



© LWF/H.Putsman

## **Office for Finance and Administration (OFA)**

---

OFA receives, manages, monitors and accounts for the funds contributed by the member churches and partners. Receipts and expenditures from the various units are reported monthly, ensuring that funds are prudently and correctly spent.

The past few years have shown that donors need more detailed reporting than the current accounting system can provide. In

order to accommodate the growing demand for more comprehensive and transparent reporting on the use of funds, all DWS field programs have installed a common, accrual-based accounting package. This has considerably improved the quality of reporting and has allowed OFA to improve its cash control and planning instruments. A better overview of resources actually avail-

---

able has facilitated the planning of the field programs' activities. OFA will also install a new accounting package in the Geneva Secretariat to meet the growing needs of our partners, auditors, field staff, etc.

## **Finances 1997–2002**

The LWF has managed to keep its finances within approved budgets by a careful monitoring of its funds and expenditure. An important challenge for the LWF is how to predict future income. This uncertainty affects both income and expenditure and requires permanent vigilance from OFA.

As the LWF adapted to lower income levels, it became clear that it had to clarify and emphasize its distinctive role. A constant drop in income over the years also reflects the increasingly difficult economic position of some member churches. While acknowledging the financial problems that each member church has to face, the LWF reminds partners of the importance of contributing to its work according to their means.

In recent years the member churches and the LWF have been affected by the worldwide recession, exchange rate fluctuations and currency devaluation, which have generated income shortages on both sides. The general financial situation of the LWF is determined by external factors beyond its control, and this can no longer be regarded as a temporary phenomenon. The LWF has constantly endeavored to consolidate its finances. Travel restrictions, temporary freezing of salaries, and partial cost-of-living adjustments have enabled the organization to minimize the effects of decreasing income. Some staff who left the LWF were not replaced and vacancies were kept open for longer periods than normal, even though this increased the workload of those who remained.

## **Resource Consultation**

The Resource Consultation held in Geneva in November 1999 highlighted the neces-

sity of the LWF to broaden its range of funding partners, particularly if it is to obtain unrestricted use funds. The consultation explored new concepts and mechanisms to identify and share available resources within the Lutheran family. The discussions underlined the importance of:

- Different models of multilateral, bilateral and internal cooperation
- Building alliances to avoid the creation of additional institutions
- Exploring different methods of fundraising and communication
- New mechanisms of cooperation

The consultation underlined the global responsibility of church members and partners when working together with the LWF. The efforts of the LWF to perform as an efficient low-cost instrument for the communion are closely linked to reliable funding from member churches and partners. A sustainable sharing of resources is considered essential in our communion of churches.

## **Management of Assets**

In 2002 the GS was asked by the Council to explore ways and means of applying the concept of sustainability to the Secretariat's administration, especially in the management of LWF assets.

In March 2002, OFA organized a seminar to discuss the LWF's approach to the ethical and sustainable investment of its assets, together with those of the Staff Welfare Plan (SWP) and the LWF Foundation.

The discussions highlighted the importance of ethical commitments, while acknowledging the wide variety of definitional criteria for ethical and sustainable investment. Measuring and evaluating the ethics of asset managers, for example, could be a peculiarly subjective process for a host of reasons. It is also important to

---

anticipate the effects of investment criteria on the economically disadvantaged before one establishes a comprehensive ethical investment policy.

One of the most important aspects of ethical investment is transparency. The management of LWF assets and investments should clearly express the values and commitments of the churches. Specific ethical policies and principles are being developed to meet the needs of the LWF, taking into account core values, investment criteria, and a defined strategy for investments.

## **Common and Mutual Responsibility**

Most member churches contribute to the work of the LWF to the best of their ability, and many churches in the South have emphasized their wish to increase contributions despite financial difficulties. The bulk of contributions comes from those churches that are able to provide large amounts of money: 80 percent of the LWF Geneva coordination budget is provided by six member churches and their related agencies. This reflects the distribution of wealth in the world and—to a lesser extent—the location of Lutherans. However, if we correlate these figures to purchasing power, then the proportion of funds provided by churches in the South is actually higher than that of the North. It is crucial, therefore, that member churches with stronger finances should continue with their responsibilities. The LWF always reminds member churches that those with small financial resources should be encouraged to share responsibility according to their means.

## **Fair Membership Fees**

Annual membership fees are an important source of funding for the LWF (they fund the Geneva coordination budget) and an expression of the fundamental partnership

between member churches and the Federation. In the past, member churches were asked to contribute USD 1 per member per year. Regular increases in these membership fees approved by the Council proved unsatisfactory, because they were based on the size of a church rather than its financial capacity. A new method for calculating fees based on a church's ability to pay was called for.

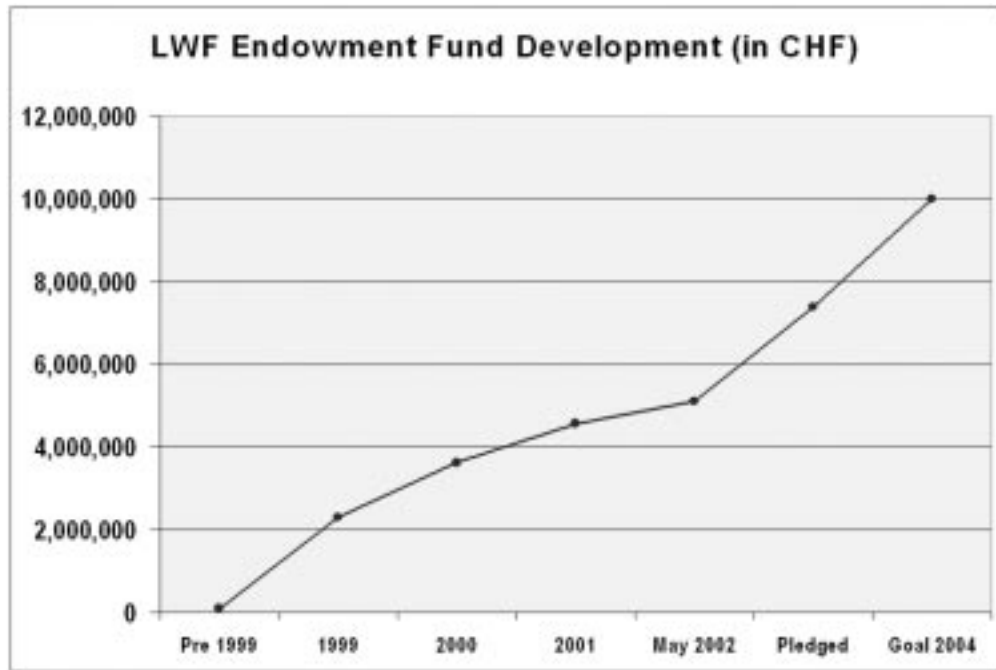
In February 1999, OFA arranged a consultation on fair and effective criteria for the calculation of membership and assembly fees. Subsequently, OFA introduced a new criterion for calculating membership fees: purchasing power parity. This employs international comparisons of average price levels. The calculation uses a measure of average welfare based on per capita GNP. The new formula is intended to refresh the figures used in historic calculations, and has been used to determine membership and assembly fees for new members. The 1999 consultation concluded that this is a fair way to calculate fees, as it links the economic strength of a member church with the actual amount to be paid. Some churches have already adapted their calculation of membership fees accordingly.

The stabilization of income by means of compulsory membership fees is essential if the Geneva Secretariat is to undertake the tasks assigned to it by the Council and Assembly. Fair membership fees reflect the member churches' common responsibility to sustain the LWF.

## **Endowment Fund**

The financial difficulties experienced by some member churches in supporting the coordination work of the Secretariat led to establishment of an Endowment Fund. A strong commitment by the leadership of the member churches is essential for widespread motivation and response to the fund.

The Endowment Fund is held in perpetuity. It is hoped that it will become a sound and regular source of income for the LWF,

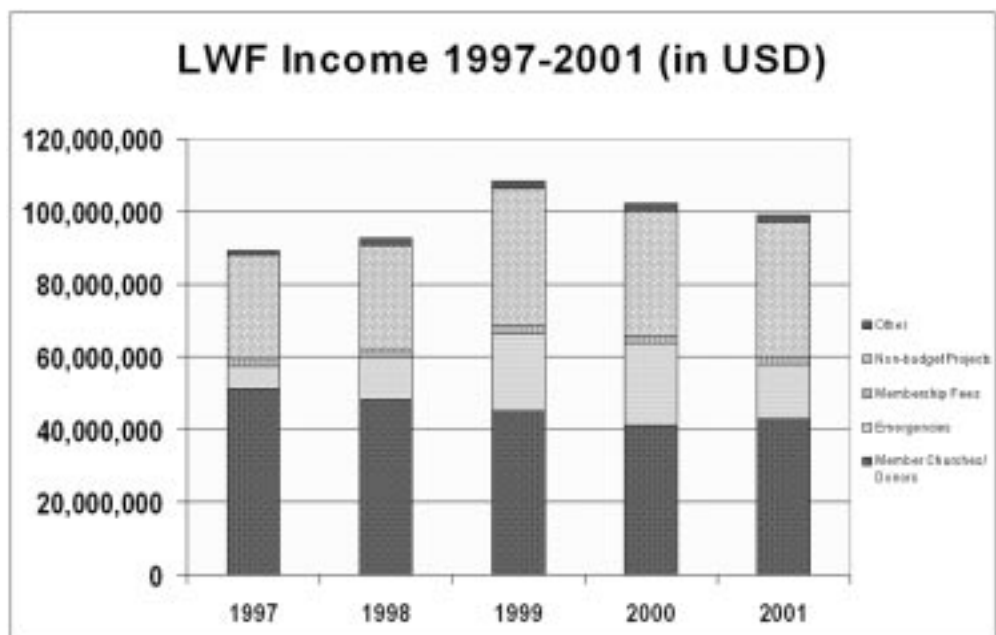


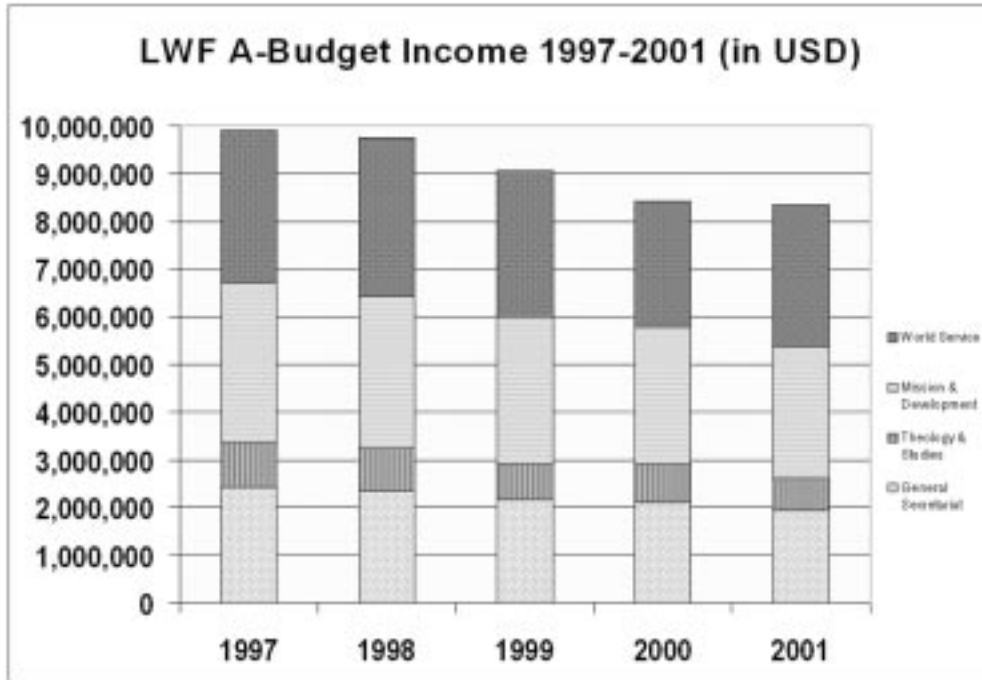
and that the annual interest earned will make a significant contribution to the coordination budget of the Secretariat.

Endorsed by the Ninth Assembly, the LWF Foundation was established in April 1999. The Board of the LWF Foundation, appointed by the LWF Board of Trustees, is composed of eight members representing the regions of the LWF, and two non-voting members. Statutes, bylaws, policies and procedures were carefully prepared to ensure that the goals and purposes of the Endowment Fund were met. In Octo-

ber 2000, the LWF Foundation was granted tax exemption by the Swiss government.

While the long-range target of the fund is CHF 50,000,000, the initial goal is to reach CHF 10,000,000 by 2004. Many member churches have responded positively to the Endowment Fund with firm commitments. Other member churches have made efforts according to their means, organizing events such as LWF Sundays, the proceeds of which have been donated to the Endowment Fund. The LWF Foundation has also received individual donations. The bulk of





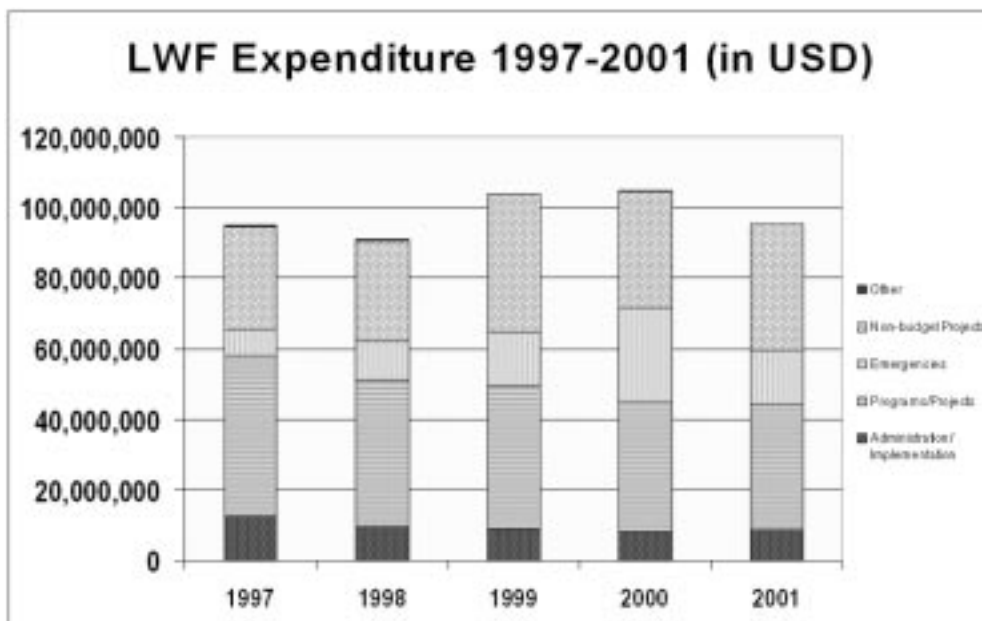
contributions comes from churches in the North. It is hoped that visits to member churches and participation in regional meetings by members of the Board will help obtain the commitment of all LWF member churches to the fund. In September 2002 the fund had reached CHF 5,800,000.

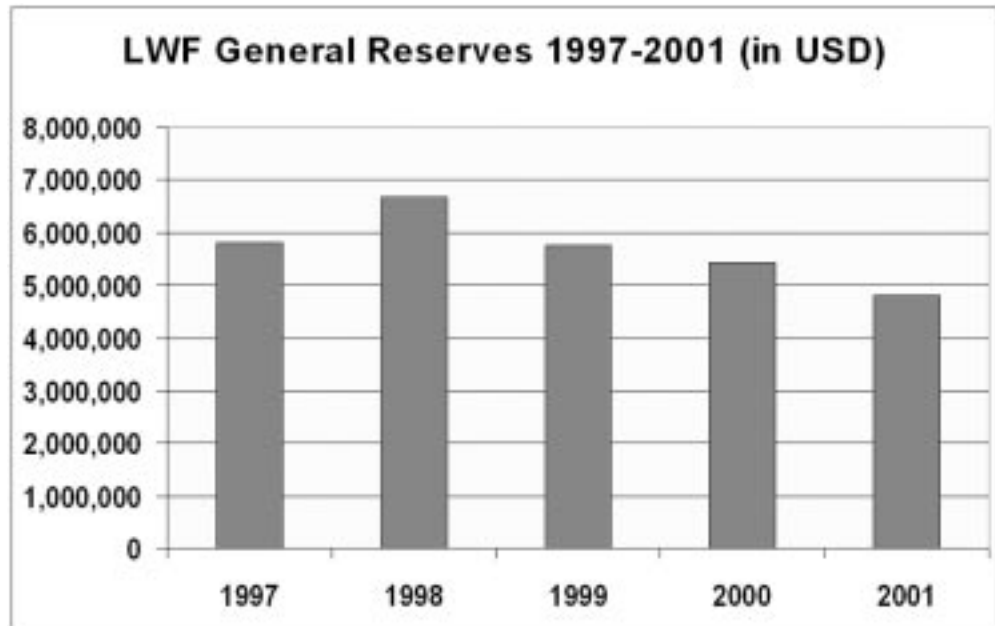
### Income

The LWF's main sources of income are membership contributions, additional

support from member churches, contributions from church-related partners, allocations from the LWF Endowment Fund and funds from governmental organizations and NGOs. Since 1997 the income for the A-Budget (Geneva coordination) has decreased and staffing levels at the Secretariat will therefore need to be adjusted, leading to a lower level of service.

While member churches are challenged to increase their level of funding, the LWF also gratefully acknowledges the





generosity, commitment and confidence of its partners.

### Expenditure

Expenditure must be adapted to the LWF's priorities and correspond to its income and budget. In the past, the LWF has been able to adjust expenditure relative to income by using stopgap measures. This is not sustainable.

### General Reserves

General reserves are needed to maintain ongoing commitments in case of unex-

pected deficits. Given the wide range of activities with potential risks, the level of general reserves needs to increase in order to provide additional security for the work of the LWF.

### Computer Services

Since 1997 the development in information technology resulted in the upgrading of the operating system, standard software, Internet facilities, databases, web site and accounting system. The key issue in the LWF electronic data processing unit has been the development and renewal of database applications. Changes to the main applications were made in cooperation with the WCC. Gradually, new tools have been implemented in the new operating system. This has facilitated the users' work. Staff training on new applications is continuous. Database programs were developed or redesigned to adapt to the needs of the organization.

### Monitoring and Reporting System (MaRS)

MaRS provides an online platform for fast and comprehensive exchange of informa-

Office for Finance and Administration staff includes a computer technician from India.  
© LWF/H.Putsman



tion between the Secretariat, field offices, member churches and partner organizations. OFA created MaRS with the help of all departments, coordinated by the Office of the Deputy General Secretary. Through MaRS, member churches and partners benefit from the latest financial and narrative reports on the LWF's worldwide programs and projects.

The project commenced in 1999 and a test web server for MaRS was set up in January 2001 in the WCC computer unit. MaRS was available to field programs in 2001 and a large amount of information (formerly mailed or faxed to field programs) can now be downloaded from the web site. MaRS was opened to supporting agencies in March 2002 and will soon be made available to member churches.

### Staff Welfare Plan (SWP)

Since 1968 the welfare of staff has been assured by a pension scheme known SWP. The Board of the SWP, chaired by the LWF Treasurer, is composed of three members nominated by the Council as representatives of the employer and three members elected from among the members of the SWP, as representatives of the employees.

### New Budget Structure

Ways in which changes in presentation could improve the transparency of the LWF budget and facilitate understanding of the

LWF's work, have been discussed for some time. Such changes would be beneficial for the LWF and its donors. The LWF workshop on budget structure held in Stuttgart, November 2000, concluded that a new budget presentation should be in place after the Tenth Assembly.

In January 2002, a seminar continued these discussions and scheduled implementation by 2004. The new budget structure based on the LWF Aims and Goals will present the work of the LWF in a more integrated manner, showing a common breakdown of the needs of administrative and project-related budget lines. This should enable partners to participate fully in the approval of a realistic coordination budget. Even with good management, available funds may not be sufficient to cover all needs. In addition to transparency and better understanding, it is hoped that the new budget presentation might also lead to an increase in unrestricted use funds.





**From Hong Kong  
to Winnipeg**

