

## AUDIT

# Audit of long-term financing

Foundation for Buildings for International Organisations

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## KEY FACTS

The financial plan for the Foundation for Buildings for International Organisations (FIPOI) indicates a loss across the period 2025–29. This is because the operating cash flows generated by FIPOI do not allow it to make the investments in the real estate portfolio that are required to ensure the quality levels laid down by the foundation's Board of Trustees. Based on FIPOI's financial plan approved in December 2024, the foundation is expected to experience a cash shortfall from 2028 onwards if additional financing measures are not taken by the founders.

FIPOI sent the founders a financing request in March 2025. In May 2025, the Federal Department of Foreign Affairs (FDFA) launched the consultation of the federal offices on the dispatch concerning measures to be implemented to boost the role of Switzerland as a host state for the period 2026–29.

This dispatch includes CHF 130 million of financing for the renovation of four priority FIPOI projects as well as a series of targeted measures worth a total of some CHF 80 million. In the medium term, going beyond this dispatch, FIPOI will need to invest in the renovation of the rest of the real estate portfolio, i.e. the remaining 11 buildings. In recent years, investments in other FIPOI buildings have not managed to get them to the overall level of quality laid down by the Board of Trustees, owing to a lack of financial resources.

The SFAO assessed as part of its audit whether this additional CHF 130 million cements FIPOI's long-term financing. Based on various scenarios, the SFAO concludes that neither FIPOI's financing for the next ten years nor its self-financing from 2036 onwards are assured. Depending on developments on the ground and strategic decisions taken by the Board of Trustees, additional financing might be required from the founders in connection with even the next dispatch.

### Real estate strategy to be updated

Although only going back to 2022, FIPOI's real estate strategy is no longer up to date. This means that FIPOI should update its real estate strategy based on recent decisions and taking on board the principles of a future-oriented approach to the real estate portfolio. These principles should also be considered in plans for the four priority projects. Furthermore, a concept for implementing the strategy should be defined, with practical and planned measures, as well as a time frame for future renovation projects.

### Reliability of cost estimates needs improvement

FIPOI plans investments for repair and maintenance based on the financial resources at its disposal. However, these have not been enough in recent years to cover its needs, calculated using its business software. If there is no change to investments, this will result in a funding shortfall of around CHF 40 million over the next ten years. The SFAO thus recommends rolling out a dashboard based on available data in order to ensure more proactive management of the real estate portfolio and to better assess and manage the financial impacts.

FIPOI does not have a defined standard or uniform methodology for determining the costs of renovation projects, and cost estimates are not subject to quality assurance. Measures must be introduced to deal with both of these issues. In addition to the CHF 14 million error identified during the audit, which was corrected in the dispatch adopted by the Federal Council, the SFAO is of the opinion that a further CHF 10–15 million or so is needed to plug black holes in the costs of the four priority renovation projects.

## **Short-term real estate vision, underestimated risks and uncertain financing**

Actively managing a real estate portfolio requires a long-term vision. Five-year financial plans cannot provide for the appropriate anticipation and planning of investments. FIPOI needs to come up with a 30-year vision for real estate investments and set ten-year priorities on this basis, and then incorporate this into its five-year financial plan. Moreover, a risk management process for real estate should be put in place, actively monitored and managed on the basis of a credible worst-case scenario. Financial plans should reflect both the costs of the measures taken and the residual risks.