

**UNITED NATIONS**

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**FINANCIAL REPORT**

**and**

**AUDITED FINANCIAL STATEMENTS**

**for the biennium ended 31 December 1987**

**and**

**REPORT OF THE BOARD OF AUDITORS**

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**Volume II**

**(International Trade Centre)**

**GENERAL ASSEMBLY**

OFFICIAL RECORDS: FORTY-THIRD SESSION

SUPPLEMENT No. 5 (A/43/5)



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New York, 1988

#### NOTE

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

The financial report and audited financial statements for the biennium ended 31 December 1987 and the report of the Board of Auditors regarding the United Nations and the United Nations University are being issued as volume I and volume III, respectively.

[4 August 1988]

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LETTERS OF TRANSMITTAL

18 April 1988

Sir,

Pursuant to financial regulation 11.4, I have the honour to submit to you the accounts of the International Trade Centre for the biennium ended 31 December 1987, which I hereby approve. The financial statements have been prepared and certified as correct by the Controller.

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

Accept, sir, the assurances of my highest consideration.

(Signed) Javier PEREZ DE CUELLAR

The Chairman of the Board of Auditors  
United Nations  
New York

23 June 1988

Sir,

I have the honour to transmit to you the financial statements of the International Trade Centre for the biennium 1986-1987 ended 31 December 1987, which were submitted by the Secretary-General. These statements have been examined and include the audit opinion of the Board of Auditors.

In addition, I have the honour to present the report of the Board of Auditors with respect to the above accounts.

Accept, Sir, the assurances of my highest consideration.

(Signed) André CHANDERNAGOR  
Senior President of the  
Court of Accounts of France  
and Chairman of the  
United Nations Board of Auditors

The President of the General Assembly  
of the United Nations  
New York, N.Y.

I. FINANCIAL REPORT FOR THE BIENNIUM 1986-1987 ENDED  
31 DECEMBER 1987

1. The Secretary-General has the honour to submit herewith the financial report and accounts of the International Trade Centre UNCTAD/GATT for the biennium 1986-1987 ended 31 December 1987 comprising seven statements and seven schedules.

General Fund

Statement I. Status of appropriations for the biennium 1986-1987  
as at 31 December 1987

2. The appropriations for the biennium were originally approved at \$17,111,600, a sum which was subsequently increased first to \$22,703,000 and then to \$23,268,800. Expenditures incurred totalled \$22,985,690, including unliquidated obligations of \$503,589, resulting in an unobligated balance of appropriations of \$283,110.

Statement II. Statement of income and expenditure and surplus  
account for the biennium ended 31 December 1987

3. Income

(a) 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 (GATT) dated 22 November 1967, the regular budget of the International Trade Centre should be shared equally between the United Nations and GATT.

(b) The final performance report of the Centre (ITC/BUD/7) provided for estimated expenditures of \$23,268,800, including estimated income of \$522,200, thus requiring a contribution of \$11,373,300 from each of the parent bodies. Part of this contribution was financed by a transfer of \$726,400 from the surplus account.

Other income

Other income was estimated at \$522,200 and the actual income amounted to \$569,323 (schedule 2.1). This comprised \$71,500, rental of parking space; \$337,161, rental of office space; \$30,888, sale of publications; \$52,424, investment income; \$16,032, refunds of prior years' expenditures and \$30,835, gains on exchange fluctuations. Miscellaneous income totalled \$30,483.

4. Non-expendable equipment

Furniture, equipment and vehicles are charged to the budget at the time of purchase; the value at cost of the items held as at 31 December 1987 was \$1,096,350. This compared with a total value of \$824,187 as at 31 December 1985.



Statement III. Statement of assets and liabilities as at  
31 December 1987

5. The assets, liabilities and fund balance of the General Fund include:

(a) Assets

- (i) Cash - \$532,252, including \$470,823 held in interest-earning deposits;
- (ii) Accounts receivable - \$133,120, comprising advances to staff members, \$89,672, all of which are in course of recovery, accrued interest of \$10,539 and miscellaneous items amounting to \$32,909;
- (iii) Deferred charges - \$299,975, including \$59,629 education grant advances to staff members deemed to be that part of the total advances pertaining to the portion of the school year completed as at 31 December 1987 (annex, para. (g) (ii)); and \$240,346 in respect of office rent for the first quarter of 1988 and insurance premium for 1988, payable in advance. These amounts will be charged to the subsequent financial period.

(b) Liabilities

- (i) Accounts payable - \$17,020;
- (ii) Unliquidated obligations - \$503,589;
- (iii) Due to International Trade Centre trust funds - \$107,751.
- (iv) Deferred income - \$6,726.

(c) Fund balance

The fund balance as at 31 December 1987 was \$330,261 compared with the 31 December 1985 fund balance of \$680,485 brought forward from the biennium 1984-1985. An analysis of the changes in the fund balance is shown in statement II.

Special accounts for programme support costs

Statement IV. Statement of income and expenditure for the  
biennium 1986-1987 ended 31 December 1987  
and statement of assets and liabilities as  
at 31 December 1987

6. During the biennium, the income from contributions to support costs was \$5,479,392. Other income amounted to \$509,538 and comprised \$99,321 investment income; \$16,224 savings on liquidation of prior years' obligations; \$368,550 in respect of the adjustments referred to in paragraph 1 (v) of the annex; and \$25,443 miscellaneous income. Expenditures totalled \$6,100,739 resulting in an excess of expenditure over income of \$111,809. The fund balance as at 31 December 1987 reflected a deficit of \$113,409.

7. This deficit, however, is compensated for by the operating reserve maintained at the agreed level of \$700,000. Additionally, the International Trade Centre expects to reduce expenditure and/or increase support cost income during the biennium 1988-1989.

Technical co-operation activities

Statement V. Statement of income and expenditure for the biennium 1986-1987 ended 31 December 1987 and combined statement of assets and liabilities as at 31 December 1987

8. The assets, liabilities and fund balance of the trust funds and United Nations Development Programme (UNDP) include the following:

A. Trust funds

(a) Assets

- (i) Cash held totalled \$7,424,681, of which \$107,254 represented cash in banks, \$7,308,107 interest-bearing deposits, and \$9,320 held by imprest holders;
- (ii) Contributions receivable totalled \$878,040 in respect of the following, which includes \$134,013 due for prior years:

	<u>\$US</u>
Swedish International Development Agency	331 902
Pakistan	129 640
Italy	197 061
Canada*	108 829
Switzerland	55 400
European Economic Community	27 677
Finland	16 368
Belgium	11 163
	<u>878 040</u>

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\* This amount represents project overprogramming which, in accordance with the Centre's agreement with the donor, would be a first charge against the 1988 contribution.

- (iii) Miscellaneous accounts receivable amounted to \$467,669, comprising \$101,691 in advances to staff members, \$105,614 in accrued interest and \$260,364 in other items;
- (iv) Due from ITC General Fund - \$107,751;
- (v) Due from ITC special accounts for programme support costs - \$350,266;

- (vi) Interfund balances receivable - \$54,701;
- (vii) Due from UNDP for excess of expenditure over funds provided - \$1,919;
- (viii) Unspent allocations - \$2,043;
- (ix) Deferred charges and other assets totalled \$2,390,586 and included \$2,351,089 in respect of unliquidated obligations for future periods, \$24,396 education grant advances to staff members deemed to be that part of the school year completed as at 31 December 1987, \$15,101 miscellaneous.

(b) Liabilities

- (i) Accounts payable totalled \$277,266, including \$54,364 for payment requests issued to field offices, \$11,964 in respect of contributions payable to the United Nations Joint Staff Pension Fund, \$210,938 other accounts payable;
- (ii) Unliquidated obligations as at 31 December 1987 amounted to \$1,316,012;
- (iii) Due to the United Nations General Fund - \$141,528;
- (iv) Due to the Training Packs Revolving Fund - \$47,213;
- (v) Due to the ICC/EDP Revolving Fund - \$27,049.

(c) Operating reserves

This reserve is maintained to meet contingencies arising from the termination of employment of experts etc. and is derived, *inter alia*, from the difference between the standard costs applied to projects and the actual costs incurred. As reflected in the summary of significant accounting policies (annex), it is the Centre's policy to maintain this reserve at a predetermined level (\$700,000 for 1986-1987) and, with the agreement of the donors, the first charge upon interest accruing from the investment of funds is to maintain this reserve at that level.

During the biennium 1986-1987, a transfer to the operating reserve in the amount of \$54,937.09, representing the difference between costs incurred and applied, was made. Total transfers out of the reserve of the same amount were made representing staff-related contingencies totalling \$27,372.01; loss on exchange, \$17,401.64 and transfer to donors of \$10,163.44.

(d) Fund balance

The fund balance as at 1 January 1986 was \$5,343,960 which, together with the contributions during the biennium of \$25,936,162, allocations of \$336,000, interest on investments of \$647,950 and miscellaneous income of \$24,384 resulted in funds available totalling \$32,288,456. Project expenditures, including unliquidated obligations of \$1,316,012, amounted to \$24,948,441, of which \$2,827,374 related to support cost contributions. After taking account of reimbursements to donors of \$417,403 and other miscellaneous adjustments of \$105,113 (net), the fund balance as

at 31 December 1987 was \$6,817,499, of which \$878,040 represents contributions receivable.

B. United Nations Development Programme

(a) Assets

- (i) Cash held totalled \$734,291, of which \$52,694 represented cash at banks, \$631,903 interest-earning deposits and \$49,694 held by imprest holders;
- (ii) Accounts receivable totalled \$329,517 and included \$196,193 in respect of amounts due from other agencies, advances to staff members of \$79,814 and miscellaneous items, \$53,510;
- (iii) Due from UNDP for excess of expenditure incurred over funds provided - \$1,024,686;
- (iv) Unspent allocations - \$15,623,989;
- (v) Deferred charges and other assets amounted to \$1,495,539 and comprised \$1,447,915 in respect of unliquidated obligations for future periods, \$7,794 education grant advances to staff members deemed to be that part of the total advance pertaining to the school year completed as at 31 December 1987; and \$39,830 in respect of other items. These amounts will be charged to the subsequent financial period.

(b) Liabilities

- (i) Accounts payable totalled \$320,792 and included \$81,239 due to other agencies, \$24,002 in respect of unliquidated obligations billed to other agencies, \$18,730 for payment requests issued to field offices, \$9,976 in contributions payable to the United Nations Joint Staff Pension Fund and \$186,845 in respect of other items;
- (ii) Unliquidated obligations - \$1,760,625;
- (iii) Interfund balances payable - \$54,701;
- (iv) Deferred income - \$15,623,989.

9. Details of trust fund income and expenditure for the individual years of the biennium are provided in schedules 5.2 and 5.3 respectively. UNDP expenditures during 1987, analysed by source of fund and by country, are shown in schedules 5.4 and 5.5, respectively.

Write-off of receivables

10. In accordance with financial rule 110.14, three cases, totalling \$1,857 were approved for write-off. Before being submitted, the cases were examined and it was determined that every effort had been made to collect the amount due, that further efforts would be fruitless and that the investigation did not attach responsibility for the loss to any official of the United Nations. The cases were reported to the Board of Auditors in accordance with the provisions of financial rule 111.10 (b).

Write-off of losses of property

11. In accordance with financial rule 110.15, one case, with a total value of \$11,002, was approved for write-off. This write-off brought the balance of property shown in the records into conformity with actual quantities on hand. The case was reported to the Board of Auditors in accordance with the provisions of financial rule 111.10 (b).

## II. REPORT OF THE BOARD OF AUDITORS

### Introduction

1. As required by General Assembly resolution 74 (I) of 7 December 1946, the Board of Auditors has audited the accounts of the International Trade Centre (ITC) for the biennium ended 31 December 1987.
2. The examination was conducted in accordance with article XII of the Financial Regulations and Rules of the United Nations and the annex thereto and with the common auditing standards adopted by the Panel of External Auditors of the United Nations, the specialized agencies and the International Atomic Energy Agency. The examination was carried out at ITC headquarters at Geneva. The implementation of two projects in Mozambique was reviewed in the field.
3. During the biennium under review, the Board of Auditors continued its normal practice of reporting the results of specific audits and has issued one management letter containing detailed observations and recommendations to the Administration. This practice has helped to maintain a continuous and fruitful dialogue with the Administration.
4. The following sections deal with the matters that, in the opinion of the Board, should be drawn to the attention of the General Assembly. These matters were discussed with the Administration whose responses are incorporated where appropriate.

### Summary of recommendations

5. We recommend that the following corrective actions, presented in order of priority, be taken:

(a) Provisions for the accrual of income on the basis of written pledges or receipted payments should be included in the summary of significant accounting policies regarding technical co-operation trust funds accounts and strictly enforced;

(b) Deferred income should be recognized in the financial statement reporting on technical co-operation trust funds;

(c) The United Nations regulations, rules and directives should be reviewed with the United Nations Secretariat, with a view to determining when ITC may deviate from compliance with such rules.

### Summary of findings

6. Agreements with Governments contributing to technical co-operation trust funds do not conform to the model agreement set out in the relevant administrative instruction of the Secretary-General.
7. Procedures for recording voluntary contributions to technical co-operation trust funds in the accounts of ITC do not comply with United Nations regulations, rules and directives, nor with generally accepted accounting principles.

8. Allotments of technical co-operation trust funds sometimes exceed not only cash on hand but also pledged income, which could result in a liability for the Organization.
9. Deferred income accruing to technical co-operation trust funds is not recognized in the financial statements.
10. The operating reserve of trust funds has been left at a substantially lower level than provided for in the United Nations directives.
11. Interest earned on the investment of trust fund balances contributed to a large extent to the reduction of losses attributable to currency fluctuations, which had resulted in an excess of expenditures charged to support costs over support costs income (statement IV). For all practical purposes, crediting such interest to support costs income amounts to exceeding the ceiling placed on support costs charged to project expenditures.
12. Uncertainties regarding support costs income call for the exercise of prudence in the awarding of permanent contracts to staff encumbering posts financed from support costs.
13. The implementation of certain projects suffers from a number of weaknesses with respect to appraisal of the projects' objectives and feasibility, deferment of activities and extension of projects, as well as co-ordination in the deployment of the various inputs, which adversely affects the effectiveness of each component of the project.
14. A comprehensive review of the publishing policy is called for with a view to defining distribution and marketing guidelines and cutting down stocks of long outdated publications.

#### Applicability of executive issuances

15. ITC is a joint subsidiary organ of both the United Nations and the General Agreement on Tariffs and Trade (GATT). The Centre applies the United Nations financial regulations, rules and directives, but there are exceptions, such as the savings measures undertaken in 1986 and 1987, even though they were voluntarily implemented in ITC. The Board recommends that a record of such cases, where it is agreed that ITC may deviate from the United Nations directives, be kept. Furthermore, this record should state clearly that the United Nations directives apply to ITC unless otherwise specified.

#### Technical co-operation accounts (statement V)

16. The financial statement representing technical co-operation activities (statement V of the ITC financial statements) reports on the activities financed by the United Nations Development Programme (UNDP) and the trust funds established with donor Governments. The administration of such trust funds is governed by the United Nations Financial Regulations and Rules and the relevant instructions issued by the Secretary-General (ST/SGB/188 and ST/AI/285). Three basic requirements obtain in that regard:

(a) The establishment of a trust fund requires the conclusion of an agreement between the organization and a prospective donor;

(b) Voluntary contributions may be recorded in the accounts only on the basis of written pledges or of receipted payments;

(c) Authorization to incur commitments, obligations or disbursements (allotments) must never exceed the cash resources on hand.

The administration of ITC trust funds deviates from these principles. The Administration acknowledged such deviations and explained that they should be understood in the context of the continuous and long-standing relationships that ITC had established with donor Governments. In addition, the Administration indicated that the accounting and financial policies and procedures followed during the biennium 1986-1987 were the same as those applied during previous bienniums. While recognizing the Administration's position, the Board is of the opinion that the following observations are in order.

#### Conclusion of agreements

17. Agreements have been concluded with all donors, but on an ad hoc basis, and do not always conform to the provisions of administrative instruction ST/AI/285 and, in particular, with the model agreement set out in that instruction. In 1978-1979, a concerted attempt was made to conclude such a standard agreement with all major donors. But various donors had different requirements that could not be accommodated within the framework of the model. The Administration indicated that "annual consultations with donors have revealed that they consider that the present arrangements are satisfactory and provide the necessary flexibility to cope with their different requirements and procedures". For its part, the Administration is "satisfied that the present system provides adequate safeguards". However, in consideration of the following, it is the view of the Board that such ad hoc agreements should provide for accounting and financial procedures complying with the basic accounting principles applicable in a government-type organization such as ITC.

#### Accounting for contribution income

18. The summary of significant accounting policies included in the financial statements of ITC provides that "contributions from Governments or other donors are recorded upon receipt of the contribution or upon approval of the project by the donor". This policy is in line with the administrative instructions, as well as with accepted accounting practice, in so far as "approval" is taken to mean a written commitment undertaken by the donor, indicating the amount, the currency, the date of payment, and the financial period to which such payment relates. However, such is not always the case in ITC. While commitments to meet the costs of a project usually take the form of a signed project document or a letter, income may also be recognized on the basis of a cable, the minutes of a meeting or even a telephone call. ST/SGB/188 provides that "the making of a pledge and its acceptance are to be recorded on the basis of an exchange of letters, or, if deemed appropriate, in a more formal agreement". In the last three cases noted, there is no written pledge firmly committing the donor to pay during a determined period of time. The Administration explained that, while in certain cases agreements with donors were informal initially, such arrangements were temporary and were invariably confirmed as soon as possible by a written agreement in one form or another.



19. For all practical purposes, income is recorded in the technical co-operation trust fund accounts of ITC on the basis of two categories of documents:

(a) Receipted payments properly identified, notably with respect to their relation to the current financial period;

(b) Allotments issued by the Administration to authorize expenditure on a given project.

#### Allotment procedure

20. The procedure described above clearly involves a risk that the allotted funds may not materialize within the financial period either in the form of an actual payment of contribution or in the form of a written pledge. The Administration explained that it considered that it was its responsibility to make sure that allotments were issued only after firm assurances had been obtained from the donors that the funds were forthcoming. The reliability of such assurances is based on the continuous and long-standing relationship between the top management of ITC and the authorities of the Governments concerned. Changes in personnel would weaken this reliability. This potential risk is the reason for the "full funding" principle governing trust fund transactions that is embodied in the requirement spelled out in the administrative instructions mentioned above: allotments must never exceed cash on hand. The Administration pointed out that, since the start of the technical co-operation activities of ITC, there have been numerous changes in personnel, both in ITC and in the administration of its donor Governments with no detrimental effect on working relationships.

21. In ITC, since income is recorded on the basis of allotments, such allotments may exceed not only cash on hand, but also actual commitments of donor Governments. This occurs in the course of the year when peaks and valleys are, under usual circumstances, offset by cash management; it may also occur at year-end when it results in an actual overstatement of income in one or the other of the trust fund accounts.

22. We reviewed all the agreements with donors and concluded that because the source document for recording pledged income did not always make the nature of the pledge absolutely clear, there was an uncertainty concerning the exact amount of the overstatement of voluntary contributions income in statement V. Even so, the review showed to our satisfaction that the overstatement certainly did not exceed \$260,000 and was not significant to the statement. Therefore, the statement can be relied upon.

23. In addition, we reviewed the allotments issued with respect to projects. This review showed that expenditures in excess of cash received had been authorized in the amount of \$878,040 recorded as receivable in statement V. This seems contrary to the relevant administrative instructions of the Secretary-General mentioned above (ST/SGB/188, para. 40, and ST/AI/285, para. IV-B, refer). In that connection, the Administration explained that such over-expenditure was offset by various categories of cash resources contributed by donor countries for other projects or undertakings. However, it appears that lumping together contributions towards specific projects with other categories of contributions is not appropriate and, as a matter of fact, is forbidden by the stated accounting policies of ITC, which provide that "separate trust funds are set up for each project as approved by the donor and the recipient country".

24. In conclusion, considering the departure from generally accepted accounting principles and from the United Nations financial regulations, rules and directives in that respect, as well as in the other respects mentioned in paragraphs 26 and 28 below, the Board decided to mention such departures in its audit opinion. This should not be taken as an indication of mismanagement, or even a lack of prudence on the part of the Administration. In fact, the Board recognizes that prudence has been exercised and that to the best of its knowledge, ITC never had to write off recorded income.

25. Nevertheless, the Board strongly recommends that provisions regarding the accrual of income on the basis of written pledges or receipted payments and the keeping of allotments within accrued income be included in the summary of significant accounting policies of ITC and be strictly enforced in future. It is also the opinion of the Board that, whatever deviations from the procedures established in the United Nations administrative instructions mentioned above might be agreed upon between the Secretary-General and the Executive Director of the Centre, they should be clearly spelled out and incorporated in the summary of significant accounting policies attached to the financial statements of ITC.

#### Deferred income

26. ITC does not account for deferred income accruing to technical co-operation trust funds. Contributions pledged by countries with a fiscal year spanning the end of one biennium and the beginning of the following biennium are a case in point, since a part of such contributions relates to the next financial period. As a result, the current practice of ITC does not comply with administrative instruction ST/AI/285, which provides that "pledges received for future years are recorded as deferred income". The Administration agreed to review this matter in the context of the overall review of the applicability of United Nations regulations, rules and directives to ITC that is envisaged.

#### Accounts receivable

27. We noted a long outstanding contribution receivable from one Government in the amount of \$129,640. This account is backed by a firm pledge received from the donor during the preceding biennium. The Administration pursued the collection of this contribution and explained that it had obtained recent assurances that it would be paid. No commitment to pay at or before a given date was made by the Government, however. The Administration drew attention to the fact that the Government concerned is not one of the traditional ITC donors and that the contribution refers to a project undertaken for that Government and paid for by the same Government through a World Bank loan.

#### Operating reserve

28. Administrative instruction ST/AI/285 provides for the maintenance of an operating cash reserve at the level of 15 per cent of the annual estimated expenditure to cover shortfalls and final expenditures of the trust fund. However, the summary of significant accounting policies of ITC indicates that "the Centre's policy is to maintain this reserve at a predetermined level (currently \$700,000) and agreement has been reached with donors that the first charge upon interest be for the purpose of maintaining the reserve at that level". In 1987, the 15 per cent rule would have called for a \$1.8 million operating reserve. However, the Administration considers it unnecessary to increase the present level of the

reserve, even though this level has not been adjusted upwards for years and expenditures financed from technical co-operation trust funds have increased considerably. The Board recommends that this topic be included in the review of the policies of ITC concerning technical co-operation trust funds previously referred to with a view to ascertaining whether the present situation might involve any financial liability for the United Nations and to reach a decision on that matter.

29. In addition, the level of the operating reserve bears upon the apportionment of interest accruing from short-term investment of trust funds, which, according to the summary of accounting policies, "is credited first to the operating reserve to maintain that reserve at the agreed level, then to support costs to meet any annual deficit attributable to currency fluctuations and thereafter to donors' funds". As there was no need to replenish the operating reserve in 1986-1987 in order to maintain it at the agreed level of \$700,000, accrued interest was shared between support costs and donors as follows:

	<u>Accrued interest</u>	<u>Support costs</u>	<u>Donors</u>
1986	551 656.21	167 450.00	384 206.21
1987	490 092.87	201 100.00	288 992.87
Biennium	1 041 749.08	368 550.00	673 199.08

However, this table shows that, if the 15 per cent rule had been applied and an upward adjustment of the reserve implemented, no resources would have been available to be credited to donors or to compensate for exchange losses, which would, in turn, have had an impact on statement IV as explained below. The Administration explained that this was not an operating reserve of the type envisaged in ST/AI/285 but was a reserve that provided for possible variations between standard and actual costs of consultants and experts employed on project activities.

#### Special accounts for programme support costs (statement IV)

##### Financial situation

30. ITC was faced with a serious deterioration in the position of the support costs fund because of currency fluctuations in 1986 and 1987, as shown in the following table, which is extracted from financial statement IV:

(All figures in dollars)	<u>1985</u>	<u>1986</u>	<u>1987</u>
Income	2 058 870	3 012 814	2 976 115
Expenditure	2 402 462	2 766 069	3 334 669
Excess of income over expenditure	(343 592)	246 795	(358 554)
Year-end available balance	( 1 600)	245 195	(113 409)

Efforts to increase technical co-operation activity resulted in a surge in income in 1986. However, this improvement could not be consolidated in 1987 and, had there not been a surge in miscellaneous income during the biennium, the balance as at 31 December 1987 would have fallen to a deficit of \$481,959.

31. The Administration pointed out that delivery in 1987 was at about the same level as in 1981 and 1982 and registered lower levels during the period from 1983 to 1985. It further explained that, during the three previous bienniums, i.e., 1980-1981, 1982-1983 and 1984-1985, favourable exchange-rate variations had meant that it was not necessary to transfer interest to the support costs fund. In the view of the Administration, the improvement in the the balance of support costs fund could not be consolidated in 1987 because of unfavourable exchange rate variations and not as a consequence of a decrease in the activities of ITC or of a lesser implementation of economy measures. The Administration also stated that an additional support cost reimbursement of \$92,000 is to be made as a consequence of the application of paragraph 5 (a) of decision 81/40 of the Governing Council of UNDP. This additional income would substantially reduce the deficit on the support costs fund.

32. The increase in miscellaneous income in the support costs fund is essentially attributable to the assessment on interest income of trust funds, mentioned in paragraph 29 above of a lump sum computed to compensate for the exchange losses incurred by ITC as a result of the fall of the United States dollar vis-à-vis the Swiss franc and other currencies. This assessment amounted to \$368,550 during the biennium. Yet, the income resulting from this adjustment, although reflected in paragraph 6 of the financial report of ITC, is not disclosed as such in statement IV, where it appears under the "miscellaneous income" heading. However, this category of income cannot be likened to regular support costs income, and the compensation of deficits attributable to currency fluctuations could be considered equivalent to supplementary support costs income exceeding the maximum percentage of support costs that a United Nations organization is authorized by the General Assembly to charge on technical co-operation expenditure. The Board recommended that this category of income be clearly reflected as such in the financial statements in future in order to enhance the fair representation of the operations of ITC. The Administration concurred.

#### Computation of exchange adjustments

33. The computation of the exchange loss incurred, which was to be compensated by the assessment of an "exchange adjustment", was based on the estimated amount of support costs included in the initial budget estimates of ITC. Although the financial impact of this method is not significant and may result in an overstatement as well as in an understatement of the "exchange adjustment", we noted that it would be more logical to base that computation on actual support costs earned. The Administration concurred and undertook to change the present method in 1988.

#### Donors' agreement

34. At a meeting of representatives of Governments contributing to ITC, held at Geneva on 20 November 1978, donors agreed to the compensation of exchange losses incurred by ITC out of interest accrued to trust funds. This agreement was reflected in a note in the summary of accounting policies. Based on this agreement, a transfer of \$57,217 from the project reserve account to the overhead account was made in 1978. No such compensation to support costs for currency fluctuations was necessary during the next three bienniums - 1980-1981, 1982-1983 and 1984-1985 - because of favourable exchange-rate variances. The relevant note was deleted from the summary of accounting policies in 1981. Since this deletion raised no objections, the Centre considered it to have been agreed upon. However,

it is the opinion of the Board that the agreement of donors should be confirmed and made explicit.

#### Apportionment of interest income

35. Investment income should be apportioned to each trust fund semi-annually, "based on an average of the actual cash balances at month-end" (ST/AI/285 annex III, para. C, refers). However, as a consequence of equating allotments with pledges, the amounts invested are reduced by the effect of the temporary negative net cash position tolerated by ITC for some of its contributors. The Administration estimated the interest lost as a result of the cash deficits of certain donors to be about 2 per cent of the total earned. Although this is not significant, it is all the more necessary to discontinue such a procedure, so that donors who are responsible for it are not penalized. Since the apportionment of interest earned is based only on cash positions exceeding \$50,000, temporary negative cash positions do not reduce entitlement to accrued interest.

#### Personnel

##### Permanent and long-term appointments

36. The ratio of staff members with permanent and long-term contracts charged against extrabudgetary resources, which are unsteady in nature, to total staff encumbering posts funded from that category of resources exceeds 30 per cent. The Administration explained that prudence had always been exercised in the awarding of permanent appointments, which were limited to 65 per cent of the number of established posts. However, in view of the stagnation of extrabudgetary resources experienced in 1987, as a consequence of the fall in the purchasing power of the United States dollar, we still recommend that a careful review of personnel policies be carried out to keep the number of permanent and long-term contracts in line with the amount of resources that may reasonably be foreseen.

##### Staff refund to the United Nations Office at Geneva

37. The costs of seven posts (one Professional and six General Service) assigned to the United Nations Office at Geneva are charged to the programme support costs expenditures incurred by ITC as a compensation for services rendered by the United Nations Office at Geneva. In our opinion, those posts, which are only partially and indirectly connected with technical co-operation, should be charged against the regular budget of ITC. In addition, as the Board has already indicated in similar cases, this type of "in kind" compensation for services rendered does not help the transparency of the budget, and the objective would be better served, in our opinion, by arranging for such inter-office exchange of services to be paid for by explicit transfers of funds reflecting the costs agreed upon by the organizations concerned. The Administration explained that a review of these services and modalities of their compensation will be carried out with the United Nations Office at Geneva.

#### Project management

38. Our review of a sample of 10 project files at headquarters out of some 250 projects currently implemented, as well as an on-site visit in one field

location, namely, Mozambique, revealed a number of weaknesses in the management of technical assistance projects.

#### Insufficient appraisal

39. The feasibility study of a textile mill to process locally grown cotton did not identify possible movements in the foundation soil that were revealed during the implementation of the project and failed to mention that, in the absence of air-conditioning equipment, humidity would prove excessive for the mill to operate satisfactorily. A consultant engineer was brought in to study possible solutions to these problems, but with much delay. The objective of the project was to generate a flow of exports (3,000 tons of cotton yarn, with projected earnings of \$10 million). At the end of 1986, less than 1,000 tons had been exported, which had earned \$2.8 million, and \$187,000 had been spent on technical assistance.

40. Project INT/61/22 was started in 1984 and was evaluated in June 1987. In the evaluation report it was noted that the project document did not identify clearly the objectives of the project, nor the activities to be undertaken to meet them; therefore, criteria for evaluation were lacking. The Administration acknowledged that "the project document did not specify criteria on which results could be judged", and undertook to give "due consideration to this weakness in the extension of the project for the period 1988-1989".

#### Deferment of activities

41. Although project INT/61/22 was ready to be launched in July 1984, the job description of a product specialist was not readied until September of that year; two candidates were identified in February 1985 and the selected specialist could not be fielded before June 1985. Considerable difficulties were encountered in recruiting advisers for a project on manpower development in export promotion, the project was left without a senior adviser for one year. Advisers had to be hired under very short-term (two month) contracts, which proved costly and technically inadequate. Delays also resulted from the belated clearance of experts by recipient Governments.

#### Co-ordination of activities

42. A teacher hired under a project on import operations and techniques received guidance from a specialized consultant after she had been on the job for two and one-half months, which appears to call into question the usefulness of resorting to a consultant. The senior adviser arrived eight months after the project had begun, but the equipment, including the project car, had been purchased right at the beginning of the project. Lack of co-ordination was also noted in the timing of its English language and Portuguese language components. Following a mid-term review held in February 1988 it was concluded that the project "should continue for a full three years' duration", a conclusion indicating that little has been achieved under the current phase of the project. The Administration explained that many projects are extended for valid reasons and that it cannot therefore be concluded that the Mozambique project has been extended by three years merely to recover lost time.

43. Regarding the manpower development project in export promotion mentioned above, the teaching of English was completely disconnected from technical training, even though the project document indicated that the teacher should work "in such a

manner as to induce mutual interaction between inputs, so as to produce the envisaged results". The Administration acknowledged that "there were difficulties in deploying inputs on schedule".

44. At the operational level, it appeared that the two projects mentioned above supported one another, but because of distinct sources of funds it was not possible to merge the two in a combined endeavour.

#### Publications

45. The distribution of the responsibilities between the various units concerned with the production and distribution of publications (manuals, directories, monographs, market studies, data bases, microcards, etc.) is not clearly defined. Distribution and sales policies were briefly spelled out in the minutes of meetings of the Publications Committee held during 1979 and 1980. They have not been updated. ITC usually conforms to United Nations policies in that regard, but it does not follow the United Nations practice regarding stock management and control, press runs etc., and its own methods need to be changed. The Administration agreed that these matters needed to be reviewed.

46. In 1984, the Publications Board already stressed the necessity of tightening the storage and inventory control system. Inventory computerization, initiated in October 1987, is still in progress in spite of the limited number of titles published each year. In addition, the inventory kept by the Claims and Travel Unit is not comprehensive because other units are responsible for the management of stocks of their own publications (FORUM, Training, Packaging Information, Trade Information on Chambers of Commerce, etc.) but, with one exception, do not keep inventory records. A survey of physical stocks revealed that large quantities of long outdated publications (especially statistical market studies) remained in storage areas. The last exercise in stock reduction took place in 1980. Avoiding expensive reprintings should not lead to overestimating future needs, and a review of print runs seems necessary.

47. Most publications are distributed free of charge. Income from sales of publications amounted to only \$27,473 for the biennium 1984-1985 and to \$30,888 for the biennium 1986-1987. The publishing policy (including the pricing policy) does not appear to be well defined and the Administration agreed that there was a need for a comprehensive review of its objectives and procedures in that area. It appeared that the prices of publications have not been re-evaluated since 1975. As an example to be replicated, we may refer to the decision taken in October 1987 to sell services formerly circulated free of charge such as the "Traders" and "Market News Service" data bases. Sales revenue from "Market News Service" is expected to reach \$150,000 in 1988 and will accrue as income to the project.

#### Comments on matters dealt with in the report of the biennium 1984-1985

48. Matters raised in the Board's report on the biennium 1984-1985 have been dealt with to our satisfaction. However, in view of the announcement that "a fully up-to-date computerized budget control system" would be operational in early

1986, 1/ we noted that this computerization could not be completed, since it was dependent on the revamping of the electronic data-processing accounting system of the United Nations Office at Geneva, the implementation of which is expected to take a few more years.

Acknowledgement

49. The Board of Auditors wishes to express its appreciation for the co-operation and assistance extended by the Executive Director of the International Trade Centre, his officers and members of their staff.

(Signed) André CHANDERNAGOR  
Senior President of the  
Court of Accounts of France

(Signed) R. T. NELSON  
Auditor General of Ghana

(Signed) Eufemio C. DOMINGO  
Chairman, Commission on Audit  
the Philippines

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1/ Official Records of the General Assembly, Forty-first Session, Supplement No. 5 (A/41/5), vol. II, sect. II, para. 13.



### III. AUDIT OPINION

We have examined the following appended financial statements, numbered I to VII, properly identified, and relevant schedules of the International Trade Centre for the financial period ended 31 December 1987. Our examination included a general review of the accounting procedures and such tests of the accounting records and other supporting evidence as we considered necessary in the circumstances.

As a result of our examination, we are of the opinion that the financial statements present fairly the financial position as at the end of the period and the results of its operations for the period then ended.

The financial statements were prepared in accordance with the stated accounting principles, which were applied on a basis consistent with that of the preceding financial period. The transactions were in accordance with the Financial Regulations and legislative authority, except for the deviations mentioned in paragraphs 24, 26 and 28 of our report.

(Signed) André CHANDERNAGOR  
Senior President of the  
Court of Accounts of France

(Signed) R. T. NELSON  
Auditor General of Ghana

(Signed) Eufemio C. DOMINGO  
Chairman, Commission on Audit  
the Philippines

23 June 1988

IV. CERTIFICATION OF THE FINANCIAL STATEMENTS

18 April 1988

I certify that the appended financial statements of the International Trade Centre, numbered I to VII, are correct.

(Signed) Luis Maria GOMEZ  
Controller

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V. ACCOUNTS FOR THE BIENNIUM 1986-1987 ENDED 31 DECEMBER 1987

STATEMENT I

INTERNATIONAL TRADE CENTRE UNCTAD/GATT - GENERAL FUND

Status of appropriations for the biennium 1986-1987 as at 31 December 1987

(United States dollars)

	Appropriations 1986-1987	Disbursements	Unliquidated obligations	Total expenditure	Unobligated balance of appropriations
Section 16 - Trade promotion					
Programme 1 - Policy-making organ	209 700	206 701	-	206 701	2 999
Programme 2 - Executive direction and management	726 600	707 463	900	708 363	18 237
Programme 3 - Trade promotion and export development	12 510 400	12 171 604	229 797	12 401 401	108 999
Programme 4 - Administration and common services	9 822 100	9 396 333	272 892	9 669 225	152 875
Total	23 268 800	22 482 101	503 589	22 985 690	283 110

SCHEDULE 1.1

INTERNATIONAL TRADE CENTRE UNCTAD/GATT - GENERAL FUND

Major objects of expenditure by programme for the biennium 1986-1987 ended 31 December 1987

(United States dollars)

	Salaries and common staff costs	Travel	Contractual services	General operating expenses	Supplies and materials	Furniture and equipment	Total
Section 16 - Trade promotion							
Programme 1 - Policy-making organ	194 857	-	-	11 844	-	-	206 701
Programme 2 - Executive direction and management	678 926	29 437	-	-	-	-	708 363
Programme 3 - Trade promotion and export development	11 957 330	152 062	147 049	-	144 960	-	12 401 401
Programme 4 - Administration and common services	5 495 904	18 436	568 719	3 071 679	255 470	259 017	9 669 225
Total	18 327 017	199 935	715 768	3 083 523	400 430	259 017	22 985 690

## STATEMENT II

## INTERNATIONAL TRADE CENTRE UNCTAD/GATT - GENERAL FUND

Statement of income and expenditure and surplus account for the  
biennium 1986-1987 ended 31 December 1987

(United States dollars)

	Approved estimates for the biennium	Actual income as at 31 December 1987	Actual income as at 31 December 1985
<u>I. Statement of income and expenditure</u>			
<u>Income</u>			
Contribution from GATT	11 373 300	11 373 300	7 799 550
Contribution from United Nations	11 373 300	11 373 300	7 799 550
Contributions credited to income	22 746 600 <u>a/</u>	22 746 600	15 599 100
<u>Add:</u> Other income (schedule 2.1)	522 200	569 323	499 386
Total appropriations	23 268 800	23 315 923	16 098 486
<u>Less:</u> Total expenditure (schedule 1.1)	22 985 690		
Unobligated balance of appropriations (statement I)	283 110		
<u>Add:</u> Excess of actual income over estimated	47 123		
<u>Excess of income over expenditure</u>	<u>330 233</u>		
<u>II. Surplus account</u>			
		<u>1987</u>	<u>1985</u>
Surplus available for credit to United Nations/GATT as at 1 January 1986		680 485	871 859
<u>Add:</u> Savings effected in liquidating prior year obligations		45 943	96 094
Excess of income over expenditure (see above)		330 233	30 432
Total		1 056 661	998 385
<u>Less:</u> Amount applied as credits against contributions due from United Nations/GATT for 1986-1987		726 400 <u>a/</u>	317 900
Surplus available as at 31 December 1987 (statement III)		<u>330 261</u>	<u>680 485</u>

a/ Includes an amount of \$726,400 financed from the surplus account.

SCHEDULE 2.1

INTERNATIONAL TRADE CENTRE UNCTAD/GATT - GENERAL FUND

Schedule of income for the biennium 1986-1987 ended 31 December 1987

(United States dollars)

	Approved estimates for the biennium 1986-1987 <u>a/</u>	Actual income as at 31 December 1987
<u>Income</u>		
Contributions from GATT	11 373 300	11 373 300
Contributions from United Nations	11 373 300	11 373 300
Subtotal	<u>22 746 600</u>	<u>22 746 600</u>
<u>Other income</u>		
Rental of office space	337 100	337 161
Rental of parking space	70 900	71 500
Sale of publications	27 000	30 888
Interest on investments	40 000	52 424
Miscellaneous	31 200	30 483
Refunds of prior years' expenditure	16 000	16 032
Gain on exchange	-	30 835
Subtotal	<u>522 200</u>	<u>569 323</u>
Total (statement I)	<u>23 268 800</u>	<u>23 315 923</u>

a/ Financed in part by transfer from the surplus account amounting to \$726,400.



## STATEMENT III

## INTERNATIONAL TRADE CENTRE UNCTAD/GATT - GENERAL FUND

Statement of assets and liabilities as at 31 December 1987

(United States dollars)

	1987	1985
<u>Assets</u>		
Cash	532 252 a/	1 114 088
Accounts receivable	133 120	139 742
Deferred charges and other assets	299 975	210 046
Total assets	<u>965 347</u>	<u>1 463 876</u>
<u>Liabilities</u>		
Accounts payable	17 020	75 148
Unliquidated obligations (statement I)	503 589	380 327
Due to International Trade Centre trust funds (statement V)	107 751	319 985
Deferred income	6 726	7 931
Total liabilities	<u>635 086</u>	<u>783 391</u>
<u>Fund balance</u>		
Total fund balance (statement II)	<u>330 261</u>	<u>680 485</u>
Total liabilities and fund balance	<u>965 347</u>	<u>1 463 876</u>

a/ Includes \$470,823 from interest-earning deposits.

## STATEMENT IV

INTERNATIONAL TRADE CENTRE UNCTAD/GATT - SPECIAL ACCOUNTS FOR  
PROGRAMME SUPPORT COSTSI. Statement of income and expenditure for the biennium 1986-1987  
ended 31 December 1987

(United States dollars)

	1987	1985
<u>Income</u>		
UNDP (statement V)	2 543 341	1 516 473
Technical co-operation trust funds (statement V)	2 827 374	2 200 027
Associated agency projects	108 677	122 749
Interest income	99 321	186 591
Savings on liquidation of prior years' obligations	16 224	25 932
Miscellaneous	393 993	44 496
Total income	<u>5 988 930</u>	<u>4 096 268</u>
<u>Expenditure</u>		
Staff and other personnel costs	5 263 461	4 152 940
Travel	3 354	-
Contractual services	10 464	-
Operating expenses	24 049	-
Acquisitions	30 624	-
Fellowships, grants, other	768 787	592 714
Total expenditure	<u>6 100 739</u>	<u>4 745 654</u>
Excess of income over expenditure	(111 809)	(649 386)
<u>Add:</u> Adjustments for prior period	-	28 520
<u>Net excess of income over expenditure</u>	<u>(111 809)</u>	<u>(620 866)</u>

## STATEMENT IV (concluded)

II. Statement of assets and liabilities as at 31 December 1987

(United States dollars)

	1987	1985
<u>Assets</u>		
Cash	803 385 <u>a/</u>	380 824
Accounts receivable	150 821	159 372
Due from technical co-operation activities (statement V)	-	165 172
Total assets	<u>954 206</u>	<u>705 368</u>
<u>Liabilities</u>		
Unliquidated obligations	17 349	6 968
Operating reserve	700 000	700 000
Due to technical co-operation activities (statement V)	350 266	-
Total liabilities	<u>1 067 615</u>	<u>706 968</u>
<u>Fund balance</u>		
Balance available 1 January 1986	(1 600)	758 612
<u>Less:</u> Transfers to operating reserve	-	(139 346)
<u>Add:</u> Excess of income over expenditure	<u>(111 809)</u>	<u>(620 866)</u>
Balance available 31 December 1987	<u>(113 409)</u>	<u>(1 600)</u>
Total liabilities and fund balance	<u>954 206</u>	<u>705 368</u>

a/ Held in interest-bearing bank deposits.

## STATEMENT V

## TECHNICAL CO-OPERATION ACTIVITIES EXECUTED BY THE INTERNATIONAL TRADE CENTRE UNCTAD/GATT

I. Combined statement of income and expenditure for the biennium 1986-1987 ended 31 December 1987

(United States dollars)

	Technical co-operation trust funds	UNDP a/	Total	
			1987	1985
<u>Income</u>				
Allocations	336 000	22 154 358	22 490 358	13 724 793
Contributions	25 936 162	-	25 936 162	17 535 022
Interest	647 950	-	647 950	1 210 115
Miscellaneous income	24 384	-	24 384	21 435
Total income	26 944 496	22 154 358	49 098 854	32 491 365
<u>Expenditure</u>				
Staff and other personnel costs	14 954 883	11 323 831	26 278 714	18 833 105
Travel	1 540 518	932 136	2 472 654	1 615 998
Contractual services	1 302 950	849 648	2 152 598	1 334 902
Operating expenses	1 500 968	1 214 765	2 715 733	2 259 658
Acquisitions	1 138 419	2 650 640	3 789 059	2 278 094
Fellowships, grants, other	1 683 329	2 639 997	4 323 326	2 759 833
Total project costs	22 121 067	19 611 017	41 732 084	29 081 590
Programme support costs (statement IV)	2 827 374	2 543 341	5 370 715	3 716 500
Total expenditure	24 948 441	22 154 358	47 102 799	32 798 090
Excess of income over expenditure	1 996 055	-	1 996 055	(306 725)
Add: Adjustments (schedule 5.1)	(522 516)	-	(522 516)	(785 375)
<u>Net excess of income over expenditure</u>	<u>1 473 539</u>	<u>-</u>	<u>1 473 539</u>	<u>(1 092 100)</u>

II. Combined statement of assets and liabilities as at 31 December 1987

(United States dollars)

<u>Assets</u>				
Cash	7 424 681	734 291	8 158 972 b/	6 025 803
Contributions receivable (schedule 5.1)	744 027	-	744 027	1 480 476
Contributions receivable (prior years)	134 013	-	134 013	19 142
Accounts receivable	467 669	329 517	797 186	1 031 872
Due from UNDP for excess of expenditure incurred over funds provided	1 919	1 024 686 c/	1 026 605	1 502 589
Unspent allocations	2 043	15 623 989	15 626 032	9 162 072
Interfund balances receivable	54 701	-	54 701	557 822
Due from ITC special accounts for programme support costs (statement IV)	350 266	-	350 266	-
Due from ITC General Fund (statement III)	107 751	-	107 751	319 985
Deferred charges and other assets	2 390 586	1 495 539	3 886 125	2 582 196
Total assets	11 677 656	19 208 022	30 885 678	22 681 957

## STATEMENT V (concluded)

	Technical co-operation trust funds	UNDP a/	Total	
			1987	1985
<u>Liabilities</u>				
Accounts payable	277 266	320 792	598 058	611 478
Unliquidated obligations	1 316 012	1 760 625	3 076 637	2 545 927
Unliquidated obligations for future years	2 351 089	1 447 915	3 799 004	2 507 863
Interfund balances payable	-	54 701	54 701	557 822
Due to ITC special accounts for programme support costs (statement IV)	-	-	-	165 172
Due to Training Packs Revolving Fund (statement VI)	47 213	-	47 213	58 471
Due to International Computing Centre/Electronic Data Processing Revolving Fund (statement VII)	27 049	-	27 049	-
Due to United Nations General Fund	141 528	-	141 528	1 031 235
Operating reserve	700 000	-	700 000	700 000
Deferred income	-	15 623 989	15 623 989	9 160 029
Total liabilities	<u>4 860 157</u>	<u>19 208 022</u>	<u>24 068 179</u>	<u>17 337 997</u>
<u>Fund balance</u>				
Balance available 1 January 1986	5 343 960	-	5 343 960	6 436 060
Add: Excess of income over expenditure	<u>1 473 539</u>	<u>-</u>	<u>1 473 539</u>	<u>(1 092 100)</u>
Balance available 31 December 1987	<u>6 817 499</u>	<u>-</u>	<u>6 817 499</u>	<u>5 343 960</u>
Total liabilities and fund balance	<u>11 677 656</u>	<u>19 208 022</u>	<u>30 885 678</u>	<u>22 681 957</u>

a/ Excludes income received/expenditure incurred by the International Trade Centre as an associated agency.

b/ Includes \$7,940,010 from interest-bearing bank deposits.

c/ This amount represents funds that will be requested, in accordance with existing arrangements with UNDP, only as payments in settlement of the unliquidated obligations become due.

SCHEDULE 5.1

INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Technical co-operation activities financed by trust funds

Combined schedule of income and expenditure and fund balance for the biennium 1986-1987 ended 31 December 1987

(United States dollars)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments a/ 31 December 1987	Fund balance 31 December 1987
		Allocations		Pledged contributions unpaid				
		contributions received interest	miscellaneous income					
<u>Projects financed by recipient Governments</u>								
Equatorial Guinea	1 971	-	-	-	-	-	-	1 971
Macao	19 761	-	-	-	338	-	-	19 423
Malawi	-	291 634	-	-	168 834	-	-	122 800
Morocco	784	-	-	-	52	(732)	-	-
Pakistan	132 807	15 000	-	23 304	38 304	89 143	(66 968)	15 000
Philippines	1 540	-	-	-	-	439	(1 101)	-
Zambia	3	-	-	-	-	3	-	-
Subtotal	156 866	306 634	-	23 304	329 938	258 809	(68 801)	159 194
<u>Associate experts</u>								
Germany, Federal Republic of	13 883	81 000	-	-	81 000	13 084	-	81 799
Netherlands	59 709	261 848	-	-	261 848	189 265	(12 274)	120 018
Sweden	-	62 000	-	-	62 000	-	-	62 000
Subtotal	73 592	404 848	-	-	404 848	202 349	(12 274)	263 817
<u>Other projects financed by donor Governments</u>								
Bangladesh	-	5 000	-	-	5 000	-	(3 307)	1 693
Belgium	285 294	324 929	11 163	-	336 092	582 786	-	38 600
Canada	701 901	1 711 699	108 829	-	1 820 528	2 128 879	-	393 550
China	58 127	104 007	-	-	104 007	(2 175)	(156 600)	7 709
Denmark	88 404	1 744 199	-	-	1 744 199	1 442 104	-	390 499
Greece	-	39 414	-	-	39 414	38 775	-	639
Germany, Federal Republic of	26 903	1 476 446	-	-	1 476 446	1 260 268	(82 881)	160 200
Finland	182 752	1 516 143	16 368	-	1 532 511	1 597 502	-	117 761
France	56 157	290 470	-	-	290 470	226 063	-	120 564
India	14 224	104 294	-	-	104 294	16 668	(100 400)	1 450
Indonesia	-	114 335	-	-	114 335	15 510	(90 000)	8 825
Ireland	12 202	31 611	-	-	31 611	30 007	-	13 806

SCHEDULE 5.1 (concluded)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments <sup>a/</sup>	Fund balance 31 December 1987
		Allocations		Pledged contributions unpaid				
		contributions received interest miscellaneous income						
Other projects financed by donor Governments (continued)								
Italy	127 727	175 353		197 061	372 414	404 420	-	95 721
Japan	324 934	330 802		-	330 802	472 270	-	183 466
Netherlands	688 407	2 930 870		-	2 930 870	2 883 628	(300 000)	435 649
Norway	228 579	2 480 837		-	2 480 837	2 139 577	-	569 839
Poland	-	53 719		-	53 719	30 618	(3 750)	19 351
Spain	-	228 269		-	228 269	97 911	-	130 358
Sri Lanka	10 000	10 000		-	10 000	-	(13 228)	6 772
Sweden	1 014 613	3 626 617		-	3 626 617	3 921 481	-	719 749
Swedish International Development Authority	353 248	2 871 670		331 902	3 203 572	2 568 169	(19 345)	969 306
Switzerland	308 593	4 505 454		55 400	4 560 854	3 255 457	(31 437)	1 582 553
Multiple Asian donors	-	-		-	-	331 862	363 535	31 673
Subtotal	4 482 065	24 676 138		720 723	25 396 861	23 441 780	(437 413)	5 999 733
UNDP-administered trust funds								
Mongolia	2 043	-		-	-	-	-	2 043
Sectoral support	237	336 000		-	336 000	340 087	-	(3 850)
Subtotal	2 280	336 000		-	336 000	340 087	-	(1 807)
Other trust funds								
Banque Tunisio - Koweitienne de Développement - Tunisia	4 028	-		-	-	-	(4 028)	-
European Economic Community International Development Research Centre - Canada	58 244	281 938		27 677	309 615	314 970	-	52 889
International Jute Organization	78 631	83 610		-	83 610	139 557	-	22 684
Finnida	237 001	43 422		-	43 422	249 601	-	30 822
	251 253	40 202		-	40 202	1 288	-	290 167
Subtotal	629 157	449 172		27 677	476 849	705 416	(4 028)	396 562
Total projects	5 343 960	26 172 792		771 704	26 944 496	24 948 441	(522 516)	6 817 499

a/ Reimbursements to donors amounting to \$417,403 and miscellaneous adjustments of \$105,113.

SCHEDULE 5.2

INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Technical co-operation activities financed by trust funds

Combined schedule of income and expenditure and fund balance for the year ended 31 December 1986

(United States dollars)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments a/	Fund balance 31 December 1987
		Allocations contributions received interest miscellaneous income	Planned contributions unpaid					
<u>Projects financed by recipient Governments</u>								
Equatorial Guinea	1 971	-	-	-	-	-	-	1 971
Malawi	-	166 274	-	-	166 274	83 435	-	82 839
Macao	19 761	-	-	-	-	338	-	19 423
Morocco	784	-	-	-	-	52	(732)	-
Pakistan	132 807	-	-	-	-	89 143	(43 664)	-
Philippines	1 540	-	-	-	-	439	(1 101)	-
Zambia	3	-	-	-	-	3	-	-
Subtotal	156 866	166 274	-	-	166 274	173 410	(45 497)	104 233
<u>Associate experts</u>								
Germany, Federal Republic of	13 883	-	-	-	-	13 074	-	809
Netherlands	59 709	195 960	-	-	195 960	70 453	(12 274)	172 942
Subtotal	73 592	195 960	-	-	195 960	83 527	(12 274)	173 751
<u>Other projects financed by donor Governments</u>								
Multiple Asian donors	-	-	-	-	-	60 564	111 400	50 836
Bangladesh	-	5 000	-	-	5 000	-	-	5 000
Belgium	285 294	7 280	159 826	-	167 106	393 495	-	58 905
Canada	701 901	800 060	80 347	-	880 407	1 217 287	-	365 021
China	58 127	3 881	-	-	3 881	(2 175)	(57 368)	6 815
Denmark	88 404	825 696	-	-	825 696	685 584	-	228 516
Finland	182 752	714 823	-	-	714 823	783 284	-	114 291
France	56 157	138 120	-	-	138 120	103 267	-	91 010
Germany, Federal Republic of	26 903	658 195	-	-	658 195	567 690	(25 764)	91 644
Greece	-	10 000	40 000	-	50 000	163	-	49 837
India	14 224	52 793	-	-	52 793	14 334	(27 122)	25 561
Indonesia	-	52 475	-	-	52 475	-	(26 910)	25 565



SCHEDULE 5.2 (concluded)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments a/	Fund balance 31 December 1987
		Allocations contributions received interest income	Pledged contributions unpaid					
<u>Other projects financed by donor Governments (continued)</u>								
Ireland	12 202	19 611	-	-	19 611	17 471	-	14 342
Italy	127 727	175 353	-	-	175 353	224 203	-	78 877
Japan	324 934	170 907	-	-	170 907	280 749	-	215 092
Netherlands	688 407	1 378 636	-	-	1 378 636	1 385 648	(150 000)	531 395
Norway	228 579	1 187 502	-	-	1 187 502	1 113 951	-	302 130
Poland	-	40 816	-	-	40 816	30 619	-	10 197
Spain	-	112 663	-	-	112 663	100 994	-	11 669
Sri Lanka	10 000	-	-	-	-	-	-	10 000
Sweden	1 014 613	965 572	122 682	-	1 088 254	1 585 479	-	517 388
Swedish International Development Authority	353 248	607 898	160 000	-	767 898	708 777	-	412 369
Switzerland	308 593	2 399 360	-	-	2 399 360	1 691 994	-	1 015 959
Subtotal	4 482 065	10 326 641	562 855	-	10 889 496	10 963 378	(175 764)	4 232 419
<u>UNDP administered trust funds</u>								
Sectoral support	237	100 000	-	-	100 000	102 564	-	(2 327)
Mongolia	2 043	-	-	-	-	-	-	2 043
Subtotal	2 280	100 000	-	-	100 000	102 564	-	(284)
<u>Other trust funds</u>								
Banque Tunisio-Koweitienne de Développement - Tunisia	4 028	-	-	-	-	-	(4 028)	-
European Economic Community International Development Research Centre - Canada	58 244	185 603	156 929	-	342 532	291 241	-	109 535
International Jute Organization	78 631	81 751	-	-	81 751	105 221	-	55 161
Finland	237 001	41 919	-	-	41 919	208 178	-	70 742
Subtotal	251 253	20 583	-	-	20 583	2 252	-	269 584
Subtotal	629 157	329 856	156 929	-	486 785	606 892	(4 028)	505 022
Total projects	5 343 960	11 118 731	719 784	-	11 838 515	11 929 771	(237 563)	5 015 141

a/ Reimbursements to donors and miscellaneous adjustments.

SCHEDULE 5.3

INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Technical co-operation activities financed by trust funds

Combined schedule of income and expenditure and fund balance for the year ended 31 December 1987

(United States dollars)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments a/	Fund balance 31 December 1987
		Allocations contributions received	miscellaneous interest income	Pledged contributions unpaid				
<u>Projects financed by recipient Governments</u>								
Equatorial Guinea	1 971	-	-	-	-	-	-	1 971
Macao	19 423	-	-	-	-	-	-	19 423
Malawi	82 839	125 360	-	-	125 360	85 399	-	122 800
Pakistan	-	15 000	-	23 304	38 304	-	(23 304)	15 000
Subtotal	104 233	140 360	-	23 304	163 664	85 399	(23 304)	159 194
<u>Associate experts</u>								
Germany, Federal Republic of	809	81 000	-	-	81 000	10	-	81 799
Netherlands	172 942	65 888	-	-	65 888	118 812	-	120 018
Sweden	-	62 000	-	-	62 000	-	-	62 000
Subtotal	173 751	208 888	-	-	208 888	118 822	-	263 817
<u>Other projects financed by donor Governments</u>								
Multiple Asian donors	50 836	-	-	-	-	271 298	252 135	31 673
Bangladesh	5 000	-	-	-	-	-	(3 307)	1 693
Belgium	58 905	157 823	-	11 163	168 986	189 291	-	38 600
Canada	365 021	831 292	-	108 829	940 121	911 592	-	393 550
China	6 815	100 126	-	-	100 126	-	(99 232)	7 709
Denmark	228 516	918 503	-	-	918 503	756 520	-	390 499
Finland	114 291	801 320	-	16 368	817 688	814 218	-	117 761
France	91 010	152 350	-	-	152 350	122 796	-	120 564
Germany, Federal Republic of	91 644	818 251	-	-	818 251	692 578	(57 117)	160 200
Greece	49 837	-	-	-	-	38 612	(10 586)	639
India	25 561	51 501	-	-	51 501	2 334	(73 278)	1 450
Indonesia	25 565	61 860	-	-	61 860	15 510	(63 090)	8 825
Ireland	14 342	12 000	-	-	12 000	12 536	-	13 806
Italy	78 877	-	-	197 061	197 061	180 217	-	95 721
Japan	215 092	159 895	-	-	159 895	191 521	-	183 466

SCHEDULE 5.3 (concluded)

	Fund balance 1 January 1986	Income			Total income	Expenditures	Adjustments a/	Fund balance 31 December 1987
		Allocations contributions received miscellaneous income	pledged contributions unpaid					
<u>Other projects financed by donor Governments (continued)</u>								
Netherlands	531 395	1 552 234	-	1 552 234	1 497 980	(150 000)	435 649	
Norway	302 130	1 293 335	-	1 293 335	1 025 626	-	569 839	
Poland	10 197	12 903	-	12 903	(1)	(3 750)	19 351	
Spain	11 669	115 606	-	115 606	(3 083)	-	130 358	
Sri Lanka	10 000	10 000	-	10 000	-	(13 228)	6 772	
Sweden	517 388	2 533 363	-	2 538 363	2 336 002	-	719 749	
Swedish International Development Authority	412 369	2 103 772	331 902	2 435 674	1 859 392	(19 345)	969 306	
Switzerland	1 015 959	2 106 094	55 400	2 161 494	1 563 463	(31 437)	1 582 553	
Subtotal	4 232 419	13 797 228	720 723	14 517 951	12 478 402	(272 235)	5 999 733	
<u>UNDP-administered trust funds</u>								
Sectoral support	(2 327)	236 000	-	236 000	237 523	-	(3 850)	
Mongolia	2 043	-	-	-	-	-	2 043	
Subtotal	(284)	236 000	-	236 000	237 523	-	(1 807)	
<u>Other trust funds</u>								
European Economic Community	109 535	-	-	-	23 729	(32 917)	52 889	
International Development Centre - Canada	55 161	1 859	-	1 859	34 336	-	22 684	
International Jute Organization	70 742	1 503	-	1 503	41 423	-	30 822	
Finnida	269 584	19 619	-	19 619	(964)	-	290 167	
Subtotal	505 022	22 981	-	22 981	98 524	(32 917)	396 562	
Total projects	5 015 141	14 405 457	744 027	15 149 484	13 018 670	(328 456)	6 817 499	

a/ Reimbursements to donors and miscellaneous adjustments.

# SCHEDULE 5.4

## INTERNATIONAL TRADE CENTRE UNCTAD/GATT

### Technical co-operation activities financed by the United Nations Development Programme

#### Expenditure by source of funds for the biennium 1986-1987 ended 31 December 1987

(United States dollars)

#### 1. Year ended 31 December 1987

	Disbursements <u>1987</u>	Unliquidated obligations as at <u>31 December 1987</u>	Total expenditure <u>1987</u>
<u>Source of funds a/</u>			
Country indicative planning figure (IPF)	4 477 586	1 111 446	5 589 032
Regional IPF	1 878 052	539 401	2 417 453
Interregional IPF	<u>838 825</u>	<u>63 717</u>	<u>902 542</u>
Subtotal (schedule 5.5)	7 194 463	1 714 564	8 909 027
Special Measures Fund for the Least Developed Countries	<u>208 823</u>	<u>45 531</u>	<u>254 354</u>
Subtotal (schedule 5.5)	<u>208 823</u>	<u>45 531</u>	<u>254 354</u>
Government cash counterpart contributions	<u>12 253</u>	<u>530</u>	<u>12 783</u>
Total	<u>7 415 539</u>	<u>1 760 625</u>	9 176 164
<u>Programme support costs</u>			<u>1 188 886</u>
Total expenditure for 1987			10 365 050

#### 2. Year ended 31 December 1986

Total expenditure for 1986	<u>11 789 308</u>
Grand total for the biennium 1986-1987	<u>22 154 358</u>

(statement V)

a/ Including cost-sharing, where applicable.

SCHEDULE 5.5

INTERNATIONAL TRADE CENTRE UNCTAD/GATT

Technical co-operation activities financed by the United Nations Development Programme

Project costs by country and region for the year ended 31 December 1987

(United States dollars)

Country projects	Indicative planning figure a/ Least Developed Countries				Special Measures Fund for the			
	Unliquidated		Unliquidated		Unliquidated		Unliquidated	
	Disbursements	Obligations	Disbursements	Obligations	Disbursements	Obligations	Disbursements	Obligations
Afghanistan	161 022	1 952	-	-	161 022	-	1 952	-
Algeria	67 743	1 919	-	-	67 743	-	1 919	-
Barbados	117 223	82 600	-	-	117 223	-	82 600	-
Bangladesh	55 033	7 030	-	-	55 033	-	7 030	-
Bhutan	30 059	7 043	-	-	30 059	-	7 043	-
Bulgaria	14 362	-	-	-	14 362	-	-	-
Burma	14 693	2 213	-	-	14 693	-	2 213	-
Cameroon	15 905	-	-	-	15 905	-	-	-
Cape Verde	33 817	12 078	-	-	33 817	-	12 078	-
Chile	11 250	4 086	-	-	11 250	-	4 086	-
China	36 126	3 876	-	-	36 126	-	3 876	-
Congo	(130)	-	-	-	(130)	-	-	-
Costa Rica	107 500	10 823	-	-	107 500	-	10 823	-
Côte d'Ivoire	165 293	3 437	-	-	165 293	-	3 437	-
Cuba	55 843	36 690	-	-	55 843	-	36 690	-
Democratic Republic of Korea	11 666	-	-	-	11 666	-	-	-
Djibouti	97 669	23 378	-	-	97 669	-	23 378	-
Dominican Republic	3 813	9 452	-	-	3 813	-	9 452	-
Ecuador	114 271	28 778	-	-	114 271	-	28 778	-
Egypt	78 186	35 777	-	-	78 186	-	35 777	-
El Salvador	49 098	26 959	-	-	49 098	-	26 959	-
Ethiopia	56 025	20 237	-	-	56 025	-	20 237	-
Gambia	2 129	18 430	-	-	2 129	-	18 430	-
Ghana	347	20 104	-	-	347	-	20 104	-
Greece	25 522	-	-	-	25 522	-	-	-
Guatemala	123 104	17 808	-	-	123 104	-	17 808	-
Haiti	6 004	-	-	-	6 004	-	-	-
Honduras	49 005	227	-	-	49 005	-	227	-
India	795	-	-	-	795	-	-	-
Indonesia	478 483	94 984	-	-	478 483	-	94 984	-
Jordan	18 687	18 285	-	-	18 687	-	18 285	-
Lao People's Democratic Republic	17 567	7 444	-	-	17 567	-	7 444	-
Lesotho	181 009	16 674	-	-	181 009	-	16 674	-
Madagascar	106 912	22 295	-	-	106 912	-	22 295	-

SCHEDULE 5.5 (concluded)

	Special Measures Fund for the				Total	
	Least Developed Countries		Unliquidated obligations		Unliquidated obligations	
	Disbursements	Unliquidated obligations	Disbursements	Unliquidated obligations	Disbursements	Unliquidated obligations
Malawi	-	-	208 823	45 531	208 823	45 531
Mauritania	99 743	14 515	-	-	99 743	14 515
Mauritius	16 186	-	-	-	16 186	-
Morocco	198 547	100 858	-	-	198 547	100 858
Mozambique	67 418	12 952	-	-	67 418	12 952
Nepal	20 665	11 521	-	-	20 665	11 521
Niger	27 108	935	-	-	27 108	935
Oman	26 581	-	-	-	26 581	-
Pakistan	491 473	112 319	-	-	491 473	112 319
Paraguay	8 514	7 045	-	-	8 514	7 045
Philippines	70 938	6 844	-	-	70 938	6 844
Poland	8 692	-	-	-	8 692	-
Portugal	5 291	17 718	-	-	5 291	17 718
Rwanda	-	24 568	-	-	-	24 568
Saudi Arabia	31 513	6 344	-	-	31 513	6 344
Senegal	54 051	29 052	-	-	54 051	29 052
Seychelles	114	6 068	-	-	114	6 068
Sri Lanka	123 114	37 388	-	-	123 114	37 388
Sudan	42 466	17 940	-	-	42 466	17 940
Swaziland	75 233	3 554	-	-	75 233	3 554
Thailand	44 527	3 294	-	-	44 527	3 294
Tunisia	101 964	7 284	-	-	101 964	7 284
Turkey	1 163	-	-	-	1 163	-
United Republic of Tanzania	124 798	9 605	-	-	124 798	9 605
Uruguay	12 226	65 691	-	-	12 226	65 691
Viet Nam	289 359	51 388	-	-	289 359	51 388
Zambia	113 925	15 692	-	-	113 925	15 692
Zimbabwe	115 946	14 292	-	-	115 946	14 292
Subtotal	4 477 586	1 111 446	208 823	45 531	4 686 409	1 156 977
<u>Regional projects</u>						
Africa	876 082	88 586	-	-	876 082	88 586
Asia and the Pacific	985 422	397 649	-	-	985 422	397 649
Latin America	16 548	53 166	-	-	16 548	53 166
Subtotal	1 878 052	539 401	-	-	1 878 052	539 401
<u>Interregional projects</u>						
	838 825	63 717	-	-	838 825	63 717
Total (schedule 5.4)	7 194 463	1 714 564	208 823	45 531	7 403 286	1 760 095

a/ Including cost sharing.

STATEMENT VI  
INTERNATIONAL TRADE CENTRE UNCTAD/GATT  
TRAINING PACKS REVOLVING FUND

I. Statement of income and expenditure for the biennium  
1986-1987 ended 31 December 1987

(United States dollars)

	<u>1987</u>	<u>1985</u>
<u>Income</u>		
Sales of training packs to projects	37 530	39 743
Sales of training packs to others	<u>16 520</u>	<u>-</u>
Total income	54 050	39 743
<u>Expenditure</u>		
Costs of reprinting translations, etc.	<u>65 308</u>	<u>60 214</u>
<u>Excess of income over expenditure</u>	<u>(11 258)</u>	<u>(20 471)</u>

II. Statement of assets and liabilities as at 31 December 1987

(United States dollars)

Assets

Due from technical co-operation activities (statement V)	<u>47 213</u>	<u>58 471</u>
Total assets	<u>47 213</u>	<u>58 471</u>

Liabilities

Fund balance

Balance available 1 January 1986	58 471	78 942
Add: Excess of income over expenditure	<u>(11 258)</u>	<u>(20 471)</u>
Balance available 31 December 1987	<u>47 213</u>	<u>58 471</u>
Total liabilities and fund balance	<u>47 213</u>	<u>58 471</u>

## STATEMENT VII

## INTERNATIONAL TRADE CENTRE UNCTAD/GATT

INTERNATIONAL COMPUTING CENTRE/ELECTRONIC DATA  
PROCESSING REVOLVING FUNDI. Statement of income and expenditure for the biennium  
1986-1987 ended 31 December 1987

(United States dollars)

	<u>1987</u>	<u>1985 a/</u>
<u>Income</u>		
Sales of services to projects	215 250	-
Sales of services to others	<u>44 854</u>	<u>-</u>
Total income	260 104	-
<u>Expenditure</u>		
Costs of International Computing Centre services	<u>383 820</u>	<u>-</u>
<u>Excess of income over expenditure</u>	<u>(123 716)</u>	<u>-</u>

II. Statement of assets and liabilities as at 31 December 1987

(United States dollars)

<u>Assets</u>		
Due from ITC trust funds (statement V)	<u>27 049</u>	<u>-</u>
Total assets	<u>27 049</u>	<u>-</u>
<u>Liabilities</u>	-	-
<u>Fund balance</u>		
Balance available 1 January 1986	150 765	-
Add: Excess of income over expenditure	<u>(123 716)</u>	<u>-</u>
Total fund balance	<u>27 049</u>	<u>-</u>
Total liabilities and fund balance	<u>27 049</u>	<u>-</u>

a/ No comparative figures were available for 1985.



## ANNEX

### Summary of significant accounting policies

The following are the significant accounting policies of the International Trade Centre:

(a) The International Trade Centre accounts are maintained in accordance with the Financial Regulations of the United Nations as adopted by the General Assembly, the rules formulated by the Secretary-General as required under the regulations, administrative instructions issued by the Under-Secretary-General for Administration and Management or the Controller, and in conformity with generally accepted accounting principles. The United Nations follows the International Accounting Standard 1 on the disclosure of accounting policies, as modified by the Consultative Committee on Administrative Questions at its fifty-fourth session, as shown in subparagraphs (i) to (vi) below:

- (i) Going concern, consistency, and accrual are fundamental accounting assumptions. Where fundamental accounting assumptions are followed in financial statements, disclosure of such assumptions is not required. If a fundamental accounting assumption is not followed, that fact should be disclosed together with the reasons;
- (ii) Prudence, substance over form, and materiality should govern the selection and application of accounting policies;
- (iii) Financial statements should include clear and concise disclosure of all significant accounting policies which have been used;
- (iv) The disclosure of the significant accounting policies used should be an integral part of the financial statements. The policies should normally be disclosed in one place;
- (v) Financial statements should show corresponding figures for the preceding period;
- (vi) A change in an accounting policy that has a material effect in the current period or may have a material effect in subsequent periods should be disclosed together with the reasons. The effect of the change should, if material, be disclosed and quantified.

(b) Fund accounting. The Centre's accounts are maintained on a "fund accounting" basis and each fund is maintained as a distinct financial and accounting entity with a separate self-balancing double-entry group of accounts. Separate financial statements are prepared for each fund or for a group of funds of the same nature.

(c) The financial period of the Centre is a biennium and consists of two consecutive calendar years.

(d) The assets and liabilities and revenues and expenditures are recognized on the accrual basis of accounting.

(e) Translation of currencies. The accounts of the Centre are presented in United States dollars. Accounts maintained in other currencies are translated into United States dollars at the time of the transaction at rates of exchange established by the Controller. In respect of such currencies, the financial statements prepared at such intervals as may be prescribed by the Controller in accordance with the delegation of authority from the Under-Secretary-General for Administration and Management, shall reflect the cash, investments, unpaid contributions, and current accounts receivable and payable in currencies other than United States dollars, translated at the applicable United Nations rates of exchange in effect as at the date of the statements.

(f) Funds on deposit in interest-bearing bank accounts, certificates of deposit, time deposits and call accounts are shown in the statements of assets and liabilities as cash. Apart from changes in value arising from the retranslation of currencies as provided for in subparagraph (e) above, all investments are stated at cost.

(g) Deferred charges.

(i) Deferred charges comprise expenditure items that are not properly chargeable in the current financial period and which will be charged as expenditure in the subsequent financial period;

(ii) For balance sheet purposes only, that portion of the education grant advance which is assumed to pertain to the scholastic year completed as of the date of the financial statement is shown as a deferred charge. The full amount of the advance is maintained in the accounts receivable from staff members until such time as the staff member produces the required proof of entitlement to the education grant, at which time the budgetary account is charged and the advance recovered.

(h) Gain or loss on exchange. On the closing of the accounts at the end of each financial period, the balance for loss or gain on exchange is debited to the budget if there is a net loss; if there is a net gain, the gain is credited to miscellaneous income. However, gains or losses on exchange are treated differently for trust funds as indicated in subparagraph (m) (x) below.

(i) No provision is made in the General Fund for repatriation grant entitlements or to meet contingencies under appendix D to the Staff Rules of the United Nations as funds are provided for in budget appropriations. However, provision to meet contingent liabilities for compensation under appendix D for personnel financed by technical co-operation trust funds and by support costs is calculated on the basis of 1 per cent of the net base pay. This provision is maintained in the United Nations General Fund.

(j) Fixed assets, consisting of furniture, equipment, etc. are not included in the assets of the Centre. Acquisitions are charged against budget accounts in the year of purchase.

(k) Miscellaneous income:

(i) Refunds of expenditures which had been charged in the same financial period against the budgetary accounts are credited against the same accounts, but refunds of expenditure relating to the prior periods are credited to miscellaneous income;

- (ii) All monies accepted for purposes specified by the donors are treated as trust funds or special accounts. However, monies accepted in respect of which no purpose is specified are treated as miscellaneous income;
  - (iii) The proceeds from the sale of surplus property, the purchase of which was financed by the General Fund, are credited to the miscellaneous income of that fund. Miscellaneous income arising on technical co-operation activities is accounted for as described in subparagraph (m) (iv) below.
- (1) Savings on liquidation of General Fund prior periods obligations are credited directly to the surplus account of that fund. Savings on technical co-operation obligations are accounted for as described in subparagraph (m) (vi) below.
- (m) Technical co-operation accounts:
- (i) The technical co-operation financial statements report on the activities financed by the United Nations Development Programme (UNDP) and the trust funds;
  - (ii) Allocation income - UNDP. The figures for allocation income from UNDP are the same as reported for total expenditure in line with UNDP procedures which require that allocations be adjusted to equal actual expenditure;
  - (iii) Contribution income - trust funds. Contributions from Governments or other donors are recorded upon receipt of the contribution or upon approval of the project by the donor. All monies accepted for purposes specified by the donor are treated as trust funds or special accounts. Separate trust funds are set up for each project as approved by the donor and the recipient country. Schedules to the financial statements are presented showing prior year and current year expenditure together with a consolidated schedule for the biennium;
  - (iv) Interest and miscellaneous income. Interest and miscellaneous income arising from UNDP activities are credited to the operating fund accounts maintained with that organization. Interest accruing from the short-term investment of trust funds is credited first to the operating reserve to maintain that reserve at the agreed level (see subpara. (xi) below), then to support costs to meet any annual deficit attributable to currency fluctuations and thereafter to donors' funds. Trust fund miscellaneous income accruing from the sale of surplus property or refunds of expenditure are credited to the project from which the purchase or expenditure was originally financed. If the project is closed, this income is credited to the donor;
  - (v) Unspent allocations/deferred income - UNDP. The unspent balance of allocations issued for the current year, together with allocations issued for future years, is reflected as an asset and as deferred income. Unspent allocations for UNDP-financed projects are based on the project budgets. Unspent allocations for UNDP-administered trust funds are based on allocation advices issued by UNDP;

- (vi) Unliquidated obligations for the current period in respect of UNDP-financed activities remain valid for 12 months following the end of the year, rather than the biennium, to which they relate. However, in accordance with UNDP reporting requirements, executing agencies may retain unliquidated obligations beyond 12 months when a firm liability to pay still exists; such liabilities are reported as accounts payable in the financial statements. Savings in the liquidation of prior period obligations are credited to individual projects as a reduction of current period expenditure in accordance with UNDP reporting requirements;
- (vii) Unliquidated obligations for future years are reported as deferred charges and as a separate liability item;
- (viii) A system of average costing is used for UNDP projects whereby those elements of experts' actual costs which are unique to the individual expert are charged to UNDP projects at average cost, calculated by apportioning those costs over all UNDP projects in respect of which expert-months have been delivered in the current period;
- (ix) A system of standard costs is applied to trust fund projects. Projects are charged at standard costs for the provision of experts' services, the annual difference between the standard applied and the actual costs incurred being transferred to the operating reserve (see subpara. (xi) below);
- (x) Loss or gain on exchange. Any exchange difference incurred in respect of UNDP projects is debited or credited to the operating fund maintained with that organization. Any differences accruing on trust fund projects in respect of normal day-to-day transactions is borne by the appropriate project budgets. Those currency fluctuations which cannot be attributed to any particular project are debited/credited to the operating reserve (see subpara. (xi) below);
- (xi) Operating reserve - trust funds. The Centre's policy is to maintain this reserve at a predetermined level (currently \$700,000) and agreement has been reached with donors that the first charge upon interest will be for the purpose of maintaining the reserve at that level;
- (xii) Trust fund donors' fund balances. These funds comprise the unobligated balance of allocations, contributions not yet allocated, residual balances of closed projects, interest, and miscellaneous income, including those items described under subparagraph (iv). These funds are held pending instructions from the donor as to their disposal and are constantly under review in the course of continuing discussions which are maintained with all donors.
- (n) Income accruing from the sale of any training pack or similar item financed from trust fund resources is credited to the Training Pack Revolving Fund (statement VI) and utilized to finance the costs of reprinting, translation and other related costs.
- (o) Income accruing from the sale of electronic data-processing services financed from trust fund resources is credited to the ICC/EDP Revolving Fund (statement VII) and utilized to finance the provision of further services.

- (p) Special accounts for programme support costs:
- (i) Reimbursement for programme support costs is provided for in respect of extrabudgetary technical co-operation activities and accounted for in the support costs fund. The reimbursement is calculated as a percentage of the programme resources expended;
  - (ii) In the interim and biennial financial statements of the Centre, the account for programme support costs (statement IV) is shown separately from the extrabudgetary funds (statement V) from which its income derives;
  - (iii) Unliquidated obligations in respect of special accounts for programme support costs are accounted for on the same basis as for the programme budget;
  - (iv) Any balance in the support costs fund is carried forward to the next biennium;
  - (v) An operating reserve is maintained to meet contingent liabilities.

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