

Annual report 2006



**SNV**  
Connecting People's Capacities

Netherlands  
Development  
Organisation



# Annual report 2006



Netherlands

Development

Organisation



# We are SNV - motivated by capacity development

## What we believe in

SNV is dedicated to a society in which all people enjoy the freedom to pursue their own sustainable development. SNV contributes to this by strengthening the capacity of local organisations.

## How we strive to achieve this

Our motto is 'Connecting people's capacities'. Every day more than 1,400 SNV professionals across the world call forth their idealism and proven expertise in support of local organisations that have the potential to make a significant contribution to their country's development.

In over thirty countries worldwide, our advisers are on the ground to listen, connect, advise, facilitate and exchange expertise. Our support is aimed at promoting sustainable development by means of:

- Generating production, income and employment opportunities, and;
- Improving access to basic services.

## How we stand out

We have carved out a distinctive niche for ourselves, both within the Dutch development sector and internationally:

- A growing segment of local meso-level organisations – such as local governments, business associations and civil society networks – have a need for the mix of capacity development and thematic expertise that we offer. However, they cannot afford to pay for such expertise at commercial rates;
- We facilitate the participation of local organisations in the design and implementation of national development strategies;
- Whereas most development organisations focus on specific types of actors, we work with a diverse range of private, public and non-governmental actors. By working to bridge the micro-macro divide we aim to increase the impact of our support, and contribute to better governance;
- In addition to supporting individual clients, our sizeable and sustained in-country presence enables us to support system- and societal changes. Thus, we aim to promote an environment that contributes to development;
- Together with our partners we constitute a unique world-wide local capacity development network.

By combining these five characteristics, we specifically help to reduce poverty and improve societal governance – with a particular focus on social inclusion, gender equity and sustainability.



# Supervisory Board

SNV can look back on an important year in which it concluded its 2002- 2006 subsidy agreement underlining the importance of building capacity in developing countries. In 2006 we achieved concrete gains in developing human capacities within institutional settings. We also succeeded in jump-starting our programme for the next decade. During the year, SNV developed a solid corporate strategy, focusing on achieving tangible impacts in the areas of: sustainable and equitable production; income and employment for the poor, and; effective, efficient and increased access to, and delivery of basic services.

This strategy was proposed to the Directorate General for International Cooperation (DGIS) of the Dutch Ministry of Foreign Affairs, as the rationale behind SNV's subsidy application covering the period 2007-2015. As a Supervisory Board we supported this process by providing regular assistance in making realistic financial forecasts and achievable commitments with regard to the envisioned outputs and impact. We are very pleased that DGIS has agreed to continue supporting SNV's work with a solid subsidy for the period 2007-2015.

Throughout 2006, the Supervisory Board maintained an excellent relationship with the Board of Directors, with a clear division of responsibilities. The Supervisory Board endorsed the 2005 annual accounts and discharged the Board of Directors for 2005. In 2006, Mr. Cees Pronk and Mr. Jan Greven left the Supervisory Board, following which I accepted the position of Chairperson. The five-member Supervisory Board convened four times during 2006.

In November 2006, the Supervisory Board endorsed the first part of the 'Code Wijffels' – a transparency guideline that is primarily aimed at fundraising institutions. However, the first part of the Code also provides sufficient governance guidelines to help SNV's efforts to become more transparent about progress made towards good governance, supervision and accountability.

Another milestone in 2006 was the evaluation of SNV's work by an independent consultancy firm, commissioned by the Dutch Ministry of Foreign Affairs. The evaluation resulted in a favourable judgement of SNV's performance.

SNV's core activities continued to take place across the five regions. Here SNV continues to fight poverty by building the capacities of its clients and by strengthening their contacts with business leaders, development specialists, scholars and scientists.

As a Supervisory Board we do not only provide oversight and policy guidance of organisational and financial issues, we also aim to keep pace with developments relating to the content and quality of SNV's advisory work. The study-day on measuring quality in development corporations can be seen in this perspective, while several field visits during the course of the year further enlightened our understanding of SNV's work. In Ghana and Vietnam, I witnessed first-hand the clear impact SNV has on the capacities of local administrators and on the lives of people with insufficient access to income, employment and basic services.

*Lodewijk de Waal*





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# Executive Board of Directors Report



# Facts and statements

The year 2006 was characterised by a further expansion of SNV's advisory practice, the forging of new partnerships, and an increased focus on impact, coupled with gains in cost efficiency. At the same time, SNV continued to develop as a learning organisation thereby improving its advisory quality. Across all levels, staff has shown enormous efforts. The lessons learned were incorporated in a tailor-made strategy for the period 2007-2015. The approval by the Dutch Ministry of Foreign Affairs of a subsidy in support of the strategy has set the stage for the realisation of these ambitions.

Instead of dispensing untied financing with casual largesse, or implementing development programmes on its own, SNV worked to stimulate development action by local actors. To bridge the gap between national development agendas and local realities, SNV focused on a range of actors, including local governments, but also civil and private sector organisations.

## Services

In 2006, SNV provided support to 2,841 clients in 33 countries – an increase of 16 per cent compared to 2005. Advisers put in 151,945 advisory days – an increase of 18 per cent – while the number of advisory staff was reduced by 3 per cent to 909 advisers.

An external evaluation commissioned by the Ministry of Foreign Affairs found sufficient evidence that SNV advisers had helped to strengthen the capacities of local organisations and that this most likely had a positive impact on the lives of the poor.

## Achieving impact together

SNV entered into partnerships with the World Business Council for Sustainable Development (WBCSD), the Fairtrade Labelling Organization (FLO) and the World Wide Fund for Nature (WWF). International collaboration with the United Nations Development Programme (UNDP), and the World Tourism Organization (UNWTO) was expanded.

Furthermore, additional resources – € 2.8 million – were allocated to partnerships. This expansion resulted in increased impact and mutual learning.

In 2006 SNV placed a greater emphasis on the national development priorities of the countries it works in. We also enhanced our cooperation with Embassies of the Kingdom of the Netherlands and other international actors in these countries.

## Quality

The quality of SNV's services increased in 2006. Our clients reported that 94 per cent of assignment targets were met and that there was a clear contribution by SNV advisers to enhanced capacity within their organisations. Within SNV itself, we made further strides in the exchange of knowledge gained and lessons learned. The improved communication facilities and connectivity between SNV offices supported this process.

## Finance impact

In total, SNV allocated € 91.2 million to its capacity building programmes - an increase of 11 per cent. SNV managed to reduce the costs per advisory day by 9 per cent (from € 660 to € 600 per day). As a result of further decentralisation of responsibilities, operational costs at SNV's head office went down by 14 per cent.

# 2007 and beyond

The year 2006 is set to leave a mark on SNV's future. In close consultation with the Dutch Ministry of Foreign Affairs, the organisation outlined the course it will follow over the next nine years.

In order to ascertain the link between its capacity strengthening activities and broader development impact, SNV will tailor its intervention approach to two key impact areas:

- Sustainable and equitable production, income and employment for the poor, and;
- Effective, efficient and increased access to and delivery of basic services.

SNV will increase support for the development of local consultancies and knowledge centres. SNV expects that this will have sustainable spin-offs for the capacity of many local organisations, including local government, civil society organisations and NGOs.

## Partnerships

In order to achieve greater leverage and synergy, SNV will further develop its existing partnerships. It will also intensify its collaboration and alignment with, among others, programmes of the Embassies of the Kingdom of the Netherlands. Such collaboration will help to integrate Dutch investments in capacity development and ensure that maximum benefits are drawn by aligning the primarily macro-level focus of Embassies on the one hand and SNV's work at the meso-level on the other.

## Improving advisory quality

SNV strives to stimulate the growth, ownership and sustainability of local capacity development services. Therefore it will supplement its current core business – 'advisory services' – with other delivery channels:

- Knowledge development brokering and networking;
- Advocacy;
- Establishing local capacity development funds.

The mix of delivery channels will shift over time, progressively favouring local capacity builders. To this end, the delivery channels will be dedicated to furthering a local market for capacity development services that is tailored to the needs of local actors.

In order to improve the quality of its advisory services SNV will:

- Increase its focus on impact, especially with regard to generating income and employment and providing greater access to basic services;
- Continue to align its work to the UN Millennium Development Goals and national development strategies;
- Expand the result measurement system for its advisory services into the other channels of its operations. The implementation of the system will be further tested and refined during the course of 2007/2008.





### Value for Money

SNV aims to spend money wisely and effectively. Achieving maximum impact with minimal investments means that:

- As much as possible money will be allocated to the core activities, which are advisory services, knowledge brokering and development, advocacy and setting up local development funds;
- Cost awareness will be sustained and intensified at all levels in the organisation;
- Support costs will be carefully managed and where possible decreased;
- SNV's internal resource mobilisation capacity will be strengthened and rendered more efficient, in order to achieve the target of € 8.4 million;
- The Finance Department, as well as regional and head office units, will implement a risk management system in accordance with the new governance code that is largely based on the 'Code Wijffels'.

### Investing in human resources

In order to make the new strategy work, SNV will need to invest extensively in its human resources:

- The Human Resources Department will adjust advisory profiles to the requirements of SNV's clients;
- The learning strategy will be further implemented and expanded with new programs for senior advisers and specialists. For new managers an innovative induction program will be launched. The SNV campus will offer more e-courses;
- A corporate programme for Young Professionals will be launched in order to ensure a more balanced composition of advisers within teams. Promising young university graduates will be recruited to ensure assimilation of the latest (academic) insights into SNV's practice, and to help strengthen links with the academic world. Likewise, collaboration with academic institutions will be expanded to facilitate the placement of SNV interns;
- In order to remain competitive in the labour market, SNV will design a new (inter)national remuneration policy;
- The quality of security and safety plans in the regions and countries will be improved;
- The HIV-AIDS Workplace policy will be consolidated in both African regions and replicated in Asia, Latin America and the Balkans.



# 2006 in detail

In 2006, SNV received approximately € 87 million from the Dutch Ministry of Foreign Affairs towards its goal of developing the capacities of local actors in Africa, Asia, Latin America and the Balkans.

SNV's capacity development services were targeted at meso-level actors, encouraging them to become agents of change and development. By working closely with its clients, SNV sought to demonstrate how impact could be achieved through better interaction with other meso-level actors, national level organisations, as well as like-minded individuals and groups.

These efforts resulted in two major achievements that encapsulate SNV successes in 2006. Firstly, **SNV's advisory practice continued to expand** and the target of 147,000 direct advisory days was exceeded by 3 per cent.

Secondly, **SNV achieved further quality improvements** with respect to its services.

SNV also expanded and improved the quality of its interaction with other actors in 2006. This ranged from new and expanded international partnerships and knowledge sharing to improved alignment with national development agendas, and more effective knowledge networks.

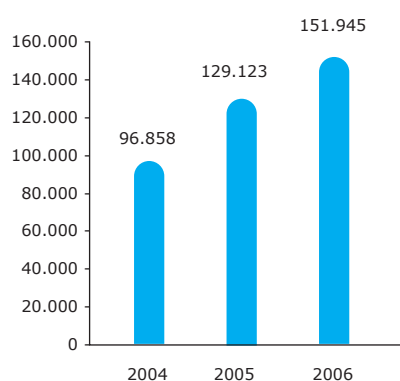
The corporate evaluation commissioned by the Dutch Ministry of Foreign Affairs acknowledged efforts made in earlier years and issued a favourable judgement on SNV's performance. To execute its 2007-2015 strategy, SNV received a subsidy agreement from the Ministry.

## Supporting more organisations

Productivity, which is defined as the percentage of advisory time spent directly with clients, increased from 61 to 65 per cent. The number of Direct Advisory Days (DADs) increased by 18 per cent to 151.945 days in 2006.\*

\* The years 2002 and 2003 are not included in these graphs, as time registration only started in 2003.

Direct Advisory Days by Year



The number of Direct Advisory Days increased in every region. Relative growth in the Balkans was particularly high (74 per cent) as SNV expanded its activities in the region.

Apart from a relative increase of advisory days in the Balkans the division of advisory days by region remained relatively stable. Similar to 2005, a substantial part (55 per cent) of SNV's Direct Advisory Days were spent in Africa, reflecting our continued focus on countries with the greatest capacity needs.

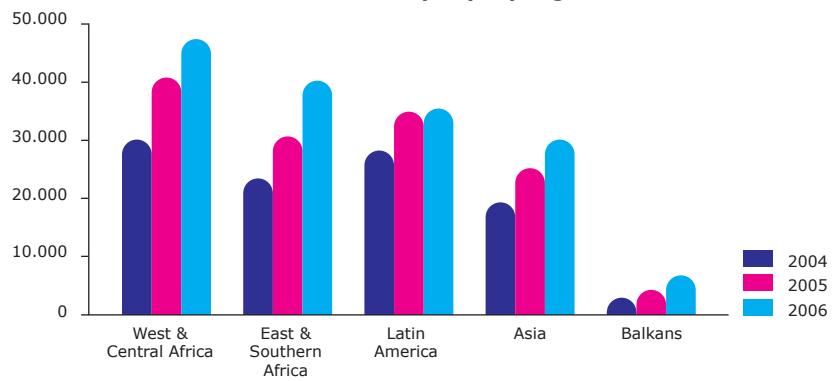
## Know-how and willingness are more important than money

*'Money is not the ultimate resource for economic or social development. Know-how and willingness can go miles in solving many rural developmental challenges.'*

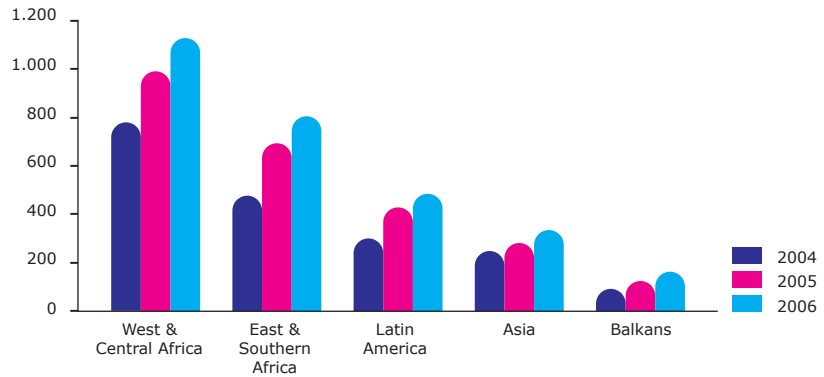
Henry Mugambi - adviser Rwanda



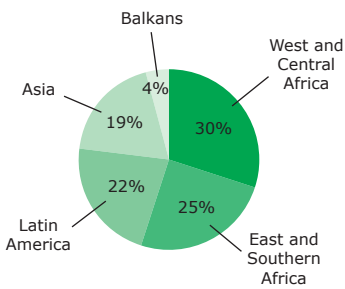
**Direct Advisory Days by Region**



**Number of Clients by Region**



**Advisory days by region 2006**



Continuing the trend in the previous years the total number of clients expanded again, from 2,488 in 2005 to 2,841 in 2006. This growth was experienced in all regions.

64 per cent of all our clients were invited to give feedback on their satisfaction with SNV advisory services and their analysis of how these had contributed to capacity development.

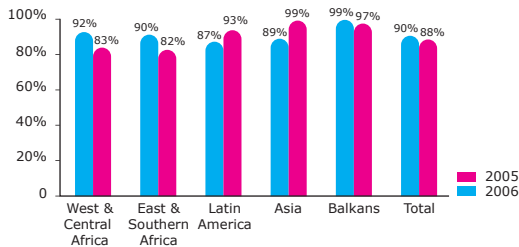
Overall, clients indicated that they were satisfied with the services SNV provided in 2006, with a score of 90 per cent, which is slightly more than the 88 per cent scored in 2005.

SNV will continue to build on this feedback to improve our services and welcome critical feedback from our clients that can help us to achieve greater impact.

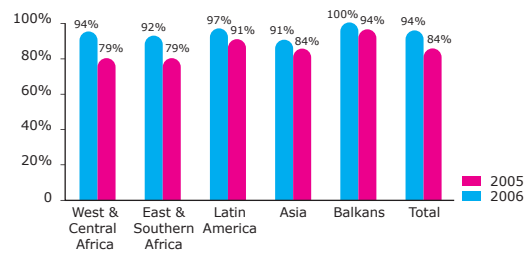
The survey on enhanced capacities requests clients to reflect upon the results of the assignment. Did SNV generate the expected output? And did SNV's work achieve the expected outcomes? This method steers SNV and the clients to focus on formulating clear targets for their interventions. SNV's clients indicated a better contribution to enhanced capacity in 2006 – 94 per cent – compared to 84 per cent in 2005.



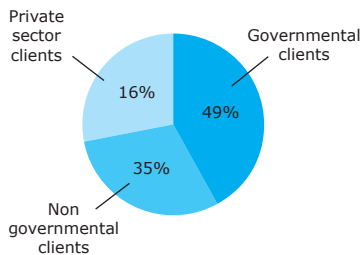
**Client satisfaction of SNV services**



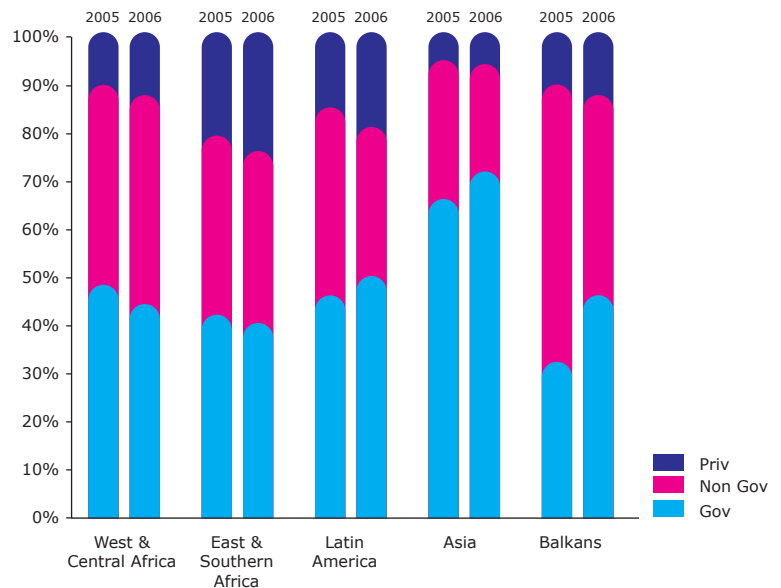
**Contribution to enhanced capacity**



**Advisory days by client 2006**



**Development Direct Advisory Days per Client Segment 2005 - 2006**



In 2006 SNV focused increasingly on capacity development in the private sector, which is illustrated by the relative growth in private sector clients from 13 per cent in 2005 to 16 per cent in 2006. It is expected that this trend will continue in the years to come in tandem with a growing awareness of the crucial role that the private sector plays in development. As in the previous year the share of governmental clients accounted for the bulk of advisory days, while the share of non-governmental clients decreased slightly.

A similar picture can be derived from the Direct Advisory Days per Client Segment where the share of the private sector grew in all regions.

### Contributing to impact

SNV has committed itself to contributing to the implementation of the Millennium Development Goals (MDGs) – specifically with regard to increasing income and employment and improving access to basic services – by strengthening local capacities.

To achieve real and sustainable impact, SNV advisers must make even greater efforts to articulate feasible targets for each client assignment in terms of the envisioned contribution to generating production, income or employment, or to the accessibility of basic services. A well-defined process of client selection is of particular importance in this regard.

### Practice areas: scope for capacity development

SNV advisers develop their clients’ capacities within the scope of eight practice areas, four of which are practised worldwide, namely:

- Collaborative Forest Management
- Market Access for the Poor
- Responsive and Accountable Local Governance
- Sustainable Tourism

The other four practice areas are more regionspecific, namely:

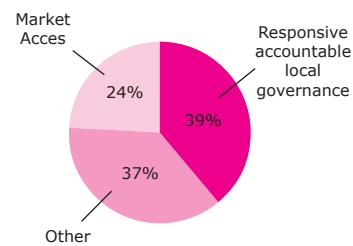
- Renewable Energy
- Water Management
- Gender
- Dry-land Management

In 2006, SNV improved its outputs in the *Market Access* practice area, oriented at income generation. Under *Local Governance* greater focus was put on improved basic services provision.

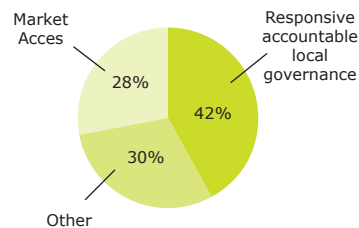
The graphs below show the progress made in the *Market Access* and *Responsive and Accountable Local Governance* Practice Areas.

The category ‘other’ aggregates results in the six smaller practice areas.

Advisory days by practice area 2005



Advisory days by practice area 2006



### Local partners have the power to mobilise people

*'The peer group mechanism among the poor should be utilised in identifying and selecting the feasible income generation activities. This fosters regular sharing and support among the beneficiaries on how to achieve results of their income generation activities.'*

Ton That Minh Khanh, MAP adviser Vietnam



SNV's regionalisation processes allow it to adopt a bird's eye view in addressing policy-related issues and helping in sharing valuable knowledge across countries and regions. For instance, the Biogas and Renewable Energy programmes have been successfully replicated in five Asian SNV countries and are currently being piloted in Africa. This follows a Memorandum of Understanding between the Rwandan Ministry of Infrastructure and SNV Rwanda for the implementation of the first phase of a biogas programme for domestic use. This programme will serve as a model for developing other programmes in East and Southern Africa.

### Finding other funding sources

Apart from forming partnerships and exchanging knowledge, SNV actively collaborates in third-party funding arrangements, financed by other donor organisations. In 2006 contributions were received from, among others: Embassies of the Kingdom of the Netherlands, the European Union, UNDP, the World Bank, ADB, Deutsche Gesellschaft für Technische Zusammenarbeit (GTZ), the German Development Service (DED), the International Fund for Agricultural Development



### Make clear contracts that define roles, responsibilities, and indicators of results

*'Client selection helps in defining and agreeing on the roles and responsibilities of project partners right from the beginning and the project document provides a reference point for assigning work. A Memorandum of Understanding between all stakeholders can also support good working relationships and create efficiencies.'*

Nanda Ritsma – Tourism Product Development Adviser, Bhutan

(IFAD), and the Dutch-based international NGOs, Cordaid, NOVIB and HIVOS. Additional income was generated through co-funding of capacity development services with other donors. While still slightly below the targeted level, SNV's resource mobilisation from external donors rose more than three-fold to € 7.0 million in 2006. More intensive resource mobilisation is planned for all regions in 2007.

# Nabji Tourism Trail

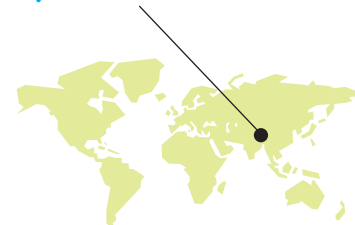
The underprivileged should get a share  
in (mass) tourism

Capacity Development Illustrated



When Sonam Lhamo heard about a plan to develop a tourism trail through her village, Korphu, she did not really know what to expect. Still, the 22 year old, grade 7 drop-out and mother of a baby girl, volunteered to use her limited knowledge of arithmetics to learn more about bookkeeping.

## Sonam Lhamo, Bhutan



**As an accountant for the Tourism Management Village Committee she is now responsible for keeping track of all contributions to the Community Development Fund.**

The Jigme Singye Wangchuck National Park is located in one of the poorest districts of Central Bhutan. More than 90 per cent of the inhabitants of the six villages inside the park lack self-sufficiency in cereals, and their location inside a national park limits their opportunities for earning cash income. Traditionally, the people depended on the forests as a source of sustenance and income. Since the area was made a National Park, however, their use of its natural resources has been restricted and the forest is no longer the storeroom it used to be.

Tourism could provide supplementary income for the inhabitants of Jigme Singye Wangchuck National Park. However, community involvement in tourism is new in Bhutan and there is limited experience in implementing community-based tourism initiatives.

### The SNV Approach

Instead of starting tourism projects in an ad hoc manner, SNV helps its clients to maximise the contribution of sustainable tourism towards the generation of, and participation in income by the underprivileged, in line with national development agendas. Because of SNV's expertise in sustainable and community tourism development in the Himalayas and its long involvement in integrated development programmes in Bhutan, Bhutan's Department of Tourism requested SNV's assistance in product development, organisational and institutional strengthening, and support to the private sector – particularly the Association of Bhutanese Tour Operators.

### What did SNV do?

- Assist the various stakeholders in the implementation of a pilot on community tourism by training, coaching and creating market linkages;
- Offer technical assistance in product implementation, community mobilisation, trainings and private sector participation.

In 2006, SNV advisers spent a total of 120 direct advisory days on the project.

A Memorandum of Understanding with the association, which is SNV's local partner on the project provides the framework for the collaboration, The role of the association, which has been a major player in setting up the project, demonstrates that involving the private sector in tourism projects helps to ensure that all relevant areas of interest are covered and contributes to bridging the macro-micro divide.

The advisory services provided by SNV covered policy and strategy development, community mobilisation, business training and environmental conservation. With these activities SNV strengthened the capacity of Bhutan's Department of Tourism to enhance the local economic impact of tourism.

SNV also invited village representatives from Bhutan to visit other SNV-supported community-based tourism projects in Nepal. They returned to their villages not only with a better understanding of the potential of such projects, but full of inspiration to embark on their own ventures.



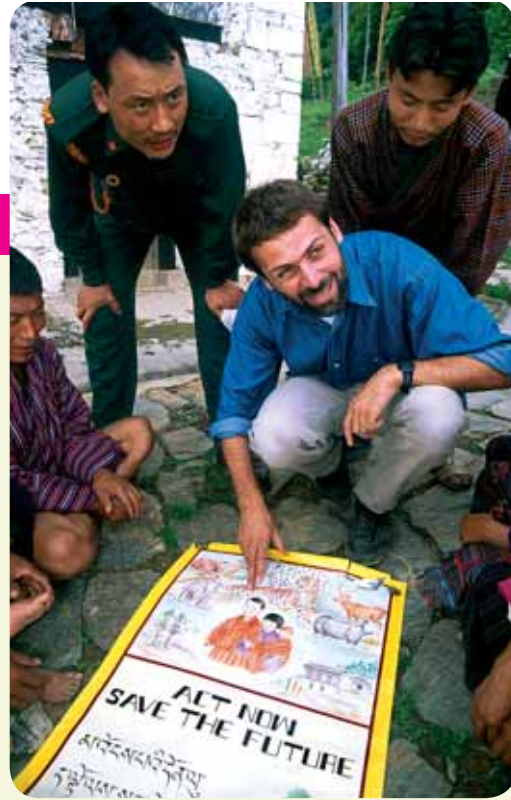


### The entire village profits

Ten villagers have been trained in basic cooking, hygiene and sanitation, five in village guiding, and another five villagers have learned basic book keeping. As a volunteer bookkeeper for Korphu's Tourism Management Village Committee, Sonam Lhamo does not earn an income to support her small family. She does, however, get the opportunity to discuss tourism development with elected representatives of her village and to voice her ideas on how the Community Development Fund needs to be managed and distributed.

#### Direct results

- In the first three months of operations, the Nabji/Korphu community tourism project in Bhutan has attracted approximately seventy tourists;
- 20 villagers have received vocational training;
- A number of villagers have generated additional income through handicraft, singing and dancing.



### Song and dance

After the first groups visited her village, Sonam saw an opportunity to make a little money. Between April and October, Sonam continues to plant and harvest her private supply of rice in the fields down in the Nabji valley. But in the winter months, she and her friends sometimes entertain tourists with dances accompanied by traditional love songs. Through the Tourism Management Village Committee, Sonam and her friends have also asked the Association of Bhutanese Tour Operators to inform tour operators and tourists that they are willing to perform traditional welcome and farewell rituals (singing and dancing) to give the tourists an even more authentic experience.



## Sonam Lhamo, Bhutan



### Key Achievements

- In only three months, the project has generated an estimated US\$ 7,000;
- This amount is estimated to increase to about US\$ 10,000 in 2007;
- In 2006, approximately 210 households in six villages received a supplementary income from the tourist trail;
- Part of the income from the project was paid into the Community Development Funds to fund communal expenses;
- The project has shown great potential for increasing gender equality, although this is yet to be fully realised.

### The potential for gender equality

The target participation of women in village committees (33 per cent) has been met. Efforts have been made to divide the available employment equally between men and women, but this has not always been easy. In general, women were more interested in making handicrafts than working as cooks or village guides.

### Present and future

The villages are in the process of having a telephone network installed and might be able to organise themselves to receive bookings directly from tour operators in the long run. Sonam has sent her first earnings to her younger sister, who is in boarding school in Trongsa town, to pay for her new school uniform, shoes and notebooks at the beginning of the new school year.

The Department of Tourism is currently revising its tourism law to incorporate a more pronounced pro-poor focus. The private sector is currently being consulted about issues that must be addressed by the law, which will be presented to the national assembly next July.

SNV will continue its support for the Nabji Trail, providing technical assistance in monitoring the development and impact of the pilot project on community tourism, in order to upgrade the existing product and service standards. SNV will also work to implement similar initiatives at other potential project sites.



## Albania

### Client

**Municipality of Erseka and the rural communities of Qender Erseka, Barmash and Leskovik.**

### Action

SNV provided assistance for the development of a framework for an action-oriented, user-friendly Tourism Action Plan.

### Advisory days

85

### Results

- The Tourist Action Committee has gained an insight into how the tourism industry operates and its own role within this sector;
- Through realistic research, planning and lobbying, the Tourism Action Plan is now being implemented;
- The Ministry of Tourism wholeheartedly supports the process and is encouraging other Albanian communities and rural areas to use the process to develop their tourism industries.

## Honduras

### Client

**REHDES, a Honduran umbrella organisation of eight NGOs administering eighteen Protected Areas on the north coast of Honduras.**

### Action

SNV contributed to REHDES' organisational strengthening and to the development of a Regional Tourism Development Plan for the Protected Areas. Simultaneously, the sustainability of eighteen protected areas that generate water for the more than 1.2 million inhabitants in the area was increased. This will stimulate the development of the north coast of Honduras, where the main economic activity is tourism.

### Advisory days

368

### Results

- An efficient organisational structure for the eight NGO members of REHDES;
- Effectiveness in administering and testing information for strategic decision-making;
- Strengthened relations between different stakeholders in the tourism industry;
- As a direct result of SNV's services, the region presented more than 100 proposals for economic development projects to national stakeholders and donors in 2006 of which seven projects with a total value of US\$ 700,000 have been approved; while a further 48 projects are being negotiated.





## Tanzania

### Client

**Tanzania Tourist Board**

### Actions

- SNV provided support to the Tanzania Tourist Board to develop Cultural Tourism Guidelines for improving the existing – as well as establishing new – modules for Cultural Tourism in Tanzania;
- It further supported the Ministry of Natural Resources and Tourism in the coordination and development of the ten-year Tanzania National Tourism Development Programme, which contains specific pro poor tourism strategies for implementation, monitoring, and evaluation;
- SNV facilitated the process of introducing the Sustainable Tourism – Eliminating Poverty (ST-EP) initiative of the World Tourism Organisation in Tanzania.

### Advisory days

240

### Results

- More than 24 Community Tourism (CT) Modules are currently being implemented in Tanzania. Each module has created twenty direct jobs and five hundred indirect (part time) jobs;
- Each module contributes financially to social service delivery through the village development fund;
- Projections for the next five years indicate that there will be a 100 percent increase in the number of modules and jobs, while earnings are expected to reach \$ 1.7 million;
- There is potential for setting up new small and micro enterprises as a result of the Community Tourism initiative, including: handicrafts, bee keeping, food supplies, transport, accommodation, restaurants and entertainment (1200 new enterprises were set up in 2005 and 2700 are projected by 2010).

## Ghana

### Client

**Ministry of Tourism and Diasporan Relations**

### Action

Assisted in developing a national tourism policy, providing clear guidelines for the sustainable development of a viable tourism industry.

### Advisory days

33

### Results

- A more professional and marketoriented tourism industry;
- Increased income from tourism for Ghana;
- A direct impact on employment and income generation for local small enterprises and communities.

# Evaluations

SNV undergoes regular monitoring and evaluation. In 2006, three evaluations took place: two independent evaluations carried out on SNV's behalf and an external evaluation of SNV's strategy commissioned by the Dutch Ministry of Foreign Affairs.

## The corporate evaluation of the period 2002-2005

At the end of 2005, Directorate General for International Cooperation (DGIS) of the Dutch Ministry of Foreign Affairs commissioned an evaluation of SNV covering the period 2002-2005. The evaluation assessed the effectiveness and efficiency of activities, and the learning capacity of the organisation. The evaluation included a desk-study and interviews. Furthermore, a survey was conducted among all SNV portfolios worldwide and field visits were made to Bolivia, Kenya and Mali to produce evidence on results and impact.

## Compelling evidence

The main conclusion of the evaluation was that SNV had successfully transformed itself into an independent advisory development organisation, having complied with seven of the ten transformation characteristics articulated in the Subsidy Agreement 2002-2006. The study found that the remaining three characteristics – result measurement, the strategy of third-party funding and the efficiency of the organisation – had been partly fulfilled but needed to be improved upon.

The evaluation produced compelling evidence that the capacities of clients had been strengthened during this period. Capacity development was assessed along four dimensions: human capabilities, institutional organisation, networking and external systems. The main conclusions were:

- SNV had achieved positive results on all capacity development measures, with the greatest progress made in the networking and institutional organisation building aspects;
- The three field trips made by the evaluation team to assess SNV activities on the ground, found that the Advisory Plans – which outline the expected inputs, outputs, and the expected outcomes and impacts of partnerships between SNV and its clients – need to be further elaborated to provide a meaningful framework for measuring results;
- Although a standardised measurement system is still under development, the general finding based on information provided by SNV advisers was that the clients' impact on good governance is more pronounced than the impact on poverty reduction.

The evaluation further concluded that SNV has succeeded in reorienting its advisory services to focus on capacity strengthening of client organisations.

Overall, SNV's performance was rated very high, with a score of 8 out of 10.

## Market Access for the Poor evaluated

In addition to the evaluation commissioned by the Ministry of Foreign Affairs, SNV conducted a number of evaluations of its practice areas. In 2006, an external evaluation team studied SNV's approach in creating Market Access for the Poor (MAP) among producer associations in Benin, Burkina Faso, Ghana and Mali between 2003 and 2006. The team had carried out an evaluation on similar programmes in Tanzania, Uganda and Zambia in 2005.

The evaluation yielded a number of critical success factors in client selection that can enhance the impact potential of MAP



### Involve the stakeholders

*'While facilitating linkages between different actors in the value chain, SNV should seek to put the stakeholders in the driver's seat, and aim at win-win situations for all the actors involved.'*

Mr. Henry Mugambi, MAP adviser Rwanda.

interventions. These success factors were translated into three recommendations to SNV:

- Reduce the analytical and planning work at field level and invest resources in working towards impact-oriented results, including: working closely with clients, providing solutions for identified bottlenecks, strengthening management, and taking an entrepreneurial view where needed;
- Refrain from scaling up approaches or experiences without first testing their efficiency and effectiveness;
- Enhance the quantification of results by incorporating more realistic performance indexes to reflect the contexts in which SNV and its clients operate.

The evaluation also recommended a greater emphasis on international networking and a proactive approach to implementation. More generally, it called for a shift in mindset towards a more 'result-oriented' (rather than an 'activity-oriented') way of working. Notwithstanding these suggestions for further improvement, the evaluation found that SNV's capacity development products are much appreciated by its clients and SNV advisers are highly motivated and hardworking. The evaluators' recommendations have been systematically analysed and translated into management action points.

### Knowledge networks

Advisory organisations such as SNV have a wealth of expertise that can be leveraged to enhance the quality and impact of advisory practice, both internally and externally. As there is no single 'best approach' to introducing, supporting or managing (virtual) networks, a flexible and organic approach is needed.

Using a 'learning approach', SNV introduced the concept of knowledge networks in 2004, although

such networks had already begun to evolve around specific areas of core expertise. The approach entailed developing a comprehensive support system, including guidelines for agenda setting, formal selection/mandate of network leaders, operational budget and ICT support.

The provision of time to take stock of actual experiences across SNV networks was a formal step within this learning process. The next step was to use the insights gained to formulate suggestions for continuous performance improvements. In 2006, SNV asked the Vrije Universiteit Amsterdam (VU) to analyse how knowledge is generated within the organisation. The study team conducted a document analysis and interviews, as well as an extensive online survey and a field visit to Burkina Faso to observe a regional meeting of the Network on Market Access for the Poor. In Burkina Faso, the team also interviewed network members and external stakeholders. The study report provides an in depth analysis of how SNV Networks actually function. As a follow up to the report, a group of selected SNV staff representing all regions is exploring ways to translate these insights into concrete recommendations for implementation.

### Lessons learned

- Gear all efforts towards impact;
- Pay more attention to client selection;
- There is a divide between the micro and macro level that SNV can help to bridge;
- SNV needs to provide structural help in developing locally-owned capacity development services and in fostering their financing;
- Pay more attention to the quality and efficiency of support processes;
- Successful capacity development involves multiple actors.

# Building Synergies with International Partners

If the Millennium Development Goals are to be realised by the target date of 2015, much more work needs to be done to mobilise and strengthen capacities at the local level. A crucial part of these efforts will need to take place at the international level, where the agendas and support instruments of international cooperation institutions must be harmonised and fine-tuned at a much larger scale than ever before.

In 2006, SNV continued to actively engage with a range of international partners.

## United Nations Development Programme

SNV continued its strong collaboration with the *United Nations Development Programme (UNDP)* in 2006. Joint fieldwork was carried out on: capacity assessment of local actors, professional training, formulating MDG-based, inclusive local plans, and creating local partnerships. Innovative features included the introduction of a virtual expertise centre on the subject of leadership and the publication of a professional quarterly

magazine on capacity development. SNV and UNDP also collaborated on a number of training and capacity development programmes, including the UNDP Virtual Development Academy, the SNV Campus, orientation programmes for new employees, and learning management systems.

## World Tourism Organization

Within the scope of SNV's collaboration with the *World Tourism Organization (UNWTO)*, 29 Sustainable Tourism - Eliminating Poverty (ST-EP) projects were approved for implementation of which eight were completed in 2006. In Lao PDR, Vietnam, Albania, and East and Southern Africa, government officials were equipped with tools to enhance the economic impact of tourism locally. In Southern Africa, around 200 community-based accommodation providers were trained on marketing techniques and linked up to an online database. Upon completion of their training, local tour guides in Cameroon and Bolivia were able to generate higher income from tourism by offering more diversified guided tours. In Ethiopia, business linkages were established between eco-lodges and neighbouring communities, allowing the local people to sell various products and services to tourists. The results of these projects are becoming increasingly visible.

## Fairtrade Labelling Organization

In its collaboration with *Fairtrade Labelling Organization (FLO)* SNV is supporting producer organisations in the South. In 2006, 15 liaison officers were recruited through the partnership, covering projects in 22 countries involving production chains such as coffee, cocoa, honey, cotton, banana, mango, cardamom, cashew nut, sesame and rice. In Rwanda a tea producer group, for example, was linked up with a national retail chain in the United Kingdom that was converting its entire supply source to Fairtrade.

## Linking hotels and local communities

*'"We can do it": As we introduced the local supply concept and negotiated with the local communities and the hotels, we initially felt that our work was in vain. We felt that we were introducing an idea that both parties either didn't believe in, or were simply pessimistic about. However, with time, there was an "unlocking process" as we built confidence both with the community and the hotel. Our experience has shown that it is possible to link hotels and local communities and we plan to further introduce many hotels and new products into this project.'*

Morgan Siloma – Tourism Adviser Kenya



### **World Business Council for Sustainable Development**

The *World Business Council for Sustainable Development* and SNV entered into a strategic partnership in 2006 to contribute to sustainable poverty reduction by means of job creation and the delivery of essential products and services, through the sustainable involvement of the private sector. During business dialogues key commercial leaders were introduced to 'inclusive business', a concept promoted by SNV and the Alliance as being an effective and sustainable alternative to 'corporate social responsibility'. The partnership produced more than eighty viable inclusive business ideas and concepts, out of which the best will be further developed and executed.

### **World Wide Fund for Nature**

In December 2006, a strategic partnership was initiated between SNV and *World Wide Fund for Nature (WWF)*. The aim of this partnership is to develop income and employment opportunities through sustainable resource management. A first Activity Agreement has been signed that will focus on exploring options of implementing Forest Stewardship Councils and fair trade certification models, with a view to providing better and more stable economic incentives to small timber and Non Timber Forest Products (NTBF) producers.

### **Linking our clients to other capacity builders**

In its five regions, SNV staff has excelled at organising and supporting national and international events, which help to give a voice to SNV's clients and link them up with business leaders, development specialists, scholars and scientists.

In 2006 the East and Southern Africa region actively participated at a number of fora, including:

- A panel at the Africities conference in Nairobi, in conjunction with West and Central Africa (WCA);
- The Human Development for Capacity Association (HDCA) conference;
- The HIV/AIDS conference in The Hague;
- The Tällberg conference for business leaders in Sweden.

The West and Central Africa region presented four research papers at the African Studies Association of the United Kingdom Conference (ASAUK) in London in September 2006.

SNV Asia presented results of its microfinance activities at a World Summit on Microfinance in Canada.

Participation at these events also provided an opportunity for SNV staff to become acquainted with views held by other organisations.



# Supporting NGO networks

Through the support of NGO networks,  
the excluded should get a voice

Capacity Development Illustrated



In October 2006, three members of 'les Sœurs Uniés à l'Oeuvre', (Social Watch Benin) – a local advocacy network established in 2004 with support from SNV – visited the education department to investigate the embezzlement of funds allocated for the construction of new educational offices in the town of Ifangni, Benin. Four men had misappropriated



**42 per cent of the 3,639,900 CFA-francs provided by the schools of the district. Among the perpetrators were the former head of the educational office of Ifangni and the president of the coordinating parents' associations.**

### Stimulating involvement

A week after its initial visit, the Social Watch team arranged a meeting with board members of the parents' associations in Ifangni to discuss the misappropriation of funds in their district, and encourage them to take appropriate action. This also provided an opportunity to raise local awareness about the network's activities.

At the end of the meeting, the parents agreed to cooperate with teachers, in order to render management of their schools more transparent and efficient. They expressed great interest in the network and asked for training to enable them to monitor the use of public resources, particularly with regard to the district budget and the implementation of the MDGs.

Subsequently, a press conference was organised to inform journalists about the handling of the case, and to discuss the widespread problem of corruption in Ifangni: in addition to the misuse of education funds, other well-known cases included the health centre in Banigbé, and the Union of Sport associations of primary schools, all of which had been plagued by embezzlement.

The Ifangni unit of Social Watch also convened a meeting with its seven member organisations to report on its activities. Participants expressed satisfaction with the proactive approach taken by the local unit, which was in line with the vision articulated by the country's new leaders, aimed at

improving governance structures and achieving real changes in the behaviour of citizens.

Promoting transparency in public administration While the government of Benin has prioritised the MDGs in its national development policy, targets are often not met and corruption has risen to unprecedented levels in recent years. Social Watch Benin was set up to help reverse this sorry trend by monitoring the use of funding for basic services to ensure greater efficiency and effectiveness.

A network of more than 120 NGOs, with local units in 12 municipalities, Social Watch mobilises civil society around the main themes of the Benin Poverty Reduction Strategy, and the MDGs, particularly on poverty reduction and improving basic services. The network seeks to promote transparency and equality by publishing reports and carrying out public informing activities. Social Watch and its network NGOs also perform a watchdog role by monitoring the performance of civil servants, investigating a broad range of governance issues on behalf of the public, from complaints about the issuing of a birth certificate to inadequate water and electricity supplies.

### A busy year

In 2006, Social Watch Benin helped to bridge the micro-macro divide in a variety of ways. In March, it participated in the monitoring of the presidential elections. With the support of local



civil society organisations, the 12 Social Watch units played a major role in ensuring relatively free and fair elections.

To further leverage the mobilisation potential of the campaigns, Social Watch took the opportunity to raise awareness about the MDGs, using a variety of channels, including radio and television.

Through the twelve thematic groups based on the twelve Millennium Targets, supported by a technical committee of national experts, the network carried out consultations that culminated in an alternative civil society report on the MDGs.



Furthermore, Social Watch organised a number of regional sessions to provide input to the national debate on the second document for the Poverty Reduction Strategy. A document was prepared and discussed with the national committee responsible for the strategy. The network also trained its members on how to monitor the national budget, especially the implementation of funds earmarked for local communities.

### What did SNV do?

- Provide advisory services and coaching to build the capacity of the network;
- Maintain close cooperation with the Embassy of the Kingdom of the Netherlands, which has included Social Watch as an important partner on its governance programme;
- Promote knowledge-sharing on project design and implementation;
- Facilitate the input of civil society in the preparation of the second Benin Poverty Reduction Strategy;
- Provide support for further resource mobilisation, including promoting knowledge-sharing on writing project proposals;
- Link up Social Watch Benin to similar initiatives in other African countries, resulting in exchange visits and participation at several international forums;

This support amounted to 118 direct advisory days in 2006.





### Lessons learned

The importance of building a strong alliance across a broad range of actors was a key lesson learned. The unity forged was critical in mobilising broad-based public involvement around the MDGs. Ironically, its very success has made Social Watch very attractive to, and dependent upon, external donors. There is concern about the continued ownership of members, as evidenced by continuing difficulties in collecting membership fees. While a core group of seven or eight organisations remains committed to the goals of the network, the overall impression is that most members are primarily motivated by the benefits that they can draw from the platform.

### Impact

Through its activities in 2006, Social Watch has established itself as an important player in Benin society. The network succeeded in raising awareness on a number of issues related to the Millennium Development Goals, especially poverty and gender, education, health, and water. Its contribution to redressing gender inequality in Benin is particularly noteworthy: the head of the network Huguette Akplogan-Dossa is a woman, and there are many more active women members, which in turn has inspired more women to join and put specific 'gender' issues on the agenda.

### Key Achievements

- Success in bridging the micro-macro divide;
- Promoting transparency in public administration and allocation of funds;
- Promoting gender equality;
- Strengthening existing NGOs rather than establishing new ones.



## Bhutan

### Client

**Respect Educate Nurture Empower Women (RENEW)**

### Action

SNV's contribution included:

- Organisational strengthening of RENEW as a leading NGO in shaping the future role of women in society and addressing gender equality issues;
- Facilitating training on gender and gender-based violence, and establishing community support systems in six zones of Thimphu (Bhutan's capital city);
- Offering advisory services to the 'Voices' project, launched in mid-October.

### Advisory days

40

### Results

- SNV facilitated the establishment of a system of more than 250 RENEW community volunteers, serving more than 95,000 people;
- Open discussions were initiated around sensitive issues such as domestic violence, forcing law enforcement agencies and other policymaking bodies to pay greater attention to gender-related aspects;
- More community members actively approached RENEW for counselling services;
- There was a rise in the number of cases of gender-based violence being reported;
- A number of other districts approached RENEW about replicating the pilot project in their localities.

## Niger

### Client

**Permanent Secretariat of the Poverty Reduction Strategy**

### Action

The Poverty Reduction Strategy provides the guiding framework for the formulation of economic, financial and social policies in Niger. SNV advises the consortium of partners involved in incorporating gender-related issues across all areas covered by the strategy.

### Advisory days

105

### Results

- 240 members of the regional committees of the eight regions of Niger received training on gender issues;
- At least half of the members of the Permanent Secretariat have begun to integrate gender aspects in their day-to-day work;
- The first draft of the revised Poverty Reduction Strategy incorporates gender-based targets, aimed at promoting more equitable participation of men and women in development.



## Kenya

### Clients

**North Rift Civil Society Forum (NRCISO) and North Rift Women's Organisations' Network (NORWON)**

### Action

Promoting civic engagement in governance processes to enhance the accountability and responsiveness of public institutions at all levels, with a view to achieving impact in poverty reduction for the target population (estimated at 2.5 million people).

### Advisory days

115

### Results

- Greater visibility of the activities of civil society organisations in the North Rift Region;
- Increased confidence by community representatives to engage with local government and demand accountability to the public and an increased focus on poverty-related priorities;
- Increased recognition by decentralised government structures of the role of women's groups and other civil society organisations in development and poverty reduction activities;
- A rise in gender-based resource allocation in public budgeting.

## Mozambique

### Client

**Planning and Decentralised Finances Programme (PPFD), a programme of the Government of Mozambique**

### Action

Advice and training for Local Councils to strengthen their capacity to facilitate dialogue between District Governments, technical units and local communities.

### Advisory days

194

### Results

- A partners' network to harmonise approaches between three local and two international organisations working on local governance issues in the same geographical area;
- Local Councils were reconstituted in eighteen districts, with strong representation of women (more than 40 per cent), and the private sector.

## Rwanda

### Client

**Ministry of Gender and Family Promotion (MIGEPROF)**

### Action

In 2006, the Government of Rwanda began work on its second Economic Development Poverty Reduction Strategy. SNV contributed to this process by conducting workshops on how to enhance gender-based analysis in the strategy, with the goal of strengthening capacities at the national and local policy level to achieve the third Millennium Development Goal: gender equality and women's empowerment.

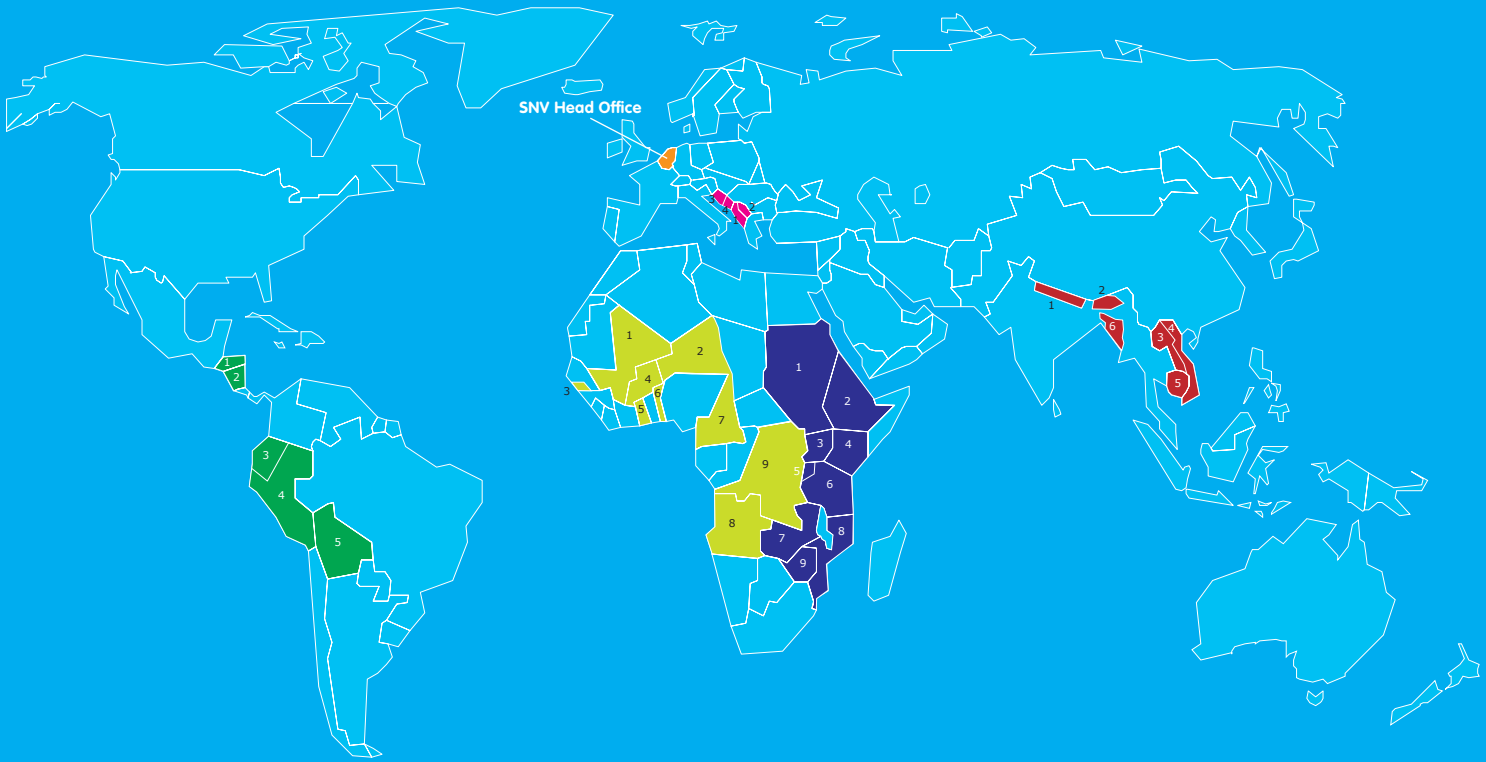
### Advisory days

60

### Results

- Gender has been mainstreamed across all sectors and comprises one of the key measurement indicators that will be used to assess the impact of interventions to reduce poverty and generate economic growth over the next triennium;
- Enhanced stakeholders' commitment to gender mainstreaming and capacities for gender policy analysis.

# Regional Highlights



## Latin America

- 1 Honduras
- 2 Nicaragua
- 3 Ecuador
- 4 Peru
- 5 Bolivia

## West and Central Africa

- 1 Mali
- 2 Niger
- 3 Guinea Bissau
- 4 Burkina Faso
- 5 Ghana
- 6 Benin
- 7 Cameroon
- 8 Angola
- 9 DR Congo

## East and Southern Africa

- 1 Sudan
- 2 Ethiopia
- 3 Uganda
- 4 Kenya
- 5 Rwanda
- 6 Tanzania
- 7 Zambia
- 8 Mozambique
- 9 Zimbabwe

## Balkans

- 1 Albania
- 2 FYR Macedonia
- 3 Bosnia Herzegovina
- 4 Montenegro

## Asia

- 1 Nepal
- 2 Bhutan
- 3 Lao PDR
- 4 Vietnam
- 5 Cambodia
- 6 Bangladesh

SNV works in 33 countries across five regions: Latin America, West and Central Africa, East and Southern Africa, Asia and the Balkans.

### Latin America

In Latin America the past year ushered in a new era of significant transformations in the socio-political landscape of the region – with an upsurge of left and centre-left governments elected on the promise of seeking a massive redistribution of wealth and empowerment of the poor. In the world's most inequitable region where 40% of the population (213 million people) continue to live on less than \$2/day, the challenges remain daunting as these new dynamics take root. The stability and sustainability of institutional development in the social, private and public sectors is more critical than ever to ensure the formulation of viable strategies for poverty reduction.

SNV's focus in Latin America continued to be closely aligned to the region's unique context and socio-economic and political situation. It sought to catalyse a new approach of economic inclusion that: integrates the strengthening of the business climate with governance; foments an enabling policy framework at national and sub-national levels, and; brokers inclusive business strategies and cross-sectoral partnerships that improve jobs and income opportunities for the poor, while increasing the competitiveness of the private sector. At the same time, while Latin America is relatively advanced in meeting the MDGs in basic services compared to other regions, SNV actively explored ways to leverage its expertise in education, water and sanitation and renewable energy.

As a result of these efforts, SNV Latin America made significant contributions to poverty reduction in several areas, a few notable

*'Finding the right balance between economic inclusion and inclusive business, and strengthening the enabling environment critical for sustainability (in the context of basic services) will be vital both for our future and for the future of poverty reduction in Latin America.'*

Robert de Jongh – Regional Director Latin America



examples of which are listed here. In basic services, SNV in Honduras enhanced vocational training opportunities for more than 500,000 farmers and developed a private water management scheme that increased access to water and sanitation services for more than 11,000 low-income households. With regard to jobs and income, SNV brokered and scaled-up a series of commodity- (coffee, cacao) and tourism-driven inclusive businesses that aim to increase competitiveness and improve the income and employment opportunities for more than 60,000 low-income families in Ecuador, Peru, Bolivia and Nicaragua over the next three years. Finally, due to SNV's unique meso-level positioning in Bolivia,



*'In West Africa we have continued to embrace the challenge of looking across our own borders. Trade – and thereby income generation – is without borders. This notion helped us in establishing regional synergies and effective partnerships that are now starting to show results in fighting poverty.'*

Jan de Witte – Regional Director West and Central Africa

SNV was selected to lead the institutional development of all 9 Bolivian prefectures in order to accelerate and strengthen the performance and delivery of basic services whilst creating a sub-national enabling environment for sustainable economic development.

### West & Central Africa

Many countries in the West and Central Africa region continued to experience significant conflict and unrest during the reporting period. This was also reflected in their development performance – seven out of the nine countries in which SNV works were ranked at the bottom of the Human Development Index.

SNV's activities in the region focused on income generation in the agricultural sector, which is the cornerstone of livelihoods of men and women, especially in the Sahelian countries. With a large part of the population dependent on cotton, low world prices had a devastating impact on rural livelihoods. One of the concrete interventions made by SNV in support of the sector was to foster cooperation between national farmers' organisations, which is expected to streamline prices for cotton and inputs to benefit more than 1 million farmers.

Cooperation between SNV countries in the region was further intensified, resulting in regional partnerships such as with ACE-RECIT, a regional NGO. With support from SNV the organisation



conducted an action-research programme on the improvement of public service delivery by local municipalities in four countries (Burkina Faso, Benin, Mali and Niger).

A successful partnership with UNDP resulted in a project for Niger, Benin and Senegal to build resource mobilisation mechanisms leading to increased financing at local level.

SNV also promoted cooperation between the government and pastoralist organisations in Mali, Burkina Faso, Niger and Benin; among others by organising cross-border information and exchange visits between stakeholders in pastoralism. This led to a common understanding on pastoral resource management in border areas.

### East and Southern Africa

The region as a whole experienced sustained high economic growth rates in 2006. This is a prerequisite for attaining the MDGs, and considerable steps were taken by individual countries towards achieving these internationally agreed goals. However, except for Rwanda, the region is not on track to reach the key MDG goal



of halving poverty by 2015. In 2006, a strong professional team with a clear regional identity was built in East and Southern Africa, with its advisory practice solidly anchored in national development strategies and aligned with the MDGs. This has allowed a clear focus on realising demonstrable impacts in income generation and access to basic services. In this respect new initiatives with local communities are emerging, such as safflower production in Ethiopia and camel milk production in Kenya.

A wide range of regional strategic partnerships underpinning the focus on impact were established. The partnership with UNDP was

strengthened across the region, in particular in Mozambique, Rwanda, Tanzania and Zambia. Sharing of country plans by UNDP and SNV offices and joint identification of common programmes and approaches were instrumental in building up this partnership.

The region gained important recognition as a key player in knowledge development and brokering as demonstrated through the established regional partnership with IFAD. SNV's role as an expert capacity development organisation in the region was acknowledged with the award at the Africities Summit for its participatory session on localising MDGs, and a request to use a case study from Ethiopia – presented at Human Development Capability Association Conference in Groningen, the Netherlands – as course material at the John F. Kennedy School of Government, University of Harvard.

Two Africa-wide initiatives launched in 2006 – the Trans Africa Pastoralism Initiative and the SNV Africa Sustainable Tourism Network – reflect the growing collaboration with the West and Central Africa region to ensure joint approaches to common challenges. The piloting of a biogas programme for domestic use in Rwanda in collaboration with the Rwandan Ministry of Infrastructure is the first for the region with exciting possibilities for expansion.

*'We were one of the last regions to establish a regional office. This made it possible to work right from the beginning with the current strategy in mind, resulting in a clear focus on impact throughout the region'*

Worku Behonegne – Regional Director East and Southern Africa

## Balkans

In the Balkans, democracy is taking hold and a new state has been added to the map following the separation of Montenegro from Serbia in May 2006. Still, modernising the government sectors and the national economies is a slow and often difficult process. Nonetheless, integration into the EU provides a development context and a shared vision among the Balkan countries in which SNV operates. In 2006, Albania signed the Stabilisation and Association Agreement with the EU, while Macedonia received the pre-accession status without negotiation rights.

2006 was the year of expansion for SNV in the Balkans. New offices were set up in Bosnia and Herzegovina, Macedonia and Montenegro. Given the shared desire amongst Balkan countries to join the EU, SNV concentrated its efforts on the so-called 'EU localisation' – the translation of the principles and methods embedded in this agenda into better service delivery at decentralised level, and better management and sustainable use of forests and pastures in order to generate income for users.

In the first year of Balkans programme, SNV managed to position itself as an organisation that can build the necessary capacities at the local level. In Bosnia and Herzegovina, Montenegro and Macedonia SNV started the first clients'

*'In a modernising environment dominated by the integration into the European Union, SNV Balkans has been able to add strategic value to key development processes'*

Peter Strobosch – Acting Regional Director Balkans



engagements with some promising results. For example, in Montenegro SNV is assisting the Ministry of Water Management, Agriculture and Forests to draft a National Forest Policy ensuring access to forests and pasture for income and employment of local small holders and small and medium-sized entrepreneurs.

In Albania, where it has a longer history, SNV facilitated the process of drafting a new law for tourism. If implemented adequately, thousands of rural families may benefit from a well sustained tourism industry and the percentage of the population employed in tourism may jump to 10 per cent in the next three years. SNV is also developing the capacities of 138 existing and 80 new Forest User's Associations throughout Albania. This is part of a Natural Resources Development Project to establish and maintain sustainable, community-based natural resource management, leading to enhanced productivity and income.





*'One of the things we tried to do in Asia is to make production more profitable for the poor. In the chain from raw material to end product there is much to gain for the small farmer. For example, in the production of kardemon, sedge and tea SNV has shown that concerted efforts to boost the profits of the local farmers can make a real difference in the lives of the poor.'*

Andy Wehkamp – Regional Director Asia

## Asia

Most Asian countries continued to enjoy high levels of GDP growth in 2006, enabling many of them to make good progress towards achieving the MDGs. However, poverty, inequality and environmental degradation continue to pose a major challenge to the sustainable development of the region.

SNV Asia achieved tangible impact in poverty alleviation by offering capacity development services in biogas and renewable energy, collaborative forest management, pro-poor and sustainable market access for the poor in the tourism sector, and responsible and accountable local governance.

In 2006, Asia received considerable attention for its biogas projects. The biogas and renewable energy approaches and practices have been successfully scaled up to five countries and are currently being piloted in Africa. By December 2006, 180,000 biogas plants had been built in Nepal, Vietnam, Cambodia and Bangladesh, directly benefiting more than one million people, especially women. Vietnam's biogas programme was nominated for the Energy Globe Award –

a prestigious award in the field of energy and environment worldwide\*.

SNV Asia's experience in collaborative forest management drew considerable interest at the International Conference on Managing forests for poverty reduction. Replication of the Land Use Planning and Land Allocation (LUPLA) method and Non Timber Forest Products (NTFP) has brought encouraging results, especially for ethnic communities. In Laos, for instance, SNV worked with twelve clients and nine partner organisations, benefiting thousands of people. In a single case, 1,320 people increased their income from NTFP more than tenfold. It is expected that SNV capacity development for NTFP could indirectly impact on 511,200 people in 2007 (10 per cent of the entire population of Lao PDR or 24 per cent of all poor families in the country).

The focus on value chain development to improve market access for the poor is bearing fruit and opens up associated opportunities for pro-poor tourism and forest management activities. In Nepal, for example, SNV helped to enhance support for the Cardamom Farmer's Network and 52 cardamom farmers groups representing over five hundred members at the local level.

\* On April 11 2007 the Energy Globe in the sustainable energy category was actually awarded to SNV

# The Sedge Value Chain

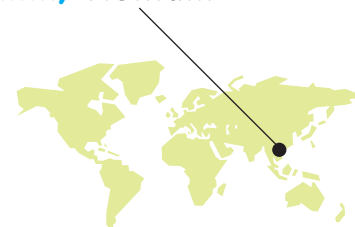
Promoting changes in the value chain  
to benefit the poor

Capacity Development Illustrated



Tong Duc Chinh works on the Binh Minh communal farm in Kim Son district. Chinh is a farmer who has cultivated sedge, a grass-like plant, for fifteen years, moving on to semi-processed sedge products in the last five years. In addition, he grows rice to support his family of four. A financial costbenefit

## Tong Duc Chinh, Vietnam



**analysis and a soil analysis have revealed that farmers such as Chinh can save 30 per cent of their fertiliser cost and increase the sedge yield by 40 per cent. SNV's goal is to increase the share of benefits for the underprivileged by analysing the entire chain from producers to consumers and promoting changes wherever useful.**

Sedge is mainly used as a raw material for handicraft products, such as mats, baskets and decorative items. With a total export value of US\$ 10 million, Ninh Binh province, 100 kilometres south of the capital Hanoi, is considered to be the leading producer of Vietnamese sedge handicraft products in the country.

The sedge sub-sector is important for the economic situation in the province. It accounts for 27 per cent of the total export turnover from the province and, more importantly, most enterprises are privately owned (the other main traded products such as rice and pineapple are dominated by state-owned enterprises). As for the market potential, the export market for sedge handicrafts has grown at an average of 10-15 per cent over the past five years. Approximately 25,000 poor households, spread over 56 villages are involved in the sector, both as farmers of the raw material and handicraft producers. In these communities, the income from sedge can vary between 20 and 50 per cent of the total income, depending on the level of processing that is carried out in a village.

In recent years, the sub-sector has experienced a downward trend, partly owing to the shortage of high-quality raw material, which leads handicraft importers to source outside Ninh Binh for handicraft products made of other natural materials.

SNV launched its programme to stimulate the competitiveness of small and medium enterprises in the sedge value chain in June 2006, with an additional grant from the Ford Foundation of US\$ 51,000.

A market-oriented study analysed the factors that influence farmers to opt for sedge vs. alternative crops and products. SNV selected Binh Minh Farm, which has contracted over thousand families in the district, for the pilot study, and developed the first ever extension service for sedge under the technical guidance of researchers at the Hanoi University of Agriculture. The survey provided a thorough baseline for measuring the impact of follow-up activities.

In 2006 the provincial authorities asked the Department of Agriculture and Rural Development (DARD) to propose a comprehensive policy to counter the downward spiral of the sedge sub-sector. The department approached SNV for support in drawing up appropriate policy recommendations to address all stages of the value chain - cultivation, processing, production and trade.

To map the main issues in the cultivation stage of sedge, a local team consisting of representatives from DARD, the extension centre and district staff conducted a financial cost-benefit analysis of the three main crops in the coastal area: rice,



shrimp/crab production and sedge. The province now actively supports the sedge sub-sector and plans to invest 30,000 Euros from 2006 till 2010 for R&D and innovation. Based on the policy formulated, SNV continues to support the department and actors within the value chain. As a follow-up, public-private partnerships will be promoted.



### Sustainable improvements

The province has adopted many of the recommendations made by the study team in its five-year master plan to support the sub-sector. This has resulted in a comprehensive approach to improve both the quantity – output targets – and quality of the sector. Most importantly, the government has invested € 30,000 for applied research and development (R&D) and innovations at the cultivation stage, as well as skills development and the availability of credits to enable producers to invest in improving production capacity.

### What did SNV do?

#### To improve the production of sedge crop, SNV:

- Supported a team of researchers and local stakeholders to undertake fieldwork and consolidate the analysis;
- Facilitated knowledge transfer from the researchers to sedge growing communes, including the preparation of a sedge cultivation manual;
- Developed a pool of local experts on sedge cultivation to formulate extension services for sedge;
- Advised the Department for Agriculture on the formulation of a provincial policy to promote sedge crop development.

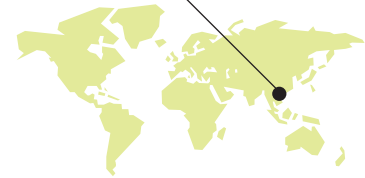
#### To promote market linkages, SNV:

- Connected local enterprises with international experts to coach them on product development and marketing;
- Supported the local trade promotion centre to facilitate access for local enterprises to national funds, export promotion programmes, and market information services;
- Coordinated training and coaching for local enterprises.

This support amounted to 120 direct advisory days in 2006.



## Tong Duc Chinh, Vietnam



DARD has proposed a similar participative planning process in nine poor communes in the Ninh Binh province.

Chinh and fellow-farmers on the Binh Minh farm will reap benefits from the pilot intervention, as will the sedge processors. Thanks to better production methods, improved quality, and enhanced support, they have started to enjoy better market access, and a higher and more stable income from sedge cultivation. This outcome provides an incentive for the farmers to expand the cultivation area – currently on average 1,000 m<sup>2</sup> (0.1 Ha) – in order to produce sufficient raw material for processing final products locally. With time, this is expected to open up thousands of part-time jobs for households involved in the semi-processing of raw material and producing sedge products.

### Key Achievements

- 1,000 contracted farmer households on Binh Minh farm have directly benefited from the pilot intervention;
- The new provincial policy is expected to result in the creation of 2,000 jobs (both farm and off-farm) and an additional rural income of € 250,000 per year from improved agricultural practices;
- Gender inequality has been addressed: women are the primary beneficiaries of additional income by means of sedge handicraft.





## Nepal

### Client

**The Rural Region and Agro-Forestry Development Centre (RRFADC)**

### Action

Improving the local end of the value chain of briquette production, and strengthening the capacity of the NGO to scale up the project.

### Advisory days

40

### Results

- RRAFDC provides training to other NGO resource persons and works as a central liaison agency between dealers, companies, women groups and other service providers;
- Briquette production provides a new source of income for poor households, with 537 female-headed households – representing about 3,000 people.
- Productivity was enhanced by 224 per cent as a result of the innovations introduced;
- About 40 per cent of the 215 producer households were able to send their children to school with income generated from briquette production;
- The living standards of a majority of the producer households were improved as the additional income was channelled into health care, better quality food and other basic needs.

## Ethiopia

### Client

**Coordination group of stakeholders in the Oil Seeds and Edible Oil Value Chain**

### Action

Achieving commercialisation and marketing of safflower production, through: quality improvements and penetration of new markets; training of extension officers; formation of safflower producer groups; enhanced extension services to producer groups, and; establishing links between producers, millers and exporters/importers.

### Advisory days

30

### Results

- Increased business opportunities – and thereby a higher income – benefiting approximately 30,000 rural, mostly female, farmers, in low (agricultural) potential and drought prone regions;
- Creation of direct links between small-scale safflower producers and private business operators, eliminating middlemen and raising profit margins for producers;
- Effective awareness raising and advocacy involving government departments, NGOs, private sector companies and fair trade organisations helped to improve overall conditions for safflower production and trade;
- Additional funding sourced to promote safflower production and the development of export standards for safflower oil and petals;
- An international company (BIOSS Rohstoffe) established direct contact with smallholder farmers, which helped to boost quality control and ensure a ready market for local produce;
- Farmers' awareness on proper processing of safflower seeds and petals increased.



## Cameroon

### Client

**GIC GOMMAB (Gomme Arabique) and GIC PDL (coffee producers associations)**

### Actions

SNV supported the organisation of gum arabic producers to improve production techniques, and facilitated a market survey and negotiations between planters and exporters on prices and trade conditions. It also provided support for a public-private partnership to promote local tree nurseries and Acacia Senegal (gum tree) plantations.

### Advisory days

130

### Results

- An gum arabic organisation was created and began operations;
- More than one thousand planters received training on gum Arabic production, which had a positive effect on quality and productivity;
- Management systems of the producers association were strengthened, resulting in better services to clients and the formulation of a strategic plan for the development of the gum arabic market chain;
- A 10 per cent rise in production of high quality gum arabic (40,000 new Acacia. Senegal planted on 275 plantations) and additional resources raised for a further 10 per cent rise in 2007;
- Better coordination of negotiations between producers and exporters for the price of top quality gum, leading to a 30 per cent rise in earnings over the previous year;
- Three thousand households, representing 25,000 persons, have experienced a clear improvement in their living standards, as reflected in increased spending on health and education.

## Rwanda

### Client

**OCIR-CAFÉ (the Rwanda Coffee Agency)**

### Action

Strengthened the capacity of small-scale coffee producers and rural enterprises by creating linkages between several actors in the coffee industry. SNV organised workshops in eight districts attended by representatives from all levels in the coffee chain.

### Advisory days

75

### Results

- Task forces were established in eight districts, with representatives from all public and private actors in the coffee chain;
- An irregular tax on coffee cherries (US\$ 10/kg of cherries) adopted by some districts was abolished by the Minister of Commerce as a result of joint advocacy;
- OCIR-CAFÉ initiated similar task forces in other districts;
- A strategy for the development of the sector was formulated with a target of 60 per cent expansion in production and income for 500,000 smallholder households over the next five years.

# Professional Development in a Learning Organisation

With the increasing specialisation of advisory practice across its five regions, SNV has developed and implemented a tailored Human Resources Development (HRD) strategy designed to equip SNV's advisers with the necessary skills to remain competitive in the advisory market.

In 2006, SNV elaborated a Learning Strategy to outline a professional development framework for all categories of staff. The framework provides flexible support for advisers at introductory, advanced and specialist levels. Programmes are designed to combine quality assurance of advisory practice with improved career perspectives for staff. A pilot programme in West and Central Africa has helped to identify corporate standards and a methodology for the introductory level. For SNV managers, investments were made in blended learning management and leadership programmes for Portfolio Coordinators. Some of these are ongoing and will be concluded in 2007.

For senior levels of SNV management a corporatewide leadership development initiative was launched, starting with the Extended Board. The programme was rolled out in 4 regions with the participation of regional management teams and Country Directors. The Balkan region will participate in the programme in 2007.

The programme is a prelude to a broader learning trajectory to develop a shared perspective on SNV leadership for the next nine years. Special attention is given to SNV values, and how these relate the practice of 'leadership for impact'. In addition, there is increased attention to

'accounting for' behaviour by working on a new code of conduct.

To support learning processes, including more flexible schedules, The SNV Campus – a virtual learning environment – was developed in collaboration with UNDP and will be formally launched in 2007. The SNV Campus provides access to off the shelf e-modules covering a broad array of topics from development approaches to management and leadership. In addition, the Campus will facilitate online interaction and peer learning for advisers and staff across the geographical regions. By linking the Campus to the management information system within SNV, line managers are able to follow up and monitor e-learning efforts of their staff and maintain an overview of both e-related and non e-related staff learning plans.

In addition to developing quality programmes and modern ICT support for learning, more emphasis was placed on stimulating a learning culture at all levels of the organisation in 2006. Managers were encouraged to promote more active feedback, reflection and open discussion of results and outcomes of our practice within their teams. SNV will continue to work on sustaining a learning culture in 2007 and beyond.

SNV's HRD strategy is also focused on performance. One of the conclusions of the analysis of SNV appraisals was that performance needs to be addressed more clearly. Closer monitoring and clear communication are essential, and these issues emerged as a key area of interest in the learning programmes.



The appraisal cycle helps to focus attention on the quality of advisers and in the years to come the regions will undertake deeper analyses of their appraisals, in order to streamline assessments and enable the sharing of common insights into the strengths and weaknesses of staff.

### Knowledge networks

Knowledge management initiatives, including networks and communities of practice, are important spaces for learning. In 2006, SNV continued to extend its knowledge networks and intensified its efforts to become a true learning organisation. Its investments in knowledge networks included:

- Capacity.org, a quarterly journal and a web magazine-cum-portal focusing on both the 'why' and the 'how' of capacity development;
- A continued focus on the quality of advisory and management practice in the form of learning programmes, alliances and professional networks;

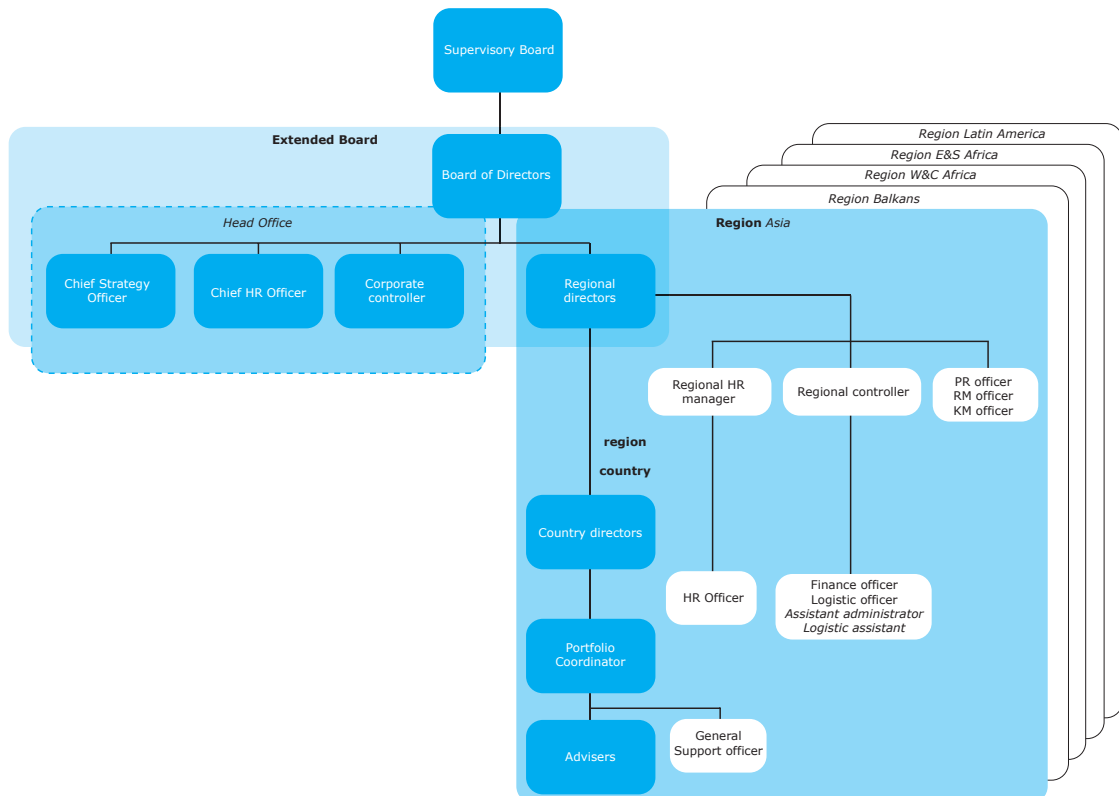
- Improved connectivity: Over the last two years huge investments in information technologies have been made resulting in a vastly improved communication infrastructure throughout the organisation. The virtual connectivity of advisers facilitated the region-based professional networks around SNV's practice areas. In 2006, there were eighteen active knowledge networks, each coordinated by a network leader. Network leaders and participants are actively engaged in promoting SNV as a centre of knowledge development and dissemination through diverse international platforms;
- An interesting new initiative is the collaboration with universities in order to give students an opportunity to work with SNV teams and to strengthen the bonds between SNV and the academic world. In 2006, eight interns from the University of Utrecht carried out research under the guidance of SNV teams. The pilot programme will be scaled up in 2007 and will bring on board universities in developing countries as well.

# Organisational Structure

As a result of the reorganisation of support services that begun in 2005 and the decentralisation of certain support services to the five SNV regions, the number of head office staff was gradually reduced from 75 in 2004 to 59 in 2006. Currently, the head office has three support units: Strategy, Human Resources and Finance. In the regional offices, human resources and finance teams were established, under the supervision of the Regional Directors. In light of this decentralisation, part of the international recruitment activities has been transferred to the regions as well. In 2006, all HR field based

teams participated in a training programme to familiarise them with international recruitment procedures at a decentralised level.

For staff (both national and international) whose positions were affected by the reorganisation, a corporate social plan was agreed upon in 2005 and implemented in 2006. Upon completion of the staffing reorganisation the focus shifted towards raising the quality of support services in accordance with the requirements of the 2007-2015 strategy.





### Talk freely about HIV in the workplace.

*"What came out clearly, was that the internal culture was not one of talking freely about HIV in the workplace. We had to break that barrier. After the policy had been discussed, staff started to share their personal experiences with HIV/AIDS. One achievement was that people realized that HIV/AIDS was closer to home than they thought."*

ETC Crystal in "Review of the SNV corporate HIV/AIDS policy"

## Human resources

In 2006, SNV employed 909 advisers in the field, distributed across 100 teams and working with 2,841 clients. In order to deal effectively with the complex issues that they face in their work, the teams incorporate a diverse mix of professionals with varied technical expertise, and different cultural and professional backgrounds.

The composition of SNV staff by 2006 was as follows:

- The percentage of female advisers ranged from 31 per cent in Asia to 41 per cent in the Balkans (an average of 35 per cent). As SNV aims to achieve a balanced composition of male and female staff across all layers of the organisation, the need for gender balance in field teams remains a key priority. This goal has been attained at the higher management levels. However, with the Board of Directors, the Extended Board and the Management Team at Head Office, where at least 50 per cent are women;
- Over the years SNV has prioritised the expansion of national staff in its field teams, achieving a ratio of around 70 per cent by 2006;

- Since 2000, SNV's expatriate workforce has become increasingly international with a growing number of recruits coming from as far afield as the United States, United Kingdom, Canada and a variety of other countries, and not just the traditional Dutch and European market;
- In line with SNV's strategic orientations, an increasing part of its work is done by external consultants and local capacity builders (13 per cent).

In line with the increasing internationalisation of staff and high professional requirements the need for a review of SNV's remuneration policies and packages for expatriates, locally employed and head office-based staff has grown to keep pace with strong market competition. The challenge is not only to attract, but keep highly qualified advisers and support staff. In 2006 a systematic exploration of alternative policies and packages was initiated and will be finalized in 2007.

The staffing overview indicates a slight decrease in the number of employees.

The optimisation of the support process resulted in a reduction of support staff, both in absolute

Staff as at 31 <sup>st</sup> december 2006	2006			2005			2004		
	Advisory staff	Support staff	Total staff	Advisory staff	Support staff	Total staff	Advisory staff	Support staff	Total staff
West and Central Africa	273	192	465	269	213	482	196	184	380
East and Southern Africa	232	128	360	282	145	427	183	178	361
Latin America	190	61	251	200	82	282	162	76	238
Asia	156	87	243	155	82	237	110	81	191
Balkans	58	28	86	31	19	50	21	9	30
<b>Total</b>	<b>909</b>	<b>496</b>	<b>1,405</b>	<b>937</b>	<b>541</b>	<b>1,478</b>	<b>672</b>	<b>528</b>	<b>1,200</b>
Head Office		59	59		65	65		75	75
<b>Total Staff</b>	<b>909</b>	<b>555</b>	<b>1,464</b>	<b>937</b>	<b>606</b>	<b>1,543</b>	<b>672</b>	<b>603</b>	<b>1,275</b>

terms, as well as relative to advisory staff. The 496 support staff range from drivers to human resource managers, and from financial analysts to regional directors. With regard to the number of advisers there was an increase in the Balkans, in line with SNV's intentions to extend beyond the Albanian programme, while there was a reduction of staff in the East and Southern African region.

The other regions presented a more or less stable picture.

#### Curbing HIV/AIDS stigma in the workplace

SNV aims to stimulate awareness on HIV/AIDS-related matters amongst staff in order to support

their well-being, curb the possible negative impact of HIV/AIDS in the workplace (for example, stigma and discrimination), and to guarantee absolute confidentiality around HIV/AIDS.

After two years of implementation the SNV Workplace Policy on HIV/AIDS was reviewed by external evaluators in 2006. One of the positive trends highlighted in the report was the expansion of awareness-raising activities in all regions, at which the policy and services of SNV were discussed and promoted. However the review concluded that too much attention had been paid to the medical and technical aspects whereas the policy had not yet been sufficiently embedded in SNV's day-to-day operations.

#### Statement of income and expenditure summary

(in million €)	Realized 2005	Original Budget 2006	Realized 2006	Variation 2006 to 2005	Budget 2007
Core subsidy	84,4	89,2	86,9	3%	96,3
Resource Mobilisation	2,0	7,4	7,0	250%	8,4
<b>Income regular capacity dev.</b>	<b>86,4</b>	<b>96,6</b>	<b>93,9</b>	<b>9%</b>	<b>104,7</b>
Other income	10,2	6,1	7,7	-25%	3,1
<b>Total income</b>	<b>96,6</b>	<b>102,7</b>	<b>101,6</b>	<b>5%</b>	<b>107,8</b>
Regions	64,8	73,6	74,3	15%	82,3
Head Office	16,4	15,5	14,1	-14%	13,6
Partnerships	1,2	7,5	2,8	133%	7,8
<b>Costs regular capacity dev.</b>	<b>82,4</b>	<b>96,6</b>	<b>91,2</b>	<b>11%</b>	<b>103,7</b>
Other costs	9,8	6,1	6,6	-33%	3,0
<b>Total costs</b>	<b>92,2</b>	<b>102,7</b>	<b>97,8</b>	<b>6%</b>	<b>106,7</b>
Result	4,4	0,0	3,8	-14%	1,1
DADs	129.123	147.000	151.945	18%	151.787
Advisers at year-end	937		909	-3%	
Cost/DAD	660	606	600	-9%	638
DAD/adviser	61%	70%	65%	7%	65%



The reviewers noted that the revised HIV/AIDS workplace policy contained a slight 'African bias', which needs to be adjusted to make it applicable worldwide. They recommended a less prescriptive framework to allow for tailor-made action plans at regional and national level. Furthermore, the roles and responsibilities need to be more clearly outlined, to distinguish between internal and external providers of counselling, and medical and other services. The recommendations have been incorporated into an action plan to be implemented in 2007.

### Financial resources

In 2006, an amount of € 91.2 million was allocated to the regular programme, of which € 77.1 million was allocated directly to the Advisory Practice (€ 74.3 million to regions and € 2.8 million to partnerships), while € 14.1 million was spent at head office. Compared to 2005, the costs in the regions increased by 15 per cent. Partnerships costs more than doubled and the costs at head office decreased by 14 per cent.

Resource mobilisation is a valuable activity that delivers quality benefits to SNV clients, raises the SNV profile, develops specific practice areas, and enables SNV to scale up its activities. In 2006, SNV raised € 7 million, an increase of 250 per cent compared to 2005.

The cost per advisory day has decreased considerably over the past few years. In 2004 the total cost per DAD, including head office costs, was € 690. In 2005, it decreased to € 660 and in 2006, to € 600. A lower cost per advisory day was partly achieved by lower support costs and partly by means of increased productivity of SNV's advisory staff: the DADs/adviser increased from 61 per cent to 65 per cent.

The reorganisation of all support services resulted in a net reduction in support staff in the regions, and especially at head office. As a result, the support costs as a percentage of total costs declined significantly by five percentage points. This was offset by higher information and communication costs (especially connectivity).

### Corporate governance

SNV's structure consists of a Board of Directors that manages the organisation under the guidance of an independent Supervisory Board.

SNV values and complies with national and international standards of good corporate governance:

- An Audit Committee monitors finance, risks and compliance;
- Internal control follows the integrated framework of COSO, Committee of Sponsoring Organisations of the Treadway Commission;
- A transparent structure with a two-headed Board of Directors manages the organisation and an independent Supervisory Board supervises the Board of Directors;
- An external auditor reports annually to the full Supervisory Board.
- SNV aims to achieve a high level of integrity, transparency and responsibility. In November 2006, the new governance code, based on the 'Code Wijffels' was formally approved by the Board of Directors and the Supervisory Board.

#### **Dirk Elsen**

Chair person of the Board of Directors

#### **Annemiek Jenniskens**

Member of the Board of Directors

# Improving education in Zambia

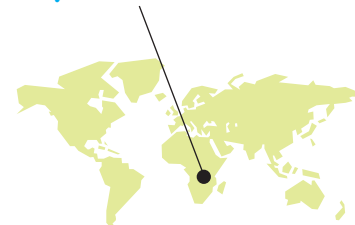
Basic services must be improved, but should also be (locally) financed

Capacity Development Illustrated



**16-year old Juliet Mwamba is a Grade 7 pupil at Milenge Middle Primary school. She should have been in Grade 10 or 11, but in 2000 she suffered a severe bout of cerebral malaria that left her legs paralysed. She was forced**

## Joliet Mwamba, Zambia



**to drop out of school because her parents could not afford to pay for her special needs. Juliet had already resigned herself to the fate of the many illiterates in her community.**

Because of the prevalence of many traditional, gender-based stereotypes, such as 'a girl's place is in the kitchen, a girl's education is not relevant because she will get married one day', Juliet's parents did not find anything wrong with keeping her at home.

### Decentralised planning of education

Zambia's long-term development plan, Vision 2030, deals with a number of development priorities, such as health, teacher training, and access to education. The educational system follows a centralised and hierarchical structure, which does not take contextual factors into account. Consequently, decentralised planning has become a major focus in recent years.

As part of the education decentralisation process, the Provincial Education Management Committee was established to strengthen the capacity of District Education Boards. It carried out pilot projects in the Northern and Western Provinces of Zambia. The Northern Province Education Management team has responsibility for twelve District Education Management Committees, which support all 803 primary school boards in their districts. The committees are tasked with enhancing opportunities for school-going children in these districts through improved planning and the implementation of educational programmes.

In 2004, SNV and the Ministry of Education entered into a Memorandum of Understanding through which SNV agreed to support the

### What did SNV do?

- Train members of the Provincial Education Management Committee (PEMC), who subsequently passed on their knowledge and skills;
- Develop clear objectives for the participatory planning programme;
- Support the PEMC to undertake a mini assessment of the implementation of participatory approaches on the ground;
- Facilitate the provincial education forum where the findings were presented.

This amounted to 482 direct advisory days in 2006.

implementation of the Accelerated Decentralised Programme in the Northern and Western Provinces. A key goal of the programme was to promote a people-centred education delivery process.

### Participatory Planning

SNV's initial involvement in the Accelerated Decentralised Programme entailed institutional building: supporting the Provincial Education Management Committee as a local capacity builder, and strengthening its capacity to undertake participatory planning processes at various levels (districts, zones and schools) of the education system.

With the support from SNV, nine out of the twelve districts have embraced the concept and practice



of participatory planning. The essence of participatory planning is to incorporate a bottom-up, client-focused approach in education service delivery, optimising quality and quantity. It also envisages active community participation in the development and implementation of school development plans, thus enhancing the spirit of community ownership and commitment to the implementation and fulfilment of the development plans.

In September 2004, Irish Aid granted Northern Province 1.4 billion kwacha (about \$ 350,000) to implement the programme, while the Western Province received 1.8 billion kwacha (about \$ 450,000), which was set to run till 2006. The Embassy of the Netherlands also part-funded the programme. SNV introduced a number of follow-up assignments for the period 2003-2007 particularly aimed at enhancing the quality of education in the provinces.

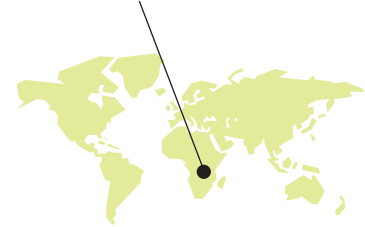
In 2006, SNV provided support to the Provincial Education Management Committees to undertake a mini assessment of the implementation of participatory approaches. The findings were presented at the provincial education forum, which brought together the District Education Boards from all twelve districts to review their progress towards achieving key educational indicators, including enrolment, retention, progression and quality of education provided (especially for girls). The mini assessment



revealed capacity gaps at the districts' level, including the lack of monitoring and evaluation systems to measure their progress towards meeting national targets with respect to access, efficiency and quality of education.

The forum also revealed inadequate participation by communities in the planning and implementation of education at the school level. The forum triggered the formulation of a comprehensive, locally-owned (bottom-up) strategy for attaining educational targets in the province. SNV supported the Provincial Education Officer and her team in the development of the needed strategy and designing a self-assessment tool that was applied in the planning and budget for 2007.

## Joliet Mwamba, Zambia



### A new start for Juliet...

Since 2004, the school has strengthened the role of the Inclusive Schooling Programme in which community members take part. The participatory planning process helped in identifying some of the impediments to enrolment and progress, which brought out issues of poverty, pregnancies and early marriages. Through this process the community joined hands with the school to design an outreach programme aimed at encouraging girls' education.

A situation analysis carried out in 2004 as part of the participatory planning process identified Juliet as one of the pupils with special educational needs. Through the Parents' and Teachers' Association, her needs were fully defined, following which she received a wheelchair from the local Catholic Church and other special arrangements to enhance her mobility. In 2004, Juliet re-enrolled in Grade 4 and she is set to finish her primary school study in 2007.

### Key Achievements

- 803 primary schools in the province benefited from the participatory planning process;
- More than 5,000 children, including pupils with special needs, now have access to education;
- Impediments to school attendance were progressively solved;
- There is an increased focus on combating drop-out rates for girls;
- Enhanced gender equality has improved employment chances for women;
- Public-Private Partnerships are emerging as an alternative financing mechanism;
- Education quality has improved.



## Tanzania

### Client

**Bukoba District Council, part of the Capacity Building Programme for Local Governance Actors**

### Action

Increased provision of basic services at the local level by strengthening the capacities of local governance actors (local authorities, private sector and civil society organisations), and by enhancing local governance processes.

### Advisory days

60

### Results

- Bukoba District Council qualified for Capital Development Grant funding. The funds were used to improve services in the district, such as a road network through previously impassable areas, a bus stand and market with proper sanitation, and providing additional training for staff;
- The council's budget for 2006/7 was rated as one of the best nationally. Consequently, its staff have been invited to participate on a team of national budget facilitators;
- Through the establishment of the District Development Forum, the council has built positive relationships with the private sector and civil society organisations. They are involved in development planning, implementation, monitoring and evaluation in line with the Poverty Reduction Strategy.

## Albania

### Client

**City Council of Korca**

### Action

In order to stimulate public participation in the city council's decision-making process SNV organised brainstorming sessions, workshops and discussions with City Council members and Korca Civil Society representatives (approximately 25 local NGOs).

### Advisory days

52.5

### Results

- A Korca City Council meeting was held, with the participation of Civil Society representatives, to review and approve a new functional 'Roles and Responsibilities' regulation and prepare its implementation;
- The new 'Regulation on Roles and Responsibilities' was approved. This is expected to facilitate civil society participation in decision-making, resulting in more effective service delivery by the municipality and enhanced accessibility to basic services, as well as an improved and more stable investment climate. Small and medium enterprises, which generate much-needed income and employment, are among the key beneficiaries.



## Mali

### Client

**'Mairie des Communes I' and 'Commission des Marchés Com 1'. (Town hall of the Communities I and the Market Committee of the Communities I)**

### Action

Implementation of a new, transparent tax collection system for the local open air markets in Bamako through a multi-actor approach, in order to increase market tax revenues, while providing resources to promote hygienic and working conditions at the markets.

### Advisory days

70

### Results

- Increased trust between municipality and market merchants through increased tax transparency;
- Increased market tax revenues;
- Increased hygienic and working conditions at the open air markets;
- Both parties were satisfied with the participatory approach of SNV Bamako and agreed to expand the system to other markets in the community, as well as encouraging similar projects in the other five communities of Bamako.



# SNV Annual accounts 2006





## Introduction

The annual accounts of SNV reflect the three main activities of SNV: regular activities, managing programmes financed by others and special agreements with the Ministry of Foreign Affairs.

The activities consist of the capacity building activities in the developing countries, the head office activities and joint activities with partners to support capacity building. These activities are financed by the Ministry of Foreign Affairs, based on the subsidy agreement 2002 - 2006, and by other parties based on special contracts (resource mobilisation). In the statement of income and expenditure the core subsidy, earmarked funds, resource mobilisation, refund UNV and interest build up total income. Expenditures comprise the costs of the regions, the head office and partnerships. The balance of income and expenditure equals the change in equity (interest), the reservation for special tax purposes, the net change of fixed assets and the transfer to equity. In case total expenditure is less than the maximum subsidy, the subsidy income is reduced to the level required to cover the expenditures. In case of realisation above budget (and above subsidy commitment, as in 2005) the difference is financed with accumulated not used subsidy from earlier years. In the balance sheet the items tangible fixed assets, the long term and short term receivables, major part of the liquid assets, equity, provisions and short term debts reflect the balance of the regular activities.

The externally financed programmes are funded by The Ministry of Foreign Affairs (Nepal programme), Embassies of the Kingdom of the Netherlands (DGIS programmes) and other donors (third-party programmes). SNV has the following responsibilities for these activities: financial administration, reporting and advice on content. Donors are finally responsible. In the statement of income and expenditure, income is equal to costs. In the balance sheet the short term and long term receivables programmes, the short term and long term commitments programmes and minor part of the liquid assets reflect these programmes. SNV risks are related to administrative performance.

In 2006 there is still one special agreement with DGIS related to the start of an independent SNV in 2002 effective. The earmarked funds to cover costs related to personnel rights from before 2002.

The income and costs are equal in the statement of income and expenditure.

Until 2005 there was a second special agreement effective. This arrangement was a special subsidy to cover unique costs for becoming independent (friction costs). At the end of 2005 this arrangement was finalised and the pre-received amount which was more than expenditure (€ 751,580) has been refunded to the Ministry of Foreign Affairs in 2006. The outstanding position with the Ministry of Foreign Affairs with regard to the aforementioned agreements is reflected in the balance sheet as pre-received earmarked funds.

*The annual accounts are classified as follows:*

- balance sheet after result appropriation.
- statement of income and expenditure.
- cash flow statement.
- accounting principles.
- notes to the balance sheet.
- notes to the statement of income and expenditure.
- other information.

# Balance sheet after result appropriation

Assets (in €)	2006	2005
Buildings, renovation and terrains	773,583	596,178
Vehicles	3,134,884	3,183,040
Equipment	2,960,518	3,405,262
Other inventory	633,108	573,130
Assets in transition	8,487	169,155
<b>Tangible fixed assets</b>	<b>7,510,580</b>	<b>7,926,765</b>
Bonds	1,661,030	-
Securities	161,359	164,696
<b>Long-term receivables</b>	<b>1,822,389</b>	<b>164,696</b>
DGIS programmes	4,567,716	4,654,316
Third-party programmes	1,209,408	3,202,718
Nepal programme	6,394,929	8,564,723
<b>Long-term receivables programmes</b>	<b>12,172,053</b>	<b>16,421,757</b>
DGIS programmes	3,087,898	4,272,016
Third-party programmes	1,885,172	2,132,251
Nepal programme	2,522,456	1,833,151
<b>Short-term receivables programmes</b>	<b>7,495,526</b>	<b>8,237,418</b>
Ministry of Foreign Affairs	1,934,684	5,816,821
Bonds	-	1,828,300
Funds to be justified by programmes	-	644,846
Debtors	1,356,107	1,460,365
Pre-payments and accrued income	3,606,267	4,386,342
<b>Short-term receivables</b>	<b>6,897,058</b>	<b>14,136,674</b>
<b>Liquid assets</b>	<b>38,640,088</b>	<b>27,665,082</b>
<b>Total</b>	<b>74,537,694</b>	<b>74,552,392</b>

Liabilities (in €)	2006	2005
Equity	6,397,100	5,310,791
Special purpose reserve foreign exchange	970,495	970,495
Special purpose reserve tax claims	11,195,247	8,081,858
Special purpose fund programme finance	4,303,386	4,303,386
Invested capital in fixed assets	7,510,580	7,926,765
<b>Capital base</b>	<b>30,376,808</b>	<b>26,593,295</b>
Provision for social plan costs	-	835,000
<b>Provisions</b>	<b>-</b>	<b>835,000</b>
DGIS programmes	4,571,636	4,669,977
Third-party programmes	1,218,010	3,321,267
Nepal programme	6,394,929	8,564,723
<b>Long-term commitments programmes</b>	<b>12,184,575</b>	<b>16,555,967</b>
DGIS programmes	3,192,287	5,475,958
Third-party programmes	2,726,189	3,626,165
Nepal programme	2,920,542	2,820,000
<b>Short-term commitments programmes</b>	<b>8,839,018</b>	<b>11,922,123</b>
Pre-received earmarked funds	10,057,337	8,696,021
Pre-received waiver assignments	393,137	529,929
Funds to be justified by programmes	734,169	-
Creditors	3,646,582	1,989,293
Accrued expenses	6,837,881	6,103,884
Taxes and social security premiums	484,138	468,052
Pensions	984,049	858,828
<b>Short-term debts</b>	<b>23,137,293</b>	<b>18,646,008</b>
<b>Total</b>	<b>74,537,694</b>	<b>74,552,392</b>

# Statement of Income and Expenditure

€	Budget 2007	Realized 2006	Revised budget 2006	Original budget 2006	Realized 2005
Core subsidy	90,000,000	<b>76,884,365</b>	79,200,000	79,200,000	84,412,372
Earmarked funds	-	<b>946,328</b>	3,100,000	3,100,000	674,595
Additional subsidy request	6,300,000	<b>10,000,000</b>	10,300,000	10,000,000	-
Nepal programme	3,000,000	<b>2,055,279</b>	3,000,000	3,000,000	2,477,033
Friction costs	-	-	-	-	2,404,195
<b>Ministry of Foreign Affairs</b>	<b>99,300,000</b>	<b>89,885,972</b>	<b>95,600,000</b>	<b>95,300,000</b>	<b>89,968,195</b>
Resource mobilisation	8,400,000	<b>7,035,640</b>	8,500,000	7,400,000	1,987,705
Refund UNV	-	<b>189,352</b>	-	-	-
Interest SNV programme	100,000	<b>896,957</b>	400,000	-	385,448
<b>Income SNV programme</b>	<b>107,800,000</b>	<b>98,007,921</b>	<b>104,500,000</b>	<b>102,700,000</b>	<b>92,341,348</b>
Programmes DGIS	n.a.	<b>2,284,560</b>	n.a.	n.a.	1,589,545
Third-party programmes	n.a.	<b>1,314,923</b>	n.a.	n.a.	2,695,665
<b>Income other activities</b>	<b>n.a.</b>	<b>3,599,483</b>	<b>n.a.</b>	<b>n.a.</b>	<b>4,285,210</b>
<b>Total income</b>	<b>107,800,000</b>	<b>101,607,404</b>	<b>104,500,000</b>	<b>102,700,000</b>	<b>96,626,558</b>
Regions	82,300,000	<b>74,268,009</b>	80,566,073	73,600,000	64,761,660
Nepal programme	3,000,000	<b>2,055,279</b>	3,000,000	3,000,000	2,477,033
<b>Total regions</b>	<b>85,300,000</b>	<b>76,323,288</b>	<b>83,566,073</b>	<b>76,600,000</b>	<b>67,238,693</b>
Head office	13,600,000	<b>14,138,879</b>	14,045,000	15,500,000	16,420,118
Earmarked funds	-	<b>946,328</b>	3,100,000	3,100,000	674,595
Friction costs	-	-	-	-	2,404,195
<b>Total non regions</b>	<b>13,600,000</b>	<b>15,085,207</b>	<b>17,145,000</b>	<b>18,600,000</b>	<b>19,498,908</b>
<b>Partnerships</b>	<b>7,800,000</b>	<b>2,815,913</b>	<b>2,800,000</b>	<b>7,500,000</b>	<b>1,168,520</b>
<b>Expenditure SNV programme</b>	<b>106,700,000</b>	<b>94,224,408</b>	<b>103,511,073</b>	<b>102,700,000</b>	<b>87,906,121</b>
Programmes DGIS	n.a.	<b>2,284,560</b>	n.a.	n.a.	1,589,545
Third-party programmes	n.a.	<b>1,314,923</b>	n.a.	n.a.	2,695,665
<b>Expenditure other activities</b>	<b>n.a.</b>	<b>3,599,483</b>	<b>n.a.</b>	<b>n.a.</b>	<b>4,285,210</b>
<b>Total expenditure</b>	<b>106,700,000</b>	<b>97,823,891</b>	<b>103,511,073</b>	<b>102,700,000</b>	<b>92,191,331</b>
<b>Balance income and expenditure</b>	<b>1,100,000</b>	<b>3,783,513</b>	<b>988,927</b>	<b>-</b>	<b>4,435,227</b>

# Cash flow

After the appropriation of the result for the financial year 2006, the following statement of source and application of funds result:

€	2006	2005
Total Ministry of Foreign Affairs	89,885,972	89,968,195
Expenditure SNV programme	-94,224,408	-87,906,121
<b>Cash flow from operations</b>	<b>-4,338,436</b>	<b>2,062,074</b>
Non-core funding	7,035,640	1,987,705
Refund UNV	189,352	-
Interest	896,957	385,448
<b>Balance of income and expenditure</b>	<b>3,783,513</b>	<b>4,435,227</b>
Net investment	416,185	-1,703,502
Change provisions	-835,000	835,000
Change long term receivables	-1,657,693	-80,602
Change short term receivables	7,239,616	-12,653,105
Change earmarked funds Ministry received in advance	1,361,316	297,436
Change other short term debts	3,129,970	-1,079,532
<b>Net change SNV programme funds</b>	<b>13,437,907</b>	<b>-9,949,078</b>
Change long-term receivables	4,249,707	-5,242,034
Change short-term receivables	741,892	-3,552,878
Change long-term commitments	-4,371,392	5,284,871
Change short-term commitments	-3,083,105	5,058,154
<b>Net change project funds</b>	<b>-2,462,901</b>	<b>1,548,113</b>
<b>Net change in liquidity</b>	<b>10,975,006</b>	<b>-8,400,965</b>
<b>Liquidity level as at 31 December</b>	<b>38,640,088</b>	<b>27,665,082</b>

The liquidity level of SNV has increased from € 27.7 to € 38.6 million euro. The increase is primarily due to a decrease in the short term receivables and an increase in short term payables.



# Accounting principles for the valuation of assets and liabilities

## **Objective of the foundation and nature of activities**

SNV is a Netherlands-based, international development organisation that provides advisory services to local organisations in 33 developing countries to support their fight against poverty.

SNV is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. SNV's advisers contribute to this by strengthening the capacity of local organisations.

## **General**

The accounting principles formulated below relate to the annual accounts as a whole. Assets and liabilities are stated at fair value unless indicated otherwise. If assets and liabilities are stated in foreign currencies, the calculation was based on the exchange rates prevailing on the balance date. Exchange rate differences are included in operational (other) costs. For receivables a provision, where deemed necessary, is taken into account and calculated on an individual basis.

## **Assets**

### *Tangible fixed assets*

The assets are depreciated by asset group over their expected economic lives using the linear method. Residual value is not taken into account. All tangible fixed assets are included at historical cost and are converted using the exchange rates prevailing at the date of purchase. Assets in transition relate to pre-payments on assets which are not received at balance sheet date and as a consequence are not depreciated yet. The tangible fixed assets purchased by or for externally financed programmes are not taken into consideration as they will be handed over to the partners at the end of the project period.

### *Long-term receivables*

The long-term receivables include securities and the bonds SNV purchased in 2004. The bonds are valued at market value. Any realized or unrealized gain or loss is included in other financial income.

### *Long-term and short-term receivables programmes*

The long-term receivables include the amounts yet to be received from DGIS and third-party donors relating to the programme activities that are to be carried out under the auspices of SNV.

A long-term commitment has been entered into for these programmes, usually expressed in Euro; otherwise the prevailing exchange rate on balance date is used. The amounts related to the year 2007 are presented as short-term; the remainder as long-term receivables.

### *Short-term receivables*

The current account with the Ministry of Foreign Affairs regarding programme financing is included here.

### *Liquid assets*

The balance relates to the total liquidity of regional- and country offices, programmes and head office.

**Liabilities***Capital base*

Capital base consists of equity, special purpose reserves, special purpose fund programme finance and invested capital in fixed assets. The special purpose reserves may only be used for the purpose for which they were created. The special purpose fund programme finance may only be used for the purpose as stated in the subsidy agreement with the Ministry of Foreign Affairs. The invested capital in fixed assets reserve is an offset account of the capitalised tangible fixed assets, representing the book value of the fixed assets. Although investments are directly subsidised under the current subsidy scheme, they are capitalised to gain a better financial insight.

*Provisions*

In 2005 a provision for social plan costs was created. The social plan was finalised in 2006. There is no need to have a provision at the end of 2006.

*Long-term and short-term commitments programmes*

The short-term commitments, based on project agreements, include the budget allocation for the year 2007 for the programmes funded by DGIS and third-party donors; the remainder is presented as long-term commitments.

*Short-term debts*

The earmarked funds received in advance from the Ministry of Foreign Affairs for earmarked purposes and which have not yet been spent, are included here.

**Accounting policies for determining the result**

The income and expenditure are allocated to the year to which they relate. Income and expenditure in foreign currencies are calculated throughout the year under review using the accounting exchange rate prevailing at the date the money was paid or received.

The depreciation of fixed assets is calculated by means of fixed percentages of the purchase price, based on their expected economic lives.

The income related to the other activities (programmes) and the Nepal programme is considered equivalent to the programme expenditure. The income and expenditure balance is determined as the difference between the income generated by the SNV programme, and the expenditure related to implementing the SNV programme.

# Notes to the Balance Sheet

## Tangible fixed assets

The tangible fixed assets item is comprised as follows:

Table 1 Tangible fixed assets

€	Purchasing value	Cumulative depreciation	Book value 31.12.2006	Book value 31.12.2005
Buildings, renovation and terrains	1,609,030	-835,447	773,583	596,178
Vehicles	8,849,550	-5,714,666	3,134,884	3,183,040
Equipment	8,761,838	-5,801,320	2,960,518	3,405,262
Other inventory	1,512,080	-878,972	633,108	573,130
Assets in transition	8,487	-	8,487	169,155
<b>Total as at 31<sup>st</sup> December</b>	<b>20,740,985</b>	<b>-13,230,405</b>	<b>7,510,580</b>	<b>7,926,765</b>

Table 2 Investments and depreciation

€	Investments		Depreciations	
	2006	2005	2006	2005
Buildings, renovation and terrains	315,442	55,435	83,065	77,192
Vehicles	1,376,178	1,806,423	1,353,213	1,259,410
Equipment	1,436,463	2,851,133	1,840,025	1,292,740
Other inventory	282,094	419,778	220,959	127,094
Book value disinvestment	-337,587	-66,446	-	-
Assets in transition	8,487	169,155	-	-
<b>Total as at 31<sup>st</sup> December</b>	<b>3,081,077</b>	<b>5,235,478</b>	<b>3,497,262</b>	<b>2,756,436</b>
Depreciation	-3,497,262	-2,756,436		
<b>Invested capital in fixed assets (mutation)</b>	<b>-416,185</b>	<b>2,479,042</b>		

The depreciation cost of the buildings is based on a linear depreciation over 15 years. A 4-year depreciation period has been applied to vehicles and inventory. The depreciation period of the renovation of building is flexible, depending on the duration of the renting contract. Equipment is depreciated in 3 years. Assets in transition relate to pre-payments on assets which are not received at balance sheet date and as a consequence are not depreciated yet. The expenditures of SNV on tangible fixed assets are capitalised. The depreciation costs are accounted for in the statement of income and expenditure. As the Ministry operates on a cash basis, the difference between investments and depreciation is booked to the offset account invested capital in fixed assets. The amount for 2006 is fully subsidised via the core budget. In 2005 on the other hand an amount of € 0.8 million was subsidised by the Ministry via friction costs and an amount of € 1.7 million was subsidised via the core budget.

### Long-term receivables

#### Bonds

During 2004 bonds were purchased for the amount of € 2,000,000. It concerns 'Rabobank ladder obligatie III' for the duration until 2011. The bonds have a flexible interest rate (previous coupon rate plus a growing raise minus 6 months Euribor rate). The rate at the end of 2006 is 3.403 per cent. In 2006 an amount of € 0.17 million was redeemed. As at 31-12-2006 the nominal value amounts to € 1.9 million, whereas the market value of these bonds was € 1.7 million (rate of 89). The bonds have been reclassified from short term to long term receivables.

#### Securities

The balance includes primarily securities for rent and maintenance contracts for properties in countries where SNV is operating. The amount has remained almost at the same level.

### Long-term and short-term receivables programmes

#### Nepal programme

The long-term balance relates to the money to be received from the Ministry after 2007 in connection with the commitments with respect to implementing two programmes.

The short-term balance relates to the amount to be received from the Ministry within one year in connection with commitments with respect to implementing the programmes in Nepal.

Table 3 Specification short-term receivables Nepal programme

€	2006	2005
Funds received in advance	-398,086	-986,849
Budget 2007 respectively 2006	2,920,542	2,820,000
<b>Total as at 31<sup>st</sup> December</b>	<b>2,522,456</b>	<b>1,833,151</b>

### Short-term receivables

#### Ministry of Foreign Affairs

This entry includes the current account with the Ministry of Foreign Affairs and can be specified as follows:

Table 4 Specification current account Ministry of Foreign Affairs

€	2006	2005
Receivable programme finance	5,816,821	5,816,821
Subsequent payment core subsidy 2005	-1,513,435	-
Pre-received core subsidy 2006	-2,368,702	-
<b>Total as at 31<sup>st</sup> December</b>	<b>1,934,684</b>	<b>5,816,821</b>

*Pre-payments and accrued income*

This concerns pre-payments made by the field offices relating to such things as rent and school fees. Pre-payments on three major partnership activities, scheduled for 2007, are also included amounting to a total of € 2.1 million (UNDP € 1.2 million, UNWTO € 0.8 million and WWF € 0.1 million).

*Liquid assets*

The liquid assets include the cash (€ 0.1 million) and bank balances (€ 38.5 million) at head office and country offices and are unrestricted.

**Capital base***Equity*

Table 5 Specification equity

€	2006	2005
Equity as at 1 <sup>st</sup> January	5,310,791	4,925,343
Financial income	896,957	385,448
UNV refund 2003	189,352	-
<b>Total as at 31<sup>st</sup> December</b>	<b>6,397,100</b>	<b>5,310,791</b>

The equity reserve is build up to guarantee the continuity of the organisation.

*Special purpose reserve foreign exchange*

The reserve for foreign exchange of € 1.0 million is to cover the claims made by field offices in the 'dollar countries' in situations where the resources available are not sufficient to cover an extreme increase in exchange rates.

*Special purpose reserve tax claims*

As a result of the disentanglement SNV may face tax and social premium claims for staff in the programme countries. To this effect as from 2003 a net amount of € 11.2 million has been reserved through the result appropriation. The disbursed amounts concern payments of specific social security premiums for international staff. The reservation will be reviewed on an annual basis.

Table 6 Specification special purpose reserve tax claims

€	2006	2005
Balance as at 1 <sup>st</sup> January	8,081,858	5,446,641
Reserved Hypotax	3,721,311	3,341,465
Disbursed	-607,922	-706,248
<b>Total as at 31<sup>st</sup> December</b>	<b>11,195,247</b>	<b>8,081,858</b>



*Special purpose fund programme finance*

This fund represents the remaining balance of the subsidy for 2002 and remains at the disposition of SNV for programme financing and may only be used for the purpose as indicated in the subsidy agreement of the Ministry of Foreign Affairs.

Table 7 Specification special purpose fund programme finance

€	2006	2005
Balance as at 1 <sup>st</sup> January	4,303,386	4,592,326
Result appropriation	-	-288,940
<b>Total as at 31<sup>st</sup> December</b>	<b>4,303,386</b>	<b>4,303,386</b>

*Invested capital in fixed assets*

As of 1996, tangible fixed assets have been presented as such on the balance sheet. Because the Ministry deploys a cash basis system, where investments are charged to the budget year in question, a difference arises between the expenditure based on the accrual system used by SNV and the cash system. The annual mutation is the net investment (see also tangible fixed assets).

Table 8 Specification invested capital in fixed assets

€	2006	2005
Balance as at 1 <sup>st</sup> January	7,926,765	5,447,723
Mutation	-416,185	2,479,042
<b>Total as at 31<sup>st</sup> December</b>	<b>7,510,580</b>	<b>7,926,765</b>

*Provision for social plan costs*

As a result of further decentralising and regionalising of support activities (optimising support) for which the activities started was 2005, a provision for social plan costs was required to the amount of € 0.8 million. The provision was based on the social plan agreed upon in 2005 and covers both head office and countries. The social plan has been finalised during 2006 according to plan and the provision was fully utilized.

### Short-term debts

#### *Pre-received earmarked funds*

The receipts and disbursements regarding earmarked funds in 2006 can be specified as follows:

Table 9 Developments pre-received earmarked funds

€	Orientation leave	Unemployment benefit	Friction and repositioning	Total
Balance as at 1 <sup>st</sup> January	363,651	7,580,790	751,580	8,696,021
Received from Ministry of Foreign Affairs	483,546	2,575,678	-751,580	2,307,644
Disbursed in 2006	-347,981	-598,347	-	-946,328
<b>Total as at 31<sup>st</sup> December</b>	<b>499,216</b>	<b>9,558,121</b>	<b>0</b>	<b>10,057,337</b>

### Commitments and rights not shown in the balance sheet

#### *Subsidy agreement*

In 2003 an amount of € 13.9 million and in 2004 an amount of € 11.8 million were forwarded as unutilised funds of the subsidy agreement for the period 2002-2006 (total € 25.7 million). Part of the unutilised funds was already received (€ 6.7 million). In 2005 the pre-received amount is accounted for as core subsidy income. In 2006 SNV received a part of the amount (€ 1.5 million) which the Ministry had not yet transferred in 2005. On top of the aforesaid SNV also received € 10.0 million of remaining subsidy of the period 2003-2004. In 2006 the funds exceeded the expenditure and as a result SNV pre-received an amount of € 2.4. Therefore an amount of € 1.9 million is presented as receivable from the Ministry. The total balance over the remaining term of the subsidy amounts to € 13.3 million (including special purpose fund programme finance and settlement of old balances with the Ministry). The Ministry has declined an amount of € 2.5 million. The remaining balance of € 10.8 million will be transferred by the Ministry in 2007 (€ 6.3 million) and in 2008 (€ 4.5 million).

#### *Earmarked funds*

At 31 December 2006, the maximum commitment for orientation leave amounts to € 2.0 million, and for unemployment benefit € 2.4 million.

#### *Possible tax claims in the programme countries*

As a result of the disentanglement, SNV may face tax claims in the programme countries. Formerly the tax status was laid down in the bilateral country agreements. The change in legal status may imply that SNV needs to pay taxes on expatriate salaries to the governments in the programme countries. It is expected that the allocation in 2003 -2006 to the special purpose reserve tax claims is sufficient to cover possible tax claims over 2003 - 2006.

#### *Suppliers' contracts*

SNV has signed several contracts with suppliers of goods and services for a total amount of € 2.3 million. The annual rent for the office in The Hague amounts to € 0.3 million (price level 2006). The rental agreement terminates on 31 July 2015.

*Legal cases in progress*

In three countries there are in total 6 pending legal cases, by former employees against SNV. The total amount involved is € 0.09 million.

*Partnerships*

SNV has entered into several partnerships with a financial component covering the year 2007 and thereafter. The total amount involved is € 7.4 million:

*United Nations Development Programme (UNDP)*

In 2004, SNV signed an agreement with UNDP to contribute funds to the amount of € 2.0 million on a cost sharing basis for the development and implementation of the programme on 'Building capacity of Local Governments, CSO's and Domestic Business Sector to participate in PRSP and MDG processes'. The remaining obligation at the end of 2006 amounts to € 1.0 million. This activity agreement ends in 2007.

In 2005, SNV signed another two agreements with UNDP. In the first agreement, SNV contributes funds to the amount of € 1.9 million on a cost sharing basis for 'the Development and Implementation of a Programme on Capacity Development innovations' and in the second agreement, SNV contributes funds to the amount of € 1.0 million for 'Joint learning initiatives for UNDP and SNV practitioners'. The remaining obligation at the end of 2006 amounts to € 1.5 million and € 0.5 million respectively. Both agreements end in 2007.

In 2006, SNV signed a fourth agreement with UNDP. The agreement is for 4 years and the amount of € 3.0 million was allocated for the first two years. This agreement is for the integration of the policy advisory, capacity development and knowledge management of national development agendas. Since the agreement became effective only end of 2006, no expenses occurred yet, which results in a remaining obligation of € 3.0 million.

*World Tourism Organization (UNWTO)*

In 2005, SNV signed an agreement with UNWTO to contribute funds to the amount of € 2.0 million for the financing of advisory services and technical assistance in the field of sustainable tourism development. The initial commitment ended at 31 December 2006 but there is the intention to sign a new activity agreement in 2007.

*World Business Council for Sustainable Development (WBCSD)*

In 2006, SNV signed an agreement with WBCSD for sustainable poverty alleviation through job creation through sustainable involvement of the private sector. In this agreement SNV contributes funds to an amount of € 0.95 million. The remaining commitment at the end of 2006 is € 0.6 million. This activity agreement ends at the end of 2007.

*World Wide Fund for Nature (WWF)*

In 2006, SNV signed an initial agreement with WWF to contribute funds to an amount of € 0.1 million for providing better and more stable economic incentives to small timber and NTFP producers in the tropics. Because this agreement was signed at the end of 2006, hardly any expenses have occurred, therefore the remaining commitment is also € 0.1 million. This activity agreement ends at the end of 2007.

*Fair Trade Labelling Organisation (FLO)*

In 2006, SNV signed an agreement with FLO to contribute funds to an amount of € 1.2 million to support producer organisations in the South, involving production chains such as coffee, cocoa, several kinds of nuts and rice. The remaining obligation at the end of 2006 is € 0.7 million. This activity agreement ends on March 31, 2008.

# Notes to the Statement of Income and Expenditure

## Income

### Programme funding Ministry of Foreign Affairs

The total income for the SNV programme amounted to € 87.8 million in 2006 of which € 86.9 million for regular Capacity Development activities. The regular Capacity Development activities increased by € 2.5 million (3 per cent) compared to 2005 and a decrease of € 2.3 million (3 per cent) compared to the revised budget.

Table 10 Specification income and programme funding Ministry of Foreign Affairs

€	Realized 2006	Revised Budget 2006	Original Budget 2006	Realized 2005
Subsidy agreement 2002-2006	82,312,291	79,200,000	79,200,000	81,135,821
<b>Total subsidy agreement</b>	<b>82,312,291</b>	<b>79,200,000</b>	<b>79,200,000</b>	<b>81,135,821</b>
Transfer budget to remaining subsidy period	-2,368,702	-	-	-
Release from unutilised funds in the past	10,000,000	10,300,000	10,000,000	6,652,776
<b>Total subsidy income</b>	<b>89,943,589</b>	<b>89,500,000</b>	<b>89,200,000</b>	<b>87,788,597</b>
Earmarked orientation leave/unemployment benefit included in the subsidy agreement	-3,059,224	-3,100,000	-3,100,000	-3,376,225
<b>Total core subsidy for regular Capacity Development programme</b>	<b>86,884,365</b>	<b>86,400,000</b>	<b>86,100,000</b>	<b>84,412,372</b>
Expenditure orientation leave/unemployment benefit	946,328	3,100,000	3,100,000	674,595
<b>Total programme funding</b>	<b>87,830,693</b>	<b>89,500,000</b>	<b>89,200,000</b>	<b>85,086,967</b>

The earmarked part of the subsidy agreement should be refunded if not used for its intended purpose. The real costs are presented as income and expenditure.

### Nepal programme

In 2005, SNV took over two EKN funded Nepal activities that form part of the core subsidy as from 2005. The duration of this programme is up to and including 2009. The original expenditures budget for 2006 amounted to € 3.0 of which € 1.4 million of cash was actually received. The income is considered equivalent to the expenditure. The movements in 2006 in the two Nepal activities can be presented as follows:



Table 11 Specification mutations Nepal programme

€	Biodiversity	Renewable Energy Sector Support	Total
Net commitment as per 31 December 2005	7,568,347	3,816,376	11,384,723
Net receivable as per 31 December 2005	-7,049,439	-3,348,435	-10,397,874
<b>Net programme fund balance as per 31 December 2005</b>	<b>518,908</b>	<b>467,941</b>	<b>986,849</b>
Funds received in 2006	884,338	556,030	1,440,368
Expenditure 2006	-1,398,869	-656,410	-2,055,279
Interest and revaluation	-4,747	2,989	1,758
Refund WWF	27,906	-	27,906
<b>Net programme fund balance as per 31 December 2006</b>	<b>27,536</b>	<b>370,550</b>	<b>398,086</b>
Represented by:			
Net commitment as per 31 December 2006	6,155,505	3,159,966	9,315,471
Net receivable as per 31 December 2006	-6,127,969	-2,789,416	-8,917,385
	<b>27,536</b>	<b>370,550</b>	<b>398,086</b>

*Resource mobilisation*

This amount relates to income from paid advisory services. In 2006 there has been a significant increase compared to 2005.

*Refund UNV*

This is a refund of an activity closed in 2003.

*Income other activities*

Other income relates to externally financed programmes. The income of externally financed programmes equal the expenses. The outstanding commitments and receivables are accounted for in the balance sheet.

**Expenditures***Expenditure SNV regular Capacity Development programme*

Total costs for the regular Capacity Development programme amounts to € 91.2 million. This means an increase of € 8.9 million (11 per cent) compared to 2005.

Table 12 Expenditure SNV regular Capacity Development programme

€	Realized 2006	Revised budget 2006	Original budget 2006	Realized 2005
<b>Regions:</b>				
- personnel costs	57,539,489	62,568,217	58,422,000	50,279,994
- other costs (net)	16,728,520	17,997,856	15,178,000	14,481,666
<b>Total</b>	<b>74,268,009</b>	<b>80,566,073</b>	<b>73,600,000</b>	<b>64,761,660</b>
<b>Head office:</b>				
- personnel costs	7,200,892	6,530,339	7,900,000	9,574,082
- other costs (net)	6,937,987	7,514,661	7,600,000	6,846,036
<b>Total</b>	<b>14,138,879</b>	<b>14,045,000</b>	<b>15,500,000</b>	<b>16,420,118</b>
Partnerships	2,815,913	2,800,000	7,500,000	1,168,520
<b>Total</b>	<b>91,222,801</b>	<b>97,411,073</b>	<b>96,600,000</b>	<b>82,350,298</b>

*Regions*

Regional costs are all costs accounted for by the portfolio, country and regional offices. Total costs increased with € 9.5 million or 15 per cent compared to 2005. The rise in costs is the result of the increase in advisory days in 2006 (18 per cent).

*Head office*

Corporate costs are all costs accounted for at head office. The costs decreased by € 2.3 million compared to 2005. The reduction was in hiring of short term support, travel expenses and meeting expenses mainly due to the decentralisation to the field.

*Partnerships*

This amount relates to justifications received for partnership activities from UNDP, UNWTO, FLO, World Business Council for Sustainable Development (WBCSD) and World Wildlife Funds (WWF). The total expenses in 2006 are in line with the revised budget.

# Other information

## Auditor's report

### Report on the financial statements

We have audited the accompanying financial statements 2006 of SNV Netherlands Development Organisation, The Hague as set out on pages 58 to 80 which comprise the balance sheet as at 31 December 2006, the statement of income and expenditure for the year then ended and the notes.

#### *Executive board of directors' responsibility*

The executive board of directors of the foundation is responsible for the preparation and fair presentation of the financial statements and for the preparation of the executive board of directors' report. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law and the requirements in the audit protocol annexed to the subsidy agreement of the Ministry of Foreign Affairs. This law and requirements requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements 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. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the executive board of directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### *Opinion*

In our opinion, the financial statements give a true and fair view of the financial position of SNV Netherlands Development Organisation as at 31 December 2006, and of its result for the year then ended in accordance with the financial reporting requirements included in the Dutch Guideline for Annual Reporting for Non-profit organizations (RJ640). Furthermore, we are of the opinion that the expenditures accounted for in the statement of income and expenditure meet the requirements of legitimacy.

In addition, we have to the extent of our competence, established that the executive board of directors report is consistent with the financial statements.

The Hague, 20 April 2007  
PricewaterhouseCoopers Accountants N.V.

H.A. Wink RA MBA

# Constitution of the Supervisory Board

## **Chairman and member of the Remuneration Committee:**

Mr C.J.M. Pronk MBA  
*Business Development Director Hay Management Consultants*  
 From 30-10-1998  
 Date of birth 30-10-1948  
 Nationality Dutch  
 Assigned until 01-07-2006

## **Per Juli 2006, Chairman and member of the Remuneration Committee:**

Mr L. de Waal  
*Director Humanitas and various commissioner's posts, a.o. FMO and IRC*  
 From 25-11-2005  
 Date of birth 04-11-1950  
 Nationality Dutch  
 Assigned until 25-11-2008

## **Treasurer and chairman of the Audit Committee:**

Mr W. Veldman RA  
*Director VeldmanAdvies and member in various other audit committees (a.o. Ministry LNV, Municipality Rotterdam)*  
 From 01-07-2003  
 Date of birth 30-12-1948  
 Nationality Dutch  
 Assigned until 01-07-2009

## **Other members:**

Mr J. Greven  
*Former Publisher PCM Landelijke Dagbladen B.V.*  
 From 24-04-1998  
 Date of birth 02-12-1941  
 Nationality Dutch  
 Assigned until 01-07-2006

Mrs A.E. Kuipers-Bakker MBA  
*Director General Biblioservice Gelderland (member Audit Committee)*  
 From 01-07-2002  
 Date of birth 01-06-1951  
 Nationality Dutch  
 Assigned until 01-07-2008

Mr Ir. K.A. de Jong  
*Former Executive Vice President Corporate Affairs Royal Numico (member Remuneration Committee)*  
 From 01-07-2002  
 Date of birth 10-04-1942  
 Nationality Dutch  
 Assigned until 01-07-2008

Mr H. Muller  
*Various commissioner's posts, i.a. SNS REAAL groep and ASN Beleggingsfondsen N.V. (member Audit Committee)*  
 From 01-07-2002  
 Date of birth 27-03-1942  
 Nationality Dutch  
 Assigned until 01-07-2008



**Remuneration Supervisory Board:**

In 2006 the members of the Supervisory Board received the following fee attendance money:

Chairman	€ 5.400 net on a yearly basis;
Treasurer	€ 4.800 net on a yearly basis;
Other members	€ 4.200 net on a yearly basis.

**Constitution of the Board of Directors:**

Mr T.J.H. Elsen  
Mrs A.M.F. Jenniskens

**Remuneration of the present Board of Directors**

In 2006 the members of the Board of Directors received the following total remuneration, being gross salary including holiday allowance:

Chair person	€ 128,500 (in 2005 € 124,758)
Member	€ 98,819 (in 2005 € 95,941)

The total pay (including employer's contribution and pensions) amounted to:

Chair person	€ 152,793 (in 2005 € 162.249)
Member	€ 118,914 (in 2005 € 118,557)

**Result appropriation**

The 2006 balance income and expenditure has been processed in the annual accounts as follows:

	2006	2005
Transfer to equity	896,957	385,448
Special purpose reserve tax claims	3,113,389	2,635,217
Release from special purpose fund programme finance	-	-288,940
Transfer to equity (UNV)	189,352	-
Transfer to reserve invested capital in fixed assets	-416,185	1,703,502
<b>Total</b>	<b>3,783,513</b>	<b>4,435,227</b>

**SNV Netherlands Development Organisation**

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**Colophon**

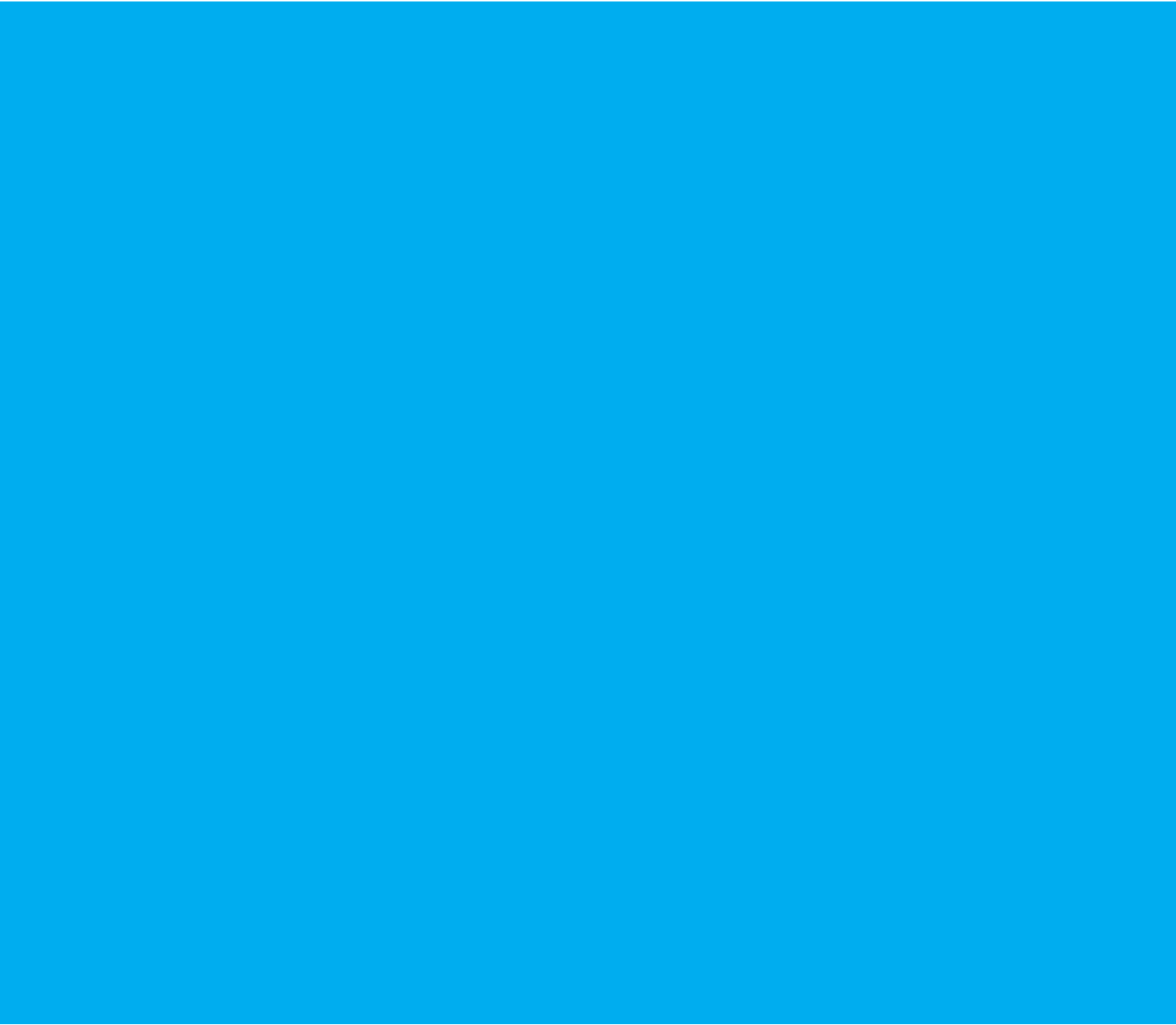
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**SNV**  
Connecting People's Capacities