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PLENARY MEETING

Note by the Secretary-General

I have the honour to transmit to the Council the report by the Chairman of the Council Group of Specialists to review the management of the Union.

Yoshio UTSUMI
Secretary-General

**Letter from the Chairman of the Group of Specialists to review the management
of the Union to the Chairman of the ITU Council 2003**

11 April

2003

Dear Mr Mendes,

I am very pleased to transmit to you, on behalf of the Group of Specialists, the Group's report to Council entitled "Review of the Management of the Union."

This report was prepared pursuant to a decision made by the ITU Plenipotentiary Conference in Marrakesh, 2002. In that decision (now Decision 7, formerly Decision COM 6/1) the Conference instructed the Council to establish a group of specialists to report to the Council in May 2003, on the "effectiveness, efficiency, and economy of the management and administration of the Union as a whole." The terms of reference also singled out a number of areas for particular study.

It has been a challenging task to review, within a period of three months, the management and administration of the Union and to develop meaningful recommendations for the Council to consider. In the course of its work, the Group received several contributions and inputs from its members and reviewed a large number of documents, including numerous past studies of the management of the Union. It also interviewed more than thirty senior officials in ITU, including all the elected officials. The Group worked electronically to prepare drafts of its report, and held three formal meetings, as well as a large number of informal meetings.

It is our conclusion that the budget cannot be viewed in isolation. There is a broader problem that needs to be addressed regarding the integration of strategic and operational planning with financial planning and the budget process. Linking strategic and operational planning with financial planning and budgeting is an essential part of an integrated planning process which aims to bring efficiency gains to all the activities of the Union, whether substantive activities of the Sectors or support services of the General Secretariat. The overall budgetary planning process lacks coherence and cohesion.

We have condensed our findings into twenty-one recommendations, which we have classified as near-term, medium-term, or long-term, according to the target dates for their implementation. We believe the management and efficiency of the Union would be greatly improved if these recommendations were to be implemented.

Some of the highlights of the report are that the Group:

- Recommends that a comprehensive study be undertaken of ways to improve the linkage between the budget and the Union's strategic, financial, and operational plans.
- Recommends that the budget should be project/activities-based (i.e., results-based), should present more detail along project lines, including details of human resources involved, and should be provided to the Council further in advance of the Council meeting so as to improve transparency.
- Recommends that the Union's budget and cost-accounting system should be overhauled so they can be used as a management tools to control costs and monitor progress.

- Recommends that authority and accountability be more decentralized within ITU, in order to remove bottlenecks to the decision-making process and improving morale among the staff.
- Recommends that significant cost-savings could be achieved by taking various steps to eliminate duplication and improve efficiencies in ITU, for example, by consolidating the publications and document departments and by improving the information systems function of ITU.
- Recommends that the operation of TELECOM be reorganized along project lines, and that an audit be conducted of the amounts it is charged for services by other parts of the Secretariat.
- Recommends that the Council establish a group to meet regularly with the elected officials of the Union to monitor the implementation of these recommendations. This oversight group should also work with the elected officials to assist the Coordination Committee to function better in its proper role as the Union's top management body.

The Plenipotentiary Conference directed the Council to use this report "in conjunction with the examination of the draft budget 2004-2005." The Group had hoped to be able to assist the Council in this regard, by analysing the draft budget in light of the Group's findings. However, the Group did not receive a final draft of the budget within the necessary timeframe to enable the Group to analyse it. Under these circumstances, the Group did not feel it could provide the Council with an informed analysis. It does suggest that the Council, depending upon the pace and thoroughness of its deliberations, consider holding an extraordinary session later in the year to address the budget, in order to have adequate time to review the complete document and its implications.

In conclusion, I would like to say that it has been a privilege for me to work with the other specialists in the Group. Their dedication and efforts have been remarkable. I would also like to thank the Secretariat, which was always extremely supportive and responsive to our requests for information and interviews. Finally, particular thanks go to Joanna Goodrick, for her extensive contributions in helping to assemble this report.

Yours sincerely,

Richard C. Beard
Chairman, Group of Specialists to review
the management of the Union

Review of the management of the Union

Report of Group of Specialists (GoS) to review the management of the Union to the ITU Council (Geneva, 6-16 May 2003)¹

Summary

Introduction

At its meeting in Marrakesh in 2002, the ITU Plenipotentiary Conference approved Decision COM 6/1 (subsequently renamed as Decision 7), "Review of the management of the Union". In this Decision, the Conference instructed the Council, at an extraordinary session to be held during the conference, to establish a group of specialists to review the management of the Union. The group of specialists was to be composed of five individuals, one from each administrative region. In undertaking this task, as a matter of urgency, the specialists were to consult with the Secretary-General, the Directors of the Bureaux, and the Sector advisory groups. They were to report to the May 2003 session of the Council, "in order that this Decision may be fully implemented by that time and may be used in conjunction with the examination of the draft budget 2004-2005." Subsequently, at its extraordinary session, the Council established the Group of Specialists.²

Reviewing the management of ITU is an extremely complex task, and it was made more so because of the time constraints under which the GoS operated. In addition, the GoS did not receive the draft budget in time to review it in the light of the GoS's findings regarding the management of the Union.

The GoS would like to thank the Secretariat for its extensive support, without which it would have been almost impossible to carry out its mandate. The GoS also wishes to thank all those who contributed information through interviews and/or written documentation, for their willingness and openness in cooperating productively with the Group.

Terms of reference

Plenipotentiary Decision 7 (Marrakesh, 2002) also sets forth the terms of reference for the Group of Specialists (GoS). It states that the GoS is to identify and evaluate options relating to the effectiveness, efficiency, and economy of the management and administration of the Union as a whole. While the GoS was given a general mandate to consider "all elements" that would contribute to efficient and effective fulfillment of the functions and duties of the ITU, it was directed to consider in particular eight enumerated areas. The terms of reference of the Group, as set out in Decision 7, are as follows:

To identify and evaluate options, with supporting pros and cons, relating to the effectiveness, efficiency and economy of the management and administration of the Union as a whole, considering all elements that would contribute to efficient and effective fulfillment of the functions and duties of ITU, and in particular to review:

- 1) the organization of the Union's financial management, including:

¹ In the interests of economy, the annexes to this report are reproduced in English only, for information purposes.

² The members of the Group of Specialists are listed in Annex 2.

- i) performing a thorough examination of ITU, including the system of budgets managed by the Sectors, so as to identify all opportunities for savings and ensure maximum economic use of the Union's resources;
 - ii) identifying the necessary control mechanisms to ensure appropriate accountability and control, including any role the Deputy Secretary-General might take in financial approval;
 - iii) recommending appropriate changes to the Financial Regulations;
- 2) various functions, to see how they could further support the activities of the Union and in the light of the changes in priorities of the membership, (e.g. the library and the Strategy and Policy Unit (SPU));
 - 3) the present distribution of tasks related to documentation and publications among the relevant departments of the General Secretariat and the Bureaux, identifying situations which give rise to problems of quality control, and clarifying the assignment of responsibilities and accountability;
 - 4) interpretation and translation staffing and systems, including partial outsourcing (see Document PP02/115);
 - 5) the provision of financial information to Member States;
 - 6) better use of the centralized support services of the General Secretariat in order to achieve cost reduction in relation to TELECOM activities;
 - 7) common administrative functions of each Sector, including their consolidation into the General Secretariat;
 - 8) simplification of internal procedures.

Although the Group considered all these elements, it does not have any specific recommendations regarding items 7) and 8). The Group considers that the implementation of its recommendations with respect to items 1) to 6) will result in the consolidation of administrative functions and the simplification of internal procedures.

Work programme.

The GoS met formally on three occasions between January and April 2003.³ In between these meetings, the GoS conducted interviews with some thirty individuals in ITU, including the Secretary-General, Deputy Secretary-General, the Directors of the Telecommunication Standardization, Radiocommunication and Development Bureaux, various chiefs of department and other line managers⁴, Sector budget and finance controllers, External Auditors, UN Joint Inspection Unit officials, and representatives of the ITU Staff Council.⁵ In addition to its formal meetings and interviews, the Group met regularly on an informal basis, and worked electronically throughout the periods between meetings. For its work, the Group consulted internal and external auditors' reports, as well as a large number of past studies on ITU reform, including the 1991 Booz, Allen and Hamilton study on financial management⁶ and the United Nations Joint Inspection Unit (JIU) report, in addition to extensive current documentation on personnel matters.⁷ The Group's members based their initial

³ The Chairman's and Vice-Chairman's reports, and summary records of these meetings are available on the GoS website at www.itu.int/council/specialists. This report to the Council constitutes the output from the third meeting.

⁴ Heads of department, units, services and sections, according to their level of responsibility.

⁵ A list of persons interviewed for this report is available on the GoS website.

⁶ The GoS reviewed the recommendations of the BAH study. Since that study, however, a number of its recommendations have either not been implemented at all, or have only been partially implemented. An evaluation of the implementation of the BAH recommendations, as assessed by the GoS, is available on the GoS website at <http://www.itu.int/council/specialists>.

⁷ In total, over 60 different documents were consulted.

draft report on the contributions from each of the specialists individually, as well as on written contributions provided by some of the persons interviewed. All of the documentation, resources and work programme pertaining to the Group's work is recorded on the Group's website at: www.itu.int/council/specialists. (Note: part of the website remains confidential, for access by the Group's members only.)

Review of the management of the Union. The GoS prepared its review of the management of the Union using the information collected from the sources listed above, and drawing upon the expertise of the members.

Review of the Budget. The Plenipotentiary Conference intended that the Council use the report of the GoS "in conjunction with the examination of the draft budget 2004-2005." However, the final draft budget 2004-2005 was not made available within the necessary timeframe for the Group to analyse it and report to the Council.

Recommendations. The Group of Specialists identified a number of improvements that could be made to the management of the Union to enhance the Union's effectiveness, efficiency, and economy. In addition to addressing each of the areas identified in the terms of reference, it also recommended changes in several areas that were not specifically addressed in the terms of reference, but which the Group felt were within its broader mandate, i.e. to consider "all elements that would contribute to efficient and effective fulfillment of the functions and duties of ITU".

On the basis of the interviews conducted by the Group, the GoS wishes to highlight the crucial importance of ITU staff members in the valuable contribution they make to the Union's work. The Group would encourage the Council, in considering action under Resolution 48 (Rev. Marrakesh, 2002) on human resources management and development, to take this finding into account.

The Specialists' recommendations have been categorized as "near-term", i.e. for adoption by the Council in May 2003 and for immediate implementation; "mid-term", i.e. to be reported to, or accomplished by the time of, the 2004 session of the Council; and "long-term", i.e. to be reported to, or accomplished by the time of, the Plenipotentiary Conference 2006. These categorizations relate to timescale, not to any particular order of priority; the recommendations are considered to be interlinked, and complementary.

The recommendations, listed according to these three categories of timescale for implementation, are contained in sections I to X below. Finally, the Group also identified a number of additional cost-cutting measures that could usefully be implemented in ITU. These have been addressed to the Secretary-General in a separate letter, a copy of which is available on the GoS website.

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Recommendations of the Group of Specialists

Near-term recommendations

I. Reform of the management and structure of ITU

1. Recommendation regarding the oversight of the Council:

The GoS recommends that Council should appoint a group, composed of five representatives of the Council—one from each administrative region—working closely with the Troika, to closely follow the management of ITU, including responsibility for overseeing the implementation of the GoS's recommendations.

Reason:

A group composed of Council members should assist the Council in its oversight functions in managerial issues between its meetings, by overseeing and working closely with ITU management. In this regard, there was universal agreement from ITU staff interviewed—up to and including the Secretary-General—that the Coordination Committee should be transformed into a more efficient management tool, as recognized in Resolution 108 (Marrakesh, 2002). As such, the group of Council (as proposed in this recommendation) should meet with the elected officials of ITU on a regular basis to review, *inter alia*, evolution of programmes, preparation of major events, budgets, strategic and operational plans and, in particular, improvements in the functioning of the Coordination Committee. In order to be effective, an ITU staff member should support this Group in preparing its meetings. Summaries of the meetings, which would be control/action oriented, should be posted on the part of the ITU website available only to Council members.

II. The Union's system of budgets

2. Recommendation regarding a process for preparation and review of the budget:

The GoS recommends that the Council should direct the Secretary-General to develop draft revisions (for approval by Council) to the Financial Regulations which describe the process for the development of draft budgets, including milestones. These draft revisions should include, but not be limited to, the following elements:

1. The Coordination Committee should formally review the budget guidelines before the Secretary-General issues them in order to ensure that all Sectors are in agreement with the approach and priorities set forth in the budget.
2. The budget guidelines should take into account the timely involvement of the Sector advisory groups and should be submitted to the Council as an information document.
3. Once adopted, the guidelines should be strictly followed in the preparation of the budget.
4. The budget should be strictly correlated with priorities set out in the strategic plan and should include all activities, and related costs, listed in the operational plans.
5. The budget should present estimated resource requirements along activity or programme lines, like the operational plans, rather than along departmental or organizational lines.
6. After its review by the Coordination Committee, the draft budget should be delivered without fail to Council three months before the Council session. It should be the subject of thorough analysis by the oversight group foreseen in Recommendation 1 above, and its findings should be reported to Council prior to the Council session.

7. The budget should contain enough detail so that Council members do not have to spend the time allotted to discuss the budget at Council asking for clarifications.
8. The timetable for budget preparation should be lengthened to allow this process to take place. Consideration should be given to convening Council no earlier than September each year, so that the budget would be ready and audit reports from the preceding year would be available for the review.

Reason:

The head of the budget division has developed a good set of procedures, but there is no timely coordination between the General Secretariat and the Bureaux in establishing the budget assumptions and objectives. As presently structured, the budget is financially oriented rather than project/activity oriented. This does not provide appropriate control or accountability. One of the evident problems is that the budget received by the Council is not sufficiently transparent or timely, nor does it contain enough detail. Member States need to know, and have every right to know, where and how ITU resources are used. To this end, they need to receive financial information that is clear and transparent and provided on a timely basis.⁸

3. Recommendation regarding prioritization of Sector activities:

The GoS recommends that the Council should direct the Directors of the Bureaux, consistent with the provisions of Resolution 72 (Rev. Marrakesh, 2002) and Convention provisions concerning operational planning, to prioritize their activities in order to enable the ITU Secretariat and Council to rank all activities and to allocate the necessary budget to high priority activities.

Reason:

Given the current financial crisis, all proposed activities should be evaluated by Member States and prioritized. A complete review of work programme planning should be carried out, alongside a review of the current management system. There is a need to have a more flexible process whereby Council members play a more active role in generating ITU activities that best meet the needs of the membership. The Sector advisory groups can play an important role in defining Sector priorities, so that the Council can set a biennial work programme within the budget limit. The Council should not automatically accept activities that are approved by Sector organs. The Council has the power to eliminate certain meetings or activities that do not have high priority.

⁸ See JIU recommendation 10: Transparency of the General Secretariat's budget.

III. Recommendations regarding the Union's financial management control mechanisms and cost-accounting

4. Recommendation that the cost-accounting process should enable the cost of individual ITU projects and activities to be identifiable and auditable:

The GoS recommends that the Council should instruct the Secretary-General to establish a cost-accounting process that results in the cost of individual ITU projects and activities being identifiable and auditable, recognizing that this is essential for the development of an accurate activities-based budget and for implementing cost-recovery in compliance with Resolution 91 (Minneapolis, 1998), and consistent with Resolution 88 (Rev. Marrakesh, 2002) in relation to satellite network filings, in order to:

1. generate comprehensive financial information meeting the needs of Member States and IT management;
2. track the costs incurred by the Union in performing specific activities under cost recovery;
3. provide a tool for budget control and accountability for decentralized appropriations to line managers.

Reason:

1. More accurate costing of ITU activities is necessary. At present, all of a department's costs may be attributed to a function even though some of its staff at times work on other tasks. Accurate figures are therefore not available for cost-recovery or management purposes.
2. The External Auditor has reported that because insufficient cost-accounting information is available regarding specific activities performed in ITU's processing of satellite network filings, financial audits cannot be performed to determine the costs incurred by ITU in performing these activities. Under the provisions of Resolution 91 (Minneapolis, 1998) the cost recovery fees paid by satellite operators shall not exceed the actual costs incurred by the Union, but since the true costs are unknown there is no way of knowing if the Union's implementation of cost recovery for the processing of satellite network filings is in compliance with Resolution 91, Resolution 88, and Council Decision 42 (MOD, 2002).
3. The level of control and accuracy of management information and project/programme accounting needs to be improved at all levels of ITU. Currently, due to the lack of an adequate process for cost accounting, it is impossible to determine, or control, the cost of a given project. The present system only provides information about the amount of resources available for spending during the budget period. Because there is no information provided to line managers about the monthly level of budgeted spending, problems cannot be identified as they emerge. Because the system does not provide proper linkage with programmes it is not possible to gauge the amounts spent. An improved accounting system would permit control to be exercised over the execution of projects.

5. Recommendation to enhance internal audit functions:

The GoS recommends that the Council should enhance internal audit functions by having internal auditors' reports to Council. Furthermore, ITU should fill the position of Internal Auditor as soon as possible.

Reason:

Adequate checks and balances are needed within the Union to ensure transparency, accounting accuracy and efficiency in the budgetary and management processes. The Internal Auditor currently reports to the Secretary-General, which could affect the independence of the Internal Auditor's report. Requiring the Internal Auditor to report to the Council would bolster his or her independence, and would provide an additional tool for Council to govern the Union between plenipotentiary conferences.

IV. Review of ITU's information systems

6. Recommendation to review the current use of information systems in ITU:

The GoS recommends that the Council should instruct the Secretary-General to review and report to the Council Standing Committee on Finance concerning the Information Systems (IS) Department, including its organization, operation and management, the level of its expenses and quality of its services. This should include a report regarding ITU's award of a contract for a new software accounting system. It should also include a review of the functions carried out by IS staff employed in the Bureaux (Radiocommunication and Development Bureaux) and by those in the centralized IS Department, with the objective of eliminating any duplications or inefficiencies. It should also determine whether the IS Department is efficiently fulfilling its function of support to the activities of ITU, and whether it is being developed to support the strategic guidelines of ITU. It should also determine whether the level of spending, which appears to be excessive, is being made according to priorities that maximize the benefits. Because of its complexity, if this plan is approved by the Council it may require the involvement of external experts at least in the first phase of the work. It is further recommended that the Council consider any planned investments in new information systems or services in the light of the results of its review of the IS Department.

Reason:

In a report prepared in 2000, ITU's External Auditors were highly critical of ITU's current information system and its ability to support the activities of ITU. To date, the recommendations of the External Auditors have not been implemented. ITU should create a task force and direct it to develop a timetable to implement these recommendations within a limited period of time.

Currently, ITU uses SAP⁹ software for its accounting system. This is a proven system, and ITU has invested a great deal in installing the system, setting up an in-house team and training staff in its use.

It appears, however, that SAP's capabilities are not being fully exploited. For example, the available modules for preparing budgets are not being used, nor are the

⁹ SAP is a commercial software product that provides a common corporate database for a comprehensive range of applications. SAP applications provide the capability to manage financial, asset, and cost-accounting, production operations and materials, personnel, plants, and archived documents.

system's project order accounting functionalities or administrative human resources management capabilities, such as time keeping, career management, training, etc. Furthermore, ITU is only partially utilizing the system's management accounting functions. Although it does utilize the system for general accounting, including third-party accounting (receivables, payables, etc.), it is not clear whether the system's full potential is being used even in this area.

In addition, ITU has recently contracted for a new information system. It is not clear whether it is intended that this system would replace, or operate in conjunction with, the SAP system. Either way, it is questionable to the GoS whether the benefits to be derived from the new system (compared to the SAP system) outweigh the costs and the delays that will be incurred. The GoS proposes that the Secretary-General address these issues in a report to the Council.

V. The Union's Financial Regulations

7. Recommendation to establish a group of the Council to prepare appropriate changes to the Financial Regulations:

The GoS recommends that the Council establish at its 2003 session a group to prepare appropriate changes to the Financial Regulations, for examination by the Council at its 2004 session. These changes might include, but are not limited to, the following areas identified by the GoS:

1. delineate the information elements to be contained in the budget and operational plans, and the relationship between the two and with the strategic and financial plans adopted by the Plenipotentiary Conference;
2. ensure that, with the development of results-based budgeting, appropriations are classified by programme and activity, with the corresponding reference to the Strategic Plan, instead of by category of expenditure;
3. ensure that the flexibility arrangements provided for in the Financial Regulations are consistent with those of the other United Nations Organizations;
4. ensure that deferred activities to be carried out for the following biennium are deleted from the Financial Regulations;
5. ensure that transfer of unused appropriations related to translations into Arabic, Chinese and Russian languages to be carried out for the following biennium are deleted from the Financial Regulations;
6. ensure that internal control is in line with that of other UN organizations.

Reason:

1. The ITU Plenipotentiary Conference (Marrakesh, 2002) adopted revisions to the Constitution and Convention that require the Bureaux and the General Secretariat to prepare annual operational plans for the forthcoming four-year period. Although the Financial Regulations discuss the structure of the budget, they are silent with respect to the operational plan. As a consequence, for example, it is unclear what elements should be included in the budget and what elements should be included in the operational plan.
2. There is a need to measure the performance of ITU in implementing its goals as set out in its strategic plan. Result-based budgeting (RBB) will enable the Council to exercise its oversight function. The Financial Regulations in force are not adapted to the RBB approach.

It is therefore recommended that Article 5 of the Financial Regulations (Budget of the Union – expenditure) be revisited to permit the implementation of RBB in the light of the experience gained by other UN organizations adopting RBB approach.

3. Following the High Level Committee / Booz, Allen and Hamilton (HLC/BAH) recommendations, Article 10 of the Financial Regulations (Transfers of appropriations and deferred activities) provides a large degree of flexibility to the management of the Union by allowing transfer of expenditure between categories.

The decentralization of the appropriations to the Sector budgets in respect of variable cost of documentation, e.g. planned expenditure for producing documentation requiring additional short-term staff has led to line managers being able to use the appropriations intended for documentation for other purposes. This may have created an incentive for over-budgeting in the variable cost of documentation.

The flexibility arrangements included in Article 10 of the Financial Regulations need to be revisited in order to ensure consistency with other UN organizations in this matter.

4. With the adoption of the Financial Plan of Marrakesh, the provision regarding deferred activities is no longer necessary. This will also assist in the simplification of Article 10 of the Financial Regulations.

5. With the adoption of Resolution 115 (Marrakesh, 2002) (Use of the six official and working languages of the Union on an equal footing), transfer of unused appropriations related to translations into Arabic, Chinese and Russian to be carried out for the following biennium is foreseen in Article 13 of the Financial Regulations (Unliquidated obligations). This will also assist in the simplification of Article 13 of the Financial Regulations.

6. The increasing decentralization of appropriations and delegation of authority from the Secretary-General to the other elected officials implies further delegation of authority to line managers at headquarters and in the regional offices and requires a strengthening of the internal control mechanisms. This is complementary to action taken by the Council in respect of the reinforcement of the internal audit function in ITU.

Article 32 of the Financial Regulations (Internal control and internal audit) needs to be revisited, in order to ensure consistency with other UN organizations in this matter.

VI. Review of the functions of the Library, Strategic Planning Unit (SPU), and others

8. Recommendation that various functions be reviewed to reduce duplication:

1. The GoS recommends that the following functions of the General Secretariat, the Sector Bureaux and/or TELECOM be reviewed, with the objective of eliminating any duplication of work and inefficient use of resources.
2. The functions of the Library and Archive Services, in light of the introduction of the Document Management System (DMS)¹⁰ project and the necessity of maintaining collections of documentation easily accessible by electronic means via Internet or through affiliated libraries. Duplication with the Reference Service (in the Department of Conferences) might be eliminated by consolidating its services under the aegis of the Library.

¹⁰ DMS is a document handling technology that enables improved document management. The aim of the DMS project is to improve the efficiency of the document processing in ITU for faster information flow and availability to all partners in the telecommunication world.

3. The functions involving corporate communications, publications, documentation, document control and marketing;
4. The travel processes carried by the Bureaux and the Personnel and Finance Departments.
5. The management of facilities and buildings (considering measures such as closing the entrance to the Varembe building, or reducing library hours).
6. The allocation of more costs for services to users.

9. Recommendation to clearly establish the functions of the Strategy and Policy Unit (SPU):

The GoS recommends that the Coordination Committee, in conjunction with the Council, should discuss and clearly establish the functions and responsibilities of SPU so as to avoid duplication and inefficiencies.

Reason: SPU is presently more involved in policy analysis than in participating in the preparation of the strategic plan. In addition it is no longer involved in operational analysis, work that was transferred to the internal auditing department, which has currently ceased to function.

VII. Documentation and publications

10. Recommendation to merge and consolidate functions in the documentation / publication sectors and to outsource appropriate activities:

The GoS recommends that the Secretary-General:

1. Take the following steps that do not entail reorganizing the publications/ documents sectors:
 - a) Increase electronic distribution of documents;
 - b) Limit the distribution of documents;
 - c) Request cooperation of the membership in reducing the number of documents;
 - d) Review the document printing policy (e.g. discontinue colour printing);
 - e) Review the process for distributing and duplicating working documents;
 - f) Study and clarify quality control, responsibility and accountability.¹¹

¹¹ See JIU recommendation 12 (review of documentation and publications).

2. Merge and consolidate various functions:

- a) Consolidate the two “QuickPubs” in the Conferences and Common Services Departments into one unit (probably in the Conferences Department);
- b) Merge all publication and documentation services into one unit (probably in the Conferences Department). Look for ways to rationalize document production and publication composition to achieve greater flexibility for in-house production and reduce costs per page;
- c) Merge the Photocomposition Unit and QuickPub;
- d) Centralize the graphic artist function within the General Secretariat. Consolidate positions that have evolved in the Sectors that duplicate the work done in the Conferences Department (such as graphic artists);
- e) Limit publications to those with substantial sales levels. Use electronic means (collect orders for different language editions based on a Web abstract of the publication only) to see if it is economically viable to publish;
- f) Eliminate unnecessary publications. Establish a committee to eliminate obsolete or unnecessary publications, or eliminate publications for which there is little or no demand in the various languages based on the subscription circulation letters;
- g) Publications that may appear to be unnecessary include the following: (1) the Fascicle, which takes considerable staff resources to publish (the Radio Assembly could modify Resolution 1 to eliminate the Fascicle); (2) generalized publicity brochures; (3) ITU-D Sector recommendations and publications (ITU-D publications are not generally downloaded). A publications committee is planned in BDT in order to identify necessary publications—this idea could be extended Union-wide;
- h) Decentralize the document composition function and link it more closely to the Sector editors/authors in line with JIU recommendations (both ITU-R and ITU-T Sectors believe this would save two or three positions for each of their Sectors). This could accelerate the publication process, and save up to 30 per cent of current costs, according to estimates;
- i) Progressively decentralize the appropriation for the variable costs of in-house publication composition;
- j) Consider centralizing document control, using focal points in the Sectors rather than full time positions in the Sectors;
- k) Improve transparency in the costing of common services. For example, under the internal charging system, Sectors are charged CHF 140 for a single page. Even where the process of document composition is simplified, the internally invoiced cost is still CHF 140 per page;
- l) Conduct a workflow analysis of the publication process in order to determine how to avoid duplicative work, perhaps having the relevant services physically located near the typing pool.

3. Outsource the publication process:

- a) Undertake a study on downsizing the publications service. It appears that there could be significant savings if the publications service were downsized, and most of its staff redeployed or given incentives to leave, with a view to outsourcing most of the work. The overheads of maintaining a fully operational publications unit are considerable. By outsourcing, the costs of publication would be apparent, rather than hidden in fixed charges.
- b) Increase outsourcing. Study the adequate internal capacity for document production and activities in the light of ICT and outsourcing opportunities.

Reason:

It was generally agreed that improvements could be made to eliminate redundancies and inefficiencies in the printing/publications process. One estimate was that some CHF 3.5 million could be saved through such improvements, and other estimates were even higher depending on the degree of restructuring involved.

VIII. Interpretation and translation services

11. Recommendation regarding interpretation services provided by ITU:

The GoS recommends that the Secretary-General:

1. Reduce the amount of interpretation by holding as many sessions as possible in a limited set of languages;
2. Investigate the possibility of using remote interpretation services;
3. Discontinue interpretation where it is in little demand.

Reason:

1. ITU should not incur extra costs by employing interpreters except where it is required to do so.
2. Remote interpretation—whereby interpreters work from a location other than the site of the event using live audio transmission—can be very cost effective. An analysis should be carried out of the cost advantages (*per diem* and travel versus the cost of leased lines) and work should be done with the interpreters' association to see if they can be convinced of the merits of this approach.
3. The cost of interpretation is very high. Abolishing interpretation that is in little demand will result in significant cost savings. The cooperation of Member States is essential in this respect.

12. Recommendation regarding translation services provided by ITU:

The GoS recommends that the Secretary-General:

1. Reduce the volume of translation by being more selective about essential documents to be translated and investigate the feasibility of using more remote translation services;
2. For the application of Plenipotentiary Resolution 115 (Marrakesh, 2002) (Use of the six official and working languages of the Union on an equal footing), limit the volume of translation in the six official languages, as far as feasible, to the actual requirements of the participants, by introducing a concept of translation-on-demand similar to printing-on-demand decided by Marrakesh for paper publications in low demand;
3. Undertake a study to determine the amount of fixed internal capacity needed to provide translation services in six languages, in the light of ICT and outsourcing opportunities;
4. Require documents that need translation be submitted six weeks in advance to reduce staff overtime costs.

Reason: The experience of remote translation, as implemented at PP-02, should be assessed in terms of adequacy, real cost savings achieved, quality of service and usefulness as a future model for cost-cutting measures. Member States and the Sectors

should be cognizant of the fact that last-minute requests for translating are very expensive. UN guidelines require that documents be submitted six weeks in advance. It is reasonable to require Member States to respect existing timetables and submit their documents well in advance of a meeting in order to avoid using overtime.

IX. Information to Member States

13. Recommendation that the Secretary-General report regularly to the Council:

The GoS recommends that the Council:

1. require the Secretary-General to report every three months to the Council on the following:
 - a) Progress against project milestones and deadlines (a summary table is preferable to avoid a large amount of written matter);
 - b) Quarterly changes and the reasons for them;
 - c) Decisions on the quarterly changes;
 - d) Variance analysis of the budget versus actual expenditure and forecasts for the rest of the year.
2. instruct the Secretary-General to provide an annual review—within the biennial budget—of the previous year's performance of the Union with respect to the budget and the implications for the second year of the budget.

Reason:

1. The Council meets only once a year. To improve communication between the ITU Secretariat and Council members, it is recommended that a three-monthly report be drafted by the Secretary-General and sent to the membership.
2. Two years is too long a period to sufficiently take into account changes in technology and other uncertainty factors affecting the evolution of projects and activities. An annual review would help to address this issue.

X. Reduce the cost of TELECOM

14. Recommendation to reorganize TELECOM along project lines:

The GoS recommends that ITU TELECOM be reorganized from its functional structure to a project-oriented structure, each event field comprising the following elements:

- a) An exhibitions element, which should be project-oriented, with responsibility for logistic, operations, sponsors and other related activities.
- b) A marketing element with responsibility for marketing, sales and other related activities.
- c) A simple supporting structure, covering legal, finance, budgeting and control activities, with these functions performed by TELECOM's own staff or, when efficiency and cost justify it, by ITU's central services.
- d) A capacity to coordinate the organization of events such as the Forum.

Reason: In the last six months, TELECOM management has proposed to the Secretary-General that the activities of ITU TELECOM be rationalized.

The organization and management systems of TELECOM activities should move towards a project-oriented structure, an approach that is common elsewhere in the trade fair industry. This would help ITU to implement proper planning, budget and control processes. It would enable more accurate accounting of event results; comparative analyses could be made, and realistic targets and marketing programmes

could be developed for future events. Project managers would have more control and accountability.

15. Recommendation to audit the amounts ITU is charging TELECOM:

The GoS recommends that the Council instruct the Secretary-General to request:

1. An external audit of the cost methodology applied to TELECOM as well as the present arrangements for invoicing services and for staff provided by the General Secretariat to TELECOM;
2. Annual examination and approval by Council of TELECOM's administrative budget, including the budget for the planned services provided by the General Secretariat.

Reason: There is little consistency in the way ITU charges TELECOM for its services. For the 2002/2003 biennium, ITU charged TELECOM a significant amount for support services. A preliminary examination of accounts indicates that ITU is using TELECOM funds to cover current administrative costs in the General Secretariat, which is not the purpose of TELECOM monies.

Mid-term recommendations

I. Reform of the management and structure of ITU

16. Recommendation regarding internal ITU committees:

The GoS recommends that the Secretary-General examine the number, composition and mandate of internal ITU committees (e.g. Building, Procurement, Efficiency, Information Systems Committees, etc.) with a view to eliminating as many of them as possible. For those committees that are retained, the Sector Bureaux should be represented, and their size should not exceed seven members. The GoS recommends that CoCo should deal with many of the issues currently dealt with by these committees.

Reason:

ITU has a high number of internal specialized committees that deal with complementary or overlapping issues. In most cases, these committees are not given a deadline to present their conclusions, which are often never implemented. In many cases management could easily handle the tasks assigned to these committees. Although committees can be valuable to management, their use should be limited as they place the analysis of the solutions outside the management and can result in unnecessary delays in solving urgent problems.

17. Recommendation regarding decentralization of authority.

The GoS recommends that:

1. Line managers be given greater authority, along with appropriate accountability and control mechanisms;
2. Sector/finance controllers' responsibility and their accountability be clarified in relation to the responsibilities of the Chief of the Finance Department for budget control.

Reason:

Matters that could be easily resolved by the heads of the departments currently require the intervention of the Secretary-General or the Directors of the Bureaux. This reduces staff motivation and gives the Secretary-General no time for proper analysis. Responsibility needs to be decentralized and not merely delegated. Transparency should exist at all levels, including further down the scale. Recent service orders issued by the Secretary-General are a first step in this direction.

Line managers should have access to their area's budgets, which is not currently the case. A general framework of the delegation of authority is referred to by the JIU inspectors in their report (see C01/38). However, there currently exists no clear definition of delegation of authority to the sector/finance controllers or to departmental heads at D1/D2 level.

II. The Union's system of budgets

18. Recommendation regarding the ITU system of budgets: The GoS recommends:

1. that the Secretary-General reorganize the ITU budget as follows:
 - a) A biennial regular budget, primarily financed by Member States' assessed contributions as well as Sector Members' and Associates' contributions, that will cover the core expenses of the Union.
 - b) A biennial supplementary budget, funded by variable income, such as project support, TELECOM surplus, sales of publications and cost recovery.
 - c) After further study, Sector Members' and Associates' contributions may be included in the supplementary budget.
2. a study be conducted on the feasibility of replacing ITU's current centralized financial management system with a system of budgets managed by the Sectors, with the advice of the Sector advisory groups.

Reason:

1. Income from sources other than assessed contributions of Member States is difficult to predict for the following reasons:
 - a) Cost recovery income in the amount of CHF 107.8 million foreseen in the Financial Plan may fluctuate significantly at short notice. Project support cost income has dropped substantially in a matter of months, making it difficult to make a reliable projection five years ahead.
 - b) Income derived from products and services such as satellite network filings and TELECOM are by nature market driven and therefore may fluctuate sharply from one year to the next. Income from GMPCS MoUs foreseen in the Financial Plan 2004/2007, in the amount of CHF 1.4 million, has disappeared from the overall income of the Union in less than six months.
 - c) Sector Members' contributions, in the amount of CHF 88.4 million foreseen in the Financial Plan, are only known three months after the end of the Plenipotentiary Conference. During the period of the Financial Plan, the number of the contributory units of Sector Members may fluctuate significantly on account of denunciation, merger or bankruptcy.
 - d) In the past, the Reserve Account of the Union has played a role in avoiding wide fluctuations in the overall income of the Union. With its present level and the increasing reliance on cost recovery income, the Reserve Account can no longer protect ITU from the fluctuations resulting from the effects described in a) and b) above.¹²

From the above, mixing income from Member States, Sector Members and Associates with income derived from other sources does not provide the Union with a reasonable financial base for implementing the strategic plan or resolutions and decisions adopted by the Plenipotentiary Conference.

¹² PP-02 recommended that, consistent with UN best practice, the level of the Reserve Account be set at 3 per cent of the budget, or approximately CHF 10 million.

In the GoS's view, an issue for further consideration is whether the structure of the Financial Plan and the budgets of the Union should be limited solely to the pledged income from Member States at the Plenipotentiary Conference and whether all other sources of income, including Sector Member and Associate contributions, should be used to finance specific activities foreseen in the Financial Plan, to be implemented subject to the availability of funds.

2. The existing system does not provide adequate flexibility to the Sectors, and in reality financial regulation is absent in the Sectors. Nor does the current system give the Sectors incentives to save money. Those that do (such as the ITU-T-Sector) may end up subsidizing the other Sectors which are in deficit—albeit not necessarily for reasons under their control. The Financial Regulations (FRs) should be amended to encourage the Sectors to make savings. Within the federal structure, more financial authority needs to be given to the Sectors. The Directors of the Bureaux should be given much greater control over the Sector operational plans. The delegation of authority for the Sector budgets should be exercised following advice from the Sector advisory groups.

VII. Documentation and publications

19. Recommendation to apply financial management techniques to the operation of the merged documents/publications department:

The GoS recommends that cost-accounting/ financial management procedures be implemented to ensure efficient operation of the newly merged documents/publications department.

Reason:

The publications and composition department should become a clearly separate entity within the General Secretariat, responsible for the management of the complete production pipeline of documents, books, CD-ROMs and other material, and with profit and loss responsibilities. This entity should have full control of composition, production, logistics, and distribution.

The SAP module for project cost control should be adopted and a system to account for all composition and publication costs established. This would result in transparency and accountability. With this information it would be easy to tell how efficiently the department is managed. The manager would be accountable, and fixed costs would be controlled. The final objective would be for the department to work at zero cost at the end of the year within the objectives established by the budget. Variances in the budget could be easily analysed and the causes for these variances (cost, volume, efficiency, etc.) understood.

The costs of composition and publishing should be allocated to the Sectors and the General Secretariat based on actual spending rather than on estimates. This would give each of them ultimate responsibility for costs and it would become clear how much each is spending. All related revenues should also be allocated to the Sectors and the General Secretariat in order to enable establishment of the net cost of composition and publication.

Long-term recommendations

II. The Union's system of budgets

20. Recommendation regarding a comprehensive review of ITU's plans and budgets:

The GoS recommends that a comprehensive analysis be carried out to determine a process for integrating the strategic, financial and operational plans.

Reason:

The budget cannot be viewed in isolation. There is a broader problem that needs to be addressed regarding the integration of strategic and operational planning with financial planning and the budget process. Linking strategic and operational planning with financial planning and budgeting is an essential part of an integrated planning process which aims to bring efficiency gains to all the activities of the Union, whether substantive activities of the Sectors or support services of the General Secretariat. This linkage should be sufficiently detailed by category of cost and individual staff members so as to permit accountability and transparency. The overall planning process lacks coherence and cohesion.

In addition, there is a need for a comprehensive review of the way in which the budget is developed and the way that it is administered after adoption. To the extent possible, this review should rely on already existing material. The review should cover the design of new processes, if necessary, to meet the objectives of the plenipotentiary decisions, while also evaluating existing recommendations by auditors and working groups.

Developing the budget should be a detailed exercise, one that links budget programmes with strategic objectives, establishes levels of spending, evaluates the consequences of good or poor performance of medium-term programmes, accommodates potential changes in the organization, reorients some activities, introduces corrective actions in problematic areas, and prepares for the budget implementation and control based on sound accountability and principles. As these changes do not entail modifying the Financial Regulations, they could be implemented immediately.

The preparation of the budget should also be used to identify and establish allocation methods to be used, to calculate cost factors (labour and overhead rates), to estimate the real levels of spending by each department, and to provide reliable input for the calculation of the costs of programmes, such as those for organizing events and publication costs.

III. Recommendations regarding the Union's financial management control mechanisms and cost-accounting

21. Recommendation regarding current ITU management practices in use of the financial management system:

The GoS recommends that the Council should instruct the Secretary-General to undertake a review and revision of current management practices regarding oversight of ongoing activities of the Union. Plenipotentiary Resolution 107 (Marrakesh, 2002), (Improvements to the management and functioning of ITU), which calls for a review of UN best practices, should be an essential part of this review.

Reason:

The GoS recommends a review and revision of current ITU practice, and training of staff, regarding the use of budget and accounting-related processes as a management tool. The GoS believes this would improve the quality of the Union's management.

There are currently no formal regular review meetings of ongoing activities either in the Sectors or at the Union level. Such meetings are important because they improve the quality of decisions, are fundamental for the development of a team culture, and result in a better overview and coordination of activities.

Both the staff as a whole, and the Finance Department in particular, need to be more involved in decision-making processes, resulting, *inter alia*, in a lack of staff motivation. Furthermore, in the absence of clearly established objectives, staff lack a sense of direction. It is recommended that the Chief of the Personnel Department participate in the Efficiency Committee. Furthermore, the accounting, budget and IS staff of ITU should be involved in all phases of decision-making.

The role of the controllers needs to be revised to make them more control-oriented. At present, the controllers spend very little of their time in controlling management activities, programme costs and levels of department spending. Instead, their role seems to be limited to the administrative task of approving expenses. The emphasis should be more on assisting management. This would relieve the controllers of many of their administrative tasks and would allow them to concentrate on real management-oriented activities and cost control functions. Furthermore, in order to fulfill their functions, the controllers should be independent of the heads of the Sectors that they are supposed to control. For this, they should function as representatives of the central Finance Department within the Sectors, and they should work for the Sectors on a rotating basis (i.e. rotating between Sectors every year or two years).

Annexes: 2

Annex 1:

Decision 7 (formerly Decision COM6/1) (Marrakesh, 2002)

Review of the management of the Union

The Plenipotentiary Conference of the International Telecommunication Union (Marrakesh, 2002),

considering

- a) that, in 1991, the High Level Committee recommended decentralization of the ITU budgets and greater delegation of responsibility;
- b) that Resolution 39 (Kyoto, 1994) of the Plenipotentiary Conference endorsed the examination of options for strengthening the financial base of the Union, including reducing costs, and the more effective allocation of resources;
- c) that, in 2001, the United Nations Joint Inspection Unit reviewed the management and administration of ITU and reported to the Council (Document C01/37);
- d) that, also in 2001, with limited progress on the implementation of greater delegation of authority, the Council Working Group on ITU Reform, in its Recommendation 14, recommended that a study should be conducted on the feasibility of replacing ITU's current centralized financial management system with a system of budgets managed by the Sectors, with the involvement of the Sector advisory groups, and that the feasibility analysis should also include the implications of allocating a limited budget resource to the Sector advisory groups,

considering further

- a) that, in 2002, given the constraints of the world economic situation, there will be a decline in the resources that Member States and Sector Members can commit to fund the activities of ITU in the financial period 2004-2007;
- b) that the constraints of the world economic situation also serve to further increase the growing demands placed on the activities of the Union and to highlight the limited resources available to fund them;
- c) that, in the resulting financial crisis facing ITU, there is an urgent need to seek innovative ways to rationalize internal costs, optimize resources and improve efficiency;
- d) that a method for making more effective and efficient use of resources is to empower individuals to manage resources for the achievement of results by delegating to them authority for financial and human resources;
- e) that the limited decentralization of appropriations to the Sectors in the budget structure of the Union has not achieved the objectives targeted under *considering a)*,

recognizing

- a) that greater delegation of authority to managers will require appropriate accountability and control mechanisms;
- b) that delegation of authority for the management of part of the Sector budgets to the Directors of the Bureaux will give them more effective control over the

organization of the work of their Sectors and that therefore they will need to consult their Sector advisory groups in the application of this delegated authority,

decides

1 that, since significant benefits in terms of effectiveness and efficiency can be expected from carefully planned further decentralization of the Union's resources, this decentralization shall be implemented and reviewed by the Council based on the work of a group of experts;

2 that, in order to improve effectiveness and efficiency, the Secretary-General shall delegate authority to the Directors of the Bureaux for the management of their Sector budgets once the central mechanisms identified in the management review are in place,

decides further

that *decides 2* will give the Directors of the Bureaux much greater control over the Sector operational plans and that the delegation of authority for the Sector budgets should be exercised following advice from the Sector advisory groups,

instructs the extraordinary session of the Council to be held during this conference

1 to establish a group of specialists, one from each administrative region, to undertake as a matter of urgency the work described in the annex to this decision, in consultation with the Secretary-General, the Directors of the Bureaux and the Sector advisory groups;

2 to request the group of specialists to report to the 2003 session of the Council in order that this decision may be fully implemented by that time and may be used in conjunction with the examination of the draft budget 2004-2005,

instructs the Council

1 to review the proposed measures and take appropriate action to enforce implementation;

2 to monitor the implementation of this decision at each subsequent session of the Council and to report to the next plenipotentiary conference on the implementation of this decision and any consequential amendments that may be necessary to the ITU Constitution and the Convention,

instructs the Secretary-General

1 to identify, in consultation with the Coordination Committee, areas of the budget where further decentralization of appropriations can be implemented, including transfers between budget appropriations;

2 to make the annual report of the internal auditor of the Union available to the Council;

3 to make the minutes of Coordination Committee meetings available on the Council website, excluding confidential staff matters.

ANNEX TO DECISION 7 (Marrakesh, 2002)

Group of specialists to review the management of the Union

The purpose of the Group of specialists to review the management of the Union shall be to undertake, as a matter of urgency, studies on the overall management of the Union, in order that the results of the studies are implemented in time for the 2004-2005 biennial budget. The experts serving on the group shall be provided by administrations, at their own cost.

Terms of reference

To identify and evaluate options, with supporting pros and cons, relating to the effectiveness, efficiency and economy of the management and administration of the Union as a whole, considering all elements that would contribute to efficient and effective fulfilment of the functions and duties of ITU, and in particular to review:

- 1) the organization of the Union's financial management, including:
 - i) performing a thorough examination of ITU, including the system of budgets managed by the Sectors, so as to identify all opportunities for savings and ensure maximum economic use of the Union's resources;
 - ii) identifying the necessary control mechanisms to ensure appropriate accountability and control, including any role the Deputy Secretary-General might take in financial approval;
 - iii) recommending appropriate changes to the Financial Regulations;
- 2) Various functions, to see how they could further support the activities of the Union and in the light of the changes in priorities of the membership, (e.g. the library and the Strategy and Policy Unit (SPU));
- 3) the present distribution of tasks related to documentation and publications among the relevant departments of the General Secretariat and the Bureaux, identifying situations which give rise to problems of quality control, and clarifying the assignment of responsibilities and accountability;
- 4) interpretation and translation staffing and systems, including partial outsourcing (see Document PP02/115);
- 5) the provision of financial information to Member States;
- 6) better use of the centralized support services of the General Secretariat in order to achieve cost reduction in relation to TELECOM activities;
- 7) common administrative functions of each Sector, including their consolidation into the General Secretariat;
- 8) simplification of internal procedures.

Annex 2:

**Members of the Group of Specialists to review the management of the Union
(GoS)**

- Region A: R. Beaird (United States)
- Region B: A. Gomes (Portugal)
- Region C: A. Kushtuev (Russian Federation)
- Region D: A. Tazi-Riffi (Morocco)
- Region E: T. Yamada (Japan)