|  |  |
| --- | --- |
|  | **Document CWG-FHR-21/13** |
| **13 August 2025** |
| **English only** |
|  |  |
| Report by the Secretary-General | |
| METHODOLOGY FOR REVIEW AND REVISION  OF THE CONTRIBUTORY UNIT | |
| **Purpose**  In response to a request from the Council, this document presents possible approaches for membership consideration of revisions to the ITU Contributory Unit (CU). These include:  1 adjusting the CU to reflect inflation,  2 linking CU increases to performance improvements, and  3 aligning the CU with ITU's capacity to meet costs associated with new mandates approved by Member States.  This document outlines the implications of each approach and seeks the input of CWG-FHR to inform further work by the Secretariat.  **Action required**  The Council Working Group on financial and human resources is invited to **note** the information provided in this document, **consider** the proposals for future calculation of the Contributory Unit, and **provide guidance** for the further development of the methodology for the revisions to the CU.  **References**  [*CWG-FHR website*](https://www.itu.int/en/council/cwg-fhr/Pages/default.aspx)*; Council Document* [*C25/54*](https://www.itu.int/md/S25-CL-C-0054/en) | |

# 1 Background

During its June 2025 session, the **ITU Council**:

– **Recognized the long-standing stagnation** in the nominal value of the Contributory Unit (CU) (CHF 318 000), which has remained unchanged since 2006.

– **Acknowledged the impact of inflation** and increased programmatic demands on the purchasing power and operational capacity of the ITU.

– **Requested the secretariat to present options** for revising the CU methodology to better reflect current financial realities and ensure the sustainability of the Union.

– Emphasized the importance of linking any proposed CU increase to:

• Demonstrable **efficiency improvements**,

• **Enhanced programme delivery**, and

• Greater **transparency and accountability** in the budget process.

– Encouraged the Secretariat to draw on international good practice, including other UN organizations, in designing a modernized model.

– Called for further discussions at CWG-FHR and Council to inform potential recommendations to PP-26.

These goals echo the UN Secretary-General’s vision under the UN80 initiative.

# 2 History and refinement of the contributory unit methodology

The CU model has been the foundation of ITU’s assessed contribution system since its adoption by Plenipotentiary Conferences in the mid-20th century. The model originally offered Member States the flexibility to choose their level of contribution, while aligning the value of one CU to the core funding needs of the Union.

Over time, refinements were introduced by successive Plenipotentiary Conferences:

– **PP-10:** Introduced enhanced flexibility by offering a wider range of CU classes to accommodate the financial capacity of Member States.

– **PP-14:** Supported continued voluntary contribution increases by membership.

– **Council-25:** Endorsed the need for strategic alignment between CU levels and programme delivery but postponed CU increases due to broader economic uncertainty.

# 3 Contributory unit context and valuation

No growth in the contributory unit since 2006

– As affirmed by Council Decision 5 (Rev. Busan, 2014) and later Decision 5 (Rev. Bucharest, 2022), the nominal value of one **CU** for Member States has been **maintained at CHF 318 000**, unchanged since **2006**.

– This policy was reconfirmed at the Council session in June 2025, when the CU was provisionally set at CHF 318 000 with zero nominal growth.

– Consequently, although the operational demands on ITU have increased over nearly two decades, the purchasing power of the CU has **eroded steadily**.

Consequences of stagnant CU growth

– Using cumulative Swiss CPI data (∼2% annual inflation), CHF 318 000 in 2006 would equate to roughly **CHF 412 000 in 2025** —a **30% erosion** in real funding capacity.

– The unchanged CU has constrained core budget flexibility, making it difficult to fund new mandates, maintain staff competitiveness, or invest in modernization initiatives.

– As a result, ITU has grown more reliant on **extrabudgetary funding**, **cost-recovery mechanisms**, and member-provided project financing to cover unmet core needs.

Importance of addressing CU stagnation

– **Restoring real CU value** is essential to prevent structural funding shortfalls and maintain ITU’s operational mandate.

– A modernized CU framework should balance:

• **Proportionality:** contributions reflect economic realities.

• **Transparency:** linking CU value increases to clear, measurable performance gains.

• **Sustainability:** ensuring budget stability while investing strategically in programme delivery.

# 4 Factors for review and revision of the contributory unit

As the financial landscape for international organizations continues to evolve, it is timely for ITU to reassess the framework governing the CU, and to introduce a more predictable, data based, approach to revisions of the CU. Stagnation in CU value, coupled with growing operational demands and inflationary pressures, has placed increasing strain on the Union’s capacity to deliver on its core mandate. In this context, a structured process is desirable for review of the CU is essential to ensure the organization’s long-term sustainability, effectiveness, and alignment with member priorities. Below, the Secretariat has outlined three factors that could be incorporated into a methodology for revising the CU, each providing specific advantages and considerations for ITU’s future financial health.

Factor 1 – Inflation

One approach to review of the CU would base the calculation of a new CU on applying cumulative inflation since 2006 to the CU. According to Swiss CPI data, the CHF 318 000 CU has lost approximately 30% of its value. An inflation-adjusted CU would restore purchasing power without requiring structural changes. However, of itself this approach does not link funding to performance or service outcomes.

Factor 2 – Performance-linked adjustment

A second factor could allow for CU increases to measurable improvements in ITU’s efficiency, transparency, and programme delivery. This reflects a broader UN system trend toward results-based budgeting and accountability, as recognised by the ITU Transformation Initiative, and emphasized more recently by the UN Secretary-General’s 2025 reform agenda. Performance indicators that could be used to assess the suitability of an increased CU could include reductions in administrative overheads, digitization of internal processes, and improved service turnaround times.

Under this model:

– CU adjustments would be justified based on demonstrable improvements in how the Secretariat delivers services (efficiency improvements could be captured in savings, reinvestments or justification for additional investments).

– Performance would be measured through agreed indicators such as reductions in administrative overheads, improvement in service turnaround times, and enhanced support to Member States.

– An evidence-based approach would strengthen the Union’s case for increased resources while building trust and accountability among contributors.

Factor 3 – Cost coverage for expanded mandates

A third approach could be based on revising the CU in response to increased operational demands placed on the ITU by its membership, through decisions and resolutions at ITU’s World Conferences and Assemblies. As the scope of ITU’s work is changed —including new digital mandates, capacity-building programmes, and normative roles— decisions increasing the CU could be made to ensure that the Union is adequately resourced to deliver. This model, similar to the approach currently used to fund the UN Secretariat, would assess the cost of fulfilling new or expanded mandates and propose incremental CU increases based on those cost estimates. It would ensure alignment between resource needs and strategic priorities.

Under this model:

– The cost implications of new mandates or changes to mandate driven by decisions and resolutions at ITU World Conferences and Assemblies would be assessed and quantified.

– These mandate changes would be aggregated, and a corresponding CU adjustment proposed to address revisions to ITU’s core budget needs.

– The approach creates a direct link between political decisions and their financial consequences, ensuring that the organization remains suitably resourced to deliver on Member State priorities.

This factor complements inflation and performance-based approaches by addressing a different driver of financial pressure: the cumulative impact of member state decisions that impact ITU’s role. It also reinforces the principle of shared responsibility for maintaining the organization’s ability to deliver.

# 5 Conclusion

This document presents three factors for adjusting the ITU Contributory Unit, for consideration by CWG-FHR and further guidance to the Secretariat. It is suggested that the selected methodology could comprise a combination of these factors. To ensure sustainability, the secretariat recommends that the methodology be established as an ongoing principle for future application, rather than through one-off decisions.

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