



SNV Corporate Annual Report
2016

SNV is a not-for-profit international development organisation. Founded in the Netherlands in 1965, we have built a long-term, local presence in **over 30 countries** in Asia, Africa, and Latin America. Our **global team** of local and international advisors work with local partners to equip communities, businesses and organisations with the tools, knowledge and connections they need to increase their **incomes and gain access** to basic services – **empowering** them to **break** the cycle of **poverty** and guide their own development.

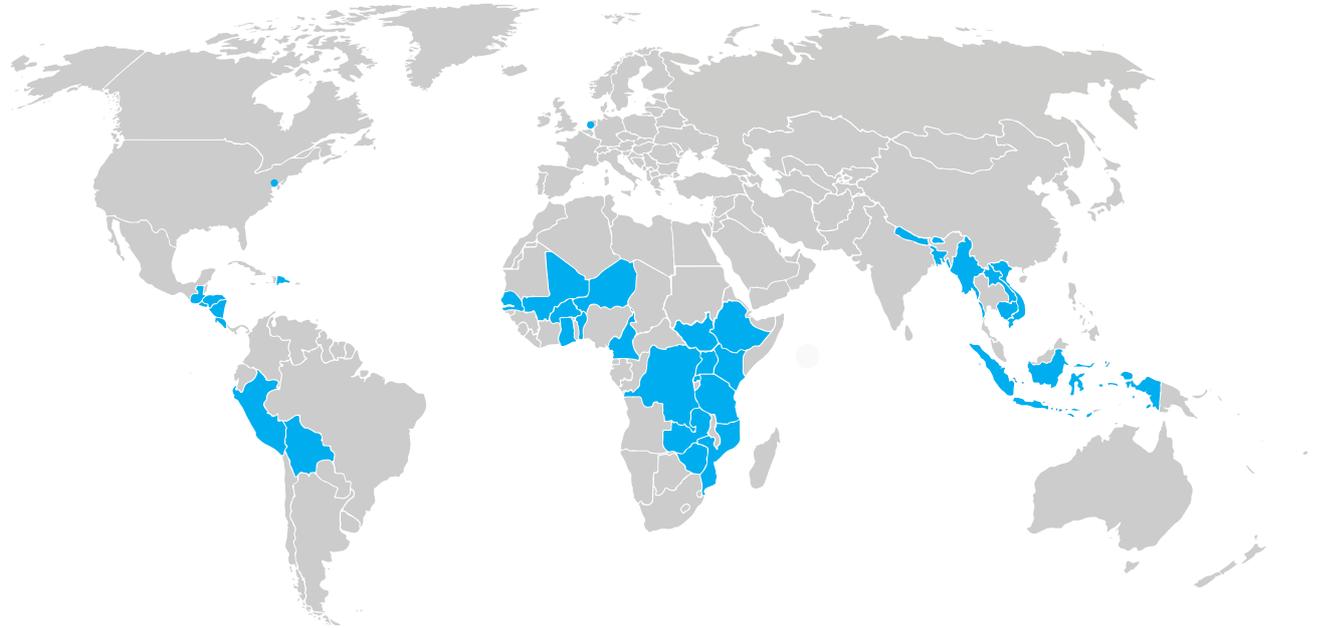
SMART DEVELOPMENT WORKS

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Country programmes

In 2016, SNV implemented over **304 projects** in more than 30 countries across Asia, Africa and Latin America.



Latin America

1. Bolivia
2. Costa Rica
3. Dominican Republic
4. El Salvador
5. Honduras
6. Guatemala
7. Nicaragua
8. Peru

Africa

9. Benin
10. Burkina Faso
11. Cameroon
12. DR Congo
13. Ethiopia
14. Ghana
15. Kenya
16. Mali
17. Mozambique
18. Niger
19. Rwanda
20. Senegal
21. South Sudan
22. Tanzania
23. Uganda
24. Zambia
25. Zimbabwe

Asia

26. Bangladesh
27. Bhutan
28. Cambodia
29. Indonesia
30. Lao PDR
31. Myanmar
32. Nepal
33. Vietnam

From the Supervisory Board

The past year has been momentous for SNV. For the first time in its half century existence, SNV implemented its programmes without any core subsidy from the Dutch government. SNV faced the challenge of acquiring a sound position in the development sector, with funding from a diverse donor base.

SNV had been preparing itself for this stage since 2011 by sharpening its strategic focus, streamlining the organisation, activating business development initiatives and strengthening its implementation capacity. The results of 2016 are the culmination of this preparation, showing that SNV has been able to carve itself an unmistakable position in the international development arena.

In 2016, SNV exceeded its implementation target and increased its revenue from Resource Mobilisation to € 110.5 million. SNV also managed to considerably reduce financial risks by strict cost control. The target for order intake was eventually reached in the first weeks of 2017.

In line with the strategy from 2016 to 2018, SNV initiated new projects to mitigate and adapt to climate change. In addition to this, the organisation has expanded its work within the urban context, particularly on Water, Sanitation and Hygiene. SNV developed new concepts for Energy and Agriculture, which are being considered for implementation by potential donors.

Following this strategy, SNV also started working on integrated water resource management in Kenya and scaled up its employment generating programmes for youth across Africa. However, it has proven to be difficult to generate a commitment among potential funders towards SNV's strategic goal of playing a role in addressing poverty in mid-income countries.

SNV witnessed a steady rise in the average size of its programmes since 2011, showing the increasing trust of donors. The extension of the multi-country Sustainable Sanitation and Hygiene for All programme, elaborated on in this report, is an example of this growth.

In its continuous endeavour to encourage and facilitate staff in the execution of strategy and operations, the Supervisory Board met four times in plenary sessions, whereas the sub-committees (Audit and Risk and Selection and Remuneration) met more frequently.

There were some changes to the management board in the first half of 2017. Andy Wehkamp stepped down as the Managing Director for the Energy sector. From April 2017, she has been succeeded by Tom Derksen, former Managing Director of Agriculture. André de Jager is the new Managing Director for the Agriculture Sector.

Furthermore, Allert van den Ham announced that he will step down as the Chairman of the Managing Board and CEO of SNV, as soon as a successor has been found.

SNV achieved its results through the efforts made by its committed and professional global staff and the continuous and generous support of its donors. The Supervisory Board would

like to express its gratitude for the dedication of all those who have made this possible.

Looking ahead, SNV has a substantial order portfolio. No doubt, long-term growth will be fraught with new challenges. The recent political developments in major donor markets underlines the need for agility to adapt quickly to external changes. These developments also highlight the need to continue creating new partnerships and consolidating existing ones.

Nonetheless, the success witnessed in 2016 demonstrates that despite these circumstances, SNV is well equipped to tackle challenges on the road to achieving its goal; empowering people to alleviate poverty throughout the developing world.

Koos Richelle, Chairman of the Supervisory Board

On behalf of the Supervisory Board

From the Managing Board

SNV works in the Agriculture, Water Sanitation and Hygiene (WASH) and Energy sectors. We are dedicated to eradicating poverty and improving the quality of life for over 20 million of the world's poorest people from 2016 towards the end of 2018. We are proud to announce that our projects in 2016 alone impacted the lives of over six million people.

In many ways 2016 was a year of new beginnings. It heralded the start of an era that we had been preparing for with some uncertainty and a lot of confidence in our ability to tackle the challenge. It was the first year that we operated with diversified funding after 50 years of unflinching financial support from our primary donor - the Dutch government. Although the Dutch government continues to be one of our principal donors, core subsidy ended as of 2016. This means that our income in 2016 was entirely based on business revenues, acquired on a project basis.

We had carefully prepared ourselves for the challenge ahead. Over the years, we optimised the quality of our work and succeeded in procuring a steady and diversified donor funding for our projects. But the true test of our endeavours would be the year 2016. Hence, we are very proud to demonstrate with this report that 2016 has indeed been a successful year.

For us, success means that we were able to contribute to our mission; empowering people to break the cycle of poverty. It also means that we have developed a sustainable organisation. Both factors rely on the satisfactory implementation of the agreements we have with our customers - the donors. We are grateful to everybody who has helped us to achieve these results, inside and outside SNV.

In 2016, more than six million end users were positively affected by our work and that of our development partners. This can be attributed to a high pace of implementation of several projects, and an optimal use of our resources. In financial terms we overachieved, except for the fact that we were unable to meet our order intake target of € 140 million. Order intake was impacted by a few significant projects already approved by donors, whose signing was postponed to January 2017.

We made great progress in the Agriculture and Water, Sanitation and Hygiene (WASH) sectors. Millions of people benefitted from our projects and recognition from potential donors grew. This is illustrated by their sustained financial support for future programmes.

Within the Agriculture sector we impacted over 1.9 million end users. Several significant initiatives contributed to our impact. One of these is the MasterCard Foundation supported Opportunities for Youth Employment (OYE) programme, implemented in Mozambique, Rwanda and Tanzania. OYE provides the youth in these countries with much-needed access to employment and enterprise development opportunities in the agribusiness and Energy sector. The programme's goal is to reach out to 18,500 young, out-of-school, women and men in rural areas by 2019. An external mid-term evaluation concluded that OYE is responding quite well to the fundamental and urgent

needs of young people in search of gainful employment. We have already surpassed our targets; by the end of the programme's third year almost 10,000 jobs have been generated. The evident success of this programme has induced the Swiss Agency for Development and Cooperation (SDC) to support a similar project in Tanzania.

In the WASH sector, we impacted 3.6 million end users. One of our major successes was the multi-country Sustainable Sanitation and Hygiene for All (SSH4A) programme that started in 2014 and helped 2.3 million people gain access to sanitation. It also promoted hygiene practices to 4.9 million people. As a result of the high success rate, the donor - UK's Department for International Development (DFID) - decided to extend the project until March 2020. It will provide an additional € 15 million to improve the sanitation and hygiene standards for approximately 8 million people by the end of 2020.

However, we were unable to achieve our impact target for the Energy sector. This was due to a combination of factors, such as delays in the approval and implementation of projects; a growing number of projects focused on studies and policy development which does not immediately lead to end user impact; and a new strict global methodology to measure the amount of people with improved access to energy.

In terms of Greenhouse Gas (GHG) emission reductions however, the Energy sector overachieved its target by reducing more than 550.000 tons.

Sector	Number of Beneficiaries of SNV Projects
Agriculture	1.9 million people with increased income, employment, food and nutrition security and resilience to climate change.
WASH	3.6 million people with access to sanitation and safe drinking water and handwashing with soap.
Energy	620,000 people with increased access to energy.
Total	6.1 million people benefited from SNV projects.

To meet demands for accountability from donors, and to establish outstanding learning and evaluation practices, we introduced a standard set of harmonised impact methodologies. These methodologies measure designated indicators, and follow international guidelines where relevant. We are committed to

complying with the International Aid Transparency Initiative (IATI) standard for all Dutch Ministry (DGIS) and DFID funded projects. To publish this data, we are using the state of the art AKVO Really-Simple-Reporting (AKVO-RSR) online dashboard.

In our pursuit of transparency and efficiency, we adopted a cloud-based management information system, SAPByDesign. This system provides project managers with real-time information to steer their projects. It standardises workflows into robust and uniform processes and offers reporting on implementation results. In 2016, we introduced the system in Asia and Latin America as well as a few countries in Africa. By mid-2017 we will have rolled it out worldwide.

Despite our efforts to maximise our impact, political developments play a large role in our work. Hence, it is with deep regret that we had to take the tough decision to wind down our operations in South Sudan. The political instability and mounting insecurity has made it impossible to fulfil our duty of care to our staff, and to further our mission to support government agencies and the private sector.

On a more personal note, after six years as SNV's CEO I have decided to step down from the Management Board as soon as a suitable successor has been found. This, however, does not mean that I will be leaving SNV. I will be working closer to field as the Country Director for SNV in Laos.

That said, we will continue to work towards improving the quality of life for over 20 million of the world's poorest people from 2016 to the end of 2018. This report demonstrates that we are progressing steadily towards this goal. The results we achieved in the last year also highlight our ability to adapt to changes and flourish in the era that is yet to come.

Allert van den Ham, Chief Executive Officer,

On behalf of the Managing Board



SNV Managing Board (from left to right): Megan Ritchie, Michel Farkas, Allert van den Ham, Andy Wehkamp and Tom Derksen.

Priorities and Results of 2016

SNV set 15 corporate priorities for 2016. These are linked to both SNV's commitment to improve the quality of life of the world's poorest people and our ambition to strengthen SNV as an innovative, soundly controlled and financially secure international development organisation, in its first year without core subsidy from the Dutch Government.

The priorities have been divided into three categories:

1. **Operational priorities** - focusing on fieldwork, sector plans and being a quality implementer at scale;
2. **Innovation priorities** - focusing on strengthening key innovations in SNV's approach to development;
3. **Organisational priorities** - focusing on strong, robust processes, support systems and management control.

Below are the summarized results:

Operational priorities

1. In 2016, the **global programmes** for Agriculture, WASH and to a lesser extent Energy were **executed as planned**. Over 6 million people benefited from these programmes. This is generally in line with the targets set at the start of the year and a good first step towards the overall target of reaching 20 million people over the period 2016 - 2018. SNV realised a total country programme spend of € 101.5 million, which was 1% above target. Order intake grew slowly and was at € 123 million at the end of the year, this was quickly compensated with the signing of two large contracts (valued at € 20.4 million) that were postponed to January 2017.
2. In the **Agriculture sector**, over 1.9 million people were positively affected by SNV's projects, which **was slightly above target**. The portfolio has seen a 25% rise in the number of projects, including an increase in private sector collaboration. The order intake for the Agriculture sector was approximately € 70 million, contributing to 56 % of the overall order intake in 2016. The sector also demonstrated innovation by developing a climate risk assessment tool and a financing scheme for replanting palm trees.
3. **Energy** as a sector **has been struggling** to realise its priorities. We did not reach our impact target due to delays in the approval and implementation of projects, and due to a shift in the donor's focus towards policy development. SNV will revise its impact targets for the sector in 2017 to be more in line with these developments. The other key success indicator, greenhouse gas (GHG) emission reduction, was 11% above target with a reduction of 550,000 tons in 2016. Especially important for this sector was SNV's application for accreditation as an implementing organisation for the Green Climate Fund.
4. **SNV's WASH sector had a very successful year**. We reached 3.6 million people with our global WASH programme against a target of 3.5 million. This result was for a substantial part, achieved by the highly successful multi-country Sustainable Sanitation and Hygiene for All (SSH4A) Results programme funded by the UK's Department for

International Development (DFID). Order intake was above € 40 million against a target of € 30 million and another € 15 million was signed early in 2017. SNV's footprint in urban sanitation continued to grow. The project in Khulna, Bangladesh, is a good example.

5. **SNV kept its commitment to strict project implementation and cost control**. SNV exceeded its implementation target, maintained its cost levels below agreed budgets and strengthened project management support by starting a new Project Support Office at the corporate level. It resulted in an overall limited loss of € 1.7 million, 1.5 million less than forecasted at the start of the year.

Innovation priorities

6. **Increased usage of mobile technology** in programme implementation is a strategic priority for SNV. Mobile data collection and storage **has become integral to project implementation**. With the support of (mobile) data technology from our Dutch non-profit partner AKVO, data collection on results has become the backbone of SNV's Result Based Funded WASH programme. In cooperation with AKVO we developed 15 applications, for example, to identify contamination in food or water or to track and trace commodities. In 2017, comprehensive marketing of these products will take off.
7. In its strategy from 2016 to 2018, SNV stated its ambition to penetrate the market of **fund/grant management**. To enable this ambition, in 2016, SNV finalised its standard grant management manual and has actively pursued potential leads in this area. **This resulted in € 23.5 million order intake for grant management projects** in 2016 and significant new opportunities in 2017 - a very promising starting position.
8. With the establishment of a new marketing department, SNV also started a process to refocus its products towards the donor's needs as well as end user relevance. This

process will be completed in 2017, but even now **SNV's product leadership is a recognised point of reference in its sectors.**

9. In a strategic partnership with the Dutch Ministry of Foreign Affairs, **the Voices for Change Partnership (V4CP) is SNV's flagship programme on evidence based advocacy.** In 2016, we set the stage by selecting 52 civil society organisations in six countries. We jointly defined an agenda for advocating for better policies, laws, regulations and services for food and nutrition security, resilience, energy and WASH.
10. Two cross-cutting themes are important in SNV's development work: gender and youth employment. **SNV's (specific) gender and youth employment projects have grown in 2016.** Our projects on gender grew by approximately 20 %, representing a value of € 17.4 million. And the youth employment portfolio, in 2016, consisted of 11 projects with a value of almost € 37 million. However, **SNV's internal gender balance must improve further towards 50%, since only 36% of SNV's leadership is female.**

Organisational priorities

11. To run a tight ship, SNV has focused internally **on a strict monthly closure process**, to ensure timely, correct and complete reporting. In 2016, the time between month closure and reporting was shortened, although **there is still room for improvement.** Nonetheless, the implementation of SAPbyDesign has caused delays in the year end closing process. After the completion of the SAPbyDesign implementation in 2017, focus will be on shortening the closing cycle and improving the reports.
12. At the start of 2016, SNV decided **to implement a central treasury function and introduce global liquidity planning**, a necessity after the end of core subsidy. In 2016, a new cash model was rolled out and a start was made to identify the best solution for SNV. In 2017, a central treasury and liquidity planning will be rolled out
13. SNV realises that as a product leader, it is of the utmost importance to retain highly qualified (senior) staff. To support this, **SNV has put in place or maintained both learning events and communities of practice in all three sectors.** Succession planning and talent management is on the Managing Board agenda regularly and in 2017 specific retention packages for highly valued staff will be developed.
14. With its changed business model, the diversification of its donor base, the end of core subsidy and a sharp focus on project implementation, SNV realised it needed **a new ERP solution** to support its business. The **roll-out** of a cloud based solution **started in August 2016** and will continue into 2017. It will lead to better support for project management, standardised processes across all SNV

countries and enable real time reporting on project results

15. During 2016, SNV worked on **further improving its internal control framework and risk management.** Although 2016 was the first year without core subsidy, SNV's risk management had anticipated this and therefore its risk profile did not change much from 2015 to 2016. As a result of adherence to the internal control framework, almost all countries could be audited by a control-based audit over the year 2016.

Summary of financial performance 2016

SNV's total revenue from Resource Mobilisation grew by 17% to €110.5 million in the financial year 2016. This was the fourth year of solid growth. However, the percentage of growth has not increased when compared to that of 2014 (39%) and 2015 (37%).

Over the financial year 2016, SNV realised a net deficit of € 1.7 million in all operations. This comprised of operating surpluses on Result Based Programmes (based on the percentage of completion) and a € 2.9 million provision taken for future losses on several legacy projects that commenced in the previous years. For these projects, the costs to complete the contracts are forecasted to exceed the contractual revenues at the end of the project life.

SNV has a solid equity position with total reserves above the continuity level. Also, liquidity and solvency position are strong and expected to remain stable during the financial year 2017.



SNV
kept its commitment
to strict project
implementation
and cost control

Overview of Sector Development Results

In SNV's strategy paper from 2016-2018 it was stated that that we would improve the quality of life for over 20 million people by the end of 2018. We also decided to increase our involvement in new areas like mitigation and adaptation to climate change and innovating smartphone technologies for development purposes. The sector overviews in the following pages demonstrate our growth in the areas we already work in and those we planned to increase our involvement in.

Below are a few highlights of the results from the three sectors: Agriculture, WASH and Energy.

Impact highlights:



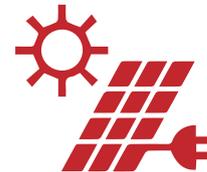
1.6 million

People with increased income



2.9 million

People with new access and improved sanitation



620,000

People with increased access to improved energy technologies



299,000

People with increased resilience to climate change



1.7 million

People using an improved drinking water source



266,000

People with improved access to clean cooking



251,000

People with increased food and nutrition security



1.5 million

People practicing handwashing with soap



550,000 tons

Of greenhouse gases reduced



In 2016 SNV impacted the lives of
6.1 million people

Agriculture: Results overview

Sector trends and strategic priorities

Even though we have seen substantial progress in the reduction of global hunger, food security at the household level remains a challenge. An estimated 795 million people are currently undernourished. As the world's population will have increased by an estimated 2 billion by 2050, feeding the world will be one of the key challenges of our time. Addressing this challenge is one of the United Nation's Sustainable Development Goals (SDG 2 - End hunger, achieve food security, improve nutritional diets and promote sustainable agriculture). This SDG has upped the game from the Millennium Development Goals by linking food security to sustainable agriculture. Our work in the agriculture sector contributes to this goal.

Achieving sustainable food and nutrition security requires a paradigm shift in the agriculture and food system. One that moves away from the sector's current reliance on high input, and instead focuses on sustainable and diversified food systems. This includes tackling gender disparity that is rife in the agriculture sector. Although women are responsible for the majority of work in this sector, they continue to bear the brunt of gender stereotypes. For example, they are frequently marginalised in household decision-making related to income and asset distribution, and often lack the benefits of ownership for the land they work on.

To make solutions resilient, efficient and sustainable, SNV is incorporating climate change mitigation and adaptation into our interventions. This improves the productivity of farmers and pastoralists who are challenged by increasingly adverse conditions. SNV's interventions empower the farmers' themselves by strengthening their role as the managers of agro-ecological systems such as the surrounding forests, wildlife habitats, rivers, hydro-dams, industrial parks, villages and cities. However, we must bear in mind the competing claims on these resources and consider the larger administrative jurisdictions, commonly referred to as landscapes.

So, 50 years after the Green revolution the Agriculture sector needs an 'evergreen revolution'. We need to diversify and rotate crops; integrate trees with food crops and livestock; and increase productivity within the sector using Information and Communication Technology (ICT) based data and precision technologies. Since almost 70% of the world's food is produced by some 500 million smallholder farmers, SNV supports these farmers to graduate from subsistence farms to commercial enterprises. In its projects, SNV is also working closely with the private sector, as these medium and large agribusinesses have the skills and capital to initiate change by including smaller farms in their value chains.

The SDG 2 also highlights the need to improve diets and end malnutrition by 2030. This goal not only requires diverse food to be available and affordable, it also requires an extensive behavioural change that will create a demand for a healthy diet. Making this change will need comprehensive and multi-sectoral interventions; men and women need to make decisions together regarding food production and consumption; women need the

same access to nutrition as their male counterparts; they need safe early childhood practices; they need to practice good hygiene and use clean toilets. Hence SNV is combining its approaches on diets, WASH and gender relations. SNV has begun incorporating early childhood practices developed by other organisations, like UNICEF, into its projects too.



SNV is combining approaches on diets, WASH and gender relations

SNV offers the following five products to confront these challenges in Agriculture:



Sustainable Markets

- Resilient Value Chain (IVC)
- Inclusive Business (IB)

Food and Nutrition Security

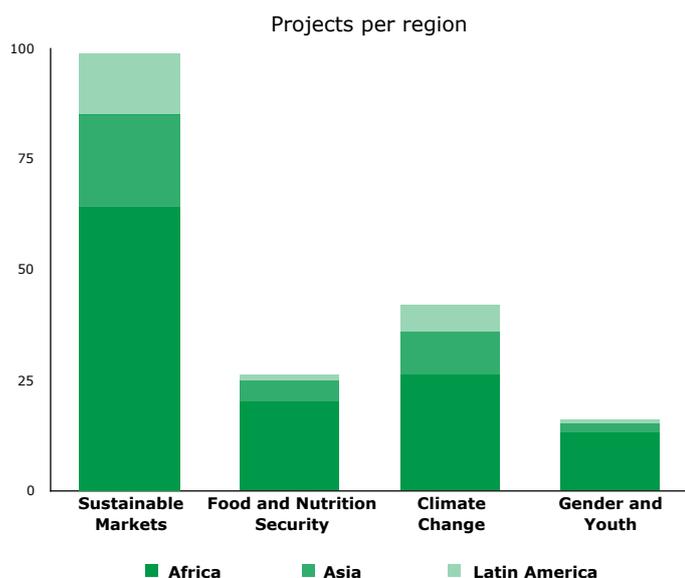
- Resilient Food Systems (RFS)
- Sustainable Nutrition for All (SN4A)

Climate Change

- Climate, Business and Landscapes (CBL)

Agriculture achievements in 2016

By improving the quality of life of 1.9 million people in 2016, agriculture is well on its way to supporting 6 million people from 2016 to 2018. We increase their income, food and nutrition security or resilience to climate change. In terms of the portfolio, we have seen a growth in the number of projects. We also increased our collaboration with the private sector, resulting in a total of 1,162 partnerships with Small and Medium Enterprises (SME).



SNV executed 183 agriculture projects in 27 countries in Africa, Asia and Latin America (147 in 2015).

Impact Agriculture 2016 (number of end users in 1,000)	Planned	Achieved
With increased income	1,399	1,571
With increased employment	32	24
With increased food and nutrition security	237	251*
With increased resilience to climate change	271	299
Total	1,907	1,934**

* Includes 125,000 people with increased incomes against a planned target of 122,000.

** Adjusted for double counting (187,000 people)

Agriculture highlights

Food and Nutrition Security: Ensuring the growth and consumption of nutritious food

Two of our major projects on improving nutrition, show promising initial results in terms of diets. The first is the Horticulture for Advancing Income and Nutrition (CHAIN) project in Cambodia and the second is the Sustainable Nutrition for All (SN4A) programme in Zambia and Uganda. Both are supported by the Swiss Agency for Development and Cooperation (SDC). SNV's approach to nutritious diets is based on its extensive experience in sanitation and value chain development.

An initial sample survey showed significant improvements in the dietary intake of the end users partaking in these projects. In Zambia, for example, the dietary diversity score for children between 6-23 months improved from less than 4 at the baseline to an average of 7.75. Triggered by the high levels of stunting in their communities, families are now growing and consuming more fruit and vegetables, particularly mothers and infants. There is also a growing recognition of the importance of consuming enough proteins sourced from animals.



Triggered by the high levels of stunting, families are now growing and consuming more fruit and vegetables

In this way, SNV has been making great strides in diversifying and improving food production and consumption in Zambia and Uganda, especially amongst the country's most vulnerable people. As mentioned before, creating a demand for diverse and nutritious food is vital if the projects are to succeed. SNV is nurturing this demand through participatory education that shows the importance of eating from the five main food groups; carbohydrates, animal protein, plant protein, vegetables and fruits. To expand the impact of the project and ensure full local ownership SNV has trained nutrition committees within the districts and villages to be trainers and to independently implement the activities.

Buzzing business for sustainable honey farmers

The Apiculture Scale-Up Programme for Income and Rural Employment (ASPIRE) in Ethiopia is a five-year (2013 – 2017) sector development programme implemented by SNV, Profound, Enclude and the Ethiopian Apiculture Board. This programme has received widespread recognition from the Ethiopian government. It boosts the industry by improving the supply of

honey, strengthening its access to finance and developing market linkages that integrate small holder beekeepers into (export) markets.

These training sessions are tailored to the end user. For instance, beekeepers using private company out-grower schemes have been trained on technical skills, and public service providers have been trained to help increase the beekeepers' productivity and quality. ASPIRE trained 21 lab technicians from all ten agro-food labs in Ethiopia to improve the quality testing on residues and selected hard metals, and to conduct a full honey analysis.

Over time the farmers participating in the project increased their income significantly. Between 2013 and 2016, their honey production doubled and by the end of 2016 the average household income of 29,000 smallholders' (30,000 planned) from beekeeping increased six-fold from € 40 to € 252 annually – they earned a combined annual income of more than € 7 million. To enable this growth, ASPIRE supported the establishment and strengthening of 15 local suppliers by creating sustainable market based access to modern and improved hives, bee colonies, protective clothing, wax and other accessories for smallholder beekeepers.

In terms of access to finance, the project has set up a partial guarantee fund for beekeepers (to buy beehives and inputs) and for exporters (to buy honey in the season). ASPIRE also facilitated the provision of 21 commercial loans - with a total loan value of € 2.7 million - to 10 cooperatives and companies. By the end of 2016, the project could create access to finance for 21,000 beekeepers. As a result, the formal financial sector, including commercial banks and micro-finance institutions (MFIs), showed an interest in financing an expansion of the apiculture sector. They have begun to provide loans to selected processors and exporters. ASPIRE has, demonstrably created a solid foundation for further growth and innovation of the apiculture sector in Ethiopia.

Restored mangroves improve incomes and resilience

In June 2016 SNV completed the first phase of a Climate, Business and Landscapes (CBL) project, centred on Mangroves and Markets (MAM) in Vietnam. At the time of the project's commencement, the Vietnamese government faced conflicting departmental objectives: economic shrimp production and mangrove protection. The Government acknowledged that landscape protection without a focus on the interest of farmers would not work, and simply increasing shrimp production without considering its impact on the mangroves would kill both the proverbial chicken and the egg. The MAM project managed to combine the conflicting interests while benefitting both parties.

By protecting and restoring the mangrove ecosystem, shrimp farmers improved their profit margins and the coastal communities increased their resilience to climate change. To achieve this result, around 2,000 smallholder shrimp farmers (exceeding the original target of 1,500 farmers) in Ca Mau province received training and technical

assistance to augment the sustainability of their production practices. With this training, they increased the mangrove forest coverage on their farms from approximately 30-40% to 50%. Now, the shrimps feed naturally in the mangroves; the increased mangrove coverage has reduced the stocking intensity of the shrimps - leading to more and healthier growth; and finally, the farmers have stopped feeding the shrimp harmful antibiotics.

SNV also cooperated with processing companies to develop a stable market environment, and worked with the government authorities to develop a policy that enables the market's growth.



By protecting and restoring the mangrove ecosystem, shrimp farmers improved their profit margins

All these improvements allowed the farmers to meet the German company Naturland's organic certification standards for organically bred fish. In the first phase of MAM, nearly 800 shrimp farmers obtained Naturland's organic certification. This opened access to export markets. One of the world's leading seafood exporters, Minh Phu Company, has committed to buying certified, locally produced shrimp at a price premium from the shrimp farmers participating in the project. This has led to the development of a national Payment for Forest Ecosystem Services (PFES) policy for the aquaculture sector. With support from this project, 80 hectares of mangroves have been replanted. Now, 12,600 hectares of mangrove forest are protected from deforestation. Furthermore, in combination with our work in the WASH sector, 1,000 farmers' households were supported by building sanitary toilets that meet certification standards.

The second phase of SNV's MAM project started in November 2016. Within this phase, we will replicate and expand the area to the coasts of Ca Mau, Ben Tre, and Tra Vinh provinces, which, when combined contains half the mangroves in the Mekong Delta. By 2020 we will have trained an additional 5,000 shrimp farmer households in organic aquaculture practices and will secure the commitment of at least three processing companies to buy certified organic shrimp at a price premium. We aim to make sustainable mangrove-shrimp aquaculture mainstream, so it will be included in the national and provincial development plans.

Other CBL projects are currently being implemented in Central America and West Africa within coffee and cacao production. A CBL project in Indonesia is working towards establishing sustainable palm oil production that does not drive deforestation.

Knowledge development and research

Knowledge partnerships are essential to keep our expertise up to date. As a result, we have established a close collaboration with research partners for 40% of our projects - a 15% increase from 2014. To optimise our growing partnerships, we have developed a framework to assess them, including the effective integration of acquired knowledge into SNV's future projects.

We have a Memorandum of Understanding (MoU) with several knowledge institutions including the World Vegetable Centre, BoP Innovation Centre, Chartered Institute of Agricultural Technologists (CIAT), Global Alliance for Nutrition (GAIN), World Agroforestry Centre (ICRAF), International Food Policy Research Institute (IFPRI), International Livestock Research Centre (ILRI), Royal Tropical Institute (KIT) and Wageningen University & Research (WUR).

These partnerships add scientific rigour to the implementation of our projects and have helped shape our approaches. SNV is using the Evergreen Farms work from ICRAF to inform its climate resilience approach and IFPRI, KIT and GAIN are enhancing the development of its Nutrition model. WUR has added specific technical research data to the dairy, horticulture, and palm oil projects and ILRI has done the same for the livestock projects. SNV also partnered with Financial Access (FA) to jointly develop and implement financial modalities to spur dairy and palm oil production.

In 2016, SNV signed a MoU with the Center for International Forestry Research (CIFOR). SNV will collaborate with them on a new research programme that is centred on deforestation free supply chains. In addition to establishing new partnerships, SNV developed a Climate Change Resilience Assessment Tool to improve its understanding of the impact climate change has on the actors and value chains in our projects. This tool helps SNV identify appropriate interventions and adaptation strategies.

SNV also organised nutrition webinars and co-organised sessions with partners, to share its knowledge and research, at a wide range of events. Some of these events include the Asia-Pacific Rainforest Summit, Global Alliance for CC Adaptation, Cracking the Nut conference, Global Youth Summit, the Asia Pacific Forest Week, Responsible Business Forum, Finance for Sustainable Landscapes, and COP 22.

Insights gained

Tackling malnutrition in more than one way

Although consuming sufficient food is essential, the quality of the food consumed also matters. While staple crops continue to play a critical role in meeting the dietary needs of low-income consumers, improving the availability of vegetables, fruit, fish, eggs and dairy products is also crucial.

Good nutrition combined with low infection ensures good health. An individual's nutritional status is determined by three factors: diet, early child care and sanitation. In Laos, for example, over half the population in the remote uplands is affected by chronic malnutrition. Here poor access to basic health care services and agricultural support perpetuates the cycle of inadequate feeding practices, poor sanitation and hygiene, and environmentally unsustainable farming practices. SNV recognises that malnutrition cannot be solved by one sector alone. As a result, in Laos, SNV has integrated agriculture, WASH, early child care and gender methodologies in the Enhanced Nutrition for Upland Farming Families (ENUFF) project.

Economic growth alone does not lead to the desired change in dietary behaviour. Even if households could purchase nutritious food, they often do not give it priority. So, by visualising the effects of a poor diet, like stunting in children, we trigger communities to create a demand for a healthy diet. This approach leverages prenatal concern and encourages them, to diversify their diets with home-grown fruit, vegetables, legumes and pulses, particularly for mothers and infants. For a lasting change however, women need to have better access to resources, and they need to play a stronger role in the household's decision-making process, especially on decisions pertaining to the purchase of nutritious food.



Given that all the food consumed cannot be home-grown, the quality of food supplied by markets is also important

Given that all the food consumed cannot be home-grown, the quality of food supplied by markets is also important. Hence, moving forward, and echoing the sentiments of this UN Decade of Action on Nutrition, there needs to be a better understanding of how value-chain activities and market development can contribute to better nutrition. In response to this need, our approach to sustainable nutrition will expand to deepen market integration in remote areas with the purpose of promoting the availability of foods not easily produced locally.

Market based approach, it's all about the business case

Over the years, SNV has developed a growing knowledge base on the effectiveness and efficiency of Public Private Partnerships (PPP). This base is supported by the PPP Lab; a programme that disseminates knowledge on [Public Private Partnerships](#).

SNV advocates that the cornerstone of a successful and viable PPP is a solid business case. A strong business case is composed of the following elements: a sound value proposition that includes impact and customers; a business logic on costs, revenues, activities; and a good funding plan for resources available and the business ecosystem. It also needs to define the economic, social and environmental benefits for the various stakeholders within the partnership. SNV has adapted and uses the PPP Canvas and the PPP Score Card (respectively), as a framework, to support the development of such business cases and monitor their progress.

A partnership cannot flourish in a vacuum. Although, one could work with a selection of individual companies on a single project and have a sound business case, expanding the project requires the partnerships to move beyond the individual companies themselves. The enabling environment, the government, and related civic actors and the business sector all need to be strengthened to grow and succeed.

The insights mentioned above have informed a new generation of our projects. We know that blended investments are necessary to support innovations or de-risk low income and smallholder entrepreneurs. Consequently, an increasing number of programmes have been designed around business cases and are aimed explicitly at mobilising investments from both public and private investors. Examples of such projects are: Hortimpact, Smart Water for Agriculture and the Climate Smart Agribusiness Investment Programme in Kenya, Innovation Against Poverty Programme in Cambodia, Uganda, Ethiopia and Zambia, and the dairy projects in Kenya and Uganda.

These dairy and horticulture projects in East Africa benefit consumers, medium and small scale farmers as well as major processors. These partnerships will, for example, lead to an increase in the incomes of sesame farmers and help them withstand drought better, by intercropping for example. Likewise, SNV's Sustainable Markets approach in agriculture is also based on our findings from the PPP Lab. The approach establishes a close engagement with local SMEs. SNV's IFAD supported Producer-Public-Private-Partnership 4P-project across five countries (El Salvador, Senegal, Uganda, Mozambique and Vietnam) builds business cases for joint investments in agriculture.

The success of these projects provide evidence of how instrumental PPPs and aid-and-trade can be in addressing long term poverty. Undoubtedly, private sector investment is not without its own challenges. However, by widening farmers' access to technology, enhancing product development and linking farmers to markets, PPPs instigate progress that neither party could achieve on its own.

Casting a wider net: coordinating efforts from farms to landscapes

SNV's work within value chains aims to provide end users with the tools needed to generate a steady income. But this work is increasingly being hampered by the growing impact of climate change. Even though climate change is primarily caused by the most developed countries, it is the developing world that faces the consequences. Especially people living in poverty, as their resources are limited, they suffer the worst of drought and famine. They do not have the means to adapt and it threatens the very grounds of their existence.

Hence it is no longer effective to work on alleviating poverty without taking the impact of climate change into account. SNV has a long history of initiatives mitigating and combatting climate change, like biogas digesters and crop diversification with shaded trees. Now, it has become imperative that SNV implements measures that are coordinated over a larger area, and are at the landscape level. Landscapes tend to cover jurisdictional areas like a district, province or nations and it is at these levels that plans and policies related to the climate are made.

In SNV's efforts to cast a wider net, it increasingly encounters competing claims for water use between processors, energy producers and farmers; land for grazing between pastoralists and farming communities; or access to forests between commercial timber growers, agriculture crop growers, and wild-life habitats. These competing interests need to be addressed, to be effective, particularly if it concerns national climate plans and policy development.

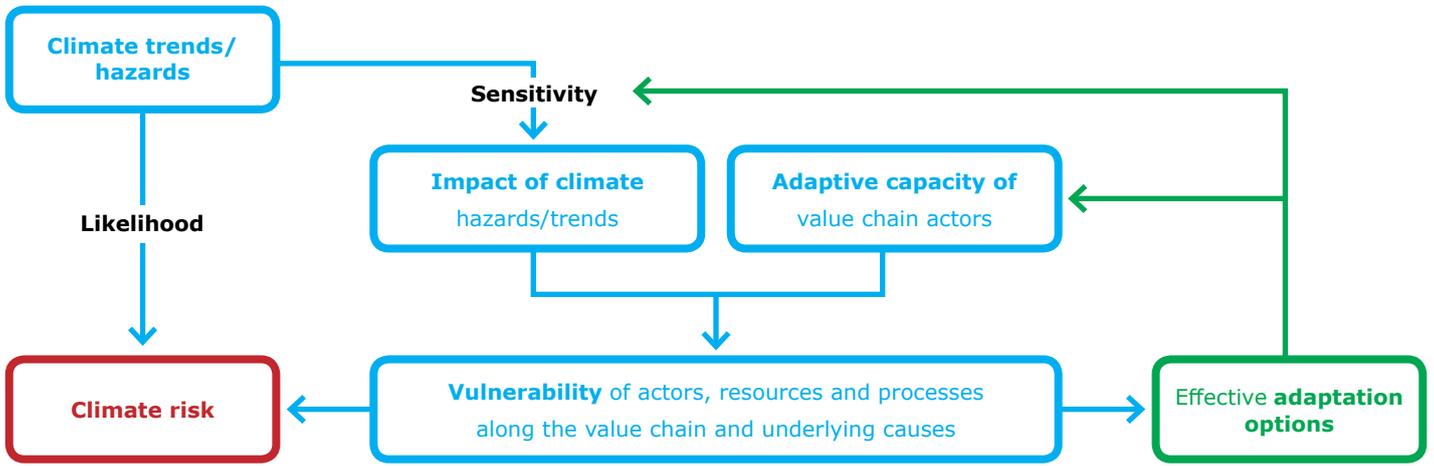
Government policies must support sustainable farming practices, whether it concerns coffee, cocoa, palm oil, or livestock. If for example, productivity needs to be increased to prevent farmers from encroaching on protected forest areas to be effective, it is necessary for SNV to coordinate its efforts with other parties throughout the area. Or, if farmers need to invest in the land to become climate resilient but do not own the land they farm, they need reliable overarching agreements on land tenure.

Innovations and opportunities

Climate risk assessment tool points out adaptation options

As climate change mitigation and resilience is rapidly being integrated into our agricultural projects, SNV has developed a climate risk assessment tool. The tool has tailored adaptation options to increase the resilience of farmers and processors, such as: water efficiency, new crop varieties, diversified production systems and the rotation or conservation agriculture.

We tested this tool in a value chain project in Mozambique funded by the Swedish International Development Assistance (SIDA). The test had positive results. We now have project requests for projects in Kenya, Zimbabwe, and Ethiopia and plan to integrate this tool into the inception phase of all SNV value chain projects. Moving forward, we will develop new monitoring and evaluation metrics to measure the results of climate change adaptation and resilience.



Climate Risk Assessment Tool

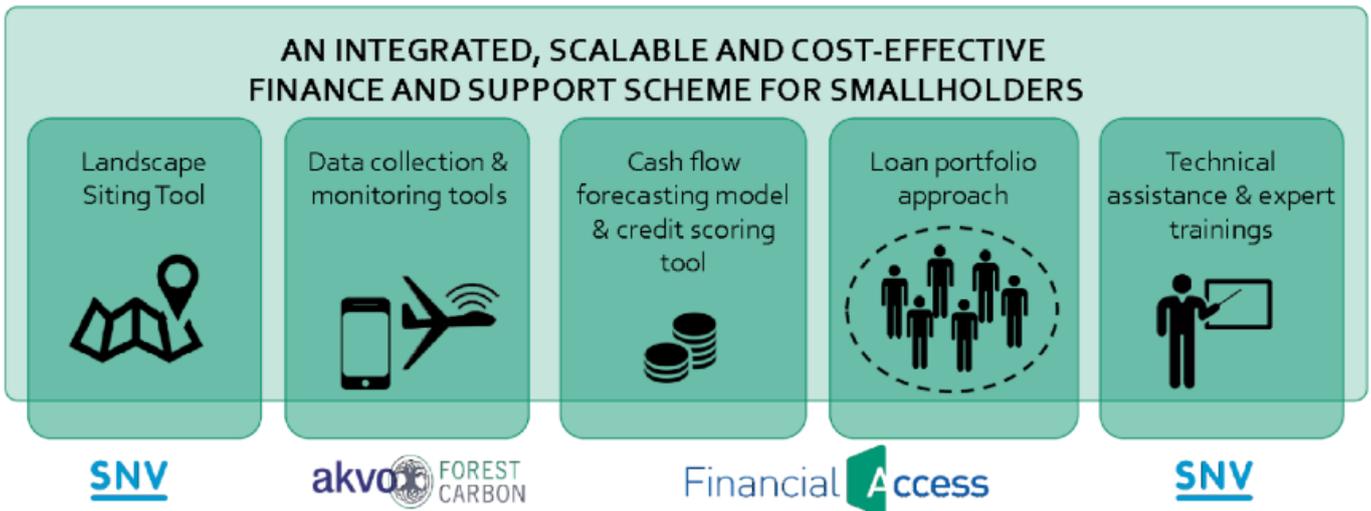
Finance is key for sustainable practice

For the Climate, Business and Landscapes product, SNV worked on developing a financing model for small holders to replant palm oil. Indonesia plans to increase palm oil production, but the existing plantations face falling yields and deterioration which drives further deforestation. Using an environmental perspective alone would mean ignoring the economic needs of the smallholders and the Government. If both the environmental and economic perspective are to be considered it becomes necessary for smallholders in Indonesia to replant 175,000 ha of land. This will enhance their production and limit deforestation. In addition, the temporary drop in income until the replanted trees start bearing fruit needs to be addressed. And although an annual funding of US \$700 million is needed for the coming 25 years, loans are normally out of reach for these smallholders.

So, with our partners AKVO and Financial Access (FA), SNV developed and piloted a support scheme which aims to attract financing by mitigating the financial risks. The support scheme

demarcates priority areas, organises smallholders into groups that are bankable through credit scoring, builds the smallholders' capacities through training and teaching aids, and monitors their progress through mobile and drone based data collection. In 2017, this innovative approach will be applied in SNV's new Palm Oil projects, funded by Millennium Challenge Account – Indonesia (MCA) and the Department for International Development, UK (DFID). SNV is now looking to replicate this model across Indonesia, Ghana, Zambia and Peru in palm oil, coffee and cocoa production sectors.

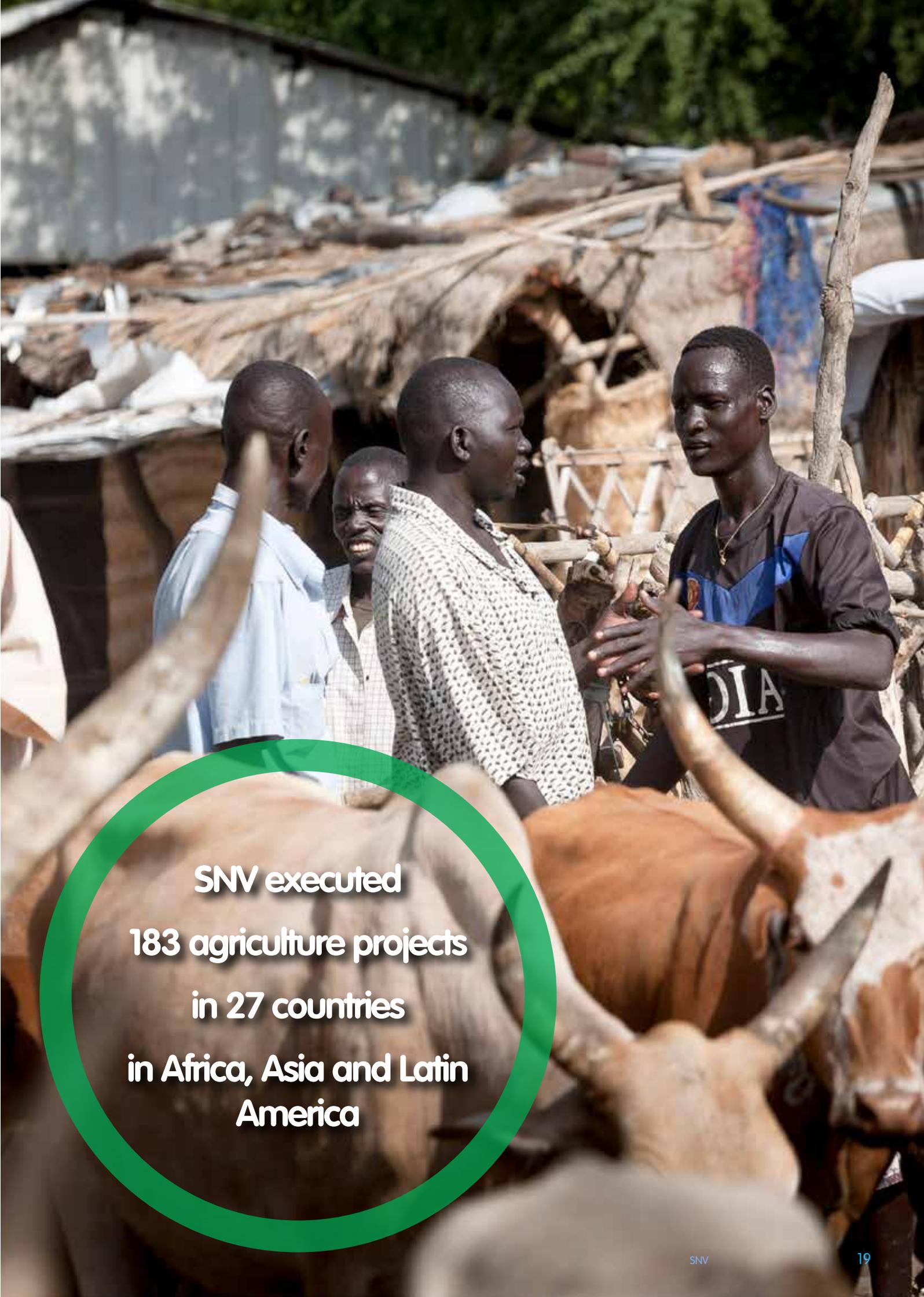
The innovation



Informed decision-making for pastoralists, using simple mobile phones

Through the Geodata 4 Agriculture and Water projects in Mali and Burkina Faso SNV has expanded its work with ICT platforms for informed decision making. As part of the project, satellite data and market data providers collaborate with mobile phone operators (like Orange in Mali and MTN in Burkina Faso) to provide affordable data services to pastoralists using simple mobile phones.

This service provides pastoralists with reliable information along different points on their annual migration routes ('Transhumance'). Cattle survival rates greatly depend on the informed planning of cattle migration routes by these pastoralists. Hence the service provides information on local biomass availability and the quality and availability of surface water, herd concentration and market prices for livestock and staple grains. In Burkina Faso weather forecasts are also disseminated. The projects have been in operation for 14 months now, and will improve the climate resilience of 275,000 smallholders in both countries.

A photograph of a group of men in a rural setting. In the foreground, a large brown cow with curved horns is partially visible. Behind it, four men are engaged in conversation. One man on the right is wearing a dark brown t-shirt with a blue stripe and the letters 'DIA' on it. The background shows a rustic structure with a thatched roof made of dried grass or straw, and some wooden poles. The scene is brightly lit, suggesting daytime.

**SNV executed
183 agriculture projects
in 27 countries
in Africa, Asia and Latin
America**

Water, Sanitation and Hygiene: Results overview

Sector trends and strategic priorities

The year 2016 marked the beginning of the SDGs, and saw considerable reassessment and reflection within the wider WASH sector. The bar for both water and sanitation was raised considerably (SDG 6 - Ensure availability and sustainable management of water and sanitation for all). Previously sanitation progress was disaggregated by 'improved' and 'unimproved'. 'Unimproved' was the first step up from open defecation and usually comprised of a pit latrine of some type; 'improved' was the next step up the ladder and entailed a more sanitary and hygienic type of toilet. New and higher thresholds have now been set, introducing the category of 'safely managed' for both sanitation and drinking water. For sanitation, this means relegation of what was previously quantified as 'improved' to 'basic'. New indicators for hygiene (handwashing) and service levels have also been added.

The SDGs signal a much broader recognition and acceptance of issues that some – including SNV – have long lobbied for: sustainable service delivery systems, environmental and financial sustainability and governments as duty bearers. Additionally, these goals focus renewed attention on reaching the 'Last Mile' of service provision, leaving no-one behind. Universal access - meaning access for everyone - and equity are paramount.

The job at hand is colossal. Given that the Millennium Development Goals (MDG) targets on WASH were largely not met, this raising of the quality bar is ambitious. More than a third of the global population - 2.4 billion - does not have access to a basic sanitation facility; one billion of these people still practice open defecation. And over 600 million people lack access to an improved drinking water source. While progress is being made globally, gains in water and sanitation coverage in South and Southeast Asia, and Sub-Saharan Africa, barely keep pace with the population growth. This is also the case in Latin America, where urban settings are concerned. Inequality, meaning unequal levels of access to water and sanitation, remains the largest and most persistent challenge.



New indicators for hygiene (handwashing) have been added to the SDGs

The key obstacles to improve accessibility of safe drinking water and sanitation services are often not technical in nature, but rather social and/or institutional. Shortages of safe water and adequate sanitation facilities are of course an issue, but oftentimes something larger is at play. The inequitable and unjust distribution of services, combined with poor operation and management exacerbate the problem. Those without access to safe water and sanitation lack the means and influence to change their situation. They are often the poorest and most marginalised groups of societies. Currently, progress is being made within the wealthiest quintiles, but those further down the wealth ranking are left behind.

Improving access to water and sanitation services is vital for public health, wellbeing and economic development. Improved practices in WASH reduce the risk of disease burden, contribute to the reduction of stunting, and increase the productivity and income of millions of people at the bottom of the pyramid.

SNV offers the following four products to confront these WASH challenges:



Sanitation
Sustainable Sanitation and Hygiene for All (SSH4A) – Rural
Urban Sanitation & Hygiene for Health and Development (USHHD)

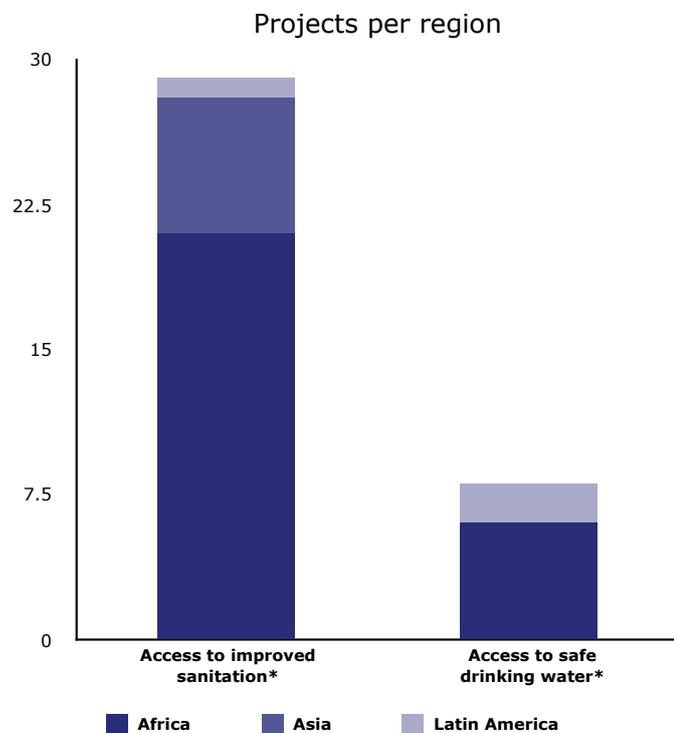
Water
Functionality of Rural Water Services (FRWS)
Urban Water Supply Services (UWSS)

WASH achievements in 2016

Excellent results were posted for the WASH sector in 2016, with 3.6 million end-users reported compared to a target of 3.5 million (this number has been adjusted for double counting). The target of 2.5 million people gaining access to and using sanitation was surpassed thanks to efficiencies of scale afforded by our multi-country programmes. A further 2.9 million people were recorded as having new access and use. Some 2.4 million of whom were at the 'improved' levels. This indicates positive movement up the sanitation ladder from 'unimproved latrines'. For drinking water the target of 1 million end-users was also surpassed, with 1.69 million people gaining access to an improved water source. Handwashing targets were likewise well exceeded with 1.5 million end-users recorded against a target of 400,000. A number of smaller projects came to an end whereas larger projects with more outreach have been started.

In 2016, we focused on:

- Ensuring equity and sustainability of WASH services and infrastructure;
- Accelerating progress at scale in sanitation and;
- Holding governments accountable as the duty bearers for access to safe water and improved sanitation, whilst involving the private sector in investment, development, operation and maintenance of WASH services and infrastructure.



* Handwashing with soap has been incorporated in other projects.

SNV executed 37 WASH projects in 17 countries Africa, Asia and Latin America.

Impact WASH 2016 (number of end users in 1,000)	Planned	Achieved
With access to sanitation	2,500	2,900
<i>Of whom improved *</i>	800	2,400
With access to safe drinking water	1,000	1,690
Practicing handwashing with soap	400	1,500
Total	3,500	3,600**

* In sanitation, much more people opted for improved toilets than forecasted.

** Adjusted for double counting

WASH highlights

Thinking beyond the finish line

The SSH4A programme continued to make outstanding progress in 2016, with the multi-country projects at the centre of our rural sanitation work. The DFID funded SSH4A Results project and the Foreign Affairs and Trade Australia (DFAT) funded SSH4A Civil Society WASH work provided the greatest impact. Promisingly, in some countries there was a shift in attention from progress towards open defecation free (ODF) to post-ODF programming.

Post-ODF programming shifts the focus from simply triggering activities, to looking at the way local governments organise themselves to deliver sustainable services. For example, when there are large numbers of open defecators, the focus is on demand creation campaigns and improving affordability of toilets. Addressing this focus requires different expertise and organisation than in a post-ODF situation, where the focus needs to move to surveillance and hygiene. The post-ODF approach recognises that ODF should not be the singular focus. Consideration of post-ODF needs prior to actually reaching ODF status i.e. recognising that the declaration of ODF is but one of many 'finish lines' is critical for long term sustainability.

Highlights in 2016 were several. Cambodia declared its first ever success in achieving district-wide ODF, in the northern district of Banteay Meas. This district of over 100,000 people successfully moved from a toilet coverage rate of just 16% in 2012, to being officially declared ODF in December 2016. In Ghana, the first ODF district (Nandom) will soon be officially recognised. This was made possible through the role of the traditional leaders in the community.

In Nepal, where many districts were already declared ODF, strong emphasis was placed on going beyond this finish line and looking at total sanitation. District WASH Coordination Committees (DWASHCC) have developed post-ODF plans with new milestones that work towards total sanitation'. Total sanitation includes new behaviours: hygienic use of latrines, personal hygiene and hand washing with soap, safe drinking water, safe food, clean household and courtyard and clean environment. SNV supports sensitisation, strategy development and behaviour change designs of the DWASHCC's and underlying

task forces. In Bhutan, SNV returned to review districts that had been declared ODF in 2012 and found that not only had there been no slippage, but that the districts had in fact progressed even further up the sanitation ladder. Across the country, the national Rural Sanitation and Hygiene Programme (RSAHP) is being scaled up as part of the Royal Government of Bhutan's 11th Five Year Plan, and based on SNV's SSH4A approach, has now reached nine of the country's 20 districts.

Nepal commenced implementation (as a prime) of the United States Agency for International Development (USAID) funded Health and Hygiene Activity (HHA) project, which includes health centres in addition to households. In Honduras, we commenced our first ever SSH4A programme. In Rwanda, we launched work on the USAID funded Gikuro WASH/Nutrition project. We led the implementation of the large WASH component under this project, with the work to date focussing on refining baseline development that will enable better progress measurement against forecast.

Central tenets of the programme include 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 anchoring of post-open defecation free targets.

Going forward, the programme will capitalise on lessons learnt and seeks to make further solid gains in both the number and quality of toilets.

In April 2014, SNV commenced implementation of the DFID funded SSH4A Results programme; a € 28 million rural sanitation project across nine countries, using a 100% Results Based Funding (RBF) mechanism. This means SNV only gets reimbursed if the results have been delivered and externally verified. The programme was rolled out in Zambia, Mozambique, Ethiopia, Ghana, Tanzania, Kenya, South Sudan, Uganda, and Nepal. In 2016, it unfortunately became necessary to cease implementation in South Sudan. The ongoing uncertainty around security and stability there left little choice. In 2016, we continued to successfully meet all planned targets of the DFID SSH4A programme, with 2.3 million people gaining access to sanitation, and 4.9 million people reached with hygiene promotion.



2.3 million people gained access to sanitation

In late 2016, confirmation was received that the project would be further extended to March 2020. An additional € 15 million will be provided, taking the overall value of the project to € 43 million. The programme initially aimed to improve the sanitation and hygiene situation for 4.8 million people, but with the new extension this will increase to approximately 8 million.

Desludging: to schedule or not to schedule, that is the question...

SNV's footprint in urban sanitation continued to grow. We made progress in a variety of areas, including occupational health and safety, planning, and business model development. A significant area of work was the introduction and adaptation of scheduled desludging in cities/towns in Nepal (Birendranagar), Bangladesh (Khulna, Kushtia and Jhenaidah), and Indonesia (Kalianda). The model of scheduled desludging comes from Malaysia, with some cities in the Philippines also having introduced the practice. Scheduled desludging involves the emptying of septic tanks on a regular basis, neighbourhood by neighbourhood – whether they are full or not. The benefit of regular, timely desludging of septic tanks is that it avoids emergency desludging - when tanks are overflowing – and allows for efficient, planned service delivery. The pilots showed that in practice most countries end up with a mixed approach. Either through "block desludging" (where a finite geographical area such as a city block is done at once) or a mix of scheduled desludging and 'on-demand' (help, my septic tank is overflowing). This allows service providers to build their customer database and gradually address the diverse nature of tanks that are encountered.

In Bangladesh, substantial strides were made in institutionalising city-wide sanitation services. Our urban sanitation programme supported the three agencies concerned (the municipality, the utility and the deconcentrated development agency), to integrate and update their Geographic Information System (GIS)-based information system to include urban sanitation information. Using this information, a customer database can now be made for emptying services, alongside an inspection system for compliance of septic tanks with construction standards. SNV contributed to the development of a national institutional regulatory framework (IRF) for faecal sludge management (FSM) in Bangladesh, by bringing our experience in Khulna, Kushtia and Jhenaidah to the national stage. SNV is now committed to further testing some of the major elements of the framework, such as the introduction of a Sanitation Tax (including the legal basis for the tax, calculations and procedures,

and different models). For the fiscal year 2017/18, local government officials agreed to charge a 12% Sanitation Tax on the total property valuation for all Government and Private Holdings. Our team is currently developing guidelines for the introduction of this new tax, which will contribute to making faecal sludge management viable and sustainable across the municipality.

District-wide functionality approach

As with sanitation, the optimal approach to the provision of safe and reliable drinking water is a district-wide approach (as opposed to an ad-hoc household or village approach). In Uganda, the Improving Water Supply Sustainability (IWAS) project, is ensuring an operation and maintenance (O&M) system that will increase the functionality of rural water points by supporting sub-county water supply and sanitation boards to develop and enter into contracts with the private sector (hand pump mechanics associations). The contracts provide for professional monthly preventive maintenance to rural water sources. The first contracts were signed in December 2016, with project activities being implemented in four districts of Northern Uganda. In Nepal, our water functionality programme culminated with the full documentation of tools and approaches, and the development of a social accountability guideline, with specific tools for monitoring and planning functional drinking water supply at the district level. This provides an accountability mechanism for end-users.

In Mali and Burkina Faso, we worked with the government to introduce new rural water supply management models through a private sector operator. Contracts are now in the process of being signed between communities and the operator, with each contract specifying quality, quantity, accessibility, and reliability (QQAR) indicators. The contract is based on formal payment for water per volume. The operator guarantees the functionality of the water supply without additional user fee charges. These contracts are long term to allow the operator to fully develop his/her water supply business.



In Nepal, our water functionality programme culminated with the full documentation of tools and approaches

Knowledge development and research

SNV WASH aims to bridge the gap between practitioners, policy makers and academics through its knowledge management and advocacy efforts, by actively promoting dialogue and learning.

We use knowledge development and learning to improve our field practice - leading to greater impact - and to contribute to the global discourse on sector development, meaning policy and thought influencing. The key component of SNV's knowledge efforts in the WASH sector are our global Communities of Practice.

The Communities of Practice use "D-group" digital platforms for professional debate and discussion, coupled with learning events for practical application. We currently run five global Communities of Practice in WASH: Rural Sanitation and Hygiene, Functionality of Rural Water Supply, Urban Sanitation and Hygiene, Menstrual Hygiene Management in Schools, and Behavioural Change Communication for WASH. D-group discussions are carefully moderated to ensure both practitioners and policy level opinions are included. In total, there are 1661 professionals from 58 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 Asian Development Bank (ADB), World Bank Water and Sanitation Programme (WSP), USAID, Swiss Federal Institute of Aquatic Science and Technology (EAWAG), Bill and Melinda Gates Foundation (BMGF), WaterAid and United Nations Children's Fund (UNICEF).

In 2016, SNV conducted two on-site learning events on Rural Sanitation and Hygiene: one in Cambodia and one in Kenya. In addition, SNV co-facilitated a shared greater-Asia learning event in Bangkok on functionality with Rural Water Supply Network (RWSN), Water and Sanitation Program (WSP) and WaterAid for high level government officials from 15 countries. Later in the year SNV designed and co-facilitated a learning event for South Asian partners of the Gates Foundation, focussing on the urban sanitation experience in Dakar, Senegal. Each learning event was prefaced by a preparatory on-line, moderated D-group discussion on the topic, with contributions used as input for agenda setting in the physical learning events. An additional moderated discussion around smart enforcement of regulations for faecal sludge management was conducted in preparation for a side event at the Stockholm World Water Week. Over 180 people participated in these learning events.

SNV staff presented topics such as: district-wide rural sanitation, total sanitation, menstrual hygiene management, regular desludging, rural water supply, city sanitation planning, smart enforcement, and behavioural change communication, at several international events in 2016. The events include SacoSan, Brisbane WASH Futures, World Water Week in Stockholm, the 39th Water Engineering & Development Centre (WEDC) conference in Ghana, and the UNC Health Conference in North Carolina.

Collaboration with the following organisations and institutes was continued in 2016; SuSanA (particularly the urban sanitation working group, led by GIZ and EAWAG), Emory University, the Institute for Sustainable Futures (ISF at the University of Technology, Sydney), and Sanitation and Water for All.

Innovations and opportunities

In Bhutan, new work with the London School of Hygiene and Tropical Medicine (LSHTM) commenced which aims to redesign the way hygiene promotion activities are devised and rolled out. The project tests, documents and measures the effectiveness of a hygiene promotion approach that uses the universal emotional drivers of nurture, disgust and affiliation to increase handwashing. The project is funded by DFAT and was designed in recognition of the growing consensus that hygiene promotion needs to be behaviour centred and must move beyond health triggers to realise health benefits. The role of local government is considered central to this in the long term, and the pilot seeks to enable district-wide implementation through existing mainstream government structures and programmes.

In Cambodia, Nepal, Zambia and Tanzania we commenced an SNV-funded multi-country study with the ISF, from University of Technology of Sydney looking at 'reaching the last mile': getting water, sanitation and hygiene to those still unreached. The study aims to demonstrate a breadth of approaches in understanding getting to the 'last mile', including the barriers to uptake of sanitation, and examples of pro-poor support mechanisms that can be addressed with local government and the private sector. Key considerations include implications for market based approaches, government uptake and sustainability based on a range of contexts.

Bhutan and Nepal conducted studies on the impact of disability on access to sanitation and hygiene facilities. For Bhutan, this was the first study of its kind to address the topic, and the first to include people with disabilities as part of the research study team.

Based on our experiences with city sanitation planning in Indonesia, Nepal and Bangladesh, we developed two papers. The first was a learning paper on sludge transfer stations. To date, this area in relation to the treatment of human waste has remained largely under-studied (for solid waste more has been done). Transfer stations are essential for a city-wide sanitation approach. Often only small vehicles can access crowded poorer neighbourhoods, and these vehicles are by design unsuitable for long-distance travel to main treatment plants. Sludge transfer stations address this constraint. The second paper was developed with ISF and questioned long-held city sanitation planning assumptions. The main finding was that heavy participatory planning processes are not effective in contexts of limited capacity and receive low interest of local governments. The paper argues for lighter city sanitation planning cycles, developing a longer-term vision while at the same time focussing on short term visible results, the quick wins.

Insights gained

Both for the use of an improved water source and the use of improved sanitation facilities, we substantially overachieved our targets. The increase in the drinking water result was primarily due to the successful adoption of post-construction support and a tighter focus on rehabilitation of schemes, since donors agreed with our line of reasoning preferring rehabilitation to new constructions. In sanitation, substantially more people than

targeted moved directly up the sanitation ladder to 'improved' toilets. A large portion of this success is attributable to the DFID-funded Results Based programme, and demonstrates the possibilities for scaling through multi-country programming and solid metrics.

The SDGs pose new challenges with regards to the quality and measurement of WASH. We acknowledge the size of the job at hand – even in the plainest of tasks. For example, the new benchmarks will require new baselines on safely managed sanitation, but very few countries currently have this data. At the same time, many countries are still at the beginning of ending open defecation. Higher benchmarks must therefore be communicated and managed properly to avoid discouragement. One of our major insights is recognition of the time required for change processes in rural sanitation. Following this line of thinking we also note that there is a trade-off between the breadth and depth of interventions. Deep and comprehensive WASH interventions often have limited scale, or are difficult to take to scale. Less comprehensive interventions, such as the community led total sanitation approach (CLTS), have proven relatively easy to show breadth but risk ignoring the bigger picture. In response to this we seek to work in a comprehensive manner (addressing demand, supply, governance, hygiene) on a systems level, but also recognise that we cannot make all the desired changes in WASH simultaneously. The path to improved sanitation and water is an iterative one.

Recognition of the effect of WASH services on other health areas, such as nutrition, neglected tropical diseases (NTDs) and microbial resistance, is growing, and much of the discourse in 2016 focused on the under-reported effects of WASH against larger health goals. Previously, a singular focus on safe birth, breast feeding, vaccinations and related hygiene behaviour ignored the effects of basic WASH conditions. Currently there is a growing demand for health-related sectors to integrate WASH. Nutrition projects are being asked to include more WASH activities in addition to traditional Maternal, New-born, and Child Health (MNCH). The demand is to make WASH interventions more nutrition-sensitive, for example to give specific attention to hygiene behaviours surrounding children under five ("Baby WASH"), and to collect data on nutrition indicators in addition to WASH indicators. From an SNV perspective, such areas can and should be added to WASH interventions where relevant. This said, we caution against singularly targeting nutrition results in WASH programmes. The target must always be the increased use of WASH services (from which, nutrition results may well flow). Sustainable, improved, nutritional status is a long-term objective, and is a composite result that cannot be attributed to a singular intervention (WASH or otherwise).

SNV executed
37 WASH projects
in 17 countries
in Africa, Asia and Latin
America



Energy: Results overview

Sector trends and strategic priorities

The year 2016 was a historical one for renewable energy. Energy and climate were placed at the heart of the international development agenda and the climate change agreement of COP 21 came into force within a year after signing. The role of Energy was further acknowledged through one of the key Sustainable Development Goals (SDG 7 - to improve access to affordable, reliable, sustainable and modern energy for all by 2030) launched by the UN in 2015. In 2016, major shifts took place in the global energy system, presenting huge opportunities for the acceleration of access to sustainable energy. Moreover, large funding mechanisms like the Green Climate Fund (GCF) have been established, providing resources for both mitigation and adaptation to climate change.

Despite the political and technological progress, the task at hand is enormous: 1.1 billion people still live without access to electricity, while regular power outages affect the development of those already connected to the grid. A stunning 2.9 billion people do not have access to modern cooking and heating. And each year 4.3 million people die prematurely of indoor air pollution from cooking and heating with traditional biomass fuels.

Low-income groups, without the resources to combat the effects of climate change are particularly vulnerable. At the same time, technological innovation is growing by leaps and bounds. These innovations expand the availability of cheap and reliable off-grid energy to those who were previously unable to access it. Yet, the focus of financiers and policy makers remains to be, by and large, on extensive infrastructure projects. With this approach however, connection to the main grid will take considerable time, or prove to be too expensive to happen at all, leaving those without access even more in need of decentralised solutions and approaches.

SNV offers the following products to confront these Energy challenges:

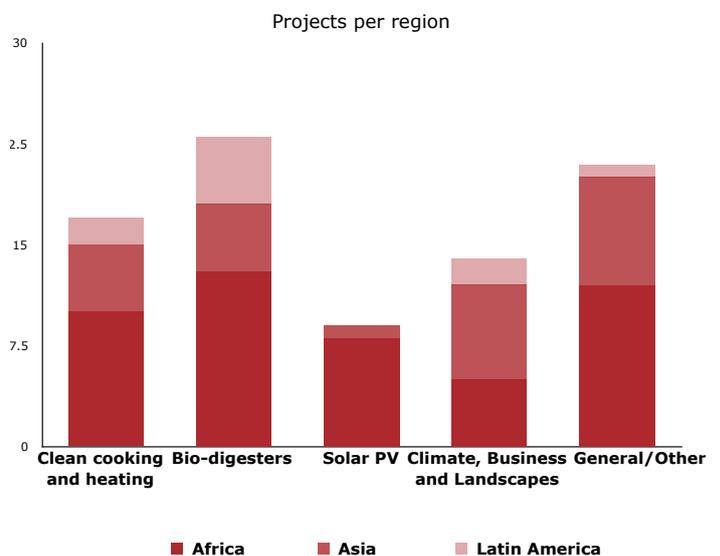


Each year 4.3 million people die prematurely of indoor air pollution resulting from cooking

Energy achievements in 2016

Although many countries have committed to cleaner energy by signing international commitments at surprising speed, they are rather slow to translate their commitment into concrete policies with matching budgets. The climate funds that were to be made available after climate talks in Paris have taken quite some time to materialise. Also, a new market mechanism for the generation of carbon revenues from renewable energy is yet to be put in place. It will probably take another two years to reach an agreement on such a large-scale mechanism.

In solar PV, SNV's impact is growing, yet slower than expected. SNV has carved out a niche with Result Based Finance to provide incentives to private off-grid solar companies that extend their distribution to the last mile. Even though it is widely acknowledged that many rural communities will have to wait decades for a connection to the grid, off-grid solar is largely seen as a matter for the private sector and receives only limited public funding.



SNV executed 84 energy projects in 23 countries in Africa, Asia and Latin America with the aim to improve energy access and reduce emissions (2015: 95)

Impact Energy 2016 (in 1,000)	Planned	Achieved
Additional end users with increased access to energy	1,500	620
Tons of GHG emissions reduced through SNV implemented projects *	500	557

* The Vietnam Forests and Deltas (VFD) project realised an emission reduction of 1.2 million CO₂ tons by improving and protecting carbon stocks in forests. This emission reduction was not measured in a harmonised way and has therefore been excluded in the total amount of emission reduction mentioned above.

Access to energy

In 2016, approximately 620,000 people received access to (improved) energy technologies, which was below target. In hindsight, it must be concluded that our planning was too optimistic. Several opportunities were cancelled or delayed. Consequently, work on those large opportunities, such as a € 21 million EU Biogas proposal in Ethiopia, only commenced in 2017. Moreover, new contracts that were signed encountered quite a few challenges in implementation, such as delays in essential government subsidies. We also introduced a revised, globally accepted methodology to measure the number of people with improved access to energy. Following its strict guidelines and instructions led to a considerable variance between the planned and the realised number of end users.

Reducing emissions

SNV's projects effectively contributed to the mitigation of climate change, as the total CO₂ emission reductions from installation or sales of energy technologies amounted to 557,344 tons, which was 11% above target. Bio-digesters contributed most to this achievement (77%). In addition, the Vietnam Forests and Deltas (VFD) project realised an emission reduction of 1.2 million CO₂ tons by improving and protecting carbon stocks in forests (this emission reduction was not measured in a harmonised way and has therefore been excluded in the total amount of emission reduction mentioned above).

By the end of the year, SNV submitted its application to the Green Climate Fund (GCF) for accreditation as an implementing organisation. This accreditation will make SNV eligible to receive funding for projects that benefit people, with low-incomes, through both climate mitigation and adaptation. Approval of the application is expected by the end of 2017.

Energy highlights

Clean cooking and heating: Innovations adding value to bio-digesters

In 2016, approximately 60,000 people in 12 countries benefitted from the installation of over 15,000 small and medium-scale bio-digesters, providing (improved) access to energy and fertiliser. Most of these digesters are operated by households who keep a small number of livestock.

Although SNV has been involved in biogas projects since 1989, it gained new momentum in 2016 - from a climate change mitigation perspective. Cattle is a major contributor to global

Green House Gas (GHG) emissions. Digesting manure and producing gas from livestock reduces this emission. In addition, several innovations are on their way to add value to bio-digesters. In partnership with SimGas, Mueller and BoP Innovation Center, SNV has developed biogas based milk chillers for the dairy sector in East Africa.

In Nicaragua, a big bio-digester was installed under the Biogas Market Programme (PBN) to power a system capable of milking tens of cows. Moreover, SNV has mobilised the private sector to produce and sell other biogas appliances for productive use, such as, grass cutters and irrigation pumps. Biogas digesters clearly offer more to increase agricultural productivity than gas and bio slurry.

In Burkina Faso, we signed an Emissions Reduction Purchase Agreement (ERPA) with the World Bank's Carbon Initiative for Development (Ci-Dev) on the purchase of 538,000 Certified Emission Reductions (CER) – commonly known as carbon credits – generated by the National Bio-digester Programme (PNB-BF). The estimated revenues of € 5.6 million will be used to further develop the bio-digester sector and increase the capacity of the private sector, financial institutions, Non-Governmental Organisations (NGOs) and provincial governments.

The surprisingly fast development of our Burkina Faso biogas programme proves that it is possible to launch biogas initiatives in regions with tough climate conditions, like the Sahel, where the production of slurry to improve the fertility of its traditionally poor soil is particularly valued by the farming families.

The programme has sufficient opportunity to become to a large extent self-propelling. Some 40,000 household digesters will be installed by 2024. The Government of Burkina Faso has listed PNB-BF as one of their priority programmes for accelerated development and has provided financial support.

Similar carbon schemes are operational in Vietnam and Cambodia, thus enhancing the sustainability of the national biogas projects initiated by SNV.



Some 40,000 household digesters will be installed by 2024

In Zambia, SIDA initiated the Energy for Agriculture project in 2015, with a budget of € 4.7 million.

A total of 12 construction companies started marketing bio-digesters. As a result, over 500 digesters have been installed in seven provinces. Its users were trained in operation and

maintenance. However, many farmers perceive the upfront costs to be high. Hence the project is currently exploring effective channels for credit financing.

In 2016, we completed the project 'Harnessing Climate Change Mitigation Initiatives to Benefit Women' in the Mekong region, funded by the Asian Development Bank (ADB). In Vietnam biogas mason enterprises, led by women, constructed or brokered the installation of bio-digesters. The project also covered clean cooking initiatives in Lao PDR and Cambodia. Across these countries the project promoted the importance of incorporating the needs of women into policies to mitigate climate change. As part of the project, SNV organised an international knowledge-sharing and networking workshop in Hanoi. The workshop attracted leading experts from around the world. As recognition of its achievements the project received a gender award from the ADB.

Improved cookstoves cause less pollution

In 2016, over 266,000 people in nine countries benefitted from improved access to clean cooking through the purchase of about 76,000 improved stoves and biomass fuels. The benefits of clean cooking are threefold: less wood and charcoal use, lower GHG emissions and reduced indoor pollution.

The Improved Cookstoves (ICS) Programme in Lao PDR, implemented by SNV, Oxfam and the local Association for Rural Mobilisation and Improvement (ARMI), and financially supported by the EU Switch Asia Programme, contributed towards this achievement. It exceeded its planned target of 100,000 stoves by reaching the milestone of 135,000 stoves sold since its inception in 2013.



The production and sale of 100,000 ICS was marked by a public event in June 2016 in Vientiane

The ICS programme aims to develop a sustainable consumption and production chain of fuel efficient stoves. The programme supports enterprises with the sustainable production of these improved cookstoves. Enterprises can apply for funding to pre-finance their production, giving them the flexibility to sell their products on consignment to retailers. With the support of Nexus for Development, the programme is preparing to gain carbon finance to continue its future activities.

In Cambodia, Laos, and Vietnam, over 65 million people still cook on traditional biomass stoves. With support from

the Energising Development (EnDev) programme and the Blue Moon Fund, SNV launched the 'Stove Auction'. The Auction is an innovative approach to accelerating the market for advanced biomass stoves. The project offers the private sector incentives to overcome the barriers to enter the market for renewable energy systems.

The emphasis of the Auction is on enabling a vital connection between the suppliers of high performance biomass stoves and local distributors and retailers, by establishing a trading platform in each country. The hypothesis – to be tested in the coming years - is that local demand for the stoves will increase over time, leading to a willingness of local distributors to pay higher prices. To date a total of 17 auctions were held in Cambodia and over 3,700 stoves were sold. In Vietnam, 29 auctions were held and over 2,000 stoves were sold. The project aims to trade about 120,000 advanced stoves by 2019.

Solar energy, the economy's silent engine

In 2016, about 280,000 people in nine countries benefitted from access to improved, off-grid lighting and power through the purchase of over 66,000 solar lanterns and Solar Home Systems (SHS). Our approach towards solar energy is to 'de-risk' the private sector's investments in extended distribution of solar energy to rural communities, an area where the solar energy market has faltered until now. SNV uses the mechanism of Results Based Finance (RBF)¹ to stimulate the market, that is, we pay an incentive per (certified) solar system sold.

SNV is also galvanising the market for solar energy in the rural areas of Tanzania's Lake Zone with support from EnDev. Only 21% of rural Tanzanians have access to electricity and a clear majority of the country is expected to remain off-grid for the coming decades. Our goal is to accelerate 'last-mile' distribution of solar power to rural areas. In this programme, established in cooperation with TIB Development Bank, we provide incentives to enterprises to extend their distribution of solar devices such as lanterns, phone chargers and small solar home lighting kits. After two rounds of applications, eight firms are active. And almost 12,000 systems were sold in 2016. This brought the total number to over 24,000, as targeted. EnDev provided the programme with additional funding which has allowed us to announce a third round of applications that expands to the Central Zone of the country.

EnDev also supports a project in Kenya that targets off-grid communities in 10 counties. The project seeks to contribute commercially viable supply and distribution models. Since 2012 the project has sustained a network of over 200 "last mile" entrepreneurs. Activities in 2016 included training, mentoring, and brokering access to financial institutions. This has resulted in the sale of 34,000 devices, including Solar Lanterns and Solar Home Systems.

The Bright Lights for Benin project is funded by Groupe Special Mobile Association (GSMA), an organisation that represents the

¹ However, RBF for funding development in the private sector should not be confused with RBF mechanisms that donors use while funding SNV, such as in the WASH sector (see page 20) which is based on project outcomes realised by SNV itself.

interests of mobile operators worldwide. Cooperating with the mobile network operator MTN that has an extensive distribution network for mobile phone credits, allows this project to reach the heart of Benin's rural areas. To start with, SNV brought together the solar producer Greenlight Planet, import supplier ARESS and MTN. Then SNV selected and trained MTN agents. The target was to sell 9,000 solar lamps. By adding solar energy to their sales portfolio, mobile phone associates can use their existing distribution network to generate more income. The project allows consumers to buy a solar lamp and pay a weekly instalment through their phones until they have repaid the total purchase amount. Initial uptake of sales was slow however, because the pay-as-you-go (PAYG) rates were too high. The instalments were later lowered to the average amount spent on kerosene and phone charging. Some logistical and technical platform issues arose that were resolved in the first few months. Following the initial phase, many more agents were trained, resulting in a steep increase in demand.

Climate, Business and Landscape, policy and practice walk hand in hand

The Vietnam Forests and Deltas (VFD) project participated in the development of provincial plans through an overall framework for green growth, low emissions and sustainable forest management. The project partook in the implementation of a decree on Payments for Forest Ecosystem services (PFES) by providing incentives for households that preserve the forest. The review provided by SNV will lead to an improved government decree in 2017. As a result of the review nearly 20,000 individuals will receive PFES payments for the first time. The reduced or sequestered GHG emissions in 2016, because of the VFD's support, were approximately 1.2 million tons.

Based on technical inputs from the project, the Vietnamese government also endorsed a decree on sustainable management, protection and development of coastal forests to cope with climate change. This policy will enable the co-management of coastal forests and expedite investments from the Government of Vietnam, private sector entities and other organisations.

Knowledge development and research

SNV commissioned studies to better understand the impact of health messaging on the purchase of clean cookstoves, in Cambodia and Kenya. The study in Cambodia tested the effects of various forms of health messaging and found that the efficacy of individual sales agents was the main factor affecting sales.

In Kenya, a randomised controlled trial was executed by the Busara Centre for Behavioural Economics to test the effect of three health-based interventions (a textual and a visual health risk message, and a message directed towards overcoming purchase obstacles such as price). The study found that while health messaging had a minimal effect on stove purchases, the price of the stove was a key factor.

ACE Europe conducted an evaluation of the Africa Biogas Partnership Programme (ABPP) to assess the effectiveness and impact of its approach in developing a market oriented biogas sector. The ABPP is financed by the Ministry of Foreign Affairs in the Netherlands (DGIS). SNV is the programme's technical

advisor and Hivos is the fund manager. Launched in 2009, ABPP is operational in five African countries: Ethiopia, Uganda, Kenya, Tanzania and Burkina Faso. The second phase of the programme started in 2014 and will end in 2018.

The evaluation was based on an assessment of the ABPP programme in Burkina Faso and Tanzania and utilised both quantitative and qualitative methods. The evaluation concluded that the most important steps in developing a biogas market were successfully covered by both programmes. The programme succeeded in installing the key biogas functions including: price setting, appliance provision, quality control, research and development. However, the number of bio-digesters constructed was lower than planned. ACE mainly attributes this to the brusque introduction of RBF to the local partners. Since then we have intensified our efforts to study underlying business cases and have strengthened local partners to boost the quality of their work and enhance the functionality of biogas installations through improved after-sales service programmes.



Launched in 2009, ABPP is operational in five African countries: Ethiopia, Uganda, Kenya, Tanzania and Burkina Faso.

ACE Europe also concluded that the governments in both countries had been slow in stimulating the biogas market. Leaving policies on bio-digesters without specific implementation measures. And although financial support was often available, it was offered quite late. As a result, the availability and uptake of credit for both households and constructors, has been limited to a mere 4% and 10% of all installed digesters in Burkina Faso and Tanzania, respectively. However, once the biogas digesters were installed between 70% and 80% of end users expressed satisfaction with their digester, its production of gas and the use of bio-slurry. Taking these learnings into account, our programmes demonstrate that biogas technology can also be introduced in regions with tough climate conditions.

Innovations and opportunities

Inundating slum dwellers with health messages doesn't work, marketing attractive stoves does

Unhealthy cooking in urban areas is an issue of growing concern. Currently, about one billion people live in informal settlements around the world and this number is expected to grow substantially. Urban settlements are usually overcrowded and lack the most basic services, such as safe and permanent shelter, clean water, sanitation, electricity and a healthy

environment. People are often exposed to unhealthy cooking conditions, including smoke indoors and sleeping in the same room as the stove. Moreover, as 50% of the urban population still cooks on wood fuel, as alternatives like gas are too expensive, it fuels the degradation of forests. Yet the demand for ICS is generally low, because people see their slum dwellings as semi-permanent. An improved cooking environment is not perceived as a priority, so the willingness to invest is low.

It is essential to adapt our cookstove projects to urban contexts and pro-actively advocate for broader support for an improved cooking environment in slums. The 'call for action' in 2017 will be based on a sound demand analysis. The participatory pilot interventions will include low cost, attractively designed, stoves that will be sold with a positive message. There are issues that still need to be resolved, such as the scope of interventions (limited to cooking or including other sectors like food security and nutrition), the engagement of partners and the funding available.

Fast track energy access, accelerating markets creates opportunities of scale

The second 'call for action' in 2017 will focus on the distribution of Solar Lanterns in African countries with a low electrification rate. Our experience in Kenya and Tanzania has shown the potential these lanterns have for households that are beginning their ascent up the 'energy ladder' and to solve their energy poverty. Bringing brighter, healthier (no indoor pollution and burns) and reliable light to remote areas increases the possibilities for study and economic productivity and generates savings on traditional sources of energy, without polluting the environment.

We believe that our approach to accelerating the private sector's distribution, through de-risking their investments, opens possibilities of growth. We take away barriers the private sector faces to enter the market, but we do not interfere with consumer pricing. This keeps our project costs per sale low, and allows markets to continue growing when our project stops. Our call to action will proactively promote this approach.

We aim to engage potential partners to join forces with us to fast track universal energy access with the aim to disseminate three million certified solar lanterns.

Insights gained

It is increasingly being recognised that the private sector will have to play a major role in universal access to electricity, clean cooking and heating. Public resources alone will not be able to leverage enough momentum to achieve the SDGs. Our approach to accelerate markets is a powerful mechanism to leverage investments and address the risk aversion of the private sector.

Result Based Funding offers an effective incentive payment system to businesses based on pre-specified results – such as the number of new electricity connections or advanced cookstoves sold. In 2016, SNV gained ample experience with this type of financing in more than 10 projects across its regions and sub-sectors such as bio-digesters, ICS and solar PV. This brought to light some specific bottlenecks for the various RBF

schemes. For example, effective and efficient verification methodologies for payment of incentives are essential, that take quite an effort to realise.

A disadvantage of the RBF mechanism is the inability to pre-finance companies, for example to provide them with the working capital required to import equipment. RBF also needs to be considered in the design phase, as very few private financial institutions will come up with the necessary pre-financing on their own. Based on the apparent interest of donors and the private sector and the encouraging results achieved this year, SNV will step up its efforts to raise awareness on the design and implementation of RBF within the energy sector.

**SNV executed
84 Energy projects
in 23 countries
in Africa, Asia and Latin
America**



Corporate Programmes and Partnerships

Voices for change partnership (V4CP): Evidence based advocacy

One of SNV's key roles as an organisation is Evidence-Based Advocacy. SNV's evidence is grounded in 50 years of advisory experience and an in-depth understanding of social-economic and political contexts. SNV's advocacy efforts utilise this verified evidence to influence decision makers, stakeholders and relevant audiences to support and implement actions that contribute to issues of common interest.



SNV's evidence is grounded in 50 years of advisory experience and an in-depth understanding of social-economic and political contexts.

By funding SNV's Voices4ChangePartnership (V4CP), DGIS has acknowledged SNV's understanding of the multiple levels of society of the countries we operate in. SNV is a trusted partner for many organisations and has years of contextual knowledge of these societies. The V4CP programme strengthens the advocacy capacities of selected Civil Society Organisations (CSOs) in Kenya, Rwanda, Burkina Faso, Ghana, Honduras and Indonesia. The CSOs are active in the Energy, Agriculture and WASH sectors and they represent the interests of crucial groups such as pastoralists, female entrepreneurs and small-holder farmers by advocating on their behalf. With such constituencies, the CSOs are in a perfect position to generate on the ground evidence that enriches policy debates surrounding these issues. V4CP support these CSOs by boosting their capacity to negotiate, so that they can raise their voices for change through dialogues with local governments and the private sector.

In its first year V4CP set the stage by selecting 52 CSOs through an open and competitive process. In workshops that included all the partners, V4C jointly defined an agenda for advocating better policies, laws, regulations and services for food and nutrition security, resilience, energy and WASH.

Apart from the 52 CSOs mentioned, V4CP is also partnering with DGIS (MOFA), IFPRI and the Embassies of the Kingdom of the Netherlands in six countries across Africa, Asia and Latin America.

The programme has three pillars:

- **Capacity development:** The selected CSOs participate in a capacity development trajectory to strengthen their capabilities and offer a platform for exchanging experiences and taking the relevant actions;
- **Evidence creation and dissemination:** CSOs are trained and encouraged to make use of evidence and data in their advocacy by contextualising the results of their research, using knowledge products and joining online platforms and alliances to disseminate this data;
- **Support to advocacy plans and activities of CSOs:** CSOs are supported in the design and implementation of advocacy plans. The design and continuous updating of these plans takes place during the capacity development trajectory and learning events.

Some examples of what CSOs are advocating for

In Kenya, food safety is an issue of growing concern. Take horticulture for example: although the country's export meets international standards, local produce often contains high amounts of pesticides. CSOs representing consumers are seeking more attention from the government by jointly tackling this issue. In Ghana, organisations that represent farmers are advocating an increase in the budgets for measures that would improve their efficiency and reduce post-harvest losses.

In Indonesia, CSOs are focused on stunting of children. Although regional and district plans related to food and nutrition security exist, awareness of this information at the district level is lacking. SNV brings CSOs together to increase their collective access to these plans. These CSOs are more capable of ensuring that a larger budget is allocated to food and nutrition security if they work together.

In Rwanda, a strong working group has been created by SNV to collect and analyse data that will help CSOs advocate for improved coordination of agriculture, food security and nutrition activities at both the national and district level. This data reviews budget allocations as well as relevant policies, in preparation for the claims to be made in the coming year.

Resilience

In Burkina Faso and Kenya the impact of climate change has hit pastoralists hard, creating conflicting interests between agriculture and cattle breeding in a shrinking area. CSOs, assisted by SNV, are seeking support for policies and services that will improve the businesses of these pastoralists, such as free corridors for cattle, water wells, or veterinary services. CSOs are also gathering evidence to estimate and show the economic benefit of these measures for the country.

Apart from their efforts to engage government at all levels, the CSOs will generate broad support for these measures by partaking in talk shows and radio and television commercials.

Renewable energy

The Burkina Faso market is flooded with low quality solar equipment. As a result, people are not encouraged to invest in the equipment and this hampers growth in the renewable energy market. Since it is difficult to control the import of this equipment, CSOs are striving towards certifying high quality installations and services of renewable energy equipment. In this way, consumers know where they can get access to reliable off-grid energy. The CSOs also advocate for the government and education partners to invest in the education of the installers.

WASH

In 2016, work in WASH under the V4CP project commenced in Ghana, Indonesia and Kenya. Advocacy efforts of these CSOs lend a voice to those who remain largely unheard. It also provides reliable data to support quality decisions regarding open defecation free (sub) districts, such as research into the motivations and obstacles to achieving ODF districts and the procedures and budget mechanisms to receive funding.

SNV's work in this sector aims to enhance the capacities of nine WASH CSOs to use evidence in influencing decision makers. With the help of WASH research institutes, the CSOs will gain access to research data and the lessons learned from current projects to support their advocacy strategies. This data is expected to amplify the voice of CSOs in policy design, implementation and services provision, thereby increasing their effectiveness.

Overall, the essence of our approach is to work with CSOs to create a systematic way to realise their goals. Through an informed dialogue with the public and private sector, CSOs can help them step by step with evidence creation, and the sectors can cooperate with the CSOs to realise their common goals.

CSOs in Burkina Faso learn from the capacity development trajectory

A CSO representative in Burkina Faso said: "We have a habit of taking advocacy on-board, but it's not well structured. We do not always work with clear objectives and indicators; we do not always specify our audiences. We have now learned to organise ourselves, to structure our advocacy work and to better target our audiences. This will enable us to achieve better results".

Whatsapp group in Honduras

CSOs in Honduras not only value the knowledge gained in capacity development workshops, they also enjoy exchanging experiences and joint action planning. Working together helps them, as group, to gain access to meetings. They launched a 'WhatsApp' group to stay abreast of political developments regarding renewable energy, food and nutrition security, and to exchange advocacy strategies.

Opportunities for youth employment (OYE!): Bringing jobs to youth

In many developing countries unemployment among youth is as high as 50%, and the statistics on underemployment are even more dramatic. Considering the expected increase of young people entering the job market, this is an issue of growing concern. Failing to address it will lead to increased migration to urban areas or other countries. Politically, this is a potential source of instability. Economically, it is untapped potential.



We match unemployed and underemployed youth to existing markets with employment opportunities.

However, many of these young people lack the relevant skills for gainful employment and the means to start their own business. This is where SNV steps in with the Opportunities for Youth Employment (OYE!) programme. We match unemployed and underemployed youth to existing markets with employment opportunities. Each intervention starts with the identification of opportunities for youth employment in the market. For this, we utilise the business environment that we know through our energy and agriculture projects. We provide rural out-of-school youth with the necessary basic life and business skills, and the relevant technical skills that will qualify them for (self) employment. Only then do we connect them to businesses seeking employees.

The Opportunities for the Youth Employment (OYE!) programme runs in partnership with The MasterCard Foundation in Mozambique, Rwanda and Tanzania. The programme's main target is to provide outreach and skills training, for improving the employability of 20,500 rural out-of-school youth, leading to the employment of 18,500 youth and the establishment of 400 new youth-led enterprises after four years. Three years into the programme, we have already trained more than 14,000 youth, over 9,000 of whom are now employed. Almost 600 youth led enterprises have been established.

Young women currently constitute 35% of the outreach, against a target of 40%. Additional efforts are being made to enrol more women, such as the demonstration of female role models in traditionally male professions, and highlighting jobs that can be done in combination with household chores.

During the early stages of the project we learned that we needed to support young people for a longer period to help them settle into the jobs they had acquired. This new addition

quickly improved our success rate. Moreover, the confidence and entrepreneurship of these youth needed boosting, so we incorporated this as well.

Access to finance was another hurdle for youth to start their own enterprise. Consequently, we set up a credit scheme to kick start small investments. Most of the youth who enrolled in the programme have diversified their trades; young women who started as retailers of solar systems, invested part of their income in rearing chicken and young men who initially engaged in commercial sesame started investing in pig rearing or hairdressing salons.

Over time OYE's market based approach has been gaining ground. In Mozambique, OYE expanded its partnerships with the private sector to 15 agribusiness companies; in Rwanda and Tanzania it expanded to 20 companies in biogas and solar. Our engagement with the private sector is strictly based on the sector's business interests: working with 'OYE youth' should enhance their business.

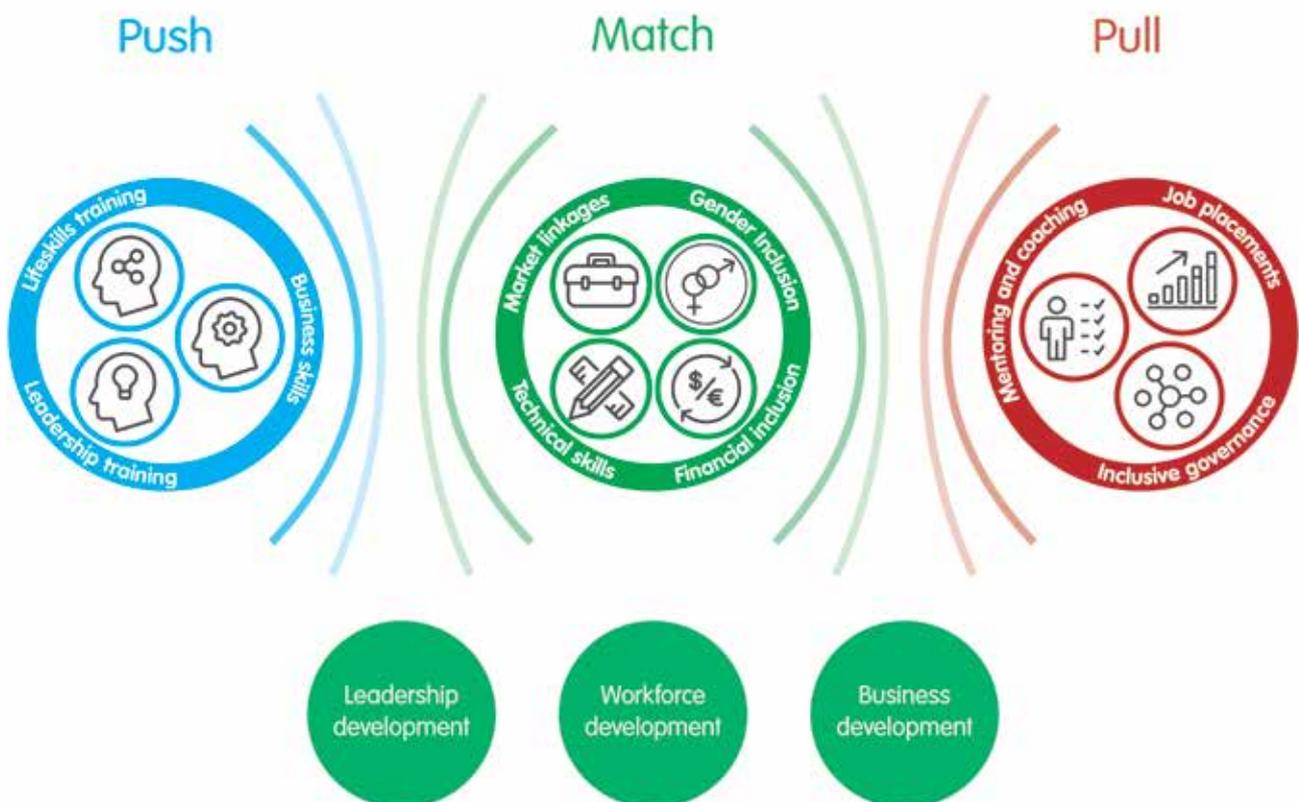
Promoting youth employment requires stronger partnerships with government institutions, as they are increasingly adopting OYE interventions and effectively supporting its growth.

During the reporting year, OYE received a positive mid-term evaluation executed by MDF ESA – acknowledged by The MasterCard Foundation. The evaluation produced valuable recommendations: to broaden our market opportunity

identification among young women and to solidify the base for improving and expanding our private sector engagements. These improvements will be incorporated in the remaining two years of the project.

Consequently, the OYE model is increasingly receiving recognition from other donors. In 2016, the Swiss Agency for Development Cooperation joined the programme by contributing € 4.5 million to the existing OYE programme.

Theory of Change: Our OYE approach



Mobile phone data applications and collaboration with AKVO

Data technology helps present transparent results

Technology increasingly shapes daily life worldwide, offering people and organisations relevant information wherever they are. Detailed mobile data collection and storage of these aggregated data in the cloud has grown tremendously. In line with these developments, SNV has incorporated data technology to manage its projects and programmes; both for diagnostic purposes (such as identifying contamination of water and food) and assessment of project results (such as how many households acquired new latrines). Detailed mobile data collection helps to prove the realisation and sustainability of SNV's sanitation interventions over time. Merging databases into graphic dashboards also improves the transparency of the information provided to governments and other funding organisations. And the use of mobile phones throughout the world opens avenues for providing relevant information to end-users anytime, anywhere.

The use of mobile data collection, storage and representation will expand further in 2017. Providing transparent results will contribute to fact-based discussions on the effectiveness of interventions. At the same time, the need for careful handling and protection of detailed personal data will have to be assured.

Implemented tooling



With the help of AKVO data collection SNV has already registered more than 2 million people with sanitation at home

In 2016, we continued our partnership with AKVO, a Dutch-based organisation that creates applications for the development sector. Our ambition was to finish a work programme that had started in 2015, aimed at developing several specific applications. We completed 15 applications, of which three are now implemented under the G4AW (Geodata for Agriculture and Water) programme of the Netherlands government in Mali, Burkina Faso and Bangladesh. In these programmes, we use satellite information to bring relevant information and advice to pastoralists and farmers via their mobile phone.

In the WASH sector, AKVO data collection on results has been broadly integrated. It forms the backbone of SNV's Results Based Financing agreements with DFID, with the help of which SNV has already registered more than two million people with sanitation at home.

In the Energy sector, SNV branded biogas and cookstove apps as well as a solar application were developed. The biogas app now shows the results of the country wide biogas programme funded by the ADB in Vietnam.

The uptake of AKVO tooling in Energy however, was slower than planned, since the multi-country EnDev and ABPP programmes used other data tools at the request of the funders.

We started specific agriculture data applications for tracking and tracing commodities such as palm oil in Indonesia. Tracking and tracing with the use of drone-based areal information is a powerful tool to show the landscape effects of our green farming interventions and the certified value chains of specific commodities. This fits into the wider effort to further build and strengthen our Monitoring and Evaluation (M&E) data for the Agriculture sector.

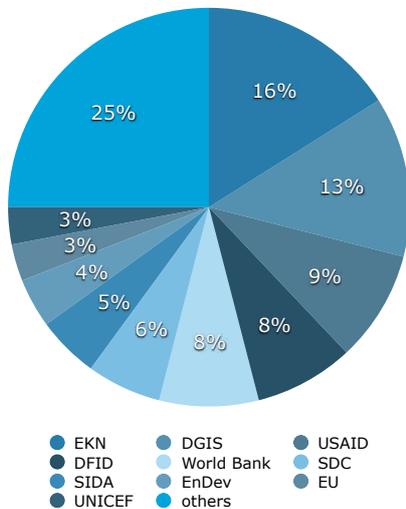
Global Support Services

Marketing and Business Development SNV's first year without core funding

Donors

After 50 years of continuous programme funding from the Dutch Ministry of Foreign Affairs (DGIS), 2016 marked the first year that SNV's revenues were entirely based on project and programme contracts, funded by a diverse donor base. In the five years that preceded the discontinuation of the funding from DGIS, SNV managed to build relations with a wide variety of world's major donors. We maintained strong ties with DGIS and they continue to be one of our main customers.

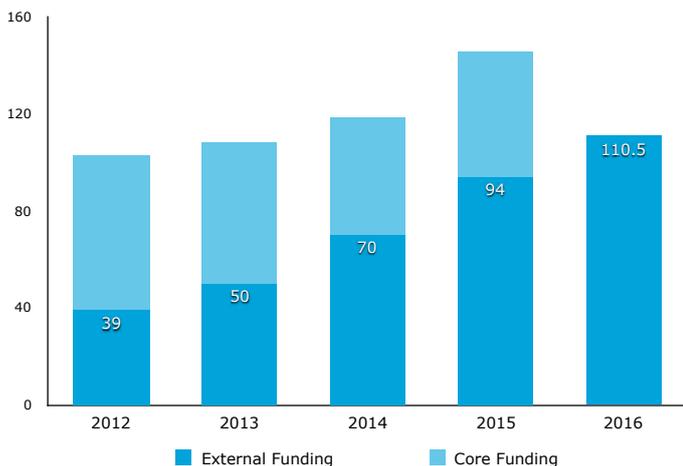
Share of donors in cumulative annual order intake 2013-2016



Revenue

Last year we realised a revenue of € 110.5 million from donor contracts, compared to € 94 million in 2015. This indicates that our external funding has been steadily growing over the past five years. However, total revenues in 2016 were lower than in 2015 (€ 145 million) and 2014 (€ 118 million). The main reason is that the core funding from DGIS ended in 2016.

Annual Revenues 2012-2016 in million Euros

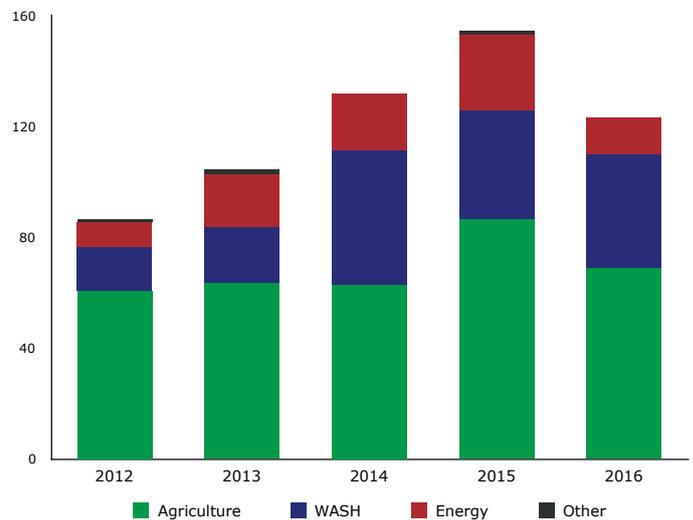


Order intake

The signing of two large contracts with a total value of € 20.4 million was postponed to January 2017. As a result, the actual 2016 annual order intake was € 123 million instead of the targeted € 140 million. Consequently, SNV has increased its order intake target for 2017 from € 150 million to € 170 million.

The Agriculture sector accounted for 56% of the total 2016 order intake, WASH for 33% and Energy for 11%. The order intake for WASH exceeded expectations, whereas Energy fell below expectations. It should be noted that the increase in our deal size results in a higher volatility of the annual order intake as compared to target.

Order intake per sector 2012-2016 in million Euros



Donor market trends

In 2016 there were important political shifts and we expect them to have a great impact on the development market. The influx of refugees into Europe has appropriated a considerable part of the Overseas Development Assistance (ODA) budget of European countries. The vote supporting the United Kingdom's (UK) exit from the European Union affected the exchange rate of the pound and has cast a shadow on the Euro's exchange rate. This shift is further compounded by the uncertainty surrounding the UK's future ODA and climate spending of the new US administration. We are unsure how these changes will impact our initiatives however, we may see more changes in 2017, after the national elections in several European countries. As the UK government's DFID, US government's USAID, and Dutch government's DGIS are amongst our largest donors, we are dedicated to further develop strong relationships built on trust with our main customers, both at the country and global levels. At the same time our strong local presence and diversified

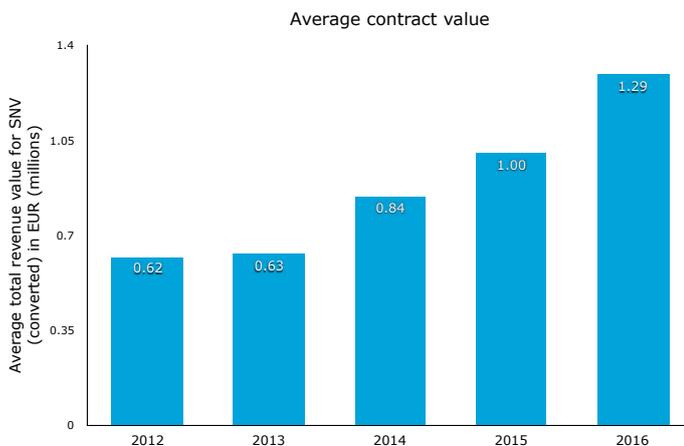
sources of income, provides us with a strong position to face the future.

Donor's shifting priorities also bring new possibilities. With Opportunities for Youth Employment (OYE), for example, we are well positioned to tap into new donor initiatives that address the root causes behind economic fragility and migration (in Mali). Similarly, we are at the forefront of the growing trend of involving private companies as key partners necessary to reach the ambitious targets of the new SDGs. We have a strong track record in collaborating with local and international companies in Latin America, Africa and Asia.

Working with the German Society for International Cooperation (GIZ), SNV initiated the Private Sector Working Group of the Practitioner's Network for the European Development Cooperation. It is a platform where EU Member State agencies exchange experiences and advise the European Commission on public-private partnerships.

Trends in SNV's order portfolio

In 2016 SNV signed 22 contracts with a value of over € 1 million. These contracts covered 82% of SNV's total annual order intake. The average value of contracts signed increased by 30%; from € 0.98 million in 2015 to € 1.29 million in 2016. This reflects SNV's success in earning the trust of donors to engage in larger projects.



The largest deals signed in 2016 were: a € 15.5 million contract with the Government of the Democratic Republic of Congo to implement a World Bank funded agricultural development programme, and a € 14.7 million contract with the Netherlands Embassy for a WASH and Water Resource Management project in Benin. DFID also awarded SNV with a € 15.2 million extension for the successful WASH Results Programme (the contract was signed in January 2017).

In 2016, the total value of all the proposals sent out by SNV was € 313 million, 13% below the proposal value of 2015. This decrease has since been compensated by an increase in our success rate, especially in the tender market, showing our ability to identify which projects to pursue.

In the last three years, SNV has signed contracts with 79 different donors. Diversifying its donor base makes SNV less

vulnerable to any sudden policy changes by individual donors. Our top ten donors covered 90% of the 2016 annual order intake.

In 2016, 44% of our order intake came from the World Bank and the Dutch government (each representing around 22%).

The US market's share in SNV's annual order intake doubled to US \$ 23.8 million (18%).

European bilateral agreements (excluding the Netherlands) represented 26% of our order intake – with the Swiss and Swedish governments as our biggest donors.

2016 Donor Ranking

(By value of contracts signed)

1. World Bank
2. Netherlands Government
3. USAID
4. SDC
5. SIDA
6. Germany Government
7. DFID
8. EnDev
9. Comic Relief
10. UNICEF

Marketing and communication

In 2016, the integrated Marketing and Business Development (BD) unit strengthened SNV's global identity across three sectors and 33 countries. A global marketing strategy was formulated and implemented by means of four programmes; Enhancing a global brand profile, displaying SNV's product expertise as the main proof point for the brand, strengthening our relations with donors and exploring possible innovations.

To strengthen donor relations, we gathered market intelligence on donor strategies and their awareness and preference for SNV. The information gathered reflected our profile as technical experts and it acknowledged that our international staff are well equipped for the market and the governing realities of the countries we work in. Donors also encouraged us to showcase our bottom-up experience in a bolder way.

Our communication towards donors was focused on topics that will be relevant for the next few years like climate change, food security, solar energy, gender equality, youth employment and urban sanitation.

In addition to these topics, we explored market trends such as the impact of urbanisation, data driven interventions and Public Private Partnerships to highlight possibilities for product development. We based our research on urban slum inhabitants on the premise that any initiative must be based on a clear understanding of their needs as potential consumers.

To feature news on partnerships and real-time findings from projects more prominently, we increased activity on our corporate website and social media channels such as LinkedIn, Facebook and Twitter. Our renewed website enables engaging

and accessible updates. Dedicated communication around important events such as the World Water Week and COP 22 offered our readers live, up-to-date information. Our blogs and updates were well received and the reach of our online channels increased by an average of 25%.

The first highlight in our communications activities includes the shortlisting of three videos on youth employment, gender and nutrition (produced by Brand Out Loud) for the Social Impact Media Awards (SIMA). Secondly, Sun-Connect (the main website on off-grid solar energy) selected our story 'Bright Lights for Benin' as one of the best articles of 2016. Thirdly, our work on climate is generating increased interest from the press. A BBC programme on climate change reported on SNV's project to shift milk production from [cows to camels](#), allowing farmers to become more drought resistant.

SNV USA

SNV USA is a separate legal entity. It was established to link US government institutions and US based foundations to the global implementation capacity of SNV. This investment is starting to pay off. In 2016, SNV USA realised an order intake of US \$ 23.8 million, which represents 18% of SNV's total annual order intake. Included in the order intake is a US \$ 10.7 million prime contract for a Rural Sanitation programme in Rwanda. The signing of this contract has been an important achievement that opens-up possibilities for future growth in the US Government market.

Considering SNV's new funding base, SNV USA adjusted its strategy, operations and cost structures during the year. SNV reconfirmed its commitment to the US development sector, with a primary focus on the US Government and the Bill & Melinda Gates Foundation. The forecasted order intake for 2017 is US \$ 28 million. As the direction that the international development policy of the new US government is unknown, this goal is somewhat uncertain.

Planning, Monitoring and Evaluation

Harmonised reporting

We have set a goal to improve the quality of life of over 20 million people living in poverty worldwide from 2016 until 2018. To be able to report our results at a corporate level in a robust way, we formulated a limited set of harmonised impact indicators, along with standardised methodologies to measure these indicators. Where possible and appropriate, our indicators and methodologies follow international guidelines. All projects with a budget over € 250,000 will be assessed on the basis of these harmonised indicators. When combined, these projects cover a large majority of our projects. The reported number of beneficiaries in 2016 have been mentioned in the sector chapters of this annual report (see pages 10 to 30).

Quality criteria

SNV's PME approach is guided by several quality criteria that are a must for all its projects. These criteria promote the participation of the stakeholders in the project's planning, monitoring, evaluation (PME) and learning. They underscore the importance of recognising complexity and flexibility in planning

processes, and strongly support reflection, learning, and steering based on the collected data relating to the project's progress. The quality criteria also emphasise the need to have sufficient human and financial resources available to ensure the proper documentation and storage of PME related data.

Open data

SNV strives to maximise the transparency of its results. As of 1 January 2016, SNV is committed to comply with the International Aid Transparency Initiative (IATI). This initiative provides a standard for all DGIS and DFID funded projects that were initiated from this date on and have a total budget equal to or larger than € 250,000. We have started using the AKVO Really-Simple-Reporting (AKVO-RSR) dashboard to publish these data. And we adhere to taking this openness forward.

Corporate evaluations

In 2014 SNV initiated six corporate external impact assessments. These evaluations accounted for the funds received from DGIS in the core subsidy period 2011-2015. In addition to this they provided insights on the results achieved; identified the factors that contributed to these results; fed our organisational learning and improved our work in the three sectors. Four evaluations were finalised in the period 2014-2015. The two evaluations mentioned below were finalised in 2016. The evaluation of the Rural Agriculture Revitalization Programme (RARP) in Zimbabwe showed that the programme increased the capacity of farmers, agro-dealers and local institutions. According to the evaluators the programme has not yet been able to significantly impact productivity, production, or the income of smallholder farmers. This is – as noted by the evaluators – not surprising given the adverse economic policies implemented and adverse weather events (drought). Nonetheless, agro-dealers, smallholder farmers and (some) input suppliers noted the improved access to inputs that RARP created.

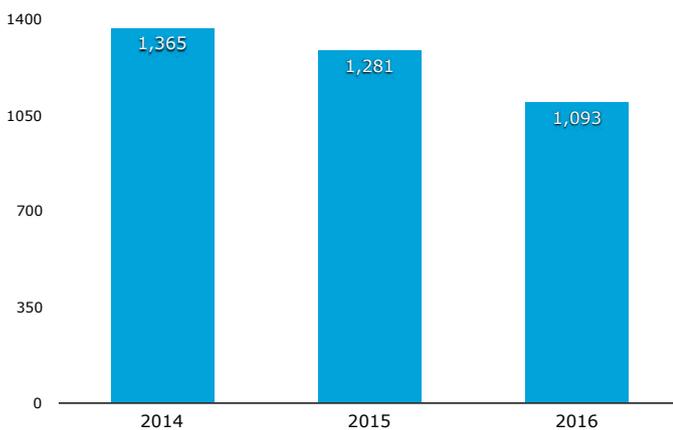
The evaluation of the SSH4A programme in Cambodia concluded that the programme generated a significant demand for knowledge of sanitation and hygiene at the community level. The programme substantially increased the capacity of the targeted district and provincial offices to support rural sanitation and hygiene. This resulted in a significant increase in the number of households using latrines. Consequently, the open defecation (OD) rate across the district declined from 72% in 2012, to 21% in 2015. The programme resulted in a significant health benefit: a sizeable reduction in the incidence of diarrhoea across the district over the last few years.

Human Resources

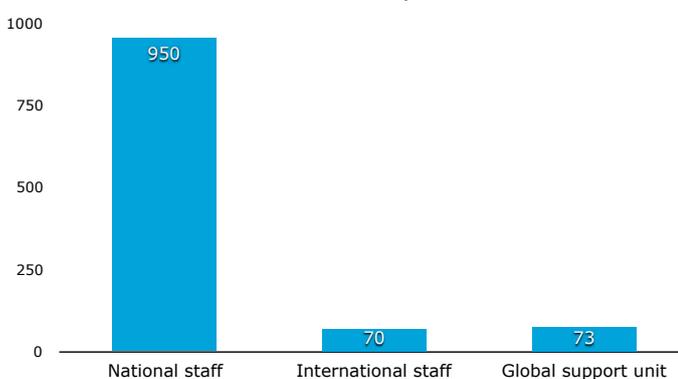
Over the last two years SNV reduced its staff numbers in anticipation of the termination of core subsidy from DGIS. Nevertheless, we carefully steered our workforce to ensure that the right number and quality of staff needed to implement projects would be available. In 2016 the total number of staff, including expatriates, decreased to 1093. Despite these lower numbers, more revenue was realised due to increased productivity and increased cooperation with local development partners, something we had aimed for.

In line with our policy on a flexible workforce, many current employment contracts will expire when projects end. Depending on the project forecast, these contracts can be renewed. In several countries, the number of staff is expected to increase due to implementation requirements of contracts acquired. Overall, we expect our work force to be stable in 2017. Of SNV's staff, 35% are female. This percentage is also reflected in its senior leadership positions (36%), a slight step-up from 2015, when 33% of the leadership was female. Through an organisation wide gender policy, SNV has committed itself to increasing both overall and leadership percentage of female staff to 50% in the coming years.

SNV staff numbers at year end (2014-2016)



Staff headcount at year end 2016



Note: Associate Advisors are included in the national staff group

Recruitment and turnover

The phasing out of all projects covered by core subsidy meant that related staff had to be reassigned to other projects as much as possible. However, since donors usually determine the experience and quality levels of staff needed on their projects, it was not always possible to place existing SNV staff in newly acquired projects. Therefore 187 contracts were not renewed.

When filling leadership positions such as Country Directors and Head of Departments in the General Support Unit, SNV carefully recruited staff based on the skills and competencies required to fit the new reality. More than ever, extensive experience in business development, project management and the private sector is valued.

We succeeded in retaining 50% of the junior professionals that participated in the successful SNV Junior Professional Programme. In 2017, we aim to attract young local and Dutch talent through participation in the Young Expert Programme (YEP), sponsored by the Dutch Ministry of Foreign Affairs.

As a result of SNV's strategy to increase the flexibility of its workforce, around 85% of SNV's staff were on definite contracts by the end of 2016. However, this led to an increase in employee turnover, requiring a greater investment in recruitment. In 2017 SNV will implement a new recruitment tool that optimises the recruitment process, generates more exposure for our vacancies and offers an easy to use referral system. The tool will be user friendly and will highlight the viability of internal and external candidates in our existing databases.

Induction and training

In 2016, SNV conducted one-week induction sessions for advisors, the SNV Way Programme. This programme provides a general introduction to SNV's organisational set up, strategies and approaches. Many SNV country offices also organised one-day induction sessions for their new staff. A Country Director Induction programme was hosted in the autumn of 2016 to welcome five new Country Directors to SNV. In addition, business development training sessions were organised across the continents. These sessions helped the staff to improve their proposal writing skills and identify and develop business opportunities.

Intensive training was provided to Finance Officers, Project Managers and Project Administrators, to facilitate the introduction of the new SAPByDesign programme. The three sectors also held learning events such as webinars to increase the quality of our work.

Staff representation and compensation

The Corporate Council – the body which represents SNV's employees – formally met twice with the Managing Board representative, Michel Farkas. A newly elected Corporate Council was established on 9 June 2016 for a three-year term of office. The Council met with the Managing Board to discuss SNV's topical issues and priorities focused on preparing for the challenges after 2016. The Council contacted the different country councils to identify common issues of concern which needed to be highlighted to the Managing Board.

SNV also concluded and implemented a renewed Collective

Labour Agreements from 2016 to 2019 for the Head Office and expatriate staff. Along with an annual increase of 1.5% in salary and the adjustment to new labour law regulations, an employability and retention fund of 2% of the total wage sum per year was agreed upon. Many SNV country offices have also agreed to update their staff manuals in 2016 in order to align with SNV's reward policy.

Finance and control

Resource mobilisation

SNV's total revenue from resource mobilisation grew by 17% to € 110.5 million in the financial year 2016. This was the fourth year of solid growth. However, growth has not increased when compared to that of 2014 (39%) and 2015 (37%).

Net result

SNV realised a net deficit of € 1.7 million on all operations in 2016. This comprised of operating surpluses on Result Based Programmes (based on the percentage of completion) and an € 2.9 million provision taken for future losses on several legacy projects that commenced in the previous years. For these projects, the costs to complete the contracts are forecasted to exceed the contractual revenues at the end of the project life.

Activities

SNV's finance's main priority is the realisation of growth in resource mobilisation while driving a reduced cost structure. The implementation of SNV's new SAPbyDesign programme supports the improved financial planning and reporting processes. Implementing the new ERP system was a milestone for the staff at the Head Office and for the finance teams in the country offices. With this programme, we have laid the foundation for more efficient financial planning and reporting processes. From 2017, our focus will be on the continuous improvement of these processes and internal controls. The implementation of SAPbyDesign has introduced more effective ICT controls and enabled digital workflows at the Head Office and in the country offices.

The financial year 2015 was completed with a clean audit opinion. A controls-based audit approach was completed for the programme countries in Latin American, all countries in Asia and most programme countries in Africa.

In 2016, the Head Office finance team initiated a treasury transformation project that will run for 18-24 months. The objective of this project is to improve the management of financial risks, such as foreign exchange risks, liquidity risks, credit risks on banks and to rationalise and improve SNV's cash management systems by further centralising all treasury activities. Where possible, incoming donor funds will be routed through the Netherlands to improve control of the funds. The total cash and bank position at the end of the year amounted to € 72 million.

In the next few years we will be placing more emphasis on improving the accounting support we provide our country offices. This will, in turn, improve the effectiveness of the support provided by the finance teams to their own country and project management teams.

Information and communications technology

The SAPbyDesign (SBD) project is a change management project that supports sound project management, the standardisation of SNV's work into robust and uniform processes and real-time reporting of SNV's implementation results.

To reach these goals, we reviewed and changed processes for finance, HR and project management. We then integrated these changes in end-to-end processes such as Procure to Pay and Order to Cash. These processes have now been implemented in the new cloud application SAP Business ByDesign.

Progress on the project in the beginning of 2016 was quite delayed. Therefore, based on an independent analysis, the original supplier was replaced, the project governance was reinforced and resources were added to the internal and external project team. The Mid-Year Review budget for the SBD project in 2016 was € 1,178,000; we spent no more than € 1,106,500.

After working with the new supplier, the project started showing results with structured roll out 'sprints' including intensive training sessions for the users. In August 2016, SNV's Head Office (including the Dutch Projects office) and Uganda went live with SBD, followed by Ghana and Vietnam in September. The other countries followed in subsequent sprints. Implementation of SAPbyDesign was completed in Latin America and Asia in 2016; three more sprints are scheduled for the first half of 2017.

From an ICT perspective, the implementation of SBD is the last step in bringing SNV's core applications (SalesForce, SAP and SharePoint) to the cloud. The Virtual Office project, focused on SharePoint and Office365 tools (OneDrive, Outlook and Skype for Business) was finalised in the first quarter of 2016, as planned.

Audits and risk management

Internal audits

Internal audits are based on a risk-based audit plan and provide the Managing Board with independent and objective information on the degree of control of (parts of) SNV's primary and supporting processes. Through the internal audits SNV can identify its potential weaknesses, risks, good practices, and foster organisational learning. In 2016, in-field audits were carried out in Kenya and Mali (including Niger), and one single-project audit was carried out in Ghana. In general, the internal controls functioned well, however, two audits noted necessary improvements around financial controls. The planned audit for South Sudan was cancelled due to SNV's decision to wind down its activities in the country.

Outcome summary of internal audits 2016

To follow-up, recommendations from the individual audits are monitored over time. The status of the implementation of audit recommendations is reported to the Managing Board four and eight months after the audit is completed.

The 2016 in-field and single-project audits combined have been

analysed to identify the most important common themes. Recurring topics that emerged from the audit are: the need to strengthen the administrative checks and balances of project management and the often inadequate and sometimes slow improvements after the audits. The external audit and SNV's internal risk management exercise resulted in similar conclusions. New tools like SBD, and support (establishing a Project Support Office in 2017) have been introduced to mitigate the shortcomings and support project management.

External audit

The corporate accounts of SNV are audited annually by PricewaterhouseCoopers (PwC), an independent external auditor. The corporate accounts are discussed with the auditors by the Audit and Risk Committee and the Supervisory Board. In 2016, PwC along with SNV developed a tool that assists with gathering project data, assesses the predictions made and evaluates progress.

From 2017 onwards, SNV will replace PwC as its external

auditor. After a thorough tender process, BDO has been selected as SNV's audit partner.

Risk management

In mid-February 2016, we conducted a review of our risk profile. The update of the risk profile was shared with the Managing Board (MB) and the Supervisory Board (SB). Risks were identified, discussed, scored and prioritised. New risks that entered the top ten were: foreign exchange risks; the changes in the external political world and; SNV's low overhead costs limiting innovation opportunities.

The MB has discussed the review and this resulted in the risk register 2016 that served as an action plan for mitigating these risks and informing the SB on SNV's risk profile. Progress on the implementation of mitigating measures will be monitored regularly.

SNV's risk appetite is aligned with its strategy and differs per risk category.

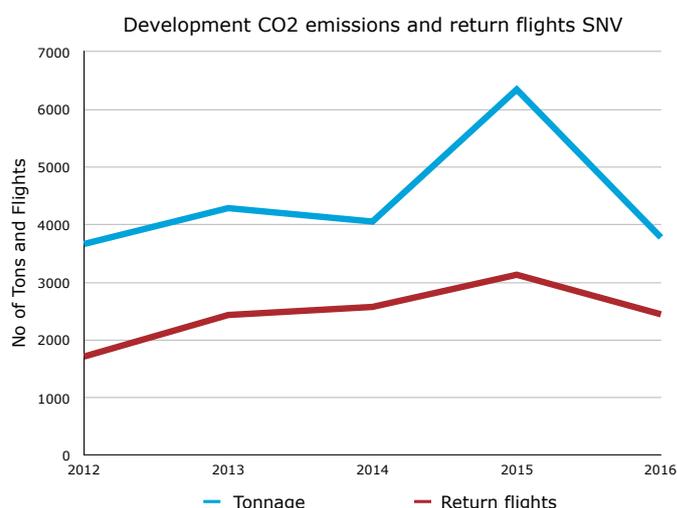
Risk category	Risk appetite	Description
Strategic	Low	SNV Strategy Paper 2016-2018 is (deliberately) focused on the continuation of its approach to poverty alleviation within the three sectors: Agriculture, Energy and Wash.
Operational	Moderate	SNV is aware that working in the development context is sometimes influenced by circumstances that often cannot be (directly) influenced. Hence, SNV accepts that of the secured revenue, only 90% will be realised.
Financial	Low	SNV manages liquidities and strives to minimise the foreign exchange and currency risks.
Reporting	Low	SNV only accepts minimal errors in its reporting.
Compliance	Low	SNV strives to comply with all (including donor) applicable laws and regulations.
Corruption and Fraud	Zero	SNV has a zero-tolerance policy related to fraud, a fraud response policy and whistle-blower policy in place.
Safety and Security	Zero	SNV has a zero-tolerance policy when it comes to safety and security of SNV's staff. A safety and security policy is in place.

SNV's risk management table

Curbing our carbon footprint

Since 2011, SNV has been striving to minimise its Carbon Dioxide (CO₂) emissions. Based on the consolidated data from 2016, SNV has managed to reduce the number of flights by 22%. Total emissions have decreased by 43% - especially since longer flights have been reduced. The graph on the right demonstrates this.

Due to the nature of our work however, we cannot avoid travelling altogether. So, in addition to reducing the number of flights, we have been offsetting our emissions by procuring gold standard credits from two biogas projects in Tanzania and Cambodia.



Governance

Supervisory structure

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

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

- Currently four members of the SB hold seats in the Selection and Remuneration Committee, which is responsible for recommendations to the entire SB regarding the appointment, evaluation and remuneration of the Chief Executive Officer (CEO) and MB members.
- Two members of the SB hold seats on the Audit and Risk Committee (ARC). This committee monitors finance, IT, risk and compliance and advises the SB on finance, control and risk management issues.
- The SB informally meets with the Corporate Council yearly.
- The Chairman of the SB is not a formal member of any of the SB's committees but has a standing invitation to attend any of the Committee's meetings. However, the Chair is temporarily chairing the Selection and Remuneration Committee (SRC). This has changed in 2017.
- The external auditor is appointed by and reports annually to the SB.

In 2016, the SB convened four times (once per teleconference), the ARC also convened four times, and the Selection and Remuneration Committee convened twice. All Committees, guided by their own charter, act as advisory and preparatory decision-making subgroups of the SB.

In the SB meetings, the MB provided regular updates on the implementation of SNV's operational plan for 2016, including quarterly progress reports on the 15 corporate priorities (see Priorities 2016 on page 8).

During 2016, the SB focused on topics directly linked to the strengthening of SNV's position in the international development arena. The topics include SNV's marketing approach, improving the work processes, including the introduction of SAPByDesign and implementing SNV's programmes and projects. This, among others, will be done by reviewing the performance at the corporate level during the year. On advice of the ARC, it also discussed the engagement of a new auditor from 2017. This led to the appointment of BDO as the new auditor as of 1 January 2017.

There were some changes to the Management Board in the first half of 2017. Andy Wehkamp stepped down as the Managing Director for the Energy sector. From April 2017, she has been

succeeded by Tom Derksen, former Managing Director of Agriculture. André de Jager is the new Managing Director for the Agriculture Sector.

Furthermore, Allert van den Ham announced that he will step down as the Chairman of the Managing Board and CEO of SNV, as soon as a successor has been found.

The SB approved the alignment of the MB remuneration with the Corporate Labour Agreement (CLA). The SB continued its focus on action plans to implement sound project management, and oversaw liquidity. Formal approvals were given to the Corporate Annual Report for 2015 and to the Corporate Annual Plan and Budget for 2017.

The SB extended the terms of SB members Evelyn Vinke-Smits and Bernard ter Haar for four more years from April and July 2016, respectively.

During its meetings, the ARC and the MB reviewed the results of the external and internal audits, including the MB's response to the recommendations. Specific attention was given to regular liquidity forecasts and the IT project SAPByDesign.

The audit for 2015 was evaluated and the audit approach for 2016 was discussed. The ARC was very involved in the process of engaging a new auditor from 2017 and a member of the ARC took a seat on the procurement board for a new audit firm. The mid-year review results were discussed including the balance sheet review. The ARC was informed on tax compliance, and the results of the controlled self-assessment. Fraud cases and security issues have been reported to the ARC by the MB.

The Selection and Remuneration Committee discussed specific remuneration issues of MB members to align their remuneration with the new corporate CLA and the recruitment of a new MD.

SB chairman Koos Richelle has temporarily taken on the role of chairman of the SRC as his predecessor ended his board membership of SNV; William van Niekerk joined the committee as its fourth member.

Guidance in the case of alleged irregularities

SNV's Code of Conduct provides guidelines for good conduct and judgement in ethical matters and conflict of interest. SNV's Whistleblower and Fraud Response Procedures (implemented in 2011) guides SNV employees on how to report cases of alleged impropriety and irregularities which breach the Code of Conduct. Both procedures were upheld in 2016.

SNV maintains a strict policy of zero tolerance against theft, fraud and misuse of SNV's resources. This was communicated to SNV staff on several occasions during 2016.

17 alleged improprieties were reported in 2016. This is an increase compared to the nine cases reported in 2015. All cases in 2016 but four were closed in the same year, for which investigations are still ongoing in 2017.

Alleged improprieties concern for example, not respecting procurement procedures, conflict of interest and complaints on preferred treatment of staff. In all cases disciplinary measurements (including dismissals) have been taken against involved staff. Also, the Managing Board and country management level have repeatedly communicated our zero-tolerance approach.

The two largest cases were a fraud case in Vietnam (forging documents) valued at approximately US\$ 14,000, and the embezzling of funds in Tanzania - valued at €15,000. In the first case SNV ordered a forensic audit. The staff involved have been fired and legal action will be taken against all those involved. In the second case an employee of a Local Capacity Builder (LCB) in Tanzania embezzled funds. The project will end in May 2017 and the LCB will compensate the full sum to SNV.

Constitution of Managing Board



Allert van den Ham (as of March 2011), Chief Executive Officer; Chairman of the Board, SNV USA

Other activities*

Board Member, Partos



Michel Farkas (as of May 2011), Managing Director Global Support Services / CFO

Other activities*

Board Member of Aerzte ohne Grenzen (Doctors without Borders) Germany; Member of the Supervisory Board of CNVP (until 1 January 2017), Chair of the Audit Committee Artsen zonder Grenzen (Operational Centre Amsterdam)



Megan Ritchie (as of April 2013), Managing Director Water, Sanitation and Hygiene

Other activities*

Board Member, Stepping Stone Liberia



Andy Wehkamp (from April 2013 till March 2017), Managing Director Energy



Tom Derksen (from September 2013 till March 2017), Managing Director Agriculture
(as of April 2017), Managing Director Energy



André de Jager (as of April 2017), Managing Director Agriculture

*All other activities are unpaid

Constitution of Supervisory Board



Koos Richelle, Chairman of the Supervisory Board (as of 7 October 2015, and member from 1 June 2015), Chairman of the Selection and Remuneration Committee (as of 14 April 2016).

Ex-Director General for departments for International Cooperation in the Dutch Ministry of Foreign Affairs, as well as in the European Commission.

He presently serves in several non-executive boards of non-profit organisations. He is a supervisory board member of ECDPM and of IHE-Unesco, and chairman of the Advisory Committee on Migration Affairs.

Nationality	Dutch
Takes seat as from	7 October 2015
Assigned until	7 October 2019



Bernard ter Haar, Member, Member of the Audit and Risk Committee, vice chair Supervisory Board (as of 1 January 2016).

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

Nationality	Dutch
Takes seat as from	1 January 2012
Assigned until	1 January 2020 (extended for a second term as of 1 January 2016)



Ronald de Jong, Member, Member of the Selection and Remuneration Committee, Chair of the Selection and Remuneration Committee (as of 1 December 2015 until 13 April 2016).

Chief Market Leader, Royal Philips and a member of the Philips Executive Committee. Chief Human Resource Officer and member of the Philips Executive Committee from 1 April 2017.

Nationality	Dutch
Takes seat as from	1 July 2012
Assigned until	1 July 2020 (extended a second term from 1 July 2016)



Mirjam van Reisen, Member, Member of the Selection and Remuneration Committee.

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

Nationality	Dutch
Takes seat as from	20 April 2012
Assigned until	20 April 2020 (extended for a second term from 20 April 2016)



Evelyn Vinke-Smits, Member, Chair of the Audit and Risk Committee.

Audit Partner of KPMG, Risk Management Partner of KPMG Audit Financial Services and Member of the Cooperative Board of KPMG U.A.

Nationality	Dutch
Takes seat as from	1 December 2011
Assigned until	1 December 2019



William van Niekerk, Member, member of the Selection and Remuneration Committee (as of 26 April 2016).

Managing Director at Liandon BV, (part of Alliander NV), Chairman of Foundation Bewuste Bouwers, vice-chairman of the Netherlands Water Partnership (until 1 May 2016), Member of the Executive Board of Tauw Group (until 1 July 2016) and leader for Export and Promotion of the Dutch government initiative Topsector Water (until 1 December 2016).

Nationality	Dutch
Takes seat as from	7 October 2015
Assigned until	7 October 2019

Constitution of SNV USA Managing Board



Allert van den Ham, Chairman SNV USA, Chief Executive Officer SNV. Board Member, Partos



Demetria Arvanitis, Member, Executive Director, SNV USA. Member of the Board of Directors of the Society for International Development, Washington, D.C. Chapter.



Michael Barth, Member, Managing Partner Barth & Associates, LLC. Member of the Board of Directors of FINCA Microfinance Holding, the TriLinc Global Impact Fund, and SME Finance Company for Africa (Chairman). Member of the International Council of the Bretton Woods Committee.



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



Emmy 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, the World Vegetable Centre, the CGIAR Research Program on Agriculture for Nutrition and Health, and the Cornell-Tata Initiative in India. Co-chair of AGree, and member of the Global Panel on Agriculture and Food Systems for Nutrition.



Frank Tugwell, Member, Independent Consultant. Served as President and Chief Executive Officer of Winrock International from 1999 to 2013.

Annual Accounts

SNV's annual accounts

The annual accounts of SNV Netherlands Development Organisation (SNV), legally seated in The Hague reflect its main activities: Our work focuses on three sectors: Agriculture, Energy, and Water, Sanitation, and Hygiene (WASH). By continuing to focus on these interconnected areas and adapting and expanding our approach within them, we will reach more people in more countries and ensure that they have every opportunity to lift themselves out of poverty.

We believe that eradicating poverty is possible when local and national governments, the private sector, civil society and communities work together. Each has a role to play to bring about change, and SNV works to bring these often conflicting parties together. SNV bridges the gap between theory and practice, between policy decisions and effective solutions at scale. We implement approaches that are tailored to local needs and we believe that countries and communities themselves should be the owners of change. We know that with the proper knowledge and guidance they can implement and maintain their own sustainable solutions to end poverty.

In 2016 SNV's activities were financed through Resource Mobilisation (RM) funds reported as RM Revenue in the consolidated statement of financial performance. Expenditures comprises costs of the countries in carrying out RM funded activities, costs of the Global Support Unit and US RM activities. The balance of income and expenditure is transferred to reserves. In the consolidated balance sheet, assets and liabilities are reported under Intangible Fixed Assets, Tangible Fixed Assets, Financial Fixed Assets, Current Assets, Cash and Bank, Reserves, Provisions and Current Liabilities.

During 2016 SNV continued to focus on building RM activities. 2016 was the first financial year that SNV's activities were not financed by the Ministry of Foreign Affairs through a programme subsidy. RM Revenue realised in 2016 increased 17% on 2015 (2015: 37%) to € 110.5 million versus € 94.2 million.

Group structure

The consolidated financial statement of SNV for the year ended 31 December 2016 comprises SNV Netherlands Foundation, SNV USA and SNV LLC (dormant). Further information on the legal form and inter-relationship of entities is set out under Accounting Principles.

Closure and changes of status of country operations in 2016

During 2016 the closure of the country operations in South Sudan was initiated. These closing activities are planned to be completed in June 2017. Furthermore, the restructuring of the SNV operations in Democratic Republic of Congo (DRC) will be completed in 2017. The only active contracts in DRC will be managed under the supervision of the Country Director of SNV in Ghana.

Conclusion of subsidy cycle

The nine-year cycle of generic subsidy for capacity development from the Ministry of Foreign Affairs (DGIS) has ended. The final settlement of the subsidy amounts has been confirmed by DGIS resulting in an increase of € 29k of the total amount payable to DGIS (refer to note 11).

The annual accounts consist of the following:

- Consolidated balance sheet after appropriation of balance of income and expenditure
- Consolidated statement of financial performance
- Consolidated cash flow statement
- Notes to the consolidated balance sheet and statement of financial performance
- Accounting principles for the valuation of assets and liabilities
- Accounting principles for determining the statement of financial performance
- Notes to the consolidated balance sheet
- Notes to the consolidated statement of financial performance
- Remuneration of CEO and Managing Board Members and Supervisory Board
- SNV Netherlands Foundation
- Notes to the annual accounts SNV Foundation
- Independent auditor's report

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

Assets	Note	2016	2015
<i>Intangible Fixed Assets</i>			
Global System Upgrade	1	<u>873,416</u>	<u>0</u>
<i>Subtotal</i>		<u>873,416</u>	<u>0</u>
<i>Tangible Fixed Assets</i>			
	2		
Buildings & Terrain		843,061	861,653
Vehicles		872,662	1,373,651
Equipment		673,350	777,516
Furniture and Fixtures		637,816	766,426
Assets in Transition		<u>171,398</u>	<u>611,186</u>
<i>Subtotal</i>		<u>3,198,287</u>	<u>4,390,432</u>
<i>Financial Fixed Assets</i>			
Guarantee funds	3	<u>1,121,085</u>	<u>584,758</u>
<i>Subtotal</i>		<u>1,121,085</u>	<u>584,758</u>
<i>Current Assets</i>			
Resource Mobilisation Receivables	4	23,413,746	20,958,266
Other Receivables	5	2,395,494	2,867,997
Prepayments & Accrued income	6	<u>1,592,922</u>	<u>3,187,356</u>
<i>Subtotal</i>		<u>27,402,162</u>	<u>27,013,619</u>
Cash & Bank	7	<u>71,748,205</u>	<u>78,747,682</u>
<i>Subtotal</i>		<u>71,748,205</u>	<u>78,747,682</u>
Total Assets		<u>104,343,155</u>	<u>110,736,491</u>

Liabilities	Note	2016	2015
<i>Reserves</i>	8		
Continuity Reserve		32,715,308	32,715,308
Free Reserves		5,283,545	3,720,743
Earmarked Reserve		3,369,749	6,597,000
<i>Subtotal</i>		<u>41,368,602</u>	<u>43,033,051</u>
Provisions	9	1,207,372	1,638,762
<i>Subtotal</i>		<u>1,207,372</u>	<u>1,638,762</u>
<i>Current Liabilities</i>			
Resource Mobilisation Payables	10	44,913,639	45,275,241
Ministry of Foreign Affairs Subsidy	11	5,965,876	5,935,934
Creditors	12	2,184,612	3,532,939
Accrued Expenses	13	6,973,740	8,827,765
Taxes & Social Security	14	932,298	1,332,215
Pensions	15	797,016	1,160,583
<i>Subtotal</i>		<u>61,767,181</u>	<u>66,064,678</u>
Total Liabilities		<u>104,343,155</u>	<u>110,736,491</u>

Consolidated statement of financial performance (all amounts in Euro)

	Note	Realised 2016	Budget 2016	Realised 2015
Income				
Subsidy Income Ministry of Foreign Affairs	17	-	-	51,104,352
Revenue from Resource Mobilisation	18	110,461,469	105,000,000	94,213,872
Interest received	19	198,884	-	136,262
Total income		110,660,353	105,000,000	145,454,486
Expenditures				
Countries	20	101,547,823	100,200,000	117,344,416
Total Country Spend		101,547,823	100,200,000	117,344,416
Global Support Unit Partnership Costs		7,925,951	8,000,000	14,863,580
Total GSU Spend		7,925,951	8,000,000	20,361,729
SNV USA		2,839,099	-	1,328,740
Total USA Spend		2,839,099	-	1,328,740
Total Expenditures		112,312,873	108,200,000	139,034,885
Balance Income and Spend		<u>(1,652,520)</u>	<u>(3,200,000)</u>	<u>6,419,601</u>
Attributable to Free Reserves	8	1,574,731		(177,399)
Attributable to Earmarked Reserve	8	(3,227,251)		6,597,000
Total		<u>(1,652,520)</u>		<u>6,419,601</u>

Consolidated cash flow statement (all amounts in Euro)

	Note	For the year ended 31.12.2016	For the year ended 31.12.2015
Subsidy Income Ministry of Foreign Affairs	17		51,104,352
Resource Mobilisation	18	110,461,469	94,213,872
Total Expenditure	20	(112,312,873)	(139,034,885)
Interest received Donor funds	19	21,564	37,448
Cash flow from operating activities		(1,829,841)	6,320,787
Depreciation tangible and intangible fixed assets	1-2	1,424,535	1,256,611
(Inc)/Dec Financial Fixed Assets	3	(536,327)	(365,131)
(Inc)/Dec Resource Mobilisation Receivables	4	(2,455,480)	2,037,414
(Inc)/Dec Other Current Assets	5-6	2,066,936	(1,928,396)
Inc/(Dec) Provisions	9	(431,390)	116,878
Inc/(Dec) Resource Mobilisation Payables	10	(361,603)	17,328,928
Inc/(Dec) Current Liabilities	11-15	(3,935,894)	(9,445,565)
Adjustment for reserve items	8	-	-
SNV USA timing and FX adjustments	8	(11,928)	128,720
(Gains) / losses on sales of fixed assets		(301,761)	166,580
Total adjustments		(4,542,911)	9,296,039
Net cash flow from operating activities		(6,372,752)	15,616,826
Purchase of fixed assets	1	(1,796,502)	(2,911,581)
Proceeds from sale of fixed assets		992,458	365,990
Net cash flow from investments		(804,044)	(2,545,591)
Interest received	19	177,319	98,814
Cash flow from financing		177,319	98,814
Net cash flow		(6,999,477)	13,170,049
Cash and Bank at January 1, 2016	7	78,747,682	65,577,633
Cash and Bank at 31 December, 2016	7	71,748,205	78,747,682
Net cash flow		(6,999,477)	13,170,049

Notes to the consolidated balance sheet and statement of financial performance

General notes

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 2016 SNV carried out its mission in 33 countries in Asia, Africa and Latin America and had management and business development operations in the Netherlands and Washington DC, USA.

Group structure

The consolidated financial statements of SNV for the year that ended on 31 December 2016 comprises SNV Netherlands foundation, SNV USA and SNV LLC US (dormant). SNV Netherlands (Stichting SNV Nederlandse Ontwikkelingsorganisatie, Chamber of Commerce 41152786), is an independent not-for-profit foundation set up in 1965 and has its registered office at Parkstraat 83, The Hague, The Netherlands. The operations in 33 countries are part of this foundation. Both SNV USA and SNV LLC US are located at 7500 Old Georgetown Rd, Suite 901, Bethesda, Maryland, USA. SNV Netherlands Foundation holds 100% of the shares in the issued capital of SNV LLC US.

During 2012 the activities of SNV LLC US were transferred to a newly established US 501(c)3 public charity foundation SNV USA and as at the end of 2012 SNV LLC USA was dormant.

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 GAAP requirements has been consolidated based on organisational and economical interrelations resulting in effective control by SNV Netherlands Foundation.

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.

Related parties

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

Cash flow statement

The cash flow statement has been prepared on the indirect basis. The cash items disclosed in the cash flow statement comprises cash at banks and on hand and cash flows denominated in foreign currencies have been translated at average exchange rates. Exchange differences and interest received on restricted funds are included in cash flow from operating activities.

Accounting estimates

In applying the principles and policies for drawing up the financial statements, the Directors of SNV make different estimates and judgments regarding project performance and provisioning that may be essential to the amounts disclosed in the financial statements. If it is necessary in order to provide the true and fair view required under Book 2, article 362, paragraph 1, the nature of these estimates and judgments, including related assumptions, is disclosed in the notes to the relevant financial statement item.

General policies

General

The consolidated annual accounts are prepared in accordance with Dutch Accounting Standards, as published by the Dutch Accounting Standards Board paragraph 640 (RJ 640). The accounting policies set out below relate to the consolidated annual accounts as a whole. Assets and liabilities are valued at historical cost, production cost or at fair value at the time of acquisition. If no specific valuation principle has been stated, valuation is at historical cost. In the balance sheet, income statement and the cash flow statement references are made to the notes.

Comparison with previous year

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

Foreign currency

Items included in the financial statements of group companies are measured using the currency of the primary economic environment in which the respective entity operates (the functional currency). The consolidated financial statements are presented in Euros, which is the functional and presentation currency of SNV.

Transactions in foreign currencies are stated in the financial statements at the exchange rate of the functional currency on the transaction date. Monetary assets and liabilities in foreign currencies are converted to the closing rate of the functional currency on the balance sheet date. The translation differences resulting from settlement and conversion are credited or charged to the income statement.

Non-monetary assets valued at fair value in a foreign currency are converted at the exchange rate on the date on which the fair value was determined. Assets and liabilities of consolidated entities with a functional currency different from the presentation currency are translated at the rate of exchange prevailing at the balance sheet date; income and expenses are translated at average exchange rates during the financial year. Any resulting exchange differences are taken directly to the reserves for translation differences within the free reserve.

Operational leasing

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

Accounting principles for the valuation of assets and liabilities

Intangible Fixed Assets

Expenditure on the Global System upgrade is capitalised. These Intangible Fixed Assets are stated at historical cost less amortisation. The amortisation of this Global System upgrade commenced at the time when the system went live. Global System Upgrade annual rate of amortisation is 20%.

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.

Land and buildings are valued at historical cost plus additional costs or production cost less straight-line depreciation based on the expected useful life. Land is not depreciated. Other tangible fixed assets are valued at historical cost including directly attributable costs, less straight-line depreciation based on the expected future life. All tangible fixed assets are converted using the exchange rates prevailing at the date of purchase. The tangible fixed assets purchased by or for RM financed projects are not taken into consideration as they will be handed over to the partners at the end of the project period and therefore will not meet the criteria for capitalisation.

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 annual rates of depreciation used are:

Terrains	0%
Buildings	6.67%
Vehicles	25%
Equipment	33%
Other Fixed Assets	25%

(Renovation buildings in line with the remaining duration of the lease contract.)

Renovation and related repair costs 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.

Financial Fixed Assets

Bank deposits presented under Financial Fixed Assets are recognised at nominal value.

Current Assets

Current Assets include Resource Mobilisation Receivables which are amounts relating to projects carried out by SNV on behalf of donors. The amounts are stated at the invoiceable 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 invoiceable value. Where there is clear evidence that the total costs to complete a project will exceed the contractual revenues over the remaining project life a provision is made against the future loss and deducted from the value of Resource Mobilisation Receivables. Other receivables, prepayments and accrued income are also included in Current Assets.

Cash and Bank

Cash and bank accounts are stated in Euros and are carried at nominal value. The foreign currency denominated accounts are revalued based on exchange rates on the balance sheet date.

Reserves

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

Provisions

Provisions are recognised for legally enforceable or constructive obligations that exist at the balance sheet date and for which it is probable that an outflow of resources will be required and a reliable estimate can be made. They are measured at the best estimate of the amount necessary to settle the obligation at the balance sheet date and are carried at the nominal value of the expected settlement value except for pension provisions which are valued on the basis of actuarial principles. If obligations are expected to be reimbursed by a third party, such reimbursement is included as an asset in the balance sheet if it is probable that such reimbursement will be received when the obligation is settled.

Current Liabilities

Resource Mobilisation Payables

Current Liabilities include Resource Mobilisation Payables which relate to projects being carried out by SNV on behalf of donors. The amounts stated represent funding received in advance from donors for which the relevant work had not been carried out by the balance sheet date but will be completed within one year. Donor contracts commissioned by third parties comprises the balance of project costs realised, profit attributed, and if applicable, recognised losses and instalments already invoiced. Donor contracts are separately presented in the balance sheet under current assets. If it shows a credit balance, this will be presented under current liabilities. The current account balance with the Ministry of Foreign Affairs is shown separately.

Creditors, Accrued Expenses, Taxes and Social Security

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

Pensions

With respect to pensions, in 2016 SNV provided its expatriate and Head Office staff with two different options based on a contribution percentage of 70% from the employer and 30% from the employee. HO staff and Dutch expatriate staff recruited in the Netherlands were provided with a scheme based on an average wage system where the pension fund determines, on a yearly basis, whether indexation will take place. The minimum statutory requirement of the pension fund for allowing indexation as per 2016 is an average coverage rate of at least 104.2 %. The average coverage ratio for the year 2016 was declared 92.5% (based on Q3 2016), so no indexation is allowed. For the other expatriate employees, their pensions are invested in an investment scheme with an insurance company. The investment scheme was implemented in April 2011 and is a defined contribution scheme. The expat 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 indexation risk of the pension schemes as the policy of the pension fund is leading. 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 statement of financial performance

General

The accounting principles are unchanged from last year. The format used for the statement of financial performance has been adopted in place of a standard model as it is considered to give the best insight into the activities of SNV in 2016. The result for the year is the difference between the realisable value of SNV's services provided and the costs and other charges for the year. The results on transactions are recognised in the year in which they are realised and taken to free reserves.

Revenue recognition

Income comprises the realised income from donor contracts after the deduction of discounts and taxes levied on the turnover. Revenues from the services rendered are recognised on an accrual basis in proportion to the services delivered, based on the services rendered up to the balance sheet date in proportion to the total of services to be rendered.

Subsidy income

Subsidy income is recognised as income in the year in which the relevant subsidised costs were incurred.

Costs

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

Notes to the consolidated balance sheet

Fixed assets

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

1. Intangible Fixed Assets

EUR	Global System upgrade
Purchasing value	-
Cumulative depreciation	-
Book value 31 December 2015	-
Investments	922,360
Disposals (purchase value)	
Disposal (cum. depreciation)	
Depreciation	(48,944)
Movement in year	873,416
Book value 31 December 2016	873,416
Purchasing value	922,360
Cumulative depreciation	(48,944)
Book value 31 December 2016	873,416

2. Tangible Fixed Assets

EUR	Buildings & Terrain	Vehicles	Equipment	Furniture & Fixtures	Assets in transition	Total
Purchasing value	2,346,831	6,163,581	6,440,509	2,036,256	611,186	17,598,363
Cumulative depreciation	(1,485,178)	(4,789,930)	(5,662,993)	(1,269,830)	-	(13,207,931)
Book value 31 December 2015	861,653	1,373,651	777,516	766,426	611,186	4,390,432
Investments	110,109	74,696	391,162	126,777	171,398	874,142
Disposals (purchase value)	(20,343)	(1,246,638)	(1,991,761)	(240,270)	(611,186)	(4,110,198)
Disposal (cum. depreciation)	3,292	1,244,086	1,985,359	186,765		3,419,502
Depreciation	(111,650)	(573,133)	(488,926)	(201,882)		(1,375,591)
Movement in year	(18,592)	(500,989)	(104,166)	(128,610)	(439,788)	(1,192,145)
Book value 31 December 2016	843,061	872,662	673,350	637,816	171,398	3,198,287
Purchasing value	2,436,597	4,991,639	4,839,910	1,922,764	171,398	14,362,308
Cumulative depreciation	(1,593,536)	(4,118,977)	(4,166,560)	(1,284,948)		(11,164,021)
Book value 31 December 2016	843,061	872,662	673,350	637,816	171,398	3,198,287

3. Financial Fixed Assets

These are guarantee funds (deposits) relate to two projects. One is for the ABC project in Benin, which started in 2015 and ends in December 2017. The deposit is given to Orabank in XOF (two instalments in the total amount of 500 million XOF, equal to € 762K) for the project clients. SNV will be reimbursed at the end of the project on 31 December 2017. The other deposit relates to a partnership with the Ecobank in DR Congo for a micro-finance project where beneficiaries can borrow money from the bank on meeting SNV's specific criteria but need to repay the money before the end of 2018. The amounts are stated in the net expected recoverable value.

Current Assets

4. Resource Mobilisation Receivables

EUR	2016	2015
Balance as at 1 January	20,958,266	22,995,680
Movement in year	2,455,480	(2,037,414)
Total as at 31 December	23,413,746	20,958,266

These are amounts due from donors for work carried out on contracts and are receivable within a year. The settlement terms vary by donor and contract conditions and can extend to a number of months with some large organisations. The collectability of the amounts has been reviewed resulting in recognised losses of € 553K from four projects in DR Congo, South Sudan and Mozambique. In addition, a total amount of € 2.9 million project loss provision is included in the RM receivables balance.

5. Other receivables

The balance includes deposits for rent, maintenance and utility contracts for properties in countries where SNV operates. The main decrease in these amounts is in regard to advances to partners, staff, LCBs and loans to employees. The fair value of the receivables approximates the carrying amount due to their short-term character and the fact that a provision of € 23K for bad debt is recognised.

6. Prepayments and accrued income

Prepayments relate to items such as rent and school fees. Accrued income relates to amounts to be received from tax authorities or other non-RM amounts.

7. Cash and bank

EUR	2016			2015		
	Cash	Bank	Total	Cash	Bank	Total
Balance as at 1 January	76,892	78,670,790	78,747,682	80,103	65,497,530	65,577,633
Movement in year	(11,489)	(6,987,988)	(6,999,477)	(3,211)	13,173,260	13,170,049
Total as at 31 December	65,403	71,682,802	71,748,205	76,892	78,670,790	78,747,682

The bank balances include € 21,075,092 held on specific separate accounts restricted to usage on RM projects (2015: € 28,190,608). Another saving account is restricted for the surety of the bank guarantees issued (€ 5 million maximum), see note 16. The remaining cash is unrestricted.

8. Reserves

Consolidated

EUR	Continuity reserve	Free Reserves	Earmarked Reserve	Total
Reserves as at 1st January	32,715,308	3,720,743	6,597,000	43,033,051
SNV Foundation deficit	0	(1,057,015)	0	(1,057,015)
Appropriation of income and spend to Earmarked Reserve	0	3,227,251	(3,227,251)	(0)
Foreign Exchange adjustment	0	(11,928)	0	(11,928)
SNV USA deficit	0	(595,506)	0	(595,506)
Total as at 31 December	32,715,308	5,283,545	3,369,749	41,368,602

As of 2013 SNV resolved to set aside an amount within total reserves as a continuity reserve to enable SNV to carry on operations in the event of unforeseen adverse circumstances. An amount of € 34 million has been calculated as the target for this continuity reserve and there was no change during the year to the balance of € 32,715,308 brought forward. The result generated by RM was taken to free reserves which are used for absorbing losses in operations and to cover possible future project deficits and investment.

At the end of 2015 certain additional earmarked reserves were set up at the expiration of the subsidy cycle relating to liabilities and commitments arising during the subsidy period which had not been fully discharged before the end of the year. To the extent these activities have been performed, the result has been released against the earmarked reserves.

The following table shows the changes in the earmarked reserves. The remaining reserves – per consolidated numbers - relate to SNV USA business development costs and future fixed assets depreciation.

Consolidated

Earmarked reserve	31.12.2015	Withdrawals	Additions	31.12.2016
Impact assessments	80,000	(80,000)	-	-
CAR 2015 additional reporting	75,000	(75,000)	-	-
SNV USA business development	1,690,000	(595,506)	-	1,094,494
Completion of global system upgrade	560,000	(560,000)	-	-
Nepal earthquake response extension	275,000	(275,000)	-	-
Akvo mobile technology partnering	400,000	(400,000)	-	-
Completion of Cameroon restructuring	40,000	(40,000)	-	-
Fixed Assets depreciation reserve	3,477,000	(1,201,745)	-	2,275,255
Total Earmarked reserve	6,597,000	(3,227,251)	-	3,369,749

9. Provisions

EUR	2016	2015
Provision for orientation leave	135,931	198,788
Provision for severance payments	1,071,441	1,439,974
Total as at 31 December	1,207,372	1,638,762

Provision for Orientation Leave

EUR	2016	2015
Balance as at 1 January	198,788	345,321
Disbursed	(62,857)	(146,533)
Total as at 31 December	135,931	198,788

As part of a special agreement with the Ministry of Foreign Affairs dating from the demerger in 2002 an amount was set aside from core subsidy to cover potential future expenditures for Orientation Leave for certain staff. In 2012 the status of the earmarked fund was changed into a provision for Orientation Leave and is adjusted yearly to cover any remaining liabilities. At the end of 2016 the reserve carried forward related to two employees (2015: four employees).

Provision for severance payments

(a) Organisational redesign

The amount relates 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 (two staff at the end of 2016 compared with nine staff at the end of 2015 of which all were paid out during the year), the compensation packages for the staff and the current rules for calculation of severance amounts. The amounts are recognised at nominal value, and the balance of the provision is expected to be used in 2017.

EUR	2016	2015
Balance as at 1 January	373,408	190,365
Movement in the year	<u>(223,544)</u>	<u>183,043</u>
Total as at 31 December	<u>149,864</u>	<u>373,408</u>

(b) Severance required by national law and for local restructuring

In several African countries where SNV operates it is mandatory to annually build up a provision for amounts payable to staff on severance regardless of the reason for the contract termination. In addition, the workforce was further reduced in some countries to ensure sustainability going forward in 2016. The amounts are recognised at nominal value and considered to be long term.

EUR	2016	2015
Balance as at 1 January	1,066,566	986,198
Movement in the year	<u>(144,989)</u>	<u>80,368</u>
Total as 31 December	<u>921,577</u>	<u>1,066,566</u>

Current Liabilities

10. Resource Mobilisation Payables

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

11. Ministry of Foreign Affairs Subsidy

EUR	2016	2015
Balance as at 1 January	5,935,934	16,940,286
Received per subsidy agreement	-	40,100,000
Used core subsidy	-	(51,104,352)
Revised per final confirmation DGIS	<u>29,942</u>	<u>-</u>
Total as at 31 December	<u>5,965,876</u>	<u>5,935,934</u>

This balance represents the current account with the Ministry of Foreign Affairs relating to the nine year subsidy agreement that ended 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 pre-financed amount from 2011, 2012, 2013 and 2014 was carried forward into the final year of the agreement. During the financial year the final settlement has been confirmed by DGIS. There was an under-usage of € 29k. The balance of € 6 million has been paid in May 2017.

12. Creditors

Creditors include payables such as partners, fixed assets and other services. These creditors fall due in less than one year. The fair value of these creditors approximates the book value due to their short-term character.

13. Accrued expenses

EUR	2016	2015
Leave days	1,099,062	1,077,588
Holiday allowance	435,565	472,718
Amounts to be paid	5,439,113	7,277,459
Total as at 31 December	6,973,740	8,827,765

The decrease in amounts to be paid is mainly related to the settlement in 2016 of costs incurred in the financial year 2015.

14. Taxes and Social Security

The main decrease in taxes (which are payroll related) and social securities is due to adjustments in payment schedules in Ethiopia related to previous years' income tax and pension payable amounts. Pension deduction regarding new regulation was not done in prior years and was reclassified during 2016.

15. Pensions

Net pension liabilities decreased in 2016 as compared to 2015 due to a change in workforce contracts in Zimbabwe and Laos leading to payments to employees (provident fund was dissolved and amounts paid out to employees).

16. Commitments and contingent liabilities

	Expected amount in EUR less than 1 year (2017)	Expected amount in EUR between 1 - 5 years (2018-2022)	Expected amount in EUR > 5 years (2023 onwards)	Total amount (EUR)
Rent Countries	586,212	324,871	-	911,083
Rent HO		593,343	-	593,343
Total rent	586,212	918,214	-	1,504,426
Contract suppliers Countries	326,897	191,388	-	518,285
Contract suppliers HO	710,441	569,365	-	1,279,806
Total Contract Suppliers	1,037,338	760,753	-	1,798,091
	1,623,550	1,678,967	-	3,302,517

The total contingent liabilities of SNV for rent is € 1.5 million. Out of the total amount of € 3.3 million SNV has recognised a total prepaid amount of € 933K for rent and contract suppliers in the balance sheet. This prepaid amount includes the rent for the Head Office for 2017.

Legal cases in progress

At the end of 2016 there were 18 legal cases outstanding against SNV of which 14 were brought to court by former employees and four by other parties. Management considers the risk of substantial liabilities arising on these cases to be in general low and in the other cases accruals have been taken.

Bank guarantees

Country	Guarantee Amount	Currency	EUR equivalent	Validity Period
Netherlands	68,727	EUR	68,727	6 months after notice from SNV
DR Congo	1,875,000	USD	1,496,500	until 31 Dec 2018
		Total	1,565,227	

The bank guarantees relate to projects except for the Netherlands guarantee for the rental of the building. The DR Congo bank guarantee has been withdrawn in April 2017.

Notes to the consolidated statement of financial performance

17. Subsidy Income Ministry of Foreign Affairs

The nine-year cycle of generic subsidy for capacity development from the Ministry of Foreign Affairs DGIS has ended. Therefore, there is no income from the Ministry of Foreign Affairs in 2016.

18. Revenue from Resource Mobilisation

Resource Mobilisation (RM) income realised in 2016 was € 110.5 million (2015: € 94.2 million). This was the fourth consecutive year of growth with a strong 17% increase in 2016 (2015: 37% on the prior year).

Overall a net operating deficit of € 1.6 million was generated from country operations, after an additional project loss provision of € 1.9 million was made relating to specific legacy projects entered into in previous years.

19. Interest received

This year the total interest received was € 198k of which € 177k was earned on unrestricted funds. The remainder is project related and credited to the donor payables/receivables.

20. Expenditures

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

Overall the realised 2016 expenditures did not materially differ from the 2016 budget.

	Realized 2016	Budget 2016	Realized 2015
Countries			
Gross salaries	20,182,776	19,660,000	20,643,316
Social securities	1,393,765	1,360,000	1,040,930
Pension Premiums	1,894,635	1,850,000	1,678,866
Staff costs and allowances	7,475,335	7,390,000	9,609,118
Travel and lodging	3,932,748	3,830,000	4,549,433
Other personnel	312,636	300,000	324,114
Personnel costs	35,191,895	34,390,000	37,845,777
	-		
Depreciation	2,625,599	2,560,000	1,126,589
Facilities	6,785,446	6,610,000	9,464,540
LCBs	7,121,315	6,940,000	10,355,833
External advisory staff	8,279,345	8,060,000	9,762,908
Other	41,544,223	41,640,000	48,788,769
Other costs	66,355,928	65,810,000	79,498,639
Total Countries	101,547,823	100,200,000	117,344,416
Global Support Unit			
Gross salaries	3,226,223	3,260,000	3,579,172
Social securities	309,009	310,000	514,581
Pension Premiums	249,876	250,000	690,446
Staff costs and allowances	1,507,047	1,520,000	1,609,696
Other personnel	323,916	330,000	895,655
Personnel costs	5,616,071	5,670,000	7,289,550
Depreciation	259,639	260,000	125,339
Facilities	855,346	860,000	1,228,631
Short term support	483,005	490,000	5,247,506
Professional fees	420,737	420,000	441,622
Other	291,153	300,000	530,932
Other costs	2,309,880	2,330,000	7,574,030
Total GSU Spend	7,925,951	8,000,000	14,863,580
Corporate Partnership	-		747,284
Corporate Programmes	-		4,668,737
Corporate Knowledge Networks	-		82,128
Total Partnership Costs	-		5,498,149
Total SNV	109,473,774	108,200,000	20,361,729
USA			
SNV USA net (income) spend	2,839,100		1,328,740
Total SNV Spend	112,312,873	108,200,000	139,034,885

Country spend

The overall 2016 total of € 101.5 million for spend in country operations was slightly over plan.

Global support unit spend

The total 2016 non-country spend of € 7.9 million relates to GSU operations in The Hague and in certain country locations.

The total GSU spend in 2016 was lower than in 2015 because of strict cost control and the necessity to remain below € 8 million. In 2015, although the structural operating cost base continued to be reduced year on year there were a number of additional end of subsidy cycle investments in systems and business processes, project support infrastructure and innovation, and in completing the workforce rightsizing operations carried out over the last years. Investments in IT infrastructure made during the financial year 2016 have been capitalised and will be amortised over a period of 5 years (refer to note 1).

SNV USA

SNV USA operations continued to show good growth, generating external revenues of € 10.4 million for projects carried out by SNV countries (€ 8.8 million in 2015). The office spend level has increased to € 2.8 million against 2015 and there was an overall deficit of € 0.6 million.

Other Disclosures

Average number of employees

During 2016, 1093 employees were employed on a full-time basis (2015: 1281). Of these employees, 1020 were employed outside the Netherlands (2015: 1218).

The average number of employees was 37.7 (2015: 42.7).

Audit fees

Audit and other fees (including VAT) invoiced in the year 2016 were as follows:

EUR	2016	2015
Audit of Financial Statements - PwC Netherlands	431,878	428,105
Tax services PwC Netherlands	-	10,713
Subtotal PwC Netherlands	431,878	438,818
Audit of Financial Statements - PwC outside Netherlands	54,777	124,202
Project audit engagements PwC Netherlands + Outside Netherlands	204,949	164,466
Subtotal PwC total network audit fees	691,604	727,486
Project audit engagements other Auditors	71,408	-
Total audit fees	763,012	727,486

Remuneration of CEO and Managing Board Members and Supervisory Board

Remuneration of CEO and Managing Board Members

Salaries for all five Managing Board Members for 2016 were based on a contractual workweek of 40 hours and were within the WNT norm and the DG norm set by the Ministry of Foreign Affairs and referenced in the Partos code of conduct. The WNT ('Wet Normering bezoldiging Topfunctionarissen publieke en semipublieke sector') has been effective as of 1 January 2013 and applies to SNV Netherlands Foundation. During the year one member of the managing board took the opportunity to exchange surplus accumulated leave for cash the non-structural compensation of which increased the total annual income. The Remuneration Committee of SNV approved this exception, using the 'comply or explain' clause. The Managing Board Member who exercised this opportunity remained within the WNT annual income norm of € 168k.

Details of 2016

MB member Function	A. van den Ham CEO	M.Farkas MD	A. Wehkamp MD	M. Ritchie MD	T. Derksen MD
Employment contract:					
Type of contract	Permanent	Permanent	Permanent	Permanent	Permanent
Period of service	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
FTE percentage	100	100	100	100	100
Former top official	no	no	no	no	no
Real or fictional employment	real	real	real	real	real
Remuneration:					
Gross salary and holiday allowance	128,589	118,793	118,793	118,793	118,793
Settlement of outstanding leave	0	0	34,484	0	0
Taxable expense reimbursements	0	0	0	0	0
Deferred remuneration (pension employer)	14,684	14,451	14,451	17,766	22,723
-/- recovery of wrongful payments	0	0	0	0	0
Total remuneration 2016	143,273	133,244	167,728	136,559	141,516

Individual WNT-maximum 2016

168,000 168,000 168,000 168,000 168,000

Details of 2015

MB member Function	A. van den Ham CEO	M.Farkas MD	A. Wehkamp MD	M. Ritchie MD	T. Derksen MD
Employment contract:					
Type of contract	Permanent	Permanent	Permanent	Permanent	Permanent
Period of service	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
FTE percentage	100	100	100	100	100
Former top official	no	no	no	no	no
Real or fictional employment	real	real	real	real	real
Remuneration:					
Gross salary and holiday allowance	118,584	109,550	147,472	121,769	131,587
Settlement of outstanding leave	0	0	0	0	0
Taxable reimbursement expenses	0	0	0	0	0
Deferred remuneration (pension employer)	15,253	14,979	14,979	11,972	20,669
-/- recovery of wrongful payments	0	0	0	0	0
Total remuneration 2015	133,837	124,529	162,451	133,741	152,256

Individual WNT-maximum 2015

163,000 163,000 163,000 163,000 163,000

Remuneration of Supervisory Board

Details of 2016

SB Member Function	J.Richelle Chairman	B ter Haar Vice Chairman	R.deJong Member	M. van reisen Member	E.Vinke-Smits Member	W.van Niekerk Member
Period of service	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12
Remuneration	5,400	4,800	0	4,200	4,200	4,200
Taxable Allowances	-	-	-	-	-	-
Deferred remuneration (pension employer)	-	-	-	-	-	-
Total remuneration 2016	5,400	4,800	0	4,200	4,200	4,200
<i>Applicable WNT maximum 2016</i>	<i>26,850</i>	<i>17,900</i>	<i>17,900</i>	<i>17,900</i>	<i>17,900</i>	<i>17,900</i>

Details of 2015

SB Member Function	J.Richelle Member 1/6-6/10 Chairman	B ter Haar Vice Chairman	R.deJong Member	M.van Reisen Member	E.Vinke-Smits Member	W.van Niekerk Member	A.Arnold Chairman	J.Huis in 't Veld Vice Chairman
Period of service	7/10-31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	1/1 - 31/12	7/10-31/12	1/1-6/10	1/1-30/11
Remuneration	2,731	4,200	4,200	4,200	4,200	982	4,137	4,400
Taxable Allowances	-	-	-	-	-	-	-	-
Deferred remuneration (pension employer)	-	-	-	-	-	-	-	-
Total remuneration 2015	2,731	4,200	4,200	4,200	4,200	982	4,137	4,400
<i>Applicable WNT maximum 2015</i>	<i>11,477</i>	<i>16,300</i>	<i>16,300</i>	<i>16,300</i>	<i>16,300</i>	<i>3,841</i>	<i>18,689</i>	<i>14,916</i>

Other employees or temporary staff

No other employees or temporary staff of SNV received remuneration above the WNT-maximum in 2016. Nor were remunerations paid that were or had to be disclosed based on the WNT in previous years. In 2016 SNV did not pay termination of employment payments to former employees that should be reported in these annual accounts based on the WNT.

SNV Netherlands Foundation

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).

Assets	Note	2016	2015
<i>Intangible Fixed Assets</i>			
Global System upgrade	1	873,416	0
<i>Subtotal</i>		<u>873,416</u>	<u>0</u>
<i>Tangible Fixed Assets</i>			
	2		
Buildings & Terrain		843,061	861,653
Vehicles		872,662	1,373,651
Equipment		670,228	773,033
Furniture and Fixtures		613,226	754,618
Assets in transition		171,398	611,186
<i>Subtotal</i>		<u>3,170,575</u>	<u>4,374,141</u>
<i>Financial Fixed Assets</i>			
Guarantee funds	3	1,079,595	584,758
<i>Subtotal</i>		<u>1,079,595</u>	<u>584,758</u>
<i>Current Assets</i>			
Resource Mobilisation Receivables	4	24,359,271	24,056,134
Other receivables	5	2,383,436	1,719,973
Prepayments & Accrued income	6	2,119,472	3,187,356
<i>Subtotal</i>		<u>28,862,178</u>	<u>28,963,463</u>
Cash & Bank	6	69,522,117	75,788,418
<i>Subtotal</i>		<u>69,522,117</u>	<u>75,788,418</u>
Total Assets		<u>103,507,882</u>	<u>109,710,780</u>

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	2016	2015
<i>Reserves</i>			
	8		
Continuity reserve		32,715,308	32,715,308
Free reserves		4,683,559	3,108,828
Earmarked reserve		<u>2,275,255</u>	<u>6,597,000</u>
<i>Subtotal</i>		<u>39,674,122</u>	<u>42,421,136</u>
<i>Provisions</i>			
	9	<u>1,207,372</u>	<u>1,638,762</u>
<i>Subtotal</i>		<u>1,207,372</u>	<u>1,638,762</u>
<i>Current Liabilities</i>			
Resource Mobilisation Payables	10	46,071,472	45,124,915
Ministry of Foreign Affairs Subsidy	11	5,965,876	5,935,934
Creditors	12	2,025,924	3,335,061
Accrued Expenses	13	6,836,374	8,764,390
Taxes & Social Security	14	929,726	1,329,999
Pensions	15	<u>797,016</u>	<u>1,160,583</u>
<i>Subtotal</i>		<u>62,626,388</u>	<u>65,650,882</u>
Total Liabilities		<u>103,507,882</u>	<u>109,710,780</u>

The Statement of Financial Performance SNV represents the position of the Netherlands foundation SNV (these numbers are the aggregate of all countries, excluding LLC US and SNV USA).

	Realised 2016	Realised 2015
Income		
Subsidy Income Ministry of Foreign Affairs	-	51,104,352
Revenue from Resource Mobilisation	108,217,877	92,731,891
Interest received	198,883	136,262
Total income	108,416,760	143,972,505
Expenditure		
Countries*	103,237,823	117,418,840
Total Country Spend	103,237,823	117,418,840
Global Support Unit	7,925,951	14,863,580
Partnership Costs	-	5,498,149
Total GSU Spend	7,925,951	20,361,729
Total Expenditures	111,163,774	137,780,569
Balance Income and Spend Foundation	<u>(2,747,014)</u>	<u>6,191,936</u>
 * including € 1,690,000 contribution to SNV USA		
Attributable to Free Reserves	1,574,731	(405,064)
Attributable to Earmarked Reserve	(4,321,745)	6,597,000
Total	<u>(2,747,014)</u>	<u>6,191,936</u>

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

Fixed Assets

Please refer to Notes 1 and 2 to the Consolidated Balance Sheet. The total fixed asset amount of € 3,198,287 includes € 27,712 relating to equipment and furniture of SNV USA.

Reserves

SNV Foundation

EUR	Continuity reserve	Free Reserves	Earmarked Reserve	Total
Reserves as at 1st January	32,715,308	3,108,828	6,597,000	42,421,136
SNV Foundation deficit	0	(2,747,014)	0	(2,747,014)
Appropriation of income and spend to Earmarked Reserve	0	4,321,745	(4,321,745)	0
Total as at 31 December	32,715,308	4,683,559	2,275,255	39,674,122

Please refer to Note 8 of the Consolidated Balance Sheet.

The following table shows the changes in the earmarked reserves. The remaining earmarked reserves relate to future Fixed Assets depreciation.

Foundation

	31.12.2015	Withdrawals	Additions	31.12.2016
Earmarked reserve				
Impact assessments	80,000	(80,000)	-	0
CAR 2015 additional reporting	75,000	(75,000)	-	0
SNV USA business development	1,690,000	(1,690,000)	-	0
Completion of global system upgrade	560,000	(560,000)	-	0
Nepal earthquake response extension	275,000	(275,000)	-	0
Akvo mobile technology partnering	400,000	(400,000)	-	0
Completion of Cameroon restructuring	40,000	(40,000)	-	0
Fixed Assets depreciation reserve	3,477,000	(1,201,745)	-	2,275,255
Total Earmarked reserve	6,597,000	(4,321,745)	-	2,275,255

Commitments and Contingent Liabilities

Please refer to Note 16 of the Consolidated Balance Sheet.

Average number of employees

Please refer to Other Disclosures in the section Notes to the Consolidated Statement of Financial Performance.

Independent Auditors report

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

Report on the financial statements 2016

Our opinion

In our opinion the accompanying financial statements give a true and fair view of the financial position of Stichting SNV Nederlandse Ontwikkelingsorganisatie as at 31 December 2016, and of its result for the year then ended in accordance with the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

What we have audited

We have audited the accompanying financial statements 2016 of Stichting SNV Nederlandse Ontwikkelingsorganisatie, Den Haag ('the foundation'). The financial statements include the consolidated financial statements of Stichting SNV Nederlandse Ontwikkelingsorganisatie and its subsidiaries (together: 'the Group') and the company financial statements.

The financial statements comprise:

- the consolidated and company balance sheet as at 31 December 2016;
- the consolidated and company statement of financial performance for the year then ended;
- the notes, comprising a summary of the accounting policies and other explanatory information.

The financial reporting framework that has been applied in the preparation of the financial statements is the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

The basis for our opinion

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

Independence

We are independent of Stichting SNV Nederlandse Ontwikkelingsorganisatie in accordance with the 'Verordening inzake de onafhankelijkheid van accountants bij assuranceopdrachten' (ViO) and other relevant independence requirements in the Netherlands. Furthermore, we have complied with the 'Verordening gedrags- en beroepsregels accountants' (VGBA).

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

Report on the other information included in the annual report

In addition to the financial statements and our auditor's report thereon, the annual report contains other information that consists of:

- the directors' report;

Based on the procedures performed as set out below, we conclude that the other information:

- is consistent with the financial statements and does not contain material misstatements;
- contains all information that is required by the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

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

By performing our procedures, we comply with the requirements of the Dutch Standard 720. The scope of such procedures was substantially less than the scope of those performed in our audit of the financial statements.

The management board is responsible for the preparation of the other information, including the directors' report pursuant to the Guideline for annual reporting 640 'Not-for-profit organisations' of the Dutch Accounting Standards Board.

Responsibilities for the financial statements and the audit

Responsibilities of the management board and the supervisory board for the financial statements

The management board is responsible for:

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

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

The supervisory board is responsible for overseeing the foundation's financial reporting process.

Our responsibilities for the audit of the financial statements

Our responsibility is to plan and perform an audit engagement in a manner that allows us to obtain sufficient and appropriate audit evidence to provide a basis for our opinion. Our audit opinion aims to provide reasonable assurance about whether the financial statements are free from material misstatement. Reasonable assurance is a high but not absolute level of assurance which makes it possible that we may not detect all misstatements. Misstatements may arise due to fraud or error. They are considered to be material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the financial statements.

Materiality affects the nature, timing and extent of our audit procedures and the evaluation of the effect of identified misstatements on our opinion.

A more detailed description of our responsibilities is set out in the appendix to our report.

Amsterdam, 29 June 2017

PricewaterhouseCoopers Accountants N.V.

J.L. Sebel RA

Appendix to our auditor's report on the financial statements 2016 of Stichting SNV Nederlandse Ontwikkelingsorganisatie

In addition to what is included in our auditor's report we have further set out in this appendix our responsibilities for the audit of the financial statements and explained what an audit involves.

The auditor's responsibilities for the audit of the financial statements

We have exercised professional judgement and have maintained professional scepticism throughout the audit in accordance with Dutch Standards on Auditing, ethical requirements and independence requirements. Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error. Our audit consisted, among other things of the following:

- Identifying and assessing the risks of material misstatement of the financial statements, whether due to fraud or error, designing and performing audit procedures responsive to those risks, and obtaining audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the intentional override of internal control.
- Obtaining an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the foundation's internal control.
- Evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management board.
- Concluding on the appropriateness of the management board's use of the going concern basis of accounting, and based on the audit evidence obtained, concluding whether a material uncertainty exists related to events and/or conditions that may cast significant doubt on the foundation's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report and are made in the context of our opinion on the financial statements as a whole. However, future events or conditions may cause the foundation to cease to continue as a going concern.
- Evaluating the overall presentation, structure and content of the financial statements, including the disclosures, and evaluating whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

Considering our ultimate responsibility for the opinion on the company's consolidated financial statements we are responsible for the direction, supervision and performance of the group audit. In this context, we have determined the nature and extent of the audit procedures for components of the group to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole. Determining factors are the geographic structure of the group, the significance and/or risk profile of group entities or activities, the accounting processes and controls, and the industry in which the group operates. On this basis, we selected group entities for which an audit or review of financial information or specific balances was considered necessary.

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

Abbreviations

ABPP	African Biogas Partnership Programme
ADB	Asian Development Bank
AKVO-RSR	AKVO Really-Simple-Reporting
ARC	Audit and Risk Committee
ARMI	Association for Rural Mobilisation and Improvement
SIDA	Swedish International Development Assistance
ASPIRE	Apiculture Scale-Up Program for Income and Rural Employment
BD	Business Development
BMGF	Bill and Melinda Gates Foundation
CAP	Corporate Annual Plan
CAR	Corporate Annual Report
CER	Certified Emission Reductions
CHAIN	Horticulture for Advancing Income and Nutrition
Ci-Dev	World Bank Carbon Initiative for Development
CLA	Corporate Labour Agreement
CLTS	Community Led Total Sanitation
CSO	Civil Society Organisations
CSP	City Sanitation Plan
DFAT	Department for Foreign Affairs and Trade
DFID	Department for International Development, UK
DFSC	Deforestation Free Supply Chains
DWASHCC	District WASH Coordination Committees
EAWAG	The Swiss Federal Institute of Aquatic Science and Technology
EKN	Embassy of the Kingdom of the Netherlands
EnDev	Energising Development Programme
ENUFF	Enhanced Nutrition for Upland Farming Families
EOWE	Enhancing Opportunities for Women's Enterprise
ERPA	Emissions Reduction Purchase Agreement
EU	European Union
FNS	Food and Nutrition Security
FRWS	Functionality of Rural Water Services
FSM	Faecal Sludge Management

GAIN	Global Alliance for Nutrition
GCF	Green Climate Fund
GHG	Greenhouse Gas
GIS	Geographic Information System
GIZ	German Society for International Cooperation, Ltd
GSU	Global Support Unit
HHA	Health and Hygiene Activity
HR	Human Resources
IATA	International Aid Transparency Initiative
IBA	Inclusive Business Accelerator
ICRAF	World Agroforestry Centre
ICS	Improved Cookstoves
ICT	Information and Communication Technology
IFPRI	International Food Policy Research Institute
ILRI	International Livestock Research Institute
IRF	Institutional Regulatory Framework
ISF	Institute for Sustainable Futures
IWAS	Improving Water Supply Sustainability
KIT	Royal Tropical Institute
M&E	Monitoring and Evaluation
MAM	Mangroves and Markets
MB	Managing Board
MNCH	Maternal, New-born, and Child Health
MD	Managing Director
MDF ESA	Management for Development Foundation Eastern and South Africa
MDG	Millennium Development Goals
MFI	Micro-Finance Institutions
NGO	Non-Governmental Organisation
NTD	Neglected Tropical Diseases
O&M	Operations and Maintenance
OD	Open Defecation
ODA	Official Development Assistance
ODF	Open Defecation Free
PAYG	Pay-as-you-go
PBN	Biogas Market Programme
PFES	Payment for Forest Environmental Services

P-GLR	Accountable Local Governance Programme
PME	Planning, Monitoring and Evaluation
PNB-BF	National Bio-digester Programme
PPP	Public Private Partnership
PPPLab	A knowledge program focusing on the portfolio of DGIS funded PPPs in the domains of water and food/entrepreneurship
PV	Solar Photovoltaics
QQAR	Quality, Quantity Accessibility and Reliability
RARP	Rural Agriculture Revitalization Program
RBF	Result Based Financing
RE	Renewable Energy
RSAHP	Rural Sanitation and Hygiene Programme
RWSN	Rural Water Supply Network
SacoSan	South Asian Conference on Sanitation
SB	Supervisory Board
SBD	SAPByDesign
SDC	Swiss Agency for Development and Cooperation
SDG	Sustainable Development Goals
SHS	Solar Home Systems
SIDO	Small Industries Development Organisation
SME	Small and Medium Enterprise(s)
SSH4A	Sustainable Sanitation and Hygiene for All
TIB	Tanzania Investment Bank
UNICEF	United Nations Children's Fund
USAID	United States Agency for International Development
UWSS	Urban Water Supply Services
V4CP	Voice for Change Partnership
VETA	Vocational and Educational Training Authority
VFD	Vietnam Forests and Delta
WASH	Water, Sanitation & Hygiene
WEDC	Water Engineering & Development Centre
WSP	Water and Sanitation Programme of World Bank
WUR	Wageningen University and Research



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SNV Head Office
Parkstraat 83
2514 JG The Hague
The Netherlands
Tel: +31 (0)70 3440 244
Email: info@snv.org