Hivos Annual Report 2012

Hivos
people unlimited

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1. Mission and Vision

Mission

Hivos is a Dutch development organisation guided by humanist values. Together with local civil society organisations in developing countries, Hivos wants to contribute to a free, fair and sustainable world. A world in which all citizens – both women and men – have equal access to opportunities and resources for development and can participate actively and equally in decision-making processes that determine their lives, their society and their future. Hivos trusts in the creativity and capacity of people. Quality, cooperation and innovation are core values in the business philosophy of Hivos. Hivos is committed to poor and marginalised people in Africa, Asia and Latin America. A lasting improvement in their situation is the ultimate measure of our work. One of the guiding principles of our philosophy is strengthening the social position of women.

Core values

- human dignity and self-determination
- pluralism and democracy
- focus on material and non-material aspects
- mutual solidarity and responsible citizenship
- respect for people's cultural and social identity
- responsible management of nature and natural resources

Approach

Hivos supports more than 700 partners in 27 countries in Africa, Asia and Latin America. Hivos provides financial resources, knowledge and advice as well as political support to these local civil society organisations. In addition, we develop our own programmes and are active in the area of policy advocacy, both on the international stage and in the Netherlands. As a member of coalitions and a broker of contacts, Hivos belongs to a large number of networks. Civil society building and sustainable economic development are Hivos's central policy themes. Our programmes are run mainly from our regional offices in Zimbabwe, India, Costa Rica, Indonesia, Kenya and Bolivia. These offices manage most of the relationships with the partner organisations, which they provide with advice and strategic guidance as well as capital, knowledge and contacts. We also stimulate the building, sharing and application of knowledge for development through our extensive knowledge programme. Hivos operates under ISO certification and has the CBF (Dutch Central Bureau on Fundraising) Seal of Approval.

Themes

Hivos works in the following areas:

- culture, ICT & media and transparency (in the Expression & Engagement programme)
- democratisation, human rights, gender and AIDS prevention (in the Rights & Citizenship programme)
- sustainable economic development (in the Green Entrepreneurship programme)
- responsible citizenship (in the Action for Change programme)

Cooperation

Hivos cooperates with many NGOs and other civil society organisations, businesses, public authorities and creative individuals in the Netherlands, Europe, USA and the South. Building on complementary strengths and joining forces are crucial in achieving our goals. In the Netherlands we co-operate with Free Press Unlimited, IUCN NL and Mama Cash, with which we participate in the Dutch government's co-financing programme as the Hivos Alliance. In the European context, Hivos actively collaborates with like-minded development organisations in Alliance2015. Hivos engages in international policy advocacy on recognisable themes and in close cooperation with prominent Southern or international partner organisations. In the Netherlands, Hivos also collaborates with related organisations in Partos, a national platform for civil society organisations in the domain of development cooperation.

Hivos Key Figures 2012

(Figures in accordance with regulations Central Bureau on Fundraising)

amounts x EUR 1,000

Total income

115,827

Income from own fundraising	1,799
Income from third-party campaigns	15,118
Government grants – co-financing MFS-2 Hivos	51,488
Government grants – co-financing MFS-2 alliance partners	3,605
Government grants – miscellaneous	41,797
Reallocation of released funds	210
Other income	1,810

Programme Liabilities

(new liabilities)

109,729

Green Entrepreneurship	28,235
Rights & Citizenship	42,869
Expression & Engagement	28,318
Action for Change	6,701
MFS-2 alliance partners through Hivos as lead agency	3,605

Portfolio

Outstanding liabilities to partner organisations

86,998

Loans/participations Hivos Triodos Fund (HTF)

69,331

Number of partner organisations

713

Organisation

Operational cost

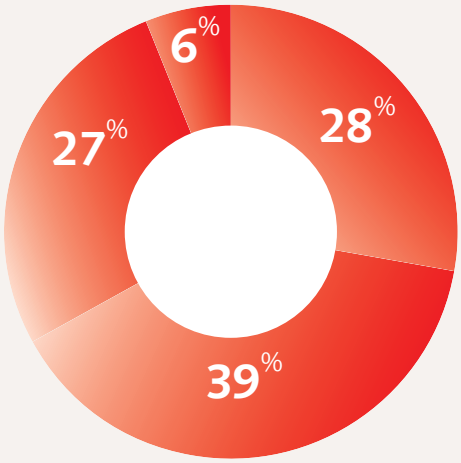
15,001

Of which management and administrative costs	1,846
Results *(after appropriation)*	0
Reserves	6,848

Number of employees

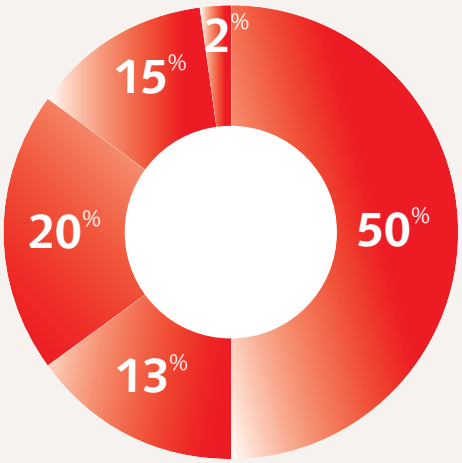
342

Liabilities by programme



Expression & Engagement	28%
Rights & Citizenship	39%
Green Entrepreneurship	27%
Action for Change	6%

Liabilities by region



Africa	50%
Asia	15%
Latin America	20%
Worldwide	13%
The Netherlands	2%

Hivos Network 713

By region

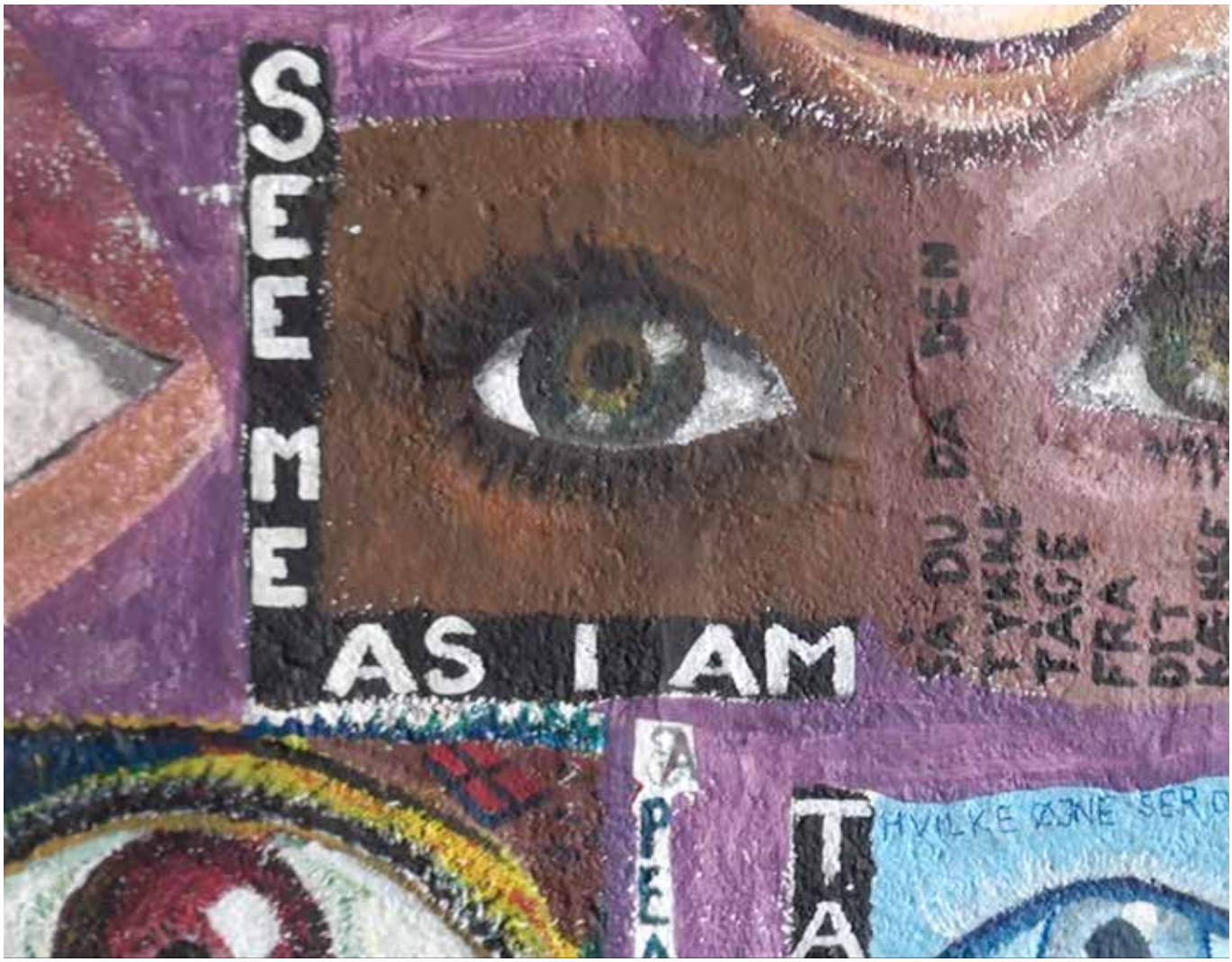
Africa	250
Asia	201
Latin America	151
Worldwide	91
The Netherlands	20
Total	**713**

By programme

Expression & Engagement	204
Rights & Citizenship	314
Green Entrepreneurship	174
Action for Change	21
Total	**713**

2. Report of the Executive Board

Change, insecurity and progress – a triptych that characterises the year 2012. The world was a place of paradox and confusion, but also of hope. In Africa and Asia, economies continued to grow steadily, opening up new perspectives to eradicate extreme poverty. This is good news for global development, but it also presents new dilemmas.



The economic upturn in the South, along with crisis and stagnation in Europe, underscores how the classical divide between the North and South is rapidly eroding and will soon become a thing of the past. Some 1.3 billion people are still living in extreme poverty, but their countries are steadily graduating into the category of middle-income countries. Poverty is increasingly a question of inequality within nations, and therefore a question of access and redistribution of income and wealth. This is not an excuse for reducing our efforts. On the contrary, it is all the more reason to support citizens in those countries in their struggle for equity and access to income. This is one of the main recommendations of the Netherlands Advisory Council on International Affairs (AIV) in its latest report on the shifting patterns of poverty; we hope it inspires and motivates our new minister for Development Cooperation to increase the Dutch support for civil society and those civic actors who play a major role in bringing about change.

We are witnessing a growing awareness that many problems such as climate change are truly global and that the lives of people around the globe have become interconnected. At the same time, the financial crisis in the North has narrowed the focus here and has contributed to a crisis of the imagination – and imagination is a resource that is badly needed to help us deal with the many global challenges that lie ahead.

With this mixed bag of insights we move towards 2015, when the final assessment will be made of the success of the Millennium Development Goals. Globally, nationally and within our organisation, the post-MDGs agenda has become a matter of concern. For Hivos there is no doubt that we need new goals and a new international commitment. In addition, we need a new Global Deal, carried by a broad coalition of stakeholders – governments, civil society, businesses and the academia. This is the time to go beyond the tangible targets and really tackle the root causes – the lack of human rights and women's rights, inequality and exclusion – while ensuring that the boundaries of our planet are not exceeded. A tall order indeed, but certainly a worthwhile goal.
In summary, revisiting the framework for development aid opens a whole new realm of opportunities to address the 'thick' problems of this era, capitalising on a rapidly changing context and emerging trends. This is exactly what Hivos aims to do.

Investing in new approaches

More and more we realise that the 'classical' development assistance system appears unable to cope with recent changes and to provide solutions to new challenges and dilemmas. Over the last decade, Hivos has been working towards renewal. We have done this by concentrating on the crucial importance of knowledge and by developing large-scale programmes together with financiers, local NGOs and other actors.

A number of programmes that Hivos has carried out over the years have proven to be effective and innovative. The long-standing HIV/AIDS programmes which Hivos carries out in Latin America in cooperation with the Global Fund to Fight AIDS, Tuberculosis and Malaria are moving into the next phase. In Bolivia, negotiations on the continuation of the Global Fund programme were finalised in 2012, leading to a $12 million agreement for the second phase. A similar process in Guatemala is well underway. In addition, a number of new initiatives came into being in 2012. We started the Digital Defenders Partnership, which aims at guaranteeing freedom of expression in the digital domain. The programme is an initiative of the governments of the Netherlands, the United Kingdom and the United States to support the work of individuals and organisations in authoritarian or transition countries, who often take enormous risks in order to express themselves. Further, in consultation with the Dutch Ministry of Foreign Affairs, we initiated Women on the Frontline. This programme is meant to strengthen the position of women in the Middle East and North Africa. We are pleased with this timely initiative, given the role that women play in the processes of change in the region as well as the risk that they will be sidelined again if their rights are not guaranteed.

In 2012, Hivos continued to invest in the important area of transparency and accountability. We are happy to report that Hivos has come to play a role in the Open Government Partnership (OGP), a global initiative of US President Obama and seven other heads of state. Since mid-2012 Hivos has hosted the civil society co-ordinator for the OGP, who is tasked with supporting civic actors' involvement in this process. The OGP is an initiative that intends to obtain commitment from governments to upholding transparency, fighting corruption and promoting citizen participation. Some fifty countries have already adhered to the initiative. We consider this both a huge challenge and a tremendous opportunity for civil society groups to really make a difference in the governance of their countries. Hivos aims to practise what we preach. Transparency is not just an ideal, it is concrete and it starts at our own front door. As a member of the International Accountability and Transparency Initiative (IATI), we adhere to the Open Data principles and in 2012 we

became the first major Dutch NGO to publish all key data on projects and programmes on the IATI repository and our own website. We are pleased to be a forerunner in this area.

Future Calling

Building on this experience, we have embarked on a process of redefining the role and mandate of Hivos in a new era: the Future Calling trajectory. Starting with an analysis of the changing global environment and a review of new perspectives in the area of development cooperation, we moved on to assess our present and future strengths and define the way in which Hivos can increase its relevance in the new context. Inspired by Michael Edwards's analysis of the 'thick' problems[1] the world is facing, we concluded that Hivos's added value lies in the combination of its expertise, unconventional approaches and ability to bring together actors from various quarters. This resulted in a proposal by the Executive Board in which the concept of social innovation – a reflection of the above – is put forward as the major approach and inspiration for the future Hivos. This new direction will entail major organisational changes, aimed at increasing Hivos's agility and capacity to respond to new needs and opportunities.

After a series of positive discussions in the second half of 2012, the Supervisory Council asked the Executive Board to elaborate on its proposal, adding a number of challenging questions which will take up the best part of 2013. Four working groups have been charged with further exploring both the content (working towards an 'open and green society') and the financial, organisational and human resource dimensions of the future Hivos. Final approval of the new direction is expected at the end of 2013.

The Netherlands

In the Netherlands, the new government has yet to present its policies on development cooperation. What is already clear, however, is that the cabinet's austerity measures, resulting in a further € 1 billion reduction of the development budget, will substantially limit the Dutch ambitions. Hivos welcomes the re-establishment of the position of Minister for Development Cooperation. We also welcome the combination of two major portfolios – development cooperation and international trade – under one and the same minister; this is an important step towards enhanced coherence. The government's emphasis on the role of the business sector in development does, however, warrant a few cautionary remarks. Although Hivos acknowledges, and indeed strongly advocates, the potential of companies in bringing development goals closer, we should beware of the risk of mission drift. When development cooperation ends up in export promotion, we are definitely on the wrong side of history.

Meanwhile, we see ample opportunities for fruitful cooperation with the government and other actors. This is illustrated by the abovementioned collaborations – Women on the Frontline and the Digital Defenders Partnership – as well as a number of public-private partnerships in our Green Entrepreneurship programme, that are now under way.

Internal organisation

The number of employees at the regional offices and those hired to implement specific projects increased slightly. In total Hivos had 342 employees, of whom 223 were at the regional offices and 119 in the Netherlands. Parallel to the further decentralisation which has taken place in previous years, we have now strengthened the role of Southern actors in the formulation of Hivos's policies. In all regions we engage people from different walks of life to participate in the discussions at key moments in the policy cycle. In 2012 the policy cycle was updated accordingly and formalised in a new document. At the governance level an important step was taken in order to formalise Southern engagement in the highest decision-making body of our organisation, with the appointment of three international members to the Hivos Supervisory Council. The new members are citizens of Zimbabwe, Costa Rica and India.

In recent years we have focused increasingly on developing and implementing larger programmes to which Hivos brings added value. To this end we established local offices in a number of countries to facilitate the successful implementation of such programmes. This also required a concentrated effort in the area of internal control and quality systems. The project registration database and project administration system that was introduced in 2011 to support our global operations is now fully operational. In 2013 we will further improve internal communication in line with the need for intensive collaboration among geographically dispersed units. This will include the introduction of a new intranet. We also launched a new international website that serves as the main gateway to information on the work of Hivos; it includes separate sites for each regional office, providing specific regional information. The Hivos policy on Corporate Social Responsibility has been updated and formalised in a policy paper. In 2013 we will start implementing a number of additional measures to reduce our carbon footprint, such as reduction of air travel by Hivos staff worldwide.

Campaigns

Hivos has always regarded the promotion of global citizenship as one of its core tasks. We want to provide the Dutch and European public with better insight into what 'development' actually means and why the role of civil society in the South is crucial. Providing information about the work of Hivos's partners and mobilising Dutch citizens to contribute to development are central to these efforts. We aim to stimulate behavioural and policy change in the North, among the general public as well as in the world of business and politics, through three campaigns.

The Women@Work campaign on the labour rights of women went into its second year. The campaign, which focuses on the position of women in the East African flower industry, drew considerable attention in the media and business circles. The second campaign - Stop Child Labour - focused its efforts on the shoe industry and advocated 'child-friendly shoes'. The campaign, which has been successful in promoting child labour free zones in several countries, received a further boost with the extra support of the Dutch National Postcode Lottery. Our third campaign - 100% Sustainable Energy - rolled out its main activities around the Indonesian island Sumba and mobilised the public's interest for issues related to climate change and access to energy, through Expedition Sumba.

Results

In 2012, 713 partner organisations in the South received direct financial support from Hivos. They are the main actors in determining and implementing the programme objectives. Hivos continued to invest in the quality of their work through specific organisation-building and capacity-development programmes. Hivos continued to create opportunities for new initiatives through renewal of the partner base (on average 15 per cent per year).

Our partners in the area of microfinance were able to provide seven million people with access to financial services. Together with Triodos Bank, we continued our support for microfinance institutions (MFIs). In 2012, 46 partners in the South – mostly MFIs – received capital and advice from the Hivos Triodos Fund (HTF). The volume of the issued loans and participations was € 69.3 million, compared with € 67.4 million in 2011. Despite the sombre economic prospects, the number of Dutch citizens who contributed to HTF loans through their savings plans continued to increase. The amount in savings they made available through the North-South Savings Plan in collaboration with Triodos Bank rose from € 93.2 million in 2011 to € 102.7 million in 2012. The number of participants in this savings plan also grew, amounting to 8,842 in 2012.

For Hivos, the savings programme is one of the most important instruments in mobilising the active support of Dutch citizens for its work.

In all, Hivos reached 22.2 million people with its work. A total of € 115.8 million was available for this work, of which € 109.7 million was allocated to partners in the South. Maintaining the financial sustainability of the working organisation remains an important concern. In the coming years we will continue to tighten our financial policy in order to secure this. In 2012, Hivos again succeeded in increasing the number of funding sources, other than the Dutch Ministry of Foreign Affairs. Altogether they accounted for more than half (53 per cent) of our income.

In conclusion

In this annual report we render account to our donors, stakeholders and partners. We provide a summary of the most noteworthy activities of Hivos in 2012 – not only the success stories but also those aspects that worked out less well. Development and international cooperation are complex and sometimes volatile undertakings that require a long-term perspective, and this calls for optimism, trust in the power of people and ongoing commitment. Our ultimate goal is to bring about more freedom and promote justice in the world, with better opportunities for all its citizens.

The Hague, April 2013

Manuela Monteiro, Executive Director
Ben Witjes, Director of Programmes and Projects

1 Michael Edwards, 'Thick Problems and Thin Solutions: How NGOs Can Bridge the Gap', *Future Calling Think Piece*, The Hague: Hivos, 2011, http://www.hivos.net/Hivos-Knowledge-Programme/Themes/Future-Calling/Short-Reflections/Thick-Problems-and-Thin-Solutions

3. The Hivos Approach

Development cannot be steered from the outside, but it can be encouraged. Hivos trusts in the power and creativity of people in developing countries. They can earn their own livelihood, stand up for their rights and shape their lives, provided that they have the opportunity and the means to do so. Poverty is more than a lack of material wealth. It is rooted in unequal social and political relationships, both locally and at the global level. We therefore believe that direct poverty alleviation goes hand in hand with fighting unequal and unjust power relationships.

Marginalised groups must be given a greater say in political, economic and cultural processes. This requires organisations that can bring about effective and permanent change. By joining forces, citizens can effectively respond to the state and to economic powers. This is why we support more than 700 partner organisations in 27 countries – not just in the form of money, but also by giving local organisations access to knowledge and networks or by setting up programmes and campaigns with them.

What sets Hivos apart? What is development cooperation 'guided by humanist values', as set out in our statutes? When Hivos was founded in 1968, its founders were inspired by principles such as individual freedom, personal responsibility and self-determination. As such, Hivos distinguished itself – and still does – from the mostly faith-based organisations in the sector. Humanism is reflected in our work by emphasising self-determination, identity, empowerment and the strength of people themselves.

Strategies

For Hivos, structural poverty alleviation means not only improving the situation of people living in poverty, but also removing the root causes of poverty and oppression. Hivos works towards this goal together with its partners, both in the partner countries and internationally, including the Netherlands. Improving the position of women is an important aspect of Hivos's work in all areas. That is why Hivos not only supports women's organisations, but also requires partners working on other themes to integrate women's rights and interests in their work.
We follow a threefold strategy of direct poverty alleviation, civil society building and advocacy, which are mutually reinforcing. Direct poverty alleviation gives people the means to escape poverty: money to set up a small business (microfinance), knowledge to gain access to markets, and education and technical resources to generate income. Civil society building, both through strengthening local organisations and advancing civil society as a whole, is central to the Hivos philosophy. Fighting poverty, injustice and inequality requires that people assert their common interests. Effective organisations and a strong civil society are also essential for the other two strategies. *Advocacy* – aimed at local, national and international governments, institutions and businesses – is essential in order to make laws, regulations and markets work in favour of marginalised groups. Most partner organisations are involved in advocacy. In addition, Hivos itself aims at influencing the policies and behaviour of policy-makers, entrepreneurs, civil society organisations and citizens.

Knowledge integration

Knowledge is essential for development, and knowledge integration has become a core strategy for Hivos. From 2007, we have set up an extensive knowledge programme that integrates different types of knowledge and makes them available to our partners and other actors in the field of development cooperation. In part, this is done through five thematic knowledge programmes aimed at themes within the range of the regular Hivos programmes.

In this way we were able to build, for example, broad expertise on the Middle East and North Africa before the Arab revolutions broke out. This brought us widespread recognition and appreciation from renowned think tanks, institutions, donors and the media for being a source of knowledge on Syria.

Other examples are the thematic knowledge programmes on small-scale agricultural producers and biodiversity which have allowed us to improve support to partners and cooperation with new actors.

The knowledge programme has also become more important for policy development at the general level, where it interlinks with the Future Calling trajectory, as well as in contributing to the learning agenda, internal staff training, etc.

Choice of countries and local presence

Hivos works in 27 countries and has a local presence in most regions. In addition to our head office in The Hague, regional offices have been established in Bolivia, Costa Rica, India, Indonesia, Kenya and Zimbabwe. Hivos employees located worldwide co-operate in virtual international teams. We have also set up local offices in a number of countries so that we can have a closer relationship with our partners. Through these offices Hivos implements large-scale programmes in cooperation with international funding institutions. In due course the local offices should, where possible, continue their activities as financially independent entities.

Partner policy

Hivos supports local organisations with financial resources, but also with knowledge, contacts and advocacy. Hivos selects its partners according to its mission, vision and strategy. Some partners are active in international policy advocacy while others work with local communities. Membership organisations are of particular interest to us.

Hivos asks partners to draw up their own plans, which are then assessed as to their viability in terms of capacity and strategy. We also provide space for budding initiatives that do not yet meet all the requirements. Hivos prefers to provide core funding to partner organisations, rather than fund only their activities. This allows them to structurally invest in strengthening their own organisation and to learn from their experiences. In order to limit dependence on Hivos, funding is provided only for a maximum period of several years. The uncertainty with respect to our own multi-annual funding, from the Dutch co-financing system in particular, has further limited this period.

Preparing for the future

The Executive Board has expressed its intention to substantially change Hivos's organisation and ways of working in the years to come. This follows from the policy development trajectory that Hivos initiated in 2011 under the name of Future Calling. In the first stage we asked development expert Michael Edwards to write a paper as a general starting point for debate, both within Hivos and among actors from circles of development cooperation and beyond. Edwards highlighted the need to return to tackling systemic ('thick') problems instead of concentrating on feasible ('thin') solutions. This was reconfirmed in the subsequent debate in development magazine and website The Broker, as well as in other exchanges with external actors. The results served as inputs for the elaboration of discussion and policy-formulating within Hivos. In 2012 the Board presented a proposal for the future direction of Hivos to the Supervisory Council. The actual change process will be designed in 2013 for implementation in 2014 and onwards.

The Future Calling exercise has taught us that our core activities related to financing a broad partner network (although we have always done more than just giving grants) do not allow for sufficient impact and renewal given this new context. New or persistent global problems demand the mobilisation of creative ideas and their skilful application. For this reason, Hivos aims to better capitalise on its knowledge and experience by contributing to processes towards new solutions that effect social change. The perspective of social innovation is particularly helpful here. Social innovation builds on actively scanning and developing new ideas, testing those ideas through experimenting, and developing them into proven concepts or models. This process requires the involvement of multiple actors: civic change makers and progressive donors as well as policy developers and agenda-setters.

Hivos will become a smaller, more flexible organisation. Its headquarters will remain in the Netherlands, and its regional presence will be based on social innovation hubs. In addition there will be a number of programmes or offices which function as autonomous entities, but still form part of Hivos – almost as a sort of franchise.

The next two to three years will be a transition period. Hivos will continue to fulfil its obligations towards partners and other stakeholders, and will work towards achieving the results as described in its business plan and in the MFS application with the Hivos Alliance.

4. What We Do: The Four Programmes

In the past year Hivos supported the work of more than 700 local organisations in developing countries and was active in both the South and in Europe. All these activities took place in the context of four programmes, and contributed in various ways to achieving the programme objectives.

This chapter discusses the four programmes. Our aim here is not to be complete but rather to explore a number of themes in more depth for each programme.

Expression & Engagement

Creating a vibrant society is not possible if people cannot express themselves freely, or if some people are more free than others to do so. The Expression & Engagement programme therefore seeks to create space for expression, diversity and artistic freedom where and when it is needed, for instance through cooperation with bloggers, artists and activists, exploring alternative platforms, channels, venues and productions.

The programme seeks to improve the quality and diversity of the media in developing countries, broaden access to the media, increase citizen participation and strengthen independent media. Only then can those in power be addressed on the need for dialogue, transparency and accountability.

Through Expression & Engagement Hivos wants to stimulate debate in society, encourage social dialogue and motivate citizens to take action. Promoting socially-committed art and building a healthy cultural infrastructure contributes to a dynamic culture that can challenge, inspire and offer unexpected perspectives.

Results in 2012

- Software developed by Hivos partners to circumvent Internet censorship in Iran and Syria was downloaded 50,000 times, and 600 activists from these countries received training on secure use of the Internet.

- Hivos's support to cultural network and arts initiatives resulted in increased open space for the voices of artists and better conditions for cultural productions in Africa and Latin America.

- The Open Government Partnership programme, for which Hivos hosts the civil society coordinator, engaged civil society actors in the debate around government transparency and accountability in more than 50 countries.

Internet freedom

Hivos promotes a free and open Internet, as it is a basic requirement for citizens to stay informed, express their opinions and become actively involved in society. In turn, this is essential for the development of a democratic society. In recent years the world has witnessed citizens in the Middle East and North Africa joining forces through the Internet. Bloggers, journalists and cyber-activists were the drivers of resistance, using the Internet and social media to mobilise collective civil action. However, there is no reason for complacency. The uprisings in Tunisia and Egypt have led other repressive governments to increase their control of the Internet.

Hivos believes in the need to protect Internet users, in particular online activists, and put pressure on governments to codify Internet freedom into law. In 2012, supporting and protecting individual bloggers, journalists and activists was one of our main activities, as repressive regimes are increasingly trying to control online activism by blocking websites, hacking e-mail accounts and infecting computers with spyware. Activists are traced, arrested, tortured or even given the death penalty for their online activities. A recent example is the Palestinian-Syrian computer engineer Bassel Khartabil, who has been detained without trial and without legal charges being brought against him. Bassel specialises in open source software development and is known for his strong commitment to the open web, teaching others about technology, and sharing his expertise freely. Hivos puts pressure on governments by campaigning for his and other citizens' release.

As a major step in our work to protect bloggers, human rights defenders and activists, a new emergency programme, the Digital Defenders Partnership, was established in 2012. Supported by the US, UK, Estonian and Dutch governments, the programme provides rapid support to counter emerging threats to the Internet and its users. It facilitates initiatives to respond to governments' attempts to shut down the Internet or use technology to spy on citizens, and will invest in the building of digital emergency capacity.

Hivos supports partners that developed tools against censorship, digital surveillance and repression. They helped activists to be safe online. A long-standing partner in this effort is the Tactical Technology Collective, which provides both technical and practical support to activists. In 2012 it supported at least 600 activists and bloggers on security issues. Our partner Mid East Youth developed technology that was downloaded by more than 50,000 users in Iran and Syria, allowing them to circumvent cyber censorship and access websites blocked by the government. This technology is unique in that it runs on a memory stick, which is especially important in repressive environments where technology offered online might be planted and monitored by the government.

Hivos is also active in anchoring Internet freedom in legislation by raising awareness and advocacy.

Number of partners:
204

Liabilities:
€ 27,700,000

People reached:
8,000,000

Main partnerships
Hewlett Foundation, Omidyar Network, Open Society Foundations, DFID, SIDA, SDC

Together with the Association for Progressive Communication, Hivos publishes the annual Global Information Society Watch (GIS Watch) on Internet governance worldwide, which also provides country-specific action steps for improvement. The 2012 report was launched at the seventh Internet Governance Forum in Baku, where public policy issues related to Internet governance were discussed with the aim of fostering Internet security and development. In 2012 we also launched and started implementing the programme Internet Governance in the MENA Region, aimed at putting pressure on governments to develop laws ensuring freedom of expression and of information. The programme is supported by the Dutch Ministry of Foreign Affairs.

Our efforts to keep the Internet open and free resulted in an increased space for freedom of expression. Our support of Internet freedom enabled journalists, activists and bloggers to raise critical voices. After all, online freedom and the safety of its guardians are crucial to both combating repression and monitoring the transition towards more democracy.

Cultural Networks

Regional networks can play an important role in strengthening the role of the arts and culture in development. In the last decade Hivos has invested in the creation and development of cultural networks in Africa, Asia and Latin America which improve cultural infrastructures. These networks are essential to opening up new channels for Southern artists' voices, to improving the conditions for cultural production and enabling these artists to market their work both nationally and internationally. In 2007, Hivos helped establish the Arterial Network. This pan-African cultural network creates capacity (for cultural management among other things), strengthens advocacy and promotes global collaboration by stimulating and connecting regional initiatives. Since its inception Arterial has contributed significantly to the growth and strengthening of an independent cultural sector in various African countries.

One major aim of Arterial is to improve national government policies on the cultural sector in their countries. To this end, Arterial actively pursues the involvement of and collaboration between civil society, governments and artists. In recent years the Network has developed training courses and a template for advocacy and cultural policy-making: 'Adapting the wheel: Cultural Policies for Africa' (2011), for its members' use. In 2012 this document served as a tool for advocacy and policy-making in eight African countries.

This has led to a number of remarkable achievements. In Congo, Arterial Network's representative Patrick Mudekereza has been working closely with the Ministry of Culture on drafting a cultural policy, inspired by Adapting the Wheel. Arterial organised consultations with civil society in order to get their input. In Morocco, the Arterial Network affiliate started a process of campaigning for a cultural policy, which was still lacking. While the process is still ongoing, the country ratified the 2005 UNESCO Convention as a step in the right direction.

In Mali, Arterial representatives distributed the book to all members of the commission responsible for formulating a new cultural policy. The draft policy note resulting from this process is now due for approval in parliament. Unfortunately, the war in Mali has worsened the position of artists tremendously.

Arterial's advocacy activities in the other countries are in earlier stages, with less tangible results. Bringing together artists, civil society and government to discuss cultural policies is, however, an achievement on its own.

This is certainly the case in Zimbabwe. Arterial Network's national representative and Hivos partner Nhimbe Trust organised a training programme for cultural activists who are tackling the policies that impact negatively on the freedom of arts and culture. The creative sector is now reviewing the arts legislation, with Arterial's support.

A major issue in this process is the censorship question. Nhimbe Trust leads the civic coalition against censorship, which breaches the freedom of expression and as such is a violation of human rights. In Zimbabwe exhibitions are regularly banned, theatres put under surveillance and artists threatened by the government's board on censorship. Nhimbe Trust, monitors and reports this type of violation and bravely advocates for an end to censorship.

Arterial Network offers a shining example for other regions as well. Exchange visits between Arterial Network and Latin American partners in the past led to a boost in network building there. A pan-American network - Río-JUNTOS: Conexión Cultural Latinoamericana – has blossomed with Hivos's support, connecting 50 cultural networks in 21 countries across the continent. The network has strong ties with the social movements in the different countries. In 2013, Río-JUNTOS will continue to lobby governments to allocate at least 1 per cent of their national budgets to culture, and 0.1 per cent to promoting 'living community culture'.

How Rami Jarrah became Alexander Page

On a day of rage in the Kingdom of Silence, an old man spoke up. After the Friday prayers in the Great Mosque of Damascus he shouted: "My sons are prisoners – I have not seen them for many years. I want their freedom!" After a thunderous silence a clamour of protest arose. The Arab revolution had spread to Syria. Rami Jarrah was there; four days later he became Alexander Page.

It was March 2011. In the weeks leading up to the protest in the mosque, Rami Jarrah's hopes had been raised by small demonstrations in the south. He had planned to leave Syria for a more peaceful country, but perhaps the silence that had frustrated him so was about to end. He no longer wanted to return to England or Dubai, where he had studied, but decided to stay.

Across the nation, people began to lose their fear. So too in Damascus, under the very nose of President Assad who until then had been inviolable. Rami Jarrah, who graduated in journalism and knows the Internet well, decided to join a group of civil journalists. He started collecting reports on the unrest and published them online.

Iron fist

Four days after the day of rage, Rami took part in a demonstration in Damascus. The government cracked down on protesters with an iron fist. Nine were shot and several dozen arrested before his eyes. That evening, media approached the group of citizen journalists to report on the incidents. Rami Jarrah, fluent in English, was put forward. Hiding behind a name he had just found on the Internet, his voice was broadcast across the world. Alexander Page was born.

Alexander Page became the voice of the opposition, but major news channels also wanted image coverage. He was asked increasingly to record the unrest. Within a week he was arrested while filming, stripped to his boxers and thrown into a cell. He was denied food and water for days, had to remain standing and was repeatedly beaten. It was only after admitting – under duress – to 'terrorism' that he was released.

A full-time job

The maelstrom of Rami's life intensified. Shortly after his release his boss ordered him to participate in a pro-government demonstration. He refused and handed in his notice. But with Rami now unemployed, Alexander got a full-time job.

He was arrested again. This time he was caught carrying a portable router, which gave demonstrators Internet access. He managed to avoid jailtime, only to be harassed two days later, when a group of men waiting for him outside his house beat him up. He was to keep quiet, they threatened. It seemed the true identity of Alexander Page was known to the authorities.

At 4 a.m. that night a friend with connections in the secret service confirmed that his name was on the 'Alexander Page' file. Two hours later Rami fled to Jordan with his wife and child.

Activist News Association

In 2012 the Syrian uprising became a bloody civil war. Rami Jarrah, now supported by Hivos, continues his opposition to the Syrian regime from Cairo. Surrounded by screens showing wrecked streets, refugees and ongoing protest, he now runs the Activist News Association.

Nothing escapes the watchful eyes of this network. The crimes committed by president Assad are documented by civil journalists and stored safely in Cairo. It is a vast repository of text, photographs and videos, neatly labelled and classified and taking up ever more server space. When the tyrant is finally brought to a tribunal or criminal court, he will not be able to deny his crimes against humanity. Then, even Assad will realise that silence can no longer be enforced.

Rights & Citizenship

The Rights & Citizenship programme supports people in creating a society in which they can participate freely and fully, regardless of gender, ethnicity, sexual orientation or religious beliefs. The space for this activism is often limited, though. The work of activist citizens and their representative organisations can be dangerous, yet their perseverance and courage are necessary drivers in the struggle towards fair and free participation in society.

People's free and full participation in society requires appealing to governments to create space for everyone and allow citizens to be involved in decision-making processes. The social recognition and acceptance of everyone's rights, particularly those of women, LGBT people, and people living with HIV/AIDS, must always be central. Through its Rights & Citizenship programme, Hivos therefore supports citizens and representative organisations that strengthen fundamental political rights, organisations that represent the rights of poor and marginalised groups, and organisations that denounce human rights violations.

Results in 2012

- In Guatemala, Hivos partners succeeded in starting a formal lawsuit against ex-president Ríos Montt for genocide committed against Mayan villagers in the 1980s.

- In Iraq, partners focused on addressing long-term issues such as preventing domestic violence, combating female genital mutilation and promoting freedom of expression. They also contributed to improving the environment for civic action, in particular through their efforts to introduce a better NGO Law.

- In East Africa, partners successfully advocated introduction of the HIV & AIDS Prevention and Management Bill, which that was passed at the East African Council Legislative Assembly. The bill will strengthen co-ordination of policies and programmes on HIV and emphasises the rights of vulnerable groups.

From 'spring' to transition

The wave of popular uprisings and the violent responses by regimes in the Middle East and North Africa (MENA) from late 2010 have proven to be the beginning of a transition, albeit an incomplete one. Effects varied widely across the region. Elections brought new leaders, but democratisation is fraught with uncertainties. The armed confrontation in Syria risks becoming a sectarian conflict. Still, the 'Arab Transition' has already changed the region to an extent that was unthinkable before. Now, pioneers with political will and democratic attitudes are needed to lead change processes. Having been active in the region since 2004, Hivos supports civic actors who can help build free, fair and inclusive societies and can be a countervailing power to (new) authoritarianism and intolerance.

The Arab Transition required Hivos and its partners to look for new ways of taking action and informing policy-makers and the public. This is particularly true in Syria, where the armed conflict made it difficult to continue working inside the country. In collaboration with Karama, a regional organisation that works on women's rights and political participation, we initiated the Syrian Women's Platform. This platform aims at empowering Syrian women to participate in peacemaking processes. Karama also helped set up the Libyan Women's Platform for Peace.

The Syrian Centre for Media and Freedom of Expression (SCM) monitored press freedom in Syria and tracked cases of journalists being detained and/or injured. The severe state repression has, however, also affected SCM itself. Its office was raided and the staff arrested. Some SCM staff, including founder and director Mazen Darwish, remain behind bars. Hivos campaigned for a fair trial for them. In response to the increasingly insecure situation, we co-initiated an informal network on human rights and freedom of expression in Syria. This network enables a wide range of NGOs from Europe, America and the MENA region to take concerted action to help persecuted Syrian human rights defenders, journalists, bloggers and artists.

The waves of the Arab transition elsewhere also resonated in Iraq. Civic activism increased considerably but it did not lead to far-reaching political change. In this context, our partner organisation Al-Amal concentrated on addressing long-term issues and improving the environment for civic action. Al-Amal took action to promote an NGO Law with sufficient freedoms. It has also been advocating for a better bill on freedom of expression. Additionally, Al-Amal contributed to the draft bill on preventing domestic violence, which strengthens the position of women.

Women have played a substantial role in the Arab transformations, sometimes as initiators and leaders of movements. This role has often not been recognised. Moreover, women and women's rights risk being sidelined in the new political settings. For this reason, Hivos has advocated for international policy-makers to do more

Number of partners:

314

Liabilities:

€ 38,200,000

People reached:

5,500,000

Main partnerships

Global Fund to Fight AIDS, Tuberculosis and Malaria, Mama Cash, IKV-PC, ILGA, Ford Foundation

to improve women's situation in the Arab transition countries. We approached the Dutch and US governments to take appropriate action. In 2012 the Dutch Minister of Foreign Affairs pledged to support a new initiative, Women on the Frontline. This fund, to be managed by Hivos and PwC, will support civic initiatives aimed at strengthening women's rights and position in the MENA region.

Parallel to our work on the ground, the Hivos knowledge programme Civil Society in West Asia has provided background studies and reflections on the Arab Transition. To better understand the transition challenges in Syria, Hivos co-organised two seminars on transitional justice that brought together a wide range of Syrian activists and experts. We published a discussion paper on how Western donors dealt with the strategic implications of the revolutions and how they should rethink their strategies in the new revolutionary setting. These efforts have received widespread recognition and appreciation from renowned think tanks, institutions and donors for being a source of knowledge on Syria and the strategic implications of revolutions for Western donors. The BBC referred to our publications as literature on media and civil society in Syria.

Indigenous peoples and extractive industry: incompatible?

For decades, indigenous peoples' rights and access to resources in their territories has been an important issue for Hivos in Latin America. Long battles have been fought and sometimes won. In Guatemala, 30 years of hard work by local communities, human rights lawyers and Hivos partners such as CONIC and CALDH finally resulted in a formal lawsuit against ex-president Ríos Montt for genocide committed against Mayan villagers. The dynamic people of Sarayaku in Ecuador won a case in the Inter-American Court of Justice, ten years after an oil company started exploration in their territory.

In the Amazon basin of Bolivia and Ecuador, Hivos has successfully supported indigenous federations in obtaining title over their territories. The next step is more difficult, since these titles allow indigenous peoples to manage their forests in a sustainable way, but don't give them a say on the riches underground. Even the so-called New Left governments often fail to hold proper consultations prior to new oil exploration or expansion of infrastructure. Partner organisations therefore participated in demonstrations by indigenous peoples against the construction of a road in the Tipnis reserve in Bolivia. The government organised a consultation with social organisations, the outcome of which, however, was contested by some indigenous activists. The government used their disagreement as a pretext to continue with planned road construction. Once again, indigenous activists are facing a long-term struggle.

Together with partners, we also addressed the impact of oil and mineral production on indigenous communities' environments. The depletion of the Amazon forests has an enormous impact on climate and biodiversity. In cooperation with local academics, Hivos initiated research into the matter in order to substantiate the indigenous people's claims. The study proved that while the oil pits will be empty after twenty years, the damage to the forests will be permanent. Hivos partners also pointed at the negative social consequences of the arrival of migratory oil workers, for example the proliferation of beer halls and sex work. Indigenous organisations in Ecuador therefore proposed a moratorium on further explorations. This will also be a long-term struggle.

These issues were also addressed by CoCooN, a WOTRO-financed research programme. Hivos, ISS, the University of San Francisco in Quito (Ecuador) and the environmental network Lidema (Bolivia) are jointly studying cooperation and conflict in extractive industries. Topics include the industries' impact , alternative economic models, and affected communities' right to consultation and compensation. The outcomes will help indigenous organisations to enter the difficult debate with governments and companies.

We have also made use of the status of Hivos as a civil society member of the Economic and Social Council (ECOSOC) of the United Nations to address the rights of indigenous peoples. In 2012 we facilitated the participation of indigenous leaders in the UN Working Group on Business and Human Rights meeting in Geneva. Through a successful side event and meetings with UN staff, diplomats and special rapporteurs, they were able to draw attention to the need to systematically include indigenous territorial rights in the Guiding Principles for Human Rights and Business (or Ruggie Framework). Indigenous activists expect that it will take years of critical monitoring and public pressure before this voluntary mechanism leads to better corporate practice.

Defending the rights of indigenous peoples also implies that they should have the means to develop the economy in their territories. In the years to come, Hivos will therefore focus on agriculture based on conservation of biodiversity and the use of renewable energy.

The Sarayaku case

Peace has returned to Sarayaku. On the day after, normal life has resumed. Children are splashing about in the river, someone is repairing a thatched roof and bowls of chicha are being prepared. On the surface, it doesn't look as if history has been written here.

What could possibly happen in a village like Sarayaku – a mere dot on the map of the expansive Amazon rainforest? Only a few hundred people live here. There are no roads: it takes a full day to reach the nearest town via the river. The villagers are easy to overlook.

This is precisely what happened in 1996 at an Ecuadorian Ministerial department. A decision was made about one of the squares into which the land had been divided after oil was discovered. CGC, an Argentinian company, was given the rights to prospect for oil in block 23. Government officials and prospectors might not even have been aware of Sarayaku lying in the middle of this block. However, they would find out soon.

Compensation

Sarayaku's residents knew what the quest for oil had led to elsewhere. Slashed forests, polluted rivers devoid of fish and flooding as a result of soil erosion. They also knew that afflicted villages were given a school, a clinic and a village hall. But what do you need a clinic for if you trust the shaman? Why meet in a hall when you can do so outside? And a school? Sarayaku already had one.
It was in 2002 that the oil company first ventured into the forest of Sarayaku. Backed by the army, CGC conducted seismic surveys in the area. Large quantities of explosives were detonated at fishing sites, hunting grounds and holy places. Sarayaku sprang into action. Residents erected 'peace camps' in areas where CGC operated and refused to give in to threats from soldiers.

Pachamama

Sarayaku made the headlines. Not only because of its peaceful resistance, but also because it took to the highest court in the region. With the support of Hivos partner Pachamama, village chief José Gualinga made his way to the Inter-American Human Rights court in Costa Rica. It opened the Sarayaku case and ordered the immediate cessation of seismic exploration activities.

In the years that followed, evidence was provided to the court and José Gualinga talked to parliaments across the world about the injustice done to his people. His rising star was a thorn in the side of South American presidents and ministers. If he would win his case, it would create a precedent for thousands of other villages in the oil-rich Amazon rainforest.

History is written

On the 25th of July 2012, Sarayaku villagers came together in their new computer room. It was packed, yet you could hear a pin drop. It was the day of the court ruling. Their faces painted for the occasion, the villagers had their eyes glued to a computer screen. Thanks to the new satellite connection, the court proceedings were watched live. Just seconds after the court decided in José Gualinga's favour on all counts, the entire village knew the battle had been won. Sarayaku regained control of its land and the state of Ecuador was ordered to pay 1.3 million dollars in damages and to clear the remaining explosives.

Outbursts of joy were followed by the realisation that Sarayaku, once more, had its future in its own hands. The villagers shared the news on Facebook and Twitter as the chicha was passed round. Life continued at exactly the right pace.

Green Entrepreneurship

In 2050, there will be nine billion mouths to feed. So far, each expansion of agricultural land has led to a significant increase of greenhouse gas emissions. Climate change threatens productivity. This affects poor people – particularly women – the most. Energy consumption must be minimised and made more sustainable, with equal opportunities for all and respect for biodiversity. This is no small challenge.

The Green Entrepreneurship programme relies on the role of enterprising men and women in rural areas in green socioeconomic development. More than anyone else, they have the potential to provide the world with food, halt climate change, maintain biodiversity and create employment. To achieve this, their productivity must be increased and their operations made more efficient, for example through proper funding, biogas installations or smart partnerships with governments and market parties. Small-scale producers serve local markets, use little energy and take responsibility for their environment. They know the difference between profit and exploitation. Sustainable economic development in rural areas is in good hands.

Results in 2012

- Training of 28,000 small-scale coffee producers in Kenya resulted in an increase of their income by 70 per cent (in three years time).
- 7.2 million people and their families received loans through the microfinance programme of the Hivos Triodos Fund (HTF).
- In Africa and Indonesia, more than 14 thousand families acquired a biogas digester, which equals the number of digesters built in the three preceding years.

Biogas: renewable energy for all

Access to energy allows poor people in rural areas, where most of them live, to improve living conditions and start businesses. At the same time, their basic livelihoods depend on the state of their natural environment, which is increasingly coming under threat. Renewable forms of energy address both problems. Hivos makes sustainable energy, and in particular biogas, affordable for poor people.

Domestic biogas provides a sustainable way for individual households with livestock to reduce dependence on firewood and expensive fossil fuels: a biogas digester converts the dung into biogas that can be used for cooking and light. The slurry left over from this process is also an excellent organic fertiliser that can be used to improve crop yields. Domestic biogas also benefits society at large. Women save time and money if they do not have to collect firewood, which also reduces deforestation and greenhouse gas emissions. In addition the use of biogas improves their health, as indoor smoke is a major cause of illness. The creation of a biogas sector also generates employment and thus contributes to development.

Hivos has biogas programmes running in five African countries, as well as in Indonesia, Cambodia and Nicaragua, in partnership with SNV. We also work closely with the Dutch Ministry of Foreign Affairs, national governments and with rural development NGOs. The programmes aim to create a national market-based biogas sector with the support of (local) government, banks and businesses, and NGOs. This biogas sector includes locally-trained contractors and masons supported by vocational training institutions. Banks and microfinance institutions are encouraged to provide loans to end-users and biogas construction enterprises, and governments may create an enabling environment. All of these factors vary per country. In Indonesia the approach has been more successful than in Ethiopia. In 2012, the African Biogas Partnership Programme provided for the construction of almost 11,000 biogas digesters. This is more than the number installed in the three preceding years.

In Indonesia, Hivos manages the domestic biogas programme BIRU (Biogas Rumah or 'biogas for the home'). We have succeeded in obtaining support from (local) government and businesses. Over the years we have provided companies, NGOs and co-operatives with the organisational and technical training necessary for biodigester construction. This has resulted in the construction of 8,000 digesters. The availability of renewable energy has been favourable for small-scale producers and their families, as well as for the development of local businesses such as hotels. The local business sector is also strengthened by the involvement of entrepreneurs including masons and suppliers of bricks and sand, as well as metallurgic enterprises and transporters. Hivos has created Yayasan Rumah Energi (Home Energy Foundation), an independent foundation which will take over management of the next phases of the programme.
The National Biogas Programme in Cambodia has installed over 19,000 digesters since 2006, and aims to increase this number to 65,000 in 2018. Our role here over the last six years has been providing finance, in particular

Number of partners:
174

Liabilities:
€ 26,900,000

People reached:
7,600,000

Main partnerships
Triodos Bank, ECOM, IIED, IUCN NL, Oxfam Novib, Ford Foundation.

through greenhouse gas compensations via the Hivos Climate Fund.

In Nicaragua, the biogas programme started later than planned due to the time taken to obtain the government's compliance. The intention is to make the Nicaragua programme exemplary for the entire Central American region.

Involving businesses

The importance of the business sector to economic development has received growing recognition by both donors and NGOs. While the complementarity between 'profit' and 'not-for-profit' may be there, it often takes time to build successful models of cooperation. Over the years, Hivos has invested a lot in bringing these efforts to fruition. A number of cases have been quite successful, delivering results that have impacted the lives of people in the South. Coffee and biogas in East Africa and Indonesia are cases in point.

Small-scale coffee producers are often not assured of a sufficient income. Even if their coffee reaches the market, prices are volatile. Increasing their product quality is difficult due to the lack of appropriate knowledge and infrastructure. Instead of supporting a small number of them, Hivos has opted for developing a large-scale programme to improve the entire sector. Involvement of businesses is crucial in this endeavour. Cooperation with the business sector could help small-scale producers in East Africa to access new markets. Inversely, many companies seek to safeguard the supply of agricultural products of sufficient quality. Hivos therefore works towards promoting fruitful cooperation between the two. A major success has been the involvement of ECOM, one of the biggest coffee retailers, in the training of farmer co-operatives in better production methods as well as management and business skills. In Kenya this has been a long-term process, but with clear results: in three years' time, the producers' income rose by 70 per cent. In addition, more women producers are involved, and environmental sustainability has increased. In 2013 the programme will be expanded to Tanzania with funding from the Bill and Melinda Gates Foundation, where 85,000 farmers will receive training through a partnership with coffee retailers (ECOM and Amajaro), the Hanns R. Neumann Stiftung, DEG Invest, Solidaridad and Hivos.

The story of the Hivos-ECOM collaboration started in 2006, when they created Sustainable Management Services (SMS), which offers training to large numbers of small-scale coffee producers. Since then, the number of producers involved has risen from 11,000 to 28,000. Of the new group, 40 per cent are women and 29 per cent are farmers under 35 years old. Complementary expertise is the factor behind this result. ECOM delivers knowledge on access to markets, while Hivos is strong in organisational, social and environmental sustainability. In this way, producers can improve their businesses, but also gain access to improved soil fertility management methods that improve both productivity and coffee quality. Addressing gender issues has also been a key element in the programme. Building on these experiences, we will explore diversification to products beyond coffee, and experiment with biodigesters that produce renewable energy out of the biomass resulting from the coffee processing. Towards this aim, an application for subsidy has been submitted to the Dutch Ministry of Foreign Affairs.

Biogas programmes have brought opportunities for cooperation with the business sector elsewhere. The biogas programme in Indonesia has attracted the interest of Nestlé, which has a network of 33,000 dairy farmers supplying milk. Nestlé paid $3.1 million to co-operatives in order for them to make available interest-free loans to their members who want to construct biogas digesters. In 2012 half of this budget has been used, with a repayment rate of 100 per cent. Nestlé not only provides the capital, but also plays a role in improving awareness amongst co-operatives and stimulating their members to use biogas.

Both examples of public-private partnerships show that development organisations such as Hivos and international businesses can make a valuable joint contribution to sustainable improvement in the lives of people in local communities.

Summary of credit portfolio HTF 2012

amounts x EUR 1,000

	2012 Organisations	Amount	2011 Organisations	Amount
Loans	35	34,549	32	35,225
Participations	11	34,782	10	32,181
Guarantees	-	-	-	-
Total	**46**	**69,331**	**42**	**67,406**
Africa	13	18,650	11	17,075
Asia	10	15,530	13	19,920
Latin America	21	33,695	16	29,885
Worldwide	2	1,456	2	526
Total	**46**	**69,331**	**42**	**67,406**

The kitchen and the sty

An old door, black as soot, leans against a tree on the Waweru family yard. The building it used to open into has been demolished. Further on, the roof and the timber of the walls have been stacked into neat piles. Peter Waweru stands in the middle of the clearing he has created and wipes the sweat from his brow. Today's work is done.

When his wife Regina returns from the market she sees that her old kitchen has been broken down. Only charred remains in the red earth reveal where, until last week, she would fuss daily over her sooty pots and pans. In the dark, surrounded by thick smoke, she would fan the fire for hours to keep the coals hot. She has cooked here for as long as she can remember. She will not miss it one bit.

Satisfied, Regina goes inside and greets her husband. Business was good today. The Wawerus were able to sell their supply of goat milk and after paying for the groceries there were a few hundred shilling left. A big bag of maize meal is the most important ingredient for tonight's meal. Regina enters the first door on the right in the hallway and puts a big pan of water onto her brand new stove. She checks the gas meter: there's enough pressure for this evening. A match and a turn of the knob are all she needs to produce a clean and hot flame. Regina prepares Ugali with the maize meal without coughing and having to fan a piece of cardboard.

The new biogas digester

Peter starts the next day by tending to his pigs. The sty is barely big enough for the pregnant sow and her litter of five. A newly dug gutter in the floor of the sty is filled with pig manure. This is easily cleared out with some water. Cleaning the sty has become much easier and it no longer stinks so much. What's more, the gutter drains into a hole in the ground that is connected to the new biogas digester. This morning's manure will produce the fuel for tonight's cooking. Peter still thinks it's amazing, but he is getting used to it fast.

The biogas digester was a major investment for the Wawerus' farm. Around a third of the purchase price was paid by the Hivos/SNV biogas programme, but Peter and Regina have to pay the biggest share themselves. To finance this they took out a micro loan which will be fully repaid in four years' time. The biogas programme ensures that the loan is in order and that clients get the best out of their biogas digester by providing training and carrying out quality inspections.

Repayment

Good investments pay for themselves. The Wawerus cook on biogas, light their home with a gas lamp and

fertilize their fields with the slurry that remains in the digester. Two months ago Peter and Regina bought the last supply of coal, kerosene and fertilizer they will need. The Wawerus are already saving more than they are repaying.

Peter wants to use the savings to expand their farm. The litter of piglets that is due will stay on the farm. There is enough money for the pig feed they will need and it will not cost them anything to expand the sty. Peter will build this himself and they already have the timber for the walls and the roof: neatly stacked and blackened by soot.

Action For Change

Economics, politics and culture have become globally intertwined. This creates employment opportunities and possibilities for combating problems. But the current world order is also founded on an unequal distribution of power and wealth, on a system in which our behaviour in the North is having harmful consequences for people elsewhere. The recent crises have again demonstrated that changes 'there' require action 'here'. Global issues require solutions by citizens across the globe. Sustainable local improvements require citizens, businesses and governments – in the South and the North alike – to take responsibility and action to resolve their part in the issue.

With the Action for Change programme, Hivos wants to contribute to changes by governments, companies and households in the North that are necessary to improve lives in developing countries. Although that message is not always popular, it is more urgent than ever.

Results in 2012

- With the support of the Dutch Postcode Lottery, the Child Labour Free Zones are being expanded and strengthened in six African countries. Three new countries are in the process of adopting the same area-based approach. In addition, 26 shoe companies provided information or promised to take action against child labour within their production chain.

- 1.1 million consumers in the Netherlands were informed on the position of women labourers within the flower industry in East Africa and were urged to buy fair trade flowers. This pressure resulted in a commitment by the flower sector to increase the sustainable supply of flowers from 8 to 90 per cent in 2020.

- The Indonesian Ministry of Energy gave its active support and committed to the objective of supplying the 650,000 inhabitants of the island of Sumba with 100 per cent renewable energy.

Power of the Fair Trade flower

For women around the world, employment equals a better and more independent life. However, women who need their jobs the most, often have to pay a high price for trying to make a living. Unskilled female labourers in the developing world face hazardous working environments, long working hours and often sexual harassment. Permanent contracts, equal pay and the freedom of association remain far off. To change this situation Hivos launched the Women@Work campaign, which in 2012 set off to improve the working lives of women in the East African cut-flower industry.

By targeting the flower industry, the campaign embraced a product that is widely associated with women, but also with the Netherlands. However, despite their reputation of being 'typically Dutch', flowers are increasingly grown in developing countries. At present, 70 per cent of 'Dutch' roses originate from countries where labour conditions are all too often a cause for concern. This is especially the case for women, who make up the majority of workers in the flower sector. Women deal with low pay and job uncertainty, and often with sexual harassment and health risks due to pesticides.

Today, a mere 8 per cent of the international supply of flowers is produced sustainably, adhering to environmental standards and labour conditions. The Women@Work campaign strives to change this by informing and mobilising consumers in the Netherlands. Only when they start asking for fair flowers will the industry follow suit and make an effort. Therefore, the campaign offers consumers concrete opportunities for taking action.
An increase in consumer demand for fair trade flowers will, we expect, stimulate the flower sector to invest in improved working conditions for women and adhere to international labour standards. These investments would make a big difference for female workers in flower farms. In fair trade farms, they are allowed to take maternity leave, have time for breastfeeding and can talk about their questions and concerns in special gender committees. They can also receive information on their rights and training on how to handle abuses.

For the launch of the campaign Hivos organised an event in Amsterdam, in which Dutch artists pledged their support for the women workers in East Africa. The launch attracted attention from various magazines, newspapers and radio programmes. A total of 1.1 million people read or heard about the campaign launch.

This first stage of our consumer campaign focused on providing the general public with information on the position of women workers in the flower industry. This was done through a series of creative photos and stories on women workers on our special website www.powerofthefairtradeflower.nl. At the same time, we informed the public about the benefits of certification by presenting a series of short documentary films about women working in fair trade flower farms. We also asked people to sign a petition in support of our aim to raise the level of supply of fair flowers. At the beginning of 2013 these combined efforts led to an item on Radar, a television show for consumers. The show was watched by 2.2 million viewers.

Number of partners:
21

Liabilities:
€ 6,400,000

People reached:
1,100,000

Main partnerships
IBIS, CESVI, People in Need, LBSNN, the Dutch National Postcode Lottery

Other efforts in 2012 were directed at the industry itself. To increase the level of supply of sustainable flowers we negotiated with the large retailers Ahold and PLUS, and also started negotiations with the flower auction in Aalsmeer. Hivos is one of the founding members of the Floriculture Sustainability Initiative, which is part of the IDH (Dutch sustainable trade initiative). This business-driven initiative promotes sustainability in the production chain of flowers, and aims at a target of 90 per cent of internationally-traded flowers to be sustainably produced by 2020.

Stop Child Labour

The Stop Child Labour campaign aims to eliminate all forms of child labour. Working on the principle that 'no child should work; every child must be in school', it demands formal full-time and quality education for all children up to the age of 15. Stop Child Labour calls on all consumers, companies, governments and international organisations to be part of the solution. 215 million child workers worldwide are waiting.

The Stop Child Labour campaign focuses its attention on spreading and strengthening so-called 'Child Labour Free Zones'. These zones are places, villages, farms or plantations where no child labour exists and all children go to school. Our approach is to address parents, children, employers, teachers, unions and governments, so that they change their attitudes towards child labour and embrace the right of all children to education. Over the years, we have mobilised support for the concept from the EU, the ILO and the Dutch Ministry of Foreign Affairs. We have also moved on to engage with other relevant stakeholders worldwide, such as the African Union, UNICEF, UNESCO, local NGOs and trade unions, and win them over to following the same area-based approach for creating Child Labour Free Zones.
Thanks to the support of the Dutch Postcode Lottery, in 2012 we started to expand and implement Child Labour Free Zones (CLFZs) in nine African countries (Ghana, Ethiopia, Morocco, Uganda, Kenya, Zimbabwe, Burkina Faso, Mali and Senegal).

In 2012 we received significant political support for the Child Labour Free Zone approach through specific statements from the outgoing Foreign Affairs and Development Cooperation Ministers. Child labour is now firmly on the policy agenda of both domains. Also at the international level, recognition and support for our campaign and the CLFZs has increased. For greater impact we will be organising an international conference on this approach in Uganda in 2013 and we will present the methodology at the Global Conference on Child Labour in Brazil in October 2013.

In the Netherlands, Hivos and its campaign partners focused on the issue of child labour in the leather shoe industry. In a previous stage we commissioned a study by research organisation SOMO. Field research was done in India where child labour was found at several smaller informal production sites. Based on the research, Stop Child Labour states that no footwear company can be certain that their shoes are produced without the use of child labour.

Based on the outcomes, 28 shoe companies were approached to provide information on their policy and practice regarding child labour. Later on, they were asked to report on (possible) child labour in their production chains and to come up with action plans to address the issue. This information was crucial for our campaigning activities directed to the general public. With support of the Dutch Postcode Lottery, we developed materials for consumers to directly approach the companies and ask for child-labour-free shoes. These activities also resulted in media attention. The campaign coordinator was invited to talk in a popular programme on national television and articles appeared in various Dutch national newspapers.

All these efforts increased pressure on the companies, with the result that 26 of the 28 companies provided information on their policy and practice to prevent the use of child labour, and several communicated measures for preventing and combatting child labour in their supply chains. Since the start of the 'We want child friendly shoes' action, Hivos has established an open dialogue with ten companies. They have shown commitment to truly improving their measures for preventing child labour throughout the supply chain. Towards this aim, we also provided businesses with the campaign's Action Plan for companies, with concrete recommendations. 1,000 copies of the 2012 update of the Action Plan for Companies were distributed to companies and embassies worldwide.

The issue also received political attention in the Netherlands and at EU level. In response to the concerns of a majority of the Dutch political parties, the Dutch Minister of Foreign Trade and Development Cooperation agreed to convene a meeting between the campaign organisers and a number of Dutch footwear companies in January 2013. Dutch and EU Members of Parliament also posed questions about child labour in other sectors such as brick production in Afghanistan, hazelnut harvesting in Turkey and the Indian clothing industry.

No bed of roses

As soon as the horn sounds Fatima jumps out of bed. She only has about five minutes before the bus driver releases the horn and drives off. It's 5 o'clock in the morning on her second day of work.

Pulling her blanket around her, Fatima carefully steps over Fatiyah. Her seven-year-old daughter sleeps next to her, since her husband no longer does. The cold air of the Kenyan plains blows through the wooden walls of the house and dew seeps in under the door.

Without waking up the girl she takes the lid off a pot, eats a handful of rice from the day before and pours herself a cup of water from the bucket beside the door. That's all there is for breakfast – for now. She cleans her teeth and puts the blanket back on the bed, over Fatiyah. It's time.

Hey, noisemaker

Outside she greets the man, who for months she had been cursing, with a big smile. "Hey noisemaker, I'm awake you know." Collins, the bus driver, laughs and continues to honk the horn. "We're almost complete, welcome back!" Fatima greets the other women and in the dark she makes her way to the back of the bus. For the first time in months, Collins's horn no longer gives her a headache. Today the noise is also for her.

As soon as the bus leaves, the ladies start to doze off, their heads bobbing along to the rhythm of the road. Only Fatima and Collins are awake. He makes eye contact in the rear-view mirror. "How are you? I heard you were having a hard time." Fatima nods.

Roses

Until Fatima lost her job she used to ride along with Collins to the greenhouses every day. She used to work in the packaging department of a big rose growing company, where she earned the equivalent of one euro a day. It was enough to keep her and Fatiyah alive, but insufficient for virtually everything else. There was simply no money for school supplies, healthy food or medical care, which became painfully evident when Fatiyah suffered a severe attack of malaria.

Fatima asked her team manager for an advance on her wages so she could buy medicine for her daughter. That wouldn't be a problem, he said, provided she was willing to go to bed with him. She agreed and got the money. Fatiyah recovered, but Fatima was not relieved of her team manager. He felt entitled to more and began increasingly to demand that Fatima go to his office with him. She refused. After her two-month contract expired, the team manager told her she could leave. In the four months that followed she sold bags of water along the highway she was now travelling on again.

A new future

The neighbour who introduced Fatima to her new team manager is asleep at the front of the bus. After all the misery in her previous job, her neighbour's stories about the greenhouse they are driving to sounded like music to Fatima's ears. A higher salary and a permanent contract after one year, the right to paid maternity leave and paid overtime, taking part in staff councils, female team managers and the possibility of promotion – her neighbour had seen it all change over the years. Hivos partner COBADES, an organisation that supports women in labour disputes and makes them aware of their rights, had begun to mobilise employees. The highest bosses were willing to do something about the working conditions in the greenhouse and gradually everything improved.

As the road becomes illuminated by the lights of the first greenhouses and the scent of flowers dispels that of exhaust fumes, she answers Collins's question. "It doesn't matter. Today, the future starts again."

Hivos World Map

- Hivos Head Office
- Hivos Regional Offices
- Hivos Local Offices
- Countries where Hivos worked in 2012

Liabilities Asia

€ 15,300,000

Liabilities Worldwide

€ 14,900,000

Total Liabilities Hivos

€ 101,000,000*

Countries 27

Regional Offices 6

Local Offices 6

Partners:

713

* excluding management costs

5. Doing Things Right

As a professional organisation, Hivos wants to know on an ongoing basis if its efforts result in the desired outcome. We also want to learn what works and what does not, and under what circumstances. Evaluation, monitoring of progress, results measurement and control are the most important tools for giving us a better understanding of how we are doing.

Results measurement

Measuring results remains a topic of heated debate – for Hivos as well. While its need is uncontested, the question is whether the things we want to know can actually be measured. Also, results may only become visible in the long term. In this discussion Hivos takes a non-dogmatic position, while upholding a few guiding principles. One principle is that results measurement must lead to improved effectiveness of the partner organisations' functioning. Consequently, partners themselves should determine the methods and indicators of their results measurement (albeit in agreement with Hivos). This also means that Hivos may accept results that cannot be fully determined objectively but which, after being analysed by the partners, appear to contribute to a better intervention strategy. Another assumption is that, while the social change processes to which our partners contribute can be influenced, they certainly cannot be planned. Models can never fully capture reality and are therefore no more than a tool – useful, but not an end in itself.

The social changes to which our partners are committed often take a long time to emerge. When dealing with such long-term processes that evolve from the interplay of many different social forces, it is not easy to determine who was responsible for the result, especially if the evidence for this has to comply with high academic standards. These challenges related to results measurement do not prevent us from engaging with them. We still think that the outcomes of our measurements can be counted on. Simply confining ourselves to the most rigorous results would be a far too linear, one-dimensional approach to the complex world in which our partners operate.

The Hivos stance does not imply a loose approach to monitoring and evaluation; on the contrary. Clear agreements on results are made with each partner organisation and these are laid down in the contract. Our partners report annually on progress based on indicators that fit their situation. Hivos's programme officers visit the partners and their projects in the interim to discuss the results (and sometimes lack of results). Partners and projects are evaluated by external researchers through random sampling; in this way our efforts are regularly submitted to a reality check.

Evaluations

A substantive part of the Hivos evaluation budget is allocated towards joint evaluations together with other Dutch organisations that receive subsidy under the government's MFS-2 scheme. The responsibility for organising the evaluations and their quality control has been outsourced to WOTRO, an independent academic institution. In 2012, the baselines and (when relevant) control groups of the selected projects were established by teams from different academic institutions and consortiums. In the following years, changes will be measured against these baselines.

In 2012 we also drafted an agenda for the evaluations that Hivos itself will organise in the years to come, either in the form of real-time or developmental evaluations or as ex-post evaluations. These evaluations will serve not so much to make statements about the effectiveness of work within an entire Hivos policy field, as with our previous 'programme evaluations', but rather focus on innovations and sub-fields. Although this will be at the expense of the general validity of the results of these evaluations, it will also provide a better understanding of which approach works and why.

Inspections and financial accountability

Hivos asks its partners to provide, in addition to a detailed substantive report, a thorough financial account audited by an external auditor. Only partners with a one-time, short-term contract or organisations that receive less than 25 thousand euros from Hivos are exempt from this requirement. In their annual report partners must render account of the financial situation of the entire organisation and not only of the Hivos contribution. This allows us to gain insight into the quality of the partners' financial management as well as the legitimacy of expenditures. Hivos assesses whether the organisation's financial reserves are reasonable, if expenditures are in line with the budget and whether partners obtain sufficient income from other sources.

Hivos may also conduct inspections itself – financial audits – of partner organisations. Suspected fraud may be a reason to hold such an audit, but also the observation that a partner's financial and administrative management needs some support. If partners do not fulfil the obligation to disclose their financial situation in a timely manner, or worse, if there is mismanagement or fraud, Hivos's sanction policy will be applied.

In 2012, Hivos conducted inspections of 13 partner organisations in Indonesia, Zimbabwe, Malawi, Guatemala, Ecuador and Bolivia. Most were regular inspections, in that Hivos selected the partners because their financial management capacity was considered to be relatively weak. In most cases that assessment was confirmed and advice for improvement was provided. An often identified weakness is the governance structure, or put more

precisely, the absence of an active, knowledgeable board or supervisory council. Based on the conclusions of the inspections the contract with one partner was terminated with immediate effect. Its financial administration and internal organisation were below the standards that Hivos upholds.

In 2012 two cases (one in Bolivia, one in Uganda) were reported where fraud was strongly suspected. Although fraud could not be proven, Hivos decided not to continue the relation with these organisations, because financial management and supervision were below acceptable standards.

6. Our Partners

Hivos attaches great importance to the voices of everyone involved in its work, including a number of important stakeholders we closely collaborate with to achieve our objectives. The principal stakeholders in Hivos's work are our partner organisations in the South, the Dutch public, the government, the business sector and – last but certainly not least – Hivos's own staff.

Hivos has long-term partnership agreements with a number of organisations, funders, knowledge institutions and businesses, including the Hivos Alliance for the implementation of the Dutch government co-financing programme (MFS-2) and the European Alliance2015 network.

American foundations

Since 2005, Hivos has been working with the Open Society Foundations (OSF), an initiative of philanthropist George Soros. The OSF work to build vibrant and tolerant democracies whose governments are accountable to their citizens. That mission fits Hivos policies like a glove. The partnership has focused primarily on the area of arts and culture, particularly in Central Asia. More recently the collaboration has increasingly moved into the area of Transparency and Accountability. Both OSF and Hivos are members of the Transparency and Accountability Initiative (T/AI). This is also true of the Ford Foundation, with which Hivos has an ongoing collaboration. The scope of the partnership extends to a wide range of fields, including gay rights, women's rights, financial services and sustainable production. Geographically, Hivos and Ford Foundation co-operate in East Africa, Southern Africa, Latin America and India.

The partnership between Hivos and the William and Flora Hewlett Foundation began in 2008. They were actively involved with us in the development and funding of the Twaweza programme in East Africa. Like Hivos, the Foundation is increasingly focusing on transparency and accountability issues and attaches a great deal of importance to innovation. The Hewlett Foundation is also a partner in the T/AI.

Since 2010, Hivos has been collaborating with the Omidyar Network. This philanthropic investment company is a partner in two regional Hivos programmes: the Africa Transparency and Technology Initiative (ATTI) in East Africa and the Southeast Asia Technology and Transparency Initiative (SEATTI). We also co-operate in the framework of T/AI and within the Open Government Partnership (OGP). With Arcus, a global foundation advancing social justice and conservation issues, Hivos works to promote the rights of sexual minorities.

Dutch organisations

Hivos co-operates with a number of Dutch organisations that operate according to similar philosophies. A good example is our longstanding partnership with Oxfam Novib that encompasses numerous areas. In 2009 we took a major step forward by making arrangements about our respective roles in the South. Since 2010, Hivos and Oxfam Novib have jointly managed the thematic knowledge programme about biodiversity and agriculture. Hivos works in close partnership with SNV to implement the biogas programmes in Africa, Indonesia and Nicaragua. The technical experience that SNV has gained from similar programmes in Nepal and elsewhere has proven to be invaluable in setting up these activities.

With the National Council of City Links between the Netherlands and Nicaragua (LBSNN) we are implementing the Caminando Juntos programme. Through this initiative, Dutch municipalities that are affiliated with LBSNN contribute to better education and business development in Nicaragua. In the field of AIDS prevention, we continued our involvement with STOP AIDS NOW! (SAN!), an initiative of Aids Fonds, Cordaid, ICCO, Hivos and Oxfam Novib. These organisations combine their expertise and put their partners in touch with each other in order to develop new and effective strategies. Hivos is an active member of Partos, the sector organisation for non-governmental development organisations in the Netherlands. Partos, with more than one hundred member organisations, performs the advocacy role for the sector and stimulates quality improvements among its members. Hivos is an active participant and is involved in the policy advocacy work group. In 2012, Hivos's Executive Director completed her three-year term as vice chair of Partos.

Hivos Alliance

In 2009, Hivos, IUCN NL, Mama Cash and Free Press Unlimited formed a strategic partnership called Hivos Alliance. Together, these organisations implement programmes under the MFS-2 co-financing system, based on a long-term strategic plan for the 2011-2015 period. The Alliance members work together in a number of thematic areas. A major step in 2012 was the launch of the Internet Protection Lab, in which Free Press Unlimited and Hivos co-operate with internet provider XS4ALL. This lab provides activists, human rights defenders and journalists in authoritarian and transitional countries with the tools and methods to guarantee free and safe access to the internet. Both Hivos and Mama Cash support women's rights and women's organisations worldwide, albeit from a different angle. Whereas Mama Cash funds relatively young, emerging women's and girls' rights activist groups, the partners of Hivos have a broader scope and in many cases are also active in policy advocacy. With IUCN NL, Hivos is involved in the Leaders for Nature India initiative. This programme, together with various businesses and civil society organisations, aims at promoting a more sustainable and socially relevant corporate sector.

Alliance2015

Hivos is one of the founders of Alliance2015, its principal strategic partnership in Europe. The network, which has activities in more than 80 countries and has 13 joint offices, takes its name from the UN Millennium Development Goals, which need to be achieved by 2015. The other members are Acted (France), Concern (Ireland), Welthungerhilfe (Germany), Ibis (Denmark), Cesvi (Italy) and People In Need (Czech Republic). In 2011 (no data are available as yet for 2012) the combined expenditure totalled € 544.7 million, compared with an income of € 598.7 million. A major part of the Alliance's operations are geared towards emergency relief and rehabilitation.

Stakeholders

Partner organisations and civil society in the South

Hivos regularly organises consultations with partner organisations on every continent, mostly as part of the preparation of a new Business Plan or a long-term strategy. In addition, consultations with partners take place through conferences about specific themes. The regional offices and local representatives regularly organise meetings at which partner organisations and other local actors have the opportunity to express their views on specific Hivos policies. That is an important factor in identifying new issues and adjusting our strategy if necessary. The presence of Hivos offices in Africa, Asia and Latin America is of crucial importance in this process. Frequent as they are, these consultations have had an informal character. As part of its 2011-2015 business plan, Hivos has decided to incorporate the input from the South's civil society into its policies in a more formal way, while at the same time allowing for a certain degree of flexibility. The original idea of forming an advisory council for each separate regional office was replaced by a setup in which different civil society actors are consulted at various instances in the Hivos policy cycle. This serves to safeguard the diversity of opinions as well as flexibility. For the same reasons, Hivos decided to open its Supervisory Council to members from the regions in which we work. In 2012 the procedure for selecting three persons from the South was completed and three new members – from India, Costa Rica and Zimbabwe – were appointed to the Supervisory Council. We also commissioned a survey into the level of satisfaction among our partners about their relationship with Hivos, the results of which are expected in the first half of 2013. The study, organised together with 15 other Dutch development NGOs, was carried out by the British firm Keystone. This new approach, based on a clear separation of financing organisations and researchers, offers more opportunities for benchmarking.

Government and parliament

As Hivos's largest donor, the Dutch Ministry of Foreign Affairs is naturally an important stakeholder. Hivos also feels that it is important to keep Dutch politicians informed on a regular basis about our work and about the practice of development cooperation in general. In 2012 we focussed the dialogue on the issue of the future of development cooperation, and on developments in the MENA region, particularly with regard to women's roles. On several occasions, Hivos and the Ministry discussed the need to seize the opportunity for improving women's position in this volatile region, and to prevent a backlash in terms of obtained rights. The Dutch Minister of Foreign Affairs declared it a priority and stated that the Netherlands would take up the role of pioneer at EU level too. Hivos also managed to put the issue at the forefront of a high-level meeting hosted by the US Secretary of State during the United Nations General Assembly. We are happy to see that the Ministry has pledged support to the idea of a Women on the Frontline fund to support women in MENA countries.

Hivos also regularly met with the Ministry and spokespersons in the Dutch Parliament to discuss a wide range of themes, often together with partners from the South. This included participating in the Ministry's civil society consultation on human rights, where we discussed LGBT rights and women's rights. Other issues related to Iran, the prevention of female genital mutilation, and the release of human rights defenders. In the countries where Hivos works, we attach a great deal of importance to maintaining good relationships with the Dutch embassies. Staff members at Hivos's regional offices play a crucial role in this respect.

Business sector

In recent years, we have been collaborating more and more with businesses in a range of areas. Given its potentially important role in development processes, Hivos considers the business sector to be an important group of stakeholders in its work. Conversely, many businesses have displayed a great deal of motivation to help in the realisation of development projects. They also tend to tie corporate social responsibility more closely to their core business. Impact investment, which seeks to create social effects as well as financial returns, is a promising trend as well. In the coming years Hivos aims to create several opportunities for this type of investments.

Since as far back as 1994, Hivos has been working in close partnership with Triodos Bank. This has taken shape primarily in the form of the Hivos Triodos Fund (HTF) and the North-South Savings Plan. HTF combines the knowledge about banking and development processes: knowledge that is used for providing microfinance and other financial services. The capital for HTF originates from the savings of Dutch clients who place their money in North-South accounts with Triodos Bank. The joint savings in 2012 amounted to € 102 million.
Enterprises such as Loyens & Loeff and PwC provide knowledge and expertise, free of charge, to improve the operations of Hivos and its partners. PwC helped develop the CSR policy of Hivos on a pro bono basis, and also assisted in the proposal for the Women on the Frontline fund for the MENA region. Other businesses also provided services free of charge to Hivos, such as Storyfountain which supports activities related to external communications. As to the Hivos Action for Change campaigns, we received financial support from Sawadee Reizen and the music band Bløf for the Sumba initiative. Alpha Recruiters became a supporter of the Stop Child Labour campaign.

Business foundations are also important partners for Hivos. With Rabobank Foundation we work to promote sustainable energy in developing countries. In Indonesia, Rabobank Foundation's credit facilities extend small loans to farmers who want to build biogas digesters. Businesses also participate in the Hivos Climate Fund: by compensating for their greenhouse gas emissions they contribute to a sustainable energy supply in the South. In 2013 we will explore cooperation with more business foundations.

Dutch public and private donors

For Hivos, interactive forms of communication are an efficient tool to inform private donors and interested parties. Not only are they interested in the work of Hivos and in what our partners are doing; they also wish to share their thoughts with one another and with Hivos staff. The Hivos website offers them the means to do so. Hivos also maintains a highly active presence on social networks such as Facebook, Twitter and YouTube. On Twitter, Hivos had 5,000 followers (up from 3,000 in 2011), and we had over 3,500 page 'likes' on the Hivos Facebook account. Almost 3,000 people follow our activities by way of a digital newsletter. The special website of the Hivos knowledge programme (www.hivos.net) encourages visitors to take part in discussions about specific themes.

Relationships with donors are also maintained by means of the three-monthly Hivos Magazine (over 6,200 subscribers) and the monthly digital Newsletter, with 2,800 readers in 2012. The members of the Humanist Alliance (of which Hivos is one) organise annual networking days for staff and supporters. The Dutch public is also kept informed about Hivos's work on a regular basis in Wereldbericht ('World Message') in the electronic newsletter of humanist broadcasting company HUMAN.

Our partnership with the Dutch Postcode Lottery allowed Hivos to inform a wider audience about the impact of our programmes on day-to-day life in developing countries.

Hivos staff

Hivos considers its staff to form its social capital, and deliberately fosters a sense of openness and active participation. As such, investing in its people fully reflects the Hivos policies. All activities relating to internal training, for individuals and for teams, have been gathered in the Hivos Academy. The flagship of that programme is the Hivos Curriculum for Professionals in Development Cooperation. In 2012 we worked towards a follow-up programme that will serve as the basis for our internal training policy.

In 2012 Hivos commissioned an external scan of its organisational culture. The scan provided useful insights which will help us in the implementation of our new direction. Overall Hivos scored quite well: the organisational culture was deemed very adequate for the achievement of our goals. Still, there is scope for improvement; the scan identified, for example, too much emphasis on work orientation as opposed to employee orientation. We also carried out an employee satisfaction survey (worldwide). Here again the overall score was very good (67 per cent of the employees were satisfied with Hivos as an employer), but issues like heavy workload kept coming up. The conclusions drawn from both exercises will serve as input for the internal communication efforts and HRM practice in the next year.

Last year, regular lunchtime lectures were again organised on issues relating to policy and practice, or following visits from partner organisations or Dutch stakeholders. Information-sharing via HoRoScope, the Hivos intranet, is becoming increasingly important. With that network, we seek to encourage staff at the head office, the six regional offices and the local offices to stay informed about what is happening in the organisation and to feel involved with Hivos as a whole, even as the geographic spread increases. The Future Calling project was an important item in staff discussions.

7. How we are organised

What does Hivos's internal organisation look like, and how is Hivos managed and supervised? These questions are becoming more and more relevant. Transparency and openness are important values for Hivos, as is evidenced by our management structure, where we have visibly defined the limits of powers and where we clearly separate supervision, management and implementation.

The management and oversight of Hivos is organised according to the Supervisory Council model. In the management and working organisation, Hivos seeks to balance the need for flexibility, which is so characteristic of our field, with proper accounting and effective control systems. To achieve this, the Hivos organisation has built-in internal and external checks and balances.

Governance and advisory bodies

The Supervisory Council supervises the actions of the Executive Board and the performance of Hivos as an organisation. Management responsibility in the legal sense rests with the Board of Directors, as stipulated in the Foundation's Articles. The Executive Board comprises the Executive Director and the Director of Programmes and Projects.

The Executive Director held the following additional positions in 2012: member of the Development Cooperation committee of the Advisory Council on International Affairs (AIV) and vice chair of Partos. In her capacity as Executive Director, she represented Hivos on the Supervisory Council of the Hivos Triodos Fund, on the Directors' Council (advisory body) of STOP AIDS NOW!, on the board of the Humanist Alliance, and on the board of Alliance2015. The Director of Programmes and Projects also served as chair of the Supervisory Board of the Triodos Sustainable Trade Fund.

A council of individual advisers, which is made up of committees of experts in the various fields relating to the Hivos themes, fulfils the societal advisory function.

Internal organisation

Regional presence

Hivos strongly believes in the necessity of being close to its partners, beneficiaries and civil society in the South. We therefore started delegating the responsibility for implementing many of our programmes in the South to the regional offices by the late 1980s. In the course of the years, most of the programmes have come to be carried out by local Hivos staff in the various regions. Hivos now has six regional offices, located in Southern Africa, East Africa, India, Indonesia and Timor-Leste, South America, and Central America and Cuba. This effort has borne fruit over the years. The local presence allows communications with partners to run more smoothly and ensures that information about the local context is not only more complete but also becomes available sooner. Staff members come from the regions in question, which eliminates the risk of language problems. As a consequence, we have the flexibility to respond properly to changing circumstances. The six regional offices were responsible for 74 per cent of expenditures in 2012.

The Hivos presence on the ground has been increased in recent years, with the establishment of local offices at the national level. In 2012, Hivos had offices in Ecuador, Guatemala, Nicaragua, Tanzania, Timor-Leste and South Africa. Most of these country offices have been established to carry out and manage large-scale Hivos programmes that are mainly financed by institutional donors. Given the increasing importance of our programme in West Asia, the executive board decided to establish a liaison officer in that region. This will be implemented in 2013.

Head office

Given the increased role of the regional office in managing the Hivos programmes, the head office in The Hague mainly deals with policy development, quality control, marketing and communications, ICT, policy advocacy (through campaigns) and knowledge and learning. Programme management from the head office is limited to cooperation with the global partners and the West Asia region. This development reflects the increasing emphasis on programmes implemented directly by Hivos on the ground.

The effects of decentralisation have been largely positive, but the challenges of managing a geographically dispersed organisation are considerable. These relate in particular to the consistency of institutional policies, internal culture and communications. Over the last two years, we have been investing in measures to assure institutional unity: we put much effort into an international branding strategy, we launched a new website (www.hivos.org) that better represents each regional office, and we took the first steps towards developing a new intranet to be introduced in 2013.

Overall, the emphasis on the human aspect has been crucial, in addition to all the advantages of modern communications. Improving the exchange and team-building amongst staff throughout the organisation has been stimulated through worldwide thematic meetings and by the Hivos Academy. The importance of this training course (apart from the learning aspect) to promoting a common outlook and facilitating collaboration has been widely acknowledged; this will be maintained in the new edition of the Hivos Academy which is currently being developed. In 2013 a new setup will be finalised. In the meantime, we have shifted our

attention to a series of staff sessions on the Hivos 'theory of change'. This conceptualisation of how Hivos sees change happening provided the common ground for our interventions worldwide and fulfilled an important role in global team building.

Apart from local presence, thematic specialisation has been a main characteristic of Hivos's organisational structure since the reorganisation in 2005. As a result, specialisation has increased by concentrating on four programmes, managed by heads of programmes. Content-wise, the senior advisors – who are also based at the head office – fulfil an important role in the areas of knowledge management, programme development and networking within those programmes.

Our knowledge programmes have become more integrated in our programme development and have resulted in five specific knowledge programmes relating to Hivos's principal themes. In addition, the knowledge team played an important role in policy development within the Future Calling trajectory.

Bureaus and departments

The Executive Board is in charge of the day-to-day management of Hivos. It does so in collaboration with the Management Team, which also comprises the four heads of programme and the head of the bureau of Audit and Evaluation as well as the six regional office directors. The programmes are co-ordinated and implemented by four bureaus:

- Sustainable Economic Development;
- Democratisation, Rights, AIDS and Gender;
- Culture, ICT and Media, and;
- External Relations.

The bureau of Audit and Evaluation (TEC) is responsible for the overall financial administration and for monitoring the reliability of the accounting and financial organisation as a whole. Quality control, results monitoring and programme evaluation are part of this bureau's responsibilities as well. In 2012 further rationalisation took place with the integration of the ICT cluster in the TEC bureau. The Bureau of External Relations, which is responsible for external communications and fundraising, also carries out the three advocacy campaigns under the Action for Change programme.

The increasing diversification of Hivos's sources of finance over the years has underlined the role of the Office for Donor Relations (ODR), which is responsible for access to institutional funds. ODR assists the bureaus and regional offices in their international fundraising efforts. All matters concerning the Hivos staff are the responsibility of the Human Resources department.

Personnel and organisation

The decentralisation process has had a visible impact on the geographic location of the workforce. In 2012, Hivos had a total of 342 employees (2011: 315), of whom 119 were based at the head office in The Hague (2011: 112) and 223 worked in the regions (2011: 203). Hivos has eight expatriates working at the local offices.

Staff members at the regional and local offices – not including the expatriates – are employed based on local terms of employment, and come from the respective regions. The positions of expatriates are governed by the Expatriates (Legal Position) Regulations 2010 (Rechtspositieregeling Expatriates 2010).

Hivos's mission and its humanist values determine the general direction of the Foundation's human resources policy, which is based on the following principles:

- Justice: equal treatment and equal opportunities, with space for tailor-made solutions; respect for individuals;
- Legal security: clarity about the rights and obligations of employees and about the requirements and opportunities within Hivos;
- Openness and clarity in communications;
- Individual responsibility of employees (and management) for the results;
- Space for initiative and creativity.

In 2012 we carried out an employee satisfaction survey (worldwide). The overall score was very good (67 per cent of the employees were satisfied with Hivos as an employer), but issues like heavy work load kept coming up.

We also commissioned an external scan of the Hivos organisational culture. The scan provided useful insights that will help us design and implement our new direction. Overall, the organisational culture was deemed very adequate for the pursuit and achievement of our goals. Potential improvement can be found in a number of areas. The scan identified, for example, too much emphasis on work orientation as opposed to employee orientation.

Diversity

Hivos aims at the optimal employment of staff potential to contribute to the fulfilment of its mission. This requires that people's specific characteristics, backgrounds and

qualities are taken into account. Hivos considers diversity to be of added value for the organisation. Diversity relates to all aspects in which people differ, such as gender, age, ethnicity and physical challenges, but also less-visible features such as preferences and needs, sexual orientation, work styles and characters.

The Hivos diversity policy is based on recognising the importance of diversity and acting upon it. For the implementation a favourable institutional approach and attitude are essential. For Hivos, diversity policy is an integral component of its human resource management. A good example is the local recruitment of regional and country office staff. The number of female employees in management positions is 50 per cent. A total of 28 young employees (aged under 35) were working at the head office in 2012.

Absence due to illness

Hivos employees are characterised by huge involvement with their work. This is an asset, but it can also lead to overstretching of one's capacity. Hivos therefore has an active policy towards absence due to illness by being alert to the initial signals and by offering adequate support. In 2012, absence caused by illness was 2.9 per cent, against 3.68 per cent in 2011.

Training and education

Each year Hivos allocates 2.5 per cent of the wage bill to the development of staff skills and competencies. This is done within the framework of the Hivos Academy, the main part of which consists of an internal education trajectory for programme staff. This Hivos Curriculum is now entering its second phase. In 2012 we invested in the design of the new setup in line with the requirements following on from the Future Calling trajectory. Other components of the Hivos Academy include training and courses for programme teams or individual employees which are aimed at specific skills, such as language courses. As usual, new staff followed an introductory programme on the humanist background of Hivos, which will be continued in the new setup in 2013.

Works Council

Both Head Office and the Regional Offices have Works Councils. The HO Works Council met six times; in six instances the Council held meetings with Executive Board, and on one occasion it met with the Supervisory Council. A major topic was the Future Calling trajectory and its possible consequences for reviewing staff competencies and the number of employees needed. The HO Works Council publishes its own annual report.

Certification and quality

The quality of the way Hivos conducts its business is examined yearly by three independent institutions, each having its own approach and expertise.

The external auditor, PricewaterhouseCoopers (PwC), primarily judges the quality of the financial management and reporting, but also takes into account the quality of the administrative apparatus. Hivos's 2012 annual accounts were approved by PwC (see statement in the Annual Accounts chapter). LRQA reviews the extent to which Hivos complies with the international ISO 9001 norm. The related certificate is granted for a three-year period, with intermediary inspections at Head Office and the Regional Offices. ISO 9001 is particularly relevant for controlling the efficiency and effectiveness of processes and the capacity to pursue improvements. The current ISO 9001 certificate runs till 31 December 2015.

The Dutch Central Bureau on Fundraising (CBF) examines whether Hivos complies with the CBF certificate for charities. Apart from the effectiveness of expenditures, this certificate particularly relates to the quality and transparency of management as well as to the quality of communication. The Wijffels Code on good governance of Dutch charities is an integral part of the CBF certificate. In addition, the certificate provides norms for the costs of fundraising. The CBF certificate is granted for three years, with intermittent examination. Hivos's current certificate extends to 1 May 2014. Regarding activities in the field of humanitarian response, Hivos has signed the international code of conduct of the International Federation of Red Cross and Red Crescent Societies (IFRC).

Security policy

Hivos is active in a number of fragile states. Working in these countries means that staff may be confronted by unsafe situations (which can of course occur in other countries too). They must be prepared for these situations. With this aim, Hivos has developed and formulated its security policy 'Safety matters!'. The policy is based on an integral approach which relates all parts of the security chain: prevention, preparation, mitigation and aftercare. The policy is also dynamic, in order to be able to cope with emerging situations and new challenges.

Corporate Social Responsibility

Hivos has a long-standing practice of corporate social responsibility (CSR), but until recently we lacked a proper policy on paper. In 2012 we engaged in a broad internal process of redefining the areas in which we want to make

our CSR mark. This process led to a number of new targets and internal measures, which were laid down in the new Hivos CSR policy brochure.

The new policy sets Key Performance Indicators for all Hivos offices and staff, but also concerns CSR issues in our interactions with partners, donors, suppliers and private companies. In 2013 we will be able to provide data on these Key Performance Indicators for social responsibility.

The ambitions formulated in the policy note were the basis for a number of concrete measures introduced in 2012. On the issue of preventing greenhouse gas emissions, and in line with the message of our own campaign on sustainable energy, we do not consider compensation to be sufficient. Our goal is to reduce the total amount of pollution as well. We therefore established a target towards reducing the amount of greenhouse gases by cutting back the number of flights by 10 per cent in 2013. A detailed inventory of air travel by organisational unit was made, which will serve as a baseline for this reduction. For duty trips within Europe, travel by rail is strongly recommended.

As a continuation of earlier measures related to CSR, organic and fair trade products are used as much as possible for staff lunches at the offices. Coffee and tea are also fair and green. In 2012 we started using paper coffee cups, which are reused and then recycled. Waste paper, batteries and print cartridges are collected separately and sent to be recycled. For copying and printing, we use recycled paper. The premises are cleaned with the use of organically degradable cleaning products. Where possible we have installed energy-efficient lighting, including very economical LED lamps. The Hivos Head Office has a 'green' energy provider, and some of the regional offices use renewable sources of electricity. One example is the solar panels that generate the electricity in our Harare office.

8. Annual Accounts 2012 and Independent Auditor's Report

1. Financial management report

Financially, 2012 can be characterized as quite positive. The budget cuts and start-up of two new regional offices, which took their toll in 2011, were fully digested. New initiatives were developed and new forms of collaboration were explored, amongst others with the business sector. As a result, we were quite successful in raising funds with institutional donors. More than half (53%) of our turnover in 2012 came from other sources than MFS; this brings us well ahead of the targets set out in our business plan 2011-2015. Equally important, the funds came from a diverse set of donors, for different programs and regions. Diversity of funding helps to reduce risks, but it can also be seen as a sign of appreciation. We ended 2012 with a small deficit of € 6,100, well under the deficit of € 200,000 we expected in our budget.

Total income in 2012 came to 115,8 million euros, compared to 99,7 million in 2011. After a somewhat hesitant start in 2011, mainly because of the budget cuts, the MFS-2 funded programs and projects were implemented in 2012 as planned, resulting in a significantly higher volume of new commitments towards partners and new initiatives. Besides MFS-2, the largest grant in 2012 came from the Royal Netherlands Embassy in Bolivia, for the renewal of the gender fund managed by Hivos. Hivos was awarded a grant of almost 9 million euro, for another 4 year. Several other larger programs, among others the Tanzania Media Fund, received renewed funding as well, indicating that the donors appreciate our performance and the effectiveness of the programs.

Results and reserves

Before appropriation we recorded a positive result of 1.7 million euros. This includes a deficit of € 6,100 on operational costs, which deficit has been charged to the appropriated reserve for business operations. As indicated above, the loss was much less than budgeted, mainly due to the higher volume of funds raised by Hivos. Positive as this may be, the fact that Hivos still runs at a deficit points at a structural problem. International donors are not always inclined to contribute to overheads and support , even though they profit from the knowledge and expertise that Hivos (and other organizations) have acquired. For Hivos, the situation is further compounded by the need to set up local structures for project implementation, whose costs are then seen as overhead.

Our current business plan - Citizens in Action (2011-2015) - sets out the goal of increasing the Foundation's disposable equity to 60% of its operating costs. After the second consecutive year of running at a loss, it has become quite unlikely that this goal will be achieved. When the budget for 2012 was approved, Hivos decided to primarily use its equity for improving the Foundation's position on the international market, rather than retaining it for redundancy costs, should these arise. The board feels that Hivos' financial sustainability is best served by putting Hivos in a better position to respond to opportunities offered by partners and donors.

There were some changes in the reserves. The appropriated reserve for program management went down with 416 thousand euros. This reserve is linked to existing commitments in respect of partners and projects and is earmarked for financing management activities. Hivos has revised its system designed to supplement this reserve.
It now reflects more closely the entire rhythm of project cycle and program management and takes into account the fact that the size of the MFS subsidy is potentially subject to annual revision by the Dutch ministry of Foreign Affairs. The appropriated funds for private funds and for refunds increased. In light of the expected strong reduction of funds after 2015 Hivos decided to put aside the funds that aren't earmarked. They will be used from 2016 onwards to fund those projects which are difficult to find donors for. Currently Hivos can still fund such projects from MFS.

Hivos pursues a conservative investment policy and does not have any portfolio investments, with the exception of a participation in Triodos Bank as part of the financing of HTF and as such of Hivos's objectives.

Risks

Although Hivos has been quite successful in diversifying its income base and has therefore considerably reduced its dependency on MFS-funding, the fact remains that MFS still counts for around 50% of its income.

Not surprisingly, the main risks are related to this dependency. The Dutch government has decided to cut the budget for development cooperation with 1 billion euros, starting in 2016. Although it is not yet clear if and to what extent the MFS will be affected by the cuts, it is a distinct possibility that our income from MFS will be less than expected in 2014 and 2015. In the case of new budget cuts, Hivos will probably have to adjust to that by reducing not only staff, but also by cutting programs for partners. As with the cuts in 2011, we will then opt for clear choices, such as complete withdrawal from one or more countries or stop support for certain themes. A bigger risk is presented by the fact that the MFS-2 fund will not be continued after 2015. Hivos started preparing for that scenario already in 2011. In December 2012 the outcome of that strategic reorientation was presented to the Supervisory Council, which agreed to the main principles but asked for a more detailed elaboration of the financial sustainability of the plan. This will be presented in April 2013.

The international donor market is highly competitive. In recent years Hivos has been quite successful on that market, but there are no guarantees. We are quite confident though that by investing in the development of new programmes, for example in the field of transparency & accountability, improvement of the position of women and girls, promoting rural entrepreneurship or green energy and by improving our knowledge base on what approach works in a particular context, we will be able to continue engaging donors with our programmes. We consider our local presence as one of our assets in this respect. The opening of two new regional offices in 2011 has greatly contributed to that asset. Opening a regional office in the Middle East is at this moment not considered to be a viable option, but we will nevertheless open a liaison office in Beirut in 2013, to support our work in the Middle East and North African region.
Hivos will continue to look critically at its operational costs and seize all opportunities to cut back on them. At the same time, it should be noted that there is also a reverse trend, as each donor brings its own set of demands. This puts a pressure on the overall efficiency of the organization.

One of Hivos's most important assets is its good name. Damage to the Foundation's reputation as a result of fraud or corruption represents one of the greatest risks. Hivos has a long tradition of conducting randomly financial inspections of its own at partners. The intensity of that inspection programme will be raised – not because practice shows that the risk of fraud has increased, but because we prefer to prevent problems rather than solving them once they emerge. The internal financial audits at the regional and country offices will remain at the same high level.

Future

The challenges for the near future are, in financial terms, more or less clear: possible budget cuts on MFS, the end of MFS-2 after 2015 and a continued pressure on our capacity to recover our operating costs from international donors. These are no small challenges and especially the fact that MFS-2 will not be succeeded by a similar scheme will probably impact heavily on Hivos. For the immediate future - 2013 and 2014 – we feel we are well positioned to deal with the challenges. There are many opportunities in areas in which we have much expertise and an excellent track record – transparency&accountability, gender, human rights and democratization, sustainable agriculture and innovative rural financing – and we are comfortable working together with different actors, such as the business sector and knowledge institutions. For the future that lies a bit further ahead – 2016 and onwards – we are developing a promising new strategy, that builds on our current strengths and takes into account the changing face of development cooperation. The next two years will be used to start implementing that new strategy. All in all, we look at the future with confidence. Without denying the sometimes difficult reality, we tend to look at the opportunities rather than focusing on the threats – and will continue to do so.

The Hague, April 2013
Manuela Monteiro, Executive Director
Ben Witjes, Director of Programmes and Projects

2. Balance sheet as at 31 December 2012 after appropriation of the results

amounts x EUR 1,000

Assets	Ref.*	31-12-2012		31-12-2011	
Intangible fixed assets					
Software for business operations		926		1,072	
Intangible fixed assets	1)		**926**		**1,072**
Tangible fixed assets					
Buildings for business operations		610		503	
Furniture and fixtures for business operations		348		297	
Cars for business operations		21		26	
Buildings for objective		49		50	
Tangible fixed assets	2)		**1,028**		**876**
Financial fixed assets					
Reserved cash		19,493		19,273	
Participations/subordinated loans		3,000		3,000	
Financial fixed assets	3)		**22,493**		**22,273**
Claims, prepayments and accrued income					
Claims for grants					
Government, co-financing		*54,612*		*25,958*	
EU funds		*5,839*		*6,155*	
Other funds		*6,539*		*31,931*	
	4)		66,990		64,044
Prepayments and accrued income	5)		6,415		4,390
Claims, prepayments and accrued income			**73,405**		**68,434**
Cash at bank and in hand	6)		**34,840**		**37,763**
Total			**132,692**		**130,418**

* Ref. 1) to 6) Itemised in chapter 6: Notes to the balance sheet

2. Balance sheet as at 31 December 2012 after appropriation of the results

amounts x EUR 1,000

Liabilities	Ref.*	31-12-2012		31-12-2011	
Reserves and funds					
Reserves					
Appropriated reserve for business operations		*2,795*		*2,611*	
Appropriated reserve for programme management		*4,029*		*4,461*	
Appropriated reserve for translation differences		*24*		*185*	
	7)		6,848		7,257
Funds					
Appropriated fund, Private Funds		*2,322*		*1,308*	
Appropriated fund, Riek Stienstra Fund		*0*		*27*	
Appropriated fund, Jaap Hekkelman Fund		*0*			
Appropriated fund, Nat.Postcode Lottery		*669*		*120*	
Appropriated fund, Stop Aids Now!		*73*		*200*	
Appropriated fund, Refunds + Interest		*3,120*		*3,152*	
Appropriated fund, Currency valuation		*1,337*		*596*	
	8)		7,521		5,403
Reserves and funds			**14,369**		**12,660**
Long-term liabilities					
General loan fund		*84*		*85*	
Participation in North-South Plan		*718*		*722*	
Guarantees issued		*22,398*		*22,398*	
			23,200		23,205
Long-term project liabilities					
Government, co-financing		*17,955*		*16,722*	
EU projects		*635*		*5,678*	
Other projects		*1,630*		*38,717*	
			20,220		61,117
Long-term liabilities	9)		**43,420**		**84,322**
Current liabilities					
Current project liabilities					
Government, co-financing		*46,123*		*9,219*	
EU projects		*3,810*		*1,979*	
Other projects		*16,845*		*17,397*	
			66,778		28,595
Taxes and pension premiums payable			0		168
Accruals and deferred income			8,125		4,673
Current liabilities	10)		**74,903**		**33,436**
Total			**132,692**		**130,418**

* Ref. 7) to 10) Itemised in chapter 6: Notes to the balance sheet

3. Statement of income and expense for the year ended 31 December 2012

amounts x EUR 1,000

Income		Actual 2012	Budget 2012	Actual 2011	Budget 2013
Income from direct fundraising					
Donations and gifts		*1,219*	*1,250*	*1,048*	*1,500*
Legacies		*70*		*169*	
Climate fund CO_2 compensation		*510*		*299*	
Income from direct fundraising	A	1,799	1,250	1,516	1,500
Income from third-party campaigns		15,118	7,250	5,866	5,000
Grants from governments		97,100	83,910	91,043	82,956
of which MFS-2 grant of Alliance partners		*3,605*	*3,605*	*3,410*	*3,505*
Other income		1,810	800	1,243	1,100
Total income	B	**115,827**	**93,210**	**99,668**	**90,556**

3. Statement of income and expense for the year ended 31 December 2012

amounts x EUR 1,000

Expense		Actual 2012	Budget 2012	Actual 2011	Budget 2013
Spent on objectives/Programmes (new commitments)					
Green Entrepreneurship		*28,235*	*33,000*	*30,869*	*22,380*
Rights & Citizenship		*42,869*	*32,000*	*46,531*	*30,785*
Expression & Engagement		*28,318*	*19,970*	*8,189*	*24,591*
Action for Change		*6,701*	*2,000*	*4,664*	*5,050*
MFS-2 programmes of Alliance partners		*3,605*	*3,605*	*3,410*	*3,505*
Total expenditure on objectives	*C*	**109,729**	**90,575**	**93,663**	**86,311**
Costs spent on objective as a % of total income (= C / B)		*94.7%*	*97.2%*	*94.0%*	*95.3%*
Costs spent on objective as a % of total costs (= C / F)		*96.2%*	*97.0%*	*96.2%*	*95.7%*
Spent on generating income					
Costs of direct fundraising	D	367	272	313	300
Direct fundraising: costs as a % of income from direct fundraising (= D / A)		*20.4%*	*21.8%*	*20.6%*	*20.0%*
Costs of third-party campaigns		293	114	99	100
Costs of obtaining government grants		1,883	749	1,513	1,670
Total costs of generating income		**2,543**	**1,135**	**1,925**	**2,070**
Management and accounting costs	E	**1,846**	**1,700**	**1,782**	**1,825**
Man. and accounting costs as a % of total income (= E / F)		*1.6%*	*1.8%*	*1.8%*	*2.0%*
Total costs	F	**114,118**	**93,410**	**97,370**	**90,206**
Operating Result		**1,709**	**-200**	**2,298**	**350**
Extraordinary expense					
Exchange risk Regional Office budget					-150
Total extraordinary expense		**0**	**0**	**0**	**-150**
Results before appropriation		**1,709**	**-200**	**2,298**	**200**
Added to/withdrawn from:					
- Appropriated reserve for programme management		432		-315	
- Appropriated reserve for business operations		-184		450	
- Appropriated reserve for translation differences		160		111	
- Appropriated funds for Programmes		-2,118		-2,943	
Total addition/withdrawal		**-1,709**	**0**	**-2,697**	**0**
Results after appropriation		**0**	**-200**	**-399**	**200**

4. Cash flow statement for the year ended 31 December 2012

amounts x EUR 1,000

Using the indirect method	2012		2011	
Cash flow from operating activities				
Results before appropriation	1,709		2,298	
Amortisation and depreciation	436		444	
Movements in claims for grants	-2,946		17,366	
Movements in other claims	-2,025		-2,114	
Movements in long-term liabilities	-5		1,636	
Movements in long-term and current project liabilities	-2,714		45	
Movements in current liabilities	3,284		398	
Cash flow from operating activities		**-2,261**		**20,073**
Cash flow from investing activities				
Additions to intangible fixed assets	-126		-382	
Additions to tangible fixed assets	-316		-70	
Additions to financial fixed assets	-220		-504	
Cash flow from investing activities		**-662**		**-956**
Cash flow from financing activities				
Income from long-term liabilities	0		0	
Repaid on long-term liabilities	0		0	
Cash flow from financing activities		**0**		**0**
Movements in cash at bank and in hand		**-2,923**		**19,117**
Recapitulation				
Cash at bank and in hand at end of financial year	34,840		37,763	
Cash at bank and in hand at start of financial year	37,763		18,646	
Movements in cash at bank and in hand		**-2,923**		**19,117**

5. Accounting principles

These are the annual accounts of Hivos Foundation in The Hague. The annual accounts have been prepared in accordance with the Guidelines for Reporting by Fundraising Organisations and with due observance of the Financial Regulations for the MFS co-financing system of the Dutch Ministry of Foreign Affairs/Development Cooperation. The annual accounts have been compiled after appropriation of the results. All amounts in the explanatory notes are denominated in euros, except where stated otherwise. The accounting principles have remained unchanged since the previous financial year.

5.1 General notes

5.1.1 Activities

Hivos supports more than 700 partners in 27 countries in Africa, Asia and Latin America. Hivos provides those local private organisations with financial resources, expertise, advice and political support. Hivos also develops programmes of its own, while the Foundation is also active in the field of advocacy, both in the international arena and in the Netherlands. As a partner in coalitions and a broker of contacts Hivos is a member of numerous networks. Civil society building and sustainable economic development make up Hivos's central policy areas. Its programme is chiefly put into practice by the regional offices in Zimbabwe, India, Costa Rica, Indonesia, Kenya and Bolivia. Those offices are responsible for an important share of the dealings with partner organisations, which they offer advice and assistance, as well as providing capital, expertise and contacts. Hivos uses its extensive knowledge programme to encourage parties to gather, exchange and apply expertise for development.

5.1.2 Changes to estimates

Hivos carried through a change to its estimates for the realisation of the Programme Management Fee (PMF) in 2012. In prior years, the PMF was calculated based on the amounts actually transferred. The new method divides the available PMF into two portions: 95% is spread equally over the period covered by the programme, while 5% is allocated to the six months after completion. Realisation is based on three assessments: 1) whether all available funds were used, 2) budgeted expenditure versus actual payments during a given year and 3) outstanding amount as a % of the total versus the remaining duration.

5.1.3 Consolidation

These annual accounts combine the balance sheets and statements of income and expense of the Hivos offices in the separate countries with the annual accounts of the Hivos head office. The Board of Directors of Hivos has full control over all those offices. As all the offices use one system, transactions between the separate offices are eliminated.

The offices included in the consolidation are the following:
Head office *(The Hague, the Netherlands)*
Southern Africa regional office *(Harare, Zimbabwe)*
East Africa regional office *(Nairobi, Kenya)*
Central America regional office *(San José, Costa Rica)*
South America regional office *(La Paz, Bolivia)*
India regional office *(Bangalore, India)*
Southeast Asia regional office *(Jakarta, Indonesia)*
South Africa country office *(Johannesburg, South Africa)*

5.1.4 Notes to the cash flow statement

The cash flow statement has been prepared using the indirect method. The financial resources in the cash flow statement comprise cash at bank and in hand. Cash flows denominated in foreign currencies have been translated at an average exchange rate. Interest income and expense is included in the cash flow from operating activities. Transactions that do not involve any incoming or outgoing cash flows are not presented in the cash flow statement.

5.1.5 Estimates

To apply the accounting principles and rules for compiling the annual accounts, the Executive Board of Hivos is required to form opinions about various matters and to make estimates that might be essential for the amounts presented in the annual accounts. Estimates have been made regarding the collectability of claims. Hivos is not exposed to any risks to its results in this respect, since the liabilities balancing the claims need not be paid if a claim proves to be a bad debt.

5.2 Valuation principles

5.2.1 General

The consolidated annual accounts have been prepared in accordance with the provisions set out in par. 650 of the Guidelines for Annual Reporting in the Netherlands.
As a rule, assets and liabilities are presented at acquisition or manufacturing price or at the current value. If no specific valuation principle is given, valuation is based on the acquisition price. The balance sheet, income statement and cash flow statement include references to the explanatory notes.

5.2.2 Comparison with the previous year

5.2.3 Foreign currencies

Assets denominated in foreign currencies have been translated at the exchange rates prevailing as at the balance sheet date. Translation differences are taken to the statement of income and expense.

5.2.4 Intangible fixed assets

Intangible fixed assets are presented at acquisition price less amortisation. The amounts presented take into account the effect of impairment.

5.2.5 Tangible fixed assets

Land and buildings are presented at acquisition price plus additional costs or manufacturing cost less straight-line depreciation calculated over the estimated remaining useful life. The amounts presented take into account the effect of any impairment that is expected as at the balance sheet date. No provision for major repairs has been formed for the costs of major repairs to the buildings.

Other fixed assets are presented at acquisition or manufacturing price including any directly attributable costs, less straight-line depreciation calculated over the estimated remaining useful life and less impairments.

5.2.6 Financial fixed assets

Reserved cash refers to cash held as security for liabilities, as required by the Dutch Ministry of Foreign Affairs/ Development Cooperation's guidelines for loans and guarantees. Participations in and subordinated loans granted to partner organisations are valued at 1 euro.

5.2.7 Claims for grants and other claims

Claims for grants refer to claims on governments and other authorities arising from liabilities into which the Foundation has entered based on agreements to that effect as part of its programme; these amounts include the related programme management fee.

Upon initial recognition, other receivables are presented at the fair value of the consideration, expressed in euros. Allowances for bad debts are deducted from the claim's book value.

5.2.8 Cash at bank and in hand

Cash at bank and in hand is presented at face value and is denominated in euros.

5.2.9 Provisions

Provisions are formed for liabilities and risks connected to the business operations. They do not pertain to specific assets. Provisions are presented at the best estimate of the amounts needed to settle the liabilities as at the balance sheet date. Provisions are presented at the face value of the projected expenditure required to settle the liabilities, unless stated otherwise.

5.2.10 Reserves and funds

5.2.10.a Appropriated reserves

Projects approved during the reporting year are presented as expenses. The corresponding grants are presented as income, including the programme management fee. The unrealised programme management fee is held in the appropriated reserve for programme management. The portion of the programme income that has not yet been spent is added to the appropriated reserve for programme funds.

The appropriated reserve for business operations is freely disposable.

5.2.10.b Appropriated funds for programmes

All sums that are received during a given year and that relate to a specific appropriated fund are added to the funds. The programme liabilities (including the programme management fee realised) are added to the funds.

5.2.11 Long-term liabilities and other liabilities

Upon initial recognition, long-term liabilities are presented at fair value and are denominated in euros.

Liabilities denominated in foreign currencies have been translated at the last available exchange rates as at the balance sheet date. Any translation differences are taken to the statement of income and expense. Project liabilities represent all liabilities that the Foundation has in connection with financing agreements entered into with partner organisations.

5.3 Principles for determination of the results

5.3.1 General

Income and expense are allocated to the period to which they pertain in the statement of income and expense. This allocation is based on consistent practices. The balance sheet is compiled with due consideration of the amounts that pertain to a particular period but were received or paid during another period. Losses are presented as soon as they are foreseeable; income is presented as it is realised.

5.3.2 Legacies

Legacies are presented in the year during which their value can reliably be determined.

5.3.3 Grant income

Grant income, including the programme management fee, is accounted for in the year in which the entitlement becomes definite. Changes to the value of grants are deducted from the grant income during the year in which the grant awarded changes.

5.3.4 Project liabilities

Project liabilities are presented in the year during which the liability becomes definite.

5.3.5 Costs

All costs, with the exception of extraordinary items, are allocated to the various cost categories, based on business criteria and with due observance of the relevant Guidelines of the Dutch Association of Fundraising Organisations, VFI: spent on objectives / generating income / management and accounting costs.

Wages, salaries and social security charges are presented in the statement of income and expense in accordance with the terms of employment, insofar as they are payable to employees.

5.3.6 Pensions

Hivos presents all its pension schemes as defined contribution schemes. The premiums payable for the reporting year are presented as an expense.

5.3.7 Translation differences

Currency translation differences stemming from the settlement or translation of monetary items are presented in the statement of income and expense during the period in which they emerge.

5.3.8 Amortisation of intangible assets and depreciation of tangible fixed assets

Intangible fixed assets, including goodwill, and tangible fixed assets are amortised and depreciated from the moment that they are taken into use, over the expected remaining useful life of the asset. Land and investments in property are not depreciated. If the estimated remaining useful life changes, the future amortisation and depreciation are adjusted accordingly.

6. Notes to the balance sheet as at 31 December 2012

amounts x EUR 1,000

ASSETS

1) Intangible fixed assets

The accumulated acquisition prices of and amortisation on the intangible fixed assets as at 31 December are as follows:

	acquisition price 31-12-2011	disposals 2012	acquisition price after disposals	accumulated amortisation 31-12-2011	disposals 2012	accumulated amortisation after disposals	book value 01-01-2012	additions 2012	amortisation 2012	book value 31-12-2012
Intangible assets for business operations										
software (4 years)	1,328	-21	1,307	256	-21	235	1,072	126	272	926
Total intangible fixed assets	**1,328**	**-21**	**1,307**	**256**	**-21**	**235**	**1,072**	**126**	**272**	**926**

2) Tangible fixed assets

The accumulated acquisition prices of and depreciation on the tangible fixed assets as at 31 December are as follows:

	acquisition price 31-12-2011	disposals 2012	acquisition price after disposals	accumulated depreciation 31-12-2011	disposals 2012	accumulated depreciation after disposals	book value 01-01-2012	additions 2012	depreciation 2012	book value 31-12-2012
Tangible assets for business operations										
buildings (10-50 yrs)	1,086		1,086	583		583	503	149	42	610
furniture and fittings (3-10 yrs)	1,180	-46	1,134	883	-46	837	297	167	116	348
cars (5 yrs)	91	-24	67	65	-24	41	26		5	21
Tangible assets for objective										
building in Harare (50 yrs)	106		106	56		56	50		1	49
Total tangible fixed assets	**2,463**	**-70**	**2,393**	**1,587**	**-70**	**1,517**	**876**	**316**	**164**	**1,028**

1) The offices premises with land and gardens in The Hague, at Raamweg 15 and 16, listed in the Land Register as Municipality of The Hague, section X, number 472, 5 ares and 55 centiares in size, and number 522, 5 ares and 55 centiares in size, were purchased for € 635,292 in 1987. The value for purposes of the Dutch Valuation of Immovable Property Act (Wet waardering onroerende zaken) in 2012 was € 1,350,000.

2) The office premises in Harare, stand 2956, Salisbury Township, 2855 centiares in size, was purchased for € 76,245 at the end of 1994. Any book profit realised on the sale of these office premises will accrue to the Southern Africa programme, whereas a loss will be charged to the Foundation

3) Financial fixed assets

Reserved cash	2012	2011
Hivos's bank accounts, North-South Plan	954	945
Deposit & guarantee for Hivos's bank accounts	18,538	18,328
Total reserved cash	**19,493**	**19,273**

These funds serve to cover the deposit for the Hivos-Triodos Fund (HTF) and the guarantee provided to Stichting Triodos Sustainable Trade Fund (TSTF)

Participations/subordinated loans	**3,000**	**3,000**

The subordinated loans total € 15,790,581 and were provided to Hivos-Triodos Fonds (HTF) for the purpose of financing HTF participations in local credit institutions in the South. The value of the loans has been set at € 1.
The current value of the participations to which the subordinated loans are linked is € 35,434,954

The participations can be broken down as follows:
1) Triodos Bank N.V., 43,817 depositary receipts of shares with a purchase value of € 2,999,932
The net asset value of these depositary receipts as at 31/12/2012 was € 3,286,275

4) Claims for grants

All outstanding claims at year-end concern claims on donors and are as follows

	2012	
	Total	Remaining term > 1 year
Direct fundraising	225	103
Third-party fundraising	3,526	1,582
Grants	63,238	39,642
	66,990	**41,327**

5) Prepayments and accrued income

Prepayments and accrued income as at 31 December can be broken down as follows:

	2012
Debtors not including grants	2,236
Current account between head office/regional offices	2,820
Prepayments (employees/travelling)	143
Project prepayments	651
Receivable (and prepaid)	504
Other	61
	6,415

6) Cash at bank and in hand

Cash at bank and in hand is at the Foundation's disposal.
Cash at bank and in hand can be broken down as follows:

	2012
In hand	8
Bank	34,832
	34,840

Liabilities

7) Reserves

The reserves serve to guarantee the continuity of the business operations in the short and medium term.

	Appropriated reserve for business operations	Appropriated reserve for programme management	Appropriated reserve for translation differences *)	Total reserves
Balance as at 1 January 2012	**2,611**	**4,461**	**185**	**7,257**
Added	190	7,777[1)]		7,967
Withdrawn	6	8,209[2)]	161	8,376
Total movements in 2012	184	-432	-161	-409
Balance as at 31 December 2012	**2,795**	**4,029**	**24**	**6,848**

*) The Hivos offices abroad use local currencies. For consolidation into the Hivos annual accounts, which are denominated in euros, the 2011 and 2012 end-of-year exchange rates have been used for the balance sheet. The average exchange rate for 2012 has been used for the statement of income and expense. The resulting differences are settled in the reserve for translation differences.

1) Approved programme management fee

2) Realised programme management fee

Appropriated reserve for business operations	31-12-2012	Added from results	Withdrawn and added to results	01-01-2012
Continuity reserve for business operations	2,265	190	6	2,081
Maintenance to buildings	110			110
ICT	200			200
Education (Hivos acadamy)	220			220
Balance as at 31 December	**2,795**	**190**	**6**	**2,611**

8) Funds

Programme funds	**Income category**	31-12-2012	Added 1)	Withdrawn 2)	01-01-2012
Private Funds	direct fundraising	2,322	1,167	153	1,308
Riek Stienstra Fund	direct fundraising	0	0	27	27
Jaap Hekkelman Fund	direct fundraising	0	70	70	0
National Postcode Lottery (NPL)	third-party campaigns	669	4,089	3,540	120
Stop Aids Now! (SAN!)	third-party campaigns	73	500	627	200
Refunds and interest	government grants	3,120	405	437	3,152
Currency valuation	all categories	1,337	1,213	472	596
Saldo per 31 december		**7,521**	**7,444**	**5,326**	**5,403**

1) Additions represent the income for 2012,

2) Withdrawals represent the new programme liabilities for 2012,

9) Long-term liabilities

Hivos's long-term liabilities comprise project liabilities with terms of more than 1 year plus other liabilities.

	Balance as at 31-12-2012	Payment obligation beyond 2013	Payment obligation beyond 2014	Payment obligation beyond 2015
Long-term project liabilities				
Government, co-financing	17,955	11,886	4,721	1,348
EU projects	635	590	45	0
Other projects	1,630	1,579	51	0
	20,220	**14,055**	**4,817**	**1,348**

10) Current liabilities

Hivos's current liabilities comprise project liabilities payable within 1 year plus other liabilities.
Accruals and deferred income as at 31 December can be broken down as follows:

	2012
Creditors	1,869
Outstanding costs	3,599
Outstanding project payments	1,388
Payments in transfer	1,168
Payable taxes	23
Other	78
	8,125

Other Information:

Pension charges: Stichting Hivos Foundation of The Hague is a member of the PFZW pension fund. This pension scheme can be qualified as a defined benefit scheme. Pursuant to Article 310 of RJ Guideline 271, this scheme may be presented as a defined contribution scheme, meaning that only the pension charges need be presented in the statement of income and expense.

Commitments and contingencies not included on the face of the balance sheet:
The following long-term rental agreements have been entered into:
- Raamweg 17, ground floor and 1st floor. Lessor: Van Rossum, beleggingsmakelaardij & bedrijfsvoering.
  The rental obligation until 31-12-2015 is € 61,015 (price level for 2012).

7. Overview of funding for programmes and projects for 2012

amounts x EUR 1,000

Programme funds: movements in claims for grants	Total funds	Co-financing Ministry of Foreign Affairs	European Union	Government & other funds
Claims for grants				
Balance as at 1 January 2012	**64,044**	**25,958**	**6,155**	**31,931**
Movements in project liabilities for 2012	*99,164*	*46,949*	*1,975*	*50,240*
Programme management fee for 2012	*7,777*	*4,539*	*149*	*3,089*
Add: claims for grants in 2012	106,941	51,488	2,124	53,329
Less: grants received in 2012	105,299	50,778	2,440	52,081
Movements in currency valuation at 31-12-12	1,060			1,060
Reconciliation up to year-end 2012	244			244
Balance as at 31 December 2012	**66,990**	**26,668**	**5,839**	**34,483**

Programme funds: movements in project liabilities	Total funds	Co-financing Ministry of Foreign Affairs	European Union	Government & other funds
Project liabilities				
Balance as at 1 January 2012	**89,712**	**25,941**	**7,657**	**56,114**
Add: movements in project liabilities for 2012	99,164	46,949	1,975	50,240
Less: transferred for projects in 2012	101,633	42,293	5,187	54,153
Movements in currency valuation at 31-12-12	0			
Reconciliation up to year-end 2012	-244			-244
Balance as at 31 December 2012	**86,998**	**30,596**	**4,445**	**51,957**

EUR Contracts

Donor	Hivos Fund number	Reference	Cur-rency	Fund Amount	Received	Partner Contracts: Contracts before 2012	Partner Contracts: Contracts in 2012	Partner Contracts: Total	Partner Payments: Payments before 2012	Partner Payments: Payments in 2012	Partner Payments: Total
Min BuZa	Div	DSO/MO-28/2011	EUR	256,673	103,202	79,381	51,488	130,869	52,650	47,623	100,273
	1000015	18384/DMW0109305	EUR	29,940	15,383	24,162	580-	23,582	5,640	8,901	14,541
	1000120	22272/DMH0113190	EUR	183	129	75	108	183	71	58	129
	1000216	MRF2012-2015; act.no. 23512	EUR	1,995	747	-	333	333	-	56	56
	1000217	MRF 2012-2015; Act.no. 23511	EUR	1,500	749	-	726	726	-	403	403
	1000293	Act.no. 24675	EUR	1,000	250	-	49	49	-	-	-
	1000302	Activity no. 25006	EUR	1,298	216	-	-	-	-	-	-
CIDA	1000173	ICT EW	EUR	235	221	49	99	148	-	80	80
DFID	1000227	202351-102/ 41959/ 40050815	EUR	2,491	942	-	2,289	2,289	-	579	579
EU	Div	Div	EUR	10,575	2,497	4,133	2,358	6,490	697	2,004	2,701
NORAD	1000200	INS -11/0036	EUR	1,257	807	-	1,205	1,205	-	313	313
RNE Indonesia	1000026	ACT 19565 VS NR	EUR	5,162	2,565	5,117	-	5,117	2,212	830	3,042
	1000033	IN20750	EUR	30	18	30	-	30	-	30	30
	1000088	Activity Nr 17557	EUR	424	137	412	12	424	161	14	175
	1000224	20750	EUR	31	31	-	31	31	-	31	31
RNE Mozambique	1000061	Activity 18487	EUR	18	61	63	-	63	57	-	57
RNE Zimbabwe	1000150	22979	EUR	130	129	130	-	130	65	65	130
	1000273	SBE 1312S00 Human Rights Facility	EUR	1,320	958	-	989	989	-	734	734
	1000285	Activity no 224653	EUR	100	50	-	100	100	-	49	49
RNE South Africa	1000286	Activity no 24211	EUR	4,006	390	-	2,806	2,806	-	58	58
SDC	1000163	DCI-FOOD/2010/242-563	EUR	121	-	117	4	121	-	115	115
	1000167	ACTAF	EUR	100	-	100	-	100	-	68	68
	1000172	DCI-NSA PVD/2009/228-110	EUR	57	57	56	-	56	-	53	53
	1000209	Cosude-Cieric	EUR	57	-	-	-	-	-	-	-
SIDA	1000027	72900071/01	EUR	300	266	300	-	300	267	-	267
	1000148	72900071/01	EUR	176	-	75	30	105	30	60	90
	1000297	54030364	EUR	3,520	1,159	-	206	206	-	11	11
			EUR	-	-	22,455	6,741	29,196	10,256	8,026	18,281
				322,698	**130,965**	**136,654**	**68,995**	**205,649**	**72,105**	**70,163**	**142,268**

USD Contracts

Donor	Hivos Fund number	Reference	Currency	Fund Amount	Received	Partner Contracts: Contract before 2012	Partner Contracts: Contracts in 2012	Partner Contracts: Total	Partner Payments: Payments before 2012	Partner Payments: Payments in 2012	Partner Payments: Total
CIDA	1000160	KMP	USD	305	256	68	219	287	21	157	178
DANIDA	Div	ZADT	USD	15,387	14,988	4,667	9,627	14,294	4,667	9,627	14,294
DANIDA	1000213	104.Ken. 141-11-20-4.Nbo	USD	697	697	-	570	570	-	399	399
DFID	1000183	ARIES Code Nr. 200304	USD	2,973	2,973	2,973	-	2,973	-	2,973	2,973
	1000192	200120-102/40049683	USD	3,022	1,122	-	1,087	1,087	-	572	572
	1000206	PO 5731, 2011/S-36 059176	USD	7,060	1,780	-	3,913	3,913	-	1,952	1,952
	1000314	ARIES Code Nr 200304	USD	4,803	1,623	-	-	-	-	-	-
Ministry of Foreign Affairs Finland	1000189	NIC-2289 NIC07/004 Avtale	USD	8,207	6,300	8,207	-	8,207	3,142	4,111	7,252
The Global Fund	1000024	BOL-910-G09-H	USD	6,393	5,558	6,393	-	6,393	2,367	4,025	6,393
	1000102	GUA-311-G05-H	USD	21,950	14,954	21,912	38	21,950	5,663	9,613	15,276
	1000175	MEI-011-G01-H	USD	4,314	2,487	2,850	1,198	4,048	446	1,764	2,210
	1000253	GUA-M-MSPAS	USD	125	125	-	125	125	-	125	125
	1000299	GUA-311-G05-H	USD	3,672	-	-	-	-	-	-	-
	1000301	GUA-M-MSPAS-2	USD	41	41	-	41	41	-	41	41
	1000316	BOL-910-G09-H	USD	220	-	-	220	220	-	220	220
	1000317	BOL-910-G09-H	USD	14,491	-	-	-	-	-	-	-
NORAD	1000169	Cultural Cooperation in Zimbabwe	USD	1,540	1,412	1,193	218	1,411	597	791	1,388
	1000315	ZIB-0300 Agreement no. 11/0044	USD	9	9	-	-	-	-	-	-
RNE Bolivia	1000030	Contrato No. LAP0110874	USD	2,015	1,039	2,015	-	2,015	1,089	930	2,019
	1000230	LAP0110874 - Act 19156	USD	4,000	3,990	4,000	-	4,000	1,072	2,925	3,996
	1000279	Fondo Emancipación LAP0110874	USD	12,000	684	-	12,000	12,000	-	693	693
RNE Kenya	1000277	Activity 23921	USD	1,500	500	-	71	71	-	12	12
	1000322	Activity 23921	USD	144	-	-	-	-	-	-	-
SDC	1000019	Tanzania Media Fund Phase I	USD	1,845	743	1,845	-	1,845	1,459	19	1,477
	1000223	7F-01069.02	USD	977	614	-	947	947	-	947	947
	1000306	81014847	USD	9,400	-	-	115	115	-	21	21
SIDA	1000184	SIDA Contract nr. 32100001-01	USD	2,306	-	2,306	-	2,306	2,306	-	2,306
	1000201	32100001-01	USD	4,489	4,489	-	4,489	4,489	-	4,489	4,489
US Department of State	1000283	S-LMAQM-12-CA-1126	USD	1,250	-	-	62	62	-	-	-
			USD	-	-	6,718	14,716	21,434	3,955	5,070	9,025
				135,137	66.386	65,147	49,657	114,804	26,784	51,478	78,262
			Value in EUR	101.779	49.999	49,066	37,911	86,977	20,210	39,645	59,855
Totals in EUR				424.477	180.964	185,720	106,906	292,626	92,315	109,808	202,123

8. Notes to the allocation of expense for 2012

amounts x EUR 1,000

Appropriation	Objective						Income raised				Mngt & Acc	Total 2012	Budget 2012	Total 2011
Expense	Green entre-preneur-ship	Rights & Citizen-ship	Expres-sion & Engage-ment	Action for Change	MFS2 alliance partners	Total objec-tive	Direct-fund-raising	Third-party Cam-paigns	Gov-ern-ment	Total income raised	Total mngt. & account.			
Grants and contributions	25,412	38,582	25,486	6,031	3,605	**99,116**						**99,116**	78,311	81,631
Publ. and communication	96	145	96	23		**360**	148			**148**		**508**	619	645
Employee costs	2,120	3,220	2,127	503		**7,969**	191	255	1,639	**2,085**	1,212	**11,265**	10,903	11,365
Costs of housing	110	167	110	26		**413**	8	10	67	**85**	85	**583**	533	556
Office and general expenses	416	631	417	99		**1,563**	17	23	147	**187**	460	**2,210**	2,618	2,729
Amortisation, depreciation and interest	82	124	82	19		**307**	4	5	30	**39**	89	**435**	426	444
Subtotal operating costs	*2,824*	*4,287*	*2,832*	*670*		**10,612**	*367*	*293*	*1,883*	**2,543**	**1,846**	**15,001**	**15,099**	**15,739**
Totals	**28,235**	**42,869**	**28,318**	**6,701**	**3,605**	**109,728**	**367**	**293**	**1,883**	**2,543**	**1,846**	**114,117**	**93,410**	**97,370**

9. Notes to the results for 2012

Budget versus actual figures

Income

The income available for Hivos's objective totalled € 115.8 million in 2012, whereas € 93.2 million had been budgeted. All categories – direct fundraising, third-party campaigns and government grants – generated more income than had been budgeted. Part of the reason for the difference lies in Hivos's deliberate decision to budget conservatively. In addition, as was demonstrated again this year, it is difficult to predict how much time will be involved in the whole process of submitting proposals, assessing them, having the donor issue approval in principle and eventually achieving approval for the budget and the plan of implementation. The first and last phases, in particular, can take longer than expected. The largest grant aside from the MFS co-financing grant came from the Dutch embassy in Bolivia and from CIDA, for a four-year women's emancipation fund (more than 9 million euros). Major grants were also made available for the follow-up to the Tanzania Media Fund and a human rights programme in Central America, whose participants also include cultural activists.

As lead agency for the Hivos Alliance 'People Unlimited 4.2', Hivos realised € 3.6 million in income for the other members of the Alliance (Free Press Unlimited, Mama Cash and IUCN-Nl). That income was passed on to the Alliance members in its entirety.

Expense

Expenditure related toHivos's objective came to € 109.7 million in 2012 (including the contributions for Hivos Alliance members). Expenditure on the objective therefore represented 95% (approximately) of the total income and 96% of the total expense.

The percentage spent on the objective compared with the total income fell just short of the percentage budgeted. Unspent income is appropriated in programme funds.

The differences between the expenditure on programmes and the budget were relatively large. The budget is based on the business plan. The ratio within the 'working supply' of proposals at institutional funds remains close to that plan on the whole; however, it is difficult to predict what proposals will achieve success and when that will happen. As a consequence, the amounts for total income and expense tend to fluctuate strongly from one year to the next.

Costs of direct fundraising came to € 367,000, which is higher than had been budgeted. However, since income was also higher than budgeted the costs as a percentage of income remained slightly below budget (20.4%). Despite the relative success, the costs of direct fundraising continue to demand Hivos's attention. The relatively low volume of funds means that any minor change will immediately impact the ratio between expense and income.

The costs of direct fundraising are composed of the following elements:the full employee costs for the staff responsible for direct fundraising (3.6 FTEs) plus a mark-up per FTE for material costs (accommodation, office supplies, ICT). The mark-up is calculated by translating the total of the relevant material costs to Hivos's total employee costs. Costs of mailing campaigns and other promotional material are also allocated to this item.

Costs of fundraising on the international market are showing a marked increase. This is a necessary development, and the increase reflects the growing share of those funds in Hivos's total income. Nevertheless, the rising costs of international fundraising are also placing greater pressure on programme management, since the market for international funds makes little allowance, if any at all, for costs of fundraising, which must therefore be funded from the programme management fee. The costs of international fundraising are allocated as follows: the full employee costs of the Office for Donor Relations, 25% of the costs for the heads of programmes, directors of regional offices and senior advisers and 5% of the costs of other programme staff.

Hivos's management and accounting costs are low compared with other major charitable organisations. This is thanks in part to the organisation's own efforts, but is also, and

more importantly, caused by the fact that Hivos passes on most of its income to organisations in the South.

Management and accounting costs are allocated in accordance with the guideline of the Dutch Association of Fundraising Organisations (VFI). The employee costs for the Managing Director and the executive secretariat, for quality control and internal controls and for the Finance department are allocated entirely to management and accounting. The proportion that these positions represent in the overall workforce at the head office is then used to allocate the employee costs for the Human Resources department. The costs of the ICT and Facility Management department are allocated based on the number of jobs.

Financial results

On balance Hivos realised a positive result of € 1.7 million before appropriation in 2012. This includes a deficit of € 6,100 in the funding of the operating costs. That deficit has been charged against the appropriated reserve for business operations.

The positive result before appropriation stemmed from the fact that part of the income was not immediately converted into liabilities to partners and projects. That income (2.1 million euros) was added entirely to the appropriated fund for programmes. The resources in that appropriated fund may only be utilised to finance partners and projects. Since the MFS-2 co-financing system will not be continued after 2015 Hivos will have much fewer freely (or at least relatively freely) disposable resources than at present. With that situation in mind, Hivos has decided to earmark the freely disposable resources that it receives between 2012 and 2015 for expenditure from 2016 forward, and to maintain the programme fund until that time. This will enable Hivos to continue to finance a number of the innovative projects for which no donor has yet been found in 2016 and beyond. In addition, a sum of € 432,000 was withdrawn from the appropriated reserve for programme management. These resources are earmarked for covering the implementation costs arising from liabilities entered into before 2012. The withdrawal was partially balanced by an addition of € 184,000 to the appropriated reserve for business operations and a withdrawal of € 161,000 from the appropriated reserve for translation differences.
The purpose of the appropriated reserve for translation differences is to compensate for the fluctuations resulting from the circumstance that more and more of Hivos's implementation costs are denominated in other currencies than the euro. The addition to the appropriated reserve for business operations relates to local regulations in some of the countries where Hivos has set up offices (in particular South Africa and India) that prohibit local surpluses from being used elsewhere within the group.

Allocation of expense

The table labelled 'Notes to the allocation of the expense' shows a substantial increase in the grants and contributions (financial resources made available to partner organisations) compared with the budget. This matches the higher income realised in 2012. The increase compared with 2011 is substantial, because Hivos seeks to have spent (committed) 95% of the entire MFS co-financing grant by the end of 2014. As 2011 saw a slow start in this respect owing to the cutbacks, this means that expenditure was relatively high in 2012. The same trend will be visible in 2013 and 2014. Subsequently expenditure will diminish sharply in 2015 and resources will only be transferred to partners and projects, at least from the MFS co-financing grant.

As was the case last year, the allocation of expense uses a series of allocation keys, and is based on the various cost categories and the extent to which the specific costs can be allocated to the three categories: the objective, fundraising and management and accounting. Each allocation key distinguishes between the costs relating to our office in The Hague and the costs that concern the regional offices.

Operating costs were also higher than budgeted. The principal items are employee costs and office and general expenses. The increase was caused by two developments. More than was previously the case, Hivos now also implements projects of its own, forcing it to take on staff or temporary workers. Examples include the Kenya Media Fund and the Strengthening Accountable Governance programme in Zimbabwe (which are both managed locally) and the Digital Defenders Partnership, which is not tied to any specific region and is managed from The Hague. The second reason is that increased diversification of financing also leads to more programme staff – although diversification is positive in terms of financial sustainability, as matters stand it has not yet helped the Foundation's efficiency. The increase is visible primarily at the regional and country offices. Staff increases automatically result in higher general office and general expenses. We managed to cut costs by implementing a single integrated financial accounting system and increasing the intensity of the internal controls, rendering it unnecessary

for all offices to use the services of the same auditor and allowed them to engage cheaper, local auditing firms. Worldwide Hivos's workforce grew from 315 to 342 employees in 2012, chiefly as a result of the fact, mentioned above, that Hivos has started to implement more projects directly. Another reason is that the campaigns in The Hague are now at full strength. Approximately 65% of the workforce is based at the regional and country offices, where they are responsible for programme management (selecting and monitoring partner organisations) and programme development. The duties of the head office staff in The Hague include programme and policy development, programme management for Western Asia, central services such as finance, ICT and quality systems and implementation of the Action for Change programme in the Netherlands.

10. Remuneration of the Executive Board

The Supervisory Council determines the remuneration policy, the amount of the remuneration of the Executive Board and the amounts of the other elements of remuneration. Following an assessment in 2011, this package was once more confirmed in 2012, in accordance with the Remuneration Committee's advice. The Supervisory Council bases its decision on the VFI Advisory Regulations for the Remuneration of Directors of Charities, which use weight criteria to determine maximum standards for annual incomes. As a consequence, the remuneration policy and the amount of the remuneration of the Executive Board fall within the scope defined in the guidelines of the Wijffels Code and within the standard defined by the Dutch Ministry of Foreign Affairs for MFS co-financing organisations. The latter compliance is examined separately by the auditor as part of the MFS report.

The relevant actual annual incomes of the Executive Board for 2012 were € 111,294 (1,06 FTE/12 months) for the Executive Director Ms M. Monteiro and € 80,197 (1 FTE/12 months) for the Director of Programmes and Projects Mr B. Witjes.
The BSD scores, as they are commonly known (the scores for weight criteria based on the VFI Advisory Regulations as they applied in 2010), were 443.7 and 408 points, respectively.
These remunerations remained below the relevant ceilings (Wijffels Code, VFI, MFS organisations).

The amounts and composition of the remuneration is shown in the table below.

Name	**M.M. Monteiro**	**B.G.M. Witjes**
Title	Executive Director	Director of Programmes and Projects
Employment		
Type of contract (duration)	**permanent**	**permanent**
hours	38	36
part-time percentage (full time = 36 hrs)	105.56%	100.00%
period	1/1-31/12	1/1-31/12
Remuneration (EUR)		
Annual income		
gross wages/salary	102,587	74,256
holiday allowance	8,207	5,940
end-of-year bonus, 13th/14th month		
variable annual income	500	
Total	**111,294** *	**80,197** *
Social security charges (employer's contribution)	5,937	8,613
Taxable allowances/additions		
Pension charges (employer's contribution)	15,853	10,905
Other future remuneration		897 1)
End-of-employment payments		
Total remuneration for 2012	**133,084**	**100,612**
Total remuneration for 2011	128,503	92,762

*) Relevant for DG standard of the Dutch Ministry of Foreign Affairs
1) Reservation for employer's contribution to sabbatical leave

Independent auditor's report

To: the Board of Stichting Hivos

We have audited the accompanying financial statements 2012 of Stichting Hivos, The Hague, which comprise the balance sheet as at 31 December 2012, the statement of income and expenditure for the year then ended and the notes, comprising a summary of accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with the Guideline for annual reporting 650 "Charity Organisations" of the Dutch Accounting Standards Board. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of Stichting Hivos as at 31 December 2012, and of its result for the year then ended in accordance with the Guideline for annual reporting 650 "Charity Organisations" of the Dutch Accounting Standards Board.

PricewaterhouseCoopers Accountants N.V., Thomas R. Malthusstraat 5, 1066 JR Amsterdam, Postbus 90357, 1006 BJ Amsterdam
T: 088 792 00 20, F: 088 792 96 40, www.pwc.nl

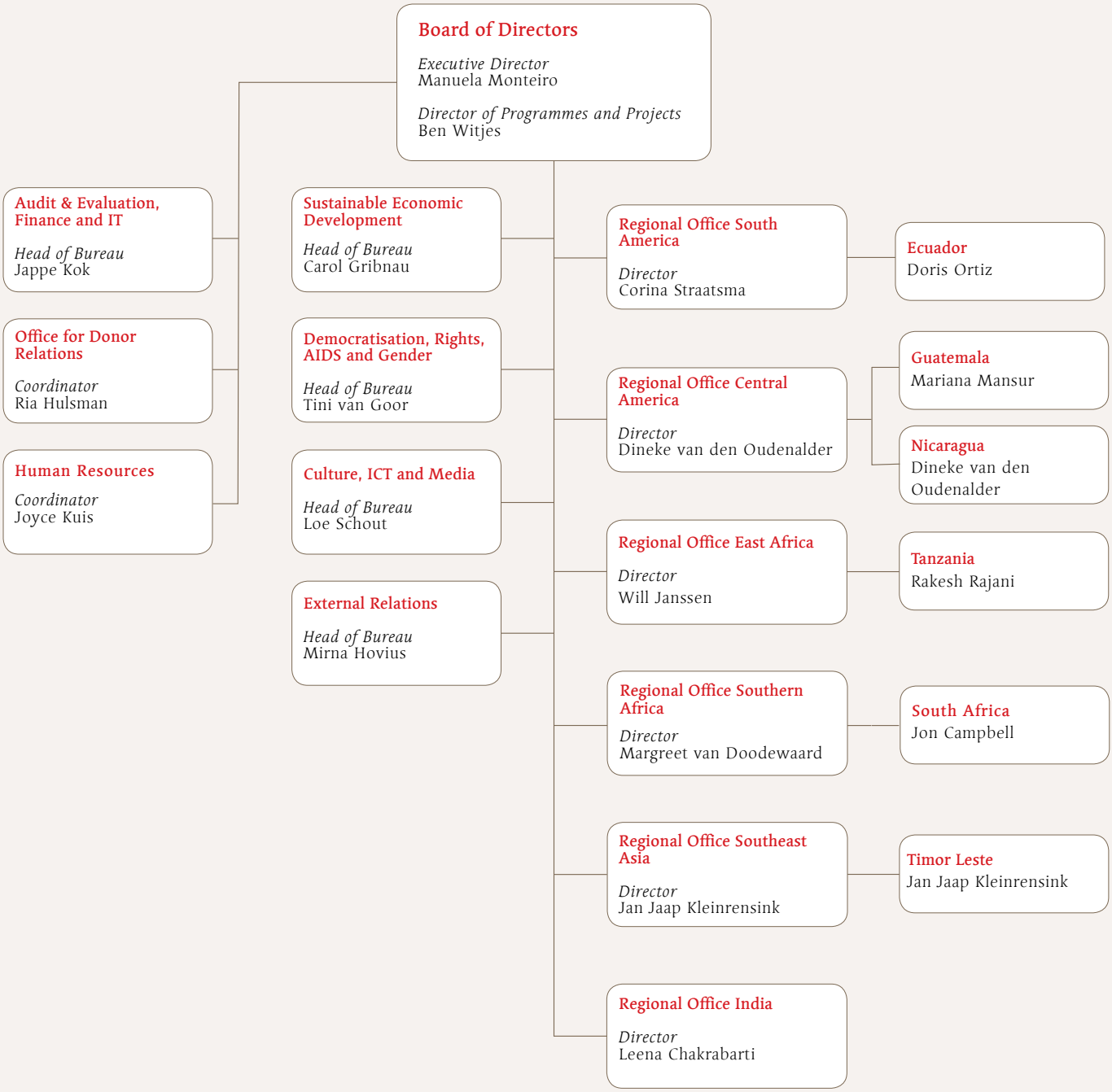
Announcement according to the annual report

We have read the annual report in order to identify material inconsistencies, if any, with the audited financial statements. Based on reading the annual report we established that the annual report is consistent with the information in the financial statements and that the annual report contains all information required by Guideline for annual reporting 650 "Charity Organisations" of the Dutch Accounting Standards Board. We have not audited or reviewed the information in the annual report.

Amsterdam, 16 April 2013
PricewaterhouseCoopers Accountants N.V.

Original signed by: H.A. Wink RA MBA

Organisational Chart by 31-12-2012



Expenditure per country

Country	Total
Africa	
Africa wide *	4,271,740
Kenya	5,267,372
Malawi	1,282,135
Mozambique	10,020
Namibia	206,250
Regional East-Africa *	9,133,516
South Africa	1,270,922
Tanzania	4,621,479
Uganda	3,950,053
Zambia	980,536
Zimbabwe	14,039,895
Regional Southern Africa *	1,072,611
Total	**46,106,529**
Asia	
Cambodia	342,341
India	4,281,163
Indonesia	5,181,181
Iraq	561,676
Iran	1,230,730
Kyrgyzstan	136,665
Regional: Asia Wide *	1,896,913
Regional: West Asia	75,439
Sri Lanka	3,500
Syria	372,168
Timor Leste	487,625
Total	**14,569,401**
Latin America	
Bolivia	8,680,606
Cuba	867,195
Ecuador	824,917
El Salvador	8,142
Guatemala	8,692,316
Honduras	662,233
Regional: Central America *	2,652,933
Nicaragua	5,254,442
Peru	776,010
Regional South America *	815,608
Total	**29,234,403**
Worldwide *	**10,520,065**
The Netherlands	**1,202,926**
Hivos total	101,633,324

* Including HTF expenditures

Regional Offices

Regional Office Central America
Del Centro Comercial Plaza Mayor
320 este, sobre el Boulevard Rohrmoser, Pavas
San José, Costa Rica
T +506 2231 0848 | +506 296 0706
F +506 2232 2974
hivosro@hivos.or.cr

Regional Office South America
Calle 12 de Calacoto, No. 10
La Paz, Bolivia
T +591 2277 3530
hivosbolivia@hivos.bo

Regional Office Southern Africa
20 Phillips Avenue Belgravia
P.O. Box 2227 Harare, Zimbabwe
T +263 4 706 704 | +263 4 250 463
+263 4 706 125
F +263 4 791 981
chuma@hivos.co.zw

Regional Office East Africa
ACS Plaza, 3rd Floor Lenana Road
P.O. Box 19875 00202
Nairobi, Kenia
T +254 20 3861 372 / 3 / 4
info@hivos.or.ke

Regional Office India
Flat no. 402, Eden Park
No. 20 Vittal Mallya Road
Bangalore – 560001, India
T +91 80 2221 0514
F +91 80 2227 0367
hivos@hivos-india.org

Regional Office Southeast Asia
Jl. Kemang Selatan XII no1
Jakarta Selatan 12560, Indonesia
T +62 21 789 2489 | +62 21 7883 7577
F +62 21 780 8115
hivos@hivos.or.id

Local Offices

Latin America

Guatemala
19 Avenida 0-89 Zona 15
Vista Hermosa II, Guatemala
T +502 2369 7776 | +502 2369 7778
F +502 2369 7775
info@hivos.org.gt

Ecuador
Toledo N 24-660 y Coruña

T +593 2 290 0318 | +593 2 290 0110
+593 2 223 4049 | +593 2 290 4581
F +593 2 290 4580
d.ortiz@hivos.nl or dortiz@hivos.ec

Nicaragua
De la entrada de Residencial Lomas del Valle
1 cuadra al oeste y 20 mts. al norte m/d.
Managua, Nicaragua
T +505 2705 761

Africa

Tanzania
P.O. Box 38266
Dar es Salaam, Tanzania
T +255 266 4301 / 4
F +255 266 4308

South Africa
Postnet Suite 515, Private Bag X113,
Melville 2109, Johannesburg, South Africa
T +27 11 726 1090
F +27 11 726 5576
info@hivos.co.za

Asia

Timor Leste
Rua Cardoso Dias No.17, Bairro Central,
Dili, Timor Leste, Indonesia
T +670 443 0030
F +670 331 2578
rdelarosa@hivos.or.id or asantos@hivos.or.id

Colophon

Photography:
Cover: Adrian Chiyah Jose Alvarez - Cia. nomad
Page 08 Siebe Anbeek
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Page 41 Ronald de Hommel

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Hivos – April 2013

Hivos
Raamweg 16
P.O.Box 85565
2508 CG The Hague
The Netherlands
T +31 (0)70 376 55 00
F +31 (0)70 362 46 00
info@hivos.nl
www.hivos.org