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| **Council Working Group on Financial and Human Resources Fifteenth meeting – 11 and 12 January 2022** |  |
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|  | **Document CWG-FHR-15/10** |
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| **English only** |
| Contribution by the Secretariat | |
| First draft financial plan for 2024-2027 | |
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| **Summary**  This document presents the results of the first consolidation of the draft Financial Plan 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 first consolidation of the draft Financial Plan for 2024-2027 indicates a deficit (revenue minus expenses) of CHF 25.4 million. Further efforts will be made to present a balanced draft Financial Plan to Council-22.  **Action required**  The CWG-FHR is requested to examine the draft Financial Plan for 2024-2027 and provide advice and guidance on options to balance it.  **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. **Foreword by the Secretary-General**

1.1 It is my pleasure to present the first draft Financial Plan for 2024-2027. The plan is still at a preliminary stage of completion, and further work remains to be done to balance it. The situation is very challenging as we anticipate a significant decrease on the revenue side while additional demands are being made on the expense side. The current draft financial plan shows a CHF 25.4 million deficit that will be impossible to offset without new innovative approaches.

1.2 The lessons learned from the pandemic will be of benefit not only to identify further savings through more efficient working methods but will also ease the transition to the new building. The One-ITU concept remains challenging to implement but offers an opportunity to reduce duplication of activities and optimize resources. The requirement to balance the financial plan opens the opportunity to take significant steps forward in the modernization of ITU and prepare it for the new headquarters building and beyond.

1. **Setting the scene**

2.1 In a few words, the purpose of the draft Financial Plan for 2024-2027 is to provide a tool for the 2022 Plenipotentiary Conference (PP-22) to establish the basis for preparing the 2024-2025 and 2026-2027 budgets.

2.2 By setting the amount of the contributory unit for the 2024-2027 timeframe, it determines the related financial limits until the next plenipotentiary conference, after considering all relevant aspects of the work of the Union in the period concerned.

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

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

2.5 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.

2.6 Decision 5 (Rev. Dubai, 2018) will be revised in 2022 to reflect the new financial plan and all related information.

2.7 Annex 2 to Decision 5 (Rev. Dubai, 2018) will also need to be revised to reflect the results achieved in implementing its efficiency measures and to include new efficiency measures.

2.8 The 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);

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

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

1. **Basis and assumptions**

3.1 The 2022-2023 Budget has served as the primary basis for preparing the draft Financial Plan for 2024-2027, both for expense and revenue levels.

3.2 The revenue level reflects the situation prevailing as of 1 November 2021 for the assessed contributions (Member States, Sector Members, Associates and Academia).

3.3 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 significantly reduced in recent years. It has therefore been decided to eliminate the vacancy rate in the draft Financial Plan for 2024-2027.

3.4 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.

1. **Anticipated deficit and efficiency measures**

4.1 The draft Financial Plan for 2024-2027 amounts to MCHF 661.3 for planned expenses and MCHF 635.9 for planned revenue, i.e. an anticipated deficit of MCHF 25.4 as indicated in Table 1 below:



4.2 The anticipated deficit (revenue minus expenses) of MCHF 25.4 is broken down as follows:

* Increase in expenses by MCHF 10.1 as compared to Budgets 2020-2021 and 2022-2023 (and MCHF 8 as compared to the 2020-2023 Financial Plan);
* Reduction in revenue by MCHF 7.2 as compared to Budgets 2020-2021 and 2022-2023 (and MCHF 11.3 as compared to the 2020-2023 Financial Plan) on account of reduction in cost recovery revenue;
* No savings from budget implementation, i.e. a reduction of MCHF 8.1 as compared to Budgets 2020-2021 and 2022-2023 (and MCHF 6.1 as compared to the 2020-2023 Financial Plan).

4.3 The initial deficit after the first consolidation of the draft Financial Plan for 2024-2027 was much higher, around MCHF 74 (including the elimination of the 5 per cent vacancy rate). Implementing the following efficiency measures has permitted its reduction to MCHF 25.4. Other options are being studied to present a balanced draft financial plan for consideration by Council at its 2022 session. These further options may result in some adjustments to the application of the provisional efficiency measures/options so far identified.

4.4 The efficiency measures implemented so far to reduce the anticipated deficit are the following:

* 30 per cent reduction in Special Service Agreements (SSA);
* 25 per cent global reduction in travel costs (Virtual events, EMS, etc.);
* 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;
* All variances / new requests compared to the 2022-2023 Budget considered as Unfunded Mandatory Activities (UMACs) (except UNSMIS annual payment, new building first annuity to reimburse the loan, COVID19 related expenses and other obligatory expenditures);
* New building indirect expenses to be funded from outside of the regular budget and financial plan.

4.5 The revenue for 2024-2027 are detailed in Table 2 below:



4.6 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.

4.7 The amount of the contributory unit has remained unchanged since 2006 at KCHF 318 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. If the contributory unit had been indexed to the Geneva CPI, the amount of the contributory unit would now amount to KCHF 335, an increase of KCHF 17 (zero-real growth). Such an increase on the assessed contributions would amount to MCHF 26.9, which would adequately cover the current budget deficit. As a benchmark, an increase of CHF 1000 in the amount of the contributory unit would result in a net increase in the assessed contributions for 2024-2027 by MCHF 1.6.

1. **Unfunded Mandatory Activities**

5.1 The table below lists the main programme variations as compared to the current budgets and financial plan that could not be funded in the 2024-2027 draft financial plan at this stage of its preparation.

5.2 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 integrated into it.



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