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|  | **Document CWG-SFP-2/7** |
| **22 January 2025** |
| **English only** |
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| Report by the Secretary-General |
| PROPOSAL FOR AN INCREASE IN THE CONTRIBUTORY UNIT |
| **Purpose**In this document, ITU presents a proposal for meeting the Union’s increased financial needs through a comprehensive financial rationalisation plan that includes optimisation of operational efficiencies through transformation initiatives, re-prioritization of ITU’s work to ensure focus on key strategic areas, review and realignment of cost recovery revenues, and a proposed increase in the contributory unit.**Action required**The Council Working Group for strategic and financial plans 2028-2031 is invited to **review** and **comment** on the document, and to **advise** the ITUCouncil accordingly.\_\_\_\_\_\_\_\_\_\_\_\_\_\_\_**References** [*CWG-SFP website*](https://www.itu.int/en/council/CWG-SFP-2028-2031/Pages/default.aspx) |

**Introduction**

1. At the meeting of the Council Working Group on strategic and financial plans (CWG-SFP) held on 10 and 11 October 2024, the secretariat presented a Report from the Secretary-General on the Assessment of the Preliminary Amount of the Contributory Unit (Document [CWG-SFP-1/5](https://www.itu.int/md/S24-CWGSFP1-C-0005/en)) to present some elements that could be taken into consideration when considering setting the provisional amount of the contributory unit for the strategic plan 2028-2031.[[1]](#footnote-1) The secretariat noted the current constraints of ITU’s financial situation, and provided an outline of the key increases in the Union’s expenses which would impact the ITU in the coming strategic planning period.
2. In recent years, facing cost increases driven by increased demand for ITU’s services, inflation, and reductions in revenue, the ITU has balanced its biennial budgets by pursuing efficiencies in its operations and adjusting the modalities of delivery. Examples of adjustments made include:
	1. Engaging human resources on lower cost contract modalities (such as SSAs) for programmatic and support functions where possible, aligned with reductions ITU’s long term staff complement.
	2. Outsourcing of non-core support functions and corresponding reduction or redeployment of ITU staff (e.g. security, some IT functions).
	3. Delaying or foregoing building and equipment renewal and maintenance where possible.
	4. ITU’s existing staff increasing their level of effort to meet the increased demand for ITU’s services.
	5. Employing methods of delivery of support to countries that are less targeted but deliver wider impact, to increase coverage of ITU without increase in costs.
3. Document CWG-SFP-1/5 provides clear evidence that for period covered by the next Strategic Plan (2028 to 2031), the revenues generated by ITU from its core funding sources (Membership contributions and cost recovery) will fall short of the funding that would be needed to cover the core costs ITU incurs to support its mandate. ITU will continue to pursue efficiencies in its operations, however savings achieved in this way will be insufficient to meet the full expected shortfall.
4. Based on the comments received at the October meeting of CWG-SFP, the secretariat has undertaken a comprehensive analysis of the various elements impacting ITU’s financial position. This iterative process has involved examining operational efficiencies, resource allocations, and emerging global challenges, all with the aim of aligning ITU’s financial plan with the evolving needs of its membership. In addition, a benchmarking exercise has been undertaken across different UN agencies to demonstrate efforts made by other agencies to meet the budgetary challenges imposed in the current financial and global context. Summary information is compiled in Annex 1 to this document.
5. In this document, ITU presents a proposal for meeting the Union’s increased financial needs through a comprehensive financial rationalisation plan that includes optimisation of operational efficiencies through transformation initiatives, re-prioritization of ITU’s work to ensure focus on key strategic areas, review and realignment of cost recovery revenues, and a proposed increase in the contributory unit. The aim is to ensure that the proposed increase is minimized and is accompanied by impactful enhancement of ITU’s work in the context of achieving global connectivity and digital transformation.
6. Based on the global landscape currently unfolding, ITU will need to ensure that its support to its members keeps pace with the rapid advancements in the global digital ecosystem as well as ongoing discussions within the UN System, such as the Global Digital Compact and WSIS+20 review. With a growing demand for ITU to provide strategic leadership across capacity, standards and policy development, particularly on emerging technologies such as AI and Quantum and issues such as digital resilience and space sustainability, ITU is working to ensure that it is able to meet global needs, within its existing resources. However, ITU urges membership to recognize the resources pressures that ITU is experiencing in this regard. Without additional resources, it is becoming challenging to ensure extensive and inclusive global participation of our members in all our activities, particularly from developing countries. ITU is also facing resource challenges that are starting to hamper its ability to effectively execute on plenipotentiary conferences (PP) and UN resolutions; meet the expectations of our UN partners, industry members, and academic partners; and provide an effective contribution in leveraging technology to address global challenges. Despite the above, the secretariat has not included provisions for additional resources for programmatic activities in 2028-2031 in its calculations of increased expenses for the purpose of this document, but requests that Membership carefully consider this issue in its elaboration of the Strategic and Financial Plan 2028-2031.

**Estimated ITU Expenses – 2028 to 2031**

1. In Document CWG-SFP-1/5, the secretariat presented a summary of the various cost drivers that have impacted or will impact ITU during the 2028 to 2031 period. ITU notes that while all the items presented in that document are desirable if ITU is to be fully and efficiently funded, within a context of restrained global financing of the UN system some of the expenses could be delayed or reduced through ongoing financial management. We have therefore refined the estimates presented with this approach in mind, seeking to ensure that ITU achieves two key objectives:
	1. **Strengthening ITU’s Reserves:** To ensure financial resilience and operational continuity, ITU must address deficiencies in its contingency and After Service Health Insurance (ASHI) reserves. These items seek to build adequate reserves for ITU and safeguard the Organization against unforeseen challenges.
	2. **Financing Long-Term Obligations:** Critical investments in ITU’s infrastructure and internal digital transformation.

Table 1 below provides an estimate of the additional expenses above the 2024-2027 financial plan that are recommended to ensure that ITU has necessary resources to operate effectively during the period 2028 to 2031.

*Table 1 - Estimated Additional Expenses 2028-2031*

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| Category | Description | Average annual Financial Implication (KCHF) |
| Building Project | ITU’s new headquarters building will be funded by an interest free loan from the Swiss Federation, and building works are expected to occur between 2028 and 2031, this will result in two key areas of additional expenses which will need to be covered from the regular budget: * **Business Continuity** - During the building project ITU will incur an increase in costs to cover business continuity needs, particularly in relation to Conferences and Meetings (estimated at CHF 4.8 million for a year). ITU should also fund a risk register fund to ensure contingencies can be met during the project.
* **Long Term Financial Commitment –** Once construction is completed, repayments of the interest free loan for the new building (at CHF 3 million a year) of the interest free loan will begin from 2032 based on current anticipated project timelines.
 | 3,000 |
| Post Conference Work | **Post Conference Work -** Creation of a provision to cover the additional work mandated by Resolutions of World Conferences and Assemblies, driven by increased global demand for ITU's work.  |  1,500  |
| Provisions for Long Term Financial Obligations | During the last planning period ITU’s ability to make appropriate provisions for long-term obligations have fallen short of the amount needed to properly meet the relevant obligations. Adjustments to address shortfalls in the following areas should be made:* **Building Maintenance Fund -** increase ITU’s Building Maintenance Fund to properly account for the ongoing costs of major repairs, renovation, upgrading of the building and replacement of the buildings’ equipment, in line with Article 21 of ITU Financial Rules and Regulations. A total maintenance provision of 1.25% of the value of the ITU buildings, as per recommendations of Hill International (increase current provision from CHF 750,000 to CHF 2 million).
* **After Service Health Insurance (ASHI) Liability** - Consistent with discussions at the UN, annual cost of the addition of 5.35% of the cost of new hires (amounting to CHF 1 million).
 |  2,250  |
| Digital Transformation and Future Digital Investments | Comprehensive reengineering and ongoing maintenance of ITU’s digital platforms and services at optimal levels, which must be executed without disrupting ongoing operations, including:* **Cloud migration** – shift to cloud-based services, to address the relatively high costs and cybersecurity and business continuity risks of maintaining ITU’s on-site servers.
* **Upgrade and Ongoing Maintenance of IT Systems** – ITU’s key systems are currently antiquated and require significant funding for upgrade. Moving forward ITU should remain resourced to ensure that these systems are maintained at business effective levels.
 | 4,750  |
| TOTAL  |  |  **11,500**  |

1. ITU’s costs for 2028 to 2031 will also be impacted by the resources required to achieve the objectives of the Strategic Plan 2028-2031, which are yet to be determined by membership. This has not been factored into this document, nor has the need for additional resources to respond effectively to the global digital environment, as discussed above in paragraph 6.
2. As noted in Document CWG-SFP-1/5, ITU’s costs have increased significantly since 2006 due to inflation. For Geneva, where 92% of ITU’s staff are situated, the retail prices index has increased by 10.5% during that period. Similarly, salaries for ITU staff are set by the ICSC, and due to its decisions, salaries paid to ITU’s staff in the professional category have increased by 2%, while salaries for staff in the general category have increased by 2.1%. As a result, although ITU’s regular staff has decreased since 2021, its staff costs have increased during the same period.
3. Accordingly, although the proposal for a review of the Contributory Unit is presented in the context of ITU’s operational and administrative expenses, this need is largely driven by an increase in overall cost levels, the majority of which relates to staff costs. The approach for recent years of budget implementation is that ITU cut its non-staff expenditure by avoiding spending that can be delayed or reduced, to maintain staff levels that meet operational necessities. ITU has prioritised serving its members, by deprioritising the organisations operational needs.
4. Delegates will have seen document [CWG-FHR-20/15](https://www.itu.int/md/S25-CWGFHR20-C-0015/en) which provides an update on the budget process for 2026-2027 and would have noted that the current draft presents a deficit for the two-year period of CHF 18.1 million. While the secretariat is confident that this budget can be balanced before its presentation to Council (by cutting non-essential costs and enhancing efficiency measures) the draft illustrates the difficult trade-offs that ITU is making to continue to provide a high-level of service to membership.
5. Table 2 provides an estimate of the financial deficit that would result for the period 2028-2031, if ITU’s annual core revenues are not increased, including meeting the expenses outlined in Table 1. These estimates assume that the level of resources required to achieve the Strategic and Financial Plan 2028-2031 will remain stable in comparison to the Strategic and Financial Plan 2024-2027. Accordingly, the estimate does not consider the additional resources that ITU considers would be needed to effectively carry out its mandate, as discussed in paragraph 6 above. The increases under Table 2 reflect an annual cost increase in line with current forecast inflation rates from a baseline of ITU’s actual expenses for 2024, to account for likely inflationary factors and includes the estimated costs for the statutory meetings by Sector.

*Table 2 - Estimated Deficit 2028-2031*







1. The secretariat proposes an approach to cover the anticipated deficit employing a combination of operational efficiencies, increases in cost recovery, and an increase in funding received from ITU’s membership. The following sections of this document address the possible input that can be reasonably expected from each of these approaches.

**Operational Efficiencies**

1. In the context of ITU’s future financial stability, ITU’s transformation initiative is key to driving efficiencies which can close the funding gap in the Strategic and Financial Plans for 2028-2031. While ITU may has been able to achieve savings through an ad hoc approach, a comprehensive approach to organizational transformation is needed to drive sustained and sustainable efficiencies in ITU’s work methods. The Transformation Roadmap to achieve Organizational Excellence, developed as an initial output of the transformation team and approved by Council 2023, has identified several further areas for operational efficiency for implementation in the coming years. Provided adequate funding is allocated, these initiatives will continue to achieve further operational efficiencies over the coming years and will generate further savings during the period covered by the Strategic and Financial Plan 2028-2031.
2. The International Telecommunication Union (ITU) is implementing a transformation roadmap to enhance organizational efficiency and achieve significant savings. Key initiatives include:

**Resource Allocation and Process Optimization**: ITU is prioritizing its programmatic framework to focus on mandated work and strategic areas, while de-prioritizing outdated and non-essential activities. This approach aims to streamline and promote automation across ITU’s administrative operations which are frequently overcomplicated and unduly manual. A systematic review of existing workflows is underway to eliminate redundancies and establish platforms for automation in areas such as travel, procurement, human resources, and financial functions. Additionally, the adoption of artificial intelligence (AI) is being explored to increase productivity and automate manual and repetitive tasks.

**Digital Transformation and Service Deliver**y: Emphasizing efficiencies in service delivery, ITU is rationalizing its information systems and modernizing platforms. The implementation of advanced customer relationship management (CRM) and event management solutions is also underway to better serve stakeholders.

**Strategic Review of Conferences and Events**: ITU is conducting a strategic review to optimize the delivery of conferences, meetings, and other events, aiming to maximize impact and enhance relevance. This involves rationalizing information systems and related platforms to improve scalability and interoperability. Furthermore, ITU is expanding remote participation services to ensure inclusivity while optimizing costs associated with in-person events.

**Structural Adjustments and Financial Prudence**: Exploring structural adjustments, ITU is optimizing its regional presence and considering the further outsourcing of non-core functions, particularly during the new building construction period. The organization is optimizing the use of its global footprint to maximize work done in lower-cost locations, balancing operational effectiveness with financial efficiency. Additionally, ITU is rationalizing its workforce and contract modalities to use lower cost contractual modalities (such as SSA) where possible without compromising quality.

1. These initiatives are designed to enhance ITU’s capacity to meet the growing expectations of its membership while ensuring that financial resources are allocated in a manner that maximizes impact and sustainability. The secretariat is targeting annualized savings of approximately CHF 3.5 million per year during the 2028-2031 Strategic Plan. This savings target will be further refined and developed within the Transformation Plan based on its initiatives in the coming years. Additional information is available in Document [CWG-FHR-20/11](https://www.itu.int/md/S25-CWGFHR20-C-0011/en).

**Review of Cost Recovery for Satellite Network Filings**

1. At its 2023 session, the Council established the Expert Group on Decision 482 to study ten items related to the processing of satellite filings which costs are not adequately recovered. The Expert Group met twice in 2024 and is scheduled to meet on 10-11 February 2025 and prepare a report to the 2025 session of the Council on possible revisions of Decision 482, with the aim to recover the ITU costs regarding the processing of satellite filings.
2. Based on the foregoing, the outcome of the Council discussions on Decision 482 could either lead to zero additional revenues in case no substantial changes are made to Decision 482 or provide additional revenues up to CHF 11.8 million per year (assuming that ITU full costs for satellite processing are recovered as instructed by PP Resolution 91 (Rev. Guadalajara, 2010)) during the period 2028-2031, depending on decisions made by Member States, and market activity during the period.

**Proposed Range for Contributory Unit Increase**

1. Based on the above, the funding gap for the period 2028 to 2031, after consideration of possible operational efficiencies and possible adjustments of satellite network filing cost recovery, is estimated at between MCHF 8.327 and MCHF 20.127 per year, as set out in Table 3 below.

*Table 3 - Possible Scenarios for Funding ITU Deficit*

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| **2028-2031 Funding Proposal** |
| **Average Annual Deficit** (including operational efficiency savings target of CHF 3.5 million) | **-20,127** |
| **Scenario 1 – Full Cost Recovery MCHF 11.8 – SNF** |
| Increased Revenue – Full Cost Recovery – SNF (KCHF) | 11,800 |
| Increased Revenue - Contributory Unit total (KCHF) | 8,327 |
| CU Increase % | 6.41% |
| **New Contributory Unit amount (CHF)** | **338,387** |
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| **Scenario 2 – Partial Cost Recovery CHF 5.9 million – SNF** |
| Increased Revenue – Partial Cost Recovery – SNF (KCHF) | 5,900 |
| Increased Revenue - Contributory Unit total (KCHF) | 14,227 |
| % CU Increase | 10.95% |
| **New Contributory Unit amount (CHF)** | **352,832** |
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| **Scenario 3 – No additional Cost recovery – SNF** |
| Increased Revenue – No change Cost Recovery SNF (KCHF) | 0 |
| Increased Revenue - Contributory Unit total (KCHF) | 20,127 |
| % CU Increase | 15.50% |
| **New Contributory Unit amount (CHF)** | **367,276** |

1. Funding of the remaining deficit through an increase in the Contributory Unit would result in an increase of between 6.41% and 15.5%, resulting in a revised Contributory Unit of between CHF 338,387 and CHF 367,276. The recommendation for the actual amount would depend on expected additional revenues from Satellite Network Filings, based on the process discussed in paragraphs 17 and 18.
2. Any of the scenarios presented above would balance the need for financial sustainability with Member States' expectations for prudent fiscal management. The following benefits underline the rationale:
* **Enhanced Resilience:** A higher increase secures ITU’s financial health, enabling it to withstand economic volatility and meet long-term obligations.
* **Strategic Alignment:** Increased funding supports ITU’s ability to deliver on priority areas.
* **Member Value:** Transparency in financial reporting and accountability for efficiency gains will ensure that Member States see a direct correlation between their contributions and ITU’s enhanced service delivery.

This proposed range provides the flexibility to address current financial challenges while positioning ITU for future success.

Annex 1

Summary of benchmarking of increases in budget across UN agencies

Over the past decade, various United Nations (UN) agencies have experienced increases to their regular budgets, primarily funded through assessed contributions from Member States.

**Specialized Agencies:**

**World Intellectual Property Organization (WIPO):**

For the 2024-2025 biennium, WIPO's income is estimated at CHF 972.6 million, marking a 2.2% increase compared to the 2022-2023 Program of Work and Budget. The proposed expenditure for this period is CHF 857.3 million, reflecting an 8% increase from the previous biennium.

**World Trade Organization (WTO):**

In December 2023, the World Trade Organization (WTO) General Council approved a 3.6% increase in the organization's operational budget, raising it from CHF 197.2 million to CHF 204.9 million for the 2024-2025 period.

**Universal Postal Union (UPU):**

From 2016 to 2021 the budget of UPU has grown from CHF 37 million to CHF 38.9 million which is a 5.1% increase over 6-year period. Implementation levels have been kept consistent and in line with budget increases. Efficiencies savings are largely related to travel and consultancy costs management.

**World Health Organization (WHO):**

**Proposed budget increases:** In 2024, the WHO received pledges totalling $1 billion for its 2025-2028 budget cycle, aiming to increase obligatory contributions to up to 50% of the budget by 2030-2031 from the current 16%. However, this must be approved every 2-year budget cycle from 2025.

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1. Note Article 5, 1(q of the ITU Convention. [↑](#footnote-ref-1)