

2014

REPORT
FROM **the**
board of
directors
and Financial
statement

REPORT FROM the board of directors

Activities and developments

Chr. Michelsen Institute (CMI) is a multi-disciplinary social science research institute. We generate and communicate research-based knowledge relevant for fighting poverty, advancing human rights, and promoting sustainable social development. The geographic orientation is towards Africa, Asia, the Middle East, and Latin America.

Located in Bergen, CMI is one of the Nordic region's leading scientific communities in applied development research.

Research

Research is organized in ten thematic research groups that constitute the Institute's long-term research priorities.

- Poverty Dynamics
- Rights and Legal institutions
- The Politics of Violence and Security
- Global Health and Development
- Gender Politics
- Cultures and Politics of Faith
- Tax and Public Finance Management
- Democracy and Governance
- Natural Resources
- Development Aid

In 2014, CMI has implemented several initiatives to strengthen interaction in various areas of the Institute. To strengthen research cooperation, we have developed four new research programmes which outlines the long term research agenda of the Institute. Employment, global health, political and financial inequalities and security are the overarching themes of the new research programmes. We are also working to outline long-term research agendas in other thematic areas.

Improved interaction has also been a key in our efforts to strengthen our competitiveness in the market for commissioned research. We have established strong teams that can take the lead in tendering processes. We have continued to strengthen our competence in evaluation methods through the establishment of a dedicated evaluation-methods group, and we have invested in skills upgrading for young researchers through project involvement and through the establishment of a mentoring programme.

The Institute also runs the U4 Anti-Corruption Resource Centre (U4), a resource centre

assisting donor practitioners in more effectively addressing corruption challenges in health, education, natural resource management, justice system and other sectors. Through online courses and workshops in 12 countries, U4 had more than 500 participants in 2014. U4's Proxy Challenge initiative contributed to an attention to new ways to measure levels of corruption, and thus to finding more efficient reforms.

CMI is partner in the Centre for Intervention Science in Maternal and Child Health, a Centre of Excellence (CoE), which started at the University of Bergen in 2013. The centre is financed by the Research Council of Norway (RCN) for a period of maximum 10 years, and provides a good platform for further development of CMI's research on the role of the health system in improving maternal and child health. The Institute has also entered an agreement with the Institute for Comparative Politics at the University of Bergen on the establishment of a joint Centre for Law and Social Transformation which was officially opened in August 2014. The Institute is also partner in the Norwegian Centre for Humanitarian Studies, together with PRIO and NUPI.

Five new long-term projects financed by the Research Council of Norway (RNC) in 2013, started in 2014. Another five projects received RNC funding in 2014, four research projects and one film project. The new projects strengthen our research on global health, rights and women's role in development processes. There have been relatively few relevant tender announcements in 2014, but CMI's success

rate has been high. CMI won a framework agreement with Norad on human rights. Together with SIPU and ODI, CMI won an evaluation of Norwegian aid to gender equality. CMI also won a tender on a large project on women's rights in Muslim countries (Rafto foundation), in addition to several smaller projects.

In partnership with REPOA in Tanzania, CMI started a large five-year project that aims to enhance the empirical understanding of key prospects and challenges facing Tanzania as a new petro-state and to provide knowledge that will contribute to sound utilization of Tanzania's future petroleum income. The project provides a platform for similar initiatives in other countries about to increase their oil and gas income.

In 2014, the Institute played an active role in national processes in developing research strategies and research priorities in development research, including the development of a draft for a new programme plan for development research in RNC (NORGLOBAL programme) and the development of the HelseOmsorg21 strategy. The Institute has also promoted the establishment of thematic framework agreements with the Ministry of Foreign Affairs and a clearer mandate for institutional cooperation with research institutions in the South.

Research Communications

CMI research communication has policy makers in the North and the South, as well as academia, as its primary target groups. We work to become a more visible and influential

actor by tailoring our messages and modes of communication to the needs of the target audience. In 2014, we had a special focus on CMI's digital platforms.

In 2014, we published 5 books, 26 peer reviewed articles, 21 book chapter, 39 reports, 16 working papers, 12 insights and 26 briefs. Analysis and comments from CMI researchers are in high demand both nationally and internationally. In particular, CMI researchers contributed with analysis and comments related to the developments in the Middle East. Our monthly newsletter primarily targets policy makers and politicians with journalistic articles on our research. The CMI website has a high number of visitors and downloads. The Institute has worked on our social media visibility and has more than 1000 followers on Twitter. Our new blog, CMI Field Notes, provides an opportunity for our researchers to provide comments, analysis and firsthand impressions while they are in the field, and to show how they work.

The Bergen Resource Centre for International Development, which is CMI's events arena in cooperation with the University of Bergen, has become an important arena for communication, dialogues and discussions on global challenges for researchers, policy makers and the interested public. The Resource Centre had 69 events in 2014, and more than 2800 people participated. In particular, the Resource Centre has succeeded with its bi-weekly BreakfastForums on current global events. In 2014, there was an events series called "Let's be fair" where different departments, disciplines and researchers

were invited to conversations and lectures on various understandings of and perspectives on fairness.

Cooperation

CMI enjoys close co-operation and partnership with other research institutions both nationally and internationally, especially with research institutions in the South. In particular, cooperation with researchers in the South is possible in long-term institutional cooperation agreements financed by Norwegian embassies. Projects financed by RCN are also important arenas for this kind of cooperation.

In 2014, CMI established a new five year institutional agreement with REPOA in Tanzania, and we won a tender for a new three year agreement with CEIC in Angola, starting in 2015. We have worked actively to establish similar agreements in three other countries. CMI cooperates closely with other research institutions in Bergen. Establishing cooperation projects with the University of Bergen and the Norwegian School of Economics is important to create high quality and a critical mass of researchers in our research themes. CMI and UiB have started a dialogue aiming to find new models of cooperation which can further strengthen development research in Bergen. The CMI/UiB cooperation committee allocated seed money to seven new cooperation projects in 2014.

Organization

The follow-up of the work environment survey from the fall of 2013 has been a priority in 2014. Strengthening the interaction between staff has been a recurrent theme also in this work.

In particular, we have built awareness around what it takes to create good teamwork and clarifications of the roles and responsibilities of research directors and cluster coordinators. Another important initiative is the start of the project “the CMIway” which clarifies routines and aims to improve the quality of internal interactions in various areas.

THE FOUNDATION'S FINANCIAL PERFORMANCE

Income

The Institute's total income increased from NOK 73.2 mill in 2013 to NOK 77.3 mill in 2014. Remuneration increased with 1.5 % to NOK 45 mill, while the number of researcher/research man-years was reduced with 1.5. In 2014, CMI carried out 150 externally funded research projects and consultancy assignments for a total of NOK 61.2 mill. The number of projects is marginally lower than in 2013, but income per project increased with 10%. Project running costs constitute most of the increase. The core funding constituted NOK 14.9 mill, a 2 % increase from the previous year. In addition, NOK 969 000 was transferred from the Chr. Michelsen Fund (CMF), a 2.5% increase. The share of project income covering project specific running costs, increased with 24% from 2013, and is now on the same level as in 2011. The increase is mainly due to increased transfers to subcontractors and consultants, but also increased travel activity in the projects. The Norwegian government administration (MFA, Norad and the embassies) represents important clients for the Institute, constituting 40 % of the revenues, a considerable increase

since 2013, and equivalent to the 2012 level. This is still considerably lower than the 57% in 2006. The share of funding from Norad went up 2 % to 14%. The embassies' share increased from 12% to 18%, while the MFA funding has remained stable.

Projects with funding from the Research Council of Norway (RNC) constitutes 29% compared to 38% in 2013 (core funding not included). Since 2009, this share has been stable at around 30% of the external project revenues, and 2014 can thus be seen as a normal year.

Income from international sources has varied between 20 % and 30 % of the Institute's external project revenues since 2000. In 2014, this percentage was 25 %. Thus, this share has been stable since 2009. The international funding of the U4 Anti-Corruption Resource Center constitutes approximately 70 % of this income, an increase from 66 % in 2013.

The percentage of income from other clients, remains stable at 3-5 %, but constituted 6 % of the income in 2014.

CMI's goal is to develop an even broader funding base, and we have implemented targeted initiatives that have led to more customers in 2014, both internationally and in Norway, especially in the market for commissioned research. CMI will continue to focus on financial diversification to ensure that this development can continue.

Result and continued operation

CMI had in 2014 an operating result of NOK 2.8 mill and an annual result of NOK 2.7 mill. This

is higher than last year's result, which was NOK 1.1 mill, and is mainly due to reduced running costs. The equity situation has improved in recent years, and the net equity ratio is now 26 %, up from 24 % i 2013. This reduces the Institute's financial vulnerability. We have favorable premises to continue to develop the organization and its research activities in 2015. In accordance with the Accounting Act, section 3-3a, the board confirms that the requirements for continued operations are fulfilled.

Cash flow, investments, finances and liquidity
The Institute's liquidity reserves increased with NOK 5.45 mill to NOK 35.1 mill during 2014. The Institute's short-term debt apart from public fees, increased with NOK 1.7 mill to NOK 25.8 mill and represented 37 % of the total debt at the turn of the year, an increase from 36 % at the previous turn of the year. The increase can be attributed to several advance payments for agreed studies. As of 31.12.2014, the Institute's short-term debt can in its entirety be paid off with liquid reserves. Accounts receivable from customers, increased with NOK 0.5 mill from 2013 to 2014. This is mainly due to the fact that several payments for completed assignments arrive in January. The risk of loss is minimal as income comes mainly from Norwegian and international development cooperation authorities and from the multilateral development cooperation system, with the exception of foreign exchange losses (see below).

At year-end 2014, total capital was NOK 93 mill, compared with NOK 89 mill the previous year. The increase is linked to increased short-

term debt/ liquidity reserves. The increase corresponds to the increased liquidity reserves.

On 24 September 2014, CMI received a notice of possible tax liability. CMI argues that the Institute is not engaged in commercial activities and therefore should be regarded as a non-profit institution, cf. Norwegian Taxation Act, section 2-32, first paragraph. We refer to Note 13 to the annual accounts for further information.

In the view of the board, the annual accounts provide an accurate picture of the Institute's assets and debt, financial position, and result.

Market and financial risks

CMI is somewhat exposed to fluctuations in exchange rates. Approximately 25 % of the Institute's income is paid in foreign currency. The Institute has in 2014 entered an exchange loss of NOK 0.1 mill, and NOK 1 mill in exchange profit. In comparison, we entered an exchange loss of NOK 0.03 mill in 2013, and an exchange profit of NOK 0,7 mill. In 2012, we had the opposite situation. So far, the Institute has not entered into futures contracts or other contracts to reduce the Institute's currency risk and the operations-related market risk because it is difficult to predict the time of the invoice and the payment. However, CMI has an on-going dialogue with the bank regarding this matter. The Institute uses floating interest rates on its bank deposits. These rates stay low because of the general low interest level. Yet, due to a strong improvement in liquidity, the Institute had capital gains of NOK 0.27 mill up from 0.22 mill in 2013.

Working environment and personnel

The sickness absence rate was 2.21 % in 2014 compared to 4.21 % in 2013. No occupational injuries or accidents were reported in 2014. A work environment survey was conducted in 2013. The results from the survey show that the Institute has a good working environment. Follow-up of the survey has been prioritized in 2014. Strengthening of interaction and clarifications of roles and responsibilities have been in focus, and the work environment is now higher up on the agenda than it was previously. It can also be mentioned that the whistle blower routines have been adjusted to ensure good procedures if there is unacceptable behavior.

Gender equality

Of the Institute's 82 employees as of 31 December 2014, 35 are women. 50 % of the board members are women and two of six persons on the management team are women. CMI has established a wage system and welfare schemes designed to provide equal opportunities for wage and career development. The Institute has not used quotas to achieve gender equality.

Discrimination

Through recruitment both nationally and internationally, CMI seeks to ensure equal opportunities and rights, and to prevent discrimination based on a person's ethnicity, national origin, descent, colour, language, and religion or life stance.

CMI seeks to ensure that working conditions allow all individuals to enjoy equal work opportunities at the Institute regardless of functional ability.

Environmental report

The Institute's activities are not regulated by licenses or directives, and do not have a direct impact on the external environment. It should be noted, however, that extensive travel by our staff contributes to greenhouse gas emissions.

Annual profit/loss and allocations

The annual profit of NOK 2 727 328 was added to the existing equity. The institute had NOK 8 636 778 in unrestricted equity as of 31 December 2014, in addition to called-up and fully paid compulsory equity of NOK 15 300 000.

Bergen, 14 March 2014

Lars Svåsand
Chair

Bertil Tungodden

Nanna Hvidt

Karin Aslaksen

Arne Tostensen

Anne Bang

Ottar Mæstad
Director

INCOME STATEMENT 2014

	2014	2013
Operating revenues		
Project revenues	77 121 947	73 040 257
Other revenues	196 753	170 338
	77 318 699	73 210 595
Operating expenses		
Project expenses	16 257 630	13 127 280
Payroll expenses	50 146 319	49 798 905
Depreciation	1 398 614	1 470 375
Other operating expenses	6 726 845	7 378 250
	74 529 407	71 774 810
Operating result	2 789 292	1 435 785
Financial income/expenses		
Interest income	268 672	221 152
Other financial income	1 049 667	717 378
Interest cost to enterprise in same firm	-1 269 200	-1 269 200
Other interest costs	-1 860	-865
Other financial costs	-109 243	-32 583
	-61 964	-364 118
NET RESULT	2 727 328	1 071 667

BALANCE SHEET AS OF 31 DEC. 2014

	2014	2013
ASSETS		
Fixed assets		
Tangible fixed assets		
Building at Jekteviksbakken	45 823 451	46 851 314
Equipment, inventory etc.	1 209 807	1 513 880
	47 033 258	48 365 194
Financial fixed assets		
Long term receivables	898 903	991 204
Total fixed assets	47 932 161	49 356 398
Current assets		
Debtors		
Accounts receivable	9 696 420	9 193 377
Others debtors	376 468	912 112
	10 072 888	10 105 490
Investments		
Shares in other companies	358	358
Cash and bank deposits	35 077 354	29 626 462
Total current assets	45 150 600	39 732 309
TOTAL ASSETS	93 082 760	89 088 707

BALANCE SHEET AS OF 31 DEC. 2014

EQUITY AND LIABILITIES

Equity

Paid-in capital

Original fund	15 300 000	15 300 000
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Retained earnings

Other equity	8 636 778	5 909 449
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Total equity

23 936 778	21 209 449
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Liabilities

Pension funds

1 004 409	1 407 166
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Long term liabilities

Long term loans	38 000 000	38 000 000
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Current liabilities

Accounts payable	2 137 166	1 520 228
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Short term debt CMF	181 696	204 246
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Public duties payable	4 296 232	3 765 691
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Other short term liabilities	23 526 479	22 981 928
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30 141 574	28 472 092
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Total liabilities

69 145 983	67 879 258
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TOTAL EQUITY AND LIABILITIES

93 082 760	89 088 707
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NOTES TO THE ACCOUNTS

AS OF 31 DEC. 2014

Accounting principles

The annual accounts are produced in accordance with the Accounting Act and sound accounting practice

Project Revenues

Grants and other contributions are in its entirety credited to income in the period of allocation. Project revenues are credited according to the level of completion in every project. The level of completion is an estimate based on accrued hours and other costs held against estimated total hours and other costs.

Valuation and classification of assets and liabilities

Items due for payment within one year are classified as current assets and liabilities. Other items are classified as fixed assets. Outstanding account with Chr. Michelsen Fund (CMF) is classified as long term debt. Outstanding account due within one year is classified as short-term debt.

Receivables

Accounts receivable and other receivables are listed in the balance sheet at nominal value.

Currency

The fund on finished projects held in foreign currency is equivalent to the exchange rate by 31 Dec.

Short-term investments

Short-term investments (funds) are estimated at market value by 31 Dec. Dividends are recorded as other financial income.

Fixed assets

Investments in fixed assets are recognised in the balance sheet and depreciated during the asset's useful life when this exceeds 3 years.

Cash flow

The cash flow statement uses the indirect method.

NOTE 1 PROJECT REVENUES

	2014	2013
Project revenues exclusive of cooperating partners	61 248 947	57 508 257
Grants	14 904 000	14 587 000
Chr. Michelsen Fund	969 000	945 000
	77 121 947	73 040 257

External project revenues are stated without contributions to cooperating partners, NOK 16 517 959.

Geographic distribution:	2014	2013
Norway	61 549 425	58 817 254
Abroad	15 572 521	14 223 003
	77 121 947	73 040 257

