



IUCN WORLD CONSERVATION CONGRESS
3–10 September 2021, Marseille, France

**Report of the Director General and Treasurer on the
Finances of IUCN in the Intersessional Period 2016–2020**

Action Requested: The World Conservation Congress is requested to TAKE NOTE of the attached report on IUCN's finances for the period 2016–2020 presented jointly by the Director General and the Treasurer.

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1. Introduction

Article 20 (c) of the IUCN Statutes states that the World Conservation Congress shall: “receive and consider the reports of: (ii) the Director General with the Treasurer on the financial affairs of IUCN.”

Article 88 (d) requires that “The Director General shall with the Treasurer, submit to each ordinary session of the World Congress, a report on the consolidated accounts of IUCN together with the auditors’ reports for the relevant years;”

The report that follows provides an overview of the finances for the years 2016 to 2020.

2. Economic situation

The global economy grew steadily from 2016 to 2019, averaging between 2% and 3%. This period was characterised by surplus liquidity, low inflation and interest rates, moderate global GDP growth, but rising income disparities, both within and between nations.

This picture changed dramatically with the onset of the global pandemic in early 2020. The consequences globally have been severe, as economic activity was suspended across the world to cope with the virus. GDP growth in 2020 was strongly negative in most developed and developing economies and unemployment rose to record levels. Major Central Banks responded by injecting unprecedented amounts of liquidity into financial systems, with governments supplementing these actions with increased fiscal spending on unemployment and social security benefits, to the extent that fiscal capacity permitted. Vaccines became available in early 2021 and are currently being rolled out, though with significant disparities between developed and less developed countries. The roll out of the vaccination programme coupled with the gradual easing of restrictions and financial stimulus measures are expected to result in a strong economic recovery from mid-2021 onwards.

3. Income trends

Figure 1 shows trends in restricted and unrestricted income over the period 2013–2020.

Figure 1: Income trends, CHF million

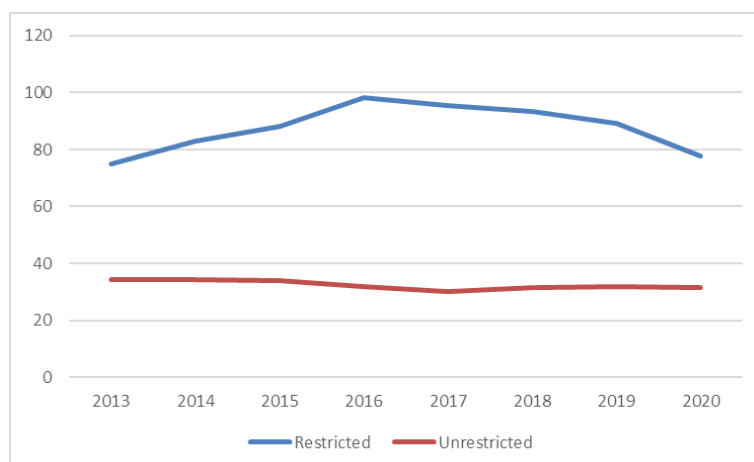
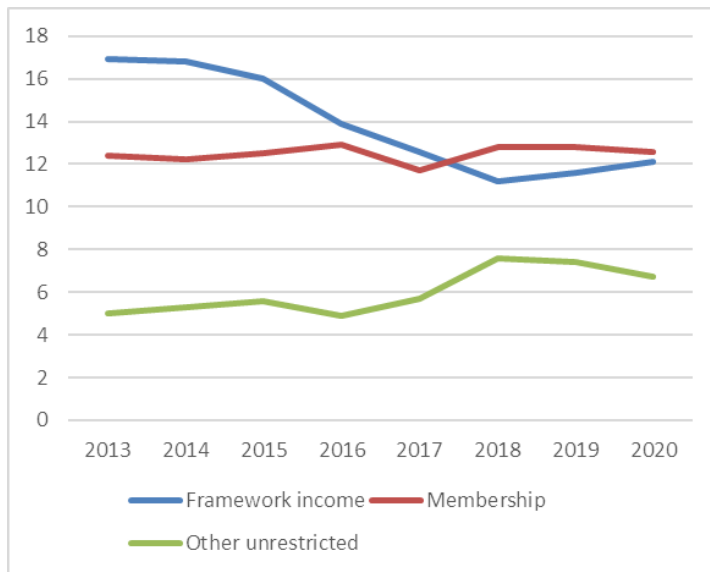


Figure 2 shows trends in the three income sources that make up unrestricted income.

Figure 2: Unrestricted income trends, CHF million



During the period 2013–2016, restricted income rose steadily from CHF 75m to just under CHF 100m. This was followed by slight declines in the following years. IUCN recognises restricted income as funds are spent and contractual conditions fulfilled. Restricted income is therefore equivalent to restricted expenditure. Although IUCN’s project portfolio grew steadily over the period 2017–2020, this did not result in a proportional increase in expenditure levels. This reflects a transition to larger scale projects, specifically projects where IUCN acts as an implementing agency (Green Climate Fund (GCF), Global Environment Facility (GEF)). These projects tend to have long inception phases due to their size and complexity. The COVID-19 emergency also affected implementation in 2020. Consequently, despite a healthy project portfolio, the expenditure level in 2020 was significantly lower than in 2019.

Unrestricted income has been relatively stable over the 8-year period. During the period 2013–2016 it fell from CHF 34m to CHF 32m and has remained at a similar level since. However, if unrestricted income is disaggregated (Figure 2), a more nuanced picture emerges. Framework income¹ fell from a level of CHF 17m in 2013 to CHF 11m in 2018 and remained at a similar level up to 2020. The reduction reflects an increasing tendency of donor governments to link funding to specific programme objectives. Part of the reduction can also be attributed to the rise in value of the Swiss franc against donor currencies. For example, the Swiss franc appreciated by 10% against the Euro over the period January 2013 to December 2019.

Membership income remained relatively stable over the period 2013–2020. A reduction occurred in 2017 following the rescission of Members in arrears at the time of the 2016 Congress.

Other unrestricted income has steadily increased over the period 2013–2020. A key reason for the increase is contributions from the Patrons of Nature. This initiative has seen a steady increase in the number of Patrons from 2016 onwards and now provides over CHF 1m in funding, annually.

¹ Unrestricted programmatic income.

4. Overview of the results for the years 2016–2020

This report covers the actual results for the years ending after the 2016 Wold Conservation Congress (2016, 2017, 2018, 2019 and 2020).

Table 1 gives a summary of the income and expenditure of IUCN for the years 2016 to 2020. The figures are extracted from the audited financial statements and have been presented as two streams: unrestricted income and expenditure (“UR”) and restricted income and expenditure (“R”). The audited financial statements should be referred to for more detailed information for each financial year (see the [approved audited financial statements for the years 2016–2019](#) 20 and Congress document [CGR-2021-7.3/1](#)).

The results for each year are shown after taking into account reserve movements in order to provide a comparison with the approved budget. As part of the annual budgeting process IUCN sets aside funds for future events, such as the Regional Conservation Fora and Congress, both of which take place once every four years. Funds are set aside by transferring funds received in a given year to a designated reserve. These funds are subsequently released when the event occurs and expenditure is incurred.

Table 1: Unrestricted (UR) and restricted (R) income and expenditure, 2016–2020 (CHF million)

CHF m	2016			2017			2018			2019			2020		
	U	R	Total	U	R	Total	U	R	Total	U	R	Total	U	R	Total
	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual	Actual
Membership dues	12.9		12.9	11.7		11.7	12.8		12.8	12.8		12.8	12.6		12.6
Framework income	13.9		13.9	12.6		12.6	11.2		11.2	11.6		11.6	12.1		12.1
Project income		94.5	94.5		95.1	95.1		93.1	93.1		88.8	88.8		77.4	77.4
Other income	4.9	3.6	8.5	5.7	0.3	6.0	7.6	0.3	7.9	7.4	0.3	7.7	6.7	0.2	6.9
Total income	31.7	98.1	129.8	30.0	95.4	125.4	31.6	93.4	125.0	31.8	89.1	120.9	31.4	77.6	109.0
Cost recovery from projects	37.0	(37.0)	0.0	37.4	(37.4)	0.0	36.2	(36.2)	0.0	35.6	(35.6)	0.0	34.5	(34.5)	0.0
Operating expenditure	(68.1)	(59.7)	(127.8)	(65.5)	(59.1)	(124.6)	(66.6)	(57.6)	(124.2)	(66.9)	(52.2)	(119.1)	(63.7)	(41.6)	(105.3)
Operating surplus	0.6	1.4	2.0	1.9	(1.1)	0.8	1.2	(0.4)	0.8	0.5	1.3	1.8	2.2	1.5	3.7
Other income and expenditure	(0.8)	(1.4)	(2.2)	(0.8)	1.1	0.3	(2.2)	0.4	(1.8)	(0.7)	(1.3)	(2.0)	(3.8)	(1.5)	(5.3)
Net surplus	(0.2)	0.0	(0.2)	1.1	0.0	1.1	(1.0)	0.0	(1.0)	(0.2)	0.0	(0.2)	(1.6)	0.0	(1.6)
Release from / (transfer to) designated reserves	0.6		0.6	(1.2)		(1.2)	(0.6)		(0.6)	0.8		0.8	(0.8)		(0.8)
Surplus/(deficit) after reserve adjustments	0.4	0.0	0.4	(0.1)	0.0	(0.1)	(1.6)	0.0	(1.6)	0.6	0.0	0.6	(2.4)	0.0	(2.4)

Review of the results for each year compared to the budget

a) 2016

Table 2: 2016 results compared to budget

CHF m	2016					
	Unrestricted		Restricted		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Membership dues	12.9	12.6			12.9	12.6
Framework income	13.9	15.4			13.9	15.4
Project income		0.0	94.5	98.1	94.5	98.1
Other income	4.9	5.1	3.6	0.0	8.5	5.1
Total income	31.7	33.1	98.1	98.1	129.8	131.2
Cost recovery from projects	37.0	36.2	(37.0)	(36.2)	0.0	0.0
Operating expenditure	(68.1)	(68.0)	(59.7)	(61.9)	(127.8)	(129.9)
Operating surplus	0.6	1.3	1.4	0.0	2.0	1.3
Other income and expenditure	(0.8)	(1.3)	(1.4)	0.0	(2.2)	(1.3)
Net surplus	(0.2)	0.0	0.0	0.0	(0.2)	0.0
Release from / (transfer to) designated reserves	0.6	0.0			0.6	0.0
Surplus/(deficit) after reserve adjustments	0.4	0.0	0.0	0.0	0.4	0.0

Unrestricted income and expenditure

The result for the year was a surplus of CHF 0.4m compared to a breakeven budget. CHF 0.6m was released from designated reserves to fund certain 2016 expenditure items.

Restricted income and expenditure

Restricted income and expenditure totalled CHF 98.1m, which was in line with budget.

b) 2017

Table 3: 2017 results compared to budget

CHF m	2017					
	Unrestricted		Restricted		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Membership dues	11.7	12.0			11.7	12.0
Framework income	12.6	11.9		0.0	12.6	11.9
Project income		0.0	95.1	119.5	95.1	119.5
Other income	5.7	4.9	0.3	0.0	6.0	4.9
Total income	30.0	28.8	95.4	119.5	125.4	148.3
Cost recovery from projects	37.4	40.3	(37.4)	(40.3)	0.0	0.0
Operating expenditure	(65.5)	(69.5)	(59.1)	(79.2)	(124.6)	(148.7)
Operating surplus	1.9	(0.4)	(1.1)	0.0	0.8	(0.4)
Other income and expenditure	(0.8)	(1.1)	1.1		0.3	(1.1)
Net surplus	1.1	(1.5)	0.0	0.0	1.1	(1.5)
Release from / (transfer to) designated reserves	(1.2)	(0.5)			(1.2)	(0.5)
Surplus/(deficit) after reserve adjustments	(0.1)	(2.0)	0.0	0.0	(0.1)	(2.0)

Unrestricted income and expenditure

The result for the year was a deficit of CHF 0.1m compared to a budgeted deficit of CHF 2.0m.

The budget for 2017 included CHF 1.6m of exceptional costs in respect of an organisational change process that was launched in 2017. Actual change costs were only CHF 0.5m. In addition, framework income and other unrestricted income were above budget. Taken together, these items were the main contributors to the CHF 1.9m positive budget variance.

Restricted income and expenditure

Restricted income and expenditure totalled CHF 95.4m, significantly below the budget of CHF 119.5m. Although the project portfolio grew, many new projects were signed later than foreseen, impacting expenditure levels. In addition, the inception phase of new projects involving on-granting was underestimated.

c) 2018

Table 4: 2018 results compared to budget

CHF m	2018					
	Unrestricted		Restricted		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Membership dues	12.8	12.0			12.8	12.0
Framework income	11.2	11.3		0.0	11.2	11.3
Project income		0.0	93.1	122.7	93.1	122.7
Other income	7.6	6.3	0.3	0.0	7.9	6.3
Total income	31.6	29.6	93.4	122.7	125.0	152.3
Cost recovery from projects	36.2	40.1	(36.2)	(40.1)	0.0	0.0
Operating expenditure	(66.6)	(68.3)	(57.6)	(82.6)	(124.2)	(150.9)
Operating surplus	1.2	1.4	(0.4)	0.0	0.8	1.4
		1.4		0.0		
Other income and expenditure	(2.2)	(1.1)	0.4		(1.8)	(1.1)
				0.0		
Net surplus	(1.0)	0.3	0.0	0.0	(1.0)	0.3
Release from / (transfer to) designated reserves	(0.6)	(0.3)			(0.6)	(0.3)
Surplus/(deficit) after reserve adjustments	(1.6)	0.0	0.0	0.0	(1.6)	0.0

Unrestricted income and expenditure

The result for the year was a deficit of CHF 1.6m compared to a breakeven budget.

The deficit result was due to (unrealised) investment losses of CHF 0.4m and the requirement to make provision for project losses of CHF 0.8m. In addition, cost recovery was below budget as a result of project expenditure being below budget. This reduced the level of institutional costs and overheads funded through the project portfolio; consequently, a higher proportion of these costs had to be borne by unrestricted funds.

Restricted income and expenditure

Restricted income and expenditure totalled CHF 93.4m vs. a budget of CHF 122.7m. Although the project portfolio continued to grow, inception phases of new projects had been underestimated.

d) 2019

Table 5: 2019 results compared to budget

CHF m	2019					
	Unrestricted		Restricted		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Membership dues	12.8	12.0			12.8	12.0
Framework income	11.6	11.3		0.0	11.6	11.3
Project income		0.0	88.8	124.5	88.8	124.5
Other income	7.4	6.5	0.3	0.0	7.7	6.5
Total income	31.8	29.8	89.1	124.5	120.9	154.3
Cost recovery from projects	35.6	38.5	(35.6)	(38.5)	0.0	0.0
Operating expenditure	(66.9)	(68.3)	(52.2)	(86.0)	(119.1)	(154.3)
Operating surplus	0.5	0.0	1.3	0.0	1.8	0.0
Other income and expenditure	(0.7)	(1.1)	(1.3)	0.0	(2.0)	(1.1)
Net surplus	(0.2)	(1.1)	0.0	0.0	(0.2)	(1.1)
Release from / (transfer to) designated reserves	0.8	1.1			0.8	1.1
Surplus/(deficit) after reserve adjustments	0.6	0.0	0.0	0.0	0.6	0.0

Unrestricted income and expenditure

The result for the year was a surplus of CHF 0.6m compared to a breakeven budget.

The positive result compared to budget was due to various factors; the key items were:

- Gain on investments of CHF 0.4m – reversing losses of a similar magnitude in 2018.
- Membership dues being above budget by CHF 0.8m as a result of an increase in State Members and the payment of membership dues in arrears.

Restricted income and expenditure

Restricted income and expenditure totalled CHF 89.1m vs. a budget of CHF 124.5m. Growth in the project portfolio did not translate into higher levels of expenditure. There were unanticipated delays in the implementation of GEF and GCF projects and the on-granting component of BIOPAMA II, a major project funded by the EU.

e) 2020

Table 6: 2020 results compared to budget

CHF m	2020					
	Unrestricted		Restricted		Total	
	Actual	Budget	Actual	Budget	Actual	Budget
Membership dues	12.6	11.7			12.6	11.7
Framework income	12.1	11.2			12.1	11.2
Project income			77.4	120.9	77.4	120.9
Other income	6.7	5.8	0.2	0.0	6.9	5.8
Total income	31.4	28.7	77.6	120.9	109.0	149.6
Cost recovery from projects	34.5	38.7	(34.5)	(38.7)	0.0	0.0
Operating expenditure	(63.7)	(67.2)	(41.6)	(82.2)	(105.3)	(149.4)
Operating surplus	2.2	0.2	1.5	0.0	3.7	0.2
Other income and expenditure	(3.8)	(1.0)	(1.5)	0.0	(5.3)	(1.0)
Net surplus	(1.6)	(0.8)	0.0	0.0	(1.6)	(0.8)
Release from / (transfer to) designated reserves	(0.8)	0.4			(0.8)	0.4
Surplus/(deficit) after reserve adjustments	(2.4)	(0.4)	0.0	0.0	(2.4)	(0.4)

Unrestricted income and expenditure

The result for 2020 was a deficit of CHF 2.4m compared to a budgeted deficit of CHF 0.4m.

The negative result compared to budget was due to various factors; the key items were:

- The requirement to make provision for projected losses on the IUCN Congress (CHF 1.7m).
- The requirement to make additional provisions for projects ending in a deficit.
- Low levels of project implementation resulting in reduced funding of institutional costs from the project portfolio.

Savings were made where possible, e.g. on travel, to counteract the reduction in funding for institutional costs.

Restricted income and expenditure

Restricted income and expenditure totalled CHF 77.6m vs. a budget of CHF 120.9m. The COVID-19 pandemic resulted in a major reduction in project activities, particularly field-based activities involving community participation. Although alternative implementation models were introduced where possible, e.g. virtual workshops, there were many activities which could not be redesigned. A major part of IUCN project expenditure is incurred through partners, who were also constrained by the COVID-19 pandemic.

5. Comparison with Financial Plan 2017–2020

Table 7 compares the forecast result for the four-year period 2017–2020 to the Financial Plan approved at the 2016 World Conservation Congress.

Table 7: 2017–2020 Financial Results vs. Financial Plan

	Total 2017-2020		
	Actual	Plan	Variance
	CHF m	CHF m	CHF m
Unrestricted income and expenditure			
Unrestricted income			
Membership dues	51	51	0
Framework income	47	42	5
Other unrestricted income	28	22	6
Total unrestricted income	126	115	11
Unrestricted expenditure	127	113	14
Surplus/(deficit)	-1	2	-3
Restricted income and expenditure			
Restricted income	355	462	-107
Restricted expenditure	355	462	-107
Surplus/(deficit)	0	0	0
Total income and expenditure			
Total income	481	577	-96
Total expenditure	482	575	-93
Surplus/(deficit)	-1	2	-3

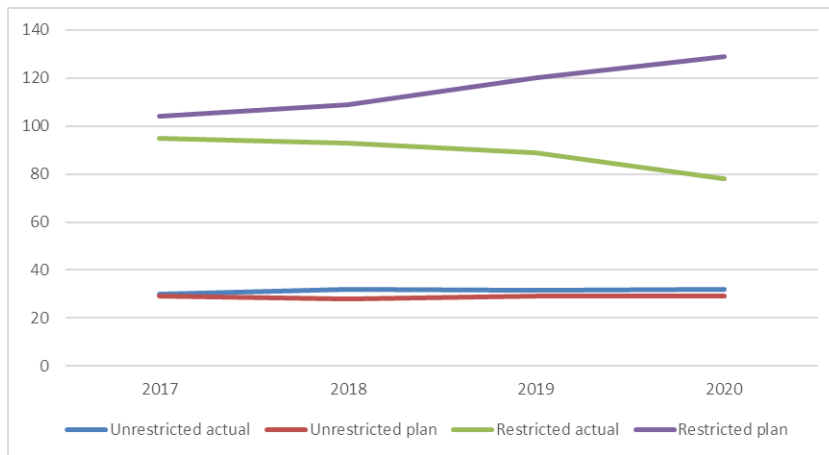
Unrestricted income was above plan. This was due to higher than planned framework income – cash contributions were higher than planned, as were in-kind contributions (staff made available by partners to IUCN to support programme implementation). Other unrestricted income was also above plan. Part of this was also due to the provision of in-kind staff.

The Financial Plan foresaw a significant increase in project income over the four-year period. Although the project portfolio grew significantly, this did not translate into higher spending levels. In addition, the COVID-19 emergency negatively impacted expenditure in 2020.

The Financial Plan included an overall surplus of CHF 2m over the four-year period. This target was not achieved as it was necessary to invest all unrestricted income in delivery of the 2017–2020 Programme and in maintaining IUCN's operational infrastructure.

Figure 3 below shows unrestricted and restricted actual income vs. planned income over the four-year period.

Figure 3: Actual income vs. planned income, CHF million



6. Unrestricted income and expenditure

Membership dues

Table 8 shows the evolution of the number of IUCN Members over the last five years, and Table 9 the corresponding value of dues.

Table 8: Number of Members of IUCN

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Actual	Actual
Category	Number	Number	Number	Number	Number
States	89	88	83	88	90
Government Agencies	133	125	128	118	118
National Non-Government Organizations	997	957	983	987	1,028
International Non-government Organizations	113	107	105	104	105
Indigenous Peoples Organizations	-	17	17	21	23
Affiliates	49	45	44	45	51
Total	1,381	1,339	1,360	1,363	1,415
Growth		-3%	2%	0%	4%
Growth over intersessional period					2%

Table 9: Membership dues (CHF million)

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Actual	Actual
Category	CHF m	CHF m	CHF m	CHF m	CHF m
States	10.1	9.1	10.0	10.0	9.8
Government Agencies	1.2	1.1	1.2	1.2	1.2
National Non-Government Organizations	1.0	0.9	1.0	1.0	1.0
International Non-government Organizations	0.4	0.5	0.5	0.5	0.5
Indigenous Peoples Organizations	0.0	0.0	0.0	0.0	0.0
Affiliates	0.2	0.1	0.1	0.1	0.1
Total	12.9	11.7	12.8	12.8	12.6
Annual growth		-9%	9%	0%	-2%
Growth over intersessional period					-2%

The number of Members increased from 1,381 in 2016 to 1,415 at the end of 2020. The number of Members fell in 2017 following the decision of the 2016 Congress to rescind Members with outstanding dues exceeding 2 years. The category *Indigenous Peoples' Organisations* was introduced by the 2016 Congress, adding 23 new Members by 2020.

The level of dues declined in 2017, primarily due to late payment as opposed to a decline in the number of Members. This was then reversed in 2018, 2019 and 2020 as arrears were paid and new Members joined.

Framework income

Table 10 shows Framework income received from Framework Partners during the period 2016–2020.

Table 10: Framework income (CHF million)

	2016	2017	2018	2019	2020
	Actual	Actual	Actual	Actual	Actual
Denmark	3.5	-	-	-	-
Norway	2.5	2.5	2.4	2.4	2.1
Sweden	2.9	4.6	4.3	4.6	5.0
Switzerland	2.1	2.2	1.5	1.5	1.8
France	0.9	0.5	1.2	1.2	1.3
Mava Foundation	1.0	1.0	-	-	-
Finland	0.4	0.4	0.4	0.4	0.4
Republic of Korea	0.6	0.5	0.6	0.8	0.7
USA	-	0.9	0.8	0.7	0.8
Total Framework income	13.9	12.6	11.2	11.6	12.1
Increase / decrease		-9%	-11%	4%	4%
Decrease over intersessional period					-13%

Most Framework Partners sign agreements for a four-year period, aligning their support with IUCN's four-year planning cycle.

The MAVA Foundation ceased to be a Framework Partner at the end of 2017 in line with its plan to wind down the Foundation by the end of 2022.

Denmark decided not to renew its Framework Agreement for the period 2017–2020. This was a result of a change in government policy and a wish to restrict funding to specific

objectives and deliverables. The government of Denmark has continued to support IUCN through the provision of restricted funding.

Sweden increased its contribution when it signed a new four-year agreement in 2017 and further increased its contribution in 2019 and 2020. Switzerland also increased its contribution in 2020.

The Swiss franc appreciated by approximately 10% against other European currencies over the four-year period, negatively impacting total framework funding.

7. Project income and expenditure

Project income is received for specific activities. Table 11 shows project income and expenditure over the period 2016–2020.

Table 11: Project income and expenditure

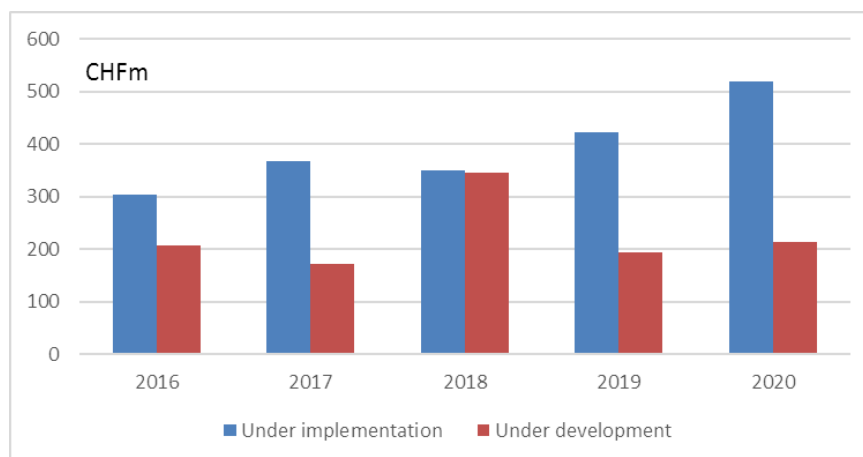
	2016 Actual		2017 Actual		2018 Actual		2019 Actual		2020 Actual	
	CHFm	%	CHFm	%	CHFm	%	CHFm	%	CHFm	%
Project income	98		95		93		89		90	
Staff costs and indirect costs	37	38%	37	39%	36	39%	36	40%	35	45%
Other project expenditure	61	62%	58	61%	57	61%	53	60%	43	55%
Total project expenditure	98	100%	95	100%	93	100%	89	100%	78	100%
Surplus/(deficit)	0		0		0		0		0	

IUCN recognises project income as expenditure is incurred and objectives achieved.

Project income and expenditure remained relatively stable over the period 2016–2019, but declined significantly in 2020 as a result of the COVID-19 pandemic. The proportion of costs incurred directly by the Secretariat on staff and indirect costs (infrastructure and corporate staff not charged directly to projects) remained relatively constant during 2016–2019 but increased to 45% in 2020 due to the low level of activity expenditure.

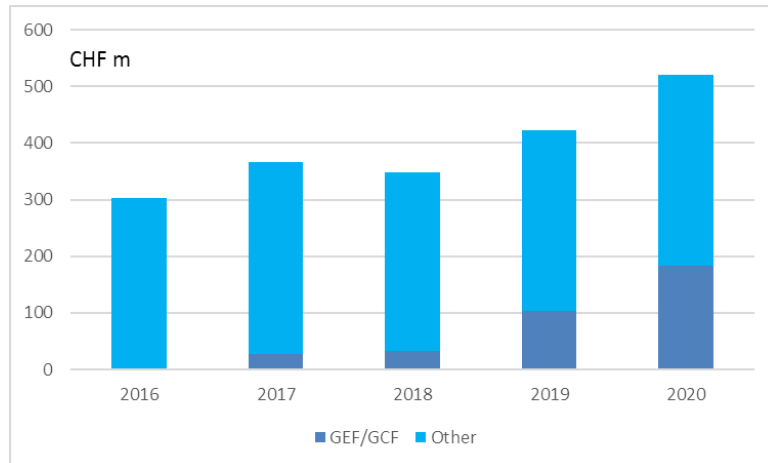
As shown in Figure 4, the portfolio has shown steady growth, increasing from a level of CHF 304m in 2016 to a level of CHF 520m in 2020.

Figure 4: IUCN project portfolio



This increase was driven primarily by the growth in GEF and GCF projects, as shown in Figure 5. IUCN was accredited as an implementing agency for the GEF in 2014 and for the GCF in 2016. Both GEF and GCF projects have implementation timelines of four years or more. Once a project has been approved, contracts need to be negotiated with implementing partners; only then can project activities commence. The inception phase for GEF and GCF projects is therefore significant, often more than a year. Consequently, the lag time between portfolio growth and expenditure growth may be up to two years.

Figure 5: IUCN project portfolio – GEF/GCF component



8. Expenditure

Table 12 shows an analysis of total operating expenditure.

Table 12: Total operating expenditure

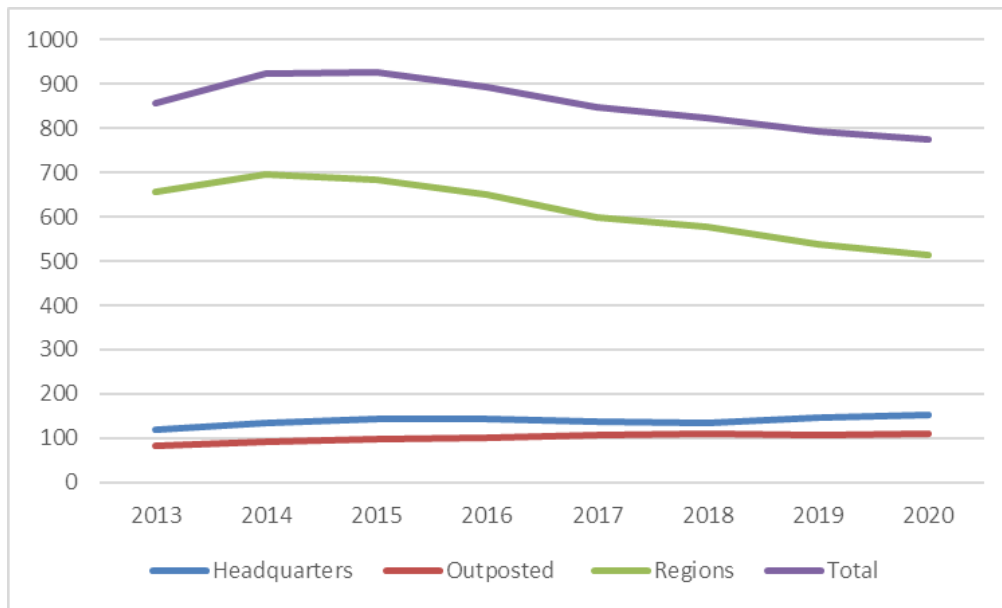
Expenditure category	2016		2017		2018		2019		2020	
	Actual	%	Actual	%	Actual	%	Actual	%	Actual	%
Staff costs	60	47%	59	47%	60	48%	59	50%	59	56%
Consultants	20	16%	21	17%	18	15%	19	16%	18	17%
Travel, workshops and conferences	21	17%	17	13%	17	14%	17	14%	6	6%
Office and general administration	7	6%	9	7%	8	6%	5	4%	6	6%
Vehicles and equipment	6	5%	8	6%	10	8%	10	8%	7	7%
Other operating costs	7	6%	7	6%	7	6%	5	4%	5	5%
Grants to partners	6	5%	5	4%	4	3%	4	3%	4	4%
Total expenditure	127	100%	126	100%	124	100%	119	100%	105	100%

Personnel costs represent close to 50% of total operating expenditure. Approximately 60% of total staff costs are funded by project funds and the remainder by unrestricted funding.

Staff costs

The number of IUCN staff has declined slightly from a total of 894 at the end of 2016 to a total of 775 in June 2020. This decline continues a trend which started in 2015 and which reflects the move to larger scale initiatives, several of which are implemented through partner organisations.

Figure 6: IUCN staff numbers



Approximately 20% of total staff is based in Headquarters, 14% in outposted offices and 66% in the regions.

Outposted staff are staff that work for global programmes and corporate functions but that are based in offices outside of Switzerland, though they continue to report to and be coordinated by managers residing at Headquarters in Switzerland.

The majority of staff is employed on fixed-term contracts that are aligned with the timelines of the projects they work on. This ensures a flexible workforce which is able to increase and decrease in parallel with a changing portfolio of work and changes in skill requirements. Although workforce flexibility is an aim of IUCN, local labour laws are taken into consideration, and the rights of the individual protected.

9. Sources of income

Figure 7 shows income received by funding source over the period 2016–2020 and Figure 8 shows the average contribution by each donor category.

Figure 7: Total income by funding source

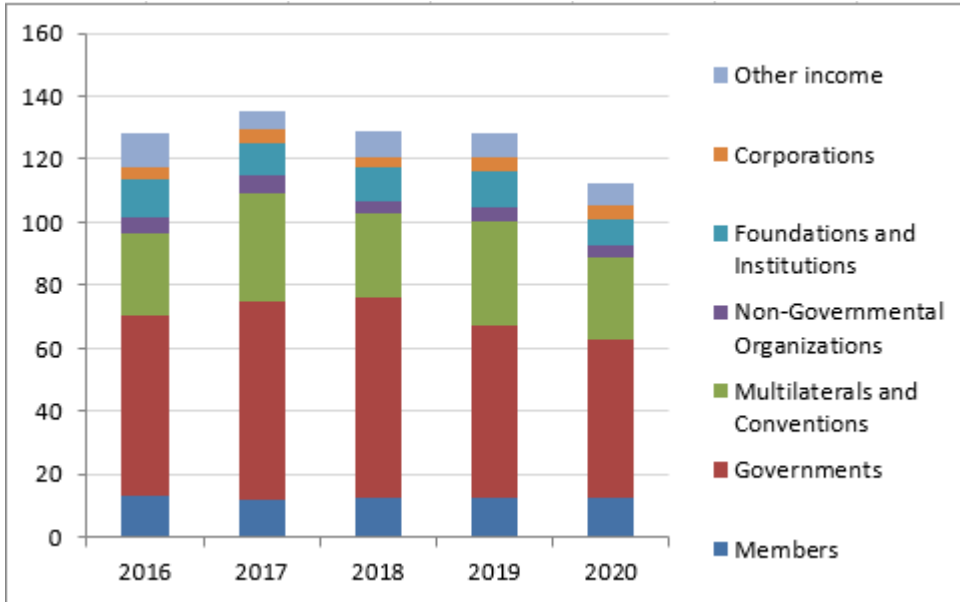
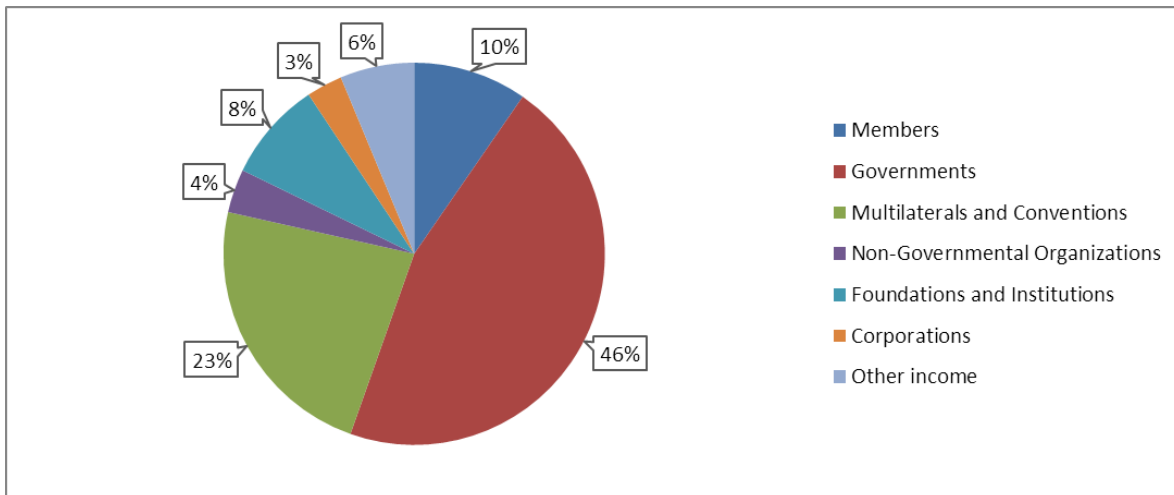


Figure 8: Average contribution by each donor category over the period 2016–2020



Membership dues represents approximately 10% of IUCN’s income.

Official Development Assistance (ODA) remains IUCN’s main source of funding through the provision of unrestricted income (provided by IUCN’s Framework Partners) and restricted income for projects and programmes from bilateral government agencies (mostly from OECD DAC countries) and multilateral agencies. Income from bilateral agencies formed the largest share, representing 46% of total annual income during the period 2016–2020, followed by multilateral funding (23%).

During this period, the European Commission remained IUCN's single largest donor, followed by Germany. Since taking on the role of GEF Project Agency in 2014 and becoming a GCF Accredited Entity in 2016, IUCN has developed a strong portfolio of GEF/GCF projects, which exceeded USD 200m by the end of 2020, resulting in a significant increase in the level of income from multilateral agencies, in line with the 2017–2020 Financial Plan.

Engaging with the private sector, foundations and high net-worth individuals continues to be a part of IUCN's fundraising strategy. Income from philanthropy remained stable over the period 2016–2019 representing 8% of IUCN's overall income. IUCN conducted a strategic mapping of US and European foundations, identified priority foundations and developed associated engagement strategies for meaningful partnership building. IUCN was able to reach out in a more targeted manner to foundations already supporting its work, particularly those in the USA and was able to secure large first time grants from foundations in Europe and Asia.

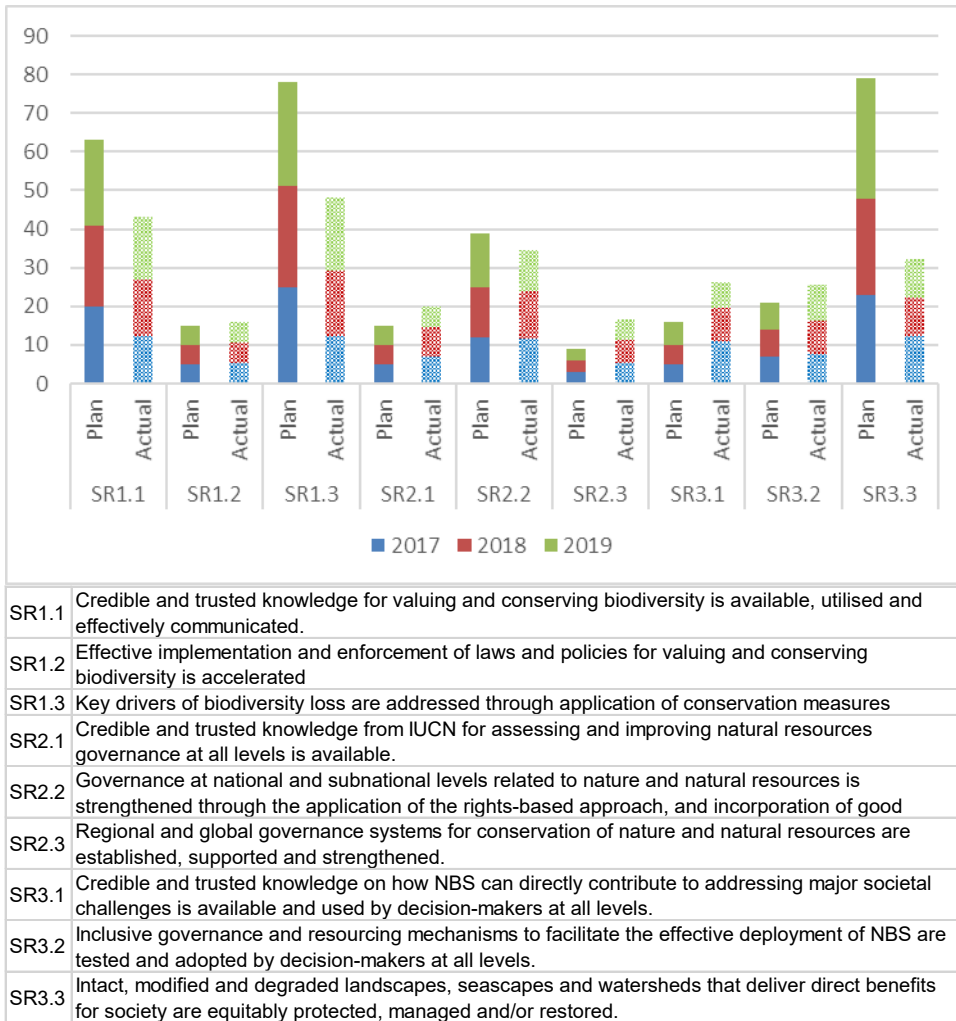
IUCN's engagement with the private sector remained small and represented an average of 3% of IUCN's income, the bulk of which focused on changing business practices, while a small proportion was provided through new sponsorships and donations – mostly in support of species conservation. The latter have led to an increased interest by prestigious brands and the potential for large-scale partnerships which IUCN will be pursuing during the next intersessional period.

The IUCN Patrons of Nature, a group of leaders from the conservation, business and philanthropy sectors who provide financial and strategic support to the organisation, grew significantly during the 2016–2020 period. Together and individually, they helped raise visibility, provided access to new networks and supported IUCN's programmes. With the support of the Council, the Secretariat engaged in a pro-active recruitment campaign in the wake of the 2016 Congress, resulting in 17 Patrons of Nature by the end of 2020.

10. Analysis of expenditure by results area

Figure 9 shows actual expenditure by programme result compared to planned expenditure. There is a reasonable level of alignment between planned expenditure and actual expenditure for the years 2017 to 2019. The most significant variances are with Sub-Result SR 1.1 and SR 3.3. However, the attribution of expenditure to programme results is not an exact science but involves a degree of subjectivity. The chart below should therefore be taken as indicative.

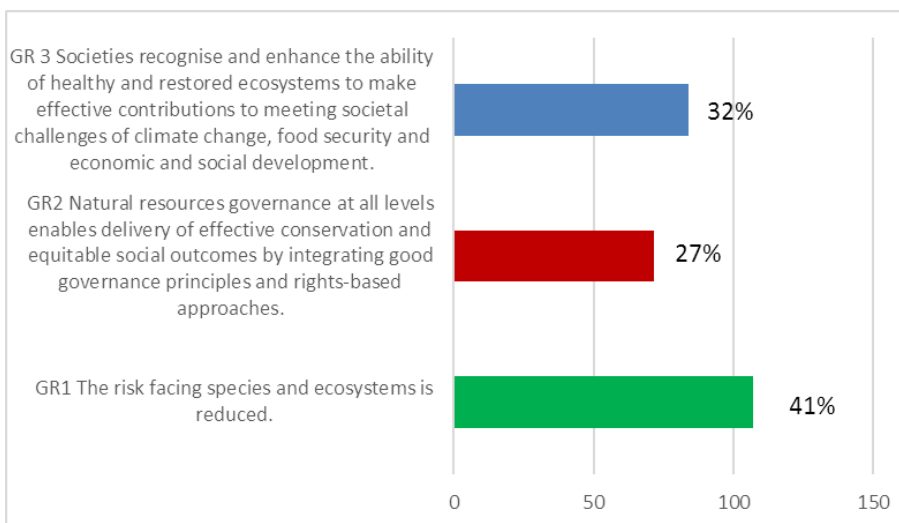
Figure 9: Expenditure by Programme Results – actual vs. plan (CHF million)



SR1.1	Credible and trusted knowledge for valuing and conserving biodiversity is available, utilised and effectively communicated.
SR1.2	Effective implementation and enforcement of laws and policies for valuing and conserving biodiversity is accelerated
SR1.3	Key drivers of biodiversity loss are addressed through application of conservation measures
SR2.1	Credible and trusted knowledge from IUCN for assessing and improving natural resources governance at all levels is available.
SR2.2	Governance at national and subnational levels related to nature and natural resources is strengthened through the application of the rights-based approach, and incorporation of good
SR2.3	Regional and global governance systems for conservation of nature and natural resources are established, supported and strengthened.
SR3.1	Credible and trusted knowledge on how NBS can directly contribute to addressing major societal challenges is available and used by decision-makers at all levels.
SR3.2	Inclusive governance and resourcing mechanisms to facilitate the effective deployment of NBS are tested and adopted by decision-makers at all levels.
SR3.3	Intact, modified and degraded landscapes, seascapes and watersheds that deliver direct benefits for society are equitably protected, managed and/or restored.

In terms of Global Results, 41% of expenditure contributed to GR1, 27% to GR2 and 32% to GR3. With the growth in the GEF and GCF portfolio, the contribution to GR3 is expected to increase in 2020 and future years.

Figure 10: Expenditure by Global Result for the period 2017–2020, CHF millions



11. Balance sheet

Table 13 shows a summarised balance sheet for 2016 and 2020.

Table 13: Summarised balance sheet (CHF millions)

	2016	2020		2016	2020
	Actual	Actual		Actual	Actual
	CHFm	CHF m		CHF m	CHF m
Current assets			Current liabilities		
Cash and short term deposits	38	63	Other liabilities	62	92
Investments	14	16	Provisions	5	9
Other receivables	30	39	Total current liabilities	67	101
Total current assets	82	118	Non-current liabilities		
			Deferred income	17	13
Non-current assets			Building loan	11	12
Fixed assets	32	26	Total non-current liabilities	28	25
Intangible assets	1	0			
Total non-current assets	33	26	Reserves		
			Designated reserves	1	3
			Unrestricted reserves	19	15
			Total reserves	20	18
Total assets	115	144	Total liabilities and reserves	115	144

Cash and short-term deposits

The level of cash and short-term deposits increased from CHF 38m at the end of 2016 to CHF 63m at the end of 2020. This mirrors a growing project portfolio over the same period (see Figure 4) and reflects an increase in contributions received from donors but not yet spent. Unspent donor funds are included in *Other liabilities* which increased from CHF 62m at the end of 2016 to CHF 92m at the end of 2020.

Investments

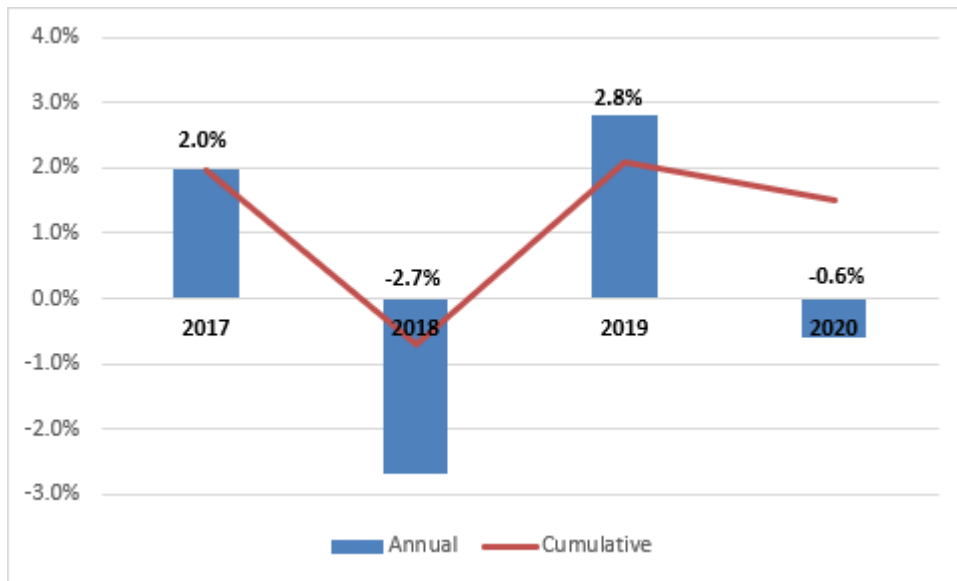
IUCN maintains a low risk investment portfolio. The portfolio is heavily diversified and predominantly invested in assets denominated in Swiss francs. Cash-based assets are shown under *Cash and short-term deposits* in the balance sheet, whereas all other investment components are shown under *Investments*.

The portfolio increased from CHF 16.3m at the end of 2016 to CHF 16.6m at the end of 2020, generating a return of 2% over the four-year period. The return in 2018 was negative 2.68%. This mirrored falls in nearly all major markets towards the end of 2018. The losses were subsequently reversed in 2019.

Between 70% and 80% of the portfolio is invested in assets denominated in Swiss francs. This has the advantage of limiting currency risk but makes obtaining a reasonable return (without taking significant risks) challenging, as interest rates have been negative in Switzerland since 2015.

Overall, the return is acceptable, taking into consideration the interest rate environment, economic climate, the chosen risk profile and investment opportunities.

Figure 11: Investment returns, 2017–2020



Fixed assets

Fixed assets comprise the IUCN Headquarters in Gland (2020: CHF 25m) and other assets (2020: CHF 1m). The IUCN Headquarters comprises the original building which was gifted to IUCN in 1992 and an extension (cost: CHF 26.5m) which was completed in early 2010 and financed by an interest free loan from the Swiss Government to be repaid in equal annual instalments of CHF 400K over 50 years. The balance was financed by a mix of cash and in-kind donations and IUCN's own resources.

In accordance with standard accounting practice the building loan is discounted at the prevailing market interest rate and the difference between the cash value of the loan and the discounted value shown as deferred income. At the end of 2020, the discounted value of the loan was CHF 12m and the related deferred income CHF 3m. The balance of the total of deferred income shown in Table 12 relates to the original building and other donated assets. The deferred income in respect of donated assets is released to the income statement in line with the depreciation of the assets concerned.

Of the total Headquarters office space, approximately 50% is let to tenants. Tenants include WWF International, the Ramsar Convention Secretariat and the MAVA Foundation. In addition, IUCN obtains revenue from the renting of meeting rooms to external customers. IUCN Headquarters receives approximately CHF 1.3 million annually in rent and service fee income which offsets the running cost of the Headquarters building and other corporate services.

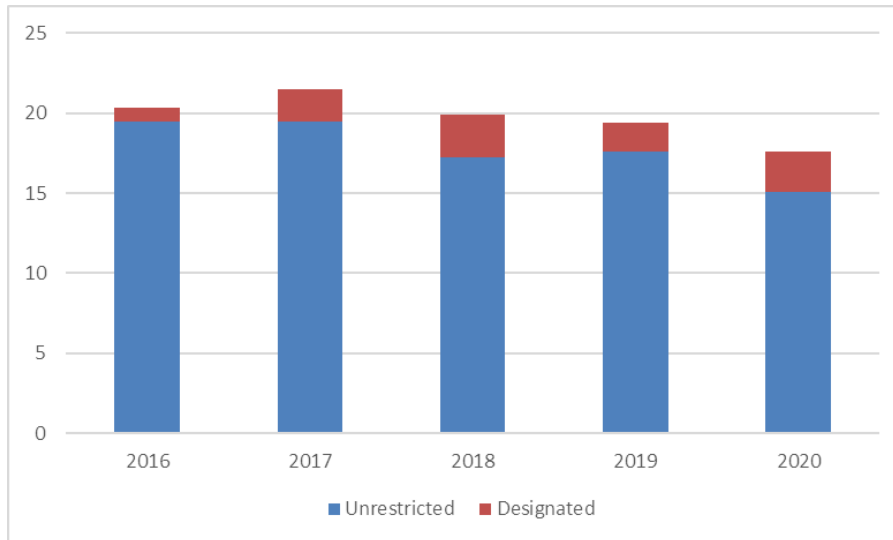
12. Reserves

IUCN reserves declined from CHF 20.3m at the end of 2016 to CHF 17.6m at the end of 2020. CHF 1.0m of the reduction is a result of the revaluation of country office balance sheets into Swiss francs, and reflects the strengthening of the Swiss franc against most other global currencies over the period.

The 2020 reserves total of CHF 17.6m comprises CHF 15.1m in unrestricted reserves and CHF 2.5m in designated reserves.

A reserves target of CHF 25m for unrestricted reserves was set by the Director General and approved by Council in November 2011. This target will be reviewed in 2021 and aligned with the risks faced by IUCN.

Figure 12: Evolution of IUCN reserves



13. Report of the statutory auditors

The reports of the statutory auditors on the financial statements for the years 2016 to 2020 were all unqualified. This means that they contain no material errors and can be relied on by all users of the financial statements. For each year, the auditors also reported on the existence of an internal control framework and concluded that a satisfactory framework existed.

For each year, the auditors provided a detailed report to Council covering the scope and findings from the audit and internal control weaknesses.

Key areas where the auditors recommended improvement together with action taken by management are shown in Table 14.

Table 14: Audit recommendations

	Area for improvement	Management response
2016	Effective design and implementation of an internal controls system (ICS) at Headquarters, regions and countries: Ensure that the processes and controls are tailored to the size and environment of the different offices and that controls are effectively and efficiently implemented in all locations.	<p>Various measures were put in place to improve controls across the Secretariat, including:</p> <p>A checklist was developed for the month end-closing process. This requires balance sheet reconciliations, aged analysis of receivables, exception reports, project balance reports and various other documents to be uploaded into the finance system for review and approval by Headquarters finance staff.</p> <p>A host-to-host e-banking solution is being rolled out. This improves control over the payment process and enables the payments for small offices to be undertaken by larger regional offices.</p>

		<p>A risk management policy and framework were developed, risk registers updated and training undertaken.</p> <p>An internal control policy was developed. The roll-out of the global ICS and self-assessment is on-going.</p>
2016	Close dormant bank accounts. Ensure reconciling items are addressed in a timely manner. Regularly update signatories.	Controls over bank accounts have been strengthened. Dormant accounts are closed and blocked in the finance system. Reconciliations are reviewed monthly. Bank signatories information is stored in the finance system and is regularly updated.
2016	Improve monitoring and control of amounts spent through implementing partners.	Reporting processes have been improved and the frequency of reporting increased.
2016	IT governance policies need to be officially communicated, distributed and enforced, creating awareness of the IT governance principles set by management, setting the basis for IT management accountability for key responsibilities and well-understood authority and providing the mechanisms to align the IT execution to the business strategy.	<p>An Information Systems Steering Committee was created. The committee reviews progress on all significant IT initiatives and prioritises investments.</p> <p>Several new policies have been issued and others are in development. In addition, IUCN is standardising its global IT infrastructure to reduce operational costs and improve performance. Standard procedures to operate the global IT systems and infrastructure have been developed and are in place.</p>
2016/2017	IT management needs to continue standardising and formalising missing policies and procedures to ensure every relevant IT process is formally documented, incorporating the notion of risk, control guidelines, ownership of risk and controls, and accountability for the processes. These should reflect the IT governance principles and management's strategic objectives, while aligning the IT practices with the level of risk the organisation's management is willing to take.	Aligned with the recent Risk Policies, a specific IT Risk Assessment will be performed to ensure full alignment of our policies, procedures and governance with the global IUCN Risk approach.
2016/2017	Practices followed to perform and document key controls need to be strengthened, as we noted that evidence of management control is not consistently and systematically retained.	Standard practices have been put in place to consistently and systematically record the evidence of controls. Subsequent audits have proven that they were sufficient.
2016/2017	Dependencies that could potentially slow down the advancement of IT processes should be clearly identified, and concrete actions should be defined to enable the timely progress of IT initiatives.	Dependencies were identified and proper actions were put in place to ensure the timely progress of the IT initiatives, especially on large projects with the establishment of formal business owner and formal steering committees.
2018/2019	Time sheet management needs to be reinforced across the organisation. In particular, to:	A Time Management System was developed and implemented. The system went live in January 2020. The system is integrated with both the HR and

	<ul style="list-style-type: none"> ensure timely preparation; reduce the risk of over/under statement of time charged; improve controls related to the transfers of time charges between projects. 	Finance systems. The system has improved compliance with time recording procedures, reduced the risk of errors and has provided management with a tool to support resource planning and the monitoring of staff utilisation and time charged to projects. Monthly reviews of time charges as well as adjustments are undertaken.
2018	IUCN is not a registered "International Organization" (IO) in China and in the Kingdom of Thailand.	Management continues to make presentations to the Chinese and Thai Governments with the objective of being recognised as an IO.
2018/ 2019/ 2020	User management needs more consideration on accounts with privileged user rights. Monitoring such accounts is highly recommended in terms of security. We also draw your attention to system accounts that require a formal review on a yearly basis as these accounts are not included in HRMS.	As budget and resource levels do not allow us to implement a tool nor allocate resources for in-person monitoring, we have developed processes and proper compensative controls, adapted to IUCN resources, to monitor privileged accounts and ensure a formal review for these accounts on a yearly basis. As technology evolves, we are looking at new tools based on artificial intelligence that can also help here.
2018	Change management governance has to be improved with a change management policy sustaining the change management procedure put in place in 2018. In addition, we recommend to strengthen the change management process by using a versioning tool to ensure good traceability so that only approved changes are deployed to production.	Change management policy has been put in place in 2018, however our ERP tool (NAV) does not allow for easy versioning for source code. So compensation controls have been put in place based on the four eyes principle.
2018/ 2019	Develop a Business Continuity Plan (BCP).	A Business Continuity Plan (BCP) has been implemented to address COVID-19. A wider BCP will be developed in 2022.
2020	Roll out an internal control self-assessment in accordance with the IUCN policy on internal control.	The self-assessment will be rolled out over the course of 2021 and 2022.
2020	The Timesheet Management System went live in January 2020 and this has increased controls around time recording and time charging; however, the control environment still requires some improvements.	The identified control weaknesses will be addressed over the course of 2021.

14. Systems and processes

Systems infrastructure

In 2017, IUCN continued to deploy its digitalisation strategy. Its aim is to improve collaboration across the Union through enhanced collection, storage and access to data, and ensure secure and compliant information systems and more sustainable technologies.

A highly efficient network technology was deployed throughout all outposted and regional offices to enhance the security of computers and servers, reduce power consumption and automate disaster recovery, while reducing overall operating costs.

Throughout 2018, IUCN strengthened collaboration among its constituents through better collection, storage and access to data, secure information systems and the use of more sustainable technologies.

In 2019, security audits were performed on IUCN's major systems. No critical issues were identified.

IUCN also implemented a new global desktop configuration to securely manage computers in small IUCN offices. Improved contracts were renegotiated with key suppliers, and new central data storage equipment was installed for all IUCN offices, resulting in a 60% reduction in energy use.

ERP

IUCN's core financial system was upgraded in 2019 – the first upgrade since the system's initial implementation in 2011. The upgrade provides new functionalities that will extend the system's life by at least five years. A new Customer Relationship Management was also implemented in 2019.

Time Management System

A time management system was developed and went live at the start of 2020. The system provides an efficient tool for managing and recording staff time and ensures compliance with donor requirements. The system is fully integrated with the finance and HR systems, resulting in increased efficiency and data integrity.

Programme and project portal

A Programme and Project Portal was launched in 2016 providing IUCN with the ability to track and report on projects at both an individual and portfolio level and to allow tracking delivery against the global programme results. The system was upgraded in 2018 to include project appraisal and contract approval processes. The Portal also ensures alignment of all projects with IUCN's Programme strategy.

Union applications

In 2019, IUCN's new Commission System went live. Compliant with current data protection legislation and available in English, French and Spanish, the system enables Commission leaders to manage their membership directly and processes invitations and applications to join IUCN Commissions.

Treasury management

As part of IUCN's increased focus on risk management, a foreign exchange hedging strategy was implemented. Work continued on the implementation of a global banking strategy and e-banking platform.

15. Accountability and oversight

IUCN continued to strengthen its accountability and oversight framework to be more efficient, responsive, objective and transparent. Further progress was made towards an integrated approach for improving how IUCN's priorities are set, how resources are mobilised and accounted for, and how performance is monitored, evaluated and reported. This work complemented initiatives that strengthened IUCN's enterprise risk management framework, internal control systems, ethics and compliance mechanisms, information technologies, and assurance functions. For example, in 2019 the Secretariat began actively maintaining its enterprise-level and unit-level risk registers worldwide to enable leadership to make risk-informed decisions.

16. Financial challenges and opportunities

IUCN continues to be strongly positioned to meet the challenges of the global environment. These relate to the importance of maintaining biodiversity and healthy ecosystems and meeting the threats posed by climate change. The goals of IUCN continue to resonate with the countries and multi-lateral institutions who provide the bulk of our funding and with our Members.

In the shorter term, IUCN has financial revenue streams that are contractually assured and its liquidity position is strong. However, the slowdown in the implementation of projects as a result of the pandemic and the postponement of the Congress has entailed unplanned financial costs. Mitigating actions are being implemented. Project plans are being adjusted in collaboration with donors and virtual technology for meetings and workshops is being used where it can be.

In the medium term, it is possible that donor and multilateral funding capacity may be diverted to dealing with the economic and social fallout from the pandemic. In this context, IUCN will continue to emphasise and demonstrate its relevance and linkage to present day societal challenges. The new Programme has been designed with this in mind.

Meanwhile, there is no doubt that IUCN will need to compete efficiently for scarcer resources. Its post COVID-19 financial strategy therefore includes the strengthening of existing sources of income, while targeting diversification to ensure revenue stability, the improvement of cost productivity, as well as the strengthening of risk management processes. In future years, it will be necessary to generate sufficient operational surpluses to build the level of reserves needed to provide a cushion against unexpected risks and to enable investment for growth and development. These strategic challenges are being addressed and implemented as part of the 2021 budget and will be further addressed in subsequent years' budgets.