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| **Council 2019**  **Geneva, 10–20 June 2019** |  |
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| **Agenda item: ADM 1** | **Addendum 1 to**  **Document C19/15-E** |
| **22 May 2019** |
| **Original: English** |
| **Report by the Secretary-General**  DRAFT BUDGET OF THE UNION FOR 2020-2021 | |

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| Summary  The following report is presented for general information as Addendum 1 to Document C19/15:  The ITU Telecom Secretariat Budget for 2020-2021.  Action required  The Council is requested to **take note** of this document. |

1 The ITU Telecom Secretariat budget is established to allocate provisions for ITU Telecom Secretariat estimated expenses that are not directly related to an ITU Telecom event or to a specific output. It includes cost recovery charges from the other areas of the ITU General Secretariat and the Bureaux. The ITU Telecom Secretariat budget is essential for the planning and monitoring of expenses, which are then charged to the different ITU Telecom events during the corresponding year. In line with the ITU biennial budget cycle (2020-2021), the periodicity of ITU Telecom Secretariat budget is on a yearly basis.

**ITU Telecom Secretariat expenses**

2 The ITU Telecom Secretariat budget for 2020-2021 totals CHF 10.2 million which is lower by 8 per cent compared with the 2018-2019 budget. This is mainly due to some vacant posts which are not planned to be encumbered during 2020-2021 and lower projected expenses on contractual services, travel on duty, rental and maintenance, and utilities as shown in Table 1 below. The biggest objects of expenses in the budget are the Staff and other Staff costs, as well as the cost recovery which has been maintained at the same budget level of CHF 1.5 million per annum since 2014.

3 The budget is presented in categories of expenses in accordance with Article 6, Rule 6.1 of the ITU Financial Regulations and Financial Rules. Table 1 below shows the estimated expenses by category. Staff costs and other staff costs together represent almost 68 per cent of the total biennium budget. The cost recovery of CHF 3 million is equivalent to 29 per cent of the total biennial budget for 2020-2021.



**ITU Telecom Secretariat resources**

4 “Staff costs” refer to base salary, post adjustment, family and housing allowances (for professional and higher categories) while “Other Staff Costs” consist of the Union’s contribution to the pension fund, health and accident insurance, education grant and travel, travel on appointment and separation, installation and repatriation allowance, travel on home leave, accrued leave, repatriation grant and removal expenses. In order to avoid significant increase in the budget, the number of budgeted posts in the ITU Telecom Secretariat is being maintained to 23 for 2020-2021. A number of staff have acquired the relevant experience and skills satisfying the need to assume higher level of responsibilities which justifies the upgrade of some posts. The 2020-2021 Budget takes into consideration the upgrade of 4 posts (P-1 to P-2) and the creation of one P-5 post.



5 Categories 3 to 9 of the budget relate to travel on duty, contractual services, rental and maintenance, materials and supplies, acquisition, public and internal service utilities, and miscellaneous.

1. Category 3 pertains to travel on duty which includes per diem (United Nations Daily Subsistence Allowance or DSA), terminal expenses and insurance. Efforts are being made to ensure that missions for ITU Telecom are conducted in a cost-efficient manner. Electronic correspondence and teleconferences are being utilized as much as possible in order to avoid unnecessary expenses on travel. Some staff travel on mission with shared terms of reference while the duration of the trips is kept on a minimum. Thus, the estimated cost of travel on duty for 2020-2021 is reduced by 40 per cent compared with the 2018-2019 budget. Event-specific missions are charged to the appropriate event budget.
2. Category 4 covers contractual services. The overall budget for contractual services is 20 per cent lower than in 2018-2019. The marketing activities and campaigns which include event promotion are charged to the relevant event budgets.
3. Category 5 relates to rental and maintenance of premises and equipment which is reduced by 33 per cent from 2018-2019. This category of expenses relates to the requirements for meetings and activities to promote ITU Telecom events in general.
4. Category 6 shows a reduction of 25 per cent compared with 2018-2019 budget. This category pertains to materials and supplies such as office stationery, printing supplies, IT supplies, reference materials, as well as printing and production of brochures. The lower budget is due to significant reduction in printed materials in favour of digital which is in line with ITU policy as well as the printing of some brochures in-house. Provisions are also being made available for printing and production of brochures for a specific event in the relevant event budget.
5. Category 7 refers to costs on acquisition of furniture, IT and other technical equipment and installations. No increase in this budget line is foreseen in 2020-2021.
6. Category 8 covers public and internal service utilities costs including the official services rendered by the local and national service providers, such as electricity, water, postal and telephone services. This expense also includes postage and freight for brochures, leaflets and other global promotional materials. With efficiency measures being implemented, expenses under category 8 are foreseen to be 60 per cent lower than the budgetary provisions for 2018-2019. A specific event budget has similar provisions relating to the specific event.

**Cost recovery from ITU Telecom**

6 ITU cost recovery is a fixed amount representing the services rendered by staff from other ITU departments, units or sectors to ITU Telecom. This is based on the estimated cost of staff salaries and other remuneration as well as all the elements that are required for other ITU staff to perform their functions in relation to ITU Telecom activities, e.g. computer and other ICT equipment and materials, office space, furniture, office supplies, etc. For the last biennial 2018 and 2019, the cost recovery in the Telecom Secretariat budget amounted to CHF 1.5 million per annum. Since 2014, the same budgeted amount has been charged each year. However, for 2018, it was decided by the Secretary-General to reduce the actual amount of cost recovery to CHF 1 million in order to assist the ITU Telecom Secretariat and alleviate the difficulties that it has experienced for the 2018 event. For 2020-2021, the same budgeted amount of cost recovery of CHF 1.5 million per annum applies.

**Resource utilization**

7 Core expenses in ITU Telecom event budgets consist of Secretariat costs and ITU cost recovery. Core expenses are allocated to each ITU Telecom event budget on the basis of the estimated amount of service time that is rendered by ITU Telecom staff for each specific event.

8 Table 3 below shows the estimated percentages of staff time that are used as the basis in the allocation of cost to the relevant outputs in line with the Results-Based Budget (RBB). The table also indicates the corresponding cost for each output in relation to the percentage of the total ITU Telecom Secretariat Budget for 2020-2021. In accordance with IPSAS, all event accounts are closed as of 31 December of the same year when the event took place.



**Resource funding**

9 The gross revenue generated from ITU Telecom events is the source of funding for the ITU Telecom Secretariat budget. Table 4 below shows the estimated revenue and expenses for 2020-2021. With an estimated total revenue of CHF 16,200,000 foreseen for the biennium and estimated total expenses amounting to CHF 15,454,000, a positive net result of CHF 746,000 is envisaged for 2020-2021.

10 The sources of revenue are space rental, sponsorships and host country contributions, admission fees and other event-related revenue. ITU Telecom is continuously seeking ways and means to provide additional services to satisfy the ever-changing needs of its clients, while earning revenue for ITU. Total expenses comprise ITU Telecom Secretariat core expenses of CHF 10.27 million which include the cost recovery of CHF 3 million, as well as expenses that are dedicated to the events i.e., staff costs, travel costs, contractual services, rental and maintenance services, materials and supplies, public services and miscellaneous expenses.



**Exhibition Working Capital Fund (EWCF)**

11 Following the closure of accounts for each ITU Telecom event, the net result is transferred to the Exhibition Working Capital Fund in accordance with Article 19, Rule 4 of the ITU Financial Regulations and Financial Rules. A positive event result increases the EWCF balance while a negative event result leads to a reduction in the amount of EWCF which offsets the financial deficit.

12 It has been decided by the ITU Council that the Exhibition Working Capital Fund must have a minimum level of CHF 5 million in order to allow ITU Telecom to operate and meet its financial obligations. The table below indicates the amounts available in the Exhibition Working Capital Fund at the end of each year from 2013 until 2018.



13 The positive event result of ITU Telecom World 2013 is reflected in the balance for 2013. The balance for 2014 shows a reduction of 11 per cent compared with 2013 which takes into consideration the positive event result of ITU Telecom World 2014 as well as the CHF 2 million that has been transferred to ICT Development Fund. An increase of 3 per cent is shown in 2015 which is due to the positive event result of ITU Telecom World 2015. The significantly higher event result in 2016 compared with the budget is in line with the more than 9 per cent increase in the balance for 2016 compared with 2015. Although the event result in ITU Telecom World 2017 has been positive, the balance for 2017 appears lower by 20 per cent compared with 2016 due to the transfer of CHF 2 million to ICT Development Fund. The 2018 balance reflects the negative event result of ITU Telecom World 2018 which takes into account the outstanding debtors at the time of the closure of accounts.

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