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Report of the Treasurer to the LWF Tenth Assembly, July 2003

Introductory Remarks

- (1) This report refers to the years from the previous Assembly in 1997, to the first months of 2003. Besides describing the financial situation and development of the Lutheran World Federation (LWF), the report presents some concerns and policy comments for consideration with regard to the future of the Federation.

Budget Situation, Concerns and Challenges

- (2) The LWF has always relied on and is dependent on member churches and church-related organizations for the main financial support for its activities. I have been impressed by the loyalty and trust from so many member churches and related agencies toward the Federation and to know of their sincere wish to contribute to the utmost of their capacity.
- (3) Money as well as administrative activities are tools which must be used in pursuit of the aims and goals of any dynamic organization, for that organization to be able to live up to its vision. The years since the Assembly in Hong Kong have been rewarding ones for the LWF. But they have also been tough and challenging from a financial point of view.
- (4) The income of the A-budget has decreased 10 percent between 1998 and 2002. The sustainable level of the A-budget based on current funding is now about USD 9.5 million. For most of the years since the Assembly in Hong Kong, the fluctuations in exchange rates have been to the disadvantage of the LWF. The A-Budget in particular has suffered much under these conditions. The exchange rate between the US dollar (USD) and the Swiss franc started to decrease during the summer of 2001 and has come down from 1.68 to 1.32 this year. This 20 percent depreciation of the US dollar against the Swiss Franc makes the Geneva costs more expensive and thereby hampers the balancing of the budget.
- (5) While these factors are beyond the control of the LWF, they nevertheless have considerable consequences for the overall financial situation. We have therefore had difficulties in balancing the A-budget in recent years. Last September, the Council approved a resolution calling for balanced budgets in 2004 and 2005. The number of staff in Geneva has decreased from 92 in 1997 to 86 in April 2003. The decrease in income may result in a further reduction of staff in Geneva.
- (6) Decreases in income have to be dealt with in a very careful way, by reducing staff costs and expenditure in general as well as keeping staff positions vacant for some time. The decrease in income also reflects the strained economic situation of some member churches. Nevertheless it

should be underlined that most member churches contribute to the budget as much as they possibly can. This is also true for many related agencies, something which is highly appreciated.

- (7) The income for the LWF comes from the following sources:
 - Annual membership fees from the churches, used to cover administrative costs of the secretariat and the governing bodies. This is the main income source for the LWF A-budget.
 - Contributions from churches for the Programs, Projects and Coordination Budget.
 - Contributions from church-related organizations, mainly earmarked for development purposes, relief work and emergencies, as well as human rights work, etc.
 - Contributions from governmental organizations to specific programs. Such contributions come from the United Nations High Commissioner for Refugees, European Union and the United Nations Relief and Works Agency. These organizations also pay service fees that provide income for the Geneva Coordination Budget.
- (8) The General Secretary's report "From Hong Kong to Winnipeg" contains an overview of the Federation's finances from the previous assembly up until 2001. Since the figures for 2002 have been audited, we are able to give you an overview of the last six years. Between the previous and the present Assemblies, the LWF recorded an overall income of USD 580 million, of which USD 524 million were granted for programs, projects and emergencies.
- (9) Some of the member churches have been able to increase their support, while others have had to cut back on theirs. Church-related organizations are also contributing within Action by Churches Together (ACT) International something for which I am truly grateful. Still, while we realize what financial means the LWF has available, a major concern is that the needs of the member churches remain greater than the resources available to meet those needs. Even though certain areas of work are considered a priority, funding is not necessarily available. This is a reality we have to face. Nevertheless, I am impressed by what has been done with the money available, and many churches have expressed their gratitude toward the LWF for being able to meet their needs and, in deploying the limited means available, bringing optimism and encouragement into their church life.
- (10) The majority of funding is earmarked for specific programs and projects, leaving little room for flexibility. My hope for the future is that more unearmarked funding will be made available, so that the LWF can work in an even more flexible way, responding quickly to new and challenging situations for our members.
- (11) While the general reserves in 1998 stood at USD 6.7 million, by the end of 2002 they were down to USD 4.9 million. Thanks to the ongoing tough efforts to keep expenditure as low as possible, and due to rather strict financial controls, the situation is manageable, but it also calls for soberness and very hard priority-setting within the LWF. My concern about the future of the Federation is that we may see a further general decrease in income, a factor that has to be taken into account when the LWF discusses its aims and goals, and sets priorities. I hope that the incoming Council will have serious priority setting discussion as to what the core functions of the LWF will be in the years to come. A cut in activities has to be made if the financial situation does not improve.

- (12) For the past two years, the total income from membership fees has remained fairly stable, something for which I am very grateful. Annual membership fees are an important source of income for the LWF and an expression of commitment to the communion. At the Resource Consultation in 1999 it was decided that membership fees should be calculated on the basis of the number of individual church members and the gross national product of the respective country, resulting in a so-called fair membership fee. Most member churches have already adjusted their membership fees to the new fair level, while others are still striving to reach it.
- (13) My hope for the future is that the income from membership fees will not only remain stable, but again increase over the coming years to reach the level of fair membership fees for all member churches. When this goal is reached, the situation of the Geneva coordination budget will ease considerably and make the LWF even more able to provide member churches with the services they need. I therefore strongly recommend that all members of the LWF pay the amount of their fair membership fee. In the present situation, expectations have to be adjusted to the financial realities, while at the same time the LWF must seek new funding sources. (See p.6: Special Efforts Done).

Projects and Programs

- (14) The various departments have presented themselves and their work during the presentation of the General Secretary's report, so let me just highlight some special programs and projects which may make a difference for the people and regions involved:

Inter-Faith Action for Peace in Africa

- (15) The objective of this four-year program is to deepen inter-faith commitments to dialogue and cooperation for promoting peace in Africa, to equip African inter-faith partners and to encourage the implementation of concrete inter-faith responses to existing conflict situations.

Empowerment

- (16) In India, the United Evangelical Lutheran Church in India has succeeded through its Integrated Rural Development of Weaker Sections in India (WIDA) project in making the tribal populations aware of their political and social rights. Through many years of faithful cooperation WIDA has gained the trust of the tribal communities and now guides them on their way to socio-economic self-reliance and full political participation and representation. This work through the LWF Department for Mission and Development (DMD) is supported by Canada, Germany and Sweden.

Basic Needs (water, healthy food)

- (17) In Indonesia, the Simalungun Protestant Christian Church (GKPS) has over the years developed considerable experience in providing remote villages with access to clean drinking water. In these same villages, the GKPS has now engaged in processes of enabling and empowerment. The project trains women and men in sustainable agriculture, using organic fertilizers and less

harmful pesticides. It also endeavors to improve the marketing opportunities for these healthy products. The DMD project is supported by France, Germany and Sweden, as well as a considerable contribution from the village communities themselves.

Reconciliation

- (18) In Brazil, COMIN, a local non-governmental organization, does important work with indigenous people. In addition to legal aid and other project components (health, agriculture, land and resettlement), the Evangelical Church of the Lutheran Confession in Brazil congregations and the wider communities are made aware of the history and the present unjust situation of indigenous people. This includes rectification of the biased 'historical' account. A culturally sensitive environment promotes solidarity and thus fosters the reconciliation of broken relationships and peace-building. The DMD project receives support from Finland, Norway, Sweden and the USA.

Guaranteeing Basic Rights

- (19) Through the DMD, the work of the Bolivian Evangelical Lutheran Church among the Aymara indigenous people in the Bolivian highlands, ensures that formal and non-formal education is provided in remote areas often neglected by central government. The church's commitment to this work is an expression of the call to guarantee basic rights for the education of these people.

Addressing People's Impoverishment in Argentina

- (20) Through a DMD project, the United Evangelical Lutheran Church equips people for self-organization and active civic participation in order to alleviate the deadly spiral of increased impoverishment caused by a hostile socio-economic environment. Groups of people and congregations are trained to respond to their situation in pro-active ways (strengthening networking, setting up small-scale self-help projects, etc.).

Compassion, Conversion, Care

- (21) Responding as churches to the HIV/AIDS pandemic The objective of this program is to engage the LWF member churches in open discussion about HIV/AIDS, and in so doing promote their active and courageous response.

Relief and Rehabilitation Project in Ethiopia

- (22) Last year, the Ethiopian Evangelical Church Mekane Yesus and LWF assisted 114,620 people across four areas with 2,691 metric tons of food donated by the European Union.
- (23) In January 2002, an LWF consultancy office for the Regional Expression of Communion was set up for one year in Warsaw, Poland. A year later, a Regional Expression Office was opened in the Slovak capital, Bratislava. There are great expectations about the office's contribution to the life and work of the member churches in Central Eastern Europe.

- (24) The LWF has also given priority to strengthening the organizational and institutional capacities of smaller churches, especially in the South. My hope for the future is that cooperation will be broadened, and that the concrete signs of solidarity with smaller churches in difficult financial situations will be even more clear and stronger.
- (25) Many sponsored projects, especially DMD projects, have strong components of strengthening institutions. In Asia, mission programs and projects are geared toward increased participation by smaller churches.
- (26) The need to also support smaller churches in theological matters has been underlined by many member churches. To develop this further will require new funding. But it is important, because it helps churches strengthen each other. There is already bilateral cooperation in this matter between member churches, for instance between the Nordic region and Latin America.
- (27) It is also my hope for the future that a communion fund will be set up for the purpose of strengthening the organizational and financial capacities of smaller churches, both in the South and in the East. Being a supportive communion, we will act in a sense of relatedness, responsibility and accountability, thus strengthening the fellowship within the Federation. Such an act would show that we also care for one another in very practical ways, and that we really are a mutually supportive communion of churches.
- (28) A standing committee was set up after the Council meeting in Turku, Finland in 2000, to guide the Department for World Service in dealing with the many challenges that lie ahead. New demands and changes in the international environment call for constant readiness to consider strategies and solutions, such as in economic matters and priority-setting within the Federation's project portfolio. The good and encouraging work of the committee is highly appreciated.
- (29) As awareness of and funding for humanitarian crises become increasingly dependent on coverage by global mainstream media, it is my hope that the LWF, through the Office for Communication Services will continue to provide alternative views and raise awareness of so-called forgotten crisis situations. I also hope that some financial support is provided to enable communicators from all regions to take part in such experiences and report on what they have seen and heard.

The LWF Foundation - Endowment Fund

- (30) One of the most positive aspects in the financial development of the LWF is the Endowment Fund. Having been endorsed in 1997 on the occasion of the 50th anniversary of the Federation, the fund has been progressing very well since it was set up in 1999. This is thanks to the hard-working and enthusiastic members of the board and to member churches willing to contribute. World-wide economic problems, recessions and exchange-rate variations in the contributions from member churches may threaten the activities of the LWF.
- (31) This fund provides the member churches with an important instrument for securing the financial viability of LWF operations, especially those that are in the field. It helps the LWF carry out necessary operations that would otherwise be difficult to finance. The capital of the Endowment

Fund now stands at more than USD 4.2 million and is growing steadily. Fundraising activities have achieved good results and may serve as examples when seeking new ways of fundraising for the LWF in the years to come.

- (32) The long-range target of the Endowment Fund is USD 10 million. We would be very grateful for more donors to share the financial responsibility, so that this goal can be reached as soon as possible.
- (33) Although it may be difficult for some member churches to contribute to the Endowment Fund and at the same time increase their membership contributions to the level of a fair membership fee, I do hope that in due time both membership fees and grants for this fund will reach a level at which the services of the secretariat as well as to member churches can be secured in a most satisfactory way.

Special Efforts Done

- (34) The present difficult economic situation calls for creativity and hard work in order to find ways and means to get additional support for the LWF. Some special efforts have already been made.
- (35) A task force was set up in 2001 to develop a new budget structure aimed at improving transparency of the budget and broadening the basis of unearmarked funding, while taking into account the aims and goals of the Federation. The new budget structure presents the work of the LWF in a more integrated way and should enable partners to be more involved in agreeing on a realistic coordination budget. This new structure is now in place and comes into operation as this Assembly takes place. I hope that the new structure will be further developed by the incoming council.
- (36) Special efforts to improve the LWF's financial situation also include prioritizing fundraising and streamlining. A task force was set up by the Council in 2002 to develop a plan of action on how to improve fundraising in the different regions. General reserves need to be built up again. Commitment and solidarity are expressions of communion, and it is my sincere hope that member churches will commit themselves during the coming years to contribute to the funding of the LWF.
- (37) At the start of this year, the Office for Finance and Administration (OFA) introduced CODA, a new and comprehensive accounting package. It will considerably improve the financial reporting services provided by OFA.
- (38) Ecumenical work is very important to the LWF and to the members of the Federation. In the period since Hong Kong the most important activities have been:
- the signing of the Joint Declaration on the Doctrine of Justification (1999);
 - the report of the Lutheran-Reformed Joint Working Group (2002);
 - the report of the Anglican-Lutheran International Working Group (2002);
 - the statement on the "Episcopal Ministry within the Apostolicity of the Church";
 - involvement in multilateral ecumenical relations, particularly with the World Council of Churches (WCC) and the Conference of Secretaries of Christian World Communions.

- (39) The Executive Committee decided in March 2003 to set up a small group with the mandate to carry out a strategic planning process for theology and ecumenism in the LWF, taking into consideration the Department for Theology and Studies, Office for Ecumenical Affairs and Institute for Ecumenical Research in Strasbourg, France. The results of this work has just been reported to the Executive Committee on July 19, and the work should be taken forward by the incoming Executive Committee.

The Augusta Victoria Hospital

- (40) The Augusta Victoria Hospital in Jerusalem has been working under difficult political and financial conditions. In spite of this, the management has been able to balance the annual operating budgets, thanks to grants from some governments and strict setting of financial priorities. The debt, however, remains considerable, since there are old liabilities burdening the hospital's balance sheet. Considerable work on policy and negotiations have been carried out over the years to save the hospital's economy, and I want to thank every government, church and related agency that has contributed. Of course, the prevailing and constantly deteriorating political situation influences the work at the hospital in a complicated way and increases the need for emergency support. The recent war in Iraq made this need even more visible and urgent.
- (41) The difficult tax issue, with the Israeli tax authority's insistence that the hospital pay employer's tax, casts a shadow over the running of the hospital in the years to come. In December 2002, the Jerusalem district court ruled that the LWF should pay employer's tax, including backdated payments for the last two years. The LWF has submitted an appeal to a higher court and at the same time, together with member churches, we are pushing for political action from various governments.
- (42) It is very important to secure and preserve the property on the Mount of Olives against pressure from creditors, from parties to the political conflict in the region, or to any other activity that may put the property in danger. It is my hope that we can maintain a strong international and ecumenical presence there. To strengthen the signs of hope for the member church in the area as well as for Palestinians, I want to encourage the member churches to pray for the hospital and also contribute to its financial security, for instance by holding special offerings.
- (43) For the time being, plans are in progress for further development of the property on the Mount of Olives. The realization of these projects depends both on the political developments and the financial possibilities.

Some Overall Observations

- (44) The international society has changed considerably over the last years. We see rapid changes, increased commercialization and new demands. The LWF has to meet these challenges in a way which ensures that humanitarian and Christian principles and values continue to defy the forces of neoliberalism.

- (45) As a Lutheran family, we exist, witness and work within complex and diverse contexts around the globe. There are considerable differences in the financial situation and economic ability of churches to contribute to the fellowship. Of the 136 member churches in 76 countries, some do not have the economic strength to participate fully in the LWF nor to meet the ambition of a fair membership fee. Others are in a stressful local situation and for this reason cannot participate fully.
- (46) The fair sharing of resources is nevertheless considered essential in our communion of churches, and we must hold on to the fact that we are part of a worldwide family which calls for solidarity actions, for example when contributing money and sharing stewardship for our common resources. These are very practical ways of bringing blessings from region to region.
- (47) My concern for some smaller, minority churches within the LWF family is about how they will cope in the years ahead with the likelihood of being in a strained economic situation. To ensure that economic difficulties will not undermine the partnerships we enjoy, is our common and mutual responsibility as a Lutheran family. This will also help to build trust through mutual accountability and help churches to live through difficult times. This is an important task for the whole communion. Richer churches could help by working together with related agencies in overcoming concentration policies. It is an important task to strengthen the financial and organizational capacities of smaller churches.
- (48) The LWF should continue to broaden its cooperation with the WCC in exploring, for instance, the possibility of holding coordinated assemblies. Closer cooperation with the council should explore what may be the LWF's tasks in the ecumenical dialogue. Close cooperation with the WCC is necessary to avoid duplication of efforts and expenses.
- (49) As a Lutheran family, we are also moving forward in studying, exploring and creating dialogues with other church families and organizations. Ecumenical space is required in order that the various Christian traditions and church families will be allowed opportunities to articulate their concerns and express their self-understanding as well as express their readiness to see themselves as part of a broader ecumenical movement. Listening, reaching out and learning from the experiences of others may give us new hope and new experiences. We all have something to learn from each other in new efforts to engage in ecumenical dialogue according to the prayer of Christ: "That they may all be one." In developing our Lutheran profile, we will contribute and participate in a constructive way to the ecumenical dialogues by pursuing possibilities for bilateral dialogues, by involvement in multilateral ecumenical developments and by networking in ecumenical relations.
- (50) My concern for the future is that this development may progress more slowly than until now, due to budgetary reasons. But my hope for the future lies in the fact that this part of the LWF's work is understood by the member churches to be so important that it must be a priority and continue to be a crucial part of the LWF's identity. Building Christian unity for our common witness is a path that we must follow, while acknowledging that it needs time and commitment.

Quo vadis, LWF?

- (51) In the present situation we need to have a matter-of-fact attitude on financial policy and practice. But the LWF must never stop looking for ways and means to realize its vision of supporting churches in their task to tell the world about the love and glory of God. This can be told through witness in service, meeting the practical needs of the people; through doing our part to lower the thresholds between Lutherans and other church families; and through interfaith dialogues; - wherever these are possible, we will be witnesses of God's mercy and love.
- (52) It can also be told through diaconal service in cases of humanitarian need. Diaconia belongs to the very heartbeat of any Lutheran community. Effective development of diaconia that responds to the needs of sustainable communities, that fights for human rights, that fosters socio-ethical attitudes and actions, should always be a priority for the LWF.
- (53) Strengthening interdependence in mutual accountability by sharing resources and experiences, by promoting programs of joint mission ventures, should be the path to follow. Being a supportive communion of churches, this will also be our task for the future. Based on the shared values of faith, fellowship, relationship, inclusiveness, solidarity and mutual respect, we are called to make our priorities for the future use of our financial resources.
- (54) I want to express my appreciation for the good collaboration and fellowship within the LWF, with member churches, church-related organizations and agencies. I also wish to express my appreciation to the President of the LWF, General Secretary and several directors of departments in the Federation. I have a great deal of respect and appreciation for the way the staff in Geneva and in the field are able to keep their motivation for the work and for the vision alive in a challenging economic situation. The LWF is lucky to have such devoted staff members who are able to adjust and adapt to constant exercises in strict priority-setting, with not enough human and financial resources available.
- (55) I wish that God's rich blessings may stay with everybody who in the years to come devotes time and work to bringing the LWF forward in being a witness to the world through its important work.