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| **Council 2018 Final meeting, Dubai, 27 October 2018** |  |
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|  | **Document 129-E** |
| **21 December 2018** |
| **Original: English** |
| summary record  of the  final meeting of the 2018 session of the council | |
| |  | | --- | | Saturday, 27 October 2018, from 0935 to 1325 hours |   **Chairman:** Mr R. ISMAILOV (Russian Federation) | |

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|  | **Subjects discussed** | **Documents** |
| 1 | Opening of the final meeting of the 2018 session of the Council | - |
| 2 | Audited Financial Operating Report for 2017 and External Auditor’s reports | [C18/40](https://www.itu.int/md/S18-CL-C-0040/en), [C18/41](https://www.itu.int/md/S18-CL-C-0041/en), [C18/43](https://www.itu.int/md/S18-CL-C-0043/en), [C18/125](https://www.itu.int/md/S18-CL-C-0125/en) |
| 3 | Supplementary report of the Independent Management Advisory Committee | [C18/22(Add.1)](https://www.itu.int/md/S18-CL-C-0022/en) |
| 4 | Establishment of an ITU area office for South Asia | [C18/122](https://www.itu.int/md/S18-CL-C-0122/en) |
| 5 | Report on progress on the Union’s headquarters premises project | [C18/123 + Add.1](https://www.itu.int/md/S18-CL-C-0123/en), [C18/124](https://www.itu.int/md/S18-CL-C-0124/en), [C18/126](https://www.itu.int/md/S18-CL-C-0126/en), [C18/INF/18](https://www.itu.int/md/S18-CL-INF-0018/en), [C18/INF/19](https://www.itu.int/md/S18-CL-INF-0019/en) |
| 6 | Closure of the 2018 session of the Council | - |

# 1 Opening of the final meeting of the 2018 session of the Council

1.1 The Secretary-General, opening the meeting, welcomed the participants to Dubai and congratulated the host country on the outstanding venue facilities. He called for a minute of silence in memory of Mr Francisco Molina Negro (Spain), Professor Mark Krivocheev (Russian Federation) and all other ITU friends who had passed away since PP-14.

1.2 **A minute of silence was observed.**

1.3 The Chairman welcomed the participants to Dubai. He invited councillors to work efficiently so that the Council could conclude all the items on its lengthy agenda.

1.4 The councillor from the United Arab Emirates also welcomed the participants to Dubai and wished the Council and the plenipotentiary conference every success.

1.5 Numerous other councillors subsequently taking the floor thanked the Government and Administration of the United Arab Emirates for the wonderful facilities made available.

# 2 Audited Financial Operating Report for 2017 and External Auditor’s reports (Documents [C18/40](https://www.itu.int/md/S18-CL-C-0040/en), [C18/41](https://www.itu.int/md/S18-CL-C-0041/en), [C18/43](https://www.itu.int/md/S18-CL-C-0043/en) and [C18/125](https://www.itu.int/md/S18-CL-C-0125/en))

2.1 The representative of the secretariat introduced Document C18/43, which contained the audited Financial Operating Report for the Financial Year 2017. She noted *inter alia* that the Union's immediate financial situation was healthy, despite the level of arrears, special arrears accounts and cancelled special arrears accounts. The level of debtors had fallen for the seventh consecutive year, by a further 4.5 per cent, thanks to regular support from administrations for debt recovery.

2.2 The External Auditor introduced Document C18/40, on the audit of the financial statements for 2017, drawing particular attention to the need to monitor and manage actuarial liabilities, to draw up a workforce planning policy, to design the new premises in the light of the Union's long-term needs, and to monitor procurement positions in field offices. He also introduced Document C18/41, which contained the External Auditor’s report on the Union's accounts for ITU TELECOM World 2017 along with recommendations aimed at enhancing the bidding process for selecting the TELECOM venue and managing the exhibition space, and for ensuring gender balance among participants. Lastly, Document C18/125 contained a special report on two regional and two area offices considered in the light of the objectives set out in Resolution 25 (Rev. Busan, 2014).

2.3 Referring to Document C18/43, one councillor proposed that part of the 2017 surplus be allocated to the new temporary building fund.

2.4 Referring to the introduction to the report in Document C18/40, one councillor asked for further information on the additional measures taken by the secretariat in respect of the case of fraud reported in March 2018 and whether the External Auditor had analysed the effectiveness thereof.

2.5 Another councillor, referring to Document C18/43, expressed concern about the negative net assets highlighted by the External Auditor and the growing long-term After-Service Health Insurance (ASHI) liability. Regarding Document C18/40, she expressed support for the issuance of a procurement manual, which would help ensure better control of procurement procedures and reduce the potential for fraud, and for the swift hiring of a replacement ethics officer to complete the review of the legal framework. Lastly, while approving Document C18/41, she recommended that the Council carefully examine why ITU TELECOM World 2017 had fallen short of financial expectations.

2.6 The External Auditor said that he had issued an unqualified audit opinion despite the concerns noted because the secretariat had consistently and transparently informed the Council about the situation. With regard to negative net assets, the secretariat was currently conducting a full actuarial study, which he would subsequently analyse. The secretariat was also drafting new procurement guidelines.

2.7 The Chief of the Financial Resources Management Department (FRMD) said that the secretariat was working with other organizations and internally to tackle the ASHI-related deficit, notably by allocating a part of any end-of-year surplus to the ASHI reserve, increasing the level of contributions and establishing a new health insurance committee that would endeavour to reduce health spending. The problem was not unique to ITU. Regarding funding for the new premises, he reminded the Council that the temporary new building fund had been established by Council-18, after the 2017 accounts had been closed; it had therefore not been possible to allocate any of the 2017 surplus to it. The Secretary-General would henceforth allocate part of any surplus to that fund, in order to meet building expenses that remained uncovered by current allocations.

2.8 The Secretary-General pointed out that ITU TELECOM World 2017 had not met financial expectations – although the result was overall positive – owing to political and legal developments in the host country that could not have been foreseen. Regarding the case of fraud, he stressed that the secretariat had reacted to it immediately and would do its best to ensure that such intolerable practices did not reoccur.

2.9 Regarding Document C18/125, one councillor requested that future budget proposals contain complete information on the cost of the 13 regional and area offices and 59 field staff.

2.10 The External Auditor stressed that any cost analysis also had to take account of the activities realized.

2.11 Another councillor underscored the importance of Recommendation 3 (Document C18/125), on the objectives and related key performance indicators identified for field offices and the need to enhance coordination of the regional presence across all ITU Sectors.

2.12 The Financial Operating Report on the audited accounts (Document C14/43) was **approved**,and the draft resolution contained in Annex A thereto was **adopted**.

2.13 The External Auditor's reports on the Union's accounts for 2017 (Document C18/40) and for ITU TELECOM World 2017 (Document C14/41) were **approved**.

2.14 Document C18/125 was **noted**.

**3 Supplementary report of the Independent Management Advisory Committee (Document C18/22(Add.1))**

3.1 Mr Kamlesh Vikamsey (member of IMAC) introduced Addendum 1 to Document C18/22, which supplemented IMAC’s seventh annual report and fulfilled IMAC’s responsibility to advise the Council regarding the audited financial statements of ITU and reports produced by the External Auditor for 2017. It also provided advice on issues arising since the finalization of IMAC’s seventh annual report. He drew attention to some of the suggestions and recommendations presented in Document C18/22 and to the proposals to improve IMAC's terms of reference set out in Annex 3 thereto.

3.2 Councillors endorsed IMAC's work and encouraged the ITU secretariat to implement the recommendations. One councillor considered that the scope of IMAC’s work did not need to be extended, while another expressed support for the proposed changes to the terms of reference.

3.3 One councillor expressed particular support for recommendation 4/2018 and for the suggestions set out in §§ 4.1 and 4.2 of Document C18/22(Add.1). Others said that they had concerns about the additional funding referred to in § 4.1 and certain elements of recommendation 4/2018. In principle, additional capital requirements should only cover costs that, for legal reasons, could not be funded by the host country loan.

3.4 The Internal Auditor, responding to a question, said that the appraisal committee established by Council-18 to lead the selection process for the External Auditor was composed of six members representing each of the regions of ITU, was temporary, and would recommend a suitable candidate to Council-19.

3.5 The Deputy Secretary-General said that, in accordance with a 2016 IMAC recommendation, a contract had been concluded with a project management consultancy firm. The formal governance structure agreed at Council-16 was working well. The steering committee referred to in § 4.3 would require further discussion with IMAC.

3.6 The Secretary-General expressed appreciation for the work of IMAC.

3.7 Document C18/22(Add.1) was **endorsed**.

**4 Establishment of an ITU area office for South Asia (Document** [**C18/122**](https://www.itu.int/md/S18-CL-C-0122/en)**)**

4.1 The Deputy Director of BDT introduced Document C18/122, which set out the secretariat’s findings regarding the creation of an ITU area office for South Asia. He particularly noted that countries in geographical proximity would benefit from the area office, including through enhanced services and a reduction in airfares.

4.2 Numerous councillors expressed support for the establishment of such an office, noting that five of the eight countries consulted by ITU had confirmed their agreement thereto in writing.

4.3 Several councillors suggested that it would be useful to have a clear indication of the functions and benefits of regional and area offices. It would also be prudent to establish clear, standardized criteria for their establishment and operation before taking a decision. Other councillors pointed out that the absence of such criteria had not prevented the existing area offices from being established. It was suggested that a group might be established to look into the issue of criteria and present its findings to Council-19.

4.4 Some councillors suggested that the External Auditor’s recommendations on the regional presence and relevant points raised at PP-18 should be addressed before taking a decision. Other councillors expressed support for further consultations among the countries concerned with regard to the precise location of the office and for further detailed consultation at Council-19.

4.5 The Chairman pointed out that the Council had already approved the principle of the establishment of an ITU area office for South Asia. Over half of the eight countries consulted since April 2018 had indicated their agreement; the final decision could not continue to be put off. All issues would be addressed during negotiations with India.

4.6 One councillor recalled that India had agreed to cover the logistical and human resource costs for the area office’s first four years of operation. In the interests of effectiveness and efficiency, it would not be prudent to defer the decision to Council-19.

4.7 The councillor from Thailand said that the regional office in Bangkok would be pleased to share the work in the region with an area office in India.

4.8 The councillor from India said that India was prepared to provide financial support for the area office beyond the first four years, as long as ITU requirements existed. The size of the population to be served was an important criterion. The area office, which would facilitate participation in ITU policies and programmes, would follow ITU’s standard operating procedures and its officials would enjoy privileges in line with those already accorded to United Nations staff in India. India would be pleased to address the concerns of the three countries that had yet to respond to the consultation.

4.9 The Secretary-General said that there appeared to be no objection to the establishment of an ITU area office in a region that was home to 24 per cent of the world’s population, and funding had already been earmarked by India. Negotiations with the host country would provide useful input for the Council’s further discussion of criteria for area and regional offices.

4.10 One councillor encouraged the Secretary-General to strengthen the effectiveness of regional offices, in conformity with the recommendations of the External Auditor.

4.11 The Chairman took it that the Council could agree to confirm the establishment of the area office, and to invite the Secretary-General to start negotiations of a host country agreement, including the financial arrangements. Furthermore, the Secretariat should suggest clear criteria for the creation of an area office for consideration by a next session of the Council, taking into consideration the views expressed during this debate.

4.12 It was so **agreed**.

**5 Report on progress on the Union’s headquarters premises project   
(Documents** [**C18/123 + Add.1**](https://www.itu.int/md/S18-CL-C-0123/en)**,** [**C18/124**](https://www.itu.int/md/S18-CL-C-0124/en)**,** [**C18/126**](https://www.itu.int/md/S18-CL-C-0126/en)**,** [**C18/INF/18**](https://www.itu.int/md/S18-CL-INF-0018/en) **and** [**C18/INF/19**](https://www.itu.int/md/S18-CL-INF-0019/en)**)**

5.1 The Deputy Secretary-General introduced Document C18/123 containing a report on progress on the Union’s headquarters project and its Addendum 1, which provided further information for clarification. The host country’s decision to extend the first tranche of the loan until end 2020 would enable the secretariat to submit more accurate estimates on total project costs to Council-19, including in regard to the additional requirements set out in §4.13 of Document C18/123(Add.1), and to confirm timelines. There was no request at present for additional financing or any reconsideration of Council Decision 588, and it was expected that all costs could be covered by the current loan, sponsorships, donations and a proportion of the end-of-year surpluses. The draft concept design was set out in Document C18/INF/19.

5.2 The councillor from Germany introduced Document C18/124, inviting the Secretary-General to adopt a design-by-cost approach and ensure that the budget envelope for the new building project did not exceed the CHF 147 million provided for in Council Decision 588. Some of the additional requirements, such as the consultancy cost, should have been known in 2016 and could be covered by the host country loan.

5.3 The councillor from the United States, introducing Document C18/126, said that, while the maximum budget envelope provided for in Decision 588 should be respected, efforts to reduce the overall costs of the project should not have an adverse effect on functionality.

5.4 The councillor from the Czech Republic, introducing Document C18/INF/18, encouraged others to follow her country’s example and provide a donation for the new premises.

5.5 Councillors, while thanking the Secretariat for the updates on the headquarters premises project, stressed that all relevant information should be made available to Council. A number said that the Reserve Account should not be used for the project and that the project should have no detrimental impact on the financial plan of the Union 2020–2023. To that end, support was expressed for a design-by-cost approach and the development of transparent and competitive procedures for the selection of service providers. While strengthened oversight by the Council might be welcome, there was no need to create new oversight bodies. One councillor considered that the success of such a complex project hinged on the appointment of an external resource for project and risk management, the costs of which could be covered by the host country loan.

5.6 The representative of the secretariat said that the latest documents from the CDTK Consortium, which included the most recent construction cost estimates broken down into elements that could and could not be financed from the host country loan, had been made available to the Member States Advisory Group on the Union’s headquarters premises project (MSAG). Updated information on costs would be provided to Council-19.

5.7 The Deputy Secretary-General said that the secretariat, which had an obligation to comply with Council Decision 588, was making every effort to design to cost and bring relevant costs down to the budget provided for in that decision. It would be for Council-19 to decide, based on the updated cost estimates, including for the additional requirements, whether or not to amend the budget provided for in Decision 588.

5.8 The Chairman took it that the Council could agree to note Documents C18/123 + Add.1, C18/124, C18/126, C18/INF/18 and C18/INF/19, thanked Saudi Arabia and the United Arab Emirates for their generous sponsorship and the Czech Republic for its generous donation, and encouraged others to follow their example. He further took it that Council encouraged the secretariat to continue its efforts to comply with Council Decision 588, reduce costs and provide updated estimates to Council-19.

5.9 It was so **agreed**.

**6 Closure of the 2018 session of the Council**

6.1 The Secretary-General thanked councillors for their cooperation and praised their efforts to ensure that ITU’s activities, policies and strategies responded fully to the changing environment. He thanked the Chairman for his wisdom and professionalism, and presented him with the ITU Gold Medal.

6.2 The Chairman thanked the ITU elected officials and staff for all their work, and expressed appreciation for the support he had received from councillors and the Vice-Chairman of the Council, Dr Elsayed Azzouz. He wished H.E. Mr Majed Almesmar, who would be chairing PP-18, every success. He declared the 2018 session of the Council closed.

The Secretary-General: The Chairman:

H. ZHAO R. ISMAILOV

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