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| **Council 2022 Geneva, 21-31 March 2022** |  |
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| **Agenda item: ADM 28** | **Document C22/63-E** |
| **18 February 2022** |
| **Original: English** |
| Report by the Secretary-General | |
| Draft Financial plan for 2024-2027 | |

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| Summary  This document presents the draft financial plan of the Union for 2024-2027. It also gives a preliminary analysis of the variances versus the 2020-2023 financial plan and the 2020-2021 and 2022-2023 budgets. This draft financial plan for 2024-2027 is balanced (revenue = expenses) and amounts to CHF 639.85 million.  Action required  The Council is invited to examine the draft financial plan for 2024-2027 and provide advice and guidance for subsequent transmittal of the latter to the 2022 Plenipotentiary Conference.  References  [*Decision 5 (Rev. Dubai, 2018)*](https://www.itu.int/en/council/Documents/basic-texts/DEC-005-E.pdf)  *Provision 51, Article 8 of the Constitution* |

1. **Introduction**

1.1 The purpose of the draft financial plan for 2024-2027 is to provide a tool for the 2022 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 2024-2027 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 By a revised Decision 5, on revenue and expenses for the Union for the period 2024-2027, the 2022 Plenipotentiary Conference is expected to establish the framework and the directives under which the two biennial budgets for 2024-2025 and 2026-2027 shall be developed. Annex 1 to Decision 5, as revised by the Plenipotentiary Conference 2022, will constitute the financial plan for 2024-2027.

1.5 The draft financial plan for 2024-2027 was presented and discussed during the 15th meeting of the Council Working Group on Financial and Human Resources (CWG-FHR) in January 2022 (see document CWG-FHR-15/10).

1.6 Once the draft strategic plan’s is sufficiently advanced, the draft financial plan will be linked to the thematic priorities and goals identified within it.

1.7 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 departments and bureaux, and then to the different ITU thematic priorities and goals of the draft strategic plan.

1.8 The draft financial plan has dual approaches and layouts:

* Financial (to follow the revenue/expenses structures laid down in the financial regulations).
* Result-based (to follow the structure of the strategic plan).

1.9 The key drivers/determinants for the preparation of the financial plan are the following:

* The strategic plan.
* The amount of the contributory unit.
* The overall revenue level for the timeframe (ceiling of expenses).
* The work programme.

1.10 ITU management decided that a staff “World Cafe” should be organized to come up with ideas on revenue generation and cost reduction. Management identified many innovative ideas that could be taken into consideration in the preparation of the budgets to implement this Financial Plan. You will find a presentation of the World Cafe through [this link](https://www.itu.int/md/S22-CL-INF-0013/en).

**2 Bases and assumptions**

2.1 The 2022-2023 budget has served as the primary basis for preparing the draft financial plan for 2024-2027.

2.2 The revenue level reflects the situation prevailing as of 1 January 2022 for the assessed contributions (Member States, Sector Members, Associates and Academia).

2.3 It is essential to remember that the financial plan is revenue-driven. The level of revenue is a crucial parameter for the preparation of the financial plan. The draft 2024-2027 financial plan is based on the revenue available for the 2024-2027 timeframe. Assessed contributions represent more than three-quarters of the Union’s revenue. Any change in the number of contributory units will impact the 2024-2027 revenue forecast, and thus the expenses forecast will have to be adjusted accordingly.

2.4 The amount of the contributory unit has remained unchanged since 2006 at CHF 318,000 per unit, which corresponds to a zero-nominal growth. During the period January 2006 until November 2021, the Geneva Consumer Price Index (CPI) has increased by 5.3 per cent. Had the contributory unit be indexed to the Geneva CPI, the amount of the contributory unit would now amount to CHF 335,000, an increase of CHF 17,000 (zero-real growth). The increase on the assessed contributions would amount to CHF 26.9 million, almost the funding required for the UMACs. A minor increase in the amount of the contributory unit of CHF 1000 to CHF 319,000 would increase the assessed contributions for 2024-2027 by CHF 1.6 million.

2.5 This plan has been established with the standard costs used for the 2022-2023 budget. It does not include any vacancy rate. The 5 per cent vacancy rate included in the current financial plan for 2020-2023 no longer reflects the reality and puts the budget implementation at risk. Indeed, there are fewer and fewer vacant positions, and the recruitment delays have been reduced in recent years. Therefore, it has been decided to eliminate the vacancy rate in the draft financial plan for 2024-2027 and replace it by a theoretical but realistic recruitment delay.

2.6 Possible future cost increases/decreases for 2024-2027 (such as inflation, salary increase, rising health care cost, etc.) have not been reflected in this draft financial plan and will be taken into consideration, if need be, during the preparation of the 2024-2025 and 2026-2027 budgets.

**3 Planned revenue and expenses**

3.1 The initial deficit after the first consolidation of the draft financial plan for 2024-2027 was in the magnitude of CHF 74 million (including the elimination of the 5 per cent vacancy rate). The deficit was subsequently reduced to CHF 25.4 million as presented to the Council Working Group on Financial and Human Resources (CWG-FHR) in January 2022.

3.2 The implementation of the following efficiency measures has permitted to balance the draft financial plan for 2024-2027.

Expenses:

* 25 per cent average reduction in Special Service Agreements (SSA).
* 25 per cent average reduction in travel costs.
* 20 percent reduction in the cost/volume of documentation.
* Reduction in the number of printers at ITU and move to a managed printer service.
* Elimination of desk phones by continuing to use Microsoft Teams as Softphones.
* Introduction of a progressive global reduction of CHF 17 million over the 2024-2027 period that will be implemented through the introduction of manifold measures such as review of skills necessary to support the fast-coming digital transformation, optimization, rationalization, and possible centralization of services (conference management, communication, HR management, …), elimination of shadow IT, de-emphasis or even suppression of low priority activities, relocation of some services/activities, etc.

Revenue:

* Increase in the sales of publication revenue on account of new format, contents, and media for ITU publications.
* Progressive resource mobilization to co-fund some regular activities and review and modernize cost recovery for publications, software, and databases.

3.3 Table 1 below provides the planned expenses for 2024-2027 by sector together with the comparison with the 2020-2023 budgets and financial plan.



3.4 On the expenses side, the main elements of the variance by sector are the following:

Table 1.1

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| Programme variation - General Secretariat | *CHF(000)* |
| Accessibility (KCHF 100 per year) | 400 |
| Payments to UNSMIS | 5'600 |
| First annuity for the new building in 2027 | 3'000 |
| Additional maintenance costs for buildings | 1'200 |
| Suppression of the 5% vacancy rate and replacement by recruitment delay | 6'000 |
| Reduction in travel costs and SSA | -5'100 |
| Reduction in the cost and volume of documentation (variable costs C&P) | -4'000 |
| Other variances | 518 |
| Total programme variation - General Secretariat | 7'618 |

Table 1.2

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| Programme variation - ITU-R | *CHF(000)* |
|  |  |
| Reduction travel costs and SSA | -1'800 |
| Suppression of the 5% vacancy rate and replacement by recruitment delay | 2'800 |
| Other variances | -368 |
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| Total programme variation - ITU-R | 632 |

Table 1.3

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| Programme variation - ITU-T | *CHF(000)* |
|  |  |
| Reduction travel costs and SSA | -1'400 |
| Suppression of the 5% vacancy rate and replacement by recruitment delay | 1'500 |
| Other variances | 258 |
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| Total programme variation - ITU-T | 358 |

Table 1.4

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| Program variation - ITU-D | *CHF(000)* |
|  |  |
| Decrease of 0.8 million CHF for activities and programs in 2022-2023 maintained for 2024-2027 | -800 |
| One time 3 million CHF appropriations for regional initiatives in 2020 | -3'000 |
| Reduction travel costs and SSA | -1'700 |
| Suppression of the 5% vacancy rate and replacement by recruitment delay | 2'400 |
| Other variances | 140 |
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| Total Program variation ITU-D | -2'960 |

3.5 Table 2 below provides the breakdown of the planned revenue for 2024-2027 by source together with a comparison with the 2020-2023 budgets and financial plan.



3.6 On the revenue side, the main variances are:

* No use of the savings from previous year’s budget implementation as the budget implementations do no longer generate significant surpluses.
* Decrease in cost recovery revenue mainly on account of decrease in project support costs revenue and cost recovery for the satellite network filings. This decrease is partially offset by an increase in the sales of publications revenue and the introduction of progressive resource mobilization over the four-year period to co-fund some regular activities.

3.7 Table 2B below provides the breakdown of the cost recovery revenue together with the comparison with the 2020-2023 financial plan and budgets.



**4** **Unfunded Mandatory Activities (UMACs)**

4.1 Table 3 below lists the main programme variations as compared to the current budget and financial plan that could not be funded in the 2024-2027 draft financial plan at this stage of its preparation.

4.2 Should it be possible to identify additional regular funding and/or extra budgetary resources, or to further reduce the expenditure side of the draft financial plan, some of these UMACs might be included into it.



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