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| **Council 2019Geneva, 10-20 June 2019** |  |
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| **Agenda item: ADM 28** | **Document C19/56-E** |
| **6 May 2019** |
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| Report by the Secretary-General |
| IMPLEMENTING THE NEW PP-18 RESOLUTION ON SME PARTICIPATION IN ITU |

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| SummaryFollowing the SME pilot project launched by the 2017 session of the Council, the 2018 Plenipotentiary Conference (PP-18) adopted Resolution 209 (Dubai, 2018), which encourages SMEs to participate as Associates in the Sectors of the Union, with reduced fees. PP-18 instructed the Council to determine the maximum revenue that an SME can have to benefit from these reduced fees. At its January 2019 session, the Council Working Group on Finance and Human Resources (CWG-FHR) reviewed various options, and in conclusion asked the secretariat to analyse two potential thresholds to help the Council determine an appropriate level. In its Chairman’s report, the CWG-FHR is also recommending that the Council extend the current SME pilot project until 31 January 2020 to facilitate the transition towards implementing the new resolution.Action requiredThe Council is invited **to consider** the analysis and recommendations of the Secretary-General related to implementation this new resolution.\_\_\_\_\_\_\_\_\_\_\_\_References[*Resolution 209 (Dubai, 2018)*](https://www.itu.int/en/council/Documents/basic-texts/RES-209-E.pdf)*; Document* [*PP-18/52*](https://www.itu.int/md/S18-PP-C-0052/en)*, Council document* [*C17/120*](https://www.itu.int/md/S17-CL-C-0120/en) |

# 1 Background

1.1 Council-17 decided to launch an SME pilot project in interested ITU-T and ITU-D study groups, whereby SMEs may participate fully in the meetings of the participating study groups but they will have no role in the decision-making, including leadership roles and the adoption of resolutions or recommendations. The full terms of reference for the pilot project are available [here](https://www.itu.int/md/S17-CL-C-0120/en).[[1]](#footnote-1)

1.2 In order to participate, SMEs must be approved by their relevant government Administration, according to national definitions of SMEs.

1.3 The pilot project has been promoted with the Bureaux, regional organizations, administrations and the ITU regional and area offices through contact with SMEs and SME associations.

1.4 As instructed by Council-17, the secretariat provided a progress report to Council-18, and a fuller report to PP-18 on outcomes, which is available [here](https://www.itu.int/md/S18-PP-C-0052/en).

**2 Outcomes of PP-18**

2.1 Building on the pilot project, PP-18 adopted Resolution 209 (Dubai, 2018) to encourage the participation of SMEs as Associates in the Sectors of the Union by introducing reduced fees for such entities. The fees were set at (CHF 3,975) in the case of SMEs from developed countries, and (CHF 1,987.50) in the case of SMEs from developing countries, subject to ongoing review by the Council. Associates have the right to participate in one study group in a given Sector.

2.2 PP-18 resolved that acceptance of applications for participation will be conditional on the support (i.e. approval) of the Member State to which these bodies belong, attesting that the applicant is an SME in accordance with the SME definition of the country. If such an entity is approved by their respective Member State as meeting national criteria for an SME, to be eligible for the SME reduced fees, they must also have fewer than 250 employees as well as annual revenues below a maximum determined by the Council. In no case can a subsidiary or affiliate of a company that would not qualify for reduced fees under this resolution be presented as an SME.

2.3 PP-18 instructed the Council to add any appropriate additional clarifications to support implementation of this resolution and to submit to the next Plenipotentiary Conference a progress report on implementation. PP-18 further instructed the Secretary-General and the Directors of the three Bureaux to take necessary and appropriate action to implement this resolution and to continue encouraging the participation of SMEs in the relevant activities of the Union. Lastly, PP-18 invited ITU Member States to inform SMEs of this resolution and to support and encourage SMEs to join ITU and participate in its activities.

**3 Implementation of the new resolution**

3.1 The new resolution on SMEs took immediate effect following its adoption at PP-18. However, in practical terms, changes are required to ITU’s administrative systems to support proper implementation of this new resolution.

3.2 As reported to PP-18, there are currently some 20 SMEs participating in the pilot project launched by the Council in 2017. Results have been positive, but many of these entities have only had the opportunity to participate in one or two meetings. With a view to maximizing the number of SMEs that will choose to join ITU as an Associate as per the new resolution, with reduced fees, it would be prudent to have a phased transition. Lastly, PP-18 left one key criteria up to the Council to finalize, namely the maximum revenues that an SME Associate can have to be eligible for the reduced fees.

3.3 Taking these considerations into account, the CWG-FHR recommends in its Report ([C19/50](https://www.itu.int/md/S19-CL-C-0050/en)) that the Council extend the current SME pilot project until 31 January 2020 to facilitate the transition towards implementing the new resolution.

3.4 Furthermore, to assist Council 2019 in determining the maximum annual revenue level, the January session of the CWG-FHR discussed various national and international definitions. Following research and consultations with other United Nations (UN) bodies, the secretariat reported that there is no UN system-wide accepted or official definition for SME. The most commonly cited international definitions are those of the World Bank and the European Union.

3.5 Given the significant variation between national definitions and the lack of an accepted UN wide definition, CWG-FHR asked the secretariat to analyse the financial impact of two potential thresholds, CHF 15 million and CHF 50 million, based on existing international indicators from the World Bank and the European Union, respectively.

**4 Potential maximum annual revenue level for SMEs**

4.1 The following is an analysis of the potential impact of the two options recommended by the CWG-FHR: **CHF 15 million** and **CHF 50 million**.

***Survey of Sector Members and Associates***

4.2 As SME revenues are generally not publicly available, the General Secretariat sent a survey in February 2019 to all fee-paying Sector Members and Associates to gather information about company size. Almost 100 companies, some 15% of the total, responded to this survey.

***Estimated Number of SMEs among current membership***

4.3 If this data set is assumed to be representative of the membership as a whole, then 20% of members (13% of Sector Members and 33% Associates) are potentially SMEs, taking the most generous definition of less than 250 employees and revenues below CHF 50 million. Of these respondents, 70% were from developed countries and 30% from developing countries.

***Estimate Revenue at Risk***

4.4 As the SME reduced fees will apply only to the Associate category, the following estimates take into account the available data for Associates and not Sector Members.

4.5 From the survey, looking only at Associates with less than 250 employees, **90%** fall into the category of less than **CHF 50 million** in annual revenues. On this basis, the revenues at risk due to current Associates switching to the reduced fee option is estimated to about **CHF 425,000 per year**.

4.6 Looking at the same numbers for a threshold of **CHF 15 million**, the affected group falls to about **80%**, reducing the estimated revenues at risk to about **CHF 365,000 per year**.

4.7 While the available data does not demonstrate a large difference in revenue at risk between the two potential thresholds, there is potentially a significant margin of error given the sample size. This means that the actual revenue at risk among current members could be higher or lower than what can be predicted based on existing data.

4.8 Also, the estimates above do not take into account the possibility that some current Sector Members who qualify as an SME may choose the reduced fee option and downgrade their membership.

# 5 Recommendations

Taking into account the above, it is recommended that:

5.1 The new reduced fee option for SMEs established by Res. 209 (Dubai, 2018) be implemented as of 31 January 2020 to allow time for an orderly transition, as recommended by CWG-FHR.

5.2 The SME pilot established by Council-17 continue until the new SME Associate category of participation is implemented. Existing participants would be able to continue and new participants may be admitted to participate in the pilot, free of charge, according to the criteria and conditions established by Council-17.

5.3 The Council adopt a maximum annual revenue level of **CHF 15 million** to fulfil the instruction inResolves 3 of the new resolution on SMEs.

5.4 Member States review their respective list of SME participants prior to each Plenipotentiary Conference to confirm if such entities continue to meet national SME criteria. The secretariat shall do the same to ensure that all participating SMEs continue to meet the criteria and conditions of Resolution 209 (Dubai, 2018). Entities which no longer meet the requirements of this resolution will be invited to join ITU under the standard conditions for Sector Membership or Associate participation.

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1. Report of the CWG-FHR Chairman to Council-17, item 48 (page 53); the ToRs are found in Annex K, page 93. [↑](#footnote-ref-1)