

SNV



SNV Annual Report and Annual Accounts 2019

We lift up incomes and access to basic services

We make a lasting difference in the lives of people living in poverty, helping them raise incomes and access basic services. Driven by the Sustainable Development Goals, we are dedicated to a society in which all people are free to pursue their own sustainable development and no one is left behind. This commitment to equity directs us to focus on gender and youth.

We apply our know-how to deliver results at scale

Local presence and know-how to realise effective solutions

We apply practical know-how to support people living in poverty. By connecting our global expertise with our extensive and longstanding in-country experiences, we help realise locally owned solutions. And we do so in more than 25 countries worldwide.

Expertise in three sectors

We are experts in agriculture, energy, and water, sanitation and hygiene (WASH). Our services include advice, brokering and stakeholder engagement, advocacy, fund management, results-based financing and delegated management.

Impact through direct results and systems change

Our projects directly benefit millions of people. At the same time, our projects also drive systems change – strengthening institutions and kick-starting markets to help many more people work their way out of poverty, well beyond the scope of projects.

We commit to operational excellence

We are proud to be a not-for-profit organisation, implementing our mission exclusively through project financing. This requires us to work efficiently and to invest in operational excellence every day.

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SNV improved
the lives of
6.3 million
people living
in poverty.

Message from the Supervisory Board



As it entered a new strategy period, SNV saw a strong growth in revenues and in order intake in 2019.

The Supervisory Board appreciates the improvements in uniformity and conformity of project execution. This enabled SNV to realise a small positive net result while generating its income entirely from projects. And first and foremost it enabled SNV to realise its lasting solutions. Not only did we see a year-on-year increase in the number of lives that SNV improved, we also noted how SNV brought about systems change to address underlying causes of poverty.

As SNV enters the corona pandemic period, the organisation is experiencing high levels of trust from the communities, governments, firms, and partners it works with and the donors that finance SNV's projects.

The Supervisory Board would like to express its gratitude to all who worked to create impact at scale. The commitment and professionalism of staff members around the globe continues to be an inspiration in these turbulent times.

KOOS RICHELLE, CHAIRMAN

ON BEHALF OF THE SUPERVISORY BOARD
JUNE 2020

Message from the CEO


This Annual Report looks back on 2019, which was a very successful year for SNV Netherlands Development Organisation. The world has changed since the end of 2019 and SNV is changing with it.

The COVID-19 crisis makes our work in helping people living in poverty to raise their incomes and access basic services even more imperative. 2020 will be the first year since 1998 that the global rate of poverty increases. The millions of people who are living in poverty face the greatest risk of the COVID-19 pandemic and the economic crisis it triggers. We are continuing to provide practical know-how to make a lasting difference. We do this in new and innovative ways. We adapt in small ways – by implementing our activities while social distancing – and in big ways – by adjusting our projects to support governments and companies in these challenging times.

2019 feels like a distant past. Still, it is important to pause and celebrate the success we had. We helped to improve the lives of 6.3 million people living in poverty through increased incomes and access to basic services. This is a significant increase from prior years, which is no surprise as our programmes are growing.

I remain convinced that our most important impact is not just in our direct results but in how we change systems from within. Our explicit focus on systems change means that our projects help many more people work their way out of poverty, well beyond the scope of projects.

This is why we made systems change a central tenet of our 2019-2022 Strategic Plan. In this annual report, you can read how our projects influence markets and governance processes to function better by kickstarting markets, supporting governments and other actors to improve their service delivery, and improving government and market accountability. These examples show how our local know-how and on-the-ground engagement of our teams in combination with our top-notch international knowledge create lasting solutions.



We lift up
incomes and
access to basic
services

I am also proud of how SNV continued to improve itself in 2019. We transcribed our tacit sector knowledge. We managed our portfolio more proactively thanks to better and more timely data. We introduced a new performance management system. We streamlined our annual planning and reporting cycle including regular hard-close exercises. These investments in operational excellence helped us realise a positive financial net result in 2020. Ultimately, they helped us achieve our impact on the ground.

SNV went into the uncertainty of the corona pandemic and the immense socio-economic shifts it causes from a position of strength. SNV is well-positioned to help communities respond to the crisis and become more resilient. Our long-term presence in over 25 low-income and lower-middle-income countries means we acted quickly and customised our



approaches to local circumstances. Indeed, in the past three months, as the pandemic moved through the countries we work in, first in Asia and then in Africa and Latin America, our teams remained operational in all countries we call home.

I am deeply impressed by how our teams are creative in continuing to work with communities, firms, local civil society and governments while physically distancing in order to protect our communities, staff, and partners.

We will need this creativity and stamina in the remainder of 2020 and beyond. As the crisis evolves, so will our approaches. We ensure the continued delivery of our existing project interventions. We work with our donors to assess implications of the pandemic and adjust our projects. We will design new projects to mitigate the deep impact of the corona crisis. In its 54-year history, SNV has shown tremendous agility. We have renewed ourselves and will do so again.

2019 was an exceptional year. 2020 will be exceptional in a different way. SNV will continue to work towards a society in which all people are free to pursue their own sustainable development and no one is left behind.

MEIKE VAN GINNEKEN, CHIEF EXECUTIVE OFFICER

ON BEHALF OF THE MANAGING BOARD



SNV provides
local know-how
**for lasting
solutions.**

SNV in 2019

In 2019, SNV helped improve the lives of **6.3 million people** living in poverty through increased incomes and access to basic services. At the same time, we made significant contributions to systems change in five countries.

2019 was the first year of implementing our new 2019-2022 Strategic Plan. Our results were in line with the targets we set to improve the lives of 20 million people and to significantly contribute to systems change in the agriculture, energy and WASH sectors in 21 countries from 2019 to 2022. We also made considerable steps towards operational excellence and solidifying our position as a global premium development organisation with a strong local presence.

Our footprint

In 2019, we worked in 29 countries in Asia, Africa and Latin America. We have been in most of these countries for many years, have built long-term partnerships and speak the language – literally and figuratively. Our portfolio in Sub-Saharan Africa remains the largest, comprising of 78% of expenditure and 76% of 2019 order intake.

In 2019, the number of staff worldwide increased by five percent and at the end of 2019 we were 1,373 people strong. This team of specialists and generalists, nationals and internationals, males and females, young and more seasoned colleagues are the backbone of SNV. Our staff expanded fastest in East and Southern Africa. Six percent of our team is based in The Netherlands, the country where SNV was established 54 years ago.

Our approach

We apply practical know-how to support people living in poverty. We attained agriculture results in 21 countries, energy results in 13 countries and WASH results in 17 countries. We constantly renew our expertise with innovative global

knowledge and lessons learned from practice. This adds to our value proposition and distinguishes us from local service providers. We use our extensive on-the-ground track record to apply and adapt our expertise to local contexts – which distinguishes us from global consultancy firms.

Our long-term in-country presence is the basis of our local credibility and our alliance building with and between stakeholders. We extensively collaborate with partners that complement and re-energise us, such as knowledge institutes, private consultancy firms, and non-governmental organisations. We invest in market-based approaches and work extensively with the private sector. We are a trusted partner to local and national governments.

We create impact through direct results and systems change. Our projects directly benefit millions of people. At the same time, our projects also drive systems change – strengthening institutions and kickstarting markets to help many more people work their way out of poverty. We thus sustain and expand the impact of these projects for the years to come. This annual report outlines how we significantly contributed to systems change in some countries whilst sowing the seeds for systems change in many others.

Our sectors: agriculture, energy and WASH

Our continued focus on agriculture, energy, and WASH allowed us to deepen the quality of our work. Many of our projects span across sectors and have an integrated approach to sustainable development.

“We change by doing and our direct results and contributions to systems change are intrinsically linked. Together, they create sustainable and large-scale impact.”



Our agriculture programme helped improve the lives of 2.0 million people in 2019. The SNV agriculture programme contributes to the Sustainable Development Goals (SDGs) through a private sector, market-based and innovation-driven approach. In 2019, our projects supported 1.7 million people through increased income. SNV integrates its interventions across agriculture value chains, nutrition and climate adaptation. Our food and nutrition security programme matured in 2019 and improved food access and nutrition security for 0.3 million people.

In 2019, 25,000 young people gained new employment through SNV projects. In this report, we highlight how the government of Ethiopia incorporated the use of Farmer Field Schools and the development of commercially-viable spray services in its horticulture policy, how SNV supported Ghana to become an exporter of quality produce, and how SNV helped to transform dairy sector in Kenya and Uganda. Our intake of new projects in agriculture exceeded expectations so we project continued growth of our agriculture portfolio.

We stepped up on our climate and business programme. Among others, we entered a consortium to manage the Dutch Fund for Climate and Development. The bulk of impacts will be created in years to come. In 2019, we helped make the livelihoods of 27,000 people more climate resilient.

Our energy programme helped improve the lives of 1.2 million people and reduced greenhouse gas emissions by close to 600,000 tonnes. The SNV energy programme contributes to the SDG 7 target to ensure access to affordable, reliable, sustainable and modern energy for all. Our project focus on providing people with off-grid electricity, clean cookstoves, and biogas. In addition to these direct benefits, our energy portfolio helped develop sustainable energy

markets. Our intake of new projects in energy was on target.

Our WASH projects reached 3.1 million people in 2019. Our projects resulted in 2.0 million people gaining access to, and use of, sanitation, and 0.9 million people gaining access to basic drinking water supply services. In addition, close to 0.7 million people commenced handwashing with soap. Our commitment to leaving no one behind translates to a focus on universal access with an explicit focus on schools, health facilities and last mile service provision. Our contribution to SDG 6 (ensuring availability and sustainable management of water and sanitation for all) goes well beyond the number of people who benefit directly from our projects. Our projects supported the development of public institutions and built markets that will ultimately provide many more people with WASH services. A good example of this is the way in which our support to effective local organisations and new financing mechanisms underpinned a steep increase in reliability of rural water supply services in Ethiopia. We continue to deepen our work on small towns and city-wide urban sanitation services. For instance, SNV contributed to systems change in Bangladesh by introducing city-wide sanitation including a sanitation tax to leverage finance. This created a new normal for sanitation in the city of Khulna that other municipalities are now starting to replicate. The intake of new projects in WASH was below target and needs more attention.

Changing the systems which trap people in poverty

Only by changing underlying systems, can we break the low-income poverty trap that millions of people find themselves trapped in. This is why we design and manage our projects so they do not just deliver direct results, but also contribute to systems change to create sustainable, large-scale impact. SNV significantly contributed to systems change in five

countries in 2019 and supported systems change in many more.

Our on-the-ground presence and top notch international knowledge helped kickstart markets and services, ranging from dairy and vegetables, to cookstoves and solar systems, to desludging of latrines and septic tanks. In doing so, we leveraged additional financial resources for companies and governments. We work closely with governments and others. Our approaches are often adopted by others and become the new norm. We do not only influence governments and the private sector to change their behaviours. We also work at the household level on behaviour change – whether on hygiene, nutrition, use of cookstoves, or gender roles within the household. SNV helps generate credible data on climate and natural resources, prices of food, energy and water service delivery, food safety and nutrition and to build the capacity of civil society to use data to advocate and hold leaders accountable. Informed customers can pressure private enterprises and public service providers to improve goods and services and deliver value for money. The ultimate test of our success is when we create a new normal in which all people can pursue their own sustainable development.

A focus on evidence and learning

SNV is a global, premium organisation with strong local presence. In 2019, we invested in subscribing our tacit knowledge in agriculture, energy and WASH. Our decentralised set-up and the vast majority of our staff residing in Asia, Africa and Latin America remain our distinctive feature. We constantly learn about what works and what does not work. This enables us to adapt our global know-how to local contexts. It also enables us to adapt interventions during implementation as circumstances change. SNV actively contributed to the global body of knowledge on sustainable development.



We bring a field perspective and hands-on experience in implementing innovative solutions at scale. Our knowledge agenda is a two-way street where we also invite other development and research agencies to contribute to our programmes and knowledge products.

Increase in income and working towards a sustainable break-even

2019 was another year of growth. Our consolidated income grew to €142M. This was above the set target of €137M and represents a 15% year-on-year increase. The majority of our projects are financed through grants from public development agencies. We increasingly also implement service contracts with governments, multilateral donors, and other entities.

We signed €184M worth of new contracts in 2019. With this, we exceeded our annual target of €170M. The agriculture sector accounted for 76% of the total 2019 order intake, WASH for 3%, and energy for 21%.

Our net result was €0.3M. This positive result is the result of our increased focus on uniformity and conformity in the execution of our projects.

Looking forward

As this annual report goes to press, the world is in the middle of the COVID-19 pandemic. The pandemic is a health crisis, a food crisis, and a socio-economic crisis in one. Our work will only become more relevant given the challenges the countries we work in are facing. In the coming years, we will continue to blend our global agriculture, energy, and WASH expertise and local know-how to lift 20 million people's incomes and access to basic services. While creating these direct results, we will more explicitly focus on systems change. We will continue to invest in our people, in know-how and in the primary process of project implementation in order to bring SNV to the next level.

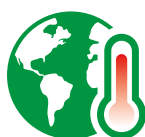
2019 in numbers

The quality of life improved of **6.3 million people**

Agriculture



1,748,000
people with
increased
income



27,000
people with
increased
resilience to
climate change



328,000
people with
increased
food and nutrition
security

Energy



61,000
people with
access to
biodigesters



448,000
people with
access to
improved
cookstoves



691,500
people with
access to
off-grid solar



25,000
young women and
men have improved
(self) employment

WASH



2,039,000
people who gained
access to (at least)
basic sanitation

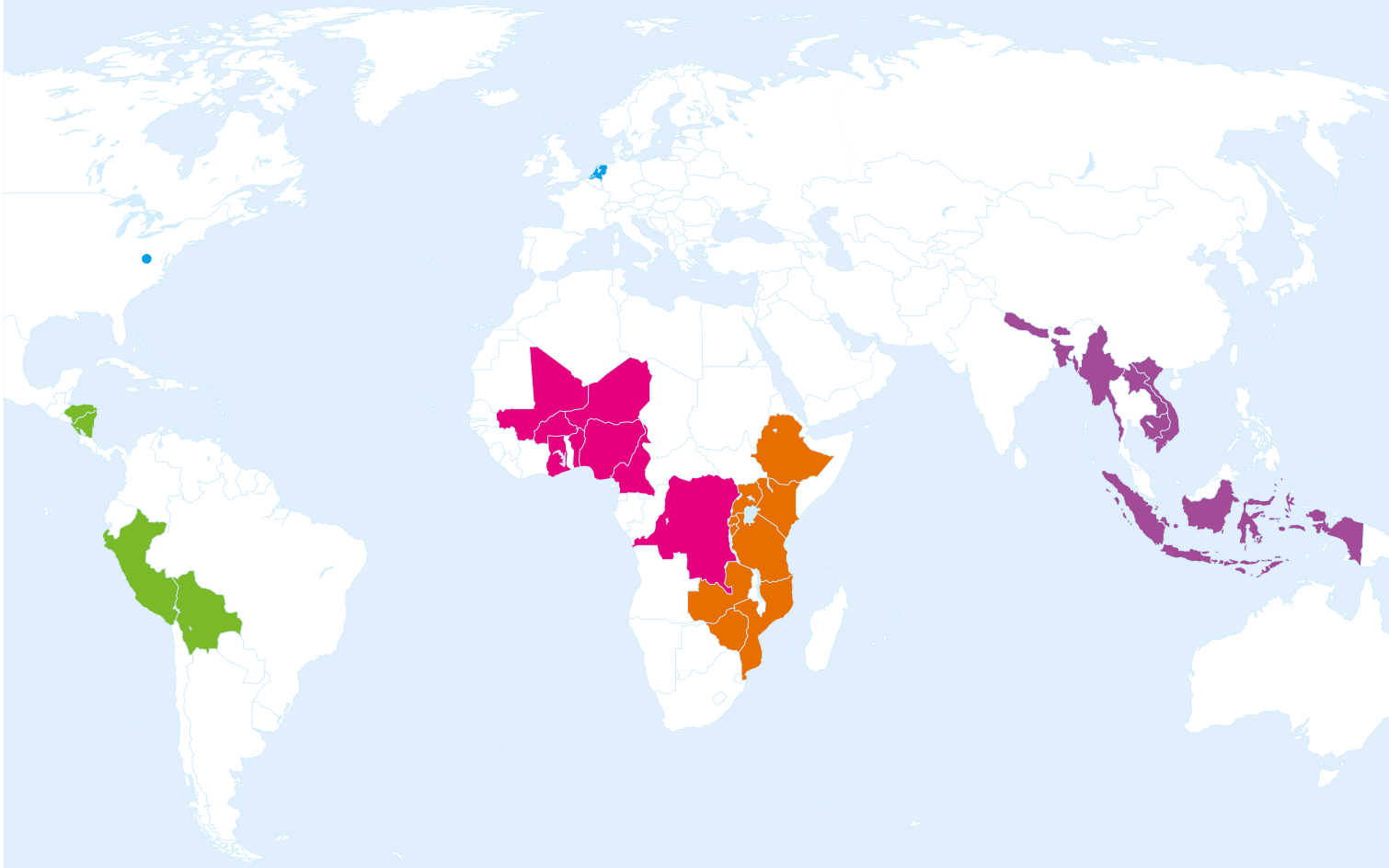


929,000
people who
gained access to
(at least) basic
drinking water

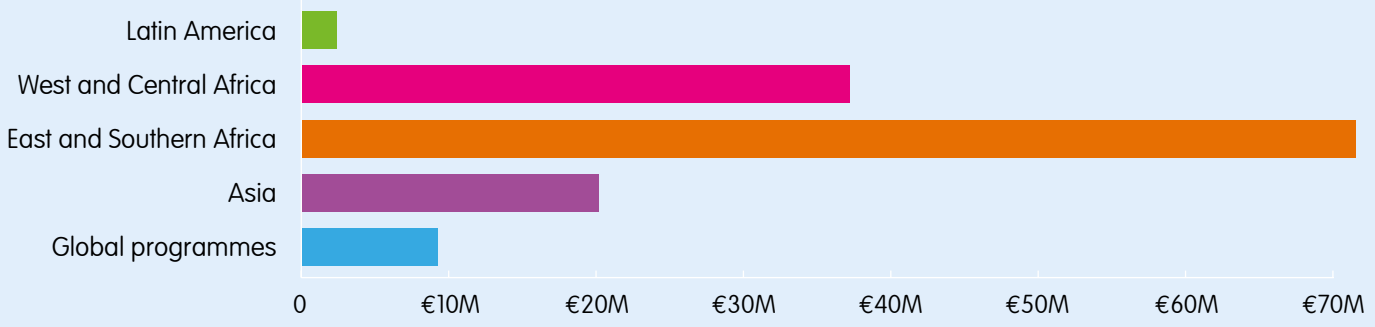


657,000
more people
practising
handwashing
with soap after
defecation

Our footprint



Volume by region



Latin America

- Bolivia
- Honduras
- Nicaragua
- Peru

West and Central Africa

- Benin
- Burkina Faso
- Cameroon
- DR Congo
- Ghana
- Mali
- Niger
- Nigeria

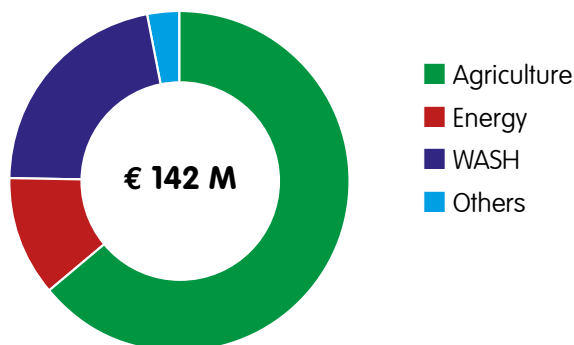
East and Southern Africa

- Burundi
- Ethiopia
- Kenya
- Mozambique
- Rwanda
- Tanzania
- Uganda
- Zambia
- Zimbabwe

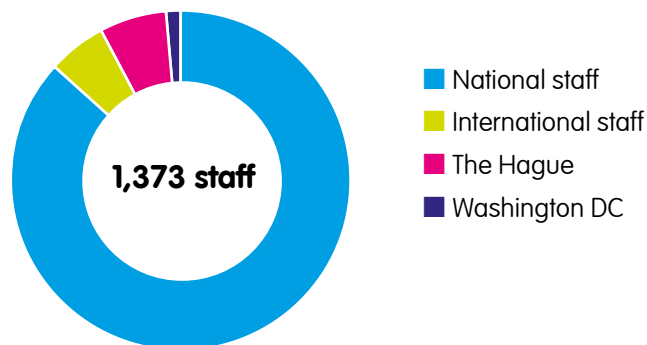
South and South East Asia

- Bangladesh
- Bhutan
- Cambodia
- Indonesia
- Lao PDR
- Myanmar
- Nepal
- Vietnam

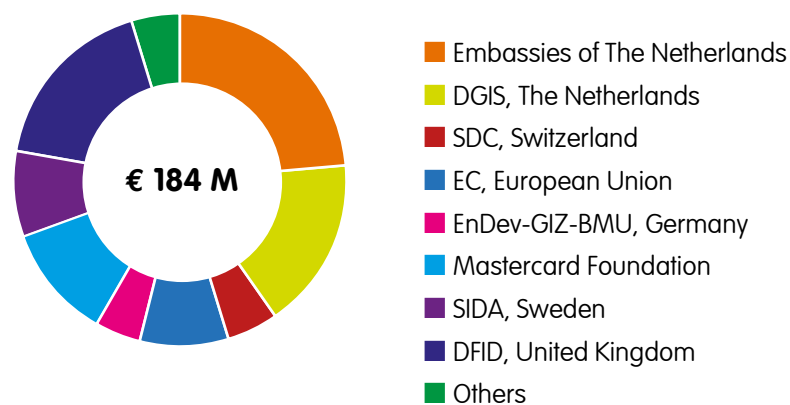
Volume by sector



Our team



Order intake by source of financing





**2.0
million**

people's lives were
improved.

Agriculture

SNV implements a large and diverse agriculture programme. In 2019, we improved the lives of **2.0 million people** through increased income, food security, and climate solutions. The majority of those (1.7 million people) benefitted through increased income.

SNV created direct results in agriculture in 21 countries. The total number of lives improved fell short of our target of 2.6 million people, largely due to challenges in the accurate planning and measurement of the diverse impacts of our projects.

Our agriculture portfolio contributes to increased income, increased resilience to climate change and increased food and nutrition security. At SNV, we work with private and public sector actors to take up and implement the use of successful processes, technologies and models to realise systems change and sustainable impact at scale. We focus on small-holder farmers willing and able to implement farming-as-a-business, as well as the small and medium agricultural enterprises that are essential to transforming agricultural value chains. We improve dietary practices and nutritional outcomes by addressing consumer demand, social and behaviour change, improved food supply, market development, and governance.

Our projects explicitly addressed gender and social inclusion by ensuring equal access to and control over resources for vulnerable groups. For instance, 12,000 women farmers and entrepreneurs in Vietnam and Kenya increased their incomes with support of the Enhancing Opportunities

for Women Enterprise (EOWE) Programme, funded by DGIS. Through the project, SNV established seven women's business advisory and information centres and supported governments to make twenty separate agricultural and climate-related policies more gender sensitive.

In 2019, we spent €91M on agriculture projects, which amounts to 64% of our total project expenditure. The agriculture order intake continued to grow. The €140M worth of new contracts we signed was well above our target. New projects on inclusive value chains and youth employment dominated. New contracts were concentrated in Sub-Saharan Africa.

Inclusive Value Chains

SNV develops competitive, inclusive, and sustainable agricultural value chains. We strengthened sustainable intensification for smallholder and medium-sized producers through market development of inputs, technologies and services, knowledge transfer and extension. We increased access to financial services for producers and agri-businesses. We worked with local and national government to develop policies and institutions through public private dialogues and evidence-based advocacy. We tweak our market development approach to local circumstances and different commodities based on

“Our agriculture portfolio contributes to increased income, increased resilience to climate change and increased food and nutrition security.”

market systems analysis. We continue to refine our approach during implementation as we incorporate lessons learned through monitoring and evaluation.

In 2019, we supported the development of 750 agribusinesses and private firms to innovate and tap into market opportunities while addressing development challenges for poor farmers. An example of this is the SIDA-funded Innovation Against Poverty (IAP) project in Cambodia, Zambia, Uganda and Ethiopia. At the end of 2019, the project created more than 20,000 jobs (of which 57% are women) and created access to basic goods and services for more than 700,000 people (of which 54% women). This was done through 25 business cases that leveraged €8.3M in private sector investment.



We implemented horticulture projects in Bangladesh, Cambodia, Ethiopia, Ghana, Kenya, Laos, Mali, and Rwanda. In 2019, we finalised the first phase of the HortiLife project in Ethiopia, funded by the Embassy of the Kingdom of the Netherlands (EKN). Through the project, SNV trained 10,000 farmers and established over 500 Farmer Field Schools. This resulted in a doubling of horticultural yields with net income increasing from US\$4,200 to US\$11,100 per hectare. The project significantly contributed to systems change which will sustain and expand results going forward.

“SNV develops competitive, inclusive, and sustainable agricultural value chains including horticulture and dairy.”

SNV implemented dairy projects in Ethiopia, Kenya, Tanzania, Uganda, and Zambia. The Inclusive Dairy Enterprise project (TIDE), funded by EKN Uganda, is a typical example of how we support inclusive and competitive dairy sectors. The project engaged along the dairy value chain and enabled 10,000 farmers to increase their income by shifting from extensive to a semi-intensive dairy farming. The project established school milk programmes which have become a national benchmark with 300,000 children over 1,000 schools receiving locally produced milk. Based on a positive evaluation, EKN Uganda and SNV developed a second phase to increase the direct results and to deepen the systems change.



Climate and Business

In 2019, SNV made the livelihoods of 27,000 people more climate resilient. SNV focuses on making agricultural and energy systems more climate smart by changing business behaviour, leveraging finance and establishing a conducive enabling environment.

SNV joined a consortium that won and initiated the €160M DGIS-funded Dutch Fund for Climate and Development (DFCD). The partnership connects the expertise of SNV and WWF The Netherlands with the power to mobilise investments of FMO and Climate Fund Managers. DFCD provides life-cycle financing from nascent business ideas to implementation. The project will mobilise up to €1B in private sector investments for climate adaptation.

The Mangroves and Markets project in Vietnam (financed by German Ministry for Environment, Nature Conservation and Nuclear Safety) ended in 2019. It introduced a new policy on Payments of Ecological Services through which

€220,000 was paid out to farmers. Local governments now have the basic policies in place to scale up activities. The Mangroves and Market project is also an example of how we train farmers in sustainable and climate resilient agroforestry practices as over 5,000 farmers were trained of which over 3,000 were certified in sustainable production and mangrove protection. Similarly, the SIDA-funded Sustainable Integrated Land Management Solutions project in Zambia trained nearly 27,000 smallholder farmers in practicing sustainable and climate resilient agroforestry practices. The Vietnam Emissions Reductions Pilot (part of the multi-donor AgResult initiative, managed by Deloitte Fund Management) expanded sustainable rice farming to over 24,000 smallholder farmers. New technologies resulted in a 15-20% cost reduction, 8-23% yield increase and 10-13% greenhouse gas reduction.

We prioritize and adjust climate adaptation measures based on data on how climate change impacts food production.



We have invested in developing and rolling out climate risk analysis tools for major food value chains. This analysis identifies business opportunities for private firms, small and medium enterprises and cooperatives to invest in climate smart agriculture. For instance, the Climate Resilient Agribusiness for Tomorrow (CRAFT) project, funded by the Netherlands Ministry of Foreign Affairs, uses this approach to increase the availability of climate smart foods for the growing population in Kenya, Tanzania and Uganda.

Sustainable Nutrition for All

In 2019, SNV helped improve food access and nutrition security for 328,000 people. SNV's work on Sustainable Nutrition for All (SN4A) increases the food system lens by integrating nutrition in inclusive value chain projects. SNV applies both a demand and supply side strategy to address food and nutrition insecurity. We focus on the ways a household's production may affect the diets and nutrition of women and children, mainly through eating their own produce. Improvement in nutritional

outcomes are affected by gender roles within households. SNV engages men and women within the community to review and address intra-household decision making on food production, expenditure, consumption and allocation; access to resources and women's time and work-load that often affect care practices. We create demand for healthy nutrition through triggering, social and behaviour change communication. We improve food supply and market development of safe, affordable and nutritious diets year-round.

We work closely with sub-national governments. Local governments have adopted our approach in Uganda and Zambia. This is an example of SNV creating systems change by establishing new norms where stunting is no longer invisible. In 2019, a mid-term review on the SDC-funded SN4A programme in Zambia and Uganda concluded that "the project has made impressive progress in a relatively short time frame and behaviour change can be clearly observed on the ground. A strong basis for a supportive governance framework has been laid out supporting implementation, sustainability and scaling."

Opportunities for Youth Employment

In 2019, 25,000 young people gained new employment through SNV projects. 82% found employment in agriculture, and the remainder in the energy sector. In many countries, our agriculture projects contributed to systems change. 45% of the young people we supported were women. SNV's youth employment portfolio has grown rapidly over the last year, and we now have projects in eight countries (Tanzania, Niger, Mali, Zambia, Zimbabwe, Mozambique, Ethiopia, Ghana)

"Our projects tackling malnutrition encouraged diverse, more nutritious diets. Nutrition is a vital part of many of our inclusive value chain projects. We integrate gender at the design stage so that our projects reach both women and men."

financed by the EU, SDC, MasterCard Foundation, SIDA, and EKNs.

SNV helps young people find jobs through our network of companies in agriculture, energy and WASH which offers concrete employment or enterprise development opportunities (pull). This complements teaching interested youth basic life and leadership skills and on-the-job learning (push), and market placement, financial mediation and enterprise development (match). SNV ensures that youth are coached for up to two years. We learned over the last year that we need a more explicit focus on access to finance by working with financial institutions and applying a mix of financing options e.g. saving and lending groups, youth credit-guarantee facilities, starter kits and 'blended' finances. In Ethiopia, youth groups now have access to loans at an average of €16,000 enabling their enterprises to diversify and scale up. We enhanced the number of women we reached by specifically focusing on women-led enterprises and women's leadership skills.

A photograph of a woman in an orange outfit sitting on a brown, tufted sofa in a room with a corrugated metal ceiling and a single light bulb. A motorcycle is parked to the left of the sofa. A red circular graphic is overlaid on the image, containing white text.

**1.2
million
people**
gained improved
access to energy.

Energy

Our energy programme reached **1.2 million people** in 13 countries in 2019. This is on target. The vast majority of this relates to people with new access to sustainable and affordable energy. We also reduced emissions by the equivalent of 570,000 tonnes of CO₂.

In 2019, we spent €16M on energy projects, which amounts to 12% of our total project expenditure. Energy order intake in 2019 was €37M, which was just below our target. Main financiers of new projects were DFID and EnDev.

The main focus of the SNV energy programme is sustainable energy markets. Our work on climate and business and opportunities for youth employment also include energy projects. SNV's work in energy aims to achieve universal access to affordable and sustainable energy by 2030 (SDG7). According to the International Energy Agency, the world will fall short of meeting this target by 2030 at the current rate of progress. Those still lacking access are increasingly concentrated in Sub-Saharan Africa. The number of people without access to clean cooking remains just under 3 billion as population growth is outpacing annual growth in access.

Sustainable energy markets

We develop markets for biodigesters, clean cooking and heating, as well as for off-grid electrification.

SNV supported programmes installed over 15,000 biodigesters in 2019. Under the DGIS-funded Africa Biogas Partnership Programme (ABPP), which ended in 2019, over 70,000 digesters were installed. In addition, capacity

building support was provided to various stakeholders in countries. The EU-funded Biogas Dissemination Scale-Up Programme in Ethiopia supported the installation of nearly 4,000 domestic biodigesters in 2019. Two large-scale biodigesters were successfully piloted, at a nunnery and a cattle farm.

SNV projects supported the dissemination of approximately 125,000 improved cookstoves in 2019. An example is our EnDev-financed Tanzania Improved Cook Stoves project that improved access and sustained use of appropriate cooking technologies for nearly 34,000 peri-urban and rural households in 2019 by coaching local entrepreneurs through successive stages to develop their rural markets. Through the project, we developed a multi-purpose stove capable of using both firewood and charcoal.

SNV is a leader in results-based financing as a powerful instrument to increase access to energy and extend off-grid solar markets into under-served areas. Our EnDev-financed project in Kenya contributed significantly to our global impact by providing over 140,000 off-grid electrification systems out of a total of nearly 160,000 systems SNV projects sponsored globally. We are extending these results in Kenya

through the Kenya Off-Grid Solar Access Project of the Ministry of Energy, financed by the World Bank. In 2019, we ran a first Call for Proposals for results-based financing and received the first loan applications for the Solar Debt Facility. We use a similar approach in the DFID-funded BRILHO Energy Africa Mozambique project which will improve and increase energy access to 1.5 million people and 15,000 businesses over five years.

Productive use of energy for agriculture

SNV supports the productive use of energy for irrigation, cooling, drying and milling in various agricultural projects. An example is the Climate Resilient Agribusiness for Tomorrow (CRAFT) project in Kenya, Uganda and Tanzania funded by DGIS.

In the CRAFT project, SNV integrates renewable energy and energy efficiency solutions in its work with agribusiness and supports energy service providers that offer climate resilient solutions for farmers, cooperatives, and SMEs along the agriculture value chains.



**3.1
million**

people gained access
to water, sanitation
and hygiene
services.



Water, Sanitation and Hygiene

Our water, sanitation and hygiene (WASH) activities reached **3.1 million people** in 17 countries in 2019. Our projects resulted to 2.0 million people gaining access to, and use of, sanitation, and over 0.9 million people gaining access to basic drinking water supply services. An additional 0.7 million people now practice handwashing with soap after defecation. We outperformed our targets on all those indicators.

In 2019, our WASH programme continued steadily, with expenditure of €31M on projects (22% of total project expenditures). Many programmes entered full implementation stage, resulting in richer quality results and a thorough examination of what it takes to pragmatically ensure lasting results in all settings. Order intake for WASH in 2019 was €6M, which was below the target we set ourselves.

Our contribution to SDG 6 (ensuring availability and sustainable management of water and sanitation for all) goes well beyond the number of people who benefit directly from our programme. Our projects support the development of public institutions and build markets that will ultimately serve many more people with WASH services. SNV embraces the increased recognition that service delivery must be both environmentally and financially sustainable.

Sustainability of results remained at the core of our work in 2019, along with heightened attention on gender equality and social inclusion. Enhanced understanding of how

“We contributed to SDG6 by providing access to millions of people and by supporting the development of public institutions and markets that will ultimately serve many more people with sustainable WASH services.”

gender, poverty and disability intersect, and the effect they collectively have on services and exclusion is key to our commitment to ‘leave no one behind’. Our focus on universal access (access to WASH services for everyone, everywhere) responds to the 2.3 billion people globally who still lack access to basic sanitation, and more than 800 million people who still do not have access to an improved drinking water source. Strengthening of our work in disability included signing of a new partnership with CBM Australia, and seven of our WASH project countries receiving customised training and backstopping

specifically around this topic. We explicitly focused on the safe management of services, including in schools, health facilities and last mile provisions. The role of governments as duty bearers for the human right to water and sanitation continued to be the basis of our work. We stepped up in the area of climate change, publishing new work with our partner UTS-ISF, and actively participated in multiple global sector dialogues on this topic. Our focus will now move to articulating practical adaptation at country level.

Sustainable Rural Sanitation at Scale

Through the combined efforts of the multi-country DFID-funded Sustainable Sanitation and Hygiene for All (SSH4A) Results project and the DGIS-funded Voice for Change Partnership (V4CP) project, Ghana celebrated its first open defecation-free (ODF) district in Nandom. Nepal celebrated country-wide ODF, a remarkable achievement and one to which SNV meaningfully contributed through our SSH4A work over the past 10 years in 17 of Nepal’s 77 districts with major funding



provided by DFAT, DFID and DGIS. Late in the year, Cambodia declared its fourth ODF district with the fifth to follow very soon. In Indonesia, Metro city and Lampung Selatan district were declared ODF in 2019.

Our work at scale in rural sanitation confirmed and reinforced the importance of area-wide improved access to sanitation and hygiene for all. Through the SSH4A Results project, we contributed to systems change at the national level. In Ghana, we supported the formation of a national Alliance for WASH Advocacy (A4WA), bringing together civil society organisations and networks. The A4WA supported the Government of Ghana in the revision of its Environmental Sanitation Policy and National Environmental Sanitation Strategy and Action Plan.

In Nepal, we supported the national Total Sanitation Guidance and further planning for the sustainability of sanitation services. In Cambodia, we worked with the Ministry of Rural Development on new guidelines for faecal sludge management in rural sanitation. In Rwanda, we supported the Ministry of Health in its review of the Community Based Environmental Health Promotion Programme (CBEHPP) guidance and road map. The Nepal Health



and Hygiene Activity, improved WASH and electricity infrastructure, infection prevention practices, and hygiene behaviour at 50 health care centres across five districts with funding from USAID. In Bhutan, within the national programme, we supported the integration of WASH into Health Care Facilities, and in Zambia, Honduras and Tanzania, we increased our advocacy for the same.

Our targeted learning activities focused on approaches across full districts and province areas rather than pockets of population. Our country teams worked with, and learned from, each other through facilitated learning events, cross-country learning, and practical support. Examples include Zambia staff assisting those in the Mozambique team to develop more durable DIY toilet options; Indonesia staff supporting Uganda on their

behaviour change communication; Tanzania staff supporting Ethiopia on rural sanitation supply work; Uganda staff assisting the Ghana team in reaching the last mile towards ODF; and Bhutan staff guiding the Laos team in strengthening their work on gender equality and social inclusion.

Pilots initiated in 2019 focussed on mainstreaming disability inclusion across more countries, ward-level sanitation, emptier models, and re-use.

Urban Sanitation: intensifying informed choice activities around investments

In 2019 we worked on city-wide sanitation services in 20 cities across five countries (Bangladesh, Indonesia, Nepal, Tanzania, and Zambia). This work was undertaken with funding from BMGF and DGIS.

“SNV’s urban sanitation work is city-wide but does not favour any one technology. Towns and cities will require multiple systems to reach universal sanitation access.”

“Our work at scale in rural sanitation confirmed and reinforced the importance of area-wide improved access to sanitation and hygiene for all.”

Further urban WASH work was also undertaken within projects in Ethiopia, Ghana, Kenya, and Mozambique.

Our Urban Sanitation and Hygiene for Health and Development (USHHD) projects intensified work on ‘informed choice’ of urban sanitation investments. Informed choice activities included processes looking at different technology options for treatment in low-income areas and – in some cases – re-use. Feasibility and design processes followed informed choice interventions and resulted in cities now including new infrastructure within their own annual budgets. Examples include the city of Bandar Lampung in Indonesia where a new mechanical treatment plant will be constructed in 2020 at a cost equivalent of €900,000 - funded entirely from the city’s own budget. The city of Tasikmalaya, also in Indonesia, strengthened operations of their existing plant, increasing its effluent quality up to the national standard.

SNV’s urban sanitation work is city-wide but does not favour any one technology. Rather, we expect that in medium and larger-sized towns, multiple systems will be necessary to cover all areas. In line with this, SNV Bangladesh completed a suitability analysis and mapping of Khulna city, which provided information for zoning with a combination of sewer, non-sewer, DEWATS, and other options for the City Corporation and utility.

Building on this, a detailed analysis for ward strategies for low-income areas was also developed. In Zambia, we commenced working with other stakeholders to develop a statutory instrument for on-site sanitation at the national level.

Occupational health and safety of sanitation workers was a common area of work in all our USHHD projects, including registration and training of workers, conventions and collective provisions such as health insurance.

Area-wide Rural Water Supply Services

In 2019, we worked on area-wide rural water services in more than 50 districts across six countries. Whilst our rural water supply services portfolio is smaller in size than our rural and urban sanitation work, it excels in innovative approaches.

In Ethiopia, the Inspiring Water Entrepreneurship project in Tigray region (funded by the AFAS Foundation) created employment for youth in repair and maintenance services for rural water supply systems. In the Oromia region, the Fred Hollows Foundation-funded WASH for Trachoma project transformed the approach to Trachoma by combining improved water supply construction, rehabilitation and management with behavioural change on facial cleanliness and handwashing. Similarly, in Uganda, the ADA-funded Improving Water Supply Sustainability project commenced introduction of new modalities for organising and financing preventive maintenance to address functionality and sustainability in rural water supply services. In Mali, the RVO-funded UDUMA public-private-partnership project worked with the private company Vergnet-Hydro to deliver a permanent, high-quality,

and affordable water service to residents of the Sikasso region. In Kenya, we concluded the DFID-funded Climate Resilient Water Services (CREWS) project, successfully introducing new public-private-community partnerships and performance-based contracting.

Innovation in management models for rural water supply services cannot be seen in isolation from the political and sectoral developments of the countries in which they operate. For example, within the DGIS-funded OmniDelta Non-state Actors Fund in Benin, new ways to engage in water supply needed to be found following the centralisation of services into a single national company. In Nepal, the DFAT-funded Inclusive and Sustainable Rural Water Supply services project is developing decentralized service delivery models for water supply within the newly federalised government structure of Nepal.

In rural water supply, we also provided technical assistance to national programmes. In Mozambique through the GoTAS (SDC funded) and CEDES (DFID funded) projects, we supported the decentralisation of WASH services and built the capacity of local government to deliver drinking water supply services to more than 40,000 people living in the rural provinces of Niassa, Nampula and Zambezia. This included training and mentoring in the management of water supply construction contracts, and the development of processes to monitor ongoing sustainability and quality of the service provided. We successfully piloted the AquaRating tool of the IADB with the association of water operators in Honduras. This experience is now being shared at the national level with the regulator and other stakeholders.

Changing the systems which trap people in poverty

Our projects do not just deliver direct results. They also contribute to changing the systems which trap people in poverty. Our projects influence markets and governance processes to function better by kickstarting markets, supporting governments and other actors to improve their service delivery, and improving government and market accountability. We focus on projects that provide opportunities to **create sustainable, large-scale impact**.



When additional financial resources are leveraged



When we kick-start markets that sustain themselves



When government and others adopt our approaches



When we change rules/norms/the new normal

Development aid is structured in projects, “boxes” in time and space. This is a convenient way to administer activities. However, breaking the low-income poverty trap requires a focus on systems change beyond the time and space boundaries of individual projects. For us, direct results and systems change reinforce each other. We change by doing, emphasising systems change while at the same time continuing to create results by improving people’s lives within the time and space boundaries of our projects.

The deep on-the-ground engagement of our teams in combination with our (access to) top notch international knowledge helps to change systems from within. Whether it is sanitation tax collection, water supply spare part provision, farmer extension, SME business development, dairy service markets, or horticulture business platforms, we build models that are driven by local actors, fit in the institutional and political setting, can be locally financed and shift prevailing mindsets. We connect these proven local solutions to national governments and often see policy makers adopt our approaches. With the combination of our feet-on-the-ground and international reputation, we are a trusted discussion partner at the strategic and policy level. We help to build enabling conditions,

policies, financing arrangements, protocols and capacities that help sustain and further scale improvements beyond the individual project.

Creating systems change is complex – especially in the fluid and unpredictable context we work in. In 2019, we mainstreamed the use of four success parameters into our project development and implementation: leveraging finance, kickstarting markets, institutional embedding with government and others, and creating a new normal by changing rules and norms. These parameters have proven to be a pragmatic way to make systems change more tangible.

The parameters also help us narrate the results of our efforts to bring about systems change, clarifying what we did and examining why what we did was the right thing to do (or not) given the circumstances. In the five country narratives below, SNV significantly contributed to systems change along at least two, often three or four, of these parameters. Many other examples of systems change are mentioned throughout this annual report. Creating systems change is an incremental process and we are on track to reach our target to significantly contribute to systems change in agriculture, energy and WASH sectors in 21 countries by 2022.

Bangladesh: How city-wide sanitation was adopted by users, local governments and private service providers

SNV contributed significantly to systems change in Bangladesh by leveraging finance and influencing governments to adopt our approaches. This created a new normal for sanitation in Khulna, a city with approximately one million people. In heavily populated Bangladesh, management of human excreta from toilets is an enormous challenge. City-wide collection is essential to improve health and reduce stunting, but often difficult to organise due to a lack of finance and government capacity. In Khulna, SNV with the support of the Bill and Melinda Gates Foundation, assisted the City Corporation to develop a realistic plan for city-wide coverage of human waste collection. The plan includes the increased coverage of slums, as well as decentralised networks and treatment systems for areas not connected to the main sewerage. The execution of these activities is financed by loans from the Asian Development Bank. In addition, the plan looked for pragmatic models to collect local sanitation tax. In a related effort, the local municipality of Jhenaida was supported to develop a similar tax. After three years of



work on fair collection practices and protocols, the sanitation tax is now implemented. In two years, more than €46,000 was collected, with annual projections of €38,000 for future years. The revenue is ring-fenced for expansion of sanitation facilities, in particular, treatment works. Other municipalities are now starting to replicate these taxation practices.

Ethiopia: How the government adopted our approaches to leverage finance and kickstart markets

SNV contributed significantly to systems change in Ethiopia by leveraging finance, kickstarting markets, and governments adopting our approaches in several sectors.

In Ethiopia, spare parts for rural water supply systems are traditionally provided by governments. However, when problems occur, average downtime is two months – a period in which communities resort to unsafe water sources. Through the AFAS Foundation-funded IWET project, SNV helped eight district governments establish private local service providers to open spare part shops. As a result, downtime has been reduced to an average of three days. To complement, water committees are

strengthening financial management and moving towards annual service contracts with service providers, while micro-finance institutions have started to provide loans to them. Thus, effective local organisations and new financing mechanisms are underpinning a steep increase in reliability of services (and subsequent health effects).

SNV also supported important shifts towards farmer-centred extension in Ethiopia as a basis of more productive and commercially-viable value chain development. In the EKN-funded dairy project, EDGET/BRIDGE the conventional top-down extension by government officials was complemented with the formation of groups of 25 like-minded farmers. These groups became the nucleus for providing specialised dairy knowledge, tailored support including business aspects, and improving linkages to input and output markets. SNV used a similar approach in its EKN-funded HortiLife project. A Farmer Field School model was introduced with similar advantages for the horticulture sector. This model allows rapid learning between farmers. The Ethiopian Ministry of Agriculture has incorporated the use of Farmer Field Schools and the development of commercially viable spray service providers in its horticulture policy and is providing structural government finance for the Farmer Field School model.





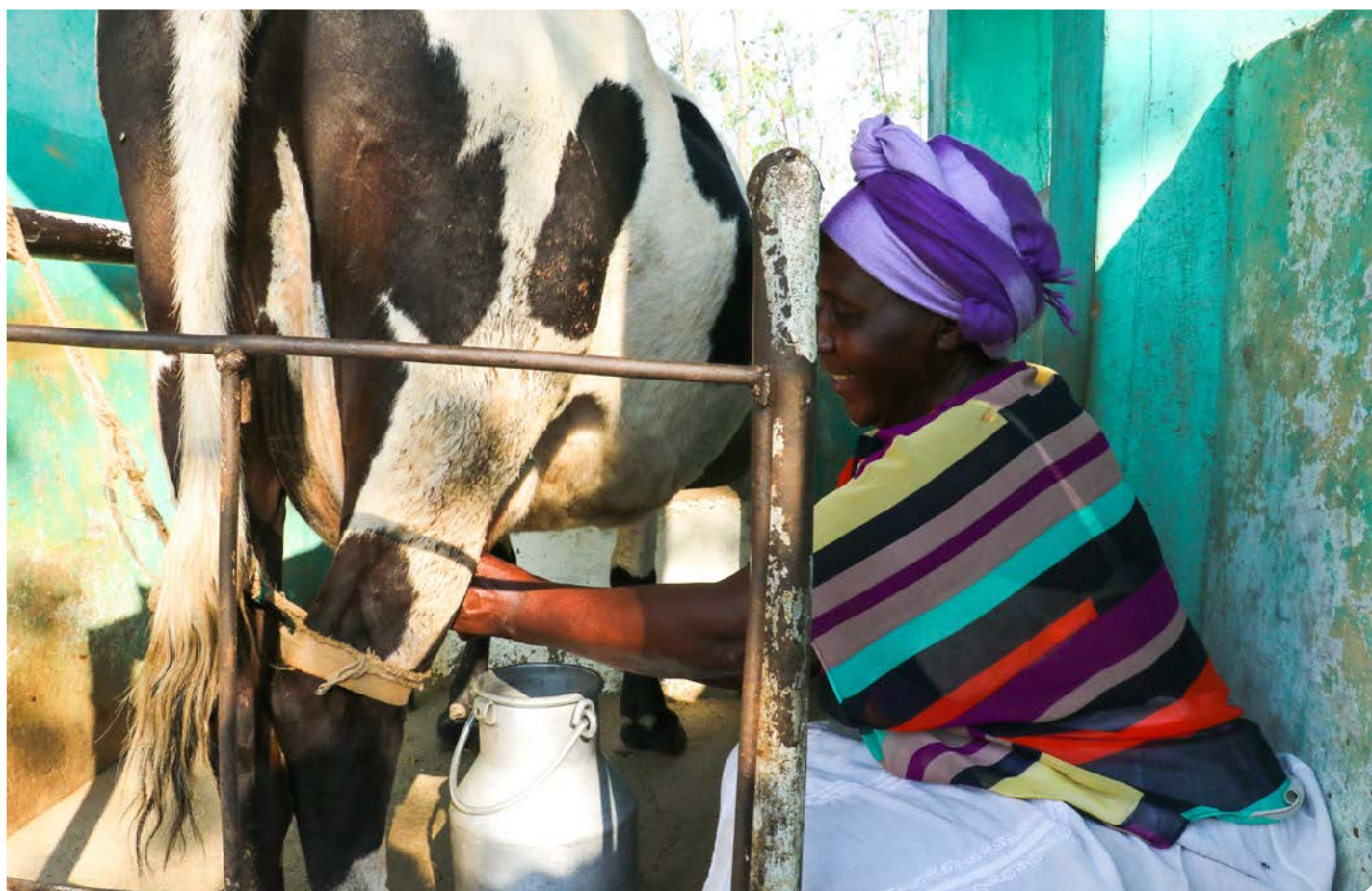
Ghana becomes an exporter of quality produce

In Ghana, SNV contributed significantly to systems change in the horticulture sector by leveraging finance and kick-starting markets. These changes are now being scaled up as the Government of Ghana adopts new approaches introduced by SNV. In Ghana, a growing horticulture sector serves the domestic market (with onions and tomatoes for example) and has commenced exporting fruits and selected vegetables, especially to the EU. Through the Horti-Fresh project, with financial support from DGIS, SNV and partners are not only improving production techniques and business opportunities, but also strengthening the organisation of government and private institutions so the sector can better steer its own development. The Horticulture Business Platform, set-up by a predecessor project, is now well-established and has implemented a series of successful advocacy initiatives towards the Ghanaian Government. In particular, the Food and Drugs Authority has been strengthened to monitor horticultural produce. This enabled the lifting of the EU export ban that had been imposed due to food safety issues. The Ministry of Agriculture has embraced the initiative to establish a Horticulture Development Authority to lead sector coordination and engage stakeholders for high level dialogue. A new Food Safety & Certification Taskforce has been initiated. Next to these institutional initiatives, a major building block for sustainability and scaling is the leveraging of local finance for technical and business initiatives - specifically internally generated company funds, shareholders equity and bank financing.

Kenya: Kickstarting a forage market invigorates the dairy value chain

In Kenya, SNV contributed significantly to systems change in the dairy sector by leveraging finance and kickstarting a market for forage as a first step towards transformation in the dairy sector. The EKN-financed Kenya Market-led Dairy Programme successfully kickstarted a market for high quality forage in some of Kenya's most important milk sheds. It boosted demand and supply, establishing a viable service provider sector for different farmer segments with 30 small-scale Service Provider Enterprise groups established [and 7 crowding-in], and three viable medium-scale agricultural contracting services established [and 10 crowding-in]. Between 2017-2019, private investments worth €700,000 were leveraged and 60,000 tons of silage were produced - with production growing rapidly. Today, an increasing number of dairy farmers and value chain actors see the relevance of high-quality forage for enhanced milk productivity, cost price reduction and more stable production throughout the year. Forage-based feed rationing software has been included in university curricula. The emergence of a viable forage market is one important pillar to make the Kenyan dairy sector more competitive, inclusive and sustainable. Showing what works in practice might convince stakeholders to make more fundamental market and policy reforms and investments necessary to transform the dairy sector in Kenya.





Uganda: Milk for schools, local markets and export

SNV contributed significantly to systems change in Uganda by kickstarting markets and leveraging finance for dairy farmers and input providers. SNV also created a new normal by changing norms regarding nutrition and by introducing a school milk programme that was adopted by the Government of Uganda.

The South West region of Uganda is the traditional heartland of the country's dairy sector. Through the TIDE project funded by EKN, SNV's support boosted the transformation of the sector in the region over the last four years. A key impulse has been the kickstarting of a local service market for dairy farmers that was virtually non-existent before. Farmers are now provided with services for dairy know-how, water systems, paddocking and forage production through a growing number of local providers, which includes 24 companies and three training centres that collectively reached a turnover of €2M in 2019. This enables farmers to transition from an extensive to a semi-intensive production system that increases their income, lifts production for the national market and export, and reduces

greenhouse gas emissions per litre. The service-market was kickstarted by smart use of small temporary subsidies and is now commercially viable. Farmers have co-invested €6M in on-farm developments over the past four years. The financial sector commenced engagement with dairy farmers with Savings and Credit Cooperative Organisations investing €2M of their own sources in an incentive scheme. Through TIDE, SNV also helped set up the national benchmark for school feeding with 300,000 children receiving locally produced milk.

“These narrations of how SNV contributed significantly to systems change in Bangladesh, Ethiopia, Ghana, Kenya and Uganda are examples of how creating systems change is an incremental process.”

A focus on evidence and learning

SNV is a global, premium organisation with strong local presence. Our decentralised set-up and the vast majority of our staff residing in Asia, Africa and Latin America remains our distinctive feature. **We constantly learn about what works and what does not work.** This enables us to adapt our global know-how to local contexts. It also enables us to adapt interventions during implementation as circumstances change.

“SNV bridges the gap between theory and practice, between policy ambitions and effective implementation at scale. In 2019, we collaborated intensively with knowledgeable national and international partner through long-established relationships.”

Our local, national, and global partners complement and reenergise us. In 2019, we continued to extensively collaborate with partners. We learn together. We are a trusted partner of local and national governments. Other partners include knowledge institutes, private consultancy firms and non-governmental organisations.

SNV actively contributed to the global body of knowledge on sustainable development through publications and presentations in various knowledge events on agriculture, energy, WASH and international development. SNV is appreciated for its field perspective and its hands-on experience in implementing innovative solutions at scale. Our knowledge agenda is a two-way street where we also invite other development and research agencies to contribute to our programmes and knowledge products.

We continued to communicate the results of our programmes, including through our website where we saw growth in the number of visitors. Our reach and engagement also increased on all our social media channels.

The DGIS-funded Voice for Change Partnership project, implemented in partnership with the International Food and Policy Research Institute (IFPRI), is our flagship project on evidence-based advocacy. By strengthening the voice of civil society in policy development, this programme contributes to systems change by changing the rules and norms in the sectors SNV is working in. The project empowers fifty Civil Society Organisations (CSO) by strengthening their capacity on leadership, thematic knowledge, use of evidence, advocacy skills and organisational sustainability. These CSOs represent and voice the interests of low-income and marginalised communities to reduce poverty and inequality in Honduras, Burkina Faso, Ghana, Kenya, Rwanda and Indonesia. In 2019, this resulted in the development and/or implementation of 36 more inclusive policies.

We organised six agriculture knowledge and learning events on horticulture, dairy, sustainable nutrition for all, climate and business, inclusive value chain development and evidence-based advocacy. We revised our agriculture measurement result framework to allow

for better benchmarking and applying a more collaborative and adaptive approach towards monitoring, evaluation and learning.

We started a trajectory to incorporate and capture systems change of our interventions in a more structured way to ensure impact beyond the timeframe of project interventions.

SNV successfully organized the first ever international Opportunities for Youth Employment Conference in Mali in 2019. The conference was co-sponsored by the EU, enjoyed strong ownership by the Mali government, and brought together 140 officials, practitioners, entrepreneurs and youth from over 10 countries. The event, which will now be an annual one, created visibility for SNV as a key youth employment actor and provided a platform for young people, policy makers and donors to discuss opportunities and challenges hindering youth employment creation in the region.

SNV continued its internal knowledge exchange on biodigesters, clean cooking and off-grid electrification. We supported

a World Bank flagship publication on mini-grids through contributions on community engagement and a case study on the Mashaba project in Zimbabwe. We also peer reviewed the World Energy Outlook 2019 published by the International Energy Agency. We published a brief on the technical potential of household digesters in Africa, a brief on the global status of household biodigesters, and a report on the performance of national alliances for clean cooking in selected countries. SEI published an article about a study commissioned by SNV in Cambodia on the effect of cookstove uptake in Cambodia through health messaging.

Our investments in knowledge and learning helped refine and improve implementation of our WASH approaches. An updated version of the Sustainable Sanitation and Hygiene for All performance monitoring framework was published. Additional monitoring guidance for sanitation in public places in urban areas was also developed. We broadened our scope in rural sanitation and hygiene, through two global learning events focussing on WASH in Health Care Facilities (conducted

in Bhutan), and Sanitation in Rural Growth Centres (conducted in Ghana). At the request of the DFAT-funded Women for Water Fund, we organised a South Asian learning event on Systems Change and Social Inclusion in Nepal. In Jakarta, Indonesia, a successful urban sanitation learning event was convened, deepening understanding of issues related to sustainable cost-recovery and equity. The topic linked strongly to current sector debate regarding progressive use of public finance, and complemented SNV's earlier learning on blended finance for urban sanitation. All learning events were preceded by moderated E-group discussions, with more than 1,100 WASH practitioners taking part, and 195 people participating in the actual physical events. In collaboration with Emory University, a retrospective study on sustainability in rural sanitation and hygiene (including in areas where we had already moved out) commenced. We published learning papers on climate change and urban sanitation, scheduled desludging, Do No Harm and Making Rights Real.

SNV contributes its on-the-ground experience and know-how to the international discourse on achieving the Sustainable Development Goals. In 2019, SNV presented results and approaches in nine international agriculture events. We participated in the World Bank Energy Week in Washington DC, the SEforALL Charettes in Amsterdam, the Clean Cooking Forum in Nairobi, the Unlocking Solar Capital Conference in Dakar, and COP25 in Madrid. We collaborated with other international organisations, (WaterAid, World Bank, Plan-UK, WSSCC) to develop a global Call to Action on Rural Sanitation. We co-led a range of collaborative events with other international WASH organisations at various global WASH conferences focussing on occupational health and safety of sanitation workers.



Organisational developments

In 2019, we met overall impact targets and **invested in operational excellence**. SNV generated its income entirely from business revenues acquired on a project basis and reached a small positive result. This means that SNV now enters the corona pandemic period of uncertainty from a position of strength.

“We are strongly mission-driven. In our 2019-2022 Strategic Plan, we made operational excellence part of our mission. We believe that in order to implement that mission, we need to be effective and efficient.”

The Managing Board (MB) manages SNV under the supervision of the independent Supervisory Board (SB). The Managing Board consists of five statutory Directors and is chaired by the CEO. Managing Directors (MDs) have a specific mix of responsibilities for sectors, countries, and functional areas. There were no changes in the composition of the Managing Board in 2019. We plan to transition to a four-member MB in 2020 with each statutory director having a singular responsibility. This will increase the focus on strategic medium-term issues and business positioning in an evolving landscape, enhance consistency in steering across sectors and countries, improve timeliness of decision making, and ensure the best use of skill sets while balancing workloads.

In 2019, the Supervisory Board met three times in plenary sessions, with sub-committees such as the Audit & Risk Committee, and the Selection & Remuneration Committee meeting more frequently between full SB meetings.

2019 was the first year of our new four-year strategic period. SNV invested in six cross-unit Priority Projects to spur the implementation of the Strategic Plan. Five of the Priority Projects cover the period 2019-2020: a review and update

of policies and procedures, enhanced business data reliability and internal management reporting, review and update staff reward package, introduction of strategic staffing, and roll out leveraging finance and systems change



approaches. The sixth priority project on enhancing of tendering capacity will run into 2021.

We introduced several regular data analysis exercises in addition to our annual budgeting and reporting cycle. These important steps made on data reliability and reporting resulted in portfolio data as a strong basis to steer our organisation. We developed and rolled out a time-bound action plan to sustain breaking even consistently in the medium term. Our focus on 2019 was on quality implementation and the realisation of gross margins of our contracts.

Investments in internal communication and data are strengthening SNV's culture of accountability. We also updated expected core characteristics of staff to make a more explicit link between SNV's corporate values, our mission and the required behaviours of staff towards

clients, partners and colleagues: integrity, responsibility, drive for results, teamwork, curiosity and passion.

Growing our business

Our income was €142M. This is a 15% increase from 2018 (€124M) and above our target of €137M. This is the second year in a row that we achieve a 15% year-on-year growth in revenues. Our portfolio of projects continues to grow as the inflow volume of new contracts is larger than the volume of exits. Our efforts to bridge the divergence between secured revenue and implementation are starting to pay off.

SNV realised a consolidated net positive result of €0.3M in 2019. This small positive net result is a result of our investments in optimisation of business processes, portfolio management, and improved internal collaboration.

Country teams, with the support of our Business Development team in the Global Support Unit submitted over €250M of proposals to donors in 2019. We signed €184M in new contracts; well above our 2019 target of €170M. The agriculture sector accounted for 76% of the total 2019 order intake, energy for 21%, and WASH for 3%.

The average size of new contracts we signed increased to €2.6M. We have been consciously moving towards larger contracts. In 2019, 92% of our order intake revenue came from contracts above €1M. Our three largest new contracts in 2019 were above €20M and we doubled the number of contracts signed worth €5M or more.

SNV worked in 29 countries in 2019. We introduced a new medium-term outlook exercise to review our country footprint and country classification based on business scenarios and market intelligence. We started operations in Burundi and Nigeria. We closed operations in Bolivia and Peru. With this, an over 50-year presence of SNV in South America has come to an end. We decided to exit Myanmar in 2020. Most of our country programmes are business units headed by a resident Country Director. Some countries report to a Country Director in a neighbouring country (Benin reporting to Burkina Faso, Bhutan reporting to Nepal, Bolivia reporting to Peru, Burundi reporting to Kenya, Honduras reporting to Nicaragua, Myanmar reporting to Laos, Nigeria reporting to Mali). Cameroon got a resident Country Director and DR Congo now reports to this programme country.

Our people – the core of our success

The number of staff increased to 1,373. At the end of 2019, 87% of our staff consisted of national staff members. The share of our staff based in The Netherlands remained stable. Staffing trends by sector and by cluster of countries are generally in line with revenue trends. Annual staff





“Our 1,373 committed staff are the backbone of SNV. Our distinctive feature is that 94 percent of staff reside in Asia, Africa and Latin America. We speak the local language and commit to stay in countries for years and even decades.”

turnover has decreased to 15% (down from 20% in 2018).

SNV remains a highly diverse organisation with over 50 different nationalities. The average age of our staff remained similar as previous years. We need to pay attention to the aging of international staff and NL staff cohorts. 32% of all SNV staff are female. The share of female senior staff grew slightly from 30% to 31%. Improving our gender diversity remains a point of attention.

Our Collective Labour Agreements (CLAs) for staff employed in The Hague Office and SNV expat staff expired on 30 June 2019. Management is discussing a shift to Employee Terms & Conditions with respective employee representation bodies. We successfully rolled out an electronic performance management system which improved consistent participation in staff performance evaluations.

At the country level, each SNV country (or combination of countries) is managed by a Country Management Team consisting of a Country Director, Sector Leaders, Country Finance Manager and (if the size of the country allows it) a HR or Operations Manager. Two new Country Directors came on board in 2019. Through new global managerial appointments, SNV increased its human resources and finance capacity.

Supporting our country programmes

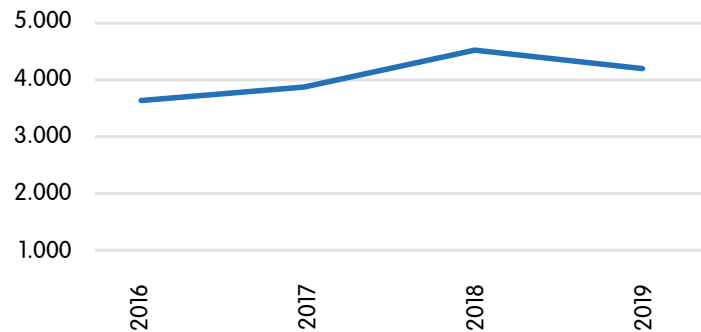
A global team in The Hague (The Netherlands), including five functional units and three sector teams, supports the implementation of SNV’s programmes. In 2019, we aligned this global team to serve country business units seamlessly. We strengthened our functional steering and empowered our global functional heads. We increased the consistency of our country steering. We invested in our global sector teams by increasing their size and renewing their staffing.

SNV management continued to carefully monitor and manage risks. Our financial risk management requires continued attention as SNV does not benefit from any untied funding and depends fully on project financing.

SNV USA

SNV USA is a separate non-profit organisation with a small office in Washington DC that facilitates strategic partnerships with the USA government. As an independent 501 (c) 3 organisation, it has its own governing structures. SNV USA is bound by all SNV Netherlands Development Organisation Foundation (SNV Foundation) policies and procedures except when there is a strong (legal or donor-imposed) reason to diverge.

Emissions from SNV staff flights (in tons of CO₂)



In 2019, SNV USA realised an order intake of €2M. Revenues of SNV USA amounted to €12M in 2019 from US government grants and contracts. SNV USA revenues represent approximately 8% of the consolidated SNV revenues. During 2019, SNV and SNV USA explored different ways of working together. Towards the end of 2019, a transition process was initiated as expectations regarding cost recovery and project governance diverged.

Code of conduct

SNV has a zero-tolerance policy regarding irresponsible behaviour – whether it is sexual abuse, fraud and corruption, child labour, or discrimination on the basis of gender, ethnicity, or sexual orientation. This starts with clear rules, including a code of conduct, to which each employee personally commits with a signature. We realise that despite this, the risk persists that something may go wrong in practice. SNV regularly commissions internal and external audits and investigations. We also find it important to discuss these types of risks within our organisation.

SNV continued to raise awareness and encourage staff to come forward in case they experience or have witnessed incidents of discrimination or harassment. Trust persons and staff in all SNV offices received regular training. We consistently applied our 2019 Workplace Discrimination and Harassment policy which is aligned with various donor procedures on prevention and awareness on (sexual) harassment. In 2019, we received one report of an alleged incident involving inappropriate touching and language by a staff member. After a thorough investigation, the perpetrator received a final warning letter and made a written apology – a sanction prescribed by

national legislation in the country where the incident took place. SNV was also closely involved in investigations of two incidents involving staff of partners/sub-contractors. In one case, the allegation was found unfounded. In the other case, the sub-contractor fired the perpetrator. Donors were informed in a timely fashion where relevant.

In 2019, 16 cases of suspected fraud and corruption were reported and investigated. Irregularities included breach of procurement procedures, conflict of interest, theft, fraudulent DSA/hotel claims and embezzlement. All the cases represented limited material value. All pending 2018 investigations and 10 of the 16 investigations were closed in 2019. Disciplinary measurements (including dismissals) have been taken against

involved staff where appropriate. As per SNV's policy, relevant donors were informed in a timely manner.

Co₂ footprint

We are committed to reducing greenhouse gas emissions. In 2019, SNV's projects contributed to a reduction of over 573,000 tons of greenhouse gas emissions. Our organisational CO₂ footprint was approximately 4,200 tons, for which we bought Gold Standard Biogas credits for projects in Cambodia, Kenya, and Tanzania. Our CO₂ footprint decreased by 7% from 2018 (4,500 tons). Over the past few years, emissions for SNV staff flights have remained relatively stable while the volume of our work has increased substantially. This is a result of using electronic communications to reduce travel when possible.





Risk management in SNV

SNV's risk profile

The identification, evaluation, management, and monitoring of the most significant risks SNV faces is the responsibility of the MB. The MB has a deliberative approach to risk. Integrity and accountability are at the heart of our work and all staff in SNV are accountable for our actions, for spending the funds entrusted to us wisely and for adhering to moral and ethical principles.

The table below summarises the principal risks to reaching our impact and financial targets and ongoing risk-mitigating measures. The levels of the reserves are sufficient to absorb the financial consequences related to the remedial risks after mitigation.

	Risk description	Mitigating measures	Impact *
Low contractual gross margins	Shift in policy priorities of donor governments can reduce new order intake. Donors can further reduce (management) fees in highly competitive markets with competitors which can co-finance from core subsidies or incomes from public fund raising. We expect donor budgets to decrease and priorities to shift in reaction to the corona crisis. Risk is hard to mitigate as donor priorities are not under SNV's control.	<ul style="list-style-type: none"> • Diversification of donor base. • Respond and adapt to changes and make use of newly offered opportunities. • Selectivity in order intake. • Update of SNV USA partnering modalities. 	High
Poor project management	Shortcomings in definition and uniform implementation of internal operating procedures and low project management capacity can result in performance below expected levels in terms of quality and cause ineligible expenditures. This risk is largely within SNV's control.	<ul style="list-style-type: none"> • Accountability for project implementation strengthened with a focus on contract management • Selecting the right implementation partners • Global Support Unit providing administrative and project control support and backup • Roll out of updated project execution and contracting and procurement policies and training of staff (to continue in 2020) • Enterprise Resource Planning (ERP) system in place 	Medium
Slow pace of implementation and low end-project contract implementation rate	Shortcomings in definition and uniform implementation of internal operating procedures and low project management capacity can result in performance below expected levels in terms of quality, cost and pace. Government restrictions in reaction to corona will reduce pace of implementation in 2020 and maybe beyond. Slow project implementation and low implementation rates at the end of contract periods affect the realised gross margin on contract and thus the overhead cost recovery required for SNV's medium-term financial sustainability. This risk is largely within SNV's control.	<ul style="list-style-type: none"> • Quarterly portfolio monitoring. • Timely project restructuring and re-budgeting • Better monitoring and management of end-project contract implementation rates (2019) • Roll out of adjusted project execution policies and procedures and training of staff (to continue in 2020) 	High

* Impact refers to impact (combining assessment of probability and severity) after risk mitigating measures.

Insufficient attention to financial management	Our decentralised business model while working with a variety of donors, each with their own specific requirements, can affect financial results in a low-margin market. This risk is largely within SNV's control.	<ul style="list-style-type: none"> • More reliable and timely data availability at project and aggregate level to better manage costs and gross contribution • Stronger functional accountability of country finance managers to global head of finance • Training, backstopping, and building a community of practice of finance staff 	Low/ Medium
Overspent on overhead	Lack of control on country and global overhead costs can negatively affect the financial results and thus SNV's medium-term financial sustainability. This risk is largely within SNV's control.	<ul style="list-style-type: none"> • Management control on (unbilled) overhead costs 	Low
Unexpected costs in opening/closing country operations	Start-up and close-out of country operations involve costs that are not recoverable on individual projects. While reducing this risk is within SNV's control, the risk cannot be reduced to zero as it is an intrinsic part of our mission-driven approach requiring a sustained local presence.	<ul style="list-style-type: none"> • Improved and more timely decision making based on better data • Annual review of country footprint 	Low/ Medium
Foreign exchange	Fluctuations in foreign currencies can expose SNV to financial losses. The economic turmoil caused by the corona pandemic increases the volatility of exchange rates. Some of this risk can be mitigated by SNV but a residual risk will remain especially for fluctuations of foreign exchange rates of thinly traded currencies.	<ul style="list-style-type: none"> • A new foreign exchange policy • net FX exposures are minimized, including cash in local currency. • Cash position is maintained as much as possible in The Netherlands. • forward payment (hedge) contracts were deemed necessary 	Medium
Political and economic unrest	SNV operates in increasingly fragile environments. Political and social unrest can cause lower pace of project implementation and can put our staff at risk. Government reactions to the corona pandemic and potential food shortage might cause political and social unrest in some countries we work in. This risk can be partly mitigated by SNV but a residual risk will remain given our mission and related operating environment.	<ul style="list-style-type: none"> • Annual review of country footprint (2019) • Continuous monitoring of security situations • Annual update and application of country security plans 	Medium
Corruption and fraud	The risk of corruption or fraud by staff or contractors can expose SNV to financial losses, fines and sanctions, loss of customers and clients, and reputational damage. This risk is under SNV's control.	<ul style="list-style-type: none"> • Zero tolerance approach to fraud and corruption, including messaging, early detection, and follow through • Internal Control Framework • Regular reporting of irregularities to the Audit & Risk Committee 	Low

Risk appetite

SNV is cautious when it comes to taking risks. We operate in a low-margin finance environment which provides us with limited space to take risks. In the coming years, reaching break-even will remain a challenge. In 2019 we made important steps forward in managing our risks. These put us in a strong position to take on increased risk levels related to the uncertainties caused by the corona pandemic. In the past few years, we focused on contractual gross margins at the time of signing a new contract, cost controls at country and global level, and FX risks. Then we expanded our risk mitigation to better contract management to ensure that we realise the gross margins of our contracts and limit project-related expenditures that are not paid by donors. We are now stepping up on both counts with special attention to an adaptive approach to restructure projects with our donors to mitigate the impact of the corona crisis on the communities we serve while safeguarding our gross margins over time.

The Strategic Plan 2019-2022 includes a number of cautious measures towards taking more risks, including exploring using SNV reserves to take limited financial risk in projects through loan/guarantee components and increasing our involvement in the tender market.

Risk Category	Risk appetite	Description
Strategic	Moderate	SNV Strategy Plan 2019-2022 focuses on the continuation of our approach to poverty reduction within the three sectors agriculture, energy and WASH while focusing on direct impact and systems change. Reducing poverty directly and through creating systemic change is complex - especially in the fluid and unpredictable situations SNV work in. Ensuring that all our interventions are high quality is an intrinsic part of our mission. We are deliberate in what we do, where we do it, and how we do it. The quality assurance systems we are putting in place and investments in making knowledge flow to and from the frontline, together with upgrades to our primary project process, will help us strive to continuously improve.
Operational	Moderate	Working in the development context is sometimes affected by circumstances that often cannot be (directly) influenced. Taking an adaptive approach can reduce the operational risk. The Strategic Plan outlines an approach to invest in the tender market. The tender market (with fee-based contracts) poses considerably more operational risk than (cost-based) grants which still account for a large part of our portfolio. This risk is potentially offset by higher margins although these also have to cover for considerable additional business development costs.
Financial	Low	Financial risk management focuses on minimising liquidity risk, foreign exchange risk, interest rate risk and credit risks. The Strategic Plan outlines a cautious approach to explore using SNV reserves to take limited financial risk in projects through loan/guarantee components. This is currently on hold.
Reporting	Low	The MB will continue focusing on data-integrity and minimal errors in reporting.
Compliance	Low	SNV strives to comply with all applicable laws and regulations and with specific donor requirements if and when applicable.
Integrity	Low	SNV has zero-tolerance policy related to integrity breaches including sexual abuse, fraud and corruption, child labour, or discrimination on the basis of gender, ethnicity, or sexual orientation. This starts with clear rules, including a code of conduct, to which each employee personally commits with a signature. In addition, we have policies and procedures on workplace discrimination and harassment, fraud response, whistleblower, procurement and contracting, HIV/AIDS Workplace, and child protection. SNV has a due diligence framework in place and the MB closely supervises the strict implementation of all policies. SNV regularly commissions internal and external audits. We also find it important to discuss these types of risks within our organisation, including trust persons in all offices and confidential counsellors where whistleblowers can report allegations. We investigate any irregularities and take action where needed in alignment with our zero-tolerance policy. We monitor these processes closely. We realise that in spite of this, the risk persists that something may go wrong in practice.
Safety and security	Low	We choose to also operate in high-risk, conflict-sensitive and fragile areas as this is where the poor communities we want to support live. The duty to care for the safety and security of our employees is paramount. Within those environments we take precautions to secure the safety and security of SNV staff. Each country has a safety and security policy in place. If a security situation does not allow our staff to work in a safe way, our projects continue to be closely monitored from another location.

2019 financial performance highlights

Income from project funding

In 2019, our consolidated income was €142M, above our annual target of €137M. This is a 15% year-on-year increase compared to the 2018 income of €124M. Our annual project revenues depend on (i) the size of our portfolio, (ii) the average project duration, and (iii) the speed of implementation. The increase in revenues reflects the positive trend in order intake in the last few years which translate in a larger portfolio with a concentrated growth in East and Southern Africa. It also reflects an increase in our implementation capacity as we increased our staffing levels and invested in project implementation over the past four years.

Financial results

SNV realised a consolidated net result of €0.3M in 2019 with both SNV Foundation and SNV USA generating its income entirely from projects. This is a result of structural improvement measures taken over the last years to reach sustainable break-even including introducing regular hard-close exercises, streamlining our annual planning and reporting cycle, strengthening the periodic portfolio analysis, and improving the control on our FX and cash management. The progress made on planning, reporting and analysis over recent years has resulted in more comprehensive, accurate and timely data that supports the steering of our organisation on project implementation and the gross margins on our contracts.

Balance sheet and SNV's equity position

SNV's balance sheet remains strong with an equity position of €38.8M (versus €38.6M per year end 2018). The fluctuation compared to prior years is driven by the positive net result in 2019, adjustment in relation to US indirect cost coverage of prior years, investments into SNV for organisational performance improvement, and GBP hedge to safeguard our assets.

In 2019, the Supervisory Board approved a revision of the continuity reserve to €25M. SNV's continuity reserves enable SNV to carry on operations in the event of unforeseen adverse circumstances. The adjustment of the continuity reserves was based on an assessment which recognized that the level and nature of our risks have changed considerably since the continuity reserves were set at € 32.7M in 2011 in preparation of the phasing-out of the core subsidy. At the same time, as the revision of the continuity reserves, the SB decided to create a destination reserve of € 7.7M for investments in the SNV organisation. The free reserves (€ 6.3M as per 31 December 2019) are maintained to absorb possible losses within the coming years. The continuity and free reserves are deemed sufficient in the light of SNV's risk profile.

At the beginning of 2019, the earmarked reserves, created in 2015 for the transition out of the DGIS core subsidy, were €0.9M. Of this, € 0.7M was released in 2019: €0.2M relating to the Fixed Assets depreciation Reserve and € 0.5M related to SNVUSA prior year adjustments. At the end of 2019, the only remaining earmarked reserve is €0.14M relating to USA business development (on the balance sheet of SNV USA).

The total cash and bank position at year-end was €93M and our working capital was €39M. This is within the financial steering indicators determined by the Managing Board (MB). The cash and bank position improved with €13.6M and working capital (current assets minus current liabilities) improved with €1.1M.

Outlook financial performance

Our Strategic Plan 2019-2022 projected a growth of revenues to €150M by 2022. A turnover of €150M requires an average annual order intake of €170M, a 90% end-project contract implementation rate, and adherence to current benchmarks on gross margins. Additional project risks (Forex, performance, and financial risks) must be offset by increased margins. The 2020 Corporate Annual Plan presents a budgeted income of € 141M. For 2020, the investment in the priority projects was estimated to be €1.2M, financed by equity, with global and country indirect costs financed through project contribution. We projected a break-even result for 2020 before FX results and investments in priority projects (financed from the destination reserve).

These targets have been put at risk by the corona pandemic and its aftermath. The corona crisis has a significant effect on SNV's ability to improve livelihoods and lift basic services as well as on SNV's financial results. The effects range from very immediate (as most of our staff moved to remote working arrangements), to medium term (as the donor landscape we operate in is structurally changing).

We expect a 20%-25% reduction in planned revenues in 2020 due to the lower pace of implementation. A drop in revenues will negatively impact our net result as our country and global overhead expenditure will reduce less than our revenues. We also expect increased currency volatility and donors declaring certain expenditures ineligible given government social distancing and lockdown measures restricting our activities. The financial effect of the corona crisis is hard to estimate given that the length, the geographical spread, and the depth of the crisis and its economic impact are presently not known.

The donor landscape around us is always evolving – and we expect it to change structurally in the wake of the corona crisis. An expected drop in the order intake in 2020 will affect our revenues in the coming years.

Our measures to mitigate the effects on our financial situation include positioning SNV in a post-corona world, a focused effort on project restructuring and re-budgeting, enhanced financial control measures, and a reduction in country and global overhead expenses. SNV has a solid liquidity position and reserves. As the crisis will have a significant impact on our financial result, we do expect to use a limited amount of our reserves in 2020 to cover losses. The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are therefore based on the assumption of continuity of the company.

Financial risks

SNV operates internationally and works with multiple currencies. Income is mainly generated in hard currencies such as the Euro, US dollar, Swedish Krona, Pound Sterling and Swiss Franc whereas a significant part of our expenditures takes place in thinly traded currencies in the countries where we work. Conversion of hard currencies to these currencies can be expensive and their volatility, especially now due to corona, makes it complex to manage our foreign currency exposure. In 2019, SNV was able to lower these conversion costs to zero (saving €0.6M versus 2018) by using a trading platform, which enables us to offer each FX conversion to multiple financial institutions. FX management is focused on minimising net currency exposures. This amongst others is done by maintaining low cash balances in local currencies. Furthermore, SNV is hedging positions of project funding in currencies other than euro where deemed necessary. In addition, in 2019 SNV concluded a bank rationalisation process to limit financial risks to SNV further.

Interest income remained low as we maintained our excess cash as much as possible in the Netherlands and negative interest rates continued in Europe. Fortunately, interest expenses on our significant cash position remained limited as we successfully negotiated with banks to reduce the negative interest charge. Improved income on interest, without exposing SNV to increased credit or foreign currency risks is not expected in the short term.

Governance

The Managing Board (MB) manages SNV under the supervision of an independent Supervisory Board (SB). The SB consists of a chair, a vice-chair and four regular members. The members have complementary professional backgrounds in the public and private sector. Combined they have extensive experience and expertise covering international development, human resources, project management, public administration, sustainability, research, governance, finance, auditing, and marketing.

In 2019, we bid farewell to Eveline Vinke-Smit and Bernard Ter Haar after eight years on the SB and the Audit and Risk Committee (ARC). In those eight years, they made a tremendous contribution to SNV. We welcomed Miriam Hamers on the Supervisory Board and as the new chair of the ARC. On January 2020, the SB was complete as Irene Nijboer joined both the SB and the ARC.

SNV's supervisory structure complies with Dutch and international standards of good governance. At the end of 2019, two members of the SB hold seats in the Selection and Remuneration Committee (SRC), which is responsible for recommendations to the entire SB regarding the appointment, evaluation and remuneration of the Chief Executive Officer (CEO) and other MB members. At the end of 2019, two members of the SB held seats on the Audit and Risk Committee (ARC). This committee monitors finance, IT, risk and compliance and advises the SB on finance, control, and risk management issues. The chair of the SB is not a formal member of any of the SB's committees but has a standing invitation to attend any of the Committee's meetings. The external auditor is appointed by and reports annually to the SB.

In 2019, the SB convened three times, the ARC convened six times, and the SRC convened twice.

During 2019, the SB focused on the future outlook of SNV. The SB requested the Managing Board to carry out a risk analysis, review SNV's approach to reserves and cash management and develop an action plan to reach sustainable breakeven. The SB welcomed progress on structural improvement measures during the year. A second central tenet of

the priorities was the transition of the Managing Board and how it relates to other parts of the organisation, including the Supervisory Board. The SB approved in principle the transition to a four-member MB in which each statutory director has a singular responsibility. The SB approved the 2019 MB remuneration proposal in line with the Corporate Labour Agreement (CLA). The SB at various occasions in 2019 discussed the boundary conditions regarding project governance and cost recovery for future US government financed business and supported the MB's approach to disentangling the relationship with SNV USA as it did not meet the agreed boundary conditions.

Formal approvals were given to the Annual Report and Annual Accounts for 2018 (in June 2019) the Corporate Annual Plan and Budget for 2020 (in December 2019). In the SB meetings, the MB provided regular updates on the implementation of SNV's operational plan for 2019, including quarterly progress reports on streamlined key performance indicators. The SB approved an adjustment of the continuity reserves to €25M based on a reassessment of what is minimally required to continue SNV operations as well as the creation of a destination reserve of €7.7M.

During its meetings, the ARC and the MB reviewed the results of the external and internal audits, including management responses. Specific and frequent attention was given to data reliability and timeliness. Furthermore, improvements in cash management and an assessment of the reserves were discussed. The MB reported all fraud cases to the ARC.

The audit for 2018 was evaluated with the audit firm BDO. The mid-year review results were discussed including the balance sheet review as per 1 November 2019. The ARC was informed on, treasury, the risk register, and common audit issues.

The Selection and Remuneration Committee (SRC) advised the SB on the implementation on the performance cycle of Managing Directors.

Members of Managing Board



Meike van Ginneken
Chief Executive Officer
 (January 2018 – present)

Other Affiliations*

- Class I director in Board of SNV USA (till May 2020)
- Chair of Steering Group, Netherlands Food Partnership (from October 2019)



Hans Heijdra
Managing Director Operations/CFO
 (November 2018 – present)

Other Affiliations*

Vice-Chair and Secretary of the Board, Stichting AgriProfocus



Megan Ritchie
Managing Director Water, Sanitation and Hygiene/ East and Southern Africa
 (April 2013 – present)

Other Affiliations*

Board Member, Stepping Stone Liberia



Tom Derksen
Managing Director Energy/Asia and Latin America
 (April 2017 – present)

(September 2013 – March 2017: Managing Director Agriculture)



Andre de Jager
Managing Director Agriculture/West and Central Africa
 (April 2017 – present)

* All other activities are unpaid

Members of the Supervisory Board



Koos Richelle

Chair of the Supervisory Board
(SB chair term October 2015 – October 2023)

Background

Ex-Director General for departments for International Cooperation in the Dutch Ministry of Foreign Affairs, as well as in the European Commission. He presently serves in a number of non-executive boards of non-profit organisations being supervisory board member of ECDPM, IHE-Unesco and Centre for International Legal Cooperation. He is also chairman of the Advisory Committee on Migration affairs and member of the Advisory Council on International Affairs as well as deputy-chair of its Commission on Development Cooperation.



Bernard ter Haar

Vice-Chair of the Supervisory Board
Member of the Audit and Risk Committee
(SB term July 2012 – December 2019)

Background

Director General for Social Security and Integration, Ministry of Social Affairs and Employment.



Ronald de Jong

Member of the Selection and Remuneration Committee
(SB term July 2012 – October 2020)

Background

Chairman of the Philips Foundation. Distinguished Professor of Practice, Tilburg University.



Mirjam van Reisen

Chair of the Selection and Remuneration Committee
(SB term April 2012 – October 2020)

Background

Professor International Relations, Innovation and Care at Tilburg University, Professor Computing for Society at Leiden University. Director of Europe External Policy Advisors in Brussels. Member of the Dutch Government Council on Foreign Affairs and Chair of its Committee on Development Cooperation.



Evelyn Vinke-Smits

Chair of the Audit and Risk Committee

(SB term December 2011 – December 2019)

Background

Partner of KPMG and Member of the Cooperative Board of KPMG U.A.



William van Niekerk

Vice-Chair of the Supervisory Board

(since December 2019)
Member of the Audit and Risk Committee
 (SB term October 2015 – October 2023)

Background

Partner Beaufort Corporate Consulting & Interim Management, Chairman of the Netherlands Hydrogen & Fuel Cell Association NWBA ,Former CEO and Board Member in the Water, Energy and Construction sector.



Miriam Hamers-Bodifée

Chair of the Audit and Risk Committee

(SB term September 2019 - September 2023)

Background

Audit Partner of KPMG.

Members of SNV USA Board of Directors



Meike van Ginneken
Chair SNV USA
 (May 2018 – December 2019)
SNV USA Board Member
 (from December 2019 - May 2020)

Chief Executive Officer, SNV



Nancy Bradley
SNV USA Board Member
 (November 2018 – December 2019)
Chair SNV USA
 (December 2019 - November 2021)

Retired; served as financial consultant for SNV USA and, prior to that, as Chief Financial and Administrative Officer ACDI/VOCA.



Demetria Arvanitis
SNV USA Board Member, Executive Director, SNV USA

Member of the Board of Directors of the Society for International Development, Washington, DC Chapter.



Kenneth Lanza
SNV USA Board Member
 (November 2014 – November 2020)

Director, Grant Thornton LLP. Member of the Board of Advisors of the Competitiveness Institute.



Emmy Simmons
SNV USA Board Member
 (November 2014 – November 2020)

Independent Consultant; served as Assistant Administrator for Economic Growth, Agriculture, and Trade of USAID from 2002-2005. Member of the Board of Directors for the Partnership to Cut Hunger and Poverty in Africa, the World Vegetable Centre, the CGIAR Research Programme on Agriculture for Nutrition and Health, and the Cornell-Tata Initiative in India. Co-chair of AGree, and member of the Global Panel on Agriculture and Food Systems for Nutrition.



Frank Tugwell
SNV USA Board Member
 (May 2013 – November 2019)

Independent Consultant; served as President and Chief Executive Officer of Winrock International from 1999 to 2013. Member of the Board of Directors of the Regulatory Assistance Project and the Environmental Integrity Project.



Annual Accounts 2019

SNV Netherlands Development Organisation Annual Accounts

The Annual Accounts of SNV Netherlands Development Organisation (SNV), legally seated in The Hague, The Netherlands, reflect its main activities: Our work focuses on increasing people's incomes and access to basic services in agriculture, energy, water, sanitation and hygiene.

We make a lasting difference in the lives of people living in poverty, helping them raise incomes and access basic services. Driven by the Sustainable Development Goals, we are dedicated to a society in which all people are free to pursue their own sustainable development, and no one is left behind. This commitment to equity directs us to focus on gender and youth.

We apply our know-how to deliver results at scale. We apply practical know-how to support people living in poverty. By connecting our global expertise with our extensive and longstanding in-country experiences, we help realise locally owned solutions. We are experts in agriculture, energy, and water, sanitation and hygiene (WASH). Our services include advice, brokering and stakeholder engagement, advocacy, fund management, results-based financing and delegated management. Our projects directly benefit millions of people. At the same time, our projects also drive systems change – strengthening institutions and kick-starting markets to help many more people work their way out of poverty, well beyond the scope of projects.

In 2019, SNV's activities were financed through project funds reported as Project Revenue in the Consolidated Statement of Financial Performance. Expenditures comprise of country project costs, global corporate costs and US activities costs. The small positive net result of the year was added to the free reserves, where the investments in the SNV organisation were financed through the destination reserves and the results of SNV USA were financed through the earmarked reserve. In the Consolidated Balance Sheet, the assets and liabilities are reported.

The organisation continued to focus on building its project funding activities reaching an order intake of €183.9M at the end of the year (2018: €152.2M). Revenue stood at €142.4M in 2019, a significant increase compared to €123.9M in 2018.

Group Structure

The Consolidated Financial Statements of SNV for the year ended 31 December 2019 comprises of three entities - SNV Netherlands Development Organisation, SNV USA and SNV LLC (dormant). Further information on the legal form and the evolving inter-relationship of entities is set out under Accounting Principles and Subsequent Events.

Closure and changes of status of country operations in 2019

SNV worked in 27 countries at the end of 2019. Most of our country programmes are business units headed by a resident Country Director, while some smaller country programmes are headed by a Country Director resident in a nearby country. In 2019 we started operations in Burundi (headed by Country Director resident in Kenya) and Nigeria (headed by Country Director resident in Mali). By the end of 2019 there were no more operations ongoing in Peru and Bolivia as these were wound down during 2019. For further developments in country operations from 2020 onwards we refer to the subsequent events note 22 relating to operations in Cameroon and SNV activities in Myanmar that will end in 2020.

The Annual Accounts consist of the following:

- Consolidated Balance Sheet after appropriation of balance income and expenditure
- Consolidated Statement of Financial Performance
- Consolidated Statement of Cash Flows
- Notes to the Consolidated Balance Sheet and Statement of Financial Performance
- Accounting principles for the valuation of assets and liabilities
- Accounting principles for determining the Statement of Financial Performance
- Balance Sheet for SNV Foundation
- Statement of Financial Performance for SNV Foundation
- Notes to the Annual Accounts SNV Foundation
- Independent auditor's report

Consolidated Balance Sheet as of 31 December 2019

(after appropriation of balance of income and expenditure (all amounts in Euro))

ASSETS	Note	2019	2018
Fixed Assets			
<i>Intangible Fixed Assets</i>			
Global System Upgrade		561,949	847,343
	1	561,949	847,343
<i>Tangible Fixed Assets</i>			
Terrains and Buildings		551,562	560,540
Vehicles		316,586	499,356
Equipment		77,779	144,951
Furniture and Fixtures		73,489	196,411
	2	1,019,416	1,401,258
Financial Fixed Assets			
Financial Fixed Assets	3	588,816	554,456
		588,816	554,456
Current Assets			
Project Funding Receivables	4	11,645,491	10,063,663
Other Receivables	5	1,327,612	674,973
Prepayments	6	7,979,694	7,814,903
		20,952,797	18,553,539
Cash & Bank			
	7	92,991,196	79,414,713
		92,991,196	79,414,713
Total Assets		116,114,174	100,771,309

RESERVES AND LIABILITIES	Note	2019	2018
Reserves	8		
Continuity Reserve		25,015,308	32,715,308
Free Reserves		6,347,670	5,049,938
Earmarked Reserve		140,485	863,659
Destination Reserve		7,246,625	-
		<u>38,750,088</u>	<u>38,628,905</u>
Provisions	9		
		<u>2,386,860</u>	<u>1,999,828</u>
		2,386,860	1,999,828
Current Liabilities			
Project Funding Payables	10	61,440,113	48,651,685
Creditors	11	4,412,071	4,573,663
Accrued Expenses	12	7,422,658	5,075,275
Taxes & Social Security	13	1,230,810	1,249,824
Pensions	14	471,575	592,128
		<u>74,977,227</u>	<u>60,142,576</u>
Total reserves and liabilities		<u>116,114,174</u>	<u>100,771,309</u>

Consolidated Statement of Financial Performance for the year ending 31 December 2019

(all amounts in Euro)

	Note	Realised 2019	Budget 2019	Realised 2018
Income				
Project Revenue	16	141,409,542	137,339,000	123,068,996
Other non-project Revenue	17	908,403	-	836,164
Interest received	18	54,481	-	15,967
Total income		142,372,426	137,339,000	123,921,127
Expenditures				
	19			
Activity costs		(59,442,591)	(59,261,300)	(47,684,002)
Consultants & LSPs		(16,983,229)	(16,802,900)	(17,031,166)
SNV Staff costs		(46,533,312)	(46,217,200)	(41,159,190)
Facility costs		(8,722,813)	(8,476,100)	(8,405,223)
Vehicle costs		(3,040,746)	(2,954,700)	(3,522,836)
Other general costs		(7,280,858)	(4,274,900)	(9,096,295)
Total Project Implementation costs		(142,003,550)	(137,987,100)	(126,898,712)
Financing Costs including FX		(31,325)	-	295,768
Total Financing Costs		(31,325)	-	295,768
Total Expenditures		(142,034,876)	(137,987,100)	(126,602,944)
Balance Income and Spend		337,551	(648,100)	(2,681,817)
Attributable to Free Reserves		1,323,885	(48,100)	(1,695,623)
Withdrawal from Earmarked Reserves		(532,959)	-	(986,194)
Withdrawal from Destination Reserves		(453,375)	(600,000)	-
		337,551	(648,100)	(2,681,817)

Consolidated Statement of Cash Flows

(all amounts in Euro)

	2019	2018
Cash flows from operating activities		
Net Result	337,551	(2,681,817)
<i>Adjustments for:</i>		
Interest received	(54,481)	(15,967)
Proceed from Sale of fixed assets	(337,134)	
Financing Costs including FX		(295,768)
Depreciation, amortisation and other impairments	896,632	1,261,658
Movement in provisions	2,489,311	3,244,200
	2,994,328	4,194,124
<i>Movements in working capital:</i>		
Change in Project Funding Receivables	(3,479,578)	11,582,049
Change in Other Receivables	(652,639)	60,596
Change in Prepayments	(164,791)	(1,598,116)
Change in Project Funding Payables	12,788,428	(3,321,596)
Change in Other Current Liabilities	1,747,122	(1,980,406)
Cash generated from operations	13,570,420	6,254,834
Interest received	54,481	15,967
	54,481	15,967
Net cash generated from operating activities	13,624,901	6,270,801
<i>Cash flow from investment activities:</i>		
Investments in tangible fixed assets	(266,937)	(466,854)
Proceed from Sale of fixed assets	337,134	126,612
Net cash generated from investment activities	70,197	(340,242)
<i>Cash flow from financing activities:</i>		
Movements in financial fixed assets	(34,360)	482,443
Net cash generated from financing activities	(34,360)	482,443
Net cash flows	13,660,738	6,413,002
Exchange gains/(losses) on cash at banks and in hand	(84,254)	258,112
Net increase/(decrease) in cash at banks and in hand	13,576,483	6,671,114
Balance as at 1 January	79,414,713	72,743,599
Movements during the financial year	13,576,484	6,671,114
Balance as at 31 December	92,991,196	79,414,713

Notes to the Consolidated Balance Sheet and Consolidated Statement of Financial Performance

General notes

Objective of the organisation and nature of activities

Founded in the Netherlands in 1965, SNV is a Netherlands-based international development organisation that has built a long-term, local presence in countries in Asia, Africa and Latin America. The SNV team of national and international specialists provides practical know-how to make a lasting difference in the lives of people living in poverty by helping them raise incomes and access basic services. We use our extensive on the ground track record to apply and adapt our expertise to local contexts. We constantly renew our expertise with innovative global knowledge and lessons learned from practice.

In 2019 SNV carried out its mission in 29 countries and had management and business development operations in the Netherlands and Washington DC, USA.

Going concern

The 2020 corona pandemic and its deep economic impact will effect SNV's ability to improve livelihoods and lift basic services as well as on SNV's financial results. We expect a significant impact on our financial result in 2020, though this will not put the continuity of the organisation at risk. The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are therefore based on the assumption of continuity of the company. For further details on the impact assessment and measures SNV is taking, reference is made to note Subsequent events.

Group structure

The Consolidated Financial Statements of SNV for the year ended 31 December 2019 comprise of three entities - SNV Netherlands Development Organisation, SNV USA and SNV LLC US (dormant). SNV Netherlands Development Organisation (Stichting SNV Nederlandse Ontwikkelingsorganisatie, Chamber of Commerce 41152786), is an independent not-for-profit foundation set up in 1965, and has its registered office at Parkstraat 83, The Hague, The Netherlands. The operations in the 29 countries are part of this foundation.

Both SNV USA and SNV LLC US are located at 7514 Wisconsin Avenue, Suite 400, Bethesda MD 20814, United States of America. SNV Netherlands Development Organisation holds 100% of the shares in the issued capital of SNV LLC US. During 2012 the activities of SNV LLC US were transferred to a newly established US 501(c) 3 public charity foundation called SNV USA, and as of the end of 2012 SNV LLC US is dormant.

SNV USA facilitates strategic partnerships with the US Government to expand the scale and impact of SNV's work through additional project funding, with a focus on USAID grants and contracts. SNV USA is a fully independent entity for US purposes, but under Dutch GAAP requirements has been consolidated based on organisational and economical interrelations resulting in effective control by SNV Foundation. For subsequent events in relation to SNV USA we refer to note Subsequent events.

Consolidation principles

Financial information relating to group entities controlled by SNV has been included in the Consolidated Financial Statements of SNV after elimination of intercompany relationships and transactions. Intercompany transactions, results and balances among group consolidated entities are eliminated, unless these results are realised through transactions with third parties. Unrealised

losses on intercompany transactions are also eliminated, unless such a loss qualifies as an impairment. The accounting policies of consolidated entities have been changed where necessary, in order to align them to the prevailing group accounting policies.

Related parties

All legal entities that can be controlled, jointly controlled or significantly influenced are considered a related party in addition to statutory directors and other key management of SNV. Transactions with related parties are disclosed in the Notes insofar as they are not transacted under normal market conditions. The nature, extent and other information is disclosed if this is necessary in order to provide the required insight.

Consolidated Statement of Cash flows

The Consolidated Statement of Cash Flows has been prepared using the indirect method. The cash items disclosed in the Consolidated Statement of Cash Flows comprise of cash at the banks, and in hand except for deposits with a maturity longer than three months. Cash flows of entities with a functional currency other than Euro have been translated at average estimated exchange rates. Exchange differences affecting cash items are shown separately in the cash flow statement. Interest paid and received, and income taxes are included in cash from operating activities. Cash flows from financial derivatives accounted for as fair value hedges, or Cash flow hedges are classified in the same category as the cash flows from the hedged balance sheet items. Cash flows from financial derivatives where hedge accounting is no longer applied, shall be classified consistently with the nature of the instrument, from the date on which the hedge accounting is terminated.

Accounting estimates, judgements and uncertainties

In applying the principles and policies for drawing up the Consolidated Financial Statements in conformity with Book 2, Article 362, paragraph 1, the directors of SNV make different estimates, judgments and assumptions that affect the application of accounting policies and amounts disclosed in the financial statements. These estimates inherently contain a degree of uncertainty. Actual results may differ from these estimates under different assumptions or conditions.

The nature of these estimates and judgements, including related assumptions to the uncertainties, is disclosed in the notes to the relevant financial statement items.

General policies

General

The Annual Accounts are prepared in accordance with Dutch Accounting Standards, as published by the Dutch Accounting Standards Board paragraph 640 (RJ 640). The accounting policies set out below relate to the Consolidated Financial Statements. Assets and liabilities are generally valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the Consolidated Balance Sheet, Consolidated Statement of Financial Performance and the Consolidated Statement of Cash Flows references are made to the notes.

Comparison with previous year

The valuation principles and method of determining the result are the same as those used in the previous year.

Foreign currency

Items included in the Consolidated Financial Statements of Group companies are measured using the currency of the primary economic environment in which the respective entity operates (the functional currency). The Consolidated Financial Statements are presented in euros, which is the functional and presentation currency of SNV.

Transactions in foreign currencies are included in the Consolidated Financial Statements at the exchange rate of the functional currency per the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. Any FX differences resulting from settlements (transaction results) and conversions to the functional currency (translation results) are credited or charged to the Statement of Financial Performance, unless hedge-accounting is applied.

Non-monetary assets valued at historical cost in a foreign currency are converted at the exchange rate on the transaction date. Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined.

Assets and liabilities of consolidated entities with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; and income and expenses are translated at average exchange rates during the financial year. Any resulting exchange differences are taken directly to reserves for translation differences within the free reserve.

Financial instruments

Securities included in financial and current assets are stated at fair value, unless the hedge is part of a hedge relation for which cost price hedge accounting is applied. These financial instruments are kept off balance. Please also see note 15.

Operational Leasing

SNV may have lease contracts whereby a large part of the risks and rewards associated with ownership are not for the benefit of or not incurred by SNV. Such lease contracts are recognised as operational leasing, and lease payments are recorded on the income statement on a straight-line basis, taking into account reimbursements received from the lessor and the duration of the contract.

Financial Risks

SNV enters into business transactions in other currencies than Euro and is therefore exposed to foreign exchange fluctuations. SNV's core activity is project implementation in developing countries funded by a variety of donors. SNV at all times aims to handle these donor funding with the highest care. In line with this principle SNV's MB has agreed upon a low risk appetite towards the impact that foreign exchange currencies might have on SNV or on SNV's operations.

Foreign exchange exposures result from transactions reported in SNV's balance sheet or cash flows that are denominated in other currencies than Euro, which is SNV's functional currency.

SNV aims to minimize cash balances held by SNV country organisations at their local bank accounts. Surplus cash balances are held centrally at bank accounts in the Netherlands as much as possible. All countries have EUR accounts in the Netherlands and most countries also have central USD accounts.

SNV minimises any (negative) impact that fluctuations in foreign exchange rates may have on values reported in the Statement of Financial Performance and Balance Sheet of SNV. Exposures will be hedged to the functional currency insofar the costs of hedging will not exceed the assumed currency risks.

Accounting Principles for the valuation of assets and liabilities

Intangible Fixed Assets

The expenditure on the Global System upgrade was completed and capitalised in 2017. These intangible fixed assets are stated at historical cost less amortisation. The amortisation of this Global System upgrade commenced at the time when the system went live. Global System Upgrade annual rate of amortization is 20%.

Impairments are taken into consideration; this is relevant in the event that the carrying amount of the asset (or of the cash-generating unit to which the asset belongs) is higher than its realisable value.

Tangible Fixed Assets

Terrains (land) and buildings are valued at historical cost plus additional costs or production cost less straight-line depreciation based on the expected useful life. Terrains are not depreciated.

Other tangible fixed assets are valued at historical cost or production costs including directly attributable costs, less straight-line depreciation based on the expected future life. All tangible fixed assets are converted using the exchange rates prevailing at the date of purchase.

The tangible fixed assets purchased by or for specific projects are not taken into consideration as they will be handed over to partners, project beneficiaries or government at the end of the project period, and therefore do not meet the criteria for capitalization.

Assets are depreciated by asset group over their expected economic lives using the linear method.

The annual rates of depreciation are:

Terrains	0%
Buildings	6.67%
Vehicles	25%
Equipment	33%
Furniture and Fixtures	25%

Renovation and related repair costs regarding the buildings are capitalised. Renovation buildings are depreciated in line with the remaining duration of the lease contract. Other costs for repair and maintenance are reported in the Statement of Financial Performance, in the fiscal year when these activities were carried out.

Impairments expected on the balance sheet date are taken into account. With regard to the determination as to whether a tangible fixed asset is subject to an impairment, please refer to the relevant section.

Financial Fixed Assets

Bank deposits presented under Financial Fixed Assets are recognised at nominal value. These deposits have a term of longer than twelve months.

Impairment of fixed assets

On each balance sheet date, SNV assesses whether there are any indications that a fixed asset may be subject to impairment. If there are such indications, the realisable value of the asset is determined. If it is not possible to determine the realisable value of the individual asset, the realisable value of the cash-generating unit to which the asset belongs is determined.

An impairment occurs when the carrying amount of an asset is higher than the realisable value; the realisable value is the higher of the fair value less cost to sell and the value in use. An impairment loss is directly recognised in the income statement while the carrying amount of the asset concerned is concurrently reduced.

Current Assets

Current Assets include project funding receivables which are amounts relating to projects carried out by SNV on behalf of donors. The amounts are recognised initially at fair value and subsequently measured at amortised cost which is for current receivables the nominal amount, net of provisions for doubtful debts. They represent the receivables for work already carried out in accordance with the contract terms for which the funding had not been received from the donor by the balance sheet date. The amounts are due within one year. The collectability of the amounts is reviewed and where necessary a provision is made for risk of non-collectability. Other receivables and prepayments are also included in Current Assets.

Cash and Bank

Cash at banks and in hand represent cash in hand, bank balances and deposits with terms of less than twelve months. They are stated in EUR and are carried at nominal value. The foreign currency denominated accounts are revalued based on exchange rates on the balance sheet date.

Reserves

These are reserves at the disposal of SNV and are maintained to ensure that SNV can continue to carry out its mission. The reserves comprise of a continuity reserve set aside to enable SNV to carry on operations in the event of unforeseen adverse circumstances, free reserves, destination reserves and earmarked reserves.

Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date and for which it is probable that an outflow of resources will be required, and a reliable estimate can be made. They are measured at the best estimate of the amount necessary to settle the obligation at the balance sheet date and are carried at the nominal value of the expected settlement value.

Pension provisions

SNV applies the liability approach for all pension schemes. The premium payable during the financial year is charged to the result. Changes in the pension provision are also charged to the result. SNV pays premiums based on (legal) requirements, a contractual or voluntary basis to pension funds and insurance companies. Premiums and contributions are based on national legal systems and vary from country to country. Premiums are recognised as employee costs when they are due. Prepaid contributions are recognised as deferred assets if these lead to a refund or reduction of future payments. Contributions that are due but have not yet been paid are presented as liabilities.

For employees having a Dutch contract and residing in the Netherlands, SNV has a pension scheme with ABP to which the provision of the Dutch Pension Act is applicable. ABP's funding ratio at the end of 2019, according to the fund's statement, was 97.8%.

For foreign pension plans that are similar to the way in which the Dutch pension system is designed and operates, recognition and measurement of liabilities arising from these pension schemes are carried out in accordance with the valuation of the Dutch pension schemes.

Current Liabilities

Project Funding Payables

Current liabilities include Project Funding Payables which relate to projects being carried out by SNV on behalf of donors. The amounts stated represent funding received in advance from donors for which the relevant work had not been carried out by the balance sheet date but will be completed within one year.

Creditors, Accrued Expenses, Taxes and Social Security

Creditors, Accrued expenses, Taxes and Social Security are also included under Current Liabilities. On initial recognition, current liabilities are recognised at fair value. After initial recognition current liabilities are recognised at the amortised cost price, being the amount received, taking into account premiums or discounts, less transaction costs. This usually is the nominal value.

Hedge Accounting

SNV's has a few fixed fee contracts with a contract currency other than Euro. Unlike grant contracts, these contracts expose SNV's future revenue to currency risk. The main fixed fee contracts with currency risk are SNV's two fixed fee contracts in GBP. Taken into account the high GBP volatility due to Brexit, SNV's hedged the future revenue of these two contracts by EURGBP forwards in line with its FX policy.

SNV applies RJ cost price hedge accounting model for fixed fee contract transactions which have a fixed settlement date and cash flow hedge accounting model for fixed fee contract transactions which settlement date is still uncertain. Without hedge accounting SNV's Consolidated Statement of Financial Performance would be impacted by fluctuations of the fair values (marked to market) of the derivatives per each reporting period. In 2019 hedge accounting has only be applied for certain transaction in GBP.

Cost price hedge accounting

SNV uses cost price hedge accounting for SNV's contracted future, highly probable transactions in GBP which have a fixed settlement date, and which have been covered by EUR/GBP forward exchange contracts. Where appropriate, the gain or loss relating to the ineffective portion of the change in value of forward exchange contracts is recognised in the Statement of Financial Performance within financing cost including FX. Per the end of 2019, there was only one remaining fixed fee of GBP 1.2M with due date 31 March 2020 outstanding, which was covered for 90% by a forward for the same period.

As the hedges relation per the reporting date is 100% effective (the critical conditions of the hedged item and hedge instrument fully match), the fair value changes of the derivative is not accounted for and kept off balance.

Cash flow hedge accounting

SNV uses cash flow hedge accounting for its contracted highly probable transactions in GBP, which settlement date is still uncertain. These highly probably transactions in GBP have been covered by a EUR/GBP forward exchange contracts and will be rolled over to match the settlement date of the transactions, once these dates will be confirmed.

Insofar effective, the value of the forward per reporting date (marked to market) and cash settlements of the forwards will be included in Equity -Other Comprehensive Income OCI. The cumulative result of the hedge instrument posted in the equity, will remain in equity until the forecasted transaction(s) take place. If the forecasted transactions impact SNV's Profit and Loss, the related amount posted in the OCI will be recycled to the Profit and Loss.

Upon ineffectiveness, the gain or loss relating to the ineffective portion of the change in value of the forward exchange contracts will be recognised in the Statement of Financial Performance within financing cost including FX.

Per the end of 2019, a GBP 3.9M hedge was outstanding with maturity date 03 March 2020, covering 90% of the future net GBP cashflows (fixed fee revenue minus payments to partners) and equal to 66% of the highly probably future fixed fee revenue of the contract.

As the hedge relation per the reporting date is 100% effective, the fair value of changes of the derivative is accounted for in Equity (Other Comprehensive Income).

Accounting principles for determining the Statement of Financial Performance

General

To the extent the reporting format deviates from the standard model, it is considered to give better insight in the activities of SNV. The result for the year is the difference between the realisable value of SNV's services provided, and the costs and other charges for the year. The results on transactions are recognised in the year in which they are realised and taken to free reserves.

Revenue recognition

Income comprises of the realised income from donor contracts after deduction of other charges like taxes levied if applicable in any country on the turnover. Revenues from the services rendered are recognised on an accrual basis in proportion to the services delivered, based on the costs realized up to the balance sheet date in proportion to the total of services to be rendered. Other non-project revenue (other operating income) results are recognized which are not directly linked to the supply of services and goods as part of the normal, non-incident operations.

Costs

All project expenses relating to activities carried out prior to the balance sheet date are taken into account in the year's expenditure, including employee costs, direct project costs and attributable indirect costs. Overhead costs not directly attributable to the project costs are also taken into account in the year.

Financing Income/Costs including FX

Financing results include realised and unrealised exchange rate differences, unless hedge accounting is applied.

Notes to the Consolidated Balance Sheet

Fixed Assets

1. Intangible Fixed Assets

EUR	Global System Upgrade
Purchasing Value	1,447,742
Accumulated Depreciation	(600,399)
Net Book Value 31 December 2018	847,343
Acquisitions	-
Total Depreciation 2019	(285,394)
Movement in year	(285,394)
Net Book Value 31 December 2019	561,949
Purchasing Value	1,447,742
Accumulated Depreciation	(885,793)
Net Book Value 31 December 2019	561,949

The intangible fixed assets relate in full to capitalised implementation costs of our cloud based ERP solution.

2. Tangible Fixed Assets

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

EUR	Terrains and Buildings	Vehicles	Equipment	Furniture & Fixtures	Total
Purchasing value	2,008,317	4,384,653	3,571,630	1,644,132	11,608,732
Cumulative depreciation	(1,447,778)	(3,885,297)	(3,426,679)	(1,447,721)	(10,207,474)
Book value	560,540	499,356	144,951	196,411	1,401,258
31 December 2018					
Investments	59,751	37,835	105,189	64,162	266,937
Disposals (purchase value)	(18,961)	(797,413)	(756,365)	(165,499)	(1,738,239)
Disposal (cum. Depreciation)	9,158	797,667	743,268	150,605	1,700,698
Depreciation	(58,926)	(220,858)	(159,264)	(172,190)	(611,238)
Movement in year	(8,978)	(182,770)	(67,172)	(122,922)	(381,842)
Net Book Value	551,562	316,586	77,779	73,489	1,019,416
31 December 2019					
Purchasing value	2,049,108	3,625,074	2,920,454	1,542,795	10,137,431
Cumulative depreciation	(1,497,546)	(3,308,488)	(2,842,675)	(1,469,306)	(9,118,014)
Net Book Value	551,562	316,586	77,779	73,489	1,019,416
31 December 2019					

3. Financial Fixed Assets

EUR	2019	2018
ABC project Guarantee fund -Benin	179,819	202,404
SNV Tanzania - IS Social security deposit	185,476	65,092
Other Deposits	223,521	286,960
Financial Fixed Assets	588,816	554,456

Financial Fixed Assets include guarantee funds (deposits) relating to the ABC project in Benin, which started in 2015, and up to end of 2019 a significant part of this guarantee has been released. The deposit is given to Orabank in XOF (total amount of XOF 500M for project related clients) and SNV will be fully reimbursed at the end of the project (October 2021).

In Tanzania the organisation is obliged to deposit the total social security liability following the employment of expatriates. The amount has increased compared to 2018 due to the fact that the regulation was announced in August 2018, being applied retroactively from April 2018.

The other deposits balance includes deposits for rent, maintenance and utility contracts for properties in countries where SNV operates. The amounts are stated at the net expected recoverable value.

Current Assets

4. Project Funding Receivables

EUR	2019	2018
Gross Project Receivables	16,480,878	12,796,772
Provision for unrecoverable costs	(4,835,387)	(2,733,109)
Project Receivables	11,645,491	10,063,663

Gross Project Receivables refer to amounts due from donors for work carried out on contracts and are receivable within a year. The settlement terms vary by donor and contract conditions and can extend to several months. The balance is net of the provision for unrecoverable costs, receivables which collection is not sure due to liquidity problems or disputes on disallowable and other non-refundable costs. At December 31, 2019 the provision for unrecoverable costs amounts to €4.8M (2018 €2.7M). The increase of €2.1M is the balance of write offs of around €1M provided for in 2018, increases in projects already provided for in 2018 of around €1.1M, new risks identified in 2019 to provide for of around €2.9M and €914 thousand release of risks provided for in 2018. The increase in provisions is caused by two large considerable amounts receivable from governments in Sub-Saharan Africa which are under negotiation. In addition, ex-post audits of old EU funded projects led to the need to increase provisioning for these.

5. Other receivables

EUR	2019	2018
Staff work advances	232,275	241,675
Short term project and hedge deposits	432,040	-
VAT Receivable	190,728	226,212
Other Debtors	472,569	207,086
Other Receivables	1,327,612	674,973

The fair value of the receivables approximates their carrying amount. They are all considered receivable within the next 12 months.

The other receivable contains also some short-term project guarantee funds in Ethiopia of €111,250 that is due in December 2020, in DR Congo (€104,130), which was released in February 2020, and a deposit (margin) for hedging in the Netherlands (€216,661), which was due in March 2020.

6. Prepayments

EUR	2019	2018
Prepayments to partners and suppliers	7,580,115	7,529,048
School costs	360,654	278,091
Other prepayments	38,925	7,764
Prepayments	7,979,694	7,814,903

Prepayments relate to items such as prepayments to partners, suppliers, office rent and school fees. The prepayments to partners and suppliers are upfront payments for services from partners and other local service providers. The increase of the prepaid school cost for 2019 is mainly due to the increase of international staff with school going children. The other prepayments relate to mainly assets in transition.

7. Cash & Bank

The table below shows the breakdown of the cash and bank balance kept in the organisation's most commonly used currencies and other local currencies used in the various countries. The balance includes €18,595,922 held on specific bank accounts restricted to usage for specific projects (2018: €14,879,665). The remaining cash is unrestricted.

SEK, CHF and AUD cash balances are used as a natural hedge for the liabilities in these currencies.

Bank Account Currency	Restricted (in €)	Unrestricted (in €)	Total (in €)
Euro	9,258,310	58,266,206	67,524,516
United States Dollar	3,592,655	1,364,094	4,956,749
British Pound	-	105,862	105,862
Swedish Krona	-	11,096,941	11,096,941
Swiss Franc	1,843,658	512,135	2,355,793
Australian Dollar	-	1,328,522	1,328,522
Other local currencies used in SNV countries	3,901,299	1,721,514	5,622,813
Total Cash & Bank Balance	18,595,922	74,395,274	92,991,196

Reserves and Liabilities

8. Reserves

EUR	Continuity reserve	Free Reserves	Earmarked Reserve	Destination Reserve	Total
Reserves as at 1st January 2019	32,715,308	5,049,938	863,659	-	38,628,905
2019 Reassessment reserves	(7,700,000)	-	-	7,700,000	-
2019 SNV Foundation net result	-	870,510	-	-	870,510
2019 SNV USA net result	-	-	(8,308)	-	(8,308)
SNV USA prior year adjustment	-	-	(524,651)	-	(524,651)
Corporate Priority projects investment	-	453,375	-	(453,375)	-
Fixed Assets earmarked reserves	-	190,215	(190,215)	-	-
OCI	-	(259,127)	-	-	(259,127)
Translation difference	-	42,758	-	-	42,758
Total as at 31st December 2019	25,015,308	6,347,669	140,485	7,246,625	38,750,088

Per 2013, SNV resolved to set aside an amount as a continuity reserve to enable SNV to carry on operations in the event of unforeseen adverse circumstances. When the core funding by DGIS ended in 2015, it was agreed that the continuity reserve, a small amount of free reserves and earmarked reserves remained with SNV. The earmarked reserves were set up to cover liabilities and commitments arisen during the subsidy period, part of which earmarked for USA business development is housed with SNV USA. The last non-SNV USA related release (€0.2M) of earmarked reserves took place in 2019. The SNV USA related earmarked reserves were €140 thousand as per 31 December, 2019. The continuity reserves enable SNV to carry on operations in the event of unforeseen adverse circumstances. The volume (€32.7M per year end 2018) was based on a risk assessment carried out in 2011 in preparation of the phasing-out of the core subsidy. As the levels and nature of our risks have changed considerably since, the Supervisory Board approved a revision of the continuity reserve to €25M. At the same time, the SB decided to create a destination reserve of €7.7M for investments in the SNV organisation. The free reserves (€6.3M as per 31 December 2019) are maintained to absorb possible losses within the coming years. The management board has assessed that also in the corona crisis the reassessment of the reserves is still in the light of SNVs risk profile.

Other reserves movements during the year 2019 were:

- The balance of Income and Spend of SNV Foundation over 2019 which was added to the free reserves. The free reserves are used for absorbing losses in operations and to cover possible future project deficits.
- The SNV USA other movement of €524,651 relates to an adjustment in relation to US indirect cost coverage of prior years. As the error was not deemed material for the consolidated accounts, it has been booked in 2019 as part of the USA Business Development earmarked reserve.
- In 2019 €453,375 was spent for investments into SNV as part of the budget for six internal priority projects financed from the destination reserve.
- OCI movement of €259,127 is related to the GBP hedge (see note 15).
- Translation differences of €43 thousand for consolidating entity with different functional currency than the euro.

As at 31 December 2019, the total reserve of the SNV Foundation is €38.10M (see notes to the Annual Accounts of SNV Foundation). The difference between the consolidated reserves of €38.75M is €653,183 and refers to €512,698 free reserves and €140,485 earmarked reserves on SNV USA balance. These SNV USA reserves are the net of the accumulated results offset against the grant of €1,690,000 provided by SNV Foundation to SNV USA in 2015.

Earmarked reserves

At the end of 2015, certain additional earmarked reserves were set up at the expiration of the DGIS core subsidy cycle relating to liabilities and commitments arisen during the subsidy period which had not been fully discharged before the end of that year. In 2019 the last €190 thousand relating to the Fixed Assets depreciation Reserve moved from earmarked reserves to retained earnings as this is the last year of depreciation of DGIS equipment bought in 2015. At the end of 2019, one remaining earmarked reserve is in place: USA Business development (see above for explanation of movements in 2019).

EUR	USA Business Development	Fixed Assets Depreciation Reserve	Total
Reserves as at 1st January 2019	673,444	190,215	863,659
2019 SNV USA net result	(8,308)	-	(8,308)
SNV USA prior year adjustment	(524,651)	-	(524,651)
Fixed Assets earmarked reserves	-	(190,215)	(190,215)
Total as at 31st December 2019	140,485	(0)	140,485

9. Provisions

EUR	2019	2018
Reservation severance	1,116,246	933,949
Provision orientation leave	123,839	117,879
Provision projects losses	911,775	948,000
Other provisions	235,000	-
Provisions	2,386,860	1,999,828

In several countries where SNV operates it is mandatory to provide for payables to staff on severance, regardless of the terms of contract termination. The amounts are recognised at nominal value and considered to be long term.

A project loss provision is formed for contracts where not all planned costs to complete the projects – including indirect costs – will be fully covered by the current donor contracts. The methodology of the estimation of the loss provision has been further refined in 2019 with focus on contracts with lowest contribution to cover indirect costs.

For determining the provision as per 31 December 2019, we have considered the full remaining lifetime of all projects in portfolio at year end. Most of the provision relates to activities in 2020 €769 thousand (in 2018 we provisioned €605 thousand for 2019) with a limited provision for other years €143 thousand (in 2018 we provisioned €343 thousand for the other years).

The other provisions relate to costs of countries in transition and closing including Bolivia, Peru and USA.

Current Liabilities

10. Project Funding Payables

EUR	2019	2018
Project Funding Payables	61,440,113	48,651,685
Project Funding Payables	61,440,113	48,651,685

These amounts are pre-received from donors for contracts. They are classified as short term as they are used to fund contract activities to be carried out within the next year.

11. Creditors

EUR	2019	2018
Trade Creditors	4,411,245	4,486,637
Employee creditors	826	87,026
Creditors	4,412,071	4,573,663

These creditors fall due in less than one year. The fair value of these creditors approximates their book value due to their short-term character. During 2019, there has been a better management of staff advances.

12. Accrued expenses

EUR	2019	2018
Reservation leave days	1,580,092	1,434,121
Leave allowance to be paid	524,659	449,262
Other accruals	4,832,259	2,703,403
Accruals for international transport & relocation costs	485,648	488,489
Accrued expenses	7,422,658	5,075,275

The amounts mainly relate to costs incurred during the year, but payments not yet made. A significant increase of accruals in financial year 2019 in comparison to 2018 is due to increases in monthly expenditure estimates of advances given to partners due to increased activities as our revenue grew by 15% for the second year in a row.

The leave days provision is due to employees not taking their holidays or pay-out of (compensation) leave days.

13. Taxes & social securities

EUR	2019	2018
Withdrawal P.A.Y.E.	299,843	330,359
Withdrawal social security premiums	196,339	237,585
VAT Payable	(1,736)	36,097
Withholding tax	325,069	393,608
Reservation taxation to be paid	264,476	150,125
Other Tax Reconciliation amounts	146,819	102,050
Taxes and social security	1,230,810	1,249,824

The above table shows the positions for the statutory liabilities in various countries payable to relevant authorities as per regulations of various governments.

14. Pensions

EUR	2019	2018
Pension premiums payable	471,575	592,128
Pensions	471,575	592,128

Compared to 2018 there is a significant decrease in pension premiums payable. This is mainly due to a decrease in pension premiums payable in SNV Cambodia (€-146 thousand). To be compliant with the Cambodian Labour Law, payments are now done every six months. As the last contributions have been paid out in December 2019, the balance in Cambodia was reduced to almost zero.

15. Commitment and contingent liabilities

Type	Sum of Expected cost EUR less than 1 year (2020)	Sum of Expected cost EUR between 1 - 5 years (2021-2025)	Sum of Expected cost EUR > 5 years (2026 onwards)	Sum of Total Expected cost based on contract (EUR)
Supplier Contracts - Countries	101,334	-	-	101,334
Supplier Contracts - Head Office	898,641	900,184	-	1,798,825
Rent - Countries	817,736	776,958	280,418	1,875,112
Rent - Head Office	196,660	1,061,775	-	1,258,435
Total	2,014,371	2,738,917	280,418	5,033,706

The amounts prepaid by SNV as at end of the year for rent and contract suppliers are recognised as part of the prepayments in the balance sheet.

In relation to one of our projects that involves a revolving loan fund (€ 3.6M), the donor will decide on final beneficiaries and trustees of the trust fund at the end of the contract (expected end of 2020). The donor reserves the right to demand the return of the funds. Hence the fund (and the increased value due to interest) is a potential contingent asset which is too uncertain to account for on the balance sheet.

EUR GBP Hedges

SNV has two contracts with fixed cash flows denominated in GBP. SNV entered into EUR/GBP forward contracts with Ebury in December 2018 and June 2019 to protect the EUR value of these future highly probable transactions from EUR-GBP variability (currency risk), especially for the increased currency risk in relation to Brexit. Two of these contracts are outstanding per December 2019.

The maturity dates of the hedges are 3 and 31 March 2020. The underlying contractual values are £3,900,000 (€4,333,212.97) and £1,176,944 (€1,291,486) respectively.

The market values of these hedges per reporting date are -€259,126.73 and -€92,974.53. This is posted in the OCI and kept off balance in line with the conditions of the hedge accounting cash flow and cost price model.

Legal cases in progress

At the end of 2019 there were ten open legal cases against SNV of which six were brought by former employees and four by other parties. Management considers the risk of substantial liabilities arising from these cases to be low. As there are no cases with an expected cash outflow, accruals have not been made.

Bank guarantees

As at end of 2019, SNV had one bank guarantee of €68,727.43 in favour of Warvurg-H1H Invest Real Estate GmbH. The bank guarantee relates to the rental of the office building on Plot 83, Parkstraat, The Hague. (In note 3 Financial Fixed Assets and note 5 Other receivables other project guarantee funds and deposits are mentioned where there is an actual deposit. For the bank guarantee in favour of Warvuug-H1H Invest Real Estate GmbH there is no separate bank deposit/fund).

Notes to the Consolidated Statement of Financial Performance

Income and contribution

16. Project Revenue

Income from project funding realised in 2019 was €141.4M (2018: €123.1M). The realised revenue for the year is 15% higher than the previous year. The continuous growth reflects the high order intake achieved over the past years and the increased pace of project implementation.

Revenue segmentation

Following tables segments the revenue by sector and by region.

Revenue per sector

EUR	2019	2018
Agriculture	91,318,928	80,818,183
Energy	16,428,793	14,086,225
WASH	30,600,821	26,419,092
Others	3,061,000	1,745,496
Total	141,409,542	123,068,996

Revenue per region

EUR	2019	2018
Asia	20,087,998	19,756,071
East and Southern Africa	72,667,394	60,098,343
Global programs	8,795,958	7,896,089
Latin America	2,283,742	3,179,748
West and Central Africa	37,574,450	32,138,745
Total	141,409,542	123,068,996

The revenue per sector and per region includes only project revenue.

17. Non-Project Revenue

Non-project revenue in 2019 was €0.91M compared to €0.84M in 2018. This revenue was mainly from receipts from disposal of fixed assets and compensation for use of offices and vehicles by third parties.

18. Interest Received

Interest received on funds kept in the bank amounted to €54 thousand in 2019, compared to the €16 thousand in 2018.

19. Expenditures

SNV expenditures are classified into the various expense categories. The consolidated expenses include the cost for Global Support Unit (GSU) and SNV USA.

	Realised 2019				Budget 2019	Realised 2018
	Countries	SNV USA	GSU	Total		
Donations / Sub-grants / Subsidies	10,014,120	-	-	10,014,120	9,983,600	8,147,384
Workshops / Training	14,510,561	24,224	-	14,534,784	14,490,500	13,049,294
Subcontracted Activities	14,632,835	557,164	-	15,189,999	15,143,700	11,968,058
Travel/lodging/per diem expenses -In country	3,890,038	-	24,060	3,914,098	3,902,200	3,436,800
Travel/lodging/per diem expenses -Out of Country	1,441,055	136,070	301,411	1,878,536	1,872,800	1,547,721
Consortium partners	13,911,054	-	-	13,911,054	13,868,500	9,534,745
Activity Costs	58,399,662	717,458	325,471	59,442,591	59,261,300	47,684,002
Consultants fee costs	13,930,918	461,997	91,853	14,484,768	14,331,000	12,336,849
Travel/lodging/per diem expenses Consultants	290,344	-	1,405	291,749	288,700	348,977
Local Service Providers costs	2,163,237	-	-	2,163,237	2,140,300	4,241,557
Travel/lodging per diem expenses LSPs	43,475	-	-	43,475	42,900	103,783
Consultants and LSP Costs	16,427,974	461,997	93,259	16,983,229	16,802,900	17,031,166
Gross Salaries	22,912,182	1,385,032	5,759,797	30,057,010	29,852,800	26,644,681
Social Securities	1,913,303	114,818	26,434	2,054,554	2,040,600	1,892,448
Pension Premiums	2,988,193	136,040	5,763	3,129,997	3,108,700	2,797,031
Staff costs and allowances	9,401,926	372,873	419,103	10,193,902	10,124,700	8,794,157
Associate Advisor Costs	805,149	4,852	287,848	1,097,849	1,090,400	1,030,873
Staff Costs	38,020,752	2,013,615	6,498,945	46,533,312	46,217,200	41,159,190
Office material costs	851,584	8,052	(106,303)	753,333	732,000	754,403
Communication costs	940,985	35,899	73,349	1,050,233	1,020,500	1,037,602
Equipment costs	1,826,162	5,752	906,522	2,738,436	2,661,000	2,408,171
Inventory costs	32,949	-	2,991	35,940	34,900	94,319
Office space costs	1,382,876	123,574	261,488	1,767,938	1,717,900	1,720,261
Other building costs	1,632,155	8,196	37,258	1,677,610	1,630,200	1,502,150
Depreciation Costs	322,224	4,905	372,196	699,324	679,600	888,317
Facility Costs	6,988,935	186,377	1,547,501	8,722,813	8,476,100	8,405,223
Depreciation vehicles	217,980	-	-	217,980	211,800	373,341
Purchase project vehicle	739,887	-	-	739,887	719,000	1,007,154
Maintenance vehicles	570,347	-	31	570,378	554,200	575,859
Insurance Vehicles & Other Vehicle Costs	255,084	-	-	255,084	247,900	293,505
Fuel SNV Vehicles	759,203	-	-	759,203	737,700	772,374
Rent Vehicles + Fuel + Other Costs	497,324	-	889	498,214	484,100	500,603
Vehicle Costs	3,039,826	-	920	3,040,746	2,954,700	3,522,836
Professional training (incl travel and lodging)	31,813	-	71,670	103,483	107,200	216,403
Expenses Meetings (travel and lodging expenses excluded)	403,991	10,788	104,005	518,784	537,600	559,561
Subscriptions, contributions and literature	100,701	29,446	86,556	216,703	224,600	214,899
Audit costs	630,820	53,308	520,252	1,204,380	1,248,200	1,511,594
Support staff Consultants (NOT personnel cost)	472,004	-	504,793	976,797	938,200	480,539
Legal support	171,741	68,549	30,590	270,880	280,700	162,364
Bank costs	209,848	9,402	55,525	274,775	284,800	243,212
Bad debtor expenses	3,155,881	-	-	3,155,881	-	3,137,253
Publications and information costs	343,562	-	16,952	360,514	373,600	266,751
Publicity costs other than publications	223,284	-	46,940	270,224	280,000	202,692
Other General costs	(282,235)	111,685	98,989	(71,561)	-	2,101,027
Other General Costs	5,461,409	283,179	1,536,270	7,280,858	4,274,900	9,096,295
Total Project Costs	128,338,558	3,662,625	10,002,367	142,003,550	137,987,100	126,898,712

The depreciation reported under facility costs include €285,395 amortisation of intangible fixed assets.

Budget versus Actual Figures

The realised 2019 project expenditures were 103% of the total plan for the year. This was caused mainly by rapid project implementation in East & South Africa and Asia. Of the total 2019 expenditure, Activity costs (including flow-through funds) and Staff costs were 42% and 33% respectively. Together these cost categories represent 75% of the total cost. Consultants and Local Service Providers costs represented 12% of the total expenditure, Facility and vehicle costs represented 8%, while other general costs accounted for 5% of the total 2019 expenditure.

GSU expenditure

GSU expenditure in 2019 (including internal priority projects) was €10M, which is 7% below budget. The lower than planned expenditure is mainly related to slow implementation of the internal priority projects. Staff costs represented 63% of the GSU expenditures.

SNV USA

SNV USA revenues were €11.6M, compared to €10.9M in 2018. The direct and indirect SNV USA office expenses amounted to €3.7M (up from €3.2M in 2018). The balance (€8.6M) is implemented by SNV in countries and included in country expenditure.

Provisions

In 2019 a net provision of €2.1M was recognised as a risk provision for receivables which collection is not sure due to liquidity problems, disputes, disallowable and other non-refundable costs. (see note 4)

Write offs

€1.3M write offs were recognised in 2019. Only €278 thousand of this constituted an additional cost in 2019 as the rest was already provisioned for in 2018. The low additional cost is a result of the resolution of legacy issues identified in 2018 and clean-up efforts in 2019.

20. Other Disclosures**Average number of employees**

As per 31st December 2019, 1,373 (2018: 1267) employees were employed on a full-time basis. Of these employees, 18 were employed by SNV USA (2018: 18) and 1,269 were employed outside the Netherlands (2018: 1,190).

Audit fees

Audit and other fees expenses in the year 2019 amounted to €1,204,380 (2018: €1,511,594). Of this amount €567,908 (2018: €822,436) relates to project and other local country audits.

BDO Audit fees (including VAT)

	Fee for audit of the financial statements	Fee for other audit services	Fee for fiscal advisory	Fee for non-audit services	Total
2018	645,660	32,099	-	11,398	689,157
2019	529,846	106,626	-	-	636,472

The method of presentation changed compared to the 2018 Annual Accounts. The table shows the actual cost recognised as audit costs in the yearly expenses, while in 2018 Annual Accounts showed fees based on the date of invoices received.

Remuneration of CEO and Managing Board Members and Supervisory Board of SNV Foundation

Remuneration of CEO and Managing Board

All Managing Board salaries for 2019 were based on a contractual workweek of 40 hours and were within the WNT norm.

Details of 2019

MB member	M. van Ginneken	H. Heijdra	M. Ritchie	T. Derksen	A. de Jager
Function	CEO	MD	MD	MD	MD
<i>Employment contract:</i>					
Duration	Permanent	Permanent	Permanent	Permanent	Permanent
Period of service	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31
FTE	1.0 fte	1.0 fte	1.0 fte	1.0 fte	1.0 fte
<i>Remuneration:</i>					
Remunerations and taxable allowances	134,761	115,136	124,497	124,497	123,657
	134,761	115,136	124,497	124,497	123,657
Provisions for future payments	20,135	20,416	20,011	25,263	11,838
Total remuneration 2019	154,896	135,552	144,508	149,760	135,495
<i>Individual WNT-maximum</i>	<i>181,000</i>	<i>181,000</i>	<i>181,000</i>	<i>181,000</i>	<i>181,000</i>

Details of 2018

MB member*	M. van Ginneken	H. Heijdra	M. Ritchie	T. Derksen	A. de Jager
Function	CEO	MD	MD	MD	MD
<i>Employment contract:</i>					
Duration	Permanent	Permanent	Permanent	Permanent	Permanent
Period of service	Jan 1-Dec 31	Nov 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31
FTE	1.0 fte	0.2 fte	1.0 fte	1.0 fte	1.0 fte
<i>Remuneration:</i>					
Remunerations and taxable allowances	127,197	19,019	122,373	122,373	117,639
	127,197	19,019	122,373	122,373	117,639
Provisions for future payments	18,513	2,564	19,624	24,760	11,460
Total remuneration 2018	145,710	21,583	141,997	147,133	129,099
<i>Individual WNT-maximum</i>	<i>174,000</i>	<i>29,079</i>	<i>174,000</i>	<i>174,000</i>	<i>174,000</i>

* Note: Only active MB members are presented in 2018 overview

Remuneration of Supervisory Board

Details of 2019

SB Member	J. Richelle	B. ter Haar	W. van Niekerk	E. Vinke-Smits	R. de Jong	M. van Reisen	M. Hamers-Bodifée
Function	Chairman	Vice Chairman	Member	Member	Member	Member	Member
Period of service	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Nov 30	Jan 1-Dec 31	Jan 1-Dec 31	Sep 1-Dec 31
Remuneration	5,400	4,800	4,200	3,850	-	4,200	1,400
Total remuneration 2019	5,400	4,800	4,200	3,850	0	4,200	1,400
<i>Applicable WNT maximum 2019</i>	<i>27,150</i>	<i>18,100</i>	<i>18,100</i>	<i>16,563</i>	<i>18,100</i>	<i>18,100</i>	<i>6,050</i>

Details of 2018

SB Member	J. Richelle	B. ter Haar	W. van Niekerk	E. Vinke-Smits	R. de Jong	M. van Reisen
Function	Chairman	Vice Chairman	Member	Member	Member	Member
Period of service	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31	Jan 1-Dec 31
Remuneration	5,400	4,800	4,200	4,200	-	4,200
Total remuneration 2018	5,400	4,800	4,200	4,200	0	4,200
<i>Applicable WNT maximum 2018</i>	<i>26,100</i>	<i>17,400</i>	<i>17,400</i>	<i>17,400</i>	<i>17,400</i>	<i>17,400</i>

Other employees or temporary staff

No other employees or temporary staff of SNV received remuneration above the WNT-maximum in 2019.

Subsequent events

SNV USA

In 2019 SNV and SNV USA explored alternative ways of working together. Towards the end of 2019 a transition process was initiated as expectations regarding cost recovery and project governance diverged. SNV USA rebranded itself into DevWorks International in February 2020. With this rebranding, the exclusive affiliation of SNV and SNV USA came to an end. In May 2020, SNVUSA/DevWorks agreed to no longer use corporate names, trademarks, trade names, service marks, brands, copyrights and logos containing "SNV" and the bylaws were changed in May 2020 to abolish the SNV-affiliated Class I director on the board of SNVUSA/DevWorks. The MOU governing the implementation of joint projects will end by 1 October, 2020. SNV is working with SNV USA/DevWorks on a responsible transition so that SNV USA/DevWorks can continue to fulfil its contractual commitments beyond the end of the MOU.

As the exclusive affiliation and MOU between SNV and SNV USA was still in place in 2019, these annual accounts have been consolidated like prior years. Due to end of the exclusive affiliation, per year end 2020, the results of SNV USA/DevWorks will no longer be consolidated into the Financial Statements of SNV.

The financial impact of the ending of this affiliated relationship from 2020 onwards will be limited. The revenues of SNV USA projects were around 8% of 2019 consolidated revenue and are estimated at 4% of 2020 forecasted SNV revenues. SNV will pursue US government financed opportunities in other ways.

Changes in status of country operations in 2020

Operations in Cameroon and SNV activities in Myanmar will end in 2020.

Corona

The 2020 corona pandemic and its deep economic impact effects SNV's ability to improve livelihoods and lift basic services as well as on SNV's financial results. The effect ranges from very immediate as most of our staff moved to remote working arrangements to medium term as the donor landscape, we operate in is structurally changing.

SNV has remained operational in all countries despite restrictions on our activities. Our principle is to do no harm, ensuring that SNV does not put communities, staff or anybody else at risk and does not contribute to spreading the virus. SNV complies with regulations of governments and the World Health Organisation. We have put in place business continuity plans and are moving towards social distancing plans in countries where restrictions can be lifted.

We expect a 20%-25% reduction in planned revenues in 2020 due to the lower pace of implementation. A drop in revenues will negatively impact our net result as our country and global overhead expenditure will reduce less than our revenues. We also expect increased currency volatility. Donors might declare certain expenditures ineligible given restrictions on our activities. All these factors put pressure on our financial result in 2020. The financial effect of the corona crisis is hard to estimate given that the length, the geographical spread, and the depth of the crisis and its economic impact are presently unknown.

The donor landscape around us is always evolving – and we expect it to change structurally in the wake of the corona crisis. An expected drop in the order intake in 2020 will affect our revenues in the coming years.

Our measures to mitigate the effects on our financial situation include positioning SNV in a post-corona world, a focused effort on project restructuring and re-budgeting, enhanced financial control measures, and a reduction in country and global overhead expenses. SNV has a solid liquidity position and reserves. The crisis will still have a significant impact on our financial result with these mitigation measures. We expect to use a limited amount of our reserves in 2020 to cover losses. The accounting principles applied to the valuation of assets and liabilities and the determination of results in these financial statements are therefore based on the assumption of continuity of the company.

SNV Foundation (SNV Netherlands Development Organisation)

SNV Netherlands Development Organisation, Balance Sheet after appropriation of balance of income and expenditure (all amounts in Euro)

The Balance Sheet of SNV Netherlands Development Organisation represents the position of the SNV Foundation (these numbers are the aggregate of all countries, excluding SNV USA).

ASSETS	31 December 2019	31 December 2018
Fixed Assets		
<i>Intangible Fixed Assets</i>		
Global System Upgrade	561,949	847,343
<i>Tangible Fixed Assets</i>		
Terrains and Buildings	551,562	560,540
Vehicles	316,586	499,356
Equipment	77,779	144,416
Furniture and Fixtures	65,085	183,906
	<u>1,011,012</u>	<u>1,388,218</u>
Financial Fixed Assets	556,409	522,690
Current Assets		
Project Funding Receivables	12,341,191	10,740,909
Other Receivables	846,769	671,812
Prepayments & Acrued income	<u>7,877,882</u>	<u>7,760,234</u>
	21,065,842	19,172,955
Cash & Bank	91,335,596	78,783,148
Total Assets	<u>114,530,808</u>	<u>100,714,354</u>

RESERVES AND LIABILITIES	31 December 2019	31 December 2018
Reserves		
Continuity Reserve	25,015,308	32,715,308
Free Reserves	5,834,972	4,579,999
Earmarked Reserve	-	190,215
Destination Reserve	<u>7,246,625</u>	<u>-</u>
	38,096,905	37,485,522
Provisions	2,386,860	1,999,828
Current Liabilities		
Project Funding Payables	61,440,113	48,651,684
Creditors	3,510,289	5,866,108
Accrued Expenses	7,394,257	4,869,258
Taxes & Social Security	1,230,810	1,249,826
Pensions	<u>471,574</u>	<u>592,128</u>
	74,047,043	61,229,004
Total reserves and liabilities	<u>114,530,808</u>	<u>100,714,354</u>

SNV Netherlands Development Organisation, Statement of financial performance
(all amounts in Euro)

The Statement of Financial Performance SNV represents the position of the SNV Netherlands Development Organisation (these numbers are the aggregate of all counties, excluding SNV USA).

	Realised 2019	Budget 2019	Realised 2018
Income			
Project Revenue	138,474,960	134,000,000	120,178,974
Other non-project Revenue	685,914	-	836,164
Interest received	54,481	-	15,967
Total income	139,215,356	134,000,000	121,031,105
Spend implementation projects			
Activity Costs	(58,399,662)	(57,074,700)	(46,854,431)
Consultants & LSPs	(16,427,974)	(16,405,500)	(16,546,031)
SNV Staff Costs	(38,020,752)	(38,550,200)	(33,710,451)
Facility Costs	(6,988,935)	(6,549,000)	(6,719,584)
Vehicle Costs	(3,039,826)	(2,883,500)	(3,522,610)
Other General Costs	(5,461,409)	(2,496,800)	(7,003,582)
Total projects implementation costs	(128,338,559)	(123,959,700)	(114,356,689)
Country result excl GSU	10,876,797	10,040,300	6,674,416
Workforce Costs	(6,342,803)	(6,135,600)	(5,794,479)
Other GSU Costs	(3,206,189)	(3,711,300)	(3,436,471)
Corporate priority projects	(453,375)	(857,500)	-
Total GSU expenditures	(10,002,367)	(10,704,400)	(9,230,950)
Operating result including GSU costs	874,430	(664,100)	(2,556,534)
Financing costs incl FX	(3,920)	-	295,768
Net result	870,510	(664,100)	(2,260,766)
Withdrawal from Free Reserves	1,323,885	(64,100)	(1,695,622)
Withdrawal from Earmarked Reserves	-	-	(565,144)
Withdrawal from Destination Reserves	(453,375)	(600,000)	-
	870,510	(664,100)	(2,260,766)

Notes to the Annual Accounts of SNV Foundation

Reporting entity

The Annual Accounts of SNV Foundation, SNV Netherlands Development Organisation, are included in the Consolidated Annual Accounts of SNV.

General accounting principles for the preparation of the financial statements

The SNV Foundation Annual Accounts have been prepared in accordance with the firm pronouncements in the Dutch Accounting Standards, as published by the Dutch Accounting Standards Board paragraph 640 ('Raad voor de Jaarverslaggeving'). For the general principles for the preparation of the Annual Accounts, the principles used for the valuation of assets and liabilities, and determination of the result, and for the notes to the specific assets and liabilities and results, reference is made to the accounting principles set out in the Consolidated Annual Accounts and the notes thereafter.

Fixed assets

EUR	Terrains	Buildings	Renovation Buildings	Vehicles	Equipment	Furniture & Fixtures	Total Tangible Fixed Assets
Purchasing value	162,483	1,282,803	558,725	4,384,653	3,562,805	1,605,674	11,557,143
Cumulative depreciation	-	(1,043,599)	(399,872)	(3,885,297)	(3,418,389)	(1,421,768)	(10,168,925)
Book value	162,483	239,204	158,853	499,356	144,416	183,906	1,388,218
31 December 2018							
Investments	-	55,311	4,440	37,835	105,189	64,162	266,937
Disposals (purchase value)	-	-	(18,961)	(797,413)	(756,365)	(163,084)	(1,735,824)
Disposals (cum. Depreciation)	-	-	9,130	797,414	740,584	150,605	1,697,733
Depreciation	-	(25,443)	(33,455)	(220,605)	(156,045)	(170,504)	(606,052)
Movement in year	-	29,868	(38,846)	(182,770)	(66,637)	(118,821)	(377,206)
Net Book Value	162,483	269,072	120,007	316,586	77,779	65,085	1,011,012
31 December 2019							
Purchasing Value	162,483	1,338,114	544,204	3,625,074	2,911,629	1,506,752	10,088,257
Cumulative depreciation	-	(1,069,042)	(424,197)	(3,308,488)	(2,833,850)	(1,441,667)	(9,077,244)
Net Book Value	162,483	269,072	120,007	316,586	77,779	65,085	1,011,012
31 December 2019							

Reserves

EUR	Continuity Reserve	Free Reserves	Earmarked Reserve	Destination Reserve	Total
Reserves as at 1st January 2019	32,715,308	4,579,999	190,215	-	37,485,522
2019 Reassessment reserves	(7,700,000)	-	-	7,700,000	-
SNV Foundation result	-	870,510	-	-	870,510
Corporate Priority projects investment	-	453,375	-	(453,375)	-
Fixed Assets earmarked reserves	-	190,215	(190,215)	-	-
OCI	-	(259,127)	-	-	(259,127)
Total as at 31 December 2019	25,015,308	5,834,972	0	7,246,625	38,096,905

Changes in the reserves between consolidated and the SNV Foundation

Difference in reserves

EUR	2019
SNV consolidated reserves as at 31st December 2019	38,750,088
SNV USA equity as at 31st December 2019	(653,183)
SNV Foundation reserves as at 31st December 2019	38,096,905

Changes in the result between consolidated and the SNV Foundation

Difference in result

EUR	2019
SNV Consolidated net result 2019	337,551
SNV USA net result 2019	(8,308)
SNV USA prior year adjustment	(524,651)
SNV Foundation net result 2019	870,510

Commitments and Contingent Liabilities

Please refer to Note 15 of the Consolidated Balance Sheet.

Average number of employees

As at 31st December 2019, 1,355 employees were employed on a full-time basis at SNV Netherlands Development Organisation (2018: 1249). Of these employees, 1,269 were employed outside The Netherlands (2018: 1,172). Of these employees, 1172 were employed outside the Netherlands (2017: 1120).

Independent auditor's report

To: the managing board and supervisory board of Stichting SNV Nederlandse Ontwikkelingsorganisatie

A. Report on the audit of the financial statements 2019

Our opinion

We have audited the financial statements 2019 of Stichting SNV Nederlandse Ontwikkelingsorganisatie based in Den Haag. The financial statements include the consolidated financial statements and the company financial statements.

In our opinion, the enclosed financial statements give a true and fair view of the financial position of Stichting SNV Nederlandse Ontwikkelingsorganisatie as at 31 December 2019 and of its result for 2019 in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board and the provisions of and pursuant to the Wet normering bezoldiging topfunctionarissen publieke en semipublieke sector (WNT).

The financial statements comprise:

1. the consolidated and company balance sheet as at 31 December 2019;
2. the consolidated and company profit and loss account for 2019; and
3. the notes comprising a summary of the applicable accounting policies and other explanatory information.

Basis for our opinion

We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing and the audit protocol WNT. Our responsibilities under those standards are further described in the 'Our responsibilities for the audit of the financial statements' section of our report.

We are independent of Stichting SNV Nederlandse Ontwikkelingsorganisatie in accordance with the Wet toezicht accountantsorganisaties (Wta), the Verordening inzake de onafhankelijkheid van accountants bij assurance-opdrachten (ViO, Code of Ethics for Professional Accountants, a regulation with respect to independence) and other relevant independence regulations in the Netherlands. Furthermore we have complied with the Verordening gedrags- en beroepsregels accountants (VGBA, Dutch Code of Ethics).

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

No examination of compliance with the rule against overlapping under the WNT

In accordance with the Audit Protocol WNT 2019 Regulations, we have not examined compliance with the rule against overlapping as referred to in Article 1.6a of the Senior Executives in the Public and Semi-Public Sector (Standards for Remuneration) Act (*Wet normering topinkomens*, WNT) and Article 5(1)(j) of the WNT Implementing Regulations. This means that we have not examined whether or not any standards were violated by senior executives as a result of their being employed as a senior executive at any other institutions subject to the WNT nor whether the explanation required in this context is correct and complete.

Emphasis of matter

We wish to draw attention to the narrative in the notes to the financial statements, on page 80 and 81, describing the uncertainties surrounding the possible impact of the COVID-19 on SNV. This situation does not alter our opinion.

B. Report on other information included in the annual report

Next to the financial statements and our opinion thereon, the annual report contains other information that consists of:

- the management report on page nr 7 - 49

Based on the procedures as mentioned below, we are of the opinion that the other information:

- is consistent with the financial statements and contains no material misstatements;
- includes all information as required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

We have read the other information. Based on our knowledge and understanding obtained through our audit of the financial statements or otherwise, we have considered whether the other information contains material misstatements

With these procedures, we have complied with the requirements of the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board and the Dutch Auditing Standard 720. These procedures do not have the same scope as our audit procedures on the financial statements.

Management is responsible for the preparation of the managing board report and the other information in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

C. Description of responsibilities for the financial statements

Responsibilities of Managing Board and the Supervisory Board for the financial statements

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

As part of the preparation of the financial statements, the Managing Board is responsible for assessing the foundations ability to continue as a going concern. Based on the financial reporting framework mentioned, the Managing Board should prepare the financial statements using the going concern basis of accounting unless management either intends to liquidate the foundation or to cease operations, or has no realistic alternative but to do so. The Managing Board should disclose events and circumstances that may cast significant doubt on the foundations ability to continue as a going concern in the financial statements.

The Supervisory Board is responsible for overseeing the foundations financial reporting process.

Our responsibilities for the audit of the financial statements

Our objective is to plan and perform the audit assignment in a manner that allows us to obtain sufficient and appropriate audit evidence for our opinion.

Our audit has been performed with a high, but not absolute, level of assurance, which means we may not have detected all material errors and fraud.

Misstatements can arise from errors or fraud and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements. The materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

We have exercised professional judgment and have maintained professional skepticism throughout the audit, in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our audit included e.g.:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to errors or fraud, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from errors, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;

- Obtaining an understanding of internal control relevant to the audit 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 foundations internal control;
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management;
- Concluding on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the foundations ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the foundation ceasing to continue as a going concern;
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures; and
- Evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Because we are ultimately responsible for the opinion, we are also responsible for directing, supervising and performing the group audit. In this respect we have determined the nature and extent of the audit procedures to be carried out for group entities. Decisive were the size and/or the risk profile of the group entities or operations. On this basis, we selected group entities for which an audit or review had to be carried out on the complete set of financial information or specific items.

We communicate with the Supervisory Board regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant findings in internal control that we identify during our audit

The Hague, 24 June 2020

For and on behalf of BDO Audit & Assurance B.V.,

DRS. T.H. DE REK RA

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