

Agenda item: ADM 1

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## **Report by the Secretary-General**

### **ANNUAL REVIEW OF REVENUE AND EXPENSES**

#### **Summary**

This document presents the key elements of the 2014-2015 Budget implementation, pursuant to No. 73 of the ITU Convention, which provides that an annual review of revenue and expenses shall be carried out by the Council.

#### **Action required**

The Council is invited to **review** and **endorse** this document.

#### **References**

CV/[Art. 4](#), [No. 73](#),

Council Resolution [1359](#) (*Biennial Budget of the Union for 2014-2015*),

## **1 Introduction**

1.1 The purpose of this document is to report on the status of the implementation of the first year of the 2014-2015 Budget of the Union in relation to revenue and expenses.

## **2 Budget of the Union for 2014-2015 (Resolution 1359)**

2.1 The 2014-2015 Budget of the Union was adopted by Council at its 2013 session by Resolution 1359. The biennial budget amounts to CHF 331,055,000, and is broken down as follows: CHF 166,311,000 for 2014 and CHF 164,744,000 for 2015. It is based on an annual contributory unit amount of CHF 318,000 for Member States, i.e. zero nominal growth when compared to the previous biennia. The Budget of the Union is being implemented in conformity with Article 10 of the Financial Regulations.

2.2 A total amount of CHF 4.0 million (CHF 2.784 million for 2014 and CHF 1.216 million for 2015) was approved to be withdrawn from the Reserve Account in order to balance the 2014-2015

Budget and provide funding for the organization of WRC-15 and RA-15. In addition, Council instructed the Secretary-General to withdraw CHF 4.0 million from the Reserve Account on 1 January 2014 to set-up the ASHI fund as a first step towards addressing the unfunded long-term liabilities.

2.3 Table 1 below provides the status of the 2014 Budget at 28 February 2014. It shows the actual results after two months of implementation and provides a forecast of revenue and expenses to 31 December 2014.

**Table 1 – Implementation of Budget Resolution 1359**  
**2014 BUDGET - Revenue & Expenses Forecast**

	Budget 2014	Actual at 28 Feb 2014	Forecast 2014	<i>in 000'CHF</i> Variance %	
<b>REVENUE</b>					
Total assessed contributions	129,677	126,511	126,923	-2,754	-2.1%
Total cost recovery	32,750	9,056	35,504	2,754	8.4%
Revenue from interest	800	1	800	0	0.0%
Other revenue	300	36	300	0	0.0%
Withdrawal from the Reserve Account	2,784	0	2,784	0	0.0%
<b>TOTAL REVENUE</b>	<b>166,311</b>	<b>135,604</b>	<b>166,311</b>	<b>0</b>	<b>0.0%</b>
<b>EXPENSES</b>					
General Secretariat	93,390	11,746	93,390	0	0.0%
ITU-R	30,234	3,881	30,234	0	0.0%
ITU-T	12,793	1,703	12,793	0	0.0%
ITU-D	29,894	3,551	29,894	0	0.0%
<b>TOTAL EXPENSES</b>	<b>166,311</b>	<b>20,881</b>	<b>166,311</b>	<b>0</b>	<b>0.0%</b>
<b>REVENUE LESS EXPENSES</b>	<b>0</b>	<b>114,723</b>	<b>0</b>		

### 3 Revenue

3.1 The revenue of the Union consists of assessed contributions, cost recovery, interest/other revenue and the withdrawal from the Reserve Account. A shortfall of CHF 2.7 million is anticipated in assessed contributions for 2014, however, higher than expected revenues from cost recovery should compensate for the estimated shortfall from assessed contributions. Overall, the total revenues for the Union for 2014 should reach the budgeted amount.

3.2 Revenue from assessed contributions represents 78% of the total budget for 2014. It includes contributions from Member States, Sector Members, Associates and Academia. Table 2 below shows the breakdown of assessed contributions.

**Table 2 – Revenue from Assessed Contributions**

	Budget 2014	Actual at 28 Feb 2014	Forecast 2014	<i>in 000'CHF</i> Variance %	
Assessed Contributions	a	b	c	d = c - a	e = d / a
1. Member States	112,572	109,750	109,750	-2,822	-2.5%
2. Sector Members	15,200	15,039	15,267	67	0.4%
3. Associates	1,705	1,525	1,705	0	0.0%
4. Academia	200	197	201	1	0.5%
<b>Total</b>	<b>129,677</b>	<b>126,511</b>	<b>126,923</b>	<b>-2,754</b>	<b>-2.1%</b>

3.3 The amount of the annual contributory unit is set at CHF 318,000 for 2014 and 2015. The number of units from Member States invoiced at 28 February 2014 is 345 1/8, which includes a reduction of 9 units from one country previously having announced 10 units and an increase of 1/8 unit from Kyrgyz Republic compared to the budget.

3.4 The amount of the annual contributory unit for Sector Members is set at CHF 63,600 for 2014 and CHF 10,600 for Associates. At 28 February 2014, the total number of units from Sector Members is below the budget by 3.5 units (-1.3%), and the number of Associates by 20.5 (- 12.4%).

3.5 Since 2011, the implementation of Resolution 169 (Guadalajara, 2010), has generated new sources of revenue from admission of Academia, universities and their associated research establishments. At 28 February 2014, ITU registered 72 Academia fees.

3.6 Cost recovery revenue represents 19.7% of the total budgeted revenue. The breakdown is provided in Table 3. Revenue from cost recovery is likely to surpass the budgeted amount in 2014. This is mainly due to the sales of publications and revenue from satellite network filings, project support costs and Telecom cost recovery, which are expected to be higher than budgeted amounts while bearing in mind the actuals from the year 2013.

**Table 3 – Revenue from Cost recovery**

*in 000'CHF*

Cost Recovery	Budget 2014	Actual at 28 Feb 2014	Forecast 2014	Variance	%
	a	b	c	d = c - a	e = d / a
1. Project support	1,000	4	1,300	300	30.0%
2. Sales of publications	17,000	5,962	18,500	1,500	8.8%
3. UIFN	250	0	250	0	0.0%
4. TELECOM	1,500	0	2,000	500	33.3%
5. Satellite network filing	13,000	3,086	13,450	450	3.5%
6. Other	0	4	4	4	100.0%
<b>Total</b>	<b>32,750</b>	<b>9,056</b>	<b>35,504</b>	<b>2,754</b>	<b>8.4%</b>

#### 4 Expenses

4.1 As far as expenses are concerned, continuous application of efficiency measures and efforts are being made to comply with Resolution 1359. The objective is to keep expenditure within the budget at year-end 2014.

4.2 Annex 1 provides a list of the efficiency measures that are being implemented in the 2014 budget.

#### 5 ITU Reserve Account

5.1 An amount of CHF 2.784 million was approved to be withdrawn from the Reserve Account as per Resolution 1359 in order to balance the 2014 budget.

5.2 The actual amount to be withdrawn from the Reserve Account will be determined at the year-end closure of 2014 Accounts.

## 6 Results-Based Budget - Expenses by Objectives

6.1 Table 4 provides the expenses at 28 February 2014 for each Goal and Objective contained in the Strategic Plan of the Union for 2012-2015 set forth in Resolution 151 (Rev. Guadalajara, 2010). No significant variances are noticeable at this stage of the year.

**Table 4 - Results-based Budget – Expenses at 28 February 2014**

Strategic objectives of the Union "Strategic Plan for 2012-2015"		Budget 2014	Actual 28 Feb'2014	Variance	%
		a	b	c = a - b	d = c / a
<b>Objectives of ITU-R</b>					
R-1	Promote cooperation & coordination	2,630	257	2,372	90%
R-2	Administer spectrum, orbit access	16,078	2,255	13,823	86%
R-3	Achieve connectivity & interoperability	4,613	570	4,043	88%
R-4	Disseminate information & know-how	3,027	321	2,705	89%
R-5	Support & assist the membership	3,887	478	3,410	88%
<b>Costs of ITU-R Strategic Goal</b>		<b>30,234</b>	<b>3,881</b>	<b>26,353</b>	<b>87%</b>
<b>Objectives of ITU-T</b>					
T-1	Coordinate International cooperation	1,376	221	1,154	84%
T-2	Produce Global Standards	5,480	680	4,800	88%
T-3	Bridge the Standardization Gap	2,710	362	2,348	87%
T-4	Inform / Disseminate information	3,227	440	2,787	86%
<b>Costs of ITU-T Strategic Goal</b>		<b>12,793</b>	<b>1,703</b>	<b>11,090</b>	<b>87%</b>
<b>Objectives of ITU-D</b>					
D-1	Foster intl. Coop. on ICT develop, tech. and policy Issues	8,141	963	7,178	88%
D-2	Assist in the dev. of ICT infrastructures and services	4,222	519	3,703	88%
D-3	Foster the dev. of e-strategies for cybersecurity and ICT	3,491	362	3,129	90%
D-4	Create and enhance a enabling environment for ICT	6,746	891	5,855	87%
D-5	Build human and institutional capacity for digital	4,151	469	3,683	89%
D-6	Provide special assistance to LDCs & CISN for emergency	3,143	347	2,796	89%
<b>Costs of ITU-D Strategic Goal</b>		<b>29,894</b>	<b>3,551</b>	<b>26,343</b>	<b>88%</b>
<b>Objectives of General Secretariat</b>					
G-1	Manage and co-ordinate the activities of the Union	4,690	562	4,128	88%
G-2	Co-ordinate & exec. corporate strategies	12,721	1,647	11,074	87%
G-3	Manage conferences & publications	30,118	3,887	26,232	87%
G-4	Manage human, financial & capital resources	27,464	3,277	24,188	88%
G-5	Manage ICT Services to the Union	18,396	2,373	16,023	87%
G-6	Manage TELECOM Activities *	n/a	n/a	n/a	n/a
<b>Costs of General Secretariat Strategic Goal</b>		<b>93,390</b>	<b>11,746</b>	<b>81,644</b>	<b>87%</b>
<b>TOTAL ITU</b>		<b>166,311</b>	<b>20,881</b>	<b>145,431</b>	<b>87%</b>

\* Not included in the budget of the Union

## **Annex 1**

### **Efficiency measures applied in the 2014-2015 budget**

The following efficiency measures have been introduced since 2012 and will be applied in 2014. These are in line with Annex 2 to Decision 5 (Rev. Guadalajara, 2010) which identified a number of measures for reducing expenditure.

#### **1. Appraisal of staff requirements, organizational changes and staff redeployment**

- The number of established posts throughout the Union has been strictly contained despite the increasing workload. There were 819 posts in 2010-2011 compared to 811 in 2014-2015. The estimated saving is **CHF 2.3 million per biennium**.
- An ITU-wide vacancy rate of 5% has been applied on all posts in the 2014-2015 budget as it was done in the 2012-2013 budget. This means that 5% of the cost of all posts has not been budgeted. This measure constitutes a severe constraint, difficult to manage, that requires active and thorough review of staff requirements, staff redeployment, organizational changes and downgrading posts. As a result, an amount of **CHF 12.5 million per biennium** is being saved.
- Only limited natural growth related staff costs have been accommodated in the 2014-2015 budget. This implies that these costs have to be absorbed within existing resources. They relate mainly to step increments, increasing cost of active and retired staff health insurance and education grants amounting to **CHF 5.5 million per biennium**.
- The provision to replenish the Repatriation Fund has been reduced from 3% to 0.5% of the staff salary in line with IPSAS requirements. The reduction amounts to **CHF 4.4 million per biennium**.
- As from 1 January 2014, the ITU have ceased to subsidize the parking fee for staff members in Place des Nations. The savings amount to about **CHF 800,000 per biennium**, which is equivalent to the annual cost of about three professional posts.
- Early separation package have been granted at the end of the year 2013 to some staff members, when this was beneficial for the Union and where the posts were not to be filled. The estimated savings amount to **CHF 3,000,000 per biennium**.
- The measures listed above are in line with **measures 1, 4 & 5 of Annex 2** to Decision 5.

#### **2. Reduction in the costs of documentation and implementation of paperless office concept**

- Paperless meetings are conducted as much as possible resulting in a significant decrease in the print run of documents. Reduction in the cost of documentation of conferences and meetings are also achieved by requesting at the time of registration whether paper copies are required, setting a maximum number of two sets of copies by delegation and limiting to two the number of sets sent to the administrations. As an example, at the Study Group level, there is a drop of 31% in the reprography workload compared to 2012-2013 and a fall of 74% compared to 2010-2011. This represents a decrease of 11.7 million of posts, average cost estimated to **CHF 2.4 million per biennium**.

- Automation of administrative processes (e.g. travel authorizations, purchase requests) and self-services to staff members which are now processed electronically (e.g. annual and sick leave authorizations) have been introduced and have contributed to the reduction of paper flow across the Bureaux and the General Secretariat, improved efficiency and enhanced effectiveness. E-recruitment has also been launched and contributes to our paperless environment.
- ITU achieved the objective to switch from paper support publications to electronic support. 85% of sales revenue have been in digital format as from 2012 while 14% was in paper format and 1% was in on-line sales.
- These measures are in line with **measure 6 of Annex 2** to Decision 5.

### 3. Documentation costs

- Without prejudice to the goals of Resolution 154 (Rev. Guadalajara, 2010), reduction in the volume of documentation workload has been achieved by introducing new mechanisms and procedures in translation and typing. Higher proportion of work is being progressively outsourced where possible and appropriate. **CHF 1 million per biennium** would become available by doing so in 2014-2015.
- Council documents prepared by the Secretariat are restricted to 4 pages when feasible and appropriate.
- These measures are in line with **measure 7 of Annex 2** to Decision 5.

### 4. Efficient procurement system

- ITU participates actively in the Common Procurement Activities Group (CPAG) of the United Nations Office at Geneva and Member organizations. Goods and services covered by common tenders and negotiations relate to airfares, electricity, postal services and office supplies. Participation in CPAG results in an estimated cost avoidance of **CHF 2.4 million per biennium**.
- This measure is in line with **measures 1 & 16 of Annex 2** to Decision 5.

### 5. External hosting of ICT commodity services

- A progressive shift from direct capital investment in internal ICTs capacities and in house development towards the procurement of commodity services at a lower price has been introduced. The ICT Capital Fund replenishment has decreased consequently since 2010-2011. The saving amounts to **CHF 750,000 per biennium**.
- This measure is in line with **measure 1 of Annex 2** to Decision 5.

### 6. Travel costs management improvement

- ITU is benefiting from the Common travel agency of the United Nations. The goal is to obtain the best prices from major airlines.
- Improvement in travel costs management has been adopted to further optimized travel costs by making limited use of flexible air tickets, not allowing business class tickets under 11 hours journeys, receiving submission of travel requests 20 days in advance and

suppressing overnight daily subsistence allowance for travel by air. Estimated savings amount to **CHF 1,000,000 per biennium**.

- These measures are in line with **measure 7 of Annex 2** to Decision 5.

#### **7. Seminars and workshops**

- An inter-sector coordination group has been established to coordinate and harmonize seminars and workshops organized by the General Secretariat or the three Sectors in order to avoid duplication of the subjects covered and optimize secretariat attendance.
- This measure is in line with **measures 1 & 2 of Annex 2** to Decision 5.

#### **8. Coordination with regional organizations**

- Coordination with regional organizations with a view to sharing the available resources of the regional organizations and minimize the costs of participation has been applied, in particular for the organization of regional preparations of conferences.
- This measure is in line with **measure 3 of Annex 2** to Decision 5.

#### **9. Advisory Groups**

- The number of meeting days is limited to 3 per year with interpretation. Estimated saving amounts to **CHF 176,000 per biennium**.
- This measure is in line with **measure 11 of Annex 2** to Decision 5.

#### **10. WSIS follow up**

- WSIS activities are conducted within available resources and through voluntary contributions.
- This measure is in line with **measure 8 of Annex 2** to Decision 5.

#### **11. Remote Participation**

- Remote participation is being used to a larger extent at the ITU. Delegates which have participated remotely in ITU meetings and events saved both travel time and travel costs. While not considered as direct savings in the Regular Budget, this results in significant savings for Member States.
- This measure is in line with **measures 10 & 17 of Annex 2** to Decision 5.

#### **12. Unified Communication**

- ITU has introduced a new telephony system based on a Unified Communications concept. This has allowed the delivery of a combination of communication technologies and collaborative tools over the IP network, including traditional telephony, voice, videoconferencing, and messenger services. This communication infrastructure extends to wherever one has (internet) network connectivity, including ITU HQ, ITU Area/Field Offices, and to staff on travel. New collaboration models based on Unified Communications allow staff to communicate faster, more efficiently, be more productive and achieve more. The new service streamlines the communications

administration and consolidates the infrastructure into fewer physical servers, providing a cost saving on capital investment and operational costs for the ITU.

**13. IS Department improved working methods**

- The volume of mailroom operations has been reduced significantly by introducing a paper free environment -- automation, online self-services to staff, streamlining of processes and implementing electronic distributions (e.g. to Member States).
- With the introduction of Unified Communications, the functioning of the switchboard required only one post in 2014 and will, in the next biennium, be phased out when the last remaining staff member retires. The functions related to the CRM project and Remote Participation were successfully carried out without increasing staff resources.

**14. Proposal Management**

- The ITU has implemented an easy-to-use web-based Proposal Management system allowing staff to efficiently manage Proposals at all stages of an ITU conference. It reduces the time required, and simplifies the process of document creation in the six official languages. It permits delegates to submit proposals for the work of the conference more efficiently. The service also aims at standardizing the look and feel of ITU documents across the three Sectors and the General Secretariat, making it easier for Sector Members and Member States to follow the work of the Union.
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