

## **Non-Paper presented to the Plenipotentiary Conference, 2006**

### **MEETING THE SHORTFALL IN THE ITU FINANCIAL PLAN, 2008-2011**

*Yoshio UTSUMI  
ITU Secretary-General*

As ITU prepares for its 6-24 November 2006 Plenipotentiary Conference in Antalya, Turkey, the minds of both Members and ITU secretariat alike are turning to the need to balance the future financial plan of the Union. As has been the pattern in recent years, this has to be achieved in an environment of growing expectations for what the ITU secretariat should do, but shrinking financial resources to conduct its work.

As outgoing Secretary-General, I should be happy that this particular problem will not concern me directly. However, having faced a similar situation in 1998, where an unworkable financial plan with indiscriminate global cuts was imposed on the secretariat during the final hours of PP-98, I want to ensure that my successor has a better start to his or her tenure of office.

In many ways, a better start is already ensured from a financial viewpoint:

- Some CHF 75-80 million in accumulated efficiencies have been made since 1998;
- A system of results-based budgeting, operational planning and time-tracking has been successfully implemented, which means that the incoming Secretary-General will have a better set of financial tools available;
- The Reserve Account of the Union is in a healthier state than for many years thanks to a prudent exercise of cost control in programme implementation: when I took office in 1999, the RA stood at CHF 21.5 million, on 30.09.2006 the RA stands at CHF 30.7 million.
- The principle and practice of cost recovery have been successfully introduced.
- Necessary reforms have been carried out to the secretariat and business model of TELECOM, thereby reducing the financial risk to the Union from possible losses at future events.

However, despite this financial prudence, in other ways the financial situation is now more precarious:

- The accumulated efficiencies mentioned above cannot be made again. There is little scope for further efficiency savings.
- Council has already taken a provisional decision to freeze the contributory unit at CHF 318'000, which means there is little flexibility available for financial negotiations during PP-06.
- Membership expectations as to what the secretariat can carry out continue to increase, with new tasks added by both WTDC and RRC, as well as requirements for WSIS implementation. These come on top of the additional requirements already absorbed since 1998 in areas like security and language support.
- Not all countries have yet announced their provisional number of contributory units. Three countries (Benin, Denmark and Paraguay) have announced reductions.

There is a shortfall of **approximately CHF 50 million** between projected income and the estimated necessary expenditure to implement the full programme of activities of the Union as requested and mandated by the membership. The Council Working Group on the elaboration of the draft Strategic and Financial Plans reviewed the Financial Plan and requested a number of modifications. At its final meeting, held on 14-15 September 2006, the working group considered a number of different options for the draft financial plan, 2008-2011, but there remains a shortfall of **CHF 33 million**

Over 80 per cent of ITU's budget is staff costs. Realistically, the budget cannot be balanced without cutting staff and a shortfall of CHF 50m translates into a requirement to cut around 80 staff in each of the two biennial budgets in addition to the approximately 100 posts that were already cut in the years 2002-2006. Although there will be some scope for cost reduction through the planned retirement of staff, whose functions can perhaps be replaced through internal redeployment, this will not be sufficient to meet the shortfall. Furthermore, a freeze on future recruitment would be detrimental to the long-term future of the Union and its relevance.

At the 14-15 September meeting, Councillors showed little appetite for wishing to set priorities and to identify areas where cuts should be made. Rather, pressure came in the opposite direction of wanting the new commitments proposed at WTDC and RRC to be implemented in full. For these reasons, I felt it my duty as Secretary-General to make some suggestions as to where the membership might wish to look for the budgetary savings necessary to meet the shortfall. These suggestions are summarized below:

1. **Elected officials and D2s.** It is not necessary to have both elected officials and D2s in the Sectors. In its review of ITU management and administration conducted in 2001 (C01/37), the UN Joint Inspection Unit recommended "*to move towards a unitary management structure, electing only one official – the Secretary-General – as the executive head of the organization for a four-year term, renewable once.*" Similarly, in its Common Proposals (EUR12/46), Europe proposes to move to the appointment rather than election of the Bureaux Directors. The combined costs of the three "Office of the Director" functions amounts to around CHF 8m for the 2008-2011 period. Savings could be made after PP-10. In the meantime, the existing D2 positions could be advertised at D1 level when they become vacant. Appointing, rather than electing, the managers of the Bureaux will have other benefits—less visible, but not less important—in terms of reducing the incentives for infighting among the senior management team and creating a more unified structure for ITU.
2. **Members of the Radio Regulations Board (RRB).** It would be unfair, but nevertheless probably accurate, to state that as the role and relevance of the RRB has declined over time, the number of its members and the cost of its meetings has increased. The direct costs of RRB in the 2008-2011 Financial Plan is CHF 2.3m and the fully-allocated costs CHF 5.8m. It would be possible to reduce the size of the RRB and halve the number of its meetings without any consequent loss of its efficiency. Furthermore, PP-06 may wish to consider that those countries proposing candidates for RRB should be prepared to bear the costs of their participation in meetings, as is currently the case with members of Council.
3. **Radiocommunication Assembly.** The UN JIU report in 2001 had recommended that the RA and the WRC should be convened in the same place and the same timeframe. Currently, the RA precedes the WRC by one week, extending the total length of meetings to a total of five weeks. It should be possible to abolish the RA and merge it with WRC. Alternatively, the two meetings could be held concurrently (with RA as a subcommittee of the WRC). This would permit saving a considerable portion of the costs. In 2008-2011, the direct costs of the RA are estimated to be CHF 0.27m and the fully allocated costs CHF 2.76m.

4. **Study Group Councillors.** At present, virtually every Study Group in ITU-T, ITU-R and ITU-D is served by one staff member at P4/P5 level plus one assistant. However, the tasks of these Councillors are largely administrative, as this is a contribution-driven process. If Councillors are still required, they should be able to cover multiple Study Groups. A small, centralized pool of assistants should cover all Study Groups for the three Sectors.
5. **Expenditure on languages.** Resolution 115, PP-02 imposed a clear policy that ITU activities should either be conducted in either one language or in all six. In light of continuing financial difficulties, the advisability of applying this to all meetings and documentation of the ITU should be re-examined. Many ITU meetings could still be held in one language only, as is the case for Council working groups. Sector Advisory Groups and Council should provide guidance as to which meetings should have interpretation and which documents translated (e.g., routine translation of Recommendations, publication of ITU News etc). Decision 5, which sets an expenditure cap for languages of CHF 85m (2004-2007), should be reconsidered and extended to include interpretation.
6. **Regional presence.** ITU maintains a network of regional and area offices, and has actually increased coverage recently, despite the fact that demand for project execution work has declined. ITU area offices and regional offices should be combined or merged with regional telecommunication organizations in order to generate greater efficiencies in cooperation and cost savings through shared staff and infrastructure.
7. **Relocation from Geneva.** Although Geneva has historically been the seat of the Union, not all activities (e.g., text processing, data entry, translation) need to be conducted in such a high cost location. PP-06 should initiate a study of the potential costs and benefits to be gained from relocating some or all of ITU's activities outside Geneva, in lower cost locations.

The combined value of these potential savings is between CHH 18.5 and CHF 32.5m in 2008-2011, depending on the options applied, with potentially greater savings after 2011. If these savings are combined with those already proposed by the Council Working Group (see WG-SP-FP/41), they would be sufficient to meet the shortfall and give the new Secretary-General some flexibility for new initiatives to increase ITU's relevance and to ensure its future role.

## Estimated potential savings, 2008-2011

*In CHF million*

Item	Direct costs, 2008-2011	Fully-allocated costs, 2008-2011	Proposal for saving	Potential saving, in CHF million
1. Elected officials and D2	8.8 m	n.a.	Appoint Directors after PP-2010. Advertise D2 positions at D1 level	CHF 2.0-2.5m
2. RRB	2.3m	5.79 m	Cut membership and meetings by half. Propose RRB expenses be borne by candidate countries.	CHF 2-3m
3. RA	0.27 m	2.76m	Hold RA concurrently with WRC, as a subcommittee	CHF 1.5-2.0m
4. Study Group Councillors	4.37m ITU-R 3.51m ITU-T 1.83m ITU-D	2.7m ITU-R 69.4m ITU-T 16.7m ITU-D	One Study Group Councillor for a minimum of two Study Groups. One small team of assistants serving all Study Groups.	CHF 3-5m
5. Expenditure cap on languages.	76.1m  19.6m	n.a.	Apply Res 115 strictly to eliminate all work currently done in three languages. Extend expenditure cap on languages to cover also interpretation.  Review this process in view of efficiencies	CHF 5-10m
6. Regional presence	36.1m	n.a.	Close area offices and combine activities of regional offices with those of regional telecom organizations	CHF 5-10m
7. Relocation from Geneva	n.a.	n.a.	Initiate study of costs and benefits of relocating some or all functions of the Union to lower-cost locations.	Savings possible after 2010.
<b>TOTAL</b>	<b>152.5m</b>	<b>n.a.</b>	<b>Savings possible in 2008-2011, with increased potential savings after 2011.</b>	<b>18.5 – 32.5m</b>