

RESOLUTION 91 (REV. GUADALAJARA, 2010)

Cost recovery for some ITU products and services

The Plenipotentiary Conference of the International Telecommunication Union (Guadalajara, 2010),

considering

- a) that the examination of options for strengthening the financial base of the Union has been endorsed by previous plenipotentiary conferences, including reducing costs, more effective allocation of resources, ranking of activities according to the objectives of the strategic plan, wider participation of entities other than Member States and, where appropriate, charging fees for ITU services, particularly where these services are sought on a discretionary basis or to a greater extent than the level of facilities generally provided;
- b) that ITU Council Resolution 1210 instructed the Secretary-General to establish a cost-accounting process that results in the cost of individual ITU projects and activities being identifiable and auditable, such a process being essential for the development of an accurate activities-based budget and for implementing cost recovery;
- c) that solidarity among Member States and Sector Members in sharing equitably in the defrayal of financial obligations should continue to be an important principle for the financial base of the Union;
- d) that the Union has developed a contributory system in which some Member States have voluntarily assumed a large share of financial support for the Union's core activities, from which all Member States benefit, although the importance of those activities may be weighted differently by different Member States,

noting

- a) the results-based budgeting concept that has been developed and implemented as from the 2006-2007 budget of the Union, in line with Council Resolution 1216;
- b) that the Plenipotentiary Conference (Minneapolis, 1998) decided to implement operational planning in the three Sectors and the General Secretariat, in order to link financial planning and the strategic plan, by adopting Resolution 72 (Minneapolis, 1998), which was subsequently amended by the Plenipotentiary Conference (Marrakesh, 2002), by the Plenipotentiary Conference (Antalya, 2006) and by this conference;
- c) the adoption, by Council Decision 535, of a cost-allocation methodology which provides accuracy in the cost-accounting process and in the allocation of costs to outputs, through the design and implementation of a time-tracking system, and enables the full costs of activities and outputs to be identified, including, *inter alia*, the costs of development and the costs of production, sales, marketing and distribution;
- d) the role of the Council in establishing safeguards and controls on income and expenditure when adopting biennial budgets and when reviewing annual operational plans and financial operating reports,

recognizing

- a) that the application of cost-recovery mechanisms are specific to the relevant business processes of the various products and services subject to cost recovery;
- b) that the methodology applied to the implementation of cost recovery for satellite network filings is set by Council Decision 482 (modified 2008) (Document C08/103);
- c) that cost-recovery charges for products and services are segregated to the specific product or service, covering direct and indirect costs of providing the product or service to which they relate, and should not be considered as generating profit from members;

- d) that limits on indirect cost allocations should be applied since, despite best efforts to define a fair cost-allocation methodology as referred to in *noting c)* above, it is not possible to guarantee that such a methodology will always result in a reasonable level of allocation of indirect costs for a given product or service;
- e) that cost recovery can be a means of promoting efficiency by discouraging unnecessary or wasteful use of products and services;
- f) that non-payment of invoices issued for products and services subject to cost recovery has a negative impact on the financial state of the Union,

resolves

- 1 to continue to endorse the use of cost recovery on a prepaid basis, to the maximum extent possible, as a means of funding the products and services of the Union for which the cost-recovery approach is adopted;
- 2 that further application of cost recovery should be considered by the Council, and, if appropriate, implemented:
- i) for new ITU products and services;
 - ii) for products and services recommended by a conference or assembly of a Sector;
 - iii) in such other cases as the Council will consider appropriate;
- 3 that, when the Council is addressing the application of cost recovery for a particular product or service, the following factors shall continue to be taken into account:
- i) when a product or service is provided for the benefit of a limited number of Member States or Sector Members;
 - ii) when a product or service is requested to a significantly greater extent by a small number of users;
 - iii) when products or services are requested on a discretionary basis;

- 4 that cost recovery should be implemented by the Council in a way which:
- i) ensures that direct and indirect costs of providing products and services are recovered as referred to in *noting c)* above;
 - ii) allows for open and transparent accounting for costs and receipts;
 - iii) provides a means of adjusting the charge for the product or service based on direct and indirect costs in accordance with *noting c)* above;
 - iv) provides for a methodology that lists all the specific indirect costs which can contribute to the overall cost of the product or service;
 - v) provides for an upper limit on the level of indirect costs to be allocated to a product or service, in terms of a globally defined maximum percentage of the fixed costs not to be exceeded;
 - vi) takes account of the special needs of developing countries, particularly the least developed countries, small island developing states, landlocked developing countries and countries with economics in transition, to ensure that cost recovery is not an impediment to the development of telecommunication services or networks in those countries;
 - vii) allows all Member States an adequate level of the product or service free of charge, where appropriate;
 - viii) ensures that charges are not applied to products or services requested prior to the date of the decision by the Council or the Plenipotentiary Conference to apply cost recovery;
 - ix) allows for relevant products and services to be delivered in the most efficient and cost-effective manner, taking into account best practices from other relevant international organizations where appropriate,

instructs the Secretary-General

in consultation with the Directors of the Bureaux, Member States and Sector Members,

- 1 to continue considering and recommending a set of criteria for the application of cost recovery, consistent with, but not limited to, *resolves* 1, 2, 3 and 4 above;
- 2 to define the products and services for cost recovery and propose additional products and services to which the cost-recovery approach may be applied;
- 3 to determine the cost structure of each product and service for cost recovery;
- 4 to establish procedures and mechanisms for implementing prepayment for products and services subject to cost recovery, including invoicing, to be considered and approved by the Council;
- 5 to prepare a report for consideration at each annual session of the Council, including further actions which may be required for the implementation of cost recovery in order to allow for an increase of revenue in line with Resolution 158 (Antalya, 2006) of the Plenipotentiary Conference,

instructs the Council

- 1 to continue considering the report and the proposals of the Secretary-General and adopt new criteria or modifications to the previous criteria for the application of cost recovery in a manner consistent with *resolves* 1, 2, 3 and 4 above;
- 2 to continue considering, on a case by case basis, products and services which meet the criteria referred to above, and decide which products and services should be subject to cost recovery;
- 3 to continue developing appropriate charges based on full attribution of the costs of providing the service;

- 4 to continue implementing appropriate arrangements to meet the needs of developing countries, particularly the least developed countries, small island developing states, landlocked developing countries and countries with economies in transition;
- 5 to continue promoting efficiency in the delivery of and payment for products and services which are subject to cost-recovery charges;
- 6 to ensure that any shortfall in income is properly managed, by reviewing annually the actual performance of activities subject to cost recovery, so that timely corrective measures can be taken, as appropriate;
- 7 to improve the forecasting of cost-recovery income by using the results-based budgeting framework, time-tracking system and cost-allocation methodology;
- 8 to continue amending the Financial Regulations as required in order to enable the implementation of cost recovery and ensure accountability and accuracy;
- 9 to report to the subsequent plenipotentiary conference on action taken to implement this resolution.

(Minneapolis, 1998) – (Rev. Antalya, 2006) – (Rev. Guadalajara, 2010)
