

**IUCN**  
**WORLD CONSERVATION CONGRESS**  
**5–14 October 2008, Barcelona, Spain**

## Financial Plan for the Period 2009–2012

**Action requested:** The World Conservation Congress is requested to APPROVE the Financial Plan for the period 2009–2012.

### Background

1. In compliance with Article 88(e) of the IUCN Statutes and Regulation 88, "The financial plan, necessary to implement the Programme of IUCN submitted to each ordinary session of the World Congress shall specify the growth or reductions in elements of the Programme, staff and administrative costs and changes in the geographical distribution of IUCN's activities", this paper presents an income forecast and associated expenditures for the period 2009–2012.
2. The Financial Plan supports the 2009–2012 Programme presented in document CGR/2008/10. The Programme is results based and focused on the delivery of the Union's Mission. It will be delivered through an integrated approach involving the IUCN Commissions and Secretariat in close collaboration with and on behalf of IUCN members.
3. The Financial Plan 2009–2012 is anchored in and forms an integral part of the IUCN Operational Plan for 2009–2012.
4. The 2005–2008 intersessional period has shown that forecasting IUCN's income is difficult due to external factors such as an uncertain economic climate and political instability which impact donor priorities, as well as internal factors, in particular the lack of an adequate IT structure in a highly decentralized organization. However, IUCN's financial and risk management systems have improved, and are expected to continue to do so for the coming intersessional period.
5. The plan takes into consideration the recommendation of the 2007 External Review of IUCN and the trends observed during the last four years (2004–2007), in particular:
  - a. a past average annual growth rate of 6%
  - b. continued improvement in the diversification of the donor base
  - c. moderate but steady increase in framework donors for increased core income for the support of Programme delivery
  - d. the need for significant investments in information technology, additional staff to support the new systems and the renovation of the Headquarters facilities to deliver the same level of staff comfort as the new extension.
6. The Secretariat expects a favourable response to the 2009–2012 Programme from donors since the plan focuses on IUCN's core business and takes into consideration the relevant recommendations of the IUCN External Review.
7. The Financial Plan does not reflect the impact of the recommendation of the 2008 External Review of the Commissions, as the recommendations from this review were not known at the time of the preparation of the Financial Plan.
8. Achieving the forecast growth in income will depend on IUCN broadening its funding base by attracting additional donor funds as well as by maintaining and enhancing links with traditional donors. Efforts have already been initiated in 2007 to strengthen the Union's Strategic Partnership functions which are expected to yield returns in 2008.

# FINANCIAL PLAN 2009–2012

## 1. Background

IUCN's assets include its members, its networks of experts in its six Commissions, and a worldwide Secretariat. The way in which it uses its assets to ensure its products and services are attractive is called a value proposition. IUCN's value proposition includes the following<sup>1</sup>:

- IUCN provides credible, trusted knowledge
- IUCN convenes and builds partnerships for action
- IUCN has a global-to-local and local-to-global reach
- IUCN influences standards and practices

IUCN strives to generate adequate and appropriate financial resources and to deploy these resources cost effectively in order to deliver the value proposition through the agreed results set out in the 2009–2012 Programme and Operational Plans. This paper outlines IUCN's Financial Plan 2009–2012.

### 1.1 Definitions of income

IUCN's income is classified in two categories:

i) Core funds:

*Unrestricted Income* – includes membership fees, income earned from sales and fees, and voluntary contributions provided by donors with no conditions. Unrestricted income can be used by IUCN for any purpose that is permitted within the Union's statutes and regulations.

*Framework Income* – income provided by IUCN's framework donors to support the delivery of the IUCN Programme. The only restrictions are that the funds must contribute to the delivery of the Programme and comply with general regulations imposed on the receipt of Official Development Assistance (ODA) funds<sup>2</sup>.

ii) Restricted funds:

*Restricted Income* – income received for activities defined in programme and project agreements/contracts with donors. The budget and related expenditure is governed by the donor agreement/contract.

IUCN achieved the income targets set out in the 2005–2008 Financial Plan, except for unrestricted core income growth which fell short of expectations. Table 1 indicates that from 2004 to 2007:

- Framework income increased by 5.2% in line with the financial plan
- Restricted income increased by 4.9% compared to 5% predicted in the financial plan
- Unrestricted income increased by 1.5% compared to a projected 4.5% in the financial plan, the shortfall due to fewer sales of publications and lower membership recruitment than anticipated

<sup>1</sup> For a complete description see IUCN's Programme 2009–2012.

<sup>2</sup> <http://stats.oecd.org/glossary/detail.asp?ID=6043>

Table 1 : Distribution and volume of income (2004–2007)

	Unrestricted Income		Framework Income		Restricted Project Income		Total
	CHF	% of total	CHF	% of total	CHF	% of total	
2004	14.6	14.1%	19.8	19.1%	69.0	66.7%	103.4
2005	14.5	14.4%	19.8	19.8%	65.8	65.8%	100.1
2006	14.9	13.4%	21.7	19.5%	74.7	67.2%	111.3
2007 (indicative)	15.0	13.0%	22.0	19.1%	78.0	67.8%	115.0

## 2. IUCN's funding and budget model

In 2007, 32% of IUCN's income was from core funds and 68% from restricted funds. Whilst core funds represent the smaller proportion of IUCN's income, they are a particularly valuable component of the funding model as they allow the Union to focus on its real value as a network and to apply its value proposition effectively.

Although IUCN's core funds increased during the past four years (from CHF 34.4 million in 2004, to CHF 37 million in 2007) they declined as a percentage of total income (from 33.3% in 2004, to 32.2% in 2007). The ratio of core funds to restricted funds is not of great concern to IUCN provided the following two conditions are met: a) activities funded under restricted agreements are aligned with IUCN's Programme and Operational Results, and b) IUCN is able to fully recover all costs of implementing projects. An analysis of the project portfolio indicates that:

- Not all projects align well with planned programme and operational results. This mismatch can result in a perception from members and partners that IUCN is not adding value, is donor driven and is running projects in competition with its members.
- IUCN uses income it recovers from projects to fund engagement with members and thus the quality of engagement often depends on the size of the project portfolio and on how well aligned the projects are to the needs and interests of members. Smaller project portfolios and/or misaligned projects create considerable friction with members.
- Cost recovery from projects is often insufficient to cover the real costs of running projects resulting in IUCN effectively subsidizing project implementation with its core funds and reducing IUCN's capacity to invest in much needed core support systems including knowledge management and information technology. (Note that IUCN recovers approximately CHF 20 million per year from projects.)

During 2009–2012 IUCN will seek to improve its funding model by increasing and diversifying the overall funding base (more donors and different sources of income) including by generating more core funds and only accepting restricted funds that can be clearly linked to IUCN's programmatic and operational results and ensure that full costs of project implementation are recovered.

Changes to the funding model will be backed up by changes to the budget model including the development of a multi-year budget process which is results-based. Allocation of core funds will be based on clear criteria and against the anticipated delivery of agreed results. The results-based budget approach will ensure better alignment of projects to the programme and operational results.

The transition to a results-based budget will enable IUCN to better monitor the progress of the Commissions and the Secretariat in delivering agreed results. It will also enable the Secretariat to cut activities and reduce expenditure if income projections fall short. The budget process will also ensure sufficient recovery of costs from projects, and as a result free up core funds. Core and restricted funds will be applied to ensure adequate investment in staff and technologies to better manage governance, knowledge and network engagement, fiscal and financial accountability and reporting.

## 2.1 Funding the 2009–2012 Programme and Operational Results

The 2007 External Review of IUCN notes that 'IUCN is precisely the type of organization that must be supported and strengthened...' and 'The importance of the Union being highly effective and efficient in working towards mission is more critical than it has ever been.'

It is very much with these thoughts in mind that IUCN's Programme and Operational Plans 2009–2012 aim to deliver the Union's value proposition. The programme focuses on the Union's heartland work of conserving the diversity of life through its **Core Programme Area** – conserving the diversity of life, while also aiming to improve consideration of biodiversity conservation in the following four thematic programme areas:

- **Changing the climate forecast** – Integrating biodiversity considerations and opportunities into climate change policy and practice
- **Naturally energising the future** – Implementing ecologically sustainable, equitable and efficient energy systems
- **Managing ecosystems for human well-being** – Improving livelihoods, reducing poverty and vulnerability, and enhancing environmental and human security through sustainable ecosystem management
- **Greening the world economy** – Integrating ecosystem conservation values in economic policy, finance and markets

IUCN's Operational Plan identifies the following operational results:

- **Governing the Union** – IUCN's governance structures fulfil their mandates in an efficient and effective manner
- **Constituency mobilization** – IUCN's members, Commissions and partners are supported in working towards the IUCN Vision and Mission
- **Programme development and delivery** – IUCN achieves 80% or more of its intended programmatic, policy and organizational results
- **Learning and knowledge management** – IUCN's information and knowledge management, learning and M&E systems, standards and skills and capacities are among the leaders in the not-for-profit community
- **Resources for IUCN's work** – IUCN's staff and Commission members have the necessary skills and resources and are motivated and managed to achieve results
- **Standards, ethics and transparency** – IUCN's operational systems and standards respond to the changing needs of the organization and conservation while being judged ethical, fair and transparent in meeting international standards for corporate social responsibility and accountability.

IUCN's fundraising strategy focuses on the results identified above. Table 2 shows income estimates and targets by category of income for 2009–2012. The targets represent an average annual growth of 6.9 % which is in line with the actual growth that occurred during 2005–08.

Table 2: Income forecast 2009–2012 and 2008 estimate (CHF millions)

	2008 (budget)	2009	2010	2011	2012	Average annual rate
Unrestricted Core Income	13.5	23.1	24.9	27.5	29.4	24.0%
Framework Core Income	23.5	23.9	25.9	25.9	25.9	2.6%
Project Restricted Income	80.8	84.9	89.1	93.6	98.2	5.0%
<b>Total Income</b>	<b>117.8</b>	<b>131.9</b>	<b>139.9</b>	<b>147.0</b>	<b>153.6</b>	<b>6.9%</b>

## 2.2 Expanding and diversifying the core funding base

IUCN's funding model depends heavily on Official Development Assistance (ODA) which provides 78% of IUCN's total income (including framework and restricted funds). Although ODA has doubled since 2000 (from USD 53 billion to USD 106 billion in 2005)<sup>3</sup> with the adoption of the Millennium Development Goals (MDGs), the conservation world has not benefited proportionally as most of this additional funding has been deployed to humanitarian aid and debt relief. Dependency on ODA is made even more precarious when ODA funding priorities shift quickly depending on emerging crises (e.g. Afghanistan, Iraq and the 2004 tsunami). Nevertheless, environmental issues and climate change are of high importance on today's political agenda and donor assistance to climate change and forest issues are expected to increase significantly over the next few years.

IUCN's fundraising strategy acknowledges the importance that ODA funding will continue to play in funding the Union's work, but at the same time the strategy emphasizes expansion and diversification of funding, particularly core funding from non-ODA sources. Key elements of the fundraising strategy are:

- Increase ODA funding via diversified and expanded framework agreements
- Improve recovery of core income from the project portfolio
- Develop private philanthropy through the "Friends of IUCN" initiative
- Seek corporate sector funding for targeted global initiatives
- Expand the membership base, particularly state members, thereby increasing core income from membership
- Recover operational costs incurred by implementing the project portfolio

Table 3 indicates the core income targets for 2009–2012. Core income will be increased from CHF 37 million in the 2008 budget to CHF 55.3 million at the end of 2012. This represents an average annual increase of 11%. The most significant increase is in new categories of core funding. The assumptions behind the income targets in each of the above-mentioned categories are further described below.

Table 3 : Targets for core fund income 2009–2012  
(CHF millions)

	2008 (budget)	2009	2010	2011	2012
Membership dues	10.7	11.2	11.4	11.9	12.1
Framework agreements	23.5	23.9	25.9	25.9	25.9
Operational income from project portfolio		1.7	1.8	1.9	2.0
Friends of IUCN (philanthropy and foundations)		3.9	4.4	5.4	5.9
Private sector		3.6	4.6	5.6	6.6
Other miscellaneous unrestricted income	2.8	2.7	2.7	2.8	2.8
<b>Total</b>	<b>37.0</b>	<b>47.0</b>	<b>50.8</b>	<b>53.4</b>	<b>55.3</b>
Annual growth		27%	8%	5%	4%

<sup>3</sup> Source: *Financing Development: Aid and Beyond*, OECD, 2007.

### 2.2.1 Increase and diversify Framework Agreements

Framework agreements with governmental bilateral assistance agencies were first introduced in the early 1990s with a view to supporting a programmatic approach and to mobilizing the core competencies of IUCN. They have been instrumental in strengthening IUCN's Programme, allowing for decentralization, innovation and catalyzing the work of IUCN's scientific, technical and policy networks. They have also provided the necessary financial support for designing and marketing project and programme proposals and thus have enabled IUCN to deliver a large number of conservation results in many countries.

For the period 2009–2012, IUCN is forecasting an annual average increase of 3% in framework income. The target will be achieved by:

- Re-negotiating the current framework agreements which total CHF 23.5 million; and
- Negotiating new framework agreements. An additional three new agreements are forecasted for 2009–2012, and negotiations have already started.

Framework funds will be applied to delivering the Programme results and the related results identified in the Operational Plan.

A particular effort will be made to generate framework income for support services, especially with regards to Information and Communications Technology (ICT). It is worth noting that the 2007 External Review<sup>4</sup> recommends that:

*“DONORS are asked to support the Director General to obtain additional funds for upgrading the ICT backbone of IUCN, and to improve the functionality and quality of databases such as the member databases, and content management systems as a matter of urgency.”*

### 2.2.2 Core income recovered from the project portfolio

As the project portfolio grows, the need to provide operational services and support increases as well. The current cost recovery from the project portfolio is not sufficient to cover the operational costs incurred by its implementation. As a result, IUCN subsidizes project management with its core funds.

Starting in 2008, as part of the reformed budget model, IUCN will seek to recover all reasonable costs from the project portfolio and use this income to fund support services that are essential to delivering the project portfolio. This change will release core funds which will be applied to IUCN core functions, such as membership services.

IUCN expects the project portfolio to grow at 5% per annum and the recovery of core income from projects will match or exceed this rate.

### 2.2.3 Tapping into philanthropy and foundations

In recent years there has been a significant increase of private philanthropy donations. In the United States 77% of all charitable giving is derived from wealthy individuals either through private giving or through charitable foundations<sup>5</sup>. Through its tax exempt status in the US, IUCN has been a recipient of project restricted funds from US-based foundations for a number of years. For the period 2008–2012, IUCN will put considerable effort into securing core income from foundations and private philanthropy both in the USA and in Europe.

The Secretariat forecasts an increase in income from private philanthropy and foundations from CHF 3.9 million in 2009 to CHF 5.9 million in 2012. In order to achieve this fundraising target, IUCN will establish “Friends of IUCN”, a group of influential individuals that will provide advice and guidance to the Director General on a major institutional fundraising drive with other individuals and foundations.

---

<sup>4</sup> The 2007 External Review is available from the Secretariat on request.

<sup>5</sup> See 2008-2012 Fundraising Plan available from the Strategic Partnerships Unit.

#### **2.2.4 Corporate sector funding**

IUCN's engagement with the private sector is multi-faceted and goes beyond raising funds through corporate channels and encompasses collaborative efforts where both parties contribute and add value to each other's areas of work and is based on IUCN's efforts to influence business sectors to improve their practices in relation to biodiversity. IUCN's work with the private sector is guided by its strategy on private sector engagement and rigorous due diligence is applied before any long-term engagement.

Corporate fundraising is projected to generate up to CHF 10 million for the period 2009–2012. In addition to supporting programme activities through restricted funding, companies will be targeted to provide funding for:

- The World Conservation Congresses in 2008 and 2012
- The green extension of the IUCN Headquarters
- The Management Information System (MIS) design and global deployment

Donations in excess of CHF 2 million have already been secured for the extension at Headquarters.

#### **2.2.5 Membership dues**

In 2008, membership dues represented 27% of IUCN's core income and 9.2% of the total budget (CHF 117 million). During 2009–2012, membership dues are expected to increase 8% at an average annual growth of 3%. The Secretariat is expecting an annual average growth of 3% in the Government Agencies and Non-Governmental Organizations categories, and is also projecting recruitment of two state members per year.

Income from membership dues is unrestricted and is largely deployed to provide membership-related functions. Revisions to the IUCN budget process will ensure that from 2009 IUCN offices that have representation and membership liaison functions will be provided unrestricted core income that is to be used to deliver better services to members.

#### **2.2.6 Other miscellaneous unrestricted income**

This category of unrestricted income consists of revenue generated through sales of IUCN publications, interest income and other *ad hoc* income sources. The income in this category is not consistent from year to year, therefore for financial planning purposes the Secretariat has estimated a moderate yield of only 1% by year in this income category.

### **2.3 Expanding restricted income**

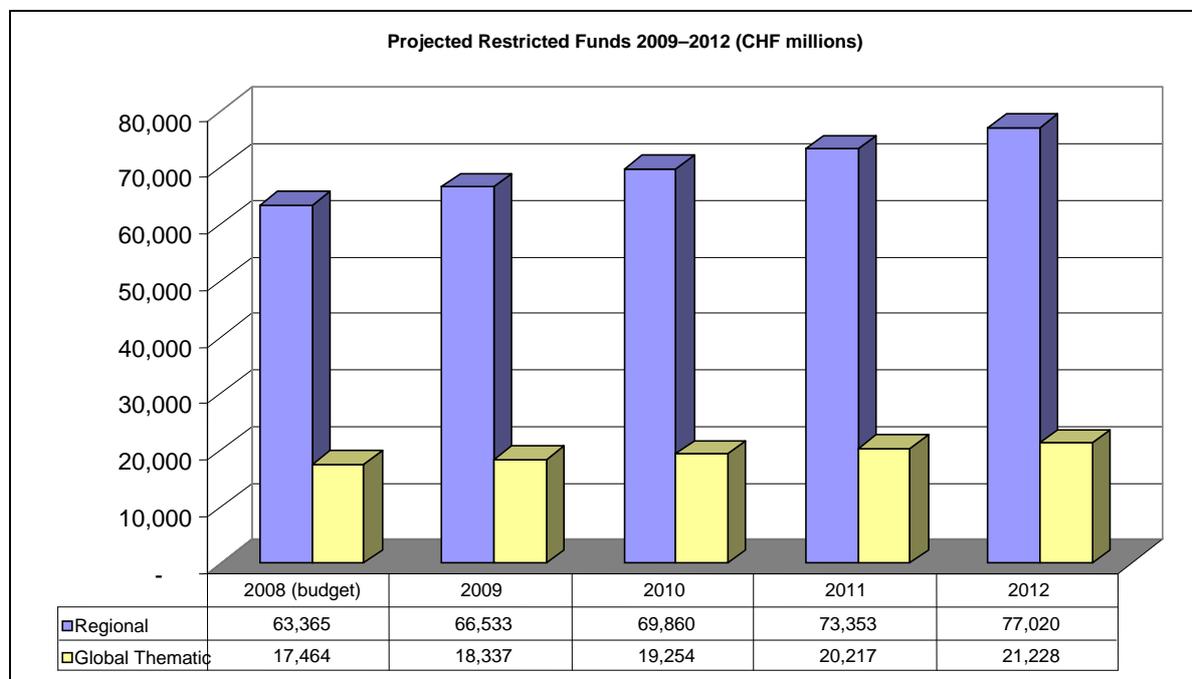
IUCN's restricted income represents 70% of the Union's total funding and comes primarily from ODA funding. Based on recent trends in ODA and emphases on poverty reduction and increasingly on climate change and energy issues, it is anticipated that IUCN will continue to attract generous core support from donors provided that it can continue to demonstrate that biodiversity underpins human well-being and also show that environmental issues need to be incorporated into policies and practical implementation of climate change, energy, poverty and economics (all of which feature in IUCN's Programme 2009–2012). Other restricted funds come from strategic partnerships with the private sector and foundations.

To address concerns identified by the 2007 External Review, amongst other places, IUCN will reconfigure the way it secures and deploys restricted funding. In particular changes will include:

- All project and programme activities undertaken by IUCN regional programmes, global thematic programmes and the Commissions will be required to contribute to the agreed Programme results, emphasizing the Union's value proposition.

- Larger more integrated projects that involve Commissions and the Secretariat with IUCN members will be promoted so as to improve the relevance of IUCN's project portfolio to the Union's mission.

IUCN anticipates that the restricted funding will grow at an annual average of 5% per year, from CHF 84.8 million in 2009 to CHF 98.2 million in 2012. Figure 1 provides an indication of the restricted funding for both Regions and Global Thematic Components for 2009–2012.



## 2.4 Expenditure plan

The expenditure plan for the intersessional period 2009–2012 is organized around delivering the programme and operational results. It is estimated that expenses will grow from CHF 126.3 million in 2009 to CHF 153.6 million in 2012, which is in line with projected income growth.

Table 4 indicates how expenditure will be distributed across programme and operational results as well as global strategic investments. The projected expenditure has been derived by using forecasts provided by Cost Centre Managers. IUCN will spend on average 79% of available funds on delivery of the Programme, and 21% on operational results which in one way or the other support delivery of the Mission of IUCN. The operational results include support services such as finance, human resources, IT services and administration.

Approximately 60% of IUCN's expenditure will occur directly in the regions and 22% on global programmes, which to a large extent supports programme implementation in the regions.

**Table 4: Planned expenditure by Programmatic Priority Areas and Global Operational Results (CHF millions)**

Priority Areas/Operational Result	2009	2010	2011	2012
Conserving biodiversity	28.0	29.1	29.2	29.6
Changing the climate forecast	12.2	14.4	16.1	16.7
Naturally energizing the future	6.7	7.9	9.2	10.1
Managing ecosystems for human well-being	32.8	32.0	31.2	31.4
Greening the world economy	13.1	14.7	16.1	17.6
Programme Development and Delivery	9.0	9.3	9.9	10.3
<b>Total Programme Priority Areas</b>	<b>101.7</b>	<b>107.4</b>	<b>111.7</b>	<b>115.7</b>
Governing the Union	3.6	4.1	4.2	4.7
Constituency Mobilization	4.8	3.4	3.4	3.8
Learning and Knowledge management	4.5	4.8	5.5	5.9
Resources for IUCN's work	6.5	9.0	10.2	11.3
Operational systems and standards, Ethics and Transparency	5.3	5.7	6.4	6.6
<b>Total Operational Implementation</b>	<b>24.7</b>	<b>27.0</b>	<b>29.8</b>	<b>32.4</b>
Global Investment (Information technology, renovation of HQ facilities, building of reserves)	5.5	5.5	5.5	5.5
<b>GRAND TOTAL</b>	<b>132.0</b>	<b>139.9</b>	<b>147.0</b>	<b>153.6</b>

Table 5 shows planned expenditure by clusters of cost centres and the percentages of regional and global programme expenditure. The next section will describe further the assumed functions of the cost centre clusters for the period 2009–2012.

Table 5: Planned expenditure by groups of cost centres (CHF millions)	2008			2009			2010			2011			2012			Average annual growth
	Core	Project restricted	Total expenditure													
Director General & Oversight	2.1		2.1	2.4		2.4	2.5		2.5	2.6		2.6	2.7		2.7	5.9%
Regions	8.2	63.4	71.6	10.4	66.5	76.9	11.1	69.9	81.0	11.5	73.4	84.9	11.7	77.0	88.7	5.5%
Global Thematic Programmes	9.7	17.5	27.2	10.2	18.3	28.5	10.9	19.2	30.1	11.4	20.2	31.6	11.6	21.2	32.8	4.8%
Commissions Operations Fund	1.6		1.6	1.8		1.8	1.9		1.9	2.0		2.0	2.0		2.0	5.9%
Constituency Support and Strategic Partnerships	2.7		2.7	2.6		2.6	2.8		2.8	2.9		2.9	2.9		2.9	2.2%
Communications	2.4		2.4	2.4		2.4	2.6		2.6	2.7		2.7	2.7		2.7	3.5%
Global Operations	6.7		6.7	7.3		7.3	7.8		7.8	8.1		8.1	8.2		8.2	5.4%
Global Operational Investment*	1.2		1.2	6.8		6.8	7.9		7.9	9.0		9.0	10.0		10.0	127.2%
Provisions	1.9		1.9	2.1		2.1	2.2		2.2	2.3		2.3	2.4		2.4	5.9%
<b>Building IUCN's reserves**</b>				<b>1.0</b>		<b>1.0</b>	<b>2.5%</b>									
<b>Total</b>	<b>36.5</b>	<b>80.9</b>	<b>117.4</b>	<b>47.0</b>	<b>84.8</b>	<b>131.8</b>	<b>50.7</b>	<b>89.1</b>	<b>139.8</b>	<b>53.4</b>	<b>93.6</b>	<b>147.0</b>	<b>55.2</b>	<b>98.2</b>	<b>153.5</b>	<b>6.9.%</b>

\* Includes costs for MIS transformation, running costs of HQ extension and renovation of current HQ facilities.

\*\* Annual strategic investment to IUCN reserves as part of risk management strategy.

During the 2005–2008 intersessional period a number of changes were instigated by the Director General to improve the relevance, effectiveness and efficiency of the Secretariat, particularly in relation to the process of decentralization and processes related to adding value to IUCN's members, Commissions and partners. The 2007 External Review, the 2007 Membership Survey, the 2006 Donor Survey and various Council and Secretariat task forces and working groups have all provided highly valuable guidance on the next steps that are needed in the change management process. In the 2009–2012 period, the Director General will lead an Organizational Development and Change Management Process that among other things will:

- Set in place systems to achieve better synergies between the Secretariat, the Commissions and members, and define roles, responsibilities and expectations of each of these
- Establish systems for IUCN to play an effective role as a global actor, as well as a local one, influencing policy at global and local levels
- Decide on the extent of IUCN involvement in ecosystems and livelihoods issues: at the local level or at the national/policy level
- Review recent recommendations of reviews and other studies and decide which recommendations need addressing (if not addressed in this list)
- Manage the knowledge accumulated by IUCN's Secretariat, members and Commissions effectively so that the fruits of that knowledge reach members and partners in a timely manner
- Ensure that IUCN is a truly international and multi-cultural organization

The following section outlines some of the general investments that will be made in 2009–2012.

#### **2.4.1 Regional investment**

As a result of the revised budget model, core income will no longer be allocated along geographical, historical or regional lines, but against expected delivery of results and the units' contributions to the IUCN value proposition. IUCN will strive to invest more at the regional level in membership services and in engaging IUCN's Commissions in regional priorities. It is expected that core investment in IUCN Regional Offices will remain at least at the same level and as far as possible increase in this intersessional period to drive and support membership and Commission activity.

During 2009–2012, the Secretariat will continue to focus on restructuring and strengthening the IUCN Regions. During 2005–2008 the following actions were undertaken and will require further investments in the next intersessional period:

- The Regional Office for Oceania was established in 2006.
- The Regional Office for West Asia and the Middle East (WAME) was relocated from HQ to Amman, Jordan in 2006.
- The four African Regions were consolidated into two regions in 2007 in order to better streamline operational costs in the region and to improve the focus and delivery of the Programme.
- A programme office in Brazil will open in 2008.
- A scoping exercise for a Caribbean Programme was undertaken in 2008, with a view to establishing a programme of work there in 2009.
- A scoping exercise for Central Asia aims to establish a programme of work there in 2009.

In addition, the Secretariat will invest in further strengthening of regional operational capacities such as human resources, financial management and IT support, as well as constituency support, contract management and communications skills.

## **2.4.2 Investments in Commissions and Global Thematic Programmes**

The revised budget process will enable strategic investment in Commissions against delivery of agreed results. The same will apply to global thematic programmes that are currently being re-organized in order to be able to better deliver the 2009–2012 Programme. The Commissions and Global Thematic Programmes play a key role in generating knowledge, linking policy and practice, and influencing standards and practices. They also coordinate large multi-regional project and programme initiatives, and work closely with IUCN's Regional Programmes.

Through the Organizational Development and Change Management Process IUCN will strengthen the Union's core business areas at the global level by improving the integration, management and dissemination of conservation-related knowledge, particularly between Commissions and the Secretariat. Improvements will also be made to oversight of the Programme and to ensuring enhanced synergies between the Secretariat, the Commissions and the members.

IUCN will refocus its investment in linking practice with policy including strengthening its policy team and through a more strategic use of its UN Observer status and its office in New York.

## **2.4.3 Investment in the Director General and oversight offices**

For the period 2009–2012, IUCN will complete a process that began in 2008 to build an Oversight Unit for IUCN. This unit will ensure that IUCN remains transparent, accountable and has the appropriate internal control systems in place to be in compliance with Swiss audit requirements and global best practices. IUCN's Internal Audit function and the strategic evaluation functions will fall under the management of the Oversight Unit which will reside under the Office of the Director General and also report to the Finance and Audit Committee of Council.

The Office of the Director General has a relatively small staff, and consequently low overhead, but has ensured that, through strong liaison and coordination with the various units throughout the regions and in Headquarters, as well as with the Deputy Director General, it can efficiently and effectively govern the organization both for day-to-day management and strategic direction and visioning.

## **2.4.5 Investment in Constituency Support and Strategic Partnerships**

During 2007, IUCN undertook an exercise to restructure and as a result strengthen its global membership units and Conservation Finance and Donor Relations unit. The units were renamed Constituency Support (Membership, Commission and Governance support) and Strategic Partnerships respectively to better reflect the nature of their functions within the Secretariat.

The reorganization of Constituency Support Unit will enable the unit to better respond to the outcomes of the Membership Survey and the recommendations outlined in the 2007 External Review.

The Strategic Partnerships Unit has been strengthened during the last intersessional period, by increasing staff to focus on corporate and private philanthropy fundraising. The Secretariat recognizes that in order to generate more core funding and ensure the strong strategic partnerships with its donors, it needs a skilled and capable professional team.

In financial terms, a significant investment was made in 2008 to ensure that the unit has adequate capacity to perform and deliver on its strategy, and core investment is thus expected to remain stable for the period 2009–2012.

## **2.4.6 Investment in Global Communications**

During 2008, Global Communications finalized its restructuring after the discontinuation of its Publications Unit in Cambridge, UK and a reorganization of its staff at Headquarters. Communication and marketing are key tools for the profiling and positioning of the organization. During 2009–2012 the Global Communications Unit will continue to disseminate IUCN's key message, through strategic positioning and profiling of the organization's flagship products, the implementation of IUCN's new logo, and the active management of media relations.

#### **2.4.7 Investment in Global Operations**

With a growing programme and project portfolio, adequate support services are of imperative importance. During the coming intersessional period, IUCN will continue to improve and strengthen its global operations and support services through the following:

- A proactive Human Resource Management Group, which enables and encourages capacity building, career development and the recruitment of highly skilled professionals
- The adoption of best practices in financial standards and treasury management and full compliance with Swiss audit and reporting requirements
- The creation of a contract management and administration unit
- The development of adequate business processes through continuous improvement of the organization's information and technology infrastructure

#### **2.4.8 Investment in Global Initiatives**

During the period 2009–2012, IUCN will complete two significant global operational initiatives for which work was started during the current intersessional period.

- Conservation Centre Initiative: the green extension of IUCN Headquarters
- Management Information Systems (MIS) transformation initiative

The Swiss Government has provided an interest free loan to IUCN for the extension of its headquarters in Gland, Switzerland. The building extension will be ready in 2010, and the running costs, as well as the cost of the refurbishment of the existing building will be funded through additional core funding and overhead allocation.

In 2008, IUCN started the transformation of its Management Information Systems. This transformation, which will be complete in 2012, and which will cost an estimated CHF 10–15 million will be funded through targeted fundraising efforts. Following the initial implementation of the systems, outsourcing will be considered as an option to reduce ongoing costs. However, the investment will result in improved operational efficiency and better project management, which will facilitate better cost recovery and overhead allocation to cover the running costs of the systems. As noted in the 2007 IUCN External Review, the transformation of IUCN's information technology structure is necessary if the Union is to strengthen its knowledge management functions and capacities. In addition, in order to meet and comply with tighter international rules and regulations for NGOs, IUCN has to adapt and revise current business processes, and needs information technology to do so.

#### **2.4.9 Strategic Investment in IUCN's Reserves**

Building the IUCN reserves is part of IUCN's risk management strategy for 2009–2012. Reserves mitigate the exposure of the organization to external risks such as sudden shifts in donor priorities, adverse foreign exchange rate fluctuations, as well as unexpected needs for provisions. The Secretariat will aspire to increase the IUCN Fund, which is a Council designated fund, to a level equalling three months of operating expenditure.

Concentrated fundraising efforts to increase core funding and improved IT systems will enable the Secretariat to increase reserves through centralized and standardized systems. Furthermore, it is anticipated that improved treasury and asset management will facilitate additional annual allocations to the global IUCN Reserves.

### **3. Financial risks**

Like many organizations, IUCN faces a number of financial risks that can jeopardize its future. While it is impossible to completely eliminate the financial risk exposure of the organization, IUCN will actively manage, mitigate and monitor the following risks.

### **3.1 Core income declines**

Core income has increased steadily over the past two intersessional periods but this is no guarantee that such increases will continue. As mentioned above, donor funding priorities change over time and whether IUCN is seen as worthy of investment depends both on donor priorities and on the performance of IUCN itself. If core funding declines, particularly if this happens unexpectedly, the Union is placed at considerable financial risk. Moreover, having consistent core income is essential to making structural investments that are now becoming urgent and necessary for IUCN.

Core income also enables medium- and long-term planning and supports sound budget management.

IUCN has been successful in securing an additional framework agreement in 2007 and 2008, but more core support is needed to support both structural investments and build adequate reserves.

The Financial Plan 2009–2012 addresses this risk by making fundraising for core funds a key priority for IUCN. The Programme and Operational Plans for the same period are specifically designed to ensure that results are clear and thus donors can have confidence that IUCN will use their funds wisely and be able to report on such usage.

### **3.2 Foreign exchange risk**

IUCN will always be exposed to foreign exchange fluctuations, as most of its sources of income are received in other currencies than its accounting currency (Swiss Francs). IUCN does not use hedging instruments against currency fluctuations as the timing of cash inflows is too difficult to predict, and the current accounting system is not sophisticated enough to manage the balance between income and commitments in exotic currencies. Exposure to foreign exchange risk can only be partially managed by monitoring the actual value of payments received against the currency of the budgets and adjusting as much as possible when losses incur.

New systems will help to mitigate this risk and consolidating banking relationships will also assist in better asset management.

In 2009, IUCN will change its reporting and accounting currency from Swiss Francs (CHF) to Euros (EUR) in order to help minimize foreign exchange exposure. In addition, with the planned improvements in the IT infrastructure, tools will be available to better forecast and, as a result, adjust the budget against foreign exchange risk before actual losses are incurred.

### **3.3 Risks associated with the realignment and potentially reduction of the project portfolio**

The 2007 IUCN External Review recommends that: *“A significant realignment (and potentially a reduction) of the project portfolio occurs in a way that enables IUCN to have project resources that are more focused on its strategic influencing, learning, innovation and knowledge management functions.”*

IUCN recognizes the validity in this recommendation and has commenced acting on it. However, it is important to note that the project portfolio currently represents 70% of the overall annual budget of the organization and a too rapid shift could significantly destabilize the financial viability of IUCN, keeping in mind that the organization does not have sufficient reserves to bridge such a transition. This can be solved by careful management of the transition including monitoring of unintended consequences.

### **3.4 Inadequate IT systems**

The capacity of an organization to monitor and respond to financial risks depends to a considerable extent on the quality of the systems. Without this the Secretariat cannot accurately forecast finances and thus is forced to manoeuvre within large ranges of estimated net results. Improved IT systems enhance the ability of the Secretariat to identify and mitigate potential deficit situations and optimize the use of the income available with regards to increased return on liquidity.

The Secretariat has started the process of improving its Management Information Systems, and plans to have an integrated financial and project management system up and running by 2012.