United Nations

Financial report and audited financial statements

for the year ended 31 December 2022

and

Report of the Board of Auditors

Volume III
International Trade Centre

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

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A/78/5 (Vol. III)

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United Nations • New York, 2023

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.

ISSN 0257-0815

[26 July 2023]

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Letters of transmittal

Letter dated 31 March 2023 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 2022, 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 26 July 2023 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 2022.

(*Signed*) **Hou** Kai
Auditor General of the People's Republic of China
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 2022 (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 2022 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 and the International Standards of Supreme Audit Institutions. 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 2022, 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*) **Hou** Kai
Auditor General of the People's Republic of China
Chair of the Board of Auditors
(Lead Auditor)

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des Comptes

26 July 2023

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 2022. In the Board's opinion, the financial statements present fairly, in all material respects, the financial position of ITC as at 31 December 2022 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 $61.56 million (16 per cent) to $331.07 million as at 31 December 2022 (2021: $392.63 million). The net assets of ITC remained negative (2021: -$43.74 million; 2022: -$8.03 million). The situation improved mainly owing to the decrease in liabilities for conditional arrangements (2021: $238.41 million; 2022: $172.30 million). The accumulated deficit decreased from $56.95 million in 2021 to $23.46 million in 2022. The surplus of $9.64 million in 2021 turned into a deficit of $2.51 million in 2022.

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

Key findings

Deficiencies in commitment management

The Centre's open commitments totalled $28.90 million as at 31 December 2022, of which $14,338 (0.05 per cent), $0.71 million (2 per cent) and $4.74 million (16 per cent) were created in 2019, 2020 and 2021 respectively.

Deficiencies in performance management of projects

The Centre's delivery rate for priority countries in 2022 was 73 per cent, lower than the target of 80 per cent in its Strategic Plan 2022–2025. Two outcome indicators (A4, C4) did not meet corporate targets (110, 4,000) in 2022, with actual completion results of 76 (69 per cent) and 3,141 (79 per cent) respectively.

Vacancy of key positions and delay in recruitment

ITC did not achieve the target vacancy rate for 2022, with 19 cases of recruitment (35 per cent) taking more than 80 days. Several key positions (regular budget posts), including D-1 and P-4 posts, were vacant for a long period.

Main recommendations

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

Deficiencies in commitment management

(a) **Strengthen its review of open commitments, and adhere to the validity periods and related administrative procedures set out in the Financial Regulations and Rules of the United Nations;**

Deficiencies in performance management of projects

(b) **Increase efforts to reach the delivery target in priority countries, and strengthen accountability for target setting and reporting at the project and section level;**

Vacancy of key positions and delay in recruitment

(c) **Strengthen vacancy management and take measures to improve recruitment timelines, especially for key leadership positions, in line with its annual operational target.**

Follow-up on previous recommendations

As at 31 December 2022, of 19 outstanding recommendations up to the financial year ended 31 December 2021, 8 (42 per cent) had been implemented, while 9 (47 per cent) were under implementation and 2 (11 per cent) had been overtaken by events.

Key facts	
$155.95 million	Total revenue
$158.45 million	Total expenses
$2.51 million	Deficit for the year
$331.07 million	Total assets
$339.10 million	Total liabilities
-$8.03 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 2022 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 and the International Standards of Supreme Audit Institutions for the financial audit of public sector entities. 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 2022 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. The audit was conducted on site from 6 April to 5 May 2023 at ITC headquarters in Geneva.

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 on the implementation of previous recommendations. Of 19 outstanding recommendations up to the financial year ended 31 December 2021, ITC had implemented 8 recommendations (42 per cent), while 9 (47 per cent)

were under implementation and 2 (11 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*	*A/77/5 (Vol. III) 2021*	*Total*
Open recommendations as at 31 December 2021	1	3	4	4	7	19
Status of implementation in 2022						
(a) Implemented	1	2	2	1	2	8
(b) Under implementation	–	1	2	1	5	9
(c) Not implemented	–	–	–	–	–	–
(d) Overtaken by events	–	–	–	2	–	2
Recommendations open as at December 2022	–	1	2	1	5	9

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 three fell under project management; two involved financial management; two were about human resources management; one was related to travel management; and one was about the business continuity plan.

8. With regard to the ageing of open recommendations, one (11 per cent) had been pending for more than three years; two (22 per cent) had remained open for three years; one (11 per cent) was two years old; and five (56 per cent) were made one year ago.

9. As for the recommended corrective measures, six (67 per cent) required full compliance with regulations, and three (33 per cent) indicated a need for the development of or improvement in regulation.

2. Financial overview

Financial position

10. As at 31 December 2022, the net assets of ITC remained negative, at -$8.03 million (2021: -$43.74 million). Total assets decreased by $61.56 million (16 per cent), from $392.63 million as at 31 December 2021 to $331.07 million as at 31 December 2022, which was attributable mainly to the decrease in long-term voluntary contributions receivable, from $102.22 million to $57.89 million and in current investments, from $120.39 million to $83.71 million.

11. ITC reported total liabilities of $339.10 million as at 31 December 2022 (2021: $436.37 million). This decline was attributed mainly to the decrease in non-current liabilities for conditional arrangements, which fell from $152.28 million as at 31 December 2021 to $101.06 million as at 31 December 2022. The accumulated deficit decreased from $56.95 million as at 31 December 2021 to $23.46 million as at 31 December 2022.

Financial performance

12. ITC reported a deficit of $2.51 million for the year ended 31 December 2022 (2021: deficit of $9.64 million). Revenue of 2022 totalled $155.95 million (2021: $160.51 million), the majority of which was voluntary contributions of $115.59 million

(2021: $111.68 million) and assessed contributions of $37.88 million (2021: $40.08 million).

13. ITC reported expenses of $158.45 million for the year ended 31 December 2022 (2021: $150.87 million). As in previous years, the majority of expenses related to employee salaries, allowances and benefits ($76.25 million in 2022; $76.20 million in 2021). Non-employee costs (costs of consultants and individual contractors) were reported as $31.61 million (2021: $33.25 million), and other operating expenses were $30.69 million (2021: $25.26 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 2022 and 31 December 2021
(Thousands of United States dollars)

	2022		*2021*	
Expense type	*Thousands of United States dollars*	*Percentage of total*	*Thousands of United States dollars*	*Percentage of total*
Employee salaries, allowances and benefits	76 251	48.1	76 202	50.5
Non-employee compensation and allowances, excluding travel costs	31 614	20.0	33 253	22.0
Travel, including non-employee travel	7 458	4.7	2 774	1.8
Grants and other transfers	7 847	5.0	8 195	5.4
Supplies and consumables	583	0.4	962	0.6
Depreciation	217	0.1	219	0.2
Amortization	816	0.5	867	0.6
Other operating expenses	30 692	19.4	25 265	16.8
Other expenses	2 995	1.9	3 015	2.0
Share of joint arrangement	(22)	-0.01	120	0.1
Total	**158 451**	**100**	**150 872**	**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 (see table II.3).

Table II.3
Ratio analysis

Ratio	*31 December 2022*	*31 December 2021*
Cash ratio[a] (cash + short-term investments to current liabilities)	1.18	1.34
Quick ratio[b] (cash + investments + accounts receivable to current liabilities)	2.41	2.47
Current ratio[c] (current assets to current liabilities)	2.56	2.55
Solvency ratio[d] (total assets to total liabilities)	0.98	0.90

Source: ITC 2022 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 cash ratio and the quick ratio had decreased compared with the previous year, owing mainly to the decrease in current assets and the increase in current liabilities in 2022. However, the current ratio and the solvency ratio increased compared with 2021. The Board agrees with the assertion of ITC that it remains a going concern.

3. Financial and budget management

Deficiencies in commitment management

16. According to regulations 5.2, 5.3 and 5.4 of the Financial Regulations and Rules of the United Nations, appropriations shall be available for commitment during the budget period to which they relate and remain available for the following 12 months. Outstanding commitments must be reviewed periodically by the responsible certifying officer(s), and a commitment must be based on a formal contract, agreement, purchase order or other form of undertaking, or on a liability recognized by the United Nations. The obligations retained in the accounts must be fully valid and neither understated nor overstated. Where a commitment remains valid at the end of the 12-month period, it shall be cancelled and funded from the current appropriations.

17. The Board noted that, as at 31 December 2022, the Centre's open commitments totalled $28.90 million. Of these outstanding commitments, $14,338 (0.05 per cent) was created in 2019, $0.71 million (2 per cent) was created in 2020, and $4.74 million (16 per cent) was created in 2021.

18. The Board is of the view that commitments are proposed with due regard to foreseeable future obligations, and commitments that are no longer required should be closed in order to make resources available for other needs. Commitments which are open for a long period of time are not in alignment with the Financial Regulations and Rules of the United Nations.

19. **The Board recommends that ITC strengthen its review of open commitments, and adhere to validity periods and related administrative procedures set out in the Financial Regulations and Rules of the United Nations.**

20. ITC accepted the recommendation.

Deficiencies in delegation of authority

21. According to the Secretary-General's bulletin on the delegation of authority in the administration of the Staff Regulations and Rules and the Financial Regulations and Rules (ST/SGB/2019/2), in which the Secretary-General delegated the authority to administer the Staff Regulations and Rules and the Financial Regulations and Rules to heads of entity, such delegation shall be understood to be on a functional, rather than personal, basis unless the Secretary-General has expressly indicated otherwise. All delegations of authority shall be made formally through the dedicated online portal.

22. The Board noted that delegation of authority for finance and procurement in ITC was on a personal basis rather than on a functional basis. In addition, delegation of authority was granted in written form rather than on the online portal and was not updated in a timely manner. The list of certifying and alternate certifying officers and the list of approving officers on the ITC Intranet was not updated and contained the names of staff who had left ITC.

23. The Board is of the view that delegation of authority not issued and managed through the online portal would create difficulties for management when personnel change and may hinder the strengthening of accountability and effective mandate delivery.

24. **The Board recommends that ITC update relevant delegations of authority and manage them through the United Nations online portal.**

25. ITC accepted the recommendation.

4. Project and procurement management

Deficiencies in performance management of projects

26. According to the ITC Strategic Plan 2022–2025, ITC will prioritize at least 80 per cent of its country-level assistance in the least developed countries, landlocked developing countries, small island developing States, small and vulnerable economies, countries in armed conflict or at risk of lapsing or relapsing into conflict and sub-Saharan Africa.

27. According to the ITC Operational Plan 2022, to measure whether it is on track with its objectives, ITC uses a three-tier scorecard for quantitative results. Of the seven tier 2 outcome indicators, outcome indicator A4, (number of policies, strategies, rules or regulations, improved for the benefit of micro, small and medium-sized enterprises with business sector input, and promulgated or implemented), was set at 110. Outcome indicator C4 (number of micro, small and medium-sized enterprises led by women having transacted international business, including national business transactions that are part of international or global value chains, as a result of ITC support) was set at 4,000.

28. The Board noted that the Centre's delivery rate for priority countries in 2022 was 73 per cent, lower than the target of 80 per cent.

29. The Board also noted that the actual completion results for A4 and C4 were 76 (69 per cent) and 3,141 (79 per cent) respectively.

30. The Board is of the view that delivery in priority countries and achievement of target indicators are important for the Centre's mandate.

31. **The Board recommends that ITC increase its efforts to reach the delivery target in priority countries, and strengthen accountability for target setting and reporting at the project and section level.**

32. ITC accepted the recommendation.

Deficiencies in low value acquisition management

33. According to the United Nations Procurement Manual (DOS/2020.9) and ITC administrative instruction ITC/AI/2018/05 on low-value acquisitions, low-value acquisitions should not be used to buy goods or services that are recurring requirements in the procurement pipeline unless certain conditions are met. Should an entity identify that low-value acquisitions are being used repeatedly within the same year to buy similar requirements by the same office or several offices pertaining to that entity, efforts should be made to aggregate the requirements and conduct a bidding exercise, with the aim of replacing the use of low-value acquisitions with a contract or a blanket purchase order as soon as possible. Quotations and the offer procedural control form (OPC-LVA form) must be uploaded in Umoja to ensure the necessary audit trail.

34. The Board noted that 546 low-value acquisition purchase orders in 2022 were issued for recurring services to 72 vendors with a total net order value of $1.88 million. In addition, 455 low-value acquisition purchase orders were issued to the United Nations Development Programme for a total net order value of $1.29 million for similar types of services, which could have been grouped together under several blanket financial authorizations.

35. The Board sampled 100 low-value acquisition purchase orders with a top net order value totalling $986,195 and noted that 28 orders (28 per cent) with a value totalling $276,341 did not have OPC-LVA forms attached.

36. The Board is of the view that, in order to maximize economy and efficiency, the feasibility of buying such regularly used services through a blanket order, long-term arrangement or system contract could have been considered, rather than procuring the services on an as-needed basis. In addition, OPC-LVA forms are important procurement documents for the audit trail, which should be uploaded in Umoja as required.

37. **The Board recommends that ITC adhere strictly to its low-value acquisition policy, in particular by avoiding issuing multiple low-value acquisitions for recurring services and uploading OPC-low-value acquisition forms in the Umoja system.**

38. ITC accepted the recommendation.

5. Human resources management

Vacancy of key positions and delay in recruitment

39. According to the ITC Operational Plan 2022, the target average vacancy rate for all posts established by regular budget and programme support cost was ≤ 5 per cent. The target for the average time to recruit fixed-term staff (workdays; from job opening closed to selection approved by the Executive Director) is set at 80 days.

40. The Board noted that the actual average vacancy rate for all posts for 2022 was 7.8 per cent, and the vacancy rate for ITC regular budget posts at the professional and

higher levels reached 8 per cent as at 19 April 2023. The annual target vacancy rate was therefore not achieved.

41. The Board also noted that there were several cases of overdue recruitment. Of 54 fixed-term staff recruitments completed in 2022, 19 cases (35 per cent) took more than 80 days, of which 15 were recruitments for posts at the professional level, with the maximum recruitment period being 225 days.

42. The Board further noted that several key positions (regular budget posts) had been vacant for more than six months owing to recruitment delay.

(a) The D-1 post planned for the Addis Ababa office had not been filled since January 2016. It had been decided to use the position for the newly established Division of Sustainable and Inclusive Trade, and the post was filled in December 2022;

(b) The D-1 post of Director of the Division of Market Development had been vacant since January 2022, with a job opening announced in May 2022, and the recruitment was still in process as at 28 April 2023;

(c) The D-1 post of Director for the Division of Enterprise Competitiveness and Institutions had been vacant since November 2022, with a job opening announced in May 2022, and recruitment was still in process as at 28 April 2023;

(d) The job opening for a P-4 post of Senior Trade Promotion Officer for the Office for Arab States was announced in December 2021 and was on hold as at 28 April 2023;

(e) The P-4 post of Programme Officer for Strategic Planning, Performance and Governance had been vacant since January 2022, and a candidate was selected in December 2022.

43. The Board is of the view that vacancy control and efficient recruitment are important for human resources management and the whole organization. It is necessary for key positions to be filled on time for there to be strong leadership in place and effective mandate delivery.

44. **The Board recommends that ITC strengthen vacancy management and take measures to improve recruitment timelines, especially for key leadership positions, in line with its annual operational target.**

45. ITC accepted the recommendation.

Mandatory learning programmes not completed

46. According to the ITC Mandatory Training Programme (ITC/EDB/2021/01), section 2.1, “the mandatory training shall be completed within six months of the start date with ITC, or assuming a role for which the additional learning is mandatory, unless indicated otherwise”, and, in section 2.2, “employees are responsible for checking their mandatory training and ensuring that they are compliant with the programmes. The responsible supervisor shall be held accountable for ensuring that employees complete the mandatory trainings within the deadlines and shall allocate sufficient time to complete them as part of their official duties”.

47. The Board noted that the Centre’s overall completion rates for mandatory training for 2020, 2021 and 2022 were 95 per cent, 84 per cent and 87 per cent respectively. Compared with 2020, the completion rate for 2022 decreased by 8 per cent. The completion rate for “Competency-based selection interviewing skills” course for first and second reporting officers (effective as of 6 August 2021) was only 26 per cent for 2021 and 50 per cent for 2022. The completion rate for three courses,

including "Prevention of sexual exploitation and abuse by United Nations personnel: managers and commanders", continued to decrease.

48. The Board also noted that 130 first and second reporting officers, of whom 24 were staff at the P-5 and higher levels, had not completed three assigned mandatory training courses as at 31 December 2022. As to the course on "Competency-based selection and interviewing skills", 75 staff had not completed it by the end of 2022, including 17 P-5 staff and two D-1 staff.

49. The Board is of the view that mandatory training should be completed as required for an engaged workforce to fulfil the mandate and contribute to improving the organizational culture. Senior management are expected to act as role models for performance, including with regard to training.

50. **The Board recommends that ITC implement measures to strengthen the accountability of all managers and ensure that staff members complete mandatory training on time.**

51. ITC accepted the recommendation.

Deficiencies in special post allowance management

52. According to ITC administrative instruction ITC/AI/2014/13, the special post allowance may be extended by the Executive Director or the Chief of Human Resources to cover a total period of up to two years, including the initial period, upon the supervisor's certification that the staff member continues to satisfactorily perform the full functions of the higher-level position.

53. The Board noted that, of 24 staff (funded by extrabudgetary resources) who received the special post allowance with a "higher duty end date" from 2022 to 2023, 5 staff (21 per cent) were granted the allowance for more than two years, including the incumbents of two G-6 posts, two P-5 posts and one P-4 post. The longest duration for which a special post allowance has been granted is more than three years (1,212 days), with a "higher duty end date" of 31 July 2023.

54. **The Board recommends that ITC review those cases in which special post allowance for more than two years has been granted and ensure compliance with ITC administrative instruction ITC/AI/2014/13.**

55. ITC accepted the recommendation.

C. Transmissions of information by management

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

56. ITC reported that it had formally written off equipment for an amount of $73,115 and non-recoverable receivables of $4,689 during the year ended 31 December 2022.

2. Ex gratia payments

57. ITC reported no ex gratia payments for the year ended 31 December 2022.

3. Cases of fraud, presumptive fraud and financial mismanagement

58. ITC has no cases of fraud or presumptive fraud to report for the year ended 31 December 2022.

D. Acknowledgement

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

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

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

(*Signed*) Pierre **Moscovici**
First President of the French Cour des Comptes

26 July 2023

Annex

Status of implementation of recommendations up to the financial year ended 31 December 2021

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.	ITC is putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	This recommendation is considered implemented.	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.	Human Resources developed a system to ensure that a competitive process is in place. The terms of reference are reviewed to ensure that they are written in a specific, measurable, achievable, realistic and time-bound manner. All consultancy documents are properly recorded in the eROC processing system. All requests in 2022 went through a competitive process. When terms of reference are too generic in nature, they are rejected and returned for revision; in 2022, 23 per cent were returned for this reason.	This recommendation is considered implemented.	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.	ITC is putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	This recommendation is considered implemented.	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 timely submission of a long-term impact report to the satisfaction of ITC.	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 in the process of being reviewed to include a framework for reporting. The final provisions will eventually be incorporated into the grant model as deemed necessary.	This recommendation is considered to be under implementation.		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*
5	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.	This recommendation is considered to be under implementation.		X		
6	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.	ITC is putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	This recommendation is considered implemented.	X			
7	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.	ITC established a standard operating procedure for a formal ex-post review by the Central Support Services to oversee compliance and took follow-up actions.	This recommendation is considered implemented.	X			
8	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 correction is still in process, this recommendation is considered to be under implementation.		X		
9	2020	A/76/5 (Vol. III), chap. II, para. 41	Establish a monitoring procedure to avoid consultants working simultaneously and full time on separate contracts.	Contracts are already closely monitored with a calculator to ensure that consultants do not work simultaneously and full time on different contracts.	This recommendation is considered implemented.	X			
10	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.	While ITC looked at the option of modifying the fee scales to close the gaps, this was not possible given the complex formula used by the Secretariat of the United Nations. Practice has therefore been modified to ensure that fees are within the fee range structure.	Considering the situation, 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
11	2020	A/76/5 (Vol. III), chap. II, para. 52	Carry out interim evaluations for those contracts with periods longer than six months.	Policy has been updated to remove interim evaluations at the six-month mark as managers verify that delivery occurred with each payment request, and a final evaluation is completed for the final payment.	Given that ITC has removed the requirement for interim evaluations for consultants and individual contractors (administrative instruction ITC/AI/2022/01), this recommendation is considered to have been overtaken by events.				X
12	2020	A/76/5 (Vol. III), chap. II, para. 60	Adopt corrective measures to improve compliance with the advance ticket purchase policy.	ITC is putting in place clear accountability mechanisms at all levels to ensure improved compliance with the advance ticket purchase policy.	This recommendation is considered to be under implementation.		X		
13	2021	A/77/5 (Vol. III), chap. II, para. 19	Clear the outstanding advances on 90 closed implementing partner agreements and review those with outstanding advances on a regular basis.	ITC is regularly reviewing the outstanding advances and requesting the relevant project managers to take necessary measures.	Given that advances on closed implementing partner agreements are still outstanding, this recommendation is considered to be under implementation.		X		
14	2021	A/77/5 (Vol. III), chap. II, para. 26	Review the balance of grants regularly and clear the residual cash balance of closed grants within a reasonable time period.	ITC is reviewing and clearing the residual cash balance of closed grants within a reasonable period and has issued a guideline for follow-up with donors.	Given that the review is ongoing, this recommendation is therefore considered to be under implementation.		X		
15	2021	A/77/5 (Vol. III), chap. II, para. 34	Develop a comprehensive strategic workforce plan covering all types of workforce so as to identify the talents and skills required by ITC.	Research is being conducted as to what tools/systems are available on the market, as well as in other international organizations. ITC is part of the inter-agency strategic workforce planning group to share what each organization is doing in this area.	This recommendation is considered to be under implementation.		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
16	2021	A/77/5 (Vol. III), chap. II, para. 40	Take measures to promote the timely completion of midterm reviews and ensure the integrity of the year-end review reports.	Dashboards have been created so that managers have access to information. Strengthening performance management of ITC projects includes mandatory goals for managers to establish key performance indicators and just-in-time training at each stage of the performance management cycle.	Given that the Centre's measures are in process, this recommendation is considered to be under implementation.		X		
17	2021	A/77/5 (Vol. III), chap. II, para. 47	Review the current approach to the deployment of physical presence in the field and develop guidelines on opening project offices.	ITC is currently developing the country engagement and communication strategy, which will enable the organization to increase and enhance its physical field presence in a more strategic way.	This recommendation is considered to be under implementation.		X		
18	2021	A/77/5 (Vol. III), chap. II, para. 53	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.	The Independent Evaluation Unit tracked project completion reports and submitted the analysis to senior management committee to support its decision-making.	This recommendation is considered implemented.	X			
19	2021	A/77/5 (Vol. III), chap. II, para. 58	Take measures to improve its follow-up on evaluation recommendations and the application of evaluation results.	The Independent Evaluation Unit has been tracking the implementation status of the evaluation recommendations in line with the United Nations Evaluation Group norms and standards and the ITC evaluation guidelines.	This recommendation is considered implemented.	X			
Total number of recommendations					**19**	**8**	**9**	**–**	**2**
Percentage of the total number of recommendations					**100**	**42**	**47**	**–**	**11**

Chapter III
Certification of the financial statements

Letter dated 28 March 2023 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 2022 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 2022

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 2022.

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 United Nations 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 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 improve livelihoods by boosting the competitiveness of micro, small and medium-sized enterprises. 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, job creation 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". The contribution of ITC to micro, small and medium-sized enterprise competitiveness, employment creation and income generation is more important and relevant than ever.

8. 2022 was the first year of implementation of the ITC strategic plan 2022–2025. ITC continues to deliver on its mandate in support of the Sustainable Development Goals. By boosting the competitiveness of micro, small and medium-sized enterprises, placing trade-led growth at the centre of economic and social policy and building business ecosystems in developing countries, ITC helps to build sustainable and inclusive livelihoods through trade.

D. Overview of operations and environment

9. In line with the ITC strategic plan 2022–2025, ITC contributes to the Sustainable Development Goals, summarized as People, Planet, Prosperity supported by Peace and Partnerships ("the 5 Ps"). ITC combines its extensive expertise in four core service areas with a focus on five impact areas. The four core services areas are: (a) improved micro, small and medium-sized enterprise firm-level capacities to trade; (b) a more supportive business ecosystem for micro, small and medium-sized enterprises; (c) a more conducive policy and regulatory environment for micro, small and medium-sized enterprises; and (d) improved business, trade and market intelligence (public goods). ITC focuses its technical expertise on five impact areas to maximize the contribution of micro, small and medium-sized enterprises competitiveness to inclusion, sustainability and prosperity: (a) sustainable and resilient value chains; (b) inclusive trade; (c) green trade; (d) e-commerce; and (e) regional integration and South-South trade.

10. In 2022, ITC planned to deliver trade-related technical assistance worth $145.30 million. Actual delivery was above target, at $152.98 million. This delivery was financed by two types of funds: the regular budget and extrabudgetary funding. ITC delivered technical assistance, capacity-building and market intelligence with gross extrabudgetary expenditures of $114.63 million. Extrabudgetary expenditure is approximately 6.9 per cent higher than in the previous year. Regular budget expenditure amounted to $38.35 million. General performance is in line with output and outcome targets that were set for the year. The Centre's performance continued to be strongly supported by corporate initiatives for innovation and project development.

11. In 2022, more than 640,000 beneficiaries became more aware of trade-related topics, through use of ITC market intelligence tools and other digital content, as well as through targeted ITC awareness-raising and knowledge sharing events. In more than 70 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 more than 500 instances, ITC institutional beneficiaries, public and private business support organizations, improved their performance through ITC interventions, and improved their ability to serve their clients. More than 27,000 micro, small and medium-sized enterprises, of which more than 10,500 were women-led businesses, changed their business operations and improved their competitiveness. Finally, more than 9,600 micro, small and medium-sized enterprises

(of which more than 3,100 were women-led) transacted international business with ITC assistance. The largest share of ITC delivery continued to be focused on the sub-Saharan Africa region, in line with the Centre's prioritization of the most vulnerable countries. In 2022, 38 per cent of country or region-specific extrabudgetary expenditure was dedicated to least developed countries, and 73 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.

12. During 2022, ITC continued to incorporate lessons learned and best practices to help post-pandemic recovery and tackle the triple planetary crises: climate change, pollution and biodiversity loss, while operating in increasingly volatile country contexts. ITC maintained a hybrid approach to delivery, working with local implementing partners in the field and partnering with other United Nations agencies. Among ITC public goods, the Market Access Map was enhanced with a real-time dashboard on trade measures and the ITC updated Standards Map now hosts more than 300 voluntary standards, codes of conduct and audit protocols applicable to more than 80 sectors. The ITC flagship report, entitled *SME Competitiveness Outlook 2022: Connected Services, Competitive Businesses*, outlined four key service sectors for economic transformation: transport and logistics, financial services, information and communication technologies and business and professional services. These sectors contribute directly to economic growth, with an increasing share of output, trade and jobs.

13. In 2022, the annual evaluation synthesis report revealed evidence of "expertise" and "agility" as ITC organizational strengths and as a foundation of the ITC value proposition. Many evaluated initiatives had made effective use of synergies and had made encouraging advancements in providing value for money. While ITC initiatives effectively supported women's participation in trade, environmental concerns had received less attention. In response, ITC is advancing an approach for mainstreaming environmental dimensions of sustainable development into all its projects.

14. During 2022, risks were mainly triggered by security situations or post-pandemic conditions in programming countries. ITC proactively managed risks, based on discussions with key stakeholders, while maintaining its field operations and enabling continuous delivery. In 2022, ITC management carried out corporate risk assessments, reviewed and updated ITC enterprise risk management framework and aligned the ITC risk appetite statement with the new strategic plan. Based on the ITC portfolio of country projects, several external risks, including those related to staff safety and security, were assigned an increased rating in the ITC risk register. New corporate risks, related to increasing operating costs and energy related costs, have been added.

15. 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 48 per cent against a 50 per cent target; while ITC achieved 88 per cent compliance with the United Nations System-wide Action Plan on Gender Equality and the Empowerment of Women 2.0 framework, as measured by indicators "met" or "exceeded". ITC was successful in its fundraising efforts, securing $259 million of extrabudgetary funding for the years 2023 and beyond.

16. 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 30 countries, while in several other countries, ITC contributes to and reports on joint workplans. 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.

17. At the fifty-sixth annual meeting of the ITC Joint-Advisory Group, held in Geneva on 13 September 2022, Member States voiced their support for ITC in steering economies back to recovery, in the context of the post-pandemic, inflation, climate and security challenges. There was appreciation for ITC empowering small businesses to tackle climate change with an increasing focus on green competitiveness in its strategic plan 2022–2025, noting that this was in line with the larger concern about the environment becoming a trade barrier, and noting the need to increase support to sectors affected by coronavirus disease (COVID-19) and climate change. ITC was applauded for supporting vulnerable groups, including women and youth, and it was suggested that it widen the scope of SheTrades initiative and increase the impact of SheTrades Hubs. Member States placed special emphasis on leveraging digital trade to empower vulnerable communities, and encouraged ITC work, in particular in Africa, calling for more support towards African economic integration through initiatives such as One Trade Africa, in the context of the African Continental Free Trade Area. Lastly, Member States encouraged ITC to continue its focus on delivering results and ensuring value for money, working in close cooperation with development partners, including WTO and UNCTAD.

E. Overview of the financial statements for the year ended 31 December 2022

18. 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 2022. 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)

	2022	*2021*
Total revenue	155 946	160 509
Total expense	158 451	150 872
(Deficit)/surplus	**(2 505)**	**9 637**

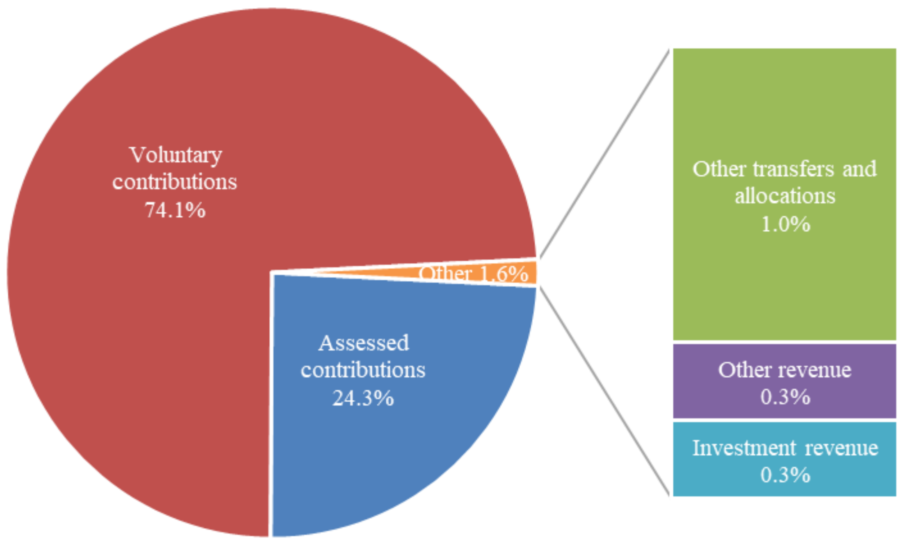
19. In 2022, total revenue of $155.946 million (2021: $160.509 million) comprised voluntary contributions from donors of $115.588 million (74.1 per cent), assessed contributions of $37.884 million (24.3 per cent), revenue from other transfers and allocations of $1.622 million (1.0 per cent), investment revenue of $0.430 million (0.3 per cent), and other revenue of $0.422 million (0.3 per cent). Voluntary contributions from donors include a rental subsidy (contribution in-kind) of $2.991 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.

20. 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. 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

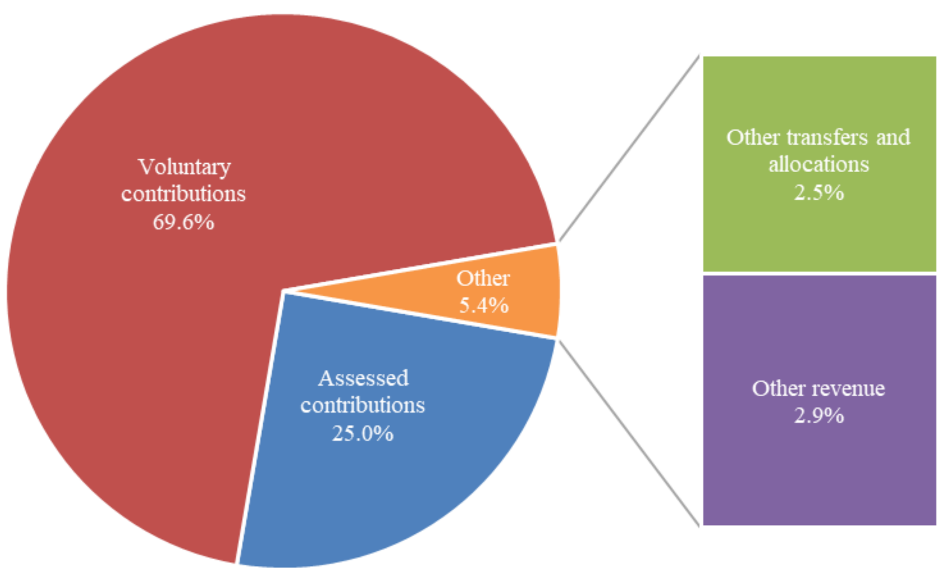
previous years is used for activities in the current year or in future years except where the agreements are conditional.

21. Contributions from unconditional agreements of $48.408 million were mainly from the signature of major multi-year agreements with Canada, Germany, the Republic of Korea, Sweden, Switzerland and the United Kingdom of Great Britain and Northern Ireland, 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 $66.122 million was recognized from conditional agreements.

Figure IV.I
Total revenue by fiscal year

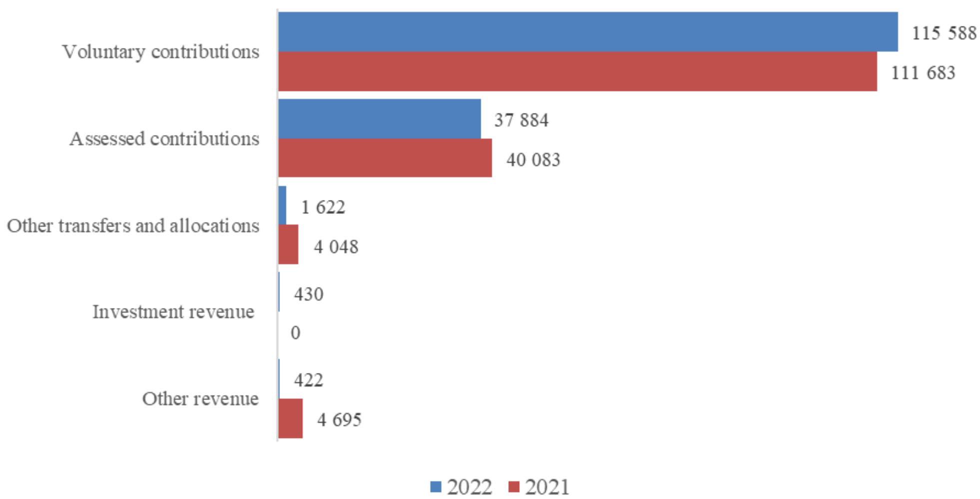


Fiscal year 2022: total revenue $155.946 million



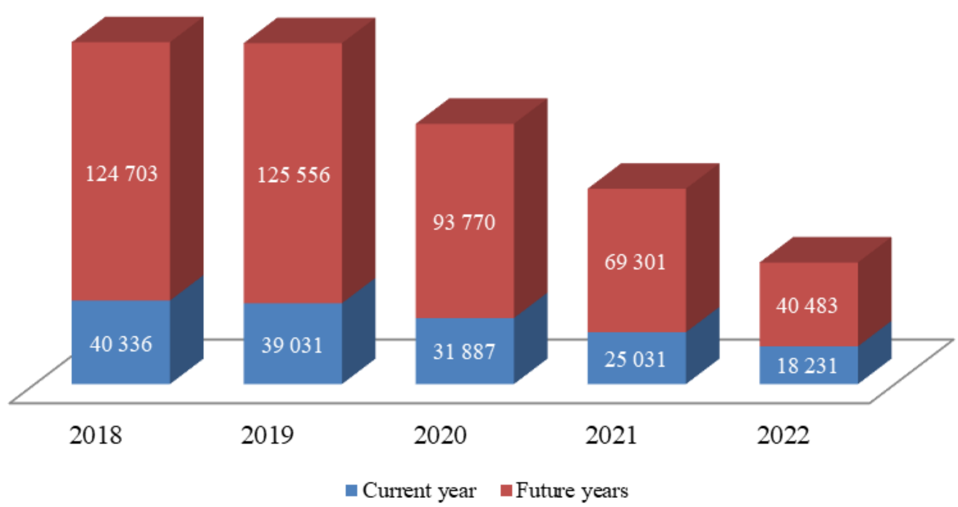
Fiscal year 2021: total revenue $160.509 million

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



22. Overall, on a year-to-year basis, the value of voluntary contribution and other transfers and allocations agreements signed with donors was $58.714 million in 2022, $94.332 million in 2021, $125.657 in 2020, $164.587 million in 2019 and $165.039 million in 2018.

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)

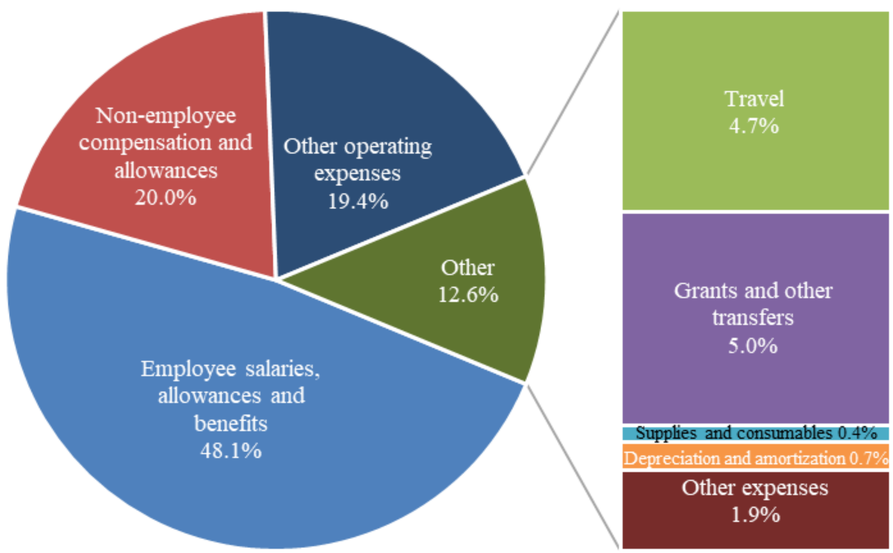


23. The above figure shows voluntary contributions and other transfers and allocations agreements signed in each year and the portion attributable to the current year and to future years.

Expenses

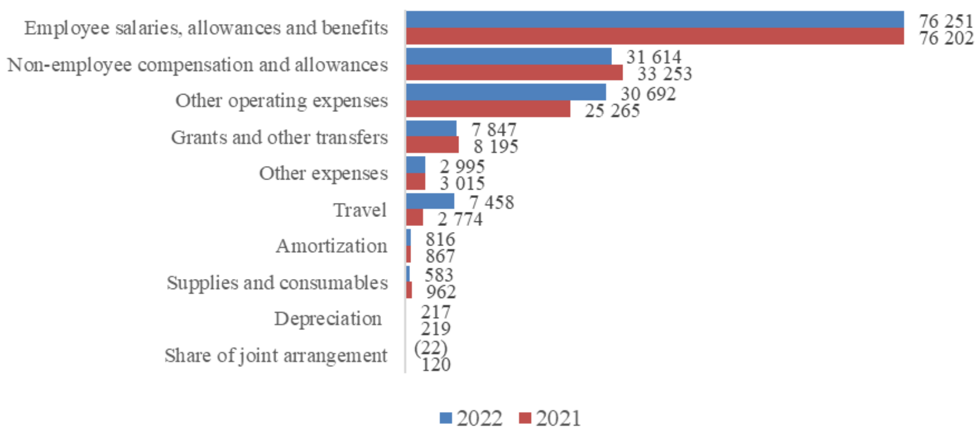
24. For the year ended 31 December 2022, expenses totalled $158.451 million (2021: $150.872 million) and comprised the following categories: staff costs of $76.251 million (48.1 per cent); non-employee compensation and allowances of $31.614 million (20.0 per cent); other operating expenses of $30.692 million (19.4 per cent); grants and other transfers of $7.847 million (5.0 per cent); travel of $7.458 million (4.7 per cent); other expenses, including share of joint arrangement, of $2.973 million (1.9 per cent); depreciation and amortization to $1.033 million (0.7 per cent); and supplies and consumables to $0.583 million (0.4 per cent). Staff costs included $6.116 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 per cent to 14.0 per cent. These costs are included in the project expenses.

Figure IV.IV
Total expenses by fiscal year



Fiscal year 2022: total expenses $158.451 million

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



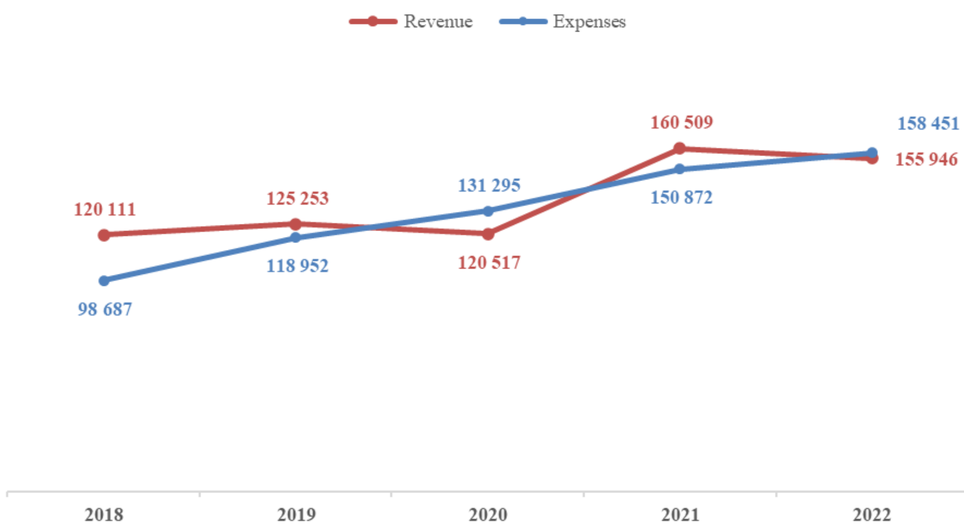
25. Total personnel cost, which includes staff costs and non-employee compensation and allowances, amounted to $107.865 million (2021: $109.455 million); while this amount represents 68.1 per cent of total expenses for the year, it remained fairly constant as compared with 2021. Other operating expenses totalled $30.692 million (2021: $25.265 million), representing 19.4 per cent of total expenses for the year. The increase of 21.5 per cent compared with the prior year is due to an increase in technical assistance-related expenditure such as training, meeting facilitation, rental of premises and information technology design and development services and higher requirements for contracted services and the acquisition of goods for project activities. Travel totalled $7.458 million (2021: $2.774 million) or 4.7 per cent of total 2022 expenses. The increase of 168.9 per cent compared with 2021 is due to the operations reverting to the pre-COVID-19 pandemic levels as implementation of ITC projects continued and interactions with the beneficiaries expanded. Supplies and consumables decreased by 39.4 per cent compared with 2021 (2022: $0.583 million, 2021: $0.962 million) owing to adaptations in working methods and a natural decrease in consumption. Depreciation and amortization decreased by 4.9 per cent compared with 2021 (2022: $1.033 million, 2021: $1.086 million). Other expenses, including the ITC share of joint arrangements, amounted to $2.973 million (2021: $3.135 million). The decrease of 5.4 per cent is due to a decrease in ITC liability for the share of joint arrangements. The general performance is in line with the outcome targets that were set for the year 2022.

Operating results

26. The net deficit of revenue over expense in 2022 was $2.505 million (2021: net surplus $9.637 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.

27. Recognition of revenue from unconditional agreements at a point of signature of the agreement has skewed 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.

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



Assets

28. Assets as at 31 December 2022 totalled $331.071 million compared with the balance at 31 December 2021 of $392.628 million.

29. The main assets as at 31 December 2022 were cash and cash equivalents and investments totalling $146.403 million (2021: $160.712 million), representing 44.2 per cent of the total assets, and voluntary contributions receivable from donors for technical cooperation projects of $168.794 million (2021: $219.358 million), or 51.0 per cent. The remaining assets consisted of other assets, property, plant and equipment and intangible assets.

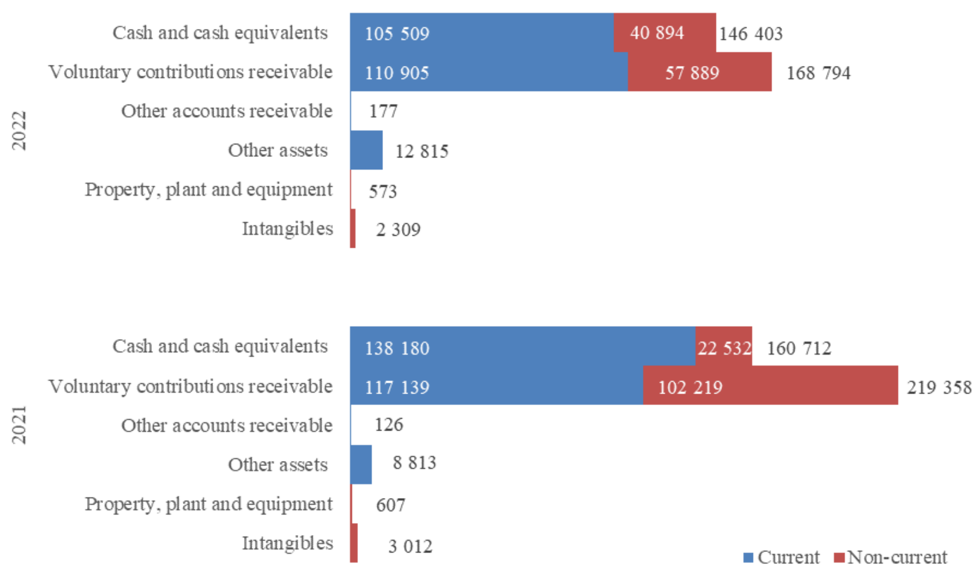
30. Cash and cash equivalents and investments of $146.403 million as at 31 December 2022 are held in the United Nations cash pool and cash held in the main and field offices. This represents a decrease of $14.309 million over the balance held at the end of 2021, primarily because many projects are under implementation and consuming cash and cash equivalents.

31. 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 $168.794 million due as at 31 December 2022, $110.905 million is expected to be received in 2023 and the balance of $57.889 million is expected after 2023.

32. Overall, voluntary contributions receivable decreased by $50.564 million. As noted in the figure below, short-term voluntary contributions receivable decreased from $117.139 million to $110.905 million and long-term voluntary contributions

receivable decreased from $102.219 million to $57.889 million. The decrease is mainly a result of the settlements received in 2022, 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 voluntary contributions will increase in 2023.

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



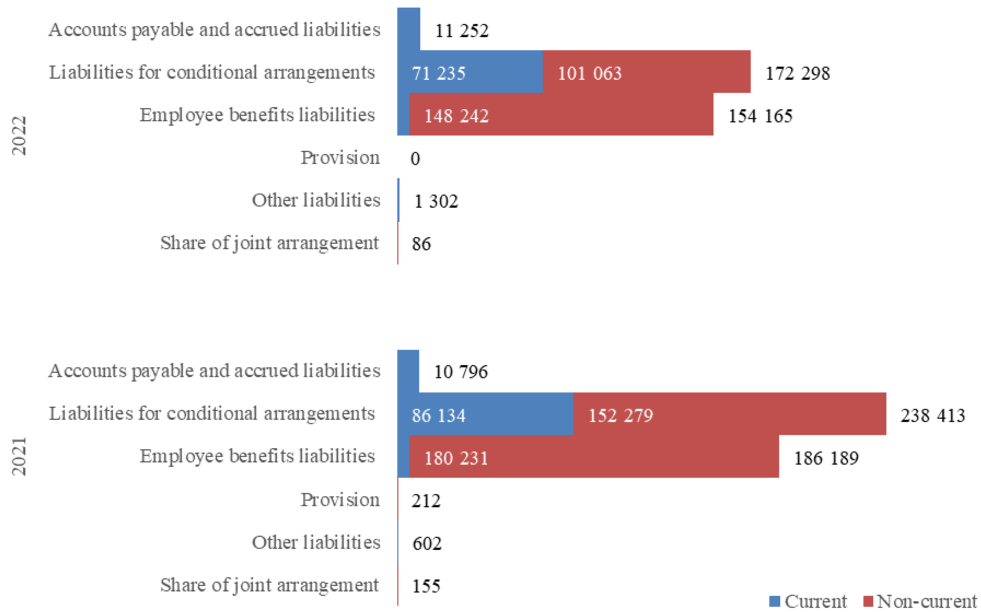
Liabilities

33. Liabilities as at 31 December 2022 totalled $339.103 million compared with the balance as at 31 December 2021 of $436.367 million.

34. Liabilities for conditional arrangements decreased by $66.115 million, from $238.413 million in 2021 to $172.298 million reported in 2022, representing 50.8 per cent of the Centre’s total liabilities in 2022. 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 2022. A number of multi-year projects funded by the European Union were signed prior to 2022 and have continued or entered the implementation phase during 2022, resulting in a decrease in conditional liability. Approximately $8.323 million in new multi-year agreements were signed during the year, while approximately $66.055 million were delivered and recognized as revenue during the year.

35. Another significant liability was for employee benefits earned by staff members and retirees. It accounted for $154.165 million, representing 45.5 per cent of the ITC total liabilities in 2022. 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 $138.043 million, or 89.5 per cent of the total employee benefit liability. The decrease in employee benefits liabilities of $32.024 million is a result of a $38.165 million net actuarial gain, recognized directly through net assets, and $6.116 million in current service costs and interest, net of benefit payments, recognized in the statement of financial performance as a component of staff costs, as well as an increase in accrued salaries, allowances and benefits and home leave by $0.025 million.

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



Net assets

36. The movement in net liabilities during the year, reflecting a decrease of $35.707 million from $43.739 million in 2021 to $8.032 million in 2022, is mainly attributable to the net gain in actuarial valuation of $38.165 million. ITC participates in jointly financed operations relating to safety and security, which is established under a binding agreement. ITC reported $0.047 million in the net liabilities as its 2022 total share of the joint arrangement accounted for using the equity method. Net liabilities are offset by the operating reserves, which increased from $13.208 million in 2021 to $15.424 million in 2022.

Liquidity position

37. As at 31 December 2022, the liquidity position of ITC was healthy. ITC had sufficient liquid assets to settle its current liabilities. Liquid assets totalled $216.591 million (cash and cash equivalents of $21.802 million, short-term investments of $83.707 million and accounts receivable of $111.082 million), whereas total current liabilities amounted to $89.712 million and total liabilities amounted to $339.103 million. ITC total cash and investment resources amounted to $146.403 million.

38. The table below summarizes key liquidity indicators for the financial year ended 31 December 2022, with comparatives for the year ended 31 December 2021.

Liquidity indicator	*2022*	*2021*
Ratio of liquid assets to current liabilities	2.4:1	2.5:1
Ratio of liquid assets less accounts receivable to current liabilities	1.2:1	1.3:1
Ratio of liquid assets to total assets	0.7:1	0.7:1
Average months of liquid assets less accounts receivable on hand	8.0	11.1

39. 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 2.4:1 indicates that current liabilities are covered 2.4 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 1.2, 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 2022, ITC 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 $13.118 million for 8 months.

40. As at the reporting date, ITC had employee benefits liabilities of $154.165 million. With total cash and cash equivalents and investments of $146.403 million, 95.0 per cent of the employee benefits liabilities were covered. Defined benefit liabilities pertaining to the regular budget have 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 2022 was 35 per cent.

Budgetary comparison

41. 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.

42. 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.

	2022			*2021*		
	Final annual	*Actual (budget basis)*	*Difference (percentage)*	*Final annual*	*Actual (budget basis)*	*Difference (percentage)*
Revenue						
Assessed contributions from the United Nations	19 754	19 073	(3)	20 361	20 096	(1)
Assessed contributions from WTO	19 754	19 073	(3)	20 361	20 096	(1)
Other revenue	217	203	(7)	223	172	(23)
Total revenue	**39 725**	**38 349**	**(4)**	**40 945**	**40 364**	**(1)**
Regular budget						
Posts	31 127	30 033	(4)	32 082	31 736	(1)
Non-post	8 598	8 316	(3)	8 863	8 625	(3)
Total expenses	**39 725**	**38 349**	**(4)**	**40 945**	**40 361**	**(1)**
Surplus/(deficit) for year	–	–	–	–	**3**	–

43. 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 2022.

F. Risk and uncertainty

44. The external funding environment is evolving, partly owing to the global economic impacts on Member States. Key changes include greater competition, a reprioritization in official development assistance, the decentralization of resource allocation decisions to programming countries and the increasing weight of new development actors. ITC experienced a reduction in signed agreements for voluntary contributions from $94.332 million in 2021 to $58.714 million in 2022. ITC is addressing these changes through an updated resource mobilization strategy whereby it continues to deepen relations with traditional donors and diversify the donor base.

45. Employee benefit liabilities accounted for $154.165 million, representing 45.5 per cent of the Centre's total liabilities in 2022. ITC continues to apply a set of financial and non-financial measures, such as discretionary transfers as a reserve to cover the Centre's obligation, in an effort to deal with the uncertainty regarding the employee benefit liability trajectory.

Annex

Supplementary information

1. The present annex includes the information that 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 $0.005 million was written-off during 2022.

Write-off of losses of property

3. Pursuant to financial rule 106.7 (a), property, plant and equipment comprising 1 item in office equipment category, 19 in the communication and information technology category and 2 items in the safety and security category, with a total acquisition cost of $0.073 million, were written off owing to obsolescence.

Ex gratia payments

4. There were no ex gratia payments during 2022.

Chapter V

Financial statements for the year ended 31 December 2022

International Trade Centre

I. Statement of financial position as at 31 December 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Assets			
Current assets			
Cash and cash equivalents	Note 4	21 802	17 792
Investments	Note 5	83 707	120 388
Voluntary contributions receivable	Note 6	110 905	117 139
Other accounts receivable	Note 6	177	126
Other assets	Note 7	12 815	8 813
Total current assets		**229 406**	**264 258**
Non-current assets			
Investments	Note 5	40 894	22 532
Voluntary contributions receivable	Note 6	57 889	102 219
Property, plant and equipment	Note 8	573	607
Intangible assets	Note 9	2 309	3 012
Total non-current assets		**101 665**	**128 370**
Total assets		**331 071**	**392 628**
Liabilities			
Current liabilities			
Accounts payable and accrued liabilities	Note 10	11 252	10 796
Liabilities for conditional arrangements	Note 11	71 235	86 134
Other liabilities	Note 11	1 302	602
Employee benefits liabilities	Note 12	5 923	5 958
Total current liabilities		**89 712**	**103 490**
Non-current liabilities			
Liabilities for conditional arrangements	Note 11	101 063	152 279
Employee benefits liabilities	Note 12	148 242	180 231
Provision	Note 13	–	212
Share of joint arrangement	Note 19	86	155
Total non-current liabilities		**249 391**	**332 877**
Total liabilities		**339 103**	**436 367**
Net of total assets and total liabilities		**(8 032)**	**(43 739)**
Net assets			
Accumulated deficit		(23 456)	(56 947)
Operating reserves	Note 14	15 424	13 208
Total net assets		**(8 032)**	**(43 739)**

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 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Revenue			
Assessed contributions	Note 15	37 884	40 083
Voluntary contributions	Note 15	115 588	111 683
Other transfers and allocations	Note 15	1 622	4 048
Other revenue	Note 15	422	4 695
Investment revenue	Note 15	430	–
Total revenue		**155 946**	**160 509**
Expenses			
Employee salaries, allowances and benefits	Note 16	76 251	76 202
Non-employee compensation and allowances	Note 16	31 614	33 253
Travel	Note 16	7 458	2 774
Grants and other transfers	Note 16	7 847	8 195
Supplies and consumables	Note 16	583	962
Depreciation	Note 8	217	219
Amortization	Note 9	816	867
Other operating expenses	Note 16	30 692	25 265
Other expenses	Note 16	2 995	3 015
Share of joint arrangement	Note 19	(22)	120
Total expenses		**158 451**	**150 872**
(Deficit)/surplus for the year		**(2 505)**	**9 637**

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 2022

(Thousands of United States dollars)

	Accumulated surplus, restricted	*Reserves*	*Total*
Net assets as at 1 January 2021	**(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)**
Actuarial gain on employee benefits liabilities (Note 12)	38 165	–	38 165
Deficit for the year	(2 505)	–	(2 505)
Transfers (Note 14)	(2 216)	2 216	–
Share of changes recognized in the net assets of joint arrangement (Note 19)	47	–	47
Total recognized changes in net assets	**33 491**	**2 216**	**35 707**
Net assets as at 31 December 2022	**(23 456)**	**15 424**	**(8 032)**

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 2022

(Thousands of United States dollars)

	Reference	*31 December 2022*	*31 December 2021*
Cash flows from operating activities			
(Deficit)/surplus for the year		(2 505)	9 637
Non-cash movements			
Depreciation and amortization	Notes 8 and 9	1 033	1 086
Actuarial gain on employee benefits liabilities	Note 12	38 165	550
Loss on disposal of assets	Notes 8 and 9	32	–
Gains on share of joint arrangement	Note 19	47	36
Changes in assets			
(Increase)/decrease in voluntary contributions receivable	Note 6	50 564	8 443
(Increase)/decrease in other accounts receivable	Note 6	(51)	(126)
(Increase)/decrease in other assets	Note 7	(4 002)	(2 080)
Changes in liabilities			
Increase/(decrease) in accounts payable and accrued liabilities	Note 10	456	1 089
Increase/(decrease) in employee benefits liabilities	Note 12	(32 024)	5 950
Increase/(decrease) in liabilities for conditional arrangements	Note 11	(66 115)	(36 806)
Increase/(decrease) in other liabilities	Note 11	700	(151)
Increase/(decrease) in provision	Note 13	(212)	212
Increase/(decrease) in shares of joint arrangement	Note 19	(69)	84
Investment revenue presented as investing activities	Note 15	(430)	–
Net cash flows used in operating activities		**(14 411)**	**(12 076)**
Cash flows from investing activities			
Pro rata share of net increases in the cash pool	Note 5	18 319	11 685
Investment revenue presented as investing activities	Note 15	430	–
Acquisitions of property, plant and equipment	Note 8	(215)	(228)
Acquisitions of intangibles	Note 9	(113)	(572)
Net cash flows from investing activities		**18 421**	**10 885**
Net increase/(decrease) in cash and cash equivalents		**4 010**	**(1 191)**
Cash and cash equivalents, beginning of year		17 792	18 983
Cash and cash equivalents, end of year	**Note 4**	**21 802**	**17 792**

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 2022

(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	19 754	19 754	19 073	(3.4)
Assessed contributions from the World Trade Organization	19 754	19 754	19 073	(3.4)
Other revenue	217	217	203	(6.5)
Total revenue	**39 725**	**39 725**	**38 349**	**(3.5)**
Expenses				
Posts	31 127	31 127	30 033	(3.5)
Non-post	8 598	8 598	8 316	(3.3)
Total expenses	**39 725**	**39 725**	**38 349**	**(3.5)**
Surplus for the year	–	–	–	–

[a] The original annual budget is the lower of the budget approved by the General Assembly (resolution 76/247) or by the General Council of WTO (WT/BFA/198 and WT/GC/M/194).

[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 2022 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 objective, to which ITC contributes, is to enhance inclusive and sustainable growth and development through trade and international business development for micro-, small and medium-sized enterprises in developing countries, in particular the least developed countries, and countries with economies in transition, through increased business capacities of those enterprises to trade and through a conducive business environment and strengthened institutional ecosystems for those enterprises. The Centre's work is demand driven and client oriented. ITC provides tailored support, aligned with national objectives, to grow trade opportunities for its client micro, small and medium-sized enterprises, business support organizations and policymakers in developing and the least developed countries and to improve trade competitiveness, reduce poverty and strengthen economies.

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 five 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 32 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 2023 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 2022 to the Board of Auditors by 31 March 2023. 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.

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) Transfer expenses: the aim of the project is to develop a standard or standards that provide recognition and measurement requirements applicable to providers of transfer expenses, 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 a consultation paper, then one or more exposure drafts to address the issues relating to the recognition, measurement, presentation and disclosure of natural resources. The consultation paper, issued in 2022, includes the IPSAS Board's current thinking on the recognition, measurement, presentation and disclosure issues relating to subsoil resources, water and living resources. Approval of an exposure draft is planned for 2023;

(g) Conceptual framework: the project objective is to update the conceptual framework for a limited number of issues based on the criteria of urgency, consequences, feasibility and prevalence, with a particular emphasis on the first three of these criteria. Exposure draft 81, Conceptual Framework Update is focused on Chapter 3, Qualitative Characteristics and Chapter 5, Elements in Financial Statements;

(h) Public sector leasing issues: The IPSAS Board will continue consideration of public sector specific leasing issues, such as concessionary leases, in its Other Lease-Type Arrangements project. Exposure draft 84, Concessionary Leases and Right-of-Use Assets In-kind (Amendments to IPSAS 43 and IPSAS 23) was issued in January 2023 and comments are due by 17 May 2023. Approval of a new standard is planned for 2024;

(i) Advancing public sector sustainability reporting: The IPSAS Board has issued exposure draft 83, covering reporting sustainability programme information. The comment period ended 16 January 2023. Approval of recommended practice guidance is planned for 2023;

(j) Retirement benefit plans: the IPSAS Board voted to preliminarily approve exposure draft 82, *Retirement Benefit Plans*. Exposure draft 82 provides accounting and reporting requirements for public sector retirement benefit plans and is adapted from International Accounting Standard 26, *Accounting and Reporting by Retirement Benefit Plans*. The comment period ended in August 2022. Approval of a new standard is planned for 2023.

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, IPSAS 43: Leases, issued in January 2022 and effective 1 January 2025 and IPSAS 44: Non-current assets held for sale and discontinued operations, issued in May 2022 and effective 1 January 2025. The effective dates of IPSAS 41 and IPSAS 42 were deferred by one

year to 1 January 2023 owing to the COVID-19 pandemic and the challenges that 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 is effective as from 1 January 2023. Its impact on the financial statements is being assessed, and the Centre 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 Centre.
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 Centre will be ready for its implementation by the time it becomes effective.
IPSAS 44	IPSAS 44 specifies the accounting for assets held for sale and the presentation and disclosure of discontinued operations. It requires assets that meet the criteria to be classified as held for sale to be: • Measured at the lower of carrying amount and fair value less costs to sell and depreciation on such assets to cease. • Presented separately in the statement of financial position and the results of discontinued operations to be presented separately in the statement of financial performance. IPSAS 44 will be effective from 1 January 2025. Its impact on the financial statements will be assessed prior to that date and the Centre 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, less impairment for estimated irrecoverable amounts, that is, the allowance for doubtful receivables. If deemed material, long-term voluntary contribution receivables that will mature in more than 12 months 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 Centre (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 Centre 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.

48. 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.

Appendix D benefits

49. 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.

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 Centre. 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. Where a donated right-to-use arrangement is treated as an operating lease, an expense and corresponding revenue equal to the annual rental value of the asset or similar property are recognized in the financial statements.

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 a 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 Centre 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 Centre 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 of the Centre. 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. Interest in a joint venture 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, an operating reserve is also maintained in the programme support fund at 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 2022	*31 December 2021*
Main cash pool	21 792	17 780
Cash held in main and field offices	10	12
Total cash and cash equivalents	**21 802**	**17 792**

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. 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 2022	*31 December 2021*
Financial assets		
Fair value through surplus or deficit		
Investments, main cash pool (short term)	83 707	120 388
Investments, main cash pool (long term)	40 894	22 532
Total fair value through surplus or deficit	**124 601**	**142 920**
Cash and receivables		
Cash and cash equivalents, main cash pool (note 4)	21 792	17 780
Financial assets held in main cash pool payable to ITC	**146 393**	**160 700**
Cash and cash equivalents, other (note 4)	10	12
Accounts receivable (note 6)	168 794	219 358
Total cash and receivables	**168 804**	**219 370**
Total carrying amount of financial assets	**315 197**	**380 070**
Financial liabilities		
Amortized cost		
Accounts payable and accrued liabilities (note 10)	11 252	(10 796)
Total carrying amount of financial liabilities	**11 252**	**(10 796)**

72. The reduction in cash and cash equivalents and short-term and long-term investments is attributable to the decrease in signed agreements. In 2022, newly

signed multi-year agreements for voluntary contributions amounted to $58.714 million (2021: $94.332 million). Although many of the agreements were multi-year, their first instalments were lower compared with the first instalments received in 2021. The related drop in the amount held for future project expenses will not impact the operating revenues for future periods as the voluntary contributions portfolio is expected to increase in 2023.

73. 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.

74. 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.

75. As at 31 December 2022, ITC participated in the main pool, which held total assets of $11,873.8 million (2021: $11,799.7 million), of which $146.4 million was due to ITC (2021: $160.7 million), comprising short-term and long-term investments of $124.6 million (2021: $142.9 million) and cash and cash equivalents of $21.8 million (2021: $17.8 million). Its share of revenue from the main pool was $0.620 million (2021: ($0.019) million) (see note 15).

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

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Fair value through surplus or deficit		
Short-term investments	6 789 427	8 839 722
Long-term investments	3 316 889	1 654 439
Total fair value through surplus or deficit investments	**10 106 316**	**10 494 161**
Loans and receivables		
Cash and cash equivalents	1 707 288	1 294 660
Accrued investment revenue	60 265	10 903
Total loans and receivables	**1 767 553**	**1 305 563**
Total carrying amount of financial assets	**11 873 869**	**11 799 724**
Cash pool liabilities		
Payable to ITC	146 393	160 700
Payable to other cash pool participants	11 727 476	11 639 024
Total liabilities	**11 873 869**	**11 799 724**
Net assets	–	–

Summary of revenue and expenses of the main pool

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Investment revenue	178 646	46 322
Unrealized gains/(loss)	(137 034)	(37 495)
Investment revenue from main pool	**41 612**	**8 827**
Foreign exchange gains/(loss)	(7 670)	(1 626)
Bank fees	(772)	(1 805)
Operating gains/(losses) from main pool	**(8 442)**	**(3 431)**
Revenue from main pool	**33 170**	**5 396**

Financial risk management

76. 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.

77. 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.

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

Financial risk management: credit risk

79. 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.

80. 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.

81. 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.

82. The credit ratings used for the main pool are those determined by major credit rating agencies; S&P Global, 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 2022*					*Ratings as at 31 December 2021*			
Bonds (long-term ratings)					**Bonds (long-term ratings)**				
	AAA/AAAu	*AA+u/AA+/AA*		*n/a*		*AAA/AAAu*	*AA+u/AA+/AA*	*A-1/A-1+*	*n/a*
S & P Global	33.8	65.9		0.3	S & P Global	47.8	48.1	0.4	3.7
	AAA	*AA+/AA/AA-*	*A+*	*n/a/ NR*		*AAA*	*AA+/AA/AA-*		*n/a/ NR*
Fitch	61.9	22.5	0.2	15.4	Fitch	61.3	15.7		23.0
	Aaa	*Aa1/Aa2/Aa3*		*n/a*		*Aaa*	*Aa1/Aa2/Aa3*	*A1*	*n/a*
Moody’s	66.7	30.9		2.4	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*			
S & P Global	100.0				S & P Global	100.0			
	F1+/F1			*NR*		*F1+/F1*			*NR*
Fitch	97.7			2.3	Fitch	96.7			3.3
	P-1/P2					*P-1/P2*			
Moody’s	100.0				Moody’s	100.0			
Term deposits (Fitch viability ratings)					**Term deposits (Fitch viability ratings)**				
	aa/aa-	*a+/a/a-*				*aa/aa*	*a+/a/a-*		
Fitch	35.9	64.1			Fitch	34.1	65.9		

Abbreviations: n/a, not applicable; NR: not rated.

83. 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

84. 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 2022 (2021: nil).

Financial risk management: liquidity risk

85. 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.

86. 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

87. 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.

88. 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 (2021: three years). The average duration of the main pool was 0.77 years (2021: 0.49 years), which is considered to be an indicator of low risk.

89. 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 2022

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	168.98	126.73	84.48	42.24	0	(42.23)	(84.46)	(126.69)	(168.91)

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)

Other market risk: price risk

90. 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

91. 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.

92. 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).

93. 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.

94. 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.

95. 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 2022			*31 December 2021*		
	Level 1	*Level 2*	*Total*	*Level 1*	*Level 2*	*Total*
Financial assets at fair value through surplus or deficit						
Bonds – corporate	65 200	–	65 200	29 997	–	29 997
Bonds – non-United States agencies	1 974 662	–	1 974 662	1 595 405	–	1 595 405
Bonds – supranational	789 587	–	789 587	812 539	–	812 539
Bonds – United States treasuries	1 348 056	–	1 348 056	197 390	–	197 390
Bonds – non-United States sovereigns	96 713	–	96 713	90 163	–	90 163
Main pool – commercial papers	–	1 747 461	1 747 461	–	3 033 880	3 033 880
Main pool – certificates of deposit	–	2 654 637	2 654 637	–	2 824 787	2 824 787
Main pool – term deposits	–	1 430 000	1 430 000	–	1 910 000	1 910 000
Total main pool	**4 274 218**	**5 832 098**	**10 106 316**	**2 725 494**	**7 768 667**	**10 494 161**

Financial risk management: foreign exchange risk

96. 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 2022

(Thousands of United States dollars)

	United States dollar	*Swiss franc*	*Euro*	*Pound sterling*	*Swedish krona*	*Other*	*Total*
Main cash pool	144 991	198	1 066	–	–	138	146 393
Voluntary contributions receivable	78 602	9 553	51 287	11 672	15 210	2 470	168 794
Other accounts receivable	177	–	–	–	–	–	177
Total financial assets	**223 770**	**9 751**	**52 353**	**11 672**	**15 210**	**2 608**	**315 364**

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**

97. As at 31 December 2022, 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 $9.159 million (2021: $11.278 million) higher or lower, mainly as a result of foreign exchange gains or losses on translation of receivables denominated in euros, Swiss francs and other currencies. Similarly, the impact on net assets would have been an increase or decrease of $9.159 million (2021: $11.278 million).

Note 6
Accounts receivable

98. 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.

99. Current and non-current voluntary contributions receivable decreased as a result of settlement received in 2022 combined with a reduction in new multi-year agreements signed during the year. Voluntary contribution and allocations agreements signed with donors (conditional and unconditional) amounted to $58.714 million in 2022 (2021: $94.332 million).

100. The non-current voluntary contributions receivable of $57.889 million (2021: $102.219 million) represent the discounted value of future year receivables.

Voluntary contributions receivable

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Current	110 905	117 139
Non-current	57 889	102 219
Total voluntary contributions receivable	**168 794**	**219 358**

101. Other accounts receivable as at 31 December 2022 are related to an inter-agency staff loan receivable, which increased in 2022 to reflect the full amount receivable at the reporting date.

Other accounts receivable

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Inter-agency staff loan receivable	177	126
Total other accounts receivable	**177**	**126**

102. Pursuant to financial rule 106.7 (a), an amount of non-recoverable receivables equivalent to $4,690 related to travel advances and debts for which there was no previous allowance was written off during 2022.

Note 7
Other assets

103. 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 2022. The increase in advances to implementing partners is due to the decentralization of project delivery to local counterparts.

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Advances to implementing partners	11 349	7 294
Advances to United Nations Development Programme	12	181
Advances to vendors	393	334
Staff advances	952	932
Staff recoveries	2	23
Other	122	64
Subtotal, current other assets	**12 830**	**8 828**
Allowance for doubtful debts	**(15)**	**(15)**
Total, other assets	**12 815**	**8 813**

Allowance for doubtful debts

(Thousands of United States dollars)

	31 December 2022	31 December 2021
At 1 January	(15)	(15)
At 31 December	**(15)**	**(15)**

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 2022	**475**	**822**	**317**	**398**	**1 054**	**3 066**
Additions	51	65	99	–	–	215
Disposals	(31)	(42)	–	–	–	(73)
Cost as at 31 December 2022	**495**	**845**	**416**	**398**	**1 054**	**3 208**
Accumulated depreciation as at 1 January 2022	**273**	**605**	**235**	**293**	**1 054**	**2 459**
Depreciation	73	95	21	28	–	217
Disposals	(25)	(16)	–	–	–	(41)
Accumulated depreciation as at 31 December 2022	**321**	**684**	**256**	**321**	**1 054**	**2 635**
Net carrying amount						
1 January 2022	**202**	**218**	**82**	**105**	–	**607**
31 December 2022	**174**	**161**	**160**	**77**	–	**573**

(Thousands of United States dollars)

	Vehicles	Communicatio ns and information technology equipment	Furniture and fixtures	Machinery and equipment	Leasehold improvemen ts	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**

104. 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 2022 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 $0.073 million at cost (2021: $0.163 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 2022	**6 251**	**840**	**7 091**
Additions	–	113	113
Transfers	883	(883)	–
Total cost as at 31 December 2022	**7 134**	**70**	**7 204**
Opening accumulated amortization as at 1 January 2022	**4 079**	**–**	**4 079**
Amortization	816	–	816
Closing accumulated amortization as at 31 December 2022	**4 895**	**–**	**4 895**
Net book value as at 1 January 2022	**2 172**	**840**	**3 012**
Net book value as at 31 December 2022	**2 239**	**70**	**2 309**

(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**

105. 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 2022 was $0.693 million, of which $0.580 million was recognized as an expense during 2022 and $0.113 million was accounted for as assets under development. Two internally developed projects from 2020 were completed during the year. In addition, one software development project started during the year, which will continue into 2023 and is recognized as software under development, at a value

of $0.070 million. As at 31 December 2022, ITC has 18 intangible assets in total. The carrying amounts of these intangible assets, which in total amount to $2.309 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 2022	*31 December 2021*
Payables to donors	3 762	3 951
Vendor and other payables	5 473	4 947
Accruals for goods and services	2 017	1 898
Total accounts payable and accrued liabilities	**11 252**	**10 796**

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. The decrease is due to projects closed in 2022 resulting in unspent balances refundable to donors.

107. Vendor and other payables relate mainly to payables to commercial vendors and consultants. The increase is attributable mainly to the timing of the receipt of invoices from vendors for goods delivered and services rendered.

Note 11
Liabilities for conditional arrangements

108. 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.

109. Current and non-current liabilities for conditional arrangements of $172.298 million (2021: $238.413 million) consist mainly of conditional agreements with the European Union and other donors. Liabilities for conditional arrangements decreased as a result of a decrease in new multi-year agreements signed during the year (2022: $8.323 million, 2021: $36.943 million), while revenue recognized during the year increased (2022: $66.119 million; 2021: $59.116 million). The decrease is also attributable to revaluation of liabilities in currencies other than the functional currency of the Centre.

Other liabilities

110. ITC recognizes as a liability any amount received as a voluntary contribution 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 2022	31 December 2021
Funds received in advance and deferred revenue		
Current	1 302	602
Non-current	–	–
Total funds received in advance and deferred revenue	**1 302**	**602**

Note 12
Employee benefits liabilities

111. 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 2022	31 December 2021
Current liabilities		
Accrued salaries, allowances and benefits	1 211	1 258
Accumulated annual leave	528	603
Home leave	923	851
Repatriation grant	797	952
After-service health insurance	2 464	2 294
Subtotal current liabilities	**5 923**	**5 958**
Non-current liabilities		
Accumulated annual leave	5 294	6 275
Repatriation grant	7 369	9 173
After-service health insurance	135 579	164 783
Subtotal non-current liabilities	**148 242**	**180 231**
Total employee benefits liabilities	**154 165**	**186 189**

112. 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, and the rest 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 after 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. The after-service health insurance programme is funded on a pay-as-you-go basis as medical benefits are accessed by retirees, with increasing costs attributable notably to changing demographics, improved life expectancy and increased cost of health-care services. To address the growing costs of health insurance, the United Nations has, over the years, adopted cost containment initiatives while ensuring that participants continue to have access to appropriate insurance coverage to meet their health-care needs. Health insurance costs are controlled by the manner in which the plans are structured and through ongoing reviews of plan provisions and benefits offered. To manage the inherent risks related to funding, the United Nations periodically carries out a funding study of the after-service health insurance programme in order to analyse and explore options for the improvement of efficiency and the containment of costs and liabilities associated with the health insurance obligations;

(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 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 of 1 January 2018 and affects future calculations of employee benefits liabilities.

113. The actuarial results as at 31 December 2022 are based on a roll forward of the participation data as at 31 December 2021. Financial assumptions such as discount rates and health-care trend costs have been updated since the full actuarial valuation carried out in 2021 to determine the Centre's estimated liability for defined-benefit obligations at the reporting date. Demographic, salary increase and all other assumptions were retained from the previous full valuation conducted as at 31 December 2021. For 2022, the gross liability for all post-employment defined-benefit plans was calculated by the actuary as $220.147 million (2021: $266.522 million), offset by contributions from plan participants of $68.116 million (2021: $82.442 million) to equal the Centre's net liability of $152.031 million (2021: $184.080 million). The total decrease of $32.049 million is the result of a $38.165 million net actuarial gain (2021: $0.550 million gain) recognized in net assets, and $6.116 million (2021: $6.005 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 2021	**167 077**	**10 125**	**6 878**	**184 080**
Current service cost	7 922	597	766	9 285
Interest cost	268	271	189	728
Benefits paid (net of participant contributions)	(2 298)	(979)	(620)	(3 897)
Liability (gains)/losses due to actuarial financial assumptions	(34 926)	(1 848)	(1 391)	(38 165)
Change in discount rate	*(55 003)*	*(1 848)*	*(1 391)*	*(58 242)*
Change in health-care cost trend rates	*20 077*	–	–	*20 077*
Defined-benefit obligation as at 31 December 2022	**138 043**	**8 166**	**5 822**	**152 031**

114. 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-benefit 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.

115. The total actuarial gain/(loss) recognized directly in net assets in the statement of changes in net assets in 2022 and 2021 is shown in the following table:

(Thousands of United States dollars)

	After-service health insurance	*Repatriation grant*	*Accumulated annual leave*	*Total*
Gain/(loss) in 2022	34 926	1 848	1 391	38 165
Gain/(loss) in 2021	3 156	(1 213)	(1 393)	550

Actuarial valuation: assumptions

116. 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 2022)	2.04	5.14	5.16
Discount rate (31 December 2021)	0.16	2.81	2.87
Travel inflation (31 December 2022)		rolled forward	
Travel inflation (31 December 2021)		2.50	
Health-care cost trend rate (31 December 2022)	4.25 trending down to 2.55 in six years		
Health-care cost trend rate (31 December 2021)	3.44 trending down to 2.25 in seven years	–	–
Salary increase rate	Based on age and calculated separately for Professional and General Service staff		
Estimated duration of the liability	21 years as at 31 December 2022		

117. For the 2022 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 was endorsed by the General Assembly in section IV of its resolution 71/272 B.

118. The per capita claim costs for the after-service health insurance plans are updated to reflect recent claims and enrolment experience. The table below shows the per capita claims cost assumption at 65 years of age.

Per capita claims cost
(United States dollars)

Plan	*2022*	*2021*
United States plans		
Aetna/HIP/HMO – no Medicare	16 341	15 344
Aetna/HIP/HMO – Medicare	11 351	10 658
Blue Cross – no Medicare	12 990	12 197
Blue Cross – Medicare	11 107	10 429
Cigna Dental	1 087	1 020
Non-United States plans		
UNSMIS	7 155	6 863
Cigna WWP/FMIP/SMIP/GKK	3 808	3 620
MIP	2 140	2 034

Abbreviations: FMIP, full medical insurance plan; GKK, Wiener Gebietskrankenkasse; HIP, health insurance plan of New York; HMO, health maintenance organization; MIP, medical insurance plan; SMIP, supplemental medical insurance plan; UNSMIS, United Nations Staff Mutual Insurance Society against Sickness and Accidents; WWP, worldwide plan.

119. 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 2022 valuation.

120. With regard to the valuation of repatriation benefits as at 31 December 2022, the Aon Hewitt assumption on inflation in travel costs was based on the projected United States inflation rate over the next 20 years.

121. Annual leave balances were assumed to increase at the following annual rates during the staff member's projected years of service: 0–3 years: 9.1 days; 4–8 years: 1.0 day; and more than 9 years: 0.1 days, up to the maximum of 60 days for regular staff and 18 days for temporary staff.

122. Pre-retirement mortality and withdrawal and retirement assumptions are consistent with those used by the United Nations Joint Staff Pension Fund in making its actuarial valuation. In line with the recommendations of the Task Force on Accounting Standards, post-retirement mortality table applied for December 2021 and 2022 valuations is the weighted headcount mortality table provided by Buck, a firm which provides pensions and employee benefits consulting services.

Pre-retirement mortality and disability

	Rates of death		*Rates of disability*			
	All staff		*General Service staff*		*Professional staff*	
Age	*Male*	*Female*	*Male*	*Female*	*Male*	*Female*
20	0.00062	0.00034	0.00015	0.00030	0.00006	0.00022
25	0.00062	0.00034	0.00015	0.00030	0.00006	0.00022
30	0.00062	0.00041	0.00030	0.00030	0.00014	0.00022
35	0.00076	0.00050	0.00023	0.00050	0.00027	0.00022
40	0.00108	0.00059	0.00060	0.00060	0.00021	0.00033
45	0.00154	0.00074	0.00082	0.00080	0.00034	0.00044
50	0.00212	0.00087	0.00173	0.00130	0.00074	0.00066
55	0.00275	0.00103	0.00277	0.00250	0.00101	0.00132
60	0.00327	0.00122	0.00218	0.00380	0.00135	0.00209
61	0.00350	0.00143	0.00218	0.00420	0.00141	0.00231
62	0.00378	0.00166	0.00218	0.00460	0.00149	0.00253
63	0.00410	0.00194	0.00218	0.00500	0.00168	0.00275
64	0.00450	0.00226	0.00218	0.00550	0.00183	0.00297
65	0.00495	0.00263	0.00000	0.00000	0.00000	0.00000

Post-retirement mortality and disability

	Rates of death		*Rates of disability*	
Age	*Male*	*Female*	*Male*	*Female*
20	0.00062	0.00035	0.00062	0.00035
25	0.00062	0.00035	0.00062	0.00041
30	0.00062	0.00041	0.00077	0.00050
35	0.00077	0.00050	0.00108	0.00060
40	0.00108	0.00060	0.00156	0.00074
45	0.00156	0.00074	0.00238	0.00084
50	0.00292	0.00100	0.00342	0.00093
55	0.00517	0.00148	0.00409	0.00147
60	0.00582	0.00210	0.00557	0.00290
65	0.00738	0.00327	0.00913	0.00561
70	0.01113	0.00570	0.01799	0.01091
75	0.01987	0.01084	0.03519	0.02080
80	0.03601	0.02081	0.06310	0.03837
85	0.06215	0.03860	0.10357	0.06885
90	0.10068	0.06884	0.16014	0.12325
95	0.15558	0.12021	0.23720	0.22005
100	0.23033	0.20496	0.34806	0.34349
105	0.34299	0.33151	0.61226	0.57673
110	0.61226	0.57673	1.00000	1.00000
115	1.00000	1.00000	1.00000	1.00000

Sensitivity analysis

123. 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)

2022	*Increase*		*Decrease*	
0.5 per cent movement in the assumed medical costs trend rate				
Effect on the defined-benefit obligation (after-service health insurance)	14.61	20 173	(12.36)	(17 061)
Effect on the aggregate of the current service cost and interest cost (after-service health insurance)	1.46	2 009	(1.19)	(1 643)

(Thousands of United States dollars)

2021	*Increase*		*Decrease*	
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)

2022	*Increase*	*Decrease*
0.5 per cent movement in the assumed discount rate		
Effect on the after-service health insurance-defined-benefit obligation	(13 219)	14 694
Effect on the repatriation grant defined-benefit obligation	(345)	362
Effect on the annual leave defined-benefit obligation	(263)	277

(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

124. The claims cost sensitivity analysis, at 65 years of age, is presented below.

(Thousands of United States dollars)

Scenario	*After-service health insurance defined-benefit liability as at 31 December 2022*	*Impact*
Central	138 043	–
Increase by 1 per cent	139 423	1 380
Decrease by 1 per cent	136 663	(1 380)

125. Sensitivity analysis for changes in life expectancy is summarized below.

(Thousands of United States dollars)

Scenario	*After-service health insurance defined-benefit liability as at 31 December 2022*	*Impact*
Central	138 043	–
Increase by 1 year	146 281	8 238
Decrease by 1 year	130 120	(7 923)

Other defined-benefit plan information

126. 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*	
	2022	*2021*	*2022*	*2021*	*2022*	*2021*	*2022*	*2021*
After-service health insurance	**94 847**	**117 605**	**9 875**	**11 595**	**33 321**	**37 877**	**138 043**	**167 077**
Current	1 726	1 593	181	169	557	532	2 464	2 294
Non-current	93 121	116 012	9 694	11 426	32 764	37 345	135 579	164 783
Repatriation grant	**3 902**	**5 055**	**529**	**628**	**3 735**	**4 442**	**8 166**	**10 125**
Current	471	648	53	34	273	270	797	952
Non-current	3 431	4 407	476	594	3 462	4 172	7 369	9 173
Accumulated annual leave	**2 822**	**3 628**	**456**	**495**	**2 544**	**2 755**	**5 822**	**6 878**
Current	341	416	33	27	154	160	528	603
Non-current	2 481	3 212	423	468	2 390	2 595	5 294	6 275
Total	**101 571**	**126 288**	**10 860**	**12 718**	**39 600**	**45 074**	**152 031**	**184 080**

Historical present value of liability for defined-benefit obligations as at 31 December
(Thousands of United States dollars)

	2022	*2021*	*2020*	*2019*	*2018*
After-service health insurance	138 043	167 077	164 795	155 948	78 117
Repatriation benefits	8 166	10 125	8 754	7 906	5 937
Annual leave	5 822	6 878	5 076	4 640	3 860
Total	**152 031**	**184 080**	**178 625**	**168 494**	**87 914**

Funding of defined benefit liabilities – extrabudgetary resources

127. 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.

128. The Centre accrues 8 per cent on gross salary less staff assessment for staff funded from extrabudgetary resources, including the programme support cost fund, as a reserve to cover the Centre's repatriation grant obligation.

129. The following table summarizes the funding position of actuarially valued liabilities pertaining to extrabudgetary resources as at 31 December 2022.

(Thousands of United States dollars)

Attributable to extrabudgetary resources, including the programme support cost fund	*Liability*	*Funded*	*Unfunded*	*Percentage of liability funded*
After-service health insurance and repatriation benefits	47 460	17 899	29 561	38
Annual leave	3 000	–	3 000	–
Total	**50 460**	**17 899**	**32 561**	**35**

130. 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

131. 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.

132. The Centre's financial obligation to the Fund consists of its mandated contribution, at the rate established by the General Assembly (currently 7.9 per cent for participants and 15.8 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.

133. The latest actuarial valuation for the Fund was completed as at 31 December 2021, and a roll forward of the participation data as at 31 December 2021 to 31 December 2022 will be used by the Fund for its 2022 financial statements.

134. The actuarial valuation as at 31 December 2021 resulted in a funded ratio of actuarial assets to actuarial liabilities of 117.0 per cent (107.1 per cent in the 2019 valuation). The funded ratio was 158.2 per cent (144.4 per cent in the 2019 valuation) when the current system of pension adjustments was not taken into account.

135. After assessing the actuarial sufficiency of the Fund, the consulting actuary concluded that there was no requirement, as at 31 December 2021, 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 has not invoked the provision of article 26.

136. Should article 26 be invoked owing to an actuarial deficiency, either during the ongoing operation or due to the termination of the Fund, 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 (2019, 2020 and 2021) amounted to $8,505.27 million, of which 0.31 per cent was contributed by ITC.

137. During 2022, contributions paid to the Fund by ITC amounted to $10.132 million (2021 $9.742 million). Expected contributions due in 2023 are approximately the same as in 2022.

138. Membership of the Fund may be terminated by a decision of the General Assembly, upon the 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.

139. 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 Fund (www.unjspf.org).

Note 13
Provisions

(Thousands of United States dollars)

	2022	*2021*
Opening balance as at 1 January	**212**	–
Current year addition/(release) of provision	(212)	212
Closing balance as at 31 December	**–**	**212**

140. A prior-year provision was related to legal claims before the United Nations Tribunals responsible for hearing claims brought by former employees. The claims were subsequently resolved and the provision reversed. There were no newly established provisions in 2022.

Note 14
Operating reserves

141. The movements in operating reserves are shown below. The increase in trust fund operating reserve is due to higher interest earned on donor contributions where ITC is allowed to keep the interest or residual balances (2022: $1.996 million; 2021: $0.647 million).

(Thousands of United States dollars)

	Trust fund	*Programme support fund*	*Total*
Opening balance as at 1 January 2021	**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**
Interest income and residual donor balances	1 996	–	1 996
20 per cent adjustment, in accordance with ST/AI/286	–	220	220
Closing balance as at 31 December 2022	**13 463**	**1 961**	**15 424**

Note 15
Revenue

Assessed contributions

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
United Nations	19 073	20 096
World Trade Organization	19 073	20 096
Subtotal	**38 147**	**40 192**
Refunds to donors for prior-year surplus and savings	(263)	(109)
Total assessed contributions net of refunds	**37 884**	**40 083**

142. 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 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.

143. 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 decrease in assessed contribution from the prior year is due to a favourable exchange rate of the United States dollar against the Swiss franc throughout 2022 as the budget is adopted in Swiss francs while contributions are received on a monthly basis and translated into United States dollars at the United Nations operational rate of exchange at the date of the transaction.

144. The General Assembly, in its resolution 77/267, decided to lift the trial period on the annual budget cycle and requested the Secretary-General to continue with the submission of the annual programme budget for the United Nations, while WTO maintains its biennial budget cycle. The difference in the budget cycles of the two parent organizations has implications on the administrative arrangement related to the ITC budget. The United Nations Secretariat and the WTO secretariat will conduct a joint review of the administrative arrangements, which will be suitably updated and presented to the General Assembly and the General Council of WTO for consideration in 2024.

Voluntary contributions and other transfers and allocations

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Voluntary contributions	112 746	109 433
Contributions in kind	2 991	3 013
Refunds to donors for voluntary contributions	(149)	(763)
Subtotal	**115 588**	**111 683**
Other transfers and allocations	1 784	4 062
Refunds to donors for other transfers and allocations	(162)	(14)
Subtotal	**1 622**	**4 048**
Total voluntary contributions and other transfers and allocations net of refunds	**117 210**	**115 731**

145. 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 and projects funded by other United Nations agencies, and for 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 2022 decreased compared with 2021 owing to the planning cycles and priorities of the major ITC donors. This resulted in a decrease in receivables and a related decrease in the liabilities for conditional arrangements, although actual revenue from voluntary contributions remained constant.

146. 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 decrease is due to fund allocation decisions and funding priorities of these bodies.

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

(Thousands of United States dollars)

	31 December 2022	31 December 2021
Contributions from unconditional agreements	48 408	55 478
Contributions from conditional agreements	66 122	58 017
Total voluntary contributions and other transfers and allocations[a]	**114 530**	**113 495**

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

148. The total unconditional voluntary contributions and other transfers and allocations of $48.408 million consists of approximately $9.542 million for 2022 and

$38.866 million for future years (2023: $18.827 million; 2024: $9.352 million; 2025: $6.868 million; 2026: $3.819 million).

149. The total amount of donor pledges which have not been formalized is $58 million (2021: $25 million).

Contributions in kind

150. Contributions in kind of $2.991 million (2021: $3.013 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 2022 (2021: 38) for ITC project offices in the field, 5 of which were on a free rental basis (2021: 6), and the fair value of each of those properties was estimated to be less than the recognition threshold of $5,000.

151. Services in kind, consisting mainly of contributions to conferences, workshops and training, were estimated at $1.023 million (2021: $1.199 million) received mainly from governments, government 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 2022	*31 December 2021*
Services rendered	181	247
Net foreign exchange gain	–	4 290
Other revenue	241	158
Total other revenue	**422**	**4 695**

152. Other revenue includes proceeds from sales of statistical data to governments and other entities, net foreign exchange gain and other miscellaneous income. Other revenue was higher in the prior year owing to a significant net foreign exchange gain resulting from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies (see note 4).

Investment revenue

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Investment revenue	430	–
Total investment revenue	**430**	–

153. 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. The revenue of the main pool attributable to ITC in 2022 amounts to $0.620 million (see note 5), of which $0.43 million was classified as investment revenue, $0.083 million classified as an

additional voluntary contribution and $0.107 million classified as payable to donors (2021: negative position $0.019 million).

Note 16
Expenses

Employee salaries, allowances and benefits

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Staff salaries, wages and allowances	55 841	56 015
Pension costs and insurance benefits	19 229	18 379
Other benefits	1 181	1 808
Total employee salaries, allowances and benefits	**76 251**	**76 202**

154. 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.

Non-employee compensation and allowances

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Individual consultant fees and insurance	28 174	31 550
Individual contractor costs	831	514
Travel of non-employees	2 609	1 189
Total non-employee compensation and allowances	**31 614**	**33 253**

155. 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 2022	*31 December 2021*
Staff travel	3 624	953
Representative travel	3 834	1 821
Total travel	**7 458**	**2 774**

156. Travel relates to the regular travel of staff, meeting participants and persons on missions related to official business. Travel expenses have increased almost to the pre-pandemic levels as ITC projects continued implementation and interactions with the beneficiaries.

Grants and other transfers

157. Grants and other transfers are financial contributions made to end beneficiaries, implementing partners, agencies and other entities. The level is similar to the prior year owing to the continued decentralization of project delivery to local counterparts.

Supplies and consumables

158. Supplies and consumables include items customarily consumed on a daily basis, such as stationery, office supplies, fuel and other consumables. The amount of expense in 2022 decreased from the prior period owing in part to the scheduling of a larger number of hybrid events.

Other operating expenses

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Contracted services	22 552	19 073
Acquisitions of goods	3 565	2 454
Acquisitions of intangible items	718	937
Rent, office and premises	2 732	2 004
Rental equipment	204	155
Maintenance and repair	307	162
Bad debt expense	5	2
Net foreign exchange losses	102	–
Other	507	478
Total other operating expenses	**30 692**	**25 265**

159. The increase from the prior year is due to increased delivery of technical assistance-related expenditure such as training, meeting facilitation, rental of premises and information technology design and development services and higher requirements for contracted services and the acquisition of goods for project activities.

Other expenses

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Expense for contributions in kind	2 991	3 013
Other	4	2
Total other expenses	**2 995**	**3 015**

160. 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 $2.991 million (2021: $3.013 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

161. 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.

162. 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.

163. 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)

164. 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

165. Explanations of material differences between the original budget and the final budget and between the final budget and the actual amounts are presented in 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

166. 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.

167. 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.

168. 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) Presentation differences are differences in the format and classification schemes in the statement of cash flows and the statement of comparison of budget and actual amounts, which include the latter not presenting revenue and the net changes in cash pool balances. Other presentation differences are that the amounts included in the statement of comparison of budget and actual amounts are not segregated into operating, investing and financing activities;

(c) 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;

(d) 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.

169. 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)	(38 349)	–	–	(38 349)
Basis differences				
Elimination of unliquidated obligations	427	–	–	427
Accruals of expenses	(497)	–	–	(497)
Expenditure against prior period	73	–	–	73
Exchange gains/losses	21	–	–	21
Share of joint arrangement	69	–	–	69
Expenses for contributions in kind	(2 991)	–	–	(2 991)
Acquisitions of property, plant and equipment	52	(166)	–	(114)
Total basis differences	**(2 846)**	**(166)**	**–**	**(3 012)**
Budget revenue in accordance with statement V	**38 349**	–	–	**38 349**
Presentation differences				
Revenue for contributions in kind	2 991	–	–	2 991
Refund of prior biennium surplus	(263)	–	–	(263)
Elimination of non-cash changes in assets and liabilities in operating cash flow	419	–	–	419
Investment revenue presented as investing activities	(19)	19	–	–
Total presentation differences	**41 477**	**19**	**–**	**41 496**
Entity differences				
Other funds expenditure	(117 002)	–	–	(117 002)
Other funds revenue	114 868	–	–	114 868
Elimination of non-cash changes in assets and liabilities in operating cash flow	(51 140)	–	–	(51 140)
Actuarial gain/(loss) on employee benefits liabilities	38 165	–	–	38 165
Investment revenue presented as investing activities	(411)	411	–	–
Depreciation and amortization	827	–	–	827
Pro rata share of net increases in the cash pool	–	18 319	–	18 319
Acquisitions of property, plant and equipment	–	(49)	–	(49)
Acquisitions of intangibles	–	(113)	–	(113)
Total entity differences	**(14 693)**	**18 568**	**–**	**3 875**
Actual amount per statement of cash flows (statement IV)	**(14 411)**	**18 421**	**–**	**4 010**

Note 18
Related parties: key management personnel

170. The key management personnel of ITC are the Executive Director, the Deputy Executive Director, the Directors of the five 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.

	31 December 2022	*31 December 2021*
Number of individuals (full-time equivalents)	9	8

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Aggregate remuneration	2 316	1 989
Outstanding advances as at 31 December	20	22

171. 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.

172. 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

173. 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.

174. 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

175. 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.

176. The Centre’s share of the activity for the year ended 31 December 2022 is a reduction of expenses of $0.022 million (2021: expense of $0.120 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). In 2022, the reduction relates to actuarial gains relating to the employee benefits liability valuation.

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

(Thousands of United States dollars)

	2022	*2021*
Cost as at 1 January	**155**	**71**
Movement for the year:		
Changes in net assets of joint arrangement recognized through statement of changes in net assets	(47)	(36)
Share of deficit/(gain) for the year of joint arrangement recognized through statement of financial performance	(22)	120
Total changes in joint arrangement for the year	**(69)**	**84**
Share of joint arrangement accounted for using equity method and reported as net liability in statement of financial position as at 31 December	**86**	**155**

Note 20
Leases and commitments

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

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

Obligations for operating leases

(Thousands of United States dollars)

	31 December 2022	*31 December 2021*
Due in less than 1 year	1 710	1 613
Due in 1 to 5 years	2 358	3 724
Total minimum operating lease obligations	**4 068**	**5 337**

180. 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 SwF1.085 million (2021: 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.

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

182. 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 2022 was $0.204 million (2021: $0.167 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 2022	*31 December 2021*
Property, plant and equipment	–	135
Grants	26 066	32 464
Goods and services	16 349	17 493
Total open contractual commitments	**42 415**	**50 092**

183. 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 2022. The decrease under grants from the prior year is due to delivery of activities previously contracted to implementing partners.

Note 21
Contingent assets and contingent liabilities

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

Note 22
Events after the reporting date

185. 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 2022

(Thousands of United States dollars)

	Appropriations[a]			*Expenditures*			
	Original	*Changes*	*Revised*	*Disbursements*	*Unliquidated obligations*	*Total*	*Unencumbered balance*
International Trade Centre							
Programme of activities	39 725	(1 377)	38 349	37 922	427	38 349	–

[a] Represents the original appropriation of $39.725 million for the year 2022. The General Assembly, in its resolutions 76/246 and 76/247 A-C, authorized the United Nations share of $20.174 million).

Annex II

Statement of budget and actual amounts for the year ended 31 December 2022

(Thousands of United States dollars)

	Publicly available budget[a]			
	Original annual	*Final annual*	*Actual expenditure on budget basis for 2022*	*Difference (percentage)*
Posts	31 127	31 127	30 033	(3.5)
Non-post	8 598	8 598	8 316	(3.3)
Total	**39 725**	**39 725**	**38 349**	**(3.5)**

[a] Represents the original appropriation of $39.725 million for the year 2022, which remains unchanged. The General Assembly, in its resolutions 76/246 and 76/247 A-C, authorized the United Nations share of $20.174 million).

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