

Annual
Report
2005



SNV: Dedicated to development learning

We are a development organisation, based in the Netherlands.

We provide advisory services to clients in developing countries.

We work towards societies in which all people enjoy the freedom to pursue their own sustainable development.

We believe poverty results from unequal access to resources and power, between different social and cultural groups and between men and women.

We believe the basic purpose of development is to enlarge people's abilities and capacities to make choices; to create an enabling environment for people to enjoy long, healthy and creative lives.

We support the fight against poverty. This struggle needs strong organisations that serve the interests of the poor and are able to change the structures that sustain poverty. We work with organisations that operate at district and provincial level and function as linking pins between national policies and frameworks and the people living in towns and communities. Our more than 900 advisers contribute to this by strengthening the capacity of local organisations.

We serve local organisations with teams of national and international experts working in the field. Our added value is that our experts combine their thematic expertise with skills in organisational and personal development, partnership building and institutional strengthening.

Supervisory Board

The Supervisory Board is pleased to see the increase in activities: in advisory practice and in activities with partners like the United Nations Development Programme and World Tourism Organisation. The transition to an international consultancy for development is nearly finished. Quality improvement of the advisory services, such as learning programmes, is well received. Five organisational regions from now on regulate all operational support and ensure more coherence between country programmes. The country based directors will primarily focus on the advisory services and positioning in the countries. The back office systems are modernised with an enterprise resource planning (ERP) system.

In 2005 the Supervisory Board has taken the following main decisions:

- approval of statute of the audit committee;
- endorsement of 2004 annual accounts and discharge of the Board of Directors for 2004;
- approval of the reorganisation plan Optimising Support;
- approval of the Addendum Corporate Plan 2005/2006.

During 2005 the Supervisory Board convened five times. In addition, some members convened on various occasions to discuss the situation of the Board of Directors. A special subcommittee for financial supervision, the Audit Committee, met five times. In 2005, the Supervisory Board met with the workers council once. Also, some members of the Supervisory Board visited the SNV operations in the countries.

In 2005 Lodewijk de Waal became a member of the Steering Board. Johan van de Gronden left the Board of Directors at end of October. His activities were allocated to the other two board members.

The Supervisory Board would like to thank the Board of Directors and the entire SNV staff for their contribution to the realisation of our mission in sometimes difficult situations.

Cees Pronk
Chairman Supervisory Board

PriceWaterhouseCoopers Accountants N.V., The Hague has audited the financial statements and given an unqualified opinion. The Supervisory Board has approved the annual accounts and discharged the Board of Directors.



Table of contents

Supervisory board	3
Executive Board of Directors Report	4
2006 in sight	8
2005 in detail	9
Region highlights	14
Advisers and learning	16
The organisation	17
Capacity development illustrated	
Capacities deserve development	20
Information and cooperation as medicine	22
The entire chain is scrutinized	28
Security speeds up improvement	34
Annual accounts	40
Balans sheet, income and expenditure and cash flow statements	42
Accountancy principles	46
Notes to the balance sheet and to income and expenditure	48
Other information	57

Executive Board of Directors Report



SNV's year

Facts and statements

In many aspects 2005 was a year with progress and development. It was characterised by growth in different aspects: growth in clients, partnerships, countries and realised enhanced capacity. Internally quality improved. SNV has contributed to its ultimate goal of reducing poverty by enlarging people's abilities and capacities to make personal choices and to strengthen their organisations.

Impact

- 2,448 clients: plus 37 per cent.
- 84% enhanced capacity achieved: plus 15 per cent.
- 33 countries: plus 5.
- 129,123 advisory days: plus 33 per cent.

Partnerships

- Started: Corporate partnership with the World Tourism Organisation (WTO).
- Expanded: Partnership with United Nations Development Programme (UNDP).
- Prepared: Partnerships with the Fair-Trade Labelling Organisation (FLO) and the World Business Council for Sustainable Development (WBCSD).
- Many more developed and started at regional and country level.

Quality

- Recruited: high quality staff with various backgrounds.
- Increase in advisory staff to 937 advisers: plus 40 per cent.
- Developed: Virtual induction programme to ensure integration of new staff.

- Joined: European Centre for Development Policy Management (ECDPM) and UNDP, publishing Capacity.Org, a quarterly journal on capacity development with a focus on the 'why' and the 'how' of capacity development.
- Launched: Advisory Practice Learning Programme to contribute to better quality of advisers and portfolio coordinators.
- Improved connectivity of Advisers, both virtually as well as through professional practice area networks.
- Facilitated: Decentralisation from head office to the field, by the establishment of regional offices and the appointment of five regional directors.

Finance

- Expanded: € 87.9 million total SNV programme of which € 82.3 million for regular programme: plus 28%.
- Reduced: capacity development 5% reduction in the costs per advisory day.
- More core subsidy utilised: € 84.4 million, funded by the Directorate General for International Cooperation (DGIS) of the Netherlands' Ministry of Foreign Affairs. € 6.7 million more than budgeted, financed from an unutilised subsidy in 2004.

More impact

2006 in sight

SNV expects to grow further in 2006.

This will be a limited increase of staff and harvesting from the increase in advisers in 2005. The number advisory days and partnerships will increase and the efforts to improve the quality of our organisation will be continued. But the big challenge for 2006 is to further increase the impact of our work further.

Impact

In 2006 SNV will focus on National Development Strategies (NDS) or National Poverty Reduction Strategies. This is inspired by the outcome of The International Conference on 'Mobilising Local Capacity for the Millennium Development Goals (MDGs)'. It was organised last year by SNV and a number of partners. Its conclusion: MDGs cannot be achieved unless they are made specific and relevant at the local level and are inclusive. The goals must be locally owned. Its recommendations: engage people, so that they can relate their activities to the MDGs. Reinforce their capacities, to ensure the achievement of the goals.

- Enhanced capacity achieved, increase.
- Partnerships: expenditures from € 2.0 to € 7.5 millions budgeted in 2006.
- Advisory days 150,000, plus 15 per cent.

Agenda

- Align: advisory services to National Development Strategies.
- Focus: impact in the areas of access to basic services and income and employment generation.
- Develop: more partnerships, as instruments for leverage and synergy.
- Intensify: collaboration and alignment with the Royal Netherlands Embassies programmes (RNEs), to achieve further complementarities.
- Sign: new country agreements, for legal basis of operations.

Quality

- Introduce: A standard approach in advisory services ('Triple AAA'), developed by SNV based on best practices. Corporate introduction enables advisers to improve result focus and advisory skills.
- Improve: quality of support services, based on a new support structure and decentralised responsibility; e.g. integrated planning & control cycle enabling line managers to invest more in analysis and applying lessons learnt.
- Increase: advisory staff to maximum 1030.

Finance

- Utilise € 89.2 million government funding by DGIS for regular programme activities, € 4.8 million more than in 2005.
- Acquire € 7.4 million resource mobilisation € 2.0 million more than in 2005.
- Reduce: cost per advisory day by more than 5%.

Empowering local actors 2005 in detail

Strengthen the power of local organisations, that's the inspiring working credo for SNV. In 2005 we have improved 2005 existing clients, new clients new partnerships and, attracted local networks, at all levels. This strategy is based on our experience that local communities have a wealth of knowledge and skills. Often it is undervalued and sometimes it is ignored. For achieving the Millennium Development Goals (MDGs), the capacities of all actors at the local level must be recognised and strengthened, and new skills developed as needed.

SNV finds affirmation in the broader framework of National Poverty Reduction Strategies and targeted action programmes derived from the Millennium Development Goals (MDGs). We support the plea for increased investment as reflected in the report Investing in development; a practical plan to achieve the Millennium Development Goals.

Money alone does not suffice to reach these targets. Strengthening capacities should accompany the investments. That makes results sustainable and enables countries to absorb investments and make full use of them. The muscled pleas for more money often do not fully respect the fact that people are first and foremost agents of their own development rather than beneficiaries of aid.

Subsidy agreement evaluated

The lion's share of the SNV funding is received from the Dutch government. We have a subsidy agreement with the Directorate General for International Cooperation (DGIS) of the Netherlands' Ministry of Foreign Affairs. It runs from 2002 to 2006. Towards the end of 2005 the subsidy agreement with DGIS was evaluated. In general progress on

these points - mostly oriented on the organisational change - has been satisfactory. The evaluation provided input for points for 2006; translating these achievements into even more impact on our advisory practice and registering results.

Increase in activities and coverage

The number of direct advisory days grew by one third in 2005. The number of clients served by SNV advisers expanded proportionally. Especially in the Balkans SNV grew by more than the average due to the expansion of the regional programme to new countries.

Advisory days	Advisory days 2004	Advisory days 2005	Growth	Clients 2004	Clients 2005	Growth
East and Southern Africa	21,837	29,128	33%	462	691	50%
West and Central Africa	28,530	39,272	38%	772	994	29%
Asia	17,756	24,098	36%	227	256	13%
Latin America	26,846	33,496	25%	282	408	45%
Balkans	1,889	3,129	66%	48	99	106%
Total	96,858	129,123	33%	1.791	2.448	37%

More contribution to enhanced capacity

Objectives of assignments were achieved completely or almost completely. In 84% of the reviews, progress against indicators was sufficient (in 2004 73%). Clients appreciated our quality of service in 90% of the cases (in 2004 85%). A point requiring attention is measuring; this is done in only two third of the cases.

How we measure enhanced capacity and client satisfaction:

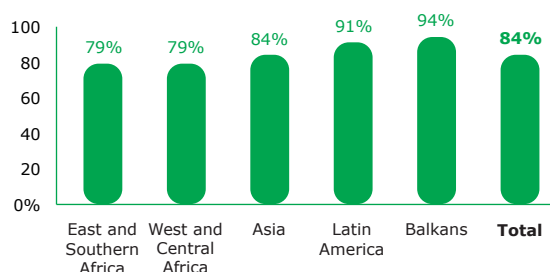
Of all our clients 65% was completely reviewed (in 2004 56%). Before completing assignments with clients, most advisers hold short reviews during with clients determined whether SNV and the local organisation have the capacity strengthening objectives. These objectives have been agreed on at the beginning of the assignment, and are reflected in assignment specific indicators.

The figure on this page shows regional differences in terms of:

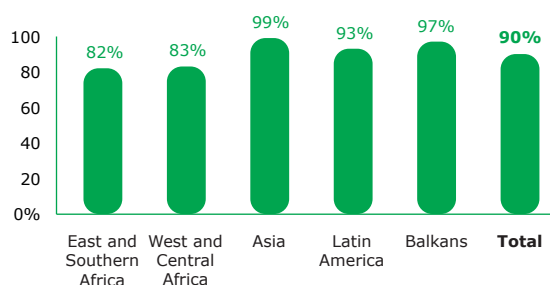
- coverage, the percentage of days measured;
- scores on indicators on enhanced capacity;
- scores on client satisfaction.

On the other hand advisers do not yet systematically involve all clients in measuring satisfaction and assessment

Contribution to enhanced capacity (% of advisory days)



Client satisfaction of SNV services (% of advisory days)



of achieving the capacity strengthening objectives. Furthermore, the figures need to be considered with some reserve: appraisals and judgements are influenced by cultural background, and clients will often be reluctant to be very critically towards SNV advisers, because the support is free.

How clients specifically reflect on SNV contribution

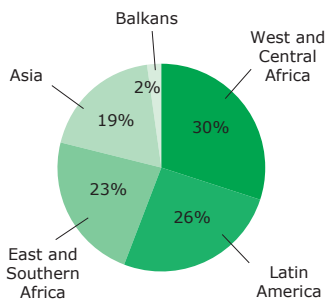
Clients often expressed that they were positive about the mutual trust between adviser and client, and about the down to earth approach of SNV advisers. For example in Asia, clients were positive about the advice on private sector development. Clients made suggestions including developing a role for

SNV as a broker for improvement, amongst others, by developing a role for SNV as broker in resource mobilisation by clients, by intensification of communication between SNV advisers and clients, and by enhanced development of measuring results with clients. An increasing number of clients can be qualified as local capacity builders: local organisations providing capacity building support in the areas of governance and economic development. As indicated in the table below, the allocation of advisory days by categories of clients, most clients are governmental organisations, followed by non-governmental organisations and private sector organisations.

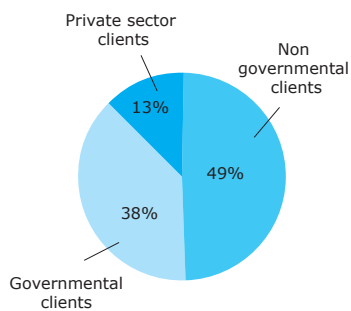


Direct Advisory Days

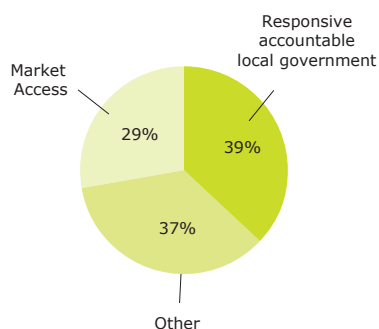
By region



By client



By practice area



Practice areas in close up

Direct advisory days are allocated per practice area over different types of clients, and over the five regions. SNV defines a practice area as a thematic area connected with our capacity development services. Practice areas facilitate sharing knowledge, skills and experiences and developing effective intervention approaches in certain thematic or expertise fields. Our global practice areas are:

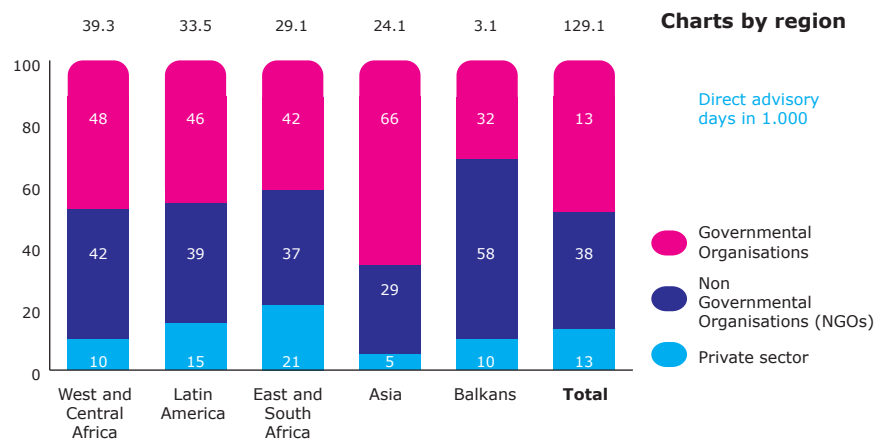
- Responsive and accountable local governance: 39% of the advisory days.
- Market access for the poor: 24%
- Collaborative forestry management: 9%.
- Sustainable tourism: 4% of the advisory days.

Other practice areas are specific to a single region, such as:

- Renewable energy and biogas in Asia: 6% of the advisory days in the region.
- Water management in Latin America: 7%.
- Dry land management and gender in West Africa: 10% resp. 7%.

New partners

SNV is involved in several partnerships and continuously exploring new partnerships to leverage our activities. Partnerships with like-minded organisations are useful to harmonise agendas and enlarge critical mass for impact on clients. Partnerships with different organisations may create synergy by sharing competencies and capacities. Partnerships may also well stimulate innovation and generate financial resources.



Translating MDG targets to country level

In 2004, SNV signed a three-year cooperation agreement with the United Nations Development Programme (UNDP). Under this framework agreement the partners aim to join forces to increase the effectiveness of their efforts in contributing to poverty reduction and peaceful, sustainable development. In 2005, the existing corporate partnership with the UNDP was expanded by a Letter of Intent that was signed by the Administrator of the United Nations Development Programme (UNDP) Kemal Dervis and Chairman of the Board of SNV Dirk Elsen. This gives SNV and UNDP leverage to support the translation of worldwide MDG targets into country based operational targets and programmes, one of the key components of achieving the 2015 MDG agenda.

Reducing poverty by tourism

In 2005, a corporate partnership between the World Tourism Organisation (WTO) and SNV, became operational. In close cooperation with SNV advisers and the National Tourism Authorities, WTO has formulated project proposals that address the relation between tourism and poverty reduction in ten countries. In seven countries SNV advisers and WTO experts provided joint support to national tourism authorities in the formulation of new tourism laws, policies and strategies, whereby specific attention is paid to address sustainability and pro-poor aspects during the whole formulation process.

Fair-Trade

A corporate partnership agreement was prepared between the Fair-Trade Labelling Organisation (FLO) and SNV. The corporate partnership with the World Business Council for Sustainable

Development (WBCSD) resulted in participation in World Summit side events and first steps in become partners into the business community. Collaboration with other partners like Agri-ProFocus, Unilever, etc. continued.

Mobilising local capacities

Existing partnerships resulted in concrete activities like the MDG conference that were organised jointly by SNV and local partners in the five regions to boost attention to 'Localising the MDG agenda' and to highlight the role of civil society and local government in this regard. The regional conference culminated in the international conference on 'Mobilising Local Capacities for the Millennium Development Goals' in The Hague, in which the President of Tanzania, Benjamin Mkapa, and the Dutch Minister for Development Cooperation Agnes van Aardenne, participated.



Stimulating biodiversity and renewable energy

In 2004 the DGIS programme in Nepal, consisting of the Biodiversity and Renewable Energy programmes, was handed over to SNV. SNV and DGIS signed an additional subsidy agreement. In 2005 an amount of € 2.4 million was spent. A separate agreement also on biogas was concluded with the Minister of Development Cooperation to contribute to the Dutch energy targets by 2015. SNV together with clients and partners will provide 1.3 million people with biogas installations and cooking facilities.

Closer collaboration

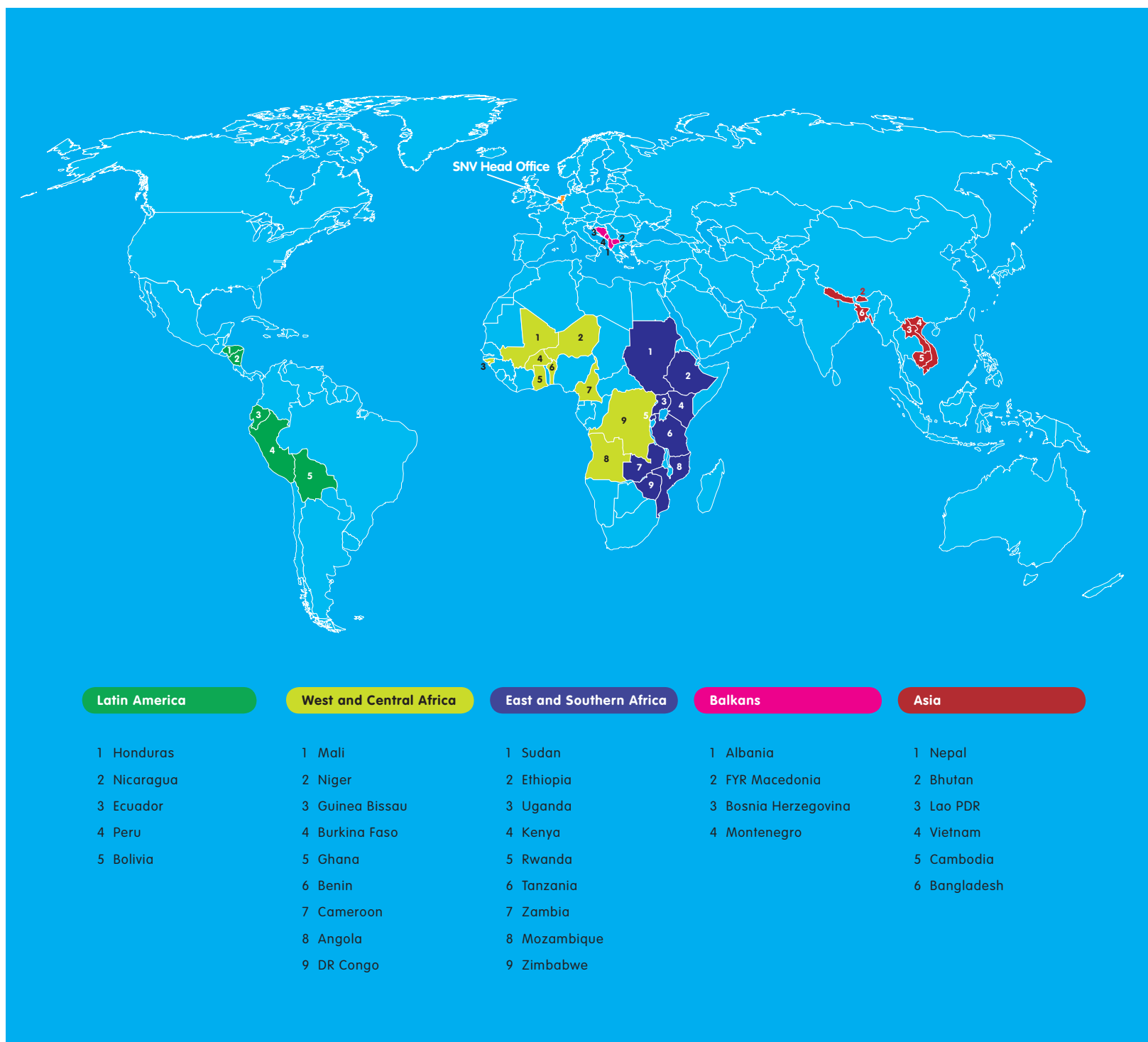
The Royal Netherlands Embassies (RNE) are the natural partners of SNV in many countries. In many cases, RNE and SNV work complementary. For example, in Mali RNE and SNV jointly work on capacity strengthening in the healthcare sector: RNE at national level and SNV at meso level. Another good example is Ethiopia, where RNE and SNV signed a contract, worth € 7 million, to promote access to markets and enhance income generation. Collaboration between RNE and SNV can and will be further intensified.

Starting in new countries

In 2005, SNV started activities in five new countries: Bangladesh and Cambodia for the Asian programme and Bosnia Herzegovina, FYR Macedonia and Montenegro in the Balkans programme. This brings the total to 33 countries. The main focus remains on Africa where about 55% of the direct advisory days were realised.



Regional highlights



SNV is present in 33 countries in five regions: East and Southern Africa, West and Central Africa, Latin America, Asia and the Balkans. The chapters 'Capacity development illustrated' gives more insights into SNV's added value, activities and capacity building.

Conditions

Sometimes the external conditions are stimulating.

West Africa: elections in different countries have perpetuated a situation of relative stability.

Asia: in some countries the economic development is very positive. Most remarkable is Vietnam, but Lao PDR and Bhutan are also performing well.

Sometimes conditions are hard.

Conflicts contribute negatively to development perspectives.

West Africa: Guinea Bissau.

East/Southern Africa: DR Congo, Sudan, North Uganda, Northern Kenya, Southern Ethiopia.

Asia: Nepal.

Sometimes conditions force clients to change strategies. Food crises throw the focus on emergency aid activities.

SNV then helps the local municipalities organise them.

West Africa: Niger, Mali and Burkina Faso.

Sometimes political conditions influence the activities. In Latin America there is widespread popular discontent with the results of the reform agenda.

Ecuador and Bolivia: downfall of the governments.

Peru: extreme unpopularity of the Toledo government.

Nicaragua: growing support for opposition leader Sadinista Daniel Ortega.

Three Evaluations

Market access for the poor

An external evaluation team studied SNV's market access for the poor approach in Uganda, Tanzania and Zambia. The final report is not yet available but are available are preliminary conclusions

Strong points:

- motivation of SNV advisers;
- client selection;
- knowledge of change management.

Recommendations:

- concrete exit strategies;
- much stronger result focus and cost awareness.

Pro poor sustainable tourism

An external evaluation team studied SNV's pro poor sustainable tourism activities in Asia.

Strong points:

- clear contribution to poverty reduction;
- huge potential market;
- SNV's role as leading niche player.

Recommendations:

- more attention to the commercial viability of programmes;
- better linkage with the private sector;
- improvement of internal knowledge sharing;
- focus on result measurement.

Biogas programme

A mid-term review positively evaluated SNV's Biogas programme in Nepal.

The activities contribute to reduce CO₂ emission and increase farmers' income

Results:

- 17,154 biogas plants.
- Training of 2,593 Village Development Committees.
- Improvement of 945 water mills.
- Strengthening and formation of water mill associations.
- Reinforcement of 8 local manufacturers and 16 service centres .
- Training in repair and maintenance, entrepreneurship and product marketing.

Advisers and learning

	Advisers 2004	Advisers 2005	Increase
East and Southern Africa	183	282	54%
West and Central Africa	196	269	37%
Asia	110	155	41%
Latin America	162	200	23%
Balkans	21	31	48%
Total	672	937	39%

At the end of 2005, SNV employed about 1,500 staff worldwide, including almost 940 advisers:

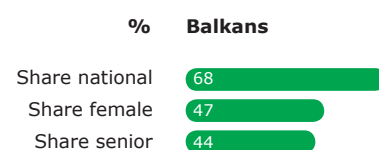
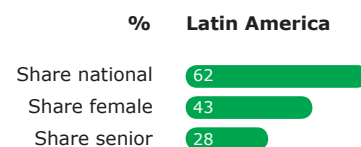
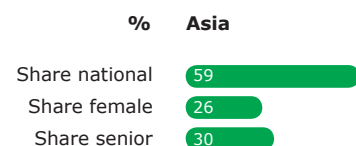
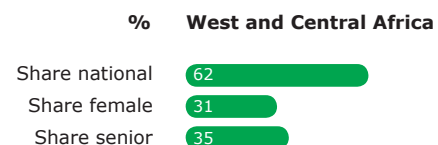
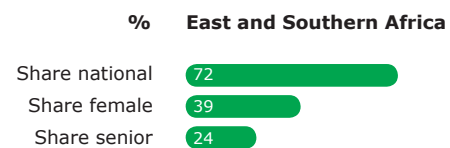
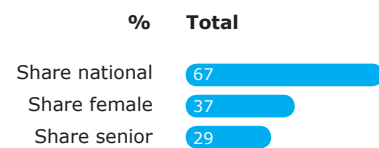
- The 40% increase in advisers is unprecedented and satisfying.
- Almost everywhere there is an ideal mix of 2/3 national and 1/3 international staff.
- The share of female advisers in Asia still lays behind.
- The Balkans need more senior advisers for leading the rapid expansion in new clients and countries.

SNV invested in the quality of advisory and management practice: in the form of learning programmes, alliances and professional networks.

- Developing a new induction learning programme for the integration of new staff.
- 60 participants in a pilot of an Advisory Practice Learning Programme for better positioning of the advisers.
- Worldwide e-learning modules. by using the UNDP campus.

- Publishing the quarterly journal Capacity.org, in cooperation with the European Centre for Development Policy Management (ECDPM) and UNDP.
- Knowledge development by 18 virtual networks, each facilitated by a network leader.
- Presenting East African cases at the London AEGIS conference attended by 780 academics.

About 1,600 former employees, mostly Dutch, reflected on the evolution of SNV from a voluntary to a professional advisory organisation. They celebrated the 40th anniversary of SNV.



The organisation

Optimising the organisational structure

SNV shifted nearly all operational activities from head office to the countries and organised country support from a regional level. Five regional offices were established and five regional directors were appointed. Country directors are now primarily in charge of the advisory process and support activities are locally based and regionally steered. This facilitates more effective and efficient operations and ensures more coherence between country programmes.

The support services were improved by the introduction of a new information system. A new support structure has been designed, based on three columns: Strategy, Finance and Human Resources. The structure, almost implemented worldwide, facilitates a reduction in overhead costs and a further improvement in quality. The costs per advisory day should fall including the costs of Head Office.

The new information system facilitates the decentralisation. The connectivity of the country based offices has been a major exercise. Currently 65 offices are connected by satellite.

Human resources

There was an increase in support staff due to the expansion in activities which was partly compensated for by the plant new support structure.

Productivity, defined as percentage of advisory time spent directly with clients remains around 62%.

Sickness leave amounted 3% in 2005, which is relatively low. The percentage in the Dutch public sector is 6.5%

In African countries SNV has implemented a HIV/AIDS workplace policy, that provides access to information and care. Also HIV+ employees can also continue to make a positive contribution to the company's performance.

SNV Staffing (in FTE)	2005			2004		
	Advisers	Support	Total	Advisers	Support	Total
East and Southern Africa	282	145	427	183	178	361
West and Central Africa	269	213	482	196	184	380
Asia	155	82	237	110	81	191
Latin America	200	82	282	162	76	238
Balkans	31	19	50	21	9	30
Total regions	937	541	1478	672	528	1,200
Head office	-	65	65	-	75	75
Total staff	937	606	1543	672	603	1,275

Financial resources

The regular capacity building activities are financially reflected in the following statement of income and expenditures.

- Activities increased almost 30%, due to an increase in advisory work and partnerships with the World Tourism Organisation and UNDP.
- The 26% increase in head office costs is, partly due the result of an increase in recruitment, and the related costs (€ 1.0 million) public relations (one -time event, MDG conferences), ICT (one-time connectivity portfolio offices (€ 0.9 million) and provision for social costs reorganisation (€ 0.8 million).

- Resource mobilisation, in addition to the funding by DGIS, was modest: about € 2 million

Result appropriation

The balance showed by the statement of income and expenditure amounts to € 4.4 million and is appropriated as follows:

- foreign tax claim: € 2.6 million;
- interest: € 0.4 million;
- net investment in fixed assets: € 1.7 million;
- special purpose fund programme finance 2002: - € 0,3 million.

Statement of income and expenditure regular capacity development programme

In million euros	2004	Budget 2005	Revised budget July 2005	Actual 2005	Increase/decrease
Core subsidy	65.1	83.8	77.7	84.4	30%
Resource Mobilisation	1.7	11.0	3.7	2.0	16%
Interest	0.6	0.0	0.0	0.4	- 34%
Total income	67.4	94.8	81.4	86.8	29%
Regions	51.3	73.8	64.1	64.7	26%
Head Office	13.1	16.0	14.5	16.4	26%
Partnerships	0.0	5.0	1.5	1.2	-
Total expenditures regular Capacity Development programme	64.4	94.8	80.1	82.4	28%
Balans income and expenditure	3.0	0.0	1.3	4.4	50%
Direct Advisory Days DADs (#)	96,858	132,090	122,532	129,123	33%
Cost / DAD (€ / day)	690	718	664	669	
Programmes executed on behalf of others including (Nepal programme)	7.5	-	-	6.8	- 19%

Corporate governance

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

- SNV conforms to a large extent the recommendations of the Tabaksblat and Wijffels Commissions.
- An Audit Committee monitors compliance.
- Internal control follows the integrated framework of COSO, Committee of Sponsoring Organisations of the Treadway Commission.
- A transparent structure with Board of Directors that manages the organisation and an independent Supervisory Board supervising the Board of Directors.
- Once a year an external auditor reports to the full Supervisory Board.

Equity and treasury policy

SNV's strong financial position is presented under equity and amounts to € 5.3 million.

- All other reserves are appropriated and are not freely disposable.
- Liquidities not directly required for the activities are invested in low risk investments, mainly saving deposits.
- A treasury policy was approved in 2005 and the FIDO law guidelines are respected.

Planning & control

SNV planning is based on annual plans in the form of management agreements at portfolio, country, regional, head office and corporate level. The management agreements are being elaborated in line with an

annual corporate framework letter. The framework letter is based on a corporate review and conforms with the subsidy agreement with DGIS.

- Monitoring and control takes place by monthly updating of key performance indicators.
- Every 4 month full reporting takes place on the management agreements at all levels.
- Consolidated regional reports and head office reports are assessed at corporate level and discussed by regional director or head office manager and members of the Board of Directors.

Dirk Elsen

Chair Person of the Board of Directors

Annemiek Jenniskens

Member of the Board of Directors



Capacity development illustrated

More people can take charge of their own destiny. They are aware of their own capacities and use them. They set their own goals, seek improvement via cooperation and knowledge, and organise constructive forces. They are able to see limitations and disadvantages as opportunities and challenges. In general terms this is what SNV and its almost 940 advisers and other employees are aiming for. In 2005 they have contributed to this quest for sustainable better living conditions and human development. Professionally and full of passion.

Capacities deserve development

The backbone of SNV's work is to stimulate and strengthen capacities. This is not only about personal skills and knowledge. The way organisations and communities work and organise themselves plays a pivotal role, as well as the environment they operate in. The needs and possibilities at a local level are paramount but SNV additionally always tries to link these to regional, national and international changes. This should have a positive influence on economic and technical developments, norms and values, governance and legislation, political desirability and political reality.

Clarifying problems, analysing factors in the local environment, building partnerships and networks, developing leadership, managing changes, measuring results, passing on knowledge – in all these fields, SNV can provide support and appropriate methodologies. But a blueprint for fighting poverty does not exist. Conditions differ all over the world: the starting position, the people, the power relationships, cooperative ventures, the values, the cultures. Thus, logically, the approach too. But in all cases relationships and a thorough understanding of the interests involved are keys to success. Moreover, the issues are diverse.

The questions always come from the local population, organisations or cooperative ventures. These must be the driving force if improvements are to be lasting and they must feel responsible for them. Modernisation and knowledge acquisition acquire shape and form locally. This is their breeding ground, their roots. But they are equally suited to a wider, broader approach. This is evident, for example, in the SNV's way of tackling water management in the Andes, decentralisation in Mali, biogas and tourism in Vietnam and Nepal, banana marketing in Ecuador and education in Tanzania. All with small beginnings and firmly rooted. All successful. These examples were reflected in a national framework and legislation. These make it easier for local organisations to discover their strengths, to develop, to work on improving living conditions. On human development, autonomy and freedom of the people.



The mother is still alive. The child is healthy, it seems. While the doctor puts the finishing touches to the free caesarean, the little one screams her head off. She's got her whole life ahead of her. Although that is relative in Mali. The average life expectancy is 48 years. Now. But by the time she's 50, this will definitely be higher, owing to improvements in health care and living conditions.

Information and cooperation as medicine

A trial project on the organisation of health care in two municipalities is producing results. The whole region of Koulikoro with about 700,000 people is starting to profit from the cooperation. The ambulance goes out on more calls. And it's on time more often. Its main use – transporting women with complications during child birth – isn't sabotaged by a shortage of petrol. The clinics now have money for this. Local administrators have given it their full support, just like the vaccination programmes. Health indicators are being developed. Citizens who have personally benefited from these developments are pressing for more improvements. The pace has been stepped up. Belief in cooperation is growing.

Direct effects

- + better ambulance service
- + more vaccinations
- + health indicators

Towards new practices

Paper isn't impatient. A signature on a new law still hasn't produced new practices. Little has changed for the almost 13 million inhabitants since Mali decentralised primary health care in 2002. It was a logical step – care should be given shape and substance at grass-roots level. The new statute gives local government administrators responsibility for the infrastructure, planning and implementation of basic services. Overnight this makes them important actors in the struggle against poverty and achieving the Millennium Development Goals. But reality isn't like this at the moment. State services are not keen to relinquish their powers. The organisation that regulates the administration and financing is unsure and troubled about its future task. Clinics see few advantages in falling under a local regime, medical specialists likewise. The local health workers also doubt whether the elected local government administrators are up to their new task. SNV and the Koninklijk Instituut voor de Tropen (KIT – Royal Tropical Institute) have been asked to supervise the transformation in the Koulikoro region.

The Vereniging Nederlandse Gemeenten (VNG, Association of Netherlands Municipalities) is also helping in the background.

SNV always opts for cooperation and engaging all those involved in the process. Two advisers will work as a team with two local representatives. The SNV office in Mali and KIT support people in rural areas. This approach – research in combination with action – is tried and tested; Improving while you learn. The steps: problem analysis, identifying the capacities available and those not available, seeking partners, sharing information, structuring, starting a pilot project, regional distribution of results and linking them to national policy. In this whole process the need is felt to make the advantages clear to all parties, to make decisions together and have regular contact with local key figures. And this does happen.

Towards a clear approach

Information is the medicine for distrust. Consultation then makes the situation healthy. This is the approach of the main actors - the regional health care management and local government administrators - in the Mali project. Working with many other actors, the advisers fulfil a diversity of roles in this process: coach, technician, knowledge broker, instructor, researcher, spokesperson and counsellor. No matter what the role, they present themselves as partners. They always really involve the local population in these activities. The ability to cope independently, both during the process and after, is an important starting point. The advisers temporarily add value.

- The advisers help to simplify and translate the national care information system. So local administrators gain insight into people's state of health, the responsibilities and the management possibilities. And this is all in ordinary language. Actions can now be based on data.
- The advisers provide support in producing a booklet about the decentralisation of health care and a manual for care planning.
- The advisers bring together local and regional partners to ensure that local initiatives do succeed and have impact. They organise a whole range of activities for this network, from courses on financial management, process management and lobbying, to charting the missing competences.
- The advisers facilitate the development of a reference system to reduce the number of deaths of mothers during childbirth and newborn babies. This increases the effect of the free caesareans introduced in 2005. The advisers implement agreements made between regional partners on responsibilities, tasks, organisation and financing. This opens the door to broader cooperation.

Success factors

- + cooperation, including KIT
- + research and action
- + focus on capacities
- + horizontal and vertical linking

- The advisers are working with local council members on taking a more active stance. They have, for example, informed the population about vaccinations, which are not a family planning method in disguise, as many men think
- The advisers initiate setting up a supervisory board. This will involve players from the national government and health insurers in local activities. It will have an inspirational and dynamic effect on national policy

Help with some activities

- + simplification of information system
- + setting up networks
- + activating citizens and local administrators
- + agreements on responsibilities
- + developing performance contracts

- The advisers are promoting the development of performance contracts for local health care. These are also being introduced in four neighbouring municipalities.
- The advisers are conferring with the ministry of health on the structure and organisation of a national information point on decentralisation issues. There is a good chance that this will happen.

Towards a more democratic basis

Helping to decentralise health care in Mali is typical of SNV's approach to strengthening local governance. The human, material, organisational and financial capacities available are constantly being identified, utilised and strengthened. Wherever possible SNV works with other relief organisations. And it always seeks to expand by setting an example to neighbouring municipalities, by reacting to national policy, legislation and regulations, and by sharing the learning effects within SNV.

Strengthening local government is not an end in itself for SNV. Linked with democratisation – to policy generated and implemented at grass-roots level – it can be a powerful weapon in the fight against poverty. The target in 2005 was the realisation of a government that is open to ideas and accepts accountability. Increasing the financial resources of the local administration is a main issue in this. SNV advises on achieving a better balance between tasks and budgets.

This is possible by:

- increasing local revenues as an effect of transparency;
- extracting an increase in the financial contributions of the central government;
- attracting resources from third parties, like donors;
- concentrating on main tasks, other tasks;
- striving for efficient, effective financial management.

Reorganisation of taxes provides basis for fighting poverty

SNV activities in Uganda are good examples of this. In the Kotido District with more than 600,000 inhabitants, the collection of taxes has been reformed, with training for government officers (collectors), clear targets, definite rules, careful checks and above all transparent accountability. New sources of taxation have been tapped: landing rights for small aircraft, livestock market taxes and regional export levies for mining products, like limestone and marble. Owing to this new approach at least 85 per cent of development plans in the district have been implemented. This is paralleled by improvements in public services, for example, better roads, schools, health care and water management.

Stronger basis

- + new sources of income
- + transparent accountability
- + noticeably better services
- + national bonuses for good governance
- + willingness to pay more tax

While becoming less dependent on the national government, the latter is prepared to reward local management with higher contributions and bonuses. Only then will the fly wheel really start to turn – more income from the local area, national bonuses and a greater willingness by the people to pay taxes. In 2005 taxes collected increased by 6 per cent. SNV has helped realise similar developments in the Nebbi District with 435,000 inhabitants, the Moroto District with 200,000 inhabitants, the Kasese District with 530,000 inhabitants and the Bundibugyo District with 175,000 inhabitants.

Fighting poverty in Nebbi now has a better chance of succeeding as 6 per cent more income has been collected whilst administration costs have been restricted. In Moroto the accent is on improving and verifying implementation of the district's development plans. Kasese has received national bonuses for tackling financial management, better water management and increasing the coverage of educational inspections to almost 100 per cent. In 2003 the latter was 73 per cent and 98 per cent in 2005. Even Bundibugyo, which is so difficult to reach, has put its house in order and can expect a national bonus next year. Several of the fifty other districts are following these examples.



Bhutan

Client

Water and sanitation

Action

Intensive training of health workers in 18 of the 20 districts

Advisory days

399

Results

- Communities have control of water supply
- Less water-related illnesses
- Planning and management workshops introduced nationally
- More than 600 health workshops in local communities

Zambia

Client

Kabompo district council and the District Coordinating Committee

Action

Review district capacity development support, make recommendations for future strategies, strengthening district planning and financial management capacity.

Advisory days

57

Results

- Inner value based management style including gender equity
- More area development committees than any other districts
- Financial accountability
- Maintaining the achieved development level

Niger

Client

Tahoua municipal administration

Action

Make plan of action, involve population, find financial partners

Advisory days

12

Results

- Cleaner city and involvement of population
- Each city neighbourhood has its own cleaning team
- Citizens pay for service
- Monitoring system and periodic meetings

Kenya

Client

Keiyo County Council

Action

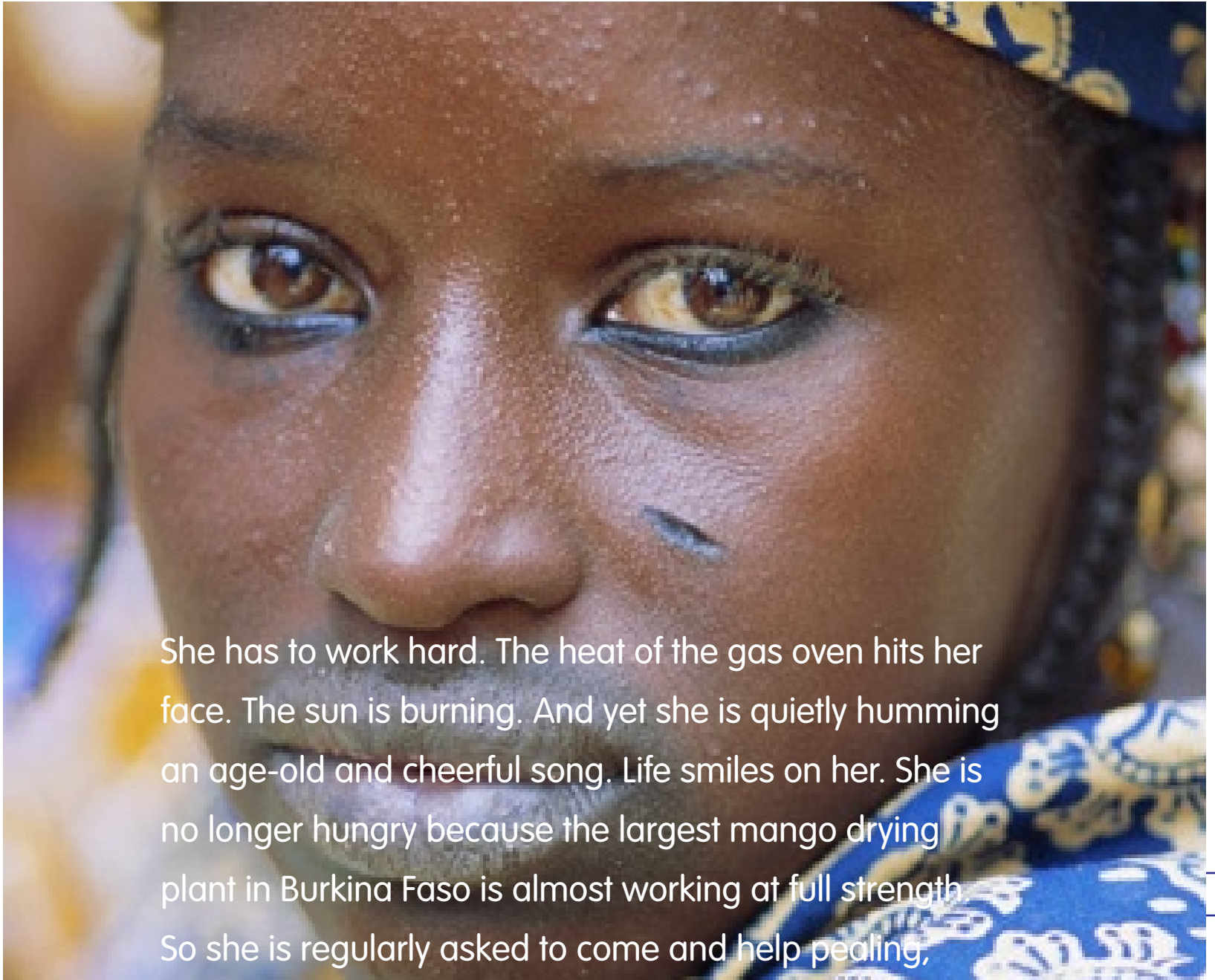
Supervision of self-assessment of council members and officials, workshops and abolition of bureaucracy

Advisory days

161

Results

- Improved municipal services
- Water supply close to home for 500 people
- School for 150 pupils
- Artificial insemination service
- Veterinary service
- Population knows how taxation is spent and can influence expenditure
- 70-per-cent increase in income from taxation in one year



She has to work hard. The heat of the gas oven hits her face. The sun is burning. And yet she is quietly humming an age-old and cheerful song. Life smiles on her. She is no longer hungry because the largest mango drying plant in Burkina Faso is almost working at full strength. So she is regularly asked to come and help peeling, slicing, and filling the ovens. The children may soon be able to go to school, because if things continue to go well for the village more money will go to municipal services.

The entire chain is scrutinised

New methods, better organisation and a good export contract haven't done the Wouol Association any harm. Production and sales have increased dramatically in 2005, by some sixty percent. More than 12,000 people benefit from this. These are the families of 1500 mango growers and 400 women in the drying plant. The farmers can harvest all year round. The popular mango species orange-red Kent and Keith for the fresh produce trade. The green specie Amelie and the not so sweet specie Brooks for processing.

The 21 drying ovens on the edge of Bérégadoudou are no longer eaten by termites. Each day they produce a few thousand kilos of dried fruits. There are plans for expansion, for extending the chain with their own export system. It is a bonus that the railway track runs right by the company. A train arrives twice a day. It can take the products to the ports in neighbouring Ivory Coast, stepping stone to the rest of the world.

critical. SNV offers support in all those areas. The basic principle is that the population do as much as possible themselves. Now and definitely in the future. It is a matter of recognising, using and developing their own abilities. External consultants add knowledge and contacts temporarily. Sometimes they are present for a number of years, but the contracts are usually short-term and aimed at a specific need. This keeps the population on their toes and encourages them to take the future into their own hands. The same applies to the Wouol Association in Burkina Faso.

Towards an integral approach

To solve poverty the production of the poorest must find a way to the markets: local, national and international. Governments of developing countries, including Burkina Faso, are becoming increasingly convinced of this. SNV has opted for enhancing this development. To start with, producers need to get their organisations in order: well organised, the right people, guaranteed quality. Processing basic products in the countries themselves adds value and therefore also increases profits. Reliable buyers who pay decently, however, form the necessary final link in the chain. Thus, finding and interesting the right trading partners is

Towards better spending of donor support

Burkina Faso is at the bottom of the list of poorest countries. It therefore receives a considerable amount of support from abroad. For many years the Wouol Association has received money for the improvement of mango cultivation and the expansion of processing activities. A classic pitfall, because there is the risk of over-production if sales are not expanded at the same time. The request to SNV

Immediate effects

- + waste of donor support halted
- + considerable growth of production and sales
- + export market developing

to provide advice in all sorts of areas shows that there are also other problems: technical, financial, organisational, commercial and IT. A quick yet thorough analysis brings the main problems to light. The Wouol Association can produce fifty per cent more than it can sell. Nothing has been done to reduce costs or tap into new markets. Management is successful at obtaining funding, but fails to motivate people. Organisation and management lack cohesion. In addition there is no clear separation between the commercial activities and social programmes for employees and participating growers. Tasks, responsibilities and funds are mingled. This needs to be rectified by the parties involved, with the help of SNV.

The chain is only as strong as its weakest link. Attention therefore not only needs to be paid to developing the chain, but also to all other aspects of production-organisation and commercialisation. The consultants provide tools that enable producers to do the work themselves. They play the role of knowledge brokers provide contacts. This has quickly led to results for the Wouol Association.

The association:

- improves communication between management, production management, growers and processing employees. The style of management is becoming less authoritarian.
 - enables employees to arrange their own method of working and to take responsibility for it. These responsibilities are placed at the lowest possible level in the organisation.
 - now has clear job descriptions and a payment system that workers consider stimulating.
 - builds good contacts with local consultants who are responsible for the technical description of the new human resource management.
 - has accommodated the welfare tasks in a separate organisation that has its own management and staff. There should be involvement but no mixing of responsibilities and interests
- Donor organisation Oxfam supports this line.

- now carries the Fair-Trade label.
- seizes new market opportunities. At the beginning of 2005, representatives of Horizon Natuurvoeding, a Dutch importer of organic food and a member of the Good Food Foundation, visited the association. Soon after they signed a contract and the sales problems were immediately solved.
- makes use of contacts via its Fair-Trade export company. Transportation through this channel increases the product price by five to ten per cent. It is therefore mapping out all the procedures and – slowly but surely – taking export into its own hands.

Steps

- + restructuring business organisation
- + contacts with trading partners
- + becoming familiar with improvements

Some actions

- + improving communication
- + putting a stop to conflicts of interest
- + arranging responsibilities
- + carrying the Fair-Trade Label
- + setting up export lines

Towards an enterprising attitude

What is happening at Wouol is illustrative. Gaining market access is the key to success. Signing a major delivery contract has an effect on many other things. The growers' incomes increase. There is more work for women in processing. It is easier to get investment credits. It also increases confidence and entrepreneurship. Behaviour and attitude towards commercial partners change as well. In the past it was mainly a matter of submitting convincing financial proposals and properly accounting for the expenses. A commercial partner like the Good Food Foundation demands guaranteed quality, reasonable prices and a reliable organisation.

Partnerships also strengthen the approach of SNV in its consultancy aimed at offering poor people better access to the market. SNV is a participant for example in Agri-ProFocus, together with eighteen organisations in the fields of finance, agriculture organisations, education, research and development cooperation. They complement each other in terms of expertise and services. When producer organisations come to one of the participants with their questions, they have access to the entire network.

In 2005, SNV signed a strategic partnership contract with the Fair-Trade Labelling Organisation (FLO). The purpose is to offer market access under fair conditions. Knowledge and manipulation of the markets are important tools. SNV and FLO have defined their common fields of activities. They expect 370 producer organisations with 600,000 associated families to benefit from the cooperation. SNV has reserved more than 1.2 million euros for this. A total of twelve special liaisons officers will be working in the coming years.

The consultants respond to a broad range of questions: from credit to marketing and business organisation to negotiating position. The sum of their experience also results in practical tools that organisations can use. Supplemented by the knowledge of the World Bank and the UN Food and Agricultural Organisation (FAO) manuals are one of the results of this. Good examples of these manuals are checklists, methods, tips, web references, procedures, studies and instruments, which can all be found through the following digital tools:

- Food Security, Sustainable Agriculture and Trade;
- Business Development Services;
- Economic Analysis;
- Micro-finance;
- Trade in Agricultural Products.

Combined use of methods is often required

The combination of business development, micro-credit and chain enhancement often forms the solution against poverty. This is clearly demonstrated by the carotene bean (shea). In many West African countries large numbers of women collect and process these large fruits the size of ping-pong balls. Hard work: scraping, crushing, grinding, boiling, pressing, and thickening. The result is oil that is used for making soap or that is sold as a raw material. The proceeds on the local market are poor and access to the international markets and to the chocolate or the cosmetics industry is often out of reach. Nevertheless the carotene bean in Burkina Faso for example provides twenty per cent of women's incomes. This is because the authorities and numerous donor organisations have been financing the activities for a number of years. SNV advice to the Association Sontaba Yalgré teaches women to take a next step. This has resulted in better deployment of employees, division of tasks, techniques, working processes and trade contacts. Cooperation with other producers, even across national borders, has also been started.

The result: an increase in production and quality. Even more importantly, women have become enthusiastic about entrepreneurship. In 2004 and 2005 the association increased its production and sales by fifteen per cent on average. The more than 2,000 families benefit from this directly. SNV is supervising a similar development in Mali. Four years of project support to a group of 1,500 women had not resulted in sustained improvements. They continued to act as passive clients. When they saw the results slipping out of their hands at the end of the donor period, the women called in the assistance of SNV. SNV helps the women to get credits and to draw up professional business plans. When they managed to sign a contract with a European importer, Loders Croklaan BV, the transformation for business women was complete.

SNV is not only active in small and niche markets. It also works in mainstream areas like the cotton trade. African cotton producers were given active support during their lobbying trip through Europe and the United States. The purpose of this trip was to reduce the protective measures and subsidies for producers in the rich countries. These have a negative effect on the global price of cotton and affect the incomes of more than 10 million people in Mali, Burkina, Benin and Cameroon.

Some consequences

- + stronger position of women
- + international cooperation
- + entrepreneurship



Rwanda

Client

IABACYA, Fisher Folk association

Action

Support for a strategic and action plan

Advisory days

100

Results

- Protection of the fish stock
- Promotion of Lake Kivu and fish products
- Credit and savings system
- Setting up a fisherman's trade union

Zimbabwe

Client

Tjinyunyi Babili Trust

Action

Building partnerships, organisational and value chain development, Marula product research and facilitation of development and market linkages

Advisory days

33

Results

- Technology suppliers and marketeers as strategic partners
- Business like private sector development approach
- Resource mobilisation
- Substantial income increase for at least 1500 households, mostly woman
- School access for 400 orphans and vulnerable children

Uganda

Client

Beekeepers Association

Action

Support strategic plan and market manipulation

Advisory days

54

Results

- Commercial honey production and sales
- Guaranteed deployment of women

Mozambique

Client

Chibapava Pineapple Farmers

Action

Provide organisational support, learning on the job, lobbying, exploration of adding value through agro-processing

Advisory days

295

Results

- Quadrupling the income over one year
- 400 families above the poverty line
- Awareness of entrepreneurship
- Positive regional effect
- Rural electrification will be established



The woman displays her articles: a small row of pineapples, some mangos and herbs to remedy all sorts of ailments. Tomorrow she will bring bundles of rattan to the market. All grown on her own plot of land. She has chosen for agro-forestry. Short-term cultivation between the trees for the paper industry and the furniture-making industry.

Security speeds up improvement

The latter brings in quite a lot of money, but is also more time consuming. She is content, because within a period of two years she has managed to break away from the worst level of poverty. Although she has managed, there are still 24 million people in Vietnam that live below the poverty line, many of them from remote and mountainous areas.

The results of land reform in Vietnam are hopeful as well as tangible. Thanks to an SNV programme more than 3,000 households now own 16,000 hectares of woodland. This land is used in a sustainable manner and forms a permanent source of income for more than 15,000 people. New ownership rights, new relations, new values. Deep discussions are taking place about the division of land, rights, duties and respectful use in relation to both the land and the community. To support the process of land reform, SNV has developed a special method: LUPLA, Land Use Planning and Land Allocation. This method distinguishes itself from other approaches the projects are actually managed by local authorities and users. Hence, true ownership. There are now requests for method to be implemented in four provinces. This concerns 450,000 people, 320,000 of which live below the poverty line.

Erosion and floods are the consequence. The land reforms have so far been limited to farms. Sensible forestry is unknown in this country. The people living around the forested areas are on average three times as poor as the rest of the population. The state forestry companies are hesitant to hand over power. Logging licences involve large amounts of money and there is little confidence in the capabilities of the local population. They possess little knowledge and have never heard of cooperation in the area of forestry. Against this background the Forestry Sub-Department of the poor province of Thua Thien Hue questioned how forestry management can be linked to fighting poverty and how local politicians could contribute to this. That is why they called in the assistance of SNV.

Deforestation is a threat. Unrestricted commercial logging, priority for grassland or agriculture, winning of firewood and defoliant from the Vietnam war have taken their toll.

Direct effects

- + more income for 15,000 people
- + sustainable forestry
- + impulse for democratisation
- + good prospects for 450,000 people

SNV often starts a project with a strategic environmental analysis (SEAN) and organising the local population. This population needs to be motivated to offer alternatives for large-scale concessions. Local NGOs (Non-Governmental Organisations) often play a key role in this. This is not only the case in Vietnam, but also in Nepal, Bhutan and Middle and South America. It is then important to ensure that their knowledge is increased right across the board: sustainable management, business organisation, indigenous plants, logging techniques, planning, administration and finances, export, certification, lobbying. The population and local authorities also have to learn, for example, how to connect their interests with those of regional or national authorities. By activating similar movements elsewhere or by promoting legal frameworks, they are strengthening their position.

SNV can help in this. Not only in Asia but also in other regions. Local authorities in Middle American countries for instance now have a standard approach for integrating the environment in their planning processes. In South America too territorial management often forms the basis for many forestry activities. In West Africa SNV supports participation of the local population in forestry activities through Community Forestry. In all cases the position of the rural population is improved.

Security has a stimulating effect. The transfer of land ownership rights to the population does not only give them direct access to means of production, it is also the best guarantee for careful management. In this manner the improvement of incomes and sustainability go hand in hand. This approach is central in the province of Thua Thien Hue. SNV initially coached six villages to implement reforms soon followed by eleven more complete communities.

The population:

- learns a lot about legislation and regulations, management, markets and forest management.
- manages the land reforms. These are no longer effected by officials who draw borders on the map from behind their desks.
- acts as a group, which makes them an attractive but also a formidable discussion partner for authorities and commercial relations.
- no longer has to struggle through the administrative jungle to gain land ownership rights. The numerous public services have created a common office. The procedures have been drastically simplified.

- is motivated to invest in reforestation and sustainable management, because it has the assurance of long-term proceeds.
- can now obtain credit more easily, because land can serve as collateral. This relieves the direct cost of living and business operations.
- is working on common access to the international timber market. A sustainable timer label, Forest Stewardship Council (FSC) is providing assistance. Through training and the joint purchase of services, FSC is working on the efficiency and quality of the production.

Issues

- + link between forestry/ fighting poverty
- + suspicion of state forestry companies
- + financial interests of logging

Characteristics

- + worldwide approach
- + broad range of knowledge transfer
- + connecting interests

Towards a national approach

The reforms of the eleven communities in the province of Thua Thien Hue only form part of the story. SNV has for example contributed to a study of the reform of forestry companies (a policy study on state forest enterprise reform). This was done in collaboration with the World Bank and national and foreign experts. The recommendations include a monitoring system to make sure the changes are implemented and not left on the political drawing board. In addition there is a new classification system for land use. This makes it possible to still make money from forests that are mainly intended to provide protection against erosion and floods. Guidelines have also been drawn up to separate government tasks from commercial exploitation.

Towards utilising environmental and learning effects

Information from Vietnam also plays a role in a completely different way. There is a correlation between poverty and the environment, as well as a direct link between biodiversity and well-being and welfare. SNV has used Vietnam cases for a study of indicators to predict environmental effects. The Netherlands Environmental Assessment Agency is working on these indicators. Environmental protection and the fight against poverty are also related to each other in a different way. SNV advises governments about linking forestry to the Kyoto agreements. Payments for the compensation of CO₂ emissions from rich countries may thus contribute to the fight against poverty.

Using learning effects is part of the SNV approach. A combination of theoretical and practical knowledge for example has resulted in the SEAN Toolbox, strategic environmental analysis. This tool has in turn resulted in numerous local manuals.

The LUPLA method can also be used in all kinds of areas in the world. This method follows a number of clear steps.

- Preparation: training implementation groups in the LUPLA method.
- Land surveying and mapping: land use patterns, needs and conditions.
- Land use and allocation planning: village meetings.
- Demarcation in the field: plots sized according to labour force households.
- Completion administrative procedures: formal approval of the plots.
- Issuance land certificates: handing certificates and archiving records.
- Facilitation land development: connections with trainers and facilitators.

Tourism may be a sustainable magnet

Sustainability is a key concept for SNV. The sustainable fight against poverty, preferably in combination with sparing or improving the environment.

Traditionally this includes forestry projects, but biogas and tourism also stand an excellent chance. In the North Vietnamese town of Sa Pa, eco-tourism has increased almost tenfold in the past fifteen years. Initially the major entrepreneurs from Hanoi flew in tourists for short trips. These entrepreneurs took home the profits and the local population at first came off second best. Using toll booths along scenic routes they tried to share in the profits. At a later stage they made the toll part of the accommodation expenses, a sort of tourist tax. SNV has brought together and coached all the parties involved in the tourism development in the area, by stimulating them to improve their services and by making agreements on the division of the proceeds.

The population has trained itself in all sorts of ways. They act as guides, prepare traditional meals for tourists and offer accommodation. Recruitment and information were also handled in a professional manner. It does not involve large numbers of tourists, but the guides earn 50 US dollars a month, while households that provide accommodation receive 100 dollars. That is considerably more than the income of ordinary villagers in the mountain areas. With 13 US dollars per person per month the latter are well below the poverty line. SNV consultants have helped various villages make clear agreements on tourism. Everyone is involved in this and it has kindled the community spirit.

The population of Sa Pa is one of the fifty ethnic minorities whose costumes and lifestyle attract tourists. Beaches, landscapes, historic remains and artefacts are also responsible for a growing stream of tourists. The government wants to attract 6 million foreign and 23 million domestic tourists within a few years. This should contribute to the fight against poverty. A new act passed in 2005 is intended to organise this properly. The Ministry of Tourism, UN World Tourism Organisation (WTO) and SNV are jointly responsible for this act. It was the first time in its existence that the WTO entered into such a partnership. The contribution of WTO focused on legal texts and international relations. SNV was responsible for bringing together the parties involved, creating support, and making agreements on the introduction and inclusion of biodiversity and fighting poverty in the new act. SNV consultants are now working on the implementation of the act at a regional level.



Nicaragua

Client

Marena

Action

Promoting participation of the population, demanding attention for environmental factors

Advisory days

533

Results

- 12 active local environmental committees
- Gender committees are involved in the decision-making process
- Improved cooperation, organisational strengthening
- Common environmental fund for the two municipalities

Albania

Client

Dibër

Action

Plan of approach, including workshops and seminars about community forestry and sustainable forestry.

Advisory days

358

Results

- Reforestation, less erosion, soil restoration
- Usufruct of 59,500 hectares of forest
- Development of Forest Users Associations as NGOs
- From 15 to 23 participating Forest Users Associations

Ethiopia

Client

The Arba Minch Fisheries

Cooperative

Action

Promoting the economic benefits and self reliance of its members through improved productivity marketing outlets

Advisory days

322

Results

- Participation of women in decision making increased
- Alternative livelihood to secure income owing to the depletion of fish resources
- Knowledge and skills on marketing and establishing links to different markets
- Access to loans from banks and other financial institutions

Guinea Bissau

Client

Womens network RENLUV

Action

Promotion of the rights of women and girls in relation to gender-based violence.

Organising an international conference on domestic violence in November 2005.

Advisory days

181

Results

- Heightened awareness domestic violence
- Expansion of womens network from 10 to 40 member organisations
- Start establishing a centre for information and services to victims
- Conduct of workshops to sensitise and build the capacity of local actors with key roles in relation to domestic violence
- Increased emphasis on domestic violence in context of human rights at national level
- Increased lobbying activities related to law and legislation

Annual accounts



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 regular activities consist of the capacity building activities in the developing countries, the corporate centre 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, resource mobilisation and interest make up the total revenues. Expenditures comprise the costs of the regions, the corporate centre 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 release from the special purpose fund programme finance. In case total expenditure is less than the maximum subsidy, the subsidy income is reduced to the level required to cover the expenditures. In the case of realisation above budget (and above subsidy commitment, as in 2005), the difference is financed with subsidies

accumulated not used subsidy from earlier years that were not used. In the balance sheet the items tangible fixed assets, the long term and short term receivables, part of liquidity, equity, provision 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), Royal Netherlands Embassies (DGIS programmes) and other donors (third-party programmes). SNV has the following responsibilities for these activities: financial administration, reporting and advice on content. In the statement of income and expenditure, revenues are equal to costs. In the balance sheet the short term and long term receivables and the short term and long term commitments reflect these programmes. SNV risks are related to administrative performance.

There are two special agreements with DGIS related to the creation of an independent SNV in 2002. First, a special subsidy to cover the unique cost of becoming independent (friction costs). Revenues and costs are equal in the statement of income and expenditure. This arrangement was finalised in 2005. Second, the funds earmarked to cover costs related to the rights from of personnel predating 2002.

The revenues and costs are also equal in the statement of income and expenditure. The outstanding position with the Ministry of Foreign Affairs with regard to the two 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 policies;
- notes to the balance sheet;
- notes to the statement of income and expenditure;
- other information.

Balance sheet after result appropriation

Assets (in €)	2005	2004
Buildings and terrains	596,178	620,740
Vehicles	3,183,040	2,690,848
Equipment	3,405,262	1,854,205
Other inventory	573,130	281,929
Assets in transition	169,155	0
Tangible fixed assets	7,926,765	5,447,722
Securities	164,696	84,094
Long-term receivables	164,696	84,094
DGIS programmes	4,654,316	900,273
Third-party programmes	3,202,718	710,484
Nepal programme	8,564,723	9,568,966
Long-term receivables programmes	16,421,757	11,179,723
DGIS programmes	4,272,016	717,572
Third-party programmes	2,132,251	1,048,829
Nepal programme	1,833,151	2,918,139
Short-term receivables programmes	8,237,418	4,684,540
Ministry of Foreign Affairs	5,816,821	-6,652,776
Bonds	1,828,300	2,050,000
Funds to be justified by programmes	644,846	1,196,292
Debtors	1,460,365	795,600
Prepayments and accrued income	4,386,342	4,094,453
Short-term receivables	14,136,674	1,483,569
Liquid assets	27,665,082	36,066,047
Total	74,552,392	58,945,695

Liabilities (in €)	2005	2004
Equity	5,310,791	4,925,343
Special purpose reserve foreign exchange	970,495	970,495
Special purpose reserve tax claims	8,081,858	5,446,641
Special purpose fund programme finance	4,303,386	4,592,326
Invested capital in fixed assets	7,926,765	5,447,722
Capital base	26,593,295	21,382,527
Provision for social plan costs	835,000	0
Provisions	835,000	0
DGIS programmes	4,669,977	926,460
Third-party programmes	3,321,267	739,853
Nepal programme	8,564,723	9,604,783
Long-term commitments programmes	16,555,967	11,271,096
DGIS programmes	5,475,958	910,132
Third-party programmes	3,626,165	1,710,837
Nepal programme	2,820,000	4,243,000
Short-term commitments programmes	11,922,123	6,863,969
Pre-received earmarked funds	8,696,021	8,398,585
Pre-received waiver assignments	529,929	666,066
Creditors	1,989,293	1,340,015
Accrued expenses	6,103,885	6,023,333
Taxes and social security premiums	468,052	802,186
Pensions	858,828	2,197,918
Short-term debts	18,646,008	19,428,103
Total	74,552,392	58,945,695

Statement of income and expenditure

€	Original budget 2006	Original budget 2005	Revised budget 2005	Realised 2005	Realised 2004
Core subsidy	79,200,000	78,500,000	77,700,000	84,412,372	65,073,364
Earmarked funds	3,100,000	3,300,000	3,400,000	674,595	1,619,834
Additional subsidy request	10,000,000	5,300,000	0	0	0
Nepal programme	3,000,000	3,200,000	3,200,000	2,477,033	2,225,343
Friction costs	n.a.	n.a.	n.a.	2,404,195	2,977,455
Income Ministry of Foreign Affairs	95,300,000	90,300,000	84,300,000	89,968,195	71,895,996
Resource mobilisation	7,400,000	11,000,000	3,700,000	1,987,705	1,709,761
Interest SNV programme	0	0	0	385,448	588,584
Income SNV programme	102,700,000	101,300,000	88,000,000	92,341,348	74,194,341
Programmes DGIS	n.a.	n.a.	n.a.	1,589,545	2,721,961
Programmes third-parties	n.a.	n.a.	n.a.	2,695,665	2,577,690
Income other activities	n.a.	n.a.	n.a.	4,285,210	5,299,651
Total income	102,700,000	101,300,000	88,000,000	96,626,558	79,493,992
Regions	73,600,000	73,800,000	64,100,000	64,761,660	51,335,653
Nepal programme	3,000,000	3,200,000	3,200,000	2,477,033	2,225,343
Expenditure regions	76,600,000	77,000,000	67,300,000	67,238,693	53,560,996
Corporate centre	15,500,000	16,000,000	14,490,000	16,420,118	13,069,361
Earmarked funds	3,100,000	3,300,000	3,400,000	674,595	1,619,834
Friction costs	n.a.	n.a.	n.a.	2,404,195	2,977,455
Expenditure non regions	18,600,000	19,300,000	17,890,000	19,498,908	17,666,650
Partnerships	7,500,000	5,000,000	1,510,000	1,168,520	0
Expenditure SNV programme	102,700,000	101,300,000	86,700,000	87,906,121	71,227,646
Programmes DGIS	n.a.	n.a.	n.a.	1,589,545	2,721,961
Programmes third-party	n.a.	n.a.	n.a.	2,695,665	2,577,690
Expenditure other activities	n.a.	n.a.	n.a.	4,285,210	5,299,651
Total expenditure	102,700,000	101,300,000	86,700,000	92,191,331	76,527,297
Balance income and expenditure	0	0	1,300,000	4,435,227	2,966,695

Cash flow statement

After the appropriation of the result for the financial year 2005, the following statement of source and application of funds results:

€	2005	2004
Total Ministry of Foreign Affairs	89,968,195	71,895,996
Expenditure SNV programme	- 87,906,121	- 71,227,646
Cash flow from operations	2,062,074	668,350
Non-core funding	1,987,705	1,709,761
Interest	385,448	588,584
Balance of income and expenditure	4,435,227	2,966,695
Net investment	- 1,703,502	217,415
Change provisions	835,000	0
Change long-term receivables	- 80,602	157
Change short-term receivables	- 12,653,105	- 4,997,258
Change earmarked funds Ministry received in advance	297,436	2,615,863
Change other short-term debts	- 1,079,532	- 1,532,339
Net change SNV programme funds	- 9,949,078	- 729,466
Change long-term receivables	- 5,242,034	3,973,891
Change short-term receivables	- 3,552,878	7,534,460
Change long-term commitments	5,284,871	- 3,369,418
Change short-term commitments	5,058,154	- 9,213,221
Net change project funds	1,548,113	- 1,074,288
Net change in liquidity	- 8,400,965	- 1,803,753
Liquidity level as at 31 December	27,665,082	36,066,048

The liquidity level of SNV has decreased from € 36.1 to € 27.7 million. The decrease is primarily due to lower liquidity requests to the Ministry of Foreign Affairs and significant increases in short-term receivables (receivable Ministry of Foreign Affairs whereas in 2004 there was a payable). The net change in project funds is relatively limited.

Accounting policies 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 organisation 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. Our advisers contribute to this by strengthening the capacity of local organisations.

General

The accounting policies formulated below relate to the financial statements as a whole. Assets and liabilities are stated at face 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.

Comparative figures

Due to a reclassification of a number of balance sheet items the figures of 2004 have been adjusted accordingly.

Assets

Tangible fixed assets

The assets are depreciated by asset group over their expected period of use with the straight-line method. No account is taken of their residual value. 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 programme period.

Long-term receivables

The long-term receivables include securities.

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 the balance date is used. The amounts related to the year 2006 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, as are the funds to be justified by programmes and the bonds SNV purchased in 2004. The bonds are valued at market value, because they are not intended to be a long-term investment. Any realised or unrealised gain or loss is presented under interest SNV programme.

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 that specific purpose. 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

A provision for social plan costs based on best estimate is included under this heading.

Long-term and short-term commitments programmes

The short-term commitments, based on programme agreements, include the budget allocation for the year 2006 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 on 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 anticipated period of use. The income relating 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 relating to the implementation of 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

Assets (in €)	Purchasing value	Cumulative depreciation	Book value 31.12.2005	Book value 31.12.2004
Buildings	2,044,716	- 1,448,538	596,178	620,740
Vehicles	8,577,748	- 5,394,708	3,183,040	2,690,848
Equipment	8,937,062	- 5,531,800	3,405,262	1,854,205
Other inventory	1,424,697	- 851,567	573,130	281,929
Assets in transition	169,155	-	169,155	-
Total	21,153,378	- 13,226,613	7,926,765	5,447,722

Table 2 Investments and depreciation

Assets (in €)	Investments		Depreciations	
	2005	2004	2005	2004
Buildings	55,435	21,135	77,192	78,208
Vehicles	1,806,423	1,208,168	1,259,410	1,287,500
Equipment	2,851,133	1,183,768	1,292,740	993,055
Other inventory	419,778	116,310	127,094	124,516
Book value disinvestment	- 64,446	- 263,515	-	-
Assets in transition	169,155	-	-	-
Investments	5,235,478	2,265,866	2,756,436	2,483,281
Depreciation	- 2,756,436	- 2,483,281		
Invested capital in fixed assets	2,479,042	- 217,415		

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. Equipment is written off in 3 years. Assets in transition relate to pre-payments on assets which had not been received at the balance sheet date and as a consequence have not been 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. In 2005 an amount of € 0.8 million was subsidised by the Ministry via the friction costs budget whereas an amount of € 1.7 million is subsidised via the core budget.

Long-term receivables*Securities*

The balance includes primarily securities for rent and maintenance contracts for properties in countries where SNV is operating. The increase is a result of expanding activities to new countries as well as increase of rental houses for international staff.

Long-term and short-term receivables programmes*Nepal programme*

The long-term balance relates to the money to be received from the Ministry after 2006 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 which as of 2005 part of the core subsidy. As from 2005, these programmes are included in the core subsidy whereas until 2005 these programmes were included in the DGIS funding.

Table 3 Specification short-term receivables Nepal programme

€	2005	2004
Funds received in advance	- 986,849	- 1,324,861
Budget 2006 respectively 2005	2,820,000	4,243,000
Short term receivable	1,833,151	2,918,138

Short-term receivables programmes*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

€	2005	2004
Pre-received programme finance 2006 and 2005	0	- 6,652,776
Receivable programme finance 2005	5,816,821	0
Total	5,816,821	- 6,652,776

Bonds

During 2004 bonds were purchased for the amount of € 2,000,000. It concerns 'Rabobank ladder obligatie III' at 6% interest for the duration until 2011. In 2005 an amount of € 0.06 million was redeemed. As at 31-12-2005 the nominal value amounts to € 1.9 million, whereas the market value of these bonds was € 1.8 million (rate of 94).

Prepayments and accrued income

This concerns prepayments made by the country offices relating to such things as rent and school fees. Also included are prepayments on four major partnership activities scheduled for 2006 amounting to a total of € 3 million (UNDP € 1.5 million and WTO € 1.5 million).

Liquid assets

The liquid assets include the cash (€ 0.1 million) and bank balances (€ 27.5 million) at head office and country offices including programmes and are unrestricted.

Capital base*Equity*

Table 5 Specification equity

€	2005	2004
Equity as at 1 st January	4,925,343	4,336,759
Financial income	385,448	588,584
Equity as at 31st December	5,310,791	4,925,343

The equity reserve has been built up to guarantee the continuity of the organisation.

Special purpose reserve foreign exchange

The reserve for foreign exchange of € 1 million is to cover the claims made by country 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 € 8.1 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 foreign tax claims

€	2005	2004
Balance as at 1 st January	5,446,641	2,851,114
Reserved Hypotax	3,341,465	3,383,251
Disbursed	- 706,248	- 787,724
Total as at 31st December	8,081,858	5,446,641

Special-purpose fund programme finance

This fund represents the remaining balance of the subsidy for 2002 and remains at the disposal 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

€	2005	2004
Balance as at 1 st January	4,592,326	4,592,326
Result appropriation 2005	- 288,940	0
Total as at 31st December	4,303,386	4,592,326

In 2005 an amount of € 0.3 million was released from this special purpose reserve for financing 2005 activities.

Invested capital in fixed assets

As of 1996, tangible fixed assets have been presented as such on the balance sheet. The Ministry deploys a cash basis system, where investments are charged to the budget year in question, hence 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

€	2005	2004
Balance 1 st January	5,447,723	5,665,138
Mutation	2,479,042	- 217,415
Balance as at 31st December	7,926,765	5,447,723

Provisions social plan costs

As a result of further decentralising and regionalising of support activities (optimising support) for which the activities started in 2005 and are finalised early 2006 - € 0.8 million is required for social plan costs. The provision is based on the social plan on in 2005 and covers both the corporate centre and countries.

Short-term debts

Pre-received earmarked funds

The receipts and disbursements regarding earmarked funds in 2005 can be specified as follows:

Table 9 Developments pre-received earmarked funds

€	Orientation leave	Unemployment benefit	Friction and repositioning	Total
Balance as at 1 st January 2005	50,121	5,192,689	3,155,775	8,398,585
Received from Ministry of Foreign Affairs	476,546	2,899,679	0	3,376,225
Disbursed in 2005	- 163,016	- 511,578	- 2,404,195	- 3,078,881
Balance as at 31st December 2005	363,651	7,580,790	751,580	8,696,021

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 2005-2006 (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 2005, part of the 2005 subsidy amounting to € 5.8 million has not been transferred yet and is presented as receivable from the Ministry. The total balance over the remaining term of the subsidy amounts to € 23.3 million (including special purpose fund programme finance and settlement of old balances with the Ministry).

Earmarked funds

At 31 December 2005, the maximum commitment for orientation leave amounts to € 2.4 million, and for unemployment benefit € 4.3 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 -2005 to the special-purpose reserve foreign taxes is sufficient to cover possible tax claims over 2003 - 2005.

Suppliers' contracts

SNV has signed several contracts with suppliers of goods and services for a total amount of € 1.5 million. The annual rent for the office in The Hague amounts to € 0.3 million (price level 2005). The rental agreement terminates on 31 December 2006.

Partnerships

SNV has entered into several partnerships with a financial component covering the year 2006 and thereafter. The total amount involved is € 4.9 million:

- United Nations Development Programme (UNDP)

In 2004, SNV signed an agreement with UNDP to contribute funds to the amount of €1 million on a cost-sharing basis for the development and implementation of the programme on 'Building capacity of Local Governments, CSOs and Domestic Business Sector to participate in PRSP and MDG processes'. The remaining obligation at the end of 2005 amounts to € 0.7 million (duration of contract is until the end of 2007).

In 2005, SNV signed another two agreements with the UNDP: an agreement to contribute 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 an agreement to contribute of € 1 million for 'Joint Learning Initiatives for UNDP and SNV practitioners'. The remaining obligation at the end of 2005 amounts to € 1.7 million and € 0.8 million respectively (duration of both contracts is until the end of 2007).

- World Tourism Organisation (WTO)

In 2004, SNV signed an intention to establish a Trust Fund to the amount of € 2 million for the financing of advisory services and technical assistance in the field of sustainable tourism development carried out by WTO. In 2005, an activity agreement was signed. The remaining obligation at the end of 2005 amounts to € 1.7 million (duration of contract is until the end 2006).

Legal cases in progress

In two countries there are 3 legal cases pending: two against SNV (total amount € 0.3 million) and one initiated by SNV against a third party (total amount € 0.08 million). At the corporate centre a few legal cases with (former) employees are in progress, amounting to € 0.19 million in total.

Notes to the Statement of Income and Expenditure

Income

Programme funding Ministry of Foreign Affairs

The total revenue for the SNV programme amounted to € 85.1 million in 2005 of which € 84.4 million for regular Capacity Development activities. The latter is an increase of € 19.3 million (30%) compared to 2004 and € 6.7 million (9%) compared to the revised budget. This increase of revenue is required to cover the higher than expected growth in advisory staff, connectivity (IT) costs and social costs for reorganisation. Fortunately, there were still some remaining funds from previous subsidy periods that enabled us to cover the increase in activities in 2005

Table 10 Specification income and programme funding Ministry of Foreign Affairs

Programme funds (in €)	Revised Budget	2005	2004
Subsidy agreement 2002-2006 (2005: budget)	81,100,000	81,135,821	80,547,822
Total subsidy agreement	81,100,000	81,135,821	80,547,822
Transfer budget to remaining subsidy period	0	0	-11,761,306
Release from unutilised funds in the past	0	6,652,776	0
Total subsidy income	81,100,000	87,788,597	68,786,516
Earmarked orientation leave/unemployment benefit included in the subsidy agreement	- 3,400,000	- 3,376,225	- 3,713,152
Total core subsidy for regular Capacity Development programme	77,700,000	84,412,372	65,073,364
Expenditure orientation leave/unemployment benefit	3,400,000	674,594	1,619,834
Total programme funding	81,100,000	85,086,967	66,693,198

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 RNE funded Nepal activities that form part of the core subsidy as from this year. The duration of this programme is up to and including 2009. The budget for 2005 amounted to € 3.2 of which € 2.1 million was actually received. The income is considered equivalent to the expenditure. The movements in 2005 in the two Nepal activities can be presented as follows:

Table 11 Specification mutations Nepal programme

Programme funds (in €)	Biodiversity	Renewable Energy Sector Support	Total
Net commitment as per 31 December 2004	9,375,453	4,472,330	13,847,783
Net receivable as per 31 December 2004	- 8,650,047	- 3,837,056	- 12,487,105
Net programme fund balance as per 31 December 2004	725,404	635,274	1,360,678
Funds received in 2005	1,595,000	486,000	2,081,000
Expenditure 2005	- 1,821,078	- 655,955	- 2,477,033
Interest and revaluation	19,582	2,622	22,204
Net programme fund balance as per 31 December 2005	518,908	467,941	986,849
Represented by:			
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
	518,908	467,941	986,849

Friction costs

In 2002, the Ministry allocated an amount of € 9.4 million to SNV to cover additional costs relating to the disentanglement and the repositioning of SNV. In 2005 an amount of € 2.4 million was spent and booked as revenue. The allocation period expired as per 1 July 2005 and a balance of € 0.8 million is presented as a payable to the Ministry being a surplus of moneys received. The costs are used for investments in connectivity and the roll out of SAP.

Resource mobilisation

This amount relates to income from paid advisory services. Compared to 2004, this amount slightly increased but falls behind on the revised budget. The main cause is the delay in signing contracts as well as a delay in executing activities already agreed.

Income other activities

Other income relates to externally financed programmes. Revenues equal expenses. The outstanding commitments and receivables are accounted for in the balance sheet. The expenditures decreased mainly as a result of a decision some years ago to phase out the 'old' implementation projects. Recently, 'new' projects (programmes in e.g. Ethiopia, Mali and Biogas Asia) are concluded that are part of our advisory practice organisation and relate to capacity development activities. As a result, an increase is shown in the commitments stated in the balance sheet.

Expenditure*Expenditure SNV regular Capacity Development programme*

Total costs for the regular Capacity Development programme amounts to € 82.4 million. This means an increase of € 17.9 million (28%) compared to 2004. Compared with the revised budget actuals are € 2.3 million or 3% higher. In 2005, the average number of personnel was 1,402.

Table 12 Expenditure SNV regular Capacity Development programme

	Revised budget	Realised 2005	Realised 2004
Regions:			
- personnel costs	51,100,000	50,279,994	40,864,762
- other costs (net)	13,000,000	14,481,666	10,470,891
Total	64,100,000	64,761,660	51,335,653
Corporate centre:			
- personnel costs	7,940,000	9,574,082	8,791,111
- other costs (net)	6,550,000	6,846,036	4,278,250
Total	14,490,000	16,420,118	13,069,361
Partnerships	1,510,000	1,168,520	0
Total	80,100,000	82,350,298	64,405,014

Regions

Regional costs are all costs accounted for by the portfolio, country and regional offices. Total costs increased with € 13.5 million or 30% compared with 2004 due to an increase in activities. The increase in personnel costs is a result of the increase in our advisory staff from 671 to 936 advisers. Other costs are € 4 million higher: as a result of the set up of activities in new countries as well as the increase in our advisory staff. Compared with the revised budget the deviations are within the expected range.

Corporate Centre

Corporate costs are all costs accounted for at head office. The costs increased by € 3.4 million compared with 2004. The main increases relate to increase of recruitment costs, the MDG conference, connectivity costs and a provision for social consequences of the reorganisation of the support staff. Compared with the revised budget, personnel costs are higher than foreseen due to the greater increase in the advisory staff and as a result higher recruitment costs. Furthermore, a provision for social plan costs was not budgeted and more temporary (more expensive) employed staff was required than foreseen.

Partnerships

This amount relates to justifications received for the partnerships payments SNV made to UNDP and WTO.

Other information

Auditors' report

Introduction

In accordance with your assignment we have audited the financial statements of SNV Netherlands Development Organisation, The Hague, for the year 2005. These financial statements are the responsibility of the Management of the organisation. Our responsibility is to express an opinion on these financial statements based on our audit.

Scope

We conducted our audit in accordance with auditing standards generally accepted in the Netherlands and the requirements in the audit protocol annexed to the subsidy agreement of the Ministry of Foreign Affairs. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audit provides a reasonable basis for our opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the organisation as at 31 December 2005 and of the result for the year then ended in accordance with accounting principles generally accepted in the Netherlands and comply with Dutch legal requirements for financial statements. Furthermore, we are of the opinion that the expenditures accounted for in the report meet the requirements of legitimacy.

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

The Hague, 21 April 2006

PricewaterhouseCoopers Accountants N.V.

Members of the Supervisory Board

Chairman and member of the Remuneration Committee

Mr C.J.M. Pronk MBA

From 01-01-2002

Appointed until 01-07-2006

Date of birth 30-10-1948

Nationality Dutch

Other position held:

Business Development Director

Hay Management Consultants

Ms A.E. Kuipers-Bakker MBA

member Audit Committee

From 01-07-2002

Appointed until 01-05-2008

Date of birth 01-06-1951

Nationality Dutch

Other position held:

Director General Biblioservice Gelderland

Treasurer and chairman of the Audit Committee

Mr W. Veldman RA

From 01-07-2003

Appointed until 01-07-2006

Date of birth 30-12-1948

Nationality Dutch

Other position held:

Director VeldmanAdvies

Ir. K.A. de Jong

member Remuneration Committee

From 01-07-2002

Appointed until 01-05-2008

Date of birth 10-04-1942

Nationality Dutch

Other position held:

Executive Vice President Corporate Affairs Royal Numico

Other members

Mr J. Greven

From 01-01-2002

Appointed until 01-07-2006

Date of birth 02-12-1941

Nationality Dutch

Other position held:

Former Publisher PCM Landelijke Dagbladen B.V.

Mr H. Muller

member Audit Committee

From 01-07-2002

Appointed until 01-05-2008

Date of birth 27-03-1942

Nationality Dutch

Other positions held:

Various commissioner's posts, incl.

SNS REAAL groep and ASN Beleggingsfondsen N.V.

Mr L. de Waal

From 25-11-2005

Appointed until 25-11-2008

Date of birth 04-11-1950

Nationality Dutch

Other positions held:

Various commissioner's posts, incl. FMO and IRC

Remuneration Supervisory Board

In 2005 the members of the Supervisory Board received the following fee attendance money

Chairman	€ 6,806.76 on a yearly basis;
Treasurer	€ 5,445.36 on a yearly basis;
Other members	€ 2,722.72 on a yearly basis.

Members of the Executive Board of Directors

Mr D. Elsen
 Ms A. Jenniskens
 Mr J. van de Gronden (until 31-10-2005)

Remuneration Executive Board of Directors

In 2005 the members of the Board of Directors received a total remuneration of € 424,707 as gross salary including holiday money and discharge payment. The total pay (including employer's contribution and pensions) amounted to € 492,307.

Result appropriation

The 2005 balance income and expenditure has been processed in the annual accounts as follows

€	2005	2004
Transfer to equity	385,448	588,584
Special purpose reserve tax claims	2,635,217	2,595,526
Release from special purpose fund programme finance	- 288,940	-
Transfer to reserve invested capital in fixed assets	1,703,502	- 217,415
Total	4,435,227	2,966,695

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Colophon

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