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|  | **Document CWG-FHR-20/15** |
| **21 January 2025** |
| **English only** |
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| Report by the Secretary-General | |
| PREPARATION OF THE DRAFT BUDGET OF THE UNION FOR 2026-2027 | |
| **Purpose**  The purpose of this document is to present an update on the process for development of the budget for 2026-2027.  **Action required**  The Council Working Group on financial and human resources is invited to note this document, and the approaches take by ITU to fund its activities within the agreed resources available through ITU’s regular budget.  \_\_\_\_\_\_\_\_\_\_\_\_\_\_\_  **References**  *Decision* [*5 (Rev. Bucharest, 2022)*](https://www.itu.int/en/council/Documents/basic-texts-2023/DEC-005-E.pdf)*; CV* [*Article 5*](https://www.itu.int/en/council/Documents/basic-texts-2023/Convention-E.pdf)*, provision 100* | |

1 This document presents the status of the draft biennial Budget for the years 2026-2027, as of 20 January 2025. At this stage of the preparation of the draft budget for 2026-2027, expenses and revenue are not balanced and indicates a deficit of some MCHF 18.1. The Secretariat will continue the preparation of the Biennial Budget and expects to finalize a balanced budget in time for the submission to Council 2025.

Background

2 In accordance with number 100 of Article 5 of the Convention, the Secretary General shall after consultation with the Coordination Committee and making all possible economies, prepare and submit to the Council a biennial draft budget covering the expenditures of the Union, taking account of the financial limits laid down by the Plenipotentiary Conference.

3 By Decision 5 (Rev. Bucharest, 2022) on revenue and expenses for the Union for the period 2024-2027, the Plenipotentiary Conference established the framework and the financial limits within which the budget of the Union for 2026-2027 should be prepared. The decision also instructs the Secretary General:

*1 to provide to the Council, no less than seven weeks before its 2023 and 2025 ordinary sessions, complete and accurate data as needed for the development, consideration and establishment of a balanced biennial budget.*

*2 …*

*3 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 to report annually to the Council.*

4 The process adopted by the Secretariat for the development of ITU’s biennial budget for the period 2026-2027, comprises the following steps in compliance with the foregoing and other relevant directives:

i) On 18 September 2024, the guidelines for the preparation of the budget were transmitted on behalf of the Secretary General to the Bureaus and the Departments in the General Secretariat.

ii) Each of the Bureaus and the Departments of the General Secretariat submitted its cost-based budget estimate to the Financial Resources Management Department (FRMD), based on which the first draft budget was prepared. The draft budget 2026-2027, produced based on the estimates received resulted in a budgetary deficit of MCHF 71 for the period.

iii) FRMD, in collaboration with the Bureaux and the Departments of the General Secretariat, is incorporating such economies and adjustments as are necessary to bring the requests within the financial limits for the period as set by the Plenipotentiary Conference, and to balance the expenditures of the Union with the anticipated revenues during the period (i.e. to balance the budget), while still maintaining ITU’s ability to meet its mandate. Based on this ongoing process the current budget shortfall has decreased to MCHF 18.1. This process will continue and be completed in time to submit a final balanced budget to Council 2025. This document reports on the current situation.

Revenue and expenses estimates – Overview

5 Table 1 below presents the level of planned expenses by sector included in the current draft budget. The expenses are based on the programme of activities of the Union for this timeframe, which includes two major events, the Plenipotentiary Conference in 2026 (PP-26) and the World Radiocommunication Conference in 2027 (WRC-27). At this stage of the budget preparation process, the planned expenses for 2026-2027 are MCHF 2.9 above the limits set by the Plenipotentiary Conference. The reductions, however, are still in the process of being reviewed through engagement with the Bureaus. The draft budget does not include proposals that would result in increases in the number of ITU’s fixed or continuing staff, except in relation to additional posts approved by Council during its 2023 and 2024 sessions.

6 To ensure delivery of a balanced budget by Council 2025, the Secretariat will need to make the necessary economies to bring the budgeted expenses within the anticipated revenues through additional reductions in expenses pertaining to ITU’s overhead costs, delaying lower priority activities, carefully managing recruitment timelines to achieve staff cost savings, and other efficiencies that do not substantially impact ITU’s overall achievement of its mandate. Alternatively, steps would need to be taken with support of membership to increase revenues, which have also been subject to reductions below the levels anticipated in the Financial Plan 2024-2027, as discussed below.

Table 1



7 [Table 2](#Table2) provides the revenue forecast for 2026-2027. Anticipated revenues for the period 2026-2027 are MCHF 15.2 below the anticipated revenue foreseen by the Plenipotentiary Conference when the 2024-2027 Financial Plan was approved.

Table 2



8 Assessed contributions increase marginally by CHF 564 000, although the value of the contributory unit has been maintained at CHF 318 000 in accordance with Decision 5 (Rev. Bucharest, 2022). As presented in [Table 3](#Table3), the anticipated increase in assessed contributions as compared with the financial plan is mainly on account of the increase in the number of Associate members, with smaller increases also expected from additional Sector Members, Academia and the additional by ITU of a new Member State.

Table 3



9 For Satellite Network Filings (SNF), as shown in [Table 4](#Table4), ITU’s revenues since 2021 have been consistently below the level estimated in the Financial Plan, and currently ITU’s SNF fees do not result in full recovery of the costs expended by ITU. Based on recent results, for 2026-2027 the shortfall is estimated to be approximately MCHF 6. It should be noted that the total direct and indirect costs of SNF is estimated at CHF 22.810 million, leading to expected CHF 11.8m of unrecovered costs annually (on the basis on the current SNF fees). Decisions at Council 2025, based on recommendations of the Expert Group on Decision 482 and CWG-FHR, will be instrumental in determining whether these shortfalls are addressed or whether ITU will need to find other sources of revenue, or reduce costs in other areas, to meet this deficit.

Table 4



10 Based on the above trends,[Table 5](#Table5)belowprovides the breakdown ofITU’s expectedcost recovery revenue for 2026-2027.

Table 5



11 As presented in [Table 6](#Table6)below, anticipated interest and other revenue have been adjusted based on the results achieved in recent years. Based on the Secretariat’s work to improve its investment decision-making, revenue from interest is estimated to increase by MCHF 1.1 to MCHF 1.5 for the period, while other revenue is anticipated to increase by MCHF 0.3 million.

Table 6



12 The draft budget is based on the conditions of employment that prevailed as of 1 August 2024 and will subsequently be re-calculated at 1 January 2025 rates, adjusted for inflation during the period. Staff costs for the period have been adjusted downward to account for the reduced annual costs experienced due to recruitment delays and staff turnover, based on the rates experienced for regular staff in 2024. Additional reductions have been introduced to align the expenses as close as possible to the financial plan. The Management will work until the next Council session to review the draft budget and identify appropriate efficiency and reduction measures to balance the draft budget for 2026-2027.

Process for submission of a balanced budget 2026-2027 by Council 2025

13 The Secretariat will continue to work on the draft biennial budget and will present a balanced budget to Council 2025 in accordance with the mandated timelines. The process for balancing the budget is considering the following elements:

i) Implementation of efficiency measures:

a) building energy efficiency measures

b) expanded use of available UN system efficiency measures (e.g. CBO services)

c) travel cost reduction through effective planning and management

d) efficiencies anticipated because of digital transformation.

ii) Prioritization and efficiency efforts at Bureau/Departmental level:

a) optimization of number of events

b) optimize the use of virtual events and digital service delivery for meetings and events

c) reduction of duplication between the Sectors and the General Secretariat

d) use of inexpensive contractual measures to address low priority staff vacancies.

iii) De-prioritization of non-essential activities:

a) lower value activities will be de-emphasized to ensure adequate resources for key and high priority activities

iv) Delayed recruitment for vacant positions in non-essential activities

v) Incorporate anticipated gains from ITU resource mobilization efforts.

14The Budget presented to Council 2025 will also provide additional details of the strategic and thematic areas covered by the expenses, and where applicable information regarding activities or areas that are underfunded due to budgetary necessities. [Annex 1](#Annex1) provides the breakdown of the 2026-2027 budget by sector and section.

Annex 1

Table 7



Table 8

Table 9



Table 10



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