



القائمه العامه للكنائس في الشرق الاوسط
The Middle East Council of Churches

9th General Assembly
26-30 November 2007
Paphos-Cyprus

Finance and Administration Committee Report to the MECC 9th General Assembly

**Your Holiness and Beatitudes
Your Eminences and Excellencies
Brothers and Sisters in Christ**

Greetings of love and peace to each one of you in this good and important occasion in which the General Assembly meets for the ninth time during the life of the Middle East Council of Churches. We thank our Lord and Saviour Jesus Christ who was the accompanying shepherd in the course of our journey in this Council so that we were and are always able with His help to cross to safety with what preserves and consolidates the Council's message and its orientation toward ecumenical work and action of love, brotherhood and hope.

We present to you this financial and administrative report on behalf of the Committee of Financial and Administrative Affairs which was mandated by the Executive Committee, in accordance with the By Laws, to supervise and manage the Council's finances and to manage its resources with what guarantees the good performance, the transparency and the proper work that can reflect the Council's aims and objectives for which it was established.

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The past four years were marked with many circumstances and new matters that were imposed by outside given facts that coincided with internal ones in the form of basic directions in the administration of the Council which brought about a frame of work and a group of decisions that were unmatched in the past. These basic directions were able to concord with all the rhythms of the new matters with care and professionalism until the Council realized an important financial and administrative progress on which it is possible to accumulate and which can be considered an infrastructure for a future orientation that is stronger, more coherent and capable to go forward with aptitude and capability.

And in spite of the events that stormed the region and accompanied the process of administrative reevaluation and adopting administrative orientations basically related to the Council's constants and to its performance and effective presence, the quick dealing with the region's surprises and the capability to embrace and positively deal with them earned the Council additional presence and more capability of holding on to its constants within the spirit of unity, ecumenical work and human dimension, and with what is in harmony with the Council's message of dialogue, co-existence and soothing of pains.

Hence, it was inevitable for the Committee of the Financial and Administrative Affairs, from the beginning of assuming its responsibility before four years, to put the visions and the general frame that specifies the characteristics and features of the orientation that had to take its course during that period. These characteristics are:

- 1- Reducing the financial deficit and also its proportion to the volume of expenditure.
- 2- Increasing the productivity of the Council's personnel with what guarantees better proper activities with less number of employees.
- 3- Reducing the percentage of recurring expenditure to the total expenditure so as to reduce the percentage of the administration cost to get close to the more acceptable percentages.
- 4- Guiding the expenditure, increasing the external financing and varying the sources of income, for example Missio.
- 5- Putting the correct mechanism for the preparation of budgets, reviewing them, following up on them and evaluating them.
- 6- Improving the current relation with the service partners.
- 7- Ensuring the internal and external auditing.

To note that, in addition to the formation of a Budget Committee that emanated from the Committee of Finance and Administration and is assigned the study of budgets, reviewing them and evaluating them, and supervising the sources of income and the actual expenditure and comparing it with the plan of work and the situation of financial allocations with which it is necessary to be bound during the execution, there was also an appointment of a Committee of Personnel Affairs and an Internal Committee to audit the accounts (both emanating from the Committee of Finance and Administration). The Internal Committee is assigned the responsibility of auditing periodically the accounts for Cairo and Amman offices, thus it is the supervisor and financial auditor of the MECC offices outside Beirut, while the international auditing company, Price Water House Coopers (PWC) takes charge of the complete and comprehensive external auditing for all the financial work in the Beirut Office and for all the MECC programs, divisions, projects and offices. Also, with the aim to raise the level of accounts' auditing to the one desired by the financing parties, a contract was signed with Price Water House Coopers (PWC) to be in charge of auditing all the financial works for the Council's activities in the Emergency Appeal's projects.

These financial orientations made necessary a number of administrative measures with which it was imperative to deal. Following are some of these measures;

1. Activating the retirement age in accordance with the Constitution of the Council.
2. Specifying the authorities and responsibilities, and reorganizing the personnel files in order to prepare the functional organization map for the Council, and consequently the job description for the employees.
3. Ensuring that reducing the administrative expenses will not affect the quality of the Council's activities, its performance and its presence.

In this connection, it was imperative to deal with administrative ideas related to describing anew the jobs. Consequently, an administrative study was done to get acquainted with the actual administrative system, where a field survey was carried out followed by a desk analysis for all the employees as to the job, qualifications, experiences, age and responsibilities. The results of this study showed a clear and comprehensive map for the actual status of the employees; they showed the presence of an excess of employees in some positions and a lack in other positions. It also showed a category of employees that passed the legal age for retirement, and revealed the low percentage of young employees, also the reliance on the employees' years of experience rather than their educational qualification. This study showed the necessity of removing the additional burdens and controlling the expenditure and the salaries. And, in order to deal administratively with these orientations, to the minimum possible, and with what does not affect the production and productivity, the dealing with this matter was based on two main axes: first

to terminate the work of those who passed the retirement age, and second to issue comprehensive administrative instructions to have under control the administrative work, the job commitment and the expenditure. Thus the following steps were taken:

1. Terminated the work of 11 employees on retirement, with a total financial savings for the years 2006 and 2007 reaching about (155) thousand dollars.
2. Four cars were sold to the employees, and that led to a saving of (10) thousand dollars per year.
3. Abolished the parking subsidy to the Council's employees, which saved more than (7) thousand dollars per year.
4. Given the enrolment of the majority of employees in the Social Security, the participation of the Council in the medical insurance was abolished which led to a saving of about (19) thousand dollars per year.
5. Issued instructions for the use of the electronic mail instead of the international telephone, and reduction of the number of meetings that did not receive earmarked funding.
6. Offer from the Coptic Church of a location in its Church in Cyprus as a quarter for the Middle East Council of Churches. That saved the amount of (17) thousand dollars as the yearly rent that used to be paid for the old quarter. Also, the Orthodox Armenian Church in Aleppo offered an office to the Council, for gratis.
7. Dispensed with the occupation of the fourth floor in Beirut for an amount of (12) thousand dollars, and saving the rent expense that was about (5) thousand dollars per year.
8. Benefited from the Lebanese Law no.753 dated 12/5/2006 whereby the Council was exempted from paying the Social Security fines that amounted to about (23) thousand dollars for the years 2000 to 2005.
9. Worked diligently for a noted increase in the amount collected from the Churches subscription fees that reached about (46) thousand dollars for the year 2007, whereas this total was (28) thousand dollars in the year 2006.
10. Collected the Council's dues from the sale of the Family Bookshop FBG, as (60) thousand dollars were cashed in 2004, and a financial agreement led to cashing the amount of (220) thousand dollars in 2006.
11. Collected an amount of (5) thousand dollars in interest for the amount deposited by the Council with a 5% interest.

12. Took the legal necessary measures for the recuperation of the previous added tax VAT which was considered at the time as expenditure, a fact that makes of recuperating it an income to the Council. So, efforts are continuing to follow the necessary measures for the recuperation of the paid added tax.
13. Work was done to reduce the taxes that are due on the employees in the Council's Office in Cairo since the year 1988 from about (50) thousand dollars to about (4.5) thousand dollars.
14. Completed the dispensation with 12 employees from Dar Al Bahij-AL Hermel and Beit Al Hanan-Beshwat.

This financial and administrative orientation was rewarding, it was reflected in limiting the acceleration in the increase of the administration costs, nay in its decrease to get close to the usually reasonable and acceptable percentages in the administration of the non-profit organizations, and consequently to carry the administration burdens in a better way. As to the financial dimension, the Committee of Finance and Administrative Affairs, while presenting to the Ninth General Assembly the overall financial performance for the period beginning early 2004 until now, would like to assure this respectful Assembly that it dealt during the past four years with the developments that took place concerning the financing parties and also the nature of financing, particularly what is earmarked and what is not earmarked. The Committee was also able to contain all the negative developments that affected the partners due to the repercussions of the world economic situation and the appearance of catastrophes in the world that drew on a good part of their income. But in spite of all that, they were able to keep a certain level of financing and to spare the Council's income any real shaking that negatively affects the flow of outside revenues. Instead, the Finance and Administration Committee was able, thanks to the achieved coordination with the Council's General Secretariat, to deepen the confidence of the financing parties in the activities and performance of the Council, especially in those that necessitated the emergency appeal, and consequently to deal with this matter with professionalism and transparency that were praised by the financing parties themselves which serves in deepening this confidence and ensuring its continuation in the future.

It is also necessary to say that the political and military developments that befell the region led to an increase in the pace of work with what is up to the level of these challenges and with what preserves the role of the Middle East Council of Churches in its effective presence amidst these events. Hence, the movement for increasing the financing was notably active, and consequently the emergency appeals increased resulting in important and tangible successes translated in the increase of the volume of financing and aid.

As to the basic characteristics of the financial performance during the past four years, they are as follows:

- 1- The financial orientation for the deficit and surplus is reducing the expenses and lowering the deficit until it became a surplus, it went from a deficit of 7.7% in the year 2004 to a surplus of 20.1% in the year 2007. Exception is made of the year 2005 when there was a sudden decrease in the income from (2431,1) thousand dollars (two million four hundred thirty one thousand and one hundred dollars) in 2004 to (1577,5) thousand dollars (one million five hundred seventy seven thousand and five hundred dollars) which led to a deficit that reached 25.9%. But the deployed efforts and the war on Lebanon and its catastrophic aftermath have led to an increase in the income in the year 2006 to (4059,7) thousand dollars (four million fifty nine thousand and seven hundred dollars) which fact helped covering part of the exceptional deficit, and brought back the percentage of deficit to the sloping downward general orientation. The year 2007 consecrated this orientation in such a manner that the deficit turned to a surplus of 20.1%.
- 2- A reading of the figures of expenditures shows that the general orientation, resulting from the policy of controlling the expenditure, has led to a reduction in the expenses from (2632,3) thousand dollars (two million six hundred thirty-two thousand and three hundred dollars) for the year 2004 to an estimate of (1900) thousand dollars (one million and nine hundred thousand dollars) for the year 2007, with the observation of no effect on the good quality of performance, the unimpaired activities of the Council and the rights of the employees.
- 3- To note the change in the received revenues and their reliance on the efforts of cooperation with the financing parties and the connection of the size of expenditure with what is fulfilled of the financial pledges. Although the revenue until 16/10/2007 has reached (1649,4) thousand dollars (one million six hundred and forty-nine thousand and four hundred dollars), but there are financial pledges that can be fulfilled until the end of the year amounting to about (250) thousand dollars.
- 4- Most of the revenues are for the Council's divisions and departments, and the percentage of what is spent on ICNDR is more than the amount of the revenues to it that decreased due to the conditions put by some partners in order to continue financing the varied projects. These conditions were refused, at the time, from the Council. This means that ICNDR has constituted in the last two years 2006-2007 an additional burden on the financial deficit that was registered in the general budget.

- 5- Most of the expenditures are on the activities and the employees' rights that are legally in order, and it was possible in the last year to perform a critical revision on it without touching the legal rights of the employees.
- 6- It is possible to justify the deficit from 2004-2006 for the following reasons:
 - The existence of unsteadiness in financial revenues
 - The increase in the performed activities, quantity and quality, and consequently the increase in their costs in view of the rise in prices.
 - The existence of changes in the partners' interests and priorities according to the political situations and new events.
 - The irregularity of financial income from the donors that led to a temporary and by phase deficit.
 - Shortage in self-produced income from the Churches' subscription fees before it increased noticeably in the year 2007.

Future Expectations

The change in the financial situation that produced the existence of surplus in the year 2007 is an optimistic indicator that the deficit will not recur, inshallah. Also, the fruitful meetings with the donors and the careful study of the aforementioned reasons for the deficit lead us to believe that the incoming funds from the donors will regularize. Further, the continuation in the administrative and financial reform will help in the duration of the positive scene of the financial situation. Add to that the continued efforts deployed to control the expenditure, in all directions, without affecting the Council's level of performance, its activities and the carrying out of its message.

Your Holiness and Beatitudes, Revered Heads of Churches Your Eminences and Excellencies Sanctified Fathers Brothers in Christ

The past four years were not a normal period of time in the duration of the Council's existence because we were able during this period to put an important cornerstone for the administrative and financial reform process. What was done, though important and had a considerable administrative and financial effects, is considered by us to be a basic step on a long road, just as the total administrative and financial decisions and measures that were taken reflect the care of the Committee of Finance and Administration to read the future through a correct reading of the actual financial and administrative situation, and to endeavor to take precautions for the future to ensure the Council's good performance and its continued presence in accomplishing its message.

The road for the realization of administrative reform is long, so is the road toward raising the adequacy of expenditure and offered services. Further, the realization of this Council's great aims continues to require a proper adaptation with all the circumstances and new events. And, if the traditional sources of financing tend to diminish, then this calls on us to look for nontraditional sources for financing, and to deepen our orientation toward controlling the expenditure, increasing the benefits and reducing the percentage of administrative expenditure to the percentage of total expenditure to be among the internationally accepted percentages. Our concern in all that is the realization of the Council's aims and objectives without being stopped or having our determination affected by any stumbling block or obstacles on the road.

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The Committee of Finance and Administration endeavored to be, throughout the past four years, effectively present and acquainted with all the details, developments and dimensions, carrying the responsibility in all honesty and with transparency. The Committee was careful about the correct concordance and courageous translation of all the decisions and directives from the honorable Heads of Churches and the respectful Executive Committee, with all their financial and administrative repercussions. We realize very well that what was done is just putting the pillars for a financial and administrative orientation that requires a continuous effort and tireless work. We are confident that those who will be assigned to carry the trust, the president and members of the coming Committee of Finance and Administration, will do their best to continue to push forward the journey of this Council.

We thank you for listening and pray our Lord and Saviour Jesus Christ to bless you all and bestow upon you and this Council His Heavenly graces so that we all be able to carry the trust with competence and capability. With love and appreciation

The peace of Christ to all of you.

Vivian Lorenzo
Finance Secretary

Dr. Odeh Suleiman Sweiss
On Behalf of SCAF
President of the Finance
and Administration Committee