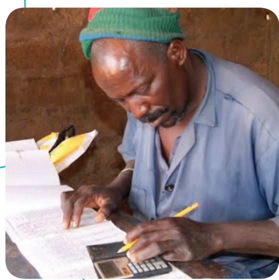
Corporate Annual report 2011



SNV

Connecting People's Capacities

Netherlands
Development
Organisation

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Report of the Supervisory Board

With the aftershocks of the global financial crisis still reverberating throughout Europe and the world, 2011 was a year of reflection globally. Increasing public and political attention for development aid effectiveness has had an effect on the development sector as a whole and SNV weathered particular scrutiny in 2011, resulting in deep reflection within the organisation itself. This process of self-examination resulted in a recognition that if SNV is to be effective in achieving its objectives of reducing poverty and improving lives globally it must do so under new leadership and with a new strategy tailored to achieving maximum impact as a leaner, more cost-effective organisation.

As a result of these decisions, 2011 saw both the resignation of the former Supervisory Board, and the replacement of the SNV Managing Board. I would like to express my thanks to all the former board members for their dedication and commitment to SNV. I know that all the former members of the Managing Board and Supervisory Board have contributed to SNV to the best of their knowledge in their years of service.

At the end of August 2011, I was appointed as Chairman of the new SNV Supervisory Board, which now consists of:

- Arthur Arnold, Chairman and member of the Selection & Remuneration Committee;
- Hans Huis in 't Veld, Vice Chairman and Chair of the Selection & Remuneration Committee;
- Evelyn Vinke-Smits, Chair of the Audit Committee;
- Bernard ter Haar, Member of the Audit Committee;
- Mirjam van Reisen

The selection process was based on a "Capabilities and Competencies" profile for the Supervisory Board, focused on enabling SNV to best meet the challenges it faces in a rapidly changing global environment. Through extensive online and offline promotion of the available positions, we did our best to ensure the Supervisory Board recruitment process was as transparent as possible.

The Supervisory Board's Selection & Remuneration Committee is chaired by Hans Huis in 't Veld. The Supervisory Board Audit Committee is chaired by Evelyn Vinke-Smits and Bernard ter Haar will serve as a member.

The Supervisory Board invited the Corporate Council to propose a candidate for the Supervisory Board and based on their nomination, we appointed Mirjam van Reisen.

Following my appointment as Chairman of the Supervisory Board, the most urgent challenges to be addressed in the last four months of 2011 were:

1. To agree on a new SNV Strategy for 2012-2015, as proposed by the Managing Board, enabling SNV to continue to fight poverty as from 2016, based on the reality that as from 2016 SNV will no longer receive any "core" subsidy from the Dutch government.
   Status: Achieved. The new strategy has been approved by DGIS in September, 2011. The overall role for SNV is to reach out to 40 million people by the end of 2015.

2. To agree on a new organisational structure to support the implementation of the new SNV Strategy. The outline of the new structure has been proposed in December 2011 and approved in March 2012.
   Status: Partially achieved.

3. To appoint a new Chief Executive Officer, giving him the mandate to form his own new Managing Board to lead the implementation of SNV's revised strategy in the coming four years.
   Status: Achieved. After an exhaustive recruitment drive, interim Chief Executive Allert van den Ham was appointed as Chief Executive Officer of SNV effective 1 December 2011, bringing a vital balance of strategic expertise and on-the-ground development experience to the senior level of the organisation. The CEO, as well as three new members of the managing board will be based in the field (the CEO in Hanoi).

4. To support the Managing Board in securing DGIS funding for the implementation of the new Strategy for the years 2011-2015.
   Status: Achieved. A new EUR 240 million subsidy agreement for the period 2012-2015 was signed with DGIS in November 2011.

There is a growing awareness in the development world that development impact is driven locally and that exactly where SNV's strength lies – in facilitating development for locals, by locals.

In closing, I would like to stress for all SNV stakeholders, and not least the staff of the organisation, that SNV has less than four years left to achieve the change needed to adapt to its new context. Choices have been made, the focus is there and it is clear what has to be done. However, change is only sustainable when it comes from within.

I and the other Supervisory Board members appreciate the efforts made by the staff of the organisation through what has been a turbulent year for SNV. We trust that we can rely on their continued commitment in the challenging times ahead.

The Supervisory Board is committed to do its part – i.e., supervision as non-executives. It is however up to the Managing Board and staff to do their part as executives to lead and implement SNV's strategy in order to secure its existence beyond 2015.

I know that together, we can do it.

On behalf of the SNV Supervisory Board,
Arthur Arnold,
Chairman

15 June 2012, The Hague

Report of the Managing Board

This document presents SNV's annual report for 2011. It reflects on our achievements and lessons learnt and our development and organisational results, and presents our annual accounts for the year ending 31 December 2011.

The report of the Managing Board is divided into the following parts:

Part I: Achievements and lessons learnt: Looks back at our main achievements and lessons learnt, the development trends that influenced our positioning and the progress made on the priorities set, in view of changing realities.

Part II: Development results 2011: Provides an overview of the key development results (impact and outcome) achieved per sector. This part also looks at our intensified efforts to localise our work and to align our interventions with other organisations through corporate programmes.

Part III: Organisational results 2011: describes the progress achieved on our organisational priorities, including resource diversification and managing for results, and how important developments affected our global workforce.

Alongside the report of the Managing Board, the annual accounts present our financial position at the end of the year and our financial performance over 2011.

Introduction by the Managing Board

The last year has been an exciting one for SNV. Challenged by a wide audience, including media and political parties, SNV replaced its Supervisory Board and top management. Based on its vast experience at field level, SNV embarked upon a future course marked by a drive for accountability, efficiency and results.

To guide the transformation process a new strategy paper was formulated. SNV decided to concentrate its efforts in three core sectors – Agriculture, Renewable Energy and Water & Sanitation. The new strategy defines three key roles for the organisation: Advisory Services, Knowledge Networking and Evidence-Based Advocacy. It also firmly underlines SNV's commitment to four principles we believe are essential to realise effective, lasting poverty reduction – inclusion of people living in poverty in sustainable development processes, local ownership of development initiatives and agendas, contextualisation of solutions and a focus on achieving systemic change. We are confident that implementation of the strategy will lead to a flexible, results-based SNV that is constantly improving the quality of its work.

On the basis of the strategy paper a new subsidy agreement with DGIS for the period 2012-2015 was concluded in November 2011. After previous reductions in the core subsidy 2010 and 2011, this new agreement sees a further reduction in Dutch government funding for SNV in 2012, 2013 and 2014.

In line with the new strategy, SNV has commenced its exit from the Health, Education, Forestry and Tourism sectors, which will ultimately result in a reduction of almost 200 full-time positions within the organisation. We have also begun the closure of our operations in the Balkans, focusing on achieving knowledge consolidation and the transfer of programmes to local organisations where possible and appropriate. Adjustments in SNV's organisational set up and an austerity drive within the organisation will bring down costs at all levels, make SNV more efficient and prepare the organisation for a future without core subsidy.

Despite the turmoil in the Netherlands and the significant changes that are taking place within the organisation, SNV's programmes in the field have continued to have a positive impact on the 1,650 local organisations we are supporting and to contribute to improved livelihoods and living conditions for more than 9 million people. Our work in the Biogas sector, for example, has continued to make a difference in the lives of millions of people in Asia, has been replicated in several countries in Africa through the Africa Biogas Promotion Program and will soon start to be applied in Central America. Elsewhere, the Inclusive Business approach developed by SNV in Latin America is being applied in both Asia and Africa, resulting in increasing numbers of (inter)national companies including Bottom of the Pyramid producers and less affluent consumers in their business strategies. We are proud that more work than ever before has been implemented in close cooperation with local capacity builders.

SNV's work around the world continues to be held in high regard by governments and donors, as proven by the considerable progress made in the drive to diversify the organisation's funding base. The ratio of realised revenue from other donors compared to total annual realised revenue has increased from 24% in 2010 to 32% in 2011. This year, SNV secured more than 130 contracts, for total revenues of over EUR 40 million to be realised in 2011 and the years after.

This report is based on the plan that SNV formulated in 2010 and hence is a reflection of the strategy, systems and structures in place to that point. We expect that SNV's new leadership, new management priorities, policies, shape and systems, including our Managing for Results approach and our focus on adapting to the evolving realities of the development sector, will present a markedly different picture of the organisation and its impact in 2012.

The challenging global economic and political climate is set to continue throughout the year ahead, placing increasing pressure on SNV to realise its ambitious objectives through partnership and business development by 2015. However, by learning from both its successes and failures, SNV will continue to build stronger alliances to provide long-term support for its programmes. We have no doubt in SNV's ability to take great strides forward in both impact and business development in 2012, making the year ahead a rewarding one for both the organisation and the many beneficiaries it serves.

On behalf of the SNV Managing Board,
Allert van den Ham,
Chief Executive

15 June 2012, The Hague

Part I Achievements and lessons learnt

Achievements and lessons learnt

Achievements

In 2011, an average of 600 SNV advisors, 700 LCBs and 140 associated consultants delivered a total of approximately 200,000 days of capacity development support to some 1,650 local actors in 36 countries in Asia, Africa, the Balkans and Latin America. Through the resulting improved performance of local actors, and an improved enabling environment, SNV contributed to increased production, income and employment, and access to basic services for more than 9 million low-income people, 85% of whom live in Africa.

SNV's approach and its development results span a wide array of different contexts and issues, and are best illustrated through a number of representative case studies written by SNV advisors.

Here, we present some highlights of exemplary results achieved in each of SNV's leading sectors in 2011:

Agriculture:

- The political and economic crisis has caused a near total collapse of the agricultural sector in Zimbabwe. One of the main obstacles to the revival of the agricultural sector is the lack of good quality seed, fertiliser and other farm inputs. SNV took up the challenge to re-establish the input supply to the farmers. In cooperation with private sector (seed companies, banks, agri-business), government (extension, research) and civil society organisations, programme proposals have been developed and implemented with the support of donors such as DANIDA, AusAID and EKN. The programme started as a pilot in 2009, but is now operational nationwide. Some 1,500 farmers participate in the programme, producing seed (sorghum, cowpea, groundnut) to satisfy the needs of 160,000 farm households.
- The cooperative sector in Kenya has set the example in developing the dairy sector through paid extension services to its members, especially related to the on-farm production of livestock fodder which increases daily milk yields. Young people have found employment in the provision of these services after receiving technical training (VOSD). Over 63,000 farmers have organised themselves in dairy cooperatives and have increased their production of milk by 25% and their family incomes by 10%.
- Inclusive Business, an approach developed by SNV and the World Business Council for Social Development to link poor segments of society to the market sector, gains momentum. In many countries that are enjoying high economic growth, this growth is not inclusive, calling for innovative ways to make sure that the poor get a greater part of the wealth created through business. The experiences of SNV Latin America are replicated in Asia and Africa, resulting in an increasing number of companies that include the Bottom of the Pyramid in their business strategy. Good examples include Floralp in Ecuador's dairy industry and the Mozambique Honey Company, which have incorporated thousands of poor households in their business strategies, not only to expand their sourcing base of milk and honey, but also to give these households an interest in the company (social enterprise).

Renewable Energy (RE):

- Biogas has made a difference in the life of millions of people in Asia through providing clean household energy supply and income and employment. The success formula - biodigester construction through the combination of trained masons, credit facilities and public policy - is now replicated and applied in several countries in Africa (the Africa Biogas Promotion Program) and Indonesia. Biogas has reached 60,000 new households in 2011, adding to the 360,000 families that installed biogas in their households during 2005-2010.
- SNV has also started capacity development service programmes promoting other RE technologies for the benefit of poor households, such as improved cooking stoves, solar energy, production of biofuel and provision of energy in isolated off-grid villages. For example 43 families in one pilot community in the Peruvian Amazon have gained access to electricity from bio-energy through the production and utilisation of jatropha and residues of other crops and this example is to be replicated to thousands of communities that are not connected to the electricity grid.

Water, Sanitation & Hygiene (WASH):

- SNV's focus on capacity development involving all stakeholders, from local to national level, has made it an attractive partner for large-scale WASH programmes implemented by national governments and UNICEF, especially in Africa. SNV's experiences with Community Led Total Sanitation (CLTS), with water point mapping and with WASH in schools are all based on the multi-stakeholder approach, in which users, local government, service providers and the private sector jointly analyse bottlenecks and come up with local and practical solutions. These programmes are found in:
    - Nepal, Cameroon, Uganda, Kenya (sanitation),
    - Ethiopia (WASH in schools),
    - Mozambique and Tanzania (water point mapping),
    - Kenya, Mozambique, Cameroon (water companies in peri-urban areas)

  In all cases, SNV's practices have been developed and piloted at the local level (community, district), and followed by replication and upscaling at higher levels through the adoption and enforcement of national policies. The Ministry of Public Health in Kenya, for instance, has recently adopted CLTS as a national strategy to ensure that all rural areas can be declared as Open Defecation Free by 2013.

Lessons learnt

The analysis of the development results demonstrates a number of common factors which have been summarised below:

- In all cases, the success of SNV's approach strongly depends on getting and keeping stakeholders on board discussing the issue(s) at stake, agreeing on a plan or programme to tackle problems or seize opportunities, obtaining the necessary resources for implementation, and monitoring and reflecting on outcome and impact results.
- It has become clear that SNV's experiences and presence through its portfolio offices at local level are crucial for its engagements with development partners. This is what gives SNV credibility and respect.
- SNV advisors are able to work with actors at all levels, from local farmers to national ministers, in all sectors of society (government, civil society, NGOs and the private sector), and as such SNV is considered as a "trusted broker", who without self-interest or hidden agendas can bring parties to the table to work together for a common cause.
- SNV's focus on governance issues enhances the "whole system" approach when analysing why the poor are excluded from better access or use of basic services, or why they do not receive fair prices for their agricultural produce. When analysing governance and power relations between citizens and their governments, SNV discovers imbalances and inefficiencies in access to information, participation, gender equity, inclusiveness, accountability, etc. Water point mapping, for instance, is a good tool that empowers citizens through local councils, facilitating them to demand decent and efficient delivery of water services from local government officials.
- Engagement with the private sector as a new group of change agents has moved forward strongly in all sectors. In agriculture, for instance in the Lao PDR EMRIP (rice) programme, SNV focuses on rice *millers* instead of focusing directly on strengthening of *producer groups* or (non)government agencies. Similar dynamics are observed in the WASH and Renewable Energy sectors (SME development, credit facilities, companies that provide peri-urban water services and that supply spare parts for pump maintenance).
- Inclusive Business (IB) as a strategy to include poor communities in the business strategies of companies is gaining momentum. Most developing countries have an unequal income distribution, despite good to very good economic growth figures. Companies and governments increasingly become aware that growth should include the poor sectors of society. SNV has been shown to be in a good position to broker relations and productive alliances between companies and poor communities, for the benefit of both. SNV Latin America has championed this approach through its partnership with the World Business Council for Sustainable Development. The IB approach is now being replicated in Asia and Africa.
- SNV's work often calls for innovative approaches. For instance, in SNV's initial REDD+ project in Lam Dong in Vietnam it was found that there are methodological restrictions and a lack of clear benefits to the local communities if focus is solely on the preservation of their forests. The complexity of the Voluntary Carbon Market approach meant that the local authorities struggled to understand it. Proceeding would result in wasted resources with little impact to the communities and, importantly, not offer opportunities for replication. Hence the decision was made to review the approach, document the experience and move to

an agricultural-product-based approach, improving the livelihoods of families just outside the (to be) protected areas.

- The quality of SNV's knowledge on successful development interventions has improved. The case studies present SNV's added value in making a difference in the lives of millions of people. However, SNV needs to become better at disseminating these practices to wider audiences and in using these cases to show that "capacity development works".

Development trends

SNV works in global and regional contexts that are affected by the global economic crisis. Although economies are recovering – in some regions and countries more rapidly than others – the gap between rich and poor across the globe has widened. Pressure on resources is greater. Fragility is also increasing in certain regions. Inclusive growth and sustainability remain huge challenges and the need for innovative (globally and locally connected) solutions is urgent. This is why SNV has stressed in its Strategy Paper four key success factors that are crucial for development (inclusive development, systemic change, local ownership and contextualised solutions).

These persistent problems affect large groups of people worldwide. They require a concerted effort – combining knowledge, finance and human resources – to structurally overcome. The political setting in the Netherlands has led to a decreasing budget for development cooperation - which directly affects SNV. These new realities have prompted SNV to reflect on its organisational structure, its systems and scope of work. This has led to a sharper focus on three sectors, while SNV phases out of the other four, a drastic reshaping of the organisation, a new model for staff (less fixed and more flexible arrangements) and a more proactive and competitive approach to business development with more pronounced profiling of SNV's added value.

SNV aims to be valued on the basis of the quality of its performance. It requires a more convincing methodology to assess and disseminate the results of its work. The investment in its Managing for Results (MfR) system is not only an expression of a desire to be more accountable but also an effort to underpin the need for and added value of development initiatives with more evidence.

Priorities 2011

SNV's Annual Plan for 2011 highlighted three priorities in alignment with the Corporate Strategic Plan developed for the period 2010–2012. Managing for Results, Resource Diversification and Localisation were the main priorities set for 2011. Additionally, seeing the need for a drastic rebuild of the organisation, a project was developed to re-evaluate the structure of SNV in the years to and beyond 2015.

Managing for Results

The conclusion of the Capacity Development Evaluation and the start of the preparations for the 2013 IOB evaluation sharpened SNV's thinking on the need for improvements in its Managing for Results planning, monitoring and evaluation and brought pressure for the further implementation of improved systems. In summary, it opts for clearer theories of change, better distinguished outputs, fine-tuned outcome dimensions and clearer relationships between outcome levels. Essential is that it stresses more solid and harmonised reporting, so that as from 2012 SNV will be better equipped to report on its results - not only for individual interventions, but also globally per sector. The MfR system will be implemented organisation-wide in 2012. Important in that sense is the development of a digital 'tool' that organises all data from programmes in the countries and facilitates processing at the corporate level. As a vital element in SNV's accountability to DGIS, a Monitoring Protocol was completed and submitted for approval at the end of 2011.

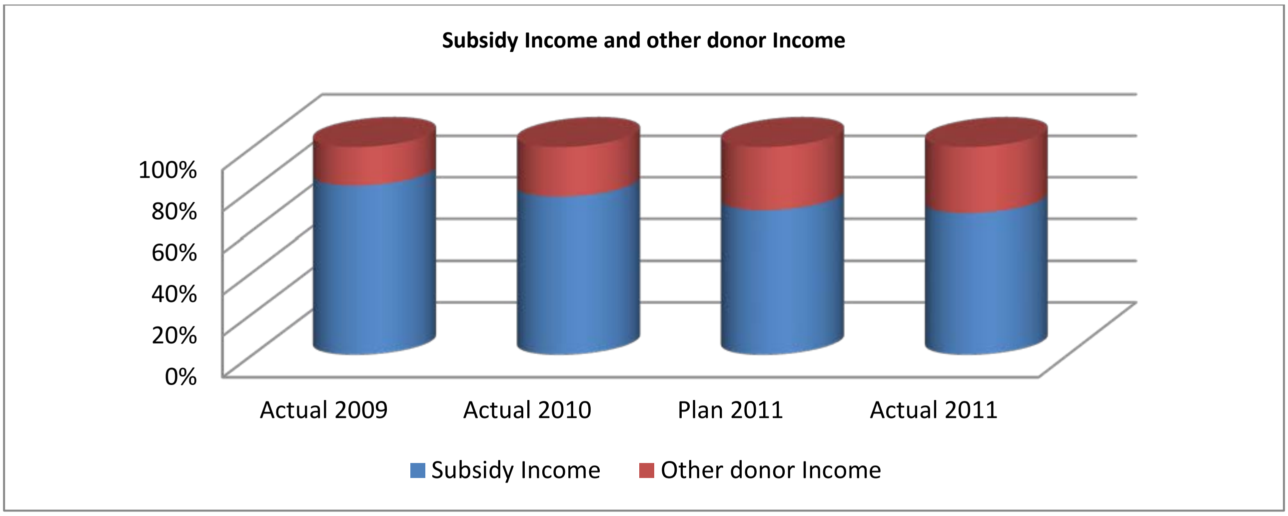
Resource Diversification

The teams in the field and the business development hub in The Hague have worked hard to make business development an essential part of every SNV staff member's work. Project references have been further improved and a CV database will be implemented in 2012. Donor scans have been carried out. Systems have been updated in order to enable SNV to report more easily to its increasing number of donors. In addition to the subsidy from

DGIS an extra amount of Euro 31.2 mln revenue from other donors has been realised in 2011. This adds up to 32% from the total 2011 revenue, against 24% in 2010.

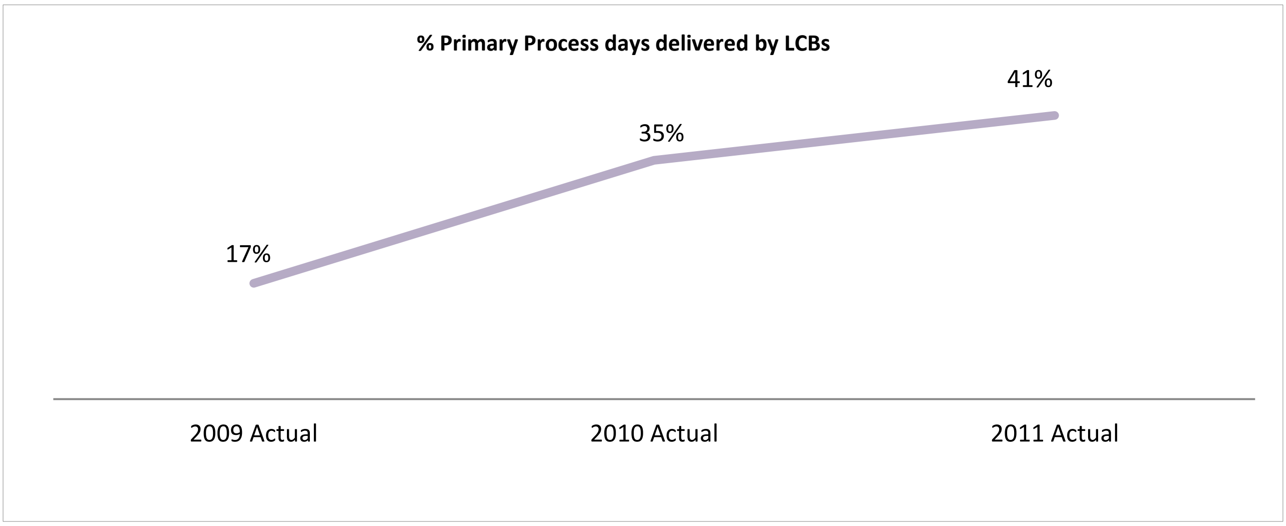
Relations with donors at the global level - but even more so in the countries - have resulted in more than 130 contracts signed in 2011, with a total value of over than Euro 40 mln, which will greatly support the achievement of SNV's 2012 target of 36% of budget originating from sources other than core subsidy.

One third of SNV's spent income is now from sources other than core subsidy from the Ministry of Foreign Affairs.



Localisation

In spite of its long presence in certain countries, SNV remains an external actor. Sustainable development, though, rests in local capacities. Also SNV's conscious efforts to build those capacities have contributed to the development of local capacity builders' arenas. This growing local capacity has facilitated SNV to realise growth in the percentage of subcontracted days in 2011. All regions saw the total advisory days subcontracted to LCBs grow in 2011, with an overall ratio of 41% in 2011 against 35% in 2010, reaching 63% in Latin America. This follows a consistent trend over recent years as can be seen in the graph below.



Due to the budget reductions, the strategy regarding Local Capacity Development Facilities (LCDF) has been redefined and targets adjusted. It was decided that only seven LCDF initiatives would receive core support and that SNV would only financially support an LCDF for a two-year period. Securing external financial contributions is now a precondition for SNV to consider prolonged funding.

Nearing 2015 and the years beyond

In addition to the priorities explained above, the future of SNV was clearly on the radar. A new strategy paper for 2011–2015 was developed. DGIS support for the new orientation – aiming at creating a flexible, efficient, result-based and sector-led SNV – resulted in the signing of an adjusted subsidy agreement. In the coming year SNV will work on operationalising this revised strategy.

First steps for this were already taken in 2012. Internally, the content of the Strategy Paper was further developed, leading to clear sector positioning papers that are now being adapted to create concise documents for both internal and external use.

A global outline of a new organisational set up for SNV has been developed. The key characteristics of this new organisational design are: recognition of sector-steering at the top level of SNV; reduction of overhead layers by combining corporate and regional levels; and maintaining the integrity of country operations.

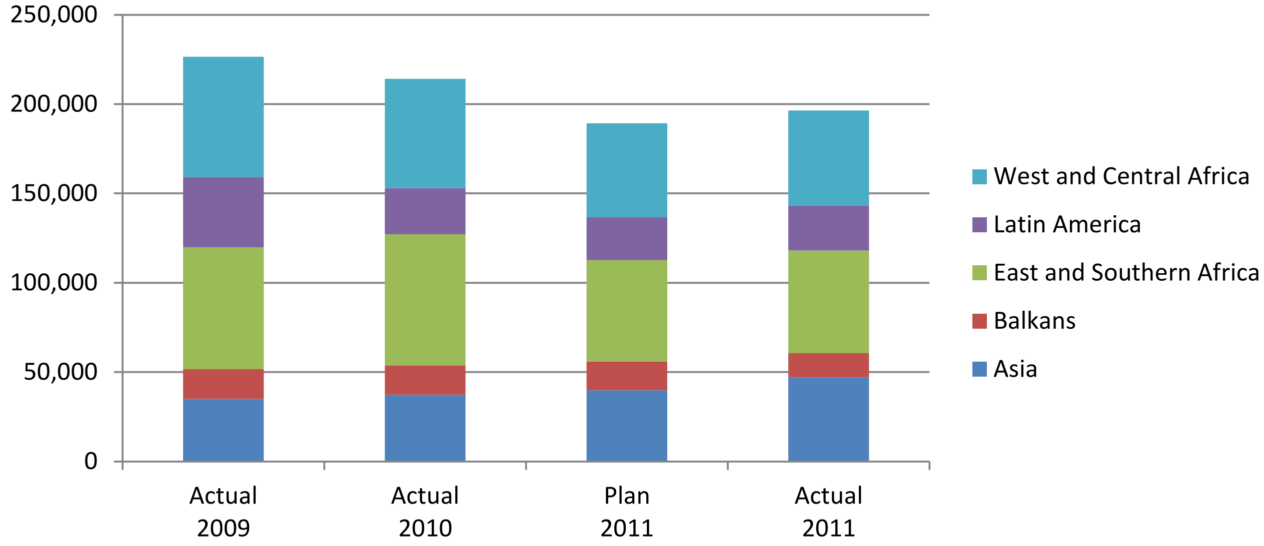
In the last quarter of 2011, SNV also discussed its financial position beyond 2015 – after the ending of the Subsidy Agreement – with DGIS. SNV proposed a transition budget that will enable it to undergo the necessary transformation. Consultations also took place on how SNV could build up a healthy equity position for the years beyond 2015. Discussions with DGIS are still underway and will be finalised in the first half of 2012.

Part II Development results 2011

Impact areas and sector choices

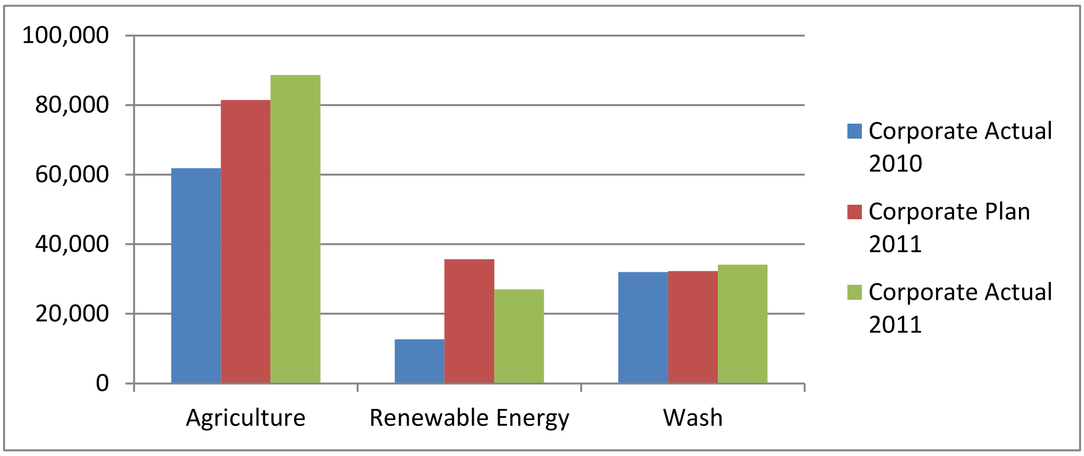
Total Primary Process days

Asia, ESA, LA and WCA have produced more Primary Process days than planned. This is a result of better negotiation on Local Capacity Builders (LCBs) prices, as well as an increase in income from other donors for Asia and WCA. Compared to previous years, total output realised has decreased due to budget reductions and the phase out from tourism, education, health and forestry.



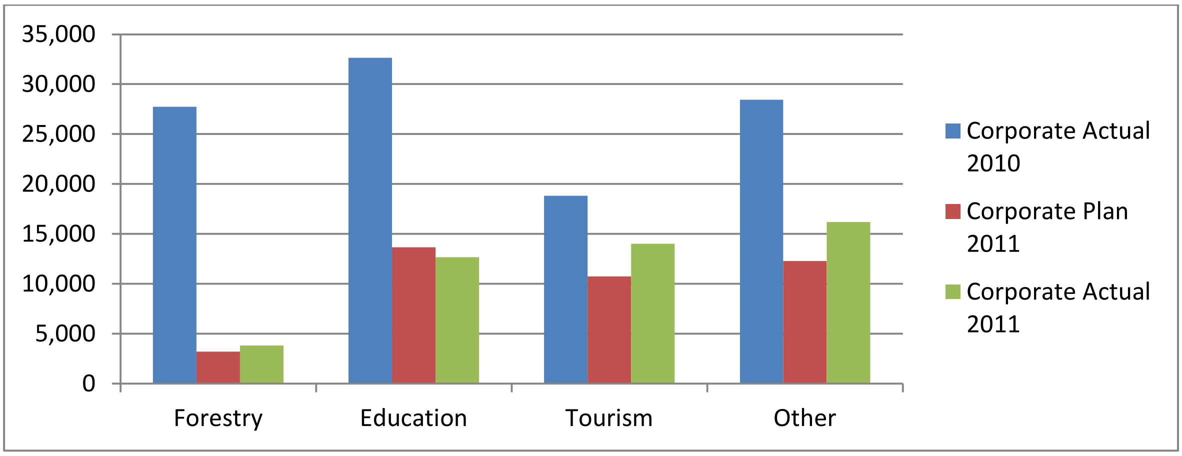
Primary Process Days in leading sectors

In all three leading sectors the output measured in primary process days exceeded that of 2010, whereas a significant increase could be noted in Agriculture and WASH compared to planning. Only Renewable Energy lagged behind planning due to delays in some programme implementation in LA, ESA and WCA.



Phasing out of exit sectors

In 2011, a 44% reduction of exit sector PP days versus last year has been successfully implemented according to the phase-out plans.

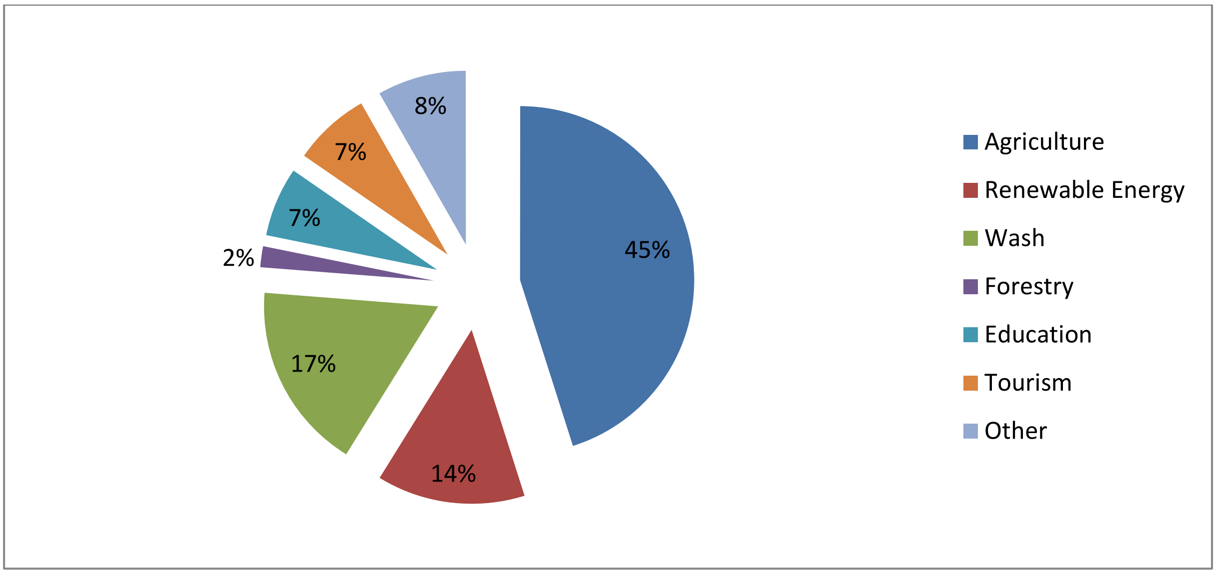


As part of our general policy, the regions assured a proper and sustainable handover of activities in these sectors, respecting existing multiple-year commitments with donors such as SIDA, EU, UNICEF, etc. A consequence of these commitments has been higher level of Forestry and Tourism PP days than planned. For instance, this is the case in the Great Himalaya Trail Development programme (Tourism) in Asia.

Some activities from education and forestry programmes, such as vocational training and initiatives related to REDD+, will be integrated in the leading sectors. This is the case in ESA, where cross-cutting assignments with different agriculture positioning are still reported in the category "Other".

Percentage of Primary Process Days per sector 2011

At the end of 2011, more than 75% of SNV's output was concentrated in the three leading sectors according to the strategic choices taken towards 2015.



The following section "Overview of development results per sector" describes the achievements per sector and per region.

Overview of development results per sector

As from 2011 SNV has concentrated its work on issues related to food, energy and water – three huge global challenges that strongly impact the poor and are closely linked to climate change. In 2011 SNV focused on the sectors most relevant to these issues – Agriculture, Renewable Energy, and Water, Sanitation & Hygiene – and exited from Education, Health, Tourism and Forestry.

In line with standing SNV reporting practice on development results until the new Monitoring Protocol enters into force, SNV distinguishes between Impact and Outcome. Impact results refer to the number of beneficiaries with increased production, income and employment and with increased access to basic services such as energy, water and sanitation. Outcome results refer to improved service delivery by client organisations, and to the improved enabling environment in which they operate.

In 2011:

- SNV invested almost 200,000 advisory days;
- SNV worked with 1,650 organisations (including 340 LCBs) to increase their performance;
- SNV contributed to the improved living conditions of an estimated 9.2 million poor people (7.4 million in the lead sectors of Agriculture, Renewable Energy and Water, Sanitation & Hygiene, and 1.8 million in exit sectors).

The following table shows results versus planning and actual impact.

Beneficiaries of SNV programmes in mln	Plan 2011	Actual 2011 (% of planning)
Agriculture	5.8	3.9 (68%)
Renewable Energy	0.7	0.5 (68%)
WASH	2.4	3.0 (122%)
Exit sectors	0.0	1.8
Total	**8.9**	**9.2 (103%)**

The actual number of beneficiaries slightly exceeds what was planned. In Agriculture and RE SNV's results are about 32% below planning, and in WASH 22% above planning. Due to a growing dependency of SNV on a host of donors – all with their own preferences and preoccupations – accurate planning of expenditures in sectors and countries will become increasingly difficult. Current disparities between planning and realisations are due to:

- Agriculture: Two of Asia's largest projects – HVAP (Nepal) and RSMIPF (Nepal) – started much later than planned; their potentially large impact figures will only be realised from 2012. Vietnam has a significant number of agricultural projects/programmes that generally do not deliver impact in terms of increased incomes (and hence do not feature in the number of beneficiaries), but at the level of sustainable production practice and reduced farmer vulnerability (this will be a growing issue as SNV takes on more climate-change related projects)
- Renewable Energy: Reasons for shortfall have to do with country-specific issues in implementation process including capacity of local implementing partners and slower pace in countries where implementation requires close collaboration with government departments (mainly in Asia);
- WASH: Exceeding the impact targets is the result of partnerships with UNICEF and AusAID that facilitate upscaling and replication of successful practices that are supported by national policies;
- Phasing out and exiting from the Education, Health, Forestry and Tourism sectors is nearly completed. SNV's investments in these sectors yielded good results and impact in 2011. The majority of our programmes in these sectors have been successfully handed over to clients and LCBs;

- SNV's system of planning, monitoring and reporting on development results is improving. SNV's MfR unit is working hard on the introduction and roll-out of the new planning, monitoring & evaluation (PME) system, which will enable better monitoring of planning and results from 2012.

Agriculture

Nearly 1 billion people, many of them women and children, go hungry every day. Malnutrition severely impedes economic and human development. Agriculture provides 40% of worldwide employment and 70% of the bottom billion of the world's population is engaged in agriculture. Due to weak integration in markets, the productive capacity of many farmers remains untapped. Climate change is a growing threat to productivity and food security is under pressure.

In 2011, SNV worked on the capacity development of 900 organisations, 186 of which were LCBs, in the agricultural sector (including forestry and non-timber forest products). These organisations improved their performance, having a positive impact on the lives of more than 3.9 million poor people in rural communities through increased production, income and employment.

Renewable Energy

Nearly 3 billion people, the majority of whom are women and children, lack healthy and efficient cooking solutions. Global energy demand is expected to grow by 30 to 50% over the next 20 years. Greenhouse gas emissions have an increased impact on livelihoods globally.

In 2011, SNV improved the performance of approximately 80 organisations, 18 of which were LCBs in the renewable energy sector, improving the situation of an additional 450,000 poor people through better access to and more efficient use of renewable energy.

Water Sanitation and Hygiene

Over 1.1 billion people live without clean drinking water, 2.6 billion people lack adequate sanitation and water resources are becoming increasingly scarce. Poor hygienic conditions persist and lead to loss of productivity, absence in schools, and high mortality rates. Access to clean water and basic sanitation and hygiene services is among the most fundamental of human needs, and lack of access has far-reaching consequences for health, and economic and social development.

In 2011, SNV improved the performance of 300 organisations, including 64 LCBs, in the WASH sector. This positively impacted the lives of almost 3 million poor people through better access to water, sanitation and hygiene.

Exit sectors

In 2011, SNV commenced its exit from the Education, Health, Tourism and Forestry sectors. During 2011, SNV still contributed to improved performance of approximately 600 organisations in these sectors, including 114 LCBs, which had a positive impact on the lives of 1.8 million poor people. Most development results were in Education and Health.

Capacity Development for impact

Results in working with local capacity builders

SNV's localisation drive continued in 2011. The dynamics and achievements over 2011 show the following trends and results:

- Analyses/market studies into the reality of demand and supply of capacity development services were carried out in many countries. These hint at important variations between country settings but strongly confirm the overall analysis:
    - There is (very) limited access to effective capacity development services at local level;
    - Providers tend to be concentrated in one or two main cities; and
    - Services/products tend towards standardisation that responds to donor preferences and priorities and are much less geared towards the specific and nuanced real needs of local actors.

- The firm rationale underlying the localisation strategy is to a) help structurally improve the enabling environment for local capacity development and b) increase the outreach and impact of ongoing activities. More and more external partners and clients recognise that SNV helps to achieve a dynamic development of local service providers rather than implement projects with our own teams, and see this as a specific added value of SNV. This increases local ownership and sustainability.

- SNV's engagements with specific Local Capacity Builders aim at:
    - Strengthening the organisational, institutional and technical capacities of LCBs;
    - Supporting them to access funding from other sources, including payment for services by clients;
    - Partnering with strong LCBs that know the local context and realities so as to strengthen SNV programmes, while simultaneously improving the quality of their work and their impact on the wider environment;
    - Including LCBs in SNVs exit strategy and, where necessary, linking LCBs to clients in the exit sectors so as to position them in the local capacity building arena.

More and more we are also able to bring our cooperation with (networks of) LCBs to a more strategic level and to start influencing larger patterns in certain sectors.

Working with local capacity builders to achieve impact in East Africa

In order to build a critical mass of local capacity builders to work with, the SNV Zimbabwe team developed its own LCB policy framework guided by the SNV White Paper on LCBs, experiences and the local context. An analysis of LCBs then working with SNV revealed challenges including the over reliance on specific LCBs and lack of specialisation in our thematic areas of work.

Following a fresh nation-wide recruitment and induction exercise, SNV now has a pool of reliable and competent LCBs to work with. Impact is reflected in SNV's ability to run national programmes in cooperation with LCBs with minimum supervision. LCB engagement has increasingly proven to be a highly attractive component in our partnerships and resource mobilisation. An example is the UNICEF Education programme in Zimbabwe, which has high LCB involvement. The programme will be entirely taken over by LCBs in the course of 2012.

Another example is the two accountability partnership programmes in Tanzania, with EKN and DFID respectively, where SNV is responsible for the contracting and management of LCBs. In Ethiopia several innovative ways of working with and funding LCBs have also been pursued: the Young Professionals Programme/Competency Pool in Value Chains and the Synovia network in Ethiopia for the provision of business development services and knowledge development.

- In these changing realities, our aim is to allow SNV advisors to concentrate on more strategic and complex assignments, whilst providing backstopping support to Local Capacity Builders. Donors have been enthusiastic about SNV's localisation agenda, given that quality of services is guaranteed by SNV.

- In 2010 we started to better master the operational and administrative requirements that are required for this way of working. Procedural clarifications and improvements have been introduced and opportunities for further progress are being pursued. Asia and ESA took a lead role here. In 2011 West and Central Africa picked up on these dynamics and all countries in that region finalised the establishment of clear procedures, selection criteria, and streamlined administrative systems for the recruitment of LCBs. National databases of LCBs have been established.

- In the exit sectors, a considerable volume of work has been transferred to LCBs. Also in SNV's three core sectors (Agriculture, WASH, RE) SNV supports LCBs to position themselves and attract additional work volume/market share. The volume that SNV helps to broker (and this is often not reflected in the administrative data) is much larger than the official volume SNV subcontracts itself.

- With the imminent closure of the programmes in the Balkan region, SNV staff are setting up a new, independent social enterprise in the Forestry sector that has good prospects for survival on other funding streams.

Results in Local Capacity Development Facilities

The reduction in SNV's budget strongly impacted the number of LCDF initiatives and the future for LCDF. In the 2011-2015 Strategy, LCDF was redefined as an initiative within the Advisory Service delivery channel, rather than a stand-alone delivery channel. Furthermore, it was decided that a reduced number of seven LCDF initiatives would receive core support and SNV's funding would support an LCDF for a two-year period only. Securing external financial contribution is a precondition for SNV to consider an extension of funding.

At the end of 2011, three LCDF initiatives were fully active in Vietnam, Albania and Kenya. These initiatives met all the requirements of the LCDF Governance and Financial Management Framework. The LCDFs in Vietnam and Albania are fully independent and locally owned non-profit organisations. The Kenya LCDF operates under a steering committee while the most suitable governance structure is clarified and documentation prepared to be submitted to the Government Registry Office.

The active LCDF year-end results comply with the programme's demand-orientation and competitive approach for the selection of applicants, tendering and contracting of service providers. Market facilitation activities expanded in both scope and the number of people involved. A key outcome of the first year's activity was the substantial support provided to local parties in accessing business and professional services. Active LCDFs supported 111 innovations, which delivered capacity development services to over 14,000 local organisation's staff and members. The Elbasan Federation of Agriculture in Albania strengthened member services and marketing of olive oil, resulting in a doubling of its member's sales from 7,500 to 15,000 litres. KTC, a social enterprise in Vietnam professionalised their agricultural extension and marketing services, resulting in 3,300 households growing high-yield potatoes and increasing their incomes. The Capacity Development Market Fairs in Vietnam demonstrated the value of connecting local demand and supply with 37 deals being made and 10 contracts signed with a combined value of EUR 150,000.

Corporate Programmes

Impact Investment Advisory Services

SNV's Impact Investment Advisory Services (IIAS) was established to target the "missing middle", a core section of SNV's target constituency. This group of entrepreneurs falls squarely between microfinance and conventional commercial financing. These Small and Medium Enterprises represent the most over-looked and underserved actors globally, yet they are able responsible for creating the majority of indigenous jobs and income growth in many developing countries.

The piloting phase, 2010/2011, focused on developing skills and competencies at field level, and integrating the initiative into SNV's existing value chain development practice. The value proposition of IIAS is two-fold: 1) partnering with investment funds with an interest in directly supporting disadvantaged indigenous enterprises and groups at the grassroots level; and 2) identifying and preparing these disadvantaged indigenous groups, through the provision of technical, capacity and business development services for investments from the social impact investors.

A dedicated manager was hired in October 2011 to develop a strategy and execution plan for the initiative. The mandate involved an assessment of the pilot and a recommendation on the way forward. Below is the list of 2011 achievements under the pilot programme:

- Integration of investment advisory services within the agriculture sector and value chain development propositions;
- Development of SNV's internal competencies to support initial social investments;
- Development of a viable pipeline of investment opportunities on the back of the evolving value chain strategy;
- Formulation of feasibility studies for inclusive business investment funds Vietnam, Pakistan, Indonesia and Bangladesh (2012) for the Asian Development Bank
- Facilitation of USD 10.3 mln of direct social and impact investments and access-to-finance for 13 indigenous agribusinesses in Eastern and Southern Africa;
- Confirmation of track record of investment facilitation through the support to investment funds to source potential investees and develop support services to enterprises to become eligible for investment.

It is expected that in the first months of 2012 SNV will sign agreements with investment funds to provide support services to a number of Small and Medium Enterprises in Africa and Latin America.

Knowledge Networking

SNV's Corporate and Regional Knowledge Networks (CKNs) are meant to improve the sharing and consolidation of experiences, knowledge and innovations. They also serve as a platform from which external contacts and dynamics can be served and stimulated.

The Corporate Knowledge Networks function as a light umbrella structure over the regional networks. In most cases these regional networks provide the dominant dynamics so far, although a gradual shift can be seen towards more global integration of knowledge, experience and contacts. This is certainly the case for Renewable Energy, where a tightly knit network exists of 10-20 leading advisors from all the regions, who share intelligence, consult each other and inform/shape major strategic orientations and contacts leading to global implementation of locally piloted approaches (biogas, cookstoves).

The Knowledge Networks formulated Global Value Propositions for each of the sectors, serving to provide sharp definitions of where and how SNV will deploy its resources. These will serve as the basis for the new sector steering (to be introduced in 2013), for business development and for the formulation of training and capacity development programmes for SNV staff.

As per the SNV Strategy Paper 2011-2015, the knowledge networking role will be elaborated in 2012.

Corporate Partnerships

SNV is engaged in a number of major corporate partnerships. By concentrating its efforts in only three sectors and by playing only three roles, SNV has to create synergies with others to tackle the complicated issues the world is confronted with. No one actor alone can reach the scale and impact needed for the systemic change we seek. This will continue to be a key aspect of SNV's work as it moves forward. Partnership with SNV is both about leveraging financial resources and combining expertise, knowledge and innovation. In 2011, SNV supported a portfolio of corporate partnerships with the explicit aim of achieving the complementarity needed to deliver on our strategic ambitions. They will in the course of 2012 be reviewed for their effectiveness.

Below is an extract of our established corporate partnership portfolio in 2011. In addition to this SNV USA also established a partnership with PepsiCo, Inc. which led to a memorandum of understanding to jointly create new business opportunities that enable poor farmers to access new markets in sub-Saharan Africa.

AgriProFocus (APF)
By promoting entrepreneurship and connecting producers with national and international markets, AgriProFocus members aim to both open up market potential for business in developing countries, as well as meet with the challenge of sustainably feeding 9 billion people by 2050.
The Agri-ProFocus network is supported by a team of dedicated facilitators, based in the Netherlands. Together with other Dutch Agri-ProFocus members (Icco, Cordaid and Oxfam-Novib) and local partners, by supporting farmers and their organisations in the so called "Agri-Hubs": local networks that have been set up for effective service delivery to farmer organisations in the following nine African countries: Benin, Mali, Kenya, Uganda, Mozambique, Zambia, Rwanda, Ethiopia and Niger.
SNV is leading the coordination of the Agri-Hubs in Kenya, Uganda, Mozambique and Benin. As a concrete example an Agri-Finance Fair was organised by the Agri-Hub in Kenya. During this two-day fair contacts between 24 major local banks and 800-900 farmers resulted in around 500 deals that were brokered.

BoP Innovation Centre
The Base of the Pyramid (BoP) is the largest but poorest socio-economic group worldwide, comprising over 4 billion people. The BoP Innovation Center develops, learns about and accelerates programmes dedicated to private-sector-led sustainable innovation at the BoP. Strategic partners of the BoP Innovation Center include Wageningen University, SNV, the Interchurch Organisation for Development Cooperation (ICCO), Netherlands Organization for Applied Scientific Research (TNO) and Aqua for All.
Together with the BoP Innovation Center and TNO, SNV started implementing a pilot programme that is funded by DGIS in Bangladesh and Rwanda that focuses on market-based innovations in renewable energy (biogas socket) with the local private sector and social/impact investors.

Capacity.Org
Capacity.org (http://www.capacity.org) is a resource portal for capacity development and the home of the Capacity.org journal, published two to three times a year. Together with other editorial and financial partners (ECDPM, UNDP and PRIA) SNV supports Capacity.org to serve development practitioners with innovative approaches and methods in capacity development, with a main focus on Africa and Asia. In 2011, the main themes addressed by Capacity.org included strengthening health systems and evaluating capacity development. 2011 marked a major change in the dissemination strategy of Capacity.org. The distribution of hard copies was reduced from 9,250 copies in 2010 to 4,140 in 2011 and a fully revamped website was launched . At the close of the year, a major outreach drive was launched to update and expand the initial mailing list (3,500 addresses) and triple the web visitors from an average of 4,000 to 12,000 per month.

Global Alliance for Clean Cookstoves
The use of clean cookstoves can dramatically reduce fuel consumption and exposure to smoke. Development of a global clean cookstove industry that is constantly innovating and improving design and performance, while lowering costs, can lead the way to widespread adoption of clean cooking solutions.SNV is a founding member of the Global Alliance for Clean Cookstoves. The Alliance is a new public-private partnership launched in 2010 to save lives, improve livelihoods, empower women, and combat climate change by creating a thriving global market for clean and efficient household cooking solutions. The Alliance's '100 by 20' goal calls for 100 million households to adopt clean and efficient stoves and fuels by 2020. The Alliance works with public, private, and non-profit partners to help overcome the market barriers that currently impede the production, deployment, and use of clean cookstoves in the developing world.

FLO

In 2011, the SNV-FLO partnership expanded by one more country, with Cameroon joining after opportunities were identified in honey. The programme implemented was based on the joint efforts of SNV focal persons and FLO Liaison Officers at country level and supported by the coordinators in the Steering Committee. The programme focuses on improving product quality and increasing the capacities of smallholder producers to access and consolidate their participation in the Fairtrade market. This is consistent with SNV's strategic focus on increased production, income and employment, as well as Governance for Empowerment (GfE) in value chain development. FLO would like to extend the partnership for the period 2012-2014. In line with the way the relationship has developed over the years, SNV will no longer support FLO financially, however joint efforts will be taken to position the partnership in the international (donor) market.

Part III Organisational results 2011

Resource diversification

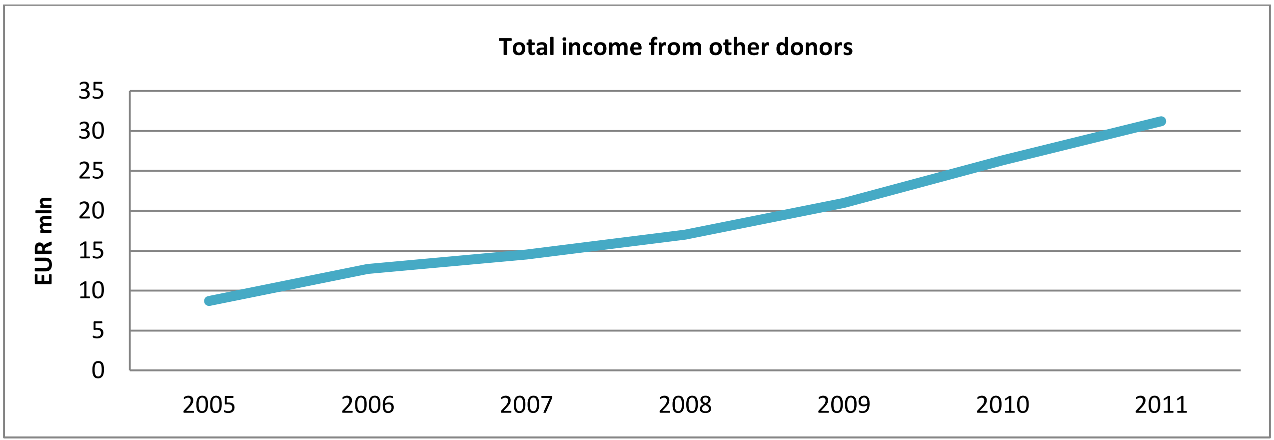
To enable its goal of improving the lives of over 40 million of the world's poor between 2011 and 2015, SNV needs to continue effectively mobilising financial resources through partnership and business development.

Central to SNV's way of working are its relationships with key partners around the world. In addition to the support it receives from the Netherlands Ministry for Foreign Affairs, SNV collaborates with many donors worldwide through grants, fees for services and partnership agreements. It also receives funds and valuable support for its assignments and programmes from trusts, foundations and companies.

It was decided that 'resource mobilisation' and income from other activities will be combined to give proper picture on SNV's resource diversification.

In 2011, SNV's work was supported by over 50 different donor institutions. Through this backing, SNV increased its realised income from other donors from EUR 26.3 mln in 2010 to EUR 31.2 mln in 2011, an increase of 19% despite the tough global economic reality.

The graph below illustrates SNV's growth in business development income since 2005.



Despite these positive results, SNV's efforts were not enough to reach the challenging 2011 target. Asia and WCA raised and spent more than planned but the other three regions did not reach their set resource mobilisation goals. ESA and LA suffered some delays in signing contracts as well as some unexpected cancellations. For instance, in LA a large contract in Bolivia already under implementation (Puma) was stopped as result of the decision to cut financing of development work in Bolivia by the Dutch and Danish embassies.

In 2011, SNV invested significant time and energy into active profiling and positioning itself in an effort to strengthen relationships with key strategic partners. Internally, SNV focused on ensuring closer collaboration between our field and corporate offices. This concerted action paid off, with SNV seeing some of its largest grants, and highest profile partnerships materialise to date.

- For example in 2011, SNV was highly visible and played a prominent role at selected key international events including the United Nations COP17 event in Durban, the M4P Making Markets Work for the Poor Event in Brighton, and World Water Week in Stockholm.
- In Asia, the upscaling of our "Sustainable Sanitation and Hygiene for All" programme, originally funded by AusAID with a grant of EUR 2.7 mln, has been made possible by supplementary support from donors such as DFID, with the programme now rolled out to Bhutan, Nepal, Cambodia, Laos and Vietnam.
- Other business development highlights in Asia include: support (EUR 1.3 mln) from the German Ministry for Environment Affairs (BMU) for our REDD+ Forest Carbon Stock Enhancement Programme in Vietnam, an EUR 1.9 mln grant from the European Commission in Cambodia for a Renewable Energy project (turning waste into energy) and, as a sub-grantee, the USAID-funded Lowering Emissions in Asia's Forests

programme for the technical assistance SNV provides to reduce greenhouse gases from forestry and land use through REDD+ pilot projects in Vietnam and Laos (USD 4 mln).

- In Sub-Saharan Africa, business development highlights include SNV's contribution to the planning and market analysis on the USAID Victory Against Malnutrition Project in Burkina Faso (aiming to increase and diversify agricultural production and household incomes for vulnerable rural populations) (USD 371,994), a grant of USD 7.5 mln from the Bill and Melinda Gates Foundation (improved procurement governance of a Home Grown School Feeding project in Ghana, Kenya and Mali, aiming at improved smallholder farmer access to structured market opportunities), support from DANIDA for SNV's rural restocking revitalisation programme in Zimbabwe (EUR 3 mln), support from the European Commission for SNV's Water and Sanitation work in Benin (EUR 2.4 mln) and an evolving collaboration with UNICEF - including a grant of EUR 4.2 mln for SNV's school WASH programme in Uganda, a grant in Ethiopia (EUR 3 mln) for the Community Led Total Sanitation programme, and a grant for the SNV WASH programme in South Sudan (EUR 1 mln), which is implemented in collaboration with the recently formed national government.
- In Latin America, SNV works with support from the Ford Foundation on research related to furthering Inclusive Business approaches to include low-income communities within the value chain of companies (USD 546,250). In the Andean countries, SNV implements an Inclusive Business Accelerator Program to provide insights and share lessons learned with practitioners, academia and government officials with the goal of developing systems for information sharing and improving the livelihoods of over 50,000 people. From the IDB, SNV received support to develop The Nicaragua Biogas Market Development Program in collaboration with HIVOS and NORAD. This five-year project worth over USD 5.4 mln, aims to develop a commercially viable biogas market. In Bolivia, SNV receives support from the Swedish International Development Cooperation Agency (SIDA) (EUR 1.8 mln grant) to strengthen the local capacities of the national and local water and sanitation governmental institutions.

The challenging global economic climate is set to continue, placing increasing pressure on SNV's ambitions to double its income through partnership and business development by 2015. However, by learning from its successes and failures in 2011, SNV will continue to build stronger alliances to provide long-term funding and support for its programmes and will take great strides forward in resource diversification. SNV's order intake (signed contracts) has increased to over EUR 40 mln in 2011. This growth is very much needed but also gives confidence that SNV will be able to achieve an annual income target of EUR 65 mln in 2016.

Managing for results

Introducing the MfR Framework

In 2011, the design of the SNV Managing for Results (MfR) framework was finalised. The framework aims to support the four main functions of MfR in SNV - steering, accounting, learning, and profiling - by introducing six MfR Standards. Standard 1 addresses embedding results management in SNV values, mission and strategy. Standards 2-5 refer to the main planning, monitoring, evaluation and learning phases of the framework: Analyse & Plan, Act & Monitor, Assess & Evaluate, and Reflect & Use. Standard 6 (details to be finalised in 2012) is about implementing the framework and making MfR in SNV sustainable. The MfR Standards and Guidelines were introduced to the five regions in 2011. A start was made with the implementation of the standards at country level through country-level MfR workshops and piloting of tools. Implementation of MfR will continue throughout 2012 and be the firm basis for reporting to SNV's own (donor) constituency.

Various tools have been developed to give hands and feet to the MfR Standards. The Planning Monitoring and Evaluation (PME) Format, which was piloted in 2011, is the most comprehensive MfR tool and brings all MfR elements together. It allows SNV advisors and their partners to organise, store and share PME information in a structured manner. At a higher level, the format supports managing corporate-wide results by allowing for planning and reporting on harmonised results and indicators. A web-based version of the format will be developed in 2012. Other important tools that were developed in 2011 include the Intervention Logic Guide and the Baseline Guide.

Evaluations

Two corporate country programme evaluations were finalised (Albania and Guinea Bissau), three strategic evaluations commenced (partnership World Business Council for Sustainable Development; SNV exiting of sectors; Transition towards market-oriented capacity development services) and two biogas programme evaluations (SNV Rwanda and SNV Asia) have been prepared for launch. In preparation for the mid-term evaluation of SNV's Programme 2007–2015 by the IOB in 2012, an evaluability assessment was undertaken by the IOB in 2011. The purpose of this assessment was to establish whether the SNV programme can be evaluated based on the PME information available within SNV and whether the main evaluation questions for this mid-term evaluation can be answered.

In support of this evaluation, SNV has made an inventory of all available PME information, which resulted in a baseline of MfR implementation per country, and recommendations on how to improve their use.[1]

After an initial assessment by IOB, which concluded that the availability of essential information was insufficient, it was agreed to allow SNV to prepare the relevant information for six countries[2] in the three leading sectors. Together with the HO Strategy Unit, MfR coordinated the collection and organisation of a large amount of PME information from the relevant countries and presented this to IOB. Based on the information presented, IOB decided in December 2011 to conduct an evaluation that will provide a critical analysis of SNV's way of working and describe the results achieved by the organisation. In addition, four in-depth case studies of SNV interventions will be conducted that look at impact, access and capacity development of SNV clients. These cases serve to illustrate SNVs effectiveness.

The IOB preparations have taught SNV that it has still considerable work to do to ensure the availability of high-quality information that will allow conclusions to be drawn about its effectiveness with regard to the impact, access and capacity development of its clients at large.

Communication

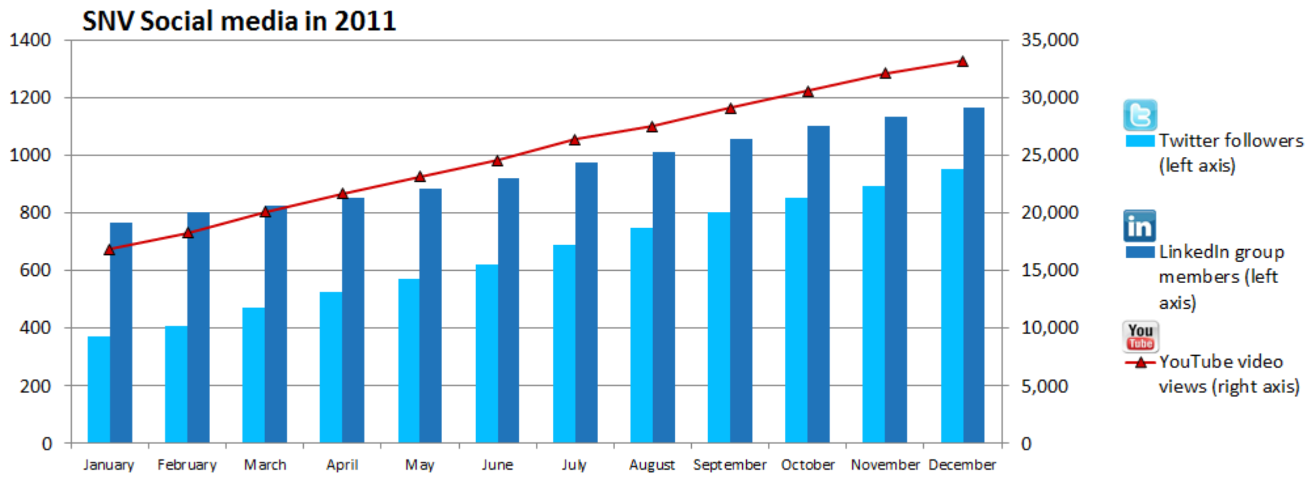
In 2011, the media played a central role in challenging the integrity of SNV. It provided a platform for critique on the management of the organisation from the public, political parties, (ex) SNV staff, civil society activists and observers. After the chair of the Managing Board and the chair of the Supervisory Board had resigned, relations with and trust in SNV had to be restored. This was one of the main challenges for the communication department in 2011. Its communication strategy focused on creating space for an open dialogue with Dutch citizens, political parties, media and NGOs.

Ultimately, the raison d'être of SNV does not rest in its governance or management but in the development results that are achieved at field level. Investments in building relationships with the media in the Netherlands and beyond have resulted in significant media coverage on SNV's results. A few examples include the attention given to SNV's work with milk cooperatives in Kenya in the RTL4 and RTLZ production Wereldzaken, interviews in Financieel Dagblad, RTL nieuws, Radio 1 Journaal, Vice Versa and articles in de Volkskrant, NRC, FD extra, Trouw, Elsevier and IS magazine.

Internationally, SNV has been successful in promoting its work through positive articles in the China Daily, the Boston Globe, Harvard Business Review, Stanford Social Innovation Review and the Times of Zambia amongst others. The Kenyan initiative to stimulate pastoralists to improve the management of their camel milk business was especially successful in the media, with coverage by outlets such as CNN, Agence France-Presse, The Daily Nation (Kenya) and RTL Nieuws.

SNV featured prominently at a number of key events. In the Netherlands, SNV organised sessions at Afrika Dag, the Agri & Food Challenge, and the School Feeding Programme meeting. Internationally, SNV was presented prominently at COP 17, World Water Week, the Clinton Global Initiative annual meeting, and the Society for International Development (SID) World Congress. SNV also played a constructive role in leveraging with other Dutch development organisations by partnering in initiatives like the EEN Campagne, Partos and Open over OS.

[1] An MfR inventory review will be undertaken at the end of 2012, to assess progress in MfR implementation compared to the baseline.
[2] Benin, Ethiopia, Tanzania and Vietnam with Nepal and Rwanda as alternates in case evaluations were not feasible in one of the first countries.



By stimulating SNV staff to actively engage online in social media SNV has also improved its online coverage. 38 staff members are now active on Twitter and the number of followers has increased from 300 to more than 800. The SNV group on Linkedin features new discussions (mostly generated by the members) every week. The number of group members increased by 40% over 2011 and we have 1,059 new company followers. One of the big improvements in 2011 was the further establishment of the SNV YouTube channel. The channel now hosts 45 videos related to SNV, visitors have increased from 15,313 to 17,865 and video views have reached over 30,000.

SNV website visits have increased by 4.5% in 2011 (from 214,406 visits to 224,159 visits).

Human resources

Staff

2011 was a challenging year due to the budget cut and the phasing out of the exit sectors. The two African regions were most affected and a significant number of staff left SNV due to contracts not being extended or being terminated.

Primary Process FTEs	Actual 2010	Plan 2011	Actual 2011
Asia	118	97	94
Balkans	58	59	45
East and Southern Africa	265	210	208
Latin America	56	53	48
West and Central Africa	271	187	200
Other	7	0	6
Total regions	**775**	**606**	**601**

In one year, SNV decreased its number of Primary Process FTEs (full-time equivalents) by almost 25%, which was slightly higher than initially planned. Next to all other developments this caused quite a bit of pressure within the organisation. The support staff structure will be revised according to the needs of the new SNV workforce structure in 2012.

A social plan was applied to all staff members who left as a result of the exit sector phase out. Arrangements for impacted staff were negotiated with relevant stakeholders including the Corporate Council and the Unions and agreement was reached by a consensus process. Due to the consensus process, a slight delay occurred. Staff were let go in phases over 2011.

Major developments

With the focus on the phase-out of assignments and related staff, SNV saw particular delays in anticipated staff development initiatives. While individual development initiatives have still been implemented, and some countries and regions have conducted skill-related trainings, major (global) programmes pushing the quality of SNV's advisors were delayed. This will be picked up strongly in 2012 and coordinated together with sector specialists to cater for the need for improved skills in project management, sector knowledge and expertise and advisory skills.

The advisory skill programme was conducted in 2011, and matured further, proving its value not only for SNV's own staff, but also for the more flexible groups the organisation works with.

LCBs, consultants and associate advisors are increasingly part of SNV's reality globally and are deployed alongside SNV staff, but in a more flexible manner. Regions have gained experience in working with these groups and have mapped out their requirements. A corporate framework is the next step in this and this will be developed and implemented in 2012.

In order to improve our ability as an organisation to identify and deploy qualified (flexible) staff in assignments and proposals SNV is implementing a resourcing tool, a CV database, which will allow searches on specific qualifications and thus more effective deployment of our advisors in assignments. A joint effort of the HR and Business Development units, this will be fully deployed in 2012.

Engagement of young professionals

Though the wrap up of the exit sectors required time and efforts, SNV still managed to deploy a number of young people in 2011 and raise their awareness of and commitment to development work and SNV in particular. In all regions national and international students have been active in either research or practice internships. Once again the most successful approach to this was to pair western and non-western students, providing an excellent opportunity for mutual learning.

Rewarding our staff

While working towards a more flexible contract and reward approach for the different staffing groups, the need for austerity is very high. This will be reflected in the new CLAs as of 2012.

Safety, security and wellbeing of staff

With continued emphasis on staff security, significant effort was put into formulating security plans, training management teams and applying an incident reporting system in each country and at a corporate level. This will enable managers to take informed decisions on the security of SNV staff.

Finance and control

The finance organisation carried out controllership duties and provided business finance support for operations across the full range of countries and fiscal regimes where SNV operates.

Following the completion of an EU tender process, PWC took over from Deloitte as the external auditor and the necessary investment was made by SNV working with the new auditor to manage the transition. In Q3 PWC carried out the first interim audits and during Q4 the planning and preparation for the 2011 year-end closing was completed.

Finance at HO coordinated SNV's response to an assurance audit carried out by Ernst & Young under instruction from the Ministry. This exercise required the collection and presentation of a substantial amount of data and this was carried out in parallel with the year-end close cycle. The report was successfully completed and accepted by the Ministry.

Finance continued to invest in developing the finance infrastructure needed to meet the operational, legal, and administrative demands of resource mobilisation, which is the key to the successful transition from reliance on core subsidy to a sustainable multiple-source funding model. As well as continuing to report on core subsidy activities to DGIS and ensuring no use of core subsidy to compete against commercial parties, there is the need to report to new donors on project performance. Following the completion of work on project tracking capability using average advisory daily rates it was decided that to ensure full cost coverage on all contracts and provide the tracking needed for multiple donor reporting more enhancements were needed. A review was carried out with reference to major donor requirements and the first step of updating the existing chart of accounts and transaction capture needs were implemented ahead of 2012. During the final quarter of 2011 a full cost recovery tool for project proposal evaluation was also developed and rolled out to the field to ensure sustainable financial performance is built in to all new contracts, at the same time ensuring minimum rates used in any public tenders comply with the no cross subsidisation requirement agreed upon in the new subsidy agreement.

During the last quarter of the year, substantial attention was paid to analysing SNV's future capital structure needs, including a rigorous analysis of the buffer capital required to be appropriately positioned for post 2015. This data was shared with the Ministry and discussions continued into 2012 on the appropriate structure and transition budget needs.

Throughout 2011 additional investment was made in the professionalisation of the Procurement function and the key achievements were the successful implementation of routine EU tendering processes including the development of an EU procurement calendar and quarterly updating to ensure any necessary tender compliance, specific cost-saving initiatives within HO, and the streamlining of the contract management and procure to pay cycles.

Core subsidy spend

The total available subsidy income for the SNV programme for regular capacity development activities amounted to EUR 76.5 mln in 2011. There was a net underspend of EUR 9.1 mln against this amount, which had two main components, firstly an extraordinary unbudgeted reimbursement of EUR 3.3 mln during 2011 by the Ministry of severance costs incurred under the Social Plan and secondly a net underspend in normal operations of EUR 5.8 mln.

Urged by the larger SNV constituency in the Netherlands (a.o. via media, political parties, SNV alumni, the Ministry of Foreign Affairs), the new SNV Managing Board upon taking office reviewed and rationalised the 2012 operational budget of Head Office. This resulted in a cost saving of Euro 1.5 million in 2011 only. In consultation with DGIS (later on recorded in the SNV Strategy Paper 2012-2015) the number of LCDFs to be developed has been reduced to seven, saving another EUR 2.4 million. Lastly, pending the final decisions of DGIS on the future budget reduction for SNV, the start of new initiatives and related expenditures in the regions have slightly been temporised resulting in an underspend of 1.9 million. Obviously, these one-time developments will not impact on 2012 expenditures. Despite all these challenges SNV was still able to benefit more than 9 million beneficiaries over the course of the year.

Internal Controls and External Audit

Compliance and internal control

SNV has a small internal audit unit (IAU) with a direct reporting line to the chief executive and the audit committee. IAU executes internal audits based on a risk-based audit plan. These audits provide the managing board with independent and objective information on the degree of control of (parts of) SNV's primary processes as well as supporting processes (such as Finance and HR). The audits support SNV in accomplishing its objectives by assessing the organisation's processes as a means to detect possible weaknesses, risks, good practices and foster organisational learning. Based on the information provided by the audits, the managing board takes measures where needed to improve the organisation.

In 2011 five countries (Cambodia, Mali, Rwanda, Ethiopia and Zambia) were audited. The high-level audit conclusions are presented below:

Countries	Primary process	Finance	HR
Cambodia	In control	In control	In control
Ethiopia	In control	In control	Not in control
Mali	In control	In control	In control
Rwanda	In control	In control	In control
Zambia	In control	Not in control	In control

After finalisation of the audit reports, the Managing Board requested the responsible line managers to take appropriate action, to improve processes and mitigate risks. The follow-up on the audit recommendations is monitored by the IAU during the year. Bi-annually the IAU reports on the status of the recommendations to the Managing Board.

An analysis was performed in September 2011 to determine the most important areas for improvement (common themes) as indicated in the 2010 and 2011 management audit reports.

- Process for hiring, monitoring and evaluating local capacity builders;
- ICT (i.e., insufficient back-up and safety measures);
- Resource mobilisation process (meeting donor requirements, monitoring contracts, compliance to corporate policies);
- Monitoring assignment agreements.

In the course of 2011 these topics were given extra management attention.

As a response to the negative media and political attention SNV faced in the beginning of 2011, the Managing Board also decided that two audits had to be executed in the regional office in Latin America as well as the Washington DC Office. The objective of these audits was to provide assurance to the managing board on the level of control in both offices and improvements made in the regional office in Latin America after the 2009 management audit. The audit in Latin America showed that the measures that were designed after the 2009 audit were implemented but that the operating effectiveness of some of those measures still needed improvement. These improvements were made in the course of 2011. The Washington DC audit did not show serious shortcomings.

In 2011 the Audit department (IAD) of the Ministry of Foreign Affairs performed an investigation to determine if SNV had reported all 'serious irregularities' to the Ministry. After assessing 21 audit reports that were issued in 2009 and 2010, the IAD concluded that in two cases SNV had failed to report an issue. Both issues were already known to both the Ministry and SNV prior to the investigation. Next to this, the IAD gave a positive opinion on the way the risk analysis, audit reports and follow-up on recommendations are organised within SNV.

Instead of auditing every country office once every four years and every regional office once every two years, SNV introduced a risk-based audit approach in the course of 2011. This risk-based approach was used for selecting the countries/regions to be audited in 2012.

External audit

The financial statements of SNV are audited annually by an external auditor. The external auditor performs an interim audit (half way through the year) on all country offices of SNV. At year end the external auditor presents an audit statement on the annual accounts of SNV as a whole. The external auditor reports to the Audit Committee and the Managing Board.

The findings of the interim audit included a concern that the integrated risks and controls framework needed to be improved. SNV has identified this as one of the top priorities to be addressed in 2012 and work has commenced to ensure that weaknesses are identified and addressed and effective prevention and monitoring controls are in place and visible across the organisation.

Risk management

By introducing the risk-based audit approach for selecting the countries/regions to be audited, SNV successfully took a next step in implementing risk management in 2011. In 2012 SNV will continue to do so by executing a risk assessment workshop which will result in a risk register containing the top risks for SNV, by mitigating these risks where feasible and by monitoring the top risks identified.

SNV's environmental sustainability measures

SNV believes in inclusive growth and development as an essential feature for lasting development success. Not only in an economic and social sense, but also in terms of environmental sustainability. Air travel is by far the biggest contributor to our ecological footprint. Therefore, the Managing Board decided in 2011 to compensate all air travel and to steer for a reduction in the number of flights for both environmental and as cost-reduction reasons. From the several options available to compensate our emissions, it was decided to purchase certificates from the Climate Neutral Group that will, in the end, benefit the biogas programme in Cambodia that was established with the support of SNV. In this way, SNV knows exactly which local households in Cambodia will benefit.

Governance

Supervisory structure

The Managing Board manages the SNV organisation under supervision of an independent Supervisory Board. The Supervisory Board meets at least four times a year, and in line with the statutory regulations consists of a minimum of three and a maximum of seven members. The main tasks of the Supervisory Board are to supervise SNV's policy making and the implementation of these policies.

In 2011, far-reaching changes took place in the Managing as well as in the Supervisory Board. The complete Supervisory Board resigned in the course of 2011, after having appointed three new members, including the chair. In 2012, two additional Supervisory Board members have been appointed. New Managing Board members were appointed in 2011.

The current Supervisory Board consists of five members with different but complementary backgrounds, including the financial, corporate and development sector, and with expertise in auditing, government and environmental affairs.

SNV values comply with national and international standards of good governance:

- Two members of the Supervisory Board hold seats on the selection and remuneration committee, responsible for the appointment, evaluation and remuneration of the Chief Executive Officer and Managing Board members;
- Two members of the Supervisory Board hold seats on the Audit Committee. The Audit Committee monitors finance, risk and compliance and advises the Supervisory Board on finance and control issues;
- The external auditor is appointed by and reports annually to the Supervisory Board.

Guidance in case of (alleged) irregularities

A code of conduct was implemented in 2011 to provide guidelines for good conduct and directions for exercising good judgment in ethical matters and in situations of conflict of interest. A Whistleblower Procedure and a Fraud Response Procedure were also designed and implemented. These procedures provide guidance on how to report cases of (alleged) impropriety and set out SNV's procedures for dealing with (alleged) irregularities.

Through the Whistleblower Procedure, four alleged improprieties were reported and concluded in 2011:

- One HR policy related case (regarding a job appraisal) , which was resolved according to regular line management procedures;
- One complaint regarding the contracting of a consultant, which was extensively explored with the conclusion that all procurement and HR procedures had been applied correctly and that no conflict of interest had taken place;
- One case related to conflict of interest, which after thorough investigation was found to be unsubstantiated.
- Supposed irregularities related to the procedures on purchasing assets in one country. This was investigated by external auditors and found to be unsubstantiated.

Through the Fraud Response Procedure three cases were reported – two in 2011 and one in the first quarter of 2012:

- Once case concerned selling of assets. An internal audit was performed and corrective measures were taken;
- One case concerned an (alleged) fraudulent financial construct around a project. This was investigated and found to be unsubstantiated ;
- In February 2012, following a whistleblower report and subsequent internal investigation, a fraud case involving embezzlement of funds by an employee was uncovered. Additional details are set out on page 30.

Annual Accounts

Introduction

SNV's annual accounts

The annual accounts of SNV Netherlands Development organisation (SNV), legally seated in The Hague reflect its main activities: the provision of advisory services, knowledge networking, evidence-based advocacy and the management of externally financed programmes. SNV is a Foundation (Stichting) under Netherlands law.

SNV helps to alleviate poverty by focusing on increasing people's income and employment opportunities in specific productive sectors, as well as improving their access to basic services including water, sanitation and hygiene, and renewable energy. The core capacity building activities in developing countries, the Head Office support and activities with partners to support capacity building are financed by the Ministry of Foreign Affairs through core subsidy and by other parties through what SNV terms Resource Mobilisation (RM) and through Externally Financed Programmes (EFP). In the consolidated statement of financial performance, income is reported under subsidy, resource mobilisation, externally financed programmes, earmarked contributions, and interest. Expenditures comprise costs of the regions in carrying out core subsidy and RM and EFP funded activities, Head Office support, Washington US office RM, and partnership expenditures. The balance of income and expenditure is transferred to the capital base, changes consisting of interest received and changes in capital invested in fixed assets. In the balance sheet, core subsidy and resource mobilisation assets and liabilities are reported under tangible fixed assets, long-term and short-term receivables, part of the liquid assets, short-term and long-term payables, and equity. Externally financed programmes (EFP) are funded by the Ministry of Foreign Affairs, through embassies of the Kingdom of the Netherlands (known as DGIS programmes, DGIS being the Directorate-General for International Cooperation) and by other donors (third-party programmes). SNV is responsible for the financial administration, reporting and advice on content but donors are ultimately responsible for the programmes. In the statement of financial performance, income and expenditure related to externally financed programmes are equal. In the balance sheet these programmes are reported under the short-term and the long-term receivables programmes, the short-term and long-term commitments programmes, and part of the liquid assets.

A significant reduction of core subsidy was made by the Ministry for 2011 and 2012 and a large-scale restructuring exercise needed to be carried out in response to this challenge. SNV determined that the most efficient approach was to combine this forced severance exercise with an accelerated implementation of the direction set out in the strategy paper for 2011-2015, which was approved by the Ministry in late 2011, focusing SNV on the three chosen sectors of Agriculture, Renewable Energy and Water Sanitation & Hygiene. During the year the Ministry agreed to fund the associated severance costs above the normal core subsidy, and following a detailed analysis at individual employee level a total estimated amount of EUR 3.9 mln was agreed to be made available to SNV for this purpose of which EUR 3.3 mln was utilised in 2011. This reimbursement was not agreed at the time the Corporate Annual Plan was prepared so was not reflected in the expenditure budget for 2011. In addition, measures taken by the new Management Board to achieve overhead savings at Head Office, focus on a smaller number of LCDFs, and some delays in starting new initiatives pending final budget reduction clarity led to an operational underspend of EUR 5.8 mln.

On November 22nd 2011 modifications were made to the subsidy agreement covering the period from 2007-2015 (originally signed on September 13, 2006 and subsequently modified in 2007, 2009 and 2011). Under the most recent modification a maximum subsidy for the full 9 year period has been approved and the calculation and settlement process previously applicable at the end of each 3 year cycle no longer applies.

One special agreement with the Ministry of Foreign Affairs remains active from 2002 when SNV became independent from the Ministry. This is reflected on the balance sheet under Long-term payables as pre-received earmarked contributions, being funding received in advance from the Ministry through core subsidy to cover potential future unemployment benefit rights acquired by staff working for the Ministry before 2002. The exact liability for these payments cannot be calculated owing to inherent uncertainties on the timing and amount of possible unemployment of staff involved and this has been disclosed as a note to the balance sheet under Contingent Liabilities. A Provision for Orientation Leave which was also part of the special agreement and funded through prior year core subsidy has been stated separately on the Balance Sheet.

On the 1st of January 2009 a limited liability Company (LLC) was set up in Washington DC. SNV has a 100% participation in this company. The LLC US was set up to provide relationship management support to all regions in expanding partnerships with multilateral and bilateral organisations, corporations, foundations and other entities in coordination with other offices. The goal of these strategic partnerships is to expand the scale and impact of SNV's work through additional resource mobilisation.

The consolidated financial statements of SNV for the year ended 31 December 2011 comprise SNV foundation and its participation in LLC US.

Closure of operations in the Balkans

The decision was taken during 2011 by SNV to commence the closure of operations in the Balkans. This decision was finalised in November 2011 and was driven by the significant reduction in core subsidy available in 2011 and 2012 in conjunction with changes in SNV's strategic direction. The strengths in the Balkans operations were not aligned with the future strategic sector priorities of agriculture, renewable energy, and water, sanitation and hygiene and it was not considered feasible to build up the required expertise in the focus sectors given the reduced funding available. The closure will commence during 2012 and most country operations will be brought to an end during the year, with final completion of all programme commitments being realised during 2013 when all SNV's activities in the Balkans will cease. During the process SNV is focusing on achieving knowledge consolidation and the transfer of programmes to local organisations where possible and appropriate as part of an orderly and controlled closedown. In particular the possibility of enabling the setup of a new locally run foundation to take over SNV's forestry operations activities and protect the legacy which SNV has built up in recent years is being actively pursued.

At the end of 2011 the total value of assets for the Balkans region was EUR 6.3 mln (EUR 5.1 mln at end 2010), comprising liquid assets of EUR 5.1 mln (EUR 3.8 mln), short term receivables of EUR 0.2 mln (EUR 0.1 mln), programme receivables of EUR 0.9 mln (EUR 0.9 mln), and tangible fixed assets of EUR 0.1 mln (EUR 0.2 mln). The total value of short term payables was EUR 1.0 mln (EUR 0.4 mln), contract commitments were EUR 0.9 mln (EUR 1.2 mln), and project pre-financing was 3.0 mln (EUR 2.3 mln). The approved spend budget for the closedown which will be substantially complete by end 2012 (excluding severance amounts which were fully provided in 2011 note 15) is EUR 2.6 mln .

Fraud case Laos

Beginning 2012, following a whistleblower report and an internal investigation, a major fraud was discovered in SNV Laos. SNV requested an extensive independent forensic audit, which has been executed in May/June 2012. The audit established that an employee has embezzled an amount of EUR 318,483 from SNV over a period of four years. The employee concerned was immediately suspended without pay and has subsequently been fired. Criminal charges have been filed and up until June 2012 SNV has been able to recover EUR 34,000 of the aforementioned amount. SNV will continue to do everything possible to recover the full amount.

As a response to this fraud SNV has also sharpened its checks on the full adherence to financial procedures in all countries worldwide. The Managing Board of SNV reconfirms its zero tolerance attitude towards fraud within the organisation as expressed in its Fraud Response Procedure.

Contents of the Annual Accounts

The annual accounts consist of the following:

- consolidated balance sheet after appropriation balance income and expenditure
- consolidated statement of financial performance
- consolidated cash flow statement
- accounting principles
- notes to the consolidated balance sheet
- notes to the consolidated statement of financial performance
- segmentation table by region
- balance sheet SNV Foundation after appropriation balance income and expenditure
- statement of financial performance SNV Foundation
- cash flow statement SNV Foundation
- notes to the annual accounts of SNV Foundation
- independent auditor's report
- constitution of Supervisory Board
- constitution of Management Board

Consolidated balance sheet after appropriation of balance of income and expenditure

	Notes	2011		2010	
Assets (in EUR)					
Tangible fixed assets	1				
Buildings, renovation and terrain		682,952		776,904	
Vehicles		1,331,145		2,019,451	
Equipment		785,421		1,040,256	
Other inventory		132,285		180,309	
Assets in transition		104,701		16,717	
Subtotal			3,036,504		4,033,637
Long-term receivables					
Deposits	2		242,811		280,127
Long-term receivables programmes	3				
DGIS programmes		0		3,817,197	
Third-party programmes		6,272,784		2,790,790	
Subtotal			6,272,784		6,607,987
Short-term receivables programmes					
DGIS programmes	3	3,971,013		4,979,277	
Third-party programmes	3	3,329,679		2,429,572	
Nepal programmes		0		2,442	
Subtotal			7,300,692		7,411,291
Short-term receivables					
Ministry of Foreign Affairs	15	817,939		1,538,147	
Debtors		997,451		831,279	
Prepayments and accrued income	4	2,778,458		2,849,833	
PRM contracts pre-financed by SNV	5	1,140,812		1,008,209	
Subtotal			5,734,660		6,227,468
Cash and cash equivalents	6				
SNV programme		63,300,305		48,479,083	
DGIS programmes		2,781,034		865,429	
Third-party programmes		1,729,393		1,022,766	
Nepal programmes		0		3,161	
			67,810,732		50,370,439
Total			90,398,183		74,930,949

	Notes	2011		2010	
Liabilities (in EUR)					
Capital base					
Equity	7	9,018,261		8,805,468	
Special purpose reserve foreign exchange	8	970,495		970,495	
Invested capital in fixed assets	9	3,036,504		4,033,637	
Special purpose fund tax claims	10	13,023,269		13,023,269	
Subtotal			26,048,529		26,832,869
Provision for Orientation Leave	11		1,046,026		1,125,382
Long-term payables					
Pre-received earmarked contributions	12		6,644,310		6,833,320
Long-term commitments programmes	13				
DGIS programmes		134		4,289,592	
Third-party programmes		7,070,803		3,073,304	
Subtotal			7,070,937		7,362,896
Short-term commitments programmes					
DGIS programmes	13	6,473,040		5,523,185	
Third-party programmes	13	3,839,942		3,181,687	
Nepal programmes		0		263	
Subtotal			10,312,982		8,705,135
Short-term payables					
Provision for Orientation Leave	11	100,000		100,000	
Pre-received earmarked contributions	12	100,000		100,000	
PRM contracts pre-financed by donors	5	10,703,170		6,223,447	
Ministry of Foreign Affairs Subsidy	14	14,121,700		1,272,251	
Creditors		1,515,105		1,799,248	
Provisions for severance	15	1,551,665		937,939	
Accrued expenses	16	9,737,032		10,857,427	
Taxes and social security premiums		972,993		858,890	
Pensions	17	473,734		1,922,145	
Subtotal			39,275,399		24,071,347
Total			90,398,183		74,930,949

Consolidated statement of financial performance

EUR **Income**	Notes	Realised 2011	Budget 2011	Realised 2010
Subsidy income	18	67,378,300	76,495,066	83,678,843
Release WCA/ESA severance	15	0	615,312	1,538,147
Release Social Plan	15	3,876,421	0	0
Earmarked contributions	11/12	268,366	450,000	69,194
Nepal programmes		0	0	1,140,567
Ministry of Foreign Affairs		71,523,087	77,560,378	86,426,751
Resource Mobilisation (RM)	19	23,205,145	24,797,210	17,018,998
Externally Financed Programmes (EFP)	20	8,035,148	n.a.	8,106,978
Total external income		31,240,293	24,797,210	25,125,976
Interest SNV programme	21	346,571	121,650	160,857
Total income		**103,109,951**	**102,479,238**	**111,713,584**
Expenditure				
Regions	22	79,029,980	87,913,434	86,444,720
ESA/WCA severance	15	0	615,312	1,538,147
Release social plan	15	3,876,421	0	0
		82,906,401	88,528,746	87,982,867
Nepal programmes		0	0	1,140,567
Externally Financed Programmes (EFP)	20	8,035,148	n.a.	8,106,978
Total regional spend	22	90,941,549	88,528,746	97,230,412
Head office	22	10,939,698	12,144,386	13,178,871
Earmarked contributions	11/12	268,366	450,000	69,194
Corp Partnerships/Knowledge Networking	22	982,633	1,298,000	1,736,110
Total expenditure HO		12,190,697	13,892,386	14,984,175
LLC US core subsidy	22	610,846	650,279	611,655
US Resource mobilisation net spend	22	151,199	0	0
Total non-regional spend		12,952,742	14,542,665	15,595,830
Total expenditure		**103,894,291**	**103,071,411**	**112,826,242**
Balance income and expenditure		**-784,340**	**-592,173**	**-1,112,658**
Attributable to:				
Equity	7	212,793	100,000	82,506
Invested capital in fixed assets	9	-997,133	-692,173	-1,195,164
		-784,340	-592,173	-1,112,658
Balance income and expenditure after appropriation		**0**	**0**	**0**

Consolidated cash flow statement

After the appropriation of the result for the financial year 2011 the cash flow statement is presented as follows:

EUR	2011	2010
Total Ministry of Foreign Affairs	71,523,087	86,426,751
Resource mobilisation	23,205,145	17,018,998
Externally financed programmes	8,035,148	8,106,978
Total Expenditure	-103,894,291	-112,826,242
Received Interest	133,778	78,351
Cash flow operating activities	**-997,133**	**-1,195,164**
Depreciation	1,787,441	2,234,779
Increase/(Decrease) in provision for doubtful debts	0	220,781
Increase/(Decrease) in Long Term payables and provisions	-268,366	1,268,745
Increase/(Decrease) in commitments programmes	1,315,888	-7,722,676
Increase/(Decrease) in Short Term payables	15,204,052	3,862,143
(Gains)/losses on sale of tangible fixed assets	-519,182	-305,844
(Increase)/Decrease in receivables	975,926	11,429,749
Non-cash movements	**18,495,759**	**10,987,677**
Net cash flow from operating activities	**17,498,626**	**9,792,514**
Purchase of tangible fixed assets	-842,444	-1,090,657
Proceeds from sale of tangible fixed assets	571,318	356,886
Net cash flow from investing activities	**-271,126**	**-733,771**
Received Interest	212,793	82,506
Cash flow from financing activities	**212,793**	**82,506**
Net cash flow	**17,440,293**	**9,141,249**
Cash and cash equivalents as at 1 January	50,370,439	41,229,190
Cash and cash equivalents as at 31 December	67,810,732	50,370,439
Net cash flow	**17,440,293**	**9,141,249**

The liquidity of SNV has increased from EUR 50.4 mln to EUR 67.8 mln.

Accounting principles

Objective of the foundation and nature of activities

SNV is a Netherlands-based international development organisation that is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. SNV's advisors contribute to this by strengthening the capacity of local organisations through the provision of advisory services, knowledge networking, evidence based advocacy and the management of externally financed programmes. In 2011 SNV operated in five geographical regions – Asia, the Balkans, East and Southern Africa, Latin America and West and Central Africa

Group structure

The foundation SNV located in The Hague is the head of a group of legal entities consisting of the foundation and SNV LLC US. The activities of SNV in the five geographical regions are performed from branch offices which are an integral part of the foundation SNV The Hague.

The group company SNV LLC US is located in Washington US and SNV The Hague holds 100% of the shares in the issued capital.

General

The consolidated annual accounts are prepared in accordance with RJ 640 accounting standards.

The accounting policies formulated below relate to the consolidated annual accounts as a whole. Assets and liabilities are stated at fair value unless indicated otherwise. If assets and liabilities are stated in foreign currencies, the calculation is based on the exchange rates prevailing on the balance sheet date of end December. Exchange rate differences are included in other operational costs.

Consolidation principles

Financial information relating to group companies which are controlled by SNV has been included in the consolidated financial statements of SNV after elimination of intercompany relationships and transactions.

Accounting principles for the valuation of assets and liabilities

Assets

Tangible fixed assets

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

The principal annual rates of depreciation used are:

-Terrains	0%
-Buildings	6.67%
-Vehicles	25%
-Equipment	33%
-Other Inventory	25%
-Renovation building	Depending on the remaining duration of the contract

Renovation and repair cost regarding the buildings are capitalised. Other costs of repair and maintenance are reported in the statement of financial performance in the fiscal year when they were carried out.

Long-term and short-term receivables

The long-term receivables include deposits. Current account balances with the Ministry of Foreign Affairs have been included under short-term receivables and payables.

Long-term and short-term receivables programmes

These figures include the amounts to be received from DGIS and third-party donors relating to externally financed programmes that are being carried out by SNV on behalf of the donors. SNV has entered into commitments for these programmes, usually expressed in EUR; otherwise the prevailing exchange rate on balance date is used. The amounts related to the year 2012 are presented as short-term, the remainder as long-term receivables.

Equity and Liabilities

Capital base
Capital base consists of equity, special purpose reserve for foreign exchange, special purpose fund for tax claims and invested capital in fixed assets. Equity is at the free disposal of SNV and is maintained to ensure the continuity of the organisation. The special purpose funds may only be used for the purposes agreed upon with the Ministry of Foreign Affairs in 2002 when they were set up as part of the transactions relating to SNV becoming independent from the Ministry. The invested capital in fixed assets reserve is an offset account of the capitalised tangible fixed assets, representing the book value of the fixed assets.

Long-term and short-term payables
Earmarked contributions received in advance from the Ministry of Foreign Affairs for unemployment benefit that have not yet been utilised are included here (note 11). Amounts related to the year 2012 are presented as short-term, the remainder as long-term debt.

Long-term and short-term commitments programmes
Short-term commitments, based on programme agreements, including the budget allocation for the year 2012 for programmes funded by DGIS and third-party donors are included here, the remainder are presented as long-term commitments.

Transactions in Foreign Currency
Foreign Currency exchange rates are updated monthly and all transactions in foreign currencies are automatically calculated against this monthly rate. At the end of every month the foreign currency denominated Receivable, Payable and Cash and Bank balances are revalued and results are taken to the statement of expenditure. An exception is the EFP balances which are revalued only at the year end and taken to expenditure according to the contract terms.

Pensions
SNV currently provides its expatriate and head office staff with three different options based on a contribution percentage of 70% for the employer and 30% for the employee. HO staff and Dutch expatriate staff recruited in the Netherlands are provided with a scheme based on an average wage system and the pension fund determines on a yearly basis whether indexation will take place. Other expatriate employees have a choice between investing their pensions in a life insurance scheme or in an investment scheme with an insurance company. The life insurance scheme is based on an average wage system and indexation is charged to SNV on a yearly basis by the insurance company. The investment scheme was implemented in April 2011 and is a defined contribution scheme. The expat is able to choose from 4 investment packages with differing risk levels in which to invest the pension contribution and is able to take up the invested money after the labour contract with SNV has ended. No provisions are taken for the other schemes and all indexation risk is covered in the policies with the pension parties. National pensions are based on national legal systems and vary from country to country. If necessary provisions are taken in the countries.

Accounting principles for determining the balance of income and expenditure
Income and expenses are accounted for on an accrual basis and income is only recognised when realised at the balance sheet date. All expenses relating to activities carried out prior to the balance sheet date are taken into account in the year’s expenditure.

Income and expenditure in foreign currencies are calculated throughout the year under review using the accounting exchange rate prevailing at the date the money was paid or received.

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

Income related to resource mobilisation and to externally financed programmes is considered equivalent to the relevant expenditure. Interest income earned on subsidy monies held in excess of the underlying capital base, is allocated to subsidy income.

The balance of income and expenditure is determined as the difference between the income generated by the SNV programme and the expenditure related to implementing the SNV programme.

Notes to the consolidated balance sheet

1 Tangible fixed assets

The following table sets out the tangible fixed assets by category:

	Buildings, renovation and terrains	Vehicles	Equipment	Other inventory	Assets in transition	**Total**
Purchasing value	1,980,407	8,046,224	9,576,036	1,718,957	16,717	**21,338,341**
Cumulative depreciation	-1,203,503	-6,026,773	-8,535,780	-1,538,648	0	**-17,304,704**
Book value 1 January 2011	776,904	2,019,451	1,040,256	180,309	16,717	**4,033,637**
Investments	22,601	254,276	433,117	44,466	87,984	**842,444**
Transfers (purchase value)	0	0	0	0	0	**0**
Disposals (purchase value)	-35,157	-1,137,652	-2,804,463	-24,269	0	**-4,001,541**
Transfers (cum. depreciation)	0	0	0	0	0	**0**
Disposal (cum. depreciation)	13,232	1,132,552	2,779,630	23,991	0	**3,949,405**
Depreciation	-94,628	-937,482	-663,119	-92,212	0	**-1,787,441**
Book value 31 December 2011	682,952	1,331,145	785,421	132,285	104,701	**3,036,504**
Purchasing value	1,967,851	7,162,848	7,204,690	1,739,154	104,701	**18,179,244**
Cumulative depreciation	-1,284,899	-5,831,703	-6,419,269	-1,606,869	0	**-15,142,740**
Book value 31 December 2011	682,952	1,331,145	785,421	132,285	104,701	**3,036,504**

The depreciation cost of the buildings is based on linear depreciation over 15 years. A four-year depreciation period has been applied to vehicles and inventory. The depreciation period of building renovation is flexible, depending on the duration of the renting contract. Equipment is written off in three years. Assets in transition relate to prepayments on assets that had not been received at balance sheet date and as a consequence have not yet depreciated. SNV expenditures on tangible fixed assets are capitalised. The depreciation costs are accounted for in the statement of financial performance.

2 Long-term receivables

Deposits

The balance is primarily deposits for rent and maintenance contracts for properties in countries where SNV operates. In 2011 there is a decrease due to the ending of house rental contracts of employees who left SNV.

EUR	**2011**	**2010**
Balance as at 1 January	280,127	267,406
Mutation	-37,316	12,721
Total as at 31 December	**242,811**	**280,127**

3 Long-term and short-term receivables programmes

The long-term balance relates to the money to be received after 2012 in connection with the commitments for implementing the programmes in progress. The short-term balance relates to the amount to be received within 2012. The long-term and short-term receivables programmes can be specified as follows:

	2011			
EUR	DGIS	Third parties	Nepal	**Total**
Budget after 2012	0	6,272,784	0	**6,272,784**
Long-term receivables	0	6,272,784	0	**6,272,784**
Budget 2012	4,650,410	3,329,679	0	**7,980,089**
Pre-received money	-679,397	0	0	**-679,397**
Pre-financed programmes	0	0	0	**0**
Short-term receivables	3,971,013	3,329,679	0	**7,300,692**
Total receivables	**3,971,013**	**9,602,463**	**0**	**13,573,476**

	2010			
	DGIS	Third parties	Nepal	**Total**
Budget after 2011	3,817,197	2,790,790		**6,607,987**
Long-term receivables	3,817,197	2,790,790	0	**6,607,987**
Budget 2011	5,814,343	3,240,150	0	**9,054,493**
Pre-received money	-903,841	-808,619	0	**-1,712,460**
Pre-financed programmes	68,775	-1,960	2,442	**69,257**
Short-term receivables	4,979,277	2,429,571	2,442	**7,411,291**
Total receivables	**8,796,474**	**5,220,361**	**2,442**	**14,019,278**

Short-term receivables

4 Prepayments and accrued income

Prepayments and accrued income include prepayments relating to items such as rent and school fees.

EUR	2011	2010
Balance as at 1 January	2,849,833	3,419,546
Mutation	-71,375	-569,713
Total as at 31 December	**2,778,458**	**2,849,833**

5 PRM contract pre-financing

For Resource Mobilisation contracts (PRM) the net amounts received in advance from donors are included in "PRM contracts pre-financed by donors" and the net amounts pre-financed by SNV "are included in "PRM contracts pre-financed by SNV". The increase in these balances reflects the substantial growth in RM activity during 2011.

6 Cash and cash equivalents

The cash and cash equivalents are unrestricted. The increase in cash in 2012 is largely explained by underspent of 2011 and by a change in payments scheduling by the Ministry which resulted in a prepayment of 2012 subsidy late in 2011 (see note 14).

	2011		
EUR	Cash	Bank	**Total**
SNV programme	84,619	63,215,686	**63,300,305**
DGIS programmes	307	2,780,727	**2,781,034**
Third-party programmes	166	1,729,227	**1,729,393**
Nepal programmes	0	0	
Total	**85,092**	**67,725,640**	**67,810,732**

	2010		
EUR	Cash	Bank	**Total**
SNV programme	72,504	48,406,579	**48,479,083**
DGIS programmes	340	865,089	**865,429**
Third-party programmes	435	1,022,331	**1,022,766**
Nepal programmes	0	3,161	**3,161**
Total	**73,279**	**50,297,160**	**50,370,439**

Capital base

7 Equity

The equity reserve is built up to support the continuity of the organisation.

EUR	2011	2010
Equity as at 1 January	8,805,468	8,722,962
Financial income (see note 20)	212,793	82,506
Total as at 31 December	**9,018,261**	**8,805,468**

8 Special purpose reserve foreign exchange

The reserve for foreign exchange of EUR 1.0 mln was put in place to cover possible exposures in some countries subject to sudden extreme exchange rate fluctuations. There was no movement in the year.

9 Invested capital in fixed assets

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

EUR	2011	2010
Balance as at 1 January	4,033,637	5,228,802
Movement for the year	-997,133	-1,195,165
Total as at 31 December	**3,036,504**	**4,033,637**

10 Special purpose fund tax claims

As a result of the demerging from DGIS it was determined that SNV could face tax and social premium claims in some countries. Where formerly the tax status was laid down in bilateral country agreements under the DGIS umbrella, the changes in legal status could lead to SNV needing to pay taxes or premiums on expatriate salaries to the governments in some countries. To cover this risk from 2003 onwards a net amount of EUR 13.0 mln was built up through the result appropriation. This balance has been reviewed annually and is considered sufficient to cover any possible tax claims arising from the period of transition to country agreements. In 2010 the Ministry approved SNV's request to hold the fund at the same level as in 2009 and 2008. In 2011 it has again been maintained at the same level pending the conclusion of talks with the Ministry on the long term capital structure of SNV. There was no movement in the year.

Long-term payables

11 Provision for Orientation Leave

As part of a special agreement with the Ministry of Foreign Affairs dating from the demerger in 2002 an amount was set aside from core subsidy to cover potential future expenditures for Orientation Leave for certain staff as described further in note 12. It was also established with the Ministry that if the amount designated for Orientation Leave should become fully depleted, the balance of earmarked funds held to cover the unemployment benefit liability described in note 12 could be used for orientation leave payments. Following a detailed review it was determined at the end of 2011 to separate out from the total amount reported in prior years under pre-received earmarked contributions the amount specifically related to orientation leave and disclose this as a separate and specific provision. The maximum commitment remaining for orientation leave as at 31 December 2011 has been calculated as EUR 1.1 mln of which EUR 0.1 mln has been taken to Short-term payables on the balance sheet as an estimate of payments expected in 2012.

EUR	Orientation leave
Balance as at 1 January	1,225,382
Disbursed in 2011	-79,356
Total as at 31 December	**1,146,026**
Represented by:	
Long-term debts	1,046,026
Short-term debts	100,000
Total	**1,146,026**

The 2010 balance brought forward has been restated on the same basis as the 2011 ending balance. The net amount of EUR 79,356 disbursed during 2011 forms part of earmarked contributions income and expenditure in the Statement of Financial Performance.

12 Pre-received earmarked contributions

A special agreement with the Ministry of Foreign Affairs dating from the demerger in 2002 remains in effect in respect of pre-received earmarked contributions to cover potential future expenditures for personnel rights acquired before 2002. These rights were for future unemployment benefit for certain staff in service at the time of the demerger. An amount was set aside from core subsidy to cover these potential future payments and also to cover an additional commitment to pay orientation leave as described in note 11, also agreed at the time of the demerger. It has subsequently been agreed with the Ministry that if the amount originally designated for orientation leave contributions should become fully depleted, the amount set aside for unemployment benefit would be used to fund orientation leave payments. Following a detailed review it was determined at the end of 2011 that the full amount remaining relating to future orientation leave payments should be separated out from the total balance reported in prior years under pre-received earmarked contributions and disclosed in the balance sheet as a separate and specific provision as set out note 11. As the actual amount needed to cover future potential liabilities for unemployment benefit cannot be accurately estimated the exposure is disclosed under contingent liabilities. Pending the conclusion of talks with the Ministry on the long term capital structure of SNV the pre-received earmarked contribution balance held to meet these liabilities has been maintained at the level brought forward from 2010 after deducting the disbursements made during 2011.

The balance at end 2011 can be specified as follows:

EUR	Pre-received earmarked contribution
Balance as at 1 January	6,933,320
Disbursed in 2011	-189,010
Total as at 31 December	**6,744,310**
Represented by:	
Long-term debts	6,644,310
Short-term debts	100,000
Total	**6,744,310**

The 2010 balance brought forward has been restated on the same basis as the 2011 ending balance. The net amount of EUR 189,010 disbursed during 2011 forms part of earmarked contributions income and expenditure in the Statement of Financial Performance.

13 Long-term and short-term commitments programmes

The long-term commitments represent the activities in respect of Externally Financed Programmes to be executed in 2013 and beyond. The short-term commitments represent activities in 2012.

EUR	DGIS	Third parties	**Total**
Long-term commitments as per 31 December 2011	134	7,070,803	**7,070,937**
Short-term commitments as per 31 December 2011	6,473,040	3,839,942	**10,312,982**
Total commitments as per 31 December 2011	6,473,174	10,910,745	**17,383,919**

Short-term payables

14 Ministry of Foreign Affairs Subsidy

This balance represents the current account with the Ministry of Foreign Affairs. In 2011 a final settlement was made of the 3 year period 2007-2009 and also of 2010 and of the Nepal programme that ended December 31, 2010. There will be no settlement at the end of the three year cycle ending in 2012 following the latest revisions to the subsidy agreement. The 2011 payable can be specified as follows:

EUR	**2011**	**2010**
Core subsidy 2007-2009 settled	-1,238,907	-1,238,907
Receivable Nepal Programme	-1,010,000	-1,010,000
Pre-received Core subsidy 2010	3,521,157	3,521,157
Settled core subsidy 2007-2010 + Nepal	-1,272,250	
Pre-received core subsidy 2011	9,121,700	
pre-received core subsidy 2012	5,000,000	
Total as at 31 December	**14,121,700**	**1,272,251**

15 Provisions for severance

WCA/ESA provision

A provision was created in 2010 to cover the severance costs of a redundancy exercise caused by core subsidy budget cuts imposed by DGIS for the 2010-2012 cycle. These redundancies related to the West and Central Africa and East and Southern Africa regions.

A maximum approved amount of EUR 1,538,147 was agreed by DGIS to be funded outside of core subsidy. In 2010 EUR 600,208 of the reserve was utilised and this was reimbursed by DGIS during 2011. In 2011 EUR 491,987 was utilised and the remaining provision was reduced by EUR 120,000 owing to employees leaving SNV for reasons other than being made redundant. The provision at 2011 year end relates to remaining redundancies from the original estimate still expected in the East and Southern Africa region during 2012.

EUR	**2011**	**2010**
Balance as at 1 January	937,939	0
Total provision guaranteed by DGIS	0	1,538,147
Reduction of provision	-120,000	0
Amount to be received from DGIS	817,939	1,538,147
Utilised in year	-491,987	-600,208
Total as at 31 December	**325,952**	**937,939**

The balance of EUR 817,939 due from DGIS at 31st December 2011 is included in Short term Receivables.

Social Plan provision
During 2011 a significant restructuring programme, additional to the redundancy exercise described above for the WCA/ESA regions, was carried out in response to further large core subsidy budget reductions. It was agreed by the Ministry that a maximum of EUR 3,876,421 would be made available to SNV above the core subsidy amount to fund the severance costs of carrying out this restructuring, which impacted both National and International staff, primarily in Africa. During the course of 2011 most of the planned terminations and pay-outs took place and the balance remaining to be utilised in 2012 is EUR 555,713.

EUR	2011	2010
Total provision guaranteed by DGIS	3,876,421	0
Utilised in year	-3,320,707	0
Total as at 31 December	**555,713**	**0**

Balkans provision for discontinued operations
In connection with the commencement of the closure of operations in the Balkans a provision was made to cover the severance costs of staff impacted by the cessation of operations. The closure was announced to all staff during 2011 and detailed lists of the employees and appropriate severance costs were drawn up and provided for.

EUR	2011	2010
Total as at 31 December	**670,000**	**0**
Total of all severance provisions (WCA/ESA, Social Plan and Balkans)	**1,551,665**	**937,939**

16 Accrued expenses

The main reductions in Accrued Expenses in 2011 are due to lower leave days and holiday allowance following the decrease in employees due to the redundancy exercise, though this is offset by an amount of EUR 1.5 mln BMGF grant received in advance by Washington LLC.

EUR	2011	2010
Leave days	1.983.462	3.370.537
Holiday allowance	537.217	705.787
Various costs to be paid - HO	465.457	961.821
Various costs to be paid - Regions	6.750.896	5.819.283
Total as at 31 December	**9.737.032**	**10.857.428**

17 Pensions

The decrease in pension liabilities is a result of a newly introduced pension plan for international staff as per April 1, 2011. In the existing established pension plan, the yearly premiums are prepaid for the coming year. In the new plan the premiums are paid quarterly in arrears. A part of the international employees moved to the new pension plan and as a consequence a receivable for the 8–month period resulted for the amount of EUR 1.1 mln. An additional factor in the reduction of the year end pension liability is the decrease of national and international employees during the year.

EUR	2011	2010
Balance as at 1 January	1.922.145	1.433.811
Mutation	-1.448.411	488.334
Total as at 31 December	**473.734**	**1.922.145**

Commitments and contingent assets & liabilities

Unemployment benefit

At the time of SNV's disengagement from the Ministry it was agreed that certain staff in service would be guaranteed future unemployment benefits in the event that they later became unemployed. It is not possible to estimate with any degree of certainty the liability relating to these future rights as it is dependent on unknown factors including the date on which future unemployment might start and the duration of the future period of unemployment. Although payments made under this arrangement have been below EUR 0,1 mln for the last two years the remaining exposure cannot be estimated. The amount available to cover these future payments is shown on the balance sheet under Pre-received earmarked contribution as disclosed in note 11.

Suppliers' contracts

SNV has signed several contracts with suppliers of goods and services for 2012, of which EUR 1.2 mln for Head Office in The Hague and EUR 1.2 mln for the regions. For the period 2013-2015 the amount totals EUR 1.2 mln for Head Office in The Hague and EUR 1.2 mln for the regions. There are no liabilities beyond 2015. Included in the above amounts is the annual rent for The Hague Head Office of EUR 0.3 mln (price level 2011), as well as rental costs for the regions of EUR 1.2 mln. The rental agreement of The Hague terminates on 31 July 2015.

Legal cases in progress

There are 18 legal cases pending against SNV of which 13 were brought by former employees and six of which date back to prior years, having protracted settlement times under local legal systems. Furthermore there are four claims by SNV against former employees and one by SNV against an external party.

No provisions have been made for these legal cases since the amounts are not material.

Notes to the consolidated statement of financial performance

Income

18 Subsidy income Ministry of Foreign Affairs

The total available subsidy income for the SNV programme for regular capacity development activities amounted to EUR 76.5 mln in 2011. There was a net underspend of EUR 9.1 mln against this amount which had two main components, first a net underspend in operations of EUR 5.8 mln and secondly an unbudgeted credit of EUR 3.3 mln, being the reimbursement by the Ministry of severance costs incurred under the Social Plan agreed for the large scale restructuring due to ongoing budget reductions (note 14).

The underspend on operations by region was as follows:

	% of core budget spend realised	Key contributing factors
Asia	89%	LCB cost per day much lower than planned
Balkans	81%	Refocus on new sectors impacted Balkans adversely
ESA	99%	Performance overall close to budget
Latin America	75%	Cancellation of LCDF spend 0.7m
WCA	97%	Underspend in Agriculture and Renewable Energy
Non-regional	90%	Cost reductions in most corporate business units
Total	92%	

The underspend is carried forward under the modified subsidy agreement dated November 22nd 2011 which runs until end 2015 without an intermediate settlement period at end 2012.

EUR	Realised 2011	Budget 2011	Realised 2010
Subsidy agreement 2007-2015	76,500,000	76,495,066	87,200,000
Total subsidy agreement	**76,500,000**	**76,495,066**	**87,200,000**
Transfer 2010-2012/(2007-2009)	-9,121,700	0	-3,521,157
Total subsidy income	**67,378,300**	**76,495,066**	**83,678,843**
Earmarked contributions	268,366	450,000	69,194
Total programme funding	**67,646,666**	**76,945,066**	**83,748,037**

19 Income from Resource Mobilisation

The total Resource Mobilisation (RM) income for 2011 increased to EUR 23.2 mln. This was a very strong performance being a substantial increase of 36% on 2010.

The result was 94% of plan, the main shortfalls being in the Balkans which entered close down stage during the last quarter and is a disinvestment area, and in ESA where some substantial projects discussions were underway but were not closed off as at the end of the year. The global Project pipeline at the end of the year was healthy and it is expected that further growth in excess of 20% can be achieved in 2012.

20 Income from Externally Financed Programmes

Income from Externally Financed Programmes (EFP) related to programmes funded by the Ministry of Foreign Affairs, through embassies of the Kingdom of the Netherlands (known as DGIS programmes) and by other donors (third-party programmes). The income of externally financed programmes equals the expenses. Outstanding commitments and receivables are accounted for in the balance sheet. Management has determined that the income streams from Resource Mobilisation and Externally Financed programmes will be merged from the start of 2012 for administrative and reporting purposes, both relating to income generated externally in distinction to core subsidy.

21 Interest SNV programme

During the subsidy agreement period 2002–2006, SNV was allowed by the Ministry to add the interest earned to equity. As from the subsidy period commencing in 2007 SNV is permitted to add only the interest earned on cash and cash equivalents from the subsidy period 2002–2006 and from SNV's own capital (equity and special purpose reserve foreign exchange) to equity. The balance of interest earned is allocated to core subsidy. Of the total interests received of EUR 346,571, an amount of EUR 212,793 was added to equity in 2011. The interest earned was higher than budgeted owing to higher bank balances and higher interest rates during 2011.

Expenditures

22 Analysis of Expenditures

EUR	Realised 2011	Budget 2011	Realised 2010
Regions:			
Gross salaries	24,412,392	29,017,446	28,857,959
Social securities	1,929,423	1,639,318	2,951,500
Pension premiums	3,277,763	1,853,560	3,430,009
Staff costs and allowances	14,868,337	13,783,287	16,918,264
Travel and lodging	3,285,901	3,091,921	3,765,043
Other	948,614	1,826,009	5,369,758
Personnel costs	**48,722,430**	**51,211,541**	**61,292,533**
Depreciation	1,689,678	1,764,656	2,092,579
Facilities	6,239,440	7,148,328	4,583,073
LCBs	8,672,827	10,778,186	8,099,622
External advisory staff	3,253,792	3,583,870	2,643,178
Training	5,459,478	6,197,409	4,800,333
EFP	8,035,148	n.a.	8,106,978
Nepal programme	0	0	1,140,567
Other	8,868,756	7,844,755	4,471,549
Other costs	**42,219,119**	**37,317,204**	**35,937,879**
Total Regional spend	**90,941,549**	**88,528,745**	**97,230,412**
Head office:			
Gross salaries	2,716,783	5,821,944	3,497,798
Social securities	422,949	0	457,893
Pension premiums	784,184	0	1,017,508
Staff costs and allowances	1,585,142	560,800	1,390,074
Other	932,585	780,165	1,272,470
Personnel costs	**6,441,643**	**7,162,909**	**7,635,743**
Depreciation	94,622	102,000	138,925
Facilities	1,701,640	1,782,450	1,579,811
Short term support	1,632,015	2,352,587	2,248,306
Professional fees	548,068	674,740	939,990
Other	790,075	519,701	705,290
Other costs	**4,766,420**	**5,431,478**	**5,612,322**
Corporate Partnership	694,957	773,000	1,736,110
Corporate Programme	33,355	300,000	0
Corporate Knowledge Networks	254,321	225,000	0
Total Head Office	**12,190,697**	**13,892,387**	**14,984,175**
LLC US:			
Gross salaries	289,278	371,564	186,498
Social securities	8,819	0	0
Pension premiums	26,064	0	41,441
Other	49,491	47,500	130,610
Personnel costs	**373,652**	**419,064**	**358,550**
Depreciation	3,140	2,000	3,275
Other Operational Costs	234,054	229,215	249,830
Other costs	**237,194**	**231,215**	**253,105**
LLC US Core subsidy total	**610,846**	**650,279**	**611,655**
US Resource Mobilisation net spend	151,199	0	0
Total Non-regional spend	**12,952,742**	**14,542,666**	**15,595,830**
Total spend	**103,894,291**	**103,071,411**	**112,826,242**
Full-time Equivalents	**1,080**	**1,076**	**1,278**

Total expenditures using core subsidy and on RM programmes and EFP was EUR 103.9 mln, a decrease of EUR 8.9 mln (8%) against 2010 and an underspend of EUR 7.2 mln (7%) against plan (after adjusting for EFP income which was not included in plan numbers). Owing to the substantial restructuring, primarily in Africa, and the unplanned reimbursement of the associated costs, the actual compensation costs were lower than prior year and against budget.

Regional spend

Total regional spend includes all spend in portfolio, country and regional offices. The total spend was EUR 6.3 mln lower than in 2010, and EUR 5.6 mln below plan (after adjusting for EFP income which was not included in plan numbers), significant factors being the reduction in SNV staff of almost 200 during the year, EUR 2.4 mln lower than planned LCDF spend, and lower than planned LCB cost. The fact that the % of PP Days delivered by LCBs was much higher than expected at 123% of plan further underlines the fact that actual average cost per day of LCBs was below plan level.

Non-regional spend

Total non-regional spend includes HO activities, Corporate Partnerships, Knowledge networking, Washington LLC activities and net project spend on RM outside the regions (the corresponding revenue being included in RM income). HO expenditure was significantly lower than in 2010 by EUR 2.8 mln and also against budget by EUR 1.7 mln. This is the result of major cost saving efforts primarily through the reduction of consulting and short term support staff. Corporate Partnerships were also significantly lower than prior year, reflecting SNV's strategic move to focus on direct investment in the three chosen sectors.

Core subsidy usage by Washington LLC was slightly below prior year and managed to within 94% of plan. The business development activities carried out were successful in securing additional Resource Mobilisation revenues for the regions and revenue generated covered the Resource Mobilisation spend. Major multi-year grants and contracts secured from US donors in 2011 included:

- From the Bill & Melinda Gates Foundation (BMGF) for a Home Grown School Feeding program to be implemented in Kenya, Mali and Ghana and improve the livelihood of 78,000 farmers (USD 7.5 million)
- From the Ford Foundation for an Inclusive Business program in East Africa (USD 0.5 mln)
- From USAID with Winrock International for a project aiming to stimulate reduction in greenhouse gas emissions (REDD) to be implemented in Vietnam and Laos (USD 4 mln)
- From USAID with ACDI/VOCA for Victory Against Malnutrition Project in Burkina Faso (USD 0.4 mln)

Corporate Partnerships

Corporate partnership expenditures total 0.7 mln comprising EUR 0.3 mln for Fair Trade Labelling Organisation (FLO), EUR 0.1 mln for World Tourism Organisation (UWTO) and EUR 0.1 mln for the Global Alliance for Clean Cookstoves (UNICS) and 3 other smaller partnerships.

Fair Trade Labelling Organisation (FLO)

SNV and FLO have been collaborating since 2006 in a partnership providing support to producer groups in the South to access international fair-trade markets in the North, involving production chains such as coffee, cocoa, several kinds of nuts and rice. After a joint review of partnership activities during the period 2006-2008, both parties agreed to extend the partnership until 2011. Early 2009 a Memorandum of Understanding and an Activity Agreement was signed to provide a clear framework for year to year planning to achieve the joint objective of poverty reduction through producer empowerment and organisational capacity building. In this Activity Agreement, SNV made a commitment for an amount of EUR 0.9 mln over the following three year period. In 2011 the final payment of EUR 0.3 mln was made and no further commitments are expected in 2012.

World Tourism Organisation (UNWTO)

Since November 2004 UNWTO and SNV have worked in partnership. In 2011 the final payment of EUR 0.1 mln was made in respect of this partnership and no further commitments are expected in 2012.

United Nations (UNCC) Global Alliance for Clean Cookstoves

For a period of 16 months starting in September 2010 through until December 31, 2011 the United Nations Foundation and SNV are party to an agreement to support the founding and development of a Global Alliance for clean cook stoves. The Alliance will help develop consensus standards for clean stoves, map the field, support new business models, engage innovative financial partners, and carry out an advocacy campaign to raise the profile of the cook stove issue among global leaders and high-level stakeholders. SNV has contributed in support and in activities in several forms and in cash for a total amount of EUR 0.1 mln according to the agreement and an amount of EUR 0.1 mln is budgeted for 2012.

Audit and other service related fees

The Audit and other fees invoiced were as follows:

EUR		2011	2010
Audit of the Corporate Annual Report	PwC *	613,862	0
Audit of the Corporate Annual Report	Deloitte *	176,581	493,340
Other audit engagements	PwC 2011/Deloitte 2010	19,593	15,561
Fees for tax services	PwC	25,707	19,962
Fees other non-audit related services	Deloitte	0	193,011
		835,743	721,874

* In 2011 PwC took over from Deloitte as the external auditor

Remuneration Supervisory Board

Chairman	EUR 5,400 per annum
Vice Chairman	EUR 4,800 per annum
Other members	EUR 4,200 per annum

Remuneration Statutory Director and Managing Board Members

MB member	D Elsen	A Jenniskens	C Bickert	J Boekelman	A van den Ham	M Farkas
Period of service in 2011	Jan 1-Mar 30	Jan 1-Dec 1	Jan 1-Oct 27	Jan 1-Jan 31	Mar 30-Dec 31	May 15-Dec 31
	€	€	€	€	€	€
Gross salary	76,203	110,339	95,566	9,645	83,017	64,008
Holiday allowance 8%	6,096	8,827	7,645	772	6,641	5,121
End of year payment - nil	0	0	0	0	0	0
Remuneration on DG norm basis	82,299	119,166	103,211	10,417	89,659	69,128
Social security (employer)	4,178	6,567	5,969	597	4,559	4,775
Pension (employer)	15,723	22,722	8,617	869	9,649	6,207
Severance	134,957	146,250	0	0	0	0
Total remuneration 2011	237,157	294,705	117,797	11,883	103,867	80,110

All Managing Board salaries for 2011 were within the DG norm set by the Ministry of Foreign Affairs. This norm was EUR 141,083.67 for a 40-hour workweek, the contractual workweek for all Managing Board members.

The Gross salary of D Elsen covers a 7 month period of which the first three months of the year were in active service and the following four months were the contract cancellation period through to the end of July.

The newly appointed CEO Mr A. van den Ham receives from the 1st of December, 2011 an annual basic salary of EUR 118,584.

WOPT disclosure

The following information is presented in accordance with the requirements of the WOPT legislation (Wet openbaarmaking uit publieke middelen gefinancierde Topinkomens). The threshold for disclosure under WOPT was EUR 193,000 for 2011.

All the employees listed ended their employment with SNV during 2011.

	Start date	Basic pay	Pension (employer & employee)	Severance	Total
		€	€	€	€
Statutory Director	01/10/2002	114,722	24,024	134,957	273,703
Director	01/08/1987	133,352	33,306	146,250	312,908
Regional Strategy Advisor	16/12/1994	70,868	13,040	186,305	270,213
Advisor	15/09/1995	43,150	10,854	198,108	252,111
Advisor	01/01/1990	64,376	18,482	190,782	273,640
Advisor	01/05/1996	47,518	12,613	195,341	255,472
Advisor	01/01/1994	45,093	11,035	200,122	256,250

All the amounts include settlement of outstanding leave earned in prior years.

The severance amounts for Advisors were determined in accordance with the Social Plan agreed with the Trade Unions. The severance amount for the Director was determined by a court judgement late in 2011 and was paid in 2012.

Segmentation

SNV activities take place in five regions: Asia, the Balkans, East and Southern Africa, Latin America, and West and Central Africa. The major balance sheet items and statement of income and expenditure items may be segmented as follows (in EUR):

	Asia	Balkans	East and South Africa	Latin America	West and Central Africa	Total Regions	Head Office	SNV Foundation Total	Washington DC	Total SNV
Balance sheet items:										
Tangible fixed assets	136.444	120.407	1.301.448	473.139	880.548	2.911.986	123.392	3.035.378	1.126	3.036.504
Long-term receivables	21.134	8.758	51.056	41.980	110.468	233.396	9.415	242.811		242.811
Long-term receivables programmes		508.075	4.475.168		1.289.540	6.272.784		6.272.784		6.272.784
Short-term receivables programmes	3.605.232	403.476	1.008.567	17.049	2.266.369	7.300.692		7.300.692		7.300.692
Short-term receivables	995.177	184.822	929.500	1.475.235	783.937	4.368.671	1.230.841	5.599.512	135.148	5.734.659
Cash & cash equivalents	6.225.429	5.089.189	5.001.220	4.504.775	2.436.866	23.257.479	42.864.435	66.121.914	1.688.818	67.810.732
Total assets	**10.983.416**	**6.314.727**	**12.766.960**	**6.512.178**	**7.767.727**	**44.345.008**	**44.228.083**	**88.573.091**	**1.825.092**	**90.398.183**
Capital base	1.940.401	1.446.653	2.286.625	2.261.828	-274.695	7.660.812	18.372.682	26.033.494	15.036	26.048.529
Provisions						0	1.196.845	1.196.845		1.196.845
Long-term payables						0	6.493.491	6.493.491		6.493.491
Long-term commitments programmes		520.462	4.740.046		1.810.429	7.070.937		7.070.937		7.070.937
Short-term commitments programmes	6.155.216	319.296	1.381.472	66.200	2.390.798	10.312.982		10.312.982		10.312.982
Short-term debts	2.887.799	4.028.316	4.358.816	4.184.150	3.841.196	19.300.277	18.165.065	37.465.343	1.810.057	39.275.400
Total liabilities	**10.983.416**	**6.314.727**	**12.766.960**	**6.512.178**	**7.767.727**	**44.345.008**	**44.228.083**	**88.573.091**	**1.825.092**	**90.398.183**
Statement of Financial Performance										
Ministry of Foreign Affairs contribution	9.533.039	4.737.755	22.853.784	5.310.461	19.752.501	62.187.539	8.724.701	70.912.241	610.846	71.523.087
Resource Mobilisation	4.812.916	2.174.756	5.915.537	5.357.171	4.762.648	23.023.028		23.023.028	182.117	23.205.145
Project income	3.547.158	346.461	2.617.771	702.456	821.302	8.035.148		8.035.148		8.035.148
Financial income	11.247	6.101	18.706		10.019	46.073	298.975	345.048	1.523	346.571
Total income	**17.904.360**	**7.265.072**	**31.405.798**	**11.370.087**	**25.346.471**	**93.291.789**	**9.023.676**	**102.315.465**	**794.486**	**103.109.951**
Personnel Costs	8.797.786	3.662.020	19.728.987	4.612.058	17.062.633	53.863.483	6.706.569	60.570.052	373.652	60.943.704
Operational Costs	7.147.167	2.682.588	9.961.528	5.642.856	9.112.133	34.546.273	4.558.610	39.104.883	371.465	39.476.348
Partnership costs		1.582	1.499.997	0	215	1.501.795	694.603	2.196.397	16.928	2.213.325
LCDF	389.999	290.646	266.206	0	83.148	1.029.999	230.915	1.260.914		1.260.914
Expenditure SNV programme	**16.334.952**	**6.636.836**	**31.456.719**	**10.254.914**	**26.258.129**	**90.941.549**	**12.190.697**	**103.132.246**	**762.045**	**103.894.291**
Balance income and expenditure	1.569.408	628.237	-50.920	1.115.173	-911.658	2.350.240	-3.167.020	-816.781	32.441	-784.340

Balance sheet SNV foundation after appropriation of balance of income and expenditure. *

	Notes	2011		2010	
Assets (in EUR)					
Tangible fixed assets	1				
Buildings, renovation and terrain		682,952		776,904	
Vehicles		1,331,145		2,019,451	
Equipment		784,295		1,037,109	
Other inventory		132,285		180,309	
Assets in transition		104,701		16,717	
Subtotal			3,035,378		4,030,490
Financial fixed assets					
Participation			15,036		0
Long-term receivables					
Deposits	2		242,811		280,127
Long-term receivables programmes					
DGIS programmes	3	0		3,817,197	
Third-party programmes		6,272,784		2,790,790	
Subtotal			6,272,784		6,607,987
Short-term receivables programmes	3				
DGIS programmes		3,971,013		4,979,277	
Third-party programmes		3,329,679		2,429,572	
Nepal programmes		0		2,442	
Subtotal			7,300,692		7,411,291
Short-term receivables					
Ministry of Foreign Affairs	15	817,939		1,538,147	
Debtors		867,223		1,993,752	
Prepayments and accrued income	4	2,773,539		2,849,833	
PRM contracts prefinanced by SNV	5	1,140,812		293,051	
Subtotal			5,599,512		6,674,783
Cash and cash equivalents	6				
SNV programme		61,611,487		48,419,673	
DGIS programmes		2,781,034		865,429	
Third-party programmes		1,729,393		1,022,766	
Nepal programmes		0		3,161	
			66,121,914		50,311,029
Total			**88,588,127**		**75,315,707**

* The Balance Sheet SNV Foundation represents the consolidated numbers excluding LLC US.
The Segmentation Table on page 50 shows the reconciliation with the Corporate SNV balances.

	Notes	2011		2010	
Liabilities (in EUR)					
Capital base					
Equity	7	9,018,261		8,805,468	
Special purpose reserve foreign exchange	8	970,495		970,495	
Invested capital in fixed assets	9	3,036,504		4,033,637	
Special purpose fund tax claims	10	13,023,269		13,023,269	
Subtotal			26,048,529		26,832,869
Provisions					
Participation		0		17,405	
Orientation Leave	11	1,046,026		1,125,382	
Subtotal			1,046,026		1,142,787
Long-term payables					
Pre-received earmarked contributions	12		6,644,310		6,833,320
Long-term commitments programmes	13				
DGIS programmes		134		4,289,592	
Third-party programmes		7,070,803		3,073,304	
Subtotal			7,070,937		7,362,896
Short-term commitments programmes					
DGIS programmes	13	6,473,040		5,523,185	
Third-party programmes	13	3,839,942		3,181,687	
Nepal programmes		0		263	
Subtotal			10,312,982		8,705,135
Short-term debts					
Provision for Orientation Leave	11	100,000		100,000	
Pre-received earmarked contributions	12	100,000		100,000	
PRM contracts prefinanced by donors	5	10,703,170		4,457,377	
Ministry of Foreign Affairs Subsidy	14	14,121,700		1,272,251	
Creditors		1,305,547		3,692,552	
Provisions for severance	15	1,551,665		937,939	
Accrued expenses	16	8,136,534		11,097,546	
Taxes and social security premiums		972,993		858,890	
Pensions	17	473,734		1,922,145	
Subtotal			37,465,343		24,438,700
Total			**88,588,127**		**75,315,707**

* The Balance Sheet SNV Foundation represents the consolidated numbers excluding LLC US.
The Segmentation Table on page 50 shows the reconciliation with the Corporate SNV balances.

Statement of financial performance SNV foundation *

EUR **Income**	Notes	Realised 2011	Budget 2011	Realised 2010
Subsidy income	18	66,767,454	75,844,787	83,087,907
Release WCA/ESA severance	15	0	615,312	1,538,147
Release Social Plan	15	3,876,421	0	
Earmarked contributions	11/12	268,366	450,000	69,194
Nepal programmes		0	0	1,140,567
Ministry of Foreign Affairs		70,912,241	76,910,099	85,835,815
Resource mobilisation	19	23,023,028	24,797,210	17,018,998
Externally Financed Programmes (EFP)	20	8,035,148	n.a.	8,106,978
Total external income		31,058,176	24,797,210	25,125,976
Interest SNV programme	21	345,048	121,650	160,857
Total income		**102,315,465**	**101,828,959**	**111,122,648**
Expenditure				
Regions	22	79,029,980	87,913,434	86,444,720
ESA/WCA severance	15	0	615,312	1,538,147
Release social plan	15	3,876,421	0	0
		82,906,401	88,528,746	87,982,867
Nepal programmes		0	0	1,140,567
Externally Financed Programmes	20	8,035,148	n.a.	8,106,978
Total regional spend	22	90,941,549	88,528,746	97,230,412
			0	
Head office	22	10,939,698	12,144,386	13,178,871
Earmarked contributions	11/12	268,366	450,000	69,194
Corporate Partnerships/ Knowledge Networking	22	982,633	1,298,000	1,736,110
Total non-regional spend		12,190,697	13,892,386	14,984,175
Total expenditure		**103,132,246**	**102,421,132**	**112,214,587**
Result Participation		32,441	0	-20,719
Balance income and expenditure		**-784,340**	**-592,173**	**-1,112,658**
Attributable to:				
Equity		212,793	100,000	82,506
Invested capital in fixed assets		-997,133	-692,173	-1,195,164
		-784,340	-592,173	-1,112,658
Balance income and expenditure after appropriation		**0**	**0**	**0**

* The Statement of Financial Performance SNV Foundation represents the consolidated numbers excluding LLC US. The Segmentation Table on page 50 shows the reconciliation with the Corporate SNV balances.

Cash flow statement SNV foundation *

EUR	2011	2010
Total Ministry of Foreign Affairs	70,912,241	85,835,815
Resource mobilisation	23,023,028	17,018,998
Externally Financed Programmes	8,035,148	8,106,978
Total Expenditure	-103,132,246	-112,214,587
Received Interest	132,255	78,351
Share of interest in participation	32,441	
Cash flow operating activities	-997,133	-1,174,445
Depreciation	1,784,302	2,231,504
Increase/(Decrease) in provision for doubtful debts	0	220,781
Increase/(Decrease) in Long Term payables and provisions	-268,366	1,268,745
Increase/(Decrease) in commitments programmes	1,315,888	-7,722,676
Increase/(Decrease) in Short Term payables	13,026,642	3,813,110
(Gains)/losses on sale of tangible fixed assets	-519,182	-305,844
(Increase)/Decrease in receivables	1,558,389	11,428,302
Non-cash movements	**16,897,673**	**10,933,922**
Net cash flow from operating activities	**15,900,540**	**9,759,477**
Purchase of tangible fixed assets	-841,325	-1,090,657
Proceeds from sale of tangible fixed assets	571,318	356,886
(Increase) in participation	-32,441	
Net cash flow from investing activities	**-302,448**	**-733,771**
Received Interest	212,793	82,506
Cash flow from financing activities	**212,793**	**82,506**
Net cash flow	**15,810,885**	**9,108,212**

* The Cash Flow statement SNV Foundation represents the consolidated numbers excluding LLC US.

Notes to the annual accounts of SNV foundation

Reporting entity:

The annual accounts of SNV Foundation are included in the consolidated annual accounts of SNV.

General accounting principles for the preparation of the financial statements:

The company financial statements have been prepared in accordance with RJ 640 accounting standards. For the general principles for the preparation of the financial statements, the principles for valuation of assets and liabilities and determination of the result, as well as for the notes to the specific assets and liabilities and the results, reference is made to the notes to the consolidated financial statements, if not presented otherwise hereinafter.

Significant accounting policies:

Financial Fixed Assets

Participations in group companies in which significant influence is exercised on the business and financial policy, are valued in the balance sheet of SNV Foundation under the net equity value, but not lower than nil. This net asset value is based on the same accounting principles as applied by SNV.

As per the 1st of January 2009 a Limited liability Company (LLC) was founded in Washington DC. SNV has a 100% participation in this LLC US. Located in Washington DC, the LLC US was set up to provide relationship management support to all regions in expanding partnerships with multilateral and bilateral organisations, corporations, foundations and other entities in coordination with other offices. The goal of these strategic partnerships is to diversify resources, increase visibility and thus expand the scale and impact of SNV's work.

The consolidated financial statements of SNV as at and for the year ended 31 December 2010 comprise SNV foundation and its participation in LLC US.

Profit of participating interests

The share of profit of participating interests consists of the share of SNV (100%) in the results of these participating interests.

Note on planned developments

It is intended during 2012 to establish in the US a 501(c)3 public charity foundation in the US to take over the resource mobilisation activities carried out during 2011 and earlier by LLC US.

The Hague, 15 June 2012

Supervisory Board	**Managing Board**
Mr A. Arnold	Mr A.P. van den Ham
Mrs E.D.H Vinke-Smits	Mr M. Farkas
Mr J.C. Huis in 't Veld	
Mr B. ter Haar	
Mrs M. van Reisen	

Independent auditor's report

To: the Supervisory Board of SNV Netherlands Development Organisation

We have audited the accompanying financial statements 2011 of SNV Netherlands Development Organisation, The Hague, which comprise the consolidated and foundation balance sheet as at 31 December 2011, the consolidated and foundation statement of financial performance, and the foundation cash flow statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Furthermore, the management board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the foundation's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the management board, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SNV Netherlands Development Organisation as at 31 December 2011, and of its result for the year then ended in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board. Furthermore, in our opinion the expenditures accounted for in the statements of financial performance meet the requirements of legitimacy as defined in the funding agreement dated September 13, 2006 between SNV Netherlands Development Organisation and the Dutch Ministry of Foreign Affairs.

Amsterdam, 15 June, 2012
PricewaterhouseCoopers Accountants N.V.

Original signed by H.A. Wink RA

Constitution of Supervisory Board

Mr A. Arnold, Chairman of the Supervisory Board and Member of the Remuneration and Selection Committee (as from 17 August 2011)
Independent Director/Advisor
Since 2009: holds various independent, non-executive board positions in financial institutions and investment funds, which invest, in particular in Africa.
1968 – 2008: Former CEO of FMO, President and CEO of WOCCU, Executive positions at the Rabobank Group and at ABNAMRO.

Date of birth	20 July 1946
Nationality	Dutch
Takes seat as from	17 August 2011
Assigned until	17 August 2015

Mr J.C. Huis in 't Veld, Member, Vice Chairman of the Supervisory Board, Chairman of the Remuneration and Selection Committee (as from 1 January 2012)
Former Chairman of the Executive Board of TNO and DHV. Currently he is holding various nonexecutive board positions, among others at Ballast Nedam NV and EON Benelux *Holding B.V., N.V. Science Port Holland.*

Date of Birth	11 September 1947
Nationality	Dutch
Takes seat as from	1 December 2011
Assigned until	1 December 2015

Mrs E.D.H Vinke-Smits, Member, Chair of the Audit Committee (as from 1 January 2012)
Audit Partner of KPMG and mentor of the Women's World Banking Leadership Programme (WWB).

Date of Birth	6 April 1970
Nationality	Dutch
Takes seat as from	1 December 2011
Assigned until	1 December 2015

Mr B. Ter Haar, Member, Member of the Audit Committee
Director General Participation and Income Guarantee, Ministry of Social Affairs and Employment

Date of Birth	10 November 1955
Nationality	Dutch
Takes seat as from	1 January 2012
Assigned until	1 January 2016

Mrs M. van Reisen, Member
Professor of International Social Responsibility at Tilburg University

Date of Birth	26 July 1962
Nationality	Dutch
Takes seat as from	20 April 2012
Assigned until	20 April 2016

Former Supervisory Board

Mr L.J. de Waal, Chairman and member of the Remuneration Committee:
Director Humanitas and various commissioner posts, among others ING, IRC, Morocco Fund and PGGM.

Date of birth	04 November 1950
Nationality	Dutch
Takes seat as from	25 November 2005 (re-elected in 2008)
Assigned until	30 March 2011 (resigned)

Mr E.J.F.A. de Haas, Chairman of the Audit Committee and Vice Chairman of the Supervisory Board until 17 August 2011: Former director of Audit Services Dutch Ministry of Foreign Affairs and member of the Audit Board, Court of Justice Zwolle.

Date of birth	12 June 1944
Nationality	Dutch
Takes seat as from	1 July 2009
Assigned until	31 December 2011 (resigned)

Mr. de Haas was acting chairman of the Supervisory Board from 30th March 2011 until 17 August 2011.

Other members:
Mrs F. J. Leeflang – Member, Member Audit Committee
Partner Boekel de Nerée N.V.

Date of birth	2 May 1969
Nationality	Dutch
Takes seat as from	1 July 2008
Assigned until	1 July 2011 (resigned)

Mr G.E. Hartman – Member, Member Audit Committee
Co-founder and chair of NOTS Foundation and Stichting Nationale Goede Doelen (Foundation for Dutch Charities).

Date of birth	7 January 1962
Nationality	Dutch
Takes seat as from	1 July 2008
Assigned until	1 July 2011 (resigned)

Mrs D.J.M. Hilhorst – Member, Member of the Remuneration Committee
Professor of Humanitarian Aid and Reconstruction at Wageningen University.

Date of birth	28 September 1961
Nationality	Dutch
Takes seat as from	1 July 2008
Assigned until	1 July 2011 (resigned)

Mrs P.F. Hoogerwerf – Member, Member of the Remuneration Committee
Director Veleda Consultancy for non-profit and governmental institutions.
Member of the City Council of Amsterdam (until mid-March)

Date of birth	6 June 1969
Nationality	Dutch
Takes seat as from	1 July 2008
Assigned until	31 December 2011 (resigned)

Constitution of Managing board

Statutory Director and Chief Executive Officer

Mr A.P. van den Ham (assigned as from 30 March 2011)

Managing Director Finance and Human Resources

Mr M. Farkas (assigned as from 15 May 2011)
Board Member of Aerzte ohne Grenzen (Doctors without Borders) Germany, Advisor of the Foundation 'Veritas Beheer' and board member of the Foundation 'Veritas Eigen Huis'. All these activities are unpaid.

Former Managing Board

Mr T.J.H. Elsen, Chief Executive (assigned until 30 March 2011)

Ms A.M.F. Jenniskens, Managing Director Regional Operations (assigned until 1 December 2011)

Ms S.C. Bickert, Managing Director Business Development (assigned until 1 September 2011)

Mr. A.J Boekelman, Managing Director Finance and Human Resources (assigned until 31 January 2011)

Abbreviations

ABN Amro	Dutch financial institution
ACDI/VOCA	Agricultural Cooperative Development International/ Volunteers in Overseas Cooperative Assistance
APF	Agri-ProFocus
AusAID	Australian agency for international development
BMGF	Bill and Melinda Gates Foundation
BMU	German Ministry for Environment affairs
BoP	Base of pyramid
CEO	Chief Executive Officer
CKN	Corporate knowledge networks
CLA	Collective Labour Agreement
CNN	Cable News Network
COP17	The 17th Conference of the Parties to the United Nations Framework Convention on Climate Change
CordAid	Catholic Organisation for Relief & Development Aid
CLTS	Community Led Total Sanitation
CO2	Carbon dioxide
CV	Curriculum vitae
DANIDA	Danish international development agency
DC	SNV office in Washington DC
DFID	Department for international development (UK)
DGIS	Directorate-general for international cooperation (Netherlands)
ECDPM	European centre for development policy management
EFP	Externally Financed Project
EKN	Embassy of the kingdom of the Netherlands
ESA	East and Southern Africa
EU	European Union
FD extra	Dutch financial daily newspaper
FLO	Fairtrade labelling organisation
FMO	Finance for development
FTE	Full-time equivalent
GfE	Governance for Empowerment
HIVOS	Humanist institute for development cooperation
HO	Head office
HR	Human Resources
HVAP	High value agriculture programme
IAU	Internal Audit Unit
IB	Inclusive business
ICCO	Interchurch organisation for development cooperation
IDB	Inter-American development bank
IIAS	Impact Investment Advisory services
ING	Dutch financial institution
IOB	Inspectie ontwikkelingssamenwerking en beleidsevaluatie
IRC	International water and sanitation centre (Netherlands)
IS	International Cooperation magazine
LA	Latin America
LCB	Local capacity builder
LCDF	Local capacity development facilities
LLC	Limited Liability Company
M4P	Making Markets Work Better for the Poor
MfR	Managing for results
NGO	Non-governmental organisation

NRC	Dutch national newspaper
NORAD	Norwegian Agency for Development Co-Operation
NOTS	Not One The Same Organisation
Oxfam-Novib	Oxford Committee for Famine Relief - Netherlands Organisation for the international development cooperation
PGGM	Pension fund: Pensioenfonds Gezondheid, Geestelijke en Maatschappelijke Belangen
PIE	Production, income and employment
PME	Planning, monitoring and evaluation
PP	Primary process
PRIA	Participatory Research in Asia
PRM	Partnership and Resource Mobilisation
PWC	Price Waterhouse Coopers
REDD	Reduced emissions from deforestation and degradation
RE	Renewable Energy
RM	Resource mobilisation
RSMIPF	Raising Income for small and medium farmers' Project
RTL	Radio Television Luxembourg
SIDA	Swedish international development cooperation agency
SME	Small and medium enterprise
TNO	Netherlands organisation for the applied scientific research
UN	United Nations
UNDP	United Nations Development Programme
UNICEF	United Nations Children’s Fund
UNWTO	United Nations World Tourism Organisation
USA	United States of America
USAID	United States Agency for International Development
VOSD	Vocational Skills Development training
WASH	Water, sanitation and hygiene
WCA	West and Central Africa
WOCCU	World Council of Credit Unions
WOPT	Public Disclosure Act Funded Top Incomes