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| **Plenipotentiary Conference (PP-18)Dubai, 29 October – 16 November 2018** |  |
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| COMMITTEE 6 | **Document 43-E** |
|  | **27 July 2018** |
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| Report by the Council |
| Draft Financial Plan for 2020-2023 |
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| The Report on the Draft Financial Plan for the Union for 2020-2023 including the revision of Decision 5 as discussed by the Council at its April 2018 session, is attached for consideration by the Plenipotentiary Conference. |

**1 Introduction**

1.1 The purpose of the draft Financial Plan for 2020-2023 is to provide a tool for the 2018 Plenipotentiary Conference to establish the basis for the budget of the Union and determine related financial limits, until the next Plenipotentiary Conference, after considering all relevant aspects of the work of the Union in the period concerned (Article 8, No. 51 of the Constitution).

1.2 The primary objective of the draft Financial Plan is to allow Member States to know at the end of the Plenipotentiary Conference the framework of their financial commitments to the Union for the 2020-2023 period, based on the approved amount of the contributory unit.

1.3 According to Article 28, No. 161B of the Constitution, and following the Secretary-General’s proposal, the Council has fixed the provisional amount of the contributory unit at CHF 318,000, based on the draft Financial Plan and the total number of contributory units.

1.4 The Financial Plan is linked to the draft Strategic Plan for 2020-2023 and the strategic objectives and goals and the priorities identified therein. The draft Financial Plan thus provides a basis for setting the strategic objectives and priorities in terms of financial levels.

1.5 By a revised Decision 5, on Revenue and Expenses for the Union for the period 2020-2023, the 2018 Plenipotentiary Conference is expected to establish the framework and the directives under which the two biennial budgets for 2020-2021 and 2022-2023 shall be developed. Annex 1 to Decision 5, as revised by PP-18, will constitute the Financial Plan for 2020-2023.

1.6 The draft balanced Financial Plan 2020-2023 was presented and discussed during the CWG-FHR during its 22 and 23 January 2018 meeting in document CWG-FHR-8/10.

**2 Setting the Scene**

* 1. **What is the financial plan?**

2.1 In a few words, the purpose of the draft Financial Plan for 2020-2023 is to provide a tool for the 2018 Plenipotentiary Conference to establish the basis for the preparation of the 2020‑2021 and 2022-2023 budgets.

2.2 By setting the amount of the contributory unit for the 2020-2023 timeframe, it determines the related financial limits, until the next plenipotentiary conference, after considering all relevant aspects of the work of the Union during the period concerned.

* 1. **The legal bases**

2.3 The preparation of the financial plan is governed by provision 51, Article 8 of the Constitution.

2.4 The financial plan is approved by the plenipotentiary conference in Decision 5 that reflects the new financial plan as well as all related information.

* 1. **Linkage with the strategic plan**

2.5 The financial plan is linked to the strategic plan, the goals, objectives and the outputs identified therein.

2.6 Pursuant to Article 6 of the Financial Regulations and Financial Rules of the Union and with reference to Resolution 151 (Rev. Busan, 2014) on the implementation of Results-Based Management (RBM) in ITU, the document on the draft Financial Plan reflects appropriations by goals and objectives as per the draft Strategic Plan for the Union for 2020-2023.

2.7 The linkage between the draft Financial Plan and the draft Strategic Plan is made through the reallocation of the resources of the draft Financial Plan to the various Sectors, and then to the various ITU Goals and Objectives of the draft Strategic Plan

2.8 The financial plan has dual approaches and layouts:

• Financial (to follow the revenue/expenses structures laid down in the Financial Regulations and Financial Rules);

• Result-based (to follow the structure of the strategic plan).

* 1. **The key drivers / determinants**

2.9 The key drivers / determinants for the preparation of the financial plan have been the following:

• The 2020-2023 draft Strategic Plan;

• The amount of the contributory unit (CHF 318,000);

• The revenue level (ceiling);

• The work programme.

**3 The bases / assumptions**

3.1 The 2018-2019 Budget has served as primary basis for the preparation of the draft Financial Plan for 2020-2023, both for expenses and revenue levels.

3.2 The revenue level reflects the situation prevailing as of 1st May 2018 for the assessed contributions (Member States, Sector Members, Associates and Academia).

3.3 The 5.2 per cent cost decrease in salaries for professional and higher categories of staff has been reflected in the draft Financial Plan as a consequence of the ICSC Decision on post adjustment for Geneva (equivalent to CHF -10.8 million). At the same time, a provision of CHF 10.8 million has been constituted in the light of the numerous appeals made against the introduction of the ICSC decision on the new post adjustment in Geneva.

3.4 In the same way as for the 2016-2017 and 2018-2019 Budgets, a 5 per cent vacancy rate is applied across the Union for the 2020-2023 timeframe.

3.5 Possible future cost increases / decreases for 2020-2023 (such as inflation, salary increase, health care cost inflation, additional costs related to the new building not covered by the loan, etc.) have not been reflected in this draft Financial Plan and will be taken into consideration during the preparation of the 2020-2021 and 2022-2023 Budgets.

**4 The programme variation and cost increase/decrease**

4.1 As compared to the 2018-2019 Budget, the programme variation amounts to
CHF 11 million, broken down as follows:

* CHF - 1.9 million on account of the schedule of conferences for 2020-2023;
* CHF 12.9 million for actual programme variation.

4.2 The main elements of the programme variation are:

* ERP and CRM migration to a new technology: CHF 2.0 million;
* Regional Office in Moscow: CHF -0.8 million. In the Budget 2018-2019, it was budgeted for a Regional Office similar to other Regional Offices for an amount of KCHF 523. But during the Council 2018, it was decided to create a ‘Regional Office of Limited Structure’ by upgrading the P5 to D1; P3 to P4 and the G5 to G6, which will cost approximately KCHF 71 per year. As such, the new financial plan will reflect a programme variation of KCHF -385 per biennium rounded to CHF -0.8 million for the period;
* Increase for the Radiocommunication Bureau for the processing of space notices and other additional workload: CHF 6.7 million;
* Central provision for post reclassification: CHF 0.6 million;
* ORMS officer: CHF 0.85 million;
* Emolument External Auditor: CHF 0.4 million;
* Assistant staff Council: CHF 0.55 million;
* Regional initiatives: CHF 3.0 million;
* Other various combined variations: CHF -0.4 million.

4.3 The Secretariat has been implementing the ICSC decisions since February 2018. Nonetheless, there are some strong indications of financial consequences (number of appeals to the ILO tribunal, independent expert findings, etc.) linked to the introduction of the new post adjustment in Geneva. To be on a safe side, an adequate provision of CHF 10.8 million has been included in this plan.

**5 The planned 2020-2023 revenue**

5.1 The draft Financial Plan for 2020-2023 is based on the revenue that will be available for the 2020-2023 timeframe. The level of revenue is a key parameter for the preparation of the financial plan.

5.2 Assessed contributions represent more than 3/4 of the Union’s revenue. Any change in the number of contributory units will impact the 2020-2023 revenue forecast and thus the expenses forecast will have to be adjusted accordingly. The forecast is based on the number of contributory units as of May 2018 and on the 2018-2019 budget revenue level for cost recovery revenue and other revenue.

5.3 The forecast may be updated subsequently to reflect the changes in the number of contributory units. The planned revenue for the 2020-2023 timeframe amounts to CHF 660.3 million.

5.4 Table 1 presents the revenue forecast for the 2020-2023 timeframe.

**6 The planned 2020-2023 expenses**

6.1 The planned expenses presented in Table 2 are based on the 2018-2019 approved Budget. Programme variations, schedule of events and cost increase/decrease have been taken into consideration when preparing these estimates.

6.2 The total planned expenses for the period concerned amounts to CHF 660.3 million, offset by projected revenue of CHF 660.3 million, i.e. a balanced financial plan.

6.3 The draft Financial Plan for 2020-2023 includes a provision of CHF 2.7 million for the financial implications of WTSA-16 and a provision of CHF 3.0 million for the financial implications of WTDC-17, as decided by Council 2017 and 2018.  It does not take into account the financial implications of WRC-19, WTSA-20 and WTDC-21.  These possible financial implications will be dealt with during the preparation of the 2020-2021 and 2022-2023 budgets.  However, as has been done in the past, this draft Financial Plan includes the regular budget allocations of the meetings for WTSA-20, WTDC-21, PP-22 and WRC-23.

6.4 Table 2 presents the expenses forecast for the 2020-2023 timeframe.

**Table 1**



**Table 2**



**7 The Result-based presentation of the 2020-2023 draft Financial Plan**

7.1 This section provides the details of the full costs by goal. These costs are being estimated on the basis of the cost allocation methodology approved by Council in Decision 535 (MOD).

7.2 These figures are still at a provisional and preliminary stage.

7.3 At this stage of the preparation of the draft Strategic Plan for 2020-2023 and as compared to the current plan for 2016-2019, the current fourth goal “Innovation and partnership” is proposed to be separated into two new goals:

• Goal 4: Innovation;

• Goal 5: Partnership.

7.4 Chart 1 and Table 3 show the Result-based presentation of the draft Financial Plan for 2020-2023.

**Chart 1**



**Table 3**



**8 Revised Decision 5**

8.1 In addition to the current structure of the Financial Plan contained in Decision 5 (Rev. Busan, 2014), the revised Decision 5 could take into account the financial impact of ITU’s long-term liabilities.

 Annex A contains a draft Revised Decision 5.

ANNEX A

MOD CL/43/1

DECISION 5 (Rev. Dubai, 2018)

Revenue and expenses for the Union for the period 2020-2023

The Plenipotentiary Conference of the International Telecommunication Union (Dubai, 2018),

considering

the 2020-2023 Strategic plan including goals, objectives and outputs of the Union, in compliance with Resolution 71 (Rev. Dubai, 2018), and the priorities identified therein,

considering further

*a)*Resolution 91 (Rev. XXX, XXX) of the Plenipotentiary Conference, on general principles for cost recovery;

*b)* that, in the consideration of the draft financial plan of the Union for 2020-2023, the challenge to increase revenues in support of increasing programme demands is substantial as well as efficiency in the use of the ITU resources to achieve goals and objectives of the Strategic plan;

*c)* that, necessity of linking strategic, financial and operational planning in ITU,

noting

that, Resolution 151 (Rev. XXXX, XXXX) on the improvement of results-based management in ITU, an important component of which relates to planning, programming, budgeting, monitoring and evaluation, and which implementation should facilitate further strengthening of the management system of the Union, including financial management,

noting further

that Resolution 48 (Rev. XXX, XXX) stresses the importance of the human resources of the Union for the fulfilment of its goals, objectives, and outputs,

decides

1 that the Council is authorized to draw up the two biennial budgets of the Union in such a way that the total expenses of the General Secretariat and the three Sectors of the Union are balanced by the anticipated revenue, on the basis of Annex 1 to this decision, taking into account the following:

1.1 that the amount of the contributory unit of Member States for the years 2020-2023 shall remain unchanged at CHF 318 000;

1.2 that expenses on interpretation, translation and text processing in respect of the official languages of the Union shall not exceed [CHF 85 million] for the years 2020-2023;

1.3 that, when adopting the biennial budgets of the Union, the Council may decide to give the Secretary-General the possibility, in order to meet unanticipated demand, to increase the budget for products or services which are subject to cost recovery, within the limit of the revenue from cost recovery for that activity;

1.4 that the Council shall each year review the revenue and expenses in the budget as well as the different activities and the related expenses;

2 that, if no plenipotentiary conference is held in 2022, the Council shall establish the biennial budgets of the Union for 2024-2025 and 2026-2027 and thereafter, having first obtained approval for the budgeted annual values of the contributory unit from a majority of the Member States of the Union;

3 that the Council may authorize expenses exceeding the budget for conferences, meetings and seminars if such over expenses can be compensated by savings from previous years or charged to the following year;

4 that the Council shall, during each budgetary period, assess the changes that have taken place and the changes likely to take place in the current and coming budgetary periods under the following items:

4.1 salary scales, pension contributions and allowances, including post adjustments, established by the United Nations common system and applicable to the staff employed by the Union;

4.2 the exchange rate between the Swiss franc and the United States dollar in so far as this affects the staff costs for those staff members on United Nations scales;

4.3 the purchasing power of the Swiss franc in respect of non-staff items of expenses;

5 that the Council shall have the task of effecting every possible economy, in particular taking into account the options for reducing expenses contained in Annex 2 to this decision, and considering the eventual funding gaps, and, to this end, that it shall establish the lowest possible budgets commensurate with the needs of the Union, within the limits established by *decides* 1 above;

6 that the following minimum guidelines should be applied in relation to any expenses reductions:

a) the internal audit function of the Union should continue to be maintained at a strong and effective level;

b) there should be no expenses reductions which would affect cost-recovery revenue;

c) fixed costs related to the reimbursement of loans or after-service health insurance (ASHI) should be maintained at the required level;

d) expenses in regular maintenance costs for ITU buildings which would be required to ensure the security and health of staff should be optimized;

e) the information services function in the Union should be maintained at an effective level;

7 that the Council should aim under normal circumstances at keeping the Reserve Account at a level above six per cent of total annual expenses,

instructs the Secretary-General, with the assistance of the Coordination Committee

1 to prepare the draft biennial budgets for the years 2020-2021, as well as 2022-2023, on the basis of the associated guidelines in *decides,* above, the annexes to this decision and all relevant documents submitted to the Plenipotentiary Conference;

2 to ensure that, in each biennial budget, revenue and expenses are balanced;

3 to draw up and implement a programme for increasing budget revenues and efficiency in the use of financial resources across all ITU operations so as to ensure a balanced budget;

4 to implement the aforementioned programme as soon as possible,

instructs the Secretary‑General

1 to provide to the Council, no less than seven weeks before its 2019 and 2021 ordinary sessions, complete and accurate data as needed for the development, consideration and establishment of the biennial budget;

2 to make every effort to achieve balanced biennial budgets, and to bring to the attention of the membership, through the Council Working Group on Financial and Human Resources (CWG-FHR), any of its decisions that may have a financial impact likely to affect the achievement of such a balance, and report annually to the Council,

instructs the Secretary-General and the Directors of the Bureaux

1 to provide to the Council, on an annual basis, a report on the ITU budget implementation for the previous year and anticipated implementation of the ITU budget for the current year;

2 to make every effort to achieve reductions through a culture of efficiency and economy and to include the savings actually achieved within the overall approved budgets in the above report to Council;

3 to provide to the Council, on annual basis, a report with analyses of expenses relating to each item in Annex 2 to this decision, and to propose further appropriate measures to be undertaken to reduce expenses,

instructs the Council

1 to authorize the Secretary-General, in accordance with Article 27 of the Financial Regulations and Financial Rules, to allocate the necessary funds to the After-Service Health Insurance (ASHI) Fund from the savings made during the budget implementation or the Reserve Account, to keep the fund at a sustainable level;

2 to review and approve the biennial budgets for 2020-2021 and 2022-2023, giving due consideration to the associated guidelines in *decides* above, the annexes to this decision and all pertinent documents submitted to the Plenipotentiary Conference;

3 to consider further appropriations in the event that additional sources of revenue are identified or savings achieved;

4 to examine the cost-efficiency and cost-reduction programme drawn up by the Secretary-General;

5 to take account of the impact of any cost-reduction programme on the staff of the Union, including the implementation of a voluntary separation and early retirement scheme, funded from budgetary savings or through a withdrawal from the Reserve Account for a maximum amount of CHF 5 million within the limits established in *decides* 7 above;

6 in considering measures that could be adopted to strengthen control of the finances of the Union, to take into account the financial impact of such issues as ASHI funding, and the medium- to long-term maintenance and/or replacement of buildings at the premises of the Union;

7 to invite the external auditor, the Independent Management Advisory Committee and CWG-FHR to develop recommendations to ensure greater financial control of the finances of the Union, taking into account, *inter alia*, the issues identified in *instructs the Council 6* above;

8 to consider the report of the Secretary-General relating to the matter referred to in *instructs the Secretary-General* 2 above, and report to the next plenipotentiary conference, as appropriate,

invites the Council

to fix, to the extent practicable, the preliminary amount of the contributory unit for the period 2024-2027 at its 2021 ordinary session,

invites Member States

to announce their provisional class of contribution for the period 2024-2027 before the end of the calendar year 2021.

ANNEX 1 TO DECISION 5 (REV. DUBAI, 2018)

**Financial plan of the Union for 2020-2023: Revenue and expenses**



ANNEX 2 TO DECISION 5 (REV. Dubai, 2018)

**Measures for reducing expenses**

1. Identification and elimination of duplication (and overlap of functions, activities, workshops, seminars), and centralization of finance and administrative tasks, in order to avoid inefficiencies and to gain from a specialized workforce.
2. Coordination and harmonization of all seminars, workshops and cross sector activities by the secretariat’s inter-sectoral task force (ISC-TF) in order to avoid duplication of topics, to optimize management, logistics, coordination and secretariat support and to benefit from synergy between the Sectors and a holistic approach to the subjects covered.
3. Full involvement of regional offices in the planning and organization of, and participation in, seminars/workshops/meetings/conferences, including conference preparatory meetings outside Geneva, in order to gain from the utilization of local expertise and local contact networks and to save on travel costs of staff from headquarters.
4. Maximum coordination with regional organizations with a view to organizing collocated and/or joint events/meetings/conferences, including conference preparatory meetings, so as to share the expenses and minimizing the costs of participation.
5. Savings from attrition, redeployment of staff and review and possible reduction of grades of vacant posts, in particular in non-sensitive parts of the General Secretariat and the three Bureaux, in order to reach optimal levels of productivity, efficiency and effectiveness.
6. Prioritize staff redeployment for the implementation of new or additional activities. New hiring should be the last option, while taking into account gender balance geographical distribution, and new skill requirements.
7. The use of consultants should only occur when the relevant skills or experience cannot be found among existing staff and after confirmation of this requirement in writing by senior management.
8. Upgrading the capacity-building policy to qualify the staff, including staff in regional offices, for multi-sector proficiency, in order to improve staff mobility and their flexibility for redeployment to new or additional activities.
9. The General Secretariat and the three Sectors of the Union should reduce the cost of documentation of conferences and meetings by conducting paperless events/meetings/conferences and fostering the adoption of ICTs as viable and most sustainable substitutes for paper.
10. Reducing to the absolute minimum necessary the printing and distribution of ITU promotional/non-revenue generating publications.
11. Implementation of initiatives towards making ITU a completely paperless organization, such as providing Sector reports only online, adopting digital signatures, digital media and digital advertising and promotion, encouraging staff to avoid printing of emails and documents, archiving of paper documentation, among others.
12. Consideration of further possible savings in languages (translation, interpretation) for meetings and publications, without prejudice to the goals of Resolution 154 (Rev. Busan, 2014) including limiting the length of documents.
13. Evaluation and use of alternative translation procedures that could reduce the cost of translations while maintaining or improving their current quality and the accuracy of telecommunication/ICT terminology and adequacy of quality of translation.
14. Implementation of WSIS activities through the redeployment of staff responsible for such activities within the existing resources and, as appropriate, through cost recovery and voluntary contributions. Involvement of regional offices in collaborating with other UN bodies in regional WSIS activities.
15. Reviewing the number of study group meetings and their duration with a view to reducing their costs and those of other relevant groups.
16. Evaluation of regional groups established by ITU study groups in order to avoid duplication and overlap.
17. Limitation of the number of days of meetings for the advisory groups to three days per year maximum with interpretation. Consider possible sequential and joint sessions of advisory groups.
18. Reduction of the number and duration of physical meetings of the Council working groups, where possible.
19. Reduction of number of Council working groups to the absolute minimum necessary, by combining them into a smaller number of groups, terminating their activities if no further development occurred on their scope of activities.
20. Regular assessment of the level of achievement of the strategic goals, objectives and outputs with a view to increasing efficiency by the reallocation of budget, when necessary.
21. For new activities or those having additional financial resource implications, a "value-added" assessment shall be made in order to justify how the proposed activities differ from current and/or similar activities and to avoid overlap and duplication.
22. Sound consideration of the size, location and resources allocated to regional initiatives, outputs and assistance to members, to the regional presence both in the regions and at headquarters, as well as those resulting from the outcome of WTDC and the Buenos Aires Action Plan, and financed directly as activities from the Sector budget.
23. Reduction of the cost of travel on duty, by developing and implementing criteria in order to reduce travel costs. The criteria should consider and aim at minimizing business travel, reducing the extra daily subsistence allowance (DSA) as far as possible, prioritizing the allocation of staff from the regional and area offices to limit time on mission as well as through joint representation in meetings, rationalizing the number of staff sent on mission from various departments/divisions of the General Secretariat and the three Bureaux.
24. Increased use of remote participation to reduce and/or eliminate travel to meetings the proceedings which are webcast and preferably captioned, and provide for remote presentation of documents and contributions.
25. Improving and prioritizing internal electronic and flexible working methods in order to reduce operational and capital costs as well as travel to/from regional offices to Geneva.
26. Taking into account No. 145 of the Convention, a full range of electronic working methods needs to be explored to possibly reduce the costs, number and duration of the Radio Regulations Board meetings in the future, e.g. reduction of the number of meetings in one calendar year from four to three.
27. Introduce innovative cross-cutting means and working methods to improve the Union's productivity.
28. Discontinue to the greatest extent possible communications by fax and traditional postal mail between the Union and Member States and replace it with modern electronic communication methods.

29) Appeal to the Member States to reduce the number of issues to be considered by WRCs to the minimum necessary.

30) Continue the efforts to simplify, harmonise (or suppress), as appropriate, internal administrative processes followed by their digitisation and automation.

1. Consider further sharing of some common services with other UN organizations and implement where beneficial.

32) Any additional measures adopted by the Council.

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