|  |  |
| --- | --- |
| **Agenda item: ADM 1** | **Document C25/86-E** |
| **3 June 2025** |
| **Original: Chinese** |
|  |  |
| Contribution by China (People's Republic of), Cuba, and the Russian Federation |
| RECOMMENDATIONS ON ENHANCING EFFICIENCY IN THE IMPLEMENTATION OF THE BUDGET OF THE UNION AND RATIONALIZATION OF EXPENDITURES |
| **Purpose**The ITU Council, at its 2025 session, is invited to consider recommendations to enhance efficiency in the implementation of the budget of the Union and to rationalize expenditures.**Action required by the Council**The Council is invited to **consider** the recommendations outlined in this contribution and to take any necessary actions.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**References***Reorganization of the Administration and Finance Department, General Secretariat (*[*C11/18*](http://www.itu.int/md/S11-CL-C-0018/en)*)**Council Resolution* [*1412*](https://www.itu.int/md/S22-CEXT23-C-0006/en) *(C23-EXT)**Transformation roadmap to achieve organizational excellence (*[*C23/52*](https://www.itu.int/md/S23-CL-C-0052/en)*,* [*C24/52*](https://www.itu.int/md/S24-CL-C-0052/en)*)**Financial management transformation plan (*[*C23/50*](https://www.itu.int/md/S23-CL-C-0050/en)*)**Proposals for the establishment of an oversight unit (*[*C23/53*](https://www.itu.int/md/S23-CL-C-0053/en)*,* [*C23/DL/6*](https://www.itu.int/md/S23-CL-230711-DL-0006/en)*)**Financial operating report for the financial year 2022 (*[*C24/40*](https://www.itu.int/md/S24-CL-C-0040/en)*)**Financial operating report for the financial year 2023 (*[*C24/43*](https://www.itu.int/md/S24-CL-C-0043/en)*)**External Auditor's report on ITU's 2023 financial statement and 2023 financial operating report (*[*C24/144*](https://www.itu.int/md/S24-CL-C-0144/en)*)**Update on the use of third-party consulting firms (*[*CWG-FHR-20/INF/1*](https://www.itu.int/md/S25-CWGFHR20-INF-0001/en)*)* |

# 1 Background

The United Nations system is currently facing a severe systemic funding crisis with multiple challenges to its financial sustainability. ITU, as the United Nations specialized agency for information and communication technologies, is also facing difficult budget implementation pressures, both internally and externally. In recent years, ITU has developed a number of reform initiatives to adapt to the changing international environment and organizational development needs, and proposed new departments such as the Oversight Unit, Gender and Youth Office, Special Initiatives, Transformation Team, etc. The implementation of transformation initiatives involving relatively large funding requirements and relying heavily on the regular budget could lead to a crowding out of budgetary resources originally earmarked for priority areas of the Union and for unfunded mandatory activities (UMACs), placing additional financial pressure on the organization. At the same time, the creation of additional posts and expansion of the workforce further increase operating costs and pose greater challenges to budget implementation.

Key findings include:

1) The series of reform and transformation initiatives entail relatively large financial requirements, which will further exacerbate financial pressure on ITU in the implementation of UMAC projects and other priorities and key areas. In 2023, the General Secretariat presented the transformation roadmap to achieve organizational excellence ([C23/52](https://www.itu.int/md/S23-CL-C-0052/en), [C24/52](https://www.itu.int/md/S24-CL-C-0052/en)) with initiatives covering various aspects of financial and human resource management, information systems and process upgrades, and internal governance, with an annual financial impact of more than CHF 800 000 and a total investment of CHF 3.2 million for the full programme phases. Since the costs of the reform initiatives are not included in the biennial budget, their implementation will have to rely on regular budget surplus. Although ITU has achieved a surplus of about 2 per cent of the biennial budget in the last two years, the existing surplus funds are insufficient to fund UMAC projects and other priorities and key areas. For example, an additional CHF 3 million per year is required for the new headquarters building project to ensure business continuity, and another additional financial support of CHF 1.5 million per year for the implementation of resolutions of conferences and assemblies.

2) The number of professional staff (P. grade) and above has reached a new high in recent years, meaning that expenditure on personnel has become the largest expenditure item of the Union. The number of staff at grades P.1 to D.2 has now risen from 450 in 2022 to 468 in 2025 (eight more in the General Secretariat (GS), three fewer in the Radiocommunication Bureau (BR), four more in the Telecommunication Standardization Bureau (TSB) and nine more in the Telecommunication Development Bureau (BDT)), including one more D. grade post (annual salary of CHF 280 000 to CHF 300 000) (three more in GS, no change in BR, two fewer in TSB and no change in BDT)[[1]](#footnote-1). The financial reports for the past two years have revealed that personnel expenses have not only become the largest expenditure item in the regular budget (accounting for nearly 80 per cent), but also continue to generate high extra-budgetary expenses, which amounted to CHF 7.74 million in 2022 (38.8 per cent of the extra-budgetary expenditures in the same year) ([C24/40](https://www.itu.int/md/S24-CL-C-0040/en)). The number further increased to CHF 8.47 million (35 per cent) in 2023 ([C24/43](https://www.itu.int/md/S24-CL-C-0043/en)). At the same time, the General Secretariat's proposals to create an additional post of Chief of Oversight Unit (D.1) ([C23/53](https://www.itu.int/md/S23-CL-C-0053/en)) and reinstate the post of Chief of Administration and Finance Department (D.2) (the freeze approved by the Council in 2011 in [C11/89](https://www.itu.int/md/S11-CL-C-0089/en)) will put further pressure on the Union's budget implementation.

3) Administrative expenses, such as contractual services, legal expenses, etc., continue to rise. Currently, expenditure on contractual services has become the second largest expenditure item in the budget of the Union, with total expenditure amounting to CHF 20.53 million in 2022 and CHF 21.82 million in 2023 (an increase of 6.3 per cent). The General Secretariat stands out in terms of contractual service expenditure, representing 40 per cent of the total ITU expenditure on contractual services (4 per cent in the ITU Radiocommunication Sector, 2.4 per cent in the ITU Telecommunication Standardization Sector and 10 per cent in the ITU Telecommunication Development Sector), with related expenses increasing by 9 per cent from CHF 7.86 million in 2022 to CHF 8.57 million in 2023. In addition, the size of expenditure for extrabudgetary contractual services has also continued to grow, having further increased from CHF 8.9 million in 2022 to CHF 9.65 million in 2023 (43.6 per cent of total contractual service expenditure). In terms of legal expenses, the United Kingdom's National Audit Office (NAO) noted in its 2023 External Auditor's Report that ITU had been notified of a decision reached by the International Labour Organization Administrative Tribunal (ILOAT) in 2024 related to an internal personnel dispute or labour rights case. Although the External Auditor's report estimated that the costs associated with this decision would exceed the provisions for litigation set aside in that year's budget, the final assessment was that the impact of this matter on the overall financial position of the Union was "not material" ([C24/144](https://www.itu.int/md/S24-CL-C-0144/en)).

4) Over-reliance on short-term and third-party consultants in matters such as strategy formulation and financial management, resulting in unbudgeted and non-essential expenditures. Currently, most of ITU's project activities are based on outsourced services such as special service agreements (SSAs) and third-party consultancy, even in critical areas such as financial management and organizational transformation, allowing external bodies to participate in core ITU decision-making and provide biased advice. For example, in 2023, CHF 480 000 was spent to hire ERNST & YOUNG to complete the preparation of IPSAS-compliant financial statements, which should be an internal finance function. Moreover, in 2024, another CHF 230 000 was spent to entrust Dalberg Group to evaluate the organizational structure of the General Secretariat. Its recommendations on structural changes, such as "creating an administrative and financial officer", directly related to the subsequent adjustment of the organizational governance structure. In addition, important information such as the specific impact of SSA expenditure on the organization's budget, the size of the staff, etc., is not fully disclosed.

# 2 Proposals

The effectiveness of the Union's financial management and budget execution will directly impact the organization's strategic implementation and sustainable development. To this end, the Administration of China proposes the following on strengthening budget management and execution efficiency:

1) In order to ensure that the Union's financial and human resource investments match the priorities and expected outputs of each Sector, the General Secretariat and the three Bureaux should clarify their priorities based on their core responsibilities, strategic goals and actual needs. A priority list, accompanied by corresponding budget requirements, will be formulated according to their importance and priority for the organization and submitted for review by the Council. The Council will subsequently allocate annual budget funds based on the established priorities, maximizing the efficiency of resource use and transparency of financial management.

2) Re-evaluate the necessity and rationality of relevant expenditures. It is proposed to establish a joint assessment team composed of the Independent Management Advisory Committee (IMAC), the Contract Committee, the Legal Affairs Unit, the Ethics Officer, the Internal Auditor and the External Auditor in order to comprehensively review the necessity and rationality of the organization's various expenditures. This team will systematically assess whether existing expenditures are consistent with ITU's core functions, identify and eliminate duplications and redundancies, and ensure that all funds are used in accordance with legal, contractual and ethical requirements, striving to guarantee that ITU's resources are used in an effective, efficient and economical manner. The results of its review should be submitted to the Council for monitoring and review by Member States.

\_\_\_\_\_\_\_\_\_\_\_\_\_\_

1. HR Dashboard: <https://council.itu.int/2025/en/resources/> [↑](#footnote-ref-1)