

Nordic International Support Foundation

Annual Report 2016





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The NIS Approach

NIS works with international donors and key national stakeholders to support the state-building and reconciliation processes necessary to stabilise fragile conflict and post-conflict environments. First and foremost, NIS seeks to achieve stabilising effects, in addition to any humanitarian or development benefits. This is done by working closely with key stakeholders – primarily the national, regional and local authorities – to ensure the delivery of Political, Relevant, Opportune, Verified and Expedited (PROVE) projects:

- **Political** – projects must be implemented in close cooperation with the authorities in ways that boost their legitimacy and political reputation among the population.
- **Relevant** – projects must provide benefits that cater to the most immediate needs of the people, including security, basic amenities/ infrastructure, and livelihoods.
- **Opportune** – in terms of timing, partners and location, projects should be implemented in ways that provide maximum strategic stabilisation benefits that respond to – and counter – the loss of trust in the ability of the state to meet essential needs.

- **Verified** – projects must meet a genuine need of the local population, including security, basic amenities/infrastructure, and livelihoods, and thus must be verified with the local community and authorities.
- **Expedited** – once identified and verified, projects must be implemented quickly and with minimal time lag between initial discussions and actual project implementation.

NIS' projects are in line with the PROVE principles. The PROVE projects bring authorities and communities closer together by providing concrete benefits to conflict-affected societies in conjunction with the authorities. Please visit our website www.nis-foundation.org to read more about the NIS approach.

Letter from the Senior Partners

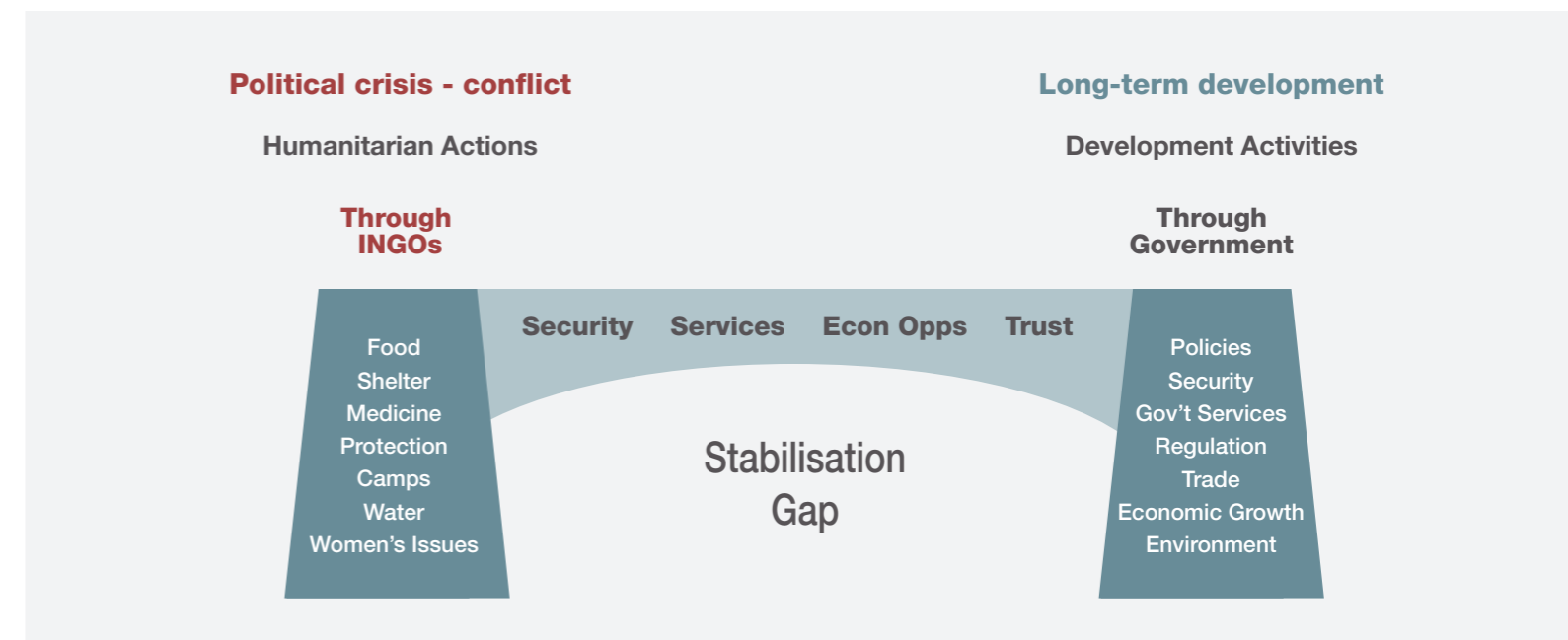
Throughout the course of 2016 NIS continued in its mission to support key state building and reconciliation processes in conflict areas and in so-called fragile states. The importance of this mission is reinforced by the World Bank's estimate that half of the world's poor will be living in such states by 2030. These fragile environments are often highly politicised and require an explicit emphasis on the political dimensions of conflict and are not amenable to strictly technical solutions. Currently there is an overemphasis on humanitarian-style assistance and an out-dated conception of "neutrality" guiding most of the work being carried out in conflict-affected states. As a result, vast resources are expended on activities that do not address the fundamental drivers of conflict and instability.

NIS describes the current situation as being characterised by a Stabilisation Gap: a policy gap between humanitarian interventions and longer-term development activities. In the countries where we operate, longer-term development programming is difficult or even impossible owing to the lack of well-functioning, legitimate and trusted state institutions. The basic necessities for development such as

security and rule of law cannot be delivered without state institutions. Before being able to achieve longer-term development goals such as education, health, human rights, environmental protection and economic well-being, there must be political stability and a minimum amount of trust in state institutions.

During our work, we continually run into the challenges associated with this policy gap, as the development sector often seems ill-equipped to deal with the political and security realities of fragile states. Although there has been ample research done on fragile states, and many good policy papers written on the subject, most large multilateral programmes continue to appear not fit-for-purpose, chronically hampered by slow bureaucracy, risk-aversion and extremely high running costs.

NIS has experienced strong growth since its establishment in 2011, implementing over 70 projects in four countries, during the last five years. This growth is a testament to the fact that the "stabilisation gap" is real and that some donors are beginning to see this policy issue. However, the majority of funds spent in fragile states continue to go towards purely humanitarian actions that do not seek to support



the development of state institutions or help boost the legitimacy of weak governments trying to lead their countries out of conflict. If countries such as Somalia, Mali, South Sudan, Syria, Yemen and Libya (to name a few), are to stabilise in the coming years, the international community must re-think how it engages in such countries and make policy choices that specifically address the “stabilisation gap”.

Development in Funding and Position

Securing adequate funding is often a major challenge in the non-profit sector. For NIS Foundation, 2016 was a challenging year and helped us to identify a number of ways to restructure the organisation’s main functions at headquarters and field offices to improve overall efficiency. In conjunction with continued donor outreach and programme development, these changes will help strengthen NIS going forward. Our objective to secure more long-term funding for our programme in Somalia was reached in 2016, when the NIS Foundation won a tender for a three-year agreement with the Norwegian Embassy in Nairobi for a labour-intensive stabilisation programme. In addition to this, we successfully laid the ground for new agreements and new donors, which already began paying-off in the first quarter of 2017. Importantly, we continued to increase the share of non-Norwegian donors to total funding in 2016, while maintaining the same level of total contributions. Given these developments and the organisational changes made in 2016, we are confident the foundation will continue to grow stronger and more effective in carrying out its stated mission into the future.

2016 was an Active Year

In Somalia, our work reaching new areas in south and central Somalia continued. NIS was the first international organisation to implement labour-intensive projects in collaboration with the authorities in Baardheere. Our work in Somalia was also marked by two important and innovative measures: Our cooperation with the Somali business sector, and our entering into the

sector of technical training and job creation for youth. NIS was able to carry out a project for the first time ever in cooperation with the Mogadishu Chamber of Commerce, in which commercial operators contributed funds to expand the reach of our projects. For example, in Mogadishu the Chamber of Commerce funded the building of a road and covered the costs for installing street lights around the main marketplace of the capital. In other words, the foundations were laid for a new and strengthened cooperation with the private business sector in Somalia. This development will have a major influence on many of our projects in 2017, especially as it relates to the 3-year agreement with the Norwegian embassy in Nairobi to finance a labour generating stabilisation programme in Somalia. Amongst other things, the programme includes the a tripartite cooperation between NIS, a vocational school in Mogadishu and the local Chamber of Commerce, where the vocational curricula will mainly focus on the solar sector.

We increased our activities in Myanmar as our two existing programmes expanded. For the NIS-administered Secretariat of the Joint Peace Fund (JPF), 2016 marked a transition from the preliminary phase (characterized by the development of systems and procedures, establishing governing bodies and employing representatives) to the operational phase. This occurred while the new government in Myanmar was establishing itself, and clarifying its expectations to the JPF as an actor in the peace process. In August of 2016, the JPF managed to start funding its first project to support a peace conference that was symbolically renamed the “21st Century Panglong Conference”. Through the Peace Support Fund (PSF), NIS continued its work to fund national and international organisations, which work through locally anchored, small-scale projects to strengthen opportunities for peaceful coexistence in Myanmar. The PSF performed well, as the number of projects that received support from the PSF doubled from 28 projects at end-2015 to 68 projects by end-2016 (and 70 if including PSF Phase 1 projects). Furthermore, the PSF has been working closely with donors to earmark

a portion of the funds for organisations and projects that focused on the participation of women in the peace process. Two new donors, Norway and Canada, joined the PSF in 2016 to support our efforts dedicated to women, peace and security.

In Mali, NIS expanded its collaboration with the UN peacekeeping forces in Mali (MINUSMA) and secured support for the expansion of our ongoing streetlight programme to four new cities: 2 projects in the Gao Region (Bamba and Bourem) and 2 in the Mopti Region (Youwarou and Teninkou). The latter region is located in

the heart of the country; an area that continued to experience increasing instability in 2016 and attacks from groups associated with Al Qaeda in the Islamic Maghreb (AQIM). Furthermore, our plans to expand the streetlight program in Timbuktu and 9 other cities came a step forward after entering into a major collaboration agreement with the Ministry of Energy in Mali.

Sincerely,

Eric Sevrin & Christopher Eads

Senior Partners

Locals gather around one of the solar light poles to be mounted in Youwarou, Mali.



Project Case I: RNE BLIS, Somalia

From mid-2016, NIS has been implementing the Bilateral Labour-Intensive Stabilisation (BLIS) Programme in Somalia, for the Royal Norwegian Embassy in Nairobi (RNE). The three-year programme is funded with 90,000,000 NOK to improve stability in Somalia by increasing the level of trust the population has in government authorities and boosting economic opportunities through work and skills-development for young people. Key to the programmes broader objectives are to improve the population's perceptions of government responsiveness and engagement in addressing and meeting their needs, including improved security and better social cohesion/interaction.

This is done in line with the government's stabilisation and development policies through the delivery of tangible infrastructure improvements, such as solar street lighting, road rehabilitation and vocational training facilities. The project elements are designed to improve security, create economic opportunities, and promote social cohesion. The overall aim is that delivery of such peace dividends will enhance

the authorities' ability to deliver services that improve the quality of life of the almost 3,000 direct – and many more indirect – beneficiaries in the target cities and towns of Mogadishu, Beledweyne, Abudwaq, Godinlabe, Afgoye, Baidoa, Beled-Hawo and Dolow.

In the Inception Phase, goals and interventions were reviewed and adjusted based on baseline assessments, and agreements with respective partners were signed, including with government ministries and private sector stakeholders such as the Somalia Chamber of Commerce and Industries (SCCI). A Steering Committee was established with membership of RNE, NIS and involved government actors, i.e. the Ministry of Planning and International Cooperation (MoPIC) and Ministry of Interior and Federal Affairs (MoIFA). The first meeting was held in September 2016.

Busy street at night time, Danwadaagta Road in Wadajir, Somalia. With our solar street light projects across Somalia we have seen an inspiring increase in night time safety for the local residents.



A total of 40 solar street lights were installed in the village of Gobweyn, Somalia.

Planned Interventions in the 3-Year Programme

- The installation of 300 solar street lights in six target locations to benefit households, businesses and local residents.
- Provision of vocational training to 260 students per year in the TVET Centre of Excellence for Solar Technology in Mogadishu
- Offering short-term labour-intensive employment opportunities for 1,890 casual workers with more than 130,000 worker-days from road rehabilitation, cobblestone road construction in Baidoa; and the installation of solar street lighting in Mogadishu, Abudwaq, Godinlabe, Afgoye, Beledweyne, Beled-Hawo and Dolow.
- Boosting the functioning of Dayniile Hospital in Mogadishu through solar electrification, which will benefit approximately 82,200 patients per year (23,400 inpatient, 64,800 outpatient);
- Reaching not only 2,650 direct beneficiaries in targeted areas, but also entire communities, e.g. youth sports activities (NETS) in Beledweyne will benefit youths playing in the leagues, vendors that are selling during games, and the spectators and community benefitting from the social cohesion and increased security.

Project Case II: Baardheere, Somalia

Since April 2016, NIS has been implementing a Stabilisation Programme in Baardheere (Gedo Region), for the Somalia Stabilisation Fund (SSF) with the aim of boosting the legitimacy of the government administration amongst the community at regional and local levels, while also increasing their capacity to serve their community and deliver tangible public services.

Strengthening linkages between local authorities and their communities is an essential part of the stabilisation process. This was achieved through community engagement and consultation events, weekly information sharing meetings and joint site visits organised by NIS, together with senior government officials (the first time that a governor visited Baardheere to meet the community). These events reached an audience of more than 470 people including all stakeholder groups, allowing active participation in the assessments of needs and priorities, information sharing and discussions. The feedback on this stabilisation intervention and the role of the local authority was very positive.

NIS supported the government in enhancing strategic communication activities using all available media outlets to raise awareness and mobilize the local community and diaspora;

Construction of Baardheere river culvert for flood defence.



Community elders attending the extended community meeting in Baardheere, Somalia.

inform all stakeholders of the project; and ensure the community was aware of the important role of the local authority in the project. NIS staff presence and the establishment of a satellite office in Baardheere strengthened the collaboration between NIS, local communities and district administration.

A total of 1,533 casual workers (including 27% women) constructed urgently needed government buildings (an office for the District Commissioner and a Social Hall); a stadium to facilitate social interactions across the community; and a flood defence system that protects 1,500 high risk households in the Kurman Valley. During the project, a total of US\$134,023 was injected into the local economy in the form of payments for labour.

Owing to the success of the project, the SSF has agreed to fund a second phase intervention in Baardheere in 2017-2018.

Project Case III: Stabilisation in Remote Locations, Mali

In 2016 NIS implemented stabilisation projects in four remote locations in northern and central Mali for the UN peacekeeping mission in Mali, MINUSMA. Bringing signs of improved service delivery from government agencies to remote and marginalised areas is an important step towards reducing instability and disaffection with the central government in these underserved communities.

The installation of solar powered street lights in the remote towns of Bamba and Bourem (Goa Region) and Tenenkou and Youwarou (Mopti Region) was seen as an important early stage intervention to help boost community perceptions of the central government, while at the same time improving the general security and economic environments. While these towns were identified as strategically important target areas, getting projects implemented in such remote locations carried a large number of challenges.

Due to security issues and the very poor state of the roads to the four project locations (Bamba, Bourem, Tenenkou and Youwarou), the river was the best alternative to road transportation. Big canoes were rented and special teams were organised to unload the material from the shipping containers and reload them in the canoes in the same way. For each location, NIS rented three canoes: one transporting 10 tonnes of cement and construction materials; one transporting 36 poles and their accessories such as the arms, frames, bolts, etc.; and the third transporting 72 batteries, 36 panels, 36 boxes, 36 LEDs and spare parts. More than 36 workers were involved in the operation in Mopti (Tenenkou and Youwarou), as well as in Gao (Bamba and Bourem).

Projects of this type had never been carried out in these locations. NIS worked with a Gao-based company, Ahler, to install the lights in each town. Ahler was itself created by workers NIS had trained during earlier solar lighting

projects in Gao, and helped to organise them into a business entity. The solution highlights how NIS tries to create synergies between its projects whenever possible. An additional challenge in these remote locations was the lack of banking services in all four towns. NIS worked with Ahler to design and control a viable payments system for workers, as well as helped negotiate arrangements with regional merchants with representatives in each location to ensure adequate cash was on hand for paying workers and materials costs. This was seen as

Mounting a solar street light pole in the ancient city in Youwarou, Gao region, Mali.





Preparations on the Niger river bank in Mopti for the transportation of solar street lights to the project locations in the Mopti region, Mali.

a novel solution, as travelling in these areas with large amounts of cash would have posed an unacceptably high risk.

Overall, the implementation of these projects demonstrates the need for creative solutions to overcome the vast array of challenges that exist in such contexts. Without dedication and imagination, such successes would be impossible. Achieving results in these locations has cemented NIS' reputation in Mali as one of the only organisations capable of such a feat.



Installation of solar street lights in Youwarou, Gao region, Mali.



Night time picture at the Youwarou Market Place after the successful installation of solar street lights.

Project Case IV: Peace Support Fund / Paung Sie Facility, Myanmar

Since its establishment in March 2014, the Peace Support Fund (PSF) has been operating as a flexible, responsive and demand-driven multi-donor fund. The main objective of the PSF has been to increase the likelihood of sustainable peace in Myanmar with primary funding contributions from the governments of the UK, Australia and Sweden. The PSF's mission is to provide financial and technical support to nationally-led initiatives that increase trust, dialogue and effective participation in the peace process, as well as initiatives aimed at building inter-communal harmony.

The PSF has funded a total of 70 projects to date, reaching all states and regions across Myanmar. 30 of those are delivered directly by local organisations; 16 through partnerships



\$21.9M
TOTAL FUND



\$22.3M
TOTAL COMMITTED



70
PROJECTS FUNDED



60,000+
DIRECT BENEFICIARIES

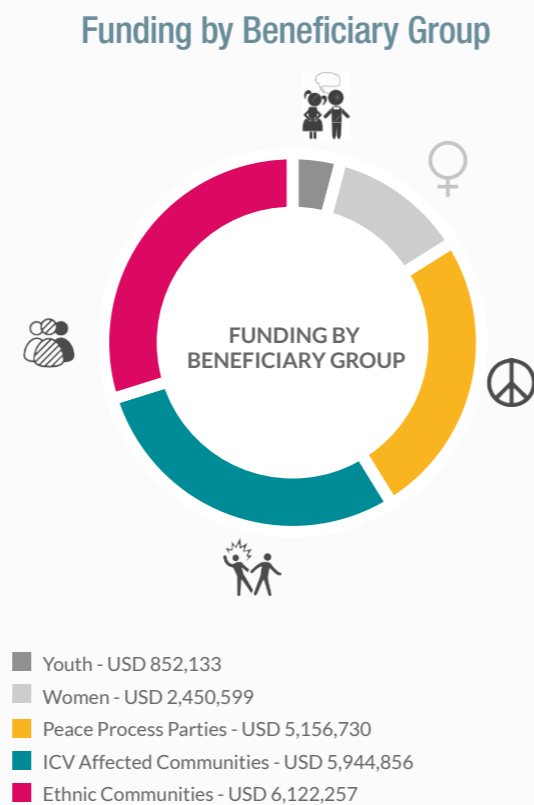


260+
ORGANISATIONS SUPPORTED



ALL 14
REGIONS AND STATES REACHED

between international and local organisations; 13 by international organisations; 7 through consultants including research initiatives; and 4 through partnerships between local organisations. To date, projects supported by the PSF have directly benefitted 60,516 people throughout Myanmar. Over 260 local organisations have benefitted from tailored organisational or technical support provided as part of the package of support from the PSF while secondary beneficiaries number into the hundreds of thousands.



The Gender, Peace and Security Funding Window

The PSF maintains a commitment to Gender, Peace and Security (GPS) by supporting efforts to enhance women’s substantive participation in the peace process, raising the voice of grassroots women to engage with decision makers, supporting women’s participation in civilian protection efforts and engaging male champions to increase gender equality and inclusive peacebuilding. Overall, 15% of PSF funding goes directly to gender responsive programmes and projects. Acting upon the recommendations of the 2016 PSF discussion paper “The Women are Ready”, the PSF opened a dedicated GPS funding window which offers sub-national and grassroots organisations with a commitment to GPS initiatives, the opportunity to receive core operations, strategy and organisational

development support. In the first funding round over 45 applications were received with 11 selected for funding.

Project Case V: Joint Peace Fund, Myanmar

Following a landslide victory in November 2015, the new NLD government in Myanmar took power in March 2016. As a result, the trajectory of Myanmar’s peace process remained uncertain for several months. However, in August 2016 the Joint Peace Fund, JPF was asked to make its first grant, in support of the Union Peace Conference, a flagship event for this new phase of the peace process that the government dubbed “21st Century Panglong”. This request from the government affirmed the JPF as a key supporting actor to the peace process. In the months that followed, the Myanmar State Counsellor, Her Excellency, Daw Aung San Suu Kyi, further demonstrated her support for the coordinating function that the JPF was playing amongst donors when she explicitly encouraged several new countries to join the Fund. By the end of the year, the JPF was on course to

increase its membership from eight to eleven contributing countries by early 2017.

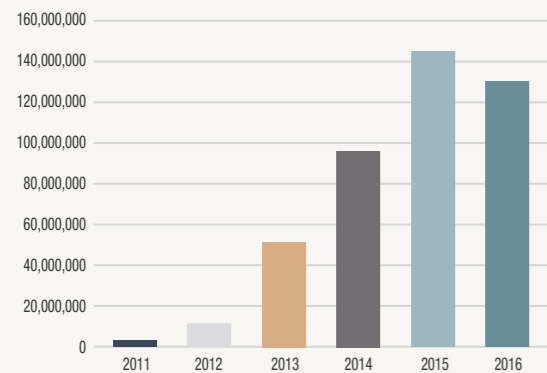
In the months following the Union Peace Conference, the JPF worked intensely with the key parties to the conflict to design grants that could support them in the upcoming peace process. By December the design for grants to the government’s National Peace and Reconciliation Center (NRPC) and to the EAOs who had signed the Nationwide Ceasefire Agreement, were near completion.

Delegates assembled at the 21st Century Panglong conference on 31 August 2016.

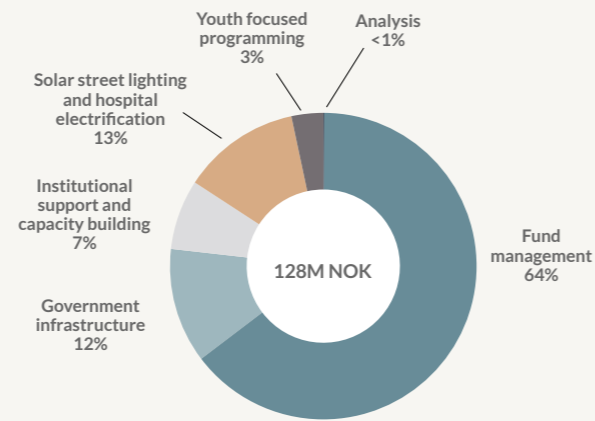


Funding: Charts

Funds Acquired by Year (NOK)



Funds Acquired by Project Type in 2016



NIS Donors by Year



Activity Account

	Notes	Results 2016	Results 2015
ACQUISITION OF FUNDS			
Subsidies	3	119,824,516	135,042,967
Subsidies administration	3	10,056,053	8,144,229
Consultancy earnings	3	140,461	973,870
Total acquired funds		130,021,030	144,161,066
Financial revenues	2	10,026,307	450,795
Total acquired funds		140,047,337	144,611,861
USED FUNDS			
Costs for organisational purposes			
Relief work	4, 6	132,878,501	139,126,396
Total costs organisational purposes		132,878,501	139,126,396
Administrative costs	4	10,966,258	9,273,580
Total used funds	2, 5	143,844,759	148,399,976
Results from activities		-3,797,422	-3,788,114
Supplement/reduction of organisational capital			
Transferred to/from Other organisational capital		-3,797,422	-3,788,114
Total supplement/reduction of organisational capital	8	-3,797,422	-3,788,114

Balance Sheet

	Notes	31 December 2016	31 December 2015
ASSETS			
Fixed assets			
Inventory	6	2,708,063	1,438,963
Total fixed assets		2,708,063	1,438,963
Current assets			
Receivables			
Accounts receivable		0	81,019
Subsidies	3	15,438,835	15,576,067
Other short-term receivables	7	3,209,515	1,864,888
Total receivables		18,648,350	17,521,973
Cash and bank deposits	7	39,783,181	41,663,347
Total current assets		58,431,530	59,185,321
Total assets		61,139,593	60,624,284
Organisational capital and liabilities			
Paid-in organisational capital			
Initial capital		100,000	100,000
Total contributed capital		100,000	100,000
Accrued organisational capital			
Other organisational capital/ uncovered losses		-1,908,789	1,888,633
Total earned organisational capital		-1,908,789	1,888,633
Total organisational capital	8	-1,808,789	1,988,633
Liabilities			
Long-term liabilities			
Subordinated loans	8	2,250,000	0
Total, Long-term liabilities		2,250,000	0
Current liabilities			
Accounts payable		96,309	14,496,878
Public charges payable		297,000	479,785
Subsidies	3	59,635,998	42,931,833
Other current liabilities		669,075	727,155
Total current liabilities		60,698,382	58,635,651
Total organisational capital and liabilities		61,139,593	60,624,284

Cash Flow Statement

	2016	2015
Items in the Activity Account with no direct influence on liquidity:		
Account of activities for the year	-3,797,422	-3,788,115
Ordinary depreciations	575,564	-1,438,963
Total for items in Activity Account with no direct influence on liquidity	-3,221,858	-5,227,078
Investments, disposals and financing:		
Acquisition of other tangible fixed assets	-1,844,664	-
Acquisition/ increase in long-term and short-term liabilities	2,250,000	-
Total investments, disposals and financing	405,336	-
Other changes:		
Changes in accounts receivables	81,019	2,607,948
Changes to accounts payable	-14,400,569	9,638,413
Changes in other accrual accounting items	15,255,905	14,040,753
Total, Other changes	936,355	26,287,114
Total, Changes in liquidity throughout the year	-1,880,167	21,060,036
Liquid assets 1.1	41,663,347	20,603,310
Liquid assets 31.12	39,783,181	41,663,347

Notes to the Accounts at 31 December 2016

NOTE 1 ACCOUNTING PRINCIPLES

The annual accounts are presented in accordance with regulations in the Norwegian Accounting Act and generally accepted accounting principles for idealistic organisations and consist of the following:

- Activity account
- Balance Sheet
- Notes

The accounting principles for small business enterprises have changed in 2016.

Subsidies

Subsidies are recorded as income proportionate with use in the project for which they have been allocated. Unused subsidies which apply to future periods are recorded as a liability on the balance sheet. Not yet received/ not reported subsidies are recorded similarly as a receivable in the Balance Sheet.

Financial revenues

Interest income is recorded as income as it is earned.

Costs

Costs are distributed as project costs (relief work) and administrative costs based on direct use.

Taxes

The foundation's activities are not taxable; cf. § 2-32 of the Taxation Act.

Current assets/Current liabilities

Current assets and current liabilities normally include items that are due for payment within one year of balance sheet date, as well as items related to the circulation

of goods. Current assets are assessed at the lowest of procurement cost and assumed fair value.

Fixed assets/Long-term liabilities

Fixed assets include assets specified for permanent ownership and use. Fixed assets are assessed at procurement cost. Tangible fixed assets are recorded in the Balance Sheet and written off over the economic life of the asset. Tangible fixed assets are depreciated at the recoverable amount when the reduction in value is not expected to be temporary. The recoverable amount is the higher of net sales value and value in use. Value in use is the present value of future cash flows associated with the asset. A depreciation is reversed when the basis for the depreciation no longer exists.

Receivables

Accounts receivables and other receivables are recorded at face value, less deductions for projected losses. Provisions for losses are made based on an individual assessment of each receivable, and a supplemental provision intended to cover other foreseeable losses.

Currency

Transactions in foreign currencies are converted to the rate of exchange on the date of the transaction. Monetary items in foreign currencies are converted to Norwegian kroner using the exchange rate on balance sheet date.

The exchange rate fluctuations are recorded as they occur during the accounting period as Other financial items.

Cash Flow Statement

The company's Cash Flow Statement is prepared according to the indirect method. Cash and cash equivalents include cash, bank deposit and other short-term liquid placements.

NOTE 2 COSTS BY TYPE

Operating costs are specified by type:

Operating costs	2016	2015
Goods & services from subcontractors	87,846,938	114,392,079
Cost of labour	38,891,526	23,150,638
Depreciation on fixed assets	575,564	-1,438,963
Other operating costs	14,720,840	11,984,328
Total operating costs	142,034,869	148,088,082

Financial revenues and financial costs

Other interest income	188,467	38,010
Currency gains (agio)	9,837,840	412,786

Notes to the Accounts at 31 December 2016 (continued)

Total financial revenues	10,026,307	450,796
Other interest costs	53,001	145,223
Currency losses		1,756,889
Total financial costs	1,809,890	311,895
Net financial items	8,216,417	138,901

The Activity Account shows earnings and costs divided by activity, as far as this is possible. This also includes financial items. Used funds consist of the sum of all operating expenses and financial costs. Financial revenues are recorded on the line for financial revenues.

NOTE 3 SUBSIDIES

Subsidies

The Ministry of Foreign Affairs, including the Royal Norwegian Embassy of Nairobi	18,434,140
UK, EU, Somalia Stability Fund, World Bank, Sweden (SIDA), UNOPS, MINUSMA, Australia (DFAT), FAO	90,715,954
DFID	46,283,312
Accrued additions/subsidies	-25,554,836
Consultancy services	140,461
Other earnings	2,000
Total	130,021,031

Unused funds at the end of the project shall be refunded in full.

Unused funds as of 31.12.16 amount to NOK 59 635 998 are recorded as liabilities in the Balance Sheet.

Not received/ not reported funds as of 31.12.16 amount to NOK 15 438 835 are recorded as receivables in the Balance Sheet.

NOTE 4 REMUNERATIONS/ALLOWANCES TO GENERAL MANAGER, BOARD OF DIRECTORS AND AUDITOR

	2016	2015
Cost of labour		
Salaries	28,813,330	17,821,330
Employer's contribution	909,928	1,001,162
Pension costs	118,004	230,247
Other pay-related benefits	9,050,264	4,097,899
Total	38,891,526	23,150,638

Average number of full-time man-years, employees in Norway	11	12
Average number of full-time man-years, employees outside Norway	58	43
	Managing Director	The Board of Directors
Salaries	457,954	
Other remunerations	-	
Total	457,954	

Costs for ordinary auditing services in 2016 amounted to NOK 120 000, and NOK 137 406 for other services provided by the auditor which are mostly associated with project confirmations. (Figures include VAT).

Notes to the Accounts at 31 December 2016 (continued)

The company is obligated to have an occupational pension scheme for its employees, according to the Norwegian Mandatory Occupational Pension Act. The foundation has a pension scheme that satisfies official requirements according to the Act.

NOTE 5 KEY FIGURES

The project percentage and administrative percentage are considered project funds, respective of administrative functions in relation to the total for Used funds.

	2016	2015	2014	2013
Project percentage	92.4 %	93.8 %	95.5 %	96.9 %
Administrative percentage	7.6 %	6.2 %	4.5 %	3.1 %

The fund-raising percentage is calculated according to guidelines provided by the Norwegian Control Committee for Fundraising for calculating funds raised for a given project or objective. The foundation's only sources of income is subsidies, and according to the guidelines provided by the percentage of the Norwegian Control Committee for Fundraising, subsidies are not included in the calculation base for the fund-raising percentage. That is the reason why a fund-raising percentage is recorded for the foundation.

NOTE 6 TANGIBLE FIXED ASSETS

Tangible fixed assets	Vehicles	Machines and inventory	Total tangible fixed assets
Procurement cost 01.01.16	1,401,836	657,415	2,059,250
Acquisition of purchased capital equipment	-	1,844,663	1,844,663
Disposal of sold capital equipment	-	-	-
Procurement cost 31.12.16	1,401,837	2,502,078	3,903,913
Accumulated depreciations as of 31.12.16	506,406	689,445	-1,195,851
Balance sheet value as of 31.12.16	895,431	1,812,633	2,708,063
Depreciations 2016	176,955	398,609	575,564
Depreciation period	10 years	3-5 years	

NOTE 7 RESTRICTED BANK DEPOSITS

Restricted bank deposits	2016	2015
Deposits in the tax withholding account	359,541	284,886
Initial capital	105,279	104,755
Subsidies accounts	39,318,361	41,273,706
Deposits for property leases	275,055	275,055
Total:	40,058,236	41,938,402

NOTE 8 ORGANISATIONAL CAPITAL AND SUBORDINATED LOANS

	Initial capital	Other EQ	Subordinate loans	Total
Organisational capital as of 31.12.2015	100,000	1,888,633		1,988,633
Profit/loss for the year		-3,797,422		-3,797,422
Organisational capital as of 31.12.2016	100,000	-1,908,789	0	-1,808,789
Subordinated loans			2,250,000	2,250,000
Total, eligible capital	100,000	-1,908,789	2,250,000	441,211

Subordinate loans: Two of the company's board members granted a loan to the organisation as of 31.12.16 amounting to NOK 2 250 000. The loan is held for all other debts and classified as a subordinated loan. This loan is exempt from instalments with an interest calculation of 3 % per year. The loan shall be repaid no later than 31.12.2018.

To the Board of Directors of Nordic International Support Foundation - NIS

Independent Auditor's Report

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Nordic International Support Foundation - NIS showing a loss of NOK 3 797 422. The financial statements comprise the balance sheet as at 31 December 2016, the income statement and statement of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the accompanying financial statements are prepared in accordance with law and regulations and are prepared in accordance with law and regulations and give a true and fair view of the financial position of Nordic International Support Foundation – NIS as at 31 December 2016, and its financial performance and its cash flows for the year then ended in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway.

Basis for Opinion

We conducted our audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs). Our responsibilities under those standards are further described in the *Auditor's Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the foundation as required by laws and regulations, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Other information

Management is responsible for the other information. The other information comprises the Board of Directors' report, but does not include the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of The Board of Directors and the Managing Director for the Financial Statements

The Board of Directors and the Managing Director (management) are responsible for the preparation in accordance with law and regulations, including fair presentation of the financial statements in accordance with the Norwegian Accounting Act and accounting standards and practices generally accepted in Norway, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

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Medlem av Den Norske Revisorforening.

RSM Norge AS is a member of the RSM network and trades as RSM. RSM is the trading name used by the members of the RSM network. Each member of the RSM network is an independent accounting and consulting firm which practices in its own right. The RSM network is not itself a separate legal entity in any jurisdiction.

In preparing the financial statements, management is responsible for assessing the foundation's ability to continue as a going concern, disclosing, as applicable, matters related to going concern. The financial statements use the going concern basis of accounting insofar as it is not likely that the enterprise will cease operations.

Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including ISAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with laws, regulations, and auditing standards and practices generally accepted in Norway, including International Standards on Auditing (ISAs), we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error. We design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- conclude on the appropriateness of management's use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the foundation to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

We communicate with the Board of Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

Report on Other Legal and Regulatory Requirements

Opinion on the Board of Directors' report

Based on our audit of the financial statements as described above, it is our opinion that the information presented in the Board of Directors' report concerning the financial statements, the going concern assumption, and the proposal for the coverage of the loss is consistent with the financial statements and complies with the law and regulations.



Opinion on Registration and Documentation

Based on our audit of the financial statements as described above, and control procedures we have considered necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, *Assurance Engagements Other than Audits or Reviews of Historical Financial Information*, it is our opinion that management has fulfilled its duty to produce a proper and clearly set out registration and documentation of the foundation's accounting information in accordance with the law and bookkeeping standards and practices generally accepted in Norway.

Opinion regarding the distributions and management

Based on our audit of the financial statements as described above, and control procedures we have found necessary in accordance with the International Standard on Assurance Engagements (ISAE) 3000, we believe the foundation is managed in accordance with law, the Foundation's purpose and bylaws.

Oslo, June 30, 2017
RSM Norge AS

Vidar Haugen
State Authorised Public Accountant

Note: This translation from Norwegian has been prepared for information purposes only.

Headquarters:
Oslo, Norway

Visiting address:
Brenneriveien 5 (2nd floor), 0182 Oslo

Postal address:
PO Box 9025 Grønland, 0133 Oslo

Telephone: +47 21 39 60 37

E-mail: post@nis-foundation.org

Twitter: NIS_F

Working in conflict and post-conflict environments, we lay the utmost importance in conducting our work to the highest ethical standards. If you wish to raise a concern, please see our whistleblowing form on our website at www.nis-foundation.org