

Corporate Annual Report 2014



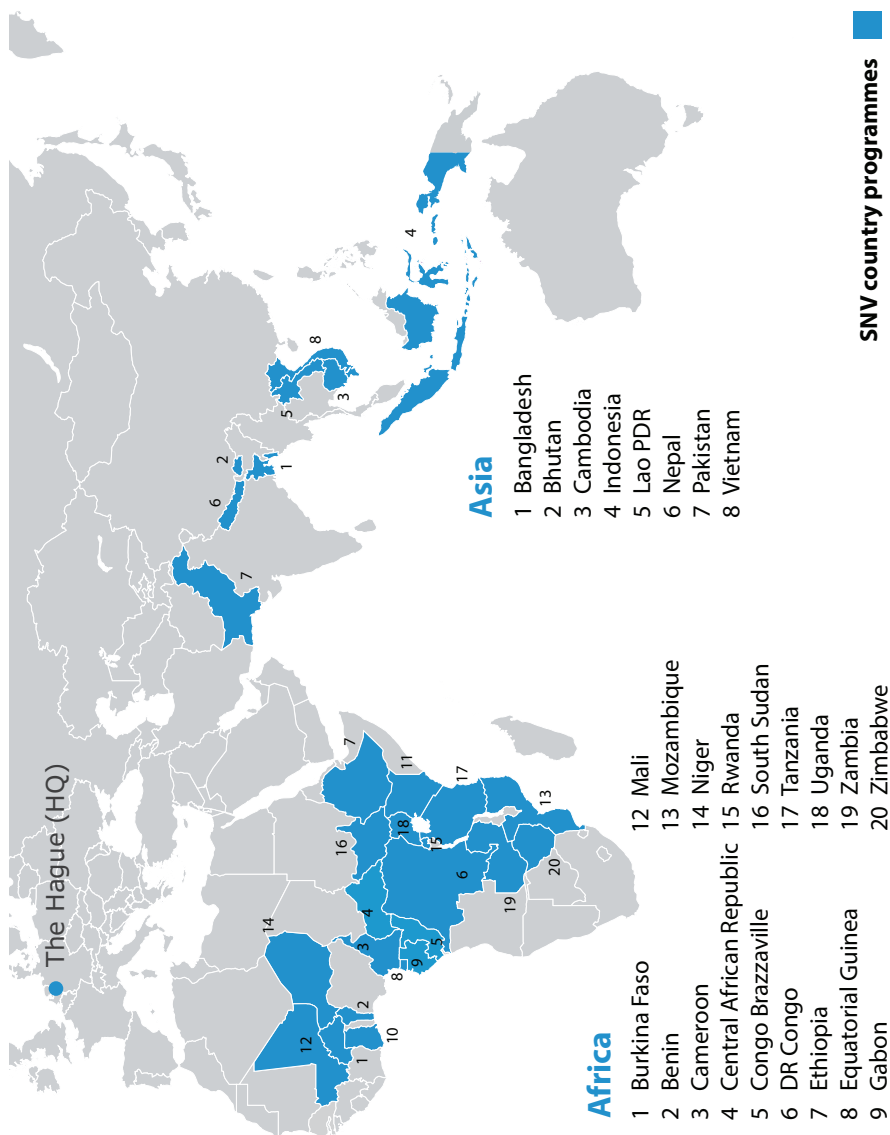
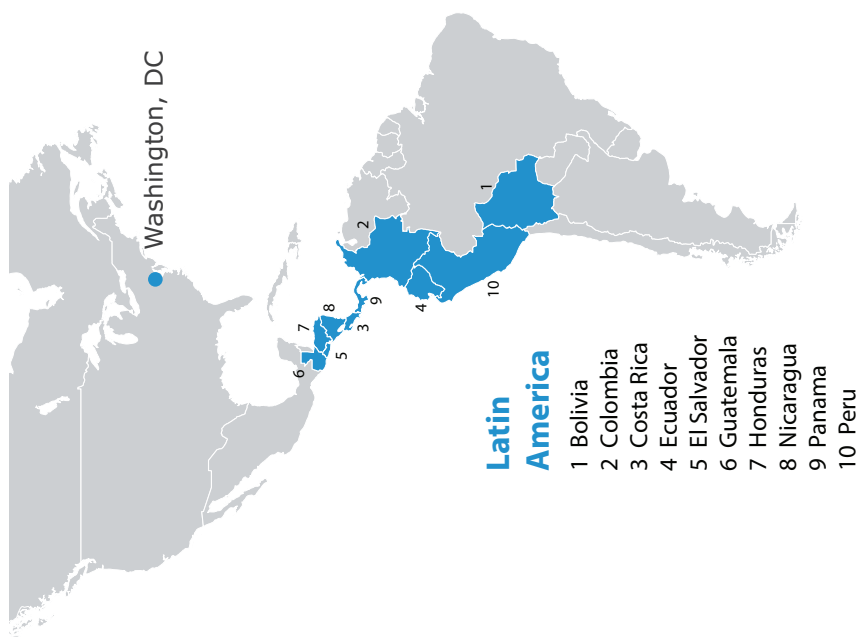
SNV

Netherlands
Development
Organisation

Table of Contents

From the Chairman	4
From the Managing Board	6
Priorities 2014	8
Overview of Sector Development Results	10
Agriculture: Results Overview	11
Water, Sanitation and Hygiene: Results Overview	20
Renewable Energy: Results Overview	28
Localisation	36
Corporate Programmes and Partnerships	37
Global Support Services	40
Business Development	40
Planning, Monitoring and Evaluation	42
Communication	43
Human Resources	44
Finance and Control	45
Audits and Risk Management	46
Governance	48
Constitution of Supervisory Board	49
Constitution of SNV USA Managing Board	50
Constitution of Managing Board	51
Organisation Abbreviations	52
Annual Accounts	54
Introduction	54
Consolidated Balance Sheet after Appropriation of Balance Income and Expenditure (EURO)	56
Consolidated Statement of Financial Performance (EURO)	58
Consolidated Cash Flow Statement (EURO)	59
Accounting Principles	60
Accounting Principles for the Valuation of Assets and Liabilities	60
Notes to the Consolidated Balance Sheet	63
Notes to the Consolidated Statement of Financial Performance	71
Balance Sheet SNV foundation after Appropriation of Balance of Income and Expenditure (EURO)	76
Statement of Financial Performance SNV Foundation	78
Notes to the Annual Accounts of the SNV Foundation	79
Independent Auditor's Report	80

SMART DEVELOPMENT WORKS



From the Chairman

2014 was another watershed in SNV's 50-year history. It was the fourth year in a transformative period of five years that started in 2011. That year the organisation's main funder, the Dutch government, confirmed the reduction of its annual subsidy from some 90 million to zero in 2016.

To replace this subsidy, SNV had to start competing for funding from donors, including the Dutch government, entirely based on the merits of its programmes. And the results of 2014 would determine whether there would be a future for SNV after 2015.

This left little room for error. SNV had to make tough decisions and develop programmes that covered its actual costs in the future.

In 2014, SNV exceeded the order intake of 2013 by 26%, to reach EUR 126 million. For the first time SNV's revenues from donor sources, based on tenders and grants in the development market, exceeded the core subsidy provided by the Dutch Government 59% vs 41%.

SNV achieved these results, largely, thanks to the openness to change and resilience of its staff. They embraced major cultural and organisational change in order to succeed. And SNV's balance sheet, bears testament to a sound foundation for the future; its capital base of over EUR 36 million, SNV's staff and their local networks represent the true value of SNV.

The Local Approach

What SNV did not change is its core value of taking the local approach. In the past three years SNV has had an impact on the lives of almost 12 million people by using its local resources to reach parts of society that others find hard to reach. SNV's donors are evidently aware, and confident, of its ability to initiate sustainable change. SNV supports people living in poverty to realise their ambitions within their local context.

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The Supervisory Board

The Supervisory Board continued its commitment to SNV's work, at the Head Office and in the field. This year one of the members extensively visited projects and programmes in Zambia.

The Board formally convened five times¹. We met more frequently in an informal way, to serve as a sounding board for the Managing Board on new developments. The diverse background of the Supervisory Board with members from different professions, genders, ages and expertise representing very different viewpoints proved very helpful in steering SNV into the future.

2015 and the Future

In October 2015 SNV will celebrate its 50-year anniversary. SNV has stood the tests of time, and it has come very far from the organisation of volunteers it was 50 years ago to the professional organisation it is today. This is because SNV has always been able to adapt to the changing needs and opportunities of society.

However, to maintain this regenerative capacity of growth, in 2015 SNV will have to consolidate all the changes it made in the last four years.

Moreover, with the adoption of the Sustainable Development Goals, 2015 will also be an important year globally. And as SNV will be developing a new strategy for 2016–2018 it will need to be aligned with the Sustainable Development Goals, particularly with efforts to combat climate change. The challenge before SNV will be to translate the decisions and guidelines in the Sustainable Development Goals at the global level, into a strategy that can be applied locally.

SNV will need to strengthen existing partnerships and build new ones, in the public and private sector. At the same time, crossovers between SNV's sectors – Agriculture, Water and Sanitation, and Renewable Energy – and the challenges of the world's growing urbanisation need to be addressed.

¹ Details can be found under Governance on page 48

Farewell

In October 2015 I will step down as SNV's Chairman. When I joined the Supervisory Board in 2011, SNV was in the midst of great unrest and uncertainty about the future and it had to face its fair share of naysayers. But the staff of SNV and their allies rose to the occasion and accomplished extraordinary results.

As I bid farewell to SNV, I want to thank all my colleagues in the Supervisory Board, the Management Board, the Country Management, and all the SNV staff, in particular those I met in the field, for their trust and support during this challenging period in SNV's existence.

I believe in the future SNV will continue to exceed all expectations. I consider it an honour and a privilege to have served SNV.

**Arthur Arnold, Chairman,
On behalf of the SNV Supervisory Board,
April 2015, The Hague**

From the Managing Board

In 2016 the programme subsidy we have been receiving from the Dutch government will stop. In order to adjust to the implications this change will have on our global operations, our organisation shifted into a higher gear in 2011. We have been making sure that we are fit for the future. And for the entire organisation to successfully take-off, in 2016, we made sure we put appropriate systems into place.

In 2014, we witnessed the fruits of this labour.

In May, we officially launched the Sustainable Sanitation and Hygiene for All Results programme across nine countries in Africa and Asia. Funded by DFID, this **EUR 28 million** contract is a significant milestone for us. This highly innovative, results based finance project, demonstrates our donors' belief in the quality of our work and validates the new path we took in 2011. The first results of the programme have been submitted and we are proud to announce that they have been assessed and approved by DFID. Through programmes like these we can continue to fulfil our mission dedicated to a society where all people, irrespective of race, class or gender, enjoy the freedom to pursue their own sustainable development.

This success also proves the efficacy of the systems we put in place to prepare ourselves for a competitive donor market. From 2011 onwards we set in motion changes that would sharpen our strategic focus and strengthen our business development, to become a more outward looking organisation that is driven by its sectors.

However, we are not completely ready yet. The biggest challenge in 2015 is for us to come to terms with the reduced freedom that is the result of shifting from institutional support by one donor to earmarked project funding by multiple customers. With the programme support from the Dutch government we were able to allocate funds to areas that, in SNV's view, were most productive or where the funds were most required. So we could, to an extent, make sure we kept the global nature of SNV programmes intact. With only project funding available, we are more restricted. Hence, we need to do more to put the spotlight on countries and regions that are poor and in need of support, but are not geo-politically or economically attractive to potential donors. They should not be neglected in the future.

On the other hand there are countries, like Kenya, where SNV programmes are already operating on a financially sustainable basis. Furthermore, Vietnam and some countries in Latin America have proven themselves to be sustainable again, despite not having programme funding. Now the challenge before us is to make sure that all countries are just as ready.

In 2014, we had to make some tough decisions in this regard. We decided to shut down our offices in Guinea Bissau and Cameroon; and in several countries, like Bhutan, we had to reduce our organisational presence. Bhutan's management set-up is now linked to Nepal's. This allows the country's work to progress at a reduced cost. Similarly, as of 2015, the programme in Niger will also be linked to Mali's management.

These decisions, while necessary, were tough to make. Cameroon was one of the first countries where SNV started its operations years ago and it meant preparing to bid farewell to a legacy.

Yet, what I admire about the organisation and its people is its ability to adapt to new conditions. Although our operations shrunk in some places in 2014, we have been growing continuously in other places and sectors. This is largely thanks to the efforts of our staff. Last year we exceeded the order intake of 2013 by a staggering **26%** and I am positive we will continue to grow in the future.

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One of the internal initiatives, started in 2014, that will contribute to the sustainability of SNV is the 'Living Within Your Means' initiative. It started as an exercise to make every country aware of the implications of the funding situation in 2016. It has prepared the Country Directors to take the necessary steps to bring expenditures in line with the expected income and thus ensure the future of their offices and their presence in the competitive donor market.

While we have made progress with maintaining the quality and deadlines of our deliverables there will continue to be a need for constant improvement. In 2014, we realised that there was plenty of space for improved planning and data collection. Although we are making strides in this field every year, there is clearly still some ground to be covered. The lack of sufficient data and planning will have an impact on serving the people in rural areas and cities who struggle to survive on a daily basis. For this reason we will be paying special heed to the realistic planning of our projects in 2015 and beyond.

Estimated Impact	Beneficiaries of SNV projects
Agriculture	1,539,888 people with increased food security, income and/or employment
WASH	2,725,320 people with access to clean water and safe sanitation
Renewable Energy	951,830 people using renewable energy for lighting, domestic and commercial uses
Total	5,217,038 people benefitted from SNV projects

By the end of the 2014, we planned to impact 12 million people. With 5.22 million new beneficiaries, and 6.45 million beneficiaries from projects before 2014, we had an impact on 11.7 million people. Although this is slightly below our planned target of 12 million we are certain to reach our goal for 2015 and impact the 15 million people planned for the 2012–2015 term.

There were a number of significant projects and initiatives that contributed to our impact. One of them is our Inclusive Business approach in Nicaragua. There we are harnessing public-private partnerships. And the project so far has improved sustainable agroforestry production practices, increased income and improved the livelihood of 3000 small coffee and cocoa producers. This programme, implemented along with the Zamorano University and the trading company Exportadora of the Swiss ECOM group, also demonstrates clearly that actors from the public and private sector can be brought together in the development sector.

We also played a key role in forging an alliance of Dutch players from the government, the corporate sector and civil society around clean cookstoves. We were successful in creating a broad coalition of investments between these very diverse actors and presenting one message (the 'Dutch approach to clean cooking solutions') and set of services to the outside world.

Furthermore, in order to achieve our goal of impacting 12 million people in 2014, we paid special attention to our evidence-based advocacy. Although advocacy is part and parcel of our approach since the adoption of the new Strategy in 2011, we put the spotlight on it – and this paid off. This approach aims at decision makers taking better-informed decisions. And for SNV, in particular, it provides the opportunity to support the relevant actors to convert these decisions into policies and practices and build the capacities of the concerned staff in their implementation. By following this path, the decisions that are made can ultimately be translated into an improvement in the quality of life for the people affected.

Of course, we have always been engaged in evidence-based advocacy in some way or the other. But by actually positioning it next to the two other roles that SNV has assumed – offering advisory services and knowledge networking – it has allowed us to focus on establishing an improved enabling environment and thereby create the preconditions for sustainable development. In line with this decision, last year, we successfully applied for a strategic partnership with the Dutch government on 'Dialogue and Dissent'. The proposal was developed in close collaboration with the International Food Policy Research Institute (IFPRI). We are looking forward to working with the Ministry of Foreign Affairs and the International Food Policy Research Institute on the programme in 2015 and beyond. We are certain that the latter's academic rigour will complement our extensive field presence.

In 2015, we look forward to celebrating our 50 year anniversary. It is a cause to rejoice. And while we are eager to look at how far we have come, the celebration will also bear testament to the fact that SNV is definitely fit for the future.

**On behalf of the SNV Managing Board,
Allert van den Ham, CEO
April 2015, The Hague**

Priorities 2014

SNV had set ten priorities for 2014. They were all linked to the guiding motto of its Corporate Multi-Annual Plan 2013-2015: 'In a dynamic environment SNV is recognised and sought-after for its ability to deliver quality results at a competitive price'. In 2014, the focus has been on the implementation of the priorities below and assuring quality at every step: in its field operations as well as in its corporate back-office processes.

The priorities have been divided into three categories: Operational Priorities (focusing on SNV's fieldwork and sector plans), Transitional Priorities (focusing on the necessary transitional steps towards the post programme subsidy period in 2016) and Organisational Priorities (strengthening processes, procedures, systems and management control). The results for the Priorities of 2014 are as follows:

Operational priorities

1. Overall, in 2014, **the global programmes** for Agriculture, Renewable Energy and WASH **have been executed as planned**, with some delays in implementation. This was caused due to long contract negotiations and, sometimes, the over-optimistic start-up planning of new projects. The execution of the programmes has resulted in an output of 276,432 advisory days (planned 236,000, an increase of 7.5% compared to 2013) and a realised implementation budget of EUR 98.1 million (planned EUR 97.4 million). 41% of this was funded by the DGIS programme and 59% by external contracts.

In SNV's sectors 11.7 million people benefited from SNV's projects. In 2014 5.2 million new beneficiaries were reached: 1,539,888 in agriculture, 2,725,320 in WASH and 951,830 in Renewable Energy. Although we narrowly missed our target of impacting 12 million people by 2014, reaching the overall target of 15 million people at the end of 2015 is still feasible.

2. In 2014, **almost all projects**, irrespective of size and the donors involved, **have been using SNV's Planning, Monitoring and Evaluation (PME) system**. The improvement in the quality of data collection as well as the user-friendliness of the software used, received additional attention during the year. The impact results are presented in the sector chapters (pages 10-35).

In consultation with the Directorate-General of International Cooperation (DGIS), it was agreed to limit the originally planned twelve impact assessments to a maximum of six, equally divided over the three sectors. Work has commenced for all six assessments.

3. In the five identified **innovation and development investment areas** the following results have been produced:
 - a. The **REAP** team (REDD+ in Energy and Agriculture Programmes) has developed and introduced seven knowledge products. While embedding its work in the Agriculture and Renewable Energy strategies, the delivered products are also helping to attract donor finance.
 - b. In March 2014, SNV decided to limit its additional investments in **Impact Investment Advisory Services** as a special innovation area due to the lack of concrete results over the last year. The Impact Investment Advisory Services has now been placed as one of the funding mechanisms within the regular Business Development activities.
 - c. The **Junior Professional Programme** that began in 2013 continued to groom twelve future development professionals in 2014. The programme will conclude in 2015, aiming at a retention of a minimum of ten professionals in SNV's field operations.
 - d. **Results-based funding** (RBF) – the tying of payments to the delivery of development results – is becoming increasingly popular with donors. In 2014, SNV conducted a research into its market positioning for RBF deals and possible mitigations for the involved risks. The results of this investigation were adapted in December 2014 and incorporated into SNV's Business Development Strategy.
 - e. SNV's ambition to engage in a more structured and strategic manner with **grant management services** did not progress as hoped-for in 2014. This innovation area will be addressed in the first quarter of 2015.
4. The **Knowledge Networking Agenda** 2013–2014 has been conducted as planned. By executing approximately 20 projects in the last two years, SNV is trying to validate its underlying assumptions in its advisory practice. In 2014, 10 projects were realised and the results are finding their way into SNV's way of operations and feeding into policy discussions.

Transitional priorities

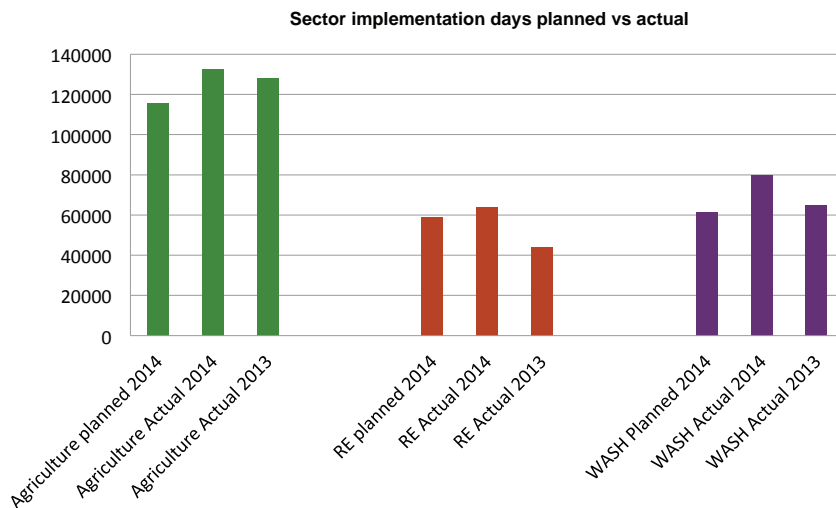
5. In 2014, SNV implemented the discipline of **project management** throughout the organisation. A standard project management manual was developed and rolled out, job descriptions for project managers were designed and embedded in the Human Resource practice, online project tools were developed and more than 400 staff members were trained in project management in the second half of 2014.
6. As planned, a **Global Budget Facility** was installed in June 2014 to ensure quality, budgeting and pricing for all proposals above EUR 0.5 million. In the second half of 2014, the global budget facility worked on 48 proposals of which 21 were awarded (value EUR 51 million).
7. In September 2014, the **new Human Resources Strategy** for the period after 2015 was approved. Based on SNV's overall strategy for product leadership, the Human Resource Strategy is built on pools of internal and external candidates to match future project demands, supported by communities of practice and experts to ensure high quality programming. Labour Terms and Conditions have also been adapted to be fit for the future. Guidelines for a flexible workforce have been rolled out.
8. SNV's ambitious resource diversification strategy has proven to be very successful again. The overall **order intake** of almost EUR 126 million exceeded the intake of 2013 by 26%. Implemented external revenue reached EUR 69 million (planned 2014: EUR 57 million), 39% higher than in 2013.

Organisational priorities

9. From June 2014 onwards, SNV successfully implemented **new cost allocation** processes in most of its country operations, enabling the country management teams to view the profit and loss per project. All Finance Staff have been trained in proper usage of the new tools and this cost allocation will partly form the basis for SNV's new cloud based IT system to be implemented in 2015.
10. At the end of 2013, the new **Internal Control Framework** was designed and implemented. In 2014, the full implementation of this Internal Control Framework was monitored and it laid the foundation of a new control-based audit approach for 2014. During 2014, the IT General Controls maintained its current level of maturity.

Overview of Sector Development Results

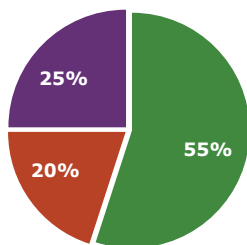
In 2014, after the consolidation of the organisation's sector-led approach in 2013, SNV shifted into a higher gear. A number of processes were put into place to ensure efficiency and, as demonstrated in the graph below, this led to an increase of 7.5% in the primary process days (PPDs) from 2013. The total number of advisory days planned was 236,000 and we achieved 276,432 days: 117% of the planned number of days. This can be attributed to the increase in the productivity of the workforce.



In SNV's Corporate Multi-Annual Plan from 2013-2015 it was stated that for those three years the actual size of the respective sector would ultimately be determined by our resource mobilisation efforts. And the charts below show that while there has been a significant growth in the number of implementation days in each sector, when compared to 2013, these days are more evenly spread across each sector. While Agriculture still accounts for 48% of our workload, Renewable energy has risen from 20% to 23% and WASH has gone up from 25% to 29% of the total workload. The trends that led to these changes can be seen in the sector overviews in the following pages.

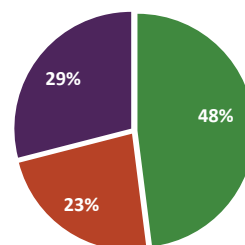
PPDs per sector 2013

■ Agriculture ■ Renewable Energy ■ WASH



PPDs per sector 2014

■ Agriculture ■ Renewable Energy ■ WASH



Agriculture: Results Overview

Sector trends and strategic priorities

Agriculture is firmly back in the spotlight following a series of high-profile conferences including the 2nd International Conference on Nutrition and the United Nations (UN) Climate Summit, at which the Global Alliance on Climate Smart Agriculture was officially launched. 2014 was also the UN-designated 'Year of Family Farming' and the African Union's 'Year of Agriculture and Food Security'. These well-publicised events, coupled with the release of some key reports, such as the Global Nutrition Report have ensured that Agriculture is again at the centre of the global development agenda.

While progress in hunger reduction at the global level has continued, household food security remains a challenge. Of the 805 million people who still lack food security, 791 million reportedly live in developing countries. Moreover, people who depend directly on agriculture for their livelihoods have to respond to changes in weather patterns and the immediate impact of extreme weather events including droughts and floods. Latest figures predict a global population of 9.6 billion by 2050¹, this will require a doubling of the current food production.

Globally, agriculture accounts for 40% of employment, with women contributing up to 60% of the labour for food production. Yet despite their contribution, women continue to be marginalised in household decision-making around income and asset distribution, and gain few of the benefits of land ownership.

Our challenge in SNV Agriculture is to develop and implement **income, food and climate solutions for small-holder farmers, especially women** that are underpinned by a strong and compelling evidence-base. Market-based solutions are developed wherever appropriate, while recognising that currently our flagship solutions such as Value Chain Development and Inclusive Business alone do not address the needs of all small-holder farmers. The chronic global challenges require more innovative solutions like, markets by women and public-private partnerships.

SNV Agriculture's strategy addresses the three pillars of security: income, food and environment. These are reflected in SNV's three interrelated themes: 1. Sustainable Markets, 2. Food and Nutrition Security, and 3. Climate Smart Agriculture, together with a fourth critically important theme: Gender and Youth in Agriculture. Our priority is the world's 500 million small-holder farmers, particularly women, who are responsible for 60% of global food production.

During 2014, SNV Agriculture prioritised eight 'Key Commodities' - Dairy, Livestock, Rice, Cassava, Coffee, Cocoa, Horticulture and Oil Palm, as significant entry points into our four themes. These are commodities in which we already have an established track record. It is where we see global potential to deliver impact at scale for the poor, and where we see significant private sector and donor interest.

Our goal is to improve livelihoods through income, food and climate solutions for five million women and men. This is being pursued through four specific development objectives – one for each theme:

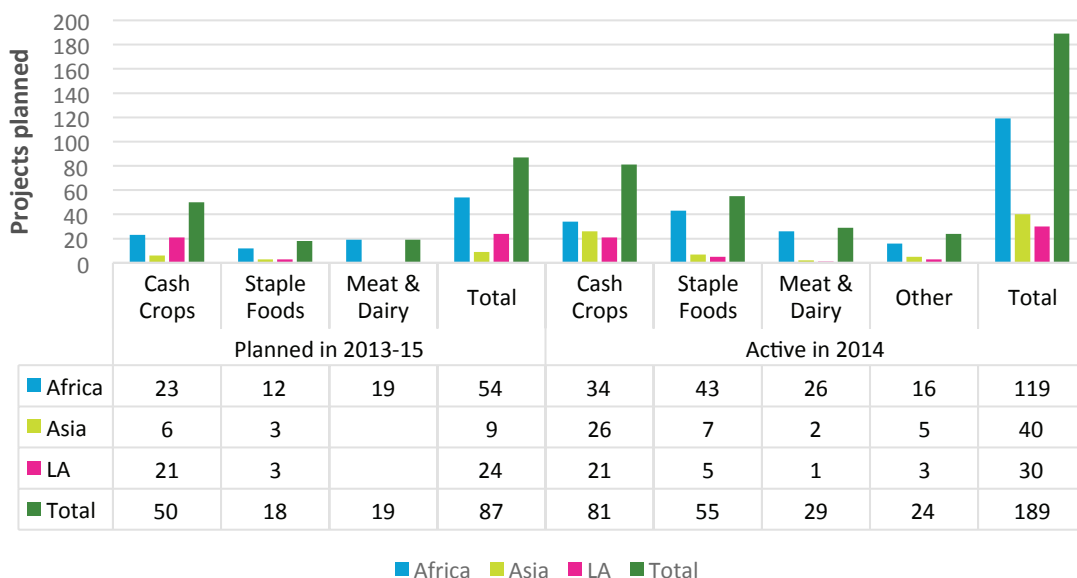
1. Increasing income and employment for small-holder farmers.
2. Improving food and nutrition security for all.
3. Strengthening the environmental sustainability of agricultural production to meet the challenges of a changing climate.
4. Promoting equity in agricultural decisions, entrepreneurship opportunities and benefits (income) share between women and men.

Addressing issues such as food and nutrition, income and employment, and gender and youth, in a changing climate have become business-imperatives for SNV Agriculture. These issues were reflected in our project portfolio for 2014, where we saw an impressive increase in our nutrition-related and climate-related projects in a growing number of countries, consistent with international trends in the global agriculture sector.

¹ UN World Population Prospects: the 2012 Revision. 2013. <http://esa.un.org/unpd/wpp/index.htm>

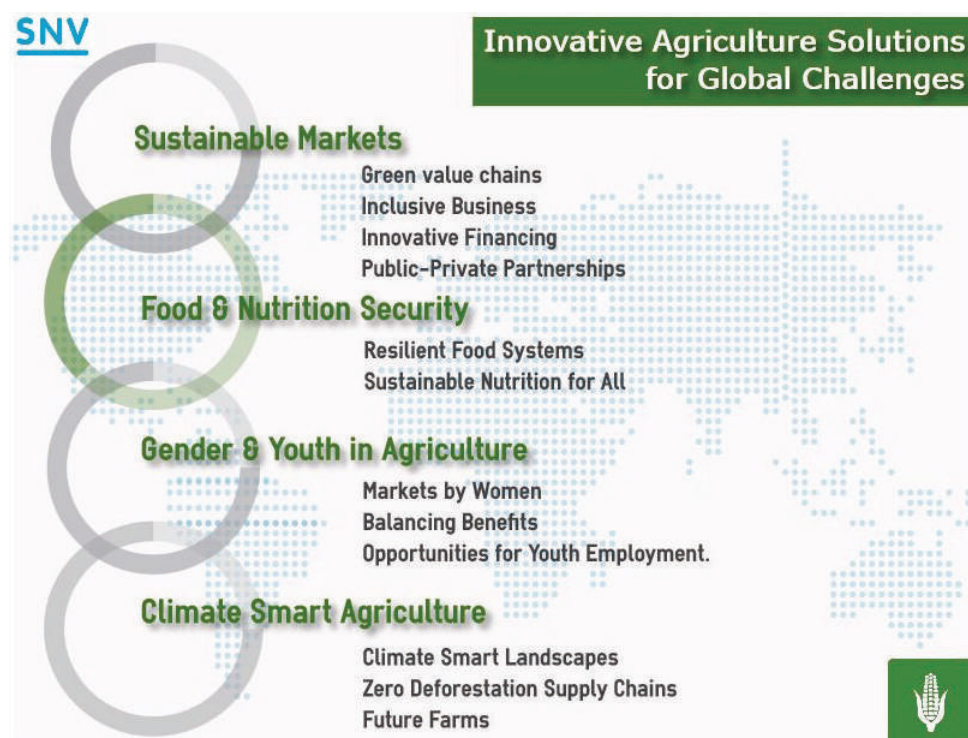
And as is evident in the graph below, by 2014, we already exceeded the number of projects we had planned for the period between 2013-2015.

Agriculture projects in 2014



Solutions

It is with the help of the solutions listed below, that the global SNV Agriculture team plans to face the global challenges in the four themes we have defined.



Our approach in SNV Agriculture is to deliver consistently high-quality results to our target beneficiaries – small-holder farmers, especially women, by innovating and scaling-up climate-smart solutions that improve food, nutrition and income. In our view agriculture is, and must continue to be, primarily private sector and innovation driven, while recognising and addressing the unique challenges faced by those at the bottom of the pyramid.

Achievements in 2014

2014 was the first full year of implementing the new SNV Agriculture Strategy. In 2014, SNV Agriculture accounted for approximately 48% of SNV's total work volume, which included the implementation of 189 donor-funded projects (119 in Africa, 40 in Asia and 30 in Latin America) in 30 developing countries.

Important note: next to the harmonised impacts (below), other project-specific impacts were planned as well. These are not counted in the table below. Also, where projects plan, for example, to increase income, but choose an indicator with a different counting unit (such as percent increase in income), these targets are not aggregated to the total impact. This means that the planned impact set in the Agriculture sector is higher than the total aggregated by our Planning, Monitoring and Evaluation database.

Impact Agriculture	Planned (Corporate Annual Plan 2014)	Achieved
Number of people with increased Food Security	677,210	214,905
Number of people with increased Income	1,542,766	886,580
Number of people with increased Employment	94,669	46,243
Number of people with increased resilience to climate change	13,500	392,160
Total	2,328,145	1,539,888

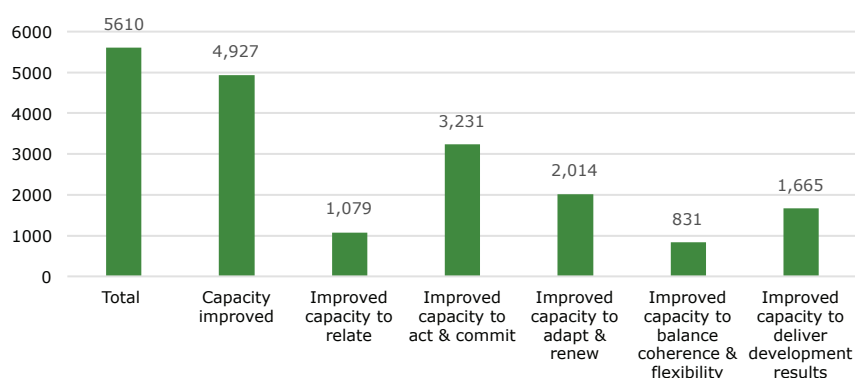
Harmonised impact

Overall, our aggregated impact indicator for increased resilience to climate change showed that we achieved a substantial increase, from 13,500 to 392,160 people, reflecting in large part, the success of the on-going DFID-funded investments in the Vietnamese Business Challenge Fund project. Furthermore, policy discussions with the Dutch Ministry of Economic Affairs on shaping climate smart policy initiatives also took off.

For the remaining aggregated impacts that is: food security, income and employment the achieved results were lower than planned. This was primarily due to the fact that many projects implemented in 2014 were relatively new and the measurement of impact had to be deferred to a later stage.

Harmonised outcomes

The graph below demonstrates the **improved capacity of the client organisations** we work with in the Agriculture sector.



The table below shows the **improved performance of client organisations**.

Performance outcomes	Performance outcome indicators	Actual 2014
Supply of appropriate agricultural services by client group(s)	Number of clients delivering appropriate agricultural services to targeted farms and small/medium enterprises (-firms).	2452 clients
Improved productivity (quality, quantity) of farms and firms	Number of client group(s) which have improved productivity of the targeted farms and enterprises/ firms	781 clients
Application of food securing measures by client group(s)	Number of clients (local organisations or institutions) promoting food securing measures	1702 clients

Advocating for sustained reform

Evidence-based advocacy forms an integral part of SNV's Agriculture solutions. SNV aims to strengthen the enabling environment, including areas like legislation and regulation policies, by supplying proven knowledge and experience to decision-making processes. We also bring stakeholders together to exchange their views, reform policies and resolve conflicting interests structurally. Examples of evidence-based advocacy projects currently being implemented include:

The Bill and Melinda Gates-funded, EUR 5.8 million Home Grown School Feeding project, currently being implemented in **Kenya, Ghana and Mali**, has helped small-holder farmers participate in the school feeding procurement process through training and a simplification of the tendering process. The project successfully advocates for regulatory changes in all three countries with the aim of making public procurement processes more inclusive and transparent. *(The results of this programme can be found under Agriculture highlights below.)*

Access to Sustainable Markets and Food Security for Nicaragua's coffee and cocoa producers

Nicaragua has the lowest productive performance amongst Central American countries in coffee and cocoa production. The main challenges of the coffee and cocoa producing families in Nicaragua are: limited access to national and international markets and financial services, low productivity, and a high level of food insecurity. This substantial (in excess of EUR 10 million) DGIS/RVO/ECOM-funded project lies at the heart of the DGIS Aid and Trade agenda on Public and Private Partnerships. In 2014, the project improved sustainable agroforestry production practices, increased income and improved the livelihoods of 3,000 small coffee and cocoa producers in Nicaragua. The project also positions Nicaragua in the specialty coffee and cocoa markets and opens up new market opportunities for these families. The programme is implemented in collaboration with Exportadora Atlantic, the ECOM Group, the Foundation for Nicaraguan Farming and Forestry Technology, the Pan-American Agricultural School, El Zamorano and UTZ Certified.



"By having good coffee, we have better prices and farmer benefits."

SNV supported farmer, Nicaragua

implemented in collaboration with Exportadora Atlantic, the ECOM Group, the Foundation for Nicaraguan Farming and Forestry Technology, the Pan-American Agricultural School, El Zamorano and UTZ Certified.

The aim of **SNV's High Value Agriculture Project in Nepal** is to ensure that the rural poor, especially women and marginalised groups are integrated into high value agriculture and non-timber forest products/ medicinal and

aromatic plants value chains and markets; and have improved income and employment opportunities, together with the ability to respond to market demand and opportunities based on marketing agreements with private agribusiness. Till date the project has improved incomes of over 6500 women and men living in hilly and mountainous areas of the Mid-Western Development Region. As this project is implemented by and through the government, it is influencing national extension policies of the Ministry of Agriculture by demonstrating that the government can effectively promote collaboration with the private sector and can catalyse private sector investments.



The IFAD-supported and SNV-implemented High Value in Agriculture Project has provided production and post-harvest support

SNV has been the Fund Manager for the, GBP 7 million, **Vietnam Business Challenge Fund (VBCF)**, since 2012. The overall purpose of the VBCF is to support the private sector in Vietnam to develop innovative Inclusive Business models that deliver both commercial benefits for the private sector and developmental benefits for poor people, in terms of job creation, income improvement and availability of more affordable goods and services. The VBCF awards grants to provide partial funding, up to 49% of the proposed budgets. It selects firms through competitive calls for Inclusive Business proposals that benefit the poor, and are commercially sustainable and replicable in the long run. The programme till date has provided matching grants and technical assistance to 23 companies and has benefitted over 400,000 people in 2014. The programme is closely watched by Vietnamese policy makers at the highest levels and is likely to influence the design of new government policies and incentive mechanisms that serve to promote Inclusive Growth.

Agriculture highlights

In **Bolivia**, The Swiss Agency for Development and Cooperation (SDC) has provided joint funding of EUR 1 million for a project that is meant to strengthen the capacities of Autonomous Departmental Government in Integrated Water Management, using a watershed management approach. This approach is the most effective framework to address today's water resource challenges and helps the government adapt to climate change by focusing on production management. The aim of the project is to develop and strengthen the capacities of autonomous departmental governments to manage public policies so that they can increase the levels of development in their departments and improve the quality of life of its inhabitants. To date, the project has delivered impacts to 8,280 beneficiaries who have reached dietary diversity and 7,242 beneficiaries with increased income of approximately 20%.

The on-going, World Bank-funded, 'Agriculture Rehabilitation and Recovery Support Project', is the first large-scale project (USD 2.3 million) to be implemented by the agriculture team in the **Democratic Republic of Congo (DR Congo)**. The project, which started in 2013, operates in the remote province of Equateur, which is still recovering from war and conflict and lacks basic extension, research, and input services. The project begins with the basics and aims to increase agricultural productivity, and improve the marketing of crops and animal products by small-holder farmers in targeted areas. The project necessitated the establishment of two new SNV sub-offices, and to date 12,962 beneficiaries have been organised, trained and provided with improved seeds (cassava, rice, and groundnuts). The latter required the project rehabilitating a local research center and kick-starting local seed supply chains. In 2015 we will be able to assess productivity and income increases of the project.

Farmers' Organisations are increasingly being asked to play a central role in driving agricultural transformation processes in **Ethiopia** despite their mixed record of success in staple commodities. In these transformation processes, specific demand or market requirements increasingly determine the way the production and market functions have to be organised. Farmers' Organisations are potentially well-placed to take up this role and can facilitate a large number of small-holder farmers to supply according to the market requirements, and consequently benefit from the opportunities. In Ethiopia the large majority of these farmer organisations are cooperatives and their unions. In 2012, the Bill and Melinda Gates Foundation provided EUR 2.7 million for a project on Cooperatives for Change (C4C): Value Chain Approach for Cooperative Development in Ethiopia. During 2014, the project demonstrated a three-fold increase in output marketing via cooperative unions benefitting 22,528 member farmers with a 9% additional income of ETB 1,260. The unions have thus become an alternative market for the member farmers who traditionally fully depended on the traders. In addition to receiving a higher price from the unions (plus a share in union dividends) farmers can now choose when, where and at what price to sell their crops.

In **Kenya**, a EUR 2 million, EuropeAid-funded programme on 'Enhancing community resilience to drought through innovative market-based systems' is implemented in six remote counties. The programme promotes the diversification of pastoral livelihoods, facilitates robust markets for livestock and livestock products, and enhances consolidation of the knowledge base to augment climate change adaptation and market orientation. To date, our impact has already exceeded expectations, with 33,200 (17,264 males and 15,936 females) in pastoralist communities having benefitted from a 50% increase in their income. Ultimately, the project aims to target 90,000 pastoral household members (46,800 males and 43,200 females).



Market engagement helps pastoralists survive drought and adapt to climate change

As mentioned in the previous section, The Bill and Melinda Gates-funded, EUR 5.8 million Home Grown School Feeding project is helping secure the participation of small-holder farmers as suppliers to school feeding and other markets in their countries. The project's pilot interventions are aimed at testing ways in which to remove obstacles to participation from both the procurement and supplier side. This year the project has trained 283 producer organisations, representing 45,040 farmers, to become reliable business partners. On the procurement side, we have introduced new ways to: communicate opportunities for tendering; to link suppliers with demand; and we are offering new tools to improve evaluation and award decisions that favour the small-holder. In 2014 the project has confirmed new sales as follows: in **Ghana**, the national school feeding programme purchased food from 4,899 small-holders in 20 districts; in **Kenya**, 5,646 new farmers are selling to school feeding in six counties; and in **Mali**, the school feeding market has purchased food from 1,521 small-holders. The total amount of sales confirmed by the project for all countries in the year is USD 404,264. In all countries, procurement bodies at school and district levels arrange social audits to continuously report on expenditure, procedures applied and small-holder participation. As a result, officials in Ghana are now using data to report and more comfortably engage with communities to solve issues related to school feeding and education; in Mali, public restitution processes are including farmer participation monitoring for the first time; and in Kenya, the social audits have led to the launch of a county-level Geographic Information Sensing platform to house and interpret all relevant information around education, school feeding purchases, including from small-holders.

In **Niger**, we are implementing an extension of the PASEL Coordination and Management of Livestock sector Support Programme, which is a SDC funded. This programme, that supports the livestock sector, has the overall objective of contributing to equitable and sustainable improvement of agro-forestry-pastoral production, securing access to natural resources and pastoral mobility in the affected areas of the departments of Dakoro, Guidan Roumdji Filingué, Loga, Doutchi, Dosso and Gaya. During 2014, the project was able to demonstrate an impact of 33,483 people with increased income.

The Government of the Republic of **South Sudan** awarded SNV with the community development component of the EUR 2.5 million IFAD/EKN-funded South Sudan Livelihood Development Programme. In this project, SNV strengthens the technical, marketing and management capacities of 104 Farmer Groups, and provides advice on viable community development initiatives in Magwi County. The impact of the community development component during 2014 was an increased income of 30% for 7,200 people; 3,100 people are now self-employed (a 15% growth) and the number of people who have reached dietary diversity, that is they have continuous access to food that meets their dietary requirement, has increased by 20% (636 people).

| increased income of 30% for 7,200 people

The USD 14.2 million, MasterCard Foundation-funded programme, 'Youth Opportunities in Agribusiness and Sustainable Energy' is currently being implemented in **Mozambique, Rwanda and Tanzania**. This programme aims to sustainably increase youth employment and income by developing the skills and capacities of young people, by linking those young people to market opportunities for employment and enterprise development, and to do so in growth sectors that have concrete potential for employment creation. Youth training has been initiated in all three countries and this five-year project will target 20,500 rural youth of school youth, of which 40% are young women. In a year we were able to reach 3,500 youth. And it is expected that there will be more than 100,000 direct and indirect beneficiaries over the duration of the project, which is due for completion in the latter half of 2018.

In **Vietnam**, the Australian Department for Foreign Affairs and Trade funded a EUR 2.1 million project, 'Sowing the seeds of change: Agri-Community-based climate change mitigation through a system of rice intensification'. This project, which started in 2014, supports and builds the capacity of small-holder rice producers and provincial

agencies to reduce greenhouse gas emissions and improve benefits from rice production in central Vietnam by introducing low emission production practices, utilising renewable energy generated from rice residues and promoting the value chain of 'green rice'. To date, the project has benefitted 8000 small-holder farmer through increased income.

Knowledge development and research

There is a growing awareness of the need for development organisations, such as SNV, to work more closely with reputable knowledge institutes and jointly develop new solutions, validate approaches and ensure that all activities being implemented on the ground have a strong evidence base. SNV has led the way in terms of developing highly strategic and effective partnerships with a number of leading research and development organisations. We analysed the relationship with each of these organisations to ascertain the strength of the partnership and to identify future opportunities for working together in close collaboration. Twelve Memorandums of Understanding were subsequently developed with various organisations that SNV considers to be its strategic partners including: AgriProFocus, ASARECA, AVRDC, BoP Innovation Centres, CIAT, GAIN, ICRAF, IFPRI, ILRI, INBAR, KIT and SUN². In a number of cases the partnerships have already translated into new approaches and funding opportunities. Given the initial success of these partnerships, it is envisaged that more of them will be pursued during the coming year to ensure that SNV's core strengths are supported by a sound evidence-base.

New initiatives

Within the framework of SNV Agriculture's themes and solutions, 2014 was a successful year in business development with a substantial number of new initiatives starting up. These initiatives will impact our performance in future years.

In September 2014, we commenced the inception phase of the EUR 2.4 million 'Empowering women small-holder farmers in the rice value chain in Tanzania' project. SNV was contacted by Comic Relief, who was looking for potential initiatives to fund under the joint Comic Relief-DFID Maanda Initiative. The initiative focuses on transforming the lives of half a million women and girls, specifically in the areas of health, education, trade, enterprise and employment, addressing violence, promoting leadership and participation of women and girls. This project, that gained approval from Comic Relief, aims to benefit 25,000 people directly with a further **95,000** secondary beneficiaries in the areas the initiative focuses on like health, education etc.

SNV has also developed a 'Sustainable Nutrition for All' model which will be piloted in Uganda and Zambia from January 2015. SNV submitted a winning proposal for implementing a project in these two countries in response to a call on nutrition from the SDC. These countries score 19.2 (serious) and 24.1 (alarming), respectively, on the Global Hunger Index. The overall goal is to, 'Enhance nutrition security of small-holder farming households, focusing on women and children', and it aims to target **214,000** beneficiaries.

Under-nutrition remains at unacceptable levels in the rural areas of many Asian countries. Levels of stunting remain stubbornly high (up to 40% in some countries) and in the past few years, progress has stagnated. In response, SNV embarked on a new Nutrition-Sensitive Gender-Aware Agriculture Project in **Nepal, Indonesia, Cambodia** and **Laos**, with a EUR 1 million strategic investment by DGIS. The aim of the project, which will target **40,000** beneficiaries, is to develop and test a community mapping toolkit, integrating nutrition, agriculture, gender and unsafe water and hygiene aspects. The toolkit: The Participatory mapping of nutrition-sensitive and gender-aware agriculture toolkit, is being developed with the Royal Tropical Institute of the Netherlands (KIT). Communities can use the community tool to undertake a situational analysis followed by community consultations, which result in the planning and design of nutrition-sensitive and gender-aware agriculture activities.

SNV has been involved in **Kenya's** horticulture since 2008. Horticulture is the largest sub sector of Kenya's agriculture and the mainstay of the country's economy. Although this sector has seen a steady growth over the years, there are many constraints holding it back like: low availability of capital and inadequate market and marketing infrastructure, to name a few. The Dutch Embassy in Kenya asked SNV to develop a new, EUR 6.7 million, five-year, market-led horticulture program, HortIMPACT, which will contribute to increased food security, increased incomes and a sustainable horticulture sector in Kenya. Target beneficiaries include: organised small and medium-sized entrepreneurial farmers; international (Dutch) and Kenyan companies; Government of Kenya organisations and institutions; training institutes; and industry and consumers' organisations. The unique approach entails cooperation with small and medium-sized farmers as well as Dutch and Kenyan entrepreneurs, including traders, brokers, exporters, importers, retailers and input suppliers. For maximum impact HortIMPACT will upscale proven solutions at farm (and company) level. The SNV-led consortium, includes HIVOS, Solidaridad and DLV Plant, and will implement the project in association with Wageningen University and Research Centre,

2 Expansion of the acronyms under Organisation Abbreviations

Fresh Dynamics Asia and AgriProFocus as well as with local Kenyan capacity builders.

Like Horticulture in Kenya, the Ready Made Garment industry is a mainstay of **Bangladesh's** economy. It contributes to nearly 80% of the country's annual export revenues. It is the single largest source of employment for 14-35 year old women coming, largely, from rural and disadvantaged backgrounds and the industry is rife with widespread abuses and appalling work conditions. A spate of fatal accidents like the Rana Plaza disaster placed the industry under an unprecedented spotlight. 'Promoting Sexual and Reproductive Health Rights, Workers Safety and Inclusive Business in the Ready-Made Garment Industry', an SNV project, funded by the Kingdom of Netherlands in Bangladesh, will deliver a series of coordinated interventions that will promote, incentivise, support and reward Ready Made Garment industry factories and buyers that adopt responsible and inclusive business practices with a particular emphasis on Sexual and Reproductive Health Rights and soil and water conservation. SNV, together with its implementing partners, have harnessed market mechanisms to deliver win-win solutions for businesses and the (predominantly female) workforce. By the end of the programme, targeted Bangladeshi garment industry actors will have a better understanding of the importance of looking after female workers and substantive progress will have been made in terms of improved Sexual and Reproductive Health Rights practices and safe working conditions in target factories. Through this inclusive-business approach, the programme has directly complemented existing development initiatives: providing the 'carrot' of market incentives, to go with the 'stick' of strengthened regulations and enforcement.

In **Mali**, in order to strengthen the civil society, action research and advocacy for better policies The Programme de Gouvernance Locale Démocratique phase III was implemented. The goal of the project is to improve policies in the areas of natural resource management and economic development for vulnerable groups, particularly women and youth. This project worth EUR 9 million, funded by the Swedish International Development Cooperation Agency, will be executed by an international consortium of NGOs: Norwegian Church Aid (lead agency), Diakonia (Sweden), Helvetas (Switzerland) and SNV, in collaboration with Malian civil society organisations. Approximately 21,000 family-farm households are expected to ultimately benefit from the programme – 16,800 through improved agricultural production, processing and marketing, resulting in increases in income. In addition, 4000 households will benefit from access to Renewable Energy Technologies: improved cook stoves and solar water heaters; 400 small and medium enterprises will be created; and 5000 women will benefit from income generating activities.

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Insights and innovation

Our work is an iterative process of design, implementation and evaluation so that we can better understand how to improve and innovate our approaches. Here are some of the valuable insights that we gained in SNV Agriculture in 2014.

Nutrition

Shocking new statistics were published during 2014, which highlighted not only the scale of under-nutrition, but also some of the longer-term negative impacts. Around 50% of women of reproductive age suffer from anaemia and 40% of children-under-five are stunted, resulting in reduced physical and cognitive abilities, and depriving them of the chance to reach their full potential. As the number of people who are food insecure in terms of calorie intake gradually declines, we see increasing interest from public and private sector investors in promoting the adoption of more nutritionally balanced diets. Agriculture plays an important role in increasing the availability and affordability of nutritious food but on its own it cannot guarantee improved nutritional status, which is also affected by gender inequitable food allocation, socio-cultural norms, sanitation and hygiene. So the solution to under-nutrition appears to include using an integrated approach involving behaviour change, increased and sustainable agro-biodiversity, women's empowerment, and enabling multi-sectoral policy development. This approach will form the basis of SNV Agriculture's SDC-funded, 'Sustainable Nutrition for All' project which is due to begin in January 2015 in Zambia and Uganda.

Zero deforestation supply chains

Deforestation and forest degradation result in biodiversity losses and are major sources of greenhouse gas emissions. In an effort to delink agricultural production from deforestation, a growing number of companies and national governments are making public commitments to purchasing products that do not cause deforestation. SNV's REDD+ Energy and Agriculture Programme (REAP) has been examining the role of agricultural certification standards in effectively halting forest conversion and exploring some of the key ingredients which need to be

in place in order to establish deforestation-free supply chains. Our analysis indicates that, despite playing an important role in improving the environmental and social sustainability of supply chains, certification standards present a number of limitations. These form a barrier to delivering on zero deforestation targets. In order to effectively prove zero deforestation there needs to be a transparent traceability system in place that demonstrates where the end product originates from. Yet currently, most certification schemes do not have a sufficiently robust traceability system to prove deforestation-free supply chains. A further limitation of certification schemes is the lack of incentives and support for small-holders to meet sustainability standards (including no deforestation).

In response to this challenge, SNV has developed a toolkit consisting of three elements that can help to address the identified barriers to achieving deforestation-free supply chains: a traceability and monitoring system; our Inclusive Business approach; and the IT based SNV Siting Tool. For the toolkit to be effective, the tools developed for each element need to be applied as a package, but it can either be used as a stand-alone approach, or as an add-on to existing certification schemes. The toolkit is designed to assist companies and governments in going beyond certification standards in order to bring about the systemic changes needed to delink agricultural production from deforestation and forest degradation at a landscape level. 'Implementing deforestation-free supply chains' will also form the subject of a forthcoming report from SNV Agriculture.

Water Sanitation and Hygiene: Results Overview

Sector trends and strategic priorities

Although access to safe drinking water and sanitation is a basic human right, one third of the world's population (2.5 billion) do not have access to proper sanitation and an estimated 740 million people do not have access to reliable sources of drinking water. The issue of sustainability continues to plague the sector with billions of people lacking access to safe, sustainable water services where water is reliably and continuously delivered in sufficient quantities. A third of all water schemes previously constructed are no longer functional. Hundreds of millions of men, women and children do not have clean soap and water with which to wash their hands.

The key obstacles to improving accessibility to safe drinking water and sanitation services are often social and/or institutional in nature rather than technical. Though the direct shortage of safe water and adequate sanitation facilities and services is an issue, other aspects such as inequitable and unjust distribution, and poor operation and management further aggravate the situation. Those without access to safe water and improved sanitation lack the means and influence to change their situation as they are often the poorest and the most marginalised groups of society.

Improving access to water and sanitation services is necessary for public health, wellbeing and economic development. Improved practices in water, sanitation and hygiene (WASH) reduce the risk of disease burden, contribute to the reduction of stunting, and increase the productivity and income of millions of families at the bottom of the pyramid. Climate change and population growth exacerbate the vulnerability of people without access to WASH services, making the need for improvement urgent.

In most countries, water supply and sanitation is a public responsibility. Unfortunately service delivery set-up is often weak and fragmented, and fails to deliver minimal service standards. The UN-Water Global Analysis and Assessment of Sanitation and Drinking-Water (GLAAS) report of 2014 highlights three main challenges:

1. Critical gaps in monitoring
2. Weak country capacity to implement plans
3. Insufficient funding to meet the targets

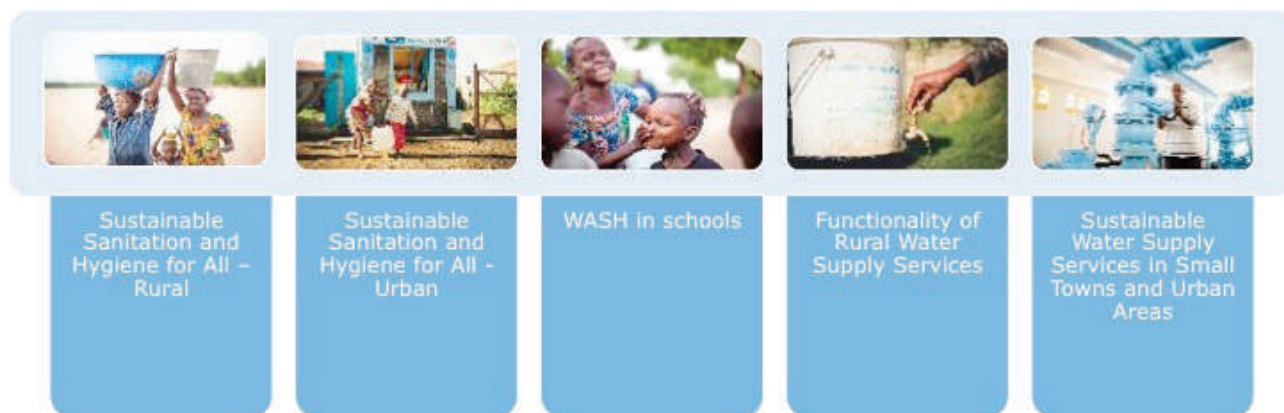


"We now understand we must boil water before drinking. We also told our parents to do so at home."

Pupils studying in Koutsung school, Lao PDR

Products

SNV Wash tackles the challenges listed above with the products below:

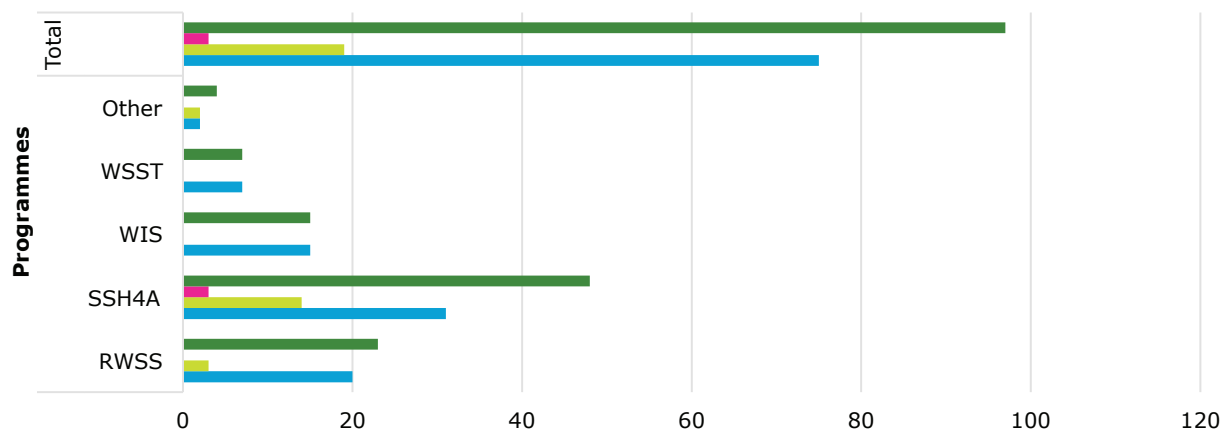


Achievements in 2014

SNV works with local governments and the private sector to improve the quality of construction, operation and maintenance of WASH services in their area. This institutional and organisational capacity development is done using relevant evidence concerning coverage and service levels of water and sanitation. Progress is measured in terms of enhanced client performance and improvement within the enabling environment.

The graph below demonstrates the projects we have.

WASH projects across regions and programmes¹



	RWSS	SSH4A	WIS	WSST	Other	Total
Total	23	48	15	7	4	97
LA		3				3
Asia	3	14			2	19
Africa	20	31	15	7	2	75

Number of projects across different regions

Harmonised impact

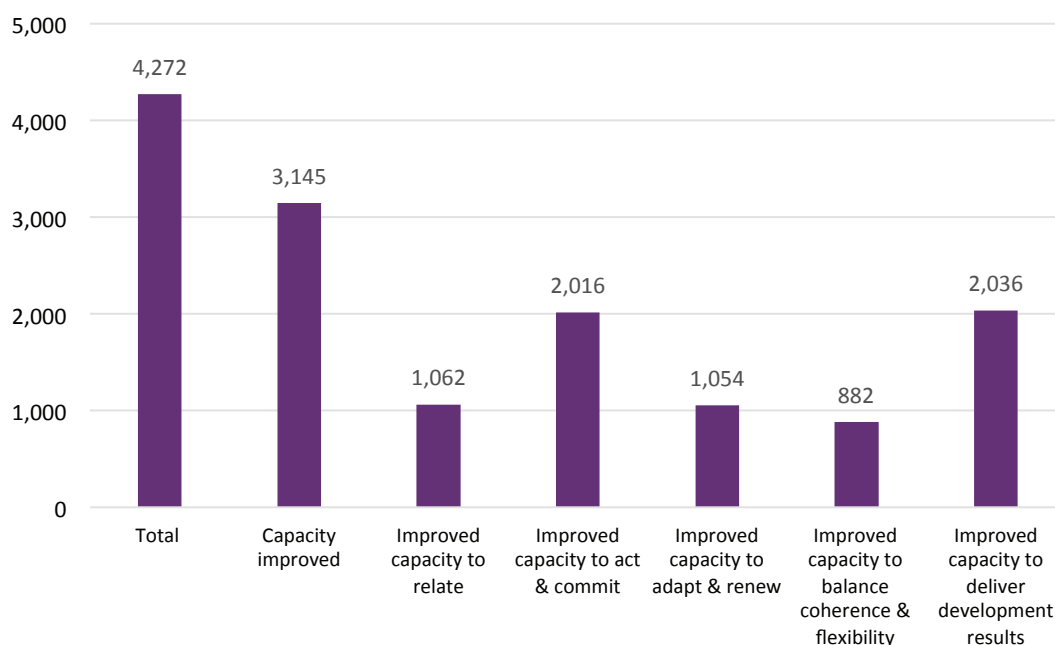
	Planned (Corporate Annual Plan 2014)	Achieved
	<i>Direct Beneficiaries</i>	<i>Direct Beneficiaries</i>
Number of people using an improved drinking water source	1,574,087	1,269,319
Number of people using an improved sanitation facility	1,036,806	1,073,352
Number of people practicing hand washing with soap after defecation	188,350	382,649
Total	2,799,243	2,725,320

The planned aggregated impact for WASH was largely achieved in 2014: 2.80 million planned and 2.73 million achieved. There was under-performance in improved drinking water, offset by an over-performance in improved sanitation and hand washing.

¹ RWSS: Rural Water Supply Services, SSH4A: Sustainable Sanitation and Hygiene for all, WIS: Wash in School, WSST: Water Supply small town and Urban Areas

Harmonised outcomes

The graph below displays the **improved capacity of the client organisations** we work with in the WASH sector.



And the table below shows the **improved performance of the client organisations**.

<i>Performance outcomes</i>	<i>Performance outcome indicators</i>	<i>Actual 2014</i>
Local governments are steering sanitation demand	Number of local governments that have initiated steering of sanitation demand creation activities – Sustainable Sanitation and Hygiene for All (SSH4A)	467 local governments
Increased outreach of post-construction support services provided to rural water supply operators (Water User Groups or private operators)	Number of rural water supply operators (Water user Groups or private operators) who are using post-construction support services - Functionality of Rural Water Supply Services (FRWSS)	2476 rural water supply operators
Water utilities in peri-urban and small towns have increased operation and maintenance cost recovery	Number of water utilities in peri-urban and small towns that have increased operation and maintenance cost recovery according to national standards – Sustainable water supply services in small towns and peri-urban areas (WSST)	109 water utilities
Schools are capable of maintaining sanitation and hygiene facilities successfully	Number of schools having a school-based maintenance plan for sanitation and hygiene – WASH in schools (WIS)	2158 schools
Improved supply of services	Number of clients who are supplying improved services	2618 clients

Advocating for sustained reform

SNV incorporates evidence-based advocacy to address the quality of WASH service delivery and equity of access to services in all five areas of our work. Examples from three areas are given below:

Sustainable Sanitation and Hygiene for All – Rural (SSH4A)

The Rural Sustainable Sanitation and Hygiene for All programme works across 15 countries. Over the past year we have gathered evidence of access to services against wealth quintiles as a basis to begin a dialogue with local and national governments about inclusive sanitation. For example in **Cambodia** our research on the adaptation of toilets by poor families has informed the national hygiene promotion strategy. In our work to strengthen private sector services in rural sanitation, we measure affordability of services and outreach of service providers to remote areas. We actively share these data with local governments strengthening their capacity to address such gaps. Through supply chain improvements and the promotion of bulk purchases we have been able to increase outreach and affordability of services in Northern **Ethiopia**.

In **Mali** the National Government invited SNV to assist in drawing up national guidelines to facilitate the application of Community Led Total Sanitation, which is now considered the major approach to address open defecation in the country. SNV has been instrumental in developing a harmonised approach under which sensitive issues such as the use of subsidies in sanitation interventions has been tabled.

In 2008 a diarrheal outbreak in mid-western **Nepal**, resulted in the deaths of more than 450 people and led to the acknowledgement of the link between sanitation and diseases. The Government of Nepal showed an increased interest in sanitation but lacked the knowledge and experience to address it. Coordination and collaboration between donors, ministries and other stakeholders was weak, without a standardised approach. The implementation role, taken on by the government, by focusing on providing hardware at subsidised rates and the top-down approach taken had done little to achieve sustainable change.

Household sanitation is first and foremost about behaviour change of individuals. People need to want sanitation, have the *knowledge* to practice it, the *ability* to acquire a toilet, and have the necessary support. Moreover, a reduction of the disease burden can only happen when the majority of a community is using a sanitary toilet. The SNV Sustainable Hygiene for All programme therefore aimed at changing the enabling environment at all levels whilst simultaneously creating demand from households for sanitation, organising the supply chains, improving peoples' access to finance, and changing hygiene behaviour.

Key elements of the Sustainable Hygiene for All approach were included in the Nepal National Sanitation Master Plan. Multi-stakeholder forums were established to develop action plans and processes for WASH interventions at district and village levels. The private sector successfully established supply chains bringing access to remote areas, civic participation increased and more than 300,000 people (including 150,000 school children) gained access to improved sanitation. Today, the approach is being up-scaled across the country. Government and development partners have identified coordination, alignment and joint commitment as the most important changes, underlining the importance and effectiveness of SNV's advocacy efforts in these areas.

Functionality of Rural Water Supply Services (FRWSS)

In our Functionality of Rural Water Supply Services programme we work across eight countries. Over the past year we have used data on the functional state of water supply systems to advocate for a focus on post-construction support services as opposed to an exclusive focus on new systems. For example, in **Laos**, SNV's work on the



"DFID is excited to be entering into a new partnership with SNV to deliver improved sanitation and hygiene results in nine developing countries. This programme aims to lead to direct sanitation improvements to over two million people by December 2015."

Leonard Tedd, Senior Infrastructure Adviser, DFID

mapping of functionality and service levels has now been taken up as a priority in the government's national planning for rural water. Another area of evidence-based advocacy in our FRWSS efforts has been working with public-private partnerships.

In **Kenya**, The Market Assistance Programme aimed to design and demonstrate the potential Public Private Community Partnership Model and the role of private enterprises/firms in ensuring sustainability of rural water services within two Water Service Boards areas. Water Service Boards as the public authorities, and Water User Associations as the consumer representative, are key public stakeholders in rural areas.

Through the introduction of the Private Community Partnership Model, consumers were made aware of the operation and maintenance costs of water systems and gained an appreciation that if they did not pay then there would be no service. Consequently, consumers changed their behaviour with regards to the consumption of safe water and their awareness of their right to safe water increased.

One of the achievements of the SNV practice is that all key stakeholders – the Water Service Boards, partner County Governments, Water User Associations and private firms – indicate that they believe that, Public Private Community Partnership Model is likely to help improve sustainability of water services delivery in rural and peri-urban areas. The Water User Associations have given full support to the operators, who are joint signatories on revenue, deposits and investment accounts of the water projects. This is an indication of improved confidence, transparency and accountability among the Water User Associations.

Sustainable Sanitation and Hygiene for All – Urban

The vast majority of urban populations rely on on-site sanitation. Yet the bulk of urban sanitation investment continues to go into sewerage which generally tends to benefit richer urban centres only. In **Asia**, very few cities have any sewerage, but existing legislation does not address on-site sanitation services. The lack of clarity about roles and responsibilities leads to general inaction. In urban sanitation and hygiene, SNV has been supporting studies of the legal framework for on-site sanitation in four countries in Asia (**Bangladesh, Bhutan, Indonesia and Nepal**). These studies have contributed to strengthening SNV's work with local and national governments in developing services, pointing out gaps on-site and incentivising the on-site sanitation discussion.

WASH highlights

In April 2014, SNV commenced implementation of the DFID funded Sustainable Sanitation and Hygiene for All Results programme; a EUR 28 million rural sanitation project across nine countries, using a 100% results-based funding (RBF) mechanism. The programme is being rolled out in **Zambia, Mozambique, Ethiopia, Ghana, Tanzania, Kenya, South Sudan, Uganda, and Nepal** and aims to improve the sanitation and hygiene situation for 2.7 million people. The project runs for four years, with the majority of results to be achieved in the first 18 months. Central tenets of the programme are the building of local capacity to steer and implement high-quality sanitation demand creation at scale; the development of market-based solutions to improve access to affordable sanitation hardware and services (including sanitation marketing, supply chain development, and inclusive business); building capacity for innovative hygiene behavioural change communication around hand-washing with soap; ensuring local sector alignment, planning and monitoring; enhancing understanding of the sanitation needs and preferences of vulnerable groups (ultra-poor, the elderly and disabled), and contributing to national sector development for rural sanitation and hygiene by improving scaling strategies, certification processes and anchoring of post-open defecation free targets. In 2014, SNV supported over 60 district governments to develop their plans for rural sanitation and hygiene, trained more than 1,500 facilitators for Community Led Total Sanitation, and developed informed choice materials on toilet options for disabled and mainstream households in all nine countries.



One of the many beneficiaries of the Sustainable Hygiene for All programme in Zambia

In Kasama, **Zambia**, high iron content in water is causing discolouration, turbidity and taste problems, in addition to forming slime and iron oxide accumulations in pipes. Water quality is a key parameter of safe water supply services. Iron promotes the growth of certain types of chlorine tolerant micro-organisms in water distribution systems. SNV, along with a private company Knotin Environmental Services, has introduced a simple iron removal plant. The new plant has a constant flow rate, takes only four days to construct (previously it took 15), has a low risk of contamination, is 80% more efficient with regards to the need for backwashing, costs half the amount of

the previous design and it takes just one person to maintain (as opposed to the five previously necessary).

It is estimated that more than 40% of the existing boreholes drilled in the Northern and Muchinga Provinces of Zambia are contaminated with high levels of iron, rendering the facilities unsuitable for domestic use. As part of the scaling process the target is to restore 30,000 water points in Zambia. The introduction of the Iron Removal Plant concept into neighbouring countries is also currently being explored.

Globally, taboos around menstruation exclude women from work and study, and have long-term impacts on women's safety, health, education, and livelihoods. In 2014, SNV commenced a Menstrual Hygiene Management project across five countries – **Ethiopia, South Sudan, Tanzania, Uganda, Zimbabwe** – aimed at developing an approach to Menstrual Hygiene Management within our broader WASH in Schools product. In east and southern Africa, research indicates that 70% of young women miss one to three school days a month due to menstruation, leading to decreased academic performance and high drop-out rates. The project targets 490 schools across the five countries aiming to ensure safe operation and maintenance practices for 140,000 schoolgirls. The project intends to build Menstrual Hygiene Management awareness amongst a further 8.5 million people.



Arong Robinah and other club members of a Primary School in Uganda making reusable menstrual pads

The project focuses on the use of clean materials to absorb or collect menstrual blood; the opportunity to change this material in privacy as often as necessary for the duration of menstruation; being able to use soap and water to wash the body as required; and having access to facilities to dispose of used menstrual management materials. In 2014 comprehensive baseline studies in each of the countries were completed, multi-stakeholder dialogues took place at national and local levels where research findings were shared, awareness and motivation were raised amongst project partners and governments. Currently supply chain studies and consumer preference surveys are on-going in order to develop new solutions for private sector investment in menstrual hygiene materials. Sanitary materials need to be affordable, locally available and with minimum environmental impact. Lessons learned from the Menstrual Hygiene Management programme are now being taken to other SNV countries, such as **Indonesia, Laos and Bhutan**.

Knowledge development and research

We use knowledge development within our WASH sector to both improve our field practice (leading to greater impact) and to contribute to the global discourse on sector development (policy and thought influencing). The key component of SNV's knowledge efforts in the WASH sector centres on our global Communities of Practice. The Communities of Practice use D-group platforms for global debate and discussion, coupled with learning events for practical application. We currently run seven Communities of Practice in WASH, namely: Rural Sanitation and Hygiene, Functionality of Rural Water Supply, Urban Sanitation and Hygiene, Menstrual Hygiene Management in Schools, Behavioural Change Communication for WASH, Re-use and Ecosan in Rural Settings, and Assainissement et Hygiène Durables pour Tous. D-group discussions are carefully moderated to ensure both practitioners and policy level opinions are included. In total there are 513 people from 42 countries participating in the Communities of Practice. Participants include many of SNV's local partners, national partners, SNV staff, other local organisations, government employees, and an increasing number of global organisations, such as staff from ADB, WSP, EAWAG, BMGF, WaterAid and UNICEF.

In total there are 513 WASH professionals from 42 countries participating in the Communities of Practice.

In 2014, SNV conducted three learning events, and four global D-group discussions. Two learning events in Africa (in **Tanzania** and **Burkina Faso**) addressed rural sanitation and hygiene, and the third learning event was on the topic of faecal sludge management in **Bangladesh**. This learning event attracted over 200 people from 36 countries (through the D-group (email) discussion that preceded the event), and over 40 people attended the event in Bangladesh. The event specifically looked into regulatory and business model innovations for emptying services. Beyond Bangladesh, the discussions have fed into Faecal Sludge Management dialogues in **Indonesia, Kenya, Ethiopia** and **Nepal**.

SNV's approach to learning and knowledge was presented in the Australian government funded international Brisbane WASH conference and was cited as a best practice. SNV's approach to moderating D-group learning

and discussions is now being adopted by some members of the Sustainable Sanitation Alliance and Rural Water Supply Network groups.

New initiatives

In 2013-14 we commenced an action research project in **Tanzania, Ethiopia** and **Kenya** aimed at developing better market-based solutions for sanitation. In a collaboration between SNV offices and technical vocational training institutes in each country, two new models of latrines were developed; the Dry-off-set latrine, and the Wet off-set latrine. The new models were tested in the field across the three countries. The name 'SAFI latrine' was chosen by the people involved and in the current phase the SAFI latrine will be disseminated to other countries, namely **Mozambique, Ghana, Zambia** and **South Sudan**. The training for manufacturers in the new countries is being undertaken by SNV and Technical Vocational Training institutes from the original three countries and is being provided to training institutes in the new countries. The two technical options of the SAFI latrine are included in the sanitation informed choice activities of the countries in the DFID funded Sustainable Sanitation and Hygiene for All Results programme.

Furthermore, a learning activity on innovative financing options for urban sanitation infrastructure was conducted with the Institute for Sustainable Futures (Sydney University of Technology) across the same countries. Identified options include credit guarantees; grouped financing, Public and Private Partnerships, and result-based finance. The paper on financing options has been widely distributed through the Sustainable Sanitation Alliance network.

SNV intensified its collaboration with Akvo, an organisation that builds open source internet and mobile software to support international development partner networks, in 2014 both for water point mapping (functionality mapping) and household surveys. In 2014, SNV and Akvo developed a standardised mobile application for household surveys in rural sanitation and in urban sanitation respectively. This Application is now being used in **13 countries** across Asia and Africa.

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The survey provides district level coverage, as well as coverage data disaggregated by wealth quintiles, gender and disability. The collaboration is leading to further improvements of the Application and the data is contributing to more precise discussions with partners about targeted interventions.

SNV has been further collaborating with Akvo to develop new ways for water testing through mobile phone technology. The technology, called Caddisfly, is an open source water testing kit that consists of an Android app, combined with simple, inexpensive hardware. It will automate existing field tests by reading colour change using the smartphone's camera and flash, making results more reliable and accurate. Data from the test kit can be made available online, geo located, and in real time. SNV is currently supporting the validating of the test results and the roll out of the technology in **Burkina Faso, Kenya** and **Ethiopia**. Exploration for the expansion of other measuring parameters (nitrate, arsenic, e-coli, etc) is underway.

Together with 'Water 4 Ever' SNV has been piloting prepaid water meter models in peri-urban water programmes in Nakuru, **Kenya**, aimed at dramatically reducing commercial water losses.

In **Niger** SNV was invited to take up the national coordination role for the WASH sector, commencing in 2014. Participation of stakeholders (development partners, NGOs and private sector) has significantly increased and a dialogue regarding harmonised approaches for sanitation services is evolving.

In 2014 many countries intensified efforts for the inclusion of people living with disabilities and the elderly in national and local sector discussions. In **Zambia**, where no WASH programmes to date had ever included sanitation options for the disabled, the SNV programme reached out to conduct focus group discussions with the elderly and disabled concerning their access constraints. Technical guidance for adjustments of facilities were developed. Similar initiatives are taking place in **Ethiopia, Nepal**, and **Mozambique**.

Insights and innovation

In 2014 we gained insight and comparative knowledge about the scaling up of rural sanitation and hygiene programmes across different countries. The scaling strategies in each country are, of course, context specific, but patterns are emerging on different ways to move from district-wide sanitation to provincial or countywide coverage. We have recognised that countries need to work more systematically on functional scaling. Many do not make conscious decisions about the pace of scaling, and as a result run into problems regarding sufficient numbers of qualified staff when programmes start scaling more quickly than anticipated. We have also learned

that countries need to focus more on setting up quality control systems when going to scale, rather than thinking that simple replication is enough. Our approach to sanitation remains government-led and much effort has been dedicated to building local government and other stakeholders' capacity.

We finalised and tested the performance-monitoring framework for Functionality of Rural Water Supply Services, measuring progress at household level (instead of at system level). This allows for the inclusion of (water) access limitations due to inequitable distribution practices, an issue that becomes increasingly relevant in water scarce areas.

Through our work in **Bangladesh** we gained better insight to the health and safety issues in emptying services (beyond boots and gloves for the emptier). Most health and safety concerns around pit emptying services centre on the premise that 'health and safety' starts and ends with the pit emptier never having to enter the pit. This is not only technically incorrect (even when mechanical emptying is utilised, if there is solid waste in the bottom of the pit then manual intervention, entry into the pit, will still be necessary) but is also an oversimplification of the full process. The key is to ensure safety at each step of the emptying process.

| The key is to ensure safety at each step of the emptying process.

From manual emptying to transport (are there procedures for spilling or accidents?), to disposal (is the sludge spraying or splashing etc?). This more comprehensive understanding of the overall health and safety implications reflected as 'quality control for each step in the full process' is leading to acceptance that there are more people involved in the issue than just the people who empty the pit. A manual was developed based on this insight.

We gained working insight into different models for city sanitation planning, as practised in **Indonesia**, India and the Philippines and used this learning to support city planning in countries in Asia and Africa. Whereas the Indonesian city sanitation model has extensive stakeholder involvement, it is very time consuming (two years) and sometimes results in fragmented planning. The Indian model of city sanitation planning to the contrary is only three months, but the stakeholder buy-in is limited. In the Philippines no separate planning is done for sanitation, rather specific action plans are made. In our programmes we are supporting partners to reflect on these approaches and find middle paths most appropriate for their context.

This year SNV commenced implementation and management for the first time of a large scale results-based programme. The programme is funded by DFID and is the largest single programme implemented by SNV. Valuable insights have been gained regarding the results based funding mechanism. Learning has been most pronounced around packaging of results in a way that includes value, quantity, quality and sustainability.

Renewable Energy: Results Overview

Sector trends and strategic priorities

As suggested by the United Nations General Assembly announcement of 2014–2024 being the 'Decade of Sustainable Energy for All', access to clean energy is high on the international agenda. However, some 1.2 billion still live in the dark, lacking access to basic energy services. And 2.8 billion people do not have clean, safe cooking facilities available, hampering progress against sustainable development objectives.

In 2014, SNV provided an increased number of people with access to sustainable, clean and reliable renewable energy sources: 895,000 benefited from these services against the 722,000 in 2013. Not only did SNV empower end-users with renewable energy technologies that guarantee an improved quality of life, we also supported small enterprises in the energy sector with market opportunities for increased revenues and the creation of new jobs

| 895,000 benefited from these services.

Though renewable energy markets are still underdeveloped, specific market-based interventions proved to result in a higher uptake of Renewable Energy Technologies. Relatively high upfront consumer costs are a barrier across all renewable energy value chains, but new tailored financial mechanisms are being developed that will have the potential of unlocking greater uptake possibilities.

In 2014, the SNV Renewable Energy sector gave greater importance to energy efficient solutions for the processing of agricultural products. The increasing demand for both agricultural products and local fuel wood, is an important driver for deforestation and consequently contributes to climate change. SNV provided cost effective, efficient renewable energy solutions as a sustainable alternative

Product solutions table



Domestic biogas



Medium size biogas plants for productive use



Domestic Improved Cookstoves and efficient, sustainable fuels



Stoves and gasifiers for productive use



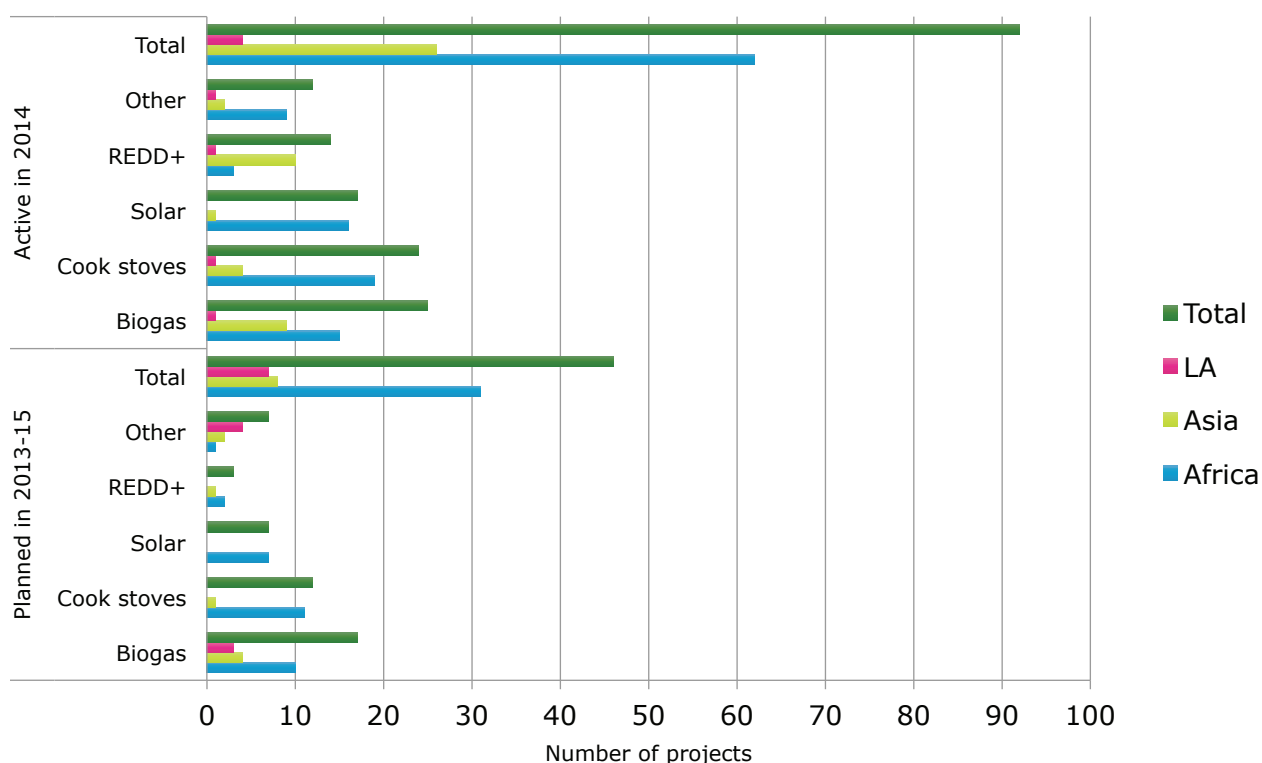
Domestic Photo Voltaic lanterns and solar home systems



Productive use of solar power

Achievements in 2014

The chart below demonstrates the projects that were planned for the period of 2013-2015 and the projects that were active in 2014.



Harmonised impact

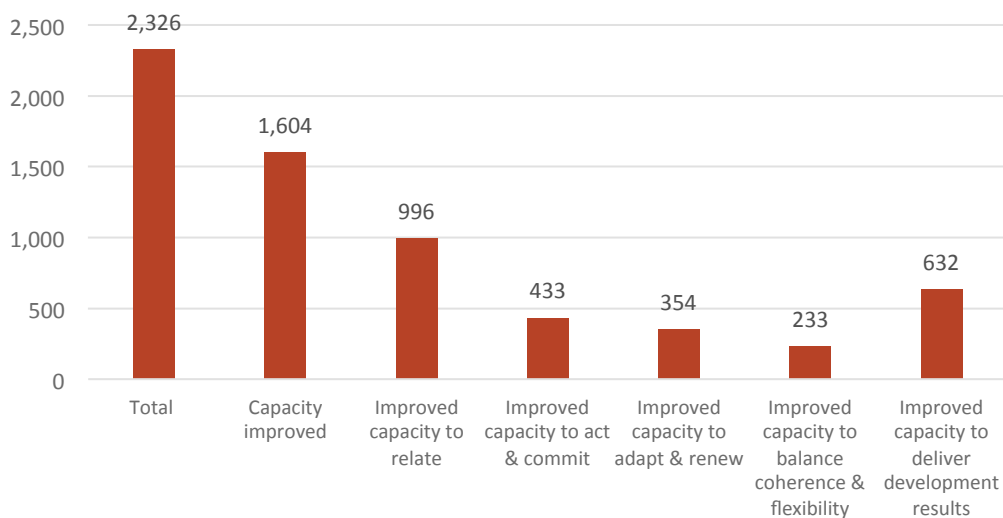
	Planned (Corporate Annual Plan 2014)	Achieved
Number of people who make use of renewable energy sources	1,361,853	894,929
Number of people with increased Income	1,120	54,802
Number of people with increased Employment	20	2,099
Total impact Renewable Energy	1,362,933	951,830
Total number of tons greenhouse gas emissions reduced	1,869,272	1,292,381

SNV provided an increased number of people with access to sustainable, clean and reliable renewable energy sources: 895,000 benefited from these services against the 722,000 in 2013. Not only did SNV provide access to renewable energy at the household level, we increasingly supported small and medium sized enterprises with revenue-generation and market development opportunities to increase incomes.

We did not fully achieve the forecasted impacts, due to the slow start-up of new contracts and a changed environment due to phasing out of subsidies in three countries, which affected the biogas market. In addition, the formula used by SNV for impact calculation, was not accepted by some donors, who do not consider appliances purchased as being used, which requires extra verification fixes, resulting in a lower number of beneficiaries. In 2015, our planning will be brought in line with the adapted definitions.

Harmonised outcomes

The graph below demonstrates the **improved capacity of the client organisations** we work with in the Renewable Energy (RE) sector.



The table below demonstrates their **improved performance**.

outcomes		Corporate Annual Plan 2014	2014
Improved performance by client groups	Number of RE clients (client-groups) who are supplying improved services	No data in the plan	1212 clients
	Number of RE technologies (RETs) installed and/or sold, per year	180,653 RET	181,654 RET

The table below demonstrates the **improvement in the enabling environment planned and actual**.

Enabling environment outcome	Enabling environment outcome indicator	Planned Corporate Annual Plan 2014	Actual 2014
Improved enabling environment	Laws, policies, rules and regulations related to RE have become more pro-poor / inclusive	29	45

Advocating for sustained reform

By supporting the production, distribution, sale and adoption of 93,000 cookstoves in 2014, SNV has contributed to reduced fuel costs and carbon emissions, improved health and cooking comfort for 467,000 women and their family members. Moreover, through advocacy and capacity building for advocacy by local actors, we stimulated market-based development, and adoption of clean energy solutions, as well as enabling more policies and regulations related to biomass energy.

Promoting a Dutch Approach to Clean Cooking Solutions

SNV has played an active role in fostering the cooperation between Netherlands-based private, governmental, development and finance partners and aligning their contribution to the ambitious goals of the Global Alliance for Clean Cookstoves, of which SNV is a founding partner. 13 Dutch organisations have joined this initiative. Adhering to a market-based approach, this group's commitments and aspirations include:

- Providing access to clean cooking solutions for around **10 million households**
- Making **USD 120 million** available from their own resources to contribute to Global Alliance for Clean Cookstoves goals
- Mobilising additional resources for the amount of **USD 185 million** in the coming three years



A clean cookstove

Influencing national policies to provide access to clean cooking in Nepal

In Nepal, SNV embarked on an ambitious Improved Cook Stove programme, through which access to clean cooking has been provided for 25,000 households in seven far western, remote districts of Nepal. In an attempt to move away from the traditional purely aid-based approaches prominent in these remote and poor areas, SNV audaciously developed its programme around local private sector actors. Despite initial scepticism by the actors on both the approach and the geographical intervention area, our intervention model is now being taken up by AEPC, the Nepali government institution in charge. It is the basis for a national programme aiming to reach clean cooking for all by 2017, due to the impact shown on the ground (25,000 stoves are finding their way through the market in slightly over one year).

Engaging the government of Kenya in the financial support to the Biogas programme

In Kenya, after five years of lobbying by the African Biogas Partnership Programme (SNV and HIVOS) and the hosting agency, the Kenya National Farmers Federation (KENAFF), the government support to the national biogas programme has been realised. Through the Ministry of Energy, the Kenyan government has entered into a five-year agreement with KENAFF for the financial support to the domestic biogas programme (technical fees to biogas companies and activities like training). During the financial year, 2014–2015, the commitment from the Government of Kenya has been EUR 200,000. More resources will be availed upon successful implementation of the project during the duration of the Memorandum of Understanding.

Renewable Energy highlights

Biogas kitchens and Improved Cookstoves expand access to clean cooking

In Asia, Africa and Latin America, 140,000 people have been provided with access to energy from the installation of 28,000 new domestic biogas plants. Biogas continues to be the programme across all sectors for which SNV is best known internationally. Nevertheless, the abolition of investment subsidies and reduction of business incentive strongly affected the biogas market in 2014.

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- In **Indonesia**, the biogas programme has entered into a new phase as it was taken over by local foundations, that were trained by SNV.
- In 2014, as a result of SNV's support in previous years, almost 45,000 biodigesters were installed in **Nepal**, **Bangladesh** and **Pakistan**, providing impact to another 225,000 people.

- The EUR 3.4 million biogas programme in **Nicaragua** funded by IDB, NDF and HIVOS failed to deliver due to poor choice of technology: the high cost of the selected bio-digesters technology and the lack of a localised delivery structure were identified as main causes behind this failure. A change of strategy by mid-year managed to re-start the programme. More affordable locally-built biodigesters models were designed, masons trained and a new distribution model has been set up.
- Of the 28,000 digesters installed by SNV programmes worldwide, 9,329 digesters were put in **Ethiopia, Kenya, Uganda, Tanzania** and **Burkina Faso** during 2014. It was the first year of the second phase of the African Biogas Partnership Programme funded by DGIS. The Programme did not reach the 2014 production target, though. The main factors behind the decrease in production are the termination of the end-user subsidy in Kenya, Uganda and Tanzania. In Ethiopia this can be attributed to the significant reduction of credit availability. The disentanglement from the former national implementing agency and subsequent programme management restructuring in Uganda has been another important cause, which led to a drop in production.



Couple working on their biogas plant in Thika, Kenya

In 2014, clean cooking solutions have been increasingly integrated in broader approaches to combat deforestation and mitigate climate change effects. In many projects, the introduction of improved cookstoves is combined with the introduction of alternative efficient fuels (briquette, pellets or sustainable charcoal), as well as, to a lesser extent, the introduction of wood fuel plantations (Ghana, Burkina Faso and DR Congo). Considerable progress has been made between 2013 and 2014 with 17 projects currently underway in Asia and Africa and a significant impact with over 93,000 cookstoves marketed in 2014, benefiting almost 467,000 people with clean cooking, cost and time savings and health benefits.

- In **Lao PDR**, our EUR 786,650 cookstove programme funded by the European Union, the Lao Non Profit Association ARMI demonstrated increased ownership, commitment and ability to deliver and self-manage the plan with SNV in an advisory role. Almost 20,000 cookstoves were produced by 16 manufacturers in four provinces and sold by over 375 retailers. A survey among 270 Improved Cookstoves users showed 95% satisfaction, mostly for their durability and fuel saving capacity.
- In **Rwanda**, a successful approach was implemented to promote the production and supply of locally-produced efficient firewood stoves and establish a last mile retailing system with commercial retailers. In an eight-month period, more than 33,000 Canarumwe stoves were produced and 29,000 sold. Of the 29,000 sold almost 25,000 were installed with improved kitchen ventilation.

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For both cookstoves and biogas projects, SNV continued to promote **carbon finance** initiatives, and was involved from project idea generation, development of project design document, registration, monitoring and verification to carbon credits generation. In 2014, the main achievements were:

- In **Burkina Faso**, the West Africa Biogas Programme was registered as a carbon project with United Nations Framework Convention on Climate Change (UNFCCC).
- SNV and the Dutch energy utility Eneco Energy Trading launched the first ever Programme of Activities for Improved Cookstoves in the Far West region of Nepal.
- In **Vietnam's** biogas programme, sales of Verified Emissions Reduction are continuing at an accelerated pace.

Access to modern solar Photo Voltaic lighting:

In 2014, SNV consolidated its work on access to solar PV (Photo voltaic) lighting and telephone charging in 11 African countries, and contributed to the sales of almost 60,000 portable lanterns and Solar Home Systems, providing energy access to 200,000 people.

SNV contributed to the dissemination and adoption of almost 60,000 portable lanterns and Solar Home Systems, providing energy access to 200,000 people.

- In **Zimbabwe**, SNV engaged key actors such as international suppliers TOTAL and Schneider, as well as young retailers trained in solar technologies, marketing and maintenance, to improve the market for the supply of 25,000 Pico PV products in just one year. 87 youth, including 61 women, improved their self-employment opportunities. The project resulted in more than 65,000 additional people with access to Pico PV products.
- The multi-country Pico PV 4 Africa Programme (**Burkina Faso, Uganda and DR Congo**) installed more than 4,500 Pico-Solar items to those at the bottom of the pyramid (last mile). Using a market-based approach, SNV initiated the development of new distribution channels and secured the support of the private sector (TOTAL).
- In **Benin**, in cooperation with the mobile phone company MTN, a network of 100 village Micro Entrepreneurs were trained to promote and sell solar products for lighting and recharging of mobile phones.
- In **Kenya**, local micro entrepreneurs and rural distributors trained by SNV promoted and sold 15,000 solar lamps in 2014. Home-grown financing arrangements with Micro Finance Institutions have enhanced access to finance for end users.

The main barriers to increased adoption of solar products remain:

1. The high upfront cost of solar PV products for end users without access to flexible payment, whereas the willingness to pay exists, and;
2. The lack of upfront capital available for importers and distributors to establish a stock.

In order to overcome these barriers, in 2014, SNV facilitated access to affordable financial products for the end-consumer and local retailers. Initiatives have been set up to build mutual trust between the banking sector and the people living at the bottom of the pyramid.

Renewable Energy for powering agriculture

In 2014, SNV stepped up its advisory services to promote and extend the productive use of small renewable energy solutions by rural micro, small and medium enterprises. Initiatives aim at increasing the efficiency and profitability of rural enterprises, mainly through fuel savings.

In 2014, the Energy, Poverty, and Gender in Agro-processing Project achieved encouraging results. More than 1200 Improved Cookstoves and solar artisanal and semi industrial technologies have been introduced in micro, small and medium enterprises (**Burkina Faso, Ghana, Mali and Niger**). These include rice husk and shea waste stoves, charcoal briquetting (made from shea waste, rice husk, cocoa pod, and cashew waste), solar driers for fruit processing, and stoves for brewing traditional beer. More than 20,000 women are benefitting from better access to renewable energy to enhance their income-generating activities.

In **Ghana**, 100 fish smoking entrepreneurs are now using more fuel-efficient stoves (reduced cost, increased income, less exposure to wood fuel smoke). The project has improved the livelihoods of 500 local women involved in the fish processing business, providing them with wood fuel-efficient, climate-friendly stoves for their productive activities.

| In Ghana, fish smoking entrepreneurs are now using more fuel-efficient stoves.

Projects to promote biogas for productive use started in 2014. These included electricity generation from biogas produced with coffee waste in Honduras funded by Inter American Development Bank (EUR 632,000); and biogas for milk chilling with Mueller and Simgas companies in Tanzania, Rwanda and Zambia funded by OFID (EUR 435,958) and DGIS (EUR 825,000).

REDD+ in Energy and Agriculture Programme (REAP)

In 2014, the REAP team finalised the development of knowledge products and piloted them in particular geographical areas. The application of the siting tool, that guides agricultural expansion to reduce the impact on forests, provided the basic framework to engage and work on agriculture, renewable energy and forest activities across designated landscapes. The highly integrated nature of working on the forest, agriculture and energy and water interface, like in Vietnam, (replanting mangroves in aquaculture ponds, preserving and restoring the seasonally inundated peat swamp Melaleuca forest ecosystem) proved to work at the landscape level.



SNV REDD+ Advisor in Cat Tien, Vietnam

The main achievements for 2014 were:

- The ENRICH project in **Vietnam**, has successfully introduced demonstration activities leading to the enhancement of forest carbon stocks in representative forest ecosystems (236 ha evergreen forest; 100 ha mangrove forest and 116.5 ha peat swamp forest). As a result 1200 people have seen their income grow by participating in activities.
- The Mangroves and Markets engaged potential stakeholders to demonstrate sustainable products and mangrove forest rehabilitation. 741 shrimp farmers were granted Naturland certification and a private company is including 1,300 shrimp households in its value chain as suppliers of certified shrimps. The project integrates ecologically sound shrimp aquaculture with the mangrove environment of Cà Mau, Vietnam - reversing mangrove loss and reducing carbon emissions.



Training on breeding and marketing ecologically certified shrimp

Partnerships with the private sector across the Renewable Energy projects

In 2014, we strengthened our collaboration with international corporations like Philips, Simgas, Schneider Electric, Mueller, ECOM, MTN mobile phones, and TOTAL. The eagerness of private companies to engage with SNV programmes demonstrates the growing recognition of SNV's work. With private sector trust in our market-based approach as an asset, we carefully managed these non-exclusive partnerships with technology suppliers in order to avoid endangering fair competition in the market.

Knowledge development and research

In 2014, SNV focused knowledge development efforts on improved cookstoves and off-grid solar to improve the quality of our services, develop new products, and assess and benchmark our projects with what others do. In order to reach these objectives, we established partnerships with knowledge institutions to review our practice and support us in co-creating new tools and strategies. ENERGIA, the international network on gender and sustainable energy, has developed tools to integrate gender into the design and implementation of SNV's Improved Cookstoves projects that will be ready in early 2015. The Stockholm Environment Institute (SEI) and The Energy for Resource Institute (TERI) from India assessed SNV's practices in the field in 2014 to develop an improved theory of change for ICS and off-grid solar projects, and establish quality criteria for SNV interventions, along with SNV's teams. Initial results of validation and benchmarking show that SNV has a strong approach for sustainable market transformation, with emphasis on co-creation and adaptability.

In the biogas sector, we continued to engage with our partners Wageningen and Oldenburg University. The research about the impact of subsidies on the uptake of biodigesters in Cameroon with Wageningen University resulted in interesting interim conclusions about early adopters and willingness to pay by the farmers. Due to the households' lack of liquidity and distrust in the technology, the uptake was slower than expected and conclusions could not yet be verified with a sufficient number of constructed biodigesters.

Knowledge development is an integral part of the overall REAP/REDD+ programme. We have developed a number of the knowledge products and solutions mentioned below. Given the complexity and gaps in knowledge of the forests, agriculture, energy interface a broader range of different knowledge products has been developed than first envisioned. In 2014, the following products were finalised for the Renewable Energy sector:

- Innovative Financing: exploring financial options to introduce sustainable agriculture and renewable energy technologies
- Waste to Energy Toolkit
- A model to determine REDD+ compatible Wood-fuel Value chains

The feedback and interest in SNV's work has been very encouraging. Our publications have been posted on key sites such as CIFOR, UNFCCC and Eco-agriculture.

New initiatives

Result-Based Finance (RBF) approaches have been successfully piloted in the biogas programme in Vietnam (DGIS, ENDEV) and the Pico-Solar project in Tanzania funded by ENDEV. The RBF mechanisms seek to stimulate market development and overcome initial market barriers. Enterprises receive financial incentives only after delivering a high quality digester (Vietnam) or selling Pico PV products (Tanzania). The private sector takes all the implementation risk: no delivery – no payment. A financial institution hosts RBF incentives funds. SNV's main role is to broker relations amongst actors that ensure fair, transparent and verifiable financial transactions.

Renewable energy powered, private sector and community operated, **mini-grids** offer a decentralised solution for electricity supply in areas where there is no national grid. A village or neighbourhood wide distribution network is used. Mini-grids are high on the agenda of funding agencies, and SNV is gradually expanding its activities in this area. In 2014, in Nepal, the SNV Rural Electrification project with Improved Water Mills resulted in the electrification of six sites. 187 households were granted access to clean electricity and twelve micro-entrepreneurs are actively using the generated electricity for productive end uses (carpentry, milk cooling, rice hulling, welding). SNV is also involved in minigrids projects in Rwanda (Pico Hydro) and DR Congo (biofuel).

SNV-implemented Advanced Clean Cookstoves was a new area of intervention for SNV in 2014. We partnered with suppliers Envirofit, Philips and Biolite to explore the market and test distribution models for the advanced stoves that are not only efficient and safe, but also significantly reduce indoor air pollution. In Cambodia, SNV's Advanced Clean Cookstoves programme team has collected and published market intelligence for the private sector involved in advanced clean cookstoves. In Ghana and Kenya, piloting of the Philips stove distribution started with local distributors. In Kenya, about 5,000 people (mostly women) are already using the clean and advanced clean cooking device. In Ghana, while 215 Philips stoves were sold at a subsidised rate, the effectiveness and innovative distribution and finance models as well as the efficiency of different crop residue fuels were tested. Yet the challenge to overcome the high retail price in comparison with traditional stoves remains. Adapted credit rent/purchase mechanisms for end-users will most likely help to increase their sales and adoption.

In Kenya, about 5,000 people (mostly women) are already using the clean and advanced clean cooking device.

Insights and innovation

In 2014, SNV conducted studies to better understand the market for Renewable Energy Technologies - stoves, solar products or biodigesters - from the consumers' perspective. Considerable effort has been made to widely publish the outcome and share it with our network of market actors, from manufacturers to local suppliers. This has resulted in bringing on board interested and motivated private sector suppliers of Renewable Energy Technologies.

Even with the growth in the sector, marketing Renewable Energy Technology as a 'cost saving' value proposition does not necessarily resonate with the target market. Health and environmental benefits in all the technologies were also found to be elitist arguments in the eyes of those at the bottom of the pyramid. This calls for a reorientation of promotional efforts to focus on social status and creating an emotional connection with the audience. Ease of use, quality and speed of cooking often prove to be more important factors in promotion. Most of the Renewable Energy Technologies currently appear to sit outside the self-actualisation ladder of life. It needs to be positioned as an aspirational product within this hierarchy.

It is a known fact that finance is still a barrier in the uptake of Renewable Energy Technology and it is a challenge to 'broker' financing for Renewable Energy Technology providers and retailers or biogas and cookstove constructors. Companies will access finance by building trust through track records with Micro Finance Institutes and thereby opening the door for future financial products (loans, microcredit etc.).

The preliminary results of the research on construction subsidies for biogas biodigesters in Cameroon by Wageningen University suggest that 'during the initial stages of a biogas programme, biogas technology is unlikely to serve and reach poorer segments of the population. Instead, higher levels of wealth and a lower sensitivity to prices characterise first adopters. However, subsidies should not be excluded, at least in an initial phase of a programme'. The research also concludes that 'the biggest challenge faced by engaged households is represented by a lack of liquidity and a complete lack of access to credit'.

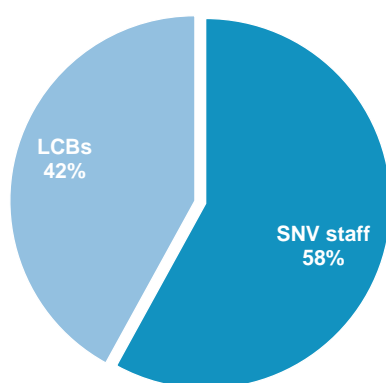
Localisation

SNV's strategy paper 2011–2015 refers to localisation as an important aspect of achieving SNV's mission. Building upon a long tradition of working with local providers of capacity development services, SNV has chosen to make considerable investments in improving the functioning of Local Capacity Builders (LCBs). External evaluations conducted in 2014, by the IOB and another external evaluator concluded that this improves the capacities of the LCBs, broadens their experiences and strengthens their position in the market.

Although the amount of advisory days outsourced differs per country, the average figures show a consistent pattern over the past four years ranging on an average of 41% to 49% of our work being given to Local Capacity Builders.

As displayed in the graph below, in 2014, we outsourced 42% of our implementation days to Local Capacity Builders. We have consistently been able to maintain and exceed our (planned) level of 40%, despite the reduced room to maneuver that new donor funding modalities offer SNV.

LCB vs SNV staff implementation days



SNV supported four local capacity development funds. In 2014, USTADI, the Kenyan local capacity development NGO increased its funding and activities in support of small enterprises. They now have funding from five different donors. As of 2015 the organisation will continue independent of SNV. Mbongi, the Local Capacity Development Fund in DR Congo, expanded its track record in 2014. They are partnering with one additional donor and it is envisaged that they will play a role in a significant World Bank financed programme in 2015. The Local Capacity Development Funds in Nepal and Ethiopia were not as successful and will not continue in 2015. It proved more difficult for them to leverage funding from other donors.

In 2014 a leadership programme was designed to target 150 leaders of local partners. The programme focuses on enhancing their leadership capabilities, supporting them in adapting their work to new challenges and thereby maintain the relevance of these organisations in the future and work towards a financially sustained position. The programme is now being implemented for 150 leaders from 21 different countries. It will be marketed widely in order to acquire funding for the years to come.

Corporate Programme and Partnerships

Knowledge networking

In 2013 and 2014 special attention was given to a corporate Knowledge Networking agenda to test and deepen development strategies and solutions. Through these activities we aim to improve our own practice and contribute to the broader knowledge base in the relevant fields.

In 2014, we began the execution of 20 projects. For several of these, collaborative arrangements were set-up with reputed knowledge institutes, such as Oldenburg University in Germany, The International Institute for Environment and Development in the UK and Wageningen University, to name a few.

In addition, we engaged local consultants, universities and expertise centres for field and analytical work in various countries. Due to the end of the programme subsidy no new initiatives could be added to the Knowledge Networking agenda.

For example, in the **WASH sector** a number of successful regional workshops were undertaken in countries like Tanzania and Nepal. These workshops brought together a range of partners and practitioners and enabled them to share and connect with the newest trends in rural sanitation and water supply. The workshops in Africa combined with the results of the Sanitation Action Research produced important insights in rural demand, purchasing power and adapted technological solutions as well as initial business models. The SAFI latrine concept, elaborated on in the WASH sector, was created as part of the Knowledge Networking Agenda.

In the **Renewable Energy sector** research, product development and positioning activities were undertaken. Amongst others, these activities analysed the value of bioslurry as a fertiliser; developed products and distribution strategies for improved cookstoves and fuels; and compared different biogas technologies. In Cameroon, with Wageningen University Economic Department, we worked intensively on studying the impact of subsidy levels on the uptake of biogas plants. The results of these renewable energy activities complemented our programme development and partnerships internationally, such as the Global Alliance for Clean Cookstoves.

In the **Agriculture sector** an in-depth study, with the International Institute for Environment and Development, delved into the process of (self-) inclusion and exclusion of small farmers in the oil seeds value chain in Uganda. This study produced interesting findings on the importance of cash, the relevance of informal traders, the challenges of farmers' organisations and the deteriorating competitive power of certain inclusive business models in a maturing market.

The investments in these and other knowledge projects were a foundation for developing the **PPPLab**, a four year DGIS funded knowledge and learning programme on the use of public private partnerships for development purposes in the food and water sectors. SNV is one of the founding members together with the Partnership Resource Centre of Rotterdam School of Management at Erasmus University, the Centre for Development Innovation at Wageningen University and Aqua for All.

Nurturing development professionals of the future

We started our Junior Professional Programme in the latter half of 2013. By the end of 2014, 12 participants, from five countries, had taken part in the Programme for an entire year. It was an intensive year, during which time they immersed themselves into their respective country programmes and projects, and thereby boosted their understanding of the sector and SNV.

In April 2014, to facilitate a knowledge exchange, a learning event was organised for them in Nairobi.

Although one participant took up another job offer, all the others have continued to develop themselves and contribute to SNV. We are now halfway through the two-year programme and we believe it is, indeed, nurturing practitioners of the future while allowing SNV to benefit from their fresh perspectives.



Junior Professionals in the field in Kenya

Grant management and Result-Based Finance

Results-based funding – As mentioned under Priorities 2014 (3.d) the tying of payments to the delivery of development results is becoming increasingly popular with donors. And in 2014, SNV conducted a research into its market positioning for RBF deals and possible mitigations for the involved risks.

The report concluded that SNV is well positioned for RBF. In all its three sectors major opportunities are arising based on result funding modalities. The relation between DFID (as a pioneer in RBF modalities) and SNV as service provider is considered especially strong.

However, while results-based funding modalities offer promise, they also carry significant risks to organisations like SNV. Recommendations were made to restrict SNV's attention to implementing RBF contracts in subs-sectors and countries that SNV knows well and where we can use proven interventions.

The results of this investigation were adapted in December 2014 and incorporated into SNV's Business Development Strategy.

SNV's ambition to engage in a more structured and strategic manner with **grant management services** did not progress as hoped-for in 2014. This innovation area will be addressed in the first quarter of 2015.

BoP Innovation Centre

The goal of the partnership between SNV and the BoP (base of the pyramid) Innovation Centre is to develop and provide a full range of cost effective on-the-ground support services to design and execute private sector development programmes. These programmes aim for sustainable and large-scale impact in terms of income, employment opportunities and access to basic services for communities and low-income groups. They also expect to attract impact investors in the early stages by making inclusive business ventures investment-ready.

The Inclusive Business Accelerator Programme, funded by DGIS, began in 2014 in collaboration with Venture Capital for Africa and Nyenrode Business University. Business plans for an Inclusive Business Accelerator in Mozambique and Vietnam were developed and approved. By the end of 2014, 33 small and medium enterprises started cooperating with the Accelerator.

Part of the Inclusive Business Accelerator budget was used as a contribution to an International Fund for Agricultural Development programme. We aimed to complement the investment of DGIS with that of the private and public sector. And by the end of 2014, the International Fund for Agricultural Development approved a EUR 2.2 million project on Public Private Producer Partnerships.

Finally, a programme with a focus on studying experiences with Inclusive Business and Nutrition, Inclusive Business Investment, Scaling Inclusive Business and Inclusive Business Ecosystems, was initiated with the objective to develop and disseminate a number of state-of-the-art knowledge products. This programme will come to a conclusion in 2015.

The Royal Tropical Institute

The Royal Tropical Institute (KIT) and SNV signed a partnership agreement in 2014. Through this collaboration we aim to develop novel approaches and products that will boost the quality of development practices and lead to improved results at a scale commensurate with needs and interests of customers and end users. The main results of this partnership for 2014 are:

- Development of joint papers on 'Value Chain Development at Scale, analysing experiences from five field case studies' and a paper on 'Designing Value Chain Interventions for Impact at Scale', both papers will be published in early 2015.
- On-going fieldwork and product development on five themes: 1) Value Chain and Gender; 2) Market Based Input Supplies; 3) Sustainable Production; 4) Food Security Impact Assessment and 5) Nutrition Sensitive Agriculture.
- Jointly secured funding by the Swiss Development Cooperation, of EUR 2.4 million for 'Sustainable Nutrition for All' project being implemented in Zambia and Uganda.

AgriProFocus

SNV is a founding member of AgriProFocus. It is a network of NGOs, agroindustry, and knowledge institutes with the objective to stimulate farmer entrepreneurship and to strengthen the capacity of producer organisations to improve food security in the world. In 2014, SNV actively participated in the AgriProFocus AgriHubs, now called country networks, in: Benin, DR Congo, Ethiopia, Indonesia Kenya, Mali, Niger, Mozambique, Rwanda, Tanzania, Uganda and Zambia. Of these countries, SNV acts as the host organisation in Benin, Tanzania, Uganda and Zambia. Activities supported include: gender in value chains, farm-firm relations, access to market information and youth skill development.

In the Netherlands, SNV participated in sector learning and knowledge development events on topics such as dairy and horticulture. In addition, SNV holds the vice presidency on the Board of the Foundation AgriProFocus.

Global Alliance for Clean Cookstoves

SNV is one of the founding members of the Global Alliance for Clean Cookstoves. The Alliance is a public-private partnership hosted by the United Nations Foundation to save lives, improve livelihoods, empower women and combat climate change by creating a thriving global market for clean and efficient household cooking solutions.

The Global Alliance for Clean Cookstoves is gradually shifting its support towards the markets for clean cookstoves, which are necessary to achieve the goal of 100 million households adopting clean and efficient cooking solutions by 2020. The positioning in the Global Alliance stimulated and enabled SNV to expand its own practice on market-based clean cooking solutions from domestic biogas plants to biomass-fuelled stoves (Improved Cookstoves).

In Bangladesh, SNV was recognised for its role in developing a clean cookstove country action plan, including the coordination of all national and international actors in the sector. This resulted in an additional contract with the UN Foundation to support the implementation of the action plan in 2014.

In the run up to the Global Alliance for Clean Cookstoves Future Summit pledging conference (New York, November 2014), SNV and The Netherlands Enterprise Agency took the lead in bringing together 13 Netherlands based public, private and development partners under the heading of *Dutch Approach for Clean Cooking Solutions*. This group – including members such as Philips, Netherlands Ministry for Foreign Affairs, BIX Fund, SimGas, Fair Climate Fund and Hivos – presented the 'Dutch commitment' to the Global Alliance for Clean Cookstoves goals at the New York pledging conference in presence of Former Secretary of State Hillary Clinton and other dignitaries for the amount of **USD185** million in the coming three years.

The Dutch Clean Cooking Initiative decided to continue the cooperation as a coalition and to increase public awareness on the health aspects of cooking. SNV is fulfilling a coordinating role in the group activities.

Global Support Services

Business Development

| 26% increase in the value of new contracts signed

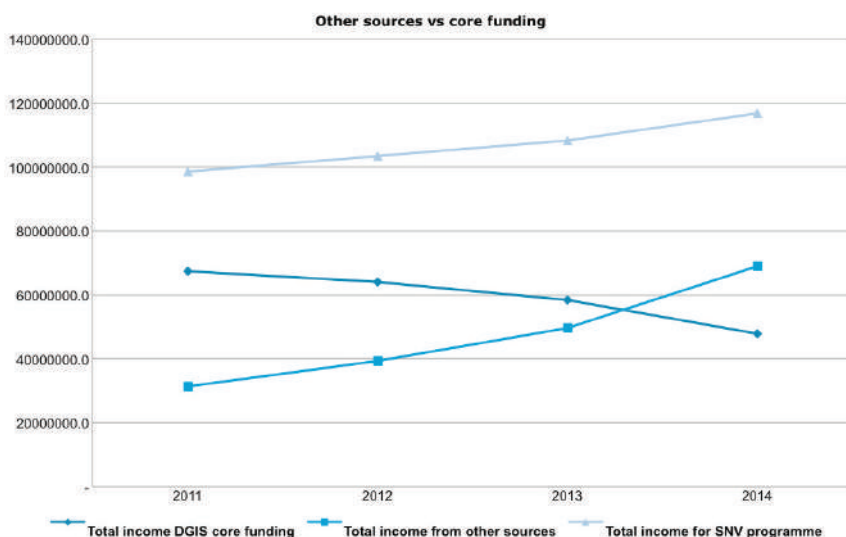
For the fourth year in a row, SNV surpassed its annual order intake target. It reached a total of EUR 126 million (against a target of EUR 70 million), an increase of 26% when compared to 2013. This reflects the effectiveness of SNV's business development efforts as well as the trust and recognition that a wide range of donors have in SNV.



At the beginning of 2014 SNV signed a EUR 28 million contract with DFID, to deliver sustainable access to sanitation and hygiene for 2.7 million households in nine countries across Africa and Asia. This is SNV's biggest achievement till date and it contributed to a significant growth in the WASH sector. The WASH sector accounted for 40% of the total order intake in 2014; it was 16% in 2013.

The total value of all the proposals sent out, in 2014, was EUR 242 million, an increase of 6% when compared to 2013. At the same time the overall success rate increased from 51% to 54%. This reflects SNV's growing expertise in competitive bidding as well as its traditional strength in joint programming and offering development solutions directly to donors. In 2014 SNV also prepared a successful proposal to DGIS within the new framework of the Dialogue and Dissent Strategic Partnership (2016-2020).

In 2014, for the first time in SNV's history, the revenues derived from externally funded contracts, EUR 69 million or 59%, surpassed the revenues from the DGIS programme by 16%.



The average deal size is increasing, as planned. In 2014 the relative share of tender contracts increased considerably from 20% to 38%, while the relative importance of fee-for-service contracts remained the same as in 2013.

2014 Donor Ranking¹

1. DFID
2. Netherlands Embassies
3. Dutch Ministry of Foreign Affairs and related
4. SDC - Swiss Development Cooperation
5. USAID
6. European Commission
7. DFAT – Australian Development Cooperation
8. SIDA – Swedish Development Cooperation
9. IFAD
10. UNICEF

(By value of contracts signed)

Trends in SNV's order portfolio

SNV signed over 188 new contracts in 2014, including small fee-for-service contracts. While growing diversity of customers makes SNV less vulnerable to sudden policy changes and is a feature of SNV's growing portfolio, our top donors account for 81% of the order intake in 2014.

In 2014, 25% of the order intake came from Dutch government sources such as the contract for the Africa Biogas Programme with DGIS and new Embassy projects in Bangladesh, Ethiopia, Kenya and Mali, the Dutch Ministry of Foreign Affairs and related.

The importance of European bilateral donors such as DFID, SDC, SIDA, BMU, and DANIDA, is notable. Together they represent around 40% of the order intake in 2014. Bilateral donors with a decentralised set-up value SNV for its in-depth knowledge of local context and its strong diverse range of local partnerships.

The share of the North American market in SNV's order portfolio is stable. Compared to 2013 (EUR 3.8 million), SNV was relatively successful with USAID (EUR 9.2 million in 2014). Yet, the total value of contracts signed with North-American foundations was below that of 2013.

SNV has contracts with multilateral organisations such as the EC, IFAD, UNICEF, and the World Bank among others. The relative importance of this market segment is decreasing, which is in part due to the fact that SNV can no longer commit its own resources to share costs, which is generally a requirement for donors such as the EC, IFAD and UNICEF.

Donor market trends - Private sector and Result-Based Funding

Institutional donors increasingly consider private companies as key partners in development and we see a growing number of funding modalities involving private sector partners, such as public-private Partnerships and Business Challenge funds. SNV has a long history in partnering with private companies and is well positioned to tap into these new funding opportunities.

Donors are also increasingly employing Result-Based Funding (RBF) modalities, whose key feature is payment upon delivery, with the private sector expected to take the full risk until the moment of delivery of the contracted results. The higher level of risk in RBF requires an increased capacity to pre-finance implementation and greater attention to project management, monitoring and evaluation. The successful implementation of the DFID WASH Results Programme and ENDEV funded Pico-Solar projects in Kenya and Tanzania, so far, positions SNV as a front-runner in designing and managing large RBF projects.

Improved Business Development systems and processes

SNV has developed a robust capability to support and coordinate Business Development across the organisation. The Business Development Support Unit at the central level coordinates global calls for proposals, global customer account management, and proposal development. Improvements introduced in 2014 include the set-up of a Global Budgeting Facility to ensure quality budgeting and pricing for all proposals above EUR 0.5 million.

In 2015, it is planned that the centralised bid management for commercial tenders above a value of EUR 1 million will be coordinated by a newly established Global Tender Facility. This facility will operate along similar lines as the budget facility.

¹ Ranking is excluding the core subsidy

SNV USA

SNV USA is a separate legal entity within SNV, which was established to support SNV countries to access the US donor market, government institutions and foundations. In 2014, SNV USA realised an order intake of USD 11.4 million (85% of the original target). As planned, SNV USA won its first prime contract with USAID in 2014. Subsequently, a request for a Negotiated Indirect Cost Rate Agreement (NICRA) application is now in preparation.

In 2015 SNV USA's operations and cost structures will be reviewed in the light of the planned reorganisation of the Global Support Unit and changed funding base of SNV in general.

Planning, Monitoring and Evaluation

The Planning, Monitoring and Evaluation (PME) system at SNV consists of two important components. The first is the monitoring function that SNV's projects and country offices need to excel at. This involves the appropriate framing of indicators, using adequate data collection methods, implementing quality controls and finally analysing and using the data. The second is the PME web-based software that makes the monitoring information accessible to all levels of the organisation in real time. This facilitates timely monitoring of data to enable corrective actions and learning.

In the past year significant progress has been made on both aspects of our planning, monitoring and evaluation system. The software used has been adapted in order to make it more user-friendly and appropriate for SNV's activities and donor requirements. Currently, almost all SNV's projects, irrespective of the donor and size of the projects, have been entered in the PME software. They all have relevant indicators that are being monitored and reported on. The performance numbers available in this report are the outcome of this continued effort. They are a result of the aggregation from the current PME software.

SNV's commitment to quality data collection and improved PME will continue in 2015. We have planned investments to further improve the monitoring function across all our country offices, in the coming year. This includes developing standardised guidance on common programme interventions - including theories of change, associated indicators, and acceptable ways of measurement - while leaving room for context specific adaptation. Furthermore, efforts will be directed at further institutionalising the monitoring and evaluation capacity. These efforts will be made so that adequate monitoring and evaluation support is available to all projects and proper plans for performance measurement are in place right from the start of the project. This will ensure better accountability for our results towards donors and beneficiaries, as well provide clear guidance for improving our interventions, if needed, in a timely manner

IOB evaluation

The final report of IOB mid-term evaluation of SNV's 2007-2011 programme that started in 2011 was published in the first quarter of 2014. The conclusions of the evaluation report were consistent with the assessment made by SNV's new management in 2011. In that year, SNV decided to radically overhaul its operations and policies in order to better meet its obligations towards poverty eradication. Since 2011, SNV has significantly reduced costs and increased overall efficiency and impact in its development work.

The IOB report contained a number of concrete suggestions for improvement that SNV needs to address in the coming years. For example, it mentions that SNV needs to make continuous effort to strengthen its capacity to renew and adapt the local capacity development support it provides its partners with; so that they become independent professionals able to respond to changing contexts. In response to these findings SNV has committed itself to further strengthening the capacity of these local service providers through a leadership/professional development programme that was launched at the end of 2014.

Besides areas for improvement, the mid-term evaluation also highlighted positive elements of SNV's work. The evaluation confirmed SNV's contribution to improving the quality of life of poor people in terms of access to and use of basic services. The evaluation further acknowledged the relevance of SNV's work in capacity building and institutional development, as well as SNV's market-based solutions approach. According to the IOB, SNV's strength lies in the organisation's ability to react quickly and implement programmes at the local level at short notice. The IOB attributes this to SNV's broad local network and in-depth knowledge of the local context. The evaluation report, the response of the Minister, as well as SNV's management response to the evaluation are available on SNV's website.

Corporate evaluations in 2014

Three corporate evaluations were finalised in 2014: SNV's operations in fragile settings; the evaluation of SNV's engagement with local capacity builders; and the evaluation of food security programme in Burkina Faso. Executive summaries and a reaction by SNV's management have been published on the SNV website.

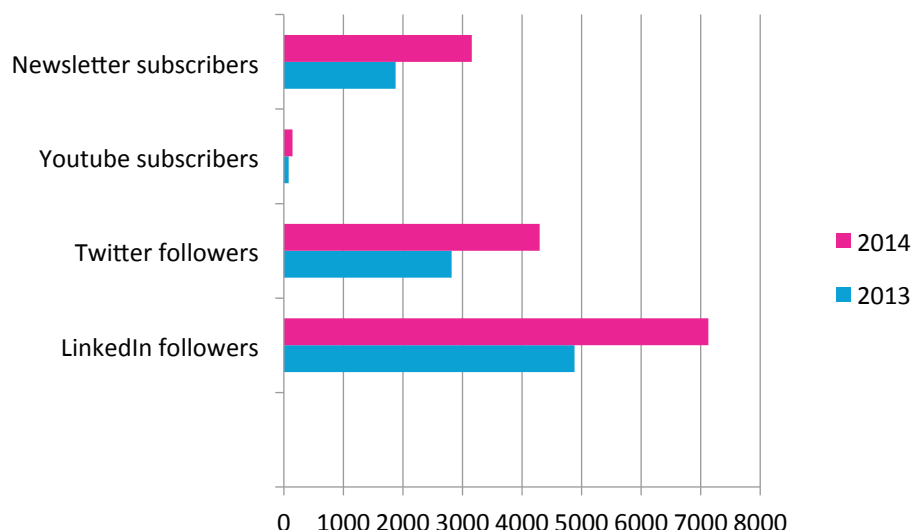
In 2014–2015 SNV's Global Support Unit is conducting six external impact assessments, spread uniformly over SNV's three sectors. With these impact assessments SNV aims to i) account for the funds received from our donors, and in particular from DGIS, ii) gain insights in the results achieved and the factors that contributed to these results as well as iii) to contribute to organisational learning and improve our work in the three sectors. All evaluations will be finalised in the second half of 2015.

Communications

SNV refreshed its brand identity and positioning in 2013 to enhance its business to business (B2B) communication strategy. Hence, in 2014, SNV's external communication was focused on equipping its staff with the tools necessary to communicate more effectively about SNV to its donors and clients.

SNV's website played a key role in its corporate communications. In 2014 alone, the website attracted 216,470 unique visitors – a 27% increase from 170,347 visitors in 2013. In the year we attracted almost 30 new international followers, weekly, on twitter. One fourth of our followers are from The Netherlands.

Not only has SNV been able to increase its reach through social media, we have also been talked about frequently, with over 2000 mentions on Twitter alone. One of the highlights of our social media outreach was on Menstrual Hygiene day when SNV managed to break the silence around this sensitive topic with an online campaign that had an exposure of 2.8 million and reached more than 790,500 unique Twitter accounts. In 2014, SNV's LinkedIn Group grew from 2000 active members to almost 2500 members, while the followers on our company page have increased from 4,879 to 7,763.



We have also been actively profiling our work in the different sectors of, Agriculture, WASH and Renewable Energy, by participating in a number of strategically selected events. We drew attention to our work in Sanitation by sharing our experiences at World Water Week in Stockholm. To put forth our work in Agriculture and Renewable Energy, SNV organised a side event highlighting SNV's ADB funded 'Mekong gender and climate change in renewable energy' project at the widely attended international conference COP 15. At the Global Alliance for Clean Cookstoves summit SNV's CEO, Allert van den Ham, on behalf of the Dutch Alliance for Clean Cooking solutions, pledged USD 120 million in funding.

This strategic profiling led to an average of over 53 media mentions per month in print and online media. One of the highlights includes the article on our Mangroves and Markets project in 'New Global Citizens'. It was selected as the third best story in a series of innovative impact stories in 2014. In 'A bleeding shame: why is menstruation still holding girls back' the renowned newspaper, The Guardian, featured our work on getting girls to stay in school all month long. Our staff was regularly featured on Dutch national radio programmes to provide a background on local political developments, such as during the coup in Burkina Faso.

In order to support SNV staff around the world to profile SNV our promotion materials have been streamlined. Corporate brochures dedicated to each sector have been created. We published our well-received flagship magazine Connect in a new format, developed a corporate video and added over 65 videos on Youtube that have received over 34,000 views. Our online newsletter has also seen a growth of over 1000 subscribers in the last one year to reach 3400 subscribers, and is well read with a click rate of 5.7% – double the average of the sector.

The change from a 100% subsidised organisation to a 100% market-financed organisation required changes in staff behaviour, values and culture. In order to support this culture change, SNV's management launched the internal communication campaign 'Ready for Take Off' to make our staff aware of the need to prepare ourselves for a future based on a different financial basis. With regular newsletters, blogs from management, and live chat sessions with management, SNV's staff is kept aware of and close to the changes in the organisation.

Human Resources

In 2014, the midst of a transition period, we achieved key milestones with regards to staffing. Our staff numbers rose back to the levels they were at in 2010 - when we were funded entirely by the Dutch government - due to an increase in project contracts. At the same time, we have managed to successfully embed flexibility of contracting; initiated a more proactive approach to recruitment, and reduced our costs on staffing. In addition, by defining the Human Resource Strategy for the period after 2015, we laid down the foundation for future human resource practices.

Composition of staff and increased flexibility

We employed (in different capacities) a headcount of 1365 staff at the end of 2014. This brought SNV's staff back to the level it was in 2010. As the table below demonstrates: the volume of staff was relatively stable between 2011-2013. The growth in 2014 has mainly been in the number of national staff employed.

Year	2011	2012	2013	2014
International staff	158	135	125	111
National staff	719	698	650	814
Head Office Staff	65	54	52	55
Consultants (national/international)	182	251	362	385
Total	1124	1138	1189	1365²

We are increasingly recruiting staff for specific projects and deploying them for defined periods of time. The high proportion of definite contracts (83%) allows SNV flexibility in their staff base. In 2014 the number of definite contracts increased in several countries as a number of staff were transferred to these contracts. The term of these new contracts are now aligned with the projects to which the employees are deployed. At the end of 2014, we had 65% primary staff and 35% support staff.

Staff cost reductions

As staff-related expenditure represents a significant share of our costs, we have looked closely at reducing these to increase the future sustainability of the organisation, while safeguarding attractive packages in order to attract and retain staff. Reward benchmarks showed that we had grown beyond our intended reward levels. And in 2014, we negotiated adjustments to the Collective Labour Agreements for international staff and head office staff with the union. This led to a reduction in leave entitlements, an increased work-week and reduced allowances. In addition, in several of our country offices, the packages offered to the national staff were adjusted and brought in line with the country's market practice.

Recruitment process adjustments

Staffing levels used to be rather predictable in the past. However, this has seen a drastic change since project contracts determine the numbers of staff required and their profiles. Moreover, the traditional recruitment procedures that were in place needed to be adjusted to this new reality. Pools of internal and external candidates have been created to make searches for profiles conducive in the early stages of project staffing. Consequently, we have been able to place candidates out of these international pools for several vacancies. This process revealed its value in the initial stages itself, and we hope to boost its success in 2015. Access to this pool will have a positive effect on projects that are just starting up: when global and national pools are better connected the lead and contracting time will get shorter.

Employee representation

The Corporate Council, the overarching employee representation body, met formally with the Managing Board representative, Michel Farkas, twice during 2014. They were updated on strategic processes and involved in the process of giving advice on, and/or approve, relevant policies. These policies, to name a few, were regarding

2 Headcount at the end of 2014

the benefits of international staff, adjustment of the code of conduct and changes to the recruitment policy by the introduction of pool management. In February 2014 the Managing Director Global Support Services also met with staff representatives and corporate council to discuss the upcoming changes to SNV's Collective Labour Agreement. Councils at the country level and the Head Office met with the respective Directors during the year to discuss the direction of the changes within the organisation and their impact on personnel and the work environment.

Finance and Control

Core subsidy spend

The total available subsidy income for the SNV programme for regular capacity development amounted to EUR 55 million, with actual subsidy usage realised of EUR 47.9 million. The underspend has been carried forward into the remaining year of the subsidy period and added to the prior year underspend brought forward to give a total amount of EUR 22 million. The overall global spend on programmes was close to plan and most of the underspend was due to cost reductions and efficiency gains in corporate support and overhead costs.

Resource mobilisation

Total external revenues from resource mobilisation grew by 36% in 2014 to EUR 69 million. The total order intake in 2014 for all future years was EUR 126 million and the secured revenue for 2015 (the revenues to be realised for work contracted to be carried out during 2015) was already at EUR 78.3 million at the balance sheet date, establishing a solid base for further sustained growth in 2015.

Net contribution

An amount of EUR 1.6 million was recognised as net contribution for the year and taken to equity.

Activities in the year

During 2014 the Finance and Control function provided accounting services and business finance support across all SNV sites worldwide. The function participated, and led, major change programmes that directly support the transition of the organisation to a financially sustainable one after 2015.

The 2014 year end was completed with a clean audit opinion and the number of audit adjustments was reduced by 39% compared with 2013. The implementation of a new centralised control-based audit approach for 11 countries was introduced in the third quarter and carried through to the year end close. This was a challenging exercise for both SNV and the external auditors aiming at improved efficiency and cost-reduction of the year end close process. For 2015 SNV is planning to have all its countries audited by this new approach.

The most significant process improvement in 2014 was the planned implementation of a standardised project administration process (Black and White) with full cost allocation for all projects. The generation of reliable and timely project reports enabled by this upgrade was an essential step in the upgrading of SNV's project management performance realised during the year. In parallel an improved integrated planning process was implemented providing transparent insight into forecast project results and overhead recovery for all countries. Building on these improvements in planning and reporting at the project level a series of in-depth reviews of each country's progress towards financial sustainability was carried out, monitoring at the individual project level and at overall country cost level. These reviews have been used to enable the Managing Board to decide the future of its country operations. As a result, it was decided in July 2014 to wind down the country management structures of Cameroon and Niger.

The full cost recovery evaluation approach continued to be applied for all new externally funded projects to ensure consistent progress towards sustainable operations by 2015 and to prevent cross subsidisation of external projects with core subsidy. During the last quarter of the year the mechanics of the process were reviewed to ensure its accuracy in assessing full cost recovery under the rapidly changing business model. The revised model will be implemented in the first quarter of 2015.

During the year the key financial policies for SNV were documented and approved including the full project administration policy and the associated operating procedures. A corporate treasury policy was also developed and approved and is effective from January 2015. The planned increased centralisation of treasury operations and management during 2015 form an important part of the overall approach in minimising operational and currency risk in SNV's global operations.

Also in 2014 the rollout of the Internal Control Framework was completed. While checking the full implementation of the Internal Control Framework, the results confirmed that while long embedded processes were quite well controlled there is scope for improvement in some countries in the more recently developed Business Development

processes and in the project management cycle. A follow-up review will be carried out in 2015.

ICT

Following the positive evaluation carried out in 2013 of the next generation cloud based version of SAP, Business by Design, further analysis and testing was carried out. In the second half of the year it was concluded that there was a basis for a global implementation within the 2015–2016 timeframe. This system will support SNV's future business processes for project implementation. As part of the planned implementation, in 2015, attention will be paid to the user-friendliness of the new system at the field level and better integration of Control Framework and IT control elements directly into the systems configuration set-up and the finance and business processes. Over 2014 SNV maintained the agreed upon level of its IT General Controls

Audits and Risk management

Internal audits

SNV has a small Internal Audit Unit with a direct reporting line to the Managing Board and SNV's Audit and Risk Committee. The Unit conducts internal audits that are part of a risk-based audit plan. These audits provide the Managing Board with independent and objective information on the degree of control of (parts of) SNV's primary and supporting processes.

Country	Primary process ³	Business development	Finance	Human Resource
Benin	In control	In control	In control	In control
Peru	Not in control	In control	In control	In control
DR Congo	In control	In control	In control	In control
Bangladesh	In control	In control	In control	Not in control

The outcomes of the internal audits provide additional information and assurance to SNV's Managing Board in order to detect possible weaknesses, risks, good practices, and foster organisational learning.

Outcome summary of internal audits 2014

The Internal Audit Unit monitors the follow-up to the audit recommendations for each individual audit during the year. For each audit the Internal Audit Unit reports on the implementation status of the recommendations to the Managing Board approximately four and eight months after completion of the audit.

In addition to the audits mentioned above, the Audit Unit conducted a comprehensive organisation-wide process audit pertaining to business development and project management. In comparison with the results of the previous audit, in 2012, there were considerable improvements in the business development process. Improvements were also made in project management in 2014. Both processes were in control but specific areas that needed to be reinforced were indicated.

The unit performed an analysis of the results of the 2014 audits in the field. They highlighted the most important common themes that emerged from these reports. Possible improvements and lessons learned have been identified in the areas of:

- 1. Project management:** timely invoicing and reporting to donors, commitment administration, project monitoring and time writing
- 2. Business development:** data quality in sales force, budget and opportunity assessments
- 3. HR contracting and labour conditions**
- 4. Local Capacity Builders (LCB) and external consultants engagement process:** transparently documenting procurement and selection process, standardisation of LCB database

External audit

The external auditor, PwC, audits SNV's annual accounts annually. This results in an auditor's report on the annual

³ Project management is the primary topic addressed in this part of the in-field audit.

accounts of SNV as a whole. The external auditor reports to the Supervisory Board and the Managing Board.

The 2014 interim audit report by PwC showed no serious new issues in 2014. The two main topics highlighted by PwC were: the further improvement needed in the quality of project monitoring and the further strengthening of the central monitoring of the controls relating to expenditure and resource mobilisation. For both topics various improvements have been implemented in 2014 and additional efforts will be made in 2015. Please also refer to the paragraphs below.

In 2014 the audit unit and PwC carried out a joint audit in DR Congo that enhanced the synergy between the internal and external audit work.

Risk management

In 2014 SNV's risk register was updated. In a workshop attended by Country Directors and staff from the Global Support Unit, the most important risks that could prevent SNV from achieving its goals were identified, discussed, scored and prioritised. This resulted in an updated risk register for 2015, which will continue to serve as a means for providing information to the Supervisory Board. The top four highest rated risks as included in the risk register 2015 are:

- 1. Insufficient project management:** this may result in overspending the budget and/or not meeting donor requirements.
- 2. Inadequate cash flow management:** due to a lack of insight in the flow/need of liquidities at the country and corporate levels improper cash management might occur resulting in a shortage of liquidity which will jeopardise the execution of SNV's operations.
- 3. Extra overheads due to a high level of unbilled hours:** this may impact SNV's competitiveness and as a result SNV might fail to win contracts and generate future income.
- 4. Signing potential loss making deals:** as a result of poor budgeting and/or contract negotiation in the proposal stage, loss-making contracts may be concluded leading to losses that need to be covered by equity.

These risks have been addressed in the Corporate Annual Plan 2015. Several controls, like a centralised budget facility, improved donor reporting administration, a project management manual (including tools and training sessions) were put into place in 2014 to manage these risks. Further efforts to mitigate the identified risks will be made in 2015. A more centralised Treasury Policy will be implemented in order to optimise the use and control over the various cash flows. Moreover, a Capital Allocation Policy will protect the capital base that was built over the last few years, to ensure a sound financial basis for SNV's future.

Guidance in the case of alleged irregularities

SNV has a Code of Conduct that provides guidelines for good conduct and directions for exercising good judgement in ethical matters or in conflict of interest situations. Also the SNV Whistleblower and Fraud Response Procedures (implemented 2011) have been maintained in 2014. These procedures provide guidance on how to report cases of alleged impropriety and set out SNV's procedures for dealing with alleged irregularities. SNV's staff were also requested to sign a declaration confirming the absence of a 'conflict of interest' between positions they might hold or jobs they might have other than at SNV.

The Managing Board of SNV maintains a strict policy of zero tolerance against theft, fraud and misuse of SNV's resources. This has also been communicated to SNV staff on several occasions during 2014. In the course of 2014, five alleged improprieties were reported, and four were concluded in the same year:

1. An employee invoked the Whistleblower procedure to report a suspected case of fraud related to the procurement of LCBs. A forensic audit was performed and the staff involved in the fraud case were fired. Research in 10 other SNV countries on procurement of LCB did not lead to any new findings.
2. A Country Director reported misused financial funds within a project office. No current SNV staff were involved. The project coordinator was fired.
3. An external person informed a Country Director of intimidation, and a request for kick-back fees, by a staff member. The person involved has been suspended.
4. An employee invoked the Whistleblower procedure as a staff member was suspected of breaching procurement rules by asking for kick-back fees and bribes. The involved staff member was relieved of their duties.
5. A Country Director reported a fraud between a Local Capacity Builder and a local enterprise. The Country Director reviewed all Memorandums of Understanding and other arrangements made by the country office and concluded that SNV was not involved in the fraud case.

Governance

Supervisory structure

The Managing Board manages SNV under the supervision of an independent Supervisory Board. The Supervisory Board consists of a chair, a vice-chair and four regular members. The members come from different but complementary backgrounds including the development, financial and corporate sectors. Together they represent extensive experience and expertise in international development, sustainability issues, governance, finance, auditing, government and marketing.

SNV's supervisory structure complies with national and international standards of good governance:

1. Three members of the Supervisory Board hold seats in the Selection and Remuneration Committee, which is responsible for recommendations to the full Supervisory Board regarding the appointment, evaluation and remuneration of the Chief Executive Officer and Managing Board members.
2. Two members of the Supervisory Board hold seats on the Audit and Risk Committee. This committee monitors finance, IT, risk and compliance and advises the Supervisory Board on finance, control and risk management issues.
3. The Chairman of the Supervisory Board is not a formal member of the Supervisory Board's committees but has a standing invitation to attend any of the Committee's meetings.
4. The external auditor is appointed by and reports annually to the Supervisory Board.

In 2014 the Supervisory Board convened five times, the Audit and Risk Committee also convened five times. The Selection and Remuneration Committee did not meet in a formal setting during 2014 as no personnel changes took place in the Managing Board during this year. All Committees, guided by their own charter, act as advisory and preparatory decision-making subgroups of the Supervisory Board.

In the Supervisory Board meetings, the Managing Board has provided regular updates on the implementation of SNV's operational plan for 2014 including quarterly progress reports on the ten corporate priorities (see also Priorities 2014).

During 2014, the Supervisory Board paid specific attention to topics that directly link to the continuity of SNV after 2015, including the strategy of SNV after 2015 and the 'Living Within Your Means' operation whereby countries are assessed based on their financial sustainability after 2016.

Formal approvals were given to the Corporate Annual Report and Financial Accounts 2013; the progress on the Annual Plan 2014, Audit Report and Annual Accounts 2014; the Corporate Annual Plan and Budget for 2015 and the revision of the internal regulations of the Supervisory Board, Managing Board and Selection and Remuneration Committee. During the year, one member of the Supervisory Board visited SNV programme in Zambia.

During its meetings the Audit and Risk Committee discussed the results of the external and internal audits, including the Managing Board's response to the recommendations, with the Managing Board. Specific attention was given to the development of a treasury policy and a fit for the future tax architecture. The progress on the implementation of SNV's internal Control Framework was monitored, as well as the progress on several IT projects. Fraud cases, irregularities and security incidents were reported by the Managing Board. A dedicated session was held to discuss and exchange ideas on the IT environment to prepare SNV for the future beyond 2015.

Constitution of Supervisory Board

Mr. A. Arnold, Chairman of the Supervisory Board (as of 17 August, 2011)

Independent Director/Advisor

Since 2009: holds various independent, non-executive board and advisory positions in financial institutions and investment funds, which invest primarily in micro, small and medium enterprises in Africa.

1968–2008: CEO of FMO (four years), President and CEO of WOCCU (five years), Executive positions at the Rabobank Group (eight years) and at ABN AMRO in the Middle East and Africa, Europe and the United States (23 years).

Nationality Dutch

Takes seat as from 17 August 2011

Assigned until 17 August 2015 (extended till, and steps down in, October 2015 during SNV's 50th Anniversary celebrations)

Mr B. ter Haar, Member, Member of the Audit and Risk Committee

Director General Participation and Income Guarantee, Ministry of Social Affairs and Employment

Nationality Dutch

Takes seat as from 1 January 2012

Assigned until 1 January 2016

Mr J. Huis in 't Veld, Member, Vice Chairman of the Supervisory Board, Chairman of the Selection and Remuneration Committee (as of 1 January 2012)

Former Chairman of the Executive Board of TNO and DHV. Mr Huis in 't Veld was Managing Director Ballast Nedam (until 1 August 2014), Infrastructure Special Projects and Chairman Topsector Water. He holds various non-executive board positions, among others at EON Benelux Holding BV and in the Advisory Board of Allseas group.

Nationality Dutch

Takes seat as from 1 December 2011

Assigned until 1 December 2015

Mr R. de Jong, Member, Member of the Selection and Remuneration Committee

Chief Market Leader, Royal Philips and a member of the Philips Executive Committee.

Nationality Dutch

Takes seat as from 1 July 2012

Assigned until 1 July 2016

Ms M. van Reisen, Member, Member of the Selection and Remuneration Committee, Member designated as contact for Corporate Council

Professor of International Social Responsibility at Tilburg University in the Netherlands. Director of European External Policy Advisors in Brussels. Member of the Dutch Government Council on Foreign Affairs and Chair of its Committee on development Cooperation.

Nationality Dutch

Takes seat as from 20 April 2012

Assigned until 20 April 2016

Ms E. Vinke-Smits, Member, Chair of the Audit and Risk Committee (as of 1 January 2012)

Audit Partner of KPMG, Risk Management Partner of KPMG Audit Financial Services and mentor of the Women's World Banking Leadership Programme (WWB).

Nationality Dutch

Takes seat as from 1 December 2011

Assigned until 1 December 2015

Mr J. Huis in't Veld will step down from his position on the Board in 2015. Whereas, **Mr B. ter Haar** and **Ms E. Vinke-Smits** have expressed their willingness to renew their positions on the Supervisory Board for another term.

Constitution of SNV USA Managing Board

Dr A. van den Ham, Chairman SNV USA

Chief Executive Officer, SNV. Member of the Board of Directors, Partos¹.

Mr N. Ghosh, Member

Executive Director, SNV USA

Mr M. Barth, Member

Managing Partner, Barth and Associates. Member of the Board of Directors of Emerging Markets Private Equity Association (EMPEA) and the International Council of Experts of the Bretton Woods Committee.

Mr K. Lanza, Member (as from October 2014)

Director Grant Thornton LLP. Member of the Board of Directors of The Competitiveness Institute; The International Executive Service Corps and the Society for International Development, Washington, DC Chapter.

Ms E. Simmons, Member

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 and the World Vegetable Centre.

Dr F. Tugwell, Member

Independent Consultant; served as President and Chief Executive Officer of Winrock International from 1999 to 2013.

¹ All additional activities are unpaid.

Constitution of Managing Board

Dr A. van den Ham, Chief Executive Officer (as of March 2011)

Chairman of the Board, SNV USA; Board Member, Partos¹

Mr M. Farkas, Managing Director Global Support Services/CFO (as of May 2011)

Board Member and Treasurer (May–Dec 2014), Ärzte ohne Grenzen (Doctors Without Borders) Germany; Chairman of the Board, Connecting Natural Values and People (CNVP) Balkans²

Ms M. Ritchie, Managing Director Water, Sanitation and Hygiene (as of April, 2013)

Board Member, Stepping Stone Liberia³

Ms A. Wehkamp Managing Director Renewable Energy (as of April, 2013)

Mr T. Derksen, Managing Director Agriculture (as of September, 2013)



SNV Managing Board (from left to right): M. Farkas, A. Wehkamp, T. Derksen, A. van den Ham and M. Ritchie

¹ All additional activities are unpaid.

² Ibid

³ Ibid

Organisation Abbreviations

ASARECA	Association for strengthening Agricultural Research in Eastern and Central Africa
ADB	Asian Development Bank
BMGF	Bill and Melinda Gates Foundation
BoP Innovation centre	Base of the Pyramid Innovation centre
CIAT	International Centre for Tropical Agriculture
CIFOR	Centre for International Forestry Research
DANIDA	Danish international development agency
DfID	Department for International Development (UK)
DGIS	Directorate-general for International Cooperation (Netherlands)
EKN	Embassy of the Kingdom of the Netherlands
ENDEV	Energising Development
EU	European Union
FMO	Finance for development
GAIN	Global Aid Network
HIVOS	Humanist institute for development cooperation
IDB	Inter-American Development Bank
IFAD	International Fund for Agricultural Development
IFPRI	International Food and Policy Research Institute
ILRI	International Livestock Research Institute
IIED	International Institute for Environment and Development
IOB	Inspectie ontwikkelingssamenwerking en Beleidsevaluatie
KENAFF	Kenya National Farmers' Federation
KIT	The Royal Tropical Institute
OFID	The OPEC Fund for International Development
PwC	PricewaterhouseCoopers
RVO	Nederlands Enterprise Agency
SDC	Swiss Agency for Development and Cooperation
SIDA	Swedish international development cooperation agency
TNO	Netherlands Organisation for Applied Scientific Research
UN	United Nations
UNFCC	United Nations Framework Convention on Climate Change
UNICEF	United Nations Children's Fund
USA	United States of America
USAID	United States Agency for International Development
WOCCU	World Council of Credit Unions
WSP	Water and Sanitation Programme

Annual Accounts

Introduction

SNV's annual accounts

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

SNV helps to alleviate poverty by focusing on increasing people's income and employment opportunities in specific productive sectors, as well as improving their access to basic services including water, sanitation and hygiene, and renewable energy. The core capacity building activities in developing countries, the Global Support Unit (GSU) and the activities with partners to support capacity building are financed by the Ministry of Foreign Affairs through a programme subsidy and by other parties through Resource Mobilisation (RM). In the consolidated statement of financial performance, income is reported under Subsidy, External revenues and interest received. Expenditures comprise costs of the countries in carrying out core subsidy and RM funded activities, costs of the Global Support Unit, United States of America (US) RM activities, and corporate expenditures including corporate partnerships. The balance of income and expenditure is transferred to the capital base. In the consolidated balance sheet, assets and liabilities are reported under Tangible Fixed Assets, Long-term Receivables, Short-term Receivables, Cash and Bank, Capital Base, Provisions and Short-term Payables.

During 2014 SNV continued to focus on building up RM activities alongside core subsidy funded work to ensure mission continuity beyond 2015. Substantial growth of 26% in the order book for future years was achieved (EUR 126 million in 2014 vs EUR 100 million in 2013) and the external project revenues realised in 2014 increased 39% on 2013 (EUR 69.0 million versus EUR 49.7 million).

Group structure

The consolidated financial statements of SNV for the year ended 31 December 2014 comprise of SNV the Netherlands foundation, SNV USA and LLC US (dormant). SNV the Netherlands is an independent not-for-profit foundation set up in 1965 and has its registered office in The Hague. The offices in some 30 foreign countries are part of this foundation. In 2012 a US 501(c)3 public charity foundation SNV USA was established in the US to take over the activities previously carried out by LLC US which became dormant following this transition. SNV USA engages in strategic partnerships with multilateral and bilateral organisations, corporations, foundations and other entities to expand the scale and impact of SNV's work through additional resource mobilisation and it provides a more effective structure for US donors than the LLC. SNV USA is a fully independent entity for US purposes but under Dutch Generally Accepted Accounting Principles (GAAP) requirements has been consolidated on the basis of effective control.

Finalisation of closure of operations in the Balkans

SNV commenced the closure of operations in the Balkans in the light of the significant reduction in subsidy available in 2011 and 2012 and in conjunction with changes in SNV's strategic direction. Albania is the last country awaiting final tax clearance from the government; the other countries received it in 2013. At the end of 2014 the only assets remaining on the Albanian books are two bank accounts totalling EUR 10,000. During the closedown SNV focused on ensuring knowledge consolidation and the transfer of programmes to local organisations where possible to protect the legacy built up in recent years. In particular SNV succeeded in enabling the implementation of CNVP, a new financially independent locally run foundation that took over all of SNV's forestry operations in the Balkans. This organisation continued to prosper in 2013 and 2014 with no further financial involvement from SNV.

Closure and change of status of other countries in 2014

During 2014 the closure of country operations in Ecuador and Costa Rica was completed as decided on already in 2013. In addition the results of a thorough and on-going internal evaluation of each country's sustainability led to further restructuring in bringing the management of Bhutan under Nepal, Honduras under Nicaragua, and Niger under Mali with the simultaneous closure of Guinea Bissau. Project activities continue in Bhutan, Niger and Honduras but the infrastructure and management has been reduced to reflect their revised status as project countries without an independent country management team. Operations in Cameroon were also significantly reduced in line with the decision to close out the country management office. At this moment the start-up of new projects in Cameroon is under consideration.

Post programme subsidy countries

Since 2013 under the terms of the subsidy agreement with the Ministry no programme subsidy was allowed to be expended in Vietnam and in the Latin American countries: Nicaragua, Honduras, Bolivia, Peru, Ecuador and Costa Rica. These countries therefore operated as financially self-sufficient entities and also contributed an appropriate share of corporate overheads (GSU costs) from their external funding, and any surpluses earned or losses incurred after full costs had been taken into account were taken to SNV equity. As noted above, in the case of Ecuador and Costa Rica, it had already been decided in 2013 to close the offices during 2014, owing to limited opportunities for projects at the scale needed to support a full country infrastructure. This closure was completed as planned.

Overall the results of the post programme subsidy countries were positive in 2014 and demonstrated that the basis for further sustainable growth and mission continuity beyond 2015 has been established.

The annual accounts consist of the following:

- Consolidated balance sheet after appropriation balance income and expenditure
- Consolidated statement of financial performance
- Consolidated cash flow statement
- Accounting principles
- Notes to the consolidated balance sheet
- Notes to the consolidated statement of financial performance
- Balance sheet SNV Foundation
- Statement of financial performance SNV Foundation
- Notes to the annual accounts SNV Foundation
- Independent auditor's report

Consolidated Balance Sheet After Appropriation of Balance Income and Expenditure (Euro)

Assets	Note	2014	2013
<i>Tangible Fixed Assets</i>	1		
Buildings & Terrain		727,963	731,888
Vehicles		1,211,085	860,408
Equipment		704,394	781,798
Other Inventory		115,053	133,944
Assets in transition		509,538	209,901
<i>Subtotal</i>		<u>3,268,033</u>	<u>2,717,939</u>
<i>Long-term Receivables</i>			
Deposits	2	400,362	359,421
<i>Subtotal</i>		<u>400,362</u>	<u>359,421</u>
<i>Short-term Receivables</i>			
Resource Mobilisation Receivables	3	22,995,680	13,412,382
Ministry of Foreign Affairs	4	0	166,555
Debtors	5	1,294,207	1,307,018
Prepayments & Accrued Income	6	2,652,015	1,436,022
<i>Subtotal</i>		<u>26,941,902</u>	<u>16,321,977</u>
Cash & Bank	7	65,577,633	72,939,051
<i>Subtotal</i>		<u>65,577,633</u>	<u>72,939,051</u>
Total Assets		<u>96,187,930</u>	<u>92,338,388</u>

Liabilities	Note	2014	2013
<i>Capital Base-Equity</i>	8		
Continuity reserve		32,715,308	32,497,988
Equity		3,769,422	1,993,278
<i>Subtotal</i>		36,484,730	34,491,266
<i>Provisions</i>			
Provision for Orientation Leave	9	345,321	1,139,742
Severance Provision	10	1,176,563	2,310,093
<i>Subtotal</i>		1,521,884	3,449,835
<i>Short-term Payables</i>			
Resource Mobilisation Payables	11	27,939,878	27,766,397
Ministry of Foreign Affairs Subsidy	12	16,940,286	15,008,314
Creditors	13	1,887,790	1,289,941
Accrued Expenses	14	9,131,066	8,066,216
Taxes & Social Security	15	883,853	933,551
Pensions	16	1,398,443	1,332,868
<i>Subtotal</i>		58,181,316	54,397,287
Total Liabilities		96,187,930	92,338,388

Consolidated Statement Of Financial Performance (Euro)

	Note	Realised 2014	Budget 2014	Realised 2013
INCOME				
Subsidy Income		47,901,472	55,000,000	58,485,090
Ministry of foreign Affairs	18	47,901,472	55,000,000	58,485,090
External RM	19	68,988,924	57,000,000	49,727,704
Interest received	20	151,234		127,590
Total Income		<u>117,041,630</u>	<u>112,000,000</u>	<u>108,340,384</u>
EXPENDITURE				
Countries	21	98,352,419	97,400,000	92,797,267
Total country spend		<u>98,352,419</u>	<u>97,400,000</u>	<u>92,797,267</u>
Global Support Unit		11,608,306	15,316,328	11,985,868
Partnership Costs		<u>3,364,640</u>	<u>3,403,630</u>	<u>1,347,646</u>
Total GSU spend		<u>14,972,946</u>	<u>18,719,958</u>	<u>13,333,514</u>
SNV USA		<u>1,941,119</u>	<u>1,500,000</u>	<u>1,759,541</u>
Total US spend		<u>1,941,119</u>	<u>1,500,000</u>	<u>1,759,541</u>
Total Expenditure		<u>115,266,484</u>	<u>117,619,958</u>	<u>107,890,322</u>
BALANCE INCOME AND SPEND		1,775,146	- 5,619,958	450,062
Attributable to equity:				
Interest		124,337		102,625
Net result SNV Foundation		1,645,257		154,492
Net result SNV USA		<u>5,552</u>		<u>192,945</u>
Total		<u>1,775,146</u>		<u>450,062</u>
Balance after appropriation		<u>0</u>	<u>- 5,619,958</u>	<u>0</u>

Note: The DGIS agreed that for the 2014 budget overspend relating to transition costs could be absorbed by prior years' underspend brought forward.

Consolidated Cash Flow Statement (Euro)

	Note	2014	2013
Total Ministry of Foreign Affairs	18	47,901,472	58,485,090
External Resource Mobilisation	19	68,988,924	49,727,704
Total Expenditure	21	(115,265,780)	(107,890,322)
Interest received	20	26,897	24,965
Cash flow from operating activities		<u>1,651,513</u>	<u>347,437</u>
Depreciation	1	1,081,828	1,128,435
(Inc)/Dec deposits	2	(40,941)	(96,207)
(Inc)/Dec Project Receivables	3	(9,583,298)	(5,984,778)
(Inc)/Dec short-term receivables	4-6	(1,036,627)	149,526
Inc/(Dec) provisions	9-10	(1,927,951)	(1,417,159)
Inc/(Dec) Project Payables	11	173,481	9,310,882
Inc/(Dec) short-term payables	12-16	3,610,547	(2,139,860)
Adjustment for reserve item	8	217,320	1,675,005
(Gains)/losses on sale of fixed assets		(236,880)	(97,901)
Total non-cash movements		<u>(7,742,521)</u>	<u>2,527,943</u>
Net cash flow from operating activities		<u>(6,091,008)</u>	<u>2,875,381</u>
Purchase of fixed assets	1	(1,867,934)	(1,219,087)
Proceeds from sale of fixed assets		473,187	128,994
Net cash flow from investments		<u>(1,394,747)</u>	<u>(1,090,093)</u>
Interest received		124,337	102,625
Cash flow from financing		<u>124,337</u>	<u>102,625</u>
Net cash flow		<u>(7,361,418)</u>	<u>1,887,913</u>
Cash and Bank at January 1, 2014	7	72,939,051	71,051,138
Cash and Bank at December 31, 2014	7	65,577,633	72,939,051
Net cash flow		<u>(7,361,418)</u>	<u>1,887,913</u>

Accounting Principles

Objective of the foundation and nature of activities

SNV is a Netherlands-based international development organisation that is dedicated to a society where all people enjoy the freedom to pursue their own sustainable development. SNV's advisors contribute to this by strengthening the capacity of local organisations through the provision of advisory services, knowledge networking, and evidence-based advocacy. In 2014 SNV carried out its mission in more than 30 countries in Asia, Africa and Latin America and had management and business development operations in the Netherlands and Washington DC, USA.

Group structure

The foundation SNV located at Dr Kuyperstraat 5, The Hague, The Netherlands, is the head of a group of legal entities consisting of the foundation and SNV LLC US. SNV LLC US is located at 7500 Old Georgetown Rd, Suite 901, Bethesda, Maryland, USA, and SNV The Hague holds 100% of the shares in the issued capital. During 2012, the activities of SNV LLC US were transferred to a newly established US 501(c)3 public charity foundation SNV USA and as at the end of 2012 SNV LLC USA was dormant. SNV USA is a fully independent entity for US purposes but under Dutch GAAP requirements has been consolidated on the basis of effective control. The consolidated financial statements of SNV for the year ended 31 December 2014 therefore comprise of the SNV foundation, LLC US and SNV USA.

General

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

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

Comparative data for 2013 has been restated as far as possible on to the same basis as 2014 data where a change in presentation format has taken place.

The cash flow statement is prepared on the indirect basis.

Consolidation principles

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

Accounting principles for the valuation of assets and liabilities

Assets

Tangible fixed assets

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

The principal annual rates of depreciation used are:

- Terrains 0%
- Buildings 6.67%
- Vehicles 25%
- Equipment 33%
- Other inventory 25%
- Renovation buildings in line with the remaining duration of the lease contract

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

Long-term receivables

The long-term receivables are deposits or other amounts owed to SNV with repayment terms greater than one year.

Short-term receivables

Short-term receivables include Resource Mobilisation Receivables which are amounts relating to projects carried out by SNV on behalf of external donors. The amounts are stated at invoiced value and 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 all due within one year. The collectability of the amounts is reviewed and where necessary provision is made against the invoiced value.

As per 2014 the current account receivable balance with the Ministry of Foreign Affairs have been included under short-term payables.

Cash and Bank

Cash and bank accounts are stated in EUR. The foreign currencies denominated accounts are revalued based on exchange rates as per 31 December received from a highly rated bank in the Netherlands.

Equity and Liabilities

Capital base

Equity is at the free disposal of SNV and is maintained to ensure that SNV can continue to carry out its mission. The Capital base comprises of a continuity reserve set aside to enable SNV to carry on operations in the event of unforeseen adverse circumstances, and free reserves.

Short-term payables

Short-term payables include Resource Mobilisation Payables that relate to projects being carried out by SNV on behalf of external 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. The current account balance with the Ministry of Foreign Affairs is separately shown under short-term payables.

Transactions in Foreign Currency

Foreign Currency exchange rates are updated monthly and all transactions in foreign currencies are automatically calculated against this monthly rate. At the end of every month the foreign currency denominated Receivable, Payable and Cash and Bank balances are re-valued and results are taken to the statement of expenditure.

Pensions

SNV currently provides its expatriate and head office staff with three different options based on a contribution percentage of 70% for the employer and 30% for the employee. HO staff and Dutch expatriate staff recruited in the Netherlands are provided with a scheme based on an average wage system and the pension fund determines, on a yearly basis, whether indexation will take place. As at the end of 2014, the coverage ratio was declared to be 101.1%. The average coverage ratio for the year 2014 was declared 104.7%. Other expatriate employees have a choice between investing their pensions in a life insurance scheme or in an investment scheme with an insurance company. The life insurance scheme is based on an average wage system and the insurance company charges indexation to SNV on a yearly basis. The investment scheme was implemented in April 2011 and is a defined contribution scheme. The expatriate is able to choose from four investment packages with differing risk levels in which to invest the pension contribution and is able to take up the invested money after the labour contract with SNV has ended. No provisions are taken for the other schemes and all indexation risk is covered in the policies with the pension parties. National pensions are based on national legal systems and vary from country to country, if necessary provisions are taken in the countries.

Accounting principles for determining the balance of income and expenditure

Income and expenses are accounted for on an accrual basis and income is only recognised when realised at the balance sheet date. All expenses relating to activities carried out prior to the balance sheet date are taken into account in the year's expenditure. In those countries where all projects are entirely funded by external donors the difference between income and expenditure is recognised as a gain or a loss and taken to free reserves. In countries where there is a mixture of subsidy and external funding the balance of income and expenditure is determined as the difference between the income generated by the SNV programme and the expenditure related to implementing the SNV programme, consistent with prior years. An exception has been made in respect of major result based financing projects where the outcome to date can be demonstrated with certainty, in this case the net contribution on the project to date has been recognised on a prudent basis.

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

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

Interest income earned on subsidy monies held in excess of the underlying capital base is allocated to subsidy income.

Notes to the consolidated balance sheet

Tangible fixed assets

1 Tangible fixed assets

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

EUR	Buildings and terrains	Vehicles	Equipment	Other inventory	Assets in transition	Total
Purchasing value	2,173,987	6,233,574	6,786,457	1,697,335	209,901	17,101,254
Cumulative depreciation	<u>(1,442,099)</u>	<u>(5,373,166)</u>	<u>(6,004,659)</u>	<u>(1,563,391)</u>	-	(14,383,315)
Book value 1 January 2014	731,888	860,408	781,798	133,944	209,901	2,717,939
Investments	94,873	820,028	406,395	37,100	509,538	1,867,934
Disposals (purchase value)	(3,723)	(403,180)	(597,164)	(67,609)	(209,901)	(1,281,577)
Disposal (cum. depreciation)	1,146	388,902	589,890	65,627	-	1,045,565
Depreciation	<u>(96,221)</u>	<u>(455,073)</u>	<u>(476,525)</u>	<u>(54,009)</u>	-	(1,081,828)
Movement in year	(3,925)	350,677	(77,404)	(18,891)	299,637	550,094
Book value 31 December 2014	<u>727,963</u>	<u>1,211,085</u>	<u>704,394</u>	<u>115,053</u>	<u>509,538</u>	<u>3,268,033</u>
Purchasing value	2,265,137	6,650,421	6,595,688	1,666,826	509,538	17,687,610
Cumulative depreciation	<u>(1,537,174)</u>	<u>(5,439,336)</u>	<u>(5,891,294)</u>	<u>(1,551,773)</u>	-	(14,419,577)
Book value 31 December 2014	<u>727,963</u>	<u>1,211,085</u>	<u>704,394</u>	<u>115,053</u>	<u>509,538</u>	<u>3,268,033</u>

The depreciation cost of the buildings is based on linear depreciation over 15 years. A four-year depreciation period has been applied to vehicles and inventory. The depreciation period of building renovation is flexible, depending on the duration of the lease contract. Equipment is written off in three years. The depreciation costs split by countries, GSU and SNV USA are stated in note 21.

The increase in vehicles in 2014 (EUR 350k) is caused mainly by investments in Zambia (EUR 210k) and Zimbabwe (EUR 73k).

The large value in assets in transition (EUR 510k) is for vehicles purchased but not delivered yet totalling EUR 401k in Ghana (EUR 85k), in Kenya (149k), in Mali (EUR 86k), in Burkina Faso (EUR 50k) and in Congo (EUR 41k). The remainder assets in transition totalling EUR 99k is related to equipment purchased in South Sudan (EUR 70k) and furniture purchased in Zambia (EUR 29k) but not yet delivered.

Long-term receivables

2 Deposits

The balance is primarily deposits for rent, maintenance and utility contracts for properties in countries where SNV operates. Since 2013 there has also been an amount included related to a partnership with the Ecobank in DR Congo for a micro-finance project where beneficiaries can borrow money from the bank on meeting specific SNV criteria but need to repay the money before the end of 2018.

The increase in 2014 is a result of receivables in USD that have a higher EUR value at the moment due to the decline of EUR vis-à-vis USD.

EUR	2014	2013
Balance as at 1 January	359,421	263,214
Movement in year	40,941	96,207
Total as at 31 December	<u>400,362</u>	<u>359,421</u>

Short-term receivables

3 Resource Mobilisation Receivables

These are amounts due from donors for work carried out on contracts and are receivable within a year. During 2014 donor revenues grew strongly and this is reflected in an increased amount of receivables at the year-end. The settlement terms vary by donor and contract conditions and can extend to a number of months with some large organisations. The collectability of the amounts has been reviewed and no provision is considered necessary.

EUR	2014	2013
Balance as at 1 January	13,412,382	7,427,604
Movement in year	9,583,298	5,984,778
Total as at 31 December	22,995,680	13,412,382

4 Ministry of Foreign Affairs

In 2013 an amount of EUR 166,555 was shown as receivable from the Ministry of Foreign Affairs in respect of severance programmes relating to prior years. This net amount had two components as detailed below and at the end of 2014 it was set off with the agreement of the Ministry against the current account for core programme subsidy for the period 2011- 2015 (see note 12).

Summary:

EUR		2014	2013
Receivable WCA/ESA	a	0	642,291
Pre- received Social Plan Exit Sectors	b	0	(475,736)
Total as at 31 December		0	166,555

(a) WCA/ESA severance

The balance of the receivable for WCA/ESA severance remaining at 31 December 2014 was comprised of amounts of EUR 491,987 and EUR 150,304 for 2011 and 2012 respectively.

EUR	2014	2013
Balance as at 1 January	642,291	642,291
Reduction in expected severance	0	0
Transfer to core subsidy liability (note 12)	(642,291)	
Total as at 31 December	0	642,291

(b) Pre-received Social Plan Exit Sectors

The provision for the Social Plan Exit Sectors has been released in 2013 since it is no longer needed. This amount was pre-received from the Ministry in 2011 and will be taken into account in the settlement with the Ministry in 2015 as mentioned above.

EUR	2014	2013
Balance as at 1 January	(475,736)	0
Severance returned	0	(22,380)
Release provision Social Plan exit sectors	0	(453,356)
Transfer to core subsidy liability (note 12)	475,736	
Total as at 31 December	0	(475,736)

5 Debtors

In debtors are the non-donor related receivables such as partners, and a part is related to employee loans and advances (EUR 720k compared to EUR 400k in 2013).

EUR	2014	2013
Balance as at 1 January	1,307,018	1,445,236
Movement in year	(12,811)	(138,218)
Total as at 31 December	1,294,207	1,307,018

6 Prepayments and accrued income

Prepayments relate to items such as rent and school fees. Accrued income relates to amounts to be received from the tax authorities or other non-RM amounts. In general the increase is related to prepayments for projects still running in 2015 including Local Capacity Builders (LCBs). Zambia has a large increase of EUR 437k, due also to other prepayments including renovation work. Another reason is the pension prepayment for 2015 in the Netherlands (EUR 417k).

EUR	2014	2013
Balance as at 1 January	1,436,022	971,593
Movement in year	1,215,993	464,429
Total as at 31 December	2,652,015	1,436,022

7 Cash and bank

EUR	2014			2013		
	Cash	Bank	Total	Cash	Bank	Total
Balance as at 1 January	81,211	72,857,840	72,939,051	83,533	70,967,605	71,051,138
Movement in year	(1,108)	(7,360,309)	(7,361,417)	(2,322)	1,890,235	1,887,913
Total as at 31 December	80,103	65,497,531	65,577,634	81,211	72,857,840	72,939,051

The bank balances include EUR 22,321,097 held on specific separate accounts restricted to usage on resource mobilisation projects (2013 EUR 18,486,557). Another saving account is restricted for the surety of the bank guarantees issued (EUR 2.5 million) as per note 17. The remaining cash is unrestricted.

Capital base

8 Capital Base - Equity

The Managing Board resolved in 2013 to set aside an amount within total equity as a continuity reserve to enable SNV to carry on operations in the event of unforeseen adverse circumstances. An amount of EUR 34,000,000 has been calculated as the target for the continuity reserve by the end of 2015 and as at the end of 2014 EUR 32,715,308 had been appropriated. The remaining balance of equity generated by external resource mobilisation

is held as free reserves for investment in innovation and other operational areas decided on by the Board and to cover project deficits and investment needs in post core subsidy countries.

EUR	Continuity reserve	Free Reserves	Total
Equity as at 1st January	32,497,988	1,993,278	34,491,266
Transfer from special fund tax claims	217,320		217,320
Financial income		124,337	124,337
RM net operating surplus		1,592,468	1,592,468
RM closing countries deficit		-362,198	-362,198
Tax reserve adjustment		414,987	414,987
SNV USA exchange adjustment		998	998
SNV USA net surplus		5,552	5,552
Total as at 31 December	32,715,308	3,769,422	36,484,730

The amount transferred from special fund tax claims relates to the release of a provision confirmed as no longer needed at end 2014 in respect of the Balkans closedown. The adjustment in the hypotax provision arises from the release of hypotax amounts relating to the accelerated settlement of holiday pay reserves during 2014 that are no longer considered to be needed. The total of reserves stated above as at 31 December 2014 of EUR 36,484,730 includes a cumulative net surplus of EUR 251,654 from SNV USA operations (EUR 5,552 from 2014 and EUR 246,102 from prior years).

The Continuity reserve position at the end of 2014 was as follows:

EUR	2014	2013
Continuity reserve target	34,000,000	34,000,000
Shortfall against target at 31st December	(1,284,692)	(1,502,012)
	32,715,308	32,497,988

Provisions

9 Provision for Orientation Leave

As part of a special agreement with the Ministry of Foreign Affairs dating from the demerger in 2002 an amount was set aside from the core subsidy to cover potential future expenditures for Orientation Leave for certain staff. In 2012 the status of the earmarked fund was changed into a provision for orientation leave and adjusted yearly to cover any remaining liabilities. During 2014 a settlement arrangement was offered to those employees entitled to orientation leave and this resulted in a significant payout of the reserve with 13 employees taking up the arrangement and a further three leaving SNV where no future reserve is now needed. At the end of 2014 the reserve carried forward related to nine employees.

EUR	2014	2013
Balance as at 1 January	1,139,742	1,202,293
Disbursed	(794,421)	(32,910)
Calculation adjustment	0	(29,641)
Total as at 31 December	345,321	1,139,742

10 Severance provision

Summary:

EUR		2014	2013
Severance organisational redesign	a	190,366	169,819
Severance national law	b	986,198	2,140,274
Total as at 31 December		1,176,563	2,310,093

(a) Organisational redesign

These amounts relate to ongoing organisational restructuring for specific staff positions. The size of the provision at the balance sheet date depends on the number of staff involved (5 at the end of 2014 compared with 3 at the end of 2013 of which all 3 were paid out during the year), the compensation packages for the staff involved and the current rules for calculation of severance amounts.

EUR	2014	2013
Balance as at 1 January	169,819	737,042
Movement in year	20,547	(567,223)
Transfer from accrued expenses		
Total as at 31 December	190,366	169,819

(b) Severance required by national law

In several African countries where SNV operates it is mandatory to build up annually a provision for amounts payable to staff on severance regardless of the reason for the contract termination. During 2014 there was a release of some of the reserves owing to the ending of Guinea Bissau operations and reduction of the scale of operations in Niger, totalling EUR 453k. This was partially offset by an increase of EUR 100k in Cameroon for additional restructuring. The remaining release is related to workforce restructuring involving employees in Burkina Faso and Mali totalling EUR 861k.

In addition the Dutch law changed for definite contracts that end after July 2015. It is required to pay a certain amount that is now included in this provision for a total of EUR 117k.

EUR	2014	2013
Balance as at 1 January	2,140,274	2,324,000
Movement in year	(1,037,076)	(183,726)
Total as at 31 December	986,198	2,140,274

Short-term payables

11 Resource Mobilisation payables

These are amounts received from donors for contract pre-financing.

EUR	2014	2013
Balance as at 1 January	27,766,397	18,455,515
Movement in year	173,481	9,310,882
Total as at 31 December	27,939,878	27,766,397

The amounts are classified as short term, as they are used to fund contract activities to be carried out within the next year. There was little net change over the year. Although there was overall volume growth in the business it included some substantial results based contract business where there is no pre-financing so no increase in this balance.

12 Ministry of Foreign Affairs Subsidy

This balance represents the current account with the Ministry of Foreign Affairs relating to the nine-year subsidy agreement ending in 2015. Under the terms of the most recent revision to this subsidy agreement no settlement was required at the end of the three-year cycle ending in 2012 and the total underspend from 2011, 2012, 2013 and 2014 has been carried forward into the remaining year of the agreement. In 2014 the core subsidy amount actually received was 5 million less than the total available for the year under the subsidy agreement. Adding this to the current account balance set out below representing pre received amounts not spent gives a total cumulative underspend of just under EUR 22 million as per the end of 2014.

At the end of 2014 a net amount of EUR 166,555 receivable from the Ministry related to severance programmes in the period 2011-2012 was agreed by the Ministry to be settled by offset against this subsidy balance (see note 4).

EUR	2014	2013
Balance as at 1 January	15,008,314	15,036,621
Received per subsidy agreement	50,000,000	60,000,000
Used core subsidy	(47,901,473)	(58,485,090)
Transfer from Ministry receivables (see note 4)	(166,555)	0
Balkan adjustment (see note 8)	0	(1,543,217)
Total as at 31 December	16,940,286	15,008,314

The 2014 payable is specified as follows:

EUR	2014	2013
Pre-received core subsidy 2011	9,121,700	9,121,700
Pre-received core subsidy 2012	5,914,921	5,914,921
Pre-received core subsidy 2013	1,514,910	1,514,910
Balkan adjustment (see note 8)	(1,543,217)	(1,543,217)
Pre-received core subsidy 2014	2,098,527	0
Settlement Ministry receivables (see note 4)	(166,555)	0
Total as at 31st December	16,940,286	15,008,314

13 Creditors

EUR	2014	2013
Balance as at 1 January	1,289,941	1,435,937
Movement in year	597,849	(145,996)
Total as at 31 December	1,887,790	1,289,941

Creditors include non-donor payables such as partners and for fixed assets and other services. The highest balances and increase in creditors is in the Netherlands (EUR 0.8 million compared to EUR 0.7 million in 2013) and in Kenya (EUR 0.5 million compared to EUR 0.1 million in 2013). In the Netherlands creditors include amounts related to support services for the countries, such as ICT, relocations services and company and corporate programmes and evaluations. The increase in Kenya is mainly related to a payable for a partnership, a partner and a workshop.

14 Accrued expenses

The increase in accrued expenses is partly due to the introduction in 2014 of refinements in the process of project accounting. The expected future moving costs and (re)installation allowances for expatriate staff will be more evenly spread over project lives under the improved method, the impact of this change was an increase of EUR 980k in 2014. Other increase in accruals were offset by a EUR 1.0 million decrease in the leave days provision owing to more employees taking their holidays or using the special option offered in 2014 of receiving pay-out of (compensation) leave days.

EUR	2014	2013
Leave days	1,451,827	2,569,864
Holiday allowance	527,790	537,481
Amounts to be paid	7,145,012	4,926,101
Pre-received amounts	6,436	32,770
Total as at 31 December	9,131,066	8,066,216

15 Taxes and Social Security

EUR	2014	2013
Balance as at 1 January	933,551	1,019,775
Movement in year	(49,698)	(86,224)
Total as at 31 December	883,853	933,551

There was little change in the balance overall in 2014.

16 Pensions

EUR	2014	2013
Balance as at 1 January	1,332,868	1,137,876
Movement in year	65,575	194,992
Total as at 31 December	1,398,443	1,332,868

The increase in the net pension liabilities in 2014 is small compared to 2013 due to the fact that employees moved to the other pension fund during the year or left SNV pension so the prepaid year amount was settled at year end resulting in only a small increase in the liability.

17 Commitments and contingent liabilities

Suppliers' contracts

	Expected Amount EUR less than 1 year (2015)	Expected Amount EUR between 1 - 3 years (2016-2018)	Expected Amount EUR > 3 years (2019 onwards)	Total Amount (EUR)
Rent Countries	201,369	3,695	0	205,064
Rent HO	277,230	624,215	1,369,806	2,271,251
<i>Total Rent</i>	<i>478,598</i>	<i>627,911</i>	<i>1,369,806</i>	<i>2,476,315</i>
Contract Suppliers Countries	429,138			429,138
Contract Suppliers HO	1,744,875	501,238	0	2,246,113
<i>Total Contract Suppliers</i>	<i>2,174,013</i>	<i>501,238</i>	<i>0</i>	<i>2,675,251</i>
	2,652,611	1,129,149	1,369,806	5,151,567

SNV has signed several contracts with suppliers of goods and services for 2015, of which EUR 2.0 million is for Head Office in The Hague (HO) and EUR 250k is outside the Netherlands. For the period 2016-2018 the amount totals EUR 1.1 million for HO and EUR 4k outside the Netherlands. The liabilities from 2019 onwards are related to the rental of the HO amounting to EUR 1.4 million. The liabilities of the Head Office are relatively high compared to prior year because of the new rental contract in the Parkstraat starting as at August 2015, contracts for evaluation in the countries running from 2014 into 2015 (EUR 0.6 million) and also due to a contract with a new software supplier to be used for the whole of SNV until 2018 (total over the years EUR 0.6 million).

Legal cases in progress

In 2014 there were four new legal cases and four legal cases were solved, resulting in a total of 11 legal cases outstanding against SNV at the end of 2014 of which nine were brought to court by former employees and two by other parties. Management considers the risk of substantial liabilities arising from these cases to be in general low and no provision has been taken.

Bank guarantees

Country	Amount	Currency	Validity Period
Netherlands	67.935	EUR	July 2015
Congo	1.875.000	USD	Dec 2018

The guarantee of DR Congo relates to project pre-financing. The Netherlands guarantee relates to rental for the HO building.

Notes to the consolidated statement of financial performance

Income and contribution

18 Subsidy income Ministry of Foreign Affairs

The total available subsidy income for the SNV programme for the regular capacity development activities was EUR 55 million in 2014 compared to EUR 60 million in 2013. The subsidy income actually realised was EUR 47.9 million, a realisation of 86%. The underspend has been added to the EUR 15 million brought forward from prior years and is carried forward into the final year of the subsidy cycle ending in 2015, in line with the modified subsidy agreement as of 22 November 2011 (see also note 12).

19 External revenues and contribution from Resource Mobilisation

Resource Mobilisation (RM) income realised in 2014 was EUR 69.0 million (2013: EUR 49.7 million) which was EUR 11.9 million (2013: EUR 4.3 million) above plan. This was the third consecutive year of healthy growth with a very strong increase, of 39%, in 2014 (2013: 26% on the prior year) and SNV entered 2015 with a year to date order book of EUR 126 million (2014: EUR 100 million) and secured revenue of EUR 78 million (2014: EUR 54 million) representing contracts scheduled to be carried out during 2015.

The RM income realised by sector was EUR 38.7 million in Agriculture, EUR 11.3 million in Renewable Energy and EUR 19.0 million in WASH.

A net operating surplus of EUR 1.6 million was generated from RM operations. An additional EUR 0.4 million was generated by the release of a tax reserve for which no specific provision was deemed necessary but this was offset by losses on the close down of operations in Ecuador and Costa Rica, both post core subsidy countries.

20 Interest received

During the subsidy agreement period 2002–2006, SNV was permitted by the Ministry to add all interest earned to equity. From 2007 onwards SNV has been allowed to add only the interest earned on SNV's own liquid resources, the balance of interest earned being allocated to core subsidy. Of the total interest received of EUR 151,233 in 2014 an amount of EUR 124,337 was added to equity. The amount earned was slightly higher than in 2013 due to a more favourable investment rate being obtained on an extra deposit product but market interest rates remained overall low compared to prior years.

21 Expenditures

SNV expenditures are classified into Country and Corporate layers. The Corporate layer includes the Global Support Unit (GSU) costs, and Corporate Programmes and Partnerships. Expenditures made by SNV USA are shown separately.

	EUR	Realised 2014	Budget 2014	Realised 2013
Countries:				
Gross salaries		18,253,211	22,400,484	17,998,269
Social securities		1,092,363	586,087	1,350,235
Pension premiums		1,719,177	694,704	1,993,784
Staff costs and allowances		9,029,198	4,081,017	9,631,869
Travel and lodging		4,023,762	2,945,425	3,523,898
Other		364,020	564,210	1,163,565
Personnel costs		34,481,731	31,271,926	35,661,620
Depreciation		1,011,378	601,855	1,047,331
Facilities		9,174,892	6,267,752	7,464,026
LCBs		11,735,792	13,396,374	14,808,637
External advisory staff		9,146,230	7,528,186	8,040,330
Training		0	133,735	75,945
Other		32,802,396	38,200,173	25,699,378
Other costs		63,870,688	66,128,074	57,135,647
Total Countries		98,352,419	97,400,000	92,797,267
Global Support Unit:				
Gross salaries		4,047,718	7,883,540	3,934,780
Social securities		558,793	0	442,574
Pension premiums		299,190	0	817,684
Staff costs and allowances		2,792,791	506,951	2,144,226
Other		1,027,923	1,064,927	911,158
Personnel costs		8,726,415	9,455,418	8,250,422
Depreciation		66,576	56,881	76,079
Facilities		1,309,792	1,983,128	1,347,554
Short term support		466,628	2,986,938	1,255,217
Professional fees		413,365	415,493	283,965
Other		625,530	418,471	463,100
Other costs		2,881,891	5,860,910	3,425,915
Total Global Support cost		11,608,306	15,316,328	11,676,337
Corporate Partnership		1,366,336	1,214,000	496,915
Corporate Programmes		1,508,756	1,589,630	858,138
Corporate Knowledge Networks		489,548	600,000	302,124
Total Corporate cost		3,364,640	3,403,630	1,657,177
Total Global Support and Corporate		14,972,946	18,719,958	13,333,514
USA:				
SNV USA net spend		1,941,119	1,500,000	1,759,541
Total SNV spend		115,266,484	117,619,958	107,890,322

Country spend

The 2014 total of EUR 98.2 million includes all spend in country operations. This was EUR 0.8 million above plan in total (100.8%). The total RM spend was higher than planned, reflecting the higher than planned revenue achievement on greater project activity but this was largely offset by the lower than planned total core subsidy spend of 86% of plan. The total positive impact of foreign exchange differences and revaluations was EUR 0.6 million and EUR 0.2 million respectively arising mainly on country RM transactions and balances.

Non-country spend

The total 2014 non-country spend of EUR 16.9 million includes the costs of GSU operations in the Hague and in certain country locations, the costs of Corporate Partnerships, Programmes and Knowledge Networks, and the net expenditure of SNV USA.

GSU spend

The total GSU spend in 2014 was slightly lower than in 2013, but significantly below plan, reflecting both further realisation of cost efficiencies and also some deferral into 2015 of some PME evaluation costs and short term support costs relating to ICT. There was an increase of EUR 496k in personnel costs mainly caused by a 3% one-off payment in HO under the adjusted CLA compensation scheme in July 2014, as well as the sale of leave hours of certain expat staff at the end of 2014.

The GSU costs relating to the countries were allocated across all countries in proportion to the support provided and the recovery of these overheads was also built into the full cost recovery model used for contract budgeting.

Corporate Costs (Partnerships, Programmes and Knowledge Networks)

The total corporate expenditures of EUR 3.4 million were in line with the plan of EUR 3.4 million and higher than in 2013 (EUR 1.7 million).

The increase in Corporate Partnerships of EUR 0.8 million against 2013 was caused by much higher utilisation of LCDF budgets in the countries with expenditure totalling EUR 1.1 million across Nepal, Democratic Republic of Congo, Kenya and Ethiopia. This was the final year of the programme except for the Democratic Republic of the Congo which will complete the planned programme in 2015.

The increase of EUR 0.7 million against 2013 on cross cutting Corporate Programmes was slightly higher than planned in the Renewable Energy and Agriculture Programme (REAP) with an expenditure of EUR 0.7 million. The other two programmes were Impact Investment Advisory Services (IIAS) that was ended in Q2 2014 (EUR 0.04 million) and the Junior Professional Programme (JPP) that started off in November 2013 with 12 graduates in SNV's advisory practise and continued the programme during 2014 (EUR 0.8 million).

The Knowledge Network Agenda spend was higher in 2014 as underspend from 2013 was caught up.

SNV USA

SNV USA operations continued to grow steadily generating external revenues of EUR 5.6 million (EUR 3.9 million in 2013). Core subsidy support of EUR 1.5 million was utilised in generating this continued progress and the additional spend of EUR 0.4 million was funded by RM contracts. The total result of SNV USA (restated on a Dutch GAAP basis) was slightly above break-even.

Audit and other service-related fees

Audit and other fees invoiced in the year were as follows:

EUR	2014	2013
Audit of Corporate and local reports – PwC	560,187	570,343
Audit of Corporate and local reports – other firms	72,583	25,710
Project audit engagements	44,794	94,285
Fees for tax services	17,182	14,829
Fees other non-audit services	153,360	89,410
	848,107	794,577

Spend covered by Transition Plan

Within the actual expenditures for 2014 the following amounts have been identified as spend falling under the amounts, and categories, identified in the Corporate Multi-Annual Plan (section 6.3 Transition Plan). Focus continues in 2015, the final year of the subsidy agreement, on realising the total transition spend planned amount of EUR 14 million by the end of the year.

EUR	2014 spend	2013/2012 spend	Cumulative to end 2014
Category of spend per CMAP:			
Workforce rightsizing	1,243,297	730,085	1,973,382
Infrastructure decrease	6,050	247,201	253,251
Organisational costs incl. Product Innovation	1,112,212	1,556,716	2,668,928
Change Capacity	660,152	1,114,020	1,774,172
Total transition spend	3,021,711	3,648,022	6,669,733

Remuneration of CEO and Managing Board Members and Supervisory Board

Executive remuneration / Report for 'Wet normering topinkomens' (WNT)

Starting 1 January 2013 the Dutch law "Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT)" applies for SNV Netherlands Development Organisation. The report below is prepared in line with the applicable regulation for SNV in 2014.

The general WNT-maximum for SNV in 2014 is EUR 230,474 for executives. The reported maximum amount per person and function is calculated based on the full time equivalent in the labor agreement of the executive concerned. The full-time equivalent can never exceed one.

For members of the Supervisory Board a maximum of 7.5% (chairman) or 5% (other members) of the maximum remuneration amount for executives applies.

Remuneration Managing Board

All managing board salaries for 2014 were compliant with Code Wijffels and were within the WNT norm and the DG norm set by the Ministry of Foreign Affairs. All managing board salaries are based on a contractual workweek of 40 hours. All remuneration stated below is in euros.

MB member 2014	CEO A. van den Ham	MD M. Farkas	MD A. Wehkamp	MD M. Ritchie	MD T. Derksen
Employment contract:					
Duration	Permanent	Permanent	Permanent	Permanent	Permanent
Number of hours	40	40	40	40	40
Full time percentage	100	100	100	100	100
Period of service	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Remuneration:					
Gross salary and holiday allowance	118.584	109.550	109.550	109.550	109.099
Pension (employer)	17.560	16.071	16.071	17.890	17.890
Social Security (employer)	9.697	9.697	5.841	-	-
Other variable allowances	-	-	3.789	4.450	3.789
Total remuneration 2014	145.841	135.318	135.251	131.890	130.778
Applicable WNT maximum 2014	230.474	230.474	230.474	230.474	230.474

MB member 2013	CEO	MD	MD	MD	MD
	A. van den Ham	M.Farkas	A. Wehkamp	M. Ritchie	T. Derksen
Employment contract:					
Duration	Permanent	Permanent	Permanent	Permanent	Permanent
Number of hours	40	40	40	40	40
Full time percentage	100	100	100	100	100
Period of service	Jan-Dec	Jan-Dec	April-Dec	April-Dec	Sept-Dec
Remuneration:					
Gross salary and holiday allowance	118.594	109.550	82.162	82.162	36.517
Pension (employer)	24.177	22.279	16.326	10.030	5.135
Social Security (employer)	8.315	8.315	3.280	-	-
Other variable allowances	-	-	2.746	3.225	1.220
Total remuneration 2013	151.086	140.144	104.514	95.417	42.872
Applicable WNT maximum 2013	228.599	228.599	228.599	228.599	228.599

Remuneration of Supervisory Board

All Supervisory Board remuneration for 2014 was compliant with the WNT norm.

SB Member 2014	Chairman	Vice Chairman	Member	Member	Member	Member
	A.Arnold	J.Huis in 't Veld	B. ter Haar	R.de Jong	M. van Reisen	E.Vinke-Smits
Period of service	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Remuneration	5.400	4.800	4.200	4.200	4.200	4.200
Taxable Allowances	-	-	-	-	-	-
Provisions for future payments	-	-	-	-	-	-
Total remuneration 2014	5.400	4.800	4.200	4.200	4.200	4.200
Applicable WNT maximum 2014	17.286	11.524	11.524	11.524	11.524	11.524

SB Member 2013	Chairman	Vice Chairman	Member	Member	Member	Member
	A.Arnold	J.Huis in 't Veld	B. ter Haar	R.de Jong	M. van Reisen	E.Vinke-Smits
Period of service	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec	Jan-Dec
Remuneration	5.400	4.800	4.200	4.200	4.200	4.200
Taxable Allowances	-	-	-	-	-	-
provisions for future payments	-	-	-	-	-	-
Total remuneration 2013	5.400	4.800	4.200	4.200	4.200	4.200
Applicable WNT maximum 2013	17.145	11.430	11.430	11.430	11.430	11.430

Other employees or temporary staff

No other employees or temporary staff of SNV received remuneration above the WNT-maximum in 2014. Nor were remunerations paid that were or had to be disclosed based on the WOPT or WNT in previous years. In 2014 SNV did not pay termination of employment payments to former employees that should be reported in these annual accounts based on the WNT.

Balance Sheet SNV Foundation after Appropriation of Balance of Income and Expenditure (Euro)¹

Assets	Note	2014	2013
<i>Tangible Fixed Assets</i>	1		
Buildings & Terrain		727,963	729,311
Vehicles		1,211,085	860,408
Equipment		699,700	776,037
Other Inventory		102,753	118,897
Assets in transition		509,538	209,901
<i>Subtotal</i>		<u>3,251,038</u>	<u>2,694,554</u>
<i>Long-term Receivables</i>	2		
Deposits		395,025	352,814
<i>Subtotal</i>		<u>395,025</u>	<u>352,814</u>
<i>Short-term Receivables</i>			
Resource Mobilisation Receivables	3	22,971,820	14,072,868
Ministry of Foreign Affairs	4	0	166,555
Debtors	5	1,325,891	1,330,049
Prepayments & Accrued	6	2,646,655	1,433,073
<i>Subtotal</i>		<u>26,944,367</u>	<u>17,002,544</u>
Cash & Bank	7	63,015,985	69,061,545
<i>Subtotal</i>		<u>63,015,985</u>	<u>69,061,545</u>
Total Assets		<u>93,606,415</u>	<u>89,111,457</u>

¹ The Balance Sheet SNV Foundation represents the position of the Netherlands foundation SNV (these numbers are the aggregate of all countries, excluding LLC US and SNV USA).

Liabilities	Note	2014	2013
<i>Capital Base</i>			
Equity	8	36,232,077	34,245,165
<i>Subtotal</i>		<u>36,232,077</u>	<u>34,245,165</u>
<i>Provisions</i>			
Provisions	9	345,321	1,139,741
Provision for Severance	10	1,176,563	2,310,093
<i>Subtotal</i>		<u>1,521,884</u>	<u>3,449,834</u>
<i>Short-term Payables</i>			
Resource Mobilisation Payables	11	25,900,235	24,972,649
Ministry of Foreign Affairs Subsidy	12	16,940,286	15,008,314
Creditors	13	1,756,200	1,214,992
Accrued Expenses	14	8,974,445	7,956,015
Taxes & Social Security	15	882,846	933,551
Pensions	16	1,398,443	1,330,937
<i>Subtotal</i>		<u>55,852,454</u>	<u>51,416,458</u>
Total Liabilities		<u>93,606,415</u>	<u>89,111,457</u>

Statement of Financial Performance SNV Foundation²

	Note	Realised 2014	Realised 2013
INCOME			
Subsidy Income		47,901,473	58,485,090
Ministry of foreign Affairs	18	47,901,473	58,485,090
External RM	19	68,093,573	49,203,744
Interest received	20	151,234	127,590
Total Income		<u>116,146,280</u>	<u>107,816,424</u>
EXPENDITURE	21		
Countries		98,352,419	92,639,271
Total country spend		<u>98,352,419</u>	<u>92,639,271</u>
Global Support Unit		11,608,306	11,985,868
Partnership Costs		<u>4,864,640</u>	<u>2,776,329</u>
Total GSU spend		<u>16,472,946</u>	<u>14,762,197</u>
Total Expenditure		114,825,365	107,401,468
Result Participation		448,679	(157,839)
BALANCE INCOME AND SPEND		1,769,595	257,117
Attributable to equity:			
Interest		124,337	102,625
Net result SNV Foundation		1,645,257	154,492
Total		<u>1,769,594</u>	<u>257,117</u>
Balance after appropriation		0	0

² The Statement of Financial Performance SNV Foundation represents the result of the Netherlands foundation SNV (these numbers are the aggregate of all countries, excluding LLC US and SNV USA). The cumulative net surplus from SNV USA operations (result participation line above) is included in Corporate Equity in the consolidated annual accounts of SNV.

Notes to the Annual Accounts of SNV Foundation

Reporting entity

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

General accounting principles for the preparation of the financial statements

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

Significant accounting policies

Participations in group companies are valued in the balance sheet of SNV Foundation under the net equity basis, following the same accounting principles as applied by SNV.

Participations in group companies

The cumulative value of participations in group companies is recognised in Corporate equity in the consolidated annual accounts.

Independent auditor's report

To: the Supervisory Board of SNV Netherlands Development Organisation

We have audited the accompanying financial statements 2014 of SNV Netherlands Development Organisation, The Hague, which comprise the consolidated and foundation balance sheet as at 31 December 2014, the consolidated and foundation statement of financial performance, and the consolidated cash flow statement for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Managing Board's responsibility

The Managing Board is responsible for the preparation and fair presentation of these financial statements in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board and with the rules of and following the Dutch Standards for Remuneration of Senior Officials in the Public and Semi-Public Sector Act (WNT). Furthermore, the Managing Board is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of SNV Netherlands Development Organisation as at 31 December 2014, and of its result and its cash flow for the year then ended in accordance with the Guideline for annual reporting 640 "Not-for-profit organisations" of the Dutch Accounting Standards Board and the rules of and following the WNT.

Emphasis of matter

Furthermore, in our opinion the expenditures accounted for in the statements of financial performance meet the requirements of legitimacy as defined in the funding agreement dated 13 September 2006, the amendment to the funding agreement dated 22 November 2011 (DSO/MO-385/11) and the letter of the Ministry dated 3 July 2012 (DSO/MO- 152/12) between SNV Netherlands Development Organisation and the Dutch Ministry of Foreign Affairs.

Amsterdam, 20 April 2015
PricewaterhouseCoopers Accountants N.V.

J.L. Sebel RA