

Annual Report **2004**

Not all what is measurable is important. And not all that is important is measurable. Albert Einstein.

Effort

connected with

Effect

SNV brief

SNV is a Netherlands-based, international development organisation that provides advisory services to nearly 1800 local organisations in 26 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 advisors contribute to this by strengthening the capacity of local organisations.

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 choices; to create an enabling environment for people to enjoy long, healthy and creative lives.

The fight against poverty needs strong organisations that serve the interests of the poor and are able to change the structures that sustain poverty. SNV works 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.

These organisations are served by locally present teams of national and international experts. Our added value is that our experts combine their thematic expertise with skills in organisational development, partnership building and institutional strengthening.

Our way of working

Rooting development initiatives in the local society is our fundamental starting point. Though SNV is not opposed to project aid – indeed we still take part in some – we aim to work towards sustainable institutional change.

Projects, often creating islands of short lived impact, are not our preferred vehicles for change. The local organisations own and lead the processes; SNV is challenging, advising, coaching, facilitating and supporting.

We have adopted a regional approach to our operations in Asia, the Balkans, Latin America, West and Central Africa, and East and Southern Africa.

SNV works within the broader framework of National Poverty Reduction Strategies and targeted action programmes derived from the Millennium Development Goals. SNV supports the plea for increased investment as reflected in the report 'Investing in development.

A practical plan to achieve the Millennium Development Goals.' However, money alone does not suffice; to make results sustainable and to enable countries to absorb investments and make full use of them, strengthening capacities should accompany the investments. The muscled pleas for more money do not always respect the fact that people are foremost agents of their own development rather than beneficiaries of aid.

Funding

For our work, we receive the lion share of our funding through a subsidy arrangement (2002-2006) with the Directorate General for International Cooperation of the Netherlands' Ministry of Foreign Affairs. As a subsidised organisation, we serve those organisations that lack alternative access to similar services on the commercial market. We are currently seeking to diversify our funding base.

SNV Netherlands Development Organisation

Bezuidenhoutseweg 161
2594 AG The Hague
The Netherlands
T +31 70 344 02 44
F +31 70 385 55 31
www.snvworld.org

Colophon

Text • SNV PFC/PR&C Units • Jules Marshall, Amsterdam

Design • Euro RSCG Bikker, Rotterdam

Photography • Reinoud van der Berg, Roel Burgler, Getty Images, Jur Bulthuis, Wim Klerkx, Image Bank

Print • Twigt, Waddinxveen

Annual Report 2004

It is difficult to imagine a starker contrast between the growing global momentum to step up international efforts aimed at halving world poverty by 2015 and the dwindling support for development work at our home base, the Netherlands. The world is preparing for a special session of the United Nations General Assembly in September, to assess progress made against the eight so called Millennium Development Goals; a set of intuitively understandable, concrete and time bound measures to significantly reduce the world's incidence of poverty. A Millennium Project Report, prepared under the articulate leadership of Professor Jeffrey Sachs, represents one of the most ambitious operational roadmaps ever to bring prosperity to hundreds of millions who yet live in abject poverty¹. The Blair Administration in the United Kingdom has put aid to Africa on top of the G7 agenda, a rare occurrence². While the Department for International Development (DFID) in the same country has stated to significantly reduce its policy conditionalities for aid disbursement at the High-Level Panel for Aid Coordination in Paris³.

At our home base a growing percentage of the Netherlands public – although still supporting the concept of development cooperation in general - has doubts about the effectiveness and organisation of development cooperation⁴. Politicians on all sides of the political spectrum paint a sombre picture of development aid, sometimes claiming that all our (relatively generous) efforts in the past have been in vain.

The debate on the effectiveness of development cooperation is not new. As is amply illustrated in the book 'From output to outcome? 25 Years of IOB evaluations'⁵ the debate returns with cyclic intervals. As early as 1973-1974 the Dutch newspapers exclaimed that a certain development organisation (SNV!) was throwing money down the drain without attaining results. At that time these discussions contributed to the establishment of the Review Unit for Dutch development aid in 1977.

Since constructive criticism can only lead to better practices, SNV would like to embrace the home grown debate and engage its critics. There is little doubt from the outset that we have every reason to remain modest about the effects of development aid. But that is not to say that progress is not possible. Progress in science depends largely on a murky process of conjectures and refutations. Development work is no different. If the raging critique in the polder is a sign of engagement, there is hope we will rejoin the growing global coalition to make an end to abject, preventable poverty with even better tools and more mature approaches than before.

The Hague, June 2005

Dirk Elsen

Chairperson Board of Directors SNV

Cees Pronk

Chairperson Supervisory Board SNV

¹ *Investing in Development. A practical Plan to Achieve the Millennium Development Goals*, by the Millennium Development project, 2005.

www.unmillenniumproject.org

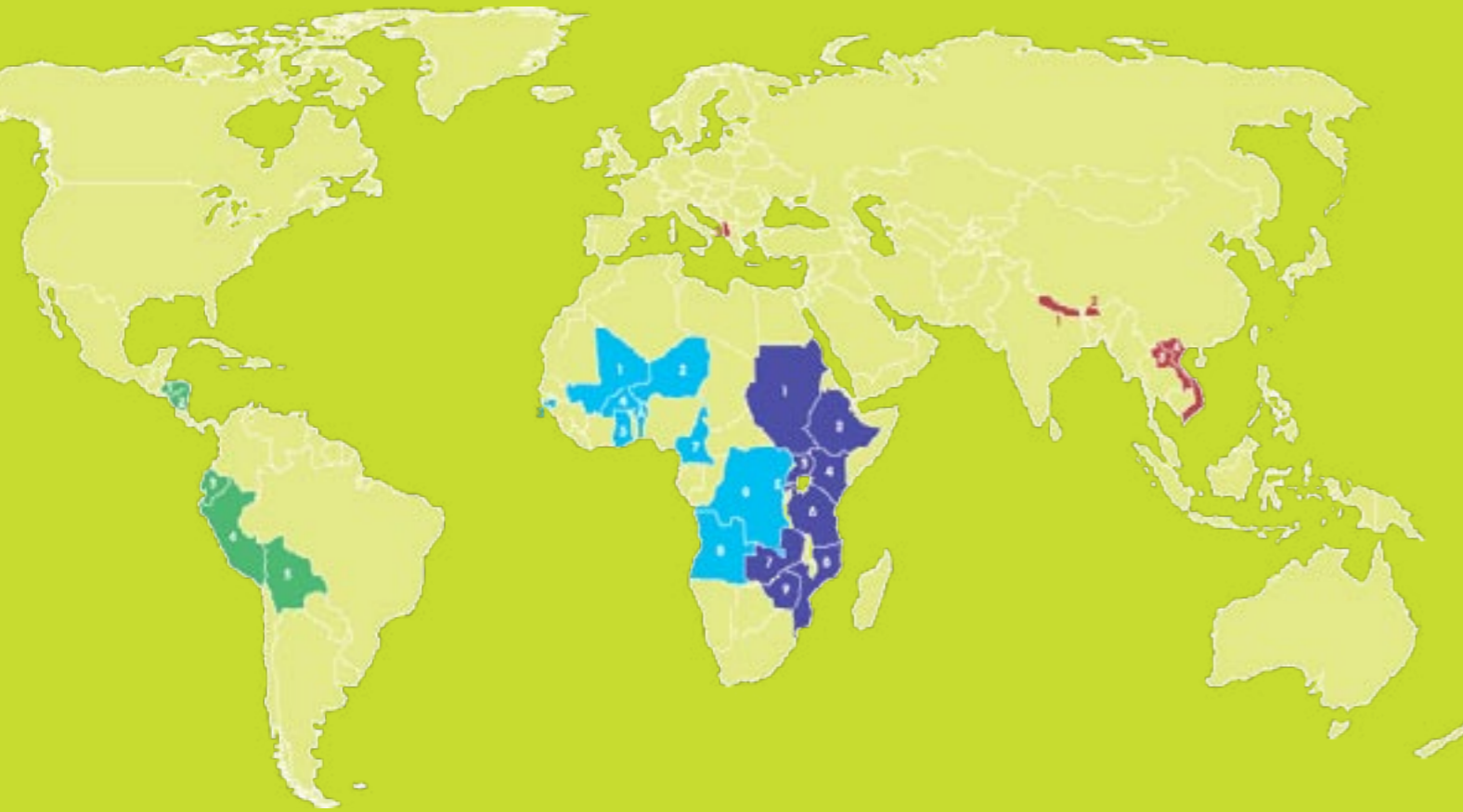
² *'Our common interest'*. Report of the Commission for Africa. March 2005, www.globalpolicy.org/socecon/develop/africa/2005

³ *'Partnerships for Poverty Reduction: rethinking conditionality'*, Policy paper DFID, March 2005, www.dfid.gov.uk/news/files/conditionality-intro

⁴ See NCDO publication: *'Development cooperation New Style'*, 2004.

⁵ *'From output to outcome. 25 years of IOB evaluations'*, by Jos van Beurden and Jan-Bart Gewald, Askant, 2004.

SNV regions



Latin America

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

West and Central Africa

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

East and Southern Africa

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

Asia and East Europe

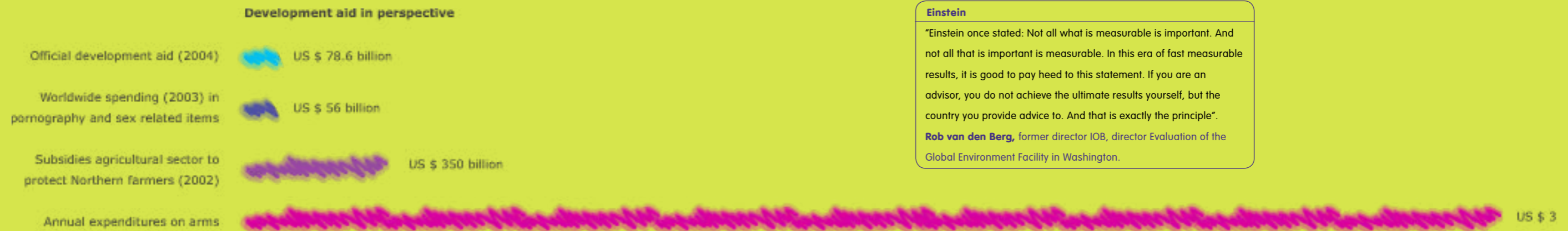
- 1 Nepal
- 2 Bhutan
- 3 Lao PDR
- 4 Vietnam
- 5 Albania

Table of contents

	Introduction by the Board of Directors	3
Part I	The Result Debate	6
Part II	Management Report	14
	Regional Overview	28
	Asia	30
	Balkan	32
	West and Central Africa	34
	East and South Africa	36
	Latin America	38
Part III	Annual Accounts	40
	Constitution of the Boards	48

Part I

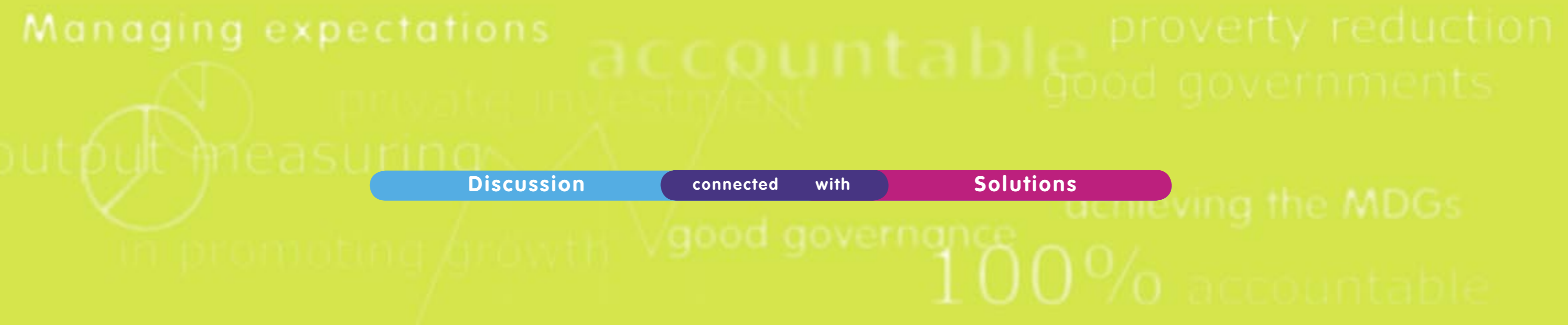
The result debate



Einstein

"Einstein once stated: Not all what is measurable is important. And not all that is important is measurable. In this era of fast measurable results, it is good to pay heed to this statement. If you are an advisor, you do not achieve the ultimate results yourself, but the country you provide advice to. And that is exactly the principle".

Rob van den Berg, former director IOB, director Evaluation of the Global Environment Facility in Washington.



Politics versus development

"A lot of political measures destroy the good work of development organisations. Look at the agricultural subsidies, the trade barriers, the export subsidies and the migration limitations. We really need to ask ourselves whether we help anyway."

Diederik Samson, Dutch Labour Party MP

Responsibility

"Public security is not only a matter for the police. Other agencies in society are just as responsible: the government, the law, individual civilians, corporate businesses... Yes, also the latter: producers of mobile phones, for example, could easily put special microchips in their cell phones to prevent theft. When they refuse to do so, one cannot simply blame the police for a rise in stolen cell phones."

Miriam Barendse, acting Chief of Police of the Region Utrecht

After more than 40 years of international aid efforts poverty is still rife, most African countries are worse off than at their time of independence, so aid doesn't work. To engage in this argument - the most damning claim made by development sceptics - there are a number of underlying assumptions we need to examine:

- **What can be reasonably expected of development cooperation?**
- **Can development cooperation make a difference?**
- **To what extent can and should we account for results?**

Managing expectations: what can we expect from development cooperation?

We should expect development cooperation to contribute to poverty reduction, but for several reasons it is not realistic to expect it to end poverty. For a start there's the double standard which sees development aid dwarfed by the amounts we spend on entertainment, defence and subsidies to Northern farming and industry.

We also have to take into account that what the development cooperation given with one hand is negated by the trade barriers and protection of our own producers we impose with the other.

The inequalities inherent to the current European agricultural policy are eloquently illustrated by the sugar sector. Oxfam¹ estimates six big sugar refineries received 819 million euros in export subsidies in 2003. This allowed the EU to rank as the world's second largest exporter of this commodity, to the detriment of traditional sugar-producers like Malawi, Ethiopia and Brazil.

By driving down world sugar prices by more than 20%, Malawi for example, was robbed by this policy of 42.8 million dollars in export earnings, or equivalent to the total annual health care budget in this African nation, where 15% of the population is living with HIV/AIDS.

The EU sells subsidised powdered milk in the Dominican Republic for 25% less than domestically produced fresh milk. Perhaps 10,000 - or one third - of local dairy farmers have been forced out of business over the last decade as a result. In Honduras, 20,000 families who depended on rice production for their livelihood have been left unemployed by the 'dumping' of rice exported from the USA at prices below the cost of production.

Finally, development cooperation is only one of the many factors, and 'we' are only one of the many actors that influence poverty. Poverty and poverty reduction are complex phenomena, constantly influenced by policies of national and local governments; private investments; migration; world markets; natural disasters; diseases (like AIDS) etc. There is no mono-causal link between the aid efforts of one agency and reduced absolute incidence of poverty.

Can development cooperation make a difference?

Insisting on the relative role of development work does not dismiss the responsibility to account for work done - and to demonstrate tangible results.

World bank studies² show that in developing countries that are able to generate growth, the country itself plays the largest role, followed by private investment, remittances of migrant workers and only then, foreign assistance.

Other reports on the effectiveness of development cooperation generally conclude that it has a role in promoting growth and can contribute to poverty reduction³. These reports also show some environments are more susceptible to change and progress than others.

There is no single magic bullet that will slay poverty, but there are conditions that foster successful development:

- Development cooperation works best in countries where the principles of good governance are adhered to⁴. Well-designed aid, delivered in a sustained way to countries with reasonably good governments does what it is supposed to do.
- We have learned that policies and projects imposed from outside do not work. Countries must be in charge of their own development and policies locally owned and developed.
- Aid and trade complement each other; trade will not promote development without parallel investments in the supply side (trade infrastructure, technology and institutions).

² 'A case for aid. Building a consensus for development assistance', World Bank, 2002.

³ To name a few: 'Assessing Aid. What works, what doesn't and why'. World Bank Policy Research report, Oxford University Press, 1998, and more recently 'The role and effectiveness of development assistance', the World bank 2002; the Annual Human Development Reports; research by Wider (World Institute for Development Economic Research of the United Nations University, Finland) and DFID.

⁴ 'Assessing Aid. What works, what doesn't and why'. World Bank Policy Research report, Oxford University Press, 1998.

¹ See "Goliat contra David. Quién gana y quién pierde con la PAC en España y los países pobres", Informe 3 de Intermón Oxfam, Madrid, March 2005. www.intermonoxfam.org

10

One of the most plausible explanations for low growth in many Sub Saharan countries lies in the principle of clientism⁵, whereby wealth and resources are re-distributed among the clients of one patron. This reduces the motivation to invest in the future, and corruption is part and parcel of such a system.

Now more than ever, development cooperation is a catalyst for change, enabling people to lead longer, healthier and more productive lives. Improvements in effectiveness and efficiency have been startling: according to a World Bank measure⁶, the number of people lifted above the \$ 1-per-day poverty line through a certain (indexed) amount of aid has increased threefold in the past ten years.

In short, when development cooperation is well directed and finds fertile grounds, it can certainly contribute to poverty reduction.

Measuring effectiveness

"The effectiveness of aid is hard to measure. You intervene in a society where all kinds of developments are taking place and in which your intervention is only one of the many activities. What I find rather strange is that politicians have other requirements for development interventions than for domestic interventions. They want to see tangible results at short term from development organisations. If you provide subsidy to a number of orchestras, you won't see its influence on the quality of Dutch music immediately, right? You can measure the effects of aid, but then we need to put a lot of money into research and evaluations."

Paul Hoebink, Head lecturer Development studies, University of Nijmegen.

"The seven steps to achieving better results are:

- express the vision of development in an inspiring and measurable way;
- make sure that the targets are well known;
- tailor the targets to the national context and local priorities;
- formulate intermediate targets because long-term goals will not guarantee immediate action;
- monitor constantly;
- provide leadership;
- remember that nothing speaks louder than financial commitments.

Bad results are results that are not rooted in national ownership but stem from excessive donor ship. One of the key lessons learnt is that workable and sustainable solutions are always home grown and context-sensitive. Such solutions, however, depend on a new partnership between developing and developed countries and between poor and rich people. Currently, the dimension of 'money changing hands' dominates that partnership. It is time to shift the focus from 'money changing hands' to 'ideas changing minds'. This will require a quantum leap in imagination."

Jan Vandemoortele.

Showing that development cooperation works!

Despite the fact that development cooperation can work, our sector is not very good at demonstrating this. Part of the explanation is that poverty reduction is the result of many different actors and factors. Development organisations do not own the results, and results at poverty reduction level are usually beyond our control since we cooperate and support local organisation to enhance their capacities to fight poverty. We can only claim through qualitative argument that since we supported a certain group of organisations or governments, in all likelihood we contributed to this growth. The question then becomes what can we be held accountable for and what not? An answer entails both an ideological and a methodological discussion.

⁵ See for more details the book 'What went wrong with Africa. A contemporary history', by Roel van der Veen, 2002.

⁶ 'A case for aid. Building a consensus for development assistance', World Bank, 2002.

From output to impact: the ideological discussion

Are we only accountable for the services we deliver (how many organisations we supported, numbers of trainings, etc), or are we accountable for contributing to poverty reduction? The result of this debate in the Netherlands suggests that development organisations do need to measure how much they have contributed to poverty reduction, but that they are mainly reporting on output level only.

It is tempting to make a case for output measuring only, to be mainstreamed with the other sectors in the Netherlands and in the words of Miriam Barendse (acting head of police Utrecht): "Be 100% accountable for what is within your power and adamantly refuse to be accountable for what is out of your reach."

But research⁷ into five Dutch public sectors has shown the shortcomings of a strong focus on outputs alone. The study shows that although measuring brings many benefits, the narrow focus on measuring measurable output is ultimately hampering the quality of the services the sectors deliver. The approach has led to mediocrity, exclusion of groups of citizens, lack of innovation, etc. The research recommends reaping the benefits of output measuring, but expanding the focus to processes and outcome. The police, for example, should not only count the tickets they issue, but also research how they contribute to safety.

From measuring to making results plausible through research: The methodological issue

SNV is 100% accountable for the services we deliver, but cannot be held fully accountable for what is beyond our control. We nevertheless have the obligation to learn whether our approach works, and to investigate how we can improve our work and not just fumble in the dark. Dealing with these issues implies the following:

- We can be held accountable for our choice of clients, so we ensure we are working with those organisations that have the potential to make a difference and are representing the interests of the poor.
- Through research and joint evaluations, we can make plausible claims as to how we contribute to poverty reduction. The research need not be continuous or every time we are involved, as this would disrupt the cost-benefits balance and further question the effectiveness of money spent.

Our ultimate results are our clients' results. Let us not all build separate structures for measuring our results beyond output. It would be a waste of valuable money. Our clients are ultimately accountable to their own people; let us strengthen their capacities to monitor and evaluate progress towards achieving the MDGs.

11

Effects of political lobby

"Talking has become my daily work, my core business. I find it hard to judge how all this talk effectively results in better circumstances for our approximately 45.000 members. I sometimes comfort myself with uncanny terminology like 'The only thing we can conclude is that things would have been a lot worse if we had not said anything.' Really, it is much easier to count crops and to measure the quality of groundwater than to look into the effects of political lobby."

Gerard Doornbos, President of LTO Nederland, the joint Dutch organisations for Agriculture and Horticulture.

Ambition and results

"My experience as director IOB is that development organisations usually formulate activities that are too ambitious. If evaluators judge the organisations against their ambitions, the results are usually negative. And that takes away the view on what really happens. If you are able to show what you accomplished instead of what was NOT accomplished, the Dutch public would say 'yes, we find it justifiable the money is going there'."

Rob van den Berg

⁷ 'The Netherlands Scientific Board for Government policy', report 70, 2004 (WRR).

What results does SNV want to show?

SNV's end goal is to contribute to poverty reduction through strengthening the capacities of local organisations. To advise, provoke and facilitate are our services and output, with the aim of strengthening local organisations in their service delivery, networking skills, or capacities to influence institutions (outcome). We assume that these stronger organisations are better able to fight poverty.

- We are fully accountable for the services we deliver to our clients. Our clients are our *raison d'être*, and their opinion on our work is important to us. Through satisfaction reviews we 'measure' our clients' satisfaction with the quality of our service, our approach, and relevance of our service.
- We provide services to clients to strengthen their capacities. Whether these capacities are indeed strengthened is beyond our control. However, at the end of all assignments we review the capacity strengthening objectives that were laid down in the initial contract, and assess (based on indicators) how well we reached those objectives.
- On top of these 'scoring systems', we illustrate our way of working through case descriptions, an activity we spend at least 10% of our advisory days engaged in.
- After a few years (depending on the type of intervention), we sit down with the various stakeholders from the region or practice area we have been working in and conduct joint evaluations⁸. We may also conduct studies challenge or validate our most important assumptions, and analyze how poverty levels have changed and what our relative roles and contributions were.
- In addition, we have more strategic evaluations that examine at a corporate level whether our approach works or not.

Results and lessons from these mechanisms can be found throughout this report.

Development consists of political empowerment

"Only a meagre 150 to 100 years ago the position of farmers in The Netherlands was just as deplorable as the present situation of farmers in developing countries. Dutch farmers were very poor and often hunger stricken. Until they started to organize themselves and create a powerful political voice, a voice that could not be ignored by the government. When a banker from Germany started to hand out micro-loans, enabling Dutch farmers to build businesses for themselves, at last the farmers could reach a certain level of prosperity and the entire country benefited from this. It is as simple as that: development consists of political empowerment and small loans to ignite the engine."

Gerard Doornbos

We are not philanthropists

"In our line of business, the exploitation and marketing of oil, gas and petrochemicals, we find that successful financial performance is closely linked to the political, economic and social context. Oil can bring money and wealth to such a country. But when a country has weak governance, the sudden high economic revenues may lead to corruption and conflict. Moreover our operations have impacts on the societies, both in terms of providing jobs and income, however we can also have negative impacts like environmental emissions and resettlement of communities. It is in our best interest as a company that a country is not in any way damaged by the oil industry. We see that not taking care of social and environmental impacts threatens our operations and, at the end of the day, impairs our profits. We are not philanthropists, we are just being practical. We cannot work in an area where people are not happy to have us."

Monique de Wit, Social Performance Adviser at Royal Dutch/Shell

Courage needed

"I think development organisations should seriously start using VBTB-reports. It sharpens one's wit to be forced to think of fitting indicators by which to measure a certain achievement (or lack of it). It requires courage too. You might find that certain policies do not work."

Pieter Zevenbergen, board member of the Dutch Court of Audit

Empowerment evaluation

"Techniques such as 'empowerment evaluation' allows to align closer the interest of key stakeholder in any program (such as funders and evaluators) with the actual practices of the receiving population. This approach aims at increasing the likelihood that programs will achieve results by increasing the capacity of program stakeholders to plan, implement, and evaluate their own development programs. The most important result to measure is how the programs implemented by development organisations, for example SNV, are helping to improve people's well being and self determination, by empowering the local population to become the master of their own destiny, and not the dependents of foreign aid programs."

Sociologist known for his contributions to the field of indigenous rights, Dr. Gaspar Rivera-Salgado holds the Prince Claus Chair in Development and Equity 2004/2005, Utrecht University, The Netherlands.

⁸ At the moment of writing, we are developing minimal requirement for joint evaluations. Although the practice of local evaluations exists for a long time already within SNV (requirements during our project implementation period), it is deemed necessary to set up minimal quality standards with qualities like sustainability, social inclusion (gender and ethnical diversity), and impact notions.

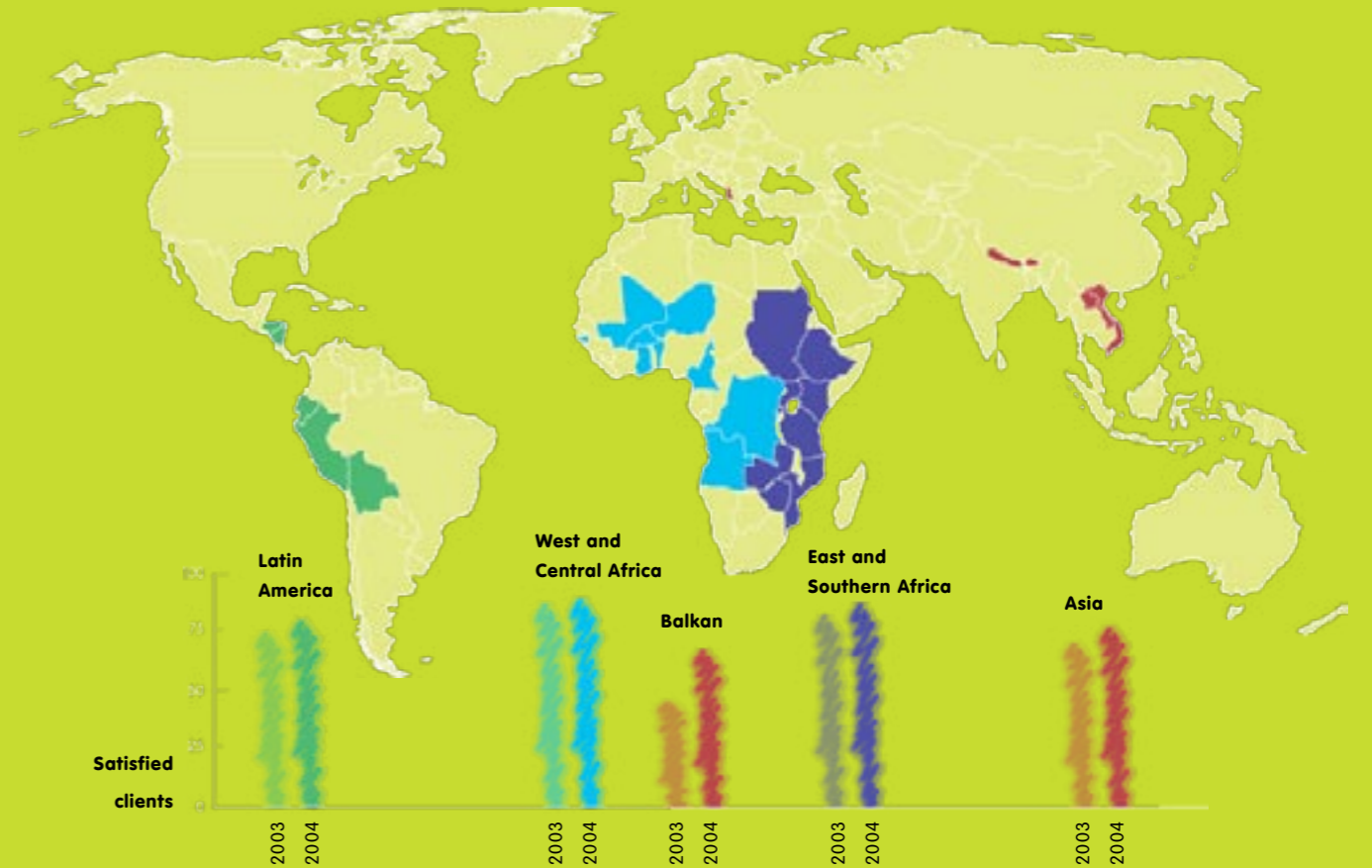
Part II

Management report

Development organisations should inspire

Organisations that concern themselves with development, like SNV, should be really inspiring. Inspiring for two groups. One: for the people they support. Make them strong and self sufficient, in other words, empower them. And two: for the people in western countries, so that they want to join in and start helping too. A development organisation, above all, must have a convincing philosophy, an honest story that fills people with enthusiasm, because it needs players in the team."

Hans Boutellier, director of The Verwey-Jonker Institute (a semi-commercial institution that carries out policy-strategic and evaluative research into social issues)



SNV became a leading partner in the Impact Alliance

initial rise of community income

sharp increase in clients

adequate management control system based on risk management

initatives to strengthen civil society

its thematic expertise

From demand-drivenness to being a development actor

we have a lot to be proud of, and a lot to improve as well

provide 1.3 million people with sustainable biogas energy before 2009

Impact of capacity strengthening services

a solid human and financial resource base

strong cooperation between Dutch embassies and SNV

control is leading the processes

a clear role for SNV to ensure funding

125,000 households were equipped with biogas plants in Nepal, benefiting 750,000 people

Capacity strengthening and funds

Connecting local and national actors

180% spend **20%** of their time on innovative areas

People **connected with** **Capacities**

Creating partnerships

SNV in 2004

Many developments affected our work in 2004, from conflict and tension (e.g. Nepal, Bolivia), to natural disasters like the Asian tsunami. The UN Millennium Project's report provided us with renewed motivation to focus on our capacity strengthening efforts. Evaluations and studies show us we have a lot to be proud of, and a lot to improve as well. In this section we will show how SNV fared in 2004, provide an overview of our work, summaries of our regions, and an account of our core work, advisory practice. Through cases and lessons and from evaluations we will show how we contribute to poverty reduction. We end with a look at what resources were needed to get the work done, what lessons were learned, and an outlook on 2005.

Be pragmatic and show results

"It is rather difficult to establish how our efforts are received by society at large and how society can indeed benefit from our research. Our monitoring does not reach that far so that it can give us any clues on the larger effects of our reports and surveys. I wish we had the instrumentation to do so. In fact, the very fact we do not have these tools, stands in strange contradiction to the overruling mentality of this day and age, which is: be pragmatic, no matter what. Be pragmatic and show results."

Hans Boutellier

Corporate overview

Connecting people's capacities: Creating partnerships

Last year we noted how we are operating in a deeply fragmented world. We still are; but from all corners of the world the cry for collaboration and partnership is getting louder - and better heard. More countries and international organisations have committed themselves to the broader framework of the Millennium Development Goals and are working to achieve those goals. In 2004 SNV worked hand-in-hand with nearly 1800 clients in 26 core countries at district, provincial and national level; and with a range of other regional and global players and stakeholders.

Strong partnership with DGIS

Crucial for our work is a strong partnership with our main funding agency, the Directorate General for International Cooperation. 2004 saw a growing mutual interest in realigning our policies (within the framework of the MDGs) and to reinforce our complementary roles.

Illustrations of this include the strong cooperation between Dutch embassies and SNV, our taking over of some DGIS projects in Nepal, and a cooperation agreement signed during the 'Energy for development' conference in December 2004 for DGIS and SNV to provide 1.3 million people with sustainable biogas energy before 2009.

We also became connected to some important regional and global players: the United Nations Development programme; Impact Alliance; the World Tourism Organisation; the OECD Initiative for Central Africa.

United Nations Development Programme

In October 2004 SNV signed a memorandum of understanding with UNDP's Administrator Mark Malloch Brown. With the UNDP SNV will work on a range

Grass roots level

"We have an immense complementarity of efforts through work at different levels. SNV advisors typically work in districts closer to the grass roots level, whereas UNDP plays a pivotal role at the central level and in terms of donor coordination."

Mr. Malloch Brown, Administrator UNDP

of initiatives to strengthen civil society; supporting the Southern Africa Capacity Initiative to counter the impact of HIV/Aids; and advance progress towards the Millennium Development Goals.

Collaboration in the campaign for the MDGs provides SNV with the means, the contacts and clients to translate national - often abstract - objectives, into tangible and meaningful goals in provinces, districts and municipalities. The biggest threat to delivering the MDGs is not only lack of money, but of the capacity and participation of the very people who are targeted by the campaign.

World Tourism Organisation

In November 2004 the World Tourism Organisation and SNV signed a memorandum of understanding, cementing work over the last few years by the WTO and SNV within the Sustainable Tourism Eliminating Poverty (STEP) programme in Cameroon, Ethiopia and Vietnam. An agreement with the Vietnam National Administration of Tourism was signed soon after as first fruit of the MoU.

Impact Alliance

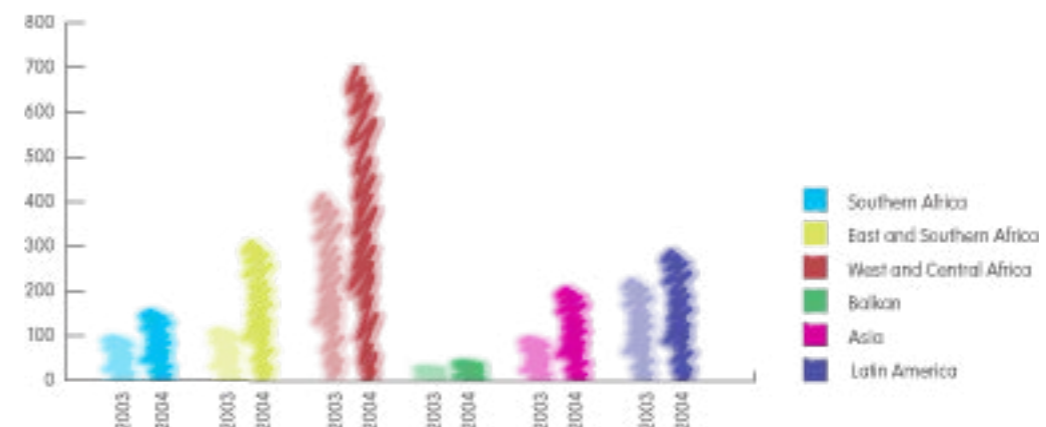
In 2004 SNV became a leading partner in the Impact Alliance, a global network of national and international capacity strengthening organisations. Creating a joint learning environment and translating shared ambitions into real and effective joint action within the Impact Alliance are our common aims.

Connecting people's capacities: our work with clients

Local organisations: growing demand

The largest growth of our client portfolio takes place in Sub-Saharan countries, and it is there most work needs to be done. Several countries are facing reversals in their development: Rwanda, Zambia, Cameroon, Kenya, Tanzania and Zimbabwe all show a drop in their HDI, much of it due to the HIV/AIDS epidemic and conflicts.

Growth of client portfolio



Monitoring is the key

"Monitoring is the key; it is the first and crucial step in the cycle of 'triple A' (Assessment, Analysis & Action). The success of the Millennium Development Goals (MDG) is due, at least in part, to the fact that they can be monitored in quantitative terms. We live in a world where quantification enhances the credibility of any argument. Indeed, the motto that 'nothing can be known unless it can be measured' is gaining widespread support."

Jan Vandemoortele, Director of the Poverty Group of UNDP (United Nations Development Programme), New York

SNV practice areas

In the course of 2004 SNV has further defined its fields of work into practice areas. We moved from three large container themes to four corporate fields of expertise and four regional fields of expertise, with underlying products and services.

Corporate practice areas

<p>Responsive and accountable local government</p>	<p>Market access for the poor</p>	<p>Collaborative Forest management</p>	<p>Sustainable tourism</p>
<p>Mainstream development approaches including democratisation, decentralisation and sector wide approaches can only succeed if local governments are capable and well organized. SNV's support to local governments consists of technical assistance for improved service delivery and adequate response to the population's needs, plus support in putting proper mechanisms for transparency and accountability in place - and making people aware of these.</p>	<p>The development of small and medium enterprises (SMEs) is becoming an increasingly important strategy in the fight against poverty. In all regions SNV supports organisations that help SMEs improve their market position. SNV assists adoption of an inclusive market/product chain approach in sectors and to look for win-win solutions from which the SMEs, and other stakeholders, benefit. We help providers of micro credit and venture capital to improve their services to SMEs, and help establish international partnerships, all with the aim of strengthening policies, networks and organisations. We also help ensure national economic growth does actually benefit poor households.</p>	<p>More than a billion poor people directly depend on forest resources to meet their subsistence needs and generate income. SNV supports the shift in emphasis from forests as a protected resource to a potentially productive asset. We help our clients (mostly local government agencies and service providing NGOs, forest owners' organisations) find solutions for forest communities to both live from forest products while helping decreasing the rate at which forests and biodiversity are disappearing.</p>	<p>Tourism generates around US \$140 Billion for developing countries. But its activities often occur in locations where poor people live without benefiting them. SNV supports clients (e.g. local governments, national park authorities, national tourist boards, training institutes, private and community-based tourism organisations) in boosting tourism for economic development while opening up opportunities for the poor to make a livelihood too.</p>
<p>MDG relevance Prerequisite to sustain MDGs (and indirect influence on poverty, hunger, health and education targets).</p>	<p>MDG relevance Target 1: halve proportion of people whose income is less than \$1/day.</p>	<p>MDG relevance Target 1: halve proportion of people whose income is less than \$1/day (questionable). Target 2: halve proportion of people who suffer from hunger. Target 9: integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</p>	<p>MDG relevance Target 1: halve proportion of people whose income is less than \$1/day. Target 2: halve proportion of people who suffer from hunger.</p>

Regional practice areas

<p>Collaborative Water management (Latin America)</p>	<p>Dry land management (West and Central Africa)</p>	<p>Renewable energy/biogas (Asia)</p>	<p>Gender (East and Southern Africa)</p>
<p>Due to unsustainable use water sources are being depleted, making demand more competitive. Managing the allocation, use and conservation of water is becoming increasingly complex. The poor and powerless are losing out, especially where institutions are weak. In Latin American SNV provides advisory services to almost 40 water user and service delivery organisations to strengthen their organisational capacity and facilitate multi-actor planning joint water management.</p>	<p>In the West and Central African countries where SNV works, 40 million people depend for their livelihood on the "dry lands". Stress on traditional production systems is pitting pastoralists and agriculturalists against each other for grazing areas. Small farmers lose to external investors for irrigation, while insecure property rights discourage investment. SNV builds the capacity of local government, civil society and service delivery organisations to establish platforms for collaborative dry land management, and organise as equal negotiation partners.</p>	<p>Around two billion of the world's poor rely on burning wood, charcoal, and dung to meet their domestic energy needs. This reliance perpetuates poverty and is environmentally unsustainable. Biogas plants fuelled by animal and human waste are cheap, effective and clean. In Asia SNV supports NGOs and government agencies to promote biogas use and implement national programs, thereby reducing use of wood (as well as lung diseases and the workload of women), while protecting the forests.</p>	<p>More prone to poverty than men, women are also disadvantaged when it comes to decision making at all levels and frequently discriminated against in rights and access to resources. SNV works in West and Central Africa with governmental organisations, NGOs, women's organisations, peasant unions, networks and international organisations. The focus is on getting and supporting women in leadership positions, advocate for women's rights and mainstream gender balanced approach in all policies and programs</p>
<p>MDG relevance Target 9: integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Target 10: halve the proportion of people without sustainable access to safe drinking water and basic sanitation.</p>	<p>MDG relevance Target 9: integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources. Target 1: halve proportion of people whose income is less than \$1/day Target 2: halve proportion of people who suffer from hunger.</p>	<p>MDG relevance Target 9: integrate the principles of sustainable development into country policies and programs and reverse the loss of environmental resources.</p>	<p>MDG relevance General Goal 3: promote gender equality and empower women.</p>

Expansion of human freedom

"Development has to be conceptualized as the expansion of 'human freedoms', not only as the increase of GDP or the expansion or industrialization. In this sense development is the struggle to remove the unfreedoms' that people in development countries face such as: poverty, political and social oppression, lack of economic opportunities, social deprivations, and the lack of adequate public facilities (such as education and health)."

Dr. Gaspar Rivera-Salgado

The sharp increase in clients shows there is great demand for advisory services. We mainly work with them at district and provincial level (82%), with some contact at national level to ensure lessons learned at lower levels are filtered upwards, and policies and frameworks are built on experiences in the provinces and districts.

To be able to respond to new situations and to give space to innovation, all regions are expected to spend 20% of their time on innovative areas, some of which will ultimately be promoted to new practice areas. One of the innovations that has become rather mature is the Road Environmentally Friendly Road construction in Bhutan (see case study). Other innovative areas are HIV/Aids in East and Southern Africa and Conflict prevention in East and Southern Africa.

Corporate results and learning

We want to offer an idea of the quality of our work as appreciated by our clients, how their capacities have been enhanced, and the lessons we have learned from local and corporate evaluations. More, full text cases and lessons can be found on www.snvworld.org.

a) Quality of our work

Our clients' opinion on our work counts and encourages us to improve our services. At regular intervals our advisors review the work done with them. We discuss with clients the delivery of services and attitude/communications, how quality and relevance of services is perceived, ownership by the client, and learning aspects

In 2003 one of the main complaints of clients was that SNV was no longer providing funds. This year expectations have been levelled much better.

Clients commend SNV for its thematic expertise, the fact that the control is leading the processes (ownership), our tailor-made services, our ability to connect intermediary and macro, public and private, and local with international actors.

Issues clients were not satisfied with included the limited time spent by advisors with them, lengthy advisory processes, over-optimistic planning, focus on specific people instead of on the whole organisation, and yes, despite managing expectations, some clients see a clear role for SNV to ensure funding either from SNV itself or through playing a brokering role.

b) Strengthening capacities: Does our work really contribute to stronger organisations?

When we end an assignment we have short reviews to determine whether we (SNV and the local organisation) have reached the capacity strengthening objectives agreed upon at the beginning.

Through evaluations, cases and studies we have harvested results and lessons of three corporate practice areas and one regional practice area.

- Responsive and accountable local government*

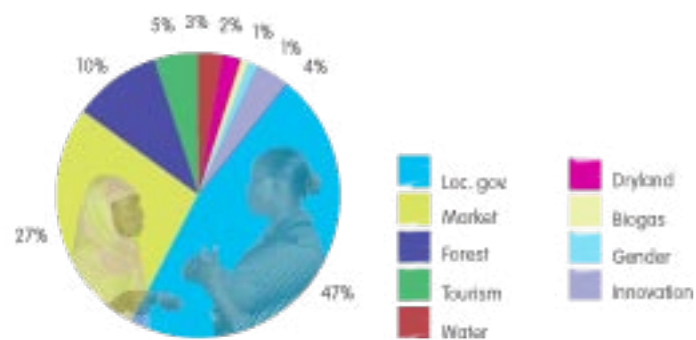
In general, we have achieved good results in this practice area, with laudable effects at local authority and civil society level. The evaluation in West and Central Africa showed citizens appreciate a more responsive and accountable government. But results are fragile and need consolidation. SNV needs to pay more attention to 'soft' capacity strengthening, i.e. changing attitudes and social behaviour of people. When a society lacks the culture of condemning dishonest practices in the management of public assets, capacity strengthening programmes do not necessarily have much effect on behaviour and therefore on governance practices

Loosing capacities

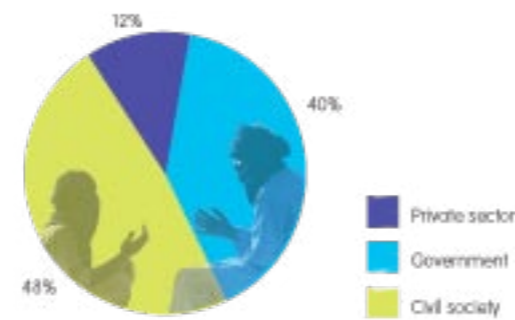
"Even if most of the people consulted recognise that SNV's added value does not lie with acting as a donor, they also make the observation that funding is not following suit, despite the availability of resources in-country. The limited articulation between technical assistance (provided by SNV) and financial assistance (provided by government or donor agencies) carries major risks in terms of under-utilising or loosing capacities that were developed."

SNV Strategic evaluation of the local government programmes (SNV Benin, Burkina Faso, Mali), February 2005.

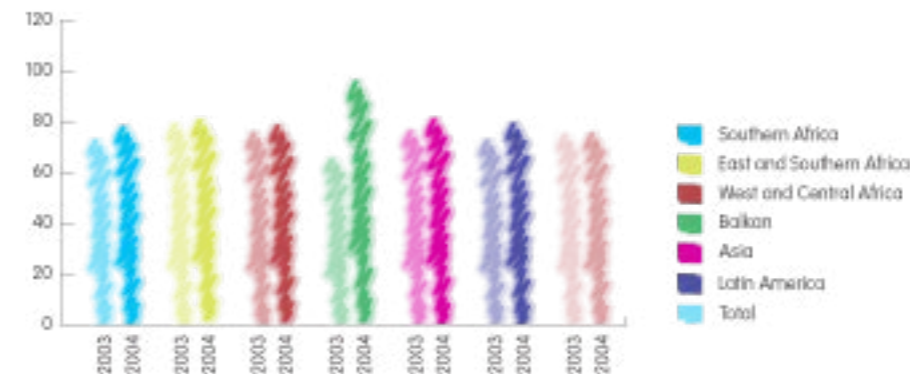
Divisions practice areas (% advisory days)



Type of organisations



% Satisfied clients



- Collaborative forestry management**
 Though there is only limited evidence of impact on economic growth and increased income, forests can prevent households from falling into poverty and degradation of living conditions, confirmed a local evaluation in Vietnam. SNV has a very strong record in the empowerment of people regarding land and forest rights. Between 1974-2004 one of our clients in Peru has, with support from SNV, executed 375 land title processes (4 million ha forests, or 25% of the area of indigenous communities). But the Vietnam evaluation shows that forest land allocation accompanied by income generating activities provides additional benefits.

- Market access for the poor**
 The market chain approach which establishes linkages between entrepreneurs, technical skill, credit, product development and market opportunities has proven to be a better way to successfully stimulate the local economic situation than earlier fragmented attempts. Its sustenance depends to a large extent on the possibility to institutionalise all these activities and networks. Our micro-credit programmes show mixed results: while our support to the Vietnamese Women Union shows great success (income of women improved 20% per year, while the control group by 9%), a similar initiative with the *Instituto Mujer y Comunidad* in Nicaragua shows weak service provision and low results. These mixed lessons confirmed our initiatives in 2004 to enhance the exchange of experiences through practice areas networks.

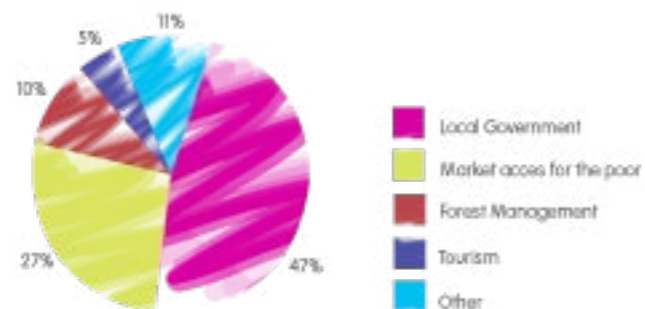
- Sustainable tourism**
 In most countries where we are involved in Sustainable tourism, activities are rather new and results mainly show in terms of strengthened capacities and planning. At the end of 2005 initial impact assessments will be done, but the signs are encouraging: one Vietnam community we work with has seen an initial rise of community income (after one season only) of 180%.

Do medics know what they are doing?

"Why are GPs so fanatical about auditing their calibre? A few years ago there was a strong social bid for more transparency in the medical profession, sustained by directions from the government. Do medics know what they are doing? Is their work scientifically accountable? Are tax money and public means well-spent?"

Hans van Santen, family practice physician and vice-president of the Netherlands National Society for General Practitioners

Spend time (advisory days)



- Biogas**

SNV shows in biogas its most direct and tangible results, in terms of impact and sustainability. At the end of 2004 nearly 125,000 households were equipped with biogas plants in Nepal, benefiting 750,000 people. In Vietnam, 6,500 plants were installed benefiting 45,000 people. Our biogas programme does not only support the improvements of (predominantly women's) lives - it also helps reduce the 16 million lives prematurely ended by (kitchen) smoke-related diseases. Biogas can also play a role in the CO2 trading opened up by the now ratified Kyoto protocol, opening an unprecedented financial window on sustainability.

d) General lessons

Although our primary (advisory process), and strategic processes are definitely moving towards the right direction, there are points for improvement.

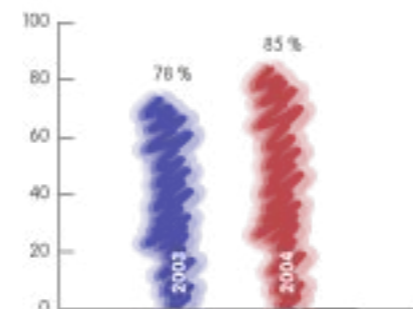
- Capacity strengthening and funds**

When financial resources are lacking, this may limit opportunities to use enhanced capacities. The risk is real for many of SNV's clients that they will only manage limited implementation of local development plans because financial backing is hard to find and attract. This may cause local authorities to lose credibility and populations to lose faith in innovative approaches. The problem is not necessarily a lack of funds, but inadequate linkage between financial and technical assistance.

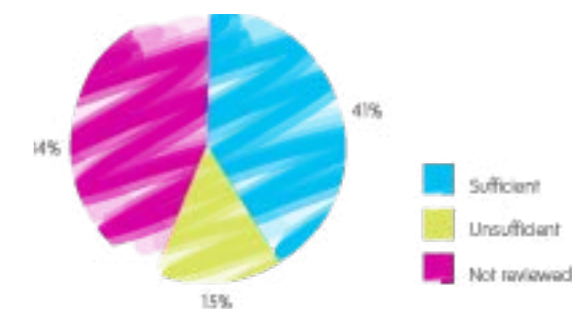
- From demand-drivenness to being a development actor**

Our new strategy began with strong emphasis on the 'demand-drivenness' of our services. Although this remains important, we have learned we are also responsible to our role as development agent. Too much focus on clients and their individual demands has diverted us from broader processes

Satisfied with service



Progress against indicators



Benefits of biogas

Cases show the benefits of an average biogas plant serving six people:

- Reduction of workload 2.5 hours/day
- Saving firewood 1800kg/year
- Saving agricultural waste 600kg/year
- Saving dried dung 250 kg/year
- Saving of kerosene 45 l/year
- Reduction CO₂ 4.5 ton/year
- Increase agricult. prod. up to 40%
- No indoor pollution
- Improved sanitation (toilet connection)
- Better health conditions

Multiply this all by 131,000 (all plants in Nepal and Vietnam by end of 2004) . . .

of social change and development. In at least three local evaluations it is evident that some of our clients are still weak and overwhelmed by our input. We have learned that we not only should provide services on demand, but should feel co-responsible for the quality of products as well.

- *Impact of capacity strengthening services*

When embarking on capacity strengthening of local organisations and leaving the project environments with targeted results, the focus on effect and impact received less attention. The notion within SNV that we have the obligation to contribute to poverty reduction and improved governance was not strongly embedded in all staff. From some draft cases it became evident that certain organisations were strengthened as a goal in itself. SNV sees capacity strengthening though as a means, not as a goal itself.

- *Connecting local and national actors*

The effects of fostering poverty reduction and good local governance may be greatly limited by bottlenecks 'from above'. There is a need to make local voices heard at national level. SNV is gradually taking a more proactive role at the 'macro' level in order to optimise positive effects at the 'intermediate' level.

- *The advisory process itself*

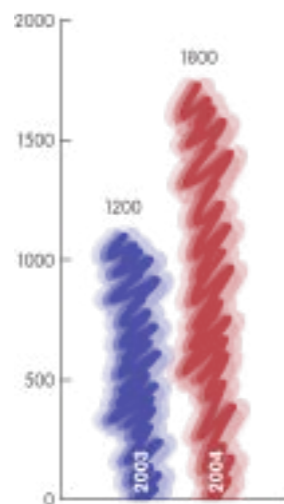
The advisory process itself (from multi-stakeholder/context analysis through contracting and finally to assessing effect and impact) could use more impetus. In 2005 we will use a group of 'grey-haired' consultants to help us improve this process.

Apprehension more important than facts

"We use different methods of measuring how many offences take place in our region. We also keep count of the number of emergency phone calls and people that request police assistance. Considering these statistics, we see a decrease in crime figures of about 17% in the last two years. This means the region of Utrecht has in fact become a safer place. But, strangely enough, our inhabitants do not believe this. In contrast, they feel less safe than beforehand. Public security is a vague, intangible concept. Apprehension is almost more important than fact. Multiple factors influence the way people experience their surroundings."

Miriam Barendse

Number of clients



Financial resources

Our people, our asset

In 2004 SNV employed 1275 people worldwide, 44% of them advisors. Although the number of advisors has grown since 2003, it has been difficult to recruit more, especially senior advisors for remote areas.

While in 2003 63% of our advisors were nationals, that has risen to 67%. The percentage of women working for SNV is still too low, despite extra efforts to employ female advisors and managers.

Corporate governance

SNV values and complies with national and international standards of good corporate governance. As far as possible, we conform to the recommendations of the Tabaksblatt Commission, and we have an Audit Committee to monitor compliance. For the internal control the integrated framework of COSO is followed (Committee of Sponsoring Organisations of the Treadway Commission).

Our structure consists of a Board of Directors that manages the organisation, and below this, activities have been clustered in five regions headed (as of this year) by regional directors. An independent Supervisory Board supervises the Board of Directors.

The Supervisory Board and the Audit Committee convene at regular, set intervals. Once a year the former assesses the performance of the Board of Directors and determines remuneration of the individual members of the Board of Directors. Once a year the external auditor reports to the full Supervisory Board.

Public money is by definition scarce

"Public money is by definition scarce. Therefore a government needs to be tremendously careful in drawing up a budget. Parliament is the last stop of the train of power. VBTB-reports really help parliamentarians to decide whether a certain policy is useful or ambiguous. In this respect these reports are a valuable tool for any government."

Pieter Zevenbergen

	Asia		Balkan		Latin America		West and Central Africa		East and Southern Africa		Head office	
	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003	2004	2003
Advisors	91	77	18	11	138	138	149	144	170	149	—	—
Others	102	91	15	21	92	101	232	249	193	222	75	79
Totals	193	168	33	32	230	239	381	393	363	371	75	79
% national advisors	64%	57%	75%	—	67%	60%	71%	70%	69%	62%	—	—
% female staff	33%	35%	47%	59%	39%	38%	29%	29%	44%	39%	64%	59%

Development can not be imported

"When we made the choice not to wait for the European Union but to work with SNV we did not realise the consequences. The process took much longer, and also more time, energy and means than we had foreseen. We had hoped that SNV would be more generous. But making up the balance, we are very positive and glad we have chosen this way. We have learned to look at our strengths first, and to use them. We have learned to use the human capital and the financial resources we have. Most of all, we have become aware that development must come from our own efforts and cannot be imported. This has not been easy, but we have learned it is the only way forward."

Jonas Aklé, mayor of Aguégués (Benin)

There is skill, there is passion

"I think the Ministry of Development (or even a development organisation like SNV that is funded by the Dutch government) should therefore trouble itself with the enhancement and improvement of Court of Audits and Supreme Audit Institutions (SAI) in all of these countries. These SAI's will then audit how the money is spent and report back to their own government, who then can report back to the Dutch government. The SAI's I visited in some countries are quite impressive already, I think. There is skill, there is passion, there is determination. Take the SAI in Zambia. This SAI effectively audits its government's expenditure, as far as I know."

Pieter Zevenbergen

SNV has an adequate management control system based on risk management. At regular intervals internal management reports inform the Board of Directors. With all country programme directors, management agreements have been signed. SNV provides a transparent and objective picture of all activities in the reporting year in its annual report.

The governance structure is reviewed annually, and if necessary, adjusted.

2005 and beyond

2005 will be a critical year for making the global policy breakthroughs needed to help the poorest countries achieve the Millennium Goals. The report 'Investing in Development; A practical Plan to Achieve the Millennium Development goals' presented to the UN Secretary General in January 2005, was a blueprint. Were the world to achieve the MDGs, 500 million people would be lifted out of poverty, a further 250 million freed from hunger, 30 million children and two million mothers who might reasonably have been expected to die will be saved.

There are direct implications for the way SNV organises and focuses its daily work in 8 of the 10 recommendations presented in the report. One of the major challenges for SNV teams will be how to place our precious advisory and capacity strengthening resources in such a way that these MDG-based strategies referred to are not only formulated with direct input from civil society and local governments but also (partly) executed by them.

SNV's role lies in mobilising and strengthening local capacities to efficiently and effectively absorb additional funds, and to ensure funds are being made available to actors at sub-national levels. Ultimately, poverty is fought in districts and villages, not in national capitals.

This requires SNV to make more explicit what we want to contribute to; to further develop our practice area intervention strategies, and to up-scale our practices. In 2005 SNV also wants to increase its focus on the private sector in our Market access for the poor practice area.

There is no separate SNV agenda; we will position our work in the context of nationally owned (and MDG-inspired) poverty strategies, a broader and shared framework that is likely to enhance coherence and aid effectiveness. By practice area we will further develop short strategy papers describing how our advisory work will contribute to achieving targets derived from national poverty strategies.

We need to improve our result measuring practice, and show our results. In 2005 SNV will evaluate another two practice areas, probably Sustainable Tourism and Market Access for the Poor.

Internally we want to improve our productivity and increase our resource mobilisation. Our support processes will be reviewed in 2005 and a new task force determine where we can provide best support to our advisory services.

In short: we want to excel as an advisory service organisation and be among the best in our chosen practice areas. We also want to grow and innovate; to discover and initiate new avenues that contribute to our mission.

In steering towards a more coherent organisation we will need to strike a delicate balance. There are no simple answers to this challenge. But we have a solid human and financial resource base with which to do it and are confident we can turn these issues into a success. The challenges are ours.

Results are not goals in themselves

"It is much easier to count crops and to measure the quality of groundwater than to look into the effects of political lobby. Especially when the metaphorical field one ploughs is as extremely wide as the field of agriculture and horticulture ... However, results are very important, I think. Results help to stimulate debate. Results enhance the process of facilitating new policies and pre-active change. Results matter. But results also must be taken as such; they are just results, not goals in themselves. If one over-focuses on results, they can in fact obstruct necessary development."

Gerard Doornbos

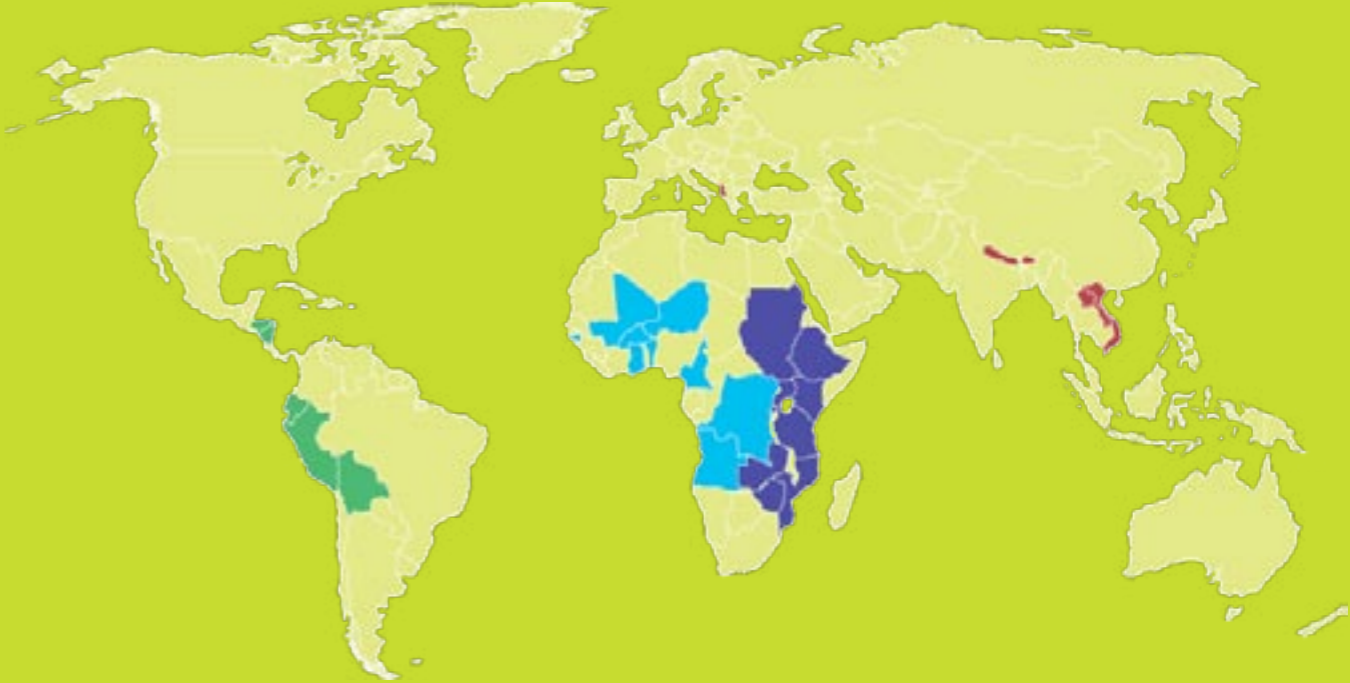
Feasible goals and short term results

"Government mentality has changed alarmingly in recent years. It used to centre around ideology, 'Big Ideas' and visionary policies. Now it is all about being pragmatic: feasible goals and short term results. I think that is somewhat scary. It makes people think in numbers. And well, numbers are just numbers - it is the story behind the numbers which is important. My worry is that too much emphasis on figures will lead to a hardened society. And this will make it difficult for social ventures, like international poverty reduction, to find understanding and empathy within the scope of social community."

Hans Boutellier

Regional overviews

Ideas changing minds
 "Bad results are results that are not rooted in national ownership but stem from excessive donor ship. One of the key lessons learnt is that workable and sustainable solutions are always home grown and context-sensitive. Such solutions, however, depend on a new partnership between developing and developed countries and between poor and rich people. Currently, the dimension of 'money changing hands' dominates that partnership. It is time to shift the focus to 'ideas changing minds'. This will require a quantum leap in imagination. A missing ingredient on the part of the better-off partners is the ability and readiness to listen. Repeating standard recipes and lamenting about poor implementation will only extend the legacy of broken promises."
Jan Vandemoortele



Satisfied clients



an energetic expansion

2004 as best performers

higher understanding

Global knowledge connected with Local activities



in 73% of all cases, the set objectives were met

our four core countries the human development index is steadily increasing. Both Laos and Bragan are mentioned in the Human Development Report 2004 as best performers in reducing child mortality between 1990 and 2002.

multiplying our results at district

increased the number of clients from 150 in 2003 to 48 in 2004.

SNV East and Southern Africa was commended for its knowledge, and style of working. Clients feel SNV brings them to a higher understanding and better operations.

SNV Asia

- 1 Nepal
- 2 Bhutan
- 3 Lao PDR
- 4 Vietnam

30

SNV operates in two sub regions: the Mekong (Vietnam and Laos, with exploration in Cambodia and Bangladesh) and the Hindu Kush Himalayas (Nepal and Bhutan, with explorations into India and the Tibet Autonomous Region).

In our four core countries the human development index is steadily increasing. Both Laos and Bhutan are mentioned in the Human Development Report 2004 as best performers on reducing child mortality between 1990 and 2002. Nevertheless, only two MDG goals will be met in time, namely halving income poverty and halving the proportion of people with access to safe water.

Overall, SNV Asia received positive and encouraging feed back from clients, who appreciate for what they have learned and state they have become more professional and market-oriented - though the need for additional advisory support was also expressed.

Our alliances

SNV works with a range of partners:

- DGIS
- KfW (biogas)
- Asian Development Bank
- ICIMOD
- the World Bank
- the World Tourism organisation
- UNDP
- UNDCF
- DANIDA
- IFAD
- DFID

Case Study: Environmentally friend road construction in Bhutan

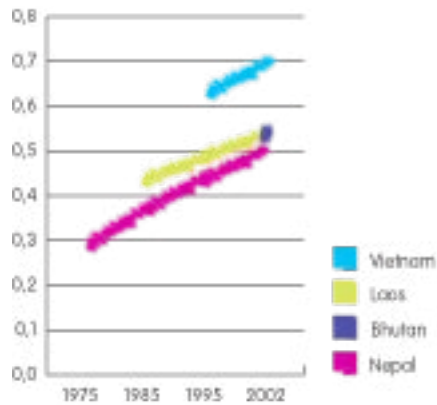
Bhutan has one of the richest biodiversities in the world. Recognising the importance of sustainable development, when the government received credit from the World Bank in 1999 to expand its road network it decided environmentally friendly construction techniques should be used. SNV Bhutan had already been involved in supporting the first ever environmental impact assessment for a road in Zhemgang district, and was asked to devise an Environmentally Friendly Road Construction (EFRC) concept and to build capacity within the Department of Roads (DoR) for EFRC. Work started in 2000, but the introduction of EFRC made structural problems visible, from work management and supervision issues, to the need to influence broader policy debates, and to create stronger coordination between stakeholders. SNV's mandate was widened and the focus of the project shifted from developing innovative techniques and management systems/tools, to organisational and institutional strengthening of DoR and other stakeholders EFRC had been a technical, environmental and financial success, and its techniques now broadly used. Roads built using EFRC are not only better for the environment, but cost-effective over the lifespan of the road due. The broad acceptance of EFRC is reflected in national environmental laws, policies and budget allocations.

Improved living conditions

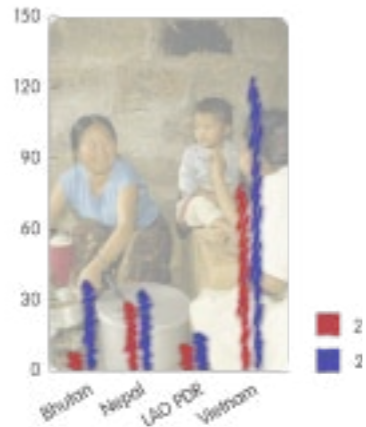
Impact assessment of the support provided to the Quang Binh Women Union on an income and employment generation programme in Quang Binh province. The programme uses three instruments to improve the living conditions of 10,000 women and their families: micro-finance, technical and business skills, and market linkages. The report shows that the programme reaches the intended target group indeed, 2/3 of the women involved are poor women. The research also shows that the women involved in the programme are better off than women not participating: the income of participating women increased with 19% while the control group showed increases of 9% only. Also savings increased considerably when compared to the control group (30%)

31

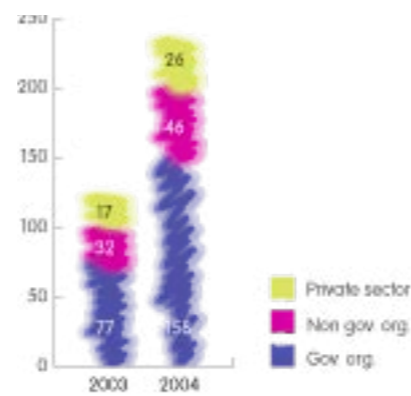
Human development index



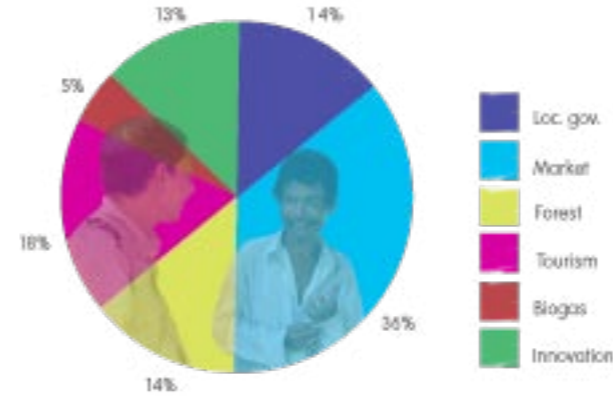
Growth and division clients per country



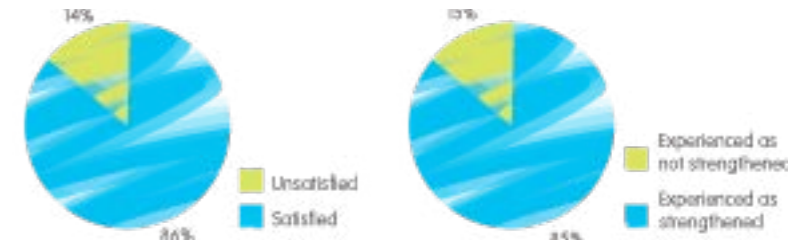
Growth and division clients



Division practice areas



Results and learning



In 2004 we held reviews with 59% of our clients. Of these clients 86% were satisfied with our services and 85% of our clients experienced their organisations were strengthened.

SNV Balkan

1 Albania

32

Our clients

Over 2004 our programme in the Balkan has seen an energetic expansion. Not only did we take the first ventures from our homestead Albania into four other Balkan countries, we also increased the number of clients from 13 in 2003 to 48 in 2004. The growth can be especially seen in an increase of non-governmental clients (from 7 to 35), and an increase in the number of national clients (from 0 to 11) for multiplying our results at district and provincial level. SNV mainly works with non-governmental organisations to enhance their countervailing powers.

Our alliances

- In the region we are collaborating with:
- the World Bank
 - SIDA
 - UNDP
 - SDC
 - the Royal Netherlands Embassy.

SNV Balkan has its base in Albania and from there has started explorations in Macedonia, Montenegro, Bosnia and Herzegovina, and Moldova. These are all countries with a medium human development index. The region is the only region where poverty is growing significantly. It is unlikely they will reach the MDG child mortality target, though they will probably reach the primary education target and gender targets.

In time the Balkan countries may join the EU. The EU's stabilisation and association process is the driving force behind development, but there are still many barriers to be surmounted.

Balkan

This future prospect influences the local mindset and activities of international organisations present in the region (EU, SIDA, DGIS). It is not surprising that the focus of our work in the Balkan is on responsive and accountable local government (69%). A second main practice area is Collaborative Forestry management (27%), followed by market access for the poor. This last practice area will be extended over the coming few years.

Case study: MJAFT won UN International Civil Society prize

MJAFT is an Albanian national movement born in 2002 that aims to fight public apathy towards corruption in Albania. With an unorthodox and inspiring campaign, MJAFT managed to stir citizens, creating a voice that challenged the central government and political leaders. MJAFT has little trouble finding funds, but urgently needed was support in transforming the ad-hoc campaign organisation to a structured nationwide network with local 'clubs'. SNV portfolio teams supported Mjaft at this crucial phase of organisational development. In November 2004, the efforts of MJAFT were rewarded with the annual United Nations International Civil Society prize. Erion Veliq, Director of MJAFT wrote to SNV: 'your words of support and advice greatly strengthened our confidence in successfully overcoming the difficult predicaments that we often found ourselves in, and without which we would have never been the recipients of the award.'

33

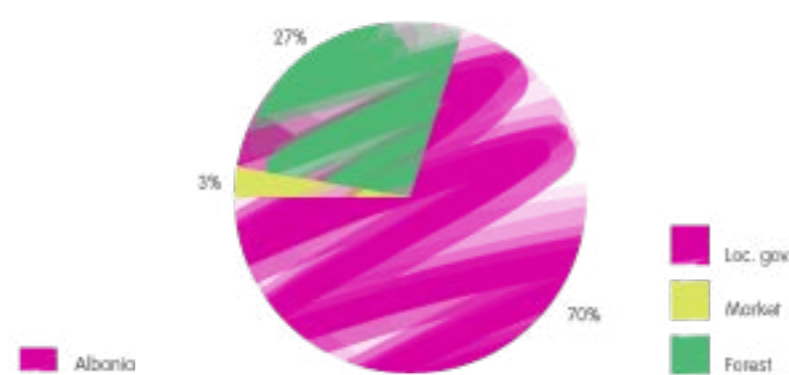
Following SNV

Not only clients are commending SNV's work: Staff of UNDP in Albania stated 'UNDP-Local Government Programme is now following the methods on providing advice and technical support based on SNV's methodology.'

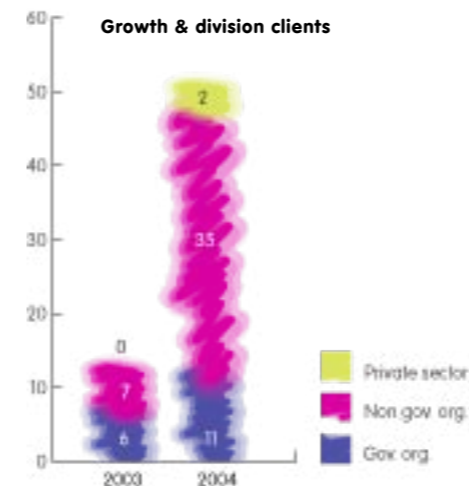
Human development index



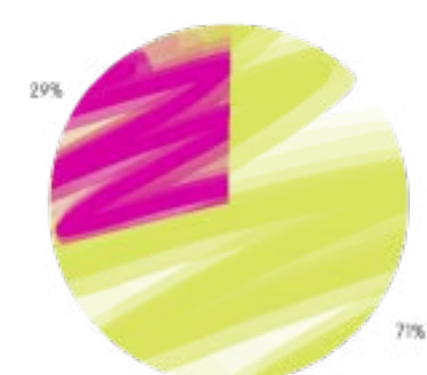
Division practice areas



Growth & division clients



Results and learning



All clients that were reviewed (73%) during 2004 have shown great appreciation for SNV's work, and 71% of our clients saw progress in reaching their objectives.

- Clients who saw progress in reaching their objectives
- Clients who didn't see progress in reaching their objectives

SNV West and Central Africa

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

34

Our clients

SNV served in West and Central Africa 743 organisations in 2004. Compared to our number of clients in 2003 (459), this is an enormous growth. The division of clients is 39% governmental, 53% non-governmental and 8% private sector actors. This division has remained quite even as compared to 2003.

Our alliances

In West and Central Africa we work together with a range of international partners like DFID, GTZ, KFW, DED, USAID, SIDA, European Union, World Bank, IUCN, WWF, CARE, RNE, NOVIB, ICCO, VNG, KIT etc.

SNV has been in West and Central Africa for 40 years and currently operates in Mali, Benin, Burkina Faso, Niger, Cameroon, Ghana, Angola, Guinea Bissau and DR Congo. It is the poorest region in the world: five out of seven countries are in the lowest range of the Human Development Indicator.

Ghana, Benin, Burkina Faso and Mali are known to have rather good governance. However, they are too poor to help themselves make much progress towards the MDG targets, lacking basic infrastructure, human capital and public administration. Guinea Bissau and Niger are fragile countries, where the main issues are to prevent conflict, accelerate stability, resolve political crises and strengthen institutional capacities.

In West and Central Africa SNV focuses on two larger practice areas: Responsive and accountable local government, and Market access for the poor, with smaller practices in gender, forestry management, dry land management, and tourism.

In 2004 our clients felt that they really had come to grips with the intricacies of a municipal planning process and had come to master a number of important planning tools. They appreciated SNV never imposed a solution but took the strengths and limitations of the municipalities as its starting point. Some clients are still disappointed SNV does not finance activities and want SNV to be more in the driver's seat.

Case Study: Supporting the Municipality of Aguégués, Benin

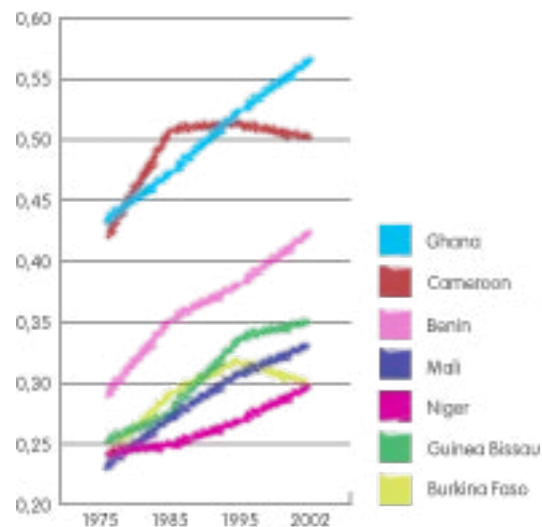
Aguégués is one of 77 municipalities created by Benin's decentralisation process in 2002. It has a population of 27,000 and a large Diaspora in the main cities, which continues to play an active role in the development of Aguégués. Other important external parties are the state, and various development programmes and donors that built schools and health centres and installed drinking water systems. Although these programmes benefited Aguégués, they created an 'aid-dependent' mentality, according new mayor Jonas Aklé. His primary concern was to draw up a development plan, outlining the projects and programmes for the next 5 years. Since his staff had little experience or knowledge, the mayor decided to look for external assistance. He identified two potential partners – a support programme from the EU, and SNV. SNV would act as a facilitator, building on the municipality's own financial and human resources to write the plan. The EU offered the fully funded services of an external consultant who would deliver a ready made plan. But it had an uncertain start date due to long-winded administrative procedures, and could not guarantee a plan based on the needs and priorities of the population. SNV was chosen in favour of this 'easy' option. Our advisors guided Aguégués through a 'DIY' process, providing a framework, assisting in developing tools and facilitating workshops, but leaving the municipality responsible for data collection and the actual elaboration of the plan. The entire process lasted 16 months, the most tangible result of which is the development plan. More importantly, the mindset of the mayor and those involved, has changed: they realised that they were perfectly capable of writing the plan themselves, and that they disposed of the human and financial resources to make it happen. They became aware that it is a pro-active, self confident attitude that is the first step towards successful development.

35

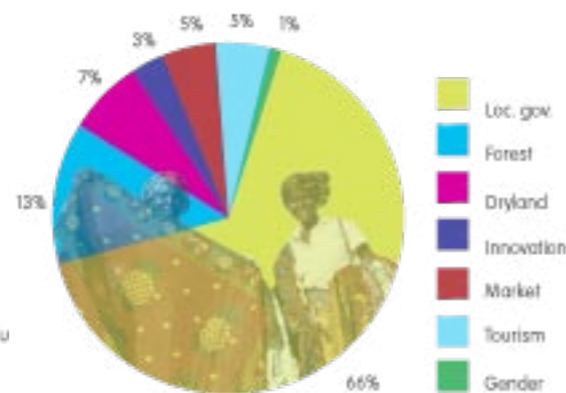
SNV West and Central Africa Results and learning

In West and Central Africa 72% of all clients were reviewed and 83% of these clients were satisfied with SNV's services. In total 42% of our clients had end of assignment reviews: 95% of the clients reached the assignment objectives. Representation: SNV works in 42 municipalities in Benin (4000 advisory days); 23% of government in West and Central Africa, 15% of the region total, 9% of all government, 4.1% SNV wide

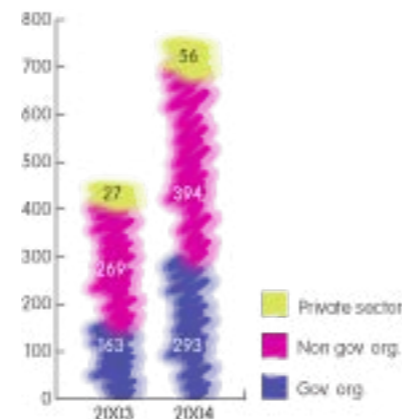
Human development index



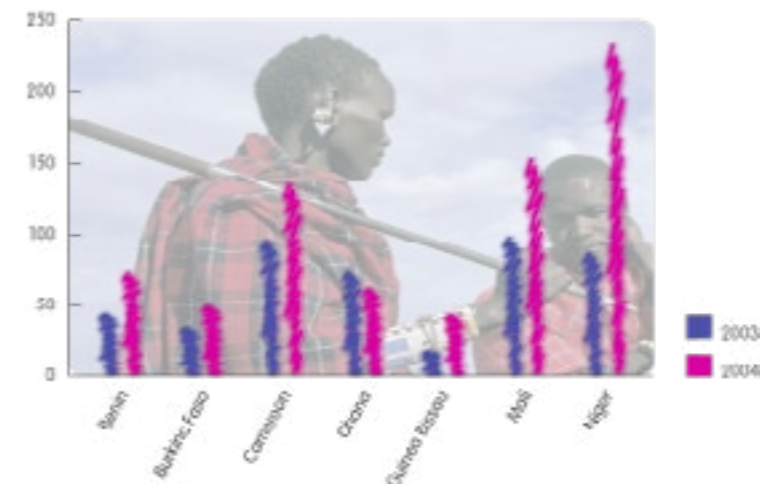
Division practice areas



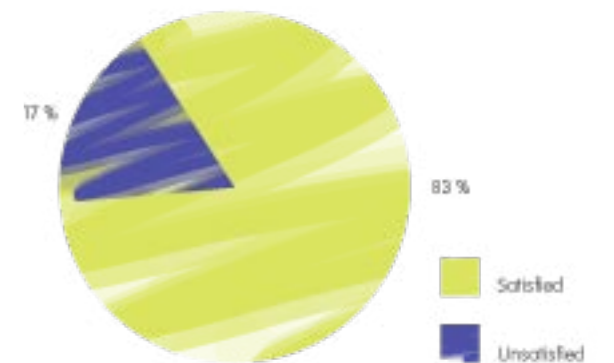
Growth and division clients



Growth and division clients per country



Results and learning



SNV East and Southern Africa

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

36

SNV is active in Ethiopia, Kenya, Rwanda, Tanzania, Uganda, Zambia, Zimbabwe, Angola and Mozambique, and ventured advisory services in Sudan through our portfolio teams in Kenya and Ethiopia, and the Democratic Republic of Congo in 2004.

The region has a mix of risers, fallers and countries that remain at more or less the same human development indices. Uganda and Rwanda both show steep HDI growth, Zimbabwe and Zambia have been falling dramatically since the '80s, and Kenya started slowly falling in second half of the 90s. Much of these falls are due to HIV/AIDS, poor governance and/or conflict. Without significant changes, they have little chance of achieving MDG goals.

Our clients
 SNV served in 2004 491 organisations in the region, while in 2003 the number was 265 only. The greatest growth in client portfolio's occurred in Mozambique, Zimbabwe, Kenya and Tanzania.
 Our client composition remained more or less the same in 2004 with 55% non-government clients, 29% government clients, and 17% private sector actors.

Our alliances
 In the region we cooperate with a steadily growing number of development partners. Together with these partners (and through creating synergies) we are able to achieve mutually defined goals. The list of development partners includes various international organisations (GTZ, Oxfam, UNDP, Cordaid, Novib), donors, local capacity builders and local and international consultancy firms. In collaboration with these partners, we link to regional networks and opportunities, such as INICA, IDESA, SADC and NEPAD.

SNV focuses on two larger practice areas: Responsive and accountable local government, and Market access for the poor, accompanied by two smaller practice areas (Sustainable tourism, and Innovation in conflict transformation and peace building, and responsiveness to HIV/Aids).

Overall SNV East and Southern Africa was commended for its knowledge, and style of working. Clients feel SNV brings them to a higher understanding and better operations. In Angola SNV introduced a decentralised water management model which has been adopted at national level and is now included in EU and UNICEF programme as well.

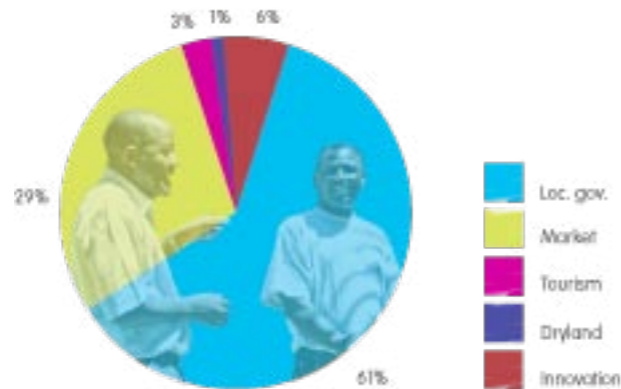
Case Study: The CASCA programme, supporting the Mozambique cashew sector

In 1995, the Mozambique government on advice from the World Bank privatised the cashew processing industry and liberalised the cashew trade. As export taxes were lowered, exports of raw nuts soared, with devastating effects on local processors. The government reinstated taxes in 2001 in an effort to promote the recovery of the local processing industry. This faced a number of constraints, especially the low yields of the existing trees. Cashew farmers had little capital or access to loans to invest in maintaining orchards new trees or pest and disease control measures. In 2002, SNV launched the CASCA programme to help revitalise cashew production and processing. Intervention focused on developing the entrepreneurial capacity in rural areas, promoting small-scale cashew processing, improving the quantity/quality of nuts produced on small farms, and providing employment and incomes for producers and their families. In the one-year preparatory phase, SNV assessed the options, drew up a business plan and negotiated funding for the programme. It identified private sector partners, and NGOs that would implement the programme and provide long-term assistance. In the execution phase, SNV supported the local NGOs to strengthen their capacities to implement the programme (advice on market research, training, the organisation of the processing units, arranging funding). The programme helped to rebuild the cashew processing industry in two years, creating more than 100 new jobs in one of the poorest rural areas of the country. Around 800 locals have attended courses on quality control, management and other technical aspects. Tree yields and nut quality have improved, and producers are paid better prices.

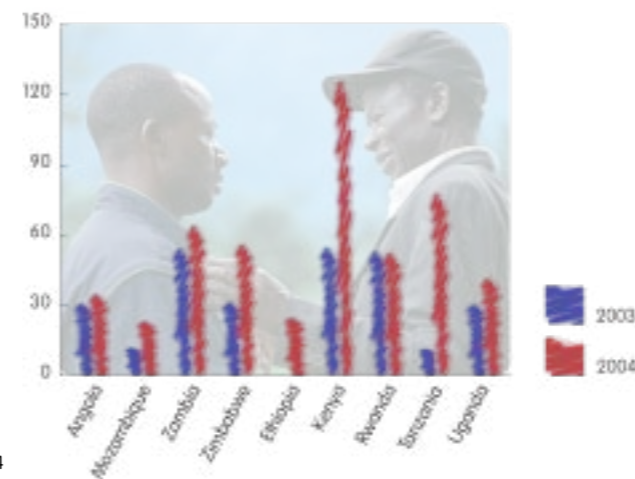
Case Market access for the poor, Mozambique
 Representation (150 advisory days): 2% of market access in East and Southern Africa, 0.6% of all region, 0.5% of all market access, 0.2% of SNV wide.

37

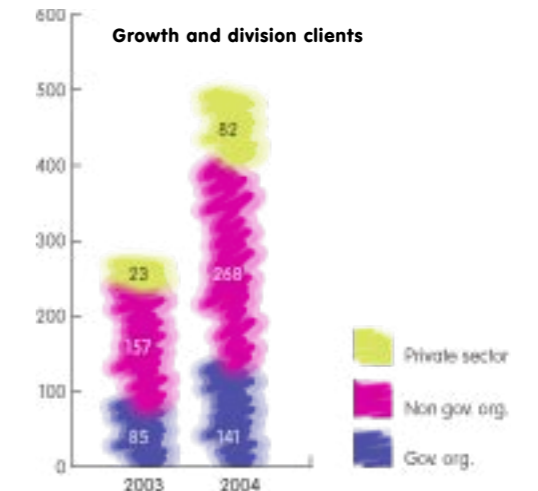
Division practice areas



Growth and division clients per country



Growth and division clients



SNV Latin America

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

38

SNV is active in Nicaragua, Honduras, Ecuador, Peru, and Bolivia. The HDI in Latin America is comparatively high (all located in the medium HDI countries) and steadily growing. The region has reached MDG targets in primary education and gender already. Despite high HDIs, there is extreme inequality throughout Latin America. This, together with an abundant but weak institutional environment, moderate economic growth (that focuses on short term accumulation and not on sustainability) and the degradation or over-utilisation of natural resources, are perceived as main causes of poverty.

Our clients

SNV served in 2004 282 organisations in the region. Growth in our Latin America client portfolio is smaller than in other regions. The percentage of non-governmental organisations is largest (42%), followed by governmental organisations (38%), and a smaller portion private sector actors (20%).

Our alliances

SNV Latin America has built local and international alliances and partnerships for mutual learning and enhanced impact. To name a few: PACT - Impact Alliance, IUCN, CIAT, RURALTER, UNDP, GTZ, CARE, World Tourism Organisation, the EU, and the World bank.

SNV Latin America is working in four main practice areas: Responsive and Accountable Local Government, Market Access for the Poor, Collaborative Forest Management, and Integrated Water Management.

One of the learning points in Latin America is that objectives are sometimes too ambitious to be reached in a short time span. Also the absorption capacity of clients is sometimes limited. Our ability to connect clients is seen as a strong point, as well as the facilitation of multi stakeholder processes, our thematic and context knowledge, and our ability to adapt our advisory services to the needs of clients.

Case Study: fair trade for small banana producers in Ecuador

Banana exports provide Ecuador's second largest source of income, and jobs for more than 380,000 workers. Though 90% of banana producers are small-scale farmers they have little control over the prices they receive. Large exporters control the market, fixing prices so low that many small producers have been forced out of business. 14 small producers from El Guabo, in the southwest province of El Oro, learned that they could export their bananas directly to the Fair Trade markets in Europe and the USA. In 1997, they set up the Association of Small Banana Producers (APPBG) to organise this. SNV began a relationship with APPBG in 1998. Since then, the APPBG has grown to become the largest association of small producers in the Fair Trade market.

Based on its local knowledge and European contacts, SNV Ecuador was able to advise El Guabo in selling their bananas to the Fair Trade markets. Since 2003, SNV has focused on capacity building, enabling the APPBG to take charge of its own process of development and transform into a professional business run by the producers themselves. Our major achievement has been teaching APPBG members the management skills that enabled them to organise their own production, logistics, finances and export contracts. Members and employees are better able to diagnose and address both external and internal problems, leading to substantial improvements in the incomes, job security and working conditions of the farmers and workers. It has initiated campaigns to enhance social conditions, encouraged producers to use fewer and less toxic agrochemicals.

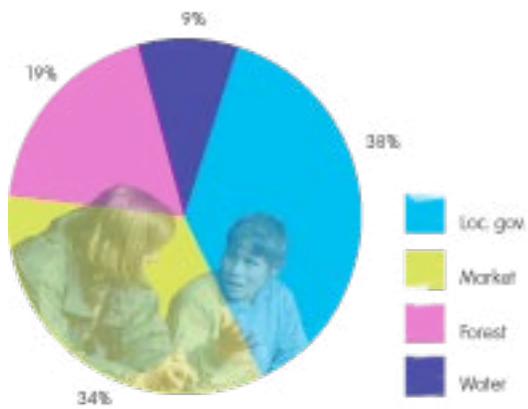
Results and learning

This evaluation shows the lessons learned from a Nicaraguan micro-credit programme of IMC with loans in 42 municipalities. The main clients of these schemes are women (83%). The evaluation reveals that the internal functioning of the credit scheme is rather worrying: 62% of the names of clients were not legally identified, 72% of the demand for credits did not respect IMC regulations, 92% of the credits were not sufficiently backed by a legal paper, and the repayment rate proved to be very low; 83% of loans was not repaid after 5 years.

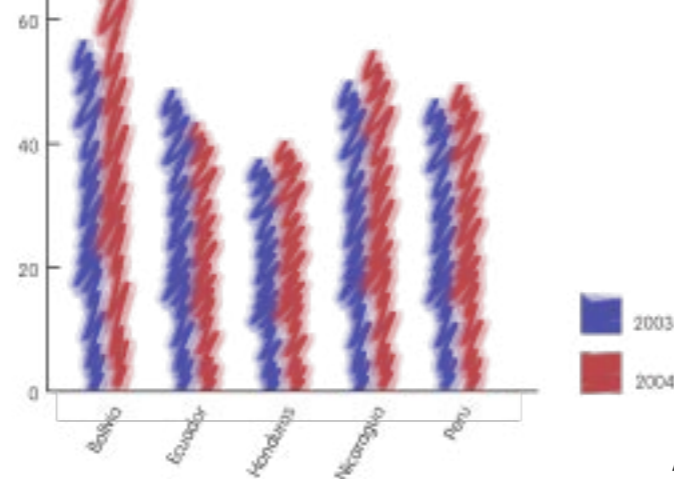
Case Market access for the poor, Ecuador

Representation: Represents work in 5 production chains in Ecuador (792 advisory days): 9% of market access in Latin America, 4% of the region, 3% of all market access and 0.8% SNV world wide.

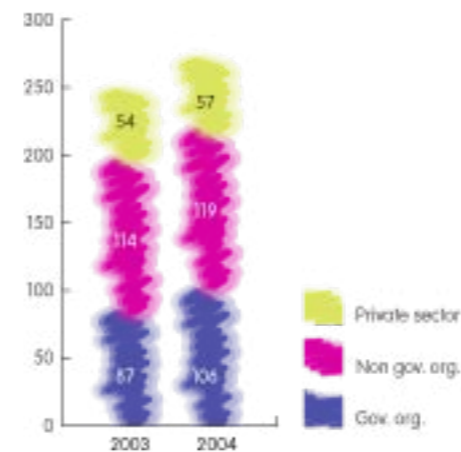
Division practice areas



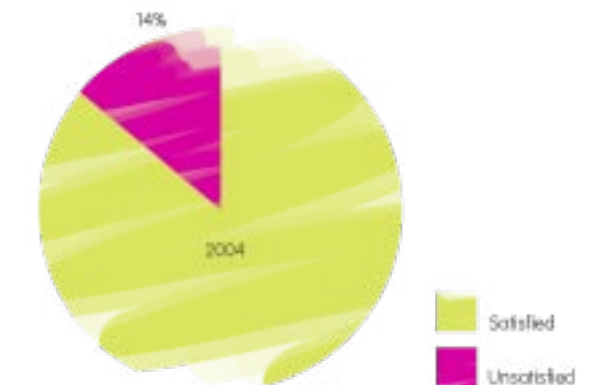
Growth and division clients per country



Growth and division clients



Results and learning



Beyond averages

"Analysis needs to go beyond averages because the level of aggregation also influences claims. What is valid at one level of aggregation is not necessarily valid at another level. For instance, the world is on-track towards reducing the proportion of people struggling to survive on less than \$1/day but most regions and countries are not."

Jan Vandemoortele

Expansion of human freedoms

"Development has to be conceptualized as the expansion of 'human freedoms', not only as the increase of GDP or the expansion or industrialization. In this sense development is the struggle to remove the unfreedoms' that people in development countries face such as: poverty, political and social oppression, lack of economic opportunities, social deprivations, and the lack of adequate public facilities (such as education and health)."

Dr. Gaspar Rivera-Salgado

	2019	2020	2021	2022	2023	2024
Total income	6,007,790	2,600,848	1,894,205	281,925	64,004	10,954,875
Corporate centre						710,481
Countries						4,179,045
Friction costs						1,045,855
Expenditure SNV programme						2,050,000
NGO funding						1,196,292
Third party funding						795,000
Expenditure other activities						4,004,483
Total expenditure						13,432,977
Balance income and expenditure						13,463,156
						1,662,998
						15,126,154
Result appropriation						6,023,333
Ministry of Foreign Affairs						6,362,532
Liquid assets						1,710,837
Third-party funding						8,073,369
Liabilities						

Resources connected with **Applications**

42 Balance sheet after result appropriation

Assets	2004		2003	
	€	€	€	€
Buildings and terrains		620,740		705,856
Vehicles		2,690,848		2,869,159
Equipment		1,854,205		1,757,108
Other inventory		281,929		333,015
Tangible fixed assets		5,447,722		5,665,138
Securities		84,094		84,251
Long-term receivables		84,094		84,251
DGIS funding		10,954,879		13,334,774
Third-party funding		710,484		1,633,837
Long-term receivables projects		11,665,363		14,968,611
DGIS funding		4,179,045		9,818,686
Third-party funding		1,048,829		3,614,291
Short-term receivables projects		5,227,874		13,432,977
Bonds		2,050,000		0
Funds to be justified by projects		1,196,292		1,665,548
Debtors		795,600		804,156
Prepayments		4,094,453		669,383
Short-term receivables		8,136,345		3,139,087
Liquid assets		36,066,047		37,869,801
Total		66,627,445		75,159,865

43

Liabilities	2004		2003	
	€	€	€	€
Equity		4,925,343		4,336,759
Special purpose reserve foreign exchange		970,750		970,750
Special purpose reserve tax claims		5,446,641		2,851,114
Special purpose fund programme finance		4,592,326		4,592,326
Invested capital in fixed assets		5,447,722		5,665,138
Capital base		21,382,782		18,416,087
DGIS projects		11,016,883		13,463,156
Third-party projects		739,853		1,662,998
Long-term commitments projects		11,756,736		15,126,154
DGIS projects		6,362,532		12,581,324
Third-party projects		1,710,837		4,705,266
Short-term commitments projects		8,073,369		17,286,590
Pre-received earmarked funds		8,398,585		5,782,722
Ministry of Foreign Affairs		6,652,776		9,318,877
Creditors		1,339,760		1,543,631
Accrued expenses		6,023,333		5,323,974
Taxes and social security premiums		802,186		1,332,659
Pensions		2,197,918		1,029,171
Short-term debts		25,414,558		24,331,034
Total		66,627,445		75,159,865

44 Statement of income and expenditure

	2004		2003	
	Original budget €	Mid term budget €	Realized €	Realized €
Programme financing	80,548,000	80,547,822	65,073,364	58,747,280
Earmarked funds			1,619,834	2,649,291
Subsidy agreement	80,548,000	80,547,822	66,693,198	61,396,571
Transferred budgets	—	—	—	4,746,687
Total programme	80,548,000	80,547,822	66,693,198	66,143,258
Friction costs	n/a	3,510,334	2,977,455	3,605,444
Ministry of Foreign Affairs	80,548,000	84,058,156	69,670,653	69,748,702
Non-core funding	5,000,000	—	1,709,761	945,208
Interest SNV programme	0	0	588,584	422,886
Income SNV programme	85,548,000	84,058,156	71,968,998	71,116,796
Projects DGIS	n/a	n/a	4,947,304	11,447,397
Projects Third-parties	n/a	n/a	2,577,690	4,098,520
Income other activities	n/a	n/a	7,524,994	15,545,917
Total income	85,548,000	84,058,156	79,493,992	86,662,713
Corporate centre	21,148,000	18,200,716	14,689,195	14,704,225
Countries	65,676,000	56,245,597	51,335,653	49,716,215
Friction costs	n/a	3,510,334	2,977,455	3,605,444
Expenditure SNV programme	86,824,000	77,956,647	69,002,303	68,025,884
DGIS funding	n/a	n/a	4,947,304	11,447,397
Third-party funding	n/a	n/a	2,577,690	4,098,520
Expenditure other activities	n/a	n/a	7,524,994	15,545,917
Total expenditure	86,824,000	77,956,646	76,527,297	83,571,801
Balance income and expenditure	-1,231,000	6,101,509	2,966,695	3,090,912

Result appropriation

The 2004 exploitation balance has been processed in the annual accounts as follows:

	2004		2003	
	€	€	€	€
Transfer to equity	588,584		422,886	
Debt to equity	0		258,175	
Special purpose reserve foreign taxes	2,595,526		2,851,369	
Total		3,184,110		3,532,430
Transfer to reserve invested capital in fixed assets	-217,415		-441,518	
Total		2,966,695		3,090,912

46 **Cash flow**

After the appropriation of the result for the financial year 2004, the following statement of source and application of funds result:

	2004		2003	
	€	€	€	€
Total Ministry of Foreign Affairs	69,670,653		69,748,702	
Expenditure SNV programme	-69,002,303		-68,025,884	
Cash flow from operations		668,350		1,722,818
Non-core funding	1,709,761		945,208	
Interest	588,584		422,886	
Balance of income and expenditure		2,966,695		3,090,912
Net investment	217,415		441,518	
Change long term receivables	157		0	
Change short term receivables	-4,997,258		2,048,356	
Change earmarked funds Ministry received in advance	2,615,863		904,427	
Change other short term debts	-1,532,339		11,185,960	
Net change SNV programme funds		-729,466		17,671,173
Change long-term receivables	3,973,891		13,004,520	
Change short-term receivables	7,534,460		-659,731	
Change long-term commitments	-3,369,418		-13,898,363	
Change short-term commitments	-9,213,221		-5,329,662	
Net change project funds		-1,074,288		-6,883,236
Net change in liquidity		-1,803,753		10,787,937
Liquidity level as at 31 December	36,066,048		37,869,801	

The liquidity level of SNV has decreased from € 37.9 to € 36.1 million euro. The decrease is primarily due to lower liquidity requests to the Ministry of Foreign Affairs and significant increases in short term receivables (purchase of bonds and prepayments on three partnership agreements). The net change in project funds is relatively limited.

Auditor's Report

We have audited the abbreviated financial statements of SNV Netherlands Development Organisation, The Hague, for the Year 2004. These abbreviated financial statements have been derived from the financial statements of SNV Netherlands Development Organisation for the Year 2004. In our auditors' report dated March 18, 2005 we expressed an unqualified opinion on these financial statements. These abbreviated financial statements are the responsibility of the management of SNV. Our responsibility is to express an opinion on these abbreviated financial statements.

In our opinion, these abbreviated financial statements are consistent, in all material respects, with the financial statements from which they have been derived.

For a better understanding of the financial position and results of the organisation and for an adequate understanding of the scope of our audit, the abbreviated financial statements should be read in conjunction with the financial statements from which the abbreviated financial statements have been derived and our auditors' report thereon.

The Hague, June 1, 2005

PricewaterhouseCoopers Accountants N.V.

48 Supervisory Board

Remuneration 2004

The members of the Supervisory Board received the following fee attendance money:

Chairperson

Mr. C.J.M. Pronk MBA (1948)
Dutch
Assigned until 2007

Business Development Director
Hay Management Consultants

€ 6,806.70

Treasurer

Mr. W. Veldman RA (1948)
Dutch
Assigned until 2007

Director Veldman Advies

€ 5,445.36

Other members

Mr. J.Greven (1941)
Dutch
Assigned until 2006

Former publisher PCM
Landelijke Dagbladen B.V.

€ 2,722.68

Mrs. G.J. de Boer-Kruijt MBA (1944)
Dutch
Assigned until 01-09-2004

Personal advisor; various commissioner's posts, Sara Lee/DE, Holland Beton Groep, Elsevier

€ 2,722.68

Vacancy

Mrs. A.E. Kuipers-Bakker MBA (1951)
Dutch
Assigned until 01-07-2005

Director General Biblioservice
Gelderland

€ 2,722.68

Mr. K.A. de Jong Msc (1942)
Dutch
Assigned until 2007

Executive Vice President Corporate
Affairs Royal Numico

€ 2,722.68

Mr. H. Muller (1942)
Dutch
Assigned until 01-07-2005

Various commissioner's posts,
i.a. SNS Reaal Groep and
ASN Beleggingsfondsen N.V.

€ 2,722.68

Board of Directors

Remuneration 2004

The members of the Board of Directors received a total remuneration of € 307,416.39, being gross salary including holiday allowance. The total pay (including employer's contribution and pensions) amounted to € 454,976,26.

Mr. T.J.H. Elsen

Mrs. A.M.F. Jenniskens

Mr. J.A. Van de Gronden