

Report from the Strømme Foundation Board for 2008

Strømme Foundation (SF) is committed to empowering people to overcome the root causes of poverty. This commitment is motivated by identifying with the life and teachings of Jesus Christ. SF plays a catalytic role in empowering the marginalised sections of society to have access to basic needs, resources, and decision-making bodies and thus aim at promoting a just society.

The Boards work

The Board has had 6 meetings in 2008 and dealt with 51 issues. The following Board members were re-elected; Liv Næss and Geir Magnus Nyborg (Chairman). In addition one new board member, Svein Ove Faksvåg, was elected to replace Solfrid Lind. The Board's work has concentrated on a five year "Master Plan" for SF that will provide the strategic direction for the organisation in the period 2009 to 2013.

The Master Plan

SF has undergone a planning process lasting more than six months and involving head office staff, regional office staff and our partners in the countries in which we operate. The resulting "Master plan" is a global plan that sets the scope for Strømme Foundation's total activities, its development work internationally, plus information and fundraising work in Norway. It is also a strategic plan that sets out the main strategic choices that Strømme Foundation is making in our approach to development, the priorities on which our work will focus, and how the organisation will need to change in order to adapt to the overall direction.

Choice of Countries

SF attaches great importance to its decentralised profile and believes this feature will facilitate closer interaction with local civil society organisations. The location of the regional offices has historical explanations. Each office is responsible for programmes in more than one country and there has been a certain dynamism since the offices were established with regard to the countries where SF is active. The Foundation has withdrawn from some countries and has added others.

SF has established the following principles for selecting a new programme country. These are based on the realisation that SF programmes are situated in larger contexts that to a large extent will determine how well SF will reach its goals. National development and national policies are important preconditions for the outcome and impact of SF activities. Countries will therefore be selected on the basis of:

- The Human Development Index (HDI), created by the UN, which includes multi-dimensional measures of poverty
- People living below the poverty line
- Literacy rate
- Socio-political situation within the country
- The degree of interventions by the national government and other actors
- Regional coherence, allowing inter-country fertilisation of ideas and projects
- Opportunities to reach as many people as possible and generate maximum impact
- National and international funding opportunities
- The history of Strømme Foundation's infrastructure and branding.

In the next five years, SF will work in four regions; East Africa, West Africa, Asia and South America. The countries of operation within the five-year plan are shown in the table below:

Regions and Countries

REGION	COUNTRIES	OFFICES
West Africa	Mali, Burkina Faso, Niger	Regional Office in Bamako, Mali. There is a possibility that SF will need a satellite office in Ouagadogo, Burkina Faso.
East Africa	Uganda, Sudan, Tanzania and Kenya ¹	Regional Office in Kampala, Uganda, and satellite office(s) in Sudan.
Asia	Sri Lanka, Bangladesh, Nepal ² and Myanmar ³	Regional Office in Colombo, Sri Lanka, and satellite office in Dhaka, Bangladesh.
South America	Peru and Bolivia	Regional Office in Lima, Peru.

Thematic Goals and Intervention Lines

SF has decided to organise its activities within each programme country on the basis of six *intervention lines*, which, in various combinations, are assumed to achieve a limited set of *thematic goals*. The intervention lines are basically bundles of activities assembled on the basis of the skills, capacity, competence and experience of our staff and may be thought of as a menu that programme managers can choose from to assemble a country programme. For planning and capacity purposes, SF has limited programming to a maximum of four thematic goals per region.

The intervention lines on which SF will concentrate its efforts are:

- Provision of holistic pro-poor financial and non-financial services. This refers to the operation of microfinance projects, including preparation and follow-up to ensure proper management of microfinance funds at all levels.
- Provision of community-managed microfinance (CMMF). This refers to a model for the management of microfinance resources that involves community groups and group organisation in the management of financial resources.
- Strengthening basic education (formal and non-formal). This refers to the whole range of SF's involvement in strengthening formal basic education as well as concern for children and adults who for various reasons do not fit into the models of formal education. SF has developed alternative models for marginal groups (e.g., street children, young girls) in several countries.
- Culture for life skills, leadership and value development.
- Empowering adolescents on their rights.
- Community empowerment for democratisation.

The Norad review

In January and February 2008 an independent team appointed by Norad undertook an organisational review to coincide with the end of a five year "framework funding agreement" between SF and Norad. The review team concluded that there were many positive aspects to SFs work and some specific challenges related to organisational structure and clearer definition within the education sector. They also commented specifically that SFs financial control was impressive.

The team recommended that Norad enter a new five year funding agreement with SF and this has now been signed with a small increase in funding over the previous agreement. The recommendations from the review team have been taken fully into account in the Master Plan.

¹ For Kenya, partners are limited to the ongoing MF partners and a couple of partners monitored from head office.

² The Board have postponed entry into Nepal until earmarked funds are secured

³ Myanmar is a country in which SF is committed to work once the political situation allows and a suitable partner can be found. Until such time there are no concrete plans for Myanmar.

Consolidation of SFs Microfinance operations

During 2008 Norad confirmed that they will not require any repayment of their grants that have been used in SFs microfinance as recirculating loan capital.

This means that for the first time the microfinance operations have been consolidated into SFs accounts in 2008 using the equity method.

During the year the Board approved a revitalisation of Strømme Microfinance AS (SMFAS) through a transfer of all activities and assets in the Microfinance Department over to the shareholding company as 01.01.09 with the following assumptions:

- The SF Board is both the General Assembly and the Board of SMF AS.
- The CEO of the company will be the General Secretary of SF.
- The appointed CEO of SMF AS shall delegate the management of SMF AS including the head office responsibility for all SF's microfinance activities to the Director of Microfinance.

The consolidation of the microfinance operations in 2008 has made a significant impact on the figures, which have also been re-presented for 2007, there is no longer a recirculating "credit component" in the income but the total result for microfinance is included on one line in the activity account and the net assets included on the balance sheet. The fact that the a substantial part of the MF portfolio is with SF means that this microfinance net result and the net assets are included both in SF and in the consolidated figures. The consolidated figures include Strømme Microfinance Asia (Guarantee) Ltd, which operates in Sri Lanka, and Strømme Microfinance East Africa Ltd, operating in East Africa.

Financial Headlines

Consolidated Accounts

There was a consolidated surplus of 46 million in 2008 compared to 8.4 million in 2007. The dramatic increase is due largely to exchange rate gains as the microfinance portfolio is denominated in foreign currency and the value appreciated significantly against the Norwegian kroner during 2008.

Total equity increased by 42.6 million kroner and totals 173.9 million at the year end. The cash flow from operational activities is satisfactory; total liquid funds at the yearend were 24.1 million kroner and there is satisfactory liquidity in the new year.

Strømme Foundation

The total income in 2008 was 129.9 million kroner compared to 127.1 million kroner in 2007. Public Sector income decreased from 56.3 million kroner in 2007 to 54.5 million kroner in 2008 the difference being variations in MFA grants for disaster relief. Private Donations have remained stable; 53.5m in 2007 and 53.4m in 2008 and income from the Corporate Sector has decreased from 7.5m in 2007 to 6.4m in 2008

Financial support to projects in 2008 totaled 103.9 million compared to 95.4 million in 2007. The result for the year after change in earmarked capital was a surplus of 8.6 million kroner compared to a 0.9 million kroner surplus in 2007 before microfinance operations are included, including the result from microfinance the result for the year was 37.7 million kroner compared to 1.7 million in 2007.

The key figures for SF as a percentage of total costs in 2008 are; Administration 7.1% (7.7 in 2007), Fundraising 11.6% (10.5) and Purpose 81.3 % (81.8). There was an increase in fundraising costs in 2008 due to additional expenditure related to the re-launch of "Friends at Heart", SFs main product for individual giving. An explanation of how SF has allocated expenditure between administration, fundraising and purpose costs is shown in the Accounting Principles.

The Board and Secretary General feel it is correct to present the annual report under the going concern assumption. The organization is in a good economic and financial position with its footing in the Norwegian fundraising market and its good relations with NORAD and the Ministry of Foreign Affairs.

Working environment and Staff

The working environment in the SF is considered to be good. The cooperation with the employee's unions has been constructive and has contributed positively to the development work.

Absence due to illness at the head office was approximately 5 % (2.7 % in 2007) of the total working time including sickness related to maternity. The organization has a company doctor agreement. There were no serious accidents at work resulting in material damages or personal injuries during the year.

In 2008 there were 4 (4) women and 3 (3) men in the Board. Among the employees at the head office at the end of the year there were 13 (14) women and 22 (21) men, and 26 (23) women and 51 (46) men worked in the regions (including all microfinance and projects). SF strives for a balance of gender at all levels and is conscious about this when employing new staff.

The organizations contamination of the external environment will mostly be of an indirect nature. The Board considers this to have minimal contamination effect on the external environment. The organization has no order from the public authorities that has not been complied with.

Financial Risk

The Board continue to monitor the SFs financial risk, which is first and foremost tied up in currency variations. SFs expenditure is largely in currencies linked to the US dollar or the Euro and with most income in Norwegian kroner exchange rates play a large part in what SF is able to deliver to partners in the South. However, given the nature of SFs agreements with these partners it is not SF that takes the financial risk but the partners themselves. During 2008 SF entered into fixed exchange rate contracts in order to secure the 2008 and 2009 budgets at the favourable exchange rate between the Norwegian kroner and the US dollar.

The organization has no external borrowing, so there will be no serious consequence for the organization if the interest rates should increase considerably. The credit risk is tied up to the microfinance business and the decision has been taken during 2008 to transfer the assets of the microfinance operations into SMF AS, a fully owned subsidiary of SF.

Future Perspective – Finance Crisis?

SF have successfully renegotiated a five year framework funding agreement with Norad and the future perspectives are considered to be good for public funding. The board expects the private income to be impacted by the global finance crisis and SF have taken steps to diversify sources of private funding by starting a new partnership with Geneva Global, a US based fund for philanthropists interested in international development work. Having worked with Geneva Global for the last two years and received significant funding; SF are now entering into a joint venture to seek funds directly from the US and UK. Using Geneva Globals respected brand name and networks wealthy individuals, trusts and foundations will be targeted at relatively little cost and the early indications are encouraging. Matching US dollar income to expenditure will also reduce currency risk

Conclusion

The Board would like to thank the leadership team and all the employees for the results in 2008. Collaboration with local partners has been extremely good and through continual competence building at all levels of the organization we have reason to believe that even more people have been given the chance they deserve to come out of poverty.

Allocation of the result

- SFs surplus of NOK 8 592 145 is allocated to unrestricted retained earnings. The surplus of NOK 37 460 797 generated within the Microfinance operation is allocated to restricted Mirofinance Equity within SF.

Kristiansand, 14 May 2009

Geir Magnus Nyborg
Chairman of the Board

Svein Ove Faksvåg

Joanna Ilbouodo Kabore

Egil Gjesteland

Gunvor K. Andresen

Olaf Gundersen

Liv Næss

Øyvind Aadland
Secretary General