being able to engage strategically with stakeholders such as donors, government actors and United Nations partners in a particular country or region. ITC had multiple project offices and premises within the same country and, in some cases, even in the same city. For example, ITC had office premises at three different locations in Nairobi.

44. The Board also noted that ITC had not developed office-wide guidelines on opening project offices. Project managers often had to leverage their institutional knowledge and their own networks with other United Nations agencies or host Governments to navigate this process. In addition, there was a need for formal guidelines to address the consultation and coordination necessary in situations where multiple projects had offices in the same country in order to help ensure that they could collaborate and leverage existing infrastructure for optimal efficiency.

45. The Board was informed that, with regard to the above-mentioned issues, a timeline of the third quarter in 2022 had been established as the implementation date.

46. The Board is of the opinion that there is a need to strengthen the arrangements for supporting field operations to effectively manage the increased field-based projects.

47. **The Board recommends that ITC review the current approach to the deployment of physical presence in the field and develop guidelines on opening project offices.**

48. ITC accepted the recommendation.

Improvements needed for project completion reports

49. According to the ITC Evaluation Policy, the process of creating a project completion report involves an assessment that is conducted at the end of the project to assess and report on the fulfilment of the project’s expected outcomes. Completion reports are often considered a form of self-evaluation.

50. Evaluation is a key element of all ITC activities to inform ITC decision-making on policy, programme and project management, with the purpose of improving performance and enhancing the Centre’s contributions towards achieving the Sustainable Development Goals. Project completion reports are aimed at comprehensively describing, as objectively as possible, actual project results compared with the planned outcomes for the purpose of supporting reflective learning and knowledge-sharing. These reports provide an opportunity for project teams to identify and share lessons learned and to provide recommendations within ITC.

51. The Board reviewed the project completion reports submitted in 2021 and noted that of 27 such reports due in 2021, 14 (52 per cent) were submitted late (five of them were more than one month overdue) and 16 (62 per cent) did not provide any information on the project’s contribution to the targets of the Sustainable Development Goals or to the strategic objectives of ITC. The details are shown in table II.5.

Table II.5
Project completion report submission status as at 31 December 2021

Submission status	*No. of reports*
Submitted before deadline	13
Submitted late, by less than one month	8
Submitted late, by more than one month	5
Not yet submitted	1
Total	**27**

Source: Based on data provided by ITC.

52. The Board is of the opinion that delays in the submission of project completion reports and deficiencies in their quality would affect the role of these reports in facilitating organizational learning and informing decision-making and management.

53. **The Board reiterates its recommendation that ITC take measures to submit project completion reports in a timely manner and to improve their quality in order to fulfil their role as an important self-evaluation instrument.**

54. ITC accepted the recommendation.

Deficiencies in following up on evaluation recommendations issued by the Independent Evaluation Unit

55. According to the ITC Evaluation Policy, the Senior Management Committee guides and supervises the implementation of evaluation recommendations. Every six months, the Independent Evaluation Unit reviews the implementation status reports provided by delivery managers and presents the consolidated implementation status report to the Committee for review.

56. The Board noted that the Independent Evaluation Unit followed up on the implementation status of recommendations only once a year. The Board was informed that that was due to limited human resources and that the mechanism could be strengthened nonetheless.

57. The Board is of the opinion that deficiencies in following up on evaluation recommendations would hinder the role of evaluation to aid in decision-making and improve performance.

58. **The Board recommends that ITC take measures to improve its follow-up on evaluation recommendations and the application of evaluation results.**

59. ITC accepted the recommendation.

C. Disclosures by management

1. Write-off of losses of cash, receivables and property

60. ITC reported that it had formally written off equipment for an amount of $163,343 and non-recoverable receivables of $2,060 during the year ended 31 December 2021.

2. Ex gratia payments

61. ITC reported no ex gratia payments for the year ended 31 December 2021.

3. Cases of fraud, presumptive fraud and financial mismanagement

62. ITC has no cases of fraud or presumptive fraud to report for the year ended 31 December 2021.

D. Acknowledgement

63. The Board wishes to express its appreciation for the cooperation and assistance extended to its staff by the Executive Director and members of the staff of ITC.

(*Signed*) Jorge **Bermúdez**
Comptroller General of the Republic of Chile
Chair of the Board of Auditors

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
(Lead Auditor)

(*Signed*) Kay **Scheller**
President of the German Federal Court of Auditors

21 July 2022

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2020

No.	Audit report year	Report reference	Board's recommendation	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
1	2016	A/72/5 (Vol. III), chap. II, para. 83	Adhere to the 16-day clause for advance travel planning to reduce travel expenditure and avoid frequent rescheduling and cancellation of tickets.	The Senior Management Committee has implemented tight control measures. ITC has put in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2021 remained high, at 31 per cent. This recommendation is considered to be under implementation.		X		
2	2018	A/74/5 (Vol. III), chap. II, para. 24	Select consultants through a competitive process, ensure that consultants are not engaged for work of a generic or routine nature and clearly define the tangible outputs for each assignment in the terms of reference and maintain proper documentation in case of exceptions.	ITC developed a proposal for selecting consultants above an agreed monetary threshold which was presented to the Senior Management Committee on 23 February and is now being discussed. An annual report on consultants and individual contractors was drafted and shared with the Committee on 23 February. Targeted training sessions were held in October and November 2020 and January 2021 on mandatory documentation, justification of selection and eligibility, and terms of reference. A positive impact has been seen on rejections, which have reduced following the training.	In 2021, there were still some consultants and individual contractors performing generic tasks. This recommendation is considered to be under implementation.		X		
3	2018	A/74/5 (Vol. III), chap. II, para. 40	Track reasons for non-compliance with the 21-day window for travel in ITC and monitor closely to ensure better compliance.	The Senior Management Committee has implemented tight control measures. ITC has put in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2021 remained high, at 31 per cent. This recommendation is considered to be under implementation.		X		
4	2018	A/74/5 (Vol. III), chap. II, para. 48	Incorporate the standard provisions in all memorandums of understanding, in particular, conditionality for payment in the case of projects with training components. Also consider incorporation of the provision linking the future relationship with a grantee to	The grant template incorporates a standard provision requiring the grantee to provide all pertinent proof for release of payment, including a list of participants and other relevant supporting financial documentation. The ITC administrative instruction on grants is being reviewed to include a reporting framework. The final	Given that the grant template incorporates a standard provision requiring the grantee to provide all pertinent proof for release of payment, including a list of participants and other relevant supporting financial documentation, this		X		

No.	Audit report year	Report reference	Board's recommendation	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
			timely submission of a long-term impact report to the satisfaction of ITC.	provisions will eventually be incorporated into the grant model, as deemed necessary.	recommendation is considered to be under implementation.				
5	2018	A/74/5 (Vol. III), chap. II, para. 63	Consider assessing the long-term sustainability of the results achieved under various projects.	The Independent Evaluation Unit piloted the sustainability review methodology in 2020 with three different projects. Overall, the review methodology worked well, and valuable findings were obtained. As a result, ITC senior management endorsed the continuation of such reviews on a regular basis. In 2021, another set of projects in two countries was assessed. Further reviews are planned for 2022. In addition, consideration is being given to developing an instrument that would enable partner governments to conduct such reviews autonomously, according to their needs.	Given that ITC has taken measures to conduct sustainability reviews of projects, this recommendation is considered implemented.	X			
6	2019	A/75/5 (Vol. III), chap. II, para. 26	Have a well-documented and adequately tested business continuity plan to effectively mitigate risks of work interruptions posed by disruptive events.	The business continuity plan is being updated.	The plan is not finalized yet and the risks of work interruptions posed by disruptive events are not deemed to be controlled. This recommendation is considered to be under implementation.		X		
7	2019	A/75/5 (Vol. III), chap. II, para. 35	Establish a more rigorous formal selection process for consultants and individual contractors with annual consultancy fees exceeding a suitable threshold, along with an ex-post review of contracts annually in all cases by ITC management.	ITC developed a proposal for selecting consultants above an agreed monetary threshold, which was presented to the Senior Management Committee on 23 February and is now being discussed. An annual report on consultants and individual contractors was drafted and shared with the Committee on 23 February. Targeted training sessions were held in October and November 2020 and January 2021 on mandatory documentation, justification of selection and eligibility, and terms of reference. A positive impact has been seen on rejections, which have reduced following the training.	ITC established a formal selection process for consultants and individual contractors with an annual fee that exceeded the threshold of $150,000 in 2021. This recommendation is considered implemented.	X			

						Status after verification			
No.	*Audit report year*	*Report reference*	*Board's recommendation*	*ITC response*	*Board's assessment*	*Implemented*	*Under implementation*	*Not implemented*	*Overtaken by events*
8	2019	A/75/5 (Vol. III), chap. II, para. 45	Clearly include a provision for completing mandatory training for consultants, individual contractors and implementing partners in their contracts and monitor implementation by hiring managers or programme managers.	Monitoring is ongoing. In addition to the initiatives in the October update, human resources has worked with information technology colleagues to improve the EROC hiring tool, which now uses a traffic light system to show whether consultants and individual contractors' mandatory training have been completed. The ITC Mandatory Training Programme Policy (document ITC/EDB/2021/01) is being updated.	The completion rate of mandatory training for non-staff personnel has improved from 89 per cent to 92 per cent. This recommendation is considered implemented.	X			
9	2019	A/75/5 (Vol. III), chap. II, para. 54	Consider putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	The Senior Management Committee has implemented tight control measures. ITC has put in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2021 remained high, at 31 per cent. This recommendation is considered to be under implementation.		X		
10	2019	A/75/5 (Vol. III), chap. II, para. 59	Consider establishing standard operating procedures for a formal ex-post review by Central Support Services to oversee compliance with organizational rules governing low-value acquisitions and to take follow-up action. As part of the ex-post review, it should be considered whether services procured for fulfilling mandates were cost-effective.	In the first quarter of 2020, ITC established a standard operating procedure for a formal ex-post review by the Central Support Services to oversee compliance by certifying officers and took follow-up actions.	Given that ITC established a standard operating procedure for a formal ex-post review by the Central Support Services to oversee compliance by certifying officers and took some actions, this recommendation is considered to be under implementation.		X		
11	2019	A/75/5 (Vol. III), chap. II, para. 66	Enforce accountability at all levels for the completion of high-quality project completion reports within the prescribed period of three months, as well as timely implementation of the recommendations in the annual evaluation synthesis report in accordance with agreed timelines reflected in the management response.	Accountability for submission of project completion reports has been enforced at various levels. Emphasis has been placed on ensuring high-quality reports by revising the report template and related instructions. Moreover, dedicated and regular training on project completion reports is provided during the ITC Training Week. The timeline for submitting project completion reports has been adjusted from 3 to 6 months in line with external stakeholder reporting deadlines. Since 2020, the	Given that the Board has assessed its implementation and renewed the observation in the 2021 audit report, where it remains active, this recommendation is considered to have been overtaken by events.				X

No.	Audit report year	Report reference	Board's recommendation	ITC response	Board's assessment	Status after verification: Implemented	Under implementation	Not implemented	Overtaken by events
				recommendations in the annual evaluation synthesis report, have been addressed through a dedicated management response.					
12	2019	A/75/5 (Vol. III), chap. II, para. 78	Adhere to the provisions of the grant memorandum of understanding template, in particular conditionality for payment in the case of projects with training components.	The grant template incorporates a standard provision requiring the grantee to provide all pertinent proof for release of payment, including a list of participants and other relevant supporting financial documentation.	Given that the grant template incorporates a standard provision requiring the grantee to provide all pertinent proof for release of payment, this recommendation is considered to be under implementation.		X		
13	2020	A/76/5 (Vol. III), chap. II, para. 18	Issue a guideline on procedures for collection of outstanding receivables, so that responsibilities can be established and certifying officers can provide a clear proof of collection efforts.	ITC issued the recommended guidelines.	In 2021, ITC has issued its guidelines for the monitoring and collection of outstanding advances paid to individuals, vendors or implementing partners. This recommendation is considered implemented.	X			
14	2020	A/76/5 (Vol. III), chap. II, para. 23	Strengthen the management of write-offs by issuing a formal subdelegation of authority on write-offs.	ITC issued the recommended formal subdelegation of authority.	In 2021, ITC issued a memorandum regarding the delegation of authority on write-off of accounts receivable. This recommendation is considered implemented.	X			
15	2020	A/76/5 (Vol. III), chap. II, para. 29	Specify the programme support cost rate and the appendix D rate separately in donor agreements.	The programme support cost rate and appendix D are now specified separately in donor agreements, in accordance with the recommendation.	In 2021, ITC has already specified the programme support cost rate and the appendix D rate separately in donor agreements. This recommendation is considered implemented.	X			
16	2020	A/76/5 (Vol. III), chap. II, para. 36	Update the oversight policy to document the revised mechanism as agreed by the World Trade Organization (WTO) and the United Nations Conference on Trade and Development (UNCTAD).	The Executive Director bulletin on the ITC Oversight Committee (ITC/EDB/2014/08) was abolished as the Committee has been dissolved	ITC, WTO and UNCTAD held a meeting at which it was decided that the governance reporting function had been superseded by other bodies. This recommendation is considered implemented.	X			
17	2020	A/76/5 (Vol. III),	Establish a monitoring procedure to avoid consultants	This situation has not happened and human resources will continue to monitor contract durations. Human resources is supporting the hiring of	The Board noted that, in 2021, ITC signed 2,492 consultant and individual contractor contracts with 1,490 persons, 254 of whom		X		

No.	Audit report year	Report reference	Board's recommendation	ITC response	Board's assessment	*Status after verification* Implemented	Under implementation	Not implemented	Overtaken by events
		chap. II, para. 41	working simultaneously and full time on separate contracts.	managers by identifying a wider pool of candidates.	have been awarded two or more contracts with overlapping periods. This recommendation is considered to be under implementation.				
18	2020	A/76/5 (Vol. III), chap. II, para. 46	Revise its policy with regard to the rate range structure to cover the actual payment.	The policy is being updated.	The revision of the policy is not yet completed. This recommendation is considered to be under implementation.		X		
19	2020	A/76/5 (Vol. III), chap. II, para. 52	Carry out interim evaluations for those contracts with periods longer than six months.	Management has implemented a system of checks in coordination with performance management system. ITC ensured that interim evaluations were held for contracts with periods longer than six months and for which no interim payments were made. Before any payment is made in full, the hiring manager verifies satisfactory performance or delivery.	The system of interim evaluation in EROC was not implemented online. Management has implemented a system of checks in coordination with performance management. This recommendation is considered to be under implementation.		X		
20	2020	A/76/5 (Vol. III), chap. II, para. 60	Adopt corrective measures to improve compliance with the advance ticket purchase policy.	The Senior Management Committee has implemented tight control measures. ITC has put in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	The overall non-compliance rate with the 16-day advance air ticket purchase policy in 2021 remained high, at 31 per cent. This recommendation is considered to be under implementation.		X		
21	2020	A/76/5 (Vol. III), chap. II, para. 65	Make accounting adjustments to ensure the accuracy of property, plant and equipment and depreciation presentation in the financial statements.	The accounting adjustment has been made. No documentation and no further action are necessary.	In 2021, ITC wrote up the depreciation. As at September 2021, the depreciation is correct. This recommendation is considered implemented.	X			
	Total number of recommendations				**21**	**8**	**12**	**–**	**1**
	Percentage of the total number of recommendations				**100**	**38**	**57**	**–**	**5**

Chapter III
Certification of the financial statements

Letter dated 25 March 2022 from the Assistant Secretary-General, Controller, addressed to the Chair of the Board of Auditors

The financial statements of the International Trade Centre for the year ended 31 December 2021 have been prepared in accordance with financial regulation 6.1 of the Financial Regulations and Rules of the United Nations.

The summary of significant accounting policies applied in the preparation of these statements is included as notes to the financial statements. The notes provide additional information and clarifications of the financial activities undertaken by the International Trade Centre during the period covered by these statements for which the Secretary-General has administrative responsibility.

I certify that the appended financial statements of the International Trade Centre, numbered I to V, are correct in all material respects.

(*Signed*) Chandramouli **Ramanathan**
Assistant Secretary-General, Controller

Chapter IV
Financial report for the year ended 31 December 2021

A. Introduction

1. The Executive Director has the honour to submit the financial report on the accounts of the International Trade Centre (ITC) for the year ended 31 December 2021.

2. The present report is designed to be read in conjunction with the financial statements. It presents an overview of the consolidated position and performance of ITC, highlighting trends and significant movements. Attached to the report is an annex with supplementary information, which is required to be reported to the Board of Auditors under the Financial Regulations and Rules of the United Nations.

B. Governance

3. ITC is the joint technical cooperation agency of the United Nations and the World Trade Organization (WTO) for trade and international business development. ITC is subject to the governing bodies of both parent organizations. They include the programme and budget approval bodies of the United Nations and WTO: the General Assembly, the Trade and Development Board of the United Nations Conference on Trade and Development (UNCTAD), the WTO Committee on Budget, Finance and Administration, the WTO Committee on Trade and Development and the WTO General Council. ITC is subject to the Financial Regulations and Rules and the Staff Regulations and Staff Rules of the United Nations, and to the oversight system of the United Nations. The Executive Director of ITC is selected jointly by the Director-General of WTO and the Secretary-General of UNCTAD and appointed by the Secretary-General.

4. The Joint Advisory Group of ITC meets annually to examine the activities of ITC based on its annual report and annual evaluation synthesis report and to make recommendations on current and future priorities. The membership of the Joint Advisory Group includes all United Nations and WTO member States and observers, and benefits from the participation of the heads of the WTO and UNCTAD. The report of the Joint Advisory Group is submitted by the annually elected chair of the Joint Advisory Group to the UNCTAD Trade and Development Board and to the WTO Committee on Trade and Development. The report is subsequently submitted to the General Council of WTO by the Chair of the Committee on Trade and Development. The Joint Advisory Group serves a number of key functions, including keeping member States apprised of ITC operations, enabling them to offer views and comments, advising on the ITC strategic plan and announcing voluntary extrabudgetary contributions. It is also the opportunity for the heads of WTO and UNCTAD to comment on the performance of ITC.

5. The Consultative Committee of the ITC trust fund reviews the ITC strategic and operational plans and the use of funds made available through the ITC trust fund.

C. Objectives and strategies

6. ITC aims to improve the international competitiveness of micro-, small- and medium-sized enterprises from developing countries, especially least developed countries, and countries with economies in transition through the delivery of trade-related technical assistance.

7. The ITC mandate is built on the principle that trade can be a potent vehicle to better lives. The relevance of trade is explicitly recognized in the 2030 Agenda for Sustainable Development, which notes that "international trade is an engine for inclusive economic growth and poverty reduction, and contributes to the promotion of sustainable development." Member States agreed to "continue to promote a universal, rules-based, open, transparent, predictable, inclusive, non-discriminatory and equitable multilateral trading system under the World Trade Organization, as well as meaningful trade liberalization." ITC work on the competitiveness of micro-, small and medium-sized enterprises in boosting employment and generating income is more important and relevant than ever.

8. The year 2021 was the final year of implementation of the ITC strategic plan 2018–2021. The Centre focused on helping Member States and partners emerge from the pandemic period through delivering on our vision of "good trade" and supporting the achievement of the Sustainable Development Goals.

9. In 2021, ITC planned to deliver trade-related technical assistance worth $141 million, representing an increase of 9 per cent compared with the actual delivery for 2020. This delivery was financed by two types of funds: the regular budget and extra-budgetary funding.

D. Overview of operations and environment

10. In 2021, ITC delivery was strategically aligned with 11 Sustainable Development Goals, with a focus on Goal 8, on decent work and economic growth; Goal 17, on partnerships for the Goals; Goal 5, on gender equality; Goal 2, on zero hunger; and Goal 1, on poverty elimination. ITC also contributed to Goal 4, on quality education; Goal 9, on industry, innovation, and infrastructure; Goal 12, on responsible consumption and production; Goal 13, on climate action; and Goal 16, on peace, justice and strong institutions. ITC organized its delivery across six focus areas: (a) providing trade and market intelligence; (b) building a conducive business environment; (c) strengthening trade and investment support institutions; (d) connecting to international value chains; (e) promoting and mainstreaming inclusive and green trade; and (f) supporting regional economic integration and South-South trade and investment.

11. In 2021, measured by expenditure in United States dollars, ITC delivered technical assistance, capacity-building and market intelligence with gross extrabudgetary expenditures of $107.12 million. Extrabudgetary expenditure is approximately 16.6 per cent higher than in the previous year. Regular budget expenditure amounted to $40.36 million. General performance was in line with output and outcome targets that were set for the year 2021. The Centre's performance continued to be strongly supported by corporate initiatives for innovation and project development. Throughout the year, $0.4 million was approved for innovative projects from the ITC Business Development Fund.

12. In 2021, more than 410,000 beneficiaries became more aware of trade-related topics through the use of ITC market intelligence tools and other digital content, as well as through targeted ITC awareness-raising and knowledge-sharing events. In over 90 cases, ITC influenced policymakers and contributed to strategy or policy formulations for the benefit of micro-, small and medium-sized enterprises in developing economies. In over 550 instances, ITC institutional beneficiaries, public and private trade and investment support institutions, improved their performance through ITC interventions and increased their ability to serve their clients better. Over 25,000 micro-, small and medium-sized enterprises, of which over 8,300 were women-owned or -operated, changed their business operations and improved their

competitiveness. Finally, over 5,600 micro-, small and medium-sized enterprises (over 2,200 of which were women-owned or -operated) transacted international business with ITC assistance. The largest share of ITC delivery continued to focus on the sub-Saharan Africa region, in line with the Centre's prioritization of the most vulnerable countries. In 2021, 45 per cent of country- or region-specific extrabudgetary expenditure was dedicated to least developed countries, and over 80 per cent to the wider group of priority countries, consisting of least developed countries, land-locked developing countries, small island developing States, sub-Saharan African countries and conflict-affected countries.

13. In 2021, ITC continued to incorporate lessons learned and best practices related to the coronavirus disease (COVID-19) pandemic by maintaining and consolidating a hybrid approach to delivery: field interventions, usually implemented with local partners, were complemented by online advisory or training services. The SheTrades programme published country-specific COVID-19 reports that showcased the impact of the pandemic on women-owned businesses and illustrated how different women entrepreneurs responded to the crisis. In the fourth edition of *The Coffee Guide*, ITC covered new markets' dynamics and the effects of the COVID-19 pandemic on the global coffee trade. The ITC flagship report, the "Small and medium-sized enterprises competitiveness outlook 2021", provided measures small businesses could put into place to rebuild from the impact of the COVID-19 pandemic and to improve their resilience in the face of the climate crisis and areas in which small firms with limited resources can invest to seize opportunities in the green transition.

14. In 2021, the annual evaluation synthesis report focused on the Centre's 2018–2021 strategic vision, entitled "Trade routes to sustainable and inclusive development" and found that the strategic plan 2018–2021 effectively provided ITC with a directional yet flexible operating framework. It conveyed a clear sense of purpose and had built trust, both inside and outside ITC. The synthesis report identified lessons to be implemented under the new strategic plan: develop an implementation framework to bridge the gaps between high-level medium- to long-term corporate objectives and annual operational objectives; ensure a strategic allocation of resources; and regularly review progress and lessons learned from strategy implementation.

15. In 2021, risks were mainly triggered by the pandemic or post-pandemic conditions in programming countries. The Centre's proactive risk management and coordinated risk response, involving all key stakeholders, helped the organization maintain its field operations and enabled a smooth transition to contingency plans to ensure a continuous delivery. Key success factors included an active field presence with responsive and collaborative funders and local partners, and hybrid delivery despite widespread travel restrictions and lockdowns in virtually all beneficiary countries. In 2021, ITC management carried out corporate risk assessments and conducted deep-dive assessments for prioritized risks, leading to updated risk formulations and risk mitigation measures.

16. ITC implemented several efficiency and effectiveness initiatives measured by key performance indicators. Once again, carbon emission neutrality has been achieved. In the area of staff diversity, the percentage of women on senior positions reached 47 per cent against a 50 per cent target; and ITC achieved 94 per cent compliance with the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women, as measured by indicators "met" or "exceeded". ITC was successful in its fundraising efforts, securing $315 million of extrabudgetary funding for the years 2022 and beyond.

17. The Centre continued to work closely with other United Nations agencies, including through membership in the United Nations Sustainable Development Group and United Nations country teams. ITC is a signatory to the United Nations Sustainable Development Cooperation Frameworks in 27 countries, while in several

other countries, ITC contributes to and reports on joint workplans. ITC also engaged in the United Nations COVID-19 socioeconomic response plans. As a non-resident agency, the Centre is adjusting its operations to fully support the United Nations reform and contribute to United Nations regional and country teams, where its expertise meets the priorities of national Governments.

18. At the 55th annual meeting of the ITC Joint Advisory Group, convened in Geneva on 2 November 2021, Member States appreciated the Centre's agility in responding to the challenges brought about by the COVID-19 pandemic. They found the rapid pivoting a clear indication of unwavering ITC commitment to micro-, small and medium-sized enterprises in developing countries and appreciated the organization's focus on sustainability, digitization and inclusiveness. Delegates stressed the severe economic impact of the COVID-19 pandemic on their countries, in particular least developed countries, which affected food systems and led to job losses and supply chain disruptions. They voiced hope that the trade sector was gradually recovering and concluded that recent developments made the work of ITC more relevant than ever. Member States referred to their successful collaboration with ITC through various projects, including on women's economic empowerment, climate and sustainability, digital trade and e-commerce, trade and market intelligence, WTO accession and trade facilitation.

E. Overview of the financial statements for the year ended 31 December 2021

19. Financial statements I, II, III, IV and V show the financial results of the Centre's activities and its financial position as at 31 December 2021. The notes to the financial statements explain its accounting and financial reporting policies and provide additional information on the individual amounts contained in the statements.

Revenue

Financial results

(Thousands of United States dollars)

	2021	*2020*
Total revenue	160 509	120 517
Total expense	150 872	131 295
(Deficit)/surplus	**9 637**	**(10 778)**

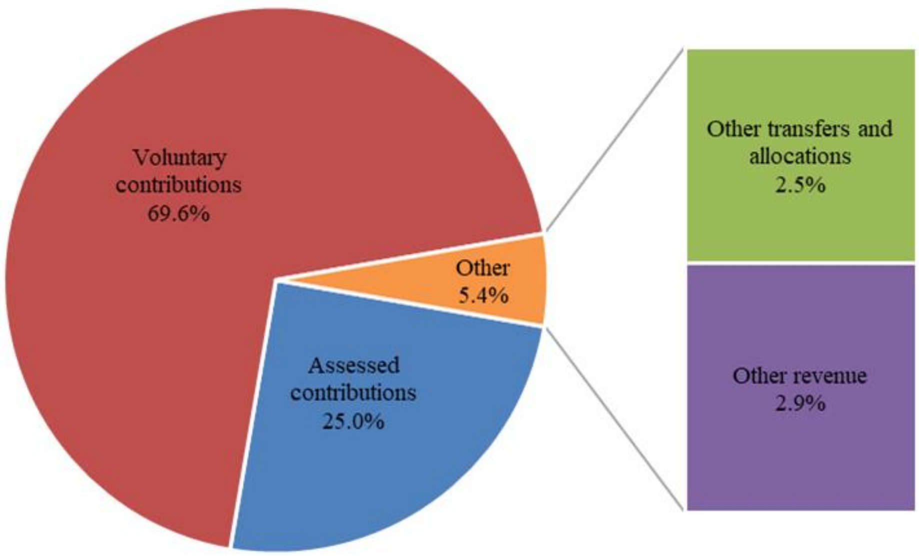
20. In 2021, revenue totalled $160.509 million (2020: $120.517 million). The main sources of revenue were voluntary contributions from donors of $111.683 million, or 69.6 per cent; and assessed contributions of $40.083 million, or 25.0 per cent. Revenue from other transfers and allocations amounted to $4.048 million, or 2.5 per cent; and other revenue to $4.695 million, or 2.9 per cent. Voluntary contributions from donors include a rental subsidy (contribution in-kind) of $3.013 million for the year, representing the difference between the market value and the actual amount paid for the rental of the building occupied by ITC.

21. Voluntary contributions through donor agreements are recognized as revenue at the point of signature except where such agreements contain a condition requiring specific performance and return obligation. Contributions from unconditional agreements of $55.478 million were mainly from the signature of major multi-year agreements with Finland, Germany, the Netherlands, Sweden and Switzerland, as well as other transfers and allocations from inter-organizational arrangements and

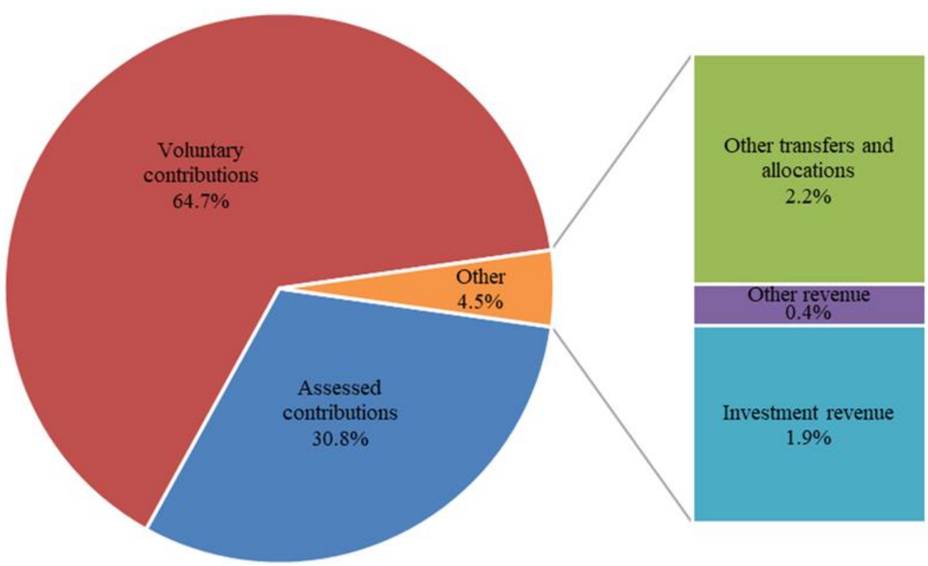
multi-donor initiatives under the Enhanced Integrated Framework trust fund and the United Nations multi-partner trust funds. During the year, an amount of $58.019 million was recognized from conditional agreements.

22. Voluntary contributions often cover multi-year periods, as they are usually committed for the lifetime of the projects, typically three or four years. This means that part of the revenue recognized in previous years is used for activities in the current year or in future years except where the agreements are conditional.

Figure IV.I
Total revenue by fiscal year



Fiscal year 2021: total revenue $160.509 million

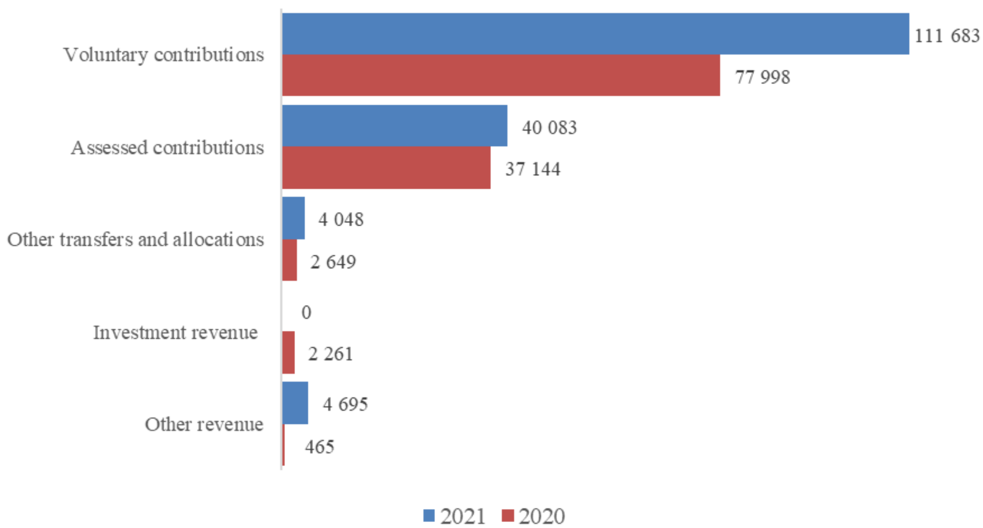


Fiscal year 2020: total revenue $120.517 million

Figure IV.II

Total revenue by category and fiscal year

(Thousands of United States dollars)

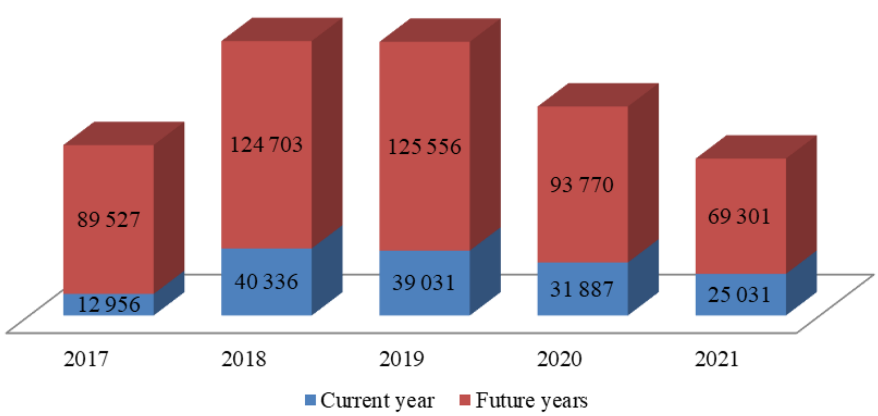


23. Overall, on a year-to-year basis, the value of voluntary contributions and other transfers and allocations agreements signed with donors was $94.332 million in 2021, $125.657 in 2020, $164.587 million in 2019, $165.039 million in 2018, and $102.483 million in 2017.

Figure IV.III

Voluntary contributions and other transfers and allocations agreements signed with donors (conditional and unconditional) showing current year and future year portions by fiscal year

(Thousands of United States dollars)

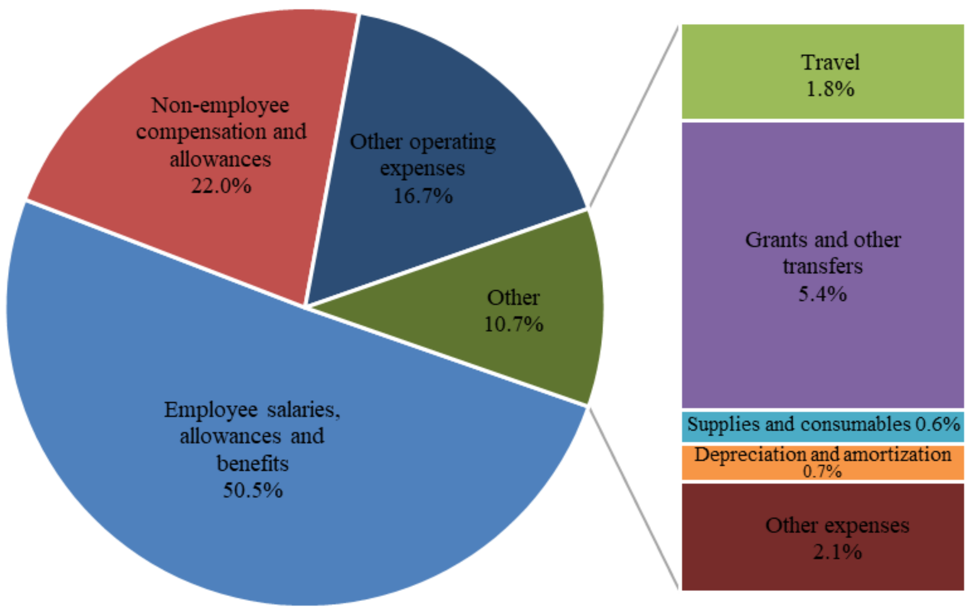


24. The above figure shows voluntary contributions and other transfers and allocations agreements signed in each year and the portion attributable to the current year and to future years.

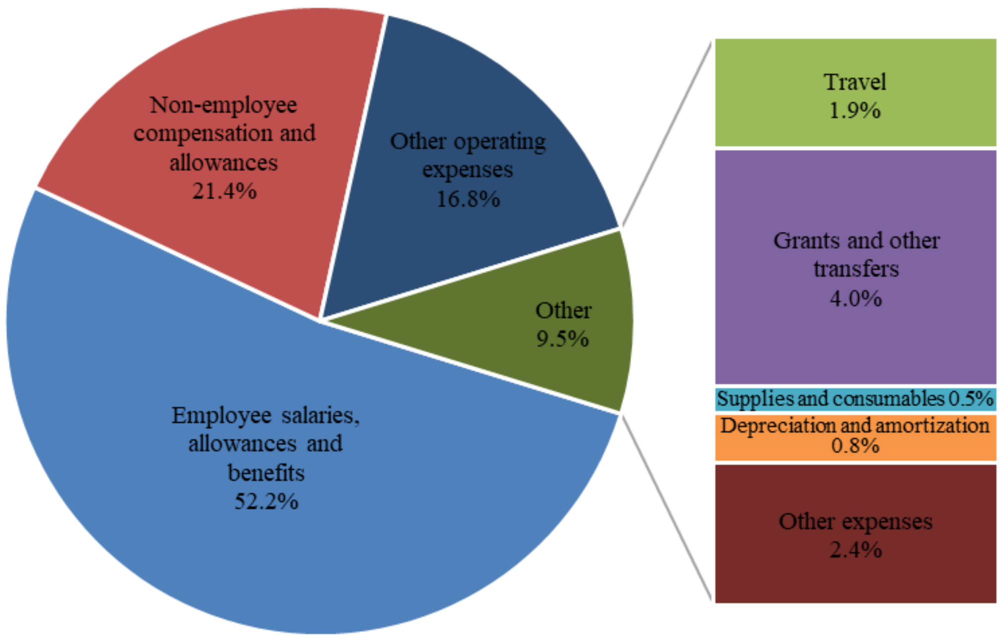
Expenses

25. For the year ended 31 December 2021, expenses totalled $150.872 million (2020: $131.295 million). The main expense categories were staff costs of $76.202 million (50.5 per cent); non-employee compensation and allowances of $33.253 million (22.0 per cent); and other operating expenses of $25.265 million (16.8 per cent). Grants and other transfers amounted to $8.195 million (5.5 per cent); other expenses, including share of joint arrangement, to $3.135 million (2.1 per cent); travel to $2.774 million (1.8 per cent); depreciation and amortization to $1.086 million (0.7 per cent); and supplies and consumables to $0.962 million (0.6 per cent). Staff costs included $6.005 million of interest costs and current service costs related to defined benefit obligations (after-service health insurance, annual leave and repatriation grant/travel). In accordance with the policy set by the United Nations Controller, programme support costs on expenses generated by the implementation of project activities are charged based on rates ranging from 7.0 to 14.0 per cent. These costs are included in the project expenses.

Figure IV.IV
Total expenses by fiscal year

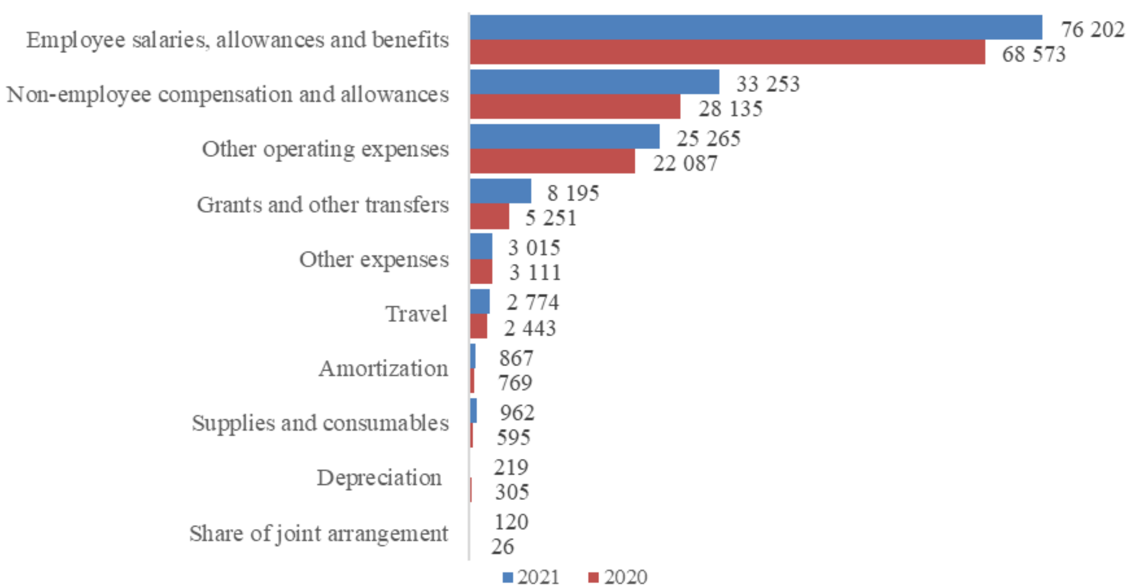


Fiscal year 2021: total expenses $150.872 million



Fiscal year 2020: total expenses $131.295 million

Figure IV.V
Total expenses by category and fiscal year
(Thousands of United States dollars)



26. Total personnel cost, which includes staff costs and non-employee compensation and allowances, totalled $109.455 million (2020: $96.708 million); this amount represents 72.5 per cent of total expenses for the year and an increase of 13.2 per cent compared with 2020. The increase is due to a growth in project personnel (staff and consultants) funded from extrabudgetary contributions and increase in United States dollar equivalent of salaries of the general service category of staff, which is denominated in Swiss francs. Other operating expenses totalled $25.265 million (2020: $22.087), representing 16.7 per cent of total expense for the year. The increase of 14.4 per cent compared with the prior year is due to the increased

delivery of expenditure related to technical assistance, such as training, meeting facilitation and information technology design and development services. Grants and other transfers totalled $8.195 million (2020: $5.251 million), or 5.4 per cent of total 2021 expenses. The increase of 56.1 per cent compared with 2020 is due to the decentralization of projects delivery to local counterparts because of the COVID-19 pandemic. The general performance is in line with the outcome targets that were set for the year 2021.

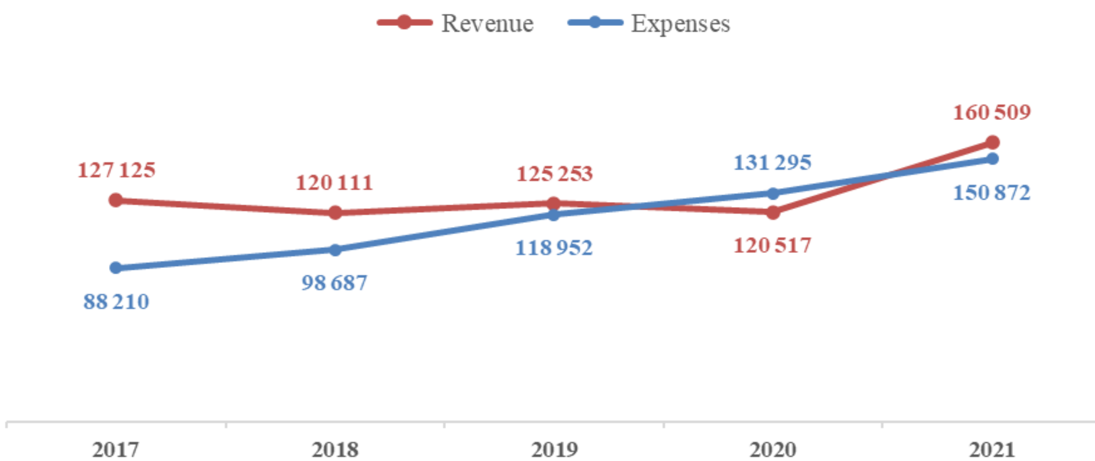
Operating results

27. The net surplus of revenue over expense in 2021 was $9.637 million (2020: net deficit $10.778 million). Revenue from unconditional agreements is recognized when the donor executes a binding agreement with ITC, not when the cash is received from the donor. However, expenses resulting from the delivery of the services covered by the contribution are recorded in the financial period when the expense was incurred. This means that contributions received in one financial year may not be spent until a future financial period, where agreements are signed late in the financial year and cover several future years. Revenue from voluntary contributions related to agreements that contain a condition requiring the return of the contribution if funds are not spent in accordance with the terms and conditions specified by the donor is recognized as a liability. As ITC satisfies the agreement conditions, the carrying amount of the liability is reduced and an equal amount is recognized as revenue.

28. Recognition of revenue from unconditional agreements at a point of signature of the agreement has distorted the Centre's annual results since revenue may be recognized several years in advance of expenses. Anticipated changes in accounting standards (IPSAS 23 and IPSAS 9 exchange transactions under discussion by the IPSAS Board) and the shift of new funding to primarily conditional contributions, will have a positive impact on the Centre's accounts in future years in that it will not impact the net surplus (deficit) from operations, because delivery of the services will be calculated on the basis of the expenditures incurred and an equal amount of revenue and expenses will be recognized on the statement of financial performance.

29. While certain implementation activities might have been affected in terms of the expected completion date, the impact of the pandemic on these activities cannot be quantified in the scope of financial costs. COVID-19 has not had an impact on the financial statements of ITC: the contributions have not been reduced, no impact on receivables collection and no impairment was warranted, it has not triggered further refunds to donors, and the liquidity of the organization remains in healthy condition.

Figure IV.VI
Movement in revenue and expenses
(Thousands of United States dollars)



Assets

30. Assets as at 31 December 2021 totalled $392.628 million compared with the balance at 31 December 2020 of $412.027 million.

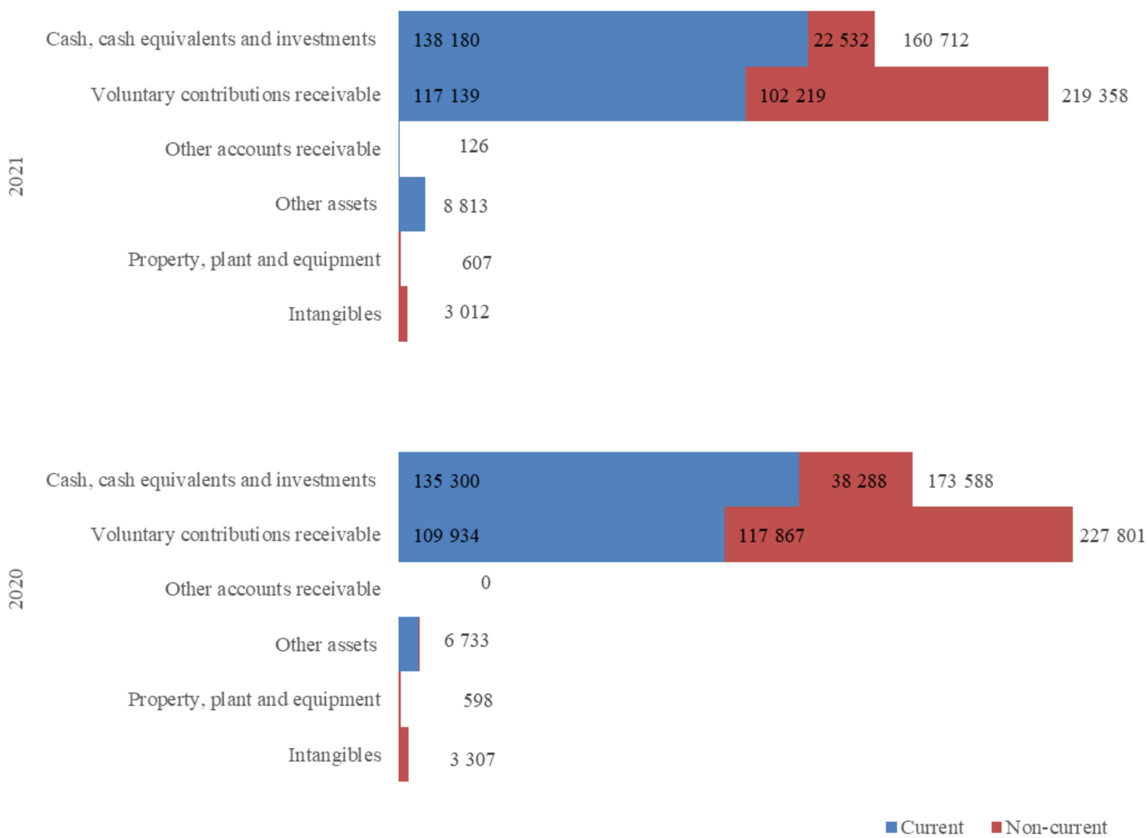
31. The main assets as at 31 December 2021 were cash and cash equivalents and investments totalling $160.712 million (2020: $173.588 million), representing 40.93 per cent of the total assets, and voluntary contributions receivable from donors for technical cooperation projects of $219.358 million (2020: $227.801 million), or 55.87 per cent. The remaining assets consisted of other assets, property, plant and equipment and intangible assets.

32. Cash and cash equivalents and investments of $160.712 million as at 31 December 2021 are held in the United Nations cash pool and cash held in main and field offices. This represents a decrease of $12.876 million over the balance held at the end of 2020, primarily because many projects are in the phase of implementation and consuming cash and cash equivalents.

33. Under IPSAS, accounts receivable from voluntary contributions may be recognized in full on signature of an agreement, including amounts due in future financial periods. Of the total of $219.358 million due as at 31 December 2021, $117.139 million is expected to be received in 2021 and the balance of $102.219 million is expected after 2021.

34. Overall, voluntary contributions receivable decreased by $8.443 million. As noted in the figure below, short-term voluntary contributions receivable increased from $109.934 million to $117.139 million and long-term voluntary contributions receivable decreased from $117.867 million to $102.219 million. The decrease is mainly a result of the settlements received in 2021, while at the same time, the level of signed agreements decreased (see figure IV.III). Based on present negotiations with donors, it is anticipated that the current level of contributions will be maintained for the immediate future.

Figure IV.VII
Summary of assets by fiscal year
(Thousands of United States dollars)



Liabilities

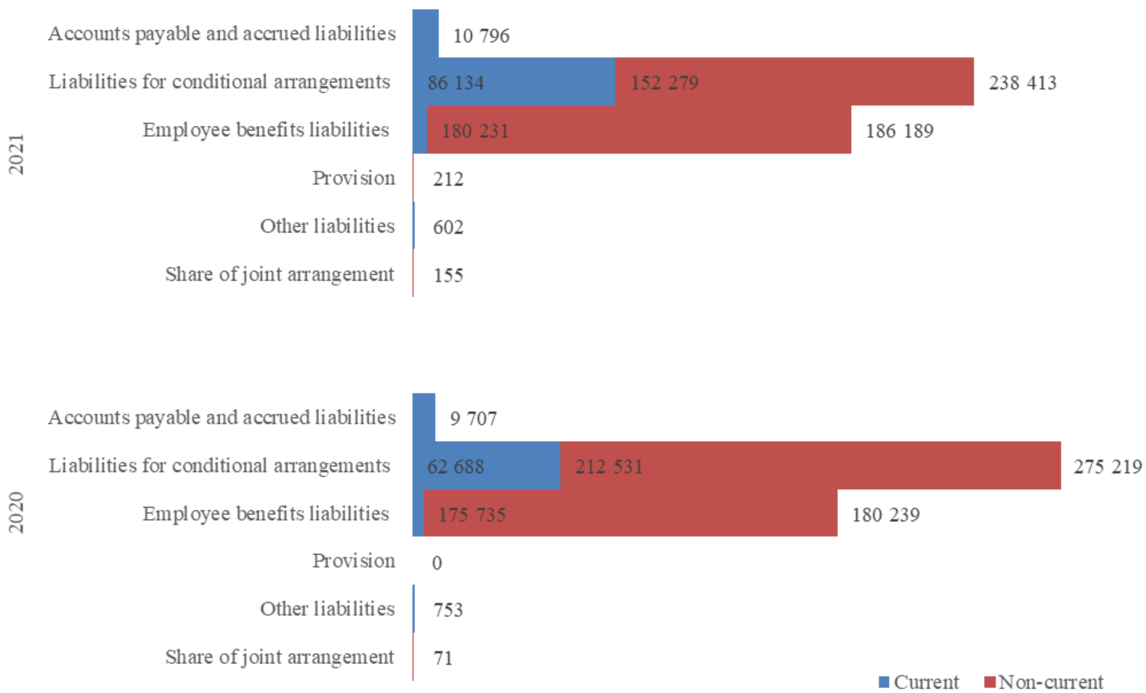
35. Liabilities as at 31 December 2021 totalled $436.367 million compared with the balance as at 31 December 2020 of $465.989 million.

36. Liabilities for conditional arrangements decreased by $36.806 million, from $275.219 million in 2020 to $238.413 million reported in 2021, representing 54.6 per cent of the Centre's total liabilities in 2021. Certain contributions contain conditions requiring the return of funds spent that are not in accordance with the terms of the agreement. Liabilities for conditional arrangements represent the portion of the contribution, mainly from the European Union, which has not been recognized as revenue since it has not been delivered by ITC as at 31 December 2021. A number of multi-year projects funded by the European Union were signed during 2020 and entered into the implementation phase in 2021, resulting in a decrease in conditional liability. Approximately $36.943 million in new multi-year agreements were signed during the year, while approximately $58.019 million were delivered and recognized as revenue during the year.

37. Another significant liability was the employee benefits earned by staff members and retirees. It accounted for $186.189 million, representing 42.7 per cent of the Centre's total liabilities in 2021. This liability is fully explained in note 12 to the financial statements; however, its primary component is a liability for after-service health insurance of $167.077 million, or 89.7 per cent of the total employee benefit liability. The increase of employee benefits liabilities by $5.950 million is a result of a $0.550 million net actuarial gain, recognized in net assets, and $6.005 million of

current service costs and interest net of benefit payments, recognized in the statement of financial performance as a component of staff costs, and a decrease in accrued salaries, allowances and benefits and home leave by $0.495 million.

Figure IV.VIII
Summary of liabilities by fiscal year
(Thousands of United States dollars)



Net assets

38. The movement in net liabilities during the year reflect a decrease of $10.223 million, from $53.962 million in 2020 to $43.739 million in 2021, mainly due to an operating result of $9.367 million and the actuarial gain of $0.550 million. ITC participates in a jointly financed operation relating to safety and security, which is established under a binding agreement. ITC reported $0.036 million in the net liabilities as its 2021 total share of the joint arrangement accounted for using equity method. Net liabilities are offset by the operating reserves, which increased from $12.442 million in 2020 to $13.208 million in 2021.

Liquidity position

39. As at 31 December 2021, the liquidity position of ITC was healthy. ITC had sufficient liquid assets to settle its current liabilities. Liquid assets totalled $255.445 million (cash and cash equivalents of $17.792 million, short-term investments of $120.388 million and accounts receivable of $117.265 million), whereas total current liabilities amounted to $103.490 million and total liabilities amounted to $436.367 million. ITC's total cash and investment resources amounted to $160.712 million.

40. The table below summarizes key liquidity indicators for the financial year ended 31 December 2021, with comparatives for the year ended 31 December 2020.

Liquidity indicator	2021	2020
Ratio of liquid assets to current liabilities	2.5:1	3.2:1
Ratio of liquid assets less accounts receivable to current liabilities	1.3:1	1.7:1
Ratio of liquid assets to total assets	0.7:1	0.6:1
Average months of liquid assets less accounts receivable on hand	11.1	12.5

41. The ratio of liquid assets to current liabilities indicates the ability of ITC to pay its short-term obligations from its liquid resources. The ratio of 2.5:1 indicates that current liabilities are covered 2.5 times by liquid assets, and therefore there are sufficient liquid assets available to fully pay current liabilities should the need arise. When accounts receivable are excluded from the analysis, the coverage of current obligations is at 1.3, which indicates that ITC can cover current liabilities when relying on its assets that can be liquidated quickly, such as cash and cash equivalents and short-term investment. As at 31 December 2021, the Centre's liquid assets were 70 per cent of its total assets and it held sufficient cash and cash equivalents and short-term investments to cover its estimated average monthly expenses of $12.482 million for 11.1 months.

42. As at the reporting date, ITC had employee benefits liabilities of $186.189 million. With total cash and cash equivalents and investments of $160.712 million, 86.3 per cent of the employee benefits liabilities were covered. Defined benefit liabilities pertaining to the regular budget had not been funded. The Centre began to accrue funding for repatriation grant and after-service health insurance obligations for staff funded from extrabudgetary resources. The funding position of actuarially valued liabilities pertaining to extrabudgetary resources as at 31 December 2021 was 24 per cent.

Budgetary comparison

43. The original budget is adopted in Swiss francs. The final budget takes into consideration the result of the changes in the exchange rate between Swiss francs and United States dollars that took place between the adoption of the original budget and the reporting date as well as the final appropriation approved by the United Nations. Budget comparison and reconciliation details have been disclosed in note 17 to the financial statements.

44. Statement V, Comparison of budget and actual amounts, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publicly available regular budget as shown below.

	2021			*2020*		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	20 361	20 096	(1)	18 862	18 862	–
Assessed contributions from WTO	20 361	20 096	(1)	18 862	18 862	–
Other revenue	223	172	(23)	205	247	20
Total revenue	**40 945**	**40 364**	**(1)**	**37 929**	**37 971**	**–**

	2021			2020		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Regular budget						
Posts	32 082	31 736	(1)	29 526	29 793	1
Non-post	8 863	8 625	(3)	8 403	8 172	(3)
Total expenses	**40 945**	**40 361**	**(1)**	**37 929**	**37 965**	**–**
Surplus/(deficit) for year	**–**	**3**	**–**	**–**	**6**	**–**

45. Pursuant to IPSAS 24: Presentation of budget information in financial statements, material differences between the final budget and actual expenses that are greater than 10 per cent should be explained. There was no material variance between the final budget and actual expenses at the end of 2021 except for the variance of 23 per cent in other revenue of $0.051 million related to lower interest revenue from the cash pool, which is distributed proportionately to all participants on the basis of year-end balances.

F. Risk and uncertainty

46. The external funding environment is evolving, partly owing to the economic and fiscal impacts of the pandemic on Member States. Key changes include greater competition, a reprioritization in official development assistance, the decentralization of resource allocation decisions to programming countries, efforts to strengthen United Nations pooled funds and the increasing weight of new development actors. ITC experienced a reduction in signed agreements for voluntary contributions, from $125.657 million in 2020 to $ 94.332 million in 2021. ITC will address these changes through an updated resource mobilization strategy that will deepen relations with traditional funders and diversify its funder base.

47. There is a particularly high degree of uncertainty regarding the trajectory of employee benefit liabilities, which accounted for $186.189 million, representing 42.7 per cent of the Centre’s total liabilities in 2021. ITC is building a holistic approach to stabilize employee benefit liabilities through a set of financial and non-financial measures such as discretionary transfers as a reserve to cover the Centre’s obligation.

Annex

Supplementary information

1. The present annex includes the information the Executive Director is required to report.

Write-off of losses of cash and receivables

2. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $0.002 million was written off during 2021.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), property, plant and equipment comprising 1 item in the office equipment category, 19 in the information and communications technology category and 2 in the safety and security category, with a total acquisition cost of $0.163 million, were written off owing to obsolescence.

Ex gratia payments

4. There were no ex gratia payments during 2021.

Chapter V

Financial statements for the year ended 31 December 2021

International Trade Centre

I. Statement of financial position as at 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Assets			
Current assets			
Cash and cash equivalents	Note 4	17 792	18 983
Investments	Note 5	120 388	116 317
Voluntary contributions receivable	Note 6	117 139	109 934
Other accounts receivable	Note 6	126	–
Other assets	Note 7	8 813	6 721
Total current assets		**264 258**	**251 955**
Non-current assets			
Investments	Note 5	22 532	38 288
Voluntary contributions receivable	Note 6	102 219	117 867
Other assets	Note 7	–	12
Property, plant and equipment	Note 8	607	598
Intangible assets	Note 9	3 012	3 307
Total non-current assets		**128 370**	**160 072**
Total assets		**392 628**	**412 027**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	10 796	9 707
Liabilities for conditional arrangements	Note 11	86 134	62 688
Other liabilities	Note 11	602	753
Employee benefits liabilities	Note 12	5 958	4 504
Total current liabilities		**103 490**	**77 652**
Non-current liabilities			
Liabilities for conditional arrangements	Note 11	152 279	212 531
Employee benefits liabilities	Note 12	180 231	175 735
Provision	Note 13	212	–
Share of joint arrangement	Note 19	155	71
Total non-current liabilities		**332 877**	**388 337**
Total liabilities		**436 367**	**465 989**
Net of total assets and total liabilities		**(43 739)**	**(53 962)**
Net assets			
Accumulated deficit		(56 947)	(66 404)
Operating reserves	Note 14	13 208	12 442
Total net assets		**(43 739)**	**(53 962)**

The accompanying notes form an integral part of these financial statements.

International Trade Centre

II. Statement of financial performance for the year ended 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Revenue			
Assessed contributions	Note 15	40 083	37 144
Voluntary contributions	Note 15	111 683	77 998
Other transfers and allocations	Note 15	4 048	2 649
Other revenue	Note 15	4 695	465
Investment revenue	Note 15	–	2 261
Total revenue		**160 509**	**120 517**
Expenses			
Employee salaries, allowances and benefits	Note 16	76 202	68 573
Non-employee compensation and allowances	Note 16	33 253	28 135
Travel	Note 16	2 774	2 443
Grants and other transfers	Note 16	8 195	5 251
Supplies and consumables	Note 16	962	595
Depreciation	Note 8	219	305
Amortization	Note 9	867	769
Other operating expenses	Note 16	25 265	22 087
Other expenses	Note 16	3 015	3 111
Share of joint arrangement	Note 19	120	26
Total expenses		**150 872**	**131 295**
Surplus/(Deficit) for the year		**9 637**	**(10 778)**

The accompanying notes form an integral part of these financial statements.

International Trade Centre

III. Statement of changes in net assets for the year ended 31 December 2021

(Thousands of United States dollars)

	Accumulated surplus, restricted	*Reserves*	*Total*
Net assets as at 1 January 2020	**(49 785)**	**10 989**	**(38 796)**
Actuarial loss on employee benefits liabilities (Note 12)	(4 286)	–	(4 286)
Deficit for the year	(10 778)	–	(10 778)
Other adjustments to net assets (Note 10)[a]	(95)	–	(95)
Transfers (Note 14)	(1 453)	1 453	–
Share of changes recognized in the net assets of joint arrangement (Note 19)	(7)	–	(7)
Total recognized changes in net assets	**(16 619)**	**1 453**	**(15 166)**
Net assets as at 31 December 2020	**(66 404)**	**12 442**	**(53 962)**
Actuarial gain on employee benefits liabilities (Note 12)	550	–	550
Surplus for the year	9 637	–	9 637
Transfers (Note 14)	(766)	766	–
Share of changes recognized in the net assets of joint arrangement (Note 19)	36	–	36
Total recognized changes in net assets	**9 457**	**766**	**10 223**
Net assets as at 31 December 2021	**(56 947)**	**13 208**	**(43 739)**

[a] The 2019 financial statements included $0.123 million in interest income from non-conditional contributions, which should have been classified as payable to donors. The error was not considered material, hence the net assets at 31 December 2019 were not adjusted. As at 31 December 2020, $0.095 million remained repayable to donors and is included in note 10.

The accompanying notes form an integral part of these financial statements.

International Trade Centre

IV. Statement of cash flows for the year ended 31 December 2021

(Thousands of United States dollars)

	Reference	*31 December 2021*	*31 December 2020*
Cash flows from operating activities			
Surplus/(deficit) for the year		**9 637**	**(10 778)**
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	1 086	1 074
Actuarial gain/(loss) on employee benefits liabilities	Note 12	550	(4 286)
Effect of other adjustments	Note 10	–	(95)
Gains/(losses) on share of joint arrangement	Note 19	36	(7)
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	Note 6	8 443	(12 596)
(Increase)/decrease in other accounts receivable	Note 6	(126)	8
(Increase)/decrease in other assets	Note 7	(2 080)	27
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 10	1 089	(2 576)
Increase/(decrease) in employee benefits liabilities	Note 12	5 950	10 107
Increase/(decrease) in liabilities for conditional arrangements	Note 11	(36 806)	57 923
Increase/(decrease) in other liabilities	Note 11	(151)	(594)
Increase/(decrease) in provision	Note 13	212	(65)
Increase/(decrease) in shares of joint arrangement	Note 19	84	33
Investment revenue presented as investing activities	Note 15	–	(2 261)
Net cash flows used in operating activities		**(12 076)**	**35 914**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 5	11 685	(54 339)
Investment revenue presented as investing activities	Note 15	–	2 261
Acquisitions of property, plant and equipment	Note 8	(228)	(326)
Acquisitions of intangibles	Note 9	(572)	(1 190)
Net cash flows used in investing activities		**10 885**	**(53 594)**
Net increase/(decrease) in cash and cash equivalents		**(1 191)**	**(17 680)**
Cash and cash equivalents, beginning of year		18 983	36 663
Cash and cash equivalents, end of year	**Note 4**	**17 792**	**18 983**

The accompanying notes form an integral part of these financial statements.

International Trade Centre

V. Statement of comparison of budget and actual amounts for the year ended 31 December 2021

(Thousands of United States dollars)

	Publicly available budget			
	Original annual[a]	*Final annual*[b]	*Actual (budget basis)*[c]	*Difference (percentage)*[d]
Revenue				
Assessed contributions from the United Nations	20 361	20 361	20 096	(1.3)
Assessed contributions from the World Trade Organization	20 361	20 361	20 096	(1.3)
Other revenue	223	223	172	(23.1)
Total revenue	**40 945**	**40 945**	**40 364**	**(1.4)**
Expenses				
Posts	32 082	32 082	31 736	(1.1)
Non-post	8 863	8 863	8 625	(2.7)
Total expenses	**40 945**	**40 945**	**40 361**	**(1.4)**
Surplus for the year	**–**	**–**	**3**	**–**

[a] The original annual budget is the lower of the budget approved by the General Assembly (resolution 75/254) or by the General Council of WTO (WT/BFA/191 and WT/GC/M/188).

[b] The final annual budget is the same as the original, as there was no subsequent decisions of the General Assembly or the General Council of WTO related to the 2021 ITC budget.

[c] Actual expenditure reflects the amounts funded by regular budget contributions, as well as miscellaneous income.

[d] Actual expenditure (comparable budget basis) less final budget. Differences greater than 10 per cent and material are considered in the financial report of the Executive Director.

The accompanying notes form an integral part of these financial statements.

International Trade Centre
Notes to the financial statements

Note 1
Reporting entity

International Trade Centre and its activities

1. The International Trade Centre (ITC) is responsible for the business aspects of trade development, as the joint technical cooperation agency of the United Nations and the World Trade Organization (WTO). The mandate derives from the priorities established by the contracting parties to the General Agreement on Tariffs and Trade on 19 March 1964 and the General Assembly in its resolution 2297 (XXII) of 12 December 1967. Since 1 January 1968, ITC has operated under the joint auspices of the General Agreement/WTO and the United Nations. In its resolution 1819 (LV) of 9 August 1973, the Economic and Social Council reaffirmed the Centre's mandate as the focal point for technical assistance and cooperation activities for trade promotion within the United Nations system of assistance for developing countries.

2. The mission of ITC is to foster inclusive and sustainable growth and development through trade and international business development. The Centre's strategic objectives are:

(a) Strengthening the integration of the business sector into the global economy through trade intelligence and enhanced support to policymakers;

(b) Strengthening the export capacity of enterprises to respond to market opportunities;

(c) Enhancing trade support institutions and policies for the benefit of exporting enterprises.

3. ITC is headed by an Executive Director, who is appointed by and reports to the Director General of WTO and the Secretary-General of UNCTAD. A Senior Management Committee comprises the Executive Director, the Deputy Executive Director, the heads of the four ITC divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning, Performance and Governance. The ITC Joint Advisory Group meets annually to examine the activities of ITC on the basis of the ITC annual report and to make recommendations to the UNCTAD Trade and Development Board and the WTO General Council, which review the Centre's programme of work. Both UNCTAD and WTO are represented in the Joint Advisory Group supervising the Centre's work and have a number of joint technical assistance activities with ITC.

4. The regular budget of ITC is jointly and equally financed by the United Nations and WTO, while technical cooperation projects are financed by voluntary contributions from trust fund donors and other inter-organizational arrangements and multi-donor initiatives. ITC is regarded as a separate reporting entity and is not deemed to be subject to common control for the purposes of IPSAS-compliant reporting.

5. ITC participates in a jointly financed activity with other United Nations system organizations. Its share of the activity is recognized in its financial statements using the equity method.

6. The headquarters of ITC is in Geneva, and it maintains leased offices in 34 countries.

Note 2
Basis of preparation and authorization for issue

7. The accounts of ITC are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly of the United Nations, the rules formulated by the Secretary-General as required under the Regulations and administrative instructions issued by the Under-Secretary-General for Management Strategy, Policy and Compliance or by the Controller. The financial statements of ITC are prepared on the accrual basis of accounting in accordance with IPSAS. In accordance with the requirements of IPSAS, these financial statements, which present fairly the assets, liabilities, revenue and expenses of ITC, consist of the following:

(a) Statement I: statement of financial position;

(b) Statement II: statement of financial performance;

(c) Statement III: statement of changes in net assets;

(d) Statement IV: statement of cash flows using the indirect method;

(e) Statement V: statement of comparison of budget and actual amounts;

(f) Summary of significant accounting policies and other explanatory notes;

(g) Comparative information in respect of all amounts presented in the financial statements indicated in subparagraphs (a) to (d) above and, where relevant, comparative information for narrative and descriptive information presented in the notes to these financial statements.

Going concern

8. The financial statements have been prepared on a going-concern basis and the accounting policies, as summarized in note 3, have been applied consistently in the preparation and presentation of these financial statements. The going-concern assertion is based on the approval by the General Assembly and the General Council of WTO of the regular budget appropriations for fiscal year 2022, the positive historical trend of collection of assessed and voluntary contributions over the past years and that the General Assembly and the General Council of WTO have not made any decision to cease the operations of ITC.

Functional and presentation currency

9. The functional and presentation currency of ITC is the United States dollar. The financial statements are expressed in thousands of United States dollars unless otherwise stated.

10. The regular budget of ITC is approved and assessed in Swiss francs.

11. Transactions in currencies other than the functional currency (foreign currencies) are translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction. The United Nations operational rates of exchange approximate the spot rates prevailing at the dates of the transactions. At year end, monetary assets and liabilities denominated in foreign currencies are translated at the United Nations operational rates of exchange. Non-monetary foreign currency denominated items that are measured at fair value are translated at the United Nations operational rate of exchange at the date on which the fair value was determined. Non-monetary items measured at historical cost in a foreign currency are not translated at year end.

12. Foreign exchange gains and losses resulting from the settlement of transactions in currencies other than the Centre's functional currency and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognized in the statement of financial performance on a net basis.

Materiality and use of judgment and estimation

13. Consideration of materiality is central to the development of accounting policies and the preparation of financial statements. In general, an item is considered material if its omission or its aggregation would affect the conclusions or decisions of the users of the financial statements.

14. The preparation of financial statements in accordance with IPSAS requires the use of estimates, judgments and assumptions in the selection and application of accounting policies and in the reported amounts of certain assets, liabilities, revenue and expenses. Accounting estimates and underlying assumptions are reviewed on an ongoing basis, and revisions to estimates are recognized in the year in which the estimates are revised and in any future year affected. Significant estimates and assumptions that may result in material adjustments in future years include accruals; the selection of useful lives and the depreciation and amortization methods for property, plant and equipment and intangible assets; the impairment of assets; actuarial measurement of employee benefits; the classification of financial instruments and of contingent assets and liabilities; and inflation and discount rates used in the calculation of the present value of provisions.

Measurement basis

15. These financial statements are prepared using the historical-cost convention, except for financial assets recorded at fair value through surplus or deficit. The financial statements are prepared for the year from 1 January to 31 December.

Authorization for issue

16. These financial statements are certified by the United Nations Assistant Secretary-General, Controller, and approved by the Secretary-General of the United Nations. In accordance with United Nations financial regulation 6.2, the Secretary-General is required to transmit these financial statements as at 31 December 2021 to the Board of Auditors by 31 March 2022. In accordance with financial regulation 7.12, the reports of the Board of Auditors are to be transmitted to the General Assembly through the Advisory Committee on Administrative and Budgetary Questions, together with the audited financial statements authorized for issue on 30 July 2022.

Future accounting pronouncements

17. The progress and impact of the following significant future IPSAS Board accounting pronouncements on the financial statements of ITC continue to be monitored:

(a) Heritage assets: the objective of the project is to develop accounting requirements for heritage assets;

(b) Non-exchange expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of non-exchange transactions, except for social benefits;

(c) Revenue: the aim of the project is to develop new standard-level requirements and guidance on revenue to amend or supersede that currently located in IPSAS 9: Revenue from exchange transactions, IPSAS 11: Construction contracts and IPSAS 23: Revenue from non-exchange transactions (taxes and transfers);

(d) Public sector measurement: the objectives of this project include:

(i) To issue amended standards with revised requirements for measurement at initial recognition, subsequent measurement and measurement-related disclosure;

(ii) To provide more detailed guidance on the implementation of replacement cost and cost of fulfilment and the circumstances under which these measurement bases will be used;

(iii) To address transaction costs, including the specific issue of the capitalizing or expensing of borrowing costs;

(e) Infrastructure assets: the objective of the project is to research and identify issues preparers have when applying IPSAS 17: Property, plant and equipment, to infrastructure assets. Informed by this research, the aim is to provide additional guidance on accounting for infrastructure assets;

(f) Natural resources: the objective of the project is to develop procedures for the measurement of the value of natural resources, in particular in jurisdictions with resource-based and resource-rich economies;

(g) Conceptual framework: the IPSAS Board is evaluating changes in the IASB Conceptual Framework and their relevance to the public sector.

Recent and future requirements of IPSAS

18. The IPSAS Board has issued the following standards: IPSAS 41: Financial instruments, issued in August 2018 and effective 1 January 2022; IPSAS 42: Social benefits, issued in January 2019 and effective 1 January 2022, and IPSAS 43: Leases, issued in January 2022 and effective 1 January 2025. The effective dates of IPSAS 41 and IPSAS 42 have been deferred by one year to 1 January 2023 owing to the COVID-19 pandemic and the challenges it has created. The impact of these standards on the ITC financial statements and the comparative period therein has been evaluated to be as follows:

Standard	*Anticipated impact in the year of adoption*
IPSAS 41	IPSAS 41 substantially improves the relevance of information for financial assets and financial liabilities. It will replace IPSAS 29: Financial instruments: recognition and measurement, and improve that standard's requirements by introducing the following: (a) Simplified classification and measurement requirements for financial assets; (b) A forward-looking impairment model; (c) A flexible hedge accounting model. IPSAS 41 will be effective from 1 January 2023. Its impact on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.
IPSAS 42	IPSAS 42 provides guidance on accounting for social benefits expenditure. It defines social benefits as cash transfers paid to specific individuals and/or households to mitigate the effect of social risk. Specific examples include state retirement benefits, disability benefits, income support and unemployment benefits. The new standard requires an entity to recognize an expense and a liability for the next social benefit payment. IPSAS 42 will be effective from 1 January 2023. Currently, there are no such social benefits applicable to the organization.

Standard	*Anticipated impact in the year of adoption*
IPSAS 43	IPSAS 43 sets out principles for the recognition, measurement, presentation and disclosure of leases. The objective is to ensure that lessees and lessors provide relevant information in a manner that faithfully represents those transactions. This information gives a basis for users of financial statements to assess the effect that leases have on the financial position, financial performance and cash flows of an entity. IPSAS 43 will be effective from 1 January 2025. Its impact on the financial statements will be assessed prior to that date, and the organization will be ready for its implementation by the time it becomes effective.

Note 3
Significant accounting policies

Assets

Financial assets

Classification

19. ITC classifies its financial assets either at fair value through surplus or deficit or, in the case of receivables, at amortized cost. ITC determines the classification of its financial assets at initial recognition.

Financial assets at fair value through surplus or deficit

20. Financial assets at fair value through surplus or deficit include the investments held by ITC in the main cash pool managed by the United Nations Treasury, which centrally invests these funds on behalf of ITC.

21. The main cash pool comprises participating entities' shares of cash and term deposits and short-term and long-term investments, all of which are managed by the United Nations Treasury. The ITC share of the main cash pool is disclosed in the notes to the financial statements and in the statement of financial position, categorized as investments at fair value through surplus or deficit or as cash and cash equivalents if they had original maturities of less than three months. Detailed information on the holdings of the main cash pool may be obtained from the financial statements of the United Nations.

Recognition and measurement of assets held in the main cash pool

22. Gains or losses arising from changes in the fair value of the financial assets held in the main cash pool at fair value through surplus or deficit are presented in the statement of financial performance in the year in which they arise as part of finance costs if there is a net loss, or investment revenue if there is a net gain.

Recognition and measurement of receivables

23. Receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. ITC receivables comprise contributions receivable and other accounts receivable recognized in the statement of financial position. These receivables are stated at nominal value, except for receivables that will mature in more than 12 months, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, long-term voluntary contribution receivables are reported at net present value discounted using the effective-interest method.

Impairment of receivables

24. ITC assesses receivables for impairment at the end of the reporting year. Receivables are considered impaired and impairment losses are incurred only if there is objective evidence, based on a review of outstanding amounts as at the reporting date, that ITC will not be able to collect amounts due according to the original terms as a result of one or more events that occurred after initial recognition. In such a case, the carrying amount of the asset is reduced and any loss is recognized in the statement of financial performance. The amount of the loss is measured as the difference between the asset's carrying amount and the estimated future receipts.

25. An allowance for doubtful accounts receivable equal to 25 per cent of the carrying value is established to offset receivables aged 12–24 months, equal to 60 per cent of the carrying value for those aged more than 24 months and 100 per cent of the carrying value for those aged more than 36 months as at the reporting date. If, in a subsequent year, the amount of the impairment loss decreases, the reversal of the previously recognized impairment loss is recognized in the statement of financial performance.

Advances or prepayments

26. Advances are recognized as an asset until goods are delivered or services are rendered in accordance with binding agreements with suppliers or in accordance with the Staff Regulations and Rules of the United Nations for staff advances. ITC recognizes an expense once it has received proof of the delivery of goods or the rendering of services.

27. ITC advances funds to implementing partners (e.g. other United Nations system organizations and trade support institutions) to provide services to a target population in accordance with binding agreements with ITC. The implementing partner reports to ITC on its progress towards fulfilling the project or programme for which the agreement was signed. Expenses are recognized on receipt of expenditure or service delivery reports. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered will be taken to expense at year end, except for the grants that ITC has effective control over.

Property, plant and equipment

28. Property, plant and equipment are stated at historical cost less accumulated depreciation and accumulated impairment losses. Historical cost comprises the purchase price, any costs directly attributable to bringing the asset to its location and condition and the initial estimate of dismantling and site restoration costs. Assets that fall under the category of property, plant and equipment but are not under the direct control of ITC are expensed when acquired. ITC is deemed to control an asset if it can obtain future economic benefits from its use in the pursuit of its objectives and can exclude or regulate the access of third parties to the asset.

29. Property, plant and equipment are capitalized when their cost is greater than or equal to $5,000 for equipment and $100,000 for leasehold improvements. No threshold is applied for vehicles, prefabricated buildings, satellite communications systems, generators and network equipment.

Subsequent costs

30. Costs incurred subsequent to initial acquisition are capitalized only when it is probable that future economic benefits or service potential associated with the item will flow to ITC and the subsequent costs can be measured reliably.

Depreciation of property, plant and equipment

31. Depreciation is recognized for property, plant and equipment over their estimated useful lives using the straight-line method. The estimated useful lives for property, plant and equipment classes are as follows:

Asset class	*Asset subclass*	*Estimated useful life (years)*
Communications and information technology equipment	Information technology equipment	4
	Communications equipment	7
	Audiovisual equipment	7
Vehicles	Light wheeled vehicles	6
Machinery and equipment	Light engineering and construction equipment	5
	Medical equipment	5
	Security and safety equipment	5
Furniture and fixtures	Office equipment	4
	Furniture	10
	Fixtures and fittings	7
Leasehold improvements	Minor construction work	5 (shorter of lease term or 5 years)

32. Impairment reviews are undertaken for property, plant and equipment at least annually and any impairment losses are recognized in the statement of financial performance. The residual values and useful lives of assets are reviewed at least annually and adjusted if applicable.

33. A gain or loss resulting from the disposal or transfer of property, plant and equipment arises where proceeds from disposal or transfer differ from the carrying amount. Those gains or losses are recognized in the statement of financial performance within other revenue or other expenses.

Intangible assets

34. Intangible assets are valued at historical cost less accumulated amortization and any impairment losses. Externally acquired software is capitalized if its cost exceeds $5,000, including costs incurred to acquire and bring the software to use. Internally developed software is capitalized where the accumulated cost is equal to or greater than $100,000, excluding research and maintenance costs and including directly attributable costs such as employees, subcontractors and consultants.

Amortization of intangible assets

35. Amortization of intangible assets is recognized over their estimated useful lives using the straight-line method. The estimated useful lives for intangible asset classes are as follows:

Class	*Estimated useful life (years)*
Software developed internally	5

36. Impairment reviews are undertaken for all intangible assets at least annually and any impairment losses are recognized in the statement of financial performance.

Liabilities

Financial liabilities

37. Financial liabilities are classified as "other financial liabilities". They include accounts payable, transfers payable, unspent funds held for future refunds and other liabilities.

38. Financial liabilities classified as other financial liabilities are initially recognized at fair value and subsequently measured at amortized cost. Financial liabilities with a duration of less than 12 months are recognized at their nominal value. ITC re-evaluates the classification of financial liabilities at each reporting date and derecognizes financial liabilities when its contractual obligations are discharged, waived, cancelled or expired.

39. Accounts payable and accrued expenses arise from the purchase of goods and services that have been received but not paid for as at the reporting date. They are stated at invoice amounts, less payment discounts as at the reporting date. Payables are measured at their nominal value if classified as current liabilities, or at the fair value if classified as non-current liabilities.

Employee benefits liabilities

40. ITC recognizes the employee benefits described in the following paragraphs.

Short-term employee benefits

41. Short-term employee benefits comprise first-time employee benefits (assignment grants), regular daily, weekly and monthly benefits (wages, salaries, allowances), compensated absences (paid sick leave, maternity and paternity leave) and other short-term benefits (education grant, reimbursement of taxes, death benefit and home leave travel) provided to current employees on the basis of services rendered. Short-term employee benefits are expected to be settled within 12 months of the reporting date and are measured at their nominal values based on accrued entitlements at current rates of pay. All short-term employee benefits that are earned but not paid at the reporting date are recognized as current liabilities in the statement of financial position. Some employees are entitled to home leave every 12 months and others every 24 months; the benefit is classified as a short-term and long-term benefit under IPSAS. However, for practical purposes, the United Nations has decided to treat the entire home leave benefit as a short-term benefit. The calculation, presentation and disclosure of benefits and any liabilities will therefore follow the guidance for short-term employee benefits.

Post-employment benefits

42. Post-employment benefits comprise after-service health insurance, end-of-service repatriation benefits and a pension through the United Nations Joint Staff Pension Fund.

Defined-benefit plans

43. The following benefits are accounted for as defined-benefit plans: after-service health insurance, repatriation benefits, pensions through the United Nations Joint Staff Pension Fund (post-employment benefits) and accumulated annual leave that is commuted to cash upon separation from the organization (other long-term benefit). The liability recognized for the post-employment benefit plans is the present value of the defined-benefit obligations as at the reporting date. Defined-benefit plans are those where the obligation of ITC is to provide agreed benefits and therefore ITC

bears the actuarial risks. The liability for defined-benefit plans is measured at the present value of the defined-benefit obligation. Changes in the liability for defined-benefit plans, excluding actuarial gains and losses, are recognized in the statement of financial performance in the year in which they occur. ITC has chosen to recognize changes in the liability for defined-benefit plans from actuarial gains and losses directly through the statement of changes in net assets. At the end of the reporting year, ITC did not hold any plan assets as defined in IPSAS 39: Employee benefits.

44. The defined-benefit obligations are calculated by an independent actuary using the projected unit credit method. The present value of the defined-benefit obligation is determined by discounting the estimated future cash outflows using the interest rates of high-quality corporate bonds with maturity dates approximating those of the individual plans.

After-service health insurance

45. Coverage for the medical expenses of eligible former staff members and their dependants is provided through after-service health insurance. At the end of service, staff members and their dependants may elect to participate in a defined-benefit health insurance plan of ITC, provided that they have met certain eligibility requirements, including 10 years of participation in a United Nations health plan for those who were recruited after 1 July 2007 and 5 years for those recruited before that date. The after-service health insurance liability represents the present value of the share of the Centre's medical insurance costs for retirees and the post-retirement benefit accrued to date by active staff. A factor in the after-service health insurance valuation is to consider contributions from all plan participants in determining the Centre's residual liability. Contributions from retirees are deducted from the gross liability, together with a portion of the contributions from active staff, to arrive at the Centre's residual liability in accordance with cost-sharing ratios authorized by the General Assembly.

Repatriation benefits

46. At the end of service, staff who meet certain eligibility requirements, including residency outside their country of nationality at the time of separation, are entitled to a repatriation grant, which is based on length of service, and travel and removal expenses. A liability is recognized from when the staff member joins the organization and is measured as the present value of the estimated liability for settling these entitlements.

Annual leave

47. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from ITC. The Centre recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities, whereby staff members gain access to current period leave entitlements before gaining access to accumulated annual leave balances relating to prior periods. Effectively, access to the accumulated annual leave benefit is gained more than 12 months after the end of the reporting period in which the benefit arose and, overall, there is an increase in the level of accumulated annual leave days, pointing to the commutation of accumulated annual leave to a cash settlement at the end of service as the true liability of ITC. The accumulated annual leave benefit reflecting the outflow of economic resources from ITC at the end of service is therefore classified under the category of other long-term benefits, while noting that the portion of the accumulated annual leave benefit that is expected to be settled

through monetary payment within 12 months after the reporting date is classified as a current liability. In line with IPSAS 39: Employee benefits, other long-term benefits must be valued similarly to post-employment benefits; therefore, ITC values its accumulated annual leave benefit liability as a defined, post-employment benefit that is actuarially valued.

Appendix D benefits

48. Appendix D to the Staff Regulations and Rules of the United Nations governs compensation in the event of death, injury or illness attributable to the performance of official duties on behalf of the United Nations. Those liabilities are valued by actuaries.

49. Accrued liabilities for the post-employment benefits of after-service health insurance, the repatriation grant and accumulated annual leave are presently not fully funded and are shown as employee benefits liabilities in the statement of financial position and the statement of changes in net assets.

Other long-term employee benefits

50. Other long-term employee benefits obligations are benefits that do not fall due wholly within 12 months after the end of the year in which the employee renders the service giving rise to the benefit. Accumulated annual leave is an example of a long-term employee benefit.

Termination benefits

51. Termination benefits are recognized as an expense only when ITC is demonstrably committed, without realistic possibility of withdrawal, to a formal detailed plan to either terminate the employment of a staff member before the normal retirement date or to provide termination benefits as a result of an offer made in order to encourage voluntary redundancy. Termination benefits to be settled within 12 months are reported at the amount expected to be paid. Where termination benefits fall due more than 12 months after the reporting date, they are discounted if the impact of discounting is material.

United Nations Joint Staff Pension Fund

52. ITC is a participant in the United Nations Joint Staff Pension Fund, which was established by the General Assembly to provide retirement, death, disability and related benefits to employees. The Fund is a funded, multi-employer defined-benefit plan. As specified in article 3 (b) of the Regulations of the Fund, membership in the Fund shall be open to the specialized agencies and to any other international, intergovernmental organization which participates in the common system of salaries, allowances and other conditions of service of the United Nations and the specialized agencies.

53. The Fund exposes participating organizations to actuarial risks associated with the current and former employees of other organizations participating in the Fund, with the result that there is no consistent and reliable basis for allocating the obligation, plan assets and costs to individual organizations participating in the Fund. ITC and the Fund, in line with the other participating organizations in the Fund, are not in a position to identify the Centre's proportionate share of the defined-benefit obligation, the plan assets and the costs associated with the plan with sufficient reliability for accounting purposes. Therefore, ITC has treated the plan as if it were a defined-contribution plan in line with the requirements of IPSAS 39: Employee benefits. The contributions of ITC to the Fund during the financial year are recognized as expenses in the statement of financial performance.

Provisions

54. Provisions are liabilities recognized for future expenditure of uncertain amount or timing when there is a present legal or constructive obligation, as a result of a past event, and it is probable that ITC will be required to settle the obligation and the value can be estimated reliably. The amount of the provision is the best estimate of the expenditure expected to be required to settle the present obligation as at the reporting date. Where the effect of the time value of money is material, the provision is the present value of the amount required to settle the obligation.

Operating leases

55. Leases where the lessor retains a significant portion of the risks and rewards inherent in ownership are classified as operating leases. Payments made under operating leases are recognized in the statement of financial performance as an expense on a straight-line basis over the period of the lease. Donated right-to-use arrangements are accounted for as operating leases or finance leases, depending on whether an assessment of the agreement indicates that control over the underlying assets is transferred to the organization. The threshold for recognition and measurement of donated right-to-use premises in the financial statements is $5,000 per discrete donated right-to-use arrangement per year.

Contingent liabilities and contingent assets

Contingent liabilities

56. Any possible obligations that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the control of ITC, or where value cannot be reliably estimated, are disclosed as contingent liabilities. Provisions and contingent liabilities are assessed continually to determine whether an outflow of resources embodying economic benefits or service potential has become more or less probable. If it becomes more probable that an outflow of resources embodying economic benefits or service potential will be required, a provision is recognized in the financial statements of the year in which the change of probability occurs. Similarly, if it becomes less probable that such an outflow will be required, a contingent liability is disclosed in the notes to the financial statements.

Contingent assets

57. Any possible assets that arise from past events and whose existence will be confirmed only by the occurrence or non-occurrence of one or more uncertain future events not wholly within the effective control of ITC are disclosed as contingent assets in the notes when it is more likely than not that economic benefits will flow to ITC.

Revenue

Non-exchange revenue and receivables

58. The administrative arrangements of ITC (see A/59/405) provide that the budget of ITC must be equally shared by WTO and the United Nations. Assessed contributions from the United Nations and WTO to the regular budget of ITC are recognized at the beginning of the year to which the assessment relates. The revenue is determined based on the annual budget of the United Nations and biennial budget of WTO. In the event that the General Assembly and the General Council of WTO approve different amounts, ITC assesses the lower of the two amounts.

59. Voluntary contributions are recognized as revenue upon the signing of a binding agreement that does not contain conditions requiring specific performance and an obligation to return the assets to the contributing entity if such conditions are not met. If such conditions are included, revenue is recognized as the conditions are satisfied and a liability is recognized until the conditions have been satisfied.

60. The full amounts relating to unconditional multi-year voluntary contribution agreements, pledges and other promised donations are recognized as revenue when the arrangement becomes binding, except for the Junior Professional Officer programme. In the case of the Junior Professional Officer programme, revenue is recognized as deferred revenue for the contributions pledged or received that pertain to contracts of Junior Professional Officers relating to future years.

61. ITC receives rental subsidy from the Fondation des immeubles pour les organisations internationales. The amount of the rental subsidy is recognized for each financial period during the lease period. It represents the difference between the market value of the rent and the actual rent paid. The valuation is based on the data published on an independent real estate website for Switzerland.

62. In-kind contributions of goods above the recognition threshold of $5,000 (per discrete contribution) are recognized as assets and revenue once it is probable that future economic benefits or service potential will flow to the organization and the fair value of those assets can be measured reliably. Contributions in kind are initially measured at their fair value at the date of receipt determined by reference to observable market values or by independent appraisals. The organization has elected not to recognize in-kind contributions of services, but to disclose in-kind contributions of service above the threshold of $5,000 per discrete contribution in the notes to the financial statements.

63. An indirect cost recovery called a "programme support cost" is charged to extrabudgetary funds as a percentage of direct costs to ensure that the additional costs of supporting activities financed from extrabudgetary contributions are not borne by assessed contributions to the organization. The programme support cost is eliminated for the purposes of financial statement preparation. The funding for the programme support cost charge agreed upon with the donor is included as part of voluntary contributions.

Exchange revenue

64. Revenue from the sale of publications is recognized upon acceptance by the customer. Licence fee revenue is recognized over the period of the licence. Revenue from rendering services to governments and other entities is recognized as services are performed in accordance with the agreements.

Investment revenue

65. Investment revenue includes the ITC share of net cash pool revenue earned in the main cash pool managed by the United Nations Treasury, which centrally invests the funds on behalf of ITC and other interest revenue. Net cash pool revenue includes any gains and losses on the sale of investments, which are calculated as the difference between the sales proceeds and the book value. Transaction costs that are directly attributable to the investment activities are netted against revenue, and the net revenue is distributed proportionately to all cash pool participants on the basis of their average daily balances. The cash pool revenue also includes unrealized market gains and losses on securities, which are distributed proportionately to all participants on the basis of year-end balances.

Expenses

66. Expenses are decreases in economic benefits or service potential during the reporting year in the form of outflows or consumption of assets or incurrence of liabilities that result in decreases in net assets and are recognized on an accrual basis when goods are delivered and services are rendered, regardless of the terms of payment. Grants to end beneficiaries of up to $30,000 are considered transfers, and an expense is recognized at the point at which ITC has a binding obligation to pay.

Segment reporting

67. A segment is a distinguishable activity or group of activities for which financial information is reported separately in order to evaluate an entity's past performance in achieving its objectives and for making decisions about the future allocation of resources. ITC is a joint agency of WTO and the United Nations, fully dedicated to supporting the internationalization of small and medium-sized enterprises. This means that the agency enables small and medium-sized enterprises in developing and transition economies to become more competitive and connect to international markets for trade and investment, thus raising incomes and creating job opportunities, especially for women, young people and poor communities. It therefore falls into one operating segment for IPSAS purposes.

Joint arrangement

68. A joint arrangement is an arrangement in which two or more parties have joint control. The parties are bound by a binding arrangement which gives two or more of those parties joint control of the arrangement. A joint arrangement can be classified under IPSAS 37: Joint arrangements, as one of the following:

(a) A joint operation whereby the participants of the arrangement (with or without joint control of the arrangement) recognize their share of the assets, liabilities, revenues and expenses in accordance with the IPSAS standard applicable to the particular assets, liabilities, revenues and expenses;

(b) A joint venture whereby the parties to the arrangement have rights to the net assets and the entity accounts for its share using the equity method. The equity method initially records the interest at cost and adjusts it thereafter for the post-acquisition changes in the entity's share of the net assets. The entity's share of the surplus or deficit of the joint arrangement is recognized in the statement of financial performance. The interest is recorded as a non-current asset unless there is a net liability position, in which case it is recorded as a non-current liability.

Related party disclosures

69. Related parties that have the ability to control or exercise significant influence over ITC in making financial and operating decisions, as well as transactions with such parties, unless occurring within or consistent with a normal relationship and on arms-length terms between such parties, are disclosed in the notes to the financial statements. In addition, ITC discloses specific transactions with key management personnel and their family members.

Operating reserves

70. The trust fund operating reserve of ITC is maintained to cover delays in payment of voluntary contributions and to meet shortfalls of revenue over final expense of trust funds based on an assessment of the financial risks and needs associated with the ITC trust fund operations. In addition, the operating reserve is also maintained by the programme support fund of an amount equal to 20 per cent of estimated support cost

revenue in accordance with administrative instruction ST/AI/286. Both these reserves are presented in the statement of financial position and statement of changes in net assets as a separate component of net assets.

Note 4
Cash and cash equivalents

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Main cash pool	17 780	18 961
Cash held in main and field offices	12	22
Total cash and cash equivalents	**17 792**	**18 983**

71. Cash required for immediate disbursement is maintained in the main cash pool. Cash in the main office and field locations is held for meeting immediate financial needs at those locations. In 2021, signed agreements for voluntary contributions amounted to $94.332 million (2020: $125.657 million). Although many of the agreements were multi-year, their first instalments were lower compared with the first instalments received in 2020, which resulted in a decrease in overall financial assets (note 5). The proportion of cash and investments is a result of the investment decisions of the United Nations Treasury. Detailed information on the holdings of the main cash pool may be obtained from the financial statements of the United Nations.

Note 5
Financial instruments and financial risk management

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Financial assets		
Fair value through surplus or deficit		
Investments, main cash pool (short term)	120 388	116 317
Investments, main cash pool (long term)	22 532	38 288
Total fair value through surplus or deficit	**142 920**	**154 605**
Cash and receivables		
Cash and cash equivalents, main cash pool (note 4)	17 780	18 961
Cash and cash equivalents, other (note 4)	12	22
Accounts receivable (note 6)	219 358	227 801
Total cash and receivables	**237 150**	**246 784**
Total carrying amount of financial assets	**380 070**	**401 389**
Amount of which relates to financial assets held in main cash pool	160 700	173 566
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities (note 10)	(10 796)	(9 707)
Total carrying amount of financial liabilities	**(10 796)**	**(9 707)**

72. In addition to directly held cash and cash equivalents and investments, ITC participates in the United Nations Treasury main pool. The main pool comprises operational bank accounts in a number of currencies, cash equivalents and investments in United States dollars.

73. Pooling the funds has a positive effect on overall investment performance and risk, because of economies of scale and the ability to spread yield curve exposures across a range of maturities. The allocation of cash pool assets (cash and cash equivalents, short-term investments and long-term investments) and revenue is based on each participating entity's principal balance.

74. As at 31 December 2021, ITC participated in the main pool, which held total assets of $11,799.7 million (2020: $10,652.4 million), $160.700 million of which was due to ITC (2020: $173.566 million), comprising short- and long-term investments of $142.920 million (2020: $154.605 million) and cash and cash equivalents of $17.780 million (2020: $18.961 million). Its share of revenue from the main pool was ($0.019) million (2020: $2.448 million) (see note 15). During 2021, the main cash pool encountered significant unrealized losses, thus causing ITC to end the year with a negative revenue position.

Summary of assets and liabilities of the main pool as at 31 December

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Fair value through surplus or deficit		
Short-term investments	8 839 722	7 120 427
Long-term investments	1 654 439	2 349 880
Total fair value through surplus or deficit investments	**10 494 161**	**9 470 307**
Loans and receivables		
Cash and cash equivalents	1 294 660	1 163 683
Accrued investment revenue	10 903	18 399
Total loans and receivables	**1 305 563**	**1 182 082**
Total carrying amount of financial assets	**11 799 724**	**10 652 389**
Cash pool liabilities		
Payable to ITC	160 700	173 566
Payable to other cash pool participants	11 639 024	10 478 823
Total liabilities	**11 799 724**	**10 652 389**
Net assets	–	–

Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Investment revenue	46 322	113 031
Unrealized gains/(loss)	(37 495)	54 145
Investment revenue from main pool	**8 827**	**167 176**

	31 December 2021	31 December 2020
Foreign exchange gains/(loss)	(1 626)	5 837
Bank fees	(1 805)	(578)
Operating gains/(losses) from main pool	**(3 431)**	**5 259**
Revenue from main pool	**5 396**	**172 435**

Financial assets held in main cash pool payable to the International Trade Centre

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Investments, main cash pool (short term)	120 388	116 317
Investments, main cash pool (long term)	22 532	38 288
Total investments, main pool	**142 920**	**154 605**
Cash and cash equivalents, main cash pool (note 4)	17 780	18 961
Total cash and cash equivalents, main cash pool	**17 780**	**18 961**
Financial assets held in main cash pool payable to ITC	**160 700**	**173 566**

Financial risk management

75. The operations of ITC expose it to a variety of financial risks: market risk, credit risk and liquidity risk. The United Nations Treasury is responsible for investment and risk management for the main pool, including conducting investment activities in accordance with the Investment Management Guidelines.

76. The objective of investment management is to preserve capital and ensure sufficient liquidity to meet operating cash requirements while attaining a competitive market rate of return on the investment pool. Investment quality, safety and liquidity are emphasized over the market rate of return component of the objectives.

77. An investment committee periodically evaluates investment performance and assesses compliance with the Guidelines and makes recommendations for updates thereto.

Financial risk management: credit risk

78. Credit risk refers to the risk that a counterparty to a financial instrument will default on its contractual obligations, resulting in a financial loss to ITC. Credit risk arises from cash and cash equivalents, investments and deposits with financial institutions, as well as credit exposures to outstanding receivables. The carrying value of financial assets equates to the maximum exposure to credit risk as at the balance date. ITC does not hold any collateral as security.

79. The Investment Management Guidelines require ongoing monitoring of issuer and counterparty credit ratings. Permissible main pool investments may include, but are not restricted to, bank deposits, commercial paper, supranational securities, government agency securities and government securities with maturities of five years or less. The main pool does not invest in derivative instruments such as asset-backed and mortgage-backed securities or equity products.

80. The Guidelines require that investments are not to be made in issuers whose credit ratings are below specifications and also provide for maximum concentrations with given issuers. These requirements were met at the time the investments were made.

81. The credit ratings used for the main pool are those determined by major credit-rating agencies; Standard & Poor's, Moody's and Fitch are used to rate bonds, certificates of deposit and discounted instruments, and the Fitch viability rating is used to rate bank term deposits. At year end, the credit ratings were as shown in the table below.

Investments of the cash pool by credit ratings as at 31 December

(Percentage based on carrying value)

Main pool	*Ratings as at 31 December 2021*					*Ratings as at 31 December 2020*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	*AA+u/AA+/AA*	*A-1/A-1+*	*NA*		*AAA*	*AA+u/AA/AA-*	*A+*	*Not rated*
Standard & Poor's	36.6	44.5	11.6	7.3	Standard & Poor's	44.0	53.2		2.8
	AAA	*AA+/AA/AA-*	*F1+*	*NA/NR*					
Fitch	52.6	15.3	9.0	23.1	Fitch	61.4	15.5		23.1
	Aaa	*Aa1/Aa2/Aa3*	*P-1*	*NA*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	
Moody's	46.2	38.6	11.6	3.6	Moody's	61.1	34.9	0.4	3.6
Commercial paper/Certificates of deposit (short-term ratings)					**Commercial paper/Certificates of deposit (short-term ratings)**				
	A-1+/A-1					*A-1+/A-1*			
Standard & Poor's	100.0				Standard & Poor's	100.0			
	F1+/F1			*NR*		*F1+/F1*			*NR*
Fitch	97.7			2.3	Fitch	98.0			2.0
	P-1/P2					*P-1*			
Moody's	100.0				Moody's	100.0			
Term deposits (Fitch viability ratings)					**Term deposits (Fitch viability ratings)**				
	aa/aa-	*a+/a/a-*		*NA*		*aaa*	*aa/aa-*	*a+/a/a-*	
Fitch	29.7	42.8		27.5	Fitch	–	27.5	72.5	

Abbreviations: NA, not applicable; NR: not rated.

82. The United Nations Treasury actively monitors credit ratings and, given that investments are only in securities with high credit ratings, management does not expect any counterparty to fail to meet its obligations, except for any impaired investments.

Other credit risk disclosures

83. Voluntary contributions from Governments representing the Member States of the two parent organizations of ITC comprise the majority of ITC voluntary contributions receivable. Credit risk is considered minimal since most of its donors are sovereign entities. No provision for doubtful receivables was required in 2021 (2020: nil).

Financial risk management: liquidity risk

84. Liquidity risk is the risk that ITC might not have adequate funds to meet its obligations as they fall due. Cash flow forecasting is performed by ITC in conjunction with the United Nations Office at Geneva, which monitors rolling forecasts of liquidity requirements to ensure it has sufficient cash to meet operational needs.

85. Surplus cash held by ITC above the balance required for working capital management is transferred to the main cash pool managed by the United Nations Treasury. The main cash pool is exposed to liquidity risk associated with the requirement of participants to make withdrawals on short notice. It maintains sufficient cash and marketable securities to meet participants' commitments as and when they fall due. The major portion of cash and cash equivalents and investments are available within a day's notice to support operational requirements. The main pool liquidity risk is therefore considered to be low.

Financial risk management: interest rate risk

86. Interest rate risk is the risk of variability in the fair values or future cash flows of financial instruments due to a change in interest rates. In general, as the interest rate rises, the price of a fixed-rate security falls, and vice versa. Interest rate risk is commonly measured by the duration of the fixed-rate security, with duration being a number expressed in years. The longer the duration, the greater the interest rate risk.

87. The main pool comprises the main exposure of ITC to interest rate risk, with fixed-rate cash and cash equivalents and investments being interest-bearing financial instruments. As at the reporting date, the main pool had invested primarily in securities with shorter terms to maturity, with the maximum being less than three years (2020: four years). The average duration of the main pool was 0.49 years (2020: 0.72 years), which is considered to be an indicator of low risk.

88. The table below provides an analysis of how the fair value of the main pool as at the reporting date would increase or decrease should the overall yield curve shift in response to changes in interest rates. Given that the investments are accounted for at fair value through surplus or deficit, the change in fair value represents the increase or decrease in the surplus or deficit and net assets. The impact of a shift up or down of up to 200 basis points in the yield curve is shown (100 basis points equal 1 per cent). The basis points shifts are illustrative.

Main pool interest rate risk sensitivity analysis as at 31 December 2021

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	113.63	85.22	56.81	28.40	–	(28.40)	(56.80)	(85.19)	(113.58)

Main pool interest rate risk sensitivity analysis as at 31 December 2020

Shift in yield curve (basis points)	*-200*	*-150*	*-100*	*-50*	*0*	*+50*	*+100*	*+150*	*+200*
(Millions of United States dollars)									
Increase/(decrease) in fair value									
Main pool total	148.41	111.30	74.20	37.10	–	(37.10)	(74.18)	(111.26)	(148.34)

Other market risk: price risk

89. The main pool is not exposed to significant other price risk, because it does not sell short, borrow securities or purchase securities on margin, which limits the potential loss of capital.

Accounting classifications and fair value hierarchy

90. All investments are reported at fair value through surplus or deficit. Cash and cash equivalents carried at nominal value are deemed to be an approximation of fair value.

91. The levels are defined as follows:

(a) Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities;

(b) Level 2: inputs other than quoted prices included within level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices);

(c) Level 3: inputs for the asset or liability that are not based on observable market data (i.e. unobservable inputs).

92. The fair value of financial instruments traded in active markets is based on quoted market prices as at the reporting date and is determined by the independent custodian based on valuation of securities sourced from third parties. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency, and those prices represent actual and regularly occurring market transactions on an arm's length basis. The quoted market price used for financial assets held in the main pool is the current bid price.

93. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques that maximize the use of observable market data. If all significant inputs required to determine the fair value of an instrument are observable, the instrument is included in level 2.

94. The fair value hierarchy in the table below presents the cash pool assets that are measured at fair value as at the reporting date. There were no level 3 financial assets or liabilities carried at fair value and there were no significant transfers of financial assets between fair value hierarchy classifications.

Fair value hierarchy for investments as at 31 December: main pool

(Thousands of United States dollars)

	31 December 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds, corporate	532 916	–	532 916	452 281	–	452 281
Bonds, non-United States agencies	992 640	–	992 640	931 565	–	931 565
Bonds, supranational	912 385	–	912 385	787 362	–	787 362
Bonds, United States treasuries	197 390	–	197 390	502 462	–	502 462
Bonds – non-United States sovereigns	90 163	–	90 163	151 035	–	151 035
Main pool, commercial papers	–	3 033 880	3 033 880	–	2 062 987	2 062 987
Main pool, certificates of deposit	–	2 824 787	2 824 787	–	2 762 615	2 762 615

	31 December 2021			*31 December 2020*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Main pool, term deposits	–	1 910 000	1 910 000	–	1 820 000	1 820 000
Total main pool	**2 725 494**	**7 768 667**	**10 494 161**	**2 824 705**	**6 645 602**	**9 470 307**

Financial risk management: foreign exchange risk

95. Foreign exchange risk refers to the risk that the fair value or future cash flows of a financial instrument will fluctuate as a result of changes in foreign exchange rates. ITC operates internationally and is exposed to foreign exchange risk arising from various currency exposures, primarily with respect to the Swiss franc. Management requires that ITC manage its currency risk against its functional currency by structuring contributions from the United Nations and WTO in Swiss francs, which is the foreign currency needed for operational purposes related to the regular budget. The Centre's financial assets and financial liabilities are primarily denominated in United States dollars, thereby reducing its overall foreign currency exposure. Financial liabilities, including funds received in advance and funds held on behalf of donors, are carried in the accounts in United States dollars, although some portion may be refunded in local currency at the donor's request. Currency risk related to technical cooperation projects is mitigated through contractual terms in agreements with donors that provide that ITC will not assume any financial liability in excess of the funds provided by the donor as calculated in the Centre's functional currency.

Currency exposure as at 31 December 2021

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	159 197	211	786	62	–	444	160 700
Voluntary contributions receivable	108 086	9 223	82 186	15 719	1 319	2 826	219 358
Other accounts receivable	126	–	–	–	–	–	126
Total financial assets	**267 409**	**9 434**	**82 972**	**15 781**	**1 319**	**3 270**	**380 184**

Currency exposure as at 31 December 2020

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	171 869	307	1 092	116	–	182	173 566
Voluntary contributions receivable	102 117	3 304	87 217	26 348	4 585	4 230	227 801
Other accounts receivable	–	–	–	–	–	–	–
Total financial assets	**273 986**	**3 611**	**88 309**	**26 464**	**4 585**	**4 412**	**401 367**

96. As at 31 December 2021, if the United States dollar had weakened or strengthened by 10 per cent against other currencies held in the main cash pool, voluntary contributions and other receivables, with all other variables held constant, the net results for the year would have been $11.278 million (2020: $12.738 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of receivables denominated in euros, pounds sterling, Swedish kronor and Swiss

francs. Similarly, the impact on net assets would have been $11.278 million (2020: $12.738 million) lower or higher.

Note 6
Accounts receivable

97. Current voluntary contributions receivable represent confirmed contributions that are due within 12 months, while non-current voluntary contributions receivable are due after 12 months from the date of the financial statements.

98. Current and non-current voluntary contributions receivable decreased as a result of settlement received in 2021 combined with a reduction in new multi-year agreements signed during the year (2021: $94.332 million; 2020: $125.657 million).

99. The non-current voluntary contributions receivable of $102.219 million (2020: $117.867 million) represent the discounted value of future year receivables.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Current	117 139	109 934
Non-current	102 219	117 867
Total voluntary contributions receivable	**219 358**	**227 801**

100. Other accounts receivable as at 31 December 2021 are related to an inter-agency staff loan receivable.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Receivables from sales	–	–
Other	126	–
Allowance for doubtful debts	–	–
Total other accounts receivable	**126**	–

Allowance for doubtful debts

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
At 1 January	(15)	(60)
Amounts written off	–	50
Current year (addition)/release of allowance	–	(5)
At 31 December	**(15)**	**(15)**

101. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $2,060 related to travel advances and debts for which there was no previous allowance was written off during 2021.

Note 7
Other assets

102. Advances to implementing partners are grants issued by ITC covered by binding agreements containing conditions that have not been fulfilled as at the reporting date. Expenses are recognized as conditions contained in the agreement are fulfilled. In accordance with the recommendation of the Board of Auditors, the net portion of any advances not yet delivered by year end will be taken to expense, except for the grants that ITC has effective control over. There were no such advances taken to expense in 2021. The increase in advances to implementing partners is due to the signature of new large and multi-year agreements.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Advances to implementing partners	7 294	5 389
Advances to United Nations Development Programme	181	160
Advances to vendors	334	246
Staff advances	917	846
Staff recoveries	23	63
Other	64	17
Subtotal, current assets	**8 813**	**6 721**
Staff recoveries	–	12
Subtotal, non-current assets	–	**12**
Total other assets	**8 813**	**6 733**

Note 8
Property, plant and equipment

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2021	**442**	**820**	**300**	**385**	**1 054**	**3 001**
Additions	33	147	24	24	–	228
Disposals	–	(145)	(7)	(11)	–	(163)
Cost as at 31 December 2021	**475**	**822**	**317**	**398**	**1 054**	**3 066**
Accumulated depreciation as at 1 January 2021	**203**	**634**	**233**	**279**	**1 054**	**2 403**
Depreciation	70	116	8	25	–	219
Disposals	–	(145)	(7)	(11)	–	(163)
Accumulated depreciation as at 31 December 2021	**273**	**605**	**235**	**293**	**1 054**	**2 459**
Net carrying amount						
1 January 2021	239	186	67	106	–	598
31 December 2021	**202**	**218**	**82**	**105**	–	**607**

(Thousands of United States dollars)

	Vehicles	*Communications and information technology equipment*	*Furniture and fixtures*	*Machinery and equipment*	*Leasehold improvements*	*Total*
Cost as at 1 January 2020	**406**	**688**	**262**	**363**	**1 054**	**2 773**
Additions	97	150	57	22	–	326
Disposals	(61)	(18)	(19)	–	–	(98)
Cost as at 31 December 2020	**442**	**820**	**300**	**385**	**1 054**	**3 001**
Accumulated depreciation as at 1 January 2020	**207**	**531**	**250**	**257**	**951**	**2 196**
Depreciation	57	121	2	22	103	305
Disposals	(61)	(18)	(19)	–	–	(98)
Accumulated depreciation as at 31 December 2020	**203**	**634**	**233**	**279**	**1 054**	**2 403**
Net carrying amount						
1 January 2020	199	157	12	106	103	577
31 December 2020	**239**	**186**	**67**	**106**	–	**598**

103. ITC, in accordance with the recommendation of the Board of Auditors, performed an annual review of the residual value of the fully depreciated assets still in use, along with an impairment review that was undertaken for the 31 December 2021 reporting date. The review did not result in any equipment being considered impaired, and no residual value that was material was required to be added back. However, a total write-off amounting to $0.163 million at cost (2020: $0.098 million) occurred during the year owing to obsolescence.

Note 9
Intangible assets

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2021	**6 119**	**400**	**6 519**
Additions	–	572	572
Transfers	132	(132)	_
Total cost as at 31 December 2021	**6 251**	**840**	**7 091**
Opening accumulated amortization as at 1 January 2021	**3 212**	**–**	**3 212**
Amortization	867	–	867
Closing accumulated amortization as at 31 December 2021	**4 079**	–	**4 079**
Net book value as at 1 January 2021	**2 907**	**400**	**3 307**
Net book value as at 31 December 2021	**2 172**	**840**	**3 012**

(Thousands of United States dollars)

	Software developed internally	*Software under development*	*Total*
Opening cost as at 1 January 2020	**4 824**	**505**	**5 329**
Additions	790	400	1 190
Transfers	505	(505)	–
Total cost as at 31 December 2020	**6 119**	**400**	**6 519**
Opening accumulated amortization as at 1 January 2020	**2 443**	–	**2 443**
Amortization	769	–	769
Closing accumulated amortization as at 31 December 2020	**3 212**	–	**3 212**
Net book value as at 1 January 2020	**2 381**	**505**	**2 886**
Net book value as at 31 December 2020	**2 907**	**400**	**3 307**

104. The Centre’s intangible assets consist of a suite of online tools and databases through which its beneficiaries can make global trade more transparent and facilitate access to new markets. The aggregate amount of research and development expenditure during 2021 was $1.179 million, of which $0.607 million was recognized as an expense during 2021 and $0.572 million was accounted for as assets under development. One internally developed software project was upgraded during the year, and the total value of the upgrade was $0.132 million. Two 2020 projects, which will continue into 2022 and are recognized as software under development, have a value of $0.840 million. As at 31 December 2021, ITC has 18 intangible assets in total. The carrying amounts of these intangible assets, which in total amount to $3.012 million, were individually not material to the ITC financial statements for separate disclosure.

Note 10
Accounts payable and accrued liabilities

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Vendor and other payables	4 947	4 479
Payables to donors	3 951	3 770
Accruals for goods and services	1 898	1 458
Total accounts payable and accrued liabilities	**10 796**	**9 707**

105. Vendor and other payables relate mainly to payables to commercial vendors and consultants. The decrease is attributable mainly to the decrease of accruals for goods and services, due to a different pattern of receiving invoices from vendors.

106. Payables to donors consist of the balance of unspent contributions for closed projects pending refund or reprogramming, interest income from non-conditional contributions which is repayable to donors, and balances due to the United Nations and WTO for overpayment, savings or surplus from assessed contributions.

Note 11
Liabilities for conditional arrangements

107. ITC recognizes monetary voluntary contributions with conditions attached as a liability. Conditions are imposed by donors on the use of contributions and include both a performance obligation to use donations in a specified manner and an enforceable obligation to return the donation if it is not used in the specified manner. The amount recognized as a liability is the unexpended balance of the contribution as at the reporting date. As ITC satisfies the conditions on voluntary contributions through expenditure of the funds in the specified manner, the carrying amount of the liability is reduced and an amount of revenue equal to the reduction is recognized.

108. Current and non-current liabilities for conditional arrangements of $238.413 million (2020: $275.219 million) consist mainly of conditional agreements with the European Union and other funders. Liabilities for conditional arrangements decreased as a result of a decrease in new multi-year agreements signed during the year (2021: $36.943 million; 2020: $87.124 million), while revenue recognized during the year increased (2021: $59.116 million; 2020: $42.811 million). The decrease is also attributable to the revaluation of liabilities in currencies other than the functional currency of the organization.

Other liabilities

109. ITC recognizes as a liability amounts received under voluntary contributions before an agreement is reached with the donor on the use of the contribution or contributions that are awaiting programming of specific project activities.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Funds received in advance and deferred revenue		
Current	602	753
Non-current	–	–
Total funds received in advance and deferred revenue	**602**	**753**

Note 12
Employee benefits liabilities

110. The liabilities arising from end-of-service or post-employment benefits are determined by independent actuaries and are established in accordance with the Staff Regulations and Rules of the United Nations. Actuarial valuation is usually undertaken every two years.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Current liabilities		
Accrued salaries, allowances and benefits	1 258	636
Accumulated annual leave	603	346
Home leave	851	978
Repatriation grant	952	647
After-service health insurance	2 294	1 897
Subtotal current liabilities	**5 958**	**4 504**

	31 December 2021	*31 December 2020*
Non-current liabilities		
Accumulated annual leave	6 275	4 730
Repatriation grant	9 173	8 107
After-service health insurance	164 783	162 898
Subtotal non-current liabilities	**180 231**	**175 735**
Total employee benefits liabilities	**186 189**	**180 239**

111. The methodology for estimating the amounts of each liability is as follows:

(a) *Home leave*. Non-locally recruited staff are entitled to reimbursement of the costs of travel to their home country in the second year after their initial appointment and every second year thereafter. The liability recorded relates to the value of home leave entitlements that have been earned by officials but not taken as at the reporting date. The liability for home leave is considered a short-term benefit and is recognized at its estimated undiscounted value;

(b) *Accumulated annual leave*. Other long-term benefits include accumulated annual leave. The liabilities for annual leave represent unused accumulated leave days that are projected to be settled through a monetary payment to employees upon their separation from ITC. The Centre recognizes as a liability the actuarial value of the total accumulated unused leave days of all staff members, up to a maximum of 60 days (18 days for temporary staff) as at the date of the statement of financial position. The methodology applies a last-in, first-out assumption in the determination of the annual leave liabilities whereby staff members access current-period leave entitlements before they access accumulated annual leave balances relating to prior periods. Unused annual leave is calculated at 1/261 of net salary plus post adjustment for staff in the Professional and higher categories and 1/261 of net salary for staff in the General Service and related categories. The portion of the accumulated annual leave benefit that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The accumulated annual leave benefit liability is classified under other long-term benefits and is actuarially valued;

(c) *Repatriation grant and travel*. In accordance with the Staff Regulations and Rules of the United Nations, non-locally recruited staff are entitled to a grant on separation from service based on the number of years of service worked outside their home country, if they have completed at least one year of service outside their home country. The grant is calculated on the basis of net salary for staff in the Professional and higher categories and pensionable remuneration less staff assessment for staff in the General Service and related categories. In addition, non-locally recruited ITC staff are entitled to reimbursement of travel and transport of personal effects on separation for themselves, their spouses and their dependent children. The portion of the repatriation grant and travel that is expected to be settled through monetary payment within 12 months after the reporting date is classified under current liabilities. The repatriation grant and related travel is classified under post-employment benefits and is actuarially valued. Staff members are eligible to receive a repatriation grant upon separation from service provided that they have been in service for at least five years in a duty station outside their country of nationality;

(d) *After-service health insurance*. Staff members (and their spouses, dependent children and survivors) retiring from service at the age of 55 or older are eligible for after-service health insurance coverage if they have contributory health insurance coverage prior to retirement for at least 5 years of service for staff hired before 1 July 2007 and 10 years of service for staff hired after 1 July 2007. Staff hired before 1 July 2007 who retire with less than 10 years but more than 5 years of coverage receive unsubsidized coverage until they have been enrolled for 10 years, at which time the coverage is subsidized. The Centre's liability for after-service health insurance is calculated as the residual liability after deducting contributions from retirees and a portion of the contribution from active staff in accordance with cost-sharing ratios authorized by the General Assembly that require the Centre's share of the liability not to exceed one half of the total gross liability;

(e) The mandatory age of retirement for staff who joined the United Nations on or after 1 January 2014 is 65; for those who joined before 1 January 2014 it is 60 or 62. The General Assembly decided to extend the mandatory age of separation to 65 years for staff recruited by organizations of the United Nations common system before 1 January 2014, taking into account the acquired rights of staff, by 1 January 2018 at the latest. This change was implemented as at 1 January 2018 and affects future calculations of employee benefits liabilities.

112. The actuarial results as at 31 December 2021 are based on an actuarial study with updated financial and demographic assumptions since the full actuarial valuation carried out in 2019 to determine the Centre's estimated liability for defined-benefit obligations at the reporting date. For 2021, the gross liability for all post-employment defined-benefit plans was calculated by the actuary as $266.522 million (2020: $259.872 million), offset by contributions from plan participants of $82.442 million (2020: $81.247 million) to equal the Centre's net liability of $184.080 million (2020: $178.625 million). The total increase of $5.455 million is the result of a $550 million net actuarial gain (2020: $4.286 million loss) recognized in net assets, and $6.005 million (2020: $5.845 million) in current service costs and interest, net of benefit payments recognized in the statement of financial performance as a component of staff costs.

Movement in employee benefits liabilities accounted for as defined-benefits plans

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Defined-benefit obligation as at 31 December 2020	**164 795**	**8 754**	**5 076**	**178 625**
Current service cost	7 286	629	646	8 561
Interest cost	52	196	117	365
Benefits paid (net of participant contributions)	(1 900)	(667)	(354)	(2 921)
Liability (gains)/losses due to actuarial financial assumptions	(22 625)	(261)	(260)	(23 146)
Change in discount rate	*(4 768)*	*(384)*	*(260)*	*(5 412)*
Change in health-care cost trend rates	*(17 857)*			*(17 857)*
Change in inflation rate		*123*		*123*
Liability (gains)/losses due to changes in demographic assumptions	1 728	(4)	–	1 724
Liability (gains)/losses due to changes in experience adjustments	17 741	1 478	1 653	20 872
Defined-benefit obligation as at 31 December 2021	**167 077**	**10 125**	**6 878**	**184 080**

113. The interest cost and current service costs related to the defined-benefit obligation for after-service health insurance liability, repatriation grant and travel and accumulated leave are recognized in the statement of financial performance as a component of staff costs. Any actuarial gains or losses for the defined-benefits plans that result from changes in actuarial assumptions or experience adjustments, including experience adjustments related to other long-term benefits, are directly recognized in the statement of changes in net assets. The 2021 valuation includes an experience loss of $17.741 million. Of this amount, $9.473 million relates to new employees, and $3.732 million is due to new subscribers to the medical plan. The balance of $4.536 million relates to other changes, including the seniority of staff members for the after-service health insurance liability.

114. The total actuarial gain/(loss) recognized directly in net assets in the statement of changes in net assets in 2021 and 2020 is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2021	3 156	(1 213)	(1 393)	550
Gain/(loss) in 2020	(3 503)	(687)	(96)	(4 286)

Actuarial valuation: assumptions

115. Each year, ITC reviews and selects assumptions and methods that will be used by the actuaries in the valuation to determine the expense and contribution requirements for the Centre's after-service health insurance plans. The following assumptions and methods have been used in the valuation of these liabilities:

Assumption	*After-service health insurance*	*Repatriation grant*	*Accumulated annual leave*
Discount rate (31 December 2021)	0.16	2.81	2.87
Discount rate (31 December 2020)	0.03	2.32	2.38
Travel inflation (31 December 2021)		2.50	
Travel inflation (31 December 2020)	–	2.20	–
Health-care cost trend rate (31 December 2021)	3.44 trending down to 2.25 in seven years	–	–
Health-care cost trend rate (31 December 2020)	3.64 trending down to 2.75 in eight years	–	–
Salary increase rate	Based on age and calculated separately for Professional and General Service staff		

116. For the 2021 actuarial valuations, Aon Hewitt developed the yield curves used in the calculation of the discount rates in respect of the United States dollar and the Swiss franc. This is consistent with the decision of the Task Force on Accounting Standards, established under the auspices of the Finance and Budget Network of the High-level Committee on Management of the United Nations System Chief Executives Board for Coordination, taken in the context of the harmonization of actuarial assumptions across the United Nations system and the recommendation of the Advisory Committee on Administrative and Budgetary Questions (A/71/815, para. 26), which were endorsed by the General Assembly in section IV of its resolution 71/272 B.

117. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience.

118. The health-care cost trend rate assumption reflects the current short-term expectations of the after-service health insurance plan cost increases and the economic environment. The Aon Hewitt assumption on health-care cost trend rates in Swiss francs was used for the 2021 valuation.

119. With regard to the valuation of repatriation benefits as at 31 December 2021, the Aon Hewitt assumption on inflation in travel costs was based on the projected United States inflation rate over the next 20 years.

120. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years: 10.9 days; 4–8 years: 1.0 day; and more than 9 years: 0.5 days, up to the maximum of 60 days for regular staff and 18 days for temporary staff.

Sensitivity analysis

121. The principal financial assumptions in the valuation of the defined-benefit obligations are the rate at which medical costs are expected to increase in the future and the discount rate curve, which is calculated on the basis of corporate bonds. The sensitivity analysis looks at the change in liability due to changes in the medical cost trend and discount rates while holding other principal assumptions constant; the assumption held constant is the discount rate used to determine the present value of benefits that will be paid from the plan in the future. Should the medical cost trend assumption vary by 0.5 per cent, this would affect the measurement of the defined-benefit obligations as follows:

(Thousands of United States dollars)

	Increase		*Decrease*	
2021	*Percentage*	*Amount*	*Percentage*	*Amount*
0.5 per cent movement in the assumed medical costs trend rate				
Effect on the defined-benefit obligation (after-service health insurance)	12.34	20 615	(10.48)	(17 515)
Effect on the aggregate of the current service cost and interest cost (after-service health insurance)	1.18	1 964	(0.96)	(1 600)

(Thousands of United States dollars)

	Increase		*Decrease*	
2020	*Percentage*	*Amount*	*Percentage*	*Amount*
0.5 per cent movement in the assumed medical costs trend rate				
Effect on the defined-benefit obligation (after-service health insurance)	13.98	23 031	(11.86)	(19 538)
Effect on the aggregate of the current service cost and interest cost (after-service health insurance)	0.98	1 611	(0.79)	(1 310)

(Thousands of United States dollars)

2021	*Increase*	*Decrease*
0.5 per cent movement in the assumed discount rate		
Effect on the after-service health insurance-defined-benefit obligation	(18 140)	21 684
Effect on the repatriation grant defined-benefit obligation	(430)	465
Effect on the annual leave defined-benefit obligation	(316)	343

(Thousands of United States dollars)

2020	*Increase*	*Decrease*
0.5 per cent movement in the assumed discount rate		
Effect on the after-service health insurance-defined-benefit obligation	(20 318)	24 340
Effect on the repatriation grant defined-benefit obligation	(373)	403
Effect on the annual leave defined-benefit obligation	(242)	262

Other defined-benefit plan information

122. The Centre's best estimate of future benefit payments net of participant contributions for the next 12 months for the after-service health insurance plan is $2.297 million (2020: $1.900 million), for post-employment repatriation and separation entitlements the best estimate is $0.980 million (2020: $0.667 million) and for annual leave entitlements it is $0.621 million (2020: $0.354 million).

123. Under IPSAS 39: Employee benefits, the liabilities for after-service health insurance, repatriation grant and travel and accumulated leave are considered unfunded and, therefore, no fair value of plan assets has been recognized and the entire after-service health insurance liability is recognized as a liability of ITC.

Present value of liability for defined-benefit obligations by fund as at 31 December

(Thousands of United States dollars)

	General Fund		*Programme support costs*		*Extrabudgetary*		*Total*	
	2021	*2020*	*2021*	*2020*	*2021*	*2020*	*2021*	*2020*
After-service health insurance	**117 605**	**117 089**	**11 595**	**11 433**	**37 877**	**36 273**	**167 077**	**164 795**
Current	1 593	1 403	169	134	532	360	2 294	1 897
Non-current	116 012	115 686	11 426	11 299	37 345	35 913	164 783	162 898
Repatriation grant	**5 055**	**4 520**	**628**	**561**	**4 442**	**3 673**	**10 125**	**8 754**
Current	648	438	34	25	270	184	952	647
Non-current	4 407	4 082	594	536	4 172	3 489	9 173	8 107
Accumulated annual leave	**3 628**	**2 760**	**495**	**303**	**2 755**	**2 013**	**6 878**	**5 076**
Current	416	254	27	12	160	80	603	346
Non-current	3 212	2 506	468	291	2 595	1 933	6 275	4 730
Total	**126 288**	**124 369**	**12 718**	**12 297**	**45 074**	**41 959**	**184 080**	**178 625**

Historical present value of liability for defined-benefit obligations as at 31 December

(Thousands of United States dollars)

	2021	*2020*	*2019*	*2018*	*2017*	*2016*
After-service health insurance	167 077	164 795	155 948	78 117	79 268	74 869
Repatriation benefits	10 125	8 754	7 906	5 937	6 207	6 234
Annual leave	6 878	5 076	4 640	3 860	3 947	8 206
Total	**184 080**	**178 625**	**168 494**	**87 914**	**89 422**	**89 309**

Funding of defined benefit liabilities – extrabudgetary resources

124. With effect from 1 January 2017, the Centre began to accrue 3 per cent on gross salary plus post adjustment for staff funded from extrabudgetary resources in respect of staff retiring from positions funded from extrabudgetary resources. The rate was subsequently increased to 6 per cent on 1 January 2019.

125. The Centre accrues 8 per cent on gross salary less staff assessment for staff funded from extrabudgetary resources as a reserve to cover the Centre's repatriation grant obligation.

126. The following table summarizes the funding position of actuarially valued liabilities pertaining to extrabudgetary resources as at 31 December 2021.

(Thousands of United States dollars)

Attributable to extrabudgetary resources	*Liability*	*Funded*	*Unfunded*	*Percentage of liability funded*
After-service health insurance and repatriation benefits	54 542	13 966	40 576	26
Annual leave	3 250	–	3 250	–
Total	**57 792**	**13 966**	**43 826**	**24**

127. Defined benefit liabilities pertaining to the regular budget have not been funded. The pertinent budget is provided on the basis of claims experience in the previous years.

United Nations Joint Staff Pension Fund

128. The Regulations of the United Nations Joint Staff Pension Fund state that the Pension Board shall have an actuarial valuation made of the Fund at least once every three years by the consulting actuary. The practice of the Pension Board has been to carry out an actuarial valuation every two years using the open group aggregate method. The primary purpose of the actuarial valuation is to determine whether the current and estimated future assets of the Fund will be sufficient to meet its liabilities.

129. The financial obligation of ITC to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.90 per cent for participants and 15.80 per cent for member organizations), together with any share of any actuarial deficiency payments under article 26 of the Regulations of the Fund. Such deficiency payments are only payable if and when the General Assembly has invoked the provision of article 26 following the determination that there is a requirement for deficiency payments based on an assessment of the actuarial sufficiency of the Fund as at the valuation date. Each member organization contributes to this deficiency an amount proportionate to the total contributions which each paid during the three years preceding the valuation date.

130. The most recent actuarial valuation for the Fund was completed as at 31 December 2019, and a roll-forward of the participation data as at 31 December 2019 to 31 December 2020 was used by the Fund for its 2020 financial statements.

131. The actuarial valuation as at 31 December 2019 resulted in a funded ratio of actuarial assets to actuarial liabilities, assuming no future pension adjustments, of 144.40 per cent (139.20 per cent in the 2017 valuation). The funded ratio was 107.10 per cent (102.70 per cent in the 2017 valuation) when the current system of pension adjustments was taken into account.

132. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2019, for deficiency payments under article 26 of the Regulations of the Fund, as the actuarial value of assets exceeded the actuarial value of all accrued liabilities under the plan. In addition, the market value of assets also exceeded the actuarial value of all accrued liabilities as at the valuation date. At the time of reporting, the General Assembly had not invoked the provision of article 26.

133. Should article 26 be invoked because of an actuarial deficiency, either during the ongoing operation or due to the termination of the plan, deficiency payments required from each member organization would be based upon the proportion of that member organization's contributions to the total contributions paid to the Fund during the three years preceding the valuation date. Total contributions paid to the Fund during the preceding three years (2018, 2019 and 2020) amounted to $7,993.15 million, of which 0.29 per cent was contributed by ITC.

134. During 2021, contributions paid to the Fund by ITC amounted to approximately $9.742 million (2020: $8.897 million). Expected contributions due in 2022 are approximately the same as in 2021.

135. Membership in the Fund may be terminated by a decision of the General Assembly, upon an affirmative recommendation of the Pension Board. A proportionate share of the total assets of the Fund at the date of termination shall be paid to the former member organization for the exclusive benefit of its staff who were participants in the Fund at that date, pursuant to an arrangement mutually agreed between the organization and the Fund. The amount is determined by the Pension Board on the basis of an actuarial valuation of the assets and liabilities of the Fund on the date of termination; no part of the assets which are in excess of the liabilities is included in the amount.

136. The Board of Auditors carries out an annual audit of the Fund and reports to the Pension Board and to the General Assembly on the audit every year. The Fund publishes quarterly reports on its investments, which can be viewed by visiting the website of the Fund (www.unjspf.org).

Note 13
Provisions

(Thousands of United States dollars)

	2021	*2020*
Opening balance as at 1 January	–	**65**
Current year addition/(release) of provision	212	(65)
Closing balance as at 31 December	**212**	–

137. The provision of $0.212 million established in 2021 is related to legal claims before the United Nations Tribunals responsible for hearing claims brought by former employees.

Note 14
Operating reserves

138. The movements in operating reserves are as follows:

(Thousands of United States dollars)

	Trust fund	*Programme support fund*	*Total*
Opening balance as at 1 January 2020	**9 337**	**1 652**	**10 989**
Interest income and residual donor balances	1 483	–	1 483
20 per cent adjustment, in accordance with ST/AI/286	–	(30)	(30)
Closing balance as at 31 December 2020	**10 820**	**1 622**	**12 442**
Interest income and residual donor balances	647	–	647
20 per cent adjustment, in accordance with ST/AI/286	–	119	119
Closing balance as at 31 December 2021	**11 467**	**1 741**	**13 208**

Note 15
Revenue

Assessed contributions

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
United Nations	20 096	18 862
World Trade Organization	20 096	18 862
Subtotal	**40 192**	**37 724**
Refunds to donors for prior-year surplus and savings	(109)	(580)
Total assessed contributions net of refunds	**40 083**	**37 144**

139. Assessed contributions are contributions received from the United Nations and WTO. Under the terms of General Assembly resolution 2297 (XXII) of 12 December 1967 and the decision of the Contracting Parties to the General Agreement on Tariffs and Trade dated 22 November 1967, as well as the new administrative arrangements between the United Nations and WTO as endorsed by the Assembly in its decision 53/411 B and its resolution 59/276, the regular budget of ITC is assessed in Swiss francs and financed equally by the United Nations and WTO. The General Assembly has approved, on a trial basis, a change from a biennial to an annual budget period for the United Nations, while WTO maintains its biennial budget process, this has implications for the administrative arrangements relating to the ITC budget The administrative arrangements will be suitably updated should the annual budget cycle be confirmed by the Assembly.

140. The contributions are based on an annual budget of the United Nations and biennial budget of WTO adjusted for changes in exchange rates and inflation and are recorded as at the first day of the year to which they relate. Contributions are approved

to be assessed for a one-year budget period, or a portion thereof or for multiple years. Where budgets and/or appropriations are approved for multiple years, the related contributions are apportioned among the years of the budget period for payment. Assessed contributions are considered to be without conditions. In those cases where multiple assessments are issued within a single annual period, revenue is recorded when due from the United Nations and WTO. The increase in assessed contribution is due to favourable exchange rate of Swiss francs against United States dollars throughout the year.

Voluntary contributions and other transfers and allocations

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Voluntary contributions	109 433	75 845
Contributions in kind	3 013	3 111
Refunds to donors for voluntary contributions	(763)	(958)
Subtotal	**111 683**	**77 998**
Other transfers and allocations	4 062	2 658
Refunds to donors for other transfers and allocations	(14)	(9)
Subtotal	**4 048**	**2 649**
Total voluntary contributions and other transfers and allocations net of refunds	**115 731**	**80 647**

141. Voluntary contributions through donor agreements are recognized as revenue at the point of signature except where such agreements contain a condition requiring specific performance and return of unexpended funds. Voluntary contributions include programme support revenue charged in accordance with United Nations financial procedures at 13 per cent on technical cooperation financed activities, 12 per cent for Associate Experts, and between 7 per cent and 14 per cent for the European Commission, the Enhanced Integrated Framework, the One United Nations initiative, projects funded by other United Nations agencies and non-reimbursable loans of personnel services from sources external to the United Nations common system, or any other exceptional rate pre-approved by the United Nations Controller. Multi-year conditional agreements signed in 2021 resulted in an increase in receivables, while revenue will be recognized in future periods on the basis of performance.

142. Other transfers and allocations are mainly inter-organizational arrangements and multi-donor initiatives under the Enhanced Integrated Framework trust fund and the One United Nations fund. The increase is due to the fund allocation decisions and funding priorities of these bodies.

143. The breakdown for voluntary contributions and other transfers and allocations by type of agreement is as follows:

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Contributions from unconditional agreements	55 478	35 661
Contributions from conditional agreements	58 019	42 842
Total voluntary contributions and other transfers and allocations[a]	**113 497**	**78 503**

[a] The amount includes the discounted value of future-year receivables.

144. The total unconditional voluntary contributions and other transfers and allocations of $55.478 million consists of approximately $19.065 million for 2021 and $36.413 million for future years (2022: $19.659 million; 2023: $9.143 million; 2024: $6.513 million; 2025: $1.098 million).

145. The total amount of donor pledges which have not been formalized is $25 million (2020: $34.789 million).

Contributions in kind

146. Contributions in kind of $3.013 million (2020: $3.111 million) consist of the rental subsidy from the Fondation des immeubles pour les organisations internationales, which is the difference between the market value of the rental and the actual rent paid. A matching in-kind rent is expensed at the same time as the contribution is recognized as revenue. There were 38 commercial operating leases in 2021 (2020: 51) for ITC project offices in the field, 6 of which were on a free rental basis (2020: 11), and the fair value of each of those properties was estimated to be less than the recognition threshold of $5,000.

147. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $1.199 million (2020: $1.645 million) received mainly from governments, governmental agencies and non-governmental organizations in support of projects and field office operations during the year. The amount is measured at fair value. The in-kind services are not recognized in the financial statements.

Other revenue

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Services rendered	247	282
Net foreign exchange gain	4 290	–
Other revenue	158	183
Total other revenue	**4 695**	**465**

148. Other revenue includes proceeds from sales of statistical data to governments and other entities, net foreign exchange gains and other miscellaneous income. The increase from the prior year is due to net foreign exchange gains resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies (2020: net foreign exchange loss $2.142 million, see note 16).

Investment revenue

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Investment revenue	–	2 261
Total investment revenue	**–**	**2 261**

149. Investment revenue includes the ITC share of net cash pool revenue earned in the main cash pool managed by the United Nations Treasury, which centrally invests the funds on behalf of ITC, and other interest revenue. During 2021, the main cash pool encountered significant unrealized losses, thus causing ITC to end the year with a negative revenue position of $0.019 million (see note 5). After reclassification of a portion of interest considered as additional revenue from voluntary contributions or payable to donors, the loss amounts to $0.072 million and is presented as an operating expense.

Note 16
Expenses

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Staff salaries, wages and allowances	56 015	50 147
Pension costs and insurance benefits	18 379	17 212
Other benefits	1 808	1 214
Total employee salaries, allowances and benefits	**76 202**	**68 573**

150. Employee salaries, allowances and benefits are for all international and national staff expenses such as salaries, post adjustment, entitlements, pensions and health plan contributions for staff in the Professional and higher categories and in the General Service and related categories. It also includes staff expenses relating to general temporary assistance and after-service health insurance expenses for former ITC staff. The increase year over year is due to an increase in project personnel funded from voluntary contributions and an increase in United States dollar equivalent of the salaries of General Service category of staff, which is denominated in Swiss francs.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Individual consultant fees and insurance	31 550	26 801
Individual contractor costs	514	499
Travel of non-employees	1 189	835
Total non-employee compensation and allowances	**33 253**	**28 135**

151. Non-employee compensation and allowances are costs of individual contractors and consultants, including related insurance and travel expenses.

Travel

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Staff travel	953	1 183
Representative travel	1 821	1 260
Total travel	**2 774**	**2 443**

152. Travel relates to the regular travel of staff, meeting participants and persons on missions related to official business. The COVID-19 pandemic and the resulting travel bans and restrictions and the cancellation or postponement of duty and entitlement travel continued to have an impact on travel expenses.

Grants and other transfers

153. Grants and other transfers are financial contributions made to end beneficiaries, implementing partners, agencies and other entities. The increase from the prior year is due to the decentralization of projects delivery to local counterparts as a result of the COVID-19 pandemic.

Supplies and consumables

154. Supplies and consumables include items customarily consumed on a daily basis, such as stationery, office supplies, fuel and other consumables.

Other operating expenses

(Thousands of United States dollars)

	31 December 2021	31 December 2020
Contracted services	19 073	15 975
Acquisitions of goods	2 454	870
Acquisitions of intangible items	937	647
Rent, office and premises	2 004	1 904
Rental equipment	155	170
Maintenance and repair	162	188
Bad debt expense	2	16
Net foreign exchange losses/(gains)	–	2 142
Other	478	175
Total other operating expenses	**25 265**	**22 087**

155. The increase from the prior year is due to expenditures related to the increased delivery of technical assistance, such as training, meeting facilitation and information technology design and development services.

Other expenses

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Expense for contributions in kind	3 013	3 111
Other	2	–
Total other expenses	**3 015**	**3 111**

156. Included in the expense for contributions in kind is the rental subsidy from the Fondation des immeubles pour les organisations internationales in the amount of $3.013 million (2020: $3.111 million), which is the difference between the market value of the rental and the actual rent paid. A matching in-kind contribution is recognized as revenue at the same time as the rent is recognized as an expense.

Note 17
Budget comparison and reconciliation

157. The General Assembly and the General Council of WTO approve the budget of ITC. The budget may be subsequently amended by the Assembly, by the Council or through the exercise of delegated authority.

158. The Centre's budget is prepared on a modified cash accounting basis and the financial statements are prepared on a full accrual basis in accordance with IPSAS.

159. Statement V, Comparison of budget and actual amounts, compares the final budget to actual amounts calculated on the same basis as the corresponding budgetary amounts. The comparison is made only in respect of the publicly available regular budget.

Movement between original and final budgets (regular budget)

160. Since the original budget is adopted in Swiss francs, the final budget takes into consideration the result of exchange rate changes between Swiss francs and United States dollars taking place between the adoption of the original budget and the reporting date.

Budget to actual variance analysis

161. Explanations of material differences between the original budget and the final budget and between the final budget and the actual amounts are presented in paragraph 45 of the report of the Executive Director on the financial year accompanying these financial statements (see chap. IV above).

Reconciliation between the actual amounts on a comparable basis and the statement of financial performance

162. The statement of comparison of budget and actual amounts (statement V) includes the original and final budget and the actual revenue and expense on the same basis as the budget.

163. As the basis used to prepare the budget and the one used to prepare the financial statements differ, this note provides reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of cash flows and the statement of comparison of budget and actual amounts.

164. The actual amounts presented on a comparable basis in the statement of comparison of budget and actual amounts have been reconciled to the actual amounts presented in the statement of cash flows, identifying separately any basis, timing and entity differences, as follows:

(a) Basis differences capture the differences resulting from preparing the budget on a modified cash basis. To reconcile the budgetary results to the statement of cash flows, the modified-cash elements such as unliquidated obligations, which are commitments against the budget but do not represent a cash flow, must be eliminated. Similarly, IPSAS-specific differences, such as investing cash flows relating to acquisition of property, plant and equipment or intangibles, and indirect operating cash flows relating to changes in receivables due to movements in the allowance for doubtful receivables and accrued liabilities, are included as basis differences to reconcile to the statement of cash flows;

(b) Timing differences occur when the budget period differs from the reporting period reflected in the financial statements. For the purposes of comparison of budget and actual amounts, there are no timing differences for ITC;

(c) Entity differences represent fund groups other than the regular budget that are reported in the financial statements. The financial statements include results for all funds.

165. The reconciliation between the actual amounts presented in statement V and the actual amounts presented in the statement of cash flows is as follows:

Reconciliation of actual amounts on a comparable basis and actual amounts in the cash flow
(Thousands of United States dollars)

	Operating	*Investing*	*Financing*	*Total*
Actual amount on a comparable basis (statement V)	**(40 361)**			**(40 361)**
Basis differences				
Elimination of unliquidated obligations	1 032	–	–	1 032
Accruals of expenses	(733)	–	–	(733)
Expenditure against prior period	(277)	–	–	(277)
Exchange gains/losses	14	–	–	14
Share of joint arrangement	(84)	–	–	(84)
Expenses for contributions in kind	(3 013)	–	–	(3 013)
Acquisitions of property, plant and equipment	16	(158)	–	(142)
Total basis differences	**(3 045)**	**(158)**	**–**	**(3 203)**
Budget revenue in accordance with statement V	**40 364**			**40 364**
Presentation differences				
Revenue for contributions in kind	3 013	–	–	3 013
Refund of prior biennium surplus	(109)	–	–	(109)
Elimination of non-cash changes in assets and liabilities in operating cash flow	(370)	–	–	(370)
Total presentation differences	**42 898**	**–**	**–**	**42 898**
Entity differences				
Other funds expenditure	(107 163)	–	–	(107 163)
Other funds revenue	117 243	–	–	117 243

	Operating	*Investing*	*Financing*	*Total*
Elimination of non-cash changes in assets and liabilities in operating cash flow	(23 016)	–	–	(23 016)
Actuarial gain/(loss) on employee benefits liabilities	550	–	–	550
Depreciation and amortization	818	–	–	818
Pro rata share of net increases in the cash pool	–	11 685	–	11 685
Acquisitions of property plant and equipment	–	(70)	–	(70)
Acquisitions of intangibles	–	(572)	–	(572)
Total entity differences	**(11 568)**	**11 043**	**–**	**(525)**
Actual amount per statement of cash flows (statement IV)	**(12 076)**	**10 885**	**–**	**(1 191)**

Note 18
Related parties: key management personnel

166. The key management personnel of ITC are the Executive Director, the Deputy Executive Director, the Directors of the divisions, the Chief Adviser in the Office of the Executive Director and the Chief of Strategic Planning, who have the authority and responsibility for planning, directing and controlling the activities of ITC and influencing its strategic direction.

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Number of individuals (full-time equivalents)	8	8
Aggregate remuneration	1 989	1 905
Outstanding advances as at 31 December	22	23

167. The aggregate remuneration paid to key management personnel includes gross salaries, post adjustment, entitlements, assignment and other grants, rental subsidy, costs of shipment of personal effects, income tax reimbursement and employer contributions to the pension plan and current health insurance contributions. Key management personnel are also qualified for post-employment benefits, which are payable only upon separation. No non-monetary and indirect benefits were paid to key management personnel. Key management personnel are ordinary members of the United Nations Joint Staff Pension Fund.

168. Any advances are those made against entitlements in accordance with the Staff Regulations and Rules of the United Nations. There were no loans granted to key management personnel.

Transactions with related party entities

169. Except otherwise noted in these statements for revenue from non-exchange transactions including contributions in kind, all transactions made with third parties, including United Nations organizations and WTO, occur within a normal relationship between supplier or client and recipient or at arm’s length terms and conditions.

170. As explained in note 5 above, the ITC cash and investments are managed by the United Nations Treasury as part of the main cash pool.

Note 19
Interest in joint arrangement

171. ITC participates in a jointly financed operation relating to safety and security, which is established under a binding agreement. However, ITC does not have significant control over the activity. The interest of ITC in the activity is its share of the activity's net assets recognized using the equity method, which is based on the funding apportionment percentage such as the number of employees and the total space occupied. Since the total of the activity is in a net liability position, this is recognized as a non-current liability in the ITC statement of financial position.

172. The Centre's share of the activity's operating loss for the year ended 31 December 2021 is $0.120 million (2020: loss of $0.026 million) and is recognized in the ITC statement of financial performance as an expense. Where the activity also has transactions, which are recorded directly in net assets, the ITC share of these transactions is accounted for through the statement of changes in net assets (statement III), and in the year this balance relates to the actuarial gains/losses relating to the employee benefits liability valuation.

173. Movements in the joint arrangement for the year are reflected in the table below.

(Thousands of United States dollars)

	2021	*2020*
Cost as at 1 January	**71**	**38**
Movement for the year:		
Changes in net assets of joint arrangement recognized through statement of changes in net assets	(36)	7
Share of deficit/(gain) for the year of joint arrangement recognized through statement of financial performance	120	26
Total changes in joint arrangement for the year	**84**	**33**
Share of joint arrangement accounted for using equity method and reported as net liability in statement of financial position as at 31 December	**155**	**71**

Note 20
Leases and commitments

174. ITC has operating leases for the rental of its headquarters building in Geneva, field offices, and printing, publishing and other equipment.

175. The minimum lease payments under non-cancellable operating leases are as follows:

Obligations for operating leases

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Due in less than 1 year	1 613	1 947
Due in 1 to 5 years	3 724	5 153
Total minimum operating lease obligations	**5 337**	**7 100**

176. The lease for the ITC headquarters in Geneva is between the Fondation des immeubles pour les organisations internationales and ITC for an annual lease payment of SwF 1.085 million (2020: SwF 1.085 million). The lease can be renewed for an additional five-year period upon explicit agreement between the parties or terminated by a formal written notice to the Fondation of at least six months before the expiration date of 30 September 2025. The lease agreement also contains a restriction concerning further leasing without consent from the Fondation.

177. ITC leases for field offices can generally be cancelled by providing notice of 30 to 90 days.

178. The equipment leases pertain to photocopiers, printing machines, water fountains and uninterrupted power supply machines. The rental of multifunction photocopiers is based on a five-year contract. This lease is based on a fixed annual rental amount for 16 machines and a cost per copy. Since the variable amounts are regular and ongoing, there is a high likelihood that such additional copy costs would be consumed by ITC on an ongoing basis. The rental of printing equipment is based on a fixed amount per year for an initial four-year contract, renewable twice for a two-year period until 28 February 2026. The rental of water fountains and uninterrupted power supply machines are based on a fixed annual cost. None of the agreements contain purchase options, and either party may terminate the contract, in whole or in part, upon 30 days' notice, in writing, to the other party. The total lease expense for 2021 was $0.167 million (2020: $0.182 million). This amount includes additional copy charges incurred in accordance with lease agreements.

Other commitments

Open contractual commitments

(Thousands of United States dollars)

	31 December 2021	*31 December 2020*
Property, plant and equipment	135	1 578
Grants	32 464	4 611
Goods and services	17 493	20 241
Total open contractual commitments	**50 092**	**26 430**

179. Other commitments relate to the future commitment to transfer funds to end beneficiaries, implementing partners, and the acquisition of goods and services, including purchase orders, contracted for but not delivered as at 31 December 2021. The increase under grants from the prior year is due to the decentralization of projects delivery to local counterparts as a result of the COVID-19 pandemic.

Note 21
Contingent assets and contingent liabilities

180. There were no contingent assets or liabilities arising as at the reporting date.

Note 22
Impact of the COVID-19 pandemic

181. COVID-19 remained a global challenge and continued to have an impact on the global economy in an unprecedented manner. The organization dealt with these unprecedented circumstances through a coordinated response across offices worldwide that was designed to maintain the effective implementation of programmatic activities while ensuring the protection of staff and other personnel. In some cases, the

organization had to shift focus from planned activities to concentrate efforts towards COVID-19-specific policies and processes.

182. COVID-19 continues to present a variety of challenges and risks, such as heightened economic uncertainty, disruptions to the global supply chain and challenges in ensuring the safety of personnel. There is a high degree of uncertainty regarding the trajectory of the pandemic and the time needed to return to a normal environment. It is expected that the pandemic will continue to delay the implementation of many projects as a result of travel restrictions and supply chain bottlenecks.

183. The organization is leveraging opportunities for innovation and efficiency to combat the disruptions from the pandemic, such as the deployment of applications to support remote working arrangements and allowing flexible working arrangements. The organization was able to cope with the new challenges and risks through the application of business processes, effective risk mitigation strategies and the dedication and commitment of its staff.

Note 23
Events after the reporting date

184. There have been no material events, favourable or unfavourable, that occurred between the date of the financial statements and the date on which the financial statements were authorized for issue that would have had a material impact on these statements.

Annex I

Statement of appropriations

General fund: statement of appropriations for the year ended 31 December 2021

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	40 945	(581)	40 364	39 329	1 032	40 361	3

[a] Represents the original appropriation of $40.945 million for the year 2021. The General Assembly, in its resolutions 75/253 and 75/254 A–C, authorized the United Nations share of $20.641 million.

Annex II

Statement of budget and actual amounts for the year ended 31 December 2021

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original annual	*Final annual*	*Actual expenditure on budget basis for 2021*	*Difference (percentage)*
Posts	32 082	32 082	31 736	(1.1)
Non-post	8 863	8 863	8 625	(2.7)
Total	**40 945**	**40 945**	**40 361**	**(1.4)**

[a] Represents the original appropriation of $40.945 million for the year 2021, which remains unchanged. The General Assembly, in its resolutions 75/253 and 75/254 A–C, authorized the United Nations share of $20.641 million.

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