



Honorary Chairman: His Majesty King Carl XVI Gustav of Sweden

Løndal Denmark 16 October 2007

Mr. Herman Hui,
Chairman, World Scout Committee

Dear Herman,

I am writing to you to share my concerns about corporate governance issues of the World Scout Committee (WSC) and the World Scout Bureau (WSB) in relation to the World Scout Foundation (WSF) as your largest financial supporter. I know you have worked hard to make the WSC a stronger volunteer governing body of World Scouting. You have also worked with the Secretary General (SG) to improve both the relevance and the efficiency of the work of the WSB, including its regional offices.

While the World Scout Committee is responsible for governing the work of the World Scout Bureau through the Secretary General, the board of the World Scout Foundation has a dual responsibility: 1) To raise money for World Scouting and invest it in an efficient and proper manner, and 2) To ensure that the money we grant to World Scouting, is being spent properly (the fiduciary responsibility). You recall that I referred to these two points in my short presentation at the September WSC meeting in Geneva.

The fiduciary responsibility has two sides: 1) To ensure that the WSC follows high standards of good corporate governance, and 2) To oversee that money granted by the WSF to WOSM is spent in a way that actually benefits Scouting around the World.

The two organizations, WOSM and the WSF, are two separate entities that work together for the same purpose: To offer better Scouting to more young people around the World. Our joint history is 25 years of good cooperation and mutual respect that has helped us make a big difference for the young people we serve.

Every time a member of the WSF Board faces a donor, we must be able to ensure that WOSM is efficiently run and resources are applied for the benefit of Scouts around the World. This could be training of volunteer leaders, printing of Scout handbooks, establishing systems for increased contact between Scouts in different parts of the World or simply expanding Scouting in areas where it is weak today. We serve as the guarantor for the donor that ensures that the governing bodies of World Scouting, in particular the WSC and the WSB, are governed and managed at a world-class standard. The consequence is that if the WSF Board has serious reservations about any of these points; it cannot make grants of donor money to World Scouting until the matter is rectified.

Our current concerns build on my own observations at the recent WSC meeting, information from other members of the WSF Board and also feedback from members of the WSC and WOSM member organizations. The issue has been discussed at length by members of the WSF Executive Committee and I have been asked to raise the matter with you and the WSC so that we can avoid that this unfortunate situation has a negative impact on all the good work that is being done within Scouting around the World.

The concerns can be grouped under four headings:

1. **The World Scout Committee appears not to be in control.** During the September WSC meeting I noticed several incidents that made me doubt who runs WOSM – the SG or the WSC. It struck me that while WSC members in general respected the ruling of the chairman, the SG did not. For example, when the internal auditor presented his report on Picarquin the SG interrupted and ruled his comments on the feasibility of a possible hotel project out of order on the basis that the internal auditor could only present facts and not offer judgement. Another WSC committee member, Mario Diaz Martinez, was allowed to reiterate this point in a wording that was most inappropriate for a Scout gathering. Even worse, the SG then threatened the committee that unless his hotel proposal was accepted, he would fire key WSB staff members and remove travel reimbursement from World Scout Committee members.
2. **Elementary rules of good governance are not followed by the WSC and the WSB.** In an international organization such as WOSM, an approved budget before the start of the fiscal year is a must. The budget serves as the authorization by the WSC for the SG to allocate resources and spend money in the WSB. There are no excuses for this. Anyway, the WSC at its September meeting accepted without comments that the 2007/2008 budget had not yet been prepared and would be submitted by the SG to the WSC for discussion at its March 2008 meeting, six months into the fiscal year. Also the final audit report of the 2005/2006 accounts was not yet ready and approved at the September 2007 meeting – one year after the end of the financial year. This must raise great concerns for any donor.
3. **The WSB does not seem to understand what its core business is.** The core business of the WSF, the WSC and the WSB is to make quality Scouting available to more young people around the World. At the WSC meeting in September, two items raised doubt whether the WSB understands what its core business is. Following the discussion of the future of the Picarquin campsite in Chile, the WSC adopted a recommendation from the SG to carry through a feasibility study for the construction of a commercial hotel at the site in order to create a recurring revenue stream necessary to finance the operations of the campsite. This recommendation was made despite the fact that due to the remote location of the site, it is highly unlikely that the site will be used by a majority of Scouts from other parts of the World within a foreseeable future. In 2006, only 7 % of revenues came from Scouts – mostly local Scouts from Chile. The fact that this campsite once hosted a World Jamboree was used by the SG to justify that World Scouting should invest significant financial and management resources to run this centre. Running Picarquin and a commercial hotel operation – even through a separate legal entity – is clearly outside the core business for the WSB. A similar argument applies for the recommendation by the SG to enter into construction of a new building for the WSB in Geneva to include hotel and conference facilities. It does not take a feasibility study to conclude that real estate development and hotel management are outside the core business of the WSB, yet the WSC decided upon making such a feasibility study. The WSC also accepted a decision making process for this project under extreme time pressure.
4. **The WSC does not give adequate direction for the work of the SG and the WSB.** The SG has recently prepared a 21 page annual report of his work for the WSC for discussion at its September meeting. The report contains a comprehensive description of numerous activities and events undertaken by the SG and the WSB, but it reflects only limited focus on WOSM's key challenge: membership growth. There is no quantitative data substantiating whether Scouting actually grows or declines and no goals in that respect. Another key challenge, getting the Internet to work for Scouting, is only mentioned marginally. The Picarquin project and the burden it lays on WOSM and the Inter American Region is not mentioned at all. Despite these serious shortcomings, not one single WSC member offered any comments of substance to the report. This in my view raises great concern for the WSF as WOSM's main donor.

It goes without saying that the SG shares some responsibility for these matters, in particular the lack of a 2007/2008 budget and the handling of the Picarquin and Geneva building issues. It is however the obligation of the WSC to set clear directions for the SG and the WSB.

Instead of addressing the subject matter - lack of good governance and lack of focus in the WSB - there will probably be members of the WSC that will argue that an external body such as the WSF has no democratic right to interfere with the work of the WSC. This is not the issue. No one questions whether the WSC is the highest governing body of WOSM. The issue is whether the WSC and the WSB are prepared to meet the standards for good governance and focus that are necessary in order to continue to receive financial support from the WSF. The fact that the WSF Board requests good corporate governance in WOSM such as independence of WSC members in relation to employed WSB staff, does not conflict with the democratic structure of WOSM – it defends it.

Herman, I really feel sorry writing this to you. I know what a dedicated Scout you are and I admire everything you have done for Scouting. But we do have a common problem, which is that unless the WSC addresses the above points, I will be forced to unwillingly and sadly recommend to the WSF Board to suspend the grant to the WSC/WSB. I have therefore asked the director of the WSF to consult with me before he makes any additional transfers of cash to the WSB.

I hope you and the WSC will receive this letter in the positive spirit in which it is written. It is by no means an attempt to challenge the World Scout Committee's role as the highest governing body of WOSM. It is simply a call for better corporate governance and more careful focus on Scouting's key challenges. I am sure we can work together to get back to normal so that our two organizations can focus 100 per cent of our resources on continued growth of Scouting around the World.

I would appreciate to hear your comments to the above points and your thoughts about what you intend to do to improve corporate governance and focus within the WSC and WSB. We know that it is not an easy task, but we need to resolve the above matters now.

Let's get the ball rolling!

Yours in Scouting,

Lars Kolind
Chairman of the Board

Copy: World Scout Foundation Board and staff